

GAMBLING COMMISSION

9 February 2010

Don Foster MP
House of Commons
London
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Dear Mr Foster

Parliamentary question numbers 310114, 310118, 310138, 310139, 310151, 310152, 310255, 311641 answered on 12 and 20 January 2010

In response to your various Parliamentary Questions answered on 12 and 20 January 2010, the Minister for Sport, Gerry Sutcliffe has asked me to write to you on the following matters:

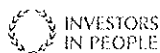
- what steps the Gambling Commission (the Commission) has already taken to increase the effectiveness of the regulation of online gambling and the allocation of funding to assess the effect on the promotion of the licensing objectives.
- the powers the Commission has available to regulate and sanction online operators based outside of Britain
- what discussions the Commission has had with regulators outside of the European Economic Area and white-listed jurisdictions on the effective uses of the regulation of operators providing gambling services to customers in the UK.

The regulation of online gambling

The Commission has taken a number of steps to increase the effectiveness of the regulation of online gambling by:

- strengthening the requirements we place on operators to be clear about where they are regulated and, in particular, about which products are regulated by us and which are not. We were responding to evidence that consumers were confused about where different gambling products were regulated and were looking to the Commission to act on products which were not regulated by us.
- improving general consumer awareness about gambling by publishing a consumer awareness leaflet. This provides advice to consumers on what to look out for when gambling online, including checking whether and where products are regulated; whether and how their funds are protected; whether there is a clear complaints procedure to deal with disputes; and whether the operator has measures such as financial limits and self exclusion in place to help players gamble responsibly.

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- requiring our licensed operators to meet technical standards and requirements for testing. This involves obtaining robust independent testing of the higher risk elements of gaming products to ensure the product is fair and we have increased the number of test houses recognised to do this.
- requiring our licensed operators to implement best practice in information security measures by meeting a relevant international security standard. This is important for the protection of players' personal data and funds from unauthorised use.
- requiring our licensees to report suspicious betting activity and suspected money laundering to relevant authorities. These requirements were strengthened as part of the 2008 revision of our licence conditions and codes. As a result of suspicious betting activity being reported to the Commission we have considered over 70 potentially criminal cases of cheating in sports betting between September 2007 and September 2009, of which 27 were passed to the relevant sports governing body for investigation and 6 are under active investigation in which the Commission is involved.

In addition the Commission has:

- successfully stopped unlicensed gambling websites operating from Britain as a result of our investigations and direct intervention with those hosting such websites in Great Britain, either by closing down the sites or by getting the operators correctly licensed.
- tackled foreign advertising; for example we have stepped in to stop a major football club using strip sponsored by an overseas operator not permitted to advertise in the UK.
- contacted mainstream publishers and internet search engines to ensure they are compliant with the Gambling Act's advertising provisions.
- suspended licences of those regarding whom the Commission had evidence that they were engaged in money laundering in other jurisdictions.
- secured public assurances from a major licensed operator that relevant changes to terms would in future be notified in advance.
- secured improvements in age verification procedures and other social responsibility measures from both Commission licensed and overseas operators as a consequence of our test purchasing exercises.

It is not possible to identify separately funding to assess the effect of on-line gambling on the licensing objectives since the sort of evidence needed for such assessments come from a variety of activities and sources not usually targeted solely at the impact of on-line gambling. Since the Commission came into existence just over 3 years ago, it has been provided with grant in aid of approximately £500k each year to look into the prevalence of gambling and problem gambling, both remote and non-remote. The Commission also provides £250k a year to the Responsible Gambling Strategy Board (RGSB) to provide it with advice on the research, education and treatment components of a responsible gambling strategy. The RGSB will in turn help the industry funded research programme to focus better on cause and effect and ways of improving the regulatory framework. The Commission also uses its licence fee income in part to help develop a risk based approach to compliance and enforcement. This work provides us with intelligence on the risks posed by online gambling to the licensing objectives and, over time, with other sources of intelligence, for example on suspicious transactions or complaints, will help us assess the impact of online gambling and the effectiveness of the regulatory regime on the achievement of the licensing objectives.

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Powers to regulate and sanction online operators based outside of the UK.

The Commission has no powers to regulate or sanction online operators based outside the UK. The current system, now under review, prohibits overseas operators not regulated in EEA states and white-listed jurisdictions from advertising in Great Britain.

As explained above, the Commission can deter and stop illicit advertising by targeting those involved that are based in Britain such as publishers and UK based internet service providers. Similarly the Commission can and does disrupt and deter overseas operators from using UK based servers to provide gambling whether to consumers based in Great Britain or elsewhere.

The Commission also uses mystery shopping of overseas sites targeting British consumers and its contacts with overseas regulators to put pressure on overseas operators to match British standards for responsible gambling provision.

As you know DCMS is about to consult on proposals for licensing those overseas operators who wish to offer gambling remotely to those in Great Britain. Under those proposals the Commission would be able to require and enforce compliance with our standards on overseas operators licensed by us.

Discussions with regulators outside of the European Economic Area and white-listed jurisdictions.

You also ask what discussions the Commission has had with regulators outside of the European Economic Area and white-listed jurisdictions on the effective uses of the regulation of operators providing gambling services to customers in the UK.

As an active member of both the International Association of Gambling Regulators (IAGR) and the Gambling Regulators European Forum (GREF) and indeed chair and co-chair of their respective eGambling working groups we and, before that, the Gaming Board, have been involved in multi lateral and bilateral discussions (both in person and by email/phone) with regulators across the world interested in the effective regulation of on line gambling for a number of years. As part of the current work to establish good practice guidelines and to promote common minimum standards the working groups are looking at the scope for improved cross-jurisdictional cooperation and the effectiveness of measures such as IP blocking and financial controls.

Please let me know if I can provide you with further information or if you would like to discuss any aspects of on-line gambling regulation.

Yours sincerely



Jenny Williams
Commissioner and Chief Executive