

GAMBLING COMMISSION

Gambling Commission submission to the Australian Senate Community Affairs Committee

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1 The Gambling Commission¹

- 1.1 The Gambling Commission was set up under the Gambling Act 2005 and was formally established in October 2005. It has taken over the role previously played by the Gaming Board for Great Britain in regulating casinos, bingo, gaming machines and lotteries.
- 1.2 The Commission also has responsibility for the regulation of betting and remote gambling. In addition, the Commission is responsible for advising local and central government on issues related to gambling.
- 1.3 The Commission is not responsible for regulating spread betting or the National Lottery which are the responsibility of the Financial Services Authority and the National Lottery Commission, respectively.
- 1.4 The Gambling Commission is a Non-Departmental Public Body, sponsored by the Department for Culture, Media and Sport. It operates at arm's length from government and its advice is independent.
- 1.5 The Commission has no role in relation to the prosperity or otherwise of different parts of the gambling industry unless this affects the achievement of the licensing objectives as outlined below. Its work is funded mainly by licence fees from the gambling industry.

2 The Gambling Act 2005²

- 2.1 The Gambling Act which was passed by Parliament in April 2005 and which came fully into force on 1 September 2007 contains a new system to regulate the provision of all gambling in the UK. The key objectives of the Act (and the Gambling Commission) are:
 - keeping gambling crime free
 - making sure that gambling is fair and open
 - protecting children and vulnerable people from being harmed or exploited by gambling

3 Gaming Machines

- 3.1 The regulatory requirements for gaming machines come from:
 - The Gambling Act 2005
 - Licence conditions and codes of practice
 - Premises Licences
 - Regulations made under the Act
 - Technical standards

4 The Gambling Act: Definition of gaming machines

- 4.1 A gaming machine is a machine that is designed or adapted for use by people to gamble. Gaming machines provide games of chance (which is defined to include both games which depend solely on chance and those which depend on skill and chance combined) where the prizes awarded are in money or money's worth. Gaming machines, commonly known as fruit, club or jackpot machines, depending on their stake and prize, are generally physical reel-based, though are increasingly becoming video style in venues such as casinos.

¹ A brief introductory leaflet to the Gambling Commission is available to download from www.gamblingcommission.gov.uk/Client/mediadetail.asp?mediaid=65

² The Gambling Act 2005 can be found at http://www.opsi.gov.uk/acts/acts2005/ukpga_20050019_en_1 Part 10 relates to gaming machines

Other types of gaming machines include pusher and crane grab machines which generally offer only small prizes. Machines which offer games where the outcome is determined by skill alone are not classed as gaming machines and are free of regulatory control.

4.2 Several devices or systems which are caught by the Act's definition of a gaming machine have been deliberately excluded by other provisions in the Act including:

- domestic or dual use computers
- telephones or other machine for facilitating communication
- machines designed or adapted to bet on future real events
- lottery terminals
- machines designed or adapted for the playing of bingo (including by way of prize gaming)
- machines designed or adapted for the playing of bingo by way of prize gaming in reliance on a family entertainment centre gaming machine permit or a prize gaming permit
- semi automated casino games
- fully automated casino games

5 Licence Conditions and Codes of Practice³

5.1 Companies or individuals manufacturing or supplying gaming machines in Great Britain require an operating licence from the Gambling Commission. The majority of operators making gaming machines available for use need an operating licence and a premises licence (discussed below) from their local licensing authority. The exceptions are clubs and unlicensed Family Entertainment Centres (FEC), which need to obtain a permit from their local licensing authority, and alcohol licensed premises (such as pubs and hotels with a separate bar).

5.2 Additionally gaming machines with low stakes and prizes (category D machines) were previously available in premises such as take away food shops and minicab and taxi offices. Under the Gambling Act 2005 gaming machines are no longer permitted in these premises and will be phased out from such premises as existing permits expire.

5.3 The Commission has developed general licence conditions and codes of practice that govern how gambling facilities are provided and managed, and how gambling is conducted, with which the holders of operating licences must comply.

5.4 The Commission's Licence Conditions and Codes of Practice (LCCP), published on 1 June 2007 and in force since 1 September 2007, set out the rules which operators must observe to meet the Commission's three licensing objectives. Provisions within the conditions and codes cover issues including the promotion of responsible gambling, marketing and self exclusion.

5.5 Additionally one of the conditions of manufacturing gaming machines is adherence to the Commission's Gaming Machine Technical Standards. The Commission has powers to prosecute operators who fail to maintain the standards it sets and can impose fines operators who breach their licence conditions.

5.6 The Commission is currently reviewing the LCCP and intends to publish an updated version in October 2008 that will come into force on 1 January 2009.

³ More information on the Gambling Commission's licence conditions and codes of practice can be found at <http://www.gamblingcommission.gov.uk/Client/detail.asp?ContentId=69>

6 Premises licences

6.1 Conditions can also be attached to premises licences and there are a number of mandatory and default conditions⁴ attached to all premises licences. For example, a condition of all premises licences is that any ATM available on the premises must be located in a place that requires a customer to cease gambling if they wish to use it. There are no prescribed limits on how much can be withdrawn from an ATM either through premises licences or other regulatory means.

7 Gaming machine stake and prize limits

7.1 There are several categories of gaming machines with various stake and prize limits and which are permitted in different locations. The Categories of Gaming Machines Regulations⁵ set out the stake and prize limits. These are:

Category	Maximum stake	Maximum prize
A	Unlimited	Unlimited
B1	£2	£4,000
B2	£100 (in multiples of £10)	£500
B3	£1	£500
B3A	£1	£500
B4	£1	£250
C	50p	£35
D	10p/30p	£5/£8

7.2 Category A is the highest category of gaming machine and can offer unlimited stakes and prizes. This category of machine is only permitted in a regional casino, although the Government does not intend to allow a regional casino at this time.

7.3 There are five sub-categories of category B machines (B1, B2, B3, B3A and B4) with different stake and prize limits. Sub-category B3A machines enable a person to participate in a lottery but not in any other form of gambling and these are permitted in members' clubs and miners' welfare institutes only.

7.4 Category D machines with a 10p stake are entitled to offer prizes of up to £5 in cash, or up to £8 (non-monetary) in total, consisting of up to a maximum of £5 in cash and the remainder in non-monetary prizes. Category D machines with a 30p stake can offer £8 in non-monetary prizes only. Children and young people under 18 can only play category D machines and thus not any other category.

7.5 The Government plans to bring forward by a year a review of stakes and prizes for low stake gaming machines. The review will only examine category C and D machines (50p stake/£35 prize and 10p stake/£5 prize respectively) and the review of stake and prize levels on all other categories of gaming machine will go ahead as planned in 2009.

⁴ The mandatory and default licence conditions for premises licences can be found at http://www.opsi.gov.uk/si/si2007/pdf/uksi_20071409_en.pdf

⁵ The Categories of Gaming Machine Regulations 2007 are available at http://www.opsi.gov.uk/si/si2007/pdf/uksi_20072158_en.pdf

8 Locations⁶

8.1 The categories and numbers of machines permitted depend on the type of premises on which the machines are provided. The locations in which each category of machine is permitted, and any restrictions, are set out in the table below:

Premises	Categories of machines permitted	Restrictions
Regional casino (under 2005 Act) - the Government does not intend to allow a regional casino at this time.	categories A to D	Maximum 1250 machines
Large casinos (under 2005 Act) – there are none in place at present	categories B1 to D	Maximum 150 machines
Small casinos (under 2005 Act) – there are none in place at present	categories B1 to D	Maximum 80 machines
Existing casinos (under 1968 Act) – there are around 144 casinos in Britain	categories B1 to D	Maximum 20 machines
Betting shops – there are around 8800 betting shops in Britain	categories B2 to D	Maximum 4 machines
Bingo halls – there are around 675 bingo premises in Britain	categories B3 to D	Maximum 4 B3 or B4 machines, unlimited numbers of category C and D machines
Adult gaming centres (AGCs)	categories B3 to D	Maximum 4 B3 or B4 machines, unlimited numbers of C and D machines
Non-commercial clubs	categories B3A (clubs or miners' institutes only), B4 to D	Maximum 3 machines. For clubs or miners' institutes only one of these can be a B3A machine
Licensed family entertainment centres (FEC)	categories C to D	Unlimited numbers of C and D machines. Children are able to enter the designated area of a licensed FEC where only D machines are available for play.
Alcohol licensed premises	categories C to D	Entitled to 2 machines, but more can be applied for through the licensing authority.
Unlicensed FEC	category D	Unlimited category D machines
Travelling fair	category D	Unlimited category D machines

8.2 The Government is consulting on increasing, from 4 to 8, the number of category B3 gaming machines that bingo halls can make available, but has rejected proposals from the adult arcade industry to increase significantly the numbers and stakes of B3 machines in Adult Gaming Centres where the current limit is 4.

⁶ See DCMS Media Fact Pack August 2007 for more details on the number of gaming machines allowed in each location.

9 Gaming Machine Technical Standards⁷

- 9.1** The Gaming Machine Technical Standards, which were published on 1 June 2007, set out in detail the Commission's requirements with respect to game features, display notices and general machine operation. The standards were developed to help ensure that the Commission's three licensing objectives are met, and stipulate social responsibility measures in order to do so, for example, setting controls with respect to how game links may be used and speed of play.
- 9.2** The Commission consulted widely with representatives from the industry when developing its technical standards and reviewed gaming machine guidelines and standards operated in other jurisdictions. Our standards were developed by examining and addressing the possible risks associated with each category of machine.
- 9.3** For example the standards for the protection of components and control program authentication are far more detailed for category A and B1 machines than for category C and D machines. Similarly, compensated gaming machines are permitted for category B3, B4, C and D, but not on the higher stake and prize machines.
- 9.4** A feature of British gaming machines over many years has been the availability of game links such as 'holds'. Such a feature allows the player to hold a reel band position from the current game to the next and can result in a prize won in the current game being repeated in the next. In order to prevent such a feature being used to create a series of winning games, thus circumventing the statutory maximum prize, controls have been included within the standard such as preventing game links after a win on higher categories of machines and on lower categories restricting the availability of a chance to 50% or less and restricting the number of consecutive links possible.
- 9.5** The proposed Australian Poker Machine Harm Minimisation Bill 2008 includes a speed of play limit. In Britain the limits on speed of play depend on the category of game. For category B2 machines, which have up to a £100 stake and £500 prize, there must be at least 20 seconds between the start of one game and the start of the next. For B1, B3, B3A, and B4 there must be at least 2.5 seconds between the start of one game and the start of the next. For category C and D machines there must be at least 1.5 seconds between the start of one game and the start of the next, but the average duration of games over a period of one hour should not be less than 2.5 seconds; these categories tend to have feature games that, once entered, take some time to complete.
- 9.6** Multiple line betting and free games/ spins are permitted in Great Britain. However, the free spins/ games are still considered part of the initial game, rather than a new game. Accordingly, even if a player is allocated several free spins/ games within a game the total prize relating to those must not exceed the statutory maximum for the single game of that category of machine

10 The Gaming Machine (Circumstances of Use) Regulations 2007⁸

- 10.1** The operation of gaming machines is also controlled by regulations issued by the Government. These regulations and the Commission's technical standards have been designed to work in conjunction with each other. The regulations cover areas such as methods of payment, payment limits, bank and credit operation and autoplay.

⁷ Links to all the gaming machine technical standards can be found at <http://www.gamblingcommission.gov.uk/Client/detail.asp?ContentId=218>

⁸ The Gaming Machine (Circumstances of Use) Regulations 2007 can be found at http://www.opsi.gov.uk/si/si2007/pdf/uksi_20072319_en.pdf

- 10.2** The regulations prevent the use credit and debit cards to make a payment to a machine and limit the amount that may be credited in any one action to £20 either via cash or smart card where manufactured after 1 September 2007 (for machines manufactured prior to this date the smart card limit is £100).
- 10.3** These regulations also set restrictions on the operation of bank and play bank systems (a dual meter system) and credit bank systems (a single meter system), limiting the amount that can be transferred from the bank to the play bank in one action (the amounts depend on the category of machine).
- 10.4** Autoplay is permitted in Britain, but these regulations limit the amount that can be committed to autoplay at one time. Additionally, they require that winnings cannot be automatically played off by the autoplay function and that the player must take an action (eg press a button) to commit winnings to autoplay, if they wish to do so.

11 Gaming machine testing strategy⁹

- 11.1** Gaming machines are required to be tested against the Commission's technical standards and relevant regulatory requirements.
- 11.2** The Gaming Machine Testing Strategy was published on 31 August 2007 and sets out the testing requirements for each set of standards, including who can test against the standards and what needs to be tested. For categories A, B1, B2 and B3 machines, tests must be carried out by Commission approved third party test houses. For categories B4, C and D tests may be carried out in-house by manufacturers, provided they follow good practice (detailed by the Commission) in development and testing and maintain a satisfactory audit trail.
- 11.3** There are currently nine test houses approved to test gaming machines¹⁰.

⁹ The Gambling Commission gaming machine testing strategy can be found at <http://www.gamblingcommission.gov.uk/UploadDocs/publications/Document/Gaming%20machine%20testing%20strategy.pdf>

¹⁰ A list of the approved test houses can be found at <http://www.gamblingcommission.gov.uk/Client/mediadetail.asp?mediaid=183>

Keeping gambling fair and safe for all

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