

**Licensing, Compliance and Enforcement
Part 1 – Licensing: Final Regulatory Impact
Assessment**

February 2007

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Introduction

- i. This Final Regulatory Impact Assessment (Final RIA) outlines the Gambling Commission's (the Commission's) approach to licensing under the Gambling Act 2005 (the Act).
- ii. The Commission consulted on its proposals for licensing in Part 1 of the consultation document *Licensing, Compliance and Enforcement* (LCE), which was published on our website www.gamblingcommission.gov.uk on 31 May 2006. That consultation focused on the detail of our policies and procedures for granting licences to gambling operators and certain gambling personnel.
- iii. Having concluded the consultation process, this Final RIA outlines our general approach to licensing operators and their employees in key roles. The Commission considered a number of approaches and the regulatory impact of each proposal with its variant options.
- iv. This area of work is closely linked to the consultation we carried out on licence conditions and codes of practice. We will ensure that our approach to licensing is consistent with the published licence conditions and codes of practice.
- v. The wider regulatory impact of the introduction of the Act was dealt with in the *Gambling Act Regulatory Impact Assessment* (Gambling Act RIA), which was produced by the Department for Culture, Media and Sport (DCMS) on 21 April 2005 (available at www.culture.gov.uk).

Section 1: Background and context

Introduction

1.1 This Final RIA sets out our assessment of the regulatory impact of ‘Part 1: Licensing’ of the LCE consultation document.

1.2 We published our LCE consultation proposals on 31 May 2006 and the consultation period ended on 22 August 2006. A list of respondents to the consultation can be found in Appendix 1 to the LCE consultation document, *Responses to the licensing consultation*, and copies of individual responses not marked as confidential by the respondent may be requested from the Commission. Responses to the consultation have informed the drafting of the *Responses to the licensing consultation* document and this Final RIA.

Purpose and intended effect

Objectives

1.3 The objectives of the licensing system are set by the Act. They are to:

- prevent gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- ensure that gambling is conducted in a fair and open way; and
- protect children and other vulnerable persons from being harmed or exploited by gambling.

1.4 The Commission has a duty to pursue the licensing objectives, to have regard to them, wherever appropriate, and to permit gambling in so far as it thinks it reasonably compatible with the pursuit of these objectives.

1.5 The Act requires the Commission, as part of its regulatory function, to consult on and subsequently publish its proposals for licensing, for monitoring compliance with regulatory requirements and for enforcement action, including the use of financial penalties in the event of breaches.

1.6 The purpose of licensing – the first stage of this process – is to ensure that operators and employees licensed by the Commission can meet the licensing objectives. Applicants for operating and personal licences must provide the information requested on the application forms necessary for the Commission to make a rigorous but proportionate assessment of their suitability to hold these licences.

1.7 Once a licence has been issued, the Commission will work with the industry to ensure that compliance is achieved by the best means possible, and will ensure that the regulatory burden is not unnecessarily onerous. However, where illegal activities are discovered within the licensed community, or where there are persistent breaches of the licence objectives or of specific licence conditions, enforcement action, including financial penalties, is available to the Commission.

1.8 The timescale for implementing the new arrangements is 1 September 2007, when the Act comes into force, and on an ongoing basis thereafter.

Background

1.9 The Act implements the Government's proposals for reform of the law on gambling and provides for a new regulatory system to govern the provision of all commercial gambling in Great Britain (other than the National Lottery and spread betting, which are regulated by the National Lottery Commission and the Financial Services Authority respectively). The Commission, which was established on 1 October 2005, is the regulatory authority.

1.10 From September 2007, the Commission will take on the new responsibility of regulating almost all betting and British-based remote gambling. Until then, the Commission is operating under the 1968 Gaming Act (the 1968 Act) and the 1976 Lotteries and Amusements Act in regulating casinos, bingo, gaming machines and lotteries.

1.11 The Act introduces a new licensing regime for commercial gambling, to be administered by the Commission and by licensing authorities. The Commission will be responsible for granting operating licences to operators of gambling facilities and personal licences to certain personnel working for them. These licences place responsibilities on key individuals for compliance with licence conditions. Licensing authorities will be responsible for licensing gambling premises and issuing a range of permits to authorise gambling facilities within their areas.

1.12 Operating licences are the main form of authorisation for providing facilities for commercial gambling. There are different kinds of operating licences for the various forms of gambling (for example, casino, bingo, betting etc). Gambling operators must comply with the conditions on their licences and the Commission can impose penalties on them if they fail to do so. Breach of licence conditions will give rise to a criminal offence. Both administrative and criminal sanctions will be available, including warnings, suspension and revocation of licences and unlimited financial penalties, as well as the criminal sanctions of fines and imprisonment.

1.13 There are two types of personal licences that can be required for certain gambling personnel:

- personal licences for management functions (PMLs), which authorise gambling employees to perform the roles that carry responsibility for the particular management functions that can influence the outcome of gambling; and
- personal licences for operational functions (PFLs), which authorise employees to perform a specified operational function.

1.14 Personal licence holders must also comply with the conditions on their licences. Again, a breach of a condition could make the personal licensee liable to penalties, including criminal sanctions.

1.15 The Commission will be responsible for granting operating and personal licences. The licensing arrangements will ensure that entrants to the industry are suitable to hold operating and personal licences by a rigorous but proportionate assessment of the information requested in licence application forms.

1.16 The costs of determining and issuing operating and personal licences will be met through licence fees.

1.17 The Act repeals the previous legislation that covered gaming (the 1968 Act) and as a result all operators have to be licensed under the new Act. The new legislation is similar to the old legislation in that it requires both operators and individuals to be licensed, although in some areas it is deregulatory. For example, the new licences will be continuous until lapsed or revoked, and an individual's licence is no longer linked to particular premises, as was the case under the 1968 Act. However, in other ways the new legislation adds to the burden of regulation in that it requires sectors that were not previously covered to be licensed.

1.18 The DCMS published the Gambling Act RIA on 21 April 2005. This assessed the impact of the measures included in the Act. The Gambling Act RIA can be found on the DCMS website at www.culture.gov.uk.

1.19 The DCMS and the Commission jointly published *Appendix 2: Draft Regulatory Impact Assessment: Gambling Commission Fees* (the Fees Draft RIA) on 20 July 2006. This assessed the impact of the *Proposals for Gambling Commission Fees* consultation paper. The Fees Draft RIA can be found on both the DCMS website at www.culture.gov.uk and the Commission website at www.gamblingcommission.gov.uk.

1.20 The Fees Draft RIA contained estimated compliance costs between the existing fees structure and that proposed under the Act. Approximate regulatory costs for the Commission, and related magistrates and police costs, under the current regulations are estimated to be £8.76 million annually¹.

1.21 The Gambling Act RIA estimated the annual cost for the Commission in taking on the full range of responsibilities under the Act to be within the range of £10-£14 million (2003 prices, including enforcing, compliance and tackling illegal gambling). The annual regulatory costs for the Commission under the new regulatory structure, not including the set up costs for the Commission, are set out in the Fees Draft RIA and are estimated to be £11.8 million in 2006-07 and £13.6 million in 2007-08.

Rationale for Commission intervention

1.22 Successive Governments and Parliament have taken the view that certain forms of gambling – casino, bingo, lottery and certain machines – are activities that need regulation to prevent criminal exploitation. The Act extended the Commission's remit through the three licensing objectives listed in paragraph 1.3 and by extending the types of gambling it will regulate to include betting, arcade operators (family entertainment centres and adult gaming centres) and remote operators. The Act established the Commission as the successor body to the Gaming Board, which was created by the 1968 Act.

¹ Annual figures based on estimate of the number of licences for 2004-05. Gambling Commission costs include certificates of consent issued by the Commission to bingo clubs and National Game, casinos, certificates to specified staff employed in casinos and bingo halls, to those who sell, supply or maintain gaming machines, and to lottery managers, and registration of certain societies' lotteries. Costs include work undertaken by licensing justices in issuing licences to bingo clubs and casinos and registrations to members' clubs and police costs in attending hearings, but does not include DCMS costs.

1.23 The Act followed publication in March 2002 of the Government White Paper *A Safe Bet for Success*, also known as the Budd Report. The White Paper was the Government's response to the report of the Gambling Review Body, published in July 2001.

1.24 In order to ensure that operators are able to comply with the licensing objectives, it is necessary to collect enough information from applicants to measure them against the new requirements set out in the Act. Specifically, we need to collect information that enables us to:

- establish their identity, including for operating licences the identity of the key individuals;
- evaluate their integrity and competence, again including that of key individuals;
- take into account any criminal record they may have and in some cases check whether the local police have intelligence relating to them;
- consider the financing and detailed planning of their business or their financial circumstances as an individual; and
- evaluate their ability to abide by the licensing objectives.

1.25 Operators who are licensed and trading will be required to complete regulatory returns on a regular basis, providing more detailed information about:

- the gambling services they provide; and
- the actual operation of their business.

1.26 If this information were not collected, the Commission would not be able to make judgements about whether companies and individuals are suitable to be licensed. This would expose the public to risk and also damage the credibility of the gambling industry.

Consultation

1.27 Since 2005, both the DCMS and the Commission have published a number of consultation documents on a range of issues relating to implementation of the Act and the Commission's proposed administration of the licensing regime. These are available on the DCMS and the Commission websites.

1.28 Both the DCMS and the Commission have also undertaken a wide range of formal and informal consultation meetings with stakeholders affected by the legislation, including gambling operators, trade unions representing industry workers, faith groups and consumer organisations.

1.29 The LCE consultation built on the proposals set out in the Commission's *Licence Conditions and Codes of Practice* (LCCP) consultation document, published in March 2006. The LCCP consultation period ended on 2 June 2006. A Partial RIA accompanied the LCCP consultation document, which set out in detail the regulatory framework based on operator and personal licences. Our approach to licensing takes account of responses to the LCCP consultation.

1.30 The Commission informally consulted with 40 stakeholders on the content and wording of the operating licence and the personal licence application forms and guidance notes, prior to the LCE consultation exercise. The comments provided by stakeholders in those meetings have been taken into account as part of the process of revising and finalising the application forms and in developing this Final RIA.

1.31 The Commission published its LCE consultation document on 31 May 2006. Responses to the consultation were requested by 22 August 2006, and 44 written responses were received. Details of this consultation document, and further consultation documents relating to various aspects of the Commission's functions under the Act, can be accessed via the Commission's website at: www.gamblingcommission.gov.uk

1.32 Further meetings with stakeholders have been held to discuss the LCE consultation as a whole. Following these meetings, the licence application forms, draft guidance notes and response document that accompany this Final RIA were made available on the Commission's website. The response document and Final RIA for Compliance and Enforcement will be published on the Commission's website in Spring 2007.

Assessment

1.33 Part 1 of the LCE consultation document covered the Commission's proposals for operating and personal licence applications. The range of options open to the Commission is, of course, limited by the Act. The option to do nothing is hardly acceptable, given the Commission's statutory duty to promote the licensing objectives. This assessment considers only those options available under the Act. Throughout, we have borne in mind our statutory duties and have proposed measures which we consider are proportionate to the risks.

1.34 In this Final RIA, we make clear which options were proposed and rejected.

Section 2: Assessment of the options

Operating licences

Option 1: do nothing

2.1 This option would not enable the Commission to assess the suitability of applicants for an operating licence, which would mean that the Commission is less able to ensure that the three licensing objectives are being met. By not assessing organisations before they operate in the market, there would be an increased risk of the public being exposed to operators who are not ‘suitable’, which would be of particular concern where this also includes vulnerable people and children. Whilst Option 1 has the advantage of limiting the regulatory burden on the industry, it places the burden fully on consumers and does not fulfil Parliament’s stated requirements that gambling should be regulated in line with the licensing objectives. **We therefore reject this option.**

Option 2: rollover existing certificates

2.2 The Commission considered the option of relying on rolling-over the existing system of regulatory control for casinos, and the ‘white’, ‘grey’ or ‘red’ Commission certificates; the ‘pink’ certificates for bingo club managers; and the certificate that the Commission issues for external lottery managers. This would have the advantage of lightening the regulatory load on operators.

2.3 However, the operating licence is a new requirement brought into effect by the Act, and applies to all sectors of the gambling industry.

2.4 The Act provides that the Commission shall have regard to the applicant’s ‘suitability’ to carry on the licensed gambling activities in line with the licensing objectives. In assessing suitability, the Commission may in particular have regard to the applicant’s integrity, competence and financial and other circumstances.

2.5 Applicants for the operating licence will need to provide information to the Commission that is different from that asked for in the past; existing operators have been tested against criteria different to those which will apply to new applicants.

2.6 The application process for operating licences is an important stage in the Commission’s procedures for ensuring that the licensing objectives are met. Rolling-over existing operators’ certificates would lessen the Commission’s ability both to keep gambling from being a source of crime, associated with crime or used to support crime, and to ensure that gambling operations are in the hands of those suitable and competent to conduct them.

2.7 Rolling-over existing certificates would result in a two-tier system, with certificate holders assessed under the old rules and licence applicants assessed under the new rules, which would reduce regulatory clarity. **We therefore reject this option.**

Option 3: require new applications

2.8 Requiring all operators to complete a new application for an operating licence would allow the Commission to satisfy itself that all operators meet the criteria set out in the Act and would ensure that all operators are treated consistently.

2.9 The new legislation places additional requirements on the holder of an operating licence and the Commission will need to take a robust approach to assessing that these new criteria have been met. The Commission needs to ensure that it has information appropriate to the new legislation and can make a proper assessment that an operating licence holder meets the criteria set out in the Act. The application process for operating licences is an important stage in the Commission's procedures for ensuring that operators meet the licensing objectives, and that gambling operations are in the hands of those suitable and competent to conduct them. Detailed information will therefore be required from the applicant, covering the applicant's integrity, competence and financial and other circumstances. **This is our preferred and chosen option.**

Option 4: require new applications with a transition period for holders of existing certificates

2.10 A mixture of Option 2 and Option 3 was considered by the Commission, both in providing the information to the Commission and paying the appropriate application fee.

2.11 However, applicants for the operating licence will need to provide information to the Commission that is different from that asked for in the past; existing operators have been tested against criteria different to those which will apply to new applicants.

2.12 The Act provides that the Commission shall have regard to the applicant's 'suitability' to carry on the licensed gambling activities in line with the licensing objectives. In assessing suitability, the Commission may in particular have regard to the applicant's integrity, competence and financial and other circumstances.

2.13 The earlier assessment for existing certificates was to a different set of criteria and to a different test ('fit and proper' rather than 'suitable'). This leads us to consider that there is a risk of difficulties with compliance from this approach. We recognise that allowing a longer time period for the changes would lighten the regulatory load on operators. However, we believe that the regulatory risk of leaving a number of operators some years before reassessing them under the new criteria set out in the Act and ensuring that they can meet the licensing objectives arrangements is too great. **We therefore reject this option.**

Chosen option – require new applications.

Associated costs

Economic

2.14 The chosen option to require applicants to complete a new application form will require a measure of effort from operators.

2.15 To ensure transparency, the Commission will make clear through its guidance notes what information is required from operators. After considering views expressed in the responses to the LCE consultation, the level of detail required has been reduced and is commensurate with the level that larger companies would already collect and have to hand. Preparing the information should not now require larger companies to have to engage lawyers, accountants or other external experts in order to comply with the information requirements. Extracting the relevant financial information should not take more than half a day, met through resources from within the finance team.

2.16 However, for smaller companies where such information may not be readily to hand, providing this information to the Commission may have some economic impact. Extracting the relevant financial information might take half a day, met through employing an external accountant. Assuming that the external accountant will also need to familiarise themselves with the operator's accounts, and that this may take a further half-day, the costs may be up to £500 (on the basis of a median day rate of £500 for accountancy services).

2.17 The outcome for operators therefore is that, where they have to employ outside help to extract financial information, they will have to pay around £500. Where internal staff are able to undertake the work, the cost will be lower depending on how much staff time the exercise takes up, and the type of staff who are involved.

2.18 There will also be a monetary cost for making an application to the Commission.

2.19 Whilst the level of detail of the information requested and therefore the cost of providing it has been reduced from that which was originally suggested, for some the benefit of obtaining an operating licence would still not outweigh the cost and time it would take to apply. It is therefore likely that there will be some impact on the structure of the industry, particularly for those sectors where gambling is not the main function of the operator or is a seasonal or part-time activity.

Environmental

2.20 There is no perceived environmental cost.

Social

2.21 There is no perceived social cost.

Associated benefits

Economic

2.22 Operators can benefit from being licensed through an internationally known, high-quality regulatory regime, and although it is not easy to quantify the effect of this, we expect it likely that operators' profits will increase from being part of a reputable and well-run industry.

Environmental

2.23 There is no perceived environmental impact.

Social

2.24 The benefits fall both to customers of gambling services and to Great Britain as a whole. The process assures the Commission and customers that the operator is providing facilities and services consistent with the licensing objectives. This ensures a healthy and responsible gambling industry in Great Britain with good security and high standards for gambling services.

2.25 A specific benefit for operators is that working within Great Britain's regulatory regime gives them access to advice and support from the Commission as regulator.

Personal licences

Option 1: do nothing

2.26 Option 1 does not allow the Commission to assess the suitability of those who perform the management functions that can influence the outcome of gambling or those who perform specified operational functions. It would therefore decrease the Commission's ability to ensure that the three licensing objectives are met. This would result in an increased risk to the public that the personnel holding these key positions are not suitable and competent to conduct gambling operations in line with the licensing objectives. Whilst Option 1 has the advantage of limiting the regulatory burden to the industry and certain key employees of operators, it is not viable for the Commission. **We therefore reject this option.**

Option 2: rollover existing personal certificates of approval

2.27 The Commission considered the option of relying on rolling-over existing personal certificates of approval held by bingo managers, casino executives and managers, and casino gaming staff below manager level (dealers, cashiers, inspectors, supervisors and security staff). Those holding existing certificates of approval would be allowed to continue without applying for a personal licence (PML or PFL as appropriate) under the new rules. This would have the advantage of lightening the regulatory load on operators.

2.28 However, the application process for PMLs and PFLs is a key stage in the process of maintaining the licensing objectives. As part of its handling of operating licence applications, the Commission will need to assess the suitability of the applicant. This will also include an assessment of the integrity, competence and financial and other circumstances of 'persons relevant to the application'². Some of these relevant persons are likely to need personal licences too as they will fill key managerial and operational posts.

2.29 Applicants for the operating licence will need to provide information to the Commission that is different from that which was asked for in the past; existing operators have been tested against criteria different to that which will apply to new applicants. Rolling-over existing personal certificates of approval would increase the risk of the public facing personnel who are not suitable and are not competent to conduct gambling operations in line with the licensing objectives.

² A person is relevant to an application if, in particular, he is likely to exercise a function in connection with, or to have interest in, the licensed activities (Gambling Act 2005 Section 70(9)(b)).

2.30 Rolling-over certificates of approval would result in a two-tier system, with certificate holders assessed under the old rules and licence applicants assessed under the new rules in line with the licensing objectives. Applicants assessed under the new rules would include employees new to the gambling industry, and employees of betting operators and other gambling businesses who have not been required to hold personal certificates of approval. **We therefore reject this option.**

Option 3: require new applications

2.31 Requiring all key employees of operators, including those holding existing personal certificates of approval and other employees in key roles, to complete the application process for a personal licence (PML or PFL as appropriate) would allow the Commission to satisfy itself that all such employees have met the new criteria set out in the Act; and can comply with the licensing objectives. However, this would involve a regulatory burden on operators at the time when operators are also applying for an operating licence. **We therefore reject this proposal.**

Option 4: require new applications with a transition period for holders of personal certificates of approval

2.32 A mixture of Option 2 and Option 3 was considered by the Commission, both in providing the information to the Commission and paying the appropriate application fee. Only those in employment and previously tested under the old rules can hold personal certificates of approval. We consider that the requirement for holders of personal certificates of approval to be employed, and so vouchsafed by employers, and to have undergone a previous assessment presents a low risk of difficulties with compliance as a result of this approach. Holders of personal certificates of approval would therefore be allowed a transition period of up to three years before they would need to apply for a PML or PFL. Those key employees who do not hold a certificate of approval would need to complete the application process for the appropriate personal licence under the new rules.

2.33 This option would enable the Commission to satisfy itself that all key employees of operators who require personal licences have met the criteria set out in the Act and can fulfil the licensing objectives. At the same time, this option would allow a staggered application process rolled-over up to three years. We believe that the regulatory risk of leaving a number of already licensed individuals some years before reassessing them under the new arrangements is low enough to justify the delay. We recognise that allowing a longer time period for the changes will lighten the regulatory load on operators. **This is our preferred and chosen option.**

Chosen option – require new applications with a transition period for holders of certificates of approval.

Associated costs

Economic

2.34 The chosen option of requiring personal licence applicants to complete a new application form under the new rules, with a three-year rollover for holders of existing personal certificates of approval, incurs a cost, namely the completion of the form.

2.35 There will be a monetary and time cost in completing the application form and applying to the Commission for a licence. However, it should not take long for most people to complete the application form and our guidance notes are designed to assist applicants through the process.

2.36 Senior staff applying for PMLs, from whom we require more detailed statements of their assets and liabilities, may need to use accountants to produce the overall figures. It may take a half-day to produce the information. On the basis of a median day-rate for accountancy services of £500, we believe they will have to pay about £250. We estimate that this will apply to some 5,000 senior managers. In view of our licensing objectives, we consider this cost to be proportionate.

2.37 These costs will apply both at initial application and then at five-yearly intervals, when we will re-examine the information we hold on personal licence holders.

Environmental

2.38 There is no perceived environmental impact.

Social

2.39 In reply to feedback in consultation responses we have decreased the burden on individuals applying for PMLs by reducing some of the personal information we will require. However, individuals will still need to provide personal information to the Commission to demonstrate that the criteria of the Act have been met.

Associated benefits

Economic

2.40 The requirements of the Act and the application process mean that attaining a personal licence bestows upon the licence holder certification that he/she is suitable, and it provides good prospects for career progression. It is not easy to quantify the benefits associated with this, but we would expect that it is likely to increase earnings for key employees through career progression.

2.41 The Commission can allow a period of transition of up to three years before holders of certificates of approval need to apply for a PML or PFL under the new rules. This will lighten the economic burden on operators in 2007 when they are applying for operating licences. The new personal licences are not tied to employment or premises but are issued for life, unless revoked, lapsed or surrendered, as opposed to the current personal certificates of approval that only last for as long as the holder stays employed at the same premises.

Environmental

2.42 There is no perceived environmental impact.

Social

2.43 The chosen option of requiring that all key employees hold personal licences (PMLs or PFLs as appropriate) applied for and issued under the new rules has the benefit of providing the licensee with access to a range of job opportunities within the gambling industry.

2.44 The application process assures the Commission and customers that key employees of operators can meet the licensing objectives. This maintains good security and high standards for gambling services in Great Britain, helping the Commission to meet the licensing objectives.

Implementation and delivery plan

2.45 Operating and personal licence application forms and guidance are now available and applications for both operating and personal licences can now be made.

2.46 Existing operators will continue to be able to trade under the old rules until the end of August 2007. Thereafter, provided that existing operators have applied for an operating licence by 27 April 2007 they will be allowed continuation rights, which will allow them to continue to trade until the new licences are issued under new legislation from September 2007 onwards (provided they have, or have applied for, any necessary premises licences).

2.47 If an existing operator has not applied for an operating licence by 27 April 2007, then from 1 September they will not be able to operate until such time as they have received an operating licence from the Commission, which may take some time to process.

Section 3: Other considerations

Small firms impact test

3.1 The industry has approximately 1,300 small firms. Having considered the regulatory requirements we plan to place on these firms, the Commission considers that they are appropriate and proportionate to the scale of the activities undertaken.

3.2 Through the application process, the Commission wants small firms to provide information on the same areas as is being provided by larger firms. However, the amount and complexity of information will be greater for larger firms than for smaller firms. Small-scale operators are exempt from the requirement to have at least one personal licence for management functions, as set out in Section 129 of the Act.

3.3 The Commission will use a risk model that assesses levels of risk from the standpoint of both compliance and impact. Small businesses have a low impact level and therefore would have lower compliance activity than a larger firm that carries a higher impact.

Sectors and groups affected by the regulation

3.4 All sectors of the gambling industry, except the National Lottery and spread betting, are affected by the regulation. This includes those wishing to enter the industry or to sell specialist equipment to it, and the potential and actual staff it employs in key roles.

3.5 This numbers some 3,500 operators, varying from some of the biggest entertainment companies in Great Britain (and international operators) to some small singleton owner operators of arcades and betting shops. It is difficult to provide accurate figures of the number of employees affected but our current estimates are that between 20,000 and 25,000 employees may need personal licences.

Competition assessment

3.6 We do not anticipate major changes in the structure of the gambling industry as a result of the planned regulation. The regulation is applied across all of the gambling industry in Great Britain, except the National Lottery and spread betting, and as all companies will need to reapply under the new legislation, there will be no differential impact on new firms.

3.7 The business sectors affected will be all of those in the British gambling industry. The number of commercial gambling operations that will be affected in the first two years of the operation of the Act (from 2007) is currently estimated to be:

- 8,500 betting (bookmakers) outlets;
- 59 racecourses (60th opening at Great Leighs in 2007);
- 30 NGRC-approved greyhound tracks;
- in excess of 200 other tracks including independent greyhound tracks, point-to-point tracks, football stadia etc;

- 657 commercial bingo clubs;
- at least 140 casinos licensed under the 1968 Act;
- up to 17 new casinos to be licensed under the Gambling Act 2005;
- 660 society lotteries;
- 53,500 pubs in England and Wales that utilise gaming machines;
- 5,100 pubs in Scotland;
- 835 family entertainment centres;
- 825 adult gaming centres; and
- 2,000 other locations for gaming machines including clubs and miners' welfare institutes.

3.8 Any regulation that controls entry into an industry and commercial behaviour within it may affect competition. The Act requires us to control entry into the market through the licensing system but we do not believe that the licensing system represents a significant barrier to entry such as to affect fair and effective competition.

Enforcement, sanctions and monitoring

3.9 It is intended that criminal sanctions will be used only as a last resort and generally only after other alternatives open to the Commission, such as advice, licence conditions and codes, monitoring and fines, have been exhausted. The Commission's enforcement team will take the approach that enforcement will at all stages be proportionate, with legal sanctions reserved for the latter enforcement stages.

Implementation and delivery plan

3.10 Operating and personal licence application forms and guidance are now available. Existing operators will continue to be able to trade under the old rules until April 2007.

3.11 Applications for both operating and personal licences can now be made. Existing operators who apply for an operating licence between January and April 2007 will be allowed continuation rights, to continue to trade until the new licences are issued under new legislation from September 2007 onwards.

Post-implementation review

3.12 The application process will be reviewed on an on-going basis.

Section 4: Summary and conclusion

Summary costs and benefits tables of options considered

Summary of costs and benefits for operating licences		
Options	Total benefit	Total cost
Do nothing	Would not increase the regulatory burden on the operator.	<p>The suitability of applicants for an operating licence could not be assessed.</p> <p>There would be an increased risk to the licensing objectives.</p>
Rollover existing certificates	This option would lighten the regulatory load on the operator.	<p>Existing certificates would not be held by some.</p> <p>The new regulations require new criteria to be met. But this option would create a two-tier system, with existing certificate holders only assessed under the old rules.</p> <p>Would increase the risk to the licensing objectives.</p>
Require new applications – chosen option	<p>There is minimal additional effort for larger companies to provide the information required.</p> <p>Assurance that the operator is providing facilities and services consistent with the licensing objectives.</p> <p>Better security and higher standards for gambling services in Great Britain.</p> <p>Credibility of being regulated by an internationally known, high-quality regulatory regime.</p> <p>Access to advice and support through working within Great Britain’s regulatory regime.</p>	<p>A measure of effort is required from the operator in completing a new application form.</p> <p>For some companies, the information required may not be to hand and providing it may have some economic impact.</p> <p>Companies may need to bear a monetary cost in using finance staff or external accountants to produce the required information.</p> <p>There is a monetary cost to making an application.</p>

Summary of costs and benefits for personal licences (PMLs & PFLs)

Options	Total benefit	Total cost
Do nothing	Limits the regulatory burden to the industry and certain key employees of operators.	<p>Does not allow the Commission to assess the suitability of applicants for a personal licence.</p> <p>Would increase the risk that holders of personal licences do not have the ability to comply with the licensing objectives.</p>
Rollover existing personal certificates of approval	<p>Lightens the regulatory load on the operator.</p> <p>Holders of existing certificates have been tested previously under the old rules.</p>	<p>The Commission cannot assess the suitability of the applicant, a key stage in the process for maintaining the licensing objectives and ensuring that key personnel are suitable.</p> <p>Would result in a two-tier system of certificate holders assessed under the old rules and licence applicants assessed under the new rules.</p> <p>Holders of existing certificates have been tested against different criteria to that which will apply to new applicants.</p>
Require new applications	All employees in key roles will have been tested against the criteria set out in the Act and can meet the licensing objectives.	A regulatory and economic burden on the operator when they are also applying for an operating licence.

<p>Require new applications with a transition period for holders of certificates of approval – chosen option</p>	<p>Provides the licensee with access to a range of job opportunities within the gambling industry.</p> <p>Provides certification that the licence holder is suitable and may lead to good career progression.</p> <p>Period of transition of up to three years for holders of existing personal certificates of approval, lightening the economic burden on operators.</p> <p>Maintains good security and high standards for gambling services in Great Britain, and ensures that the licensing objectives can be met.</p>	<p>Requires a measure of effort from applicants to complete the application form.</p> <p>Applicants will need to provide personal information to the Commission to show the criteria of the Act are met.</p> <p>A small number of senior staff applying for PMLs may need to bear a monetary cost in using accountants to produce the required information.</p> <p>There is a monetary cost to making an initial application and then a five-yearly cost when personal licence information held by the Commission is re-examined.</p>
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Conclusion

4.1 Based on the evidence and analysis set out in this Final RIA, the Commission has selected the chosen options as the licensing arrangements. We consider that the summary tables above support our chosen options as the most balanced and proportionate approach. We are confident that our chosen options will ensure that entrants to the industry are suitable to hold operating and personal licences and will provide the best means of upholding the three licensing objectives.

The Gambling Commission regulates gambling in the public interest. It does so by keeping crime out of gambling, by ensuring that gambling is conducted fairly and openly, and by protecting children and vulnerable people from being harmed or exploited by gambling. The Commission also provides independent advice to government on gambling in Britain.

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