

Test House framework development

Consultation responses

February 2020

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Executive Summary

We use test houses to support us in meeting our statutory duties and the licensing objectives. One of these objectives is to ensure that gambling is fair. Test houses provide assurance to consumers, licensees and us that games are fair and suitable to make available to consumers.

Test houses must adhere to a framework set by the Commission; this framework provides us with a level of confidence in the products being offered by Great British (GB) licensees. The current framework by which test houses are approved and deliver their services has been in place since 2007.

As part of our ongoing commitment to raising standards in the gambling industry we consulted on strengthening the framework for test houses. The consultation focused upon enhancements in four areas, accreditation, approval, reporting requirements and suspension/revocation. The proposal was for Test Houses to work to an enhanced framework on a voluntary basis. If test houses do not agree to this approach, we would seek to amend the Licence Conditions and Codes of Practice (LCCP) to require operators to only use a Test House that meets the enhanced standards. This document summarises our response to that consultation.

We received 20 responses to the consultation:

- 6 from test houses
- 7 from gambling operators
- 2 from members of the public
- 5 from others

Next steps

There was significant support from respondents to the proposals in the consultation and following consideration of the responses we will implement the majority of the proposals. Where we have adapted our proposed approach, this has been in direct response to the concerns raised by respondents.

By introducing these changes, the Commission will bring the requirements of test houses in line to those in place for Licensees and Alternative Dispute Resolution (ADR) entities.

We will work with test houses to determine the finer details of the reporting requirements and transitional arrangements.

Accreditation – changes to the current accreditation requirements

- We will only accept accreditation from those that are tested to the revised framework.

We will implement this change in full

- Some individual role-holders within the test houses acquire personal accreditation.

We will not implement this change

Approval – requirements for individuals to be approved

- Companies and individuals that have business influence require our approval.

We will implement this change in full

- Changes to the ownership and/or structure of the test house are notified to us immediately.

We will implement this change in full

Reporting requirements

We will introduce new reporting requirements:

- Immediate reporting notifications.
- Annual reporting requirement.

We will implement this change in full

Revocation of test house approval

- Introduce a framework which enables us to remove or suspend a test house's approval.

We will implement this change in full

1 Our Approach

Consultation proposal:

The proposed framework would initially be introduced on a voluntary basis. We will monitor and review the impact of this and if necessary, take additional action to enforce the framework.

Summary of responses

Consultation questions

- Q1. To what extent do you agree with the Commission's proposed approach to enhancing the test house framework?
- Q2. Should any other parties be included to work with the Commission in defining the detail of the framework? If so, why?
- Q3. To what extent do you agree with our proposal to take additional action to enforce the framework?

- 1.1** The majority of the 20 respondents agreed or strongly agreed with the proposals that we should enhance the framework and that we should take action to impose the framework, if test houses do not do this on a voluntary basis.
- 1.2** Test houses will be given until the beginning of October 2020 to demonstrate that they are committed to working to the enhanced framework. Should test houses not agree to do this voluntarily, we will seek to change the Licence Conditions and Codes of Practice (LCCP) to require operators to only use a test house that meets the enhanced standards. This is a similar approach to that taken with Alternative Dispute Resolution entities.
- 1.3** 12 respondents wanted us to include other parties in the development of the framework, this includes the Financial Conduct Agency, (FCA) The Betting and Gaming Council (BGC) (previously RGA and ABB) and other regulators, such as the Danish or Swedish regulators.
- 1.4** Where there are relevant lessons to be learnt from external bodies and other regulators, the Commission will seek to integrate them into any new framework. However, we recognise that some regulatory regimes are very different to ours and therefore it is simply a matter of integrating what they do within our regime. For example, both Danish and Swedish regulators do not regulate business to business (B2B) operators. Instead they require oversight to be conducted at a business to customer (B2C) licensee level. The Danish regime requires accreditation of test houses to be conducted by another body, not the gambling regulator.

Our Position

We have considered involving other parties as suggested. We looked at the work of the FCA and other regulators before embarking on the consultation and remain of the view that the development of the framework should remain with the United Kingdom Accreditation Services (UKAS).

We will liaise with other regulators such as the FCA, wider jurisdictions and trade bodies.

We have considered other regimes and will look to ensure that, where relevant best practice will be incorporated.

2 Accreditation

Consultation proposal:

We are not currently assured that the number of bodies able to perform accreditation provides consistent standards. Our proposal is to develop a testing framework with UKAS and only make arrangements with those that accept accreditation to the revised framework.

We further propose that critical individuals, such as those that perform testing, should be personally accredited.

Consultation questions

To what extent do you agree with our proposals that:

- Q4. We should develop a testing framework that ensures that our testing strategies are addressed?
- Q5. We should accept accreditation reports from bodies that test to the revised framework?
- Q6. Those in critical positions being personally accredited?

- 2.1** Nearly all the respondents agreed or strongly agreed with the proposal that an enhanced framework should be developed and commented that this will help us to ensure high standards within the industry.
- 2.2** 11 respondents agreed or strongly agreed that we should only accept accreditation reports from those bodies that work to the revised framework.
- 2.3** Respondents were concerned as to additional costs that could be incurred if International Laboratory Accreditation Co-operation (ILAC) members were not able to continue to provide accreditation.
- 2.4** The majority of respondents also agreed or strongly agreed that those in critical positions should be personally accredited. Concerns were raised regarding testers being personally accredited, in the main due to the number of testers that would need to be approved. Views were expressed that this would be burdensome, for the Commission and test houses. It was suggested that the current ISO standards provide sufficient assurance as to the independence and competence of testers.

Our Position

We will develop a framework that includes Current ISO standards and our own technical standards.

While the framework will be developed with UKAS, we will accept accreditation from other ILAC members that test to the standards set out in the revised framework. Accreditation bodies will need to demonstrate to both the Commission and UKAS how they plan to test the revised framework.

We will not personally accredit critical positions, such as those of testers as on balance we do not consider this to be proportionate. Whilst we do not consider that the ISO standards are currently enough to manage the risk that has been identified, we believe that these risks can be managed by incorporating appropriate standards into the revised framework.

3 Approvals

Consultation proposal:

As part of the framework the Commission proposes that any person, or organisation that will have influence over the test house, should be notified to the Commission before the control is obtained.

In addition, we propose that any new persons/organisations will have to be approved by the Commission to determine their suitability.

Consultation questions

To what extent do you agree with our proposals that:

- Q7. Those with influence over a test house require individual or organisational approval?
- Q8. Approval must be obtained before an individual or organisation gains control?

- 3.1** The significant majority of respondents agreed or strongly agreed with the proposal that those with influence require approval. It was commented that this is integral to us ensuring the independence of test houses.
- 3.2** The majority of respondents agreed or strongly agreed with the proposal that approval should be gained in advance. There was concern that this would not always be possible and that this is setting the standard above that which is currently placed upon operators.
- 3.3** It has been our experience that negotiations to change control take place in advance of any agreements being signed, so notification and approval in advance is practical and something that a large number of operators are already able to do.

Our Position

Those individuals or organisations with influence over a test house require approval. Where new entities have influence, approval should be sought prior to influence being obtained. This will ensure that there are no conflicts of interest with incoming controllers. Changes to shareholding or Board Members normally require a period of negotiation; this should provide test houses with sufficient time to ensure that the Commission is notified of proposed changes and the date they are intended to come into effect.

Seeking approval in advance also allows for any concerns to be discussed with the test house before any changes take place.

4 Reporting requirements

Consultation proposal:

The Commission proposes that there should be two reporting criteria:

- I. Those events that require reporting within five working days.
- II. Those that can be submitted annually on a fixed date.

Consultation questions

To what extent do you agree with our proposals:

- Q9. On the introduction of reporting requirements?
- Q10. On the immediate reporting criteria?
- Q11. That annual reporting should be on a fixed date?

4.1 The significant majority of respondents agreed or strongly agreed to introducing reporting requirements. They agreed to the introduction of immediate reporting criteria and annual reporting on a fixed date.

4.2 There was concern that some reports could not be made within such a short period of time and it was suggested that the reporting timescales should be extended from 'within 5' to 'within 14' days working days.

Our Position

We will introduce reporting criteria as proposed ie within 5 working days.

The below list is what we expect to be reported within five working days

- Change of address
- Change of key people
- Proposed shareholder changes
- Organisational changes, being agreed
- Winding up of companies
- Criminal Investigations
- Regulatory Investigations
- Loss or Suspension of overseas accreditation

We realise that there may be a need for follow up action, such as an application for a change of shareholding to be submitted after the initial notification, but it is important that we are aware of these events within the timescales.

Annual reporting criteria will focus upon the volume and type of testing, with the first reporting period being from 01 October 2020 – 30 September 2021. Submission of the reports will need to be made within 28 days of the end of the reporting period.

5 Revocation of test house approval

Consultation proposal:

We propose to introduce a mechanism to suspend or revoke test house approval.

Consultation questions

To what extent do you agree with our proposals:

- Q12. To introduce a process by which we can suspend or revoke approval of a test house or individual?
- Q13. On the proposed criteria when suspension or revocation could apply?

- 5.1** The significant majority of respondents agreed or strongly agreed with the proposal to introduce a process to suspend or revoke approval and to the proposed criteria.
- 5.2** There were concerns expressed as to the impact upon a company's reputation should suspension or revocation take place and some concerns about the test house approval being revoked if they are not performing testing within GB.
- 5.3** Most test houses gain approval in several jurisdictions, and we understand that potential impact of a suspension or revocation on any company. There will be a fair and proportionate process in place, which will allow test houses the opportunity to explain and challenge the Commission if we are considering suspension or revocation.
- 5.4** The current information that we have is that all currently approved test houses are active within GB. However, if a test house does not provide services in GB for over two years, we will question the continued need for the approval to remain in place. The process will allow a test house to explain their circumstances before any decision to suspend or revoke is put in place.

Our Position

We will develop a process by which we can suspend or revoke a test houses' approval. The process will allow opportunities for test houses to explain their circumstances and provide supporting documentation before a final decision is made.

The criteria by which we will suspend, or revoke are:

- There are concerns about the suitability of the test house or a person of influence
- There are concerns about test house, or individual independence from industry
- The test house is not providing services or have no intention to provide services to GB licensees
- The test house fails to become accredited to the correct standards.
- The services they are providing fall below the standard that the Commission expects.
- Failure to adhere to reporting requirements.

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