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## **Pool betting licensing arrangements**

Any authorisations granted to individuals under the terms of the Tote's exclusive licence will cease to have effect as of 13 July 2018.

If you already hold a pool betting licence you will be able to start providing pool betting on British horseracing from 13 July 2018 without the need to vary your licence.

This will be the case unless you have a specific restriction on your operating licence which limits activities to a particular type of pool betting.

Pool bets may only be accepted on behalf of the licensee by the licence holder themselves, an employee of the licence holder, another pool betting licensee or someone authorised by the licensee.

Authorisations can only be granted in limited circumstances. For horse racing, this means to an adult who can only accept bets whilst on a track and in reliance of an occasional use notice.

## **Operating models**

We have increasingly noticed that operators are using a number of models to provide facilities for pool betting, or what at first sight appears to be pool betting, to consumers located in Great Britain (GB).

These models are intended to facilitate betting on horse-races both in GB and abroad. These models are explored further below (but should not be considered to be an exhaustive list) and be kept in mind when determining what type of licence(s) will be needed for the facilities offered.

In determining what licence, if any, is required, you will need to consider who are the counterparties to the bets alongside the definitions set out within the Gambling Act 2005 under sections 4, 5, 9, 11, 12, 13 and 93.

In addition, regardless of where you are based in the world, you will need a licence from the Gambling Commission if any part of your remote gambling equipment is based in GB.

*Unless otherwise stated, any references in this text to a 'customer' are references to a customer who is located in GB.*

### Model A – One contract model

Under this model, the customer is offered the chance to have their bet determined according to a Pool's dividend. If the customer's selection wins, the bet would be settled by reference to the published Pool dividend. In this instance, the customer's stake or payment does not enter the Pool and therefore his bets do not impact on the returned dividend. The Pool would ordinarily have no relationship with the licensed operator.



As the customer only has a business to customer (B2C) contract with the licensed operator, the licensed operator would be solely responsible for paying out any winnings to the customer (and, hence, the 'risk' will be with the licensed operator only).

Any problems which arise as part of the transaction would be taken up by the customer with the licensed operator. The licensed operator can provide this model under a general betting standard operating licence.

The Pool provider would not require a Commission licence in relation to this activity. It would only have to be licensed by the Commission if it contracted directly with other customers or had remote key equipment in GB.

### Model B – Actual co-mingling

Under this model, the licensed operator would engage with the customer and accept bets on behalf of the Pool. Unlike model A, the customer would be contracting with the Pool through the licensed operator, and therefore the Pool would ultimately be responsible for the customer.

The customer's funds would also be directly entered into the Pool, thereby affecting the Pool dividend. By virtue of s93(1) of the Act, the licensed operator and the Pool would each be required to hold a pool betting operating licence.

This will be the case regardless of whether or not the licensed operator or the Pool have remote key equipment outside of GB.



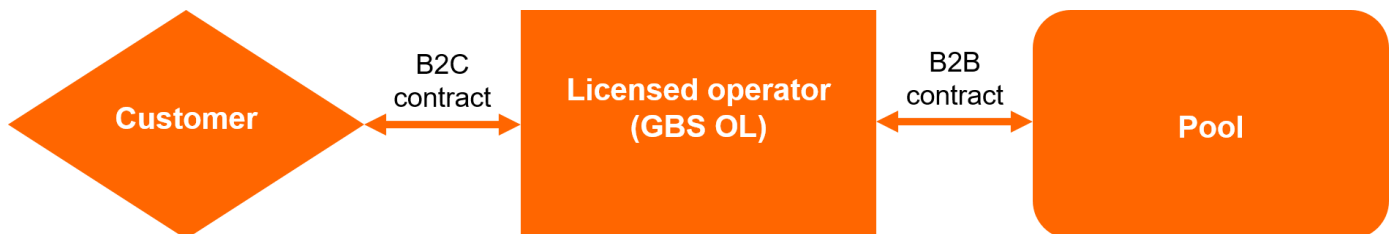
Those operators offering Pools on British horseracing do not have to hold a Commission licence when transacting with a customer located outside of GB, unless they additionally have remote key equipment in GB.

#### Model C – Two contract model – B2B contract includes a GB customer

This model is based on the assumption that the licensed operator is located in GB. The first contract is a business to customer (B2C) contract between the customer and the licensed operator.

A second, business to business (B2B) contract between the licensed operator and the Pool is then struck, which mirrors the B2C contract.

In this model, the licensed operator is often referred to as a 'counterparty' to the customer's bet.



As in model A, the customer contracts with the licensed operator. The licensed operator will therefore be responsible for paying out the customer and be responsible to the customer should any issues arise.

The customer's bet is not with the Pool.

Although the amount of the customer's bet would affect the Pool dividend, it is not the customer's money which is being used to place the bet under the corresponding B2B contract.

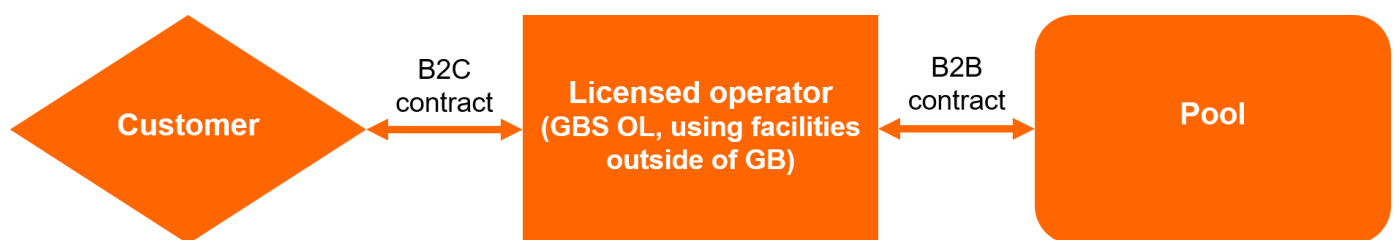
The licensed operator would be using its own funds to place the bet subject of the B2B contract. Unlike in model A, the licensed operator has a contractual relationship with the Pool.

The licensed operator in this scenario is, in effect, acting as a customer itself when it places its bet with the Pool. This means that the Pool will require a pool betting operating licence, as it is providing facilities for gambling to a customer (in effect the licensed operator which is located in GB).

As the licensed operator is also providing facilities for gambling to customers, it must hold a Commission licence. In this model the licensed operator's facilities may be provided under a general betting standard operating licence.

#### **Model D – Two contract model - B2B contract includes customer located outside of GB**

This model operates in the same manner as model C. However, the licensed operator is using the Pool's facilities outside of GB, and therefore the Pool would not be providing facilities for gambling to a customer (located in GB) as is the case in model C.



In these cases, the Pool will not require an operating licence from the Commission, unless it separately has remote key equipment in GB.

The licensed operator will still require a general betting standard operating licence as they are providing facilities for gambling to a customer by virtue of the B2C contract illustrated above.