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# Consultation on test houses framework development

## Overview

Test houses play a key role in ensuring that games are suitable to be released to market and offered to consumers. We therefore need to be assured of their independence, competence and suitability.

To achieve this assurance, we are proposing changes to the framework under which test houses operate. This consultation focuses on four main areas. These proposals flow from the first and second licensing objectives of keeping crime out of gambling and to ensure gambling is conducted in a fair and open way.

## Introduction

### 1 What is your name?

### 2 What is your email address?

If you enter your email address then you will automatically receive an acknowledgement email when you submit your response.

### 3 What is your organisation?

For example are you a member of the public, a gambling operator, a financial institution, a trade association, a charity etc

## 4 Privacy notice

As part of this work, we may decide to publish your name and organisation on our website to indicate that you have responded to this consultation. We have asked you to indicate your consent to the Commission publishing your name and organisation to indicate you have responded to this consultation.

(Required)

*Please select only one item*

☐

I CONSENT to the publication of my name and organisation to indicate I responded to this consultation

☐

I DO NOT CONSENT to the publication of my name and organisation to indicate I responded to this consultation

### Privacy and cookies

**<https://www.gamblingcommission.gov.uk/Footer/Privacy-and-cookies.aspx>**

*<<https://www.gamblingcommission.gov.uk/Footer/Privacy-and-cookies.aspx>>*

# Summary

We exist to uphold the licensing objectives of keeping crime out of gambling, ensuring that gambling is conducted in a fair and open way and that children and vulnerable people are protected from being harmed or exploited by gambling.

Test houses play a key role in ensuring that games are suitable to be released to market and offered to consumers. We therefore need to be assured of their independence, competence and suitability.

To achieve this assurance, we are proposing changes to the framework under which test houses operate. This consultation focuses on four main areas summarised below. These proposals flow from the first and second licensing objectives of keeping crime out of gambling and to ensure gambling is conducted in a fair and open way.

## Accreditation

We gain assurance from the type of accreditation held by test houses. We are proposing the following changes to the accreditation arrangements:

- We will only accept accreditation from those that are tested to the revised framework.
- Some individual role-holders within the test houses acquire personal accreditation.

## Approval

We want to understand who has influence over test houses so that we have confidence they are impartial and independent from the industry. We propose that:

- Companies and individuals that have business influence require our approval.
- Changes to the ownership and/or structure of the test house are notified to us immediately.

## **Reporting requirements**

Once a test house is approved, there are limited instances when they are required to notify us of changes and there are no timescales related to these notifications. We propose to introduce:

- Immediate reporting notifications.
- Annual reporting requirement.

## **Revocation of test house approval**

Once approval is gained, it remains in place until such time as the test house relinquishes approval. We propose to:

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

## Scope of our review

We use test houses to support us in meeting our statutory obligations and licensing objectives. One of these objectives is to ensure that games are fair. Test houses provide assurance to us and licensees that games are fair and suitable for marketing to consumers.

Test houses must adhere to a framework which sets out the processes they must use to satisfy themselves that games they test are fair. The testing framework provides us with a level of confidence in the products being offered by Great British (GB) licensees.

We assess the overall suitability of a test house to carry out these duties. If satisfied, we grant approval to the test house and place them on our approved full list which is available on the website.

The current framework by which test houses are approved and deliver their services has been in place since 2007. We plan to develop our levels of assurance about the independence, competence and overall suitability of the companies and individuals that are entrusted with testing the games that are offered to consumers.

At present, test house certification focuses on the fairness aspect of games and Random Number Generators (RNGs). Licensees can select a test house from our approved list to validate the required product. Testing by a third party provides an independent analysis of the game/RNG.

We are conducting this formal consultation to gain views about potential changes to strengthen the existing framework, to bring it in line with existing arrangements for licensees. The proposed changes are intended to raise industry standards as set out in our business plan 2019-20.

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# Background

The Gambling Act 2005 (The Act) includes provisions at S96 and S97 which enable us to make arrangements with test houses.

We set out our requirements in 'Testing strategy for compliance with remote gambling and software technical standards- November 2018 version' which states in paragraph 1.7:

*“Licensees must ensure that all new products have been adequately tested by an approved test house prior to release”.*

The activity carried out by a test house is not a licensable activity, but as part of the approval process we request:

1. Organisation information
2. Personal declarations from key people
3. Accreditation to ISO 17025 (which at this time was the most appropriate standard for test houses).

Our current approval process looks at the overall suitability and competence of a test house to carry out its functions. Once approved, a test house is required to report only on regulatory investigations, changes in organisational structure and loss of accreditation.

Since test houses were first approved, there has been a significant shift in the industry, and in consumer gambling habits. Changes include new legislation in 2014, when online gambling changed to point of consumption. This saw over 200 remote operators apply for GB licenses, creating an increasingly competitive industry. During the same period consumers moved increasingly to online play and in particular gambling on devices. These changes have presented new challenges and created new risks.

Additionally, the transition to the third edition of ISO 17025 will be fully implemented by 30 November 2020.

Given these changes, our focus on raising standards across the industry, and the important role of test houses to the fair and open licensing objective, we now plan to strengthen our accreditation processes, monitoring, oversight and ongoing compliance activity.

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## Our Approach

We want to use the expertise of all interested parties to produce the best outcome for consumers.

The existing framework was developed in conjunction with the test houses and it is our view that this is the best way to get the best outcomes this time.

The framework would be initially introduced on a voluntary basis. We will monitor and review the impact of this and if necessary, take additional action to enforce the framework. For example, this could be by requiring licensees to use only those test houses that meet our standards.

This consultation sets out the high-level changes that we propose to make to the existing processes. The finer detail will be confirmed following analysis of the consultation responses. By working with the test houses and the UK's accreditation body, the United Kingdom Accreditation Services (UKAS), to develop the framework, we aim to avoid undue regulatory burden.

### 5 To what extent do you agree with the Commission's proposed approach to enhancing the test house framework?

*Please select only one item*

- ☐ Strongly agree   ☐ Agree   ☐ Neither agree nor disagree   ☐ Disagree  
☐ Strongly disagree   ☐ Don't know

### 6 Should any other parties be included to work with the Commission in defining the detail of the framework? If so, why?

**7** To what extent do you agree with our proposal to take additional action to enforce the framework?

*Please select only one item*

- ☐ Strongly agree   ☐ Agree   ☐ Neither agree nor disagree   ☐ Disagree  
☐ Strongly disagree   ☐ Don't know



## Our Proposals- Accreditation

There are 15 test houses, 11 of which are based overseas and acquire their accreditation by non-UK accreditation bodies. The accreditation required is ISO 17025, which is a universally accepted accreditation standard. The ISO standards change periodically.

Each jurisdiction has its own accreditation body and several accreditation bodies exist. These bodies, including UKAS, have formed an informal agreement under the International Laboratory Accreditation Co-operation (ILAC), that accreditation will be accepted across jurisdictions.

Our recent compliance assessment of accreditation arrangements showed variance in the standards that are being used. For example, there are different versions of ISO 17025 in use.

We also have specific requirements under our Technical Standards and Testing Strategies. Our recent compliance assessments indicate that some test houses are not incorporating these standards into their testing methodologies. We require more assurance in this area and have been working with UKAS to explore a bespoke testing strategy framework. The framework would meet ISO17025 and our Technical Standards and Testing Strategies.

Within test houses, there are key roles that have responsibility for the way in which a test house operates, and the technical aspects of the testing undertaken. Currently the information collected regarding these individuals is limited. This impedes our ability to make an ongoing assessment of the individual's suitability and independence.

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. This framework will cover:

- Existing requirements of ISO17025
- Requirements of the remote technical standards.

We further propose that critical individuals, such as those that perform testing, should be personally accredited. This will align with our current Annex A Approval that considers, identity, competence and criminality in order to establish overall suitability.

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**8** To what extent do you agree with our proposals that:

Strongly agree    Agree    Neither agree nor disagree    Disagree    Strongly disagree    Don't know

We should develop a testing framework that ensures that our testing strategies are addressed?

Please select only one item

We should accept accreditation reports from bodies that test to the revised framework?

Please select only one item

Those in critical  
positions being  
personally accredited?

Please select only one item

## Our Proposals- Approval

As part of our application process, we look at the ownership structure and the financing arrangements for test houses. This is a key indicator of the independence of a test house. We also seek to understand the people and/or organisations that have an influence over the way in which the test house is operated.

This means we need to understand who has a controlling interest in the organisation. A controlling interest is determined by having a controlling shareholding or voting rights. The Commission proposes to view anyone with a 10% shareholding as having an influence over the test house. This is in line with the definition of operator control as defined by the Financial Services and Marketing Act.

In addition, the test house Board is considered responsible for setting the direction of an organisation and will be deemed as having influence over the test house.

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. This includes:

- Board Members
- Those with a shareholding of 10% or more

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

Failure to gain or retain individual approval may result in a test house application being refused or a review of existing test house approval.

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**9** To what extent do you agree with our proposals that:

Strongly agree    Agree    Neither agree nor disagree    Disagree    Strongly disagree    Don't know

Those with influence  
over a test house  
require individual or  
organisational  
approval?

Please select only one item

Approval must be obtained before an individual or organisation gains control?

Please select only one item

## Our Proposals- Reporting requirements

In the last two years, it is only at the point of review or assessment that test houses have told us of internal changes. This has ranged from simple changes of contact details to large mergers and acquisitions.

Our existing arrangements do not specify what should be notified to us. Without being proactively informed of changes we are unable to effectively assess the risk posed by test houses.

This and the growth in online gaming, leads us to conclude that test houses should be subject to greater oversight. This is also consistent with our approach to licensing and approving other entities.

Given the key role test houses play within the regulatory framework, we require consistent, accurate and timely information received from test houses so we can be satisfied they are operating effectively.

The Commission proposes that there should be two reporting criteria.

Those events that require reporting within five working days. The proposal is that these events should include.

- Changes in influence
- Change in Board members
- Change in testers

Those that can be submitted annually. This criteria will be developed in conjunction with test houses, but will focus upon the testing that has been conducted in the previous 12 months.

Annual reporting criteria should be submitted on an agreed fixed date.

Failure to report, may result in a review of an existing individual and/or test house approval.

**10** To what extent do you agree with our proposals:

[illegible]

## Our Proposals- Revocation of test house approval

The current arrangements mean that once a test house is approved, the approval remains in place until the test house notifies the Commission that it is no longer required or the Commission revokes approval. Our Licensing Compliance and Enforcement policy statement states at paragraph 5.60:

*“In circumstances in which the Commission becomes concerned about non-compliant gambling products entering the market, especially if this is a repeat concern, it may investigate the product, the operator responsible for its appearance on the market, the personal licence holders responsible for the actions of the operator, and the test houses that have approved non-compliant products. Aside from enforcement action the Commission may take against licence holders, it may also revoke the approval of a test house responsible for testing the product before its release on the market.”*

While we have not suspended or revoked any test house approval to date, our process should be fair and robust if required.

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

This mechanism is triggered if it is established that:

- 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.

It is further proposed that this process will include an internal review process. The process will apply to individuals and test houses.

## 11 To what extent do you agree with our proposals:

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Don't know
To introduce a process by which we can suspend or revoke approval of a test house or individual? <i>Please select only one item</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
On the proposed criteria when suspension or revocation could apply? <i>Please select only one item</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

## Before you submit your response

We have a few questions we would like to ask you to improve future consultations.



## 12 How did you hear about this consultation?

*Please select only one item*

- ☐ Social media   ☐ Word of mouth   ☐ Gambling Commission website  
☐ Broadcast (News, TV, or radio)   ☐ Newspaper (print or online)  
☐ Website (non-government)   ☐ Other

If you answered other, please specify

## 13 Overall, how satisfied were you with our online consultation tool?

*Please select only one item*

- ☐ Very satisfied   ☐ Satisfied   ☐ Somewhat satisfied   ☐ Disappointed

How could we improve this service?