



department for
**culture, media
and sport**

Gambling Act 2005

DCMS Consultation on Gaming Machine Regulations

Under Sections 240 (Use of machine), 235(5) (Gaming machine: single apparatus) and 241 (Supply of machine)

February 2007

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Introduction & Executive Summary

Introduction

- 1.1. Under section 240 of the Gambling Act 2005 (the Act), the Secretary of State may make regulations controlling the circumstances in which a gaming machine is made available for use. Subsection 240(2) identifies a number of factors to which these regulations may refer:
 - The method by which stakes may be deposited or payments made for the use of the machine;
 - The nature of, or arrangements in respect of receiving or claiming prizes;
 - Rollover of stakes or prizes;
 - The proportion of amounts staked or paid that is returned by way of prizes;
 - The display of information;
 - Any other matter relating to the manner in which a machine operates.
- 1.2. Under section 241 of the Act, the Secretary of State may make regulations about the supply, installation, adaptation, maintenance or repair of a gaming machine. Sections 242(2), 243(2) and 246 set out criminal penalties for failure to comply with regulations made under section 240 or 241.
- 1.3. Under section 235(5) of the Act, the Secretary of State may make regulations determining when a single piece of apparatus is to be treated as more than one gaming machine for the purpose of counting machine numbers under the Act (e.g. under section 172 of the Act).
- 1.4. This consultation document sets out the Department for Culture, Media and Sport's (the Department's) proposals for regulations under all of these aspects of the Act and invites comments on them.
- 1.5. Our intention is to have regulations on these matters laid before Parliament in summer 2007. The Department believes this will allow operators sufficient time to understand the core requirements for how gaming machines will be required to operate under the new law. The existing rules relating to the operation of gaming machines under Part III of the Gaming Act 1968 will not lapse until the 2005 Act is brought fully into effect, scheduled for 1 September 2007. All gaming machines will be expected to comply with the regulations covered by this consultation document from that date. There will be no phased implementation of the regulations either in the run up to 1 September 2007, or after that date. However, it is important to note that the regulations have been drafted in such a way as to ensure that existing machines, currently operating in accordance with the requirements of Part III of the Gaming Act 1968, should not require significant modification to be fully compliant with the new regulations under Section 240.

- 1.6. The proposals set out in this consultation will form the basis of Regulations which will be subject to the negative resolution procedure in Parliament. A draft Regulatory Impact Assessment (RIA) and copies of the draft Regulations will be available shortly.
- 1.7. This consultation document also covers particular matters which the Department is asking the Gambling Commission to cover in its Gaming Machine Technical Standards.

Approach to Regulations

- 1.8. Part 10 of the Act concerns gaming machines. This Part of the Act replaces and updates Part III of the Gaming Act 1968. The Act defines “gaming machine” as a machine which is designed or adapted for use by individuals to gamble. There are a number of exceptions to this definition. The Department will be consulting separately about the definition of “dual-use” and “domestic” computer, as exemptions to the gaming machine definition under section 235(2)(a); and on the lottery ticket vending machine exemption under section 235(2)(d).
- 1.9. The delegated powers memorandum, published while the Gambling Bill was in Parliament, set out the broad approach that the Government proposed to take to regulations under section 240 and the relevant paragraphs are reproduced in Appendix 1.
- 1.10. There are a number of factors that we have applied in developing these detailed proposals:
- We should seek to use the powers under section 240 to regulate those areas of a gaming machine’s method of operation which are fundamental to delivery of the licensing objectives, particularly the second and third objectives of fairness and protection of children and the vulnerable;
 - We should seek to use the powers under section 235(5) to ensure that the limits imposed by Parliament on the numbers of gaming machine that each type of gambling business can make available are not improperly eroded by the development of gaming machine equipment with multiple player positions;
 - The importance of regulations under section 240 in securing the licensing objectives requires them to be enforceable against anyone who makes a machine available for use. Under section 242(2), a person commits an offence if he makes a gaming machine available for use in contravention of regulations under section 240. For this reason, we have sought to limit rules in this area to those we regard as fundamental to the operation of the machine, and about which an operator can be expected reasonably to make himself aware;
 - It will therefore be the responsibility of all businesses offering machines for use (as well as manufacturers, suppliers and repairers) to ensure machines comply with the rules under section 240. This applies to gambling businesses with permits, or other machine authorisations under the 2005 Act, as well as operating licence holders;
 - Regulations made under section 240 should be complemented by the detailed specifications relating to the technical operation of gaming machines, which will be covered by the Gambling Commission through its technical standards under Section 96 of the Act. These standards apply only to the manufacturers, suppliers and repairers of machines (i.e. those holding a gaming machine technical operating licence), and not more generally to those making machines available for use;

- These regulations should draw upon international best practice, and be informed by the developments in technology which Part III of the Gaming Act 1968 has been unable to accommodate;
- These regulations should, as far as is possible and appropriate, be the same for all categories of gaming machine, unless there is regulatory justification for different treatment;
- These regulations should be “future-proofed” so far as reasonable and practicable, and;
- Wherever possible, these regulations should ensure consistency with previously published policy in this area, for example the delegated powers memorandum, to meet the intentions expressed to Parliament as the Act was passed.

1.11. At the end of May 2006 the Department published an informal consultation paper on section 240 (but not on sections 235(5) or 241). That document contained our initial thinking on the rules regulating how gaming machines are to operate, to which all gaming machines will need to adhere once the Act is fully implemented. We received 16 responses to this exercise: 1 from a gambling concern group; 6 from industry stakeholders; and 9 from industry umbrella organisations.

1.12. A number of respondents to the informal consultation on section 240 offered comments on the general principles set out above. Two main points emerged:

- Some respondents felt it was unfair that operators of machines should be liable for ensuring that their machines complied with the regulations that the Secretary of State makes under section 240. They suggested that it was more appropriate for the manufacturers or suppliers of machines to be held responsible for ensuring that machines distributed in this country conformed to these rules. We do understand the concern of operators, and that is why we have sought to limit the scope of the regulations to those matters relating to the operation of the machine which one could reasonably expect a gaming machine operator to check i.e. matters that are easily ascertainable from use or external inspection of the machine. We envisage that, when dealing with machine manufacturers and suppliers, operators will wish to satisfy themselves that the machines they are investing in comply with the law by dealing with properly licensed suppliers. However, we consider that it is important that operators themselves take responsibility for the machines that they offer for use, whoever that operator may be. If there was no responsibility on operators, there would, for example, be no powers for the Gambling Commission to take action against any less scrupulous operators who had knowingly made available non-compliant machines. We consider this extra step to be vital in securing the licensing objectives in the gaming machine sector;
- Some respondents felt that in a number of areas our proposals did not comply with the principle that we should draw on international best practice. While we stand by this general principle, and this has influenced the proposals to allow what are termed in this consultation document “single meter” gaming machines in Great Britain for the first time, we have attempted to balance the application of international best practice with the characteristics of the current gaming machine industry, which have become well established in Great Britain.

1.13. This formal consultation document includes our responses to issues raised during the informal consultation on section 240 regulations and invites comments on the approach

that we are proposing to take following that process. This approach has developed from the policies contained in that informal consultation document, and this document outlines the final policies we are proposing to adopt at the end of this formal consultation. We will publish a response document following this consultation, which will be based on responses we receive to this exercise.

- 1.14. This document should be read in conjunction with the (now closed) formal consultation document for regulations under section 236 of the Act, which can be found on the Department's website (www.culture.gov.uk). Section 236 defines the new categories of gaming machine, which are referred to throughout this paper. For ease of reference, the proposed new categories are summarised in the table below:

<i>Category</i>	<i>Maximum stake (£)</i>	<i>Maximum prize (£)</i>
A	Unlimited	Unlimited
B1	2	4000
B2	100	500
B3	1	500
B4	1	250
C	50p	35
D	10p/30p	5/8

- 1.15. As indicated above, the intention is that further regulations relating to gaming machines will be made under sections 235(2)(a), 2(d) and (3)(f), and we will consult separately on our proposals under these sections in due course.

Gambling Commission Technical Standards

- 1.16. In June 2006 the Gambling Commission (the Commission) published a consultation paper on draft Gaming Machine Technical Standards under section 96 which proposes the standards the Commission intends to apply to gaming machines generally, and certain categories of machine. These standards will form licence conditions with which all gaming machine technical licence holders must comply.
- 1.17. To supplement the Commission's consultation process we are using this consultation to gather views on particular aspects of its technical standards that could not be fully addressed by the Commission itself until the detail of the Department's proposed regulations were settled. Therefore, this document sets out the policy requirements for the Commission's technical standards in certain (limited) areas, and we will be sharing the results of this consultation with the Commission. Where a proposal is to be achieved through technical standards, rather than regulations, we have clearly marked this as a Gambling Commission Technical Standard.

Executive summary of proposals

1.18. Below is a summary of our proposals for regulations under **section 240**.

For all configurations of gaming machine:

- The maximum amount that may be deposited on a machine in a single player action will be £20 for all categories of machine, except Category D, where the maximum amount will be £2;
- All forms of payment (cash, coin, smart card) are acceptable in all categories of machine except:
 - credit and debit cards may not be inserted directly into a machine; and
 - the purchase of cash alternatives (smart cards or similar) by credit card will be prohibited;
- No residues may be kept by the machine on cash-less operation machines (GC technical standard);
- Residues will be permitted on cash-operation machines, subject to rules to be set by the Gambling Commission on residue limits and the use made of residues (GC technical standard);
- The minimum stake on any machine will be 1p;
- Certain information must be displayed on all categories of machine;
- The machine must deliver a prize when it is won or inform the winner and facilitate collection of the prize;
- Only Category D machines can offer non-money prizes, and these must not be illegal for a retailer to sell or supply to under 18s;
- Rules about random operation will be set by the Gambling Commission technical standards, not by s.240 regulations;
- No special rules will be set in relation to roll-overs – all stakes and prizes must comply with maximum limits under s.236 regulations (categories of gaming machine).

In addition, for machines where the stake is drawn from committed money:

- The maximum amount that may be committed in one player action will be:
 - £10 – Category A, B1, B2, B3
 - £5 – Category B4
 - £2 – Category C and D
- Prizes must be collected at the time of the win or credited to deposited money; they may not be credited direct to committed funds;

- Autoplay features will be regulated by Gambling Commission technical standards.

Alternatively, for machines where the stake is drawn from deposited money:

- No means of autoplay will be permitted on the machine. Every gamble must be initiated by a player action;
- Following a win, the player must be given option of collecting win, before the win is credited back to deposited funds;
- For Category A and B2 machines a maximum tranche amount of £10 will be set for the accumulation of stakes. A fresh player action will be needed to build each £10 element of the total stake.

1.19. Below is a summary of our proposals for regulations under **section 235(5)**:

- The number of player positions around a machine which is designed or adapted for an individual to gamble will determine how many gaming machines the equipment represents;
- One player position = one gaming machine.

1.20. Below is a summary of our proposals under **section 241**:

- The supply or installation of any machine designed or adapted to permit money to be paid, directly or indirectly, by means of a credit card is prohibited;
- The supply or installation of any machine designed or adapted to permit money to be paid, directly, by means of a direct debit card is prohibited.

1.21. These proposals are outlined in further detail in Sections A and B of this consultation document with a full explanation of the terms used in this summary. Section C contains a summary of the consultation questions.

Consultation

1.22. The Department welcomes comments on these proposals. The paper will be of particular interest to:

- Gaming machine manufacturers;
- Gaming machine suppliers;
- Gaming machine repairers;
- Individual businesses who wish to make gaming machines available for use. These regulations will be just as relevant to permits that allow the holders to offer gaming machines for use, as well as operating licence holders;
- Trade associations representing gaming machine users and manufacturers;
- Organisations or individuals concerned with combating problem gambling.

1.23. The closing date for responses is **3 May 2007**. Please send your comments in writing or by E-mail to:

Ben Melton
Gaming and Lotteries Team
Gambling Division
Department for Culture, Media and Sport,
2-4 Cockspur Street,
London SW1 5DH;
ben.melton@culture.gsi.gov.uk

1.24. A summary of responses will be published after the closing date for consultation. All information in responses, including personal information, may be subject to publication or disclosure under Freedom of Information legislation. If a correspondent requests confidentiality, this cannot be guaranteed and will only be possible if considered appropriate under the legislation. Any such request should explain why confidentiality is necessary. Any automatic confidentiality disclaimer generated by your IT system will not be considered as such a request unless you specifically include a request, with an explanation, in the main text of your response.

1.25. If you have any questions or complaints about the process of consultation on this paper, please contact:

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Section A: Gambling (Use of Gaming Machine) Regulations under sections 240 and 241 of The Gambling Act 2005 – proposals for consultation

Background

2.1. Under the Act the Secretary of State has powers to make regulations controlling the circumstances in which a gaming machine is made available for use. Section 240(2) sets out a number of matters which might be covered by these regulations:

- The method by which stakes may be deposited or payments made for the use of the machine;
- The nature of, or arrangements in respect of receiving or claiming prizes;
- Rollover of stakes or prizes;
- The proportion of amounts staked or paid that is returned by way of prizes;
- The display of information;
- Any other matter relating to the manner in which a machine operates.

2.2. It should be noted that under Section 240(3) the Secretary of State may also identify any matters relating to the use of gaming machine which may not form the subject of an operating or premises licence condition. We do not presently propose to identify any such matters.

2.3. Currently there is a multiplicity of rules which lead to different types of machine operating in different ways, involving up to three meters: credit/play meters, residue meters and bank meters. Overseas, there are further variants of machines available, for example with a single meter. Much of the current gaming machine estate in Britain consists of multi-meter machines, whilst what are currently known as FOBTs are configured around a single meter.

2.4. In making these proposals the Department has addressed the issues presented by the development of single meter gaming machines alongside the multi-meter machines that have been used traditionally in Great Britain. The use of single and multiple meters affects the way gaming machines accept and retain the player's money. Therefore, the Department is proposing regulations which:

- will give manufacturers, suppliers and operators of machines the choice of how a machine is configured (whether it has no, one or more than one meter); while
- setting appropriate (and differing) rules to deliver the licensing objectives, depending on how a machine treats a player's money.

2.5. Following the informal consultation process, a small number of respondents to the consultation suggested that the multi-meter type of gaming machine was an

anachronism unique to Great Britain and did not conform to international standards. While we noted this view, retaining the existing principles for configuring gaming machines is necessary to ensure that existing machines used in Great Britain can continue to comply with the law once the new Act is implemented. We believe there remains a market for this type of machine, and, with the appropriate safeguards contained in these proposed regulations, we believe it is right to give manufacturers the option of continuing to configure machines in this way.

2.6. It is our aim to make these regulations as future-proof as possible, so we do not propose to set rules by reference to whether or not a machine has meters, or how many meters it has. To assist understanding however, this consultation document explains how the rules would apply to different configurations of machine.

2.7. This remainder of this Part of the consultation document is divided into three sections:

- proposals which will apply to all gaming machines (A1);
- proposals which will apply only to machines where the stake is drawn from committed money (A2); and
- proposals which will apply only to machines where the stake is drawn from deposited money (A3).

Section A1: Proposals to apply to all gaming machines

This Section explains the rules which DCMS is proposing for all types of gaming machine, however they operate.

All forms of direct payment are acceptable but credit and debit cards cannot be inserted directly in the machine

- 3.1. In line with the modernising measures introduced in the last few years, we propose to allow payment to be made in most forms of money or money's worth (subject to the restrictions below). This means that coins and notes will both be permitted, as will any smartcards, tokens, tickets or similar objects that can be purchased and used in place of cash to pay for use of the machine. A number of respondents to the consultation questioned whether this definition would be broad enough to encompass what is known as TITO technology (ticket-in/ticket-out), so we confirm here that the principle of TITO technology will fall within the rules we provide about the forms of payments that can be taken. We will not be imposing any rules about how the money is physically taken by the machine (e.g. no slot or aperture requirements will be set). The stake limits set out in regulations under section 236 (categories of gaming machine) will apply, irrespective of the method by which the stake is paid or the form it takes.
- 3.2. We propose to use the section 240 and 241 regulations to prohibit the use of debit and credit cards directly in machines, and again see this as a straightforward protection, which replicates the existing position. This will cover both operators using machines, and those who supply, install, adapt, maintain, and repair machines.
- 3.3. The Department has reviewed the provision in section 245 of the Act, which creates a direct offence of supplying, installing or making available for use a gaming machine which is designed or adapted to permit money to be paid by means of a credit card. As these amount to technical requirements it has been decided that the best method for regulating these matters is, in fact, in a single set of regulations for operators under section 240, and a single set of regulations under section 241, for suppliers, both supported by Gambling Commission licence conditions on technical operating licences. This allows the Department to fulfil its European obligations with respect to notification of technical standards, while ensuring that there is robust regulation of credit in relation to gaming machines. The Department therefore intends to repeal section 245 before 1 September 2007, but to ensure that equivalent measures are put in place under these regulations, with the same force and effect as section 245 presently offers.
- 3.4. This proposal relating to credit and debit cards is largely uncontroversial, and attracted little adverse comment from respondents to the informal consultation. The rules will apply universally to all machines.

Q1: Do you agree with the above proposals on direct forms of payment to use a gaming machine?

All methods of indirect payment are acceptable except for the purchase of smart cards (or similar)) by credit card, which will be prohibited

- 3.5. As noted above we intend to prohibit credit cards and debit cards being used to pay directly for use of a gaming machine to preserve a layer of protection for people who might otherwise be tempted to spend more money than they can afford. However, we also need to deal with the position of buying cash-less forms of payment for a gaming machine e.g. the purchase of smart cards. We propose to use regulations under section 240 to ensure that credit cards cannot be used to purchase cash alternatives, smartcards, or tokens for subsequent use in gaming machines. Equally, regulations under section 241 will prevent the supply of machines designed to be used with indirect credit card payments. Taken together these proposals will ensure that credit is not available from operators for playing gaming machines.
- 3.6. The arguments surrounding the use of debit cards to purchase cash alternatives for use in machines are less clear. We see debit cards as a different form of payment to credit cards. The fundamental difference between the two is that debit cards are honoured instantly from existing or pre-agreed funds, and do not present the same potential for gambling on borrowed money as credit cards. We are proposing to require people to make regular decisions both to deposit a payment with the machine and, in some cases also to “commit” money to play (see Section A2 below). If people cannot use their debit card directly in the machine, and instead have to use it to purchase a smartcard to enable them to play the machine, arguably this already imposes a further stage in the decision making process for the customer, and in relation to funds that are of a different nature to pure credit.
- 3.7. In view of these protections, we propose to permit the purchase of smart cards and other cash alternatives with debit cards for subsequent use in machines.

Q2: Do you agree with the above proposals on the purchase of cash alternatives by credit and debit cards? In particular, do you agree with the proposal to permit cash alternative purchase by debit card?

The maximum amount that may be deposited on a machine in a single player action is £20 for all categories of machine, except Category D, where the maximum amount will be £2

- 3.8. We propose that a person may deposit up to a maximum of £20 in any gaming machine in a single action, for all categories of machine, other than Category D machines where the limit for deposit will be £2. This limit will apply to all permitted methods of payment for use of the machine.
- 3.9. This means that a fresh customer decision will be required for every £20 (or £2 in the case of Category D) that a player wishes to deposit with the machine. Subject to any limit on the overall amount which the player deposits (discussed below), a single deposit can only be made in amounts no greater than £20, or £2, respectively. A customer who wishes to deposit £30 upon a machine using a smartcard or similar device will therefore need to transfer £20, and then £10, but cannot transfer £30 in one action.

- 3.10. These limits on depositing money to a machine will apply whenever the customer can retrieve his money from the machine (less the amount he has spent actually playing the machine). In other words, money is *deposited* when the balance of the money left over from his use can be returned to the customer, at his election. If, in fact, the money which the player is transferring to the machine cannot be reclaimed in this manner, then the money is treated as “committed” money, not deposited money.
- 3.11. We intend these deposit rules to apply to all configurations of gaming machine, regardless of how many meters they possess. Additional rules about staking money either directly from deposited funds or from committed funds are dealt with in further proposals below (sections A2 and A3).
- 3.12. We consider these deposited money limits to be consistent with the second and third objectives of fairness and protection of the vulnerable. We do not consider it to be desirable for players to be able to deposit large amounts of money without a regular and conscious decision to do so. This becomes particularly important when dealing with the use of smart cards and the development of similar devices for cash-less transactions on machines. The £20 figure has been chosen for all machines except Category D because it is equivalent to the highest value bank note in general circulation *and* everyday use. As a player would need to make a conscious decision before depositing a further £20 note in the machine, we consider this is the right threshold to be set for any other payment methods which are used for depositing money with the machine.
- 3.13. In considering the right deposit limit for Category D machines, we consider that the existing maximum coin value of £2 should remain in force, to reflect the lower stake limits on these machines and the fact that children can use them. Therefore, while payment methods other than coin will become available for Category D machines, we propose to set the deposit limit at the value of the highest value coin in current everyday circulation, namely £2.
- 3.14. This proposal meets the Government’s commitment to extend the liberalisation of the payment methods for what are currently Section 31 jackpot machines, contained in the Regulatory Reform (Gaming Machines) Order 2003, to all Amusements With Prizes machines, except those with the lowest stakes and prizes (category D machines under the new Act). Currently, the amount that may be deposited on a Section 34 machine is limited to £2, and so a £20 limit represents a significant liberalisation of the current rules for gaming machines in pubs and the adult only areas of arcades (category C machines).
- 3.15. We do not propose to set any regulatory limit on the total amount that may be deposited on a gaming machine (whether it is a cash or cash-less operation machine). We have noted that the industry institutes self-imposed limits on the maximum amounts that can be deposited (for security and other reasons), and that in some cases industry best practice has pre-set limits e.g. the £200 limit on FOBTs under the ABB voluntary code. While we do not see any requirement to set a total limit in relation to deposits amounts, it is central to our proposal that the player makes regular and conscious decisions to keep depositing money onto a machine. A player may deposit coins in the machine up to the maximum amount the machine permits, but will be doing so in amounts no greater than £2 because the maximum coin value currently is £2. Similarly, a player may insert £20 notes into a machine up to the maximum amount the machine permits, but he cannot insert any more than £20 in one go, without making a further conscious decision to deposit more.

3.16. The BACTA Consolidated Machine Guidelines (agreed with the Gambling Commission), stipulate that the highest denomination note that should be inserted in a s.31 gaming machine is £20, and that a player should deposit no more than £20 from a smart card (or similar device) without a fresh action. This example of industry best practice is reflected in the Department's proposal, which therefore represents the status quo for many current gaming machines. All categories of gaming machine will now be captured by this policy.

Responses to the informal consultation

3.17. Many respondents to the consultation argued that £20 was insufficient for higher stake and prize gaming machines and several responses suggested that the £50 note was more commonplace in the gambling industry. One claimed that the £50 note was by far the most common form of currency in the industry.

3.18. The Department does not consider a £50 limit to be warranted or appropriate. The existing industry agreed limit was raised to £20 in December 2003 – the figure was agreed between the Gambling Commission and BACTA in light of the Regulatory Reform (Gaming Machines) Order 2003. This constituted a ten-fold increase on the previous limit in force at the time. It would be difficult to see how a further 250% increase in this limit so soon – or a 25-fold increase in just 4 years - could be seen to be consistent with the generally cautious approach the Government is taking to the reform of gambling laws.

3.19. A number of respondents to the consultation said that the proposal to cap the amount that may be deposited in a machine for all forms of payment would be inconsistent with the way that TITO (ticket-in/ticket-out) technology was already being operated in the industry. The Department does not consider that its proposal is incompatible with the principle of TITO systems and there is no attempt here to abolish the ticket based methods of transferring money to a machine. This proposal simply aligns TITO with other forms of payment.

3.20. Some respondents to the consultation explained that a customer who had received a win of over £20 on one machine could not, under our proposals, transfer the winnings directly to another machine using TITO technology as they do now. While we understand this point, we have not seen any convincing arguments why TITO winnings should be treated differently to any other money being deposited on a machine. If the need for a cap on the amount that may be deposited on a machine is accepted, this should necessarily apply to all money, whether or not it has been won on a different machine.

3.21. The practical impact of a £20 limit on deposited money would be that TITO operators would need to:

- limit ticket sales to the value of £20 per ticket, if barcode tickets are being offered in this manner;
- ensure prizes delivered by ticket are limited to a value of £20 per ticket, where the ticket can be used to deposit money with another machine; or
- provide a facility for players to exchange a higher value prize ticket for a number of tickets worth up to £20 each.

3.22. A combination of these requirements would ensure that customers using TITO technology are required to take a fresh action to deposit each ticket with its maximum £20 value. Alternatively, operators could limit the amount that may be deposited from a ticket to the machine in any one action to £20. However, on the principle of current TITO operations the Department understands this would require more significant reconfiguring of the systems than limiting the value of each ticket. We have noted that in the informal consultation responses it was suggested that operators could adapt current back office protection systems to limit transactions on machines without having to reconfigure the machines themselves. We would be interested in receiving estimates, supported by evidence, from industry on the compliance costs it believes may result from implementing the deposit limit proposals, particularly in relation to TITO systems (and the options highlighted above).

3.23. A number of respondents also drew comparisons between maximum deposit limits proposed for gaming machines and the fact that no maximum deposit limits are proposed for casino gaming tables. Under the Act, appropriate safeguards will be introduced for all forms of gambling, which must be suitable for the form of gambling in question. We do not agree that machine limits should equate to table limits.

Q3: Do you agree with the proposed maximum deposit limit of £20 in any single action for all categories of machine, except for Category D machines for which the deposit limit will be £2?

Q4: Do you agree that the deposit limit proposal is compatible with the principle of TITO technology? If you do not believe that this proposal is compatible with TITO technology please explain why.

Q5: Do you think the deposit limit proposal will generate compliance problems for existing machines? If so, please provide any evidence or information you have about the scale of such costs, in particular by reference to the necessary modifications to TITO.

Cash-less operation gaming machines cannot retain residues (Commission Technical Standards)

3.24. Within the gaming machine industry “residues” are generally understood to be an amount of money (in the form of coins) that has been committed to play, and which is left over at the end of a player’s use of a machine. In some circumstances it is currently permitted for this residue amount to be retained by the machine, and not returned to the player. Residues are produced when money has been committed to the machine, but there is insufficient to make up a whole stake to use in playing the machine, **and** the machine is unable to pay out the residue amount. For example, £1 is transferred to a 30p stake machine, the player has 3 goes and is left with 10p. That 10p would be a “residue” if the player added no further money to it, and the machine did not contain a 10p piece within it.

3.25. It is a fundamental principle of permitting residues that the machine is unable to pay out any remaining credit to a player because the machine is limited in the denominations of coins it holds or is limited in the way it can pay out money by its configuration. It follows that on those machines where payment is made by a method other than cash

there should be no situation where that machine cannot return any unused credit to the player (e.g. by crediting it back to the smart card).

- 3.26. We therefore consider it should be a requirement for all gaming machines, which take a player's money in a non-cash form, to return any remaining, unused amounts back to the player. The rules we believe should apply in relation to cash-based machines are described below.
- 3.27. Having considered the best means of regulation for residues, we have come to the view that the regulations under section 240 are not the best vehicle for setting the rules we would like to see introduced. Therefore, we have asked the Gambling Commission, and the Gambling Commission has agreed to make provisions for the circumstances in which residues cannot be retained by machines. This will be covered in the Gaming Machine Technical Standards, which will apply to the manufacturers, suppliers, installers and repairers of gaming machines.

Q6: Do you agree with the proposal that Gambling Commission technical standards should prevent any residues being retained by cash-less operation machines?

Residues will be permitted on cash-operation machines, subject to rules to be set by the Gambling Commission on residue limits and the use made of residues

- 3.28. While our preferred approach is that no gaming machines should be permitted to retain non-cash residues, we consider that there are grounds for permitting limited cash residues to be retained on gaming machines, provided the subsequent use of those residues is controlled.
- 3.29. By way of background, the BACTA Consolidated Gaming Machine Guidelines agreed with the Gambling Commission presently contain guidance on the retention of residues in a gaming machine. Currently under the guidelines, machines are able to retain, and not return to the player coin residue in amounts that are less than £1. Therefore a gaming machine must return any whole amounts of £1 or more remaining in the machine, but are not required to return any amount less than that.
- 3.30. We consider that residues are less likely to result from the new stake and prize limits proposed for Category B and C machines in s.236 regulations. As indicated already we also do not consider that any smart-card or other non-cash facility for paying for a machine should permit residues to be kept by the machine.
- 3.31. We propose, for the present time, to allow machines to retain cash residues on cash-operated gaming machines. In forming this view we have taken into account the fact that the current guidelines on residues are designed to accommodate the number of machine hoppers that older machines contain. This position is subject to the principle that there should be a limit on the amount of any residue retained and that sums of money that have not been spent on a machine (but not used on gambling) should not benefit the operator. Instead they should be retained in the machine for the next player to use (by adding his own stake money to it).
- 3.32. We have asked the Gambling Commission, and they have agreed, to develop technical standards which deliver the following rules on cash residues:

- Allow residues from money (coin and banknote) payments
- Set rules on how replayable tokens are to be treated under a cash/non-cash divide
- Cap permitted residues to less than £1
- Require residues to be retained for the use of a subsequent player, even if the machine is turned off in the interim.

3.33. We do not, therefore, propose to make regulations about residues under section 240. Residues will, instead, continue to be permitted, compliant with Gambling Commission requirements to be set out in its technical standards.

Q7: Do you agree with the proposed approach for the Gambling Commission to set rules regulating cash residues on all gaming machines, via its technical standards?

The minimum stake on any machine will be 1p

3.34. The Department has made it clear that we see no objection to operators and manufacturers determining what level of stake, below the maximum set out in regulations under section 236 of the Act, should be set for each category of machine they wish to offer. We also believe that it is acceptable for machine gambling opportunities to be designed in such a way that the maximum stake can be split into a number of elements in relation to a single use of the machine. For example, on a Category C machine, a player should be able to divide his 50p stake into stakes of 10p on five “lines” for a single use of the machine. The key requirement is that the maximum stake of 50p for any one use of the machine should not be breached (and associated with that the maximum prize).

3.35. However, we consider it to be undesirable, and inconsistent with the second licensing objective that gambling be conducted in a fair and open way, to allow stakes to be split into fractions of a penny. We are, therefore, proposing to set a minimum stake of 1p for the use of any gaming machine, being the smallest legal coin denomination in the UK. So, on a Category C machine a player would be permitted to stake 1p on up to 50 “lines” for any one use of the machine.

3.36. Regulations under section 240 will therefore prevent any machine from being operated with stakes split below 1p. This proposal was first raised in our consultation on draft regulations under Section 236 of the Gambling Act. However, we now consider this matter to be one that it is more appropriate to deal with under Section 240.

Q8: Do you agree with the proposal to limit minimum stake amounts to 1p? If not, please explain why.

Certain information must be displayed on all categories of machine

3.37. Section 240 provides powers to require the display of information on gaming machines.

3.38. The current BACTA Industry Guidelines and the ABB code of practice on FOBTs contain a range of requirements relating to the display of information. Our approach to

regulations on this issue is to limit any requirements to information that we regard as fundamental to the licensing objectives. This means: information that impacts on the fairness of the gambling offer – essentially information to enable people to make an informed choice about whether to gamble; and, information relating to the protection of children and vulnerable people. It will be more appropriate and more flexible for requirements on the display of information relating to the detailed conduct of the gambling opportunity to be dealt with in the Gambling Commission’s technical standards.

3.39. In the interests of fair gambling and protecting children and vulnerable people, we therefore propose to introduce requirements in regulations that machines must include permanently displayed information covering the following:

- that it is illegal for anyone under 18 to use the machine, for all category A, B and C machines;
- the category to which the machine belongs (e.g. A, B, C or D);
- giving people information about where they can get help and advice on problem gambling, for all categories of machine; and
- giving people information about the chances of winning on the machine, for all categories of machine (including when the machine operates randomly).

3.40. This information will need to be displayed on the machine at all times when it is available for use. Therefore, by permanent display, we will require operators and manufacturers to ensure that the above information is displayed at all times when the machine is switched on. This gives the choice of whether to present this information on the outer casing of a gaming machine, or to display it on electronic (and therefore variable) displays which are only visible when the machine is available for use.

3.41. We consider that the first and second requirements are easy to understand and need no further elaboration. In relation to the third, our requirement is that the machine will have to display information that identifies a person or organisation where help and advice on problem gambling can be found, including contact details of how to reach that person or organisation. We consider that this requirement should be imposed on all categories of machine, including Category D machines.

3.42. The fourth requirement concerns the chances of winning a prize from use of the machine. This means the proportion of amounts staked that are returned as prizes (over a set number of uses of the machine), usually expressed as a percentage or ratio.

3.43. The Department has considered setting a substantive requirement about the pay-out ratios by which machines should abide. However, we believe that the Gambling Commission is better placed to regulate these matters via its technical standards. Instead, our regulations will require all machines to display information about the percentage or ratio of stakes returned as prizes that the machine offers, whatever that may be (and in accordance with Commission requirements). This will apply to compensated and random operation machines.

3.44. The Department considers that the display of information on machines is an important element of delivering the licensing objectives laid down in the Act. Further requirements about the display of information in and around licensed premises, relating to age restrictions and advice on problem gambling will also be attached to premises licences.

- 3.45. We do not propose to lay down in guidance detailed requirements about the size, exact content and form of notices displaying this information. The regulations will require genuine, and permanent display as explained above. It will be open to the Gambling Commission to issue codes of practice, or further develop these matters in its Technical Standards. However, we propose to keep this issue under review, and if it becomes clear that abuse is occurring, we would re-visit this decision, and lay down more prescriptive details.
- 3.46. A number of respondents to the consultation exercise commented on these proposals. Some suggested that too much information on machines could distract players, and information could instead be offered adjacent to, as well as on, gaming machines. Some respondents also suggested that information about where to obtain assistance about problem gambling may be more appropriately made available elsewhere in gambling premises.
- 3.47. While we note these points, we do not consider that these proposals represent a significant departure from, or additional burden, over and above what is already required by the Gambling Commission or standard industry practice. We do not consider that offering information about problem gambling elsewhere in premises should be viewed as an alternative to offering such information on machines. Further requirements relating to the display of information will be attached to premises licences. We consider both are appropriate, and we make no apology for making public protection our number one priority.

Q9: Do you agree with these proposals on display of information on gaming machines?

The machine must deliver any prize when it is won or inform the winner and facilitate collection of the prize

- 3.48. Our basic premise is that it is in the interests of the fair and open conduct of gambling that people who have paid money to gamble on machines should be able to claim and collect any prize to which they are entitled at the time that they win.
- 3.50. We therefore propose that, for all categories of machine, the prize itself must either be delivered by the machine (i.e. the cash amount, or the non-money prize), or the machine must inform the winner and enable him to claim the prize on the premises, and at a time when the machine is available for use.
- 3.51. This will allow a machine to deliver a ticket or display information which entitles the winner to claim a money prize, or, in the case of a category D machine, a money or a non-money prize. It also accommodates the payment of cheques for money prizes. In all cases where the prize is not delivered by the machine, it will need to be available for the winner on the same premises as the machine, at the time when the machine is used. The winner may elect to return to take the prize subsequently, but it to be his legal right to demand it at the time of the win.
- 3.52. We have noted concerns that a customer winning a major prize could be at risk if arrangements are not in place to ensure that he is able to claim and secure his prize safely. However, we are not minded to make special provisions in regulations about this and see Gambling Commission standards and codes as a more appropriate vehicle for

ensuring that proper procedures which balance the right of people to claim their prize and the need to ensure they can do so safely. In taking this position, we have taken into account the associated rule (below) that Category A, B and C machines cannot deliver non-money prizes.

Q10: Do you agree with the proposals for delivery and collection of prizes?

Only Category D machines can offer non-money prizes, and these must not be illegal for the retailer to sell to under 18s

- 3.53. Section 240 contains powers to specify the nature of prizes and the arrangements in respect of receiving or claiming prizes from gaming machines. We have a range of proposals to make in this area.
- 3.54. We propose that Category A, B and C machines should be capable of offering only money prizes, and Category D machines alone should be capable of offering both non-money and money prizes.
- 3.55. We consider that it is central to the second licensing objective (that gambling is conducted in a fair and open way) that players are clear how much they can pay to gamble on a gaming machine and how much they can win. This becomes more subjective and less transparent where non-money prizes are permitted. While we recognise that this is less likely to be of regulatory concern on Category D machines, transparency becomes more important as stake and prize limits increase. We consider that there is a risk that high value non-monetary prizes may provide an inducement to some people to gamble more than they can afford.
- 3.56. We therefore propose to define “money prize” as:
- cash;
 - cheques;
 - part cash and part cheque;
 - anything which gives a full entitlement to receive cash or a cheque; and,
 - anything which can be used to pay for goods or services (including gambling) upon the premises, provided that the cash equivalent of the prize can be redeemed from that thing instead. This would therefore exclude non-negotiable plaques or chips.
- 3.57. Category A – C machines will only be able to offer and deliver prizes that comply with this definition.
- 3.58. Category D machines will be able to offer money and non-money prizes. However, we propose to restrict the range of goods and services which can be offered as non-money prizes to things which it is legal to sell or supply to an under 18 year old.
- 3.59. We recognise that in most cases, the non-money prizes offered by Category D machines are fun prizes that children can enjoy. However, we are aware of past practice where cigarettes and other potentially unsuitable non-money prizes have been offered in crane grabs and other such machines. We therefore propose to use these regulations to require that no Category D gaming machine should offer or deliver any prize that would be illegal for the operator to sell or supply to a person under the age of 18 in a retail situation. Whilst the precise age limits for different products will vary (e.g. the limit for

cigarette sales is currently 16 (due to rise to 18), and 18 for alcohol) our intention is to prevent any item being used as a prize if it is illegal to sell that item to someone between the ages of 0 and 18 years. Therefore, if a prize of cigarettes is offered in a machine, and happens to be won by a 17 year old, this will not legitimise the prize. Under the section 240 regulations, making available a gaming machine which offers the prize will be unlawful.

3.60. Under the current law, the items which would be prohibited as prizes are:

Items	Age Limit for sale/supply
Caps, cracker snaps, throwdowns, party poppers, novelty matches	16 years
Knives /offensive weapons	16 years
Lottery tickets/instant win cards	16 years
Cigarettes & tobacco products including vending machines sales	16 years (due to rise to 18)
Solvents /volatile substances/petrol	18 years
Videos/DVDs/computer games.	
Classification 12	12 years
Classification 15	15 years
Classification 18	18 years
Fireworks	18 years
Lighter refills containing butane	18 years
Alcohol	18 years

Responses to informal consultation

3.61. The proposal in relation to money only prizes in Category A – C machines was first raised in the consultation on section 236 regulations (category of gaming machines), and we have now concluded that the section 240 regulations are the most appropriate vehicle for such rules. During that informal consultation this proposal generated opposition from casino operators and representative bodies, who argued that non-money prizes should be offered on all categories of machine, based largely on the fact that such prizes were available in overseas jurisdictions. Some operators argued that high value non-money prizes were necessary to “spice-up” the gambling experience for players. This was highlighted particularly in relation to Category A machines.

3.62. In our view Category A machines, with potentially significantly larger wins, present new challenges, and we retain real concerns about allowing new unlimited stake and prize machines to deliver anything other than money prizes. We consider that high value non-money prizes could provide an unwelcome inducement to gamble. This is the first time that machines of this category are being offered to players in Great Britain and we firmly believe that a cautious approach at this time is entirely in tune with the spirit of the

new regulatory regime. We recognise that there is a practice internationally of offering non-money prizes on unlimited prize machines, but the second licensing objective is absolutely clear on the manner in which gambling is to be conducted. We therefore propose to maintain the requirement that higher value machines offer only money prizes. We will keep the matter under review, and monitor the development of these machines develops in the regional casino permitted to use them.

3.63. The proposal on the restriction on prizes delivered from Category D machines proved largely non-controversial when raised in the informal section 236 informal consultation. One respondent suggested that the rule should not apply to gaming machines located in adult only premises, or the adult only sections of premises which children are permitted to enter. While we noted this suggestion, we believe that the clear intention of Parliament was that Category D machines should be amusements that are harmless to children. We find it difficult to reconcile this with the sort of prizes we propose to prohibit by this regulation, wherever such machines are located.

Q11: Do you agree with the rules proposed for the type of money and non-money prizes that Category A to D machines can deliver?

Q12: Do you agree with the proposal that no Category D gaming machine should offer or deliver any prize that it would be illegal for the operator to sell or supply to a person under the age of 18, in a retail situation?

No special rules on rollovers

3.64. Section 240 refers to the possibility of regulations regulating the rollover of stakes and prizes (s.240(2)(c)). So far as stakes are concerned, the maximum stake that may be paid for a single use of a machine will be fixed by regulations (by category), and there will be no opportunity to add together or roll over any stake to exceed the relevant maxima. However, this does not prevent stakes being split or rolled together within the maximum (subject to the 1p minimum stake rule outlined above).

3.65. So far as prizes are concerned, again, there are maximum amounts which can be won from a single use of a machine and roll-overs of unclaimed or unallocated prizes will not be permitted where such conduct would lead to exceeding the maximum prize level.

3.66. Having looked at the matter further, the Department does not consider that any express regulation of this point is needed in the section 240 regulations. The regulations on maximum stake and prizes set out under section 236 regulations are sufficient, in our view, to prevent an operator acting in a fashion that breaches those limits. For the present time therefore, we do not believe there needs to be any express provisions banning the roll-over of stakes and prizes.

3.67. For the avoidance of doubt (and this point was raised by a number of respondents to the informal consultation) this proposal does not relate to repeat chance features. The Commission will set rules relating to repeat chance through its technical standards, continuing a practice it maintains presently under industry guidelines.

Q13: Do you agree that there is no need to make express regulations on roll-over of stakes and prizes?

Multiple staking

- 3.68. The powers for the Secretary of State to make regulations are broad, as they include the power to regulate any matter relating to the manner in which a machine operates. Under this general heading, we have looked at the issue of parallel and serial games and multiple staking.
- 3.69. The Government and the Gambling Commission have viewed the recent development of parallel and serial gaming machines with concern. For the sake of clarity, what we mean by this is:
- Parallel games – a machine which enables a player to start the game once, and the machine makes a number of determinations all at exactly the same time;
 - Serial games – a machine which enables a player to start the game once, and the machine make a number of determinations in series, with each taking fractions of a second, and with fractions of a second between each determination.
- 3.70. These machines present different regulatory concerns. A parallel game which enabled a player to stake simultaneously multiples of the maximum stake permitted for its category of machine is not permitted under current law, and we will maintain this position under the new Act.
- 3.71. The position on serial games under the existing law is less clear cut. Serial games have recently been appearing in the family sections of some seaside and other arcades, purporting to be Section 34 machines with a 1p, 2p or 5p stake. These machines offer up to 20 determinations in very quick succession, enabling the player to stake anything up to £1 and win up to £100 on one press of the play button. The interval between each determination is so short, and the fact that the player only needs to press the play button once, create the impression that the player is only playing the game once. This is very different to the traditional autoplay feature found on gaming machines. We regard machines which allow this sort of rapid multiple staking as no more than a device to circumvent the maximum stake and prize limits set down in law.
- 3.72. As part of the informal consultation process we proposed a number of possible approaches which would effectively ban multiple staking of this sort, particularly those in the form of serial games. The options we identified were:
- Ban autoplay functions completely – this idea is attractive as it would force players to make a conscious decision to press the play button every time they gamble;
 - Set limits on autoplay functions – limiting the number of determinations/games that pressing an autoplay button once could deliver would ensure that some limits were place round the development of serial games;
 - Establish a minimum time requirement for a “game cycle” – i.e. set a minimum time requirement between pressing the start button, the machine making its determination and paying any money prizes, before a further game cycle can commence;
 - Introduce a combination of the above requirements.
- 3.73. These proposals attracted considerable comment in response to the informal consultation exercise. Many, though not all, respondents recognised that serial games were a problem. However, there was little consensus over how to address this mischief.

3.74. Some suggested that the existing Gambling Commission guidelines were sufficient. One respondent agreed that banning autoplay would be the safest option, but many argued that this option would involve large compliance costs in the existing machine estate and deny customers what was a popular feature.

3.75. The proposal to set minimum game cycles also caused concern. If too long a cycle was proposed it would reduce the commercial attractiveness of all machines, not just those that we were seeking to address. However, this option did attract more support as long as the minimum game cycle was not unreasonably long. No alternative suggestions for combating serial games were received.

3.76. We have listened to the points raised, and as a result, we are proposing:

- to ban autoplay on certain types of machine which take their stakes from deposited funds, and permit it, but with safeguards set by the Gambling Commission on machines which take their stakes from committed funds (as set out in full in the following sections A2 and A3); and
- to leave the question of game cycle speed to the technical standards specified by the Gambling Commission.

Q14: Do you agree with our general approach to parallel and serial games?

Q15: Do you consider the setting of a minimum game cycle speed through the Commission's Technical Standards to be an appropriate measure?

Randomness to be covered by the Gambling Commission's Technical Standards

3.77. In our informal consultation we raised the issue of how best to regulate whether a machine operated randomly, and in what circumstances this might be required. We also questioned whether what are widely known in the industry as "compensated" machines should be permitted. We proposed to leave this subject to the Gambling Commission and not to regulate separately ourselves, except in relation to information display. A number of respondents to the informal consultation expressed surprise that we were not intending to set regulations about how machines operated in this area.

3.78. Our conclusion, which we are aware has been the subject of considerable debate in the industry, is that this issue relates to the detailed technical operation of machines and, as such, is one that is more appropriately dealt with through the Commission's Technical Standards, as they apply to gaming machine manufacturers and suppliers. The Commission has already consulted separately on this issue.

3.79. While we acknowledge that the arguments are finely balanced, we take the view that as this is a matter that clearly relates to the inner workings of the machine, this is a matter more appropriately left to technical standards. It is not a matter that is easily determined from any use of the machine. Given that a number of respondents to the consultation were uncomfortable with the notion of individual operators (as opposed to manufacturers and suppliers) being held responsible for breaches of these regulations, we believe this is a sensible approach that achieves regulation through the most appropriate medium.

3.80. We do, however, consider that information display about the manner in which a machine operates in this area is important. This is one of the main reasons that the rules set out above on information display include a requirement to display information about the chance of winning a prize on the machine. In relation to machines which have a random pattern of operation, this will mean displaying information about the target percentage of stakes returned by the machine as prizes.

Q16: Do you agree with Department's decision not to add anything further in regulations, on top of the Commission's technical standards on random operation machines?

Section A2: Proposals to apply to all gaming machines where the stake is drawn from committed money

This Section explains DCMS' additional proposals for gaming machines whenever they are configured so that the money is committed on the machine.

Maximum limits on amounts that may be committed in one player action

- 4.1. In the informal consultation document we referred to limits on the amount of money that a player could “commit” to gamble in one go. We intend to maintain the principle of setting limits on “committed” money and we have looked further at the means by which machines take and retain money, and the best way to analyse this process. What we mean by committed money is *money that a player transfers onto or within a gaming machine and which will not then be returned to him*. He may use this money to pay for gambling on the machine (his stake), but if he does not, this committed money is not returned.
- 4.2. We propose to set the following maxima on the amount of money that a person can transfer onto or within a machine in a single action if it cannot be retrieved (for whatever reason) (“committed money”) as follows:

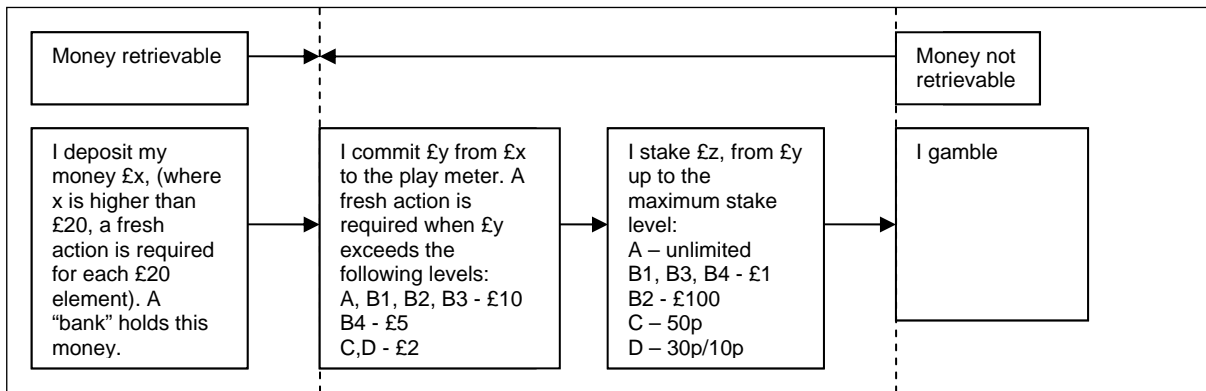
Category A, B1, B2 and B3	£10
Category B4	£5
Category C and D	£2

- 4.3. The money we are concerned with here is the amount of money which the player accumulates to gamble on the machine, and which, in distinction to deposited funds (see Section A3 below) cannot subsequently be retrieved by the player. These committed funds will usually be used to gamble upon the machine, in individual amounts no greater than the maximum stake limit allowed for the category of machine under s.236 regulations. If not used in gambling upon the machine, this “committed” money will be lost to that customer (see the policy on residues in Section A1 above).
- 4.4. In setting these rules we are primarily concerned, in practice, with multi-meter machines which distinguish between deposited funds, and committed funds, and take a player’s stake from the committed funds (the “play meter”), not from deposited funds (“the bank”).
- 4.5. One of the key advantages of multi-meter machines from a regulatory perspective, is that they ensure that a number of customer actions are built into playing the machine. A player is required to make separate decisions to insert money in the first place, then to transfer that money in tranches from deposited funds to committed funds, from which stakes are then deducted at the player’s election.
- 4.6. However, the rules we are proposing will apply to any machine whenever it is configured to take a player’s money as committed e.g. if a machine is designed so that the money is committed as soon as it is credited to the machine. This will include traditional one armed bandits which can only accept a single coin at a time, and which is treated as committed money as soon as it is inserted in the machine.
- 4.7. Single meter machines typically work by drawing a player’s stake directly from the deposited funds, and these committed fund rules are unlikely to be applicable to such

single meter machines. Separate rules are proposed in section A3 below about paying stakes directly from deposited funds.

- 4.8. There is precedent in the current law for these rules on committed funds. The Regulatory Reform (Gaming Machines) Order 2003 (SI 2003/3275) amended the Gaming Act 1968 to provide that where a payment is made for use of a s.31 jackpot gaming machine which is in excess of the value of the highest denomination coin which is legal tender and in general circulation in the UK (i.e. by banknote or uploading funds from a smartcard), the initial amount held to the player's credit for the purpose of paying the charge for the machine is not to exceed the highest denomination coin. No further amount is to be added unless the player takes action in respect of the machine to indicate that he wishes to continue to gamble. Thus, a fresh customer action is required to commit more than £2 per time to playing s.31 jackpot machines.
- 4.9. Our view is that a rule setting a maximum that may be "committed" to gamble in this way remains useful from a regulatory perspective in requiring people to make a regular and conscious decision to "commit" further money to gamble. We propose to retain the current £2 limit for Categories C and D machines (as provided by section 34 of the 1968 Act), as this is the maximum value coin in current circulation. However, we recognised in our informal consultation paper that a limit based on a £2 coin is an unrealistic limitation for gaming machines where the maximum stake is £1 or more.
- 4.10. We are therefore proposing that the maximum for Category A, B1, B2 and B3 machines should be £10, which is a standard bank note worth five times the maximum stake permitted for B1 and B3 machines; and the maximum for Category B4 machines should be £5, which is a standard bank note worth five times the maximum permitted stake for those categories of machine. A fresh customer action will be required to "commit" sums of money to gamble on a gaming machine, in excess of the above limits.
- 4.11. These maxima constitute a significant liberalisation of the current law: the new limit for Category A, B1, B2 and B3 machines will be five times higher than the current limit for all gaming machines under the 1968 Act; the new maximum for Category B4 machines will be two and a half times higher than the current maximum.
- 4.12. The Department recognises that the proposed maximum committed values are, on category A and B2 machines, lower or potentially lower than the maximum stake limits. This is entirely in tune with the licensing objectives, and should a player wish to stake greater amounts of money than he is allowed to "commit", he will need to make a conscious decision to do so to accumulate sums prior to staking them. This safeguard is particularly important with the higher stake limit machines.
- 4.13. A summary of how the commitment rules operate is set out below in Figure 1. The diagram shows the rules for a machine which is configured to take both deposited and committed money from a player.

Figure 1



Responses to informal consultation

- 4.14. We received a number of responses to the proposals set out in the informal consultation document on this subject.
- 4.15. In light of those responses we have looked again at the appropriate committed money limit for category B machines. We consider that a slightly higher level of committed money is appropriate for higher stake gaming machines in more heavily regulated gambling environments, where other safeguards to prevent problem gambling will be in place. We are also mindful that encouraging greater competition between Category B gaming machines in bingo halls, AGCs and betting offices was a key objective when the machine gaming entitlements for these premises were set. We have therefore decided to increase the maximum that may be committed on a Category B3 gaming machine from £5 (as set out in the informal consultation) to £10, to bring this category into line with Category B2 machines. We do not propose any change for Category B4 machines which will remain at £5
- 4.16. We have carefully considered those responses to the informal consultation that suggested introducing a maximum limit for Category A and B1 machines equivalent to, or based on a multiplier of the maximum stake. However, we do not consider that such a formula will provide any meaningful protection for consumers on Category A machines, where there is no maximum stake set in law. Nor do we consider that a maximum of £100 – some fifty times the current limit for gaming machines – would be appropriate for Category B2 machines. It is important to note that customers will not be prevented from staking sums up to the maximum stake on both categories of machine. They will, however, need to make a conscious decision to increase their stake up to the maximum, £10 at a time.
- 4.17. The Department has also carefully considered a number of representations that were made in response to the informal consultation exercise, which suggested a range of alternative formulae for calculating the maximum that may be “committed” in one go. One proposal that was supported in a number of sectors of the industry was a blanket limit of 10 times the maximum stake for all categories of machine. While we agree that the maximum stake is relevant when fixing the maximum that may be “committed” in one go (as our informal consultation made clear), the Department does not consider that a general formula linked to maximum stake is appropriate. There is no “one size fits all” approach, not least because of the issues presented by Category A and B2 machines, as outlined above.

4.18. Given the wider availability of Category C gaming machines in premises subject to lower levels of regulation under the Act, we do not propose to increase the multiple for Category C gaming machines as some responses to the informal consultation suggested.

Q17: Do you agree with the proposed maxima on how much can be committed to play on a gaming machine in a single customer action?

Prizes may be collected at the time of the win or credited to deposited money; they may not be credited direct to committed funds

4.19. We are proposing to use these regulations to set requirements on the destination of money prizes in category A to D machines. In relation to machines which take the stakes from committed money, we propose that all money prizes must either be paid out to the player or be returned as deposited funds. Prizes cannot be sent direct to a source of committed funds. We consider this rule is necessary to give adequate protection to players and force them to take a conscious decision to re-stake their winnings.

4.20. Currently, money prizes are treated differently on All Cash AWP (s.34(5E)) machines and Jackpot (s.31) machines:

- on AWP, money prizes must be paid out, cannot be credited to the “bank” and cannot be transferred from a separate “win meter” to the “bank”, but must be physically reinserted as fresh stakes (s.34 Gaming Act 1968);
- on jackpot machines, money prizes can be credited to the “bank” and can be transferred from there into the “play meter” in £2 tranches, in the same way as money which has been deposited by the player (s.31 Gaming Act 1968).

4.21. We propose to simplify the current rules relating to money prizes so that all categories of machine where stakes are taken from committed sums, rather than deposited sums, are treated in the same way as jackpot machines are currently, i.e. there is no requirement to physically reinsert sums won. All prizes will have to be credited to the deposited funds (e.g. the bank), and cannot be returned to committed funds straight away (e.g. to the play meter). This means that in future any money prizes on category C and D machines (on multi-meter machines) can be returned to deposited funds, rather than being required to be paid out. The machine manufacturer will have the choice of which option to adopt.

4.22. This proposal ensures that the government makes good on its commitment to extend the changes that were made for higher stake/prize machines, relating to the way winnings are treated (by the 2003 regulatory reform order) to all categories of machine which take their funds from committed funds.

4.23. In general, the prize rules concerning machines which take their funds from committed amounts attracted little comment at the informal consultation stage. That is because this essentially represents the status quo for most gaming machines in current use.

Q18: Do you agree with the proposal to require prizes to be paid out or paid as deposited funds only, on machines which take stakes from committed funds? If not, why not?

Autoplay features will be regulated by Gambling Commission technical standards

- 4.24. As part of the work on combating serial games described in Section A1 above we have looked further at the question of autoplay. We believe regulation should be tailored, depending on whether a machine is configured to deduct stakes from deposited or committed money.
- 4.25. Machines which deduct stakes from committed money require players to make a conscious decision to transfer money from deposited funds to committed funds before they press play. On this basis we think autoplay can be allowed to continue, for the time being, provided that adequate safeguards are in place on machines with this facility.
- 4.26. We have considered various options for limiting autoplay functions, as referred to in Section A1 above, and have concluded that the Gambling Commission's provisions on game cycle speed as set out in its Technical Standards are sufficient to regulate how such autoplay features operate. However, we reserve the right to investigate further measures, such as limiting the number of plays an autoplay function may have, if it becomes apparent that abuse of the rule occurs or harm is arising

Q19: Do you agree with the approach to autoplay features on committed money machines?

Section A3: Proposals to apply to all machines where the stake is drawn from deposited money

This Section explains DCMS' proposals for rules which will apply, in the alternative to the rules set out in A2 above, when a machine operates without taking committed money.

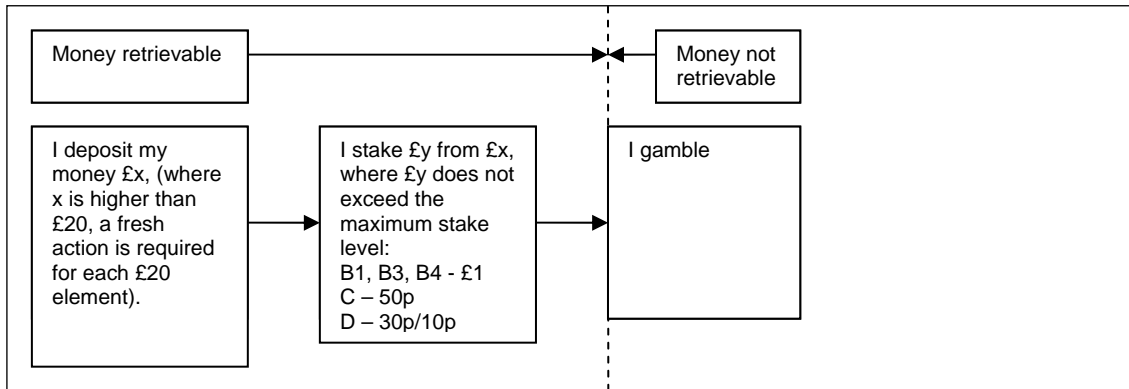
For Category A and B2 machines there will be a maximum tranche amount of £10 for the accumulation of stakes. A fresh player action will be needed to build each £10 element of the total stake.

- 5.1. The rules set out in Section A2 above on committing money apply where a player commits funds either direct to gamble, or holds them in a "play meter" prior to using them to gamble. In both cases, the player cannot retrieve such money. It is possible for gaming machines to be configured so that payment to use the machine is taken direct from deposited funds, and this is how single meter machines operate. What we mean by deposited money is money that a player transfers onto or within a gaming machine and which can then be returned to him. He may use this money to pay for gambling on the machine (his stake), but if he does not, this deposited money is always capable of being returned. In this case, a player may deposit up to £20 per single action on the machine, and then takes a further action to spend that deposited money on each individual stake.
- 5.2. For example, on a Category C machine configured in this way, a player would be able to deposit £20 into the "single bank", and all of it would be retrievable at that stage. The player could then play directly from this "single bank" by pressing the play button, committing 50p per game. If the player stopped playing after one game, he could retrieve all £19.50 that remained, otherwise he could press the play button and commit 50p per game each time until his £20 was exhausted.
- 5.3. In principle, the Department has no difficulty with this approach to gaming machines, where stakes are deducted from deposited funds. While permitting this approach constitutes a significant departure from current practice in this country, we believe it represents a significant opportunity for manufacturers to develop new products for the British market. Therefore, we consider that this significant reform is consistent with the licensing objectives, provided safeguards are built in to ensure player protection.
- 5.4. Specifically we consider that rules are needed to ensure that permitting stakes to be drawn direct from deposited funds meter delivers sufficient customer actions within each gambling opportunity and does not lead to automatic re-staking of money prizes. The sections on autoplay and wins below explain certain aspects of regulation that we consider are required to deliver this.
- 5.5. For most categories of gaming machine, where the stake is drawn directly from deposited funds, the maximum that may be committed in one go will be the maximum stake, and no further regulation is required. However, for Category A and B2 machines, where the maximum stake is unlimited and £100 respectively, we consider that a further safeguard is necessary. We have termed this additional safeguard the "accumulation rule".
- 5.6. The accumulation rule will regulate the amounts which a player can take from his deposited funds, in a single action, in order to make up his total stake for a single use of the machine. For Category B1, B3, B4, C and D machines, the stake that is taken from

the deposited amount is always £1 or less, and the Department does not believe any regulatory harm arises from a player staking such amounts directly from his deposited funds. In all cases these amounts are less than the commitment rules that apply for machines which take money from committed funds.

5.7. Figure 2 shows the rules for a machine which is configured to take deposited money only, and is in category B1, B4, B4 C or D.

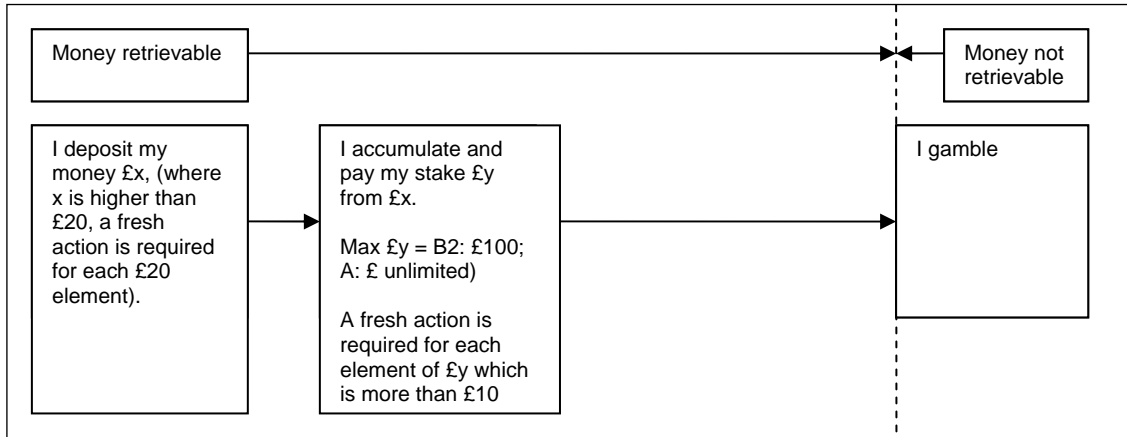
Figure 2



5.8. However, in the case of two categories of machine, Category A and B2 machines, the ability to deduct stakes direct from deposited funds allows the player to stake amounts in a single action greatly in excess of the amounts he would be able to commit to play under the committed money rule (were that applicable). Therefore, playing directly from deposited amounts of itself includes fewer safeguards. As a result we have concluded that in order to ensure parity between machines, and secure the second and third licensing objectives, there needs to be a requirement that, in paying stakes for gambling, the stake cannot be accumulated in amounts greater than £10 per player action. So, in practical terms, on a B2 machine, there could not be a button for staking £100 (the maximum stake) in one go. Instead, a fresh customer action would be required for each £10 element of the total stake, but the customer will be able to create an overall stake in one go of £100. Similarly on a Category A machines, where the maximum stake is not regulated, the stake may only be accumulated in £10 elements, requiring a fresh decision by the customer for each.

5.9. Figure 3 shows the rules for a machine which is configured to take deposited money only and is in category A or B2:

Figure 3



5.10. Several responses to the informal consultation drew attention to the current Fixed Odds Betting Terminals (FOBTs) and the ABB code of practice which imposes a £15 limit per individual “bet” on FOBT machines. FOBTs will be B2 machines under the new Act, and as such will be regulated alongside all other categories of gaming machine. As noted above, the current committed money limit for s.31 gaming machines in this country is £2 and as such, notwithstanding the voluntary arrangements that the ABB current has in place, the £10 proposal constitutes a significant liberalisation of the current position. The Department believes there are good regulatory arguments for following the “five times the maximum permitted stake” proposal outlined above, and hence imposing an equivalent accumulation rule for category B2 machines. The Department has noted the suggestion that such a change would involve compliance costs for the industry, and we would welcome any estimates of cost implications related to this proposed requirement.

Q20: Do you agree with the proposal to regulate the accumulation of stakes on Category A and B2 machines, and no other categories of machine?

Q21: Can you provide an estimate of cost implications of lowering the maximum individual stake element on B2 machines from £15 to £10, supported by evidence?

No means of autoplay will be permitted on the machine. Every gamble must be initiated by a player action

5.11. As described earlier in this document, we have examined the issue of autoplay further in light of the development of potentially harmful serial games. We have concluded that in relation to machines where the stake for a gambling opportunity is deducted from an amount that has been deposited on the machine, but not committed to play, then autoplay features will be banned. It is our understanding that an increasing number of overseas jurisdictions are moving towards this sort of approach.

5.12. The Department considers that an autoplay function on a machine where stakes are taken direct from deposited amounts would seriously undermine the principle that players should be required to make a conscious and regular decision to commit money.

- 5.13. In the informal consultation, a small number of respondents suggested that banning autoplay from these sort of machines was unnecessary. They argued it was a popular feature that provided customers with choice. While we note these points, we consider this a necessary safeguard and do not propose to amend this rule. Machines which deduct stakes from committed money require players to make a conscious decision to transfer money from deposited funds to committed funds before they press play. This additional step is missing on machines which take their stakes from deposited funds. In our view autoplay feature would enable players to play directly from deposited funds without making regular, conscious decisions to commit money.
- 5.14. On this basis, we do not consider that the approach adopted for committed money machines (of permitting it, but asking the Commission to control game cycle speed) is sufficient protection for players. We propose to ban autoplay on gaming machines in regulations under section 240.

Q22: Do you agree with our approach to autoplay features on gaming machines which take their stakes from deposited money?

Following a win, the player must be given the option of collecting win, before the win is credited back to deposited funds

- 5.15. In considering the rules that apply to collecting money prizes, we believe that special considerations apply when a machine takes its stakes direct from deposited funds. We are therefore proposing that if the stake for each gambling opportunity is deducted from an amount that has been deposited on the machine then:
- all money prizes must be returned as deposited funds; and
 - the customer must be given the positive opportunity by the machine to collect the money prize before it is deposited onto the machine.
- 5.16. The reason for adopting this rule for machines which take their stakes from deposited funds is that that such machines do not have the additional safeguard of requiring the player to take the decision to move his money from deposited to committed funds. Therefore, in order to ensure that players are not encouraged to re-stake money prizes without making a conscious decision beforehand, machines configured without this extra step, will need to offer players the positive opportunity to collect their prize before it goes into the deposited funds on the machine.
- 5.17. Many respondents to the informal consultation exercise argued that the proposal to require customers to be given the option of collecting any prize before it was credited to the *deposited funds* was out of line with international practice, impractical and inconvenient for customers, particularly when it came to frequent smaller wins that some machines offered. Some claimed the option was unworkable and would be technically complex to achieve.
- 5.18. While we have considered these comments carefully, we take the view it is a fundamental principle of our proposals to protect players that they should be required to make conscious decisions at certain key points when playing a gaming machine. The first such point on all gaming machines is the point at which money is deposited on the machine. We see no reason why winnings should be treated any differently from any

other money in this respect, and that players should be required to make a conscious decision to deposit winnings in the machine for play, or potential play. We consider that this safeguard is necessary for all machines whether they are configured to take stakes from deposited or committed funds. While we note that this proposal is not entirely consistent with current international practice, as noted above we have always reserved the right to introduce rules which we believe are important to protect consumers.

5.19. Having said that, a number of respondents to the consultation suggested a compromise solution whereby, on machines which takes stakes from deposited amounts, only wins above a certain level would be subject to this requirement. We think the £1,000 that was mooted is too high – 50 times the maximum that may be deposited on a machine is out of all proportion to the equivalent rules for committed money machines.

5.20. However, we would be interested to receive views on whether a threshold of £20 (equivalent to the maximum that may be deposited in the machine in one go) should be introduced. This would mean that the requirement to give customers the option of collecting the winnings would only apply to wins over £20. Wins of £20 or less could be credited directly to deposited funds. For the present time, we are maintaining the position that all wins should be subject to the collection rule, but will review this having received consultation responses.

Q23: Do you agree that all machines which take stakes from deposited funds should be required to offer the player his winnings before they are returned to deposited funds?

Q24: Would you regard amending the proposed rule to one where customers must be given the option of collecting wins if the winnings were over £20 as acceptable from a problem gambling perspective?

Section B: Gambling (Gaming machine: single apparatus) Regulations under section 235(5) of The Gambling Act 2005 – proposals for consultation

Background

6.1. Section 235(1) of the 2005 Act sets out a new definition for a gaming machine, as follows:

A gaming machine is a machine which is designed or adapted for use by individuals to gamble.

6.2. Section 235(2) sets out a number of exceptions to this general rule, and section 235(3) contains various rules about how this definition operates e.g. machine means any apparatus which uses mechanical or electrical power.

6.3. In various Parts of the Act, rules are set about how many gaming machines particular premises are authorised to use, or giving powers for a maximum number to be set by licensing authorities:

- Section 172 sets out the rules for the number of machines that can be used by the holders of certain categories of premises licence e.g. betting premises and bingo premises;
- Sections 271 and 273 set out the rules for the maximum number of machines clubs and miners' welfare institutes holding different permits can use;
- Section 282 sets out an automatic entitlement to two gaming machines for alcohol licensed premises and section 283 and Schedule 13 provides for permits for an additional number of gaming machines, at the discretion of the licensing authority.

6.4. This Section of the consultation document explains the rules we will set for counting a single gaming machine, for the purpose of all the rules listed above.

Proposals to apply to all categories of machine

6.5. The gaming machine industry has undergone many technological advances since the 1968 Gaming Act. A gaming machine no longer needs to comprise a single unit with mechanical apparatus within it. Equipment can be designed to accommodate a number of players, each playing individually against the machine, or even, in theory against one another. Because of this, we think it vital that we retain the principle that a single gaming machine is a machine which one player can use.

- 6.6. That means that we propose to use the powers under section 235(5) to stipulate that where a single piece of apparatus meets the gaming machine definition in section 235(1) and (2) and it has more than one player position, each player position will count as one gaming machine.
- 6.7. This is the approach adopted by the Gambling Commission currently, but it is not set down in any legal instrument.
- 6.8. We view this proposal as important for establishing and maintaining clarity with manufacturers, operators and players alike. The proposals are not intended to constrain the development of machine design and manufacture. But they are intended to ensure that no abuse of limits on machine numbers takes place. Therefore, manufacturers remain free to configure machines players and operators require, but the creation of equipment on which multiple players can play, will not be allowed to undermine the rules set out by the Act on machine numbers.
- 6.9. In summary therefore, our proposals are:
- The number of player positions around a machine which is designed or adapted for an individual to gamble will determine how many gaming machines the equipment represents;
 - One player position = one gaming machine.
- 6.10. We consider that these rules will provide an extra layer of security to ensure that rules on the maximum numbers of gaming machines permitted per premises are not breached, and are a reasonable and prudent step to take.
- 6.11. It should be noted that under the Act, none of the rules about maximum numbers will prevent operators from storing spare gaming machines on their premises, to cover for broken machines, or to provide alternatives. The rules apply to making a gaming machine available for use, and therefore it is the number of machines that an operator makes available that matters.

Q25: Do you agree with the above proposals on classifying numbers of gaming machines by reference to the number of player positions?

Section C: consultation questions

You are invited to comment freely on any aspect of this consultation document. However, you may find it useful to refer to the checklist of questions below, which cover the main points on which we would particularly welcome views. Where possible, please do:

- Be as specific as possible in your responses;
- Explain, where appropriate, the reasons behind your agreement or disagreement with a proposal;
- Suggest what alternative you would prefer in place of any proposals you may disagree with.

In summary, the questions asked in the consultation document are:

For all gaming machines

Q1: Do you agree with the proposals on direct forms of payment to use a gaming machine?

Q2: Do you agree with the proposals on the purchase of cash alternatives by credit and debit cards? In particular, do you agree with the proposal to permit cash alternative purchase by debit card?

Q3: Do you agree with the proposed maximum deposit limit of £20 in any single action for all categories of machine, except for Category D machines for which the deposit limit will be £2?

Q4: Do you agree that the deposit limit proposal is compatible with the principle of TITO technology? If you do not believe that this proposal is compatible with TITO technology please explain why.

Q5: Do you think the deposit limit proposal will generate compliance problems for existing machines? If so, please provide any evidence or information you have about the scale of such costs, in particular by reference to the necessary modifications to TITO.

Q6: Do you agree with the proposal that Gambling Commission technical standards should prevent any residues being retained by cash-less operation machines?

Q7: Do you agree with the proposed approach for the Gambling Commission to set rules regulating cash residues on all gaming machines, via its technical standards?

Q8: *Do you agree with the proposal to limit minimum stake amounts to 1p? If not, please explain why.*

Q9: *Do you agree with the proposals on display of information on gaming machines?*

Q10: *Do you agree with the proposals for delivery and collection of prizes?*

Q11: *Do you agree with the rules proposed for the type of money and non-money prizes that Category A to D machines can deliver?*

Q12: *Do you agree with the proposal that no Category D gaming machine should offer or deliver any prize that it would be illegal for the operator to sell or supply to a person under the age of 18, in a retail situation?*

Q13: *Do you agree that there is no need to make express regulations on roll-over of stakes and prizes?*

Q14: *Do you agree with the Department's general approach to parallel and serial games?*

Q15: *Do you consider the setting of a minimum game cycle speed through the Commission's Technical Standards to be an appropriate measure?*

Q16: *Do you agree with Department's decision not to add anything further in regulations, on top of the Commission's technical standards on random operation machines?*

For gaming machines which take stakes from committed funds

Q17: *Do you agree with the proposed maxima on how much can be committed to play on a gaming machine in a single customer action?*

Q18: *Do you agree with the proposal to require prizes to be paid out or paid as deposited funds only, on machines which take stakes from committed funds? If not, why not?*

Q19: *Do you agree with the approach to autoplay features on committed money machines?*

For gaming machines which take stakes from deposited funds

Q20: *Do you agree with the proposal to regulate the accumulation of stakes on Category A and B2 machines, and no other categories of machine?*

Q21: *Can you provide an estimate of cost implications of lowering the maximum individual stake element on B2 machines from £15 to £10, supported by evidence?*

Q22: *Do you agree with the Department's approach to autoplay features on gaming machines which take their stakes from deposited money?*

Q23: *Do you agree that all machines which take stakes from deposited funds should be required to offer the player his winnings before they are returned to deposited funds?*

Q24: Would you regard amending the proposed rule to one where customers must be given the option of collecting wins if the winnings were over £20 as acceptable from a problem gambling perspective?

Q25: Do you agree with the above proposals on classifying numbers of gaming machines by reference to the number of player positions?

Section D: appendix

Appendix 1

Extract from Delegated Powers Memorandum

Clause 234: Use of machine

203. An important aspect of the regulation of gaming machines are the rules which control how the machine operates and is used. At present these rules are contained in the Gaming Act 1968. Experience has shown that placing the detail in primary legislation has provided an inflexible tool for this form of regulation. A recent regulatory reform order (The Regulatory Reform (Gaming Machines) Order 2003 SI 2003 No. 3275) illustrates the type of complex issue which has had to be dealt with in relation to the use of gaming machines.

204. The Department wishes to ensure that the regulation of gaming machines takes place in a manner which allows amendment to be made to the detailed rules relatively easily and swiftly, to respond to technological changes and commercial needs. However, it is not considered appropriate to delegate these matters to the Commission for inclusion in its codes or licence conditions. Instead, clause 234 gives the Secretary of State power to make regulations which control the circumstances in which a gaming machine (of any category) is made available for use. This will include provisions on:

- (a) The method by which stakes may be deposited e.g. by coin or banknote, smart-card or token;*
- (b) The nature of prizes and how they may be claimed e.g. whether delivered by the machine or offered in redeemable vouchers;*
- (c) Whether and how much stakes and prizes can be rolled over between games; and*
- (d) How information is displayed on the machine.*

205. Such regulations can include identification of matters on which a condition cannot be attached to a licence, and the regulations are to be made using the negative resolution procedure. The regulations are technical in nature and it is considered that the negative procedure will provide sufficient Parliamentary scrutiny.