

# chapter nineteen

## Licensing of Individuals and Corporate Bodies

- 19.1 We have set out in chapter 18 our recommendation that a single regulatory authority (Gambling Commission) should license the individuals and corporate bodies that are involved in the provision of gambling. This chapter sets out our views on who should be regulated in relation to each activity and touches on the nature of the checks that might be carried out. For convenience we refer to “people” throughout this chapter, but the same principles apply to operating companies and staff.

### The fit and proper test

- 19.2 We want to ensure that those who run and work in gambling are honest and competent and, where relevant, are financially sound. The intensity of the checks that may be carried out will depend, amongst other things, on the role that an individual will perform and the nature of the business he will conduct. The scope for criminal infiltration and the scale on which it may be carried out is very different for a casino than, say, for a society lottery. The Gambling Commission will need to undertake a risk assessment in relation to each gambling activity and determine what level of checks is appropriate for each. That assessment may change with time. We intend that whatever procedures are put in place should be sufficiently flexible to change as and when the assessment of risk alters. As well as any routine enquiries that may be made, there must be the facility to make ad hoc enquiries in addition to or instead of routine checks. The following paragraphs set out our thoughts on what may be included in the fit and proper tests. We have not attempted to prescribe the nature or level of checks that may be appropriate for each category of applicant.
- 19.3 In brief, we envisage that there will be two parts to the fit and proper test. First, a measure of the applicant's suitability to play a key role in the gambling industry, based on his character and, where relevant, financial status. Second, a test of the individual's knowledge and competence in the gambling activity for which he wishes to be licensed. A casino operator, for example, could choose to demonstrate his competence in table games, machine gaming, bingo and betting and knowledge of the current regulations, and seek premises on which he could offer all those activities.
- 19.4 In addition to those working in gambling premises, certification should extend to all those working on the sale, supply and maintenance of gaming machines.

### Criminal records

- 19.5 Perhaps the most basic test of honesty is a criminal records check. The Criminal Records Bureau has recently been established under Part V of the Police Act 1997 and is expected to begin issuing disclosures in autumn 2001. Employers and regulatory bodies will not have direct access to criminal records or information, but individuals will be able to apply for a certificate containing criminal records and other information, or a statement that nothing of the kind is recorded. There are three levels of certificate:

- basic disclosures, which cover only unspent convictions
- standard disclosures, which cover spent and unspent convictions, including any cautions and
- enhanced disclosures, which include the information at standard level and relevant information from police forces.

- 19.6 The Act provides for enhanced disclosures to be appropriate for applicants for licensing or registration under:

- section 19, 27(1) or (5), or schedule 2 of the Gaming Act 1968
- schedule 1A, 2 or 2A of the Lotteries and Amusement Act 1976 or
- section 5 or 6 of the National Lottery Act 1993.

**We recommend that these provisions are retained in any new legislation (and extended to include betting) and that the Gambling Commission should be a “registered body” under the Police Act 1997 and so authorised to receive information arising from enhanced disclosures.**

### Financial probity and resources

- 19.7 In addition to the honesty of an applicant, it is important to establish whether, in the case of those who will run a business, they have the financial resources to cover their maximum pay-outs and liabilities. For example, in applications for gaming certificates of consent or for certification as a lottery manager the Gaming Board already asks searching questions about the applicant's financial stability, existing business connections, and assets and liabilities. In considering applications for bookmakers' permits,



magistrates are encouraged to examine the applicant's financial probity', although we heard concerns from the National Joint Pitch Council that this is not always done. The NJPC has introduced procedures to confirm evidence of funds available to on-course bookmakers (£10,000 for the ring, and £25,000 for the rails) and this has proved to be a (fairly modest) hurdle that some bookmakers have been unable to jump.

- 19.8 We are not recommending a formal system of bonding, but we do believe that financial checks are essential to ensure that businesses can be properly run, debts can be met, and organised crime can be prevented from gaining a foothold by "bank rolling" new businesses. The Gambling Commission must be able to determine exactly who are the financial backers for new applicants, and to have an on-going role in examining the finances of gambling businesses.

**We recommend that the Gambling Commission should make comprehensive financial checks on those persons who operate gambling businesses, both to keep out organised crime and to ensure that potential liabilities can be met. This is particularly important in the case of casino gaming, bingo and betting, where the liabilities may be considerable.**

- 19.9 Casino and bingo operators are currently required to apply for a certificate of consent in relation to particular premises, before seeking a licence from the magistrates to operate in those premises. Although we are not proposing that there should be a formal link between the licensing of people and the licensing of particular premises, it is plain that the scale of the gambling operation an individual wishes to run will be relevant to his fitness to do so. Running one casino, bingo hall or betting shop is very different from operating a large number, both in respect of the financial backing and the business acumen that is required. The Gambling Commission must take account of these considerations in its licensing practices and procedures.

## Competence

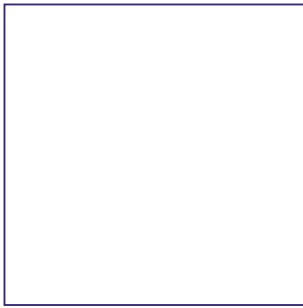
- 19.10 The Gaming Board currently interviews applicants for certain certificates. Applicants for a casino executive certificate of approval who are new to the industry are interviewed, as are re-applicants for certificates of approval after revocation and first-time applicants for certificates to act as casino or bingo managers. In addition, directors and senior staff of new entrant casino and bingo companies are interviewed (usually as a group). In 1999/00, there were 109 such interviews.<sup>2</sup> In the case of bookmakers' permits, Home Office advice is that applicants should be encouraged to attend the hearing and magistrates are encouraged to

make enquiries to determine the applicant's experience and breadth of knowledge. We have no information on the percentage of hearings at which applicants attend and are questioned. The fact that neither need occur as a matter of course is something that concerns us.

**We recommend that senior executives and key employees are interviewed to ensure that they have the knowledge, and are otherwise competent, to carry out their functions. In practice this will have the effect of extending the Gaming Board's current procedures to applicants for bookmakers' permits.**

- 19.11 For operators of amusement arcades and family entertainment centres, as well as less senior gaming employees, we do not consider that there is a need for a specific competence test before a licence is granted. But such people should be knowledgeable about the legal constraints within which they are working. The Gambling Commission must have the ability to make ad hoc enquiries or to investigate such individuals in response to concerns about their behaviour. If it is found that they are not fit and proper to work in the industry because they are not competent to carry out the task for which they are licensed/registered, the Gambling Commission should have the ability to take action up to and including revoking the licence/registration. **We recommend that the Gambling Commission should have the ability to interview on entry and, in addition, to make ad hoc enquiries to confirm that all those licensed or registered to work in the gambling industry are competent to carry out the task for which they are licensed/registered, and to take action if they are not.**

- 19.12 In addition to those people who are licensed by or registered with the Gambling Commission, we consider that employers should have a duty to check that their employees are fit and proper. The employer should clearly be liable for the actions of his employees. If he has knowingly or negligently employed someone who is incapable of carrying out the work for which he is employed, or the employee has criminal convictions relevant to that employment, the Gambling Commission should take that into account in considering whether the operator is fit and proper to engage in regulated activity. **We recommend that there should be a formal duty on gambling operators to ensure that appropriate checks are made on employees who are involved in the gambling, but are not otherwise regulated by the Gambling Commission.** This could include a requirement to require criminal record checks, say, every five years on employees who have remained in the same position, or been promoted to a



position below manager in the same company, and would not otherwise face any on-going examination. We have used the description “involved in the gambling”, because the categories of staff which our recommendation would cover will vary between different gambling activities and types of premises. The Gambling Commission should issue guidance on the types of employees who should be the subject of such checks.

- 19.13** Of course, assessing whether a person is fit and proper is not a one-off exercise. We discuss in chapter 33 the functions and powers of the Gambling Commission. But it is worth mentioning here that they must include the ability to exchange information with the police, Customs and Excise, the Inland Revenue, the Financial Services Authority and other regulators. **We recommend that gateways are established to ensure that this free exchange of information can take place, both for licensing and investigative purposes.**

#### Social responsibility

- 19.14** As part of the competence test, we envisage that applicants may be tested about their knowledge of problem gambling and the help that can be offered to people who get into difficulty. At the very least, some awareness training should be built into the training that operators give their employees. This need not be in-depth; we are not suggesting that staff should try to take on counselling functions, but they should be able to spot people who do have problems and to point them in the right direction for help. When we received oral evidence from a small group of croupiers they said that they would not be encouraged by their employers to show concern about gambling patterns that appeared to suggest there was a problem. During our visits, casino operators have repeatedly said to us that it is not in their business interests to have problem gamblers in their casino. They want happy punters spending an amount they can afford, who then come back another day. It does make good business sense to encourage people not to gamble more than they should, but we believe that operators should do more to demonstrate that they are socially responsible. We note that the Home Office proposals on liquor licensing require that an applicant for a personal licence will undergo a test of knowledge of licensing law and social responsibilities. We envisage a similar combination of gambling law knowledge and social responsibilities.
- 19.15** There are some interesting examples of socially responsible gambling in other jurisdictions. The Nevada State Gaming Commission has introduced

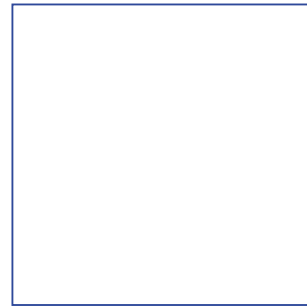
regulations to provide for the posting of notices about problem gambling, and the training of all employees who come into contact with customers. The regulations<sup>3</sup> state:

*That training shall, at a minimum, consist of information concerning the nature and symptoms of problem gambling behavior and assisting patrons in obtaining information about problem gambling programs. This subsection shall not be construed to require employees to identify problem gamblers.*

- 19.16** During our visit to the “Holland Casino” at Scheveningen, we learned that floor managers are trained to identify and offer help to problem gamblers. This very proactive approach is possible only because of the casino monopoly in Holland, which enables the company to be more aware of an individual customer’s visits and transactions. A requirement on operators to try actively to identify problem gamblers in this country would not work and would, perhaps, be an over-reaction to the problem. But all gambling staff must certainly be alert to the dangers of problem gambling and feel competent to offer advice on where to seek help to those who need it. **We recommend that the licensing procedure should include provisions relating to socially responsible gambling. At the highest level, this might encompass details of the company’s policy statement and training programme, and on an individual basis it should test the applicant’s awareness of their responsibilities arising from those programmes.**

#### How long should the personal licence be valid?

- 19.17** Some Gaming Board licences are valid for particular periods; others (such as certificates of approval) are not. That can mean that the Gaming Board does not have up-to-date information about those it regulates. The Gambling Commission will be able to make routine checks on licensed persons, and will require up-to-date criminal records checks when an individual moves employer. That will enable it to keep track of some licensed people, but that may not be sufficient to ensure that a reliable and up-to-date record is maintained. **We recommend that personal licences should be renewable at intervals to be determined by the Gambling Commission.**



## How might our proposals apply to each sector of the industry?

### On-line gambling

- 19.18** The principles we have described apply to all gambling operators, including those offering interactive services. For convenience, we discuss all the issues relevant to on-line gambling in chapter 30.

### Casinos

- 19.19** Certificates of consent are currently issued in relation to specific premises to enable an operator to seek a gaming licence from the local magistrates. We are recommending the removal of the direct link between the certificate and particular premises, although as set out in paragraph 19.9, the certificate will need to reflect the scale of the business the operator is authorised to run. The local authority will need to satisfy itself that the operator has obtained the authority to establish a gambling business of the kind he is seeking permission for.
- 19.20** In 1999-00, the Gaming Board dealt with 19 applications for new certificates of consent for casinos in England, Wales and Scotland.
- 19.21** There are currently five types of certificate of approval issued in relation to casino employees. The type of certificate and to whom they are issued, together with statistics relating to their issue are set out in figure 19.i.
- 19.22** The number of certificates issued by the Board was lower in 1999-00 than in the previous five years, when it had remained reasonably constant at around 5,000. In chapter 34, we make some assumptions about the likely workload of the Gambling Commission. We are

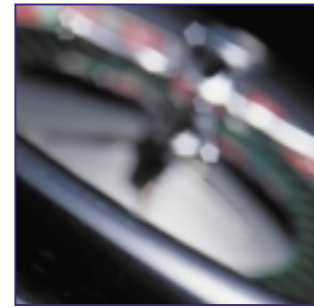
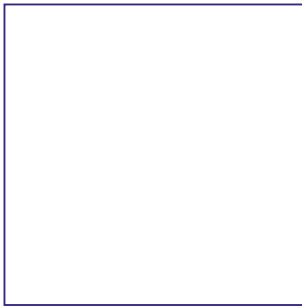
not proposing that additional categories of casino workers need to be checked, although the total number of employees who need to be investigated could increase substantially if a large number of new casinos start to operate as a result of our recommendations.

- 19.23** In its report "The Gaming Board: Better Regulation"<sup>6</sup>, the National Audit Office recommended that the Gaming Board should consider whether there was scope to devolve some certification work to employers – for example, in relation to those employees who are promoted or move posts within the industry. In addition, the NAO suggested that the Gaming Board should consider the scope for rationalising the number of certificates that are issued.
- 19.24** The Gaming Board has been discussing with the British Casino Association whether the number of certificates of approval should be reduced. The Board proposed that the certificates for dealers should be amalgamated with inspectors and the certificates for supervisors with managers. We understand that the Gaming Board considered that the significant step up in responsibilities occurred on promotion to supervisor (who can act as manager for up to 25% of their time) and therefore that a test of fitness was needed at that point. If such a change were made, the interview that the Board currently conducts on promotion to manager would be conducted on promotion to supervisor.
- 19.25** We understand from the Gaming Board that the British Casino Association has made an alternative suggestion. The BCA proposes that the dealers, inspectors and supervisors certificates should be amalgamated. The BCA believes that promotion to manager is the major step up and the right time, as now, to interview to assess fitness. The consequence of

Type of certificate	Issued to	New applications	Transfers	Promotions	Re-issues	Total
White	Casino	5	-	3	5	13
	Executive	(6)	(4)	(2)	(-)	(12)
Grey	Casino	-	21	47	7	75
	Manager	(-)	(45)	(62)	(10)	(117)
Green	Casino	-	12	88	5	105
	Supervisor	(-)	(27)	(116)	(6)	(149)
Yellow	Casino	15	695	447	88	1,245
	Inspector	(21)	(1,096)	(564)	(98)	(1,779)
Blue	Casino	1,881	601	-	83	2,565
	Dealer	(2,061)	(748)	(-)	(78)	(2,887)
<b>Total issued</b>						<b>4,003</b> <b>(4,994)</b>

Source: Gaming Board for Great Britain (2000)

**Figure 19.i:** Section 19 Certificates issued 1999-00<sup>4</sup> (1998-99 figures in brackets)<sup>5</sup>



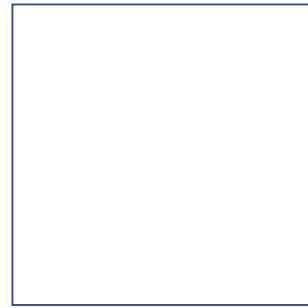
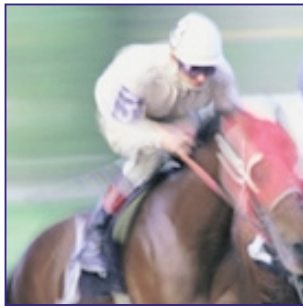
such a change would be that supervisors could no longer act as managers. The BCA is content with that on the basis that casinos in any case require at least one manager on the premises all the time. The Gaming Board is content with this approach.

- 19.26** We agree that there is merit in reducing the number of different certificates. The casino sector is more heavily regulated than any other part of the gambling industry and it is right that should be the case, but it is important to remove any unnecessary burdens and to reduce bureaucracy. We agree with the British Casino Association that the line could sensibly be drawn between managers, who should be subject to more intensive checks and should be interviewed, and less senior employees who should be investigated by the regulator on entry to the casino industry. **We recommend that the number of casino certificates of approval should be reduced from five to three, and that the existing certificates for dealers, inspectors and supervisors should be amalgamated.**
- 19.27** The other recommendation from the National Audit Office<sup>7</sup> was that some checks should be devolved to employers. We have already suggested in paragraph 19.12 that employers should be required to carry out regular checks on employees who are not otherwise examined by the Gambling Commission. We believe that there is more scope to encourage employers to take responsibility for the good character and calibre of the staff they employ. In the light of the amalgamation of certificates for dealers, inspectors and supervisors, **we recommend that employers should be required to obtain a certificate from the Criminal Records Bureau each time a person is promoted and there should also be a requirement (on the employer) to notify the Gambling Commission about the change in the individual's status and to send it a copy of the certificate.**
- 19.28** Under current regulations the certificate of approval is not portable between employers: that can be a barrier in an industry in which staff tend to move around quite frequently. The movement of staff between different employers, and around the country, is likely to increase as more casinos come on stream. It should not be part of the regulator's function to approve the transfer of qualified staff. **We recommend that the certificate of approval should be valid throughout Great Britain, subject only to a requirement that an employer should require an up-to-date certificate from the Criminal Records Bureau when taking on someone who is transferring**

**from another employer. There should be a requirement (on the employer) to notify the Gambling Commission about the change of employment and send it a copy of the certificate.**

## Bingo

- 19.29** Some of the issues we have discussed in respect of casinos apply equally to bingo.
- 19.30** In 1999-00, the Gaming Board dealt with 17 applications for new certificates of consent for bingo halls in England, Wales and Scotland. **As with casinos, we recommend that certificates of consent for bingo should not be related to particular premises, but should be required by the local authority before an application in respect of a premises licence is entertained.**
- 19.31** Bingo Managers are currently issued with a pink certificate. Statistics relating to the issue of pink certificates are contained in *figure 19.ii*.
- 19.32** We have recommended that the number of casino certificates of approval should be reduced, and that the more intensive level of investigation should continue to apply from the post of manager upwards. In relation to bingo, it would be right to continue to require managers to obtain a certificate of approval and to be interviewed in the course of that application. We have received no evidence to suggest that the current level of regulation is inappropriate. **We recommend that bingo managers should continue to apply for a certificate of approval; that they should be interviewed; and that the certificates should be portable between companies in Great Britain (subject to the requirement that the new employer should seek an up-to-date certificate from the Criminal Records Bureau and should notify the Gambling Commission of the change of employment and send it a copy of the certificate).**
- 19.33** As with casinos, bingo operators should be responsible for vetting employees who are involved with the gambling and are not otherwise regulated by the Gambling Commission, and should be liable if they are knowingly or negligently employing individuals who are not fit and proper for the job.



Type of certificate	Issued to	New applications	Transfers	Promotions	Re-issues	Total issued
Pink	Bingo Manager	43 (45)	20 (55)	- (1)	40 (11)	103 (111)

Figure 19.ii: Section 19 Certificates issued 1999-00<sup>8</sup> (1998-99 figures in brackets)

Source: Gaming Board for Great Britain (2000)

## Betting

### Bookmakers

**19.34** In contrast to casinos and bingo halls, bookmakers are currently very lightly regulated. As set out in earlier paragraphs, magistrates have the ability to ask searching questions of would-be bookmakers, but there is anecdotal evidence to suggest that this does not happen as often as it should. From the punter's perspective, it is desirable that similar standards are applied to all forms of gambling. No one has suggested to us that bookmakers should not be regulated to the same extent as other gambling operators. Views have differed on how this should be achieved. Ladbroke, amongst others, has suggested that casino-style certification should apply to bookmakers.

**19.35** The Levy Board<sup>9</sup> told us that it had encountered numerous problems arising from the current arrangements for licensing bookmakers. It mentioned that on a regular basis it found:

- permits are held by people who do not have the necessary expertise to conduct the betting business for which they are responsible
- some people are under capitalised
- some people play no part in the business for which they are licensed – for example, a wife holding a permit for her husband, who runs the betting business but would not qualify in his own right
- some businesses in practice are controlled by inappropriate persons.

The Levy Board suggested that magistrates often were forced to take licensing decisions in a vacuum and tended to give applicants the benefit of the doubt.

**We recommend that the Gambling Commission should regulate all bookmakers who, as with other gambling operators, should undergo a fit and proper test and be investigated in relation to their competence and knowledge as well as honesty and financial probity.**

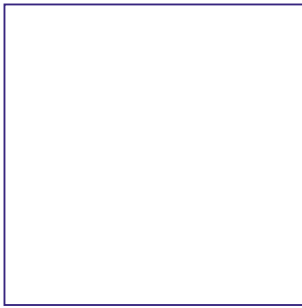
### Betting shop managers

**19.36** On 31 May 2000, there were 3,791 bookmaker's permits in force in Great Britain (of these, according to the annual report of the National Joint Pitch Council, some 890 are authorised by the NJPC to operate at racecourses.) On the same date there were 8,732 betting office licences in force.

**19.37** The fact that large bookmaking companies need only one bookmaker's permit to operate across Great Britain is something that has concerned us. It also concerns the Levy Board, who pointed out that the drafters of the 1963 Act would not have foreseen the advent of large corporate bookmakers, employing a large number of people who are themselves not regulated. The Levy Board suggested that each betting shop manager should hold a bookmakers' permit in his own right, or should otherwise be approved by the gambling regulator in the same way as casino managers. We have considered whether casino-type licensing should be introduced for betting shop managers. In principle we are sympathetic to the proposal.

**19.38** We have mentioned that there are some 8,700 betting shops and, given the extended opening hours that most shops operate, we may assume that there are at least two managers for each of those shops. Therefore, we could be contemplating a new licensing regime for up to perhaps 20,000 people. Overall, that could be a heavy burden for the Gambling Commission and could be a significant new regulatory burden on business. However, any licensing requirements could be gradually applied to those currently employed as betting shop managers; they could apply as they moved employer, with a requirement in any case to be licensed within five years of the Gambling Commission being established. The burden need not be onerous, and this is not a reason to reject licensing betting shop managers.

**19.39** We have considered what the mischief is that we wish to prevent and what similarities there are between casino and betting shop employees. In betting shops, the price is generally set elsewhere and the manager and his staff are essentially selling a priced-up product. If a member of staff is behaving dishonestly it is usually



to the detriment of the bookmaker, rather than the punter. On the other hand, we have heard about money laundering through betting shops and we are recommending in chapter 22 that money laundering regulations should be applied to betting. Punters should be confident that betting shop staff are honest and well trained. The Levy Board mentioned that the absence of a licensing system places a great responsibility on the company to have the right procedures in place and to ensure that their managers follow them. That is undoubtedly true, and some bookmakers have said to us that they would welcome additional checks on staff to help them weed out the dishonest ones. Other bookmakers have pointed out that theirs is an industry that employs many temporary and part-time staff and they were concerned that statutory checks could be cumbersome and time-consuming.

- 19.40 On balance, we have concluded that betting shop managers should be licensed by the Gambling Commission. Other staff employed in betting shops need not be so licensed. **We recommend that the licensing of betting shop managers should be at a similar level to casino dealers** – essentially an enhanced criminal records check. In addition, **we recommend that bookmakers should be required to require certificates from the Criminal Records Bureau for other key staff and that these may be examined by the Gambling Commission.** As with casinos and bingo halls, if bookmakers are found to be knowingly or negligently employing individuals who are not fit and proper for the job, the Gambling Commission may take that into account in determining whether the bookmaker is fit and proper to be engaged in gambling activities. We discuss in chapter 26 whether gambling debts should be enforceable and whether bookmakers should continue to be able to shelter behind the palpable errors rule. If our recommendations on those issues are accepted, the extent to which bookmakers are liable for the actions of their staff will be significantly enhanced. In turn, we suggest that this should lead to better training and enforcement of high standards by the operator.

### Betting brokers

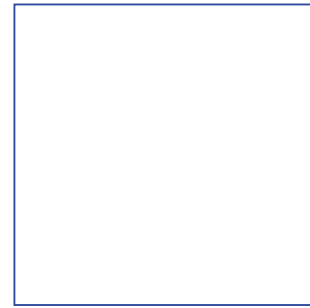
- 19.41 We have also considered whether betting brokers, or operators of bet exchanges as they are sometimes known, should be required to be licensed as bookmakers. At least one of the larger on-line operators is so licensed. Brokers bring together people who want to bet one-to-one rather than through a bookmaker, and take a commission for making the match. As they are acting as stakeholders for bet makers and takers and are not receiving bets, they do not require a bookmakers licence.

We believe that the number of such firms may still be in single figures. As part of the recent changes to General Betting Duty, it was announced that bets placed with brokers will be brought within the scope of the Gross Profits Tax.

- 19.42 It has been put to us that if brokers are not regulated punters will not know whether they are truly acting only as brokers. They may be laying bets themselves, or allowing an individual to offer unlimited bets using their service and thus effectively to operate as an unlicensed bookmaker. Brokers have emerged as a result of the Internet and the service they offer could not have been envisaged when the 1963 Act was drafted. It is clear is that they are offering a gambling product. In those circumstances, it is right that punters should be confident about their honesty and their financial stability. **We recommend that betting brokers should be licensed and regulated in the same way as bookmakers.**

### On-course bookmakers and employees

- 19.43 The National Joint Pitch Council currently regulates the activities of bookmakers on racecourses. As we have mentioned, 890 bookmakers are currently approved by the NJPC to work on racecourses. To apply for approval by the NJPC, an applicant must provide:
- three recent passport photographs
  - a certified copy of his bookmakers' permit
  - a certificate of discharge of levy liabilities and
  - three written references (including one financial reference), as to his suitability to conduct business in a betting ring.
- 19.44 Where the applicant is a body corporate, all betting business must be conducted on its behalf by a nominated officer approved by the NJPC. No Authorised Bookmaker may have more than two Nominated Officers and each must hold a bookmakers' permit or a betting agency permit in his own right.
- 19.45 Where the Authorised Bookmaker is not a body corporate, betting business must be carried out by the bookmaker himself or by no more than one Authorised Representative. An Authorised Representative must hold a bookmakers' permit or betting agency permit in his own right.
- 19.46 These additional licensing controls on on-course bookmakers were necessary because of the light regulation on bookmakers generally. Our recommendation that a more intrusive fit and proper test should be applied to all bookmakers may mean



that these additional controls on those who operate on-course are no longer necessary. Unlike in a betting shop, those with whom the punter is dealing are bookmakers in their own right, not simply representatives of a bookmaker: that is essential in the market place of the racecourse where quick and binding decisions must be made. **We recommend that the Gambling Commission should take over the NJPC's duties of approving bookmakers who operate on-course, though this may in practice not require a significantly different approach from the licensing of off-course bookmakers.** No one should be employed to negotiate bets on a racecourse unless he has a bookmakers' permit in his own right.

**19.47** The NJPC deals only with horse racecourses, not with greyhound tracks or point-to-point. We are recommending in chapter 26 that regulation of betting at those events should be brought within the remit of the Gambling Commission. Similarly, **we recommend that bookmakers and their representatives working at greyhound tracks and point-to-points should be licensed and regulated in the same way as bookmakers on racecourses.**

**19.48** The NJPC currently authorises bookmakers' "workers". Workers are employed by bookmakers to carry out tasks such as operating the computer and doing paperwork. They may also act as "runners" conveying bets from established credit clients at the racecourse to the bookmaker in the ring. Workers are not permitted to negotiate bets. We do not think that it is necessary for the Gambling Commission to license workers in the betting ring. However, the Commission may wish to set some guidelines about the number of people a bookmaker may have working for him in the ring, to prevent a proliferation in the numbers. As with other employers, we recommend that there should be a duty on the bookmaker to ensure that he is employing staff on the racecourse, greyhound track or at the point-to-point who are fit and proper to be employed in duties related to betting.

**19.49** The NJPC also authorises public tic-tacs at racecourses. (In addition, bookmakers employ private tic-tacs as workers. This section does not relate to private tic-tacs.) Public tic-tacs earn a living by selling their "twist card" (a card that can be used to interpret the tic-tac that day) to bookmakers in the betting ring and then acting as a conduit for bets between bookmakers. Tic-tacs are not allowed to lay bets on their own account and the NJPC makes checks to ensure that they are passing on bets laid to them and not taking them themselves. There are seven public tic-tacs currently authorised by the NJPC and we understand that a number of them have been found to

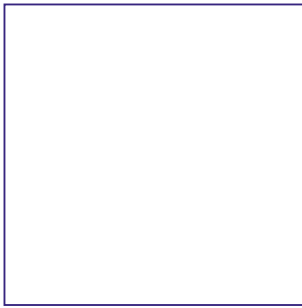
have taken bets illegally. In relation to the temptation to act as an illegal bookmaker, tic-tacs are not dissimilar to betting brokers. If tic-tacs were not authorised by the NJPC, the only sanction currently available would be to report suspicions of illegal bookmaking to the racecourse and have them removed from the betting ring.

**19.50** It is arguable that tic-tacs need not be regulated because they are providing a service only to bookmakers, not directly to punters. If they act as illegal bookmakers, they are breaking the law and appropriate action can be taken. However, another view is that tic-tacs are working in the betting ring on their own account and if the Gambling Commission is to regulate the ring successfully all those who work there must be accountable, in their own right or to an authorised bookmaker. Given that there is evidence that tic-tacs have succumbed to temptation and taken bets illegally, we think that it would be right for them to be regulated by the Gambling Commission so that enforcement action can be taken if the Commission's rules are breached. **We recommend that the Gambling Commission should license public tic-tacs.**

#### Racecourses, point-to-points and greyhound tracks

**19.51** We have considered whether the Gambling Commission should be responsible for licensing those who operate racecourses, point-to-points and greyhound tracks. This is an issue because the Levy Board is currently responsible for approving racecourses for betting purposes, including point-to-points. Greyhound tracks are licensed by local authorities.

**19.52** We have discussed in chapter 13 the relationship between gambling and the underlying activities. An operator of a racecourse or greyhound track will determine on commercial grounds who is able to take bets on his track and where they are able to do business. The Gambling Commission will want to lay down some rules about the conduct of betting on-course and these must be enforceable. Regulation will be toothless if it has to rely on the goodwill of racecourse operators to create the right environment. In the same way that bookmakers must be fit and proper, so must racecourse operators, especially in the case of the greyhound totes where they may be the same individual or company. **We recommend that the Gambling Commission should be responsible for issuing certificates of approval to the operators of horse racecourses, point-to-points and greyhound tracks to authorise them to allow betting on their premises.** In addition, the operator will need to obtain a premises' licence from



the local authority to use those premises for betting, and will have to meet the normal conditions for a public venue. The Jockey Club and the National Greyhound Racing Club may also have a licensing role if the operator wishes to race under their rules.

- 19.53** Gambling is central to horse racing and even more so to greyhound racing: the link between gambling and most other sports is much less direct. Other tracks do currently have to hold track betting licences to permit, for example, betting at football and cricket matches, but the track operator generally has no active role in the betting. However, the considerations outlined in paragraph 19.52 equally apply to such tracks. It is unlikely that anything other than a light regulatory touch would be necessary for these tracks, but the Gambling Commission should certainly know where betting is being conducted and there should be an obligation on the track operator to ensure that only licensed bookmakers are operating. **We recommend that the Gambling Commission should license track operators, but we do not see the need for such tracks also to be licensed for betting by the local authority.**

#### Tote

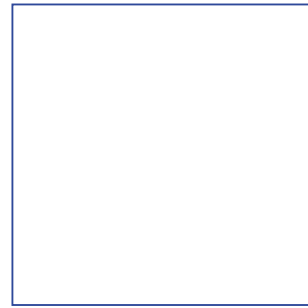
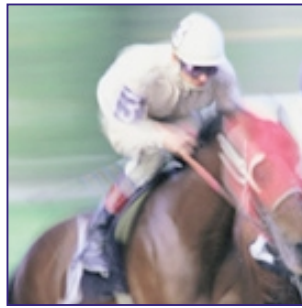
- 19.54** The Home Secretary announced in March 2000 that the Horserace Totalisator Board (the Tote) would be sold to a consortium of racing interests. The Tote has, and will continue to have, an exclusive licence to conduct or authorise others to conduct pool betting on horseracing. It also currently owns a number of betting shops, a credit betting business and an internet betting site.
- 19.55** The Tote is a public body and responsible for its own regulation. That will change once it passes into private ownership. Thereafter, it would be wrong to treat the operators of the Tote differently from other corporate bookmakers. The Home Office<sup>10</sup> has suggested that the Tote's racecourse operations should be brought within the regulatory framework covering all types of on-course betting. The Home Office has also suggested that special conditions should be applied to the Tote's pool betting licence to reflect the exclusive rights that the Tote has and the responsibilities that come with that. The proposals set out in the Home Office consultation paper sit comfortably with the recommendations we have made about the licensing of bookmakers generally. **We recommend that the Tote and its employees should be licensed by the Gambling Commission in the same way as other bookmakers and that its licence should, in addition, reflect the special status it enjoys as an exclusive provider of pool betting.**

#### Lotteries

- 19.56** There are seven External Lottery Managers currently registered with the Gaming Board. **We recommend that External Lottery Managers should be licensed by the Gambling Commission.** Such individuals offer their commercial services to charities and other societies and it is right that they should have to demonstrate that they are fit and proper to carry out those functions.
- 19.57** Chapter 28 sets out our proposal that all societies lotteries should be registered with the Gambling Commission, rather than some registering with local authorities as is the case now. Similarly, local authority lotteries should be registered with the Commission. We have considered what level of regulation would be appropriate for these activities. We have not received evidence to suggest that such lotteries give rise to fraudulent activity on a scale that would justify anything other than a light touch. In any case, the sheer number of lotteries probably precludes anything else. **We recommend that societies and local authorities who wish to run lotteries should have to register with the Gambling Commission and provide evidence that they are what they profess to be. The Gambling Commission should require promoters to provide a certificate from the Criminal Records Bureau, should make random checks to ensure that lotteries are being conducted legally, and should require returns to be made in respect of lotteries above a certain size.**

#### Amusement arcades and Family Entertainment Centres

- 19.58** Amusement arcades are currently licensed by the local authority. The grounds for refusal contained in schedule 9 to the Gaming Act 1968 relate only to the suitability of the premises and conditions applying to them. There are no grounds to refuse on the basis that the proposed occupier is not fit and proper to engage in gambling activities. We are proposing in chapter 23 that amusement arcades (with anything more than low stake/low prize machines) should be open to over 18s only. It is essential that the Gambling Commission should have the ability to take action against the operators of licensed premises who breach the rules and also against those who operate illegal machines. We believe that all those who offer gambling should be fit and proper to do so. **In the case of amusement arcades, we recommend that the operator should be licensed by the Gambling**



**Commission and should be liable to enhanced criminal records checks.** Existing operators should have to seek a licence within, say, two years of the Gambling Commission beginning work. The level of checks that are carried out should be on a par with those carried out on applicants for licences to sell, supply or maintain gaming machines. As with other operators, it should be a condition of registration that the arcade operator takes steps to ensure that his key staff are fit and proper for the job.

- 19.59 The local authority should not entertain an application for a premises licence unless the operator is registered with the Gambling Commission.
- 19.60 We have considered whether the operators of family entertainment centres should be required to register with the Board. **If a family entertainment centre includes a restricted area containing machines to be played only by adults, we recommend that the operator should be required to register in the same way as someone operating an amusement arcade dedicated only to over 18s.**
- 19.61 If a family entertainment centre does not contain a restricted area, we do not believe that registration can be justified on the basis of the level of the gambling that is offered. However, given that such places are designed to attract children, local authorities may wish to impose their own controls to ensure that children and vulnerable adults are not exposed to other dangers. During our deliberations, we have heard accounts of paedophiles targeting arcades, particularly in Central London, and local authorities will no doubt want to take account of concerns of that nature. We do not consider that it is within our competence to make any recommendations in this respect.

### Machine suppliers/ manufacturers

- 19.62 Under section 27 of the Gaming Act 1968, a person must have a certificate if he wishes to sell, supply or maintain a gaming machine. **We recommend that the Gambling Commission should license all those who sell, supply or maintain gaming machines (except low stake/low prize machines).** This is particularly important if our recommendation on profit sharing is accepted (chapter 23). We have specifically referred to "all those" who supply machines, because there are currently some exceptions to the requirement to obtain a section 27 certificate and we recommend that those should be ended.
- 19.63 Manufacturers are not currently licensed. We have considered whether they should be. There is perhaps a

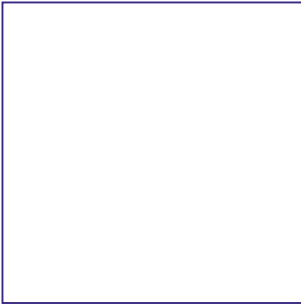
case for licensing manufacturers to ensure that machines are not developed that are designed to breach the Gaming Commission guidelines. The loss of a licence would be an effective sanction against a manufacturer. We note that some other jurisdictions license manufacturers. On balance, we have concluded that it is not necessary to introduce such licensing here. The Gambling Commission will be licensing those who sell, supply, maintain and operate the machines. The Commission will also be able to test machines and, in particular, will want to approve all casino slot machines (which would be permitted in Great Britain for the first time as a result of our recommendations) before they are installed. In addition, the Gambling Commission will have the power to take action in respect of any non-compliant machine wherever it is situated. With these provisions in place we do not consider that, in addition, it is necessary to licence manufacturers.

### Pools

- 19.64 Those who operate pools competitions should be licensed by the Gambling Commission. There are currently only three companies offering pool competitions in Great Britain. **We recommend that pools operators are subject to licensing by the Gambling Commission.**

### Appeals

- 19.65 There is currently no statutory right of appeal against licensing decisions by the Gaming Board. There is a requirement on the Board to ensure that there is a fair hearing. Prospective bookmakers currently have a right of appeal from the Magistrates Court to the Crown Court if an application for a permit or licence is refused.
- 19.66 We have considered whether there should be a statutory right of appeal against decisions by the Gambling Commission. We believe that it would be good practice to make provision for appeals against refusal or revocation. The decisions the Commission will be making will affect an individual's livelihood and in those circumstances we believe that it would be indefensible not to allow a right of appeal. In the case of bookmakers in particular, we would find it very hard to justify removing such a right simply because of changes in the way the licensing system is administered. **We recommend that there should be a statutory right of appeal against licensing decisions by the Gambling Commission. The appeal should provide an opportunity for mistakes in law to be put right rather than for the case to be reviewed from scratch and for the review body to substitute its own judgement for that of the Gambling Commission.**



**19.67** We have considered to whom the appeal should be made. We do not consider that reference back to the Crown Court from a central licensing authority would be appropriate.

**19.68** It is difficult to assess how many appeals there might be, but we believe that the number may be small. In 1999-2000, the Gaming Board did not refuse any first time applications for section 19 certificates (casino executive, manager, supervisor, inspector, dealer or bingo manager), although it revoked 58 certificates. In the same period, there were no appeals against the grant or renewal of bookmakers' permits. As the numbers of appeals may well be small, one possibility would have been to propose using part-time High Court Judges to adjudicate on an ad hoc basis.

**19.69** On the basis that something more formal may be preferred, we have looked at precedents from other regulatory bodies. Individuals who are found not to be fit and proper by the Securities and Futures Authority may appeal to the SFA Authorisation Appeal Tribunal. Membership of the Tribunal will include:

- a legally qualified chairman
- at least one member who is not a registered person or other employee of a firm
- at least one member who has practical experience of the area of business relevant to the case.

This Tribunal will be replaced by a new FSA Tribunal when the Financial Services and Markets Act 2000 is fully implemented.

**19.70** We believe that a tribunal along these lines would be appropriate to hear appeals against decisions by the Gambling Commission. A legally qualified chairman would be essential, and we believe that it would be helpful for industry representatives to have a role. Appointments to the Tribunal should be advertised in the normal way, and we hope that punters, amongst other people, may be encouraged to apply to serve as lay people. **We recommend that a Gambling Appeals Tribunal should be established.** The Tribunal might also deal with appeals against disciplinary measures taken by the Gambling Commission: we discuss this in chapter 33.