



BGC Scoping Paper: VIP Code of Conduct

CONTEXT

The use of rewards, inducements and incentives for higher-spending customers in the gambling sector has been the subject of intense debate and scrutiny in recent months.

Examples of VIPs receiving offers and rewards despite evidence of gambling-related harm have called into question the industry's conduct in this area and prompted calls for tighter regulation.

The Betting and Gaming Council members committed themselves in November 2019 to a review of VIP programmes as part of the Safer Gambling Commitments.

This will form the basis of a new industry Code of Conduct which will be adopted by the BGC with a view to measures being ultimately incorporated as a requirement of the Licence Conditions and Codes of Practice (LCCP), as set out by the UK Gambling Commission.

DEFINITION AND PURPOSE OF VIP PROGRAMMES

Gambling operators define VIPs or high-value customers in different ways, and in some instances may not use the categorisation at all. For the purposes of this review, the Betting and Gaming Council has adopted the following definition of VIPs to focus policy discussions, feedback and submissions.

As in other retail sectors, incentivisation schemes reward loyal customers and help operators capture or retain their share of each player's overall gambling spend. VIP status should imply a higher standard of care and service, and should in no way constitute a platform for exploitation.

CURRENT LEGISLATION AND REGULATION

All licensed UK gambling operators are required to comply with the Licence Conditions and Codes of Practice (LCCP), as set down by the Gambling Commission. The LCCP requires operators to minimise the risk of customers experiencing harms associated with gambling, as set out in Social Responsibility Codes 3.4.1, 5.1.1 and 5.1.2 (see Appendix I).

In addition, operators are also required to comply with Anti-Money Laundering regulations, The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Proceeds of Crime Act 2002 which require a level of enhanced due diligence and customer monitoring based on a risk-based approach which would include specific treatment for any customer spending above certain thresholds.

PURPOSE OF THIS REVIEW

The purpose of the review is to identify new measures and principles that operators will introduce across their businesses to reduce gambling related harm and safeguard customers who are invited to become part of existing VIP schemes.

These measures and principles will include a rigorous assessment of existing business practices, including:

1. Customer evaluation, risk assessment and ongoing monitoring
2. Internal operator governance, accountability, staff training, staff incentivisation, monitoring and reporting
3. Customer interaction and the nature of rewards and inducements

SCOPE OF THE REVIEW AND KEY ISSUES TO ADDRESS

1. Customer evaluation, risk assessment and ongoing monitoring

Due diligence processes that address concerns around affordability and welfare, the criteria operators use to select and invite customers to become part of VIP schemes, and the processes used to subsequently evaluate and monitor their gambling behaviour, are considered central issues for a new code to address.

The review will assess the following:

- a.** Current and potential processes applying criteria which go beyond existing regulation, such as financial sustainability
- b.** Current and potential use of assessments based on criteria such as underlying population and customer specific data.
- c.** Current and future monitoring and interaction with VIP customers, including triggers for the reassessment of VIP suitability, appropriate responses to inactivity or 'cooling off' periods, and the approach to customers returning to gambling after periods of self-exclusion.
- d.** Customer circumstances in regards to eligibility for VIP programmes.

2. Internal operator governance, accountability, staff training, staff incentivisation, monitoring and reporting

The review will assess existing governance structures within operators, focusing particularly on senior management oversight and accountability for VIP programmes and incentives. This will include the process and parameters for risk assessment, record-keeping, internal links between customer-facing teams, and escalation procedures.

The appropriateness and nature of existing staff training programmes will be assessed, including training content, monitoring and evaluation of training effectiveness, and the incentivisation and remuneration of VIP teams, with a particular focus on identifying potential conflicts between commercial and regulatory objectives.

3. Customer interaction and the nature of rewards and inducements

The review will address the nature of engagement from the operator to VIP customers, from volume and intensity of marketing communication, to structural concerns about the potential conflict in having teams responsible for rewards also accountable for customer welfare.

Consideration will also be given to guidance around the appropriateness of different types of reward and inducements, in addition to the treatment of customers at hospitality events.

APPENDIX 1: LCCP – APPLICABLE REGULATORY SECTIONS

1. Customer evaluation, risk assessment and ongoing monitoring

Due diligence processes that address concerns around affordability and welfare, the criteria operators use to select and invite customers to become part of VIP schemes, and the processes used to subsequently evaluate and monitor their gambling behaviour, are considered central issues for a new code to address.

The review will assess the following:

3.4.1: “Licensees must interact with customers in a way which minimises the risk of customers experiencing harms associated with gambling. This must include:

- a.** identifying customers who may be at risk of or experiencing harms associated with gambling.
- b.** Interacting with customers who may be at risk of or experiencing harms associated with gambling.
- c.** Understanding the impact of the interaction on the customer, and the effectiveness of the Licensee’s actions and approach.”

5.1.1: “If a licensee makes available to any customer or potential customer any incentive or reward scheme or other arrangement under which the customer may receive money, goods, services or any other advantage (including the discharge in whole or in part of any liability of his) (‘the benefit’) the scheme must be designed to operate, and be operated, in such a way that:

- a.** the circumstances in which, and conditions subject to which, the benefit is available are clearly set out and readily accessible to the customers to whom it is offered;
- b.** neither the receipt nor the value or amount of the benefit is:
 - i.** dependent on the customer gambling for a pre-determined length of time or with a pre-determined frequency, or
 - ii.** altered or increased if the qualifying activity or spend is reached within a shorter time than the whole period over which the benefit is offered.
- c.** if the value of the benefit increases with the amount the customer spends it does so at a rate no greater than that at which the amount spent increases; and further that:
- d.** if the benefit comprises free or subsidised travel or accommodation which facilitates the customer’s attendance at particular licensed premises the terms on which it is offered are not directly related to the level of the customer’s prospective gambling.”

5.1.2: “Licensees should only offer incentive or reward schemes in which the benefit available is proportionate to the type and level of customers’ gambling.”