



Licensing Fees Consultation (Remote Gambling)

This consultation paper supplements the consultation paper relating to the Bill for a proposed new Gambling Act, and deals specifically with proposed application fees and annual licensing fees.

The new Gambling Bill proposes an Act providing a new framework for the licensing and regulation of the commercial gambling industry in Gibraltar and other elements of gambling activity. The various “regulated activities” to which the proposed licensing fees will relate are set out in sections 17 - 20 of the Bill, as is the nature and categorisation of B2C, B2B and Gambling Operator Support Services licensing.

New Gambling fees regulations will need to be brought into force post-consultation. For the avoidance of doubt, there are currently no plans to change gambling duty rates for B2Cs nor to impose gambling duty on B2B operators. However, we have sought to address the situation whereby additional licence fees will be sought from B2B aggregators on a proportionate basis, in line with growing revenues.

A separate paper will be prepared and issued in relation to arrangements for transitioning between the current and the new provisions in relation to both licensing and licensing fees payable.

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1. INTRODUCTION

- 1.1 The application and annual licensing fees set out below are proposed in respect of the various Regulated Activities.
- 1.2 Pre-licensing and licensing functions, as well as on going supervision and regulation, require extensive time and human resources, and these should be adequately reflected in the level of initial application and annual licensing fees.
- 1.3 There will be no administrative relief for multiple licensing on a Group basis and no quarterly payments will be permitted for cash flow purposes, i.e. annual fees must be paid up front and in full.

2. LICENCE APPLICATIONS

2.1 Introductory comments:

- (i) The licensing process is essential in determining the suitability, fitness and propriety of an applicant to hold a licence. The licensing bar will remain a high one and maintaining the reputation of Gibraltar is a statutory objective. The licensing process involves the Gambling Division (on behalf of the Licensing Authority) engaging extensively with applicants and their advisors and conducting in-depth due diligence, often on complex business models (including the validation of assumptions for financial projections), business plans and ownership structures.

- (ii) The Gambling Division will engage (on behalf of the Licensing Authority) with would-be applicants in a pre-licensing engagement and assessment exercise (draft application), ahead of an “in principle” decision prior to a party being invited to submit and proceed with the final licence application.

2.2 Proposed Licence Application Fees:

- (i) The following licence application fees are proposed:

B2C	£30,000
B2B	(a) Content Aggregator - £20,000 (b) Direct Content Provider- £10,000
Gambling Operator’s Support Services (marketing, supply of betting data etc.)	£8,000

- (ii) Fees will become payable in two stages, as follows, and neither will be refundable:

- (a) 50% at the start of triage;
- (b) 50% on submission of the final licence application.

- (iii) The fees Regulations will contain a provision empowering the Licensing Authority to reduce application fees in respect of simultaneous applications which relate to more than one type of licence or vertical (i.e. B2B, B2C and Gambling Support Services).

3. APPLICATIONS FOR CHANGE OF CONTROL

3.1 Introductory comment

Sectoral M&A activity is likely to remain vibrant. Change of control applications often involve the assessment of very complex corporate transactions and ongoing monitoring as those transactions proceed. Again, there is often the need for complex due diligence on structures and controlling parties.

3.2 Proposed Change of Control Fees:

- (i) Fees will be chargeable as follows:
 - (a) On submission of the application a fee of £7,500 (“the Base Fee”); and
 - (b) Such additional fee (“the Additional Fee”) as the Gambling Commissioner may certify in writing within 21 days of receipt by him of the application, and

all required documents and information in support thereof as he may reasonably request, that he considers reflects the level of complexity of the application and the extent and nature of the due diligence required to be undertaken by the Gambling Division on behalf of the Licensing Authority, subject to a maximum of £30,000 (including the Base Fee).

- (ii) The Additional Fee shall be payable to the Licensing Authority within 7 days of the Gambling Commissioner’s written certificate of it, failing which the Commissioner shall be entitled not to proceed with his consideration of the application.
- (iii) No part of the fee will be refundable in any circumstances.

4. ANNUAL LICENSING FEES: B2C Licensing

4.1 Introductory comments

- (i) Annual licensing fees include (but are not limited to) supervisory costs.
- (ii) It is proposed to maintain the policy of charging separate B2C annual fees for distinct verticals namely: betting, gaming and lottery (the latter excludes betting on a third party lottery outcome, which is included in betting). This is in line with the approach of other jurisdictions.
- (iii) M&A activity has led to operators of significantly increased size and scale. These operators have considerable customer bases, are more complex to regulate and arguably pose a greater potential risk to the regulatory objectives.
- (iv) It is acknowledged that licensing fees for start-up operators and small operators who are building for growth can be a disproportionate cost in the early stages of the life cycle of the business. It is therefore proposed to charge at three levels based on gross gaming yield (not net revenue).

4.2 Proposed annual licence fees:

- (i) For the betting elements of a B2C Gambling Operator’s Licence (see section 17(5)) (includes real event betting, lottery betting, E sports and pool betting):

Annual Gross Betting Yield per licence	Licence Fee per licence
Over £300 million	£200,000
Over £20 million	£100,000
Less than £20 Million	£50,000

- (ii) For the gaming elements of a B2C Gambling Operator’s Licence (see section 17(5)) (includes server based gaming, live gaming, slots, numbers betting and bingo):

Annual Gross Gaming Yield per licence	Licence Fee per licence
Over £300 million	£200,000
Over £20 million	£100,000
Less than £20 Million	£50,000

For clarification:

- (a) By way of example, a B2C operator that offered a betting vertical (with GGY greater than £300M), and a gaming vertical (with less than £300M GGY, but more than £20M) would pay £300,000 as an annual fee.
- (b) A B2C licence includes “white labelling” services to third parties in the categories to which the B2C licence relates.
- (c) As provided in Section 18 of the Bill, if a B2C licensee conducts proprietary marketing activity for its own business within the Group in or from Gibraltar, then it will not require a separate Gambling Operator’s Support Services licence to undertake marketing services.
- (iii) For Proposed B2C Betting Intermediary etc. (i.e. business to which section 17(1)(v) applies such as betting exchange, betting intermediary and betting agent), which will be considered a separate vertical:

B2C Betting Intermediary, betting exchange and/or betting agent	£100,000
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- (iv) B2C Lottery

The Licensing Authority recognises that there is increasing convergence between gambling verticals and allows the presentation of bingo products and numbers games under a B2C gaming licence. The proposed fee for operating an online lottery, regardless of size and whether or not operated for charitable purposes is:

B2C remote Lottery Operator	£100,000
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5. ANNUAL LICENSING FEES: B2B Licensing (Section 17(1)(ii), as read with section 19(2))

5.1 Introductory comments

- (i) Since the passing of the Gambling Act 2005 the B2B landscape has changed considerably. No longer are B2Cs supplied by one or two large suppliers of server-based games. We have also seen the impact of live content, including recently the convergence of online and land-based table gaming.
- (ii) We have also seen the rise of the B2B aggregation model whereby a number of disparate software developers/suppliers are channelled through a single aggregator platform and integrated with the B2C. Some of these aggregators effectively offer an “incubator” service for new developers, enabling a cheaper route to market.
- (iii) The new Act provides that eligible externally based suppliers of content should be licensed on the basis that they are supplying licence holders in Gibraltar regardless of where the supplier is based or the technological location of the content supplied. Gaming and betting software suppliers can supply Gibraltar based B2Cs (or other B2Bs) either through an aggregator or directly as a licensee. In the former case, individual software suppliers via the aggregator will not themselves need to be licensed.
- (iv) Nevertheless, content providers must be approved by the Licensing Authority whether they are providing content through an aggregation platform or directly to a licence holder.
- (v) In the case of the supply of live gaming by B2Bs only, this is considered to be a separate B2B vertical to server based gaming and will be treated accordingly (see below). Gaming generally is treated as a single vertical for B2C purposes.

5.2 Approval of content provider: a fee of £1,000 shall be payable for the approval of a content provider. Payment should be made before the approval process is commenced. Administrative arrangements will be clarified in due course.

5.3 Annual licensing fees will be charged as follows:

(i) Aggregators

- (a) Aggregators generally earn very good revenues from operating from Gibraltar, but under the current system, with no charging structure, as the aggregator becomes more profitable, there is no proportionate economic contribution to the

jurisdiction especially in consideration of the size of revenue derived and the approval/due diligence work conducted by the Licensing Authority.

(b) Accordingly, the following fee structure is proposed:

i. **Basic fee and Additional Basic Fee:**

Licence Type	Licence Fee (annual)
B2B gaming aggregator - single vertical	£85,000 (“basic fee”) plus turnover fee (see (ii) below)
Each additional vertical under the same licensed entity: live event betting, live gaming, server based gaming, lottery, lottery betting, Virtual/simulated betting content, e sports etc.	£15,000 (“additional basic fee”)

ii. **Turnover fee:** in addition to the Basic Fee and Additional Basic Fee (if any) there shall be payable by the aggregator an annual fee equivalent to 1% of its gross revenue from all revenue derived through content supply hosted on its platform from a licence holder, or otherwise deriving or relating to content supplied to a licence holder. This is intended to capture additional fee income from the revenue of the content providers themselves, so the proposal assumes that aggregators will pass this on their hosted content providers through their charging mechanism. We welcome discussions with aggregators on business model impact.

(ii) Direct Licensing for Software Suppliers

(a) It is also recognised that some software suppliers do not want to use the services of an aggregator, preferring direct integration.

(b) Therefore, taking into consideration that a single B2B licensing fee of £85,000 can be prohibitive for some businesses, a tiered licence fee system (**per annum**) is proposed as follows:

(c)

Full tier 1 licence - £85,000	Theoretically unrestricted direct integrations to Gibraltar B2Cs (subject to regulatory approval)
Tier 2 licence- £50,000	For suppliers with less than £550,000 gross sales in respect of Gibraltar licensees or no more than three approved integrations with Gibraltar licensed B2Cs
Tier 3 licence- £20,000	For suppliers with gross sales of less than £200,000 in respect of Gibraltar licensees or no more than two approved integrations with Gibraltar licensed B2Cs

(iii) Platform Supply

- (a) This element does not relate to an operator's own proprietary platform or intra group supply, but relates to B2B businesses who supply a partial or full service platform to a Gibraltar licensee which is critical to the operation of that business (wherever the supplied platform is located, the relevant factor being that it is deemed provided to the licence holder in Gibraltar). A business that engages in platform supply in or from Gibraltar (to other B2C operators operating outside Gibraltar) is also in scope for this type of B2B licence.
- (b) Platform suppliers offer a number of services including gaming content, betting content (including trading and risk management services), CRM and payment solutions. Payment solutions remain out of scope, but where a B2B business supplies a platform for either betting or gaming purposes it will fall within the scope of licensing.
- (c) For the avoidance of doubt a licensed B2B content aggregator will not be required to separately licence the platform from which its approved content is served.
- (d) The proposed license fees are as follows:

Third party B2B platform supply for either betting, e-sports, virtual or simulated content, managed trading services or supply of real event data, event content or odds.	Single Vertical £85,000
Each additional vertical under the same licensed	£15,000 per additional vertical

entity: live event betting, live gaming, server based gaming, lottery, lottery betting, Virtual/simulated betting content, e-sports, etc.	
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All providers to the platform of in scope services (e.g. gaming and betting software) will need to be either licensed or approved providers - dependent upon status - but such platforms may also provide services that are outside the scope of licensing (e.g. payment provision). We have assumed that third party content providers on the platform may be subject to revenue share arrangements and we do not want to create a disparity in regulatory costs between aggregators and platform providers. Therefore, we are considering whether to link licensing costs to relevant platform revenue (such as we are proposing for aggregators) by the application of an additional charge of no more than 1% of the platform providers' gross revenues.

(iv) Provision of Betting Data

- (a) Betting data is essential to B2C betting operators and a distinction is drawn here between those providers who supply a full service betting platform (see above) and those who provide a data feed of betting market and related content. The quality and integrity of this data is essential to maintain confidence in betting markets and the industry in general.
- (b) There continues to be concern around the integrity of sports data and there is no agreed data standard in what is a highly competitive environment involving some very large sports data suppliers.
- (c) It is recognised that the industry has taken some self-regulatory measures in this area (particularly through the Independent Betting Integrity Association) and collaborates with sports governing bodies.
- (d) Some jurisdictions have already moved to bring sports data providers within the scope of their licensing frameworks and Gibraltar intends to do the same.
- (e) Therefore, it is proposed that those B2B businesses that supply sports data direct to B2C licensed businesses in Gibraltar (and other derivatives of that data) will be separately licensed under a bespoke category.

Supply of betting data (including e-sports data)	£50,000 annual fee
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Note: A number of sports betting data suppliers also monetise their data through the supply of virtual or simulated virtual content. Where betting data suppliers also wish to supply virtual and simulated content for the purposes of gambling (in addition to supply of betting data) they will be permitted to provide those combined services under one B2B licence, for which the charge will be an annual fee of £85,000.

(v) Other B2B Regulated Activities (referred to in Section 19(2))

- (a) This section applies to those who supply certain services to licence holders, or carry out certain function for licence holders, on an outsourced basis. So, as provided by Section 17(2) of the proposed new Act, this does not apply when such services are performed for a licence holder by another member of the same group of companies or when the licence holder carries out those functions itself, internally.
- (b) For the avoidance of doubt, third party suppliers of consultancy services and suppliers of regulatory technology that enhances compliance and due diligence processes (for AML/CFT/CPF purposes) do not fall within scope.
- (c) Proposed fee:

Provision of fraud prevention, risk management, customer due diligence or compliance, customer identification verification and/or customer relationship functions or services (but not consultancy or advisory services)	£50,000 annual fee
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6. ANNUAL LICENSING FEES: Gambling Operator Support Services (Section 17(1)(vi))

6.1 Marketing (section 17(1)(vi)(b))

- (i) For fiscal and other reasons, Gibraltar is an established centre for marketing operations with an extensive talent pool in this sub sector.
- (ii) A number of multi-jurisdictional gambling groups and other businesses pursue gambling marketing and affiliate marketing operations from Gibraltar. Whilst these businesses are expected to have substance here (with contracts genuinely negotiated and struck in Gibraltar) many businesses do not fall within the scope of licensing under the current Act.

(iii) Accordingly, we propose the following fee levels for such businesses:

Gambling Marketing services (including gambling affiliate services) conducted in or from Gibraltar (where entity is not otherwise licensed).	£50,000 annual fee
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6.2 **Holding entities** (section 17(1)(vi)(b))

- (i) The proposed new Act defines at length what constitutes a Gambling group holding entity. Such a licence is required whenever a holding entity to which section 17(1)(vi)(b) legally or beneficially owns shares in a gambling company outside Gibraltar which, if it carried on its business in Gibraltar, would need to be a licence holder here.
- (ii) The following annual fee is proposed:

Gibraltar-linked holding entity for gambling company carrying on business elsewhere.	£50,000 annual fee, regardless of where in the ownership structure the Gibraltar-linked holding entity features (i.e., whether the interest is held directly or indirectly)
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6.3 **Holding or managing customer funds** (section 17(1)(vi)(c))

- (i) Holding or managing customer funds does not require a separate licence when done by a licence holder. When done by a person that is not the holder of a B2B or B2C licence it will require a Gambling Support Services Licence, and annual fees will be payable as follows:

Holding or managing customer funds	£50,000 annual fee
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7. **Regulated Individuals**

- (i) Sections 57-63 deal with “Regulated Individuals”, their functions and licensing.
- (ii) It is proposed to introduce a licensing regime for “Regulated Individuals” which means that the individual will be approved to carry out one or more regulated functions at a particular operator.

- (iii) It is proposed that whilst a regulated individual licence will appertain to the individual to whom it relates, it is limited to that individual's role within the licence holder to which the application related. It is not portable by the individual to another licence holder.
- (iv) Where an individual acquires new and different regulated functions within the same operator, then proposed new functions become notifiable and subject to additional approval.
- (v) The licensing fees relating to regulated individuals are as follows:

First Approval (licence to run for five years).	£500 one-off fee for five years.
Material changes to a particular 5 year approval.	£200 per material change.

8. Feedback

- (i) We anticipate that licensees and other stakeholders will review the fee proposals in light of their own business models. We have not posed particular consultation questions but welcome feedback.
- (ii) Consultees should back up their feedback with specific analysis and be prepared to share details, including financial details - in confidence - with the Gambling Division so that a full assessment of their response might be analysed and any changes to proposals made accordingly.
- (iii) We would also be keen to understand if any of the proposals would serve to distort competition or put any stakeholder or sector at a disadvantage in relation to another.
- (iv) We would also wish to hear from any individual or organisation that believes that we have failed to identify a particular activity that should be licensed so that a policy decision might be made regarding the status of that activity.
- (v) Feedback may be sent to gamblingconsultation@gibraltar.gov.gi and must be received by 30 November 2022.

19 October 2022

Andrew Lyman
Gambling Commissioner
Gibraltar