

GAMBLING COMMISSION

High Value Customers: Industry Guidance

June ~~September~~ 2020 ~~DRAFT~~

1 Introduction

How to use this guidance

This document provides guidance for licensees in relation to social responsibility code provision (SRCP) 5.1.1 on rewards and bonuses for high value customers (HVCs), also known as 'VIPs'. It is designed to help licensees assess whether they can provide HVC schemes with the necessary safeguards as set out in SRCP 5.1.1 (2), which provides that:

Social responsibility code provision 5.1.1 Rewards and bonuses - SR code

All licences (including ancillary remote licences), except gaming machine technical and gambling software licences

2. If a licensee makes available incentives or reward schemes for customers, designated by the licensee as 'high value', 'VIP' or equivalent, they must be offered in a manner which is consistent with the licensing objectives.

Licensees must take into account the Commission's guidance on high value customer incentives.

SRCP 5.1.1 (2) places responsibility on licensees to assess the risks of incentivising HVCs. This guidance sets out the minimum ~~expectations that standards we expect~~ licensees ~~should be meeting to mitigate that risk to adopt and evidence in policies, procedures, and practices to mitigate those risks. Licensees will need to be able to explain the reasons for any departures from these standards and evidence how alternative approaches are equally effective at preventing outcomes contrary to the licensing objectives.~~ Where a licensee cannot meet these minimum expectations, they should not be operating HVC incentive schemes.

Licensees are required to apply player protection controls, affordability checks, and due diligence consistently to all customers at appropriate stages of the customer relationship, or in response to specific concerns. This guidance supplements existing requirements related to customer protection, the prevention of crime or fair and open gambling. In particular, it supplements guidance for licensees on how to meet their customer interaction requirements. It does not supersede existing requirements but sets out the minimum standard that must be met to achieve the intended outcomes for HVC schemes. Licensees should seek independent legal advice where further clarity is required.

To minimise duplication, section 3 of this guidance is used to signpost licensees to relevant

| material, most notably the customer interaction guidance, which covers themes such as affordability, vulnerability and evaluation.

~~We have used the word 'must' to denote a legal obligation, while the word 'should' is a recommendation of good practice, and is the standard that we expect licensees to adopt and evidence. We expect licensees to be able to explain the reasons for any departures from that standard.~~

Scope of this guidance

There is no single definition of what constitutes a-an HVC. The categorisation and management of HVCs is determined by a licensee's business model and is relative to their overall customer base.

This guidance covers those customers identified as being of enough commercial value to warrant enhanced customer service unavailable to the wider customer base. Specifically, schemes that offer tailored or personalised incentives linked to high value spend or frequency of play. Such treatment may include but is not restricted to:

- i. Invitation to hospitality, events, dinners, or other enhanced services
- ii. Personal account management/dedicated point of contact with the licensee
- iii. Individualised bonuses, benefits, or gifts.

This guidance is not intended to capture ad hoc, non-personalised bonus offers or promotions that are made available to large numbers of consumers. High value prizes linked to promotions such as customer free prize draws are also not considered in scope where they are made available to the wider consumer base. Whilst this guidance does not provide a single specific definition of HVCs, we would expect a licensee to be able to provide a clear explanation of how HVCs are defined in their business and how this guidance has been applied.

This guidance may be amended periodically to take account of emerging good practice or regulatory changes. Minor amendments will be consulted on informally, for example, through industry trade bodies, with more substantive changes subject to public consultation.

2 High Value Customer Reward Programmes

Know Your Customer - assessing and mitigating risk

The management and incentivisation of HVCs poses two headline regulatory challenges:

- i. HVCs are more heavily engaged gamblers by spend, frequency or both. Heavily engaged gamblers are at greater risk of gambling related harm.
- ii. The disproportionate financial value of HVCs leaves licensees vulnerable to the accusation they are placing commercial objectives over regulatory compliance.

Licensees should be taking steps to ensure all customers are gambling with money they can afford to lose (lawfully acquired disposable income) and without experiencing harm. For the general customer base, this assessment requires a risk-based approach often with the use of thresholds or triggers to alert licensees to the need for additional customer checks.

HVCs pose a heightened risk due to their high levels of engagement by frequency, spend, or both. For a licensee to accept and incentivise a-an HVC's custom they need to demonstrate how they have assessed and mitigated that heightened risk at the outset of the customer relationship and on an ongoing basis.

As a minimum, we would expect a licensee to be able to evidence that the following checks are undertaken before making any customer a-an HVC:

- i. **Affordability** - to establish that spending is affordable and sustainable as part of the customer's leisure spend
- ii. **Safer gambling** - to assess whether there is evidence of gambling related harm, or heightened risk linked to vulnerability
- iii. **Enhanced due diligence** - to ensure the licensee has up to date evidence relating to identity, occupation and source of funds.

It is important that customer checks are undertaken in a thorough and objective manner. Source of funds checks should provide clarification over the actual source of the funds used to gamble rather than an open source assessment of potential income/wealth. There should be appropriate separation between those with responsibility for customer checks and those managing the day-to-day relationships and incentivisation of HVCs.

In verifying a prospective HVC's affordability, licensees should be cautious when considering funds derived from an unplanned financial windfall from gambling or other sources, such as redundancy or inheritance. It is important that licensees can demonstrate that they have considered the sustainability of a customer's leisure spend, not just their access to immediate funding.

Statistics which estimate the numbers of problem and 'moderate risk' gamblers are published regularly, based on the combined health surveys in England, Scotland and Wales (NatCen ~~2018~~-2018). In assessing the risk of gambling related harm, we expect licensees to take account of available research including the latest data on demographic groups who over-index for at-risk or problem gambling rates, for example, 18-34 ~~year~~-~~year~~-old males.

Subject to their assessment of risk, licensees should consider whether additional specific controls should be applied to ~~a~~-~~an~~ HVC's activity, either in consultation with the customer or imposed by the licensee on a precautionary basis. This is to mitigate the risk to the consumer; failure to do so would put the operating and personal ~~licence~~-~~licences~~ at risk. Such controls can be reviewed as appropriate provided decisions are documented and subject to sign-off by a senior executive or equivalent in accordance with the licensee's governance arrangements.

~~Where a safer gambling check uncovers evidence a customer has previously been part of a multi-operator self-exclusion scheme, they should not be considered eligible for HVC status.~~

Licensees should take reasonable steps to check whether a customer has previously self-excluded. Where an individual has previously self-excluded, this should be a significant factor in the licensee's safer gambling check. The circumstances in which it would be appropriate to incentivise a previous self-excluder as a HVC are limited. We expect the accountable PML holder or equivalent (see paragraph 2.16) to review the associated risk and sign-off on any decision to provide future access to HVC schemes or HVC incentives. This audit trail should include the steps taken by the licensee to mitigate the risk of harm which as a minimum should include the imposition of mandatory deposit/spend limits.

2.10 At a minimum, licensees should consider the following types of vulnerability, as set out in the customer interaction guidance, as part of any safer gambling assessment criteria:

- i. **Personal** - would include where an individual is experiencing poor physical or mental health, physical or cognitive impairment, suffering side effects from injury, medication or addiction.
- ii. **Situational** - would include where an individual is experiencing financial difficulties, is suffering from domestic or financial abuse, has caring responsibilities, experiences a life change or sudden change in circumstances.

- iii. **Behavioural** - would include where an individual has a higher than standard level of trust or high appetite for risk.

2.11 We expect licensees to take all reasonable steps to verify the information provided to them and conduct ongoing checks. The frequency of such checks should be determined by the assessment of risk from ongoing monitoring of the customer's activity, behaviour and 2.14 circumstances. In the absence of any change in the risk assessment, licensees should as a minimum undertake a review of a-an HVC's account at least quarterly.

2.12 Where a-an HVC fails any of the above checks, their HVC status should be suspended immediately until the licensee has addressed the risk identified in line with the relevant regulatory or legal requirements. This could include undertaking a customer interaction, seeking additional assurance, applying limits on the customer's account, submitting a suspicious activity report (SAR), or discontinuing the customer relationship.

2.13 Where a customer is unable or unwilling to provide the information required, they should not be considered eligible for HVC incentives and licensees should consider the regulatory risk posed by continuing the customer relationship.

Oversight and accountability

2.14 HVCs provide disproportionate revenue to licensees when compared with the wider customer base. This presents a risk of commercial motivations conflicting with regulatory compliance.

2.15 To mitigate this risk, it is important for licensees to have implemented effective policies and procedures for the operation and governance of their HVC schemes. This should include authority levels for key decision making, and appropriate oversight arrangements. No customer contact should be conducted outside the licensee's policies, procedures or systems.

2.16 Each rewards programme should have a named individual, at senior executive level or equivalent, accountable for the programme's compliance. For all licensees (except small-scale operators), we would expect this individual to be a personal management licence holder. Board or Executive committees should be responsible for overseeing the appropriate governance arrangements for HVC schemes and keeping these under review.

2.17 A full audit trail should be maintained detailing the management of individual HVCs, including:

- i. notable events with HVCs at all stages of the customer relationship to monitor changes in behavioural and transactional activity. This should include instances where the licensee has attempted to make contact with the customer but received no response and;
- ii. a record of decisions made and all customer contacts irrespective of channel, with details kept in line with the licensee's data retention policy.

2.18 Where a current HVC has previously been part of a self-exclusion scheme, licensees should ensure the audit trail includes details of why their inclusion in the HVC scheme is considered appropriate and the reasonable steps taken by the licensee to mitigate the risk of harm.

2.182.19 Any review of a-an HVC's activity should include all accounts the individual has with the licensee or related group licensees irrespective of brand and sector.¹

2.192.20 Audit or assurance functions should be used where appropriate to ensure objective

¹ Remote licensees are subject to existing requirements in relation to SRCP 3.9.1 *Identification of individual customers*

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assessments can be made of whether HVC schemes are operating in accordance with the licensing objectives.

Relationship management

2-202.21 Licensees should consider what additional steps are required to ensure staff are equipped and motivated to manage HVCs effectively, including:

- i. enhanced training on safer gambling and AML risks specific to HVC management. Training should be formally recorded and refreshed regularly, and staff should be appraised on their safer gambling actions.
- ii. job descriptions reflecting that protection of the licensing objectives are the basis for all activity carried out by staff involved with HVC ~~rewards programmes~~ schemes.
- iii. staff should not be incentivised or remunerated based on a customer's loss, spend, or activity.
- iii. the performance management of HVC staff should be consistent with the principle that commercial pressures ~~should~~ must never override regulatory considerations or customer welfare.
- iv. ensuring staff managing multiple accounts retain their ability to assess risk on an individual basis.

v. staff are empowered to escalate regulatory concerns relating to HVCs.

2-212.22 Customer contact should be conducted in a professional and transparent manner and where possible, colleagues that look after specific HVCs should be rotated to ensure objectivity in decision making is maintained.

2-222.23 All licensees are required to interact with HVCs in a way which minimises the risk of customers experiencing harms associated with gambling, as set out in SRCP 3.4.1 (on customer interaction) of the licence conditions and codes of practice (LCCP).

2-232.24 Having collected verified information regarding the HVCs affordability, licensees are well placed to target interactions more effectively where a customer's gambling activity is inconsistent with the information held.

2-242.25 Licensees must ensure arrangements between HVC teams and other teams (e.g. safer gambling and AML) are working collaboratively to allow for objective decision making and review, based on all available information.

2-252.26 Licensees should consider the risk of HVCs taking longer to access support through concern that may lead to the removal of their HVC status and rewards. To further protect HVCs, licensees should:

- i. provide regular and enhanced information on gambling management tools
- ii. offer HVCs an active choice whether to set account limits
- iii. make safer gambling resources available to HVCs at any appropriate point of contact
- iv. promptly comply with HVC's requests to be removed from reward programmes and stop any personalised incentives immediately
- v. regularly review the HVC's suitability for incentives
- vi. take action to restrict or terminate personalised incentives if the HVC's spend or play exceeds their usual habits with no supporting explanation.

Use of incentives

2-262.27 HVC incentives should not be used to exploit vulnerable customers or to encourage problematic behaviour. Licensees must be able to evidence how their rewards and bonuses are compliant with the provisions in section 5.1 of the codes of practice.

2-272.28 We expect the accountable executive or equivalent to be able to demonstrate how they have assured themselves that:

- i. Incentivisation methods do not encourage risk behaviours such as chasing losses,

- excessive time or money spent gambling, or accelerating frequency of gambling.
- ii. The timing of incentives is not linked to periods of excessive play or significant losses, in proportion to the customer's affordability of spend.
 - iii. Information held on individual HVC's habits and preferences is being used to inform responsible incentivisation which is only conducted alongside appropriate consumer protections.
 - iv. Incentives are proportionate to a customer's spending pattern and consistent with the licensee's affordability and vulnerability assessment.
 - v. Tiered or structured incentive schemes are not promoted to HVCs in a manner which results in individuals gambling excessively to obtain (or retain) a grade or status of HVC which is unsustainable.

2.282.29 Life events or changes to an individual customer's circumstances may mean that a person becomes more vulnerable to experiencing gambling harms. These changes may include bereavement, loss of income or financial windfall, or a breakdown of personal relationships. Further guidance on the factors that operators should consider are included in our customer interaction guidance.

2.30 We recognise that in some instances, customers may choose to withhold knowledge that could otherwise inform a licensee's decision to offer incentives. We accept that licensees can only be held to account for information they hold or could have reasonably obtained prior to making commercial decisions.

2.292.31 Given the personal service extended to HVCs, staff may become aware of risks associated with temporary or longstanding vulnerability. Licensees must ensure the actions and behaviour of staff does not exploit such vulnerabilities - either through the provision or characterisation of incentives, or by engaging in contact which goes beyond a professional level to become one of friend or confidant. In addition, the licensee should have processes in place outlining what action should be taken upon identifying specific vulnerabilities.

2.302.32 Licensees are responsible for the actions of affiliates with whom they contract for any provision of their HVC acquisition or management. They must ensure contractual provisions are in place to terminate agreements where appropriate.

3 Further Guidance

As outlined above, this guidance specifically concerns the provision of incentives to HVCs. In addition to this, all customers, including those considered to be high-value customers, are subject to the wider requirements of the LCCP for consumer protection. In particular, the following guidance is relevant:

Customer interaction

Further information on ~~the~~ how to meet the [requirements for proactive interaction](#) can be found on our website.

Identity verification

Further information on [age and identity verification requirements](#) can be found on our website.

Anti-money laundering

Guidance on how to comply with [anti-money laundering responsibilities](#) can be found on our website.

Online markers of harm research

Further research on [online markers of harm](#) can be found on the GambleAware website.

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Summary Report	
Title	compareDocs Comparison Results
Date & Time	30/09/2020 10:49:33
Comparison Time	2.62 seconds
compareDocs version	v4.3.600.4

Sources	
Original Document	PDF of draft HVC guidance.pdf
Modified Document	Guidance_to_operators_on_high_value_customers - modified.pdf

Comparison Statistics	
Insertions	16
Deletions	5
Changes	17
Moves	0
Font Changes	0
Paragraph Style Changes	0
Character Style Changes	0
TOTAL CHANGES	38

Word Rendering Set Markup Options	
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<u>Insertions</u>	
Deletions	
<u>Moves</u> / Moves	
Font Changes	
Paragraph Style Changes	
Character Style Changes	
Inserted cells	
Deleted cells	
Merged cells	
Changed lines	Mark left border.
Comments color	By Author.
Balloons	False

compareDocs Settings Used	Category	Option Selected
Open Comparison Report after saving	General	Always
Report Type	Word	TrackChanges
Character Level	Word	False
Include Headers / Footers	Word	True
Include Footnotes / Endnotes	Word	False
Include List Numbers	Word	True
Include Tables	Word	True
Include Field Codes	Word	True
Include Moves	Word	False
Flatten Field Codes	Word	True
Show Track Changes Toolbar	Word	True
Show Reviewing Pane	Word	True
Update Automatic Links at Open	Word	[Yes / No]
Summary Report	Word	End
Detail Report	Word	Separate (View Only)
Document View	Word	Print
Remove Personal Information	Word	False