

REGULATORY IMPERATIVES

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The purpose of regulatory imperatives is to set down the NLC's key objectives, both high-level and specific, in its regulation of the licensee's day-to-day activities. While the imperatives do not have legal status, nearly all are reflected in part of the legal structure - the 1993 Act as amended, licences, strategies and codes, and game rules. The imperatives are usually expressed in terms of outcomes and will inform the NLC's interpretation of the relevant provisions.

When failure to satisfy an imperative means that the licensee does not provide an essential outcome, the NLC will necessarily regard non-compliance with an associated legal provision as serious. There are some licence requirements that do not correspond with an imperative, but these usually relate to special circumstances or to Camelot's relationship with the NLC.

In the case of functional descriptions which are designated as approvable under Condition 2, the imperatives show the outcomes that the NLC expects to see in descriptions that Camelot submit for approval. In other cases, which form the great majority, the imperatives indicate the underlying objectives that Camelot should have in mind in drawing up functional descriptions.

A Control Environment	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>The licensee shall have a strong and effective internal control framework and must adhere to high standards of corporate governance and conduct.</p> <p>1. <u>General</u></p> <p>1.1 Directors, management and staff must demonstrate the appropriate degree of skill required to effectively carry out their roles.</p> <p>1.2 All persons involved in key aspects of the National Lottery's operations must be "fit and proper"</p> <p>1.3 There must be an appropriate organisational structure within which operations can be planned, executed, controlled and monitored to achieve the licensee's objectives</p> <p>1.4 There must be appropriate levels of authority with accountability which has regard to levels of risk</p> <p>1.5 The licensee shall secure that contractors approved by the NLC have adequate systems of internal control.</p> <p>1.6 The licensee must be aware of the key risks relating to its operations, including fraud, assess the likelihood of them crystallising and the resultant impact, and put appropriate controls in place to mitigate the risks</p> <p>1.7 The licensee must ensure that descriptions of all lottery operations are recorded</p> <p>1.8 The licensee must have an effective internal audit department with appropriate independence, scope, skills and resources</p> <p>1.9 There must be satisfactory segregation of duties for all lottery processes and procedures</p>	<p></p> <p>S5 condition 21(2) and (10)</p> <p>S5 conditions 23 and 31</p> <p>S5 condition 21(2)</p> <p>S5 condition 21(2)</p> <p>S5 condition 21(3)</p> <p>S5 condition 21(2) and (3)</p> <p>S5 condition 2(1)</p> <p>S5 condition 21(2)</p> <p>S5 condition 21(2)</p>

A Control Environment	Licence or other reference
1.10 There must be an adequate audit trail for all processes and procedures	S5 condition 21(2)
1.11 There must be adequate support for statements by the licensee on any lottery operations	S5 condition 21(2)
1.12 An up to date business continuity plan must be drawn up and available to key employees in the event of a disaster, and tested on a regular basis	S5 condition 5(2)
1.13 Clear control objectives must be set and communicated to all managers	S5 condition 21(2) and (5)
2. <u>Information and communication</u>	
2.1 Performance indicators must be set which ensure the monitoring of key operations and identify developments that require corrective action	S5 condition 21(2)
2.2 Information systems must be maintained which provide ongoing identification and capture of relevant, reliable and up-to-date information	S5 conditions 11 and 21(2)
2.3 Systems must be maintained which provide the relevant information to the right people at the right time and frequency	S5 conditions 30 and 21(2)
3. <u>Monitoring and corrective action</u>	
3.1 A monitoring process must be in place which provides reasonable assurance that there are appropriate control procedures in place for all the licensee's lottery operations and that these procedures are followed	S5 condition 21(2)
3.2 Formal procedures must be in place for identifying weaknesses and ensuring appropriate corrective action	S5 condition 21(2)

B Lottery systems	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>The computer-based systems necessary for the operation of the National Lottery shall be robust, reliable and secure, and ensure confidentiality, integrity and availability</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. The gaming and other significant computer systems implemented to operate the National Lottery must conform to the functional descriptions approved by the NLC 2. All computer system changes must be properly planned, authorised, tested, documented and, where appropriate, approved by the NLC prior to implementation 3. Access to data, software and computer facilities must be restricted to authorised personnel and adequate physical and logical access controls must be in place 4. The lottery computer systems must be resilient. Systems and data must be recoverable, in a timescale appropriate to the system's significance, in the event of a failure or disaster, and there must be a written and tested recovery plan 5. All valid transactions must be accurately and completely entered and processed, and data integrity must be maintained 6. Completion of transactions for the sale or cancellation of tickets, validation and payment of prizes to players must occur quickly, accurately and efficiently, even at peak times 7. All aspects of IT operations, development and security must be regularly reviewed by appropriately skilled and experienced staff, independent of the IT function 	<p>S5 condition 2</p> <p>S5 condition 2</p> <p>S5 conditions 5, 6, 21</p> <p>S5 conditions 5 and 21(2)</p> <p>S5 conditions 5 and 16(2)</p> <p>S5 condition 2</p> <p>S5 condition 21(4)</p>

C Game Operation	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>All games must conform with the conditions laid down in the licence, provide all players with an equal chance of winning and be in good taste, so as to not adversely impact upon the public perception of the National Lottery.</p> <p>1 <u>Draw-based games</u></p> <p>1.1 The draw of winning numbers in respect of the draw-based games must be honest, random and, where a mechanical draw-machine is used, witnessed by independent persons</p> <p>1.2 The licensee must ensure that players are able to participate in at least one draw-based game other than by purchasing a ticket at a retail outlet</p> <p>1.3 There must be adequate controls over the processing of game data on the computer system</p> <p>2 <u>Scratchcards</u></p> <p>2.1 Scratchcards must be of an acceptable quality and security standard</p> <p>2.2 The prize structure of each game must conform to the parameters set out in its licence or, in the case of games covered by a class licence, notified in advance to the NLC</p> <p>2.3 Scratchcard ticket data received from the printers must be secure</p> <p>2.4 The licensee must obtain necessary assurances regarding the printing of tickets and the level of security and provide them as required to the NLC</p> <p>2.5 The licensee must take all reasonable measures to ensure the physical security of scratchcards at all times</p>	<p></p> <p>S5 condition 2 and 3</p> <p>S5 condition 13</p> <p>S5 condition 21(2)</p> <p>S5 condition 5(1)</p> <p>S6 licences</p> <p>S5 condition 5(1)</p> <p>S6 licences</p> <p>S5 condition 5(1)</p>

C Game Operation	Licence or other reference
2.6 The status and location of scratchcards must match that recorded on the system, with any differences identified and investigated on a timely basis	S5 condition 5(1)
2.7 All missing and stolen packs must be identified and investigated on a timely basis	S6 licences
2.8 Clear procedures must exist for game recall	S5 condition 2
2.9 Adequate information must be provided on a timely basis to retailers and players about the closure of a scratchcard game	Game Rules
2.10 Tickets must not be delivered to the retailer, activated or sold after the game has been closed	S5 condition 5(1)
2.11 Tickets must be destroyed in a secure and controlled manner	S5 condition 5(1)
2.12 All tickets must be accounted for, or listed as missing after proper investigation, before a game is declared balanced, which must take place in time to determine any payment due to the NLDF	S6 licences
3. <u>Interactive Instant Win Games</u>	
3.1 Plays must not be accepted after the closure of an Interactive Instant Win Game	S6 licence
4. <u>Independent Section 6 licences</u>	
4.1 The licensee should engage constructively with prospective independent Section 6 licensees and others offering game ideas that may benefit the National Lottery.	S5 condition 33

D Prize validation and payment	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>The validation and payment of prizes must take place in a quick, secure and efficient manner without unduly inconveniencing players</p> <p>1. <u>Prize claims and validation</u></p> <p>1.1 Players must be able to find out, free of charge, whether their ticket or play is a winner and how to claim a prize</p> <p>1.2 No tickets may be validated for the payment of prizes after the expiry of the 180 day claim period, except in the case of draw-based games where a telephone claim has been made in that period and the ticket is presented within a further seven days.</p> <p>1.2 Prizes must be awarded in accordance with the licensed prize structure</p> <p>1.3 Reconstruction of tickets must be appropriately authorised, adequately controlled and documented</p> <p>1.3 A secure central record must be maintained of all winning tickets and plays and all prizes claimed and paid</p> <p>1.5 Prize claim and validation procedures must be adequate to prevent or detect fraudulent activity</p> <p>1.6 A procedure must be maintained for dealing with prize claims where, for whatever reason, the ticket cannot be validated by the central system</p> <p>1.7 Winning tickets and plays must be capable of validation only once on the central system</p> <p>2. <u>Prize payment</u></p> <p>2.1 The systems used for the payment of prizes must ensure that prizes are accounted for in full and by game and that the correct amount is paid in prizes</p>	<p></p> <p>S5 condition 9(8)(e) and (20)</p> <p>Game Rules</p> <p>S5 condition 9(1), Game Rules</p> <p>S5 condition 21(2)</p> <p>S5 condition 16(2)</p> <p>S5 condition 2, S6 online condition 12(1)</p> <p>S5 condition 2, S6 online condition 12(1)</p> <p>S5 Condition 2</p> <p>S5 condition 2 Game Rules</p>

D Prize validation and payment	Licence or other reference
2.2 The validation and payment of prizes must take place in a quick and efficient manner without unduly inconveniencing players. Additional security checks must be undertaken for prizes above £50K	Game Rules
2.3 Prizes must only be paid on valid claims or on relevant plays in the case of Interactive Instant Win Games	Game Rules
2.4 Reimbursement from the Prize Trust must be only sought for prizes paid on valid claims	S5 condition 17(1)
2.5 All information about prize winners must be kept securely at all times and for a period of two years after the termination of the S5 licence	S5 conditions 9(2) and 16(3)

E Consumer Protection	Licence or other references
<p><u>Overall regulatory imperative</u></p> <p>There must be comprehensive and readily available information about all aspects of the National Lottery, particularly its purposes, playing arrangements and guides for players</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. Comprehensive information about the National Lottery, including descriptions of games, the chances of winning, the value of prizes, number of prizes remaining, guides for players and the game rules must be made readily available to players 2. Procedures for dealing with complaints must be well publicised, inexpensive to the player, quick and objective. Complaints must be fully and accurately recorded and adequate reasons for decisions given to the player 3. Validation of undamaged tickets must be prompt and secure and not unduly convenience players 4. Information about draw results must be disseminated in ways that give players a reasonable opportunity to claim any prize to which they are entitled 5. A winner's identity must not be disclosed unless clear and informed consent has been given. There must be no pressure upon any winner to allow their identity to be disclosed 6. Players must be able to make contact with the licensee by telephone, in writing or by e-mail, without undue cost or inconvenience 7. Prompt responses must be made to all complaints and enquiries 8. Winners of prizes above £10K must be offered, free of charge, information on relevant financial matters, whilst for prizes above £250K an appropriate advisory service must be offered free of charge. 	<p>S5 condition 9</p> <p>S5 conditions 9(13)(c) and 14</p> <p>S5 condition 9(20), Game Rules</p> <p>S5 condition 9(3)</p> <p>S5 condition 13(b) and (c)</p> <p>S5 condition 30(2)(g) and (i)</p> <p>Game rules</p>

E Consumer Protection	Licence or other references
9. The licensee must ensure that retailers are given training which makes it clear that they must not sell tickets to under 16s or to those who play excessively	Conditions 9(27),(28) and (30) and 15(4)
10. There must be a satisfactory registration process for the use of remote access (e.g. the Internet) and players must be given the opportunity to limit their own play.	S6 licence for Interactive Instant Win Games

F Retailing	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>A network of lottery outlets must exist nationally which is readily recognised by players as outlets in which National Lottery games can be purchased and where players can be served by well trained staff who are knowledgeable about all relevant aspects of the operation of the Lottery and comply with the associated codes of practice</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. The licensee must ensure that there are an appropriate number of outlets where tickets can be purchased, both in total and by geographical distribution 2. The licensee must ensure that clear criteria are employed for retailers to qualify for selection and de-selection 3. Display material must, where legally possible, be effectively positioned both outside and within the store to designate the outlet as a place where lottery tickets can be purchased 4. The licensee and all its appointed retailers who sell tickets for any game in the Lottery must be familiar with the games and their operation, the procedures for collection and payment of cash and the codes of practice 5. The licensee must apply measures that prevent children under the age of 16 from selling or buying tickets and discourage excessive play 6. The licensee must provide means that encourage retailers to transmit operational enquiries to it quickly and must ensure that it deals with such queries quickly and effectively 	<p>S5 condition 12</p> <p>S5 condition 15(1)</p> <p>Regulations S5 conditions 15(4) and 9(27) and (28)</p> <p>S5 condition 15(3)</p>

G Marketing	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>The National Lottery must offer fun and excitement to the British public, provide players with an opportunity to win a range of prizes whilst at the same time benefiting the Good Causes. The National Lottery and its constituent games must be appropriately and tastefully publicised in both advertising and public relations activities</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. There must be a long term marketing strategy (covering the period of the S5 licence) in place which is communicated to the NLC and which is effective in encouraging all potential players to participate in lottery games, but not excessively, provided they are 16 or over 2. A sufficient range of media must be used in advertising to ensure desirable coverage and frequency targets are met 3. The licensee must undertake a comprehensive range of public relations activity 4. The launch of all new games must be supported by a relevant package of communication, with the purpose of informing the public and encouraging play, though not to excess 5. An appropriate brand image must be fostered and maintained and the National Lottery logos must only be used by appropriately authorised persons or organisations 6. Appropriate guidelines for the use of the logos must be drawn up 7. The licensee must, in agreement with -the NLC, pursue any logo infringements by third parties 8. The licensee and its appointed agents must comply in all respects with the Advertising and Sales Promotion Code of Practice and use reasonable endeavours to ensure that suppliers and third parties also comply 	<p>S5 conditions 10 and 22</p> <p>S5 condition 22</p> <p>S5 condition 22</p> <p>S5 condition 10</p>

H Revenue collection and banking	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>There must be safeguards for the funds required to meet obligations to prizewinners, with an efficient payments system, together with assurance that revenue is accounted for in full and that the correct amounts are paid to the NLDF and as Lottery Duty</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. Revenues must not be understated by either retailers or the licensee 2. Amounts due to the NLDF must be calculated correctly and paid to the NLDF on time 3. Funds must be available to meet all obligations whenever they crystallise. 4. Amounts due to the Prize Fund must be calculated correctly and paid on time 5. Electronic transfer of funds must be by accepted bank transfer systems 6. Prize money must be consistent with the licensed prize structure and be accounted for in full. Prize money must be distributed only to bona fide winners 7. All unclaimed prize money, with interest due, must be transferred to the NLDF on time 	<p>S5 condition 18, Schedule 1 and 3</p> <p>S5 condition 18, Schedules 1 and 3</p> <p>S5 condition 17</p> <p>S5 condition 17</p> <p>S5 condition 16</p> <p>S5 condition 17</p> <p>S5 Schedule 1(12)</p>

I Security	Licence or other Reference
<p><u>Overall regulatory imperative</u></p> <p>All lottery games, materials and premises must be secure</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. An adequate system must be in place to prevent, detect, record and investigate fraud or security incidents of any type relating to the National Lottery 2. Access to all the licensee's premises and third party facilities housing network equipment must be adequately controlled and all attempts to breach security logged and investigated 3. Retailer terminals must be secure at all times 4. Retailer terminals must be tracked on a continuous basis, with any variances between the tracking system and actual locations identified and investigated on a timely basis 	<p>S5 condition 5(1), 6 and 21(2)</p> <p>S5 condition 5(1) and 6</p> <p>S5 condition 5(1) and 6</p> <p>S5 condition 5(1)</p>

J Ancillary Activities	Licence or other reference
<p><u>Overall regulatory imperative</u></p> <p>All ancillary activities must be consistent with the overall objectives of the National Lottery and must be approved by the NLC before the activity commences</p> <p><u>Detailed imperatives</u></p> <ol style="list-style-type: none"> 1. Ancillary activities must be only carried out by persons authorised by the licensee and after having been approved by the NLC 2. Any consideration paid to the licensee in connection with ancillary activities must represent the full market value on an arms length commercial basis 	<p></p> <p>S5 condition 8</p> <p>S5 condition 8</p>