

Sixteenth Congress
Republic of the Philippines
First Regular Session



Introduced by Honorable Samuel D. Pagdilao

HOUSE BILL NO. 4540

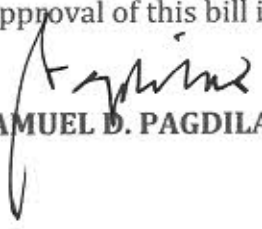
EXPLANATORY NOTE

The rapid advancement in technology has spurred also different types of crimes. The development of the Internet has provided millions of people around the world, including our own, the option to gamble online. Today, operators located in different countries under different regulations offer internet gambling. The introduction of the Internet has had a great impact on the way that people could participate in gambling. People were no longer bound to physical locations and were able to place their bets from within their own homes.

In the Philippines, there is no law in place to monitor Internet gambling or to protect its citizens who engaged in this type of gambling. Internet Gambling should be strictly regulated and controlled to protect minors from the harmful effects of gambling, to ensure standards of fairness and integrity on the part of the operators, to address concerns of law enforcement on internet gambling, and to provide a framework for the government to generate revenue from the internet gambling operators.

This bill aims provide for the strict licensing and regulation of Internet Gambling in the Philippines, to prohibit the unlicensed and illegal internet Gambling and to provide penalties in violation thereof, and to provide a system for the government to generate revenue from the licenses and taxes exacted from such endeavor.

In view of the foregoing, immediate approval of this bill is earnestly sought.


SAMUEL D. PAGDILAO

Introduced by Honorable Samuel D. Pagdilao

**AN ACT OTHERWISE KNOWN AS THE INTERNET GAMBLING REGULATORY ACT
OF 2014.**

Be it enacted by the Senate and the House of Representatives of the Philippines in the Congress assembled.

Section 1. Title. – This Act shall be known as “*Internet Gambling Regulatory Act of 2014*”

Section 2. Declaration of Policy. – It is hereby declared the policy of the State to protect its citizens, especially minors, from the harmful and pernicious effect of gambling. Towards this end, the State should adapt to the new types of gambling introduced by rapid changes in technology, such as Internet Gambling, and to set strict measures to combat this social menace which dissipate the energy and resources of the people.

Section 3. Definition of Terms. – For purposes of this Act, the term:

- a) “Board” refers to the Philippine Amusements and Gaming Corporation.
- b) “Licensee” is the a duly licensed holder of an Internet Gaming Certificate authorized by the Board to conduct Internet Gaming;
- c) “Authorized Internet game.” Any game approved and licensed by the Board to be suitable for use for Internet gaming activities.
- d) “Internet gaming.” The placing of bets or wagers with licensee located in this jurisdiction using a computer network through which a licensee may offer authorized Internet games to individuals who have registered and established an Internet gaming account with the licensee.
- e) “Internet gaming account.” The formal, electronic system implemented by a licensee to record the balance of a registered player's debits, credits and other activity relating to Internet gaming.
- f) “Internet gaming account agreement.” The agreement entered into between a licensee and an individual which governs the terms and conditions of the

individual's Internet gaming account and the use of the Internet for purposes of placing wagers on Internet games operated by the licensee. The Internet gaming account agreement shall be executed in person.

- g) "Internet gaming device." The technology, including software, system programs, hardware or any other gaming equipment as approved by the Board that is used to manage, administer or control Internet gaming or the wagers associated with Internet gaming to facilitate the offering of authorized Internet games to registered players.
- h) "Internet gaming restricted area." Any room or area within the premises of a licensed facility or other location within the Philippines as approved by the Board to conduct Internet gaming, including, where approved by the board, redundancy facilities.
- i) "Licensed facility." The physical land-based location at which a licensed gaming entity is authorized to conduct Internet gaming.
- j) "Key employee." Any person who is employed in a director or department head capacity and who is empowered to make discretionary decisions that regulate Internet gaming operations, including the general manager and assistant manager of the licensed facility, director of Internet gaming, director of credit operations, director of surveillance, director of marketing, director of management information systems, director of Internet gaming system programs or other similar job classifications associated with Internet gaming, persons who manage, control or administer Internet games or the bets and wagers associated with Internet games, director of security, comptroller and any employee who is not otherwise designated as a gaming employee and who supervises the operations of these departments or to whom these department directors or department heads report and such other positions not otherwise designated or defined under this part which the Board shall determine based on detailed analyses of job descriptions as provided in the internal controls of the licensee as approved by the Board. All other gaming employees unless otherwise designated by the Board shall be classified as non-key employees.
- k) "Supplier." A person that sells, leases, offers or otherwise provides, distributes or services any Internet gaming device or associated equipment for use or play of slot machines or Internet games in the Philippines.
- l) "Supplier license." A license issued by the Board authorizing a supplier to provide products or services related to Internet gaming device or associated equipment to licensees for use in the Philippines for gaming purposes.

- m) "Registered player." An individual who has entered into an Internet gaming account agreement with a licensee
- n) "Cash equivalent." An asset that is readily convertible to cash, including, but not limited to, any of the following:
 - 1) Chips or tokens.
 - 2) Traveler's checks.
 - 3) Foreign currency and coin.
 - 4) Certified checks, cashier's checks and money orders.
 - 5) Personal checks or drafts.
 - 6) A negotiable instrument applied against credit extended by a certificate holder, an Internet gaming certificate holder or a financial institution.
 - 7) Any other instrument or representation of value that the Board deems cash equivalent.
- o) "Certificate." An Internet gaming certificate issued to a Licensee in accordance with this Act.
- p) "Associated equipment." Any equipment or mechanical, electromechanical or electronic contrivance, component or machine used in connection with any internet game, computerized systems for controlling and monitoring Internet games, including, but not limited to, Internet gaming devices necessary for the operation of Internet games as by the Board.

Section 3. Authority to play Internet games. - A person who is 18 years of age or older is hereby permitted to participate as a registered player in Internet gaming activities and wagering associated with playing an Internet game offered by a licensee in this in accordance with the regulations of the board.

Section 4. Regulatory Powers. - The Board shall promulgate and adopt rules and regulations to govern Internet gaming in order for Internet gaming to be implemented in a manner that provides for the security and effective management, administration and control of Internet gaming, including, but not limited to, regulations:

- a) Ensuring that Internet games are offered for play in the Philippines is in a manner that is consistent with the provisions of this Act.
- b) Establishing standards and procedures for testing and approving Internet games and Internet gaming devices and associated equipment, and any variations or composites of authorized Internet games, provided that the board determines that the Internet games and any new Internet games or any variations or composites are suitable for use after a test or experimental period under any terms and conditions as the board may deem appropriate.

- c) Establishing standards and rules to govern the conduct of Internet gaming and the system of and wagering associated with Internet gaming, including internal controls and accounting controls, and the type, number, payout, wagering limits and rules for Internet games.
- d) Establishing the method for calculating Internet gaming gross revenue and standards for the daily counting and recording of cash and cash equivalents received in the conduct of Internet games and ensure that internal controls and accounting controls are followed, including the maintenance of financial books and records and the conduct of audits. The board shall consult with the department in establishing these regulations.
- e) Establishing notice requirements pertaining to minimum and maximum wagers on Internet games. Minimum and maximum wagers may be adjusted by the licensee in the normal course of conducting an Internet game, except that changes in the minimum wagers of any Internet game shall not apply to players already engaged in wagering on an Internet game when the minimum wager is changed, unless 30 minutes' notice is provided electronically in a form and manner approved by the board.
- f) Ensuring that all facilities, Internet gaming devices and associated equipment are arranged in a manner to promote appropriate security for Internet gaming.
- g) Establishing technical standards for the approval of Internet games, Internet gaming devices and associated equipment, including mechanical, electrical or program reliability, security against tampering, the comprehensibility of wagering and noise and light levels, as it may deem necessary to protect registered players from fraud or deception.
- h) Governing the creation and utilization of Internet gaming accounts by registered players, including requiring the following:
 - 1) That Internet gaming accounts shall be possessed by a natural person and not in the name of any beneficiary, custodian, joint trust, corporation, partnership or other organization or entity.
 - 2) That Internet gaming accounts shall not be assignable or otherwise transferable.
 - 3) That no account shall be established for an individual under 18 years of age.
 - 4) That all Internet gaming accounts shall be established in person at a licensed facility.
- i) Establishing procedures for Internet gaming account holders to log into their gaming accounts, authenticate identities, agree to terms, conditions and rules applicable to Internet games and log out of gaming accounts, including

procedures for automatically logging off persons from an Internet game after a specified period of inactivity.

j) Establishing procedures for:

- 1) Acquiring funds in an Internet gaming account by cash, transfer or other means.
- 2) The withdrawal of funds from Internet gaming accounts.
- 3) The suspension of Internet gaming account activity for security reasons.
- 4) The termination of Internet gaming accounts and disposition of proceeds in accounts.
- 5) The disposition of unclaimed amounts in dormant Internet gaming accounts.

k) Establishing mechanisms by which registered players may place limits on the amount of money being wagered per Internet game or during any specified time period or the amount of losses incurred during any specified time period.

l) Establishing mechanisms to exclude from Internet gaming, persons not eligible to play by reason of age or incompetency.

m) Establishing procedures for the protection, security and reliability of Internet gaming accounts, Internet games, Internet gaming devices and associated equipment and mechanisms to prevent tampering or utilization by unauthorized persons.

n) Establishing data security standards to govern age and location verification of persons engaged in Internet gaming activity.

o) At its discretion, the board may determine whether persons that provide the following goods or services and any other goods or services related to Internet gaming as the board may determine shall be required to obtain a license, permit or other authorization:

- 1) Payment processing and related money transmitting and services.
- 2) Customer identity or age verification and geospatial technology services.
- 3) General telecommunications services, which are not specifically designed for or related to Internet gaming.
- 4) Other goods or services that are not specifically designed for use with Internet gaming if the persons providing the goods or services are not paid a percentage of gaming revenue or of money gambled on Internet games or online commission fees by the licensee, not including fees to

financial institutions and payment providers for facilitating a deposit by an Internet gaming account holder.

p) The board shall develop a classification system for the licensure, permitting or other authorization of persons that provide the following goods or services related to Internet gaming:

- 1) Persons that provide Internet games and Internet gaming devices and associated equipment.
- 2) Persons that manage, control or administer the Internet games or the wagers associated with Internet games.
- 3) Providers of customer lists comprised of persons identified or selected, in whole or in part, because they placed wagers on Internet gaming.

Section 5. General and specific powers.

(a) General Power. -

1. The board shall have general and sole regulatory authority over the conduct of gaming, including Internet gaming, or related activities as described in this part. The board shall ensure the integrity of the acquisition and operation of Internet games, Internet gaming devices and associated equipment and shall have sole regulatory authority over every aspect of the authorization, operation and play Internet games.

(b) Specific powers. - The board shall have the specific power and duty:

1. At its discretion, to award, revoke, suspend, condition or deny an Internet gaming certificate in accordance with this Act.
2. In addition to the power of the board regarding license and permit applicants, to determine at its discretion the suitability of any person who furnishes or seeks to furnish to a licensee directly or indirectly any goods, services or property related to Internet games, Internet gaming devices and associated equipment or through any arrangements under which that person receives payment based directly or indirectly on earnings, profits or receipts from the Internet games, Internet gaming devices and associated equipment. The board may require any such person to comply with the requirements of this part and the regulations of the board and may prohibit the person from furnishing the goods, services or property.
3. The board shall not approve an application for or issue or renew a license, certificate, registration or permit unless it is satisfied that the

applicant has demonstrated by clear and convincing evidence that the applicant is a person of good character, honesty and integrity and is a person whose prior activities, criminal record, if any, reputation, habits and associations do not pose a threat to the public interest or the effective regulation and control of Internet gaming operations or create or enhance the danger of unsuitable, unfair or illegal practices, methods and activities in the conduct of Internet gaming operations or the carrying on of the business and financial arrangements incidental thereto.

4. To publish annually in the Official Gazette and on the Board's Internet website a complete list of all persons who files an application for the authorization to conduct Internet gaming and the status of each Application or Internet gaming certificate.
5. To review detailed site plans identifying the restricted area or room where an applicant proposes to manage, administer or control Internet gaming operations within a licensed facility to determine the adequacy of the proposed internal and external security and proposed surveillance measures.
6. To require each licensee to:
 - i. Provide written information on its Internet gaming website, which explains the rules for each Internet game, payoffs or winning wagers and other information as the board may require.
 - ii. Provide specifications approved by the board to integrate and update the licensed facility's surveillance system to cover all areas in the licensed facility where Internet gaming will be managed, administered or controlled. The specifications shall include provisions providing the board and other persons authorized by the board with onsite access to the surveillance system or its signal.
 - iii. Designate one or more restricted areas within the licensed facility where Internet gaming activity will be managed, administered or controlled.
 - iv. Provide the board with access to the Internet website, signal or transmission used in connection with Internet gaming.
 - v. Ensure that visibility in the designated restricted area in the licensed facility where Internet gaming will be managed, administered or controlled is not obstructed in any way that

could interfere with the ability of the licensee, the board and other persons authorized by the board or other persons authorized under this part to oversee the surveillance of the conduct of Internet gaming operations.

- vi. Adopt procedures for the recordation, replication and storage of all play and transactions for a period to be determined by the board.
 - vii. Adopt policies or procedures to prohibit any unauthorized person from having access to Internet gaming devices and associated equipment, including software, system programs, hardware and any other gaming equipment which is used to manage, administer or control Internet gaming.
 - viii. Adopt data security standards to verify the age of persons engaged in Internet gaming activity and prevents unauthorized access by any person whose age has not been verified or whose age cannot be verified in accordance with regulations adopted by the board.
 - ix. Adopt standards to protect the privacy and security of persons engaged in Internet gaming activity.
 - x. Collect, report and pay any and all applicable taxes and fees and maintain all books, records and documents related to the licensee's Internet gaming activities. All books, records and documents shall be immediately available for inspection during all hours of operation in accordance with the regulations of the board and shall be maintained in a manner and during periods of time as the board shall by regulation require.
7. To require each licensee to provide on a quarterly basis the following information with respect to Internet gaming:
- i. the name of any person, entity or firm to whom any payment, remuneration or other benefit or thing of value has been made or conferred for professional services, including, but not limited to, legal, consulting and lobbying services;
 - ii. the amount or value of the payments, remuneration, benefit or thing of value;
 - iii. the date on which the payments, remuneration, benefit or thing of value was made; and
 - iv. the reason or purpose for the procurement of the services.

Section 6. Internet gaming certificate required and content of Application. -

- a) Certificate required.--No person shall operate or attempt to conduct Internet gaming, except for test purposes, to the public without first obtaining an Internet gaming certificate from the board. An applicant may seek approval to conduct Internet gaming by filing an application for an Internet gaming certificate with the Board.

The Board shall prescribe the form and manner to govern the submission of a application for an Internet gaming certificate. Not more than one Internet gaming certificate shall be issued to operate Internet gaming within a licensed facility.

- b) Content of Application.--In addition to information and documentation demonstrating that applicant is legally and technically qualified for an Internet gaming certificate under this Act, the application seeking board approval to conduct Internet gaming shall include the following:
1. The name, business address and contact information of the applicant.
 2. The name and business address, job title and a photograph of each principal and key employee of the applicant who will be involved in the conduct of Internet gaming.
 3. An itemized list of the Internet games and any other game or games the applicant plans to offer over the Internet for which authorization is being sought. The applicant shall, in accordance with regulations promulgated by the board, file any changes in the number of authorized games offered through Internet gaming with the board.
 4. The estimated number of full-time and part-time employment positions that will be created at the licensed facility if Internet gaming operations are authorized
 5. A brief description of the economic benefits expected to be realized if Internet gaming operations are authorized.
 6. The details of any financing obtained or that will be obtained to fund the fund the cost of commencing Internet gaming operations.
 7. Information and documentation concerning financial background and resources, as the board may require, to establish by clear and convincing evidence the financial stability, integrity and responsibility of the applicant

8. Information and documentation, as the board may require, to establish by clear and convincing evidence that the applicant has sufficient business ability and experience to create and maintain a successful Internet gaming operation. In making this determination, the board may consider the applicant's financial information, employment data and capital investment.
9. Information and documentation, as the board may require, to establish by clear and convincing evidence that the applicant has or will have the financial ability to pay the Internet gaming authorization fee.
10. Detailed site plans identifying the applicant's proposed restricted area where Internet gaming operations will be managed, administered or controlled within the licensed facility as approved by the board.
11. A detailed description of all of the following:
 - i. The applicant's initial system of internal and accounting controls applicable to Internet gaming.
 - ii. The applicant's proposed standards to protect, with a reasonable degree of certainty, the privacy and security of its registered players.
 - iii. How the applicant will facilitate compliance with all of the requirements set forth in this Act, including, but not limited to, all of the following:
 - a. Age verification requirements designed to block access to individuals under 18 years of age.
 - b. Appropriate data security standards to prevent unauthorized access by any person whose age have not been verified or whose age cannot be verified in accordance with this Act and the applicable regulations of the board.
 - iv. The applicant's proposed age verification standards designed to block access to persons under 18 years of age and persons excluded or prohibited from participating in Internet gaming activities under this Act.
 - v. The procedures the applicant will use to register individuals who wish to participate in Internet gaming activities.
 - vi. The procedures the applicant will use to establish Internet gaming accounts for registered players.

vii. The Internet games and services the applicant proposes to offer to registered players.

viii. Documentation and information relating to all proposed subcontractors of the applicant, including, but not limited to, all of the following:

- a. A description of the services to be provided by each subcontractor.
- b. Information on the experience and qualifications of each subcontractor to provide the services anticipated.
- c. The names of all proposed subcontractor's owners, executives and employees that will be directly or indirectly involved in the applicant's Internet gaming operations, as well as sufficient personal identifying information on each such person to conduct background checks as may be required by the board.

12. The Internet gaming devices and associated equipment, including the computer system or systems, that the applicant plans to or will utilize to manage, administer or control its Internet gaming operations, including, but not limited to:

- i. Connectivity.
- ii. Software and hardware.
- iii. Antifraud systems.
- iv. Virus and hacker protection.
- v. Data protection.
- vi. Access controls.
- vii. Firewalls.
- viii. Emergency and disaster recovery.
- ix. Redundancy.
- x. Internet gaming devices and associated equipment, including, but not limited to, hardware and software that ensure all of the following:

- a. The Internet games are authorized Internet games.
- b. The Internet games are independent and fair and played by natural persons.
- c. Internet game and wagering rules are available to all registered players.
- d. All data used for the operation of each Internet game is randomly generated.

13. Compliance Certification of its Internet gaming devices and associated equipment, including Internet gaming software, by a board-approved

gaming laboratory to ensure that the gaming software complies with the requirements of the Act, if required by the board.

14. Detailed description of accounting systems, including, but not limited to, accounting systems for all of the following:

- i. Registered Internet gaming accounts.
- ii. Per-hand charges, if applicable.
- iii. Transparency and reporting to the board and the department.
- iv. Distribution of revenue to the Government and winnings to registered players.
- v. Ongoing auditing and internal control compliance reviews.

15. Detailed information on security systems at the licensed facility to protect the Internet gaming website from internal and external breaches and threats.

16. Any other information as the board may require.

c) Confidentiality. - Information submitted to the board under subsection (b) of this Section is considered confidential.

Section 7. Issuance of Internet Gaming Certificate.

a.) Requirements for approval of Application. -

1. The board may approve an application for an Internet Gaming Certificate upon finding, upon clear and convincing evidence, all of the following:

- i. The applicant's Internet gaming operations comply in all respects with the requirements of this Act and regulations promulgated by the board.
- ii. Age verification requirements designed to block access to individuals under 18 years of age and those persons excluded, denied access or prohibited from Internet gaming in accordance with this Act, as approved by the board, have been implemented by the applicant
- iii. The applicant has implemented or will implement appropriate data security standards to prevent unauthorized access by any person whose age has not been verified or cannot be verified in accordance with the regulations promulgated and adopted by the Board.

- iv. The applicant has implemented or will implement appropriate standards to protect the privacy and security of registered players.
- v. The applicant's initial system of internal and accounting controls applicable to Internet gaming, and the security and integrity of all financial transactions in connection with the system, complies with this Act and regulations promulgated and adopted by the Board.
- vi. The Applicant is in good standing with the board.
- vii. The conduct of Internet gaming activities will have a positive economic impact through increased revenue and employment opportunities.

- 2. It shall be an express condition of any Internet gaming certificate that a licensee shall collect, report and pay all applicable taxes and fees and shall maintain all books, records and documents pertaining to licensee's Internet gaming operations in a manner approved by the board. All books, records and documents shall be immediately available for inspection by the board during all hours of operation in accordance with the regulations of the board and shall be maintained in a manner and during periods of time as the board shall require.

b.) Issuance of Internet gaming certificate.--

- 1. Upon approval of the application for an Internet gaming certificate, the board shall issue an Internet gaming certificate to the applicant. The issuance of an Internet gaming certificate prior to the full payment of the authorization fee required this Act shall not relieve the licensee from the obligation to pay the authorization fee in accordance with the requirements of this Act.

c.) Term of Internet gaming certificate. - Subject to the power of the board to deny, revoke or suspend an Internet gaming certificate issued in accordance with the requirements of this section, an Internet gaming certificate shall be renewed every three years and shall be subject to the requirements under this Act.

d.) Sanctions. - A licensee that fails to abide by the requirements of this chapter or any condition contained in the licensee's statement of conditions governing the operation of Internet gaming shall be subject to board imposed administrative sanctions or other penalties authorized under this Act.

e.) Background investigations.--Each application for an Internet gaming certificate shall be accompanied by a nonrefundable fee established by the board to

cover the cost of background investigations. The board shall determine by regulation the persons involved, directly or indirectly, in a licensee's Internet gaming operations who shall be subject to background investigation. The reasonable and necessary costs and expenses incurred in any background investigation or other investigation or proceeding under this chapter shall be reimbursed to the board.

Section 8. *Internet Gaming Certificate.* - The following shall apply:

- a) An Internet gaming certificate shall be in effect unless:
 - 1. The certificate is suspended or revoked by the board consistent with the requirements of this part.
 - 2. The licensee does not seek renewal of its Internet gaming certificate.
- b) The Internet gaming certificate shall include an itemized list by type and of Internet games approved by the Board and authorized for Internet gaming conducted by the licensee. The licensee may increase or decrease the number of Internet games authorized for play on its Internet website or change the type of Internet games played on its Internet gaming website upon notice to the board and approval by the board. Unless approved by the board or a designated employee of the board, the total number and type of Internet games offered for play by the licensee may not differ from the number and type approved by the board and authorized in the Internet gaming certificate.
- c) A licensee shall be required to update the information in its initial Internet gaming petition at times and in the form and manner as prescribed by the board.

Section 9. *Date of initial Internet gaming authorizations.* - The Board shall prescribe the date on which application for an Internet gaming certificate must be filed with the board and shall approve or deny a petition within 90 days following receipt.

Section 10. *Commencement of Internet gaming operations.* - A licensee may not operate or offer Internet games for play on its Internet gaming website until the Board determines that:

- a) The licensee is in compliance with the requirements of this Act.
- b) The licensee's internal, administrative and accounting controls are sufficient to meet the requirements of this Act.
- c) The licensee's Internet gaming employees, where applicable, are licensed, permitted or otherwise authorized by the board to perform their respective duties.
- d) The licensee is prepared in all respects to offer Internet gaming to the public over its Internet gaming website.

- e) The licensee has implemented necessary internal, administrative, accounting controls, security arrangements and surveillance systems for the operation of Internet gaming.
- f) The licensee is in compliance with or has complied with the payment of the Internet gaming certificate fee.

Section 10. *Situs of Internet gaming operations.* - All wagers made through Internet gaming shall be deemed to be initiated, received or otherwise made within the geographic boundaries of the Philippines. Internet gaming shall be exclusively conducted by a licensee provided, however, that the intermediate routing of electronic data associated or in connection with Internet gaming shall not determine the location or locations in which a bet or wager is initiated, received or otherwise made.

Section 11. *Establishment of Internet gaming accounts.*

- a) Registration restrictions. - Only natural persons who has first established an Internet gaming account with the licensee shall be permitted to play an Internet game offered by or place any bet or wager associated with an Internet game offered by the licensee. An Internet gaming account shall be in the name of a natural person and may not be in the name of any beneficiary, custodian, joint trust, corporation, partnership or other organization or entity. A licensee shall not permit an individual to establish an Internet gaming account unless the person is 18 years of age or older.

- b) Establishment of Internet gaming accounts. -

- 1. An Internet gaming account shall be executed in person. Each Internet gaming account shall comply with the internal controls of the licensee that, at a minimum, require the following:

- i. The filing and execution of an Internet gaming account application, the form of which has been preapproved by the board.
- ii. Proof of age and residency as demonstrated by at least two forms of identification approved by the board through regulation.
- iii. Physical address of the principal residence of the prospective account holder in the Philippines, electronic mail address of the prospective account holder and other contact information, as the board or licensee may require.

- iv. Password or other secured identification provided by the licensee to access the Internet gaming account or some other mechanism approved by the board to authenticate the player as the holder to the Internet gaming account.
 - v. An acknowledgment under penalty of perjury that false or misleading statements made in regard to an application for an Internet gaming account may subject the applicant to civil and criminal penalties.
- 2. The licensee may accept or reject an application after receipt and review of the application and proof of age for compliance with the provisions of this Act. The licensee shall have the right, at any time with or without cause, to suspend or close any Internet gaming account at its sole discretion.
- 3. The address provided by the applicant in the application for an Internet gaming account shall be deemed the proper address for the purposes of mailing checks, account withdrawals, notices and other materials.
- 4. An Internet gaming account shall not be assignable or otherwise transferable, and the licensee may, at any time, declare all or any part of an Internet gaming account to be closed for wagering.
- c) Password required.--As part of the application process, the licensee shall provide the prospective Internet gaming account holder with a password to access the gaming account or shall establish some other mechanism approved by the Board to authenticate the individual as the holder of the Internet gaming account and allow the individual access to the Internet gaming account.
- d) Grounds for rejection.--Any prospective Internet gaming account holder who provides false or misleading information on the application for an Internet gaming account is subject to rejection of the application or cancellation of the account by the licensee.
- e) Suspension of Internet gaming account.—The licensee shall have the right to suspend or close any Internet gaming account at its discretion.
- f) Persons prohibited from establishing or maintaining an Internet gaming account.--The following persons shall not be entitled to establish or maintain an Internet gaming account:

- i. Any person under 18 years of age
- ii. Mentally incompetent persons
- iii. Any person on the list of persons who are to be excluded or ejected from any licensed facility pursuant to rules to be promulgated by the Board.
- iv. Any gaming employee or key employee of a licensee.

Section 12. Internet gaming account credits and payment. -

- a) Credits to Internet gaming accounts. - Notwithstanding any provision of this part to the contrary, credits to an Internet gaming account shall not be made except as provided by this section. The following shall apply:
 - 1. A deposit to an Internet gaming account by an account holder may be submitted by the account holder to the licensee in one of the following forms:
 - i. Cash given to the licensee.
 - ii. Check, money order, negotiable order of withdrawal or wire or electronic transfer, payable and remitted to the licensee.
 - iii. Charges made to an account holder's credit card upon the account holder's direct and personal authorization, which authorization may be given to the licensee in a form and manner prescribed by regulation of the board, if the use of the credit card has been approved by the licensee.
 - iv. Any other method approved by the board.
- b) Payment of winnings.--When an Internet gaming account holder wins an Internet game, the licensee shall credit the holder's Internet gaming account the appropriate amount pursuant to the rules of the particular game. When the account holder logs off or cashes out, the licensee shall credit the holder's gaming account in the amount of tokens or other cash equivalents cashed in.
- c) Rights of the licensee.--A licensee shall have the right to:
 - 1. Credit an Internet gaming account as part of a promotion.
 - 2. Refuse, for any valid reason, all or part of any wager or deposit to the account of an account holder.
- d) Interest prohibited. - Funds deposited in a registered player's Internet gaming account shall not bear interest to the account holder.

e) Debits to Internet gaming accounts. - Debits to an Internet gaming account shall not be made except as follows:

1. When an account holder logs onto a gaming account and exchanges account funds for Internet tokens or other cash equivalents, the licensee shall debit the holder's account in the amount of funds exchanged. Upon receipt by a licensee of an account wager or an account purchase order, the licensee shall debit the account holder's Internet tokens or other cash equivalents in the amount of the wager or purchase.
2. A licensee may authorize a withdrawal from an Internet gaming account when the account holder submits to the slot machine licensee all of the following:
 - i. Proper identification.
 - ii. The correct password or other authentication information for accessing the gaming account.
 - iii. A properly completed and executed withdrawal form in a form and manner approved by the board through regulation.
3. Upon receipt of a properly completed and executed withdrawal form, and, if there are sufficient funds in the gaming account to cover the withdrawal, the licensee shall send, within three business days of receipt of the withdrawal form, a check payable in the amount requested to the account holder at the address specified in the application for the Internet gaming account or shall transmit payment to the account holder electronically as approved by the board by regulation.

Section 13. Dormant Internet gaming accounts. -

- a) Dormant Internet gaming accounts.--Any funds remaining in Internet gaming accounts inactive or dormant for the period and under the conditions as established by regulation of the board shall be paid 50% to the licensee and 50% to the Board.
- b) Closure of dormant accounts.--Before closing a dormant Internet gaming account, the licensee shall attempt to contact the account holder by mail, phone or electronic mail to inform the account holder that the Internet gaming account is inactive and may be subject to termination at such time and manner as determined by regulation of the board.

Section 14. *Log-in procedure required.* -

- a) Establishment of log-in procedure.--Each licensee shall establish a log-in procedure for Internet gaming account holders to access Internet gaming. The log-in procedure shall include the provision of the appropriate authentication information by the Internet gaming account holder for access to the Internet gaming account. The licensee shall not allow an account holder to log-in and access the Internet gaming account holder's Internet gaming account unless the Internet gaming account holder provides the correct password or other authentication information.
- b) Exchange of funds.--Upon log-in, the Internet gaming account holder shall have the option to exchange any amount of funds in the Internet gaming account for Internet tokens or other cash equivalents to be used for Internet gaming.
- c) Credits to account.--Upon logging off, the current amount of the Internet gaming account holder's Internet tokens or other cash equivalents shall be credited to the Internet gaming account holder's Internet gaming account.

Section 14. *Information provided at log-in.* - The licensee shall configure its Internet gaming website to include a link that, upon log-in, will allow an Internet gaming account holder to access all of the following information:

- a) The current amount of money in the Internet gaming account holder's Internet gaming account, including the current amount of the Internet gaming holder's Internet tokens or other cash equivalents.
- b) The Internet gaming account holder's wins and losses since the Internet gaming account was established.
- c) The Internet gaming account holder's win and losses at the beginning of the current gaming session and the wins and losses at the end of the current gaming session.
- d) The complete text in searchable format of the rules of each Internet game offered by the slot machine licensee and any other information as the board may require.

Section 15. *Responsibilities of licensee.* -

- a) Facilities and equipment.-- All facilities and Internet gaming devices and associated equipment shall:

1. Be arranged in a manner promoting appropriate security for Internet gaming.
2. Include a closed-circuit visual monitoring system according to rules or specifications approved by the board, with board access to the licensee's Internet gaming website, signal or transmission used in connection with Internet gaming.
3. Not be designed in any way that might interfere with or impede the board in its regulation of Internet gaming.
4. Comply in all respects with regulations of the board.

Section 16. *Internal, administrative and accounting controls.* -

a) Submissions to board. - Notwithstanding any provision of this Act, each licensee who shall submit a description of its system of internal procedures and administrative and accounting controls for Internet gaming to the board, including provisions that provide for real-time monitoring, recordation or storage of all Internet games and a description of any changes to its procedures and controls. The submission shall be made at least 90 days before Internet gaming operations are to commence or at least 90 days before any change in those procedures or controls is to take effect, unless otherwise directed by the board.

b) Filing. - Notwithstanding subsection (a), the procedures and controls may be implemented by a licensee upon the filing of the procedures and controls with the board. Each procedure or control submission shall contain both narrative and diagrammatic representations of the system to be utilized with regard to Internet gaming, including, but not limited to:

1. Accounting controls, including the standardization of forms and definition of terms to be utilized in the Internet gaming operations.
2. Procedures, forms and, where appropriate, formulas to govern the following:
 - i. Calculation of hold percentages;
 - ii. Revenue drops;
 - iii. Expense and overhead schedules;
 - iv. Complimentary services; and
 - v. Cash equivalent transactions.
3. Job descriptions and the system of personnel and chain of command, establishing a diversity of responsibility among

employees engaged in Internet gaming operations and identifying primary and secondary management and supervisory positions for areas of responsibility, salary structure and personnel practices.

4. Procedures for the registration of players and establishment of Internet gaming accounts, including a procedure for authenticating the age of applicants for gaming accounts.
5. Procedures for the termination of a registered player's Internet gaming account by the account holder and the return of any funds remaining in the gaming account to the account holder.
6. Procedures for the suspension or termination of a dormant gaming account.
7. Procedures for the logging in and authentication of a registered player in order to enable the player to commence Internet gaming and the logging off of the registered player when the player has completed play, including a procedure to automatically log a registered player out of the player's Internet gaming account after a specified period of inactivity.
8. Procedures for the crediting and debiting of registered players' Internet gaming accounts.
9. Procedures for:
 - i. The cashing of checks to establish credit in an Internet gaming account;
 - ii. The receipt and security of cash to establish credit in an Internet gaming account, whether the cash is received by wire transfer or by other means as approved by the board; and
 - iii. Receipt of other electronic negotiable instruments approved by the board to establish credit in an Internet gaming account.
10. Procedures for the withdrawal of funds from an Internet gaming account by the registered player.
11. The redemption of chips, tokens or other cash equivalents used in Internet gaming and the payout of jackpots.
12. The recording of transactions pertaining to Internet gaming.

13. Procedures for the security of personal identifying information of registered players and other information as required by the board and funds in Internet gaming accounts.
14. Procedures for the transfer of Internet gaming revenue from Internet gaming accounts to the counting process.
15. Procedures and security for the counting and recordation of revenue.
16. Procedures for the security of Internet gaming devices and associated equipment within a restricted area on the premises of the licensed facility or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a licensed facility but within the geographic boundaries of the Philippines as approved by the board.
17. Procedures and security standards as to receipt of and the handling and storage of Internet gaming devices and associated equipment.
18. Procedures and security standards to protect the licensee's Internet gaming website and Internet gaming devices and associated equipment from tampering by any person.
19. Procedures for responding to suspected or actual tampering with a licensee's Internet gaming website and Internet gaming devices and associated equipment, including partial or complete suspension of Internet gaming or the suspension of any or all player Internet gaming accounts when warranted.

c) Review of submissions. –

1. The board shall review each submission required by subsections (a) and (b) and shall determine whether the submission conforms to the requirements of this Act and regulations promulgated by the board and whether the system submitted provides adequate and effective controls for Internet gaming operations of the particular licensee.
2. If the board determines that insufficiencies exist, it shall specify the insufficiencies in writing to the licensee, who shall make appropriate alterations to ensure compliance with the requirements of this chapter and regulations of the board. When the board determines a submission to be adequate in all respects, it shall notify the licensee.

3. Except as otherwise provided in subsection (a), no licensee shall commence or alter Internet gaming operations unless and until the system of procedures, controls and alternations is approved by the board.

Section 16. *Internet games and Internet gaming devices and associated equipment testing and certification standards.*

a) Testing required. -

1. No Internet game or Internet gaming device or associated equipment shall be used to conduct Internet gaming unless it has been tested by the board. The board may, in its discretion and for the purpose of expediting the approval process, refer testing to any testing laboratory as approved by the board.
2. The board shall establish, by regulation, technical standards for approval of Internet games and Internet gaming devices and associated equipment, including mechanical, electrical or program reliability, security against tampering and threats, the comprehensibility of wagering and noise and light levels, as it may deem necessary to protect the registered player from fraud or deception and to ensure the integrity of Internet gaming.

- b) Independent testing and certification facility. - Any costs associated with the board's testing and certification facility shall be assessed on persons authorized by the board to distribute or otherwise provide Internet games and Internet gaming devices and associated equipment to licensees. The costs shall be assessed in accordance with a schedule adopted by the board.

Section 17. *Internet gaming Certificate fee. -*

- a) Amount of Certificate fee. - Each applicant that is issued an Internet gaming certificate to conduct Internet gaming in accordance with this Act shall pay a one-time nonrefundable fee in the amount of (insert amount).
- b) Payment of fee. - The authorization fee under subsection (a) shall be remitted the to the board within 60 days of the board's approval of the application to conduct Internet gaming. The board may allow the fee to be paid in installments, provided that all such installments are paid within the 60-day time period and that the installment payments

are made in accordance with the terms of an agreement between the board and the applicant that sets forth the terms of the installment payment.

- c) **Renewal fee.** - Notwithstanding any other provision of this chapter, an applicant that has been issued an Internet gaming certificate in accordance with the requirements of this Act shall pay a renewal fee in the amount of (insert amount) upon the renewal of its Internet gaming certificate in accordance with this Act.

Section 17. *Impact of Internet gaming, annual report.* - Within sixty (60) days at the end of one year after the commencement of Internet gaming, the Board shall submit a report to the appropriate congressional committees on the impact of Internet gaming on compulsive and problem gambling and gambling addiction in the Philippines.

Section 18. *Prohibited acts; penalties* -

- a) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine ranging from *five million (Php5,000,000.00) pesos* to *ten million (Php10,000,000.00) pesos* to or both shall be imposed upon any person or entity who knowingly operate, conduct, permit, or otherwise knowingly allow the operation or conduct of any Internet gaming or Internet game or an Internet gaming device or its associated equipment without a valid internet gaming certificate issued by the Board. The same penalty shall also be imposed:
 - i. In case of a juridical entity, the key employees who knowingly permit the operation of an illegal Internet game or an Internet gaming device or its associated equipment
 - ii. **Financiers or Capitalist.** - Any person who finances the operations of any illegal numbers game.
 - iii. **Protector or Coddler.** - Any person who lends or provides protection, or receives benefits in any manner in the operation of any illegal internet game.
- b) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine amounting of *one hundred thousand (Php100,000.00)* or both shall be imposed upon any parent, guardian or person exercising moral authority or ascendancy over a minor, ward or incapacitated person, who induces or causes such minor, ward or incapacitated person to commit any of the offenses punishable in this Act. Upon conviction, the parent, guardian or person exercising moral authority or ascendancy

over the minor, ward or incapacitated person shall be deprived of his/her authority over such person in addition to the penalty imposed.

- c) The penalty of a fine amounting to *one hundred thousand (Php100,000.00) pesos* shall be imposed upon any licensed entity, gaming employee, key employee or any other person to permit a Internet game or Internet gaming device or associated equipment to be operated, transported, repaired or opened on the premises of a licensed facility by a person other than a person licensed or permitted by the Board pursuant to its rules.
- d) The penalty of a fine amounting to *five hundred thousand (Php500,000.00) pesos* shall be imposed upon any licensed entity or other person who knowingly manufacture, supply or place Internet game or Internet gaming devices or associated equipment into play on the premises of a licensed facility without the authority of the board.
- e) The penalty of a fine amounting to *five hundred thousand (Php500,000.00) pesos* shall be imposed upon any licensed entity or other person who knowingly manufacture, supply or place Internet gaming devices or associated equipment into operation at a licensed facility without the approval of the board.
- f) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine ranging to *five million (Php5,000,000.00) pesos* to *ten million (Php10,000,000.00) pesos* or both shall be imposed upon shall be upon a licensed entity or other person who knowingly manufacture, supply, operate, carry on or expose for play Internet game or Internet gaming device or associated equipment after the licensee's license has expired;
- g) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine amounting to *five hundred thousand (Php500,000.00) pesos* or both shall be imposed upon any person to knowingly alter, tamper or manipulate Internet gaming devices or associated equipment, including software, system programs, hardware and any other device or equipment used in Internet gaming operations, in order to alter the odds or the payout of an Internet game or to disable the Internet game from operating according to the rules of the game as authorized by the board.
- h) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine ranging from *five million (Php5,000,000.00) pesos* to *ten million (Php10,000,000.00) pesos* or both shall be imposed upon any person who knowingly offer, or allow to be offered, any Internet game that has been altered, tampered with or manipulated in a way that affects

the odds or the payout of an Internet game, or disables the internet game from operating according to the rules of the game as authorized by the board.

- i) The penalty of imprisonment from *five (5) years* to *ten (10) years* or a fine ranging from *five million (Php5,000,000.00) pesos* to *ten million (Php10,000,000.00) pesos* or both shall be imposed upon any licensee or employee of a licensee who knowingly allows a person under 18 years of age to open, maintain or use an Internet gaming account, except that the establishment of all of the following facts by a licensee or employee of a licensee shall constitute a defense to any regulatory action by the board or the penalty authorized under this section:
 - i. the underage person falsely represented that he was of the permitted 18 years of age in the application for an Internet gaming account; and
 - ii. the establishment of the Internet gaming account was made in good faith reliance upon such representation and in the reasonable belief that the underage person was 18 years of age.

Section 19. Liability of Government Employees and/or Public Officials. -

- a) If the operator or its key employee in any illegal internet gaming operation is a government employee and/or public official, whether elected or appointed shall suffer the penalty of twelve (12) years and one (1) day to twenty (20) years and a fine ranging from Three million pesos (P3,000,000.00) to Five million pesos (P5,000,000.00) and perpetual absolute disqualification from public office.

In addition to the penalty provided in the immediately preceding section, the accessory penalty of perpetual disqualification from public office shall be imposed upon any local government official who, having knowledge of the existence of the operation of any illegal numbers game in his/her jurisdiction, fails to abate or to take action, or tolerates the same in connection therewith.

- b) In the case of failure to apprehend perpetrators of any illegal numbers game, any law enforcer shall suffer an administrative penalty of suspension or dismissal, as the case may be, to be imposed by the appropriate authority.

Section 20. Immunity from Prosecution. - Any person who serves as a witness for the government or provides evidence in a criminal case involving any violation of this Act, or who voluntarily or by virtue of a subpoena testificandum or

duces tecum, produces, identifies, or gives testimony shall be immune from any criminal prosecution, subject to the compliance with the provisions of Presidential Decree No. 1732, otherwise known as Decree Providing Immunity from Criminal Prosecution to Government Witnesses and the pertinent provisions of the Rules of Court.

Section 21. *Prosecution, Judgment and Forfeiture of Property.* - Any person may be charged with or convicted of the offenses covered by this Act without prejudice to the prosecution of any act or acts penalized under the Revised Penal Code or existing laws.

During the pendency of the case, no property or income used or derived therefrom which may be confiscated and forfeited shall be disposed, alienated or transferred and the same shall be in custodia legis and no bond shall be admitted for the release of the same.

The trial prosecutors shall avail of provisional remedies provided for under the Revised Rules on Criminal Procedure.

Upon conviction, all proceeds, gambling paraphernalia and other instruments of the crime including any real or personal property used in any illegal internet game operation shall be confiscated and forfeited in favor of the State. All assets and properties of the accused either owned or held by him/her in his/her name or in the name of another person found to be manifestly out of proportion to his/her lawful income shall be prima facie presumed to be proceeds of the offense and shall likewise be confiscated and forfeited in favor of the State.

In all cases, ten percent (10) of the value of any property forfeited in a final and executory order under this Act shall be earmarked as additional funding for the Philippine National Police (PNP) to be used for law enforcement purposes.

Section 23. *Witness Protection.* - Any person who provides material information, whether testimonial or documentary, necessary for the investigation or prosecution of individuals committing any of the offenses under Sections 3, 4, 5 and 6 herein shall be placed under the Witness Protection Program pursuant to Republic Act No. 6981.

Section 24. *Rules and Regulations.* - The Board, together with the Department of Interior and Local Government, the Department of Trade and Industry, and in consultation with the Philippine National Police (PNP), shall promulgate the rules and regulations for the implementation of this Act.

Section 25. *Separability Clause.* - If any provision or part hereof is held invalid or unconstitutional, the remainder of this Act or the provisions not otherwise affected shall remain valid and subsisting.

Section 26. *Repealing Clause.* - All laws, decrees, orders, rules and regulations or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Section 27. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.