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Introduced by: Rep. BERNADETTE R. HERRERA-DY

AN ACT CREATING THE PHILIPPINE AMUSEMENT AND GAMING COMMISSION, HENCEFORTH TO BE KNOWN AS PAGCOM, SEPARATING THE OPERATION AND REGULATION OF GAMING ACTIVITIES, DIRECTING THE PRIVATIZATION AND DISPOSITION OF ALL ASSETS PERTAINING TO THE OPERATION OF GAMING ACTIVITIES BY THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION, REPEALING PRESIDENTIAL DECREE NO. 1869 AND REPUBLIC ACT NO. 9487 FOR THESE PURPOSES, AND FOR OTHER PURPOSES.

EXPLANATORY NOTE

Gambling is a continuously difficult activity for regulation by governments. The challenge lies in striking a balance between curbing the social ills and reaping the fiscal benefits created by gambling revenues.

The Philippine Amusement and Gaming Corporation, the government agency tasked with the operation and regulation of gambling activities throughout the country, is currently among the larger contributors of revenue to the Philippine government. Legal gambling operations also do a double duty in this regard, providing a boon to the local tourism industry, which in turn further serves to increase the revenues available for such government-supported projects.

But while the revenues generated from legal gaming activities have been channeled to development and social infrastructure projects, providing a needed source of government income, still much remains to be desired in financial accountability. Despite attempts to consolidate and clarify the powers of PAGCOR in a manner which would give the government control and operation of the bulk of gaming activities in the Philippines, these measures have failed to adequately synergize and streamline the powers, duties and activities of the PAGCOR.

Hence this legislation aims to address the major concerns such as the lack of focus on proper regulation, avoiding conflicts of interests and moral hazards, increasing vulnerability of regulators to issues with prospective investors/capitalists, limiting government funding risk exposure in investments among others.

This bill proposes a number of fixes to PAGCOR, including converting the entity from a government owned and controlled corporation to a purely government agency to be called the

“Philippine Amusement and Gaming Commission,” or PAGCOM. PAGCOM would be burdened with the sole responsibility of regulation of gaming activities, including licensing and enforcement, without the power to engage in gaming operations. In short, the new PAGCOM, designed to be purely regulatory, cannot do gaming business.

By clearly delineating, severing or divorcing in no uncertain terms the operation of gaming activities, on one hand, and regulation on the other, this bill hopes to create distance between those in charge of regulating gambling and those who stand to benefit from the revenue generated. As a result, it is believed that through adequately delineating the authorities in operation and regulation, gambling activities under the authority and control of present-day PAGCOR will be better subjected to audit, economic and regulatory efficiency, neutral governance free from potential conflict of interest, institutional efficiency, and transparency.

In designing this bill, we draw from best practices primarily found in the US states of Washington, Nevada, and New Jersey, jurisdictions which are reputed to hold tighter, if not more effective regulatory frameworks where government and the private sector are made to interact in a sustainable manner and under a clearly defined gaming regime. The same pattern has likewise shown remarkable results for Singapore, Macau and in some European countries which follow the same separation of functions, that is, gaming business, on one hand, regulatory activity, on the other.

As a transitory measure, this bill includes a privatization scheme which aims to bring PAGCOR’s current gaming operations into the fold of the private sector. For these purposes the services of the Privatization Management Office of the Department of Finance may prove to be very useful in the interim. This bill also mandates PAGCOM finances to audit and having PAGCOM finances pass through the National Treasurer.

Furthermore, and along the lines of best practices of jurisdictions which we examined, a number of additional safeguards have been added in this bill, including rules concerning employment restrictions for PAGCOM members, a measure directed to reduce conflict of interest opportunities and additional oversight of PAGCOM activities by Congress through ex officio membership and Congressional oversight. Comparative legal and policy experiences have shown that Congressional oversight is needed to help insulate gaming activities from the entrenchment of partisan or political special interests.

Considering the large revenues from gaming activities is a vital source of economic development, it is out of duty and responsibility, as policy makers, to ensure that Filipinos enjoy the benefits of these funds by ensuring a gaming industry free from regulatory inefficiency and moral hazards. Hence, the urgent approval of this bill is earnestly sought.



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(b) To clearly delineate and separate the operation of gaming activities, on one hand, and regulation, on the other;

- 19 (c) To place the operation of gaming activities in the hands of the private sector by
20 privatizing PAGCOR's current gambling operations, while regulatory and legal reform
21 in the name of efficiency, transparency, and good governance, remain a continuing
22 effort;
- 23 (d) To enhance congressional oversight over the gaming sector;
- 24 (e) To introduce additional safeguards in the regulation and operation of gaming activities;
25 and,
- 26 (f) To reiterate the policy of the State as previously declared in Presidential Decree No.
27 1869, otherwise known as the PAGCOR Charter, as amended by Republic Act No.
28 9487, that is, to continue regulating the establishment and operation of clubs and
29 casinos, for amusement and recreation, including sports gaming pools (basketball,
30 football, lotteries, etc.) and such other forms of amusement and recreation including
31 games of chance, which may be allowed by law within the territorial jurisdiction of the
32 Philippines and which will: (1) generate sources of additional revenue to fund
33 infrastructure and socio-civic projects, such as flood control programs, beautification,
34 sewerage and sewage projects, and such other essential public services; (2) create
35 recreation and integrated facilities which will expand and improve the country's
36 existing tourist attractions; and (3) minimize, if not totally eradicate, the evils,
37 malpractices and the incidence of corruption that are normally prevalent in the conduct
38 and operation of gambling clubs and casinos without appropriate government
39 oversight.

40 41 TITLE II

42 CREATION OF PHILIPPINE AMUSEMENT AND GAMING COMMISSION

43 Section 2. *Philippine Amusement and Gaming Commission (PAGCOM); Creation*
44 *and Purpose.* — To implement State policy and pursue the objectives set forth in the
45 preceding section, there is hereby created a quasi judicial governmental agency to be
46 known as the Philippine Amusement and Gaming Commission, hereinafter referred to as
47 the Commission, which shall have its principal office in Metropolitan Manila. This
48 Commission has sole responsibility for the regulation of all gaming activities in the
49 Philippines, including all games of chance, games of cards, and games of numbers,
50 hereinafter referred to as "gaming activities."

51 The mandate of the Commission shall include the authority over the following:

- 52 a) Licensing of gaming activities as hereafter provided in Title IV;
- 53 b) Regulation of gaming activities as hereafter provided in Title V;
- 54 c) Enforcement of gaming policy, law and implementing rules, including the imposition
55 of sanctions, as hereafter provided in Title VI;
- 56 d) Supervise the privatization of PAGCOR's gambling operations pursuant to Title VIII;
- 57 e) Engage in social and development projects according to best practices, as hereafter
58 provided in Title IX; and
- 59 f) Exercise all necessary and incidental powers to ensure at all times the separation of
60 and distinction between the operation of gaming activities on one hand, and regulation
61 of the same, on the other, within the meaning and purpose of this Act.

62 Section 3. *Exceptions to the Commission's Authority and Jurisdiction.* —
63 Exceptions to the Commission's regulatory authority and jurisdiction shall pertain to: (a)
64 *Jai alai*, which is regulated pursuant to Presidential Decree No. 810; (b) gaming activities
65 within the vicinities defined under Republic Act 7922, otherwise known as the Cagayan
66 Special Economic Zone Act of 1995; (c) gaming activities within the vicinities defined
67 under Republic Act 9490, otherwise known as the Aurora Special Economic Zone Act of
68 2007; (d) activities regulated by the Philippine Charity Sweepstakes Office or PSO by
69 virtue of Republic Act 1169, Batas Pambansa Blg. 42, and Presidential Decree 1157; (e)
70 cockfighting and other gaming activities conducted by local government units pursuant to
71 Republic Act No. 7160, as amended, otherwise the Local Government Code of 1991; and
72 (f) horseracing, pursuant to Presidential Decree 420.

73 Section 4. *Prohibition to Engage in Gambling Operations.* — In no circumstance
74 shall the Commission operate, directly or indirectly, games of chance as defined herein, or
75 otherwise engage in any business falling under the Commission's regulatory and quasi
76 judicial powers.

77 Section 5. *Members: Eligibility.* — The Commission shall consist of five (5)
78 members who are eligible under the following criteria:

- 79 (a) Each member of the Commission shall be a citizen of the Philippines.
- 80 (b) No member of Congress, no person holding any elective office in the Government, nor
81 any officer or official of any political party is eligible for appointment to the
82 Commission.
- 83 (c) Not more than three members of the Commission shall be of the same major political
84 affiliation.
- 85 (d) No person actively engaged or having a direct pecuniary interest in gaming activities
86 shall be a member of the Commission.
- 87 (e) One member of the Commission must be a certified public accountant, have 5 years of
88 progressively responsible experience in general accounting, and have a comprehensive
89 knowledge of the principles and practices of corporate finance; or such person must
90 possess the qualifications of an expert in the fields of corporate finance and auditing,
91 general finance, gaming, or economics.
- 92 (f) One member of the Commission must be selected with special reference to his or her
93 training and experience in the fields of investigation, law enforcement, law, or gaming
94 law, and have 5 years of progressively responsible experience in said field.

95 Section 6. *Members: Appointment and Terms.*

- 96 (a) The term of office of each member of the Commission is six (6) years. The President
97 shall appoint the members of the Commission. The members of the Commission shall
98 be appointed within thirty days of approval of this Act and expiring as follows: one
99 member of the Commission for a term expiring two (2) years from the date of
100 appointment; one member of the Commission for a term expiring three (3) years from
101 the date of appointment; one member of the Commission for a term expiring four (4)
102 years from the date of appointment; one member of the Commission for a term
103 expiring five (5) years from the date of appointment; one member of the Commission
104 for a term expiring six (6) years from the date of appointment. Their successors, all of
105 whom shall be appointed by the President, shall serve six (6) year terms provided that
106 no member shall serve more than two (2) terms of six (6) years each. In case of a
107 vacancy, it shall be filled by appointment by the President for the unexpired portion of

the term in which said vacancy occurs. All members shall devote full time to their duties of office and shall not pursue or engage in any other business, occupation, or other gainful employment.

- (b) In addition to the members of the Commission there shall be four (4) *ex officio* members without vote from Congress consisting of: (1) Two members of the Senate, one from the majority political party and one from the minority political party, both to be appointed by the President of the Senate; (2) two members of the House of Representatives, one from the majority political party and one from the minority political party, both to be appointed by the Speaker of the House of Representatives; such appointments shall be for the term of three (3) years or for the period in which the appointee serves as a legislator, whichever expires first; members may be reappointed; vacancies shall be filled in the same manner as original appointments are made. Such *ex officio* members who shall collect data deemed essential to future legislative proposals and exchange information with the Commission shall be deemed engaged in legislative business while in attendance upon the business of the Commission.
- (c) The President may remove any member of the Commission for misfeasance, malfeasance, or nonfeasance in office. Removal may be made after: (a) The member has been served with a copy of the charges against the member; and (b) A public hearing before the Office of the President is held upon the charges, if requested by the member charged. The request for a public hearing must be made within ten (10) days after service upon such member of the charges. If a hearing is not requested, a member is removed effective ten (10) days after service of charges upon the member. A record of the proceedings at the public hearing must be kept on file with the Commission and a certified true copy of the same shall be concurrently filed with the Office of the President. Such record shall be made available to the public, upon request, subject only to reasonable conditions the Commission may require. Removal of any member of the Commission shall disqualify such member for reappointment. Notwithstanding the provisions of this subsection, the President may preventively suspend the member charged for a maximum period of six months.
- (d) Notwithstanding any provision of this or any other Act, any Commissioner or employee of the Commission shall automatically forfeit his office or position upon the finality of conviction of any crime.

Section 7. *Organization and Employees.*

- (a) Upon appointment of the initial membership, the Commission shall meet at a time and place designated by the Office of the President and proceed to organize itself, electing one (1) of such members as Chair and Chief Executive Officer of the Commission who shall serve for one (1) year from the election; thereafter a Chair shall be elected annually.
- (b) The Commission shall appoint an executive secretary who shall serve at its pleasure and shall be responsible for the conduct of its administrative affairs. No person shall be eligible for such appointment unless he shall have at least 5 years of responsible experience in public or business administration or possesses broad management skills.
- (c) The Commission may establish, and from time to time alter, such plan of organization as it may deem expedient, and may incur reasonably necessary expenses within the limits of funds available to it.
- (d) The Commission may employ such other personnel as it deems necessary. All employees of the Commission shall be party to the provisions of the Civil Service

155 Law. Notwithstanding the provisions of any other law to the contrary, the Commission
156 may employ legal counsel, including the Office of the Solicitor General, who may be
157 called to represent the Commission in any proceeding to which it is a party, and who
158 shall render legal advice to the Commission upon its request. The Commission may
159 contract for the services of other professional, technical, and operational personnel and
160 consultants as may be necessary to the performance of its responsibilities under this
161 Act.

162 Section 8. *Compensation.* — Each member of the Commission shall receive an
163 annual salary to be fixed and established by the President. It is hereby directed that,
164 subject to the availability of funds, the amount of Fifty Million Pesos, or so much thereof
165 as may be needed to carry out the purposes of this Act, be set aside out of the funds of the
166 National Treasury and made available for expenditure by the Commission.

167 Section 9. *Meetings.*

- 168 (a) A majority of the members shall constitute a quorum of the Commission provided that
169 all actions of the Commission relating to the regulation of licensing under this Act
170 shall require an affirmative vote by at least four members of the Commission.
- 171 (b) All meetings of the Commission are open to the public except for investigative
172 hearings, which may be conducted confidentially at the discretion of the Commission.
- 173 (c) The Commission shall have the authority to conduct investigative hearings concerning
174 the conduct of gaming activities and gaming operations as well as the enforcement of
175 the provisions of this Act.
- 176 (d) Investigative hearings may be conducted by one or more members with the
177 concurrence of a majority of the Commission.

178
179 TITLE III – EMPLOYMENT RESTRICTIONS

180 Section 10. *Pre-employment Restrictions.*

- 181 (a) No person shall be appointed to or employed by the Commission if, during the period
182 commencing three (3) years prior to appointment or employment, said person held any
183 direct or indirect interest in, or any employment by, any person which is licensed as a
184 gaming licensee or has an application for such a license pending before the
185 Commission.
- 186 (b) Prior to appointment or employment, each member of the Commission and each
187 employee of the Commission shall swear or affirm that he possesses no interest in any
188 business or organization licensed by or registered with the Commission.
- 189 (c) Each member of the Commission shall file a financial disclosure statement listing all
190 assets and liabilities, property and business interests, and sources of income of said
191 member and said member's spouse and shall provide a financial disclosure statement
192 listing all assets and liabilities, property and business interests, and sources of income
193 of the parents, brothers, sisters, and children of said member. Such statement shall be
194 under oath and shall be filed at the time of appointment and annually thereafter.
- 195
- 196 (d) Each employee of the Commission, except for secretarial and clerical personnel, shall
197 file a financial disclosure statement listing all assets and liabilities, property and
198 business interests, and sources of income of said employee and said employee's

spouse. Such statement shall be under oath and shall be filed at the time of employment and annually thereafter.

Section 11. *Employment Restrictions.*

- (a) The Commission shall, no later than three (3) months after commencing activities, promulgate a Code of Ethics. This Code of Ethics shall include, but not be limited to, provisions that address the propriety of relationships and dealings between the Commission and its staff, and licensees and applicants for licensure under this Act.
- (b) The Codes of Ethics promulgated by the Commission shall not be in conflict with the laws of the State, except, however, that said Codes of Ethics may be more restrictive than any law of the State.
- (c) The Codes of Ethics shall include, but not be limited to provisions that:
 1. No Commission member or employee shall be permitted to gamble in any establishment licensed by the Commission except in the course of his duties.
 2. No Commission member or employee shall solicit or accept employment from any person licensed by or registered with the Commission or from any applicant for a period of four (4) years after termination of service with the Commission.
 3. No Commission member or employee shall act in his official capacity in any matter wherein he or his spouse, child, parent, or sibling has a direct or indirect personal financial interest that might reasonably be expected to impair his objectivity or independence of judgment.
 4. No Commission employee shall act in his official capacity in a matter concerning an applicant for licensure or a licensee who is the employer of a spouse, child, parent, or sibling of said Commission when the fact of the employment of such spouse, child, parent, or sibling might reasonably be expected to impair the objectivity and independence of judgment of said Commission employee.
 5. No spouse, child, parent, or sibling of a Commission member shall be employed in any capacity by an applicant for a gaming license or a gaming licensee nor by any holding, intermediary, or subsidiary company thereof.
 6. No Commission member shall meet with any person, except for any other member of the Commission or employee of the Commission, or discuss any issues involving any pending or proposed application or any matter whatsoever which may reasonably be expected to come before the Commission, or any member thereof, for determination unless the meeting or discussion takes place on the business premises of the Commission, provided, however, that Commission members may meet to consider matters requiring the physical inspection of equipment or premises at the location of the equipment or premises. All meetings or discussions subject to this paragraph shall be noted in a log maintained for this purpose and available for inspection.
- (d) No Commission member or employee shall have any interest, direct or indirect, in any applicant or in any person licensed by or registered with the Commission during his term of office or employment.
- (e) Each Commission member and employee of the Commission, including legal counsel, shall devote his entire time and attention to his duties and shall not pursue any other business or occupation or other gainful employment; provided, however, that secretarial and clerical personnel may engage in such other gainful employment as

shall not interfere with their duties to the Commission or division; and provided further, however, that other employees of the Commission may engage in such other gainful employment as shall not interfere or be in conflict with their duties to the Commission, upon approval by the Commission.

(f) No member of the Commission or employee of the Commission shall:

1. Use his official authority or influence for the purpose of interfering with or affecting the result of an election or a nomination for office;
2. Directly or indirectly coerce, attempt to coerce, command or advise any person to pay, lend, or contribute anything of value to a party, committee, organization, agency or person for political purposes; or
3. Take any active part in political campaigns or the management thereof; provided, however, that nothing herein shall prohibit a person from voting as he chooses or from expressing his personal opinions on political subjects and candidates.

(g) Any consultant or other person under contract for services to the Commission shall be deemed to be a special State employee for purposes of determining conflict of interest; such person and any corporation, firm, or partnership in which he has an interest or by which he is employed shall not represent any person or party other than the Commission before the Commission.

Section 12. *Post-employment restrictions.*

(a) No member of the Commission shall hold any direct or indirect interest in, or be employed by, any applicant or by any person licensed by or registered with the Commission for a period of four (4) years commencing on the date his membership on the Commission terminates.

(b) No employee of the Commission may acquire any direct or indirect interest in, or accept employment with, any applicant or any person licensed by or registered with the Commission, for a period of two (2) years commencing at the termination of employment with the Commission, except that a secretarial or clerical employee of the Commission may accept such employment at any time after the termination of employment with the Commission. At the end of two (2) years and for a period of two (2) years thereafter, a former employee or agent who held a policy-making management position at any time during the five (5) years prior to termination of employment may acquire an interest in, or accept employment with, any applicant or person licensed by or registered with the Commission upon application to and the approval of the Commission upon a finding that the interest to be acquired or the employment will not create the appearance of a conflict of interest and does not evidence a conflict of interest in fact.

(1) Notwithstanding the provisions of the above subsection, if the employment of a Commission employee, other than an employee or agent who held a policy-making management position at any time during the five (5) years prior to termination of employment, is terminated as a result of a reduction in the workforce at the Commission, the employee or agent may, at any time prior to the end of the two (2) year period, accept employment with any applicant or person licensed by or registered with the Commission upon application to and the approval of the

Commission upon a finding that the employment will not create the appearance of a conflict of interest and does not evidence a conflict of interest in fact. The decision of the Commission shall be final.

- (c) No Commission member or person employed by the Commission shall represent any person or party other than the State before or against the Commission for a period of two (2) years from the termination of his office or employment with the Commission.
- (d) No partnership, firm, or corporation in which a former Commission member or employee has an interest, nor any partner, officer, or employee of any such partnership, firm, or corporation shall make any appearance or representation which is prohibited to said former member, employee, or agent; provided, however, that nothing herein shall prohibit such partnership, firm, or corporation from making such appearance or representation on behalf of a licensed gaming operator.
- (e) Notwithstanding any post-employment restriction imposed by this section, nothing herein shall prohibit a former Commission member or employee, at any time after termination of such membership or employment, from acquiring an interest in, or soliciting or obtaining employment with, any person licensed as a gaming operator or any applicant for such licensure.

TITLE IV – DUTIES

Section 13. *Duties of the Commission.* — The Commission shall have general responsibility for the implementation of this Act, as hereinafter provided, including, without limitation, the responsibility:

- (a) To hear and decide promptly and in reasonable order all license, registration, certificate, and permit applications, and causes affecting the granting, suspension, revocation, or renewal thereof, for the operation of gaming activities in such manner and at such locations that the Commission may determine;
- (b) To hear and decide promptly and in reasonable order all license, registration, certificate, and permit applications, and causes affecting the granting, suspension, revocation, or renewal thereof, to any person, association, or organization engaged in the selling, distributing, or otherwise supplying or in the manufacturing of devices for those activities authorized by this Act;
- (c) To conduct all hearings pertaining to administrative and civil violations of this Act or regulations promulgated hereunder;
- (d) To promulgate such regulations as in its judgment may be necessary to fulfill the policies of this Act;
- (e) To collect all license and registration fees and taxes imposed by this Act and the regulations issued pursuant hereto, including such fees as shall provide to the Commission not less than an amount of money adequate to cover all costs incurred by the Commission relative to licensing under this Act and the enforcement by the Commission of the provisions of this Act and rules and regulations adopted pursuant thereto;

- 333 (f) To levy and collect penalties for the violation of provisions of this Act and the
334 regulations promulgated hereunder;
- 335 (g) To prescribe the manner and method of payment of taxes, fees, and penalties to be paid
336 to or collected by the Commission;
- 337 (h) To be present through its inspectors and agents at all times, as deemed necessary,
338 during the operation of any gaming activities for the purpose of certifying the revenue
339 thereof, receiving complaints from the public relating to the conduct of gaming
340 activities, examining records of revenues and procedures, and conducting periodic
341 reviews of operations and facilities for the purpose of evaluating current or suggested
342 provisions of this Act and the regulations promulgated thereunder;
- 343 (i) To require that any license holder maintain records as directed by the
344 Commission and submit such reports as the Commission may deem necessary;
- 345 (j) To cooperate with and secure the cooperation of government agencies in investigating
346 any matter within the scope of its duties and responsibilities;
- 347 (k) To review and rule upon any complaint by a licensee regarding any investigative
348 procedures which are unnecessarily disruptive of gaming activities. The need to
349 inspect and investigate shall be presumed at all times. The disruption of a licensee's
350 operations shall be proved by clear and convincing evidence, which evidence shall
351 establish that: (1) the procedures had no reasonable law enforcement purpose, and (2)
352 the procedures were so disruptive as to inhibit unreasonably gaming activities; and
- 353 (l) To publish and make available at the office of the Commission or elsewhere to anyone
354 requesting it a list of the Commission licensees, including the name, address, type of
355 license, and license number of each licensee.
- 356 (m) To determine indicative sale or transfer valuations of assets identified for privatization
357 or disposition by the Privatization Management Office, in accordance with its duties
358 under Title VIII. Such appraisal assessments and valuations shall be based on the audit
359 report by the Commission on Audit or by a reputable third-party appraisal firm, in
360 accordance with Title VIII: *Provided*, that any valuations approved by the Commission
361 on Audit shall not be deemed a condonation, waiver, or extinguishment of any
362 obligation by any third party to such assets.

363

364 Section 14. *Denials and Sanctions.* — The Commission shall assure, to the extent
365 required by this Act, that licenses, approvals, certificates, or permits shall not be issued to
366 nor held by, nor shall there be any material involvement, directly or indirectly, with the
367 licensed gaming operation or the ownership thereof by, unqualified or disqualified persons
368 or persons whose operations are conducted in a manner not conforming with the
369 provisions of this Act and the regulations promulgated thereunder. In enforcing the
370 provisions of this Act, the Commission shall have the power and authority to deny any
371 application; limit or restrict any license, registration, certificate, permit, or approval;
372 suspend or revoke any license, registration, certificate, permit, or approval; and, impose a
373 penalty on any person licensed, registered, or previously approved for any cause deemed
374 reasonable by the Commission pursuant to rules and regulations promulgated thereby.

375 Section 15. *Reports and Recommendations.*

- 376 (a) The Commission shall carry on a continuous study of the operation and administration
377 of gaming control laws which may be in effect in other jurisdictions, literature on this

subject which may from time to time become available, laws which may affect the operation of gaming activities, and the reaction of citizens to existing and potential features of gaming under this Act. It shall be responsible for ascertaining any defects in this Act or in the rules and regulations issued thereunder, formulating recommendations for changes in this Act to prevent abuses thereof, guarding against the use of this Act as a cloak for the carrying on of illegal gambling or other criminal activities, and insuring that this Act and the rules and regulations shall be in such form and be so administered as to serve the true purposes of this Act. The Commission shall make to the Office of the President and Congress an annual report of all revenues, expenses, and disbursements, and shall include therein such recommendations for changes in this Act as the Commission deems necessary or desirable. The Commission shall also report recommendations that promote more efficient operations of the Commission. The Commission shall report immediately to the Office of the President and Congress any matters which in its judgment require immediate changes in the laws in order to prevent abuses and evasions of this Act or of rules and regulations promulgated hereunder, or to rectify undesirable conditions in connection with the operation and regulation of gaming activities.

- (b) The Commission shall cause to be made and kept a record of all proceedings held at public meetings of the Commission. A verbatim transcript of those proceedings shall be prepared by the Commission upon the request of any Commissioner or upon the request of any other person and the payment by that person of reasonable costs of preparation. A copy of a transcript shall be made available to any person upon reasonable request and payment of the costs of preparing the copy.
- (c) A certified true copy of the minutes of every meeting of the Commission and of any regulations finally adopted by the Commission shall be forthwith delivered to the Office of the President and Congress.
- (d) The Commission shall keep and maintain a list of all applicants for licenses and registrations under this Act together with a record of all actions taken with respect to such applicants, which file and record shall be open to public inspection; provided, however, that the foregoing information regarding any applicant whose license or registration has been denied, revoked, or not renewed shall be removed from such list after five (5) years from the date of such action.
- (e) The Commission shall maintain such other files and records as may be deemed desirable.
- (f) All information and data pertaining to an applicant's criminal record, family, and background furnished to or obtained by the Commission from any source shall be considered confidential and shall be withheld in whole or in part, except that any information shall be released upon the lawful order of a court of competent jurisdiction or to a duly authorized law enforcement agency.
- (g) Notice of the contents of any information or data released, except to a duly authorized law enforcement agency pursuant to subsection f. of this section, shall be given to any applicant, registrant, or licensee in a manner prescribed by the rules and regulations adopted by the Commission.
- (h) The following information to be reported periodically to the Commission by a licensee shall not be considered confidential and shall be made available for public inspection:

1. A licensee's gross revenue from all gaming activities; and
2. All quarterly and annual financial statements presenting historical data, which are submitted to the Commission, including all annual financial statements which have been audited by an independent certified public accountant.

Section 16. *Necessary and Incidental Powers.* The Commission may exercise any proper power or authority necessary to ensure at all times the separation of and distinction between the operation of gaming activities on one hand, and regulation of the same, on the other, as well as perform the duties assigned to it by law. No specific enumeration of duties in this Act shall be read to limit the authority of the Commission to administer this Act.

TITLE V – REQUIRED REGULATIONS

Section 17. *Required Regulations.* — The Commission shall, without limitation on the duties conferred in the preceding title, include within its regulations the following specific provisions in accordance with the provisions of this Act:

- (a) Prescribing the methods and forms of application which any applicant shall follow and complete prior to consideration of his application by the Commission;
- (b) Prescribing the methods, procedures, and form for delivery of information concerning any person's family, habits, character, associates, criminal record, business activities, and financial affairs;
- (c) Prescribing procedures for the fingerprinting of an applicant, employee of a licensee, or registrant, or other methods of identification which may be necessary in the judgment of the Commission to accomplish effective enforcement of restrictions on access to the restricted areas of the gaming facility;
- (d) Prescribing the manner and procedure of all hearings conducted by the Commission, including special rules of evidence applicable thereto and notices thereof;
- (e) Prescribing the manner and method of collection of payments of taxes, fees, and penalties;
- (f) Defining and limiting the areas of operation, the rules of authorized games, odds, and devices permitted, and the method of operation of such games and devices;
- (g) Prescribing grounds and procedures for the revocation or suspension of operating certificates and licenses;
- (h) Governing the manufacture, distribution, sale, and servicing of gaming devices and equipment;
- (i) Prescribing for gaming operations the procedures, forms, and methods of management controls, including employee and supervisory tables of organization and responsibility, and minimum security standards, including security personnel structure, alarm, and other electrical or visual security measures; provided, however, that the Commission shall grant an applicant for a gaming license broad discretion concerning the organization and responsibilities of management personnel who are not directly involved in the supervision of gaming activities;
- (j) Prescribing the qualifications of, and the conditions pursuant to which, engineers, accountants, and others shall be permitted to practice before the Commission or to submit materials on behalf of any applicant or licensee; provided, however, that no

member of Congress, nor any firm with which said member is associated, shall be permitted to appear or practice or act in any capacity whatsoever before the Commission regarding any matter whatsoever, nor shall any member of the family of the President or of a member of Congress be permitted to so practice or appear in any capacity whatsoever before the Commission regarding any matter whatsoever;

- (k) Prescribing minimum procedures for the exercise of effective control over the internal fiscal affairs of a licensee, including provisions for the safeguarding of assets and revenues, the recording of cash and evidence of indebtedness, and the maintenance of reliable records, accounts, and reports of transactions, operations and events, including reports to the Commission;
- (l) Providing for a minimum uniform standard of accountancy methods, procedures, and forms; a uniform code of accounts and accounting classifications; and such other standard operating procedures as may be necessary to assure consistency, comparability, and effective disclosure of all financial information, including calculations of percentages of profit by games, tables, gaming devices and slot machines;
- (m) Requiring quarterly financial reports and the form thereof, and an annual audit prepared by a certified public accountant attesting to the financial condition of a licensee and disclosing whether the accounts, records, and control procedures examined are maintained by the licensee as required by this Act and the regulations promulgated hereunder; and
- (n) Governing the gaming-related advertising of licensees, their employees, and agents, with the view toward assuring that such advertisements are in no way deceptive.

TITLE VI ENFORCEMENT

Section 18. *Enforcement Powers.*— The Commission or its authorized representative may:

- (a) Make necessary public or private investigations to determine whether any person has violated or is about to violate this Act or any rule or order hereunder, or to aid in the enforcement of this Act or in the prescribing of rules and forms hereunder; and
- (b) Inspect the books, documents, and records of any person lending money to or in any manner financing any license holder or applicant for a license or receiving any income or profits from the use of such license for the purpose of determining compliance or noncompliance with the provisions of this Act or the rules and regulations adopted pursuant thereto.

Section 19. *Hearings; Oaths; and Discovery.*— For the purpose of any investigation or proceeding under this Act, the Commission may conduct hearings, administer oaths or affirmations, or upon the Commission's motion or upon request of any party may subpoena witnesses, compel attendance, take depositions, take evidence, or require the production of any matter which is relevant to the investigation or proceeding, including but not limited to the existence, description, nature, custody, condition, or location of any books, documents, or other tangible things, or the identity or location of persons having knowledge or relevant facts, or any other matter reasonably calculated to lead to the discovery of material evidence.

513 Section 20. *Prosecution.*— Criminal violations of this Act or the rules and
514 regulations adopted pursuant thereto shall be referred to the public prosecutor.

516 **TITLE VII**

517 **APPLICANT RESPONSIBILITY**

518 Section 21. *Affirmative Duty on Applicant and Licensee.*—It shall be the
519 affirmative responsibility of each applicant and licensee to establish by clear and
520 convincing evidence the necessary qualifications for licensure of each person required to
521 be qualified under this Act, as well as the qualifications of the facility in which the
522 licensed activity will be conducted.

523 Section 22. *Consent to Inspection, Search, and Seizure.*—As a condition for
524 application and licensing, all applicants and licensees shall be deemed to consent to
525 inspections, searches, and seizures and the supplying of handwriting examples as
526 authorized by this Act and rules adopted hereunder.

527 Section 23. *Duty to Report.*— All licensees, and persons having any interest in
528 licensees, including but not limited to employees and agents of licensees, and other
529 persons required to be qualified under this Act or rules of the Commission shall have a
530 duty to inform the Commission or its staff of any action or omission which they believe
531 would constitute a violation of this Act or rules adopted pursuant thereto. No person who
532 so informs the Commission or the staff shall be discriminated against by an applicant or
533 licensee because of the supplying of such information.

534 Section 24. *Continuing Duty to Assist.*— All applicants, licensees, persons who are
535 operators or directors thereof and persons who otherwise have a substantial interest therein
536 shall have the continuing duty to provide any assistance or information required by the
537 Commission and to investigations conducted by the Commission. If, upon issuance of a
538 formal request to answer or produce information, evidence or testimony, any applicant,
539 licensee, or officer or director thereof, or person with a substantial interest therein, refuses
540 to comply, the applicant or licensee may be denied, revoked, or suspended, as the case
541 may be, by the Commission.

542 Section 25. *Waiver of Liability.*— All applicants and licensees shall waive any and
543 all liability as to the State, its agencies, employees, and agents for any damages resulting
544 from any disclosure or publication in any manner, other than a willfully unlawful
545 disclosure or publication, of any information acquired by the Commission during its
546 licensing or other investigations or inquiries or hearings.

547 Section 26. *Identification.*— Each applicant or licensee may be photographed for
548 investigative and identification purposes in accordance with rules of the Commission.

549
550 Section 27. *Character Determination; Confidentiality.*— An application to receive a
551 license under this Act or rules adopted pursuant thereto constitutes a request for
552 determination of the applicant's and those person's with an interest in the applicant,
553 general character, integrity, and ability to engage or participate in, or be associated with,
554 gaming or related activities impacting the State. Any written or oral statement made in the
555 course of an official investigation, proceeding, or process of the Commission by any
556 member, employee, or agent thereof or by any witness, testifying under oath, which is
557 relevant to the investigation, proceeding, or process, is absolutely privileged and shall not

impose any liability for slander, libel, or defamation, or constitute any grounds for recovery in any civil action.

Section 28. *Financial Interests.*— No applicant or licensee shall give or provide, or offer to give or provide, directly or indirectly, any compensation or reward or any percentage or share of the money or property played or received through gaming activities, except as authorized by this Act, in consideration for obtaining any license, authorization, permission, or privilege to participate in any way in gaming or related operations.

TITLE VIII

PRIVATIZATION OF PAGCOR'S GAMING OPERATIONS

Section 29. *Conduct of Audit and Accounting of Assets.* — The Philippine Amusement and Gaming Commission, the Department of Finance, through its Privatization Management Office, and the Commission on Audit shall accomplish a complete inventory and account of all assets of PAGCOR for the purpose of determining the following:

1. Nature of the asset;
2. Amount and value of the asset;
3. Description of the asset;
4. Purpose of use of the asset, and;
5. Nature, description, amount and value, and purpose of any and all other rights and obligations pertaining to such assets;

Provided, that nothing in this Act shall be construed to prevent or preclude the engagement of a third party by the Privatization Management Office for the purpose of conducting appraisals of any of the aforesaid assets in the course of preparing the privatization or disposition plans as provided for by this Act; *provided further*, that the assets of PAGCOR shall refer to any and all assets owned and utilized in furtherance of the operation of all gaming activities of PAGCOR.

Section 30. *Powers and Functions of the Privatization Management Office Under this Act.* — As provided for in the previous section, all the assets aforementioned shall be audited, accounted and appraised for the purpose of privatization and disposition in accordance with the provisions of this Act. Hence, the Privatization Management Office shall, pursuant to Executive Order No. 323, series of 2001, as amended, take possession of, conserve, provisionally manage, and dispose of all PAGCOR assets identified for privatization and disposition by the Commission.

The Privatization Management Office, pursuant to Executive Order No. 323, series of 2001, and the provisions of this Act, shall perform the following additional duties:

1. Create and put into practice a marketing program for the proper promotion and subsequent disposition of the assets designated for privatization and disposition by the Commission;
2. Execute and deliver legal documents over such assets, including but not limited to, contracts of sale and contracts to sell, absolute deeds of sale, contracts of trust,

among others, for the purposes of conveying title to or taking possession of the assets;

3. Engage and contract additional services from public or private individuals and institutions as may be necessary in the fulfillment of its tasks under this Act;
4. Adopt internal rules and regulations in relation to the promotion and disposition of the assets; and
5. Submit reports to the Commission on a monthly, quarterly and yearly basis on the status, performance and achievements of the disposition program.

Any and all sales, transfers and conveyances of PAGCOR assets pursuant to the privatization and disposition provided for by this Act, or any divestment or transmission of any and all rights over such assets, until approved or ratified by the Commission, shall not be considered final and executory and shall not convey any rights of ownership.

Section 31. *Remittance of Proceeds of Privatization.*—All proceeds or receipts from the privatization, sale or disposition of the Assets, except portions thereof for reasonably necessary operational expenses of the Commission, or such amount approved by the Commission to be refunded to the PMO under the preceding section, shall be remitted to the Gaming Revolving Fund as defined in Title IX hereunder.

Section 32. *Reporting Requirements.*—The Commission shall, on a semi-annual basis, submit to the President and to Congress a report on the status of disposition of the Assets, which shall include, among others, a description of the individual assets privatized and disposed of, their purchasers, the consideration received, and the terms of payment as agreed upon.

Section 33. *Reimbursement.* The Privatization Management Office shall be reimbursed for any and all reasonable expenses incurred in the management and disposition of the assets, subject to pertinent laws, rules and regulations.

TITLE IX

FUNDS

Section 34. *Gaming Revolving Fund.* — There is hereby created the gaming revolving fund which shall consist of all moneys receivable for licensing, penalties, forfeitures, and all other moneys, income, or revenue received by the Commission. All moneys received by the Commission or any employee thereof shall be deposited each day in a depository approved by the national treasurer and transferred to the national treasurer to be credited to the gaming revolving fund. Disbursements from the revolving fund shall be on authorization of the Commission or a duly authorized representative thereof. No appropriation shall be required to permit expenditures and payment of obligations from such fund. All expenses relative to Commission business, including but not limited to salaries and expenses of Commission employees, shall be paid from the gaming revolving fund. A five (5%) tax on gross revenue shall likewise be deposited in the gaming revolving fund.

Section 35. *Development Fund.* — After deducting the five (5%) percent gross revenue tax, a fifty (50%) percent tax shall be applied, with earnings immediately set aside

in the development fund and allocated to fund infrastructure and socio-civil projects nationwide.

Development fund moneys shall be deposited in a depository approved by the national treasurer and transferred to the national treasurer to be credited to the development fund. The Commission holds the power to allocate and distribute, with the approval of the Office of the President, the development fund.

The Commission shall submit to the Office of the President before the end of February of each year a list of all the infrastructure and/or socio-civic projects that might have been financed from the development fund, and submit such periodic or other reports as may be required of it from time to time.

TITLE X

GOVERNMENT AUDIT

Section 35. *Auditor.* — The Commission of Audit may appoint a representative who shall be the Auditor of the Commission and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries of the Auditor or representative and his staff shall be fixed by the Chairman of the Commission on Audit, with the advice of the Commission.

TITLE XI

TRANSITORY PROVISIONS

Section 36. *Early Retirement Plan; Separation Pay.* — All personnel of PAGCOR who shall not be transferred to the Commission shall be governed by an early retirement plan. For this purpose the Commission shall design and promulgate such early retirement plan as soon as practicable and in no case beyond six (6) months from the date of effectivity of this Act.

In the absence of an early retirement plan, severance pay of PAGCOR personnel who shall not be transferred to the Commission shall be governed by applicable retirement laws, notably, Republic Act 8291, Republic Act 660, Republic Act 1616, Republic Act 7699, or Presidential Decree 1146, as the case may be, and rules and regulations issued pursuant to such laws.

TITLE XII

ADMINISTRATIVE CODE OF 1987

Section 37. *Applicability of the Administrative Code of 1987.* — Executive Order No. 292 (1987), otherwise known as the Administrative Code of 1987, shall apply in supplementary character.

TITLE XIII

CRIMINAL, CIVIL, AND ADMINISTRATIVE LIABILITY

685 Section 38. *Criminal, Civil, and Administrative Liability.* — Any person, natural
686 or juridical, foreign or domestic, found to have violated any of the provisions of this Act
687 shall be subject to the penalties of imprisonment of not less than six (6) months nor more
688 than five (5) years and a fine of not less than one hundred thousand pesos (P100,000.00)
689 but not exceeding two million pesos (P2,000,000.00), without prejudice to any civil or
690 administrative liability which may also arise therefrom, and without prejudice to the
691 applicability of special laws and offenses arising under the Revised Penal Code.

692 If the violator is a government official, he or she shall suffer absolute perpetual
693 disqualification from holding public office and from practicing any profession or calling
694 licensed by the government.

695 If the violator is a juridical entity as defined under Philippine laws, or defined
696 under the laws of its home state or place/s of business, including its representatives,
697 agents, or offices wherever situated, the penalty shall be imposed upon any person or
698 officer thereof who knows or ought to have known the commission or existence of the
699 violation of the provisions of this Act. Any person, natural or juridical, foreign or
700 domestic, who/which assists, cooperates, or conspires in the commission of violations as
701 defined in this Act shall be subject to the graduated penalties based on the aforementioned
702 penalties, taking into consideration their participation and culpability under the regime of
703 the Revised Penal Code.

704 In determining imposable penalty/ies, the Commission, courts, or appropriate
705 agency, as the case may be, shall consider the nature and extent of the business, its market
706 reach, and the extent to which it is syndicated or organized in its conduct of illegal
707 operations both foreign and domestic.

708
709 **SEC. 4. *Separability Clause.*** — In the event that any provision of this Act is declared
710 unconstitutional, invalid, or illegal, the constitutionality, validity, or legality of the remainder of
711 the provisions of this Act shall not be affected thereby.

712 **SEC. 5. *Repealing Clause.*** — Republic Act No. 9487 and Presidential Decree No. 1869
713 are repealed in their entirety. All other laws, decrees, executive, orders, administrative orders,
714 rules or regulations, inconsistent herewith are hereby repealed, amended or modified accordingly.

715 **SEC. 6. *Effectivity.*** — This Act shall take effect fifteen (15) days following the
716 completion of its publication in two (2) national newspapers of general circulation.

717 *Approved,*
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