

**NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
Second Regular Session )**



23 SEP 19 P7:29

**SENATE**

RECEIVED BY: 

**COMMITTEE REPORT NO. 136**

Submitted by the Committee on Ways and Means, jointly with the Committee on Public Order and Dangerous Drugs on SEP 19 2023.

Re: P.S. Res. Nos. 225, 227, and 229

Recommending the adoption of the recommendations contained herein and their immediate implementation

Sponsor: Senator Win Gatchalian

**MR. PRESIDENT:**

The Committee on Ways and Means, joint with the Committee on Public Order and Dangerous Drugs, to which were referred Senate Resolution No. 225, introduced by Sen. Joel Villanueva, entitled:

**"RESOLUTION DIRECTING THE COMMITTEE ON WAYS AND MEANS AND OTHER APPROPRIATE COMMITTEE/S OF THE SENATE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION ON THE REVENUES GENERATED BY THE GOVERNMENT FROM PHILIPPINE OFFSHORE GAMING OPERATORS (POGOS) *VIS-À-VIS* THE SOCIAL COSTS ATTENDANT TO THE OPERATION OF POGOS IN THE COUNTRY"**

Senate Resolution No. 227, introduced by Sen. Win Gatchalian, entitled:

**"RESOLUTION DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE GOVERNMENT'S REVENUE**

**COLLECTION FROM THE IMPLEMENTATION OF REPUBLIC ACT  
NO. 11590 AND THE ECONOMIC AND SOCIAL COSTS  
INCURRED BY THE GOVERNMENT IN ADDRESSING CRIMES  
RELATED TO THE PHILIPPINE OFFSHORE GAMING  
OPERATIONS INDUSTRY"**

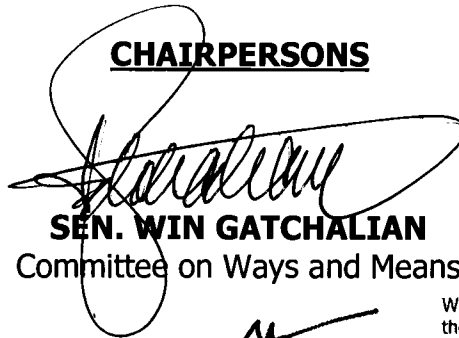
and Senate Resolution No. 229, introduced by Sen. Grace Poe, entitled:

**"RESOLUTION EXPRESSING THE SENSE OF THE SENATE OF  
THE NEED TO EVALUATE THE EXISTENCE OF PHILIPPINE  
OFFSHORE GAMING OPERATORS (POGOS) IN THE COUNTRY  
IN LIGHT OF THE SOCIAL COSTS THAT OUTWEIGH THE  
REPORTED ECONOMIC GAINS FROM ITS OPERATIONS"**

have considered them and have the honor to submit its report back to the Senate, recommending the adoption of the recommendations as contained in this Report and their immediate implementation.


Respectfully submitted:

**CHAIRPERSONS**



**SEN. WIN GATCHALIAN**  
Committee on Ways and Means

With reservations in consideration of  
the Committee Report of Public  
Order and Dangerous Drugs  
Committee on PSR 194, 195 and  
207



**SEN. RONALD "BATO" DELA ROSA**  
Committee on Public Order and Dangerous and Drugs;  
Member, Committee on Ways and Means

**VICE CHAIRPERSONS**

**SEN. SONNY ANGARA**  
Committee on Ways and Means

**SEN. JINGGOY EJERCITO ESTRADA**  
Committee on Public Order and Dangerous Drugs

**SEN. CHRISTOPHER LAWRENCE T. GO**  
Committee on Public Order and Dangerous Drugs;  
Member, Committee on Ways and Means

**SEN. FRANCIS "TOL" N. TOLENTINO**  
Committee on Public Order and Dangerous Drugs;  
Member, Committee on Ways and Means

**MEMBERS**

**SEN. MARIA LOURDES  
NANCY S. BINAY**  
Committee on Ways and Means

*will interp  
and amend.*

**SEN. JOSEPH VICTOR G.  
EJERCITO**  
Committee on Ways and Means;  
Committee on Public Order and  
Dangerous Drugs

**SEN. MANUEL "LITO" M.  
LAPID**  
Committee on Ways and Means;

*Grace Poe*  
**SEN. GRACE POE**  
Committee on Ways and Means;  
Committee on Public Order and  
Dangerous Drugs

**SEN. MARK VILLAR**  
Committee on Ways and Means;  
Committee on Public Order and  
Dangerous Drugs

*Rolando Sarapiedra*  
**SEN. RISA HONTIVEROS**  
Committee on Ways and Means;  
Committee on Public Order and  
Dangerous Drugs

*may interpellate  
{ propose amendments.*

*Pia S. Cayetano* *will  
interp*

**SEN. PIA S. CAYETANO**  
Committee on Ways and Means

**SEN. FRANCIS "CHIZ" G.  
ESCUDERO**  
Committee on Ways and Means

**SEN. IMEE R. MARCOS**  
Committee on Ways and Means

*will amend to include PIGO and other  
forms of online gaming*  
**SEN. RAFFY TULFO**  
Committee on Ways and Means

**SEN. CYNTHIA A. VILLAR**  
Committee on Public Order and  
Dangerous Drugs

**SEN. ROBINHOOD C.  
PADILLA**  
Committee on Public Order and  
Dangerous Drugs

**EX OFFICIO MEMBERS**

*Will interpellate  
and introduce amendments.*

*J. Villanueva*  
**SEN. JOEL VILLANUEVA**  
*Majority Leader*

  
**SEN. LOREN LEGARDA**  
*President Pro-Tempore*

*will interpellate on this  
report on POGO's*  
*A. Pimentel III*  
**SEN. AQUILINO "KOKO"  
PIMENTEL III**  
*Minority Leader*

**SEN. JUAN MIGUEL "MIGZ" F. ZUBIRI**  
Senate President

## **INTRODUCTION**

As an offshoot of the hearing conducted by the Committee on Public Order and Dangerous Drugs chaired by Sen. Ronald "Bato" Dela Rosa on September 15, 2022 where POGO-related crimes were exposed and discussed, three (3) Senate Resolutions (P.S. Res. Nos. 225, 227 and 229) were filed that directed the Committees on Ways and Means, and Public Order and Dangerous Drugs to conduct an investigation on the government's revenues from the implementation of Republic Act ("R.A.") No. 11590, and the economic and social costs of the existence of Philippine Offshore Gaming Operators ("POGOs") in the country.

The Committee on Ways and Means, joint with the Committee on Public Order and Dangerous Drugs, conducted four (4) public hearings on the matter on October 3 and 11, November 23, 2022, and January 23, 2023.

The focus of the hearings centered on the economic impact of the POGO industry as well as the oversight functions of the Committee on Ways and Means relative to the proper implementation of R.A. No. 11590.

This Committee Report discusses the following:

1. details how the POGO industry operates under existing laws and regulations;
2. tax regime governing POGOs;
3. revenues generated by the government from POGOs;
4. income arising from allied industries that sprung around POGOs and their contribution to the Philippine economy; and
5. reported links of POGOs to attendant criminal activities.

The findings of the Committees are also explained in this Committee Report, including the recommendations propounded by the Committees to address the matter.

### **I. Legal Framework and Factual Background: Understanding the POGO Industry**

#### **A. The Philippine Amusement and Gaming Corporation ("PAGCOR")**

PAGCOR is a wholly government-owned and controlled corporation under the Office of the President of the Republic of the Philippines. It was created by virtue of Presidential Decree ("P.D.") No. 1067-A issued by then President Ferdinand Marcos on January 1, 1977 as a response to calls for the Philippine government to put a stop to the growing proliferation of illegal casino operations in various parts of the country.<sup>1</sup>

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<sup>1</sup> <https://www.pagcor.ph/pagcor-corporate-profile.PHP#:~:text=The%20state%20Downed%20gaming%20firm,various%20parts%20of%20the%20country.>

The law creating PAGCOR was later amended and consolidated under P.D. No. 1869, otherwise known as the PAGCOR Charter, issued on July 11, 1983. Under its Charter, PAGCOR was given a three-pronged mandate:

1. Regulate, operate, authorize and license games of chance, games of cards and games of numbers, particularly casino gaming in the Philippines;
2. Generate revenues for the Philippine government's socio-civic and national development programs; and
3. Help promote the Philippine tourism industry.<sup>2</sup>

Under P.D. No. 1869, and the legislative developments thereafter, as a result of the passage of R.A. No. 8424, otherwise known as the Tax Code, R.A. No. 9487, PAGCOR's income from its 'gaming operations' are subject to the five percent (5%) franchise tax, in lieu of all taxes.<sup>3</sup> On the other hand, its income from 'other related operations or services' is subject to corporate income tax, VAT and other applicable taxes under the NIRC, as amended, including regulatory and license fees and income from other necessary and related services, shows and entertainment.<sup>4</sup>

Currently, the components of income from PAGCOR's gaming operations are as follows, revenues sourced from: table games; electronic gaming machines; bingo operations; e-sabong operations;<sup>5</sup> and regulatory fees from licensed casinos and offshore gaming operations.<sup>6</sup> Thus, PAGCOR collects regulatory and license fees on its regulated entities, including entities involved in POGO operations in the country.<sup>7</sup>

## **B. PAGCOR Regulation of POGOs**

### *Rules and Regulations for Offshore Gaming Operations ("2016 PAGCOR Rules for POGO")*

For the very first time, on September 1, 2016, the PAGCOR Board of Directors adopted its first regulation in relation to POGOs - the Rules and Regulations for Offshore Gaming Operations ("2016 PAGCOR Rules for POGO") "pursuant to the state policy of centralizing and integrating into one corporate

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<sup>2</sup> PAGCOR official website at <https://www.pagcor.ph/pagcor-corporate-profile.PHP#:~:text=The%20state%20Downed%20gaming%20firm,various%20parts%20of%20the%20country..>

<sup>3</sup> Bureau of Internal Revenue, Revenue Memorandum Circular 32-2022, March 29, 2022.

<sup>4</sup> *Ibid.*

<sup>5</sup> Suspended under E.O. No. 09 dated December 28, 2022.

<sup>6</sup> COA Management Letter on PAGCOR for the year ended December 31, 2021 dated June 13, 2022 par. 11 - <https://www.pagcor.ph/transparency/docs/2021-COA-AAR.pdf>

<sup>7</sup> See discussion on regulatory fees under the Offshore Gaming Regulatory Manual. See also Table 1 in Annex B for list of PAGCOR fees.

entity all games of chance not heretofore authorized by existing franchises or permitted by laws.”<sup>8</sup>

**POGO** refers to an entity which provides and participates in offshore gaming services i.e., provides the game to players, takes bets and pays players’ winnings.<sup>9</sup> Under the 2016 PAGCOR Rules for POGO, PAGCOR issues an Offshore Gaming License to both Philippine-based operators and Offshore-based operators and separately issues a registration for entities who provide allied services to POGOs such as local gaming agents, service providers, and gaming support providers, who provide only a particular or specific component of the offshore gaming activities to the POGO.<sup>10</sup>

On the other hand, **Offshore Gaming** specifically refers to the offering of authorized online games of chance by a licensee of PAGCOR via the internet using a network and software or program, exclusively to offshore authorized players excluding Filipinos abroad, who have registered and established an online gaming account with the licensee.<sup>11</sup> Offshore gaming has three components as follows:

1. prize consisting of money or something else of value which can be won under the rules of the game.
2. a player who:
  - a. being located outside of the Philippines and not a Filipino citizen, enters the game remotely or takes any step in the game by means of a communication device capable of accessing an electronic communication network such as the internet; and
  - b. gives or undertakes to give, a monetary payment or other valuable consideration to enter in the course of, or for, the game; and
3. the winning of a prize is decided by chance.

Furthermore, the 2016 PAGCOR Rules for POGO mandated foreign-based offshore gaming operators to have a POGO Gaming Agent. It provides for the compliance requirements for the grant of license which include probity checking by a third-party checker on the applicant’s identity, key officials’ identity, finances, integrity, competence, and criminal record; review of applicant’s business plan; review of applicant’s documentary and regulatory documents; and review of applicant’s gaming system as certified by a PAGCOR-accredited gaming laboratory. Lastly, it also authorized the collection of fees and fixed gaming taxes.

### Executive Order (“E.O.”) No. 13 series of 2017

In addition to POGOs regulated by PAGCOR, there were also POGOs operating under the ambit of different special economic zones. Hence, to avoid confusion with

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<sup>8</sup> PAGCOR Rules and Regulation for Philippine Offshore Gaming Operations (2016), Section 2.

<sup>9</sup> PAGCOR Rules and Regulation for Philippine Offshore Gaming Operations (2016), Section 4(c).

<sup>10</sup> PAGCOR Rules and Regulation for Philippine Offshore Gaming Operations (2016), Section 4(d).

<sup>11</sup> PAGCOR Rules and Regulation for Philippine Offshore Gaming Operations (2016), Section 4(b).



regard to the jurisdiction and scope of different gambling regulators, on February 2, 2017, then President Rodrigo Roa Duterte issued Executive Order ("E.O.") No. 13, charting the territorial jurisdictions of the following gambling regulators: PAGCOR; Cagayan Economic Zone Authority ("CEZA");<sup>12</sup> Aurora Pacific Economic Zone and Freeport Authority ("APECO");<sup>13</sup> and the Authority of the Freeport Area of Bataan ("AFAB").<sup>14</sup> The Order mandated gaming operators to locate their operations only within the geographical jurisdiction of the Special Economic Zone Authority which granted their license in order for them not to be considered as "illegal gambling operators."

Consequently, those located in Metro Manila transferred their registration to PAGCOR, leaving CEZA with only less than ten (10) Interactive Gaming Licensees ("IGLs"). In other words, E.O. No. 13 **strengthened the regulatory authority of PAGCOR** over online gaming operations. Initially, allocation was made for fifty (50) licensees.

#### Offshore Gaming Regulatory Manual ("OGRM")

On July 3, 2018, PAGCOR issued the Offshore Gaming Regulatory Manual ("OGRM") to govern the issuance of offshore gaming licenses and the regulation of offshore gaming licensees, their service providers, gaming agents, and allied service providers, as well as financial reporting and remittance, third-party audit platform, inspection, responsible gaming, and money laundering. In contrast to the earlier 2016 PAGCOR Rules for POGO, the OGRM provided more detail into PAGCOR regulation over POGOs.

Similarly, the OGRM defined **offshore gaming** as the offering by a PAGCOR licensee of authorized online games of chance or sporting events via the internet using a network and software or program exclusively to offshore authorized players. Authorized players refer to individuals who are physically outside the Philippines but excluding Filipinos wherever located, and individuals located in territories where online gambling is prohibited. Authorized players must be at least twenty-one (21) years old, registered, and established a gaming account.

On the other hand, **offshore gaming operations** refer to online games of chance or sporting events via the internet offered by the Philippine Offshore Gaming Operations licensees to their players, and whose components are produced and/or provided by accredited service providers.

The OGRM classifies POGO entities as Licensee and Other Entity.

**Licensee** refers to a POGO duly licensed and authorized by PAGCOR to provide offshore gaming services, which may be either a:

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<sup>12</sup> Created under R.A. No. 7922 (February 24, 1995).

<sup>13</sup> Created under R.A. No. 9490 (June 29, 2007).

<sup>14</sup> Created under R.A. No. 9728 (October 23, 2009).

1. **Philippine-based Operator**, a duly constituted enterprise organized in the Philippines; or a
2. **Offshore-based operator**, a duly constituted business enterprise organized in any foreign country, which will engage the services of a PAGCOR-accredited service/ support provider for its online gaming activity, and gaming agent.

To be qualified as a Philippine-based operator, the basic qualification standards include being duly registered with the Securities and Exchange Commission ("SEC"); of good repute, considering character, honesty and integrity; not associated with any person who is not of good repute considering character, honesty, and integrity or has undesirable or unsatisfactory financial resources; has good financial standing and satisfactory corporate structure; has sufficient experience and ability to establish and manage offshore gaming operations; and not among those excluded from engaging in gaming under the PAGCOR Rules and Regulations or any other law, ordinance, or issuance.

On the other hand, to qualify as a foreign-based operator, an entity must be a duly constituted business corporation organized in any foreign country that will engage the services of a PAGCOR-accredited local gaming agent and service providers for its offshore gaming operations. The foreign-based operator must have appointed a Local Gaming Agent; of good repute, considering character, honesty and integrity; not associated with any person who is not of good repute considering character, honesty, and integrity or has undesirable or unsatisfactory financial resources; has good financial standing and satisfactory corporate structure; has sufficient experience and ability to establish and manage offshore gaming operations; and not among those excluded from engaging in gaming under PAGCOR Rules and Regulations or any other law, ordinance, or issuance.

For those who have been qualified,<sup>15</sup> PAGCOR issues an Offshore Gaming License ("OGL") which is an authority for the establishment, maintenance and the conduct of offshore gaming operations in a specific site within the jurisdiction of PAGCOR. The following are the three (3) types of OGL which can be issued by PAGCOR:

- a. **E-casino** - for the operation of Live Casino Games or Random Number Generator (RNG) based games;
- b. **Sports betting** – for the acceptance and/or facilitation of wagers in the operation of predicting the outcome and results of a sporting event; and
- c. **Sports betting on Regulated Wagering Events** – for the acceptance and/or facilitation of wagers on gaming events regulated by other jurisdiction/authority, and/or for providing to its customers, live event audio and visual feeds from such regulated gaming events. It shall be limited to gaming operations where the OGL holder is taxed or otherwise contractually required

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<sup>15</sup> The process flow for the application of Philippine-based and foreign-based operators are shown in Annex A, Chart 1 and Chart 2.

to pay a certain percentage of their gross gaming revenue for the right to access live audio and/or visual feed and/or betting pool access, by the governing body, or by content rights holder subject to the authority of such governing body.

The OGL is a permit and a mere privilege, and is not a contract between PAGCOR and the licensee. Hence, the OGL may be amended, supplemented and revoked in accordance with the provisions of the Rules and Regulations and other pertinent laws, ordinances, and issuances. Also, the OGL is neither a property of the operator nor does it create any vested right or interest. It is valid for three (3) years, and renewable for another three (3) years. For licensees operating inside the POGO Hub, the OGL is valid for three (3) years, and renewable for seven (7) years. The OGL is non-assignable and non-transferrable, unless approved by the PAGCOR Board. Moreover, the OGL is site-specific, and reflects the type of license.

Note that **no operator shall be allowed to conduct offshore gaming operations without a valid OGL**, evidenced by a certificate issued by the OGL Department.<sup>16</sup>

Meanwhile, **Other Entity** refers to a POGO licensee or any other business entity duly licensed and authorized by PAGCOR to provide a particular or specific component of the offshore gaming activities to the POGO, which may be a:

1. **Gaming Agent**, which refers to the representative in the Philippines of offshore-based Operator; or
2. **Service Provider**, which refers to the entity which provides components of offshore online gaming operations. Service providers can only be corporate entities organized in the Philippines and duly registered with the SEC may apply. The qualifications prescribed for corporate local gaming agent also apply to service providers. Service Providers are further classified into the following:
  - a. **Customer Relations Service Provider** – provides customer service to players and caters to their various needs through direct contact and interaction by means of remote communication devices.
  - b. **Strategic Support Provider** – develops or improves the business processes of the POGO licensee. Operates as back-office support and does not have direct contact with players.
  - c. **IT Support Provider** – provides technical support to POGO licensees such as diagnosing and solving software faults, IT maintenance, installing and configuring computer systems, placement and management of player accounts.

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<sup>16</sup> Section 1 of Regulation 4, OGRM

- d. **Gaming Software Platform Provider** – provides propriety products either as gaming systems or games itself.
- e. **Live Studio and Streaming Provider** – provides real time streaming of authorized gaming activities coming from live studios and/or licensed gaming venues via the internet to the website of POGO licensees.
- f. **Special Class of BPO (Business Process Outsourcing)** – services the legitimately licensed gaming operators abroad. Does not handle betting but purely product marketing and customer relations. Does not service POGO licensees and have at least ninety percent (90%) Filipino workforce provider.

Furthermore, the OGRM requires that a **local gaming agent** either be a corporate entity or an individual. If it's a corporate entity, it should be registered with the SEC. Both corporate and individual local gaming agent should be of good repute, considering character, honesty and integrity; not associated with any person who is not of good repute considering character, honesty, and integrity or has undesirable or unsatisfactory financial resources; has good financial standing and satisfactory corporate structure (for corporation); and not among those excluded from engaging in gaming under the Rules and Regulations or any other law, ordinance, or issuance.

The OGRM provides for the various charges for application fees of POGOs.<sup>17</sup> In addition to these fees, in accordance with Regulation 11 of the OGRM, PAGCOR levies a monthly Regulatory Fee not exceeding two percent (2%) of the Gross Gaming Revenue ("GGR") or receipts derived from gaming operations and similar related activities of all OGLs or a predetermined minimum guaranteed fee ("MGF"), whichever is higher, per type of license. The Gross Gaming Revenue is computed by subtracting the Total Payouts from the Total Bets.<sup>18</sup>

As to the collection of regulatory fees, Section 4 of Regulation 6 lays down the following rules and the procedures as regards the billing and collection of regulatory fees:

1. The third-party audit platform is given until every 3rd of the month to submit to Compliance Monitoring and Enforcement Department ("CMED") the billing report of POGO Licensees for the previous month, copy furnished the Offshore Gaming License Department ("OGLD").
2. CMED is given until every 8th of the month to reconcile the submitted billing report and send to POGO Licensees their respective billing statements.
3. The POGO Licensees are given until every 15th of the month to settle their billing.

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<sup>17</sup> Refer to Table 1 in Annex B for the Types of Application and Application Fees

<sup>18</sup> OGRM, Regulation 8, Section 2.

4. For protests on the billed regulatory fee, the following rules shall apply:
  - a. The POGO Licensee must first settle the billed amount prior to the filing of protest with CMED;
  - b. CMED shall process the filed protest according to its existing policies, rules, and procedures; and
  - c. Protests filed fifteen (15) days after the deadline of payment shall no longer be considered.
5. For cases when the POGO Licensee fails to settle its regulatory fee due PAGCOR for two (2) consecutive months, the following shall apply:

**For CMED**

- a. CMED shall issue a Notice of Delinquency to the concerned POGO Licensee on the 8th day of the third month. This notice shall be different and separate from the monthly billing statements sent by CMED to all POGO Licensees; and
- b. If the POGO Licensee still fails to settle its financial obligations on the given deadline, CMED shall issue a Memorandum to OGLD endorsing non-compliant POGO Licensees for the latter's appropriate action.

**For OGLD**

- a. Upon receipt of the Memorandum from CMED, **the OGLD shall enforce forfeiture of the Performance Bond equal to amount of arrears** and direct the POGO Licensee to immediately settle any remaining balance. Operator shall be ordered to **replenish the Performance Bond within 72 hours;**
- b. Continued non-compliance shall warrant the recommendation for the cessation of operations, suspension or cancellation of the POGO Licensee's offshore gaming license;
- c. Lifting of suspension of the offshore gaming operations is subject to the settlement of arrears by the POGO Licensees; and
- d. The processing of transactions of the concerned POGO Licensees as well as that of its Service Providers with OGLD shall be deferred pending settlement of arrears.

In order to determine compliance with the OGRM, Regulation 8 provides for the authority of PAGCOR's Offshore Gaming Licensing Department ("OGLD") to conduct two (2) types of inspection: pre-operational inspection and regulatory inspection.

- a. Pre-operational inspection – inspection conducted to verify all information declared by an applicant. This inspection is specific for new applicants. Recommendation arising from the pre-operational inspection

shall be the basis for the issuance of a Notice to Commence Operations by the OGLD; and

- b. Regulatory inspection – inspection conducted any time after the grant of the OGL to confirm legality of the conduct of offshore gaming operations. Regulator inspections can be done for the purpose of renewal of license or accreditation; confirmation of cancelled addresses; inspection of additional addresses or site; inspection of operation; and any other reason as may be deemed necessary by the OGLD.

In addition to the foregoing fees and charges, Section 7 of Regulation 6 requires POGOs to post a Performance Bond of Three Hundred Thousand US Dollars (USD\$300,000) prior to release of license. The Performance Bond shall guarantee completion and fulfillment of contract and obligations with PAGCOR. As mentioned above, Regulatory Fees in arrears can be charged against the Licensee's Performance Bond. Further, penalties imposed on a POGO licensee can be deducted from the Performance Bond. The Performance Bond is refundable upon the licensee's cessation of contract with PAGCOR, subject to any outstanding obligation.

One of the stand-out features of offshore gaming operations is the utilization of a third-party audit platform. Under Regulation 7, the third-party intermediary/audit platform shall be responsible for the auditing of the offshore gaming systems of POGO Licensees and Accredited Service Providers. It is tasked to report the total GGR generated and corresponding regulatory fee to be settled by each POGO Licensee and/or Service Provider.

- a. The third-party intermediary/audit platform shall submit a report on each of the POGO Licensee's total GGR and corresponding regulatory fee. The submitted report shall be evaluated and processed pursuant to existing accounting and auditing rules and regulations. A corresponding Billing Statement shall be issued to all POGO Licensees.
- b. For cases when there is a protest on the billed regulatory fee, any protest will be settled by the third-party auditor, the protesting Operator, and the audit monitoring team. Protests filed 15 days after the deadline of payment shall no longer be considered. If the parties involved do not reach any agreement, the matter will be elevated to the Board for final resolution. Any decision of the Board resolving disputes on regulatory fee shall be deemed final and executory.

From 2017 to September 2022, total regulatory fee amounted to Four Hundred Sixty-Three Million US Dollars (\$463 million).<sup>19</sup> However, 9.4% or Forty-Three Million Six Hundred Thousand US Dollars (\$43.6 million) remain unpaid.

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<sup>19</sup> Refer to Table 2 in Annex B for details.

## C. Taxation of POGOs

### Before the Passage of R.A. No. 11590

Prior to the enactment of R.A. No. 11590 titled "An Act Taxing Philippine Offshore Gaming Operations, Amending for the Purpose Sections 22, 25, 27, 106, 108, and Adding New Sections 125-A and New Sections 125-A and 228(G) of the Tax Code As Amended, and for Other Purposes (signed September 22, 2021), **there are no explicit provisions** under the Tax Code, pertaining to the taxation of POGOs and POGO service providers.

By virtue of Section 4 of the NIRC, as amended, the Bureau of Internal Revenue ("BIR") issued Revenue Memorandum Circular ("RMC") No. 102-2017 on August 27, 2017, after PAGCOR issued the Rules and Regulations for Philippine Offshore Gaming Operations on September 1, 2016. The said RMC clarifies the taxation of taxpayers engaged in the Offshore Gaming Operations. Summarized below are the rules laid out by RMC 102-2017 setting forth the taxation of various types of income aligned with POGO entities.

The income of POGO may be classified as follows:

- a. Income from Gaming Operations, which refers to income or earning realized or derived from operating of gambling casinos, gaming clubs and other similar recreation or amusement places, and gaming pools; and
- b. Income from Other Related Services, which refers to income or earning realized or derived not from gaming operations but from such other necessary and related services, shows and entertainment.

The operations or activities of POGOs or Other Entities, as classified above shall have the following tax treatment:

#### *POGOs*

- a. The entire gross gaming receipts/ earnings or the agreed or pre-determined minimum monthly revenues/income from Gaming Operations under existing rules, whichever is higher, shall be subject to a franchise tax of five percent (5%), in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description. This income is therefore exempt from any kind of tax, income or otherwise, as well as fees, charges or levies of whatever nature, whether national or local.
- b. Income from Other Related Services (income from non-gaming operations) shall be subject to normal income tax, value-added tax and other applicable taxes, as may be deemed appropriate. The 5% franchise tax in lieu of all taxes shall not apply.

- c. A Licensee deriving income from both gaming operations and from Other Related Services shall be subject to 5% franchise tax on its gaming revenues and normal income tax, value-added tax and other applicable taxes on its non-gaming revenues.

#### *Other Entities*

- a. An "Other Entity," which includes the gaming agent, Service Provider and Gaming Support Provider, who is also a POGO licensee shall be taxed 5% Franchise tax on its gaming activities and subject to the normal tax rate and other appropriate taxes on its non-gaming operations. An "Other Entity," who is not a POGO licensee deriving or earning only Income from Other Related Services or from non-gaming operations shall be subject to normal income tax, value-added tax and other applicable taxes on its entire revenues.

In addition, income payments made by POGO licensees or any other business entity licensed or authorized by PAGCOR for all their purchases of goods and services are subject to withholding taxes as may be appropriate and applicable. Compensation, fees, commissions or any other form of remuneration as a result of services rendered to POGO licensees or any other business entity licensed by PAGCOR are likewise subject to applicable withholding taxes under existing revenue laws and regulations. Lastly, purchases (local or imported) and sale (local or international) of goods (tangible or intangible) or services are also subject to existing tax laws and revenue issuances, as may be applicable.

RMC 102-2017 also provides that POGO entities are subject to the registration and bookkeeping regulations under the Tax Code.

#### *Under R.A. No. 11590*

With the enactment of R.A. No. 11590 on September 22, 2021, which took effect on October 8, 2021 (or 15<sup>th</sup> day after its publication in the Official Gazette), the tax regime for the POGOs and their service providers became formally established. However, it must be emphasized that as a declared policy in the said law, the passage of R.A. No. 11590 should not be construed as a favorable endorsement of offshore online gaming or gambling in general.<sup>20</sup>

#### *Definition*

The law defines offshore gaming licensee as an offshore gaming operator, whether organized abroad or in the Philippines, duly licensed and authorized, through a gaming license, by the PAGCOR or any special economic zone authority or tourism zone authority or freeport authority to conduct offshore gaming operations, including

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<sup>20</sup> Section 1. Declaration of Policy, R.A. No. 11590.



the acceptance of bets from offshore customers, as provided for in their respective charters.<sup>21</sup>

Meanwhile, an accredited service provider to an offshore gaming licensee (service provider) is a juridical person that is duly created or organized within or outside the Philippines or a natural person, regardless of citizenship or residence, which provides ancillary services to an offshore gaming licensee, or to any gaming licensee, or operator with licenses from other jurisdictions. Such ancillary services may include, but shall not be limited to, customer and technical relations and support, information technology, gaming software, data provision, payment solutions, and live studio and streaming services.<sup>22</sup>

#### *Income Tax Treatment of POGOs*

For gaming revenues, all offshore gaming licensees, regardless whether Philippine or foreign-based, are considered doing business in the Philippines and must pay 5% gaming tax on the GGR or receipts derived from their gaming operations. Said gaming tax is in lieu of all other direct and indirect internal revenue taxes and local taxes, with respect to gaming income.<sup>23</sup>

Non-gaming revenues of Philippine-based offshore gaming licensees shall be subject to an income tax of 25% of the taxable income derived during each taxable year from all sources within and without the Philippines.<sup>24</sup> On the other hand, only non-gaming revenues of foreign-based offshore gaming licensees derived within the Philippines are subject to income tax equivalent to 25% of the taxable income derived during each taxable year.<sup>25</sup>

Accredited service providers to offshore gaming licensees shall not be subject to the 5% gaming tax but shall regular income tax rates, and shall be subject to all other applicable local and national taxes.<sup>26</sup>

#### *Value-Added Tax ("VAT") or Percentage Tax Treatment of POGOs*

Gaming revenues by OGLs are not subject to VAT or Percentage Tax since the five percent (5%) gaming tax is in lieu of all other direct and indirect internal revenue taxes and local taxes. In contrast, non-gaming revenues of OGLs are subject to VAT or Percentage Tax, whichever is applicable.<sup>27</sup> Similarly, accredited service providers

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<sup>21</sup> R.A. No. 11590, Sec. 22 (II)

<sup>22</sup> R.A. No. 11590, Sec. 27(G)

<sup>23</sup> R.A. No. 11590, Sec. 125-A

<sup>24</sup> R.A. No. 11590, Sec. 27(F)

<sup>25</sup> R.A. No. 11590, Sec. 28(A)(7)

<sup>26</sup> R.A. No. 11590, Sec. 27(G)

<sup>27</sup> Revenue Regulations No. 20-2021 implementing R.A. No. 11590, Section 3(A).

shall be subject to all other applicable local and national taxes, including VAT or Percentage Tax, whichever is applicable.<sup>28</sup>

However, sales and services rendered to offshore gaming licensees subject to gaming tax by accredited service providers shall be subject to 0% rate.<sup>29</sup>

#### *Tax Treatment of Alien POGO Employees*

Alien individuals, regardless of residency and who are employed and assigned in the Philippines, regardless of term and class of working or employment permit or visa, by an offshore gaming licensee or its service provider shall pay a final withholding tax of 25% on their gross income. Provided, that the minimum final withholding tax due for any taxable month from said persons shall not be lower than Twelve Thousand Five Hundred Pesos (PHP12,500.00).<sup>30</sup> Income tax shall include, whether in cash or in kind, basic salary/wages, annuities, compensation, remuneration and other emoluments, such as *honoraria* and allowances, received from such service provider or offshore gaming licensee.<sup>31</sup>

All OGLs and service providers shall submit to the BIR the original copy of notarized contract of employment clearly stating therein the annual salary and other benefits and entitlements of the concerned alien.<sup>32</sup>

#### *Other Provisions*

The PAGCOR or any special economic zone authority or freeport authority shall engage the services of a third-party audit platform that would determine the gross gaming revenue or receipts of offshore gaming licensees. The third-party auditor shall be independent, reputable, internationally-known, and duly accredited as such by an accrediting or similar agency recognized by industry experts.<sup>33</sup> To qualify, the third-party auditor must be:

- a. Independent;
- b. Reputable;
- c. Internationally-known; and
- d. Duly accredited as such by accrediting or similar agency recognized by industry experts.

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<sup>28</sup> R.A. No. 11590, Sec. 27(G)

<sup>29</sup> R.A. No. 11590, Sec. 106(A)(2)(c) and Sec. 108(B)(9))

<sup>30</sup> R.A. No. 11590, Sec. 25(G)

<sup>31</sup> R.A. No. 11590, Sec. 25(G)

<sup>32</sup> R.A. No. 11590, Sec. 25(G)

<sup>33</sup> R.A. No. 11590, Sec. 125-A

No offshore gaming license shall be issued by the APECO. All offshore gaming licensees whose license was issued by APECO shall be transferred, regulated, and monitored by PAGCOR.<sup>34</sup>

Sixty percent (60%) of the total revenue collected from the gaming tax on offshore gaming licensees shall be allocated and used exclusively in the following manner:

- a. 60% - Implementation of R.A. No. 11223, otherwise known as the "Universal Health Care Act";
- b. 20% - Health Facilities Enhancement Program ("HFEP") of the Department of Health ("DOH"); and
- c. 20% - Attainment of the Sustainable Development Goals ("SDGs") as determined by the National Economic and Development Authority ("NEDA").<sup>35</sup>

## **D. The Philippines as Gracious Host to Offshore Gaming Operations**

In this section, the Committees trace the timeline, the unfolding of government policy, and the nature of the business model that PAGCOR has adopted which led to the Philippines becoming the hub of offshore gaming operations in this part of the world.

### **1. A Look at the State of Gambling in the People's Republic of China**

In a study in 2008<sup>36</sup> and published by a local Chinese newspaper, the authors recount that "**gambling is the new form of opium in China**", as it is becoming an addiction that poses a serious threat to the country. Tracing its roots, they state that "gambling was very popular in ancient China and throughout Chinese history despite the fact that it was under strict legislative controls and banned". They wrote that "despite being illegal in China (except in Macau where casino gambling is legalized), gambling remains popular among the Chinese around the world (i.e., Chinese Diaspora) due to the fact that it is an acceptable form of **social activity** throughout the community."<sup>37</sup>

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<sup>34</sup> R.A. No. 11590, Sec. 22(II)

<sup>35</sup> R.A. No. 11590, Section 9 amending Section 288 of the NIRC of 1997, as amended

<sup>36</sup> Loo, Raylu and Oei (2008), Cai (2005)

<sup>37</sup> Hobson (1995), Lai (2006), Raylu and Oei (2004b)

Gambling has been illegal in China since the Communist Party came to power in 1949. Specifically, Article 303 of the Criminal Law of the People's Republic of China,<sup>38</sup> states that:

"Whoever, for the purpose of **profit, gathers people to engage in gambling, runs a gambling house or makes gambling his profession** shall be sentenced to fixed-term imprisonment of not more than three years, criminal detention or public surveillance and shall also be fined." (Underscoring supplied)

The above provision of law was judicially interpreted jointly by the Supreme People's Court and the Supreme People's Procuratorate on May 12, 2005 and took effect the following day. "Assembling a crowd to engage in gambling" has been interpreted to mean:

- a) assembling three (3) or more persons to engage in gambling and reaping commission of 5,000 yuan or more;
- b) assembling 3 or more persons to engage in gambling and the gambling money accumulating to more than 50,000 yuan; or
- c) organizing more than 10 Chinese citizens to go overseas for gambling and asking commission.

"Whoever, for the purpose of reaping profits", **sets up gambling websites on the Internet or acts as an on-line gambling agent** will be regarded as "opening gambling houses" and will be punished according to Article 303 of the Criminal Law. (Emphasis ours) Chinese citizens who set up casinos at the neighboring areas of China and attract Chinese crowds to engage in gambling will be considered to have criminal responsibilities.

Whoever knowingly offers capital or **Internet services and telecommunications facilities to gambling participants or organizers**, will be regarded as accomplice of gambling criminals. (emphasis ours)

Especially severe punishment will be given in three circumstances: the gambling participants being civil servants; organizing civil servants to participate in gambling overseas; and organizing juveniles to engage in gambling. The new judicial interpretations also intensify the efforts of fining the criminals in order to deprive them of capital for further gambling. Anyone taking bribes to officials through gambling will be regarded as committing bribery crime and will be punished according to the relevant provisions of the Criminal Law.

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<sup>38</sup> Adopted at the Second Session of the Fifth National People's Congress on July 1, 1979; revised at the Fifth Session of the Eighth National People's Congress on March 14, 1997, and promulgated by Order No. 83 of the President of the People's Republic of China on March 14, 1997

## 2. The Philippines' Approach to POGOs

Despite the very stringent regulations against gambling, there are reviews that point to the huge market of online gambling for Chinese gamblers, as shown by the large number that fill casinos all over the world. As such, "*many online operators welcome Chinese players and put in much effort to make them feel welcome.*"<sup>39</sup>

A study in 2018 has established, however, that some Southeast Asian states have proven unable to meet gambling capital's needs. Example, while Myanmar, Laos, and Cambodia have cheaper real estate, and host locations for onsite gambling, these economies do not have what the Philippines have at the moment such as luxurious malls, hotels, and very accessible onsite casinos – which all attract wealthy tourists. The Philippines also has stronger infrastructure that attends to tourists and gamblers' needs, boosting opportunities to gamble offline in safe venues.<sup>40</sup>

The same study has also noted that the limitations imposed by religious regulations in Indonesia and Malaysia are considered a deterrent to the proliferation of offshore gambling. It is said that while offshore gambling operations exist, they are located in far-flung areas, away from the cities and limited to the export processing zones. In Thailand, the mobilization of monks and the State's position against gambling have limited the offshore Chinese investments. The higher real estate prices of Jakarta, Kuala Lumpur, and Bangkok also discourage any expansion for gambling capital in said countries.<sup>41</sup>

This puts the Philippines as the most attractive option for offshore gaming. In its flyer entitled *The Truth About POGO: A Primer*, PAGCOR says that offshore gaming operations in the Philippines have existed since 2003, illegally employing eighty thousand (80,000) overseas workers.

In our country, the government-sanctioned offshore gaming operators were originally and solely licensed by the Cagayan Economic Zone Authority (CEZA)<sup>42</sup> through the First Cagayan Resorts and Leisure Corporation which issued 150 licenses, majority of which one hundred and forty (140) are operated in Metro Manila.<sup>43</sup> In 2016, through the 2016 PAGCOR Rules for POGO, PAGCOR began issuing licenses to offshore gaming operators that offer online games of chance via the internet using network and software or programs to offshore authorized players, except Filipinos. It laid down the qualification standards and general conditions for the grant of license, including financial requirements, and the grounds for suspension and cancellation.

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<sup>39</sup> Weston (2022)

<sup>40</sup> Camba (2018)

<sup>41</sup> *Ibid.*

<sup>42</sup> Created under R.A. No. 7922 (February 24, 1995).

<sup>43</sup> CEZA Position Paper dated November 22, 2022 submitted to the Committee on Ways and Means by Sec. Jaime R. Escaño, Administrator and CEO.

On February 2, 2017, E.O. No. 13<sup>44</sup> charted the territorial jurisdictions of gambling regulators PAGCOR, CEZA, APECO, and AFAB, mandating gaming operators to locate their operations only within the geographical jurisdiction of the Authority which granted their license in order for them not to be considered as “*illegal gambling operators*.” Consequently, those located in Metro Manila transferred their registration to PAGCOR, leaving CEZA with only less than ten (10) Integrated Gaming Licensees (“IGLs”). This effectively strengthened the regulatory authority of PAGCOR over online gaming operations.

Chen Bingxiang, director of the Centre for Philippine Studies at the Guangxi University for Nationalities in Nanning, Guangxi, China analyzes the **seeming indispensability of POGOs** to the Philippines due to tax revenues and the development of the Philippine economy, as a whole, due to a widespread network of cottage industries that has cropped up around POGOs.<sup>45</sup>

The foregoing sanction of continued POGO operations has therefore predicated and laid down the policy on offshore gaming. This was sealed with the enactment of R.A. No. 11590 on September 22, 2021, which took effect on October 8, 2021. Hence, the tax regime for the POGOs and their service providers became formally established.

## II. Findings

### A. Philippine POGO Industry is Inherently Unstable

#### Majority of POGO Bettors are Chinese

A triangulation of facts from the resource persons and news articles indicates that the Chinese are the top bettors in offshore gaming.

Data submitted by PAGCOR on October 24, 2022 show that among the currencies accepted by the POGOs as bets for offshore gaming, the share of Chinese Yuan was 47.35 percent of all bets in 2019, at the height of POGO operations. This was eclipsed by the US Dollar in 2020 and 2021 when several POGOs closed operations, and many Chinese workers got laid off in the process, on account of the COVID-19 pandemic and crackdown against offshore gaming. However, for the period January to August, 2022 the Chinese Yuan starting to peak up, next only to the Vietnamese Dong, and ahead of the US Dollar.

In terms of employment by POGO licensees and their service providers, data indicated that prior to the COVID-19 total lockdown in March 2020, PAGCOR Chairperson and CEO Andrea Domingo said in a press conference on

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<sup>44</sup> Entitled, “Strengthening the Fight Against Illegal Gambling and Clarifying the Jurisdiction and Authority of Concerned Agencies in the Regulation and Licensing of Gambling and Online Gaming Facilities, and for Other Purposes”. *Official Gazette* (2017, February 2). <https://www.officialgazette.gov.ph/2017/02/02/executive-order-no-13-s-2017/>

<sup>45</sup> Why Duterte Chose To Reject China, Support Philippine Offshore Gambling. *Legalonlinecasinos.ph*. 2019, September 13. <https://www.legalonlinecasinos.ph/news/why-duterte-backs-pogos/>

March 11 that data from PAGCOR showed "licensed POGO firms employ a total of 120,976 workers as of the latest count, with **69,613 (or 57.54%) of these being Chinese, who are employed for their language skills, as they are in charge of communicating – either through chat or voice calls – with their compatriots overseas who play POGO games**". The same PAGCOR data showed that there are 3,000 (2.48%) Vietnamese nationals employed by POGO firms, 2,400 (1.98%) Indonesians, 1,700 (1.41%) Taiwanese and 1,200 (0.99%) Malaysians, along with workers of 44 other countries.<sup>46</sup>

**Hence, using the currency and employment data as proxies, we can safely assume that the Chinese, wherever they are, are the chief bettors in offshore gaming.**

However, as earlier established, gambling is illegal in China, and this covers even those Chinese residing overseas. In fact, the People's Republic of China in the Republic of the Philippines ("Chinese Embassy") has made the several statements in relation to its citizens involved in gambling in the Philippines:

- a. On September 27, 2021, the spokesperson of the Chinese Embassy, with regard to the strengthening of law enforcement cooperation between China and the Philippines with respect to transnational crimes, underscored China's official policy, viz:

*"The Chinese side stressed that China strongly opposes all forms of gambling and prohibits all Chinese nationals from participating in gambling operations, investing in gambling by Chinese entities or individuals, and all Chinese nationals from gambling and that the Chinese Government had once again reminded Chinese nationals in the Philippines not to engage in gambling activities."<sup>47</sup>*

- b. Chinese Ambassador to the Philippines Huang issued a statement on September 22, 2022, stating that:

*"Crimes induced by and associated with online gambling not only harm China's interests and China-Philippines relations but also hurt the interests of the Philippines."<sup>48</sup>*

- c. Ambassador Huang reiterated China's policy on, and firm opposition to, POGO during his visit to the Senate of the Philippines on October 11,

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<sup>46</sup> Lucas, D. (2020, March 12). *Philippine Daily Inquirer*. 1/4 of registered POGO workers are Filipino, says Pagcor. <https://business.inquirer.net/292296/1-4-of-registered-pogo-workers-are-filipino-says-pagcor#ixzz7n8rcyBdG>

<sup>47</sup> Source: Flashed during the October 11, 2023 Public Hearing; TSN October 11, 2023 Public Hearing.

<sup>48</sup> Thompsett, L. (2022, September 22). Asia bulletin: Chinese Ambassador to Philippines wants POGO crackdown. *Gambling Insider*. <https://www.gamblinginsider.com/news/18287/asia-bulletin-chinese-ambassador-to-philippines-wants-pogo-crackdown>.

2022, before Senate President Juan Miguel "Migz" Zubiri. Below is the official statement from the Chinese Embassy:

*"According to Chinese law and regulations, Chinese citizens gambling overseas, opening casinos to attract Chinese citizens as primary customers constitute gambling crimes.*

*Criminal liability can be pursued in accordance with the provisions of the Criminal Law of China. Chinese government and law enforcement have been taking tough measures to combat all forms of gambling.*

***Most of the recent crimes targeted at Chinese citizens in the Philippines are related to POGO.*** Chinese government cares about and protects the safety and legitimate interests of each and every overseas Chinese citizen.

*The Chinese Embassy has been in close communication with the Philippine law enforcement agencies and stepped up cooperation on cracking down POGO-related criminal activities against Chinese citizens in the Philippines.*

*It is appreciated that relevant Philippine law enforcement agencies rescued a number of Chinese citizens and shut down some POGO companies during their operations.*

*Crimes induced by and associated with POGO not only harm China's interests and China-Philippines relations, but also hurt the interests of the Philippines. It is therefore widely believed that social costs of POGO far outweigh its economic benefits to the Philippines in the long run and POGO should be tackled from the root so as to address the social ills in a sweeping manner."<sup>49</sup>(Underscoring Supplied)*

**From the foregoing, how then, can the POGO industry create value for the customers when the Number 1 customer – the Chinese – are essentially prohibited by their mother country from engaging in any form of gambling, whether as operator or player, and that their mother country has always been officially staunch in its policy against all forms of gambling, whether held within its territory or overseas.**

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<sup>49</sup> Embassy of the People's Republic of China in the Republic of the Philippines. 2022, October 11. Statement on POGO Related Issues by the Spokesperson of the Chinese Embassy. [ph.china-embassy.org](http://ph.china-embassy.org)



As noted by the Philippine Institute for Development Studies ("PIDS") in its position paper dated October 13, 2022:

*"POGO faces more than the usual business risks, making **POGO-related investment inherently unstable**, particularly if one views it against reported **VIEWS AND SENTIMENTS OF THE POLITICAL LEADERSHIP OF THE MAIN SOURCE/PARTNER COUNTRY**. To ensure that the economy is not disproportionately exposed to financial risk, one would need to establish that the investor and client bases of online gaming are adequately diversified to minimize the negative impact of an abrupt pullout of capital (i.e., a 'sudden stop') if foreign regulatory and political risks materialize." (Underscoring Supplied)*

Based on the nature of POGOs, it is difficult if not entirely impossible to determine the location of the bettors and the sources of bets as stated by the Third-Party Auditor ("Global ComRCI") stated in its position paper dated October 18, 2022, that:

*"There are various technologies capable of hiding the operator's betting platform metadata (country of Origin, IP Address, DNS Registration, Owner of DNS, etc.). **Hence, it is very difficult to block and/or trace these information.**" [Emphasis supplied].*

Global ComRCI further mentioned that there are various types of technology that can be used to hide or conceal these information such as:

- a. Use of Virtual Private Network – an encrypted connection links the user's device and the internet
- b. Subscription to Cloud using different regions or countries
- c. Use of proxy servers (masking IP Addresses to different countries not blocked by China's Telco) – a computer system or router that functions as a relay between the client and server helps prevent an attacker from invading a private network and is one of the several tools used to build a firewall
- d. Use of Domain Name (DNS) masking or URL (Uniform Resource Location) masking – the practice of setting up a website to display the content of another while hiding the destination's URL; and
- e. Use of multiple DNS entries and redirections.<sup>50</sup>

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<sup>50</sup> Letter submitted to PAGCOR by Global ComRCI, dated October 18, 2022

To sum, PAGCOR is blind as to where the bettors are or where the bets are coming from. That said, how can PAGCOR regulate what it does not know.

**B. The Social Cost Outweighs the Economic Benefits Derived by the Government**

**1. The Economic Contribution of the POGO Industry**

*a. Labor and Employment*

From CEZA, the operation of IGLs, together with that of their accredited support service and systems providers, has been greatly instrumental in the generation of employment for local residents of the municipality of Santa Ana, Cagayan Province and its neighboring towns. Trading and commercial activities became more active, and the purchasing capability of the people within the area became stronger. New businesses were established resulting to bigger revenues for the LGUs. Fishing and farming families became recipients of the positive domino effect of IGL operations, enabling them to acquire equipment for their livelihood and send their children to school.<sup>51</sup>

Of the 63 PAGCOR-licensed POGOs in 2019, there were 118,239 employees, 97,283 were foreigners and 20,956 were Filipinos. As of December 31, 2022, only 34 POGOs remained operational<sup>52</sup> with 47,488 employees, of which 22,789 foreign and 24,699 locals.<sup>53</sup>

However, **many of the foreign national employees of POGOs are Chinese.** According to the testimony of Department of Labor and Employment's ("DOLE") Bureau of Local Employment ("BLE") Chief Rosalinda Pineda during the October 19, 2022 public hearing in the House of Representatives, POGOs are "*likened to the business process outsourcing ("BPO") industry, where the employees have to be well-versed in the language of customers.*" BLE Chief Pineda said that since "*many POGO clients are Chinese, Mandarin speakers are needed to run the online gambling operation*". She concluded that "*it is rare to find a Filipino knowledgeable in Mandarin, who could speak fluently, to answer the queries of their customers or clients.*"<sup>54</sup>

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<sup>51</sup> Position Paper of CEZA dated November 22, 2022 submitted by Sec. Jaime R. Escaño, Administrator and CEO.

<sup>52</sup> PAGCOR Letter to Senate Ways and Means Committee dated January 17, 2023 on Number of Operational POGOs from calendar years 2016 to 2022.

<sup>53</sup> PAGCOR submission dated January 12, 2023. Refer to Table 3 in Annex B for details.

<sup>54</sup> Lalu, G.P. (2022, October 19). *Inquirer.net*. Pogors keep big Chinese staff as most of clients talk Mandarin — DOLE. <https://newsinfo.inquirer.net/1682122/fwd-dole-says-most-pogo-workers-are-chinese-as-they-can-speak-mandarin-its-like-bpo#ixzz7pPZeYN2X>.

This was earlier validated by former PAGCOR Chairperson and CEO Andrea Domingo who said that prior to the COVID-19 total lockdown in March 2020, "licensed POGO firms employ a total of 120,976 workers, with **69,613 (or 57.54%) of these being Chinese, who are employed for their language skills, as they are in charge of communicating – either through chat or voice calls – with their compatriots overseas who play POGO games.**"<sup>55</sup>

Upon the request of the herein Committees on the matter of disaggregation of POGO employees by nationality, PAGCOR has submitted data showing that by the end of 2022, the number of Filipino nationals has overtaken the Chinese in the manpower count with 52%, while only 23% are Chinese out of 47,488 POGO employees. The remaining 25% was composed of other nationalities.<sup>56</sup>

*b. Contribution to Revenue Collections and Economic Activity*

On the average, the revenue share of POGOs to total PAGCOR revenue was 8.6% from 2017 to September 2022 when POGOs were officially licensed by PAGCOR.<sup>57</sup> This means that traditional casino table games and electronic games have proven to be the main and sustained revenue source of PAGCOR or 91.4% annually.

In terms of the amount of tax collected from POGOs vis-à-vis its share to total tax collection, POGOs contributed only 0.09% in 2018, 0.23% in 2019, 0.29% in 2020, 0.14% in 2021, and 0.21% for the months of January to September 2022.<sup>58</sup> Comparing the data supplied by the Department of Finance ("DOF"), the contribution of POGOs (labeled as direct and indirect "benefits") to the economy is estimated to reach One Hundred Thirty-Four Billion Nine Hundred Million Pesos (PHP 134.9 Billion). This in turn translates to only 0.7% of the Gross Domestic Product.<sup>59</sup>

The DOF through their cost-benefit analysis showed that POGO establishments paid PhP 3.91 billion in taxes for the year 2021 while the same analysis also estimated that the taxes paid by businesses providing ancillary activities to POGOs amounted to PhP 13.9 billion. Thus, the taxes paid by POGO establishments ("direct taxes") and the ancillary businesses ("indirect taxes") paid a total taxes of PhP 17.8 billion or equivalent to 0.09% of the country's GDP in 2021.

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<sup>55</sup> Lucas, D. (2020, March 12). *Philippine Daily Inquirer*. 1/4 of registered POGO workers are Filipino, says Pagcor. <https://business.inquirer.net/292296/1-4-of-registered-pogo-workers-are-filipino-says-pagcor#ixzz7n8rcyBdG>.

<sup>56</sup> Please refer to Table 4 in Annex B for details.

<sup>57</sup> PAGCOR submission dated Oct. 6, 2022. Refer to Table 5 in Annex B for the revenue share of POGOs to total PAGCOR revenue as submitted by PAGCOR on October 6 and November 15, 2022.

<sup>58</sup> Refer to Table 6 in Annex B for details of BIR data as submitted on October 7, 2022.

<sup>59</sup> Refer to Table 7 in Annex B for the DOF estimates.

From 2017 to September 2022, POGO-generated GGR totaled Thirty Billion Four Hundred Seventy Million US Dollars (USD 30.47 billion) which supported the continued operations of PAGCOR.<sup>60</sup>

NEDA, on the other hand, estimated that for 2022, POGO firms contributed about Fifty-Eight Billion Three Hundred Million Pesos (PHP 58.3 billion) to the Philippine economy in terms of operating expenses, including salaries and benefits of employees and office rentals. This is lower than the One Hundred Thirteen Billion Three Hundred Million Pesos (PHP 113.3 billion) estimate in 2019 given that there were fewer operational POGOs in 2022. In terms of percentage share, the gross value added ("GVA") of POGOs, or their economic contribution to GDP, ranged from only 0.59% to 0.73% in 2019, and between 0.28% and 0.34% in 2022.<sup>61</sup>

*c. Impact to the Real Estate Industry*

In the case of CEZA which is a host to IGLs (the equivalent of an offshore company not domiciled in the Philippines), their accredited support service and systems providers, the real estate industry benefitted from the IGL operations in the form of increased property sales and rentals, construction, tourism and hospitality, and other consumer-based industries<sup>62</sup>.

For PAGCOR-registered POGOs that operate mainly in the National Capital Region ("NCR"), Leechiu Property Consultants have estimated that POGOs contributed Eighteen Billion Nine Hundred Million Pesos (PHP18.9 billion) to the economy in terms of income from **office rentals** and Twenty-Eight Billion Six Hundred Million Pesos (PHP28.6 billion) in income from **residential rentals** (for a total of Forty-Seven Billion Five Hundred Million Pesos [PHP 47.5] billion annually). This is on top of transportation and insurance provided to POGO employees.

It is noted, however, that this "demand" by POGOs has artificially inflated property rentals and has crowded out Filipino businesses, families, and individuals who might have otherwise leased the said property if not for the POGOs. Chinese POGOs were willing to pay higher than the normal rate to lease property in locations near their operations. Property owners were now more than happy to lease out their property with preference for Chinese nationals working at POGOs.<sup>63</sup>

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<sup>60</sup> Refer to Table 9 in Annex B for details.

<sup>61</sup> Refer to Table 8 in Annex B for the NEDA estimates.

<sup>62</sup> Position Paper of CEZA dated November 22 2022 submitted by Sec. Jaime R. Escaño, Administrator and CEO.

<sup>63</sup> Sto. Tomas, D. (2020, July 3). *PhilREP Realty Corporation*. POGO and the Philippine Real Estate Industry in this Pandemic times. <https://phiirep.com.ph/pogo-and-the-philippine-real-estate-industry-in-this-pandemic-times/>

Based on data submissions by Leechiu, and testimony during the public hearing held on October 3, 11 and November 23, 2022 it appears that out of the total available office space, POGOs only account for 4-percent of office demand transaction vis-à-vis the IT-BPM sector which occupied 43-percent and the traditional office occupancy sector at 53-percent from 2020 to September 2022.<sup>64</sup>

## 2. Social Costs attributed to POGOs

### a. Crimes are inherent to both legal and illegal POGOs and Accredited Service Providers

It is worthy to note that gambling in general has been **inherently associated with crime**. This poses a **reputational risk** for the Philippines that can affect our business and investment climate.

Gambling has been associated with crime from the very beginning. It is through gambling that many organized crime syndicates have funded their endeavors, or used it to launder money.<sup>65</sup> In China, while the Procuratorate claims domestic crimes have been effectively managed, cross-border gambling crimes have “*gradually become a prominent problem, which requires continuous and in-depth combat*”. The Procuratorate added that these overseas gambling offenses often also endanger people in China. It said that crimes such as extortion, cyber-crimes, and illegal detection have been found to be linked back to cross-border gambling offences.<sup>66</sup>

### b. POGO-Related Crimes have been reported by PNP

In the Philippines, the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2022 saw POGOs eliciting public attention and concern due to the reports of kidnapping and other illegal activities. The Philippine National Police (“PNP”) submitted a report to the Committees during the public hearing on October 3, 2022 that for the period January 1, 2017 to September 30, 2022 there were ninety-nine (99) criminal activities related to POGO operations.<sup>67</sup>

The PNP report shows that kidnapping-for-ransom (“KFR”) has topped the POGO-related crime committed with thirty (30) cases; followed by thirteen (13) violations of the Access Devices Regulation Act (e.g., illegal use of any card, plate, code, account number, electronic serial number, personal identification number, or other telecommunications service,

<sup>64</sup> See Figure 1 in Annex B for details of Lee Chiu Properties, Inc.’s presentation on Philippine Office Demand

<sup>65</sup> Ray, R. (2019, June 30). Types of Gambling Related Crimes. Casino. <https://www.gamblingsites.com/blog/9-types-of-gambling-related-crimes-25064/#:~:text=Gambling%20has%20been%20associated%20with%20crime%20from%20the,of%20crime%20related%20to%20gambling%20began%20to%20decrease.>

<sup>66</sup> Omoigui, N. (2021, July 26). *ICE365*. China to ramp up punishments after increase in gambling crimes in 2021. <https://ice365.com/news/china-to-increase-punishments-after-increase-in-gambling-crimes-in-2021/>.

<sup>67</sup> See Table 10 in Annex B for details.

equipment, or instrumental identifier, or other means of account access that can be used to obtain money, good, services, or any other thing of value or to initiate a transfer of funds (other than a transfer originated solely by paper instrument); twelve (12) trafficking of persons; and ten (10) kidnapping and serious illegal detention.

These POGO-related criminal offenses have been reported out in major newspapers, detailed as follows:

- i. Kidnapping, illegal detention, forced labor<sup>68</sup>

## **METRO**

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### **2 POGO worker nasagip; dinukot, nagtrabaho nang walang suweldo**

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Nasagip ng mga awtoridad ang dalawang Chinese national na dinukot, kinulong at pinagtrabaho sa loob ng limang buwan ng walang suweldo sa Bacoor City, Cavite kahapon ng hatinggabi.

Natuklasan ang sinapit ng mga biktimgang sina Hao Chen, 30-anyos at Jiaxin Liu, 34-anyos, nang magpasaklolo ang mga live-in partner nilang sina Vanessa Bayog at Jackie Casas sa Philippine National Police Anti-Kidnapping Group (PNP AKG).

Ayon kay P/Cpl. Edilberto Reyes Jr., ng Bacoor City Police, nagtungo sa PNP AKG ang dalawang babae para isumbong ang pagdukot sa mga biktima, pagkulong at pagpapatrabaho sa mga ito sa Brickhartz Technology Inc., sa Shuanama Industrial Park, Bacoor Boulevard Barangay Niog III, Bacoor City, Cavite.

Hindi na umano pinalabas ang mga ito habang nagtatrabaho sa nasabing kompanya ng walang suweldo simula noong Abril 20, 2022.

Inendorso ng PNP Anti-Kidnapping ang nasabing kaso sa Bacoor CPS na agad na umaksyon at nagtungo sa nasabing kompanya. Nakalaya ang mga biktima bandang alas-12:30 ng hatinggabi. (Gene Adsuara)

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<sup>68</sup> <https://www.abante.com.ph/2022/09/25/2-pogo-worker-nasagip-dinukot-nagtrabaho-nang-walang-suweldo/>

- ii. Human trafficking, forced labor<sup>69</sup>  
This was published in the following newspaper report:

**NATION**

## **63 foreigners rescued from 2 POGOs**

Emmanuel Tupas - The Philippine Star ①  
October 1, 2022 | 12:00am

**MANILA, Philippines – Sixty-three foreigners who are alleged victims of human trafficking and forced labor were rescued from two Philippine offshore gaming operators (POGOs) since Wednesday, police reported yesterday.**

In Parañaque, operatives of the Philippine National Police-Women and Children Protection Center (PNP-WCPC) found 23 Myanmar nationals and six Chinese during a raid on a house in Concorde Village, Tambo at around 5:30 p.m. on Thursday.

They are employees of the MOA Cloudzone Corp., a POGO based in Pasay City.

Maj. Gen. Eliseo Cruz, PNP Directorate for Investigation and Detective Management director, said in a press briefing at Camp Crame that the rescue operation was based on information provided by two Myanmar nationals who escaped from the POGO company.

They told police that several foreigners were being held against their will and forced to work as online scammers of a POGO firm.

Cruz said the victims were recruited in Dubai in January via Telegram by a certain Christine, a Myanmar citizen.

The suspect told the victims she needed customer service representatives for her two companies, promising them a monthly salary of P60,000.

The victims arrived in the country on March 28 and were surprised when their passports were confiscated. They began working as online scammers at the Oriental Group of Co. in Pasay, police said.

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<sup>69</sup> <https://www.philstar.com/nation/2022/10/01/2213515/63-foreigners-rescued-2-pogos>

iii. Pasay police arrest 3 Chinese for abduction of woman<sup>70</sup>

*"Three Chinese nationals who allegedly abducted a woman and sold her to a Philippine Offshore Gaming Operator (POGO) were arrested by Pasay City police in a series of operations early this week.*

*"Col. Byron Tabernilla, Pasay City police chief, identified the suspects as Jia He Zhang, 28; Yun Gao, 29; and Lie Wang, 32, staying at a condominium in Makati City.*

*"The victim was reportedly released after her brother-in-law paid P250,000 to the suspects."*

Classified by nationality of offenders, the PNP reported that majority of those arrested in POGO-related crimes are of Chinese descent.<sup>71</sup> It is even alarming to note that while both houses of Congress are investigating the POGO-related crimes, there has been no respite in the commission thereof. On December 14, 2022, in a privilege speech delivered by Senator Grace Poe, she said three (3) Chinese were involved in kidnapping and selling a woman working in a POGO. Senator Poe mentioned that the victim was found inside a POGO dorm in Shuangma Industrial Park at Molino Boulevard, Bacoor, Cavite. Upon checking, it was discovered that a certain Brickhartz Technology, Inc. is operating in Shuangma Industrial Park, a licensed POGO Service Provider.<sup>72</sup>

The foregoing reports also show that POGO-related crimes are not solely attributable to those illegally posing as POGOs but committed also by POGOs that were validly issued licenses to operate as such. As manifested during the public hearing on November 23, 2022:

**" THE CHAIRPERSON (SEN. GATCHALIAN).** Can be many things; scarcity of employees is another one.

So, I beg to differ that the social ills are not only attributed to the illegal POGOs. The records clearly will bear out that even legal POGOs duly licensed by PAGCOR have committed crimes—human trafficking, working illegally in the country, as well as kidnapping. "

<sup>70</sup> <https://mb.com.ph/2022/12/24/pasay-police-arrest-3-chinese-for-abduction-of-woman/>

<sup>71</sup> Refer to Table 11 in Annex B for details.

<sup>72</sup> TSN, Page 6, Regular Session No. 39, Senate of the Philippines, 19th Congress.



**THE CHAIRPERSON (SEN. GATCHALIAN).** And based on the reports, in September of 2022, there were 41 deportations attributed to Lucky South 99. And then on September 29, 2022, 40 deportations attributed to Lucky South 99. That's 81 deportations. And then Xionwei and Lucky South 99 were registered POGOs found to have committed kidnapping and human trafficking.

So iyon iyong sinasabi ni Senator Bato na hindi lang naman illegal, pati ligal (legal). Pati those who are duly licensed by PAGCOR have also committed crimes and are also liable to government because of their criminal activities.

*c. Illegal staying foreign nationals required to be deported causes additional costs to the government*

Foreign nationals who wish to work in the Philippines must secure an Alien Employment Permit ("AEP") from the Department of Labor and Employment ("DOLE").<sup>73</sup> An AEP is valid for one year, or for the complete duration of the employment contract not exceeding three years.<sup>74</sup> However, the issued AEP is valid only for the position and company that it was secured for.<sup>75</sup> In case of change in position or company, the foreign national is required to apply for a new AEP and surrender the previously issued AEP.<sup>76</sup>

In addition to the foregoing, foreign nationals who are proceeding to the Philippines to engage in any lawful occupation, whether for wages or salary, or other form of compensation, shall secure a working visa from the Bureau of Immigration.<sup>77</sup>

As confirmed by the BI during the public hearing on October 3, 2022 during the inquiry by Senator Escudero, alien employees of POGOs that have closed shop without having requested for the cancellation of their POGO license, are automatically no longer authorized to work since they are classified as illegal.

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<sup>73</sup> DOLE Department Order No. 221 series of 2021.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> *Id.*

<sup>77</sup> <https://immigration.gov.ph/visa-requirements/non-immigrant-visa/pre-arranged-employment-visa>

**SEN. ESCUDERO.** Once a POGO outlet shuts down, what happens, sir? Is the license cancelled?

**MR. PADILLA.** It will really depend if they requested for the cancellation of their license or if the license is still valid. If they requested for the cancellation of the license, it will be shut down already and the license will be cancelled.

**SEN. ESCUDERO.** What if they shut down and did not ask for the cancellation of the license, would the license still be subsisting? Can it be transferred? Nag-shutdown na eh.

**MR. PADILLA.** It could be revived, Your Honor, if they shut down without cancelling it yet.

**SEN. ESCUDERO.** Now, what happens to their workers? These are issued alien employment certificates. Eh wala na silang kumpanyang pinagtatrabahuan, how would you now consider and classify them, from the point of view of PAGCOR, before I ask the BID?

**MR. PADILLA.** They are no longer POGO workers, Your Honor, since the operations have shut down already.

**SEN. ESCUDERO.** May I ask the BID, are they now illegal aliens, sir? Are their AECs automatically revoked?

**MR. MANAHAN.** Thank you, Your Honor.

Pagka ang mga employees po ay lumipat sa ibang kumpanya, that is already a violation of condition of stay. They are already illegals. Pero pagka nag-stay po sila sa company—

**SEN. ESCUDERO.** Sarado na nga po iyong kumpanya eh.

**MR. MANAHAN.** Sarado na iyong company, they are not authorized to work, Mr. Chairman. So, they should be considered as illegal.

Based on BI data contained in their letter addressed to the Committee dated October 10, 2022, there are about 48,782 foreign workers who work or previously work for POGO entities with cancelled or revoked licenses. Note that while most of these foreign workers have already fled the country per BI, some of these are still illegally staying in the Philippines. These foreign workers cannot work in another company without securing a new AEP from the DOLE. **Hence, without new AEPs, these foreign workers are illegally working in the Philippines if found to be working in another company.**

As of December 31, 2022, the BI has successfully deported 156 of the 368 foreign nationals connected with operations against POGOs against whom a deportation order has been issued. This translates to a 42.39 percent deportation implementation rate.<sup>78</sup>

Deportation costs shall be borne by the government if the person deported and his respective embassy fails or refuses to pay the deportation costs. In addition, based on the position paper of BI dated October 10, 2022, the BI pays for the subsistence of foreigners under its custody. Currently, the BI budget is Sixty Pesos (PHP 60) per day per foreign national under its custody. Thus, aside from violating Philippine laws, **the deportation process entails additional costs to the government.**

*d. POGOs are under declaring their gross gaming revenues with the BIR and are evading taxes*

While the Tax Code provides that, POGOs, even those located outside the Philippines, are taxable and must pay the 5% gaming tax on the GGR or receipts derived from their gaming operations.

Based on the data provided for by BIR on January 11, 2023, the Gross Gaming Revenue declared by POGOs for the period January to September 2022 is PHP32,468,820,252.40. Meanwhile, based on PAGCOR, the total Gross Gaming Revenue of POGOs from January to August 2022 amounted to PHP 66,671,988,934.

PAGCOR	PHP66,671,988,934.00
BIR	PHP32,468,820,252.40
Difference/Under-declaration	PHP34,203,168,681.60
Unpaid Taxes due to Under-declaration	PHP1,710,158,434.08

Further to the foregoing, during the Second Public Hearing on October 11, 2022, the PAGCOR.

<sup>78</sup> CNN. (2023, January 4). *BI says 156 of 368 unlicensed POGO workers deported so far.* [https://www.cnnphilippines.com/news/2023/1/4/BI-says-156-of-368-unlicensed-POGO-workers-deported-so-far.html?fbclid=IwAR0X5xTjwd2vUMleNryOOLoESwu-mt4QBZNs4HG\\_P3yYM\\_o9oZIKIjCONH8](https://www.cnnphilippines.com/news/2023/1/4/BI-says-156-of-368-unlicensed-POGO-workers-deported-so-far.html?fbclid=IwAR0X5xTjwd2vUMleNryOOLoESwu-mt4QBZNs4HG_P3yYM_o9oZIKIjCONH8).

**THE CHAIRPERSON (SEN. GATCHALIAN).** ... That's why I want to know if your gross gaming revenue is based from PAGCOR's data or based on the self-declaration of the POGO.

**MR. TAN.** Only from self-declaration.

**THE CHAIRPERSON (SEN. GATCHALIAN).** Self-declaration of the POGO. So, in other words, the POGOs are not declaring the right amount?

**MR. TAN.** It would seem so, Your Honor.

Further to the foregoing, the BIR, in its October 24, 2022 submission to the Committee, stated that indeed, there is a discrepancy in the amount of "self-declared" GGR and tax liabilities *vis-à-vis* the supposed GGR when the tax liabilities are grossed up.

This refers to your letter dated October 13, 2022 requiring the submission of our position on the discrepancy between the actual collection of the BIR (Bureau of Internal Revenue) from POGOs and the 5% Franchise tax based on PAGCOR's declared Gross Gaming Revenue data, and our position on how to address the under declaration of revenues of POGOs compared to PAGCOR revenues.

It seems that there is a discrepancy between the collection of the BIR and that of PAGCOR. The numbers convey that indeed POGOs are not declaring their revenues properly to the BIR.

In an effort to curb this possible discrepancy, the BIR will be sending several requests for access to records addressed to pertinent agencies, including PAGCOR, to check their files on the declared revenue of POGOs. The BIR will also issue the necessary Letter of Authority and Assessment Notice upon discovery of discrepancies in the declared revenue of POGOs as a result of these requests for access to records.

Moving forward, the BIR commits to the regular monitoring of POGO revenue declarations to PAGCOR *vis-à-vis* their revenue declarations to the BIR, to ensure the prompt payment of taxes.

**Based on the foregoing discussion it can be established that POGOs are not paying the correct amount of taxes. In other words, POGOs are evading taxes.**

*e. POGOs are vulnerable to Money Laundering*

In a study conducted by the Anti-Money Laundering Council ("AMLC")<sup>79</sup>, the **AMLC reported that POGO and its service providers are highly**

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<sup>79</sup> Anti-Money Laundering Council (2020). Understanding the Internet-Based Casino Sector in the Philippines: A Risk Assessment.

**vulnerable to money laundering.** Given that financial transactions of internet-based casinos are generally remittance-based and non-cash, regulators and authorities have limited access to their transactions, making POGO operations highly risky and susceptible to abuse. This can frustrate the government's efforts to get out of the Financial Action Task Force grey list by January 2023.

f. *POGO-related crimes and corruption adversely affecting investment opportunities and tourism revenues*

These social costs affect investor perceptions, which can lead to negative consequences such as loss of current and potential investments, jobs, and revenues. According to DOF cost-benefit analysis, the best estimate of the economic cost of these social problems would be the additional resources needed by our law enforcement amounting to PHP400 million to completely prevent and eliminate the social costs brought about by POGO-related crimes without forgoing or compromising their other functions.

In addition to POGO-related crimes, the presence of illegal POGOs manifests weak regulatory institutions that will subsequently result to corruption. The prevalence of crime and corruption has a direct cost to the economy in the form of foregone additional foreign direct investments (FDI) due to the deterioration of the ease of doing business or investment climate. In addition, the inability to control prevalence of POGO-related crimes would translate to forgone additional tourism revenues as it implies that the country is unable to facilitate a crime-free environment for tourists.

These direct costs, based on DOF estimates, showed that POGO-related crimes resulted to a decline in FDI of PHP26.23 billion and tourism revenues of PHP 28.62 billion. Furthermore, corruption and the influx of illegal POGO establishments resulted to foregone FDI pegged at PHP10.13 billion and tourism revenues estimated at PHP 390 million.<sup>80</sup>

### **3. Exit of POGOs Will Not Lead to Collapse of the Economy**

Upon assessing and enumerating the benefits given and costs brought by the activities of POGOs in the country, their exit will not be detrimental to the economy on a fiscal, macroeconomic, and labor market standpoint.

Furthermore, the country will be alleviated from the net costs incurred by the presence of POGOs as the DOF estimated through their Cost-Benefit Analysis (CBA) that their activities has resulted to a net loss of welfare (investment, jobs, revenues) amounting PHP 8.44 billion or equivalent to negative 0.04% of GDP in 2021, implying that for every PHP 1.00 cost incurred by POGO to the country, only PHP 0.94 worth of benefit were generated.

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<sup>80</sup> Refer to Table 12 in Annex B for details

### C. The Credibility of the Third-Party Auditor is Doubtful

For POGOs, to “fully integrate its offshore gaming operations with PAGCOR’s intermediation platform within a period of six (6) months from the commencement of operations”<sup>81</sup>, the PAGCOR Ad Hoc Chairman recommended to the Board of Directors that the intermediation platform or audit platform be outsourced considering that such scheme is more advantageous to PAGCOR, particularly:

*“1. Outsourcing will mean **no capital expenditure** for PAGCOR; 2. Though we are capable of developing the software, the **procurement process** for the hardware will be a **big hindrance** to keeping our program updated with the licensees software; and 3. Outsourcing will **not entail the hiring of additional personnel**, and might even result in the reduction of personnel tasked to conduct monitoring.” [Emphasis supplied].*

#### 1. Required Qualifications of Third-Party Auditor and the Timeline of the Bidding Process

Further to the foregoing, PAGCOR opened the public bidding on June 10, 2017. Such bidding is governed by RA No. 9184. The Terms of Reference (“TOR”) included the following:

##### Qualification Standards for the Consultant

- a. A company/firm engaged in systems integration (sole proprietorship, partnership or corporation, or cooperative);
- b. With no past or existing relationship with any POGO operator;
- c. With at least twenty (20) regular employees, at least five (5) of which are IT experts, and at least forty (40) personnel in its manpower pool;
- d. Engaged in the same field of business for not less than ten (10) years;
- e. **Has implemented similar project in at least three (3) other gaming jurisdictions with standards at par with or higher than the Philippines;**
- f. With existing legal ownership of the same or similar intermediary platform or audit program;
- g. **Must have an operating capital of at least One Billion Pesos (PHP 1 Billion);**

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<sup>81</sup> Terms of Reference for the Conduct of Public Bidding Under ITB No. PB17-035COR-06.

- h. The single largest similar contract of the consultant must be at least Five Hundred Million Pesos (PHP 500 Million) within the past 5 years; and
- i. The intermediary platform or audit program owned by the consultant must be of proven mature technology with at least one (1) certification issued by an international certifying body.

For purposes of determining compliance, the TOR require that "the possession of the **qualifications and standards** set forth herein must be reckoned from the time of the publication of the Invitation to Bid ("ITB") for the project and **must have been standing continuously and possessed thereby after the said date.**" [Emphasis supplied].

#### Project Deliverables

- a. The consultant is required to develop the intermediation platform or audit program suitable to the needs of PAGCOR.
- b. The consultant shall operate and maintain the intermediation platform or audit program for a period of ten (10) years, including the period allocated for systems development and test run. During said period, the consultant shall undertake to operate and maintain the systems at its optimum. Glitches and breakdowns on the systems and the accompanying hardware shall be addressed by the consultant immediately. Necessary upgrades, to the systems or hardware, as may be applicable, shall be regularly introduced by the consultant in order to make or maintain the intermediation platform or audit program at par with recent technologies.
- c. The consultant shall also ensure that the systems are fully secure from any known computer virus or from hacking by unscrupulous individuals. Further, the consultant shall guarantee that the online audits of the gaming operations of POGO operators are fully accurate, providing the necessary redundancies in the event of systems failure or collapse or of any breakdown in the existing hardware.

Based on the TOR, the projected Cost/Service Fee to be paid to the Third-Party Auditor is Six Hundred Million Pesos (PHP600,000,000) per year. The Approved Budget for the Contract is Six Billion Pesos (PHP6,000,000,000).

## Timeline of the Bidding Process

Event	Date
<b>FIRST BIDDING</b>	
Submission of eligibility documents	June 20, 2017
Pre-bid conference	July 17, 2017
Opening and examination of 1 <sup>st</sup> bid envelope containing the technical component	July 17, 2017
Opening and examination of 2 <sup>nd</sup> bid envelope containing the financial component	July 17, 2017
<b>Declaration of failure of bidding</b>	<b>July 17, 2017</b>
<b>SECOND BIDDING</b>	
Pre-Procurement Conference for the rebidding	July 19, 2017
Posting of Requests for Expression of Interest	July 25, 2017- August 10, 2017
Submission of eligibility documents	August 1, 2017
Evaluation of eligibility documents	August 6, 2017
Notice of eligibility and short listing issued to Global COMRCI	August 10, 2017
Pre-bid conference	August 18, 2017
Submission and Receipt of Bids	August 30, 2017
Opening and examination of 1 <sup>st</sup> bid envelope containing the technical component	August 30, 2017
Opening and examination of 2 <sup>nd</sup> bid envelope containing the financial component	September 14, 2017
Notice of the Results of the Detailed Bid Evaluation, Declaration of the Bidder having the Single Rated Bid and Invitation to Negotiate to Global COMRCI	September 15, 2017
BAC requested for the extension of the period for the for the completion of the post-qualification process for a period of 30 days	September 22, 2017
The Chairman and CEO of PAGCOR approved the request for extension of post-qualification process	September 29, 2017



Deliberation Meeting to discuss the result of the post-qualification process (deferred)	October 04, 2017
Deliberation Meeting	October 10, 2017
<b>AWARD</b>	
Notice of award	October 26, 2017
Notice to proceed	December 19, 2017

**2. Global ComRCI, the Third-Party Auditor Engaged by PAGCOR, Lacks Financial Capability**

As mentioned above, the bidding documents require the Third-Party Auditor to have at least PHP1 Billion operating capital.

Based on the Consortium Agreement executed by the members of the Consortium, the members shall have the following capital contribution:

Name of Member	Capital Contribution (in PHP)	Percentage
Global Myoho Renge Copy, Inc.	1.1 Billion	50%
Highweb Trade Ltd.	440 Million	20%
Comfac Corporation	660 Million	30%
Total	2.2 Billion	100%

However, based on the 2016 AFS of the members of Global ComRCI, their combined equity is PHP228,128,180.68, well below the PHP1 Billion Operating Capital required in the bidding documents and the PHP 2.2 Billion capital stated in the Consortium Agreement. Below is a summary of their individual equity:

Name	Equity
Global Myoho Renge Copy	PHP29,330,352.68
Comfac Corporation	PHP198,783,908.00
Highweb Trade Ltd.	PHP13,920.00
TOTAL	PHP228,128,180.68

Thus, since the combined equity of the members of the Consortium is below the required operating capital, the Consortium, thru Global Myoho Renge Copy,

Inc., submitted a Bank Certification from Soleil Chartered Bank and signed by Govind Srivastava, its CEO, stating: "[W]e hereby certify the Twenty Five Million US Dollars (USD \$25,000,000.00) is for the account of Global MRCI in compliance with the PAGCOR POGO Consultancy Bidding as require Operating Capital for the award."<sup>82</sup> Based on the said Bank Certification, Soleil Chartered Bank has an office in Philippine Stock Exchange Center, Exchange Rd., Ortigas Commercial Center, Pasig City.

In connection thereto, the Bangko Sentral ng Pilipinas ("BSP") has issued a certification that **Soleil Chartered Bank is NOT REGISTERED with the BSP**. Further, during the 4<sup>th</sup> Hearing, Atty. Florabelle Santos-Madrid, Director of Financial System Integrity Department, testified that only a bank registered with the BSP or licensed by the BSP is authorized to issue a stand-by letter of credit, to wit:

***"THE CHAIRPERSON (SEN. GATCHALIAN):*** *I invited BSP here because when I saw this certification, I have doubts who is this bank. Because sa tagal ko sa negosyo saka dito sa Pilipinas, I have never heard of this bank. So, I asked BSP if Soleil Chartered Bank—bank ha, take note, it is a bank—is duly registered with PAGCOR in 2017 and to date. Can I direct this question to the BSP?*

***MS. MADRID:*** *Good morning, Mr. Chair. So, for the BSP, based on our records, Mr. Chair, Soleil Chartered Bank has never been—is not a registered bank with the BSP and is not allowed to operate in the Philippines.*

***THE CHAIRPERSON (SEN. GATCHALIAN):*** *Was it registered in 2017?*

***MS. MADRID:*** *Based on our records, Mr. Chair, no.*

***THE CHAIRPERSON (SEN. GATCHALIAN):*** *Is any kind of institution allowed to issue a standby letter of credit—any institution not registered with the Bangko Sentral allowed to issue a letter of credit?*

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<sup>82</sup> Equivalent to PHP1,246,267,500 based on historical rate of USD1 = PHP49.8507.

***MS. MADRID:*** Based on our regulations, Mr. Chair, only a bank registered with the BSP or licensed with the BSP is authorized to issue letters of credit.

***THE CHAIRPERSON (SEN. GATCHALIAN):*** *So, who is this Soleil Chartered Bank?*

***MS. MADRID:*** Based on just our research on the Internet, Mr. Chair, it appears to be a bank operating in the US. They have a website, but we cannot verify that yet. But what appears here in the document is they indicated an address in the Philippines which, based on our records, does not exist, is not authorized by the BSP.

***THE CHAIRPERSON (SEN. GATCHALIAN):*** *So, it is very clear that Soleil Chartered Bank is not registered with BSP in 2017 to date and only banking institutions registered with the BSP can issue a standby letter of credit, correct?*

***MS. MADRID:*** *Yes, Mr. Chair.” [Underscoring supplied]*

Since the stand by letter of credit submitted by the Consortium to qualify in the bidding is issued by a bank that is not registered in the Philippines then the said letter of credit is void. **That said, there is basis to conclude that Global ComRCI failed to meet the financial capacity stated in the bidding documents as it failed to prove that it has an operating capital of PHP 1 Billion.**

### **3. Global ComRCI, the Third-Party Auditor Engaged by PAGCOR, Lacks Technical Capability**

As mentioned above, the TOR has provided for the following requirements:

- a. Engaged in the same field of business for not less than ten (10) years; and
- b. Has implemented similar project in at least three (3) other gaming jurisdictions with standards at par with or higher than the Philippines.

Note that when R.A. No. 11590 was enacted on September 22, 2021, it required under Section 125-A of the Tax Code that POGOs registered by PAGCOR or any special economic zone authority or tourism zone authority or freeport authority shall engage the services of a Third-Party audit platform that would determine the gross gaming revenues or receipts of offshore gaming licensees. The law enumerated the following qualification standards:

- a. Independent;
- b. Reputable;
- c. Internationally-known; and
- d. Duly accredited as such by accrediting or similar agency recognized by industry experts.

Based on submitted documents, **PAGCOR did not conduct** a separate bidding for Third-Party audit platform **AFTER** the enactment of R.A. No. 11590.

Based on the documents submitted by the Consortium during the bidding, it can be seen that any member of the Consortium was **not certified by an international certifying body**. Since POGOs are a new business type in the Philippines, it is understandable that there is no such accrediting agency in the country; hence, it is expected that an international entity should have done the evaluation and accreditation.

The bidding documents also require that the Third-Party Auditor must be engaged in the same field of business for not less than ten (10) years. We summarize below the background of the members of the Consortium:

Name	Date of Registration	Place of Incorporation	Main Activity
Highweb Trade	July 3, 2014	Malta	Provision of customer support services via email, live chat, and telephone to the e-commerce merchants, mainly in the online gaming industry
Comfac Corporation	January 18, 1985	Philippines	Marketing and assembling computer support and facilities
Global Myoho Renge Copy, Inc	February 28, 2011	Philippines	Importing, buying and selling, operate, maintain, distribution and rental of printing machines and

Name	Date of Registration	Place of Incorporation	Main Activity
			printing consumables

Based on the foregoing information, only Comfac Corp. has satisfied the minimum of 10-year corporate existence as of 2017 when the bid for consultancy was held. However, **Comfac Corp. is not engaged in the same filed of business** for at least ten (10) years.

Another requirement that the Consortium failed to demonstrate is that it has implemented similar project in at least three (3) gaming jurisdiction.

Further, the contract between Highweb Trade Ltd. and EWBL Gaming Ltd., which has been submitted to prove that it has completed a similar project, appears to be a contract with private entities and not with a government gaming regulator. Hence, said contract is not similar to the Third-Party Audit platform being procured by PAGCOR.

Based on the foregoing, it can be surmised that PAGCOR did not conduct thorough due diligence check and verification of the submitted documents. Otherwise, it must have concluded, **based on the foregoing reasons, that the Consortium does not have the technical qualification to undertake the function of a Third-Party Auditor.**

#### **4. Global ComRCI, the Third-Party Auditor Engaged by PAGCOR, is Not Registered with SEC**

Further, Section I. Expression of Interest of the bidding documents provides that the bidders who shall form a Joint Venture to implement the project must be registered with the SEC, to wit:

“In case the bidders intend to enter into a joint venture agreement (JVA) for the purpose of implementing this project, an undertaking that they will enter into one submitted for the conduct of bid opening and evaluation will suffice provided that the same states the percentages of the relative capital contributions of the bidders and, **provided further that the JVA is registered with the Philippine SEC prior to contract execution with the PAGCOR.**” [Emphasis supplied]

PAGCOR, in its position paper dated December 01, 2022, argues that based on RA 9184 the requirement to enter into a Joint Venture Agreement (“JVA”) is applicable only when the bid is successful, to wit:

“The existence of a [JV Agreement], or in this case a Consortium Agreement, was not required at the time of bidding. However, the bidders

are required to enter into such agreement **"in the event the bid was successful."** [Emphasis in the original]

While the Third-Party Auditor has entered into a JVA after winning the bid, it must be noted that **the Third-Party Auditor did not register its JV with the SEC as required in the afore-quoted bidding documents.** This is confirmed by the SEC certification dated November 25, 2022 stating that a consortium under the name Global COMRCI is "not registered with the SEC as a corporation, partnership or one-person corporation." However, there is a Global COMRCI, Inc. with SEC registration number CS201000913 – which is the new name of Global Myoho Renge Copy, Inc.

**Based on the foregoing, there is basis to conclude that the Third-Party Auditor failed to comply with the SEC Registration requirement in the bidding documents.**

**5. Global ComRCI, the Third-Party Auditor Engaged by PAGCOR, appears to be Not Registered with the BIR**

In the Philippines, joint ventures and consortiums are governed by the Laws on Partnership under the New Civil Code. In other words, joint ventures and consortiums are considered as partnerships in the Philippines.

Under Section Under Sec. 236 of the Tax Code, every person subject to any internal revenue tax shall register. Further, Section 22 of the Tax Code, as amended, defines a "corporation" to include partnerships, no matter how created or organized, as follows:

"Sec. 22. Definitions. When used in this Title: xxx

(B) The term 'corporation' shall include one person corporations, **partnerships, no matter how created or organized,** joint-stock companies, joint accounts (*cuentas en participacion*), associations, or insurance companies, but does not include general professional partnerships and a joint venture or consortium formed for the purpose of undertaking construction projects or engaging in petroleum, coal, geothermal and other energy operations pursuant to an operating or consortium agreement under a service contract with the Government. 'General professional partnerships' are partnerships formed by persons for the sole purpose of exercising their common profession, no part of the income of which is derived from engaging in any trade or business." [Emphasis supplied]

**Based on the foregoing, the Consortium is required to register with the BIR.**

However, in a letter sent by the BIR to the Joint Committee, it stated that based on their search, there is no Global ComRCI registered as a

consortium appearing on their database. However, there is Global ComRCI Inc. which is registered with BIR. We provide below a copy of the BIR Letter dated January 11, 2023:

ANNEX 4

LIST OF OTHER ENTITIES

	Name of Service Provider	Remarks
1	GLOBAL COMRCI CONSORTIUM	No taxpayer with exact name but found one with registered name "GLOBAL COMRCI"
2	GLOBAL COMRCI INC.	Registered
3	COMFAC CORPORATION	Registered
4	HIGHWEB TRADE LTD	Registered

Source: Internal Revenue Integrated System - Taxpayer Registration System

Based on the foregoing certification of BIR in their letter dated January 11, 2023, there is reasonable ground to believe that the Consortium is not registered with the BIR. Hence, since the Consortium is not registered with the BIR, it can be concluded that it is not paying its taxes due to the government. Note that according to PAGCOR, it has paid the Consortium from April 2018 to August 2020 PHP842,010,688.22. Based on the submission of PAGCOR, taxes were withheld against the said payments. However, under whose account begs to be answered since the Consortium has no TIN, and therefore not a taxpayer in the legal sense.

If the payments and withholding taxes for the service fees paid by PAGCOR to the Consortium were for the account of Global COMRCI, Inc. (Global Myoho Renge Copy, Inc.), then these should have been reflected in Global COMRCI, Inc.'s financial statements based on their presumed profit-sharing scheme based on mandated capital contribution ratio, Highweb Trade Ltd. gets 20%, Comfac Corp. gets 30%, and Global Myoho Renge Copy, Inc. gets the bulk at 50%. However, said amounts are not reflected in the Audited Financial Statements of Global COMRCI, Inc. (formerly Global Myoho Renge Copy, Inc.) and Comfac Corporation.

In relation to the foregoing, it bears stressing that based on the Consultancy Contract entered into by PAGCOR and the Global ComRCI Consortium, the non-payment of taxes by the Consortium is a ground to suspend the payment of fees to the Third-Party Auditor, to wit:

## **"V. TAXES AND LICENSES**

*XXX*

***2. PAGCOR reserves the right to suspend payment for any and/or all parts of the Contract Price if the Consultant becomes remiss in the payment of its taxes." [Emphasis supplied]***

### **6. Third-Party Auditor Cannot Be Found; No Business Permit in Makati, Manila, and Parañaque**

Under Sec. 444 (b)(3)(iv) of the Local Government Code, all local chief executive officers are vested with the authority to issue licenses and permits within their jurisdiction. In the same provision, the mayor may likewise suspend or revoke a permit for any violation of the conditions upon which the same had been issued, pursuant to law or ordinance. In effect, the municipal governments, thru its chief executive, are endowed with the authority to exercise police power. Further, in the case of *Roble Arrastre, Inc. vs. Villaflor*, G.R. No. 128509<sup>83</sup>, the Supreme Court explained that a mayor's permit is to be issued to any businesses put up within its jurisdiction and to any activity conducted therein.

In the Consultancy Contract, the address of the Consortium is at 18F World Centre Building, 330 Sen. Gil Puyat Avenue, Makati. However, prior to the 23 November 2022 hearing, Senate personnel visited Global ComRCI's declared address at the 18<sup>th</sup> Floor of World Centre Building, Sen. Gil Puyat Avenue, Makati, only to discover that the occupant of the office spaces is Comfac Global Group (CGG). According to the Senate personnel, CGG occupies the whole 18th floor as the only door at the 18<sup>th</sup> floor belongs to CGG. Further, **the Business Permits Office of the City of Makati also issued a certification on January 9, 2023 that Global COMRCI and Global COMRCI, Inc. are non-registered entities in its jurisdiction.**

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<sup>83</sup> Dated August 22, 2006.





On the other hand, two letters from the Third-Party Auditor Global ComRCI addressed to PAGCOR dated October 14, 2022 and October 18, 2022 show that the former's address is at 39F, Century Peak Tower, Sta. Monica Street, Ermita, Manila. During the 4<sup>th</sup> Public Hearing, Ms. Jackie Lou Rivera testified that she has personally inspected the office of Global ComRCI in Manila in 39F Century Peak Tower and found out that it is not fully operational. We quote below the relevant portion of the TSN:

***MS. RIVERA:*** *When we went there, sir, they are still transferring other equipment from their other office, sir, because they just recently transferred in Ermita.*

***THE CHAIRPERSON (SEN. DELA ROSA):*** *When was that, ma'am? When was that?*

***MS. RIVERA:*** *I will just check my phone, sir. I think I have—November 29, 2022, sir.*

***THE CHAIRPERSON (SEN. DELA ROSA):*** *Ano iyong sinabi mo? They are still transferring iyong kanilang mga gamit?*

***MS. RIVERA:*** *Yes, sir, because previously, their registered office was in Goodland in Makati, sir. And then, they transferred here in Ermita."*

Meanwhile, on November 22, 2022 and December 15, 2022, Senate personnel visited Global ComRCI's office in Century Peak Tower, Sta. Monica Street, Ermita, Manila but were not allowed entry into the building.

On November 22, 2022, Senate staff were denied entry by security personnel who claimed that no employee of Global ComRCI is onsite.

On December 15, 2022, Senate staff were again denied entry by security personnel due to the alleged ongoing electrical works at the 39th floor of Century Peak Tower. Maurice Abodia, Global ComRCI Compliance Manager, informed Senate personnel during a phone call that Global ComRCI employees are remotely working because of the alleged electrical issue. Abodia assured the Committee's representatives that they may visit Global ComRCI office after 2 weeks. Abodia likewise confirmed that the office at the 39th Floor of Century Peak Tower in Manila is their only office."

It must be pointed out on the third try, Senate staff were again denied entry when they came back on January 20, 2023. Hence, the Senate staff called Mr. Abodia. He explained that their personnel were currently on remote work due to ongoing electrical repairs at their office premises, citing the same reason given during the December 15, 2022 visit.



To make things worse, **there is no business permit, building permit, occupancy permit, and renovation permit issued to the Third-**

**Party Auditor as certified by the Bureau of Permits as signed by Atty. Katrina Abad on January 16, 2023, and Office of the Building Official signed by Mr. Joselito C. Hogar on the same date, respectively, from City of Manila.**

In an attempt to locate the whereabouts of the operations of the Third-Party Auditor, Senate personnel also went to the registered address of Global ComRCI, Inc. (member of the Consortium with the same name as the Consortium) #27 St. Thomas Street, Don Bosco Village, Parañaque City and Block 13, Lot 14, St. Thomas Street, Don Bosco Village, Parañaque City. On various dates in October and November 2022, Senate personnel personally visited Myoho Renge's office and observed that at both daytime and nighttime the alleged office space had no business activity. They likewise observed that Don Bosco Village is a residential community and that Myoho Renge's 3-storey building is about 2 kilometers or 13-15 minutes away by car from the area's main road, Doña Soledad Avenue.



Further, in its letter dated January 12, 2023, the City of Paranaque certified that while there is business permit under the name of Myoho Renge Copy Inc., in its letter dated January 13, 2023, Engr. Mary Jane A. Badillo of the Office of City Building Official of City of Paranaque certified that no

building permit and occupancy permit has been issued to the Third-Party Auditor Global ComRCI.

The City of Paranaque has also submitted its inspection report outlining the following observations as regards the office of Myoho Renge Copy Inc.:

- a. The structure is a 2-storey building.
- b. No person was available to talk to at the time of inspection.
- c. Neighbors (one of them a former employee) said there was no business operation since last year. There were no business activities at the time of inspection.
- d. The ground floor appears to be a storage area, and a "garage sale" notice was posted on the wall.
- e. Per Don Bosco Village Administrator (Ms. Rachel Dacuro), few people come to the site every morning.

**Based on the foregoing, the operations and whereabouts of the Third-Party Auditor Global ComRCI cannot be located.**

#### **7. The 2018 COA Audit Report Flagged Down the Inaccuracy of the Gross Gaming Revenue as Determined by the Third-Party Auditor**

In 2018, the Third-Party Auditor made erroneous billings against some POGOs which prompted the Commission on Audit ("COA") to flag down PAGCOR, stating in its Management Letter dated June 13, 2022 that the Third-Party Auditor made inaccurate determination of the gross gaming revenue of some POGOs, to wit:

*"as a result of the inaccurate billing reports from the Third-Party audit platform service provider, the Management admittedly billed the subject POGOs with inaccurate amounts and these were recognized as income in CY 2018, and were subjected to the five per cent franchise tax, mandatory contributions and dividends to the National Government".*

This enormous error amounting to Seven Hundred Seventeen Million One Hundred Thirty-One Thousand Pesos (PHP 717.131 million) contradicts its obligation in the contract that the Third-Party audit platform guarantees "that the online audits of gaming operations of POGO operators are complete and fully accurate, providing for the necessary redundancies in the event of system failure. It shall also guarantee that the audit program shall be able to ascertain in near real time PAGCOR's GGR".

**Based on the foregoing, it is clear that the Third-Party Auditor Global ComRCI is not technically capable to conduct the Third-Party audit of POGOs.**

#### **8. The Members of the Consortium Did Not Even Recognize Their Investment in the Consortium in Their Audited Financial Investments**

International Financial Reporting Standards (IFRS) 11 governs the accounting for joint ventures. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture should recognize its share in assets, liabilities, revenues, and expenses in relation to its interest in a joint venture. Nowhere in the definition is it required that the joint venture should be incorporated and formally organized.

The financial statements of Comfac Corporation indicated large sums of money marked as "Advances to Consortium". Per the notes to the 2020 Audited Financial Statements of Comfac Corp., the line item Advances to the Consortium are for the salaries and wages, systems and hardware, and other expenses necessary for the Consortium to operate.

<b>Year</b>	<b>Advances to Consortium</b>
2018	PHP118,462,056.00
2019	PHP151,815,550.00
2020	PHP247,591,000.00

In other words, Comfac Corp. while recognized advances to consortium, did not recognize its interest in the Consortium.

**Based on a cursory reading of the Audited Financial Statements of the members of the Global ComRCI Consortium, the members failed to disclose their share in assets, liabilities, revenues, and expenses in their respective audited financial statements contrary to the requirement of IFRS 11.**

#### **D. PAGCOR's Failure of Regulation**

##### **1. The Mandate of PAGCOR as Gaming Regulator and Gaming Operator**

As mentioned above, PAGCOR is a 100% government-owned and controlled corporation ("GOCC") under the Office of the President. Under its Charter, PAGCOR was given a three-pronged mandate:

- a. **Regulate, operate,** authorize and license games of chance, games of cards and games of numbers, particularly casino gaming in the Philippines;
- b. Generate revenues for the Philippine government's socio-civic and national development programs; and
- c. Help promote the Philippine tourism industry.

PAGCOR operates ten (10) casino branches in major cities across the country's three major islands. Collectively called Casino Filipino ("CF"), these branches are strategically located in areas that are popular tourist destinations, namely:

Metro Manila	Luzon	Visayas & Mindanao
CF Malate CF Manila Bay CF Ronquillo	CF Angeles CF Ilocos Norte CF Tagaytay	CF Bacolod CF Cebu CF Davao CF Iloilo

Further, it also operates thirty-two (32) satellite casinos in major cities, namely:

Metro Manila	Luzon	Visayas & Mindanao
Binondo Citystate Grandz Caloocan Kartini Madison Malabon Manila Grand Opera Midas Networld Pan Pacific Sofitel Tropicana Las Piñas Tropicana Sta. Mesa	Biñan Calamba Capital Carmona Cauayan Greenery Leisure World Oriental Pavilion Paseo Sta. Rosa San Pedro Subic Venecia	Apo View Crown Regency Fuente Osmeña Gensen Iloilo Mactan Mactan Isla Opol Parkmall Tagum Talisay

Regulators may fail to design clear, consistent, and fit-for-purpose regulation (whether it is a regulatory instrument or even a full regulatory system). This could result from information challenges such as a lack of information about the problem to be regulated, information asymmetries between regulators and regulatees, or ambiguity in the original legislation. A regulatory 'error of commission' may occur when regulators introduce the wrong regulation based on flawed information. A regulatory 'error of

omission' may occur when they do not introduce regulation because they lack information.

Regulatory failure is likely to occur when the agency in charge lacks the infrastructure, the power, or both to enforce regulation. Likewise, regulatory failure may result from the wrong sort of implementation. For example, a too coercive stance in implementation may run the risk of animosity on the side of regulatees and a diminished willingness to comply, yet a too cooperative stance may result in regulatees learning how to roll with the punches and get away with non-compliance.

While the dual role of regulator and operator may have worked well for PAGCOR in the past. The advent of digitalization, coupled with the international obligation to monitor the movement of illegal capital, and avert disaster, is pushing PAGCOR toward a different and difficult situation. The fact that it has to contract a third-party audit platform to determine the GGR of POGOs is a telltale sign that on its own, its professional and technical assets are unable to do the job.

As manifested by Senator Joel Villanueva during the public hearing on October 3, 2022, PAGCOR's dual role as regulator and operator is questionable. Below is Senator Villanueva's point:

**SEN. VILLANUEVA.**

example, Mr. President, PAGCOR is not just a regulator, PAGCOR is an operator. Perhaps, it is the only—we are the only country in the world na mayroong State regulator/operator. Baka it is about time we look into it.

## **2. PAGCOR lacks knowledge about the industry it regulates**

As exposed during the hearings, while PAGCOR has submitted a POGO Industry Road Map, it failed to explain the basis of the said Road Map. When asked about industry specific questions such as jurisdictions allowing similar online gaming operations, worldwide gross revenues from online gaming operations, and government's best practices in regulating online gaming operators, PAGCOR failed to answer and in fact demonstrated its lack of in-depth knowledge about the industry. We quote below the exchanges with PAGCOR on this topic during the 3<sup>rd</sup> Public Hearing, dated November 23, 2022:

***"THE CHAIRPERSON (SEN. GATCHALIAN):*** Thank you, Senator Bato. We are currently talking about the roadmap. So,

*I am trying to break down the components of the roadmap to understand the potential and the future of POGO. In terms of global revenue, what is—we will go back to the market share. So, in ASEAN, you plan to take 100 percent of the market share because we are the only ones allowing it, tama?*

**MR. TAN:** Yes, Mr. Chair.

**THE CHAIRPERSON (SEN. GATCHALIAN):** But globally, are we the only ones allowing it also globally?

**MR. TAN:** No, Mr. Chair. There are other jurisdictions that allow offshore gaming operations. However, **we do not have comparative data on how much—**

**THE CHAIRPERSON (SEN. GATCHALIAN):** Which countries are those? You have to know the industry, hindi ba? I mean, you're PAGCOR, you plan to attract POGO to come to our country, you plan to increase revenue by 10 billion so you must know the industry very well. You must know where to attract it, what is the potential, who are our competitors, what type of tax regime are they offering vis-à-vis our tax regime. So which countries are those?

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**THE CHAIRPERSON (SEN. GATCHALIAN):** Sige. So, in terms of global market share, what market share is PAGCOR aiming to take? Do we have a target?

**MR. TAN:** Mr. Chair, as far as the global market, we do not have data on that, on how much market share the Philippines or PAGCOR aims to take care, Mr. Chair.

**THE CHAIRPERSON (SEN. GATCHALIAN):** Okay. From a global standpoint, how much revenue is POGO generating, from a global standpoint so we know the potential, hindi ba? Just like business process outsourcing, there is a global value to it in terms of revenue. So, from a global standpoint, how much is POGO generating?

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**MS. RIVERA:** We have a summary of the total gross gaming revenue here. And based on the summary, sir, for 2018, the gross gaming revenue was at \$2.3 billion; for 2019, \$3.9 billion; and for 2020, \$1.167 billion; 2021, 549 million—

**THE CHAIRPERSON (SEN. GATCHALIAN):** This is global?



**MS. RIVERA:** *This is the GGR, sir, that was mirrored to our Third-Party.*

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**THE CHAIRPERSON (SEN. GATCHALIAN):** *Yes, I know. But ano iyong global GGR ng POGO, iyong global GGR? Siyempre, dapat alam natin iyong merkado, hindi ba?*

**MS. RIVERA:** *We only have the data that was mirrored to our Third-Party, sir.*

**THE CHAIRPERSON (SEN. GATCHALIAN):** *Yes, I know. I know that.*

**MS. RIVERA:** *Opo.*

**THE CHAIRPERSON (SEN. GATCHALIAN):** *But I am asking you from an industry standpoint. I want to understand the industry. When you plan to grow this industry, you should understand where to grow it and how to grow it. So, how big is the global GGR, to make it simple, the Gross Gaming Revenue? Do we have that data? Wala tayong data noon? All right. We go back to the revenues—target, 2027, 10 billion. In terms of employment, how many employees can POGO generate with that 10 billion revenue? Mayroon ba tayo noon? Siyempre, hindi lang naman kita, we have to also look at employment generation, hindi ba? If we are going to grow that 10 billion, puro Chinese naman, puro foreigner, then what is the use? So, how many jobs are we going to create with that 10 billion revenue?*

**MR. TAN:** *Sir, we will have to check our data from the 2018 years. But that's the number of employees that we are projecting for 2027, Your Honor, Mr. Chair.*

**THE CHAIRPERSON (SEN. GATCHALIAN):** *Yes. But do we have the corresponding jobs that we will create with the—10.2 billion ang target ninyo. I guess wala rin tayo. What I am driving at, we are trying to understand the industry, that is what I am driving at. That is why—alam ko naman na itong ginawa ninyo is really for compliance purposes but this is toilet paper, to be honest about it. Without all of those data, we do not understand this industry. We do not even understand the potential of this industry. So, you plan to increase revenue by 10 billion but you do not know where to get it. Hindi ninyo alam kung ilang POGO ba sa buong mundo. You do not know the revenues. So, we are just going to allow them to continue but you yourself, you do*

*not understand the industry. So kung hindi ninyo naintindihan, hindi rin namin maintindihan. So that is what I am driving at. That is why we are asking all of these questions so that we will understand the nature of this business. So that is what I am driving at. I asked this last time, the source of revenue. Let's go now domestic, balik tayo sa Philippines because globally, I do not think you can answer." [Underscoring supplied]*

**A regulator who does not know the industry it regulates is nothing more than the best evidence to prove PAGCOR's incompetence that led to its failure to properly discharge its mandate to regulate games of chance or in this case, online gaming.**

### **3. PAGCOR failed to act on the recommendation of AMLC to revoke the licenses of 6 non-cooperative POGOs**

PAGCOR also failed to regulate the POGOs with Offshore Gaming Licensees which are non-compliant with the issuances of the Anti-Money Laundering Council. PAGCOR has not acted on the recommendation of the Anti-Money Laundering Council<sup>1</sup>. Stated in its position paper, AMLC says that "POGOs *per se* were not specifically identified in the Financial Action Task Force International Cooperation Review Group ("FATF-ICRG") Action Plan wherein the compliance to observed items to be implemented would end in January 2023. However, POGOs belong to Designated Non-Financial Businesses and Professions ("DNFBPs"), and as such, the AMLC conducted compliance checking on 27 POGOs between 2020 and 2022. The results of the compliance checking showed that:

- a. 20 entities were rated 1 "grossly inadequate"<sup>2</sup>;
- b. 1 entity was rated 2 (vulnerable)<sup>3</sup>; and
- c. 6 entities were considered as non-cooperative

The 20 POGOs that were rated grossly inadequate and were required to submit action plans to address the deficiencies noted in the examination and further required to submit quarterly status updates on the action plan. The POGO that was rated vulnerable was required to submit action plans to address the deficiencies noted in the examination and further required to submit semi-annual updates.

Based on the foregoing report, AMLC **revoked** the AMLC registration of 6 **non-cooperative** POGOs, published their names in the AMLC website on April 21, 2022<sup>4</sup> under the non-cooperative section, and **asked PAGCOR to revoke their license**. These are:

- a. MG Universal Link Limited ("MG Universal")
- b. Inner Strong Limited ("Inner Strong")
- c. Smarc Group International Limited ("Smarc")
- d. New Wave Infotech Ltd. ("New Wave")

- e. Shaw Global Leisure Limited ("Shaw Global")
- f. Winherld Entertainment World Limited ("Winherld")

Of the foregoing list, MG Universal, Smarc, New Wave, Shaw Global, and Winherld are still part of the PAGCOR list of licensed POGOs as of January 9, 2023, almost nine (9) months after AMLC recommended to PAGCOR the revocation of their license.

It is instructive to note that according to PAGCOR's Offshore Gaming Regulatory Manual, "the PAGCOR Board of Directors may suspend an Offshore Gaming License upon receipt of a complaint or information if the Licensee fails to comply with any of the provisions set forth in the Manual." Thus, the refusal of the licensees to cooperate with the AMLC is a clear violation of Regulation No. 10 which states that "[a]ll POGO Licensees and accredited Service Providers shall comply with the provisions set forth in the Casino Implementing Rules and Regulations of Republic Act No. 10927. Accordingly, they shall comply with documentary requirements as may be required by the Anti-Money Laundering Council, and its equivalent regulating unit in PAGCOR, such as but not limited to a Money Laundering Prevention Program ("MLPP)." This only shows that PAGCOR deliberately disregarded its own rules as laid down in its Manual because of conflict of interest.

**Based on the foregoing, it is clear that PAGCOR disregarded its own rules when it did not act on the recommendation of AMLC to revoke the licenses of the foregoing POGOs.**

#### **4. PAGCOR failed to revoke the licenses of the Accredited Service Providers who are involved in crimes**

During the Fourth Public Hearing on January 23, 2023, it was found out that PAGCOR did not act upon the Privilege Speech of Senator Poe last December 14, 2022 on the kidnapping case involving Brickhartz Technology Inc. and Moa Cloudzone Corporation. Both corporations are PAGCOR Accredited Service Providers. We quote below the Privilege Speech of Senator Poe:

*"Dinala ang biktima sa isang hindi pa natutukoy na lugar sa Cavite kung saan may mga Chinese-looking individuals na gusto siyang bilhin sa halagang P320,000. Nakiusap ang biktima sa isa sa mga buyer kung puwede siyang bilhin para makawala siya sa mga kidnapper at pagkatapos ay tawagan na lamang ang kaniyang kapatid na magbabayad para tubusin siya. Naawa ang buyer dahil sa kalunos-lunos na kalagayan ng biktima na puro pasa at sugat kaya binili siya at dinala sa isang POGO dorm sa ShuangMa Industrial Park sa Molino Boulevard, Bacoor, Cavite.*

*Hindi pa rito nagtatapos ang kalbaryo ng biktima dahil pagdating niya sa naturang POGO dorm ay mistulang ibebenta raw siya ulit. Agad-agad na tinubos ng kaniyang brother-in-law ang biktima sa halagang P250,000 doon mismo sa POGO dorm na iyon.*

*Marami pa raw ibang biktima ang naroon. The victim's family is willing to coordinate with the authorities on this. Noong tsinek (check) namin sa PAGCOR list of legitimate POGOs as of October 6, lumalabas na isang **Brickhartz Technology, Inc.** ang nag-o-operate sa ShuangMa Industrial Park kung saan nakuha ang biktima.*

*Upon further checking, mayroon na palang na-rescue ang PNP Anti-Kidnapping Group sa parehas na POGO company nito lang October 30 na biktima rin ng kidnapping, identified only as Mr. Pan of Yongping, China.*

*Hindi lamang iyan, in another news article last September 30, 23 Myanmar and 6 Chinese nationals, employees of **MOA Cloud Zone Corporation**, were rescued by police and social workers. This was upon information of two Myanmar nationals turned over by the same POGO company, Brickhartz Technology." [Emphasis supplied]*

It was revealed during the said Public Hearing that PAGCOR merely imposed that a USD10,000.00 penalty to the said Accredited Service Providers despite the detention of the 3 Chinese nationals involved in the crime. We quote below the transcript of PAGCOR's explanation:

**"THE CHAIRPERSON (SEN. GATCHALIAN):** *How much is the penalty?*

**MS. FERNANDEZ:** *US\$10,000, Mr. Chair.*

**THE CHAIRPERSON (SEN. GATCHALIAN):** *So, ₱500,000? US\$10,000? So, ₱500,000 ang penalty niya and the penalty is because they are connected to a criminal activity. Is that correct?*

**MS. FERNANDEZ:** *There is a report, Mr. Chair, that there is a criminal activity that has transpired in—*

**THE CHAIRPERSON (SEN. GATCHALIAN):** *But they're still operating.*

**MS. FERNANDEZ:** *Yes, Mr. Chair.*

**THE CHAIRPERSON (SEN. GATCHALIAN):** So, do you think the ₱500,000 will deter them from doing this again?

**MS. FERNANDEZ:** Mr. Chair, I don't think so. That is why po, we will be doing this.

**THE CHAIRPERSON (SEN. GATCHALIAN):** Bakit hindi pa sila pinapaalis?

**MS. FERNANDEZ:** Gagawin po namin ito lahat, Mr. Chair. As mentioned po by Atty. Consolacion, I have just gotten this appointment in this department.

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**MR. CONSOLACION:** Mr. Chair, we apologize for that, but the reason why Atty. Jessa got involved in POGO in OGLD is the reorganization of the department. The old one was sidelined because of these issues and Atty. Jessa was appointed just last week.

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**THE CHAIRPERSON (SEN. GATCHALIAN):** I don't accept the reason that because Atty. Jessa is new, you have a reorganization. That a crime that was perpetuated last month, December 14, in particular, after 30 days, more than 30 days, nothing is happening. The same people are operating, the same entities are still accredited by PAGCOR and you are just telling us that you just fined them ₱500,000 hoping that they will change morally.

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**MR. CONSOLACION:** That is the very reason, Your Honor, that the old—

**THE CHAIRPERSON (SEN. GATCHALIAN):** And then, you sent us a position paper saying that, "Let's continue with PAGCOR and regulate them." Do you think this is effective regulation? So, honestly, sabihin ninyo sa amin, is this effective regulation? After 30 days, wala kayong ginawa?

**MR. CONSOLACION:** That is the very reason, Your Honor, that the former head was sidelined, and he eventually resigned from his position. Nakukulangan ho si chairman sa aksiyon niya so—

**THE CHAIRPERSON (SEN. GATCHALIAN):** *Yes, pati ngayon nakukulangan pa rin kami.* [Underscoring supplied]

**Without a doubt, based on the admissions made during the 4th Public Hearing, PAGCOR again failed to regulate the involved Accredited Service Providers and has not revoked their licenses.**

#### **E. Lack of Effective Inter-Agency Coordination**

Section 25 of the Tax Code, as amended provides that for the efficient assessment, verification, and administration of taxes imposed therein, an inter-agency collaboration composed of the BI, DOLE, BIR, SEC, PAGCOR, and any special economic zone authority, tourism zone authority, freeport authority, as provided for in their respective charters, shall issue joint and consolidated rules and regulations for the implementation of free and efficient exchange of information among the said agencies in relation to the proper payment of taxes by POGOs, their employees and service providers. Moreover, the data sharing and reporting system as well as the joint inspection team created under Joint Memorandum Circular No, 1, Series of 2019, entitled, "Rules and Procedures Governing Foreign Nationals Intending to Work in the Philippines" was institutionalized.

It was noted, however, that the said inter-agency task force has not been actively and/or effectively pursuing its mandate, or fully utilized, as evidenced by the lack of coordination in addressing the crime incidents. This lack of information sharing was highlighted during the October 3 and October 11, 2022 public hearings upon the inquiry of Senator Villanueva and Senator Pimentel from the PNP.

The lack of inter-agency coordination is also evidenced by the absence of a Joint Memorandum Circular where in PAGCOR should at least report to DOLE and/or BI the list of POGOs whose "authority to operate" was revoked or cancelled. This will compel BI and DOLE to conduct appropriate action regarding the 9(g) visas and AEPs of foreign nationals working on the said POGOs.

**Based on the foregoing discussion, it is glaring that PAGCOR, BIR, DOLE, SEC and BI failed to establish an inter-agency cooperation much less an effective one, in violation of Section 25 of R.A. No. 11590.**

#### **F. BIR's Failure to Comply with the Reporting Requirements under R.A. No. 11590**

Section 10 of R.A. No. 11590 mandates the BIR to submit a report to Congress within three (3) months from the effectivity of the Act, and every three (3) months thereafter. The said report should contain all pertinent information, including but not limited to, reports by the Third-Party auditors and collection performance data of all

offshore gaming licensees, for review of the same for possible adjustment of rates and any other matter pertinent to the taxation of PAGCOR.

Since the law took effect on October 8, 2021 and until the conclusion of the investigation of the Committees, the BIR has not submitted through the Committee on Ways and Means of both houses of Congress, reports pertinent to the subject matter. Specifically, the Senate Committee on Ways and Means has not received any report pertinent to POGO operations as required by law.

### **III. Synthesis of Findings and Conclusion**

#### ***A. There's a demand for offshore gaming and the Philippines filled in the gap via POGOs***

1. It is widely known that the Chinese have a penchant for gambling, tracing its roots to ancient China where it was an accepted social activity. Other than welfare lottery and sports lottery, any form of gambling is illegal in China, and the prohibition applies to all its citizens wherever they are around the globe.
2. But the demand was real even among non-Chinese, and offshore gaming came about to cater to online gamblers. However, many jurisdictions have restrictive legislative regulations and religious proscriptions, and lack attractive infrastructure, making the Philippines stand out as a viable option.

#### ***B. Economic benefits from POGOs were overrated, moderate, erratic***

1. On September 2021, Congress effectively legalized POGOs predicated on a substantial revenue forecast that would allocate sixty percent (60%) of tax collections for the Universal Health Care program (60%), Health Facilities Enhancement Program (20%), and attainment of Sustainable Development Goals (20%).
2. Official revenue data showed, however, that tax collection from POGOs have been very moderate, its share to total BIR collections pegged at only 0.23% in 2019, 0.29% in 2020, 0.14% in 2021, and 0.21% for the months of January to September 2022. Its GVA as a percentage of GDP, represented by real estate rentals (office and housing), facilities management cost, fit-out cost, transportation, insurance, social contributions, salaries and expenditures, ranged only from 0.59%-0.73% in 2019, and from 0.28% to 0.34% in 2022.

#### ***C. Social costs outweigh economic benefits***

1. Stakeholders in both government and the private sector are in unison on the need to quantify both the economic benefits and social costs of the

whole gamut of POGO operations – from the gaming licensees to their service providers, to the allied industries and communities that host them. As a declared policy under R.A. No. 11590, the State has been clear in its policy pronouncement that revenues generated from legal gambling are not a sustainable source of income, and that the State, while recognizing legal forms of gambling, including offshore gaming, does not endorse such activity (Section 1, R.A. No. 11590).

2. It was clear from thereon that the State stood to gain economically from the burgeoning POGO industry – gaming tax, corporate and individual income taxes, value-added taxes, local government permits, fees and charges, increased demand for residential, office and commercial spaces, mushrooming of allied industries such as transportation, food and hospitality, job creation for direct and indirect employees, and the corporate gains of PAGCOR and CEZA that issued the licenses to POGOs, their service providers, and gaming agents.
3. Despite the firm position of the People’s Republic of China whereby Chinese law bans its citizens from engaging in "any form of gambling" including online and those that are based overseas but cater to Chinese nationals, POGOs flourished with 63 licensees under PAGCOR alone. With COVID-19 lockdowns and community quarantines from 2020 to 2021, however, the backdrop changed drastically.
4. The surge in criminal activities in 2022 such as kidnapping, illegal detention, prostitution, and money laundering directly pinpointing to POGOs found their way back to Congress as part of its oversight function, which is now pressed to balance the pendulum between the economic gains *vis-à-vis* the social costs attributed to criminal and illegal activities spurred by POGOs.
5. The DOF, BIR and NEDA – or the economic managers of our country – admit that quantifying actual and perceived social costs is ostensibly difficult, and chose instead to quantify economic losses assuming POGOs cease operations in the country *vis-à-vis* the economic benefits from their continued stay.
6. The Executive Department, Congress, and the private sector thinktanks agree that in terms of revenue production, POGOs contribute only roughly less than 1-percent of the GDP, post-COVID-19, although higher prior to the lockdowns and community quarantines.
7. While admittedly social costs may not be calculated with sheer accuracy and completeness, majority of the stakeholders agree that criminalities – related to POGO operations and activities – make the Philippines less attractive as an investment and tourism destination, and that reputational risk and integrity hurt the economy in the long term.



#### ***D. POGO business model inherently flawed***

1. We have established that for a business model to thrive, it should achieve two (2) purposes, namely, creating value for a customer, and capturing some of this value for the operator.
2. Given that the principal customer's country of origin bans all forms of gambling, and has consistently expressed its policy in various fora, the POGO business model stands on loose ground, so to speak. As such, the second factor – capturing value (that is, revenue) – will not be sustainably realized once the first factor crumbles.
3. Moreover, as gambling is inherently attracted and attached to various forms of criminality, the POGO business model is not consistent with overall government policy enunciated under the *Ambisyon Natin 2040* Philippine Roadmap for economic security and personal safety. We also stand to lose our credibility and good standing in the community of nations, and the flow of investments much needed for growth and development.

#### ***E. Third-Party Auditor's lack of credibility not worth the gamble***

1. PAGCOR failed to present documents that would establish with certainty that Global COMRCI met the requirements for a third-party audit platform under R.A. No. 11590. The law's clear provisions state that the third-party audit platform should be independent, reputable, internationally-known, and duly accredited as such by accrediting or similar agency recognized by industry experts. This situation is an offshoot of the failure of PAGCOR to conduct a new bid when the law was passed and took effect on October 8, 2021.
2. Based on documents submitted by PAGCOR, the consortium has no international certification and that PAGCOR did not adequately conduct due diligence and verification of its claim on previous similar contracts.
3. The members of the consortium, particularly Highweb Trade Ltd. and Myoho Renge Copy, Inc., did not meet the minimum 10-year corporate existence and experience in the same line of business (that is, offshore gaming third-party audit).
4. The consortium as a whole did not meet the minimum One Billion Pesos (P1 billion) capitalization as required under the contract's TOR.
5. Global COMRCI as the consortium has no corporate registration. But in 2019, Global Myoho Renge Copy, Inc. was renamed as Global COMRCI, thereby clouding the consortium's legal personality.

6. The physical infrastructures housing Comfac Corp. and Myoho Renge Copy, Inc. ("Global COMRCI") are not compatible with the purported business activity as third-party audit platform where massive computer systems are supposed to be installed for the monitoring of POGO GGR.
7. The certification by the Business Permits Office of the City Government of Makati that Global COMRCI (the consortium) and Global COMRCI, Inc. (the renamed "Global Myoho Renge Copy, Inc.") are **non-registered entities** therein is a clear indication of unlawful conduct of business, and lack of credible standing.

***F. Gambling Regulator and Operator: PAGCOR's regulatory failure due to conflict of interest***

1. PAGCOR has not developed a POGO industry road map despite regulating the said industry for the past five (5) years. It has no in-depth knowledge of how the offshore/online gaming industry operates and fully relies on the Third-Party Auditor to determine the GGR of POGO entities.
2. Despite AMLC's recommendations to revoke the license of non-cooperative POGOs, PAGCOR has not acted on it, letting the erring POGOs on its active list of authorized operators.
3. PAGCOR has not acted on reported POGO-related crimes, with involved POGOs still in the active authorized list of operators.
4. This dual role of gambling regulator and gaming operator has put PAGCOR in a bind such that as gambling regulator it has to police erring POGO licensees. Doing so however, PAGCOR will not be able to generate income from the GGR of affected licensees, thereby affecting its goal to generate revenues for the government's socio-civic and national development programs, and to help promote the Philippine tourism industry.

***G. POGOs and Third-Party Auditor have underpaid their tax obligations***

1. Legally operating POGOs and the members of the consortium ("Comfac Corp." and "Global Myoho Renge Copy, Inc.") have understated their tax liabilities as shown by the grossly differentiated grossed up GGR vis-à-vis the gross gaming tax paid, as well as the very low declared income tax payments based on submitted financial reports.
2. Illegally operating POGOs are understandably not paying taxes, including that of their employees.

#### ***H. Administrative omission and lack of inter-agency cooperation***

1. Despite the provision of inter-agency coordination and information sharing under R.A. No. 11590, the said agencies have not been consistently and actively working together, as shown by the numerous criminal incidents involving POGOs, and as manifested during the public hearings.
2. Moreover, the BIR has been remiss in its obligation under R.A. No. 11590 to submit reports to Congress three (3) months after the effectivity of the Act, and every 3 months thereafter. Absent this negligence, Congress could have performed its oversight function.

#### ***I. Sans POGOs, Philippine economy will continue to thrive***

1. Premises considered, the Joint Committees believe that even without POGOs, the Philippine economy will continue to thrive. Growth and development may be easier to achieve when domestic and foreign investors are confident that they are able to engage in investment opportunities and associated intermediation channels in an economy that poses no or very minimal risk to their investment.
2. A business model that is hinged on a politically-fired up variable will not be able to stand its ground. When that variable is taken out of the equation, the business model crumbles.
3. In re-creating a Philippine economy minus POGOs as source of income, the government needs to lay down transitory mechanisms, such as employment of affected Filipino nationals, winding down the operations of POGO service providers consonant to BIR and LGU regulations on the closing of business enterprises, lease contracts with commercial and residential owners, proper cancellation of visa for affected foreign national employees, and their subsequent deportation to their country of origin.

### **IV. Recommendations**

The Committees submit the following alternative courses of action to address the problems besetting the POGO operations and activities. These policy directions include the following:

- A. To urge the Executive Department and call the concerned government agencies to work on the gradual phase-out of POGOs within three (3) months from the approval of this Committee Report, with the end in view of laying out transitory mechanisms, such as, employment of affected Filipino nationals, winding down the operations of POGO service providers pertaining to BIR and LGU regulations on the closing of business enterprises, lease contracts with commercial and residential owners, proper cancellation of visa for affected foreign national employees, and their subsequent deportation to their country of origin. After

the lapse of the 3-month period, the total ban on POGO operations and related activities in our country is being sought.

- B. To urge Congress to pass legislation that would separate the functions of regulation from operation in PAGCOR's Charter. It is recommended that a new entity be created to perform solely regulatory functions, authorization and licensing of games of chance and other forms of gambling, while PAGCOR will continue solely as a gambling operator.
- C. On the matter of non-payment of taxes by the Third-Party Auditor, POGO licensees and their service providers, the BIR is directed to review their tax liabilities, and subsequently report to the Congressional Oversight Committee created under R.A. No. 8424 or the Tax Code, on the action taken thereof, particularly on the amount that BIR was able to collect and subsequently can be used to finance other priority development projects and programs in GAA unprogrammed funds.
- D. To direct the Department of Labor and Employment ("DOLE") to look for alternative employment placements for Filipino nationals employed by POGOs taking into account their skills and capabilities with the possibility of being absorbed by other industries such as IT-BPOs and manufacturing through proper coordination.
- E. On the issue of malfeasance or misfeasance, as culled from the documents obtained by the Committees, particularly on the awarding of contract to the third-party auditor, it is referred to the Committee on Accountability of Public Officers and Investigations ("Blue Ribbon"), submitting thereto this Committee Report and other pertinent materials such as submitted documents, transcript of public hearings, and financial statements for the Blue Ribbon's appropriate action.
- F. The adoption of a Resolution urging the Executive Department to cease the operation of POGOs within three (3) months from the approval of this Committee Report with the end in view of upholding the safety of the Filipino people, and to sustain the path to growth and development consistent with the administration's economic reforms.

Finally, together with this Committee Report are Charts (Annex "A") and Tables (Annex "B") of submitted data, and the summary of Position Papers submitted to the Joint Committees and testified to during the public hearings (Annex "C"), and made an integral part of this Committee Report.

**SEN. RONALD "BATO" DELA ROSA**  
Chairperson, Committee on Public  
Order and Dangerous and Drugs

  
**SEN. WIN GATCHALIAN**  
Chairperson, Committee on Ways  
and Means

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Chart 1

**Process Flow for Applications for Philippine-based Operator**

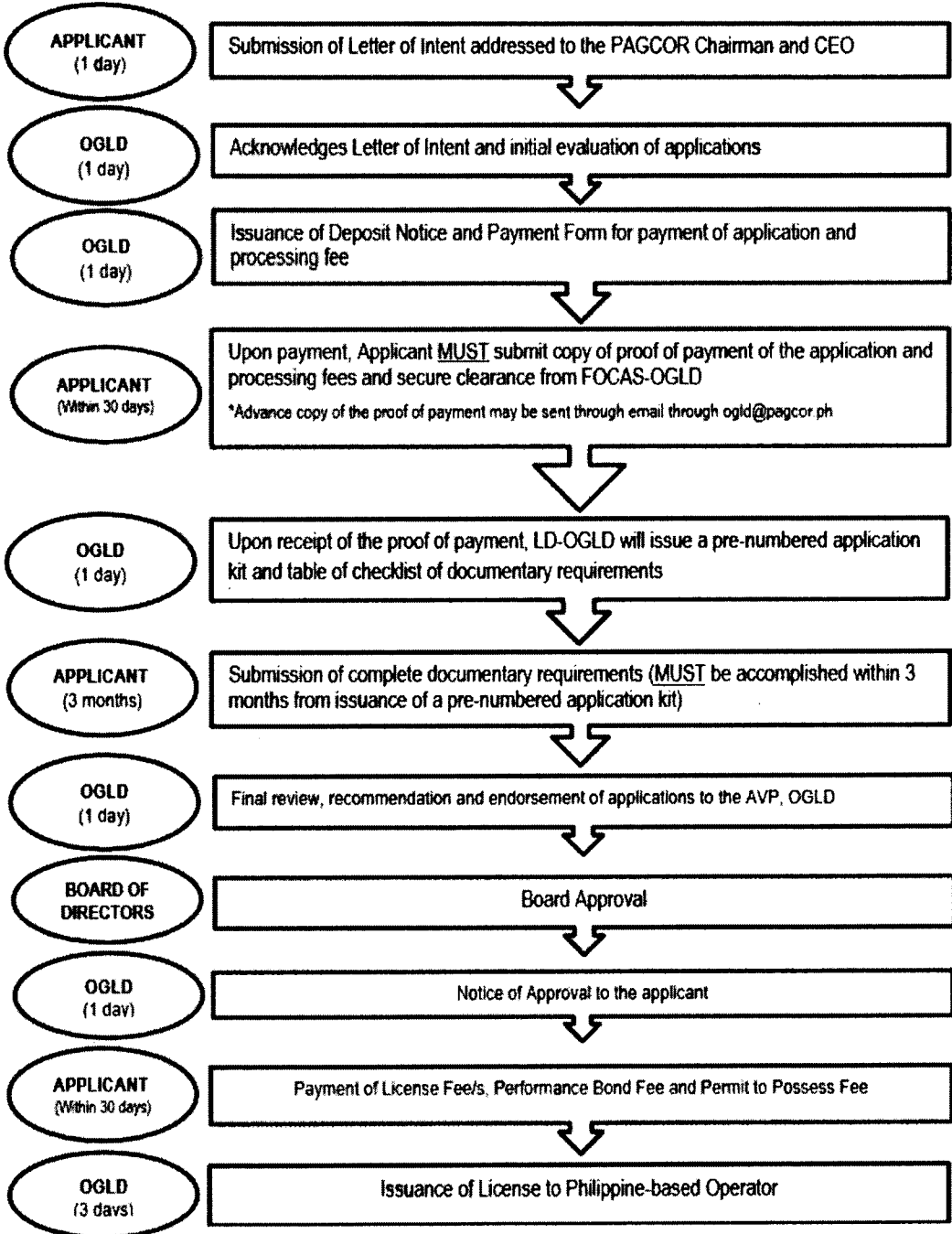
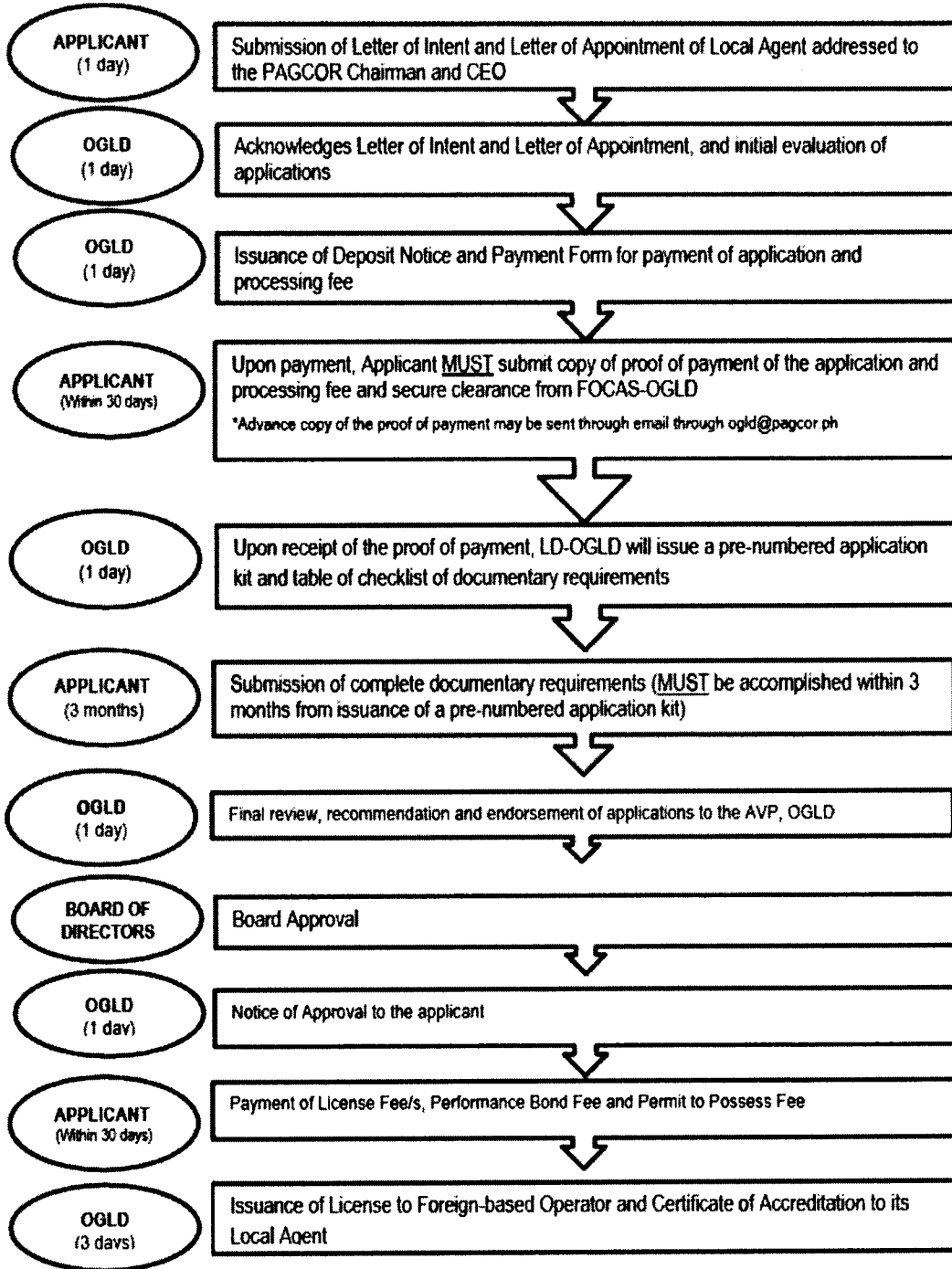


Chart 2

**Process Flow for Applications for Foreign-based Operator**



**Table 1. Types of Application and Application Fees  
In US Dollars**

Type of Application	Applicable Fees			
	Application & Processing Fees	License Fee	Performance / Security Bond (One-time fee)	Renewal Fee
<b>License and/or Accreditation per year</b>				
Offshore Gaming License	e-Casino: 50,000.00  Sports betting: 40,000.00	e-Casino: 200,000.00  Sports betting: 150,000.00 (one-time payment)	e-Casino/ Sports betting: 300,000.00	e-Casino: 50,000.00  Sports betting: 40,000.00
Local Agent Accreditation	20,000.00			20,000.00
Special Class BPO	100,000.00		50,000.00	100,000.00
Customer Relations Services Provider	50,000.00			50,000.00
Live Studio and Streaming Provider	40,000.00			40,000.00
IT Support Provider	20,000.00			20,000.00
Strategic Support Service Provider	20,000.00			20,000.00
Gaming Software/ Platform Provider	40,000.00			40,000.00
Additional operating site	10,000.00			



Type of Application	Applicable Fees			
	Application & Processing Fees	License Fee	Performance / Security Bond (One-time fee)	Renewal Fee
<b>License and/or Accreditation per year</b>				
to a building other than that of existing site				
Additional operating site to a building with an existing operating site	3,000.00			3,000.00
Transfer of operating site to a building other than of the existing site	10,000.00 (per transfer)			
Transfer of operating site to a building with an existing operating site	3,000.00 (per transfer)			
Reprinting fee	3,000.00			
Certified True Copy	100.00			
<b>Accreditation valid for 3 years</b>				
Probity Checker Accreditation	4,500.00		5,000.00	4,500.00
Gaming Laboratory Accreditation	3,000.00		5,000.00	3,000.00
Training Program Provider	3,000.00		10,000.00	3,000.00
<b>Offshore Gaming Employment License</b>				
Filipino Nationals and regular employees with work visa (9G,		PHP1,000.00		PHP1,000.00

Type of Application	Applicable Fees			
	Application & Processing Fees	License Fee	Performance / Security Bond (One-time fee)	Renewal Fee
<b>License and/or Accreditation per year</b>				
Sec.13A, TRV, SRRV, and Permanent Visa)				
Provisional OGEL for holders of Provisional Work Permit		PHP500.00		
Reprinting	PHP500.00			
<b>Others:</b>				
Shipment Clearance	PHP1,000.00			

Note:

- a. For Live Studio Providers, the Permit to Possess ("PTP) is USD 100,000.00 and its validity is coterminous with the accreditation and may be renewed thereafter. To apply for the use of the PTP in additional sites, the rates for additional site/floor fee shall apply.
- b. Service Providers are to be classified and charged according to the type of service that they conduct on per venue basis.
- c. Local Agent is only for representation of the Offshore Company. Any other activity performed by the Local Agent in relation to the Offshore Gaming operation shall be charged and registered accordingly.
- d. The Probity Checker, Gaming Laboratory and Training Program Provider Accreditation for application shall be valid for three (3) years and renewable thereafter every three (3) years.

**Table 2. Regulatory Fees (2017-2022)**

Year	Amount
2017	\$ 61,846,810.58
2018	\$ 115,778,172.24
2019	\$ 110,919,022.41
2020	\$ 93,530,804.54
2021	\$ 52,431,684.68
Jan – Sept 2022	\$ 28,496,066.85
<b>TOTAL</b>	<b>\$ 463,002,561.30</b>

*Note: Unpaid amount as of Oct. 20, 2022 is \$43,586,807.48*  
Source: PAGCOR position paper dated November 14, 2022

**Table 3. Number of POGO Operators and Employees  
2019 to June 2022**

Particulars	2019	2020	2021	2022
Total number of POGO employees:	<u>118,239</u>	<u>51,638</u>	<u>27,846</u>	<u>47,488</u>
Foreign Nationals	97,283	33,488	12,905	22,789
Filipino Nationals	20,956	18,150	14,941	24,699
Number of licensed operators	63	53	38	34

Source: DOLE, PAGCOR


**Table 4**

**PHILIPPINE AMUSEMENT AND GAMING CORPORATION  
OFFSHORE GAMING LICENSING DEPARTMENT**


**Manpower Count per Nationality as of December 31, 2022**

Nationality	Number	PERCENTAGE
FILIPINO	24,699	52.01%
CHINESE	10,745	22.63%
VIETNAMESE	5,085	10.71%
INDONESIAN	2,571	5.41%
MALAYSIAN	1,497	3.15%
MYANMAR	877	1.85%
TAIWANESE	728	1.53%
THAILANDER	516	1.09%
KOREAN	460	0.97%
OTHERS	310	0.65%
<b>TOTAL</b>	<b>47,488</b>	<b>100.00%</b>

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**Table 5**  
**Revenue from POGOs as a Share of Total PAGCOR Revenue**  
**2017-2022 (in Million PHP)**

<b>Particulars</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022 (Jan to Aug. 31)</b>	<b>Total</b>
PAGCOR Revenue from POGOs	3,929.8	7,618.6	8,022.0	5,279.9	3,466.6	2,152.8	30,469.6
Total PAGCOR Revenue	60,162.1	104,665.2	81,980.7	36,006.4	35,485.0	36,909.1*	355,208.5
<b>Share to PAGCOR Total Revenue</b>	<b>6.5%</b>	<b>7.3%</b>	<b>9.8%</b>	<b>14.7%</b>	<b>9.8%</b>	<b>5.8%</b>	<b>8.6%</b>

*Source: PAGCOR per submissions dated Oct. 6 and Nov. 15, 2022.*

*\*as of August 31, 2022*

**Table 6**  
**Total Tax Collected from POGOs as a Share of Total Tax Revenue**  
**2018-2022 (in Million PHP)**

Tax Types	2018	2019	2020	2021			2022 (Jan to Sep)
				Pre-POGO Law	POGO Law	Total	
Income Tax	421.9	644.1	695.5	247.7	89.7	337.4	335.6
Business Tax Value Added Tax	53.3	90.8	132.7	26.8	5.3	32.1	19.7
Percentage Tax	0.0	0.3	3.3	0.0	0.0	0.0	0.0
Franchise Tax/Gaming Tax	500.5	106.1	877.6	352.9	409.9	762.8	1,623.4
Withholding Taxes							
Compensation	1,306.6	2,766.1	2,953.3	1,110.1	143.2	1,253.3	235.0
Final	51.7	1,459.9	916.9	289.0	392.6	681.6	2,210.1
Expanded	491.9	849.5	964.6	569.5	130.0	699.4	451.5
Others	8.2	63.3	107.5	58.9	43.6	102.5	174.4
Documentary Stamp Tax	37.5	81.1	44.5	22.0	3.3	25.4	8.3
Others	13.1	363.0	486.2	9.5	5.0	14.4	8.0
Total Tax Collected from POGOs	2,384.7	6,424.2	7,182.0	2,686.4	1,222.6	3,909.0	5,066.2
Total Tax Revenue	2,742,721	2,827,651	2,504,421			2,742,721	2,384,815
<b>Share to Total Tax Revenue</b>	<b>0.09%</b>	<b>0.23%</b>	<b>0.29%</b>			<b>0.14%</b>	<b>0.21%</b>

Sources: BIR submission dated October 7, 2022 and Cash Operations Report of the Bureau of Treasury

**Table 7**  
**Direct and Indirect Benefits from POGO vs GDP**  
**(in Billion PHP)**

<b>Particulars</b>	<b>Value</b>	<b>Source</b>
<b>Total Benefits</b>	<b>134.86</b>	
<b>Total Direct Benefits</b>	<b>64.61</b>	
Corporate income taxes (CIT) from POGOs	0.34	BIR
Personal consumption of POGO employees	6.56	DOF estimates
Personal income taxes (PIT) from POGO employees	2.74	BIR
Income from office space rentals	16.63	Lee Chiu, DOF estimates
Value-added tax (VAT) from office space rentals	2.27	DOF estimates
Income from housing space rentals	25.17	Lee Chiu, DOF estimates
VAT from housing space rentals	3.43	DOF estimates
Other taxes (LBT, franchise, DST)	0.83	BIR
Revenues from PAGCOR	3.50	PAGCOR
Transportation	3.09	DOF estimates
Insurance	0.05	DOF estimates
<b>Total Indirect Benefits</b>	<b>70.25</b>	
Fiscal multiplier (CIT, PIT, VAT, other taxes)	27.67	PSA, DOF estimates
Public Administration and Defense; Compulsory social security multiplier	2.50	PSA, DOF estimates
Rental and leasing activities multiplier	40.08	PSA, DOF estimates
<b>Gross Domestic Product (GDP)*</b>	<b>19,410.57</b>	PSA
<b>Total Benefits in % of GDP</b>	<b>0.7%</b>	

*Source: Department of Finance submission dated Oct. 27, 2022 and Philippine Statistics Authority (PSA).*

**Table 8**  
**Contribution of POGOs to the Philippine Economy**  
**in 2019 and 2022**

(In Billion PHP)

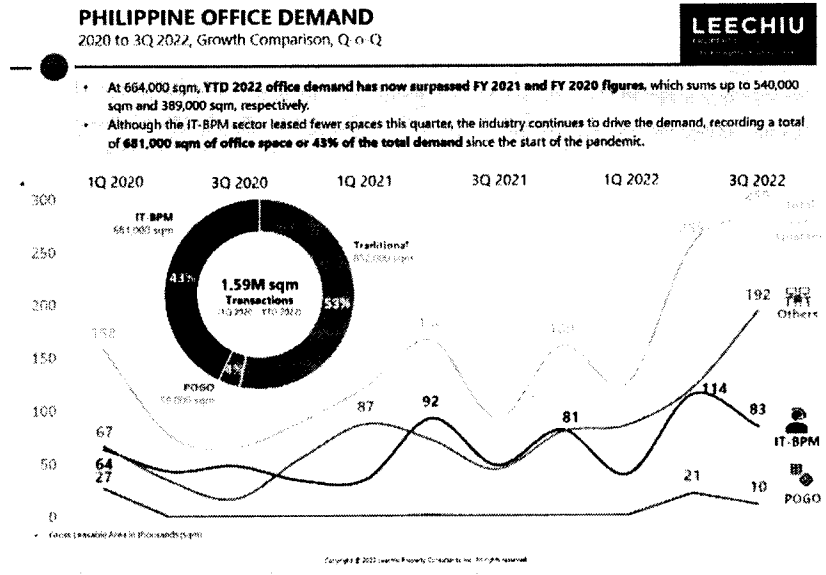
<b>Item</b>	<b>2019</b>	<b>2022</b>
<b><i>Operating Expense</i></b>		
Real Estate Rental	11.0	8.1
Housing Rental	36.0	28.6
Facilities Management Cost	0.3	0.3
Fitout Costs	8.8	5.3
<b><i>Employee Support</i></b>		
Transportation	5.1	0.9
Insurance	2.7	0.8
Social Contributions (Employee, Employer, for all Employees)	4.1	2.0
Salaries and Resulting Expenditure (Filipino)	6.1	5.0
Salaries and Resulting Expenditure (Foreigner)	39.3	7.3
<b>TOTAL (in billion pesos)</b>	<b>113.3</b>	<b>58.3</b>
Gross Value Added (GVA)	114.19 to 142.50	60.92 to 74.85
Gross Domestic Product (GDP)	19,517.86	21,824.38
<b><i>GVA in % of GDP</i></b>	<b>0.59 to 0.73</b>	<b>0.28 to 0.34</b>
<i>Source: NEDA estimates per submissions dated Nov. 7, 2022 and Jan. 3, 2023.</i>		

**Table 9**  
**Gross Gaming Revenue (GGR), by Year**

Year	Gross Gaming Revenue
2018	\$2,300,351,664.35
2019	\$3,592,875,926.28
2020	\$1,167,372,801.22
2021	\$549,915,944.01
Jan to Sep 2022	\$600,169,425.68
Total	\$8,210,685,761.56

Source: PAGCOR data submitted on November 15, 2022

**Figure 1.**



**3Q 2022 DEMAND PROFILE**  
By Industry and Location

**LEECHIU**  
PROPERTY CONSULTANTS

Source: Lee Chiu Property Consultants' Presentation



**Table 10**

**POGO RELATED INCIDENTS  
By Offense**  
Period Covered: January 1, 2017 to September 30, 2022

PROs	TOTAL NR OF CASE	OFFENSE COMMITTED																						
		Access Devices Regulation Act of 1998	ANTI-TRAFFICKING IN PERSONS	Forcible Abduction	HOMICIDE	ILLEGAL DETENTION	KFR	KIDNAPPING AND SERIOUS ILLEGAL DETENTION	LESS SERIOUS PHYSICAL INJURIES	Violation of RA 9165	SERIOUS PHYSICAL INJURIES	Violation RA 9298 otherwise known as SRC of the Philippines (Investment Scam)	Qualified Theft	Theft	RA 9202	Recovery of Alleged Kidnap Victim	ROBBERY	Robbery Extortion	ROBBERY WITH SERIOUS PHYSICAL INJURIES	SLIGHT PHYSICAL INJURIES AND MALTREATMENT	SWINDLING (ESTAF)	GAME COERCIONS	SLIGHT ILLEGAL DETENTION	
3	4	0	0	0	0	1	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	1
4A	8	0	3	0	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	0	0	0	0	1
NCRPO	35	0	0	1	1	0	4	7	1	1	0	4	1	1	0	5	1	1	1	1	1	2	3	
AKG	28	0	0	0	0	26	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	
CIDG	15	13	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	
WCPC	9	0	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>TOTAL</b>	<b>99</b>	<b>13</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>30</b>	<b>10</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>5</b>		

Source: CIRAS, PROs & NSUs as of September 30, 2022

**Table 11**

**POGO RELATED INCIDENTS  
Suspects Nationality**  
Period Covered: January 1, 2017 to September 30, 2022

UNIT/ OFFICES	TOTAL NR OF SUSPECTS	SUSPECT NATIONALITY							SUSPECT STATUS					
		Unidentified	Chinese	Vietnamese	Filipino	Malaysian	Korean	Thai	Indonesian	Arrested	At-large	Released/ On-bail	Killed	TOTAL
PRO 3	11		1		9	1				3	4	4		11
PRO 4A	18		13		5	0				7	11			18
NCRPO	93	1	64		26	1		1	54	15	24			93
AKG	61	15	33		11	1		1	16	39	3	3		61
CIDG	429		428							5	424			429
WCPC	18	3	10	1	2		2			18				18
<b>TOTAL</b>	<b>630</b>	<b>19</b>	<b>549</b>	<b>1</b>	<b>53</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>80</b>	<b>92</b>	<b>455</b>	<b>3</b>	<b>630</b>	

Source: CIRAS, PROs & NSUs as of September 30, 2022

**Table 12**  
**Cost-Benefit Analysis of POGOs, in PHP Billion**

	Value	Source
Total costs <sup>1</sup>	143.30	
Total direct economic costs	65.77	
Additional cost for law enforcement and immigration	0.40	DBM, DOF estimates
Estimated decrease in FDI due to crime	26.23	Okafor & Ede study and DOF estimates
Estimated decrease in inbound tourism revenues due to crime	28.62	PSA, DOF estimates
Estimated decrease in FDI due to corruption perception	10.13	Karim, DOF estimates
Estimated decrease in inbound tourism revenues due to corruption perception	0.39	Assaf & Josiassen study, World Bank, PSA, DOF estimates
Total indirect economic costs	77.53	
Overall economy multiplier (foregone investments due to crime, foregone revenues from tourism, law enforcement/immigration)	37.50	PSA, DOF estimates
Tourism industry multiplier	40.03	PSA, DOF estimates
Social costs		
Direct loss of life		
Direct physical and psychological harm to victims		
Legal		
Indirect social fear and anxiety		
Transfer of economic power from the market, government, and citizens to criminals		
Negative effects of erosion of institutional integrity		
Total benefits	134.86	
Total direct benefits	64.61	
Corporate income taxes (CIT) from POGOs	034	BIR
Personal consumption of POGO employees	6.56	DOF estimates
Personal income taxes (PIT) from	2.74	BIR

<sup>1</sup> Costs in the analysis include key items but are not yet exhaustive (e.g., not including indirect costs of the negative effect to Filipinos of being crowded out of rental housing due to increase in housing and office rental prices due to POGOs, etc.)

	Value	Source
POGO Employees		
Income from office space rentals	16.63	Leechiu, DOF estimates
Value-added tax (VAT) from office space rentals	2.27	DOF estimates
Income from housing space rentals	25.17	Leechiu, DOF estimates
VAT from housing space rentals	3.43	DOF estimates
Other taxes (LBT, franchise, DST)	0.83	BIR
Revenues from PAGCOR	3.50	PAGCOR
Transportation	3.09	DOF estimates
Insurance	0.05	DOF estimates
Total indirect benefits	70.25	
Fiscal multiplier (CIT, PIT, VAT, other taxes)	27.67	PSA, DOF estimates
Public Administration and Defense; Compulsory social security multiplier	2.50	PSA, DOF estimates
Rental and leasing activities multiplier	40.08	PSA, DOF estimates
Net benefit (cost)	(8.44)	
Benefit-cost ratio	0.94	
Net benefit (cost) as percent of 2021 GDP	(0.04%)	

Notes:

- a. Social costs are difficult to quantify. There is no financial amount that can be easily assigned to the life and dignity of direct victims of human trafficking, prostitution, and kidnapping. In addition, there are indirect social costs such as heightened social fear and anxiety which are also difficult to quantify.
- b. The multipliers used were based on the 2018 Input-Output table from the Philippine Statistics Authority (PSA).
  - a. Fiscal multiplier: 3.88; Economy-wide: 2.02; Tourism industry: 2.38<sup>2</sup>
  - b. Public Administration and Defense; Compulsory social security multiplier: 1.71
  - c. Rental and leasing activities multiplier: 1.96

*Source: DOF position paper dated October 27, 2022.*

<sup>2</sup> Weighted average of multipliers of the following industries: Tourist buses and cars including chartered and rent-a-car; Public utility cars and taxicab operation; Jeepney and other land transport services; Water transport; Air transport; Short term accommodation activities; Travel agency, tour operator, reservation service and related activities.

**TABLE 13**  
**GLOBAL COMRCI CONSULTANCY FEES**  
As of October 31, 2022

<b>DATE</b>	<b>APV NUMBER</b>	<b>PARTICULARS</b>	<b>GROSS AMOUNT</b>	<b>WITHHOLDING TAX</b>
8/23/2018	1808316	APRIL TO JUNE 2018	48,258,578.65	7,238,786.77
10/09/2018	1810038	JULY 2018	26,022,322.26	3,903,348.34
10/10/2018	1810093	AUGUST 2018	10,215,365.42	1,532,304.85
11/15/2018	1811341	SEPTEMBER 2018	28,954,400.33	4,343,160.01
12/18/2018	1812562	OCTOBER 2018	41,182,757.08	6,177,413.55
12/27/2018	1812757	NOVEMBER 2018	15,160,110.26	2,274,016.56
02/20/2019	1901550	DECEMBER 2018	44,418,719.38	6,662,807.93
04/02/2019	1902900	JANUARY 2019	24,636,539.51	3,695,480.94
05/29/2019	1904539	FEBRUARY 2019	23,229,650.61	3,484,447.62
06/25/2019	1905368	MARCH 2019	44,510,120.12	6,676,518.02
07/31/2019	1907240	APRIL 2019	24,966,862.50	3,745,029.39
07/31/2019	1907259	MAY 2019	34,499,082.67	5,174,862.42
09/02/2019	1908513	JUNE 2019	29,289,321.23	4,393,398.15
09/18/2019	1909064	JULY 2019	37,453,909.11	5,618,086.40
10/23/2019	1911167	AUGUST 2019	33,293,373.79	4,994,006.09
11/28/2019	1913580	SEPTEMBER 2019	33,177,316.12	4,976,597.40
12/19/2019	1914213	OCTOBER 2019	104,782,207.90	15,717,331.20
01/31/2020	2001183	NOVEMBER 2019	33,810,625.98	5,071,593.93
02/28/2020	2002146	DECEMBER 2019	42,729,654.04	6,409,448.10
03/31/2020	2002813	JANUARY 2020	45,899,270.57	6,884,890.59
04/29/2020	2002814	FEBRUARY 2020	42,718,339.72	6,407,750.98
05/31/2020	2002950	MARCH 2020	20,057,321.50	3,008,598.21
06/26/2020	2003286	ADJUSTMENT JUL 2018 - AUG 2020	17,643,831.74	2,646,574.74
08/03/2020	2003814	APRIL 2020	20,191,039.46	3,028,655.90
08/03/2020	2003878	MAY 2020	10,805,149.89	1,620,772.46

12/18/2020	2006439	ADJUSTMENT APR 2018 - MAY 2020	2,339,505.34	350,925.81
03/25/2021	2101668	ADJUSTMENT APR 2018 - MAR 2020	1,765,311.04	264,796.67
<b>TOTAL</b>			<b>842,010,686.22</b>	<b>126,301,603.03</b>

*Source: PAGCOR data submission dated December 1, 2022.*

## **Facts, Figures, and Stakeholders' Position**

### **1. Resolutions**

As an offshoot of the hearing conducted by the Committee on Public Order and Dangerous Drugs chaired by Sen. Ronald "Bato" Dela Rosa on September 15, 2022 where POGO-related crimes were exposed and discussed, three (3) separate resolutions were filed that directed the Committees on Ways and Means, and Public Order and Dangerous Drugs to conduct an investigation on the government's revenues from the implementation of Republic Act No. 11590, and the economic and social costs of POGOs in the country. The following are the resolutions referred primarily to the Committee on Ways and Means, and secondarily to the Committee on Public Order and Dangerous Drugs, namely:

**Senate Resolution No. 225**, or "Resolution Directing the Committee on Ways and Means and Other Appropriate Committee/s of the Senate to Conduct an Inquiry, in Aid of Legislation on the Revenues Generated by the Government from Philippine Offshore Gaming Operators (POGOs) vis-à-vis the Social Costs Attendant to the Operation of POGOs in the Country" introduced by Sen. Joel Villanueva;

**Senate Resolution No. 227**, or "Resolution Directing the Appropriate Senate Committee to Conduct an Inquiry, in Aid of Legislation, on the Government's Revenue Collection from the Implementation of Republic Act No. 11590 and the Economic and Social Costs Incurred by the Government in Addressing Crimes Related to the Philippine Offshore Gaming Operations Industry" introduced by Sen. Win Gatchalian; and

**Senate Resolution No. 229**, or "Resolution Expressing the Sense of the Senate of the Need to Evaluate the Existence of Philippine Offshore Gaming Operators (POGOs) in the Country in Light of the Social Costs that Outweigh the Reported Economic Gains from Its Operations" introduced by Sen. Grace Poe.

### **2. Hearings Conducted**

The Committee on Ways and Means, joint with the Committee on Public Order and Dangerous Drugs, conducted four (4) public hearings on the matter on October 3 and 11, November 23, 2022, and January 23, 2023, respectively.

The focus of the hearings centered on the economic impact of the POGO industry as well as the oversight functions of the Committee relative to the implementation of RA No. 11590.

### 3. Resource Persons

The three (3) public hearings conducted by the Committees were attended physically and virtually by resource persons from the government, private sector, research think tanks, economists, and non-government organizations. The following were the resource persons who attended the public hearings:

#### a. Government

- Department of Finance (DOF)
- Bureau of Internal Revenue (BIR)
- Philippine Amusement and Gaming Corporation (PAGCOR)
- Department of Labor and Employment (DOLE)
- Board of Investments (BOI)
- National Economic and Development Authority (NEDA)
- Cagayan Economic Zone Authority (CEZA)
- Bureau of Immigration (BI)
- Anti-Money Laundering Council (AMLC)
- Fiscal Incentives Review Board (FIRB)
- Securities and Exchange Commission (SEC)
- Department of Interior and Local Government (DILG)
- Commission on Audit (COA)
- Philippine National Police (PNP)
- National Bureau of Investigation (NBI)
- Commission on Human Rights (CHR)
- Department of Information and Communications Technology (DICT)
- Pasay City LGU

#### b. Private Sector

- Global ComRCI
- The Law Firm of de Guzman, Leynes, Rivera and Partners
- Bongco and Frez Law Offices
- Oriental Game Limited
- Speed Quality Tech, Inc.
- Leechiu Property Consultants, Inc.

#### c. Economists/ Academe/ Research

- Former DOF Secretary Margarito Teves
- Research Colliers
- Philippine Institute for Development Studies (PIDS)

#### d. Non-Government Organizations

- Association of Service Providers and POGOs (ASPAP)
- Federation of Filipino Chinese Chamber of Commerce and Industry, Inc. (FFCCCII)
- Philippine Chinese Chamber of Commerce and Industry (PCCCI)

#### 4. Summary of Facts, Figures and Stakeholders' Position

Hereto is the capsulized format of position papers and presentations submitted to the Committees, and testified to during the public hearings:

##### Department of Finance (October 3, 2022)

"The POGO sector, on the average, accounts for 0.03 percent of our Gross Domestic Product (GDP) from 2021 until August 2022, equivalent to PHP 4.20 billion in monetary terms. The actual revenues collected from POGOs based on submissions from the Bureau of Internal Revenue are the following:

##### Total Revenue Collection from POGOs

Year	Revenue Collection (in PHP billion)	As % of GDP
2021	3.91	0.02
2022 (January-August)	4.48	0.03
Average	4.20	0.03

While POGO revenues contribute to the government coffers, these come at significant costs to the economy. Studies on the POGO industry have shown that POGO operations involve illegal activities such as prostitution, employment of minors, and violation of labor laws. Moreover, reports from our PNP point to POGO-related crimes, of which kidnapping appears to be the most prevalent. All these pose a reputational risk for the Philippines that can affect our business and investment climate.

- a. Social costs are inherently difficult to quantify, particularly those that go beyond direct victims and heightened social fear. What is clear is that these social costs affect investor perception, and foreign direct investment decisions.
- b. In a study conducted by the Anti-Money Laundering Council (AMLC), the AMLC reported that POGO and its service providers are highly vulnerable to money laundering. Given that financial transactions of internet-based casinos are generally remittance-based and non-cash, regulators and authorities have limited access to their transactions, making POGO operations highly risky and susceptible to abuse. This can frustrate the government's efforts to get out of the Financial Action Task Force grey list by January 2023.

POGO's modest contribution to the economy does not outweigh the social costs of its continued operations, especially that there is an alarming increase in undesirable criminal activities in the POGO sector. Moreover, as the industry remains illegal in



China, we incur greater reputational risk by allowing them to operate in the Philippines.

We have softened the ground for foreign direct investments to come in through the economic liberalization measures and by modernizing our tax incentives system through the economic liberalization measures and by modernizing our tax incentives system through the CREATE Act. It is time to pursue investments that will create value and high-quality jobs for our people, in line with our vision of an inclusive and sustainable economic development.”

Department of Finance (October 10, 2022)

“The monetary values of social costs are difficult to compute. There is no financial amount that can be easily assigned to the life and dignity of direct victims of human trafficking, prostitution, and kidnapping. In addition, there are indirect social costs such as heightened social fear and anxiety which are also difficult to quantify. These social costs affect investor perceptions, which can lead to negative consequences such as loss of current and potential investments, jobs, and revenues.

The best estimate of the economic cost of these social problems would be the amount of additional resources needed by our law enforcement, such as the PNP, to completely prevent and eliminate the social costs brought about by POGO-related crimes without forgoing or compromising their other functions. The incurred costs by the PNP would continue to increase as the incidence of these crimes rises.

Several studies have shown that high crime rates negatively affect foreign direct investments (FDI) and the general economy. For example, a study which analyzed FDI flows across Indonesian provinces found that for every 10% increase in total crime incidence per 100,000 people, FDI inflow is expected to decrease by almost 1%, holding all other factors constant.

Using the regression results from the Organisation for Economic Co-operation and Development (OECD) panel data, the estimated investment losses for the Philippines due to an increase in the kidnapping rate associated with POGO could be about PHP 200.3 billion in 2021.

In a study conducted by the AMLC, the AMLC reported that POGO and its service providers are highly vulnerable to money laundering. Given that financial transactions of internet-based gambling activities are generally remittance-based and non-cash, regulators and authorities have limited access to its transactions, making it highly susceptible to abuse and offense.

We acknowledge the economic contributions of the POGO industry which has seen a significant decline since its peak in 2020.

## POGO Operators and Employees, 2019 to 2022

	2019	2020	2021	January to June 2022
Total number of POGO employees	118,239	42,385	30,583	34,245
Foreign Nationals	97,283	28,394	14,838	17,509
Filipinos	20,956	13,991	15,745	16,736
No. of licensed operators	63	53	38	34

Source: DOLE, PAGCOR

## Revenue and Tax Collection from POGOs, in PHP Billion

Year	PAGCOR Revenue Collections	% Change	BIR Tax Collections	% Change	Total Collections	% of GDP
September – December 2016	0.66	-	-	-	0.66	0.01
2017	3.93	495%	-	-	3.93	0.02
2018	7.62	94%	2.38	-	10.00	0.01
2019	8.02	5%	6.42	170%	14.44	0.03
2020	5.28	-34%	7.18	12%	12.46	0.04
2021	3.47	-34%	3.91	-46%	7.38	0.02
January – July 2022	1.70	-51%	3.90	-0.3%	5.60	0.05

Source: PAGCOR, BIR

**Note:** PAGCOR revenue collections comprise the regulatory and other related fees collected. BIR tax collections comprise income, business, franchise, withholding, documentary stamp, and other taxes.

In summary, we believe that the enumerated social and economic costs of POGOs outweigh the economic benefits they bring. There is no acceptable amount of money in exchange for widespread kidnapping, prostitution, trafficking, and other forms of criminality brought about by the existence of POGOs. In addition, the continued tolerance of the POGO industry causes greater reputational risk to the country, most especially when the industry remains illegal in China. Reputational risks include dire consequences such as loss of potential investors, jobs and heightened scrutiny by other governments of our domestic regulatory and law enforcement mechanisms. We cannot afford to lose the needed productive investments and their accompanying revenues, which we believe can be gained from positive business perceptions, especially at a time when the country is gearing towards full economic recovery.”

Department of Finance (October 27, 2022)

"The direct taxes collected from POGO operations is valued at PHP 3.9 billion in 2021. Adding the estimated indirect taxes, which include value-added tax (VAT) attributable to the consumption of POGO sector operators and employees, and other taxes, the total taxes collected from POGO operations is at PHP 17.8 billion annually.

Direct and Indirect Taxes Collected from POGOs, in PHP Billion

	Value
<b>Direct taxes</b>	<b>3.9</b>
Corporate income taxes (CIT) from operators**	0.3
Personal income taxes (PIT) from POGO employees**	2.7
Other taxes (LBT, franchise, DST)**	0.8
<b>Indirect taxes</b>	<b>13.9</b>
Estimated VATA from office space rentals*	2.3
Estimated VAT from housing space rentals*	3.4
Estimated VAT from personal consumption of POGO employees**	8.2
<b>Total</b>	<b>17.8</b>

Sources: Leechiu Property Consultants\*, BIR\*\*, DOF estimates

- a. We also acknowledged other non-tax benefits accruing from the operations of the POGO sector, particularly benefits to the real estate sector. According to statements of Leechiu Property Consultants, the benefits to the real estate sector from the presence of POGOs amounted to PHP 18.9 billion in income from office space rentals and PHP 28.6 billion in income from residential space rentals, for a total of PHP 47.5 billion annually. Other non-tax benefits include transportation and insurance provided to POGO employees.
- b. However, we estimate that these economic benefits are outweighed by the economic costs. We estimate the net cost of POGO operations annually to be at around PHP 8.4 billion or 0.04 percent of GDP.

Cost-benefit Analysis of POGOs, in PHP Billion

	Value	Source
Total costs <sup>3</sup>	143.30	
Total direct economic costs	65.77	
Additional cost for law enforcement and immigration	0.40	DBM, DOF estimates

<sup>3</sup> Costs in the analysis include key items but are not yet exhaustive (e.g., not including indirect costs of the negative effect to Filipinos of being crowded out of rental housing due to increase in housing and office rental prices due to POGOs, etc.)

	Value	Source
Estimated decrease in FDI due to crime	26.23	Okafor & Ede study and DOF estimates
Estimated decrease in inbound tourism revenues due to crime	28.62	PSA, DOF estimates
Estimated decrease in FDI due to corruption perception	10.13	Karim, DOF estimates
Estimated decrease in inbound tourism revenues due to corruption perception	0.39	Assaf & Josiassen study, World Bank, PSA, DOF estimates
Total indirect economic costs	77.53	
Overall economy multiplier (foregone investments due to crime, foregone revenues from tourism, law enforcement/immigration)	37.50	PSA, DOF estimates
Tourism industry multiplier	40.03	PSA, DOF estimates
Social costs		
Direct loss of life		
Direct physical and psychological harm to victims		
Legal		
Indirect social fear and anxiety		
Transfer of economic power from the market, government, and citizens to criminals		
Negative effects of erosion of institutional integrity		
Total benefits	134.86	
Total direct benefits	64.61	
Corporate income taxes (CIT) from POGOs	034	BIR
Personal consumption of POGO employees	6.56	DOF estimates
Personal income taxes (PIT) from POGO employees	2.74	BIR
Income from office space rentals	16.63	Leechiu, DOF estimates
Value-added tax (VAT) from office space rentals	2.27	DOF estimates
Income from housing space rentals	25.17	Leechiu, DOF estimates
VAT from housing space rentals	3.43	DOF estimates

	Value	Source
Other taxes (LBT, franchise, DST)	0.83	BIR
Revenues from PAGCOR	3.50	PAGCOR
Transportation	3.09	DOF estimates
Insurance	0.05	DOF estimates
Total indirect benefits	70.25	
Fiscal multiplier (CIT, PIT, VAT, other taxes)	27.67	PSA, DOF estimates
Public Administration and Defense; Compulsory social security multiplier	2.50	PSA, DOF estimates
Rental and leasing activities multiplier	40.08	PSA, DOF estimates
Net benefit (cost)	(8.44)	
Benefit-cost ratio	0.94	
Net benefit (cost) as percent of 2021 GDP	(0.04%)	

Notes:

- c. Social costs are difficult to quantify. There is no financial amount that can be easily assigned to the life and dignity of direct victims of human trafficking, prostitution, and kidnapping. In addition, there are indirect social costs such as heightened social fear and anxiety which are also difficult to quantify.
- d. The multipliers used were based on the 2018 Input-Output table from the Philippine Statistics Authority (PSA).
  - a. Fiscal multiplier: 3.88
  - b. Economy-wide: 2.02
  - c. Tourism industry: 2.38<sup>4</sup>
  - d. Public Administration and Defense; Compulsory social security multiplier: 1.71
  - e. Rental and leasing activities multiplier: 1.96
- c. In addition to the estimated economic costs of POGOs, the government is unable to collect taxes from reported illegal employees and operators. According to the Bureau of Immigration (BI) and the Department of Justice (DOJ), there are at least 48,782 illegal POGO workers<sup>5</sup> and 216 illegal POGOs

<sup>4</sup> Weighted average of multipliers of the following industries: Tourist buses and cars including chartered and rent-a-car; Public utility cars and taxicab operation; Jeepney and other land transport services; Water transport; Air transport; Short term accommodation activities; Travel agency, tour operator, reservation service and related activities.

<sup>5</sup> Bureau of Immigration (2022) "Press release"  
[https://immigration.gov.ph/images/News/2022\\_Yr/10\\_Oct/2022Oct02\\_Press.pdf](https://immigration.gov.ph/images/News/2022_Yr/10_Oct/2022Oct02_Press.pdf)

in the country.<sup>6</sup> This translates to around PHP 12 billion in forgone revenues for the government.

#### Forgone Revenues from Illegal POGOs, in PHP Billion

	Value
Forgone revenue from illegal employees	7.32
Forgone revenues from illegal operators	3.16
PAGCOR revenue losses from illegal POGOs	1.47
<b>Total forgone revenues</b>	<b>11.95</b>

Sources: BI, DOJ, PAGCOR, and DOF estimates

Note: The detailed assumptions and methodology can be found in Annex C of the position paper.

- d. At its peak in 2019, the POGO industry employed 97,283 foreign nationals or around 82.3 percent of its total workforce. As of June 2022, however, this share dropped to 51.1 percent of the total workforce.

#### POGO Sector Operators and Employees, 2019 to 2022

	2019	2020	2021	January to June 2022
Total number of POGO employees	118,239	42,385	30,583	34,245
Foreign Nationals	97,283	28,394	14,838	17,509
Share of foreign nationals (%)	82.3	67.0	48.5	51.1
Filipinos	20,956	13,991	15,745	16,736
Share of Filipinos (%)	17.7	33.0	51.5	48.9
No. of licensed operators	63	53	38	34

Source: DOLE, PAGCOR

- e. The BI is set to cancel the visas of 48,782 Chinese and other foreign nationals who are working for POGO. We note that this number is greater than the total number of legal POGO employees by 42 percent.

<sup>6</sup>Casilao, J (2022) "Remulla: Philippines ready to deport 280 illegal POGO workers" <https://www.gmanetwork.com/news/topstories/nation/845538/remulla-philippines-ready-to-deport-280-illegal-pogo-workers/story/>

Based on the foregoing, we reiterate our support for the discontinuation of POGO operations due to the significant economic and potential social costs, and reputational risk that the country incurs. We cannot afford to lose the needed productive investments and their accompanying revenues from more legitimate industries, which we believe can be gained from positive business perceptions, especially at a time when the country is gearing towards full economic recovery.”

National Economic and Development Authority (November 9, 2022)

1. “NEDA estimates that for this year, POGO firms contribute about PHP 58.3 billion to the Philippine economy in terms of operating expenses, including salaries and benefits of employees and office rentals. This is lower than the PHP 113.3 billion estimate in 2019 given fewer operational POGOs in 2022.

In terms of gross value added, POGOs contribute roughly 0.28 to 0.34 percent of GDP in 2022, lower compared with 0.59 percent to 0.73 percent in 2019.

Contribution of POGOs to the Philippine Economy in 2019 and 2022

Item	2019	2022
Operating Expense (in billion pesos)		
Real Estate Rental	11.0	8.1
Housing Rental	36.0	28.6
Facilities Management Cost	0.3	0.3
Fit-out Costs	8.8	5.3
Employee Support		
Transportation	5.1	0.9
Insurance	2.7	0.8
Social Contributions (Employee, Employer, for All Employees)	4.1	2.0
Salaries and Resulting Expenditure (Filipino)	6.1	5.0
Salaries and Resulting Expenditure (Foreigner)	39.3	7.3
TOTAL (in billion pesos)	113.3	58.3
Gross Value Added (as % of GDP)	0.59 to 0.73	0.28 to 0.34

Source: NEDA estimates

Notes: Updates in 2019 figures compared with the May 2021 NEDA analysis are the following: 1. Updated salary of foreign workers based on DOLE data, 2. Addition of 13<sup>th</sup> month pay for foreign and Filipino workers, 3. Consideration of social contributions, 4. Updates in Input Output table (2018-based) and consumption weights based on Consumer Price Index 2018=100, and 5. Consideration of Fit-out Costs.

2. In terms of employment, current POGO operations are estimated to have created about 24,400 additional employment, aside from the actual 17,000

Filipinos employed in POGOs in January-June 2022.<sup>7</sup> The additional employment created are mostly in the food and beverage services, farming and fishing activities, retail trade, technical and administrative support services, transportation, and real estate. In 2019, POGO operations have created about 63,700 employment, on top of the 21,000 actual employment.<sup>8</sup>

3. In terms of inflation, the current impact of POGO operations are relatively negligible as office rents have remained subdued following the pandemic. Prior to the pandemic, based on anecdotal reports of select real estate firms, some areas where POGO operated in 2017-2019 had significant increases in rental rates.
4. In 2019, China has intensified its crackdown on crossborder gambling on claims that it serves as a venue for fraudulent transactions and illegal recruitment of Chinese workers. China's Ministry of Culture and Tourism, in coordination with relevant ministries, adopted a "blacklist" of cross-border gambling tourism destinations "to stop endangering the personal and property safety of Chinese citizens."<sup>9</sup> China has urged Cambodia and the Philippines to ban online gambling. While Cambodia quickly moved to ban the industry, the Philippines did not heed China's call.<sup>10</sup>

Maintaining POGO operations places the country at risk of being included in China's blacklist, thereby losing Chinese tourists. In 2019, around 1.7 million Chinese tourists arrived in the country. In January to August 2022, this number dived to only about 17,000.

With the pandemic and tight border controls in China, the current contribution of Chinese tourists has been close to zero. However, assuming we lose roughly 80 percent of the peak Chinese tourist arrivals,<sup>11</sup> it could save off roughly 0.81-1.05 percent of GDP, and about 101,800 employment (direct and indirect).

5. In March 2020, the Anti-Money Laundering Council (AMLC) reported that PHP 14 billion out of the PHP 54 billion POGO transactions between 2017 and 2019 was dubbed as "suspicious transactions." Further studies of AMLC reveal a number of issues with POGOs, such as low awareness and

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<sup>7</sup> Based on DOLE data

<sup>8</sup> Filipinos work as card dealers, game developers, IT staff, finance and admin-related personnel, electricians, carpenters, drivers, cook, and maintenance crew. Meanwhile, foreign workers occupy managerial positions as well as backroom support such as marketing, customer service, research and gaming. Source: The Philippine Star: Inside a Philippine Offshore Gaming Company. <https://www.pressreader.com/Philippines/the-philippine-star/20190617/281925954530691>

<sup>9</sup> Ministry of Culture and Tourism. "The Ministry of Culture and Tourism will take the third batch of cross-border gambling tourism destinations "blacklist" "MCT.gov.cn [https://www.mct.gov.cn/whyw/202107/t20210716\\_926468.htm](https://www.mct.gov.cn/whyw/202107/t20210716_926468.htm) (accessed on 7 October 2022)

<sup>10</sup> Al Jazeera. "Duterte rejects China's call to ban Philippine online gambling" [AlJazeera.com https://www.aljazeera.com/news/2019/9/5/duterte-rejects-chinas-call-to-ban-philippine-online-gambling](https://www.aljazeera.com/news/2019/9/5/duterte-rejects-chinas-call-to-ban-philippine-online-gambling) (accessed on 7 October 2022)

<sup>11</sup> On the assumption that 20 percent could still come as side trip for business transactions



regulation of Anti-Money Laundering and Counter-Terrorism Financing; growing threat of money laundering and other fraudulent activities; high number of unregulated or unsupervised service providers; and low level of beneficial ownership identification.<sup>12</sup>”

Philippine Institute for Development Studies (PIDS) (October 13, 2022)

“The Filipinos’ aspirations for both economic security and personal safety (*Panatag na Buhay*) are embedded in the *Ambisyon Natin 2040*. It cannot be overemphasized that the rise in criminality compromises both aspirations. It can drive away good businesses that provide better jobs. It sends negative signals to potential investors. It can also lead to the people’s distrust and lack of confidence in institutions (i.e. weak social capital), leading to outcomes inimical to national interests. For example, evidence indicates that societies with low levels of trust have weak economic performance and are slower to recover from external shocks. Thus, vigilance is needed to ensure that short-run investment goals do not outweigh our aspirations. Thus, it is worthwhile to consider the following issues:

- Does the benefit of POGOs outweigh the resources expended to control POGO-related crimes? Do other investments in the country produce similar incidences of crimes?
- Attracting investments that create domestic linkages and encourage technological diffusion leads to the creation of good jobs. In turn, good jobs will ensure that the workforce is equipped with the skills required for high value-adding jobs.
  - Do POGOs produce backward and forward linkages (i.e. What kind of investments in facilities and in other production stages are created)?
  - Do POGOs offer technological diffusion that deepens and upgrades the country’s production structures?
- There is evidence that the number of Filipino workers in POGO is rising (from 14,000 in 2020 to 16,700 in 2022).<sup>13</sup> However, beyond the number of jobs created, it is worthwhile to consider the following issues:
  - Decent work: Do POGOs adhere to decent work standards?
    - Do workers have employment relationships with POGO companies? If none, what security entitlements/benefits do these workers have?
    - Do POGOs contribute to the workers’ social protection premium?

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<sup>12</sup><http://www/amlc.gov.ph/publications/annual-report/16-news-and-announcements/202-statement-on-philippine-offshore-gaming-operators-pogos> (accessed on 7 October 2022)

<sup>13</sup> Number of Filipino workers in POGOs rising, BIR tells Senate – Manila Bulletin

- Do POGOs provide decent working conditions to workers?
  - Job quality: What kind of jobs are created by POGOs? What kind of work do Filipino workers perform? How is the work done by Filipino workers different from their foreign counterparts?
- If legitimate POGOs are allowed to operate, there is a need to look into the following:
  - Why and how have illegal companies proliferated? It is critical to uncover why these occurred to eliminate individual rent-seeking behaviors (i.e. policies for better processes and mechanisms, stronger punishments, enhanced alien certification registration/ documentation and monitoring).
  - How can the State ensure Filipino POGO workers acquire skills that will enhance their mobility in the labor market (i.e., employability in other sectors)?

In deciding whether POGO should be accommodated/accepted as forming part of a viable industry that can help the Philippine economy rise from the pandemic slump, particular features of the sector should be examined, and basic/minimal conditions correspondingly set. They include the following:

*First, POGO investment may not hold the same benefits one typically associates with more traditional foreign direct investments (FDI), such as in manufacturing, which the current administration hopes to attract. Apart from taxes and other revenues, oft-mentioned FDI benefits include: (i) transfer of technology (and productivity spillovers); (ii) development of human capital; and (iii) development of institutions (e.g. Demir, 2016; Loungani and Razin, 2002). In the absence of these benefits, a strong case for alternative gains will have to be put forward to justify the hosting of online gaming activities in the country, especially given the large negative social externalities that need to be addressed.*

*Second, apart from economic benefits being relatively small<sup>14</sup>, POGO faces more than the usual business risks, making POGO-related investment inherently unstable, particularly if one views it against reported views and sentiments of the political*

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<sup>14</sup> According to NEDA estimates, direct contributions of POGO are currently around 0.3 percent of GDP (including retail estate rental, housing rental, transportation, insurance coverage, and salaries of employed Filipinos and foreign nationals), from about 0.5 percent in 2019 (0.7% counting multiplier effects), when POGO activity was still strong. BIR collections and PAGCOR fees from POGO are also low, both amounting to just 0.3 percent of GDP (Php 6.4 billion and Php 5.7 billion, respectively) in 2019. The latest reports place BIR collections at Php 4.4 billion during January-August 2022 (even after change in tax regime) and Php 3.9 billion in 2021, from Php 7.2 billion in 2020. There are around 34,000 workers employed by licensed POGO firms, according to BIR and DOLE reports, currently “data gaps” in the country’s balance of payments (BSP/IMF 2018, p.2)

*leadership of the main source/partner country.* To ensure that the economy is not disproportionately exposed to financial risk, one would need to establish that the investor and client bases of online gaming are adequately diversified to minimize the negative impact of an abrupt pullout of capital (i.e. a “sudden stop”) if foreign regulatory and political risks materialize.

*Third, the fallout from a capital reversal would be more painful as the economy becomes more reliant on the contributions of the sector; this means the crucial decision must be made now, while the stakes are still fairly low.* The POGO footprint has already shrunk because of the pandemic, with the number of approved online gaming firms cut by half, from 60 by February 2020 to 34 by October 22. Further, the Asia/Pacific Group on Money Laundering in a July 2022 report noted that only 26 of the licensed POGO firms are currently operating.

At this stage, where a less costly reset is possible, curtailing POGO operations would have a (relatively) limited effect on the property sector and the financial system, with lower exposure of credit institutions to the online gaming industry (by design, in some cases). Moreover, experienced observers of the Philippine economy and financial markets have argued (e.g. Bernardo, 2022) that softer prices in the property market would even make the country more competitive in attracting other investors, such as BPOs and data centers. Meanwhile, shedding the “reputational risk,” as noted by the country’s finance secretary, would help in rebuilding the economy from a stronger base, by attracting more desirable and durable form of investment.<sup>15</sup>

*However, if the decision is to allow POGO to continue, or even to allow pockets of POGO activity in the country, then several changes or (improvements) must be made and strictly implemented/executed.* Fundamental reforms should be introduced in the following areas:

- **Strengthening law enforcement and immigration control.** This will address the biggest perceived negative social impact of POGO, which is rising criminality.
- **Reconciling POGO with foreign policy.** This will lessen the inherent uncertainty of such types of investment inflows.

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<sup>15</sup> The Philippines was placed on the “grey list” (comprising “Jurisdictions under Increased Monitoring”) of the Financial Action Task Force (FATF), which monitors controls on anti-money laundering/countering the financing of terrorism (AML/CFT), last June 2021. This could “adversely affect cross-border financial flows” (IMF 2021, p.10). Recommendations of the FATF notably included further measures to mitigate risks associated with casinos. Meanwhile, a study by the Anti-Money Laundering Council (2020) on the internet-based casino sector concluded the following: (i) low level of AML/CFL awareness and regulation, (ii) low level of beneficial ownership identification, (iii) increasing level of threat as regards money laundering and other fraudulent activities, (iv) high number of unregulated or unsupervised service providers; *but* (iv) low level of threat in relation to terrorism financing. The AMLC was created in the early 2000s to ensure that the Philippines “shall not be used as a money laundering site for the proceeds of any unlawful activity.”

- **Clarifying the role of the regulator.** The conflicting roles of the PAGCOR as market regulator, market participant, and revenue/fee collector, has been widely noted (e.g., Camba 2020) but remains unaddressed. It is important to do so, as the current setup creates regulatory loopholes that may be exploited. While the governance gap is not limited to the case of POGO, it has been raised as a particular concern in the context of the online gambling industry, given the high level of anonymity, both in (beneficial) ownership and clientele.
- **Building capacity to regulate the (online) industry.** A large amount of investment in technology will be needed to arm the assigned regulator of POGO, given the (sophisticated) nature of the online gaming business.<sup>16</sup> This would involve a similar type of capacity development needed by the AMLC in monitoring money laundering risks in capital flows. For both cases, a comprehensive study of –and intensive training on– how to regulate such internet-based entities will be needed.”

Former DOF Secretary Margarito Teves<sup>17</sup>

“Based on our assessment, review and experience in government, our position would be in favor of stopping POGO operations. The social cost of the continued operation of POGOs do not only outweigh its current economic benefits, its social cost would bring further economic cost. POGO-related cases of kidnapping, human trafficking, and unfair labor practices not only threaten social stability but also puts Philippine economic recovery at risk. The Department of Finance estimated that the Philippines may risk losing PHP 16 to 26.2 billion in foreign direct investments due to POGO-related crimes.

All POGOs are estimated to have contributed PHP 53.1 billion to the Philippine economy in 2022, their continued operations may put our bilateral relations with China at risk. Philippine exports to China have been increasing in the past years, valued at approximately PHP 600.8 billion in 2021 alone. Data from the Anti-Money Laundering Council also showed that out of the PHP 54 billion worth of POGO transactions from 2017 to 2019, 26% were deemed suspicious transactions. This put the credit rating of the Philippines at risk, something we need to be careful about given the country’s very tight fiscal position.

However, we would like to suggest, Mr. Chairman, that the timing of the decision and its implementation should be considered given that the most urgent economic

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<sup>16</sup> A study by the BSP for the IMF (2018) notes that POGO are not accessible in the Philippines and not open to Filipino players, regardless of location. Only those with foreign international protocol (IP) addresses are allowed to participate in internet casinos, with primary proof-of-entry as the only other requirement for registration. Transactions are typically carried out through e-wallets, which may be funded in numerous ways (in some cases, even using crypto currencies).

<sup>17</sup> TSN, November 23, 2022 Public Hearing on POGOs by the Committees on Ways and Means, and Public Order and Dangerous Drugs

concerns of Filipinos today are inflation and jobs. Loss of sources of employment at this time would increase the economic burden of Filipino workers. To address job loss, the government should provide other employment opportunities, among others, through the continued implementation of the Build, Build, Build Program, upskilling and reskilling, financial and other assistance for the 23,000 Filipinos currently employed by the operations.”

Romeo Bernardo and Global Source Partners (October 3, 2022)

“POGOs have attracted a lot of unwanted attention because of the following:

1. Unlike BPOs, POGOs employ mostly foreign nationals as it needs workers who could speak the native languages of targets markets, most prominently China where gambling is illegal.
2. Regulatory oversight<sup>18</sup> is weak resulting in monitoring<sup>19</sup> and taxation issues. The PAGCOR, which is in charge of licensing POGO has conflicting mandates as regulator and casino operator that has yet to be addressed.<sup>20</sup> Clearer tax regulations were put in place only in September 2021 through Republic Act No. 11590<sup>21</sup>, spelling out applicable tax rates on gaming revenues and incomes of foreign workers. Additionally, there have been enforcement issues related to immigration and security forces<sup>22</sup>.
3. Another major concern is monitoring of money laundering risks.<sup>23</sup> In its risk assessments of POGO, the country’s AMLC found “a low level of AML/CTF awareness and regulation; an increasing level of threat to money laundering and other fraudulent activities; a high number of unregulated or unsupervised service providers (SPs); and a low level of beneficial ownership identification<sup>24</sup>.”

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<sup>18</sup> The Duterte administration issued Executive Order 13, “Strengthening the fight illegal gambling and clarifying the jurisdiction and authority of concerned agencies in the regulation and licensing of gambling and online gaming facilities, and online gaming facilities, and for other purposes.” February 2, 2017. <https://www.officialgazette.gov.ph/downloads/2017/02feb/20170202-EO-13-RRD.pdf>

<sup>19</sup> The country’s balance of payments does not separately capture non-residents’ gambling activities, whether in-person or online. See study by Bangko Sentral ng Pilipinas, “Estimating Casino Revenues and Transfers for the Philippine Balance of Payments Statistics,” prepared for the Thirty-First Meeting of the IMF Committee on Balance of Payments Statistics, October 24-26, 2018.

<sup>20</sup> <https://mb.com.ph/2022/08/28/dof-wants-to-streamline-pagcor-conflicting-roles/>

<sup>21</sup> [https://lawphil.net/statutes/repacts/ra2021/ra\\_11590\\_2021.html](https://lawphil.net/statutes/repacts/ra2021/ra_11590_2021.html)

<sup>22</sup> News reports of the problems: <https://newsinfo.inquirer.net/1607673/43-bi-employees-tagged-in-pastillas-scheme-indicted-for-graft>; <https://www.gmanetwork.com/news/topstories/nation/844801/pnp-launches-crackdown-vs->

<sup>23</sup> In early 2020, a senator linked the prevalence of POGO to large amounts of foreign currency being brought in that were not flagged by authorities. “Gordon slams money laundering issue arising from the prevalence of POGO,” 5 March 2020. [https://legacy.senate.gov.ph/press\\_release/2020/0305\\_gordon2.asp](https://legacy.senate.gov.ph/press_release/2020/0305_gordon2.asp)

<sup>24</sup> <http://www.amlc.gov.ph/16-news-and-announcements/202-statement-on-philippine-offshore-gaming-operators->

4. Rising crime associated with the industry, particularly kidnap-for-ransom resulting from disputes over debts and alleged human trafficking that has placed the industry in a most unfavorably light.<sup>25</sup>
5. Analysts have always been sensitive to the risk of a sudden stop in POGO activities should China (which has expressed disapproval of POGOs' negative influence not just on nationals' gambling habits but also the reported crimes against Chinese workers) tighten immigration regulation and/or shut down internet gambling sites and prevent wire transfers through Chinese payment systems.

#### POGOs: Then and Now

	Pre-pandemic peak (2019/2020)	Post-pandemic (Latest reported)
PAGCOR-accredited operators <sup>26</sup>	61	34
Accredited service providers <sup>26</sup>	233	132
Estimated number of workers <sup>27</sup>	376K	< 50k
Chinese tourist arrivals <sup>28</sup>	1.7M (2019)	> 17k (Feb-Aug 22)
Office space occupied (sq.m.) <sup>29</sup>	1.3M (1Q2020)	651k (2Q2022)
Taxes collected (Phil) <sup>30</sup>	7.2	3.9 (2021)
Contribution to economy (Phil) <sup>27</sup>	600	128.5
% of GDP	3% (2019 GDP)	0.6% (2022 GDP)

Based on tax collections and other data, most independent assessments conclude that the POGO industry has shrunk by 50% to 70% since the pandemic. Given this, we think that now may be the best time to pull the plug on POGOs. We think the risk of a system-wide property sector collapse and/or banking sector stress is manageable since most firms and banks have deliberately limit exposures to the sector and the decline in real estate prices would help the country be more competitive in attracting a bigger slice of the expanding BPO market.<sup>31</sup>

<sup>25</sup> See for example: <https://www.philstar.com/nation/2022/09/09/2208369/pogo-related-kidnap-cases-25>, <https://www.pna.gov.ph/articles/1184614>, More Pogo workers rescued | Inquirer News

<sup>26</sup> PB2020-08: TAXATION OF THE PHILIPPINE OFFSHORE GAMING INDUSTRY (congress.gov.ph), Microsoft Word - (v9.20.22) List of Approved POGOs (pagcor.ph), (v9.1.22) List of Approved SPs.xlsx (pagcor.ph)

<sup>27</sup> Representative Joey Salceda, Interview by ANC: POGO ban to trigger worse social costs, says Lawmaker, 27 September 2022, <https://youtu.be/KzR2OWzn3yg>

<sup>28</sup> Department of Tourism [http://www.tourism.gov.ph/tourism\\_dem\\_sup\\_pub.aspx](http://www.tourism.gov.ph/tourism_dem_sup_pub.aspx)

<sup>29</sup> "Headed for the exit? ...or will a renewed pivot to China prop up Philippine property?", 8 August 2022. Colliers | Colliers Flash | Headed for the exit? ... or will a renewed pivot to China prop up Philippine property?

<sup>30</sup> Pogo tax take drops 46 percent to P3.91 billion in 2021 | Inquirer Business

<sup>31</sup> 9 According to an industry source we consulted, the Philippine BPO sector is gaining from an increasingly digitally-enabled economy and is expected to see dollar revenues grow by 8% annually, with employment expected to rise from the current 1.5 million to anywhere from 1.8 to 2.5 million by 2028.

While a complete ban would come with some amount of economic pain especially for certain property firms that have outsized exposures to the industry<sup>32</sup> as well as the knock-on effects on housing, food, retail and other services catering to the foreign workers, we are more concerned with the incalculable costs of allowing POGOs to operate in the country. These include

1. "Reputational risk" cited by Finance Secretary Benjamin Diokno. We take this to refer to the negative perception associated with the country's inclusion since June 2021 in the Paris-based Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring or the so-called "grey list." Money laundering through casinos, actual or virtual, has been a major worry for authorities especially after the Bangladesh Bank cyber heist scandal in 2016.
2. Security experts we consulted tell us that kidnappings are "systemic" and "recurring" in the industry.
3. A prominent sociologist worries about POGO operators' agility in exploiting "the corruptibility of our public institutions," as well as the longer-term harm to the economy of government's dependence on POGOs at the expense of finding "more enduring and less (socially) costly sources of revenue."<sup>33</sup>

All told, while it is true that POGOs could help cushion the economy against current strong external headwinds, we would rather argue that allowing these to continue and climb back up to its pre-pandemic size would only increase the economy's vulnerability to a sudden and massive pullout.

The latter may be triggered on the Chinese side by authorities' social policy vs. gambling, a crackdown on money laundering and the state of Philippine-China relations, and/or on the Philippine side, if online gambling becomes a reason for the country's blacklisting by the FATF which could damage remittances and investment flows immensely. The current upheaval in global financial markets, with China<sup>34</sup> and other emerging market central banks looking for alternative ways to manage money outflows to help ease exchange rate pressures, could even make the case for banning POGOs stronger."

Prof. Epictetus E. Patalinghug (November 19, 2022)

"The social costs of the POGO industry are human trafficking, prostitution, kidnapping for ransom, murder, and illegal operation that avoids paying taxes.

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<sup>32</sup> For one property firm, 65% of its gross leasable area is occupied by POGOs. Far below this is the second in line with a 7% exposure while the third placer has a 4.5% exposure to POGOs. Six other firms have 2.5% or less exposures to POGOs. Source: COL Financial Daily Notes, 21 September 2022.

<sup>33</sup> Randy David, "Our dependence on POGOs must end," Public Lives, 2 October 2022.

<https://opinion.inquirer.net/157478/our-dependence-on-pogos-must-end>

<sup>34</sup> <https://business.inquirer.net/365366/china-forex-regulator-warns-against-illegal-money-outflows>

The social and economic benefits of the POGO industry are employment creation (especially during the recovery stage), tax payments, rental and purchase income for office, and residential buildings and condominiums, demand from local retail stores (food and restaurants), and value creation that would not have occurred without the industry.

The social costs of the POGO industry pale in comparison to the social costs imposed on the country by the OFW industry (broken families, children dropping out of school, teenage pregnancies, drug addictions of the dependents left in the country). Nobody has ever proposed the abolition of the OFW industry because it brings huge remittances of at least \$33 billion per year. The benefits exceed the costs. The social costs of the POGO industry are less than the benefits of the industry (tax revenues, employment creation, demand for office and residential spaces, and demand for food, restaurant and entertainment services). In effect, the benefits of the POGO industry exceed its costs.

From social and economic standpoints, the POGO industry is less undesirable than other industries that kidnapped and killed more people (e.g., the now banned but operating underground e-Sabong industry, illegal drug industry, and smuggling industry). The benefits of the POGO industry exceed its costs. Banning it because of an isolated criminal incident, is tantamount to burning the entire house in order to kill a rat.

It is highly recommended that the POGO industry is allowed to operate in the Philippines. However, regulatory mechanisms should be strengthened. For instance, PAGCOR should strictly enforced its licensing and franchising regulations, and screen out illegal operators. The PAGCOR database on the list of licensed and tax paying legal operators should provide the link and guidance to the Bureau of Immigration (BI) to monitor who are the legally allowed POGO workers in the industry and whose firms applying for visas for their foreign workers are considered legitimate applicants by the BI.

Let us not rush a national policy based on emotional and transient media and political hype. Let us think about long term impact on an industry on our society and our economy. The POGO industry is definitely not an industry that gives long run negative effect. Our competitive advantage on the POGO industry will just be captured by Cambodia and Myanmar if we prematurely ban it in our country."

Foundation for Economic Freedom, Makati Business Club, and Management Association of the Philippines (October 25, 2022)

"We express our full support for the complete phase out of Philippine offshore gaming operations (POGOs).

The social and reputational costs of government sponsorship of operations that are globally frowned upon far outweigh any economic benefits. For the past years, regulatory oversight has been a problem, resulting in monitoring and taxation issues with our licensing agency, PAGCOR. Conflicting mandates and the lure of corruption



have rendered it and other involved government agencies incapable of effectively regulating POGOs. Crimes, like money laundering, kidnapping, bribery, prostitution, human trafficking – all associated with the gambling industry – impact on our record of law and order and our reputation. The taint of money laundering diminishes confidence in our banking system and puts legitimate financial flows, including from OFWs, at risk from sanctions of international oversight bodies. Our connectivity to international banking, and the business and OFW communities who depend on it, must be protected.

Since the COVID-19 pandemic, the POGO industry has significantly declined by 50% to 70%. This suggests that now is the best time to terminate their operations. The total ban will only result in temporary economic strains, as opposed to the enduring socio-economic consequences and heavier disruption if we do not act now. The Chinese government has been quite categorical in its objections to POGO, which they characterized as “harming not only China’s interest and China-Philippines relations but also hurt the interests of the Philippines.”

We fully support the Department of Finance’s push to phase out all POGO operations, and urge our legislators and the Executive Department to take all actions necessary to execute in an orderly way.”

Philippine Amusement and Gaming Corporation (PAGCOR)

Number of Valid Licenses<sup>35</sup>  
(as of October 6, 2022)

	Total Valid License
POGO	34
Service Provider	123
Special Class of BPO	5

POGO Count per type of License<sup>36</sup>

Type of License	Count
E-Casino	10
Sports betting	20
E-casino and Sports betting	4
Total	34
POGO Service Providers	Count
Customer Relations Service Provider	84
Local Gaming Agent	23
Strategic Support Provider	23

<sup>35</sup> PAGCOR presentation submitted on October 7, 2022

<sup>36</sup> Ibid.

Type of License	Count
Live Studio and Streaming Provider	16
Special Class of BPO	5
Gaming Software/Platform Provider	3
I.T. Support Provider	3
Allied Service Providers	Count
Gaming Laboratory	6
Training Program Provider	6
POGO Hub	2
Probity Checker	2

Total Valid Licenses/ Accreditations per Year<sup>37</sup>

Year	POGO	Service Provider
2016	35	53
2017	52	158
2018	53	204
2019	63	231
2020	53	185
2021	34	146
2022	34	123

Total Count of Cancelled POGOs/Service Providers<sup>38</sup>  
(from 2016 to October 2022)

POGOs	40
Service Providers	176

PAGCOR Income from POGOs<sup>39</sup> (in PHP)

Year	Income from Offshore Gaming Operations <sup>40</sup>	Income from Other Related Fees <sup>41</sup>	Total Income
Sept.- Dec. 2016	73,723,240.00	583,949,461.94	657,672,701.94
2017	3,127,295,781.01	802,462,754.19	3,929,758,535.20
2018	6,114,369,713.53	1,504,279,876.64	7,618,649,590.17
2019	5,734,669,372.36	2,287,288,415.27	8,021,957,787.63
2020	4,663,039,382.14	616,856,490.10	5,279,895,872.24
2021	2,588,557,459.75	878,048,465.58	3,466,605,925.33

<sup>37</sup> PAGCOR presentation submitted on October 7, 2022

<sup>38</sup> Ibid.

<sup>39</sup> PAGCOR data submitted on September 29, 2022

<sup>40</sup> Refers to the income from monthly regulatory fee

<sup>41</sup> Refers to the income from application, renewal, additional site, etc.

Jan- Sept. '22	1,536,975,931.08	615,792,679.53	2,152,768,610.61
Total			31,127,309,023.12

Percentage Share of Total POGO Income from Total PAGCOR Income<sup>42</sup> (in PHP)  
(From January 1, 2016 to August 31, 2022)

	Total POGO Income	Total PAGCOR Income	Percentage Share to Total
CY 2016	657,672,701.94	55,195,269,772.23	1.19%
CY 2017	3,931,511,402.36	60,162,057,732.71	6.53%
CY 2018	7,628,231,609.63	104,665,153,608.35	7.29%
CY 2019	7,963,658,467.29	81,980,708,916.20	9.71%
CY 2020	5,154,446,521.82	36,006,428,593.18	14.32%
CY 2021	3,468,937,253.53	35,485,043,619.21	9.78%
January 1 to August 31, 2022	1,912,303,689.31	36,909,116,902.08	5.18%
Total	30,716,761,645.88	410,403,779,143.96	7.48%

Note: Total PAGCOR Income – includes income from other related services (application/processing/other fees) and fines and penalties

Number of Filipino and Foreign Employees from POGO, SCBPO, and Service Providers as of October 6, 2022<sup>43</sup>

Manpower	Count	Percentage
Filipino	19,726	47.37%
Foreign	21,918	52.63%
Total	41,644	100%

Gross Gaming Revenue (GGR) by Year<sup>44</sup>

Year	GGR
2018	\$2,300,351,664.35
2019	\$3,592,875,926.28
2020	\$1,167,372,801.22
2021	\$549,915,944.01
January to September 2022	\$600,169,425.68
Total	\$8,210,685,761.56

<sup>42</sup> PAGCOR data submitted on October 6, 2022

<sup>43</sup> Ibid.

<sup>44</sup> PAGCOR data submitted on November 15, 2022

Percentage Share of Currencies Used in POGO Transactions<sup>45</sup>

Currency	2019	2020	2021	2022 <sup>46</sup>
AUD	0.001	0.001	-	-
BRL	0.003	0.001	0.09	0.96
CAD	0.00002	0.0001	-	-
CNY	47.35	10.24	5.42	29.15
EUR	0.08	0.05	0.01	0.00
GBP	0.002	0.002	0.01	0.00
HKD	0.01	-	-	-
HUF	0.00002	-	-	-
IDR	4.77	10.14	21.38	8.42
INR	0.25	0.14	0.01	0.03
JPY	0.001	0.001	0.10	0.77
KRW	0.06	0.005	0.38	3.91
MMK	0.03	0.011	-	-
MYR	1.96	1.42	0.31	0.37
NOK	0.000002	0.000020	-	-
PLN	0.0002	0.001	-	-
RUB	0.002	0.003	-	-
SEK	0.00001	0.00001	-	-
SGD	0.01	0.011	-	-
THB	6.66	17.27	5.03	5.57
TRY	0.002	0.003	-	-
TWD	0.63	0.37	-	-
USD	30.00	51.5	50.13	15.07
VND	8.17	8.84	17.15	35.74
ZAR	0.001	0.0001	-	-

Cagayan Economic Zone Authority (October 4, 2022)

"For the past several years, the operations of its Integrated Gaming Licensees (IGLs) have been greatly instrumental in the generation of its profits by way of collection of annual registration and license fees based on the gross income of the said licensees and those from their respective gaming support service and systems providers. The income thus generated formed part of CEZA's corporate funds which it used in various projects such as land development, construction of roads and other infrastructures, feasibility studies for the development of the Zone, among others.

Aside from the benefits that accrued to CEZA, the generation of employment for the local residents, in addition to the foreign workers, hired by the IGLs and the accredited support service and systems providers, has also contributed to the increase in the average per capita income of the people in Santa Ana and its neighboring towns in the Province of Cagayan. Trading and commercial activities

<sup>45</sup> PAGCOR data submitted on October 24, 2022

<sup>46</sup> January to August 2022

became more active and the purchasing capability of the people within the area became stronger. New businesses were established and, as a result, bigger income for the LGUs were realized.

Since the Cagayan Special Economic Zone and Freeport (CSEZFP) covers both coastal or mainly agricultural areas, the fishermen and farmers residing therein were able to acquire equipment to improve their livelihood, thereby enabling them to send their children to school. In other words, there has been a domino effect for such a positive outcome from the operations of IGLs in CEZA.

The contribution of the online gaming sector to other ancillary industries, such as real estate, is also significant. Online gaming not only contributes to the real estate industry because of increased property sales or rentals but also the construction industry, tourism and hospitality other consumer-based industries are also beneficiaries.

CEZA adheres to the doctrine of regulation rather than prohibition. CEZA believes that the benefits derived from online gaming far outweighs apprehensions by the few. We reiterate that the online gaming activities of CEZA do not in any way negatively affect, influence or contribute in the proliferation of gambling activities in the Philippines since no bets are allowed to be taken by the IGLs and their gaming websites are blocked and cannot be accessed in the Philippines.

One of the several definitions of social cost is that *"it is a bad effect that a business activity, etc., has on people, society or the environment."* As a way of giving example, mining activities, rice milling, textile manufacturing and the like may pose social costs if their impact on environment is not given paramount consideration. A chain of affected stakeholders may suffer undue injury if the social cost may not be addressed timely, if not promptly.

In the case of CEZA, the economic impact and benefit of the operations of the remaining few IGLs is more being felt and quantifiable as against the social cost which they may cause. The activities of business and agricultural sectors within the Zone have blossomed and thrived as evidence by the empirical figures being shown in the published economic profile of Santa Ana, Cagayan.

While the operations of IGLs within the CSEZFP may not be a major component or tool to attain its vision and mission, their presence in the meantime is helpful in the efforts of CEZA in promoting itself as an excellent investment and tourist destination. The social cost will just be minimal within the Zone, if ever there is, and would be negated outright by other favorable factors, such as constant and strict implementation of rules and regulations."

#### Association of Service Providers and POGOs (October 3, 2022)

"All members are registered with the Securities and Exchange Commission (SEC) or duly incorporated in other offshore jurisdictions, as well as with the Bureau of Internal Revenue (BIR), Bureau of Immigration (BID), Department of Labor and

Employment (DOLE) and other pertinent government agencies. All member-firms have likewise secured the necessary Business/Mayor's Permits and Letters of No Objections (LOBOs) from the local government units where they operate.

While still recovering from the pandemic, ASPAP members continue to contribute significantly to government coffers through the payment of PAGCOR fees, Franchise Taxes and Corporate Income Taxes. In fact, a substantial number of current ASPAP members, who are considered pillars of the industry, have been operating for almost two (2) decades. They have religiously complied with all government rules and regulations. These include: 1) the transfer of registration from the Cagayan Economic Zone Authority (CEZA) to PAGCOR in 2016; 2) registration of all Service Providers and POGOs with the BIR (even though POGOs argued that as offshore companies, they were beyond the BIR's tax jurisdiction); and 3) eventual payment of Franchise Tax to BIR amounting to 5% Gross Gaming Revenue, among others.

To date, ASPAP has total workforce of 22,983 Filipino employees<sup>47</sup> and 17,131 foreign expatriates.<sup>48</sup> All of them are duly-registered with the BIR and contributes to the national treasury through their income taxes and other government fees like DOLE and BID fees for the foreign employees.

Based on official government records, the legitimate online gaming industry has contributed approximately PHP 62 billion to the national coffers since late 2016.<sup>49</sup>

Further, the total office space occupied by ASPAP members is approximately 400,000 square meters which has boosted the real estate industry in terms of lease payments, construction and building maintenance.

Regarding alleged 'criminality' and 'social costs' being attributed to POGOs, the association has long been clamoring for government to crack-down against numerous illegal operators, even as early as the past administration. These nefarious operators have been the source or reason for the recent spike in criminal activities which has given the industry a bad name and consequently damaged the reputation of lawful and legitimate operators. In fact, the continued proliferation of these illegal, fly-by-night online gaming entities has led to unfair competition since they do not pay the prescribed license fees and taxes. This anomaly has resulted to an uneven playing field due to their much lower operating cost. It has also greatly reduced government income.

It is therefore in these critical times that ASPAP members, who are law-abiding and legitimate operators, are expressing their commitment to fully cooperate and coordinate with PAGCOR, DOJ, DILG, PNP and other relevant agencies to immediately stamp out illegal operators and criminal elements. This will help restore

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<sup>47</sup> 11,686 of which are direct employees and 11,297 indirect (through independent contractors)

<sup>48</sup> *Ibid.*

<sup>49</sup> PAGCOR = P30,750,000,000.00 (up to September 2022); BIR = P23,800,000,000.00; DOLE = P3,550,000,000; Bureau of Immigration = P3,750,000,000

peace and order and help repair the damaged reputation and credibility of the POGO industry, especially legal online gaming operators and investors.”

Leechiu Property Consultants (October 3, 2022)

“The POGO industry vacated approximately 630,000 sqm of office space which led contractions in the real estate market for the past three (3) years. A full exit of the POGO industry is expected to not only accumulate further losses in sources of income and tax but also increase office vacancies and push rental rates further down than the pandemic.

Impact of 630K sqm of POGO Contractions  
(2019 to YTD 2022)

1.05 M sqm	Footprint as of YTD 2022
630K sqm	Total vacated since 2020
PHP 25.93B	Loss in Office Rent from 2020 to YTD 2022 2019: PHP 30.6B YTD 2022: PHP 18.9B
PHP 17.1B	Loss in Housing Rent from 2020 to 2022 Across 1.4M sqm of residential space
PHP 2.51B	Estimated Loss in Annual Tax 2019: PHP 6.42B FY 2021: PHP 3.91B
PHP 12.9B	Loss in Electricity Cost from 2020 to 2022 2019: Php 15.3B YTD 2022: PHP 9.4B
PHP 315B	Estimated Loss in Fit-Out Cost (including furniture, fixtures & technology) 630K sqm total vacated space from 2020 to 2022
229K	Loss in Employment from 2020 to YTD 2022 2019 Chinese: 329K Filipinos: 181K Others: 57K 2022 Chinese: 128K Filipinos: 70K Others: 22K
PHP 32.6B to PHP 43.3B	Income Tax from Foreign FTEs
50%	Loss in PAGCOR's Annual Revenue 2019: PHP7.01B 2021: PHP3.46B
PHP571M	Daily Spending Based on daily spending of at least PHP4,000 per person Average Daily Spending: PHP4,000 to PHP7,000
6.6M	Total Tourist Arrivals from China Pre-COVID period of 2010 to 2019
PHP 6.9B	Annual Expenditure on Commissary Meals

### Impact of the Exit of 1.05M sqm of POGO

PHP 18.9 B	Loss in annual office rent Complete exit of 1.05sqm of POGO
PHP 28.6B	Loss in annual housing rent Across 2.4M sqm of residential space
PHP 5.8B	Estimated loss in annual taxes
PHP 9.5B	Loss in Annual Electricity Cost
347K	Loss in Employment
PHP 54.3B to PHP 57.1B	Income Tax from Foreign FTEs
PHP 5.25B	Estimated Loss in PAGCOR's Annual Revenue
PHP 52.5B	Estimated Loss in Fit-Out Cost
PHP 952M	Loss on Estimated Daily Spending Based on daily spending of at least PHP 4,000 per person Average daily spending PHP4,000 to PHP 7,000
PHP11.4B	Loss on Annual Expenditure on Commissary Meals

### Cumulative Impact of the Loss of POGO Sector (2019 to YTD 2022)

The full exit of the POGO industry will bring a higher incidence of foreclosures for the office sector as well as drop rental rates for top districts such as Bay area and Makati city."

PHP 45B	Loss in Annual Office Rent Cumulative loss from 2020 to YTD 2022 with the additional loss of 1.05M sqm
PHP 45.6B	Loss in Annual Housing Rent Across 5.6M sqm of residential space
PHP 5.8B	Estimated Loss in Annual Taxes
PHP 22.5B	Loss in Annual Electricity Cost
567K	Loss in Employment From 2020 to 2022
PHP 86.8B to PHP 91.4B	Income Tax from Foreign FTEs
PHP 18.3B	Loss in Annual Expenditure on Commissary Meals
PHP 84B	Estimated Loss in Fit-Out Cost (including furniture, fixtures & technology)
PHP1.5B	Loss on Estimated Daily Spending Based on daily spending of at least PHP 4,000 per person Average daily spending PHP 4,000 to PHP 7,000

Top Districts	2019	YTD 2022	Rental Forecast after full exit
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Bay Area	PHP 1500	PHP 600	PHP 300
Makati City	PHP 1500	PHP 900	PHP 700
Alabang	PHP 1000	PHP 600	PHP 300
Cavite	PHP 700	PHP 400	PHP 250
Ortigas Center & Mandaluyong	PHP 900	PHP 600	PHP 300

#### Bureau of Internal Revenue<sup>50</sup>

"Based on the estimates of the Department of Finance, RA No. 11590 or POGO Law was projected to generate taxes in the total amount of P32.1 billion in year 2022.

Projections were based on the assumption that the operations of the POGO industry would return to its pre-pandemic levels and before the exodus of POGO entities and the foreign nationals employed by them.

However, contrary to the lofty expectations, POGO entities have not returned to the Philippines and the number of foreign nationals employed by POGOs have not reached its pre-pandemic levels but drastically decreased as seen from the following data:

#### POGO Entities

	2019	2020	2021	2022 <sup>51</sup>
Licensees	63	55	38	35 <sup>52</sup>
Service Providers	221	199	153	130 <sup>53</sup>
Total	280	244	191	163

Source: PAGCOR

#### No. of Workers in the POGO Industry

Nationality	2019	2020	2021	2022 <sup>54</sup>
Foreign National	123,649 (85.51%)	28,394 (67.02%)	14,838 (48.52%)	17,509 (51.13%)
Filipino	20,956 (14.49%)	13,991 (32.98)	15,745 (51.48%)	16,736 (48.87%)
Total	144,605	42,385	30,583	34,245

Source: DOLE

The apparent reason for the failure of the POGO industry in the country to return to the scale seen previously was the confluence of the following factors:

1. Transfer and relocation of the major POGO entities to other countries (i.e. Dubai, Vietnam, etc.);

<sup>50</sup> BIR Position Paper submitted on August 23, 2022

<sup>51</sup> As of June 28, 2022

<sup>52</sup> Only 26 licensees are operational

<sup>53</sup> Only 127 service providers are operational

<sup>54</sup> As of June 15, 2022

2. Change in the taxing regime in the Philippines and reluctance of POGO entities who left to pay taxes; and
3. On-going crackdown of the Chinese government against online gambling.

Nonetheless, despite the slowdown in the POGO sector, the passage of the POGO law still had a significant impact on revenue collections. For the 1st semester of year 2022, total taxes collected so far had already amounted to PHP 3.90 Billion<sup>55</sup>, which is almost equivalent to the collections for year 2021 at PHP 3.91 Billion.

Moreover, data provided by the Bureau of Local Employment (BLE) shows that there has been a gradual increase on the number of Filipino workers as against Foreign Nationals employed in the POGO industry. From only 14.19% in year 2019, Filipinos currently comprised 48.97% of the total workforce in the said industry.”

Department of Labor and Employment (September 27, 2022)

Total Number of Alien Employment Permits (AEP) issued by DOLE Annually (2019 – September 19, 2022)

Region	2019	2020	2021	2022 <sup>56</sup>	Total	% Share
NCR	125,885	87,650	57,458	32,811	303,804	80.77%
CAR	140	28	28	26	222	0.06%
I	36	22	17	16	91	0.02%
II	1,091	296	295	47	1,729	0.46%
III	12,403	7,936	5,179	2,732	28,250	7.51%
IV-A	9,463	5,418	4,335	3,178	22,394	5.95%
IV-B	129	82	67	42	320	0.09%
V	59	50	21	20	150	0.04%
VI	443	90	103	208	844	0.22%
VII	5,949	3,408	1,763	950	12,070	3.21%
VIII	34	15	18	21	88	0.02%
IX	2	3	8	3	16	0.00%
X	2,561	1,273	381	168	4,383	1.17%
XI	452	284	473	357	1,566	0.42%
XII	24	16	21	22	83	0.02%
CARAGA	39	38	30	33	140	0.04%
Total	158,710	106,609	70,197	40,634	376,150	100.00%

Source: DOLE Regional Offices

<sup>55</sup> Updated collection is Php 4.483 billion as testified by Atty. Sixto Dy of BIR during the October 3, 2022 public hearing on POGOs by the Committees on Ways and Means, and Public Order and Dangerous Drugs

<sup>56</sup> As of September 19, 2022

Total Number of AEPs to POGO and Related Establishments Issued Annually  
(2019 – September 19, 2022)

Year	AEPs Issued	Issued to POGOs
2019	158,710	139,463
2020	106,609	79,017
2021	70,197	43,491
2022 <sup>57</sup>	40,634	23,587
Total	376,150	285,558

Source: DOLE Regional Offices

Total Annual Collection from AEP fees and Publication  
(2019 – 2022<sup>58</sup>)

Year	Permit	Publication	Total
2019	P1,423,060,640.00	P685,352,944.50	P2,108,413,584.50
2020	P798,230,760.00	P381,222,159.75	P1,179,452,919.75
2021	PP648,814,185.00	P217,245,000.00	P866,059,185.00
2022	P324,163,002.00	P100,405,000.00	P424,568,002.00
Total	P3,194,268,587.00	P1,384,225,104.25	P4,578,493,691.25

Source: DOLE Regional Offices

AEP Collection Specific to POGO Industry from 2019-2022

Region	2019	2020	2021	2022	Total
NCR	1,076,238,939.49	282,877,000.00	475,827,000.00	315,995,000.00	2,150,937,939.49
III	81,986,000.00	62,197,000.00	13,459,225.00	8,825,000.00	166,467,225.00
IV-A	35,439,000.00	27,438,000.00	17,606,000.00	14,493,000.00	94,976,000.00
VII	40,529,000.00	17,186,500.00	2,110,833.82	2,268,010.69	62,094,344.51
X	16,291,000.00	11,869,000.00	711,000.00	-	28,871,000.00
Total	1,250,483,939.49	401,567,500.00	509,714,058.82	341,581,010.69	2,503,346,509.00

Source: DOLE Regional Offices

<sup>57</sup> As of September 19, 2022

<sup>58</sup> Accounting of fees until July 2022

Total Number of Foreign Nationals and Filipinos Working in POGOs and Related Establishments, 2019 – June 30, 2022

	2019	2020	2021	2022
Foreign Nationals	97,283	28,394	14,838	17,509
Filipinos	20,956	13,991	15,745	16,736
Total Number of Employees	118,239	42,385	30,583	34,245

Total Number of POGOs per salary range classification (January – September 19, 2022)

Salary Range	AEPS Issued	% Share
P30,000 – 59,999	23,183	98.29%
P60,000 – 89,999	270	1.14%
P90,000 and above	128	0.54%
Not Stated	6	0.03%
Total	23,587	100%

Source: DOLE Regional Offices

Bureau of Immigration  
POGO Collection<sup>59</sup>

Year	Amount
2017	351,639,840.00
2018	858,735,440.00
2019	1,733,066,098.00
2020	115,117,927.00
2021	762,631,023.00
January to August 2022	275,818,599.00
Total	4,097,008,927.00

<sup>59</sup> Bureau of Immigration data submitted on October 10, 2022

## *Deportation Implementations*<sup>60</sup>

“On October 19, 2022, the BI deported six (6) foreign nationals<sup>61</sup> from the 2<sup>nd</sup> Lucky South 99 group after the requirements for their deportation had been completed.

On November 2, 2022, the BI deported twenty-one (21) foreign nationals<sup>62</sup> from 2<sup>nd</sup> Lucky South 99 group after the requirements for their deportation had been completed.

On November 9, 2022, the BI deported Chinese national Luo Tianwen @Luo Tianwen from the 2<sup>nd</sup> Lucky South 99 group after the requirements for his deportation had been completed.

On November 11, 2022, the BI deported two (2) Myanmar nationals, i.e. Myo Thet Tun and Naing Naing Aung, from both Lucky South 99 groups after the requirements for their deportation had been completed.

On November 16, 2022, the BI deported seventeen foreign nationals<sup>63</sup> from the abovementioned cases after the requirements for their deportation had been completed.

On November 18, 2022, the BI deported two (2) Vietnamese nationals, i.e. To Thi Sang and Vi Thi Ngoc Nga, from the Sta. Lucia group after the requirements for their deportation has been completed.

The BI looks to deport five (5) more foreign nationals<sup>64</sup> on November 23, 2022.

As of date of this Report, the BI has successfully deported forty-nine (49) of the three hundred sixty-eight (368) foreign nationals connected with operations against POGOs against whom a deportation order has been issued. That translates to a thirteen percent (13%) deportation in implementation rate.

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<sup>60</sup> Bureau of Immigration submission on November 22, 2022

<sup>61</sup> 1) Gan Xueliang @Aan Xueling; 2) Lie Zheng Biao @Lie Zhengbiao @Nie Zhangbiao @Nie Zhengbiao; 3) Xu Yuan Gang; 4) Yang Bin; 5) Qian Jie; 6) Yu Min.

<sup>62</sup> 1) Wang Lin Yan @Wang Ling Yan; 2) Zhao Liansheng @Zhan Jin Sheng; 3) Quin Wei Cong @Wei Cong Qin; 4) Zhao Min; 5) Yuan Gaoling @Yuan Guo Ping; 6) Lin Tun @Liu Jun @Liu Tun; 7) Yin Yue Qiang @Yin Tue Qiang; 8) Pan Zhi Yong; 9) Huang Guo Yi; 10) Zhuang Yingying @Zhang Yingying ; 11) Shang Shan; 12) Zeng Jianbin; 13) Tan Haishan; 14) Ruan Zhaoning; 15) Yin Hualong; 16) Li Teng; 17) Qi Xiangyue; 18) Li Hongjun; 19) Wang Yuzhao; 20) Deng Bifei; 21) Le Hengxiu.

<sup>63</sup> Eight (8) foreign nationals were from the 1<sup>st</sup> Lucky South 99 group, i.e., 1) Cao Xiaolin; 2) He Bing; 3) Ye Guosen; 4) Lei Wenlong; 5) Qiu Xu; 6) Xiao Lulang; 7) and 8) Ou Weihong. Six (6) foreign nationals were from the 2<sup>nd</sup> Lucky South 99 group, i.e., 1) Huang Lin; 2) Qin Xianwei; 3) Yang Peng; 4) Sun Kelong; 5) Zhang You; and 6) Ye Wenzhou. Three (3) foreign nationals were from the KOA hotel group: 1) Yuan Feng; 2) Zhao Jian; and 3) Zheng Zhong Yang @Zeng Zhong Yang.

<sup>64</sup> Two (2) are from the 1<sup>st</sup> Lucky South 99 group: 1) Li Lin; and 2) Yu Kun. Three (3) are from the KOA hotel group: 1) Zhou Maolin; 2) Cheng Yiting; and 3) Liu Shaohua.

Save for foreign nationals whose criminal record checks (conducted by the NBI) has produced positive possible matches,<sup>65</sup> the BI has procured all necessary documents for the for the foreign nationals' deportation implementation except for their valid travel documents. The BI is in coordination with the Chinese Embassy's Consular Affairs Division, who are in the process of verifying the foreign nationals' respective identities with their authorities in China. Nevertheless, the BI continues to be in close coordination with all government offices and foreign Embassies of the subject foreign nationals for the implementation of the deportation orders issued against them."

#### Anti-Money Laundering Council (October 7, 2022)

"In the 2020 Risk Assessment on *Understanding the Internet-Based Casino Sector in the Philippines* conducted by the AMLC, it was stated that:

*Within the offshore gaming casino framework, consequential risk to ML occurrence as derived from inherent risk is moderate. Reputational, operations/compliance, and financial impact are among the consequential risks. The impact of reputational loss is high, while the impact of operations/compliance and financial loss is moderate.*

Apart from the operational and financial aspect, one of the considerations used to assess consequential risk is Reputational Impact.

The news regarding the ceased operations of about 200 internet-based casinos/SPs in 2019, while highlighting the authorities' efforts to stop illegal operations of internet-based casinos, presented serious concerns on the influx of foreign workers, and on prostitution and trafficking of women, both local and foreign nationals. Reports of illegal kidnapping of foreign nationals also circulated. It is worth noting that the study was conducted in 2020. Two years after, based on current news reports, it would appear that the reported crime is still prevalent.<sup>66</sup>

POGOs *per se* were not specifically identified in the Action Plan. Nevertheless, POGOs are part of the supervised sectors. Though there is no specific Action Plan item pertaining to OGOs, one of the Action Plan items is the conduct of effective risk-based supervision of Designated Non-Financial Businesses and Professions (DNFBPs) to which POGOs belong.

On its part, the AMLC conducted compliance checking on covered persons, particularly on the POGOs on various dates in 2020-2022. Twenty-seven (27) POGOs were subjected to compliance checking to determine its compliance with the AMLA as amended, the Terrorism Financing Prevention and Suppression Act of 2012

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<sup>65</sup> Foreign nationals with positive possible matches from the NBI's criminal record check are: 1) Li Zheng @Li Sheng; 2) Chen Leilei @Chen Lei Lei; 3) Li Weizhong; 4) Zhao Yu; 5) Liu Yang @Xiao Yang; 6) Zhang Yongli @Zhang Yong Li @Xiao Yi; 7) Yu Tao @Shie Zi; 8) Chen Failan @Chen Fa Lian @Mo Shao; 9) Wang Tao; 10) Zhencai Bin @Zhang Cai Bin; 10) Song Jie; 11) Zhao Yuan He @Yuan He Chao; and 12) Zhou Zhou.

<sup>66</sup> *POGO-related kidnap cases up by 25%*, Philippine Star news article dated September 9, 2022. <https://www.philstar.com/nation/2022/09/09/2208369/pogo-related-kidnap-cases-25> accessed on October 6, 2022

(TFSA), and AML/CTF Guidelines for Designated Non-Financial Business and Professions.

The results of the compliance checking showed that of the 27 entities subject of the compliance checking, 20 entities were rated grossly inadequate; 1 was rated vulnerable and 6 were considered as non-cooperative for their failure to cooperate with the AMLCS despite various letters/emails sent.

Action taken by the AMLC on the 27 entities:

- a. One (1) Pogo rated 2 (Vulnerable<sup>67</sup>) – required to submit action plans to address the deficiencies noted in the examination and further required to submit semi-annual updates on the action plan;
- b. Twenty (20) POGOs rated 1 (Grossly Inadequate<sup>68</sup>) – they were required to submit action plans to address the deficiencies noted in the examination and further required to submit quarterly status updates on the action plan; and
- c. Six (6) rated as non-cooperative – entities were included in the publication at the AMLC website as non-cooperative for its failure to cooperate with the AMLC,<sup>69</sup> revoked its AMLC registration; and requested the PAGCOR to revoke its license.”

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<sup>67</sup> Risk management needs drastic and/or immediate improvement which requires close supervisory attention. (Other DNFBPs Risk Rating System)

<sup>68</sup> Risk management and control needs improvement and requires more than normal supervision. (Other DNFBPs Risk Rating System)

<sup>69</sup> The list can be found here: <http://www.amlc.gov.ph/advisories/uncooperative-cps>.

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