


THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
Third Regular Session)

6 SEP -4 76:45

S.B. No. 2453

RECEIVED BY: 

Introduced by Senator Manuel "Lito" M. Lapid

Explanatory Note

Presidential Decree 1869 or the Philippine Amusement and Gaming Corporation (PAGCOR) charter was crafted during the Marcos administration particularly to consolidate separate enabling laws of PAGCOR, which are PD Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632.

The law covers, among others, the powers and functions, nature and scope of franchise, privileges and such other activities and practices of PAGCOR. Under its mandate, it is tasked to regulate all games of chance, to raise funds for the government's socio-civic and national developmental programs, and to help boost the country's tourism industry. True to its mandate, PAGCOR is a major benefactor to a number of public services and socio-civic projects such as poverty alleviation, sports development, health, education, peace and order and others.

The establishment of controlled casinos in major cities of the country paved the way for the growth of the gaming industry, making PAGCOR the number one income generating agency of the government. At present, PAGCOR earns an average annual income of over Twenty Billion Pesos (P 20,000,000,000.00) for the government. Although PAGCOR, as it is today, continues to make considerable contributions to the government, the potential to boost its earnings through the application of creative business plans and expanding its present functions is huge. However, its outmoded charter which appears to have been overtaken by the calls of the present business environs like globalization, privatization, mergers and other aggressive corporate plays has limited, if not eliminated, such potential.

This proposed measure intends to amend the charter of PAGCOR to provide it with an avenue to realize its full potential as an income generating agency of the government. One of the changes being introduced in this legislation is the inclusion of newly devised games and amusement, which are not authorized under PAGCOR's existing franchise. *It is likewise the intent of this measure to make it possible for PAGCOR to enter into joint ventures and similar undertakings in order to demonopolize the gaming industry.*

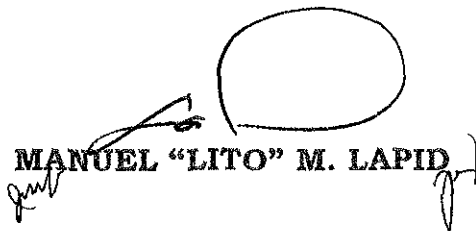
Under this measure, PAGCOR will also be given an opportunity to expand its functions beyond gaming-related activities such as operation and management of hotels, clubs, resorts, amusement parks and other recreation and entertainment facilities. This expanded function will be

undertaken through the establishment of Gaming and Amusement Enterprise Zones (GAEZs) under PAGCOR.

The so-called GAEZs will be set-up in areas identified as potential growth areas to house said inter-related industries. Investors in these estates shall be extended privileges and other business come-ons similar to those given to special eco-zones to further entice them to invest in our country.

It is hoped that this measure will promote the flow of investors, both foreign and local, and generate employment opportunities for our countrymen.

It is with the above cited reasons that I urge my colleagues to fully support the passage of this measure the earliest possible time.




MANUEL "LITO" M. LAPID

THIRTEEN CONGRESS OF THE REPUBLIC)
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6 SEP -4 P6:45

SENATE
S.B. No. 2453

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Introduced by Senator Manuel "Lito" M. Lapid

AN ACT AMENDING PRESIDENTIAL DECREE NO. 1869, OTHERWISE KNOWN AS THE PAGCOR CHARTER, TO ENHANCE THE MANDATE OF THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR), AND FOR OTHER PURPOSES

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

SECTION 1. *Title* - This Act shall be known as the "Revised Philippine Amusement and Gaming Corporation (PAGCOR) Act of 2006".

SECTION 2. Presidential Decree No. 1869, otherwise known as the Charter of the Philippine Amusement and Gaming Corporation, is hereby amended to read as follows:

TITLE I—GENERAL PROVISIONS

SECTION 1. *Declaration of Policy.* - It is hereby declared to be the policy of the State to centralize [and], integrate, **LICENSE AND REGULATE** all games of chance not heretofore authorized by existing franchises or permitted by law in order to attain the following objectives:

(a) To centralize [and] integrate, **LICENSE AND REGULATE** the right and authority to operate and conduct, games of chance [into one corporate entity to be controlled, administered and supervised by the Government];

(b) To establish and operate clubs and casinos for amusement and recreation, including sports gaming pools (basketball, football, [lotteries,] **BINGO PARLORS**, etc.) and such other forms of amusement and recreation including games of chance **NOT AUTHORIZED BY EXISTING FRANCHISE OR LAW** within the territorial jurisdiction of the Philippines **AND ABROAD, SUBJECT TO THE LAWS OF THE HOST COUNTRY**, which will: (1) generate sources of additional revenue to fund infrastructure and socio-civic projects, [such as flood control programs, beautification, sewerage and sewage projects, Tulungan ng Bayan Centers, Nutritional Programs, Population Control.] **LIVELIHOOD PROGRAMS** and such other essential public services; (2) create recreation and integrated facilities which will expand and improve the country's existing **AND POTENTIAL** tourist attractions; and (3) minimize, if not totally eradicate the evils, malpractices and corruptions that are

normally prevalent in the conduct and operation of gambling clubs and casinos without direct government involvement.

TITLE II – CREATION OF PHILIPPINE AMUSEMENT AND GAMING CORPORATION

SEC. 2. *Philippine Amusement and Gaming Corporation (PAGCOR), Creation and Purpose.* - To implement this State policy and pursue the objectives set forth in the preceding Section, there is hereby created a body corporate to be known as the Philippine Amusement and Gaming Corporation, hereinafter referred to as the "Corporation", which shall have its principal office in Metropolitan Manila. The Corporation may establish such offices, agencies, subsidiaries, or branches in the Philippines as its operations would require and its Board of Directors may determine.

SEC. 3. *Corporate Powers.* - The Corporation shall have the following powers and functions, among others:

- (a) to prescribe its By-Laws;
- (b) to adopt, alter and use a corporate seal;
- (c) to own real or personal property, and to sell, alienate, mortgage, encumber or otherwise dispose of the same;
- (d) to make contracts, and to sue and be sued;
- (e) to employ such officers and personnel as may be necessary or proper to carry on its business;
- (f) to acquire, lease or maintain, whether on land, water or air, personal property and such other equipment and facilities as may be necessary or proper to carry out its purposes;
- (g) to import, buy, sell, or otherwise trade or deal in merchandise, goods, wares and objects of all kinds and descriptions that may be necessary or proper to carry out the purposes for which it has been created;
- (h) to enter into, make, perform, and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Corporation, or in any manner incidental thereto, **INCLUDING INVESTMENT AGREEMENTS, JOINT VENTURE AGREEMENTS, MANAGEMENT CONTRACTS, OR SIMILAR ARRANGEMENTS**, as principal, agent or otherwise, with any person, firm, association, or corporation;
- (i) to borrow money from local or foreign sources as may be necessary or proper for its operations;
- (j) to invest its funds as the Corporation may deem necessary or proper in any activity related to its principal operation, including in any bonds, or securities issued or granted by the Government of the Philippines **OR GOVERNMENT OWNED OR CONTROLLED CORPORATIONS**;

- (k) TO CONSTRUCT, DEVELOP, MAINTAIN AND OPERATE CLUBS, HOTELS, RESORTS AND OTHER STRUCTURES INCLUDING ALL AMENITIES FOR AMUSEMENT, RECREATION AND ENTERTAINMENT WHICH ARE NECESSARY AND INCIDENTAL TO THE BUSINESS OF THE CORPORATION;**
- (l) TO GRANT LICENSES AND CERTIFICATES OF AFFILIATION TO QUALIFIED GOVERNMENTAL AND PRIVATE APPLICANTS;**
- (m) TO ENTER INTO LEASE CONTRACTS, WHETHER AS LESSOR OR LESSEE, OF SERVICE AND/OR FACILITIES, FOR THE OPERATION OF A CASINO, SLOT MACHINE ARCADE, VIP CLUBS, JUNKET, VIP JUNKET, AND OTHER SIMILAR ESTABLISHMENTS;**
- (n) TO PARTICIPATE IN THE OWNERSHIP AND MANAGEMENT OF CORPORATIONS, PARTNERSHIPS, ASSOCIATIONS, AND OTHER ENTITIES ENGAGED IN THE BUSINESS OF THE CORPORATION INCLUDING BUT NOT LIMITED TO THE SUPPLY OF THE MANPOWER REQUIREMENTS;**
- (o) TO CREATE, ORGANIZE OR ESTABLISH SUBSIDIARIES THAT CAN BE PUBLICLY LISTED FOR THE CONDUCT OF ITS BUSINESS WITHIN OR OUTSIDE OF THE PHILIPPINES;**
- (p) TO ESTABLISH AND OPERATE WHAT SHALL BE KNOWN HEREIN AS GAMING AND AMUSEMENT ENTERPRISE ZONES;**
- (q) TO REVIEW PROPOSALS AND APPLICATIONS FOR THE ESTABLISHMENT OF GAMING AND AMUSEMENT ENTERPRISE ZONES AND RECOMMEND THE SAME TO THE PRESIDENT FOR PROCLAMATION, BASED ON THE CRITERIA AND STANDARDS SET FORTH IN THE IMPLEMENTING RULES AND REGULATIONS OF THIS ACT. THEREAFTER, IT SHALL FACILITATE AND ASSIST IN THE ORGANIZATION OF SUCH ENTITIES;**
- (r) TO LICENSE, SUPERVISE AND REGULATE THE OPERATION OF GAMING AND AMUSEMENT ENTERPRISE ZONES;**
- (s) TO LICENSE OR REGISTER LOCATORS AND JUNKET OPERATORS CATERING TO LOCAL OR FOREIGN CLIENTELE WITHIN THE GAMING AND AMUSEMENT ENTERPRISE ZONES;**
- (t) TO COORDINATE WITH LOCAL GOVERNMENT UNITS AND EXERCISE GENERAL SUPERVISION OVER THE DEVELOPMENT PLANS, ACTIVITIES AND OPERATIONS OF LICENCEES IN THE GAMING AND AMUSEMENT ENTERPRISE ZONES, EXPORT PROCESSING ZONE, FREE TRADE ZONES, AND THE LIKE;**

- (u) **REGULATE AND UNDERTAKE THE ESTABLISHMENT, OPERATION AND MAINTENANCE OF UTILITIES, OTHER ANCILLARY SERVICES AND INFRASTRUCTURES IN THE GAMING AND AMUSEMENT ENTERPRISE ZONES, SUCH AS HEAT, LIGHT, POWER GENERATION, TOLL ROADS AND BRIDGES, PRT SERVICES, ETC., AND TO FIX JUST, REASONABLE AND COMPETITIVE RATES, FARES, CHARGES AND FEES THEREFORE;**
- (v) **TO APPROVE THE ANNUAL BUDGET AND DEVELOPMENT PLANS OF THE GAMING AND AMUSEMENT ENTERPRISE ZONES;**
- (w) **TO EXERCISE QUASI-JUDICIAL FUNCTIONS TO HEAR AND DECIDE CASES FOR VIOLATION OF THE PROVISIONS OF THIS ACT AND IMPOSE ADMINISTRATIVE SANCTIONS INCLUDING, BUT NOT LIMITED TO, THE IMPOSITION OF FINES AND PENALTIES, CANCELLATION OF LICENSE TO OPERATE AND/OR CLOSURE OF ESTABLISHMENTS OR ENTITIES. FOR THIS PURPOSE, THE CORPORATION SHALL HAVE THE POWER TO ISSUE SUBPOENA OR SUBPOENA DUCES TECUM TO COMPEL THE ATTENDANCE OF WITNESSES AND PRODUCTION OF DOCUMENTS AND OTHER EFFECTS.**

THE CORPORATION MAY CALL UPON LAW ENFORCEMENT AGENCIES AND THE MANAGING AUTHORITIES FOR ASSISTANCE IN THE IMPLEMENTATION AND ENFORCEMENT OF ITS DECISIONS, ORDERS, RULES AND REGULATIONS

- (x) **WITHIN NINETY (90) DAYS AFTER THE APPROVAL OF THIS ACT, ISSUE AND SUBMIT TO CONGRESS THE NECESSARY RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS HERETO;**
- (y) **TO RENDER ANNUAL REPORTS TO THE PRESIDENT AND THE CONGRESS;**
- (z) **[(k)] to perform such other powers and functions as may be provided by law; and**
- (aa) **[(l)] to do anything and everything necessary, proper, desirable, convenient, or suitable for the attainment and accomplishment of any of the object or the furtherance of any of the powers herein stated the above purposes, or the furtherance of the powers herein stated, either alone or in association with other corporations, firms or individuals and to do every other act or things incidental, pertaining to, growing out of, or connected with the aforesaid purposes, objects or powers or any part thereof.**

SEC. 4. Authorized Capital Stock,- The corporation shall have an authorized capital stock divided into **TEN MILLION** [one million] voting and no par value shares, to be subscribed, paid for and voted as follows:

(a) 6,000,000 shares of stock to be subscribed to and paid for by the Government of the Republic of the Philippines at an [original] issue value of P1,000.00 per share;

(b) 4,000,000 shares remaining may be subscribed to by person or entities acceptable to the Board of Directors at issue value to be determined by such Board of Directors.

The voting power pertaining to shares of stock subscribed by the Government of the Republic of the Philippines shall be vested in the President of the Philippines or in such person or persons as he or she may designate.

The voting power pertaining to shares of stock subscribed by private person or entities shall be vested in them.

SEC. 5. *Government Investment* - [The Government advances to the Corporation authorized on May 29, 1978, having reached the amount of P70,430,752.03, shall be converted into equity as part of the investment of Government to be applied to its subscription of 550,000 shares] **THE ADVANCES OF THE GOVERNMENT TO THE CORPORATION SHALL BE CONVERTED INTO EQUITY AS PART OF ITS INVESTMENT IN THE CORPORATION.**

SEC. 6. [Board of Directors] **CHAIRMAN OF THE BOARD OF DIRECTORS/CHIEF EXECUTIVE OFFICER, BOARD OF DIRECTORS AND PRESIDENT/CHIEF OPERATING OFFICER.** - The Corporation shall be governed and its activities be directed, controlled and managed by a Board of Directors, hereinafter referred to as the "Board", composed of five (5) members, three (3) of whom shall come from the Government sector [and shall be appointed by the President, while] **AND** the other two (2) shall be from the private sector. [who own at least 1 share of stock in the Corporation and who shall be elected by the stockholders of the Corporation in the annual general meeting or in a special meeting called for such purpose.] **THE MEMBERS OF THE BOARD OF DIRECTORS SHALL BE APPOINTED BY THE PRESIDENT.**

[Each Director shall serve for a term of one (1) year and until his successor shall have been duly appointed and qualified.]

THERE SHALL BE A CHAIRMAN OF THE BOARD OF DIRECTORS WHO WILL ALSO ACT AS THE CHIEF EXECUTIVE OFFICER, HEREINAFTER REFERRED TO AS THE "CHAIRMAN", TO BE APPOINTED BY THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES WITH A FIXED TERM OF SIX (6) YEARS, RENEWABLE AT THE OPTION OF THE PRESIDENT.

THE CORPORATION SHALL BE MANAGED BY A PRESIDENT/CHIEF OPERATING OFFICER WHO SHALL BE APPOINTED BY THE PRESIDENT OF THE PHILIPPINES FOR A TERM OF SIX (6) YEARS.

THE INCUMBENT CHAIRMAN OF THE BOARD OF DIRECTORS/ CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER SHALL CONTINUE TO HOLD OFFICE AND SHALL SERVE FOR A NEW TERM OF SIX (6) YEARS, UNLESS REPLACED BY THE PRESIDENT WITHIN A PERIOD OF NINETY (90) DAYS UPON EFFECTIVITY OF THIS LAW.

UPON EXPIRATION OF THEIR TERM OF OFFICE, THE INCUMBENT CHAIRMAN OF THE BOARD OF DIRECTORS, THE CHIEF OPERATING OFFICER AND THE MEMBERS OF THE BOARD OF DIRECTORS MAY BE RE-APPOINTED BY THE PRESIDENT.

SEC. 7. *Powers, Functions and Duties of the Board of Directors.*- The Board shall have the following powers, functions and duties;

(a) To allocate and distribute, with the approval of the Office of the President of the Philippines, the earnings of the Corporation earmarked to finance infrastructure and socio-civic projects;

(b) To designate the commercial bank that shall act as the depository bank of the Corporation and/or trustee of the funds of the Corporation;

(c) To prepare and approve at the beginning of each calendar year the budget that may be necessary under any franchise granted to it, to insure the smooth operation of the Corporation; and to evaluate and approve budgets submitted to it by other corporations or entities with which it might have any existing contractual arrangement;

(d) To submit to the Office of the President of the Philippines before the end of February of each year a list of all the infrastructure and/or socio-civic projects that might have been financed from the Corporation's earnings, and to submit such periodic or other reports as may be required of it from time to time;

(E) TO FORMULATE PERSONNEL MANAGEMENT POLICIES, STANDARDS, RULES AND REGULATIONS TO GOVERN ITS EMPLOYEES INCLUDING THEIR WAGES, SALARIES, ALLOWANCES AND BENEFITS, THE PROVISIONS OF EXISTING LAWS TO THE CONTRARY NOTWITHSTANDING, AND TO DETERMINE AND ESTABLISH THE APPROPRIATE ORGANIZATIONAL STRUCTURE FOR THE CORPORATION, AND TO RESTRUCTURE AND REORGANIZE THE SAME;

(F) TO ACT AS A REGULATORY BODY FOR THE PURPOSE OF EXERCISING ITS POWERS UNDER AND IN ACCORDANCE WITH SECTION 9 HEREOF; AND

(G) [(e)] To perform such other powers, functions and duties as may be directed and authorized by the President of the Philippines or as may be necessary or proper for the accomplishment of its purpose and objectives.

TITLE II - AFFILIATION PROVISIONS

SEC. 8. *Registration* - All persons primarily engaged in gambling, together with their allied business, with contract or **LICENSE** from the Corporation, shall register and affiliate their businesses with the Corporation. The Corporation shall issue the corresponding certificates of affiliation **OR LICENSE** upon compliance by the registering entity with the promulgated rules and regulations thereon.

NO PERSON, NATURAL OR JURIDICAL SHALL BE ALLOWED TO ENGAGE IN THE BUSINESS OF OPERATING A GAMBLING CASINO OR TO OPERATE ANY BUSINESS INVOLVING THE CONDUCT OF GAMES OF CHANCE, OR POSSESS OR IMPORT GAMING PARAPHERNALIA FOR WHATEVER PURPOSE, EXCEPT THE CORPORATION AND ITS AFFILIATED ENTITIES.

SEC. 9. *Regulatory Power* - The Corporation shall maintain a Registry of the affiliated entities, and shall exercise all the powers, authority and responsibility vested in the Securities and Exchange Commission over such *affiliated entities mentioned under the preceding section*, including but not limited to amendments of Article of Incorporation and By-Laws, Changes in corporate term, structure, capitalization and other matters concerning the operation of the affiliating entities, the provision of the Corporation Code of the Philippines and other laws to the contrary notwithstanding, except only with respect to the original incorporation. **THE CORPORATION SHALL ENACT AND PROMULGATE SUCH GAMING RULES AND REGULATIONS AS MAY BE NECESSARY TO GOVERN THE GAMING ACTIVITIES OF THE AFFILIATED COMPANIES, INCLUDING SANCTIONS FOR VIOLATIONS THEREOF, AND IF PUBLIC INTEREST SO WARRANTS AS DETERMINED BY THE CORPORATION, TO SUSPEND OR TERMINATE THE OPERATION OR CLOSE THE FACILITIES OF THE AFFILIATED OR UNAFFILIATED COMPANIES CONCERNED.**

TITLE IV—GRANT OF FRANCHISE

SEC. 10. *Nature and Term of Franchise*. - Subject to the terms and conditions established in this Decree, the Corporation is hereby [granted for a period of twenty-five (25) years] **GRANTED FROM FROM THE EXPIRATION OF ITS ORIGINAL TERM ON JULY 11, 2008, ANOTHER PERIOD OF FIFTY (50) YEARS**, renewable for another twenty five (25) years, the rights, privileges and authority to operate and maintain gambling casinos, clubs, and other recreation or amusement places, [sports,] gaming pools i.e., basketball, football, [lotteries,] **BINGO PARLORS**, etc., **EXCEPT JAI-ALAI AND INTERNET GAMBLING**, whether on land or sea, within the territorial jurisdiction of the Republic of the Philippines AND ABROAD, SUBJECT TO THE LAWS OF THE HOST COUNTRY: **PROVIDED, THAT THE CORPORATION SHALL OBTAIN THE CONSENT OF THE LOCAL GOVERNMENT UNIT THAT HAS TERRITORIAL JURISDICTION OVER THE AREA CHOSEN AS THE SITE FOR ANY OF ITS OPERATIONS.**

THE OPERATION OF SLOT MACHINES AND OTHER GAMBLING PARAPHERNALIA AND EQUIPMENT, SHALL NOT BE ALLOWED IN ESTABLISHMENTS OPEN OR ACCESSIBLE TO THE GENERAL PUBLIC UNLESS THE SITE OF THESE OPERATIONS ARE THREE-STAR HOTELS AND RESORTS ACCREDITED BY THE DEPARTMENT OF TOURISM AUTHORIZED BY THE CORPORATION AND BY THE LOCAL GOVERNMENT UNIT CONCERNED.

SEC. 11. Scope of Franchise. - In addition to the rights and privileges granted it under the preceding Section, this Franchise shall entitle the Corporation to do and undertake the following:

(1) Enter into operating and/or management contracts with any registered and accredited company possessing the knowledge, skill, expertise and facilities to insure the efficient operation of gambling casinos; provided, that the service fees of such management and/or operator companies whose services may be retained by the Corporation shall not in the aggregate exceed ten (10%) percent of the gross income;

(2) Purchase foreign exchange that may be required for the importation of equipment, facilities and other gambling paraphernalia indispensably needed or useful to insure the successful operation of gambling casinos;

(3) Acquire the right of way or access to or thru public land, public waters or harbors, including the Manila bay area; such right shall include but not limited to the right to lease and/or purchase public lands, government reclaimed lands, as well as lands of private ownership or those leased from the Government. This right shall carry with it the privilege of the Corporation to utilize piers, quays, boat landings, and such other pertinent and related facilities within these specified areas for use as landing, anchoring or berthing sites in connection with its authorized casino operations;

(4) Build or construct structures, building castways, piers, decks, as well as any other form of landing and boarding facilities for its floating casinos;

(5) FORMULATE, ADOPT, SET-UP, CONDUCT, AND CARRY ON MARKETING AND PROMOTIONAL PROGRAMS AND UNDERTAKINGS IN CONNECTION WITH THE EXERCISE OF ITS POWER AND FUNCTIONS WHICH ARE NORMALLY PRACTICED BY RELEVANT INDUSTRIES WITH SUCH FEATURES, AS WELL AS FORMULATE INCENTIVES AND CREATE AMENITIES AS THE CORPORATION MAY DEEM SUITABLE AND PROPER TO ENABLE IT TO ATTAIN GLOBAL COMPETITIVENESS IN THE SAID ENTERPRISE; AND

(6) [(5)] To do and perform such other acts directly related to the efficient and successful operation and conduct of games of chance in accordance with existing laws and decrees.

SEC. 12. Special Condition of Franchise. - After deducting five (5%) percent as Franchise Tax, [the Fifty (50%) percent share of the Government in the aggregate gross earnings of the Corporation from this

Franchise shall be immediately set aside and allocated to fund the following infrastructure and socio-civic projects within the Metropolitan Manila Area:

- (a) Flood Control
- (b) Sewerage and Sewage
- (c) Nutritional Control
- (d) Population Control
- (e) Tulungan ng Bayan Centers
- (f) Beautification
- (g) Kilusang Kabuhayan at Kaunlaran (KKK) projects; provided, that should the aggregate gross earning be less than P150,000,000.00, the amount to be allocated to fund the above-mentioned project shall be equivalent to sixty (60%) percent of the aggregate gross earning.

In addition to the priority infrastructure and socio-civic projects within the Metropolitan Manila specifically enumerated above, the share of the Government in the aggregate gross earnings derived by the Corporation from this Franchise may also be appropriated and allocated to fund and finance infrastructure and/or socio-civic projects throughout the Philippines as may be directed and authorized by the Office of the President of the Philippines.]

THE GROSS WINNINGS ON GAMING OF THE CORPORATION SHALL BE DISTRIBUTED IN THE FOLLOWING MANNER;

(a) FIVE PERCENT (5%) PERCENT SHALL BE RETAINED BY THE CORPORATION TO FUND ITS CAPITAL EXPENDITURES AND EXPANSION OF ITS OPERATIONS INCLUDING BUT NOT LIMITED TO, THE ACQUISITION OF LAND AND THE CONSTRUCTION OF HOTELS AND OTHER FACILITIES RELATED TO ITS POWERS AND FUNCTIONS;

(b) AFTER DEDUCTING THE PROVISION UNDER PARAGRAPH (a) HEREOF, FIVE PERCENT (5%) SHALL BE REMITTED TO THE BUREAU OF INTERNAL REVENUE AS FRANCHISE TAX;

(c) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a) AND (b) HEREOF, THE FIVE PERCENT (5%) SHARE OF THE PHILIPPINES SPORTS COMMISSION (PSC) SHALL BE COMPUTED AND DIRECTLY REMITTED TO THE PSC;

(d) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a), (b), AND (c) HEREOF, TEN PERCENT (10%) SHALL BE DIRECTLY REMITTED TO THE DEPARTMENT OF EDUCATION FOR THE CONSTRUCTION OF SCHOOL BUILDINGS, THE MODERNIZATION OF EXISTING SCHOOL FACILITIES AND THE RESTORATION AND MAINTENANCE OF HISTORICAL, CULTURAL AND HERITAGE SITES, AS MAY BE DETERMINED BY THE OFFICE OF THE PRESIDENT;

(e) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a), (b), (c), AND (d) HEREOF, TEN PERCENT (10%) SHALL BE DIVIDED EQUALLY BETWEEN, AND DIRECTLY REMITTED TO, THE ARMED FORCES OF THE PHILIPPINES (AFP) AND THE PHILIPPINE NATINAL POLICE (PNP) FOR THE MODERNIZATION AND UPGRADING OF THEIR EQUIPMENT AND HOUSING FOR THEIR PERSONNEL;

(f) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a), (b), (c), (d) AND (e) HEREOF, ONE PERCENT (1%) SHALL BE REMITTED TO THE BOARD OF CLAIMS;

(g) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a), (b), (c), (d), (e) AND (f) HEREOF, THREE PERCENT (3%) SHALL BE ALLOCATED FOR THE FUNDING OF LAWS ENACTED BY THE CONGRESS OF THE PHILIPPINES; AND

(h) AFTER DEDUCTING THE PROVISIONS UNDER PARAGRAPHS (a), (b), (c), (d), (e), (f) AND (g) HEREOF, THIRTY PERCENT (30%) SHALL BE REMITTED TO THE NATIONAL TREASURY.

THE BALANCE IN THE GROSS WINNINGS AFTER THE FOREGOING DEDUCTIONS SHALL BE ALLOCATED BETWEEN THE OPERATIONAL EXPENSES OF THE CORPORATION AND THE PRESIDENT'S SOCIAL FUND AS MAY BE DETERMINED BY THE BOARD OF DIRECTORS.

SEC. 13. Exemptions -

(1) Customs duties, taxes and other imposts on importations - All importations of equipment, vehicles, automobiles, boats, ships, barges, aircraft, and such other gambling paraphernalia, including accessories or related facilities, for the sole and exclusive use of the casinos, the proper and efficient management and administration thereof, and such other clubs, recreation or amusement places to be established under and by virtue of this Franchise shall be exempt from the payment of all kinds of customs duties, taxes, and other imposts, including all kinds of fees, levies, or charges of any kind or nature, whether National or Local.

Vessel and/or accessory ferry boats imported or to be imported by any corporation having existing contractual arrangement with the Corporation, for the sole and exclusive use of the casino or to be used to service the operations and requirements of the casino, shall likewise be totally exempt from the payment of all customs duties, taxes and other imposts, including all kind of fees, levies, assessments or charges of any kind or nature, whether National or Local.

(2) Income and other taxes. - (a) Franchise Holder: No tax of any kind or form, income, or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, shall be assessed and collected under this Franchise from the Corporation, except a Franchise Tax of five (5%) percent on the **WINNINGS** derived by the Corporation from its operation under this Franchise. Such tax shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or

description, levied, established or collected by any municipal, provincial or national government authority.

(b) Others: The exemption herein granted for earnings derived from the operations conducted under the franchise, specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees, levies, shall inure to the benefit of and extend to corporation(s), association(s), agency(ies), or individual(s) with whom the Corporation has any contractual relationship in connection with the operations of the casino(s) **AND SUCH OTHER FORMS OF AMUSEMENT, ENTERTAINMENT, RECREATION AND GAMES OF CHANCE** authorized to be conducted under this Franchise and to those receiving compensation or other remuneration from the Corporation or operator as a result of essential facilities furnished and /or technical services rendered to the Corporation or operator.

The fee or remuneration of foreign entertainers contracted by the Corporation or operator in pursuance of this provision shall be free of any tax.

(3) Dividend Income.—**THE CORPORATION SHALL DECLARE AND REMIT CASH OR PROPERTY DIVIDENDS TO THE NATIONAL GOVERNMENT AT A RATE TO BE DETERMINED BY THE BOARD OF DIRECTORS SUBJECT TO THE EXCEPTIONS PROVIDED IN THE CORPORATION CODE.** [Notwithstanding any provision of law to the contrary, in the event the Corporation should declare a cash dividend, that portion of the dividend income corresponding to the participation of the private sector shall, as an incentive to the beneficiaries, be subject only to a final income tax rate of ten (10%) percent in lieu of the regular income tax rates. The dividend income shall not in such case be considered as part of beneficiaries' taxable income; provided, however, that such dividend income shall be totally exempted from income or other forms of taxes if invested within six (6) months from the date the dividend income is received, in the following:

(a) operation of the casino(s) or investments in any affiliate activity that will ultimately redound to the benefit of the Corporation or any other corporation with whom the Corporation has any existing arrangements in connection with or related to the operations of the casino(s);

(b) Government bonds, securities, treasury notes, or debentures; or

(c) BOI—registered or export-oriented corporation(s).]

(4) Utilization of Foreign Currencies.—The Corporation shall have the right and authority, solely and exclusively in connection with the operations of the casino(s), to purchase, receive, exchange and disburse foreign exchange, subject to the following terms and conditions:

(a) A specific area in the casino(s) or gaming pit shall be put up solely and exclusively for players and patrons utilizing foreign currencies;

(b) The Corporation shall appoint and designate a duly accredited commercial bank agent of the **BANGKO SENTRAL NG PILIPINAS** [Central Bank], to handle, administer and manage the use of foreign currencies in the casino(s);

(c) The Corporation shall provide an office at casino(s) exclusively for the employees of the designated bank, agent of the Central Bank, where the Corporation shall maintain a dollar account which will be utilized exclusively for the above purpose and the casino dollar treasury employees;

(d) Only persons with foreign passports or certificates of identity (for Hong Kong patron only) duly issued by the government or country of their residence will be allowed to play in the foreign exchange gaming pit;

(e) Only foreign exchange prescribed to form part of the Philippine International Reserve and the following foreign exchange currencies: Australian Dollar, Singapore Dollar, Hong Kong Dollar, shall be used in this gaming pit;

(f) The disbursement, administration, management and recording of foreign exchange currencies used in the casino(s) shall be carried out in accordance with existing foreign exchange regulations; and periodical reports of the transactions in such foreign exchange currencies by the Corporation shall be duly recorded and reported to the Central Bank thru the designated Agent Bank; and

(g) The Corporation shall issue the necessary rules and regulations for the guidance and information of players qualified to participate in the foreign exchange gaming pit, in order to make certain that the terms and conditions as above set forth are strictly complied with.

SEC. 14. Other Conditions —

(1) Place.—The Corporation shall conduct the gambling activities or games of chance on land or water within the territorial jurisdiction of the Republic of the Philippines. When conducted on water, the Corporation shall have the right to dock the floating casino(s) in any part of the Philippines where vessels/boats are authorized to dock under the Customs and Maritime Laws.

(2) Time.—Gambling activities may be held and conducted at anytime of the day or night; Provided, however, that in places where curfew hours are observed, all players and personnel of the gambling casinos shall remain within the premises of the casinos.

(3) Persons allowed to play.—

[a] Tourists and / or foreigners who are not residents of the Philippines;

(b) Residents with a gross **MONTHLY** income for the previous year of at least P50,000.00; [which fact shall be certified to by the Bureau of Internal Revenue]; and

(c) The [number of] guests of the above-mentioned qualified persons [shall be limited to two (2) only]; Provided, that the said guests are at least 21 years of age;

(4) Persons not allowed to play.—

(a) Government officials connected directly with the operation of the government or any of its agencies;

(b) Members of the Armed Forces of the Philippines; [including the Army, Navy, Air Force or Constabulary]; and

(c) Persons under 21 years of age or students of any school, college or university in the Philippines.

From these are excepted the personnel employed by the casinos, special guests, or those who at the discretion of the Management may be allowed to stay in the premises.

(5) Operation of related services —The Corporation is authorized to operate such necessary and related services, shows and entertainment. Any income that may be realized from these related services shall not be included as part of the income of the Corporation for the purpose of applying the franchise tax, but the same shall be considered as a separate income of the Corporation and shall be subject to income tax.

TITLE V—GOVERNMENT AUDIT

SEC. 15. Auditor: - The Commission on Audit or any government agency that the Office of the President may designate shall appoint a representative who shall be the Auditor of the Corporation and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries of the Auditor or representative and his staff shall be fixed by the Chairman of the Commission on Audit or designated government agency, with the advice of the Board, and said salaries and other expenses shall be paid by the Corporation. The funds of the Corporation to be covered by the audit shall be limited to the 5% franchise tax and the [50% of the gross earnings pertaining to the government as its share.] **AMOUNT TO BE REMITTED TO THE NATIONAL TREASURY.**

TITLE VI—EXEMPTION FROM CIVIL SERVICE LAW, SALARY STANDARDIZATION AND LABOR LAWS AND CREATION OF PROVIDENT FUND

SEC. 16. Exemption.—All positions in the corporation, whether technical, administrative, professional or managerial are exempt from the

provisions of the Civil Service Law, rules and regulations, **AND THE SALARY STANDARDIZATION LAW** and shall be governed only by the personnel management policies set by the Board of Directors. All employees of the casinos and related services shall be classified as "Confidential" appointees.

SECTION 17. PROVIDENT FUND, RETIREMENT AND PENSION SYSTEM—CREATION AND ADMINISTRATION — PAGCOR SHALL CREATE, ESTABLISH, OPERATE AND ADMINISTER ITS OWN RETIREMENT AND PENSION SYSTEMS FOR ITS EMPLOYEES AND OFFICERS. PAGCOR SHALL LIKEWISE CREATE, ESTABLISH, OPERATE AND ADMINISTER A "PROVIDENT FUND" WHICH SHALL CONSISTS OF CONTRIBUTIONS MADE BOTH BY THE PAGCOR AND ITS OFFICERS OR EMPLOYEES TO A COMMON FUND FOR THE PAYMENT OF BENEFITS TO SUCH OFFICER OR EMPLOYEE OR HIS HEIRS UNDER SUCH TERMS AND CONDITIONS AS ITS BOARD OF DIRECTORS MAY FIX.

[TITLE VII - TRANSITORY PROVISIONS]

[Sec. 17. Transitory Provisions – The properties, monies, assets, rights, choses in action, obligations, liabilities, records and contracts of the Philippine Amusement and Gaming Corporation (PAGCOR) under Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632 shall continue to be vested in and assumed by the Corporation, pursuant to this Decree.

Likewise, all personnel of PAGCOR under the above-mentioned Decree shall be absorbed by the Corporation under this Decree and shall remain in their respective positions without demotion in rank or reduction in salary: provided, that employees who shall be separated from the Corporation shall be given at least one month gratuity for every full year of service, in fraction of over six months being considered a full year, but in no case more than twenty-four months salary, in addition to all benefits to which they may be entitled under existing laws, rules and regulations.]

SEC. 18. Exemption From Labor Laws – No union or any form of association shall be formed by all those working as employees of the casino or related services whether directly or indirectly. For such purpose, all employees of the casinos or related services shall be classified as "confidential" appointees and their employment thereof, whether by the franchise holder, or the operators, or the managers, shall be exempt from the provisions of the Labor Code or any implementing rules and regulations thereof.

TITLE VII—GAMING AND AMUSEMENT ENTERPRISE ZONES

SEC. 19. CREATION OF THE GAMING AND AMUSEMENT ENTERPRISE ZONES (GAEZs). — IN ORDER TO FURTHER THE OBJECTIVES UNDER THIS ACT, PAGCOR SHALL ESTABLISH WHAT SHALL HERINAFTER BE REFERRED TO AS GAMING AND AMUSEMENT ENTERPRISE ZONES (GAEZs) WHICH SHALL BE SUPERVISED AND REGULATED BY PAGCOR.

THE GAEZs ARE SELECTED AREAS THAT ARE HIGHLY DEVELOPED OR WHICH HAVE THE POTENTIAL TO BE DEVELOPED INTO WORLD-CLASS AND GLOBALLY-COMPETITIVE GAMING, AMUSEMENT AND RECREATIONAL ZONES AND DESTINATIONS.

THE GAEZs SHALL CATER TO LOCATORS FROM THE DIFFERENT INVESTORS ENGAGED IN THE GAMING AND AMUSEMENT INDUSTRIES AND ITS ANCILLIARY SERVICES, INCLUDING BUT NOT LIMITED TO: THEME PARKS, HOTELS, CASINOS, CONVENTION CENTERS, GAMING CLUBS, RESORTS, RESTAURANTS, HEALTH AND FITNESS, SPORTS, ZOOS AND OTHER ECOLOGICAL MARINE AND WILDLIFE SANCTUARIES, FILM LOCATIONS AND CINEMATOGRAPHIC LABORATORIES, THEATERS AND COLISEUMS, RACE TRACKS, AND OTHER GAMING AND AMUSEMENT RELATED INVESTMENTS.

THE GAMING AND AMUSEMENT ENTEPRISE ZONES MAY ESTABLISH INVESTMENT AGREEMENTS WITH OTHER ENTITIES IN THE COUNTRY, OR WITH FOREIGN ENTITIES OR ENTERPRISES STATES SUBJECT TO THE ADMINISTRATIVE GUIDANCE OF THE DEPARTMENT OF FOREIGN AFFAIRS AND/OR THE DEPARTMENT OF TRADE AND INDUSTRY.

SEC. 20. ESTABLISHMENT OF OTHER GAMING AND AMUSEMENT ENTERPRISE ZONES (GAEZs). — IN ADDITION TO THE GAMING AND AMUSEMENT ZONES TO BE CREATED BY PAGCOR, OTHER AREAS MAY BE ESTABLISHED AND DEVELOPED AS GAMING AND AMUSEMENT ENTERPRISE ZONES, THROUGH ANY OF THE FOLLOWING SCHEMES:

- (A) PRIVATE INITIATIVE
- (B) LOCAL GOVERNMENT INITIATIVE WITH THE ASSISTANCE OF THE NATIONAL GOVERNMENT
- (C) NATIONAL GOVERNMENT INITIATIVE

IN A PROCLAMATION TO BE ISSUED BY THE PRESIDENT OF THE PHILIPPINES, UPON RECOMMENDATION OF THE PAGCOR, BASED ON A DETAILED MASTER PLAN, FEASIBILITY STUDY, DETAILED ARCHITECHTURAL DESIGN, AND ENVIRONMENT IMPACT ASSESSMENT (EIA), WHENEVER APPLICABLE, WHICH MUST CONFORM TO THE FOLLOWING CRITERIA:

(a) THE PROPOSED AREA MUST BE STRATEGICALLY LOCATED AND IDENTIFIED AS A REGIONAL GROWTH CENTER IN THE MEDIUM-TERM PHILIPPINE DEVELOPMENT PLAN OR BY THE REGIONAL DEVELOPMENT COUNCIL;

(b) THE EXISTENCE OF REQUIRED INFRASTRUCTURE IN THE PROPOSED GAMING AND AMUSEMENT ENTERPRISE ZONE, SUCH AS ROADS, RAILWAYS, TELEPHONES, PORTS, AIRPORTS, ETC., AND THE SUITABILITY AND CAPACITY OF THE PROPOSED SITE TO ABSORB SUCH IMPROVEMENTS;

(c) THE AVAILABILITY OF WATER SOURCE AND ELECTRIC POWER SUPPLY FOR USE OF THE GAMING AND AMUSEMENT ENTERPRISE ZONE;

(d) THE EXTENT OF VACANT LANDS AVAILABLE FOR INDUSTRIAL AND COMMERCIAL DEVELOPMENT AND FUTURE EXPANSION OF THE GAMING AND AMUSEMENT ENTERPRISE ZONE AS WELL AS ADJACENT LANDS AVAILABLE FOR THE DEVELOPMENT OF RESIDENTIAL AREAS FOR THE WORKERS;

(e) THE AVAILABILITY OF SKILLED, SEMI-SKILLED AND NON-SKILLED TRAINABLE LABOR FORCE IN AND AROUND THE GAMING AND AMUSEMENT ENTERPRISE ZONE; AND

(f) THE AREA MUST HAVE A SIGNIFICANT INCREMENTAL ADVANTAGE OVER THE EXISTING ECONOMIC ZONE AND ITS POTENTIAL PROFITABILITY CAN BE ESTABLISHED.

OTHER AREAS WHICH DO NOT MEET THE FOREGOING CRITERIA MAY BE ESTABLISHED AS GAMING AND AMUSEMENT ENTERPRISE ZONE: PROVIDED, THAT THE SAID AREA SHALL BE DEVELOPED ONLY THROUGH LOCAL GOVERNMENT AND/OR PRIVATE SECTOR INITIATIVE UNDER ANY OF THE SCHEMES ALLOWED IN REPUBLIC ACT NO. 6957 (THE BUILD-OPERATE-TRANSFER LAW), AND WITHOUT ANY FINANCIAL EXPOSURE ON THE PART OF THE NATIONAL GOVERNMENT: PROVIDED, FURTHER, THAT AFTER (5) YEARS THE AREA MUST HAVE ATTAINED A SUBSTANTIAL DEGREE OF DEVELOPMENT, THE INDICATORS OF WHICH SHALL BE FORMULATED BY PAGCOR.

ANY PRIVATE ENTERPRISE THAT SHALL VOLUNTARILY APPLY FOR CONVERSION INTO A GAMING AND AMUSEMENT ENTERPRISE ZONE MAY BE GRANTED A LICENSE OR CERTIFICATE OF AFFILIATION BY PAGCOR.

THE METES AND BOUNDS OF EACH GAMING AND AMUSEMENT ENTERPRISE ZONE SHALL BE DELINEATED AND MORE PARTICULARLY DESCRIBED IN A PROCLAMATION TO BE ISSUED BY THE PRESIDENT OF THE PHILIPPINES, UPON THE RECOMMENDATION OF PAGCOR, IN COORDINATION WITH THE MUNICIPAL AND/OR CITY COUNCIL, NATIONAL LAND USE COORDINATING COMMITTEE AND /OR THE REGIONAL LAND USE COMMITTEE.

SEC. 21. OPERATIONS AND ADMINISTRATION OF GAMING AND AMUSEMENT ENTERPRISE ZONE. - WITHIN THE FRAMEWORK OF THE CONSTITUTION, AND IN THE INTEREST OF NATIONAL SOVEREIGNTY AND TERRITORIAL INTEGRITY OF THE REPUBLIC, PAGCOR SHALL DEVELOP GAMING AND AMUSEMENT ENTERPRISE ZONES THAT ARE DECENTRALIZED, SELF-RELIANT, SELF-SUSTAINING, WORLD-CLASS AND GLOBALLY-COMPETITIVE LEISURE, ENTERTAINMENT AND GAMING CENTERS, THROUGH THE ISSUANCE OF A LICENSE OR CERTIFICATE OF AFFILIATION.

PAGCOR SHALL EXERCISE SUPERVISION OVER THE DEVELOPMENT AND AFFAIRS OF THE GAMING AND AMUSEMENT ENTERPRISE ZONES AND SHALL PROVIDE EACH GAEZ WITH TRANSPORTATION, TELECOMMUNICATIONS, AND OTHER FACILITIES NEEDED TO GENERATE LINKAGE WITH INDUSTRIES AND EMPLOYMENT OPPORTUNITIES FOR ITS OWN INHABITANTS AND THOSE OF NEARBY TOWNS AND CITIES.

WITH PRIOR CONSENT OF THE PRESIDENT AND UPON CONSULTATION WITH CONCERNED GOVERNMENT AGENCIES, PAGCOR MAY GRANT BUSINESS INCENTIVES TO BOTH FOREIGN AND LOCAL LOCATORS WHICH CAN COME IN THE FORM OF BUT NOT LIMITED TO TAX SHELTERS, ASSISTANCE IN IMMIGRATION RELATED COMPLIANCE AND OTHER ALLOWABLE FISCAL AND NON-FISCAL INCENTIVES PROVIDED FOR BY LAWS.

SEC. 22. ONE STOP SHOP. - PAGCOR SHALL ESTABLISH A ONE STOP SHOP FOR THE PURPOSE OF FACILITATING THE REGISTRATION OF NEW GAMING AND AMUSEMENT ENTERPRISES IN THE GAMING AND AMUSEMENT ENTERPRISE ZONES. AS SUCH, ALL APPROPRIATE GOVERNMENT AGENCIES THAT ARE INVOLVED IN REGISTERING, LICENSING OR ISSUING PERMITS TO INVESTORS SHALL ASSIGN THEIR REPRESENTATIVES TO THE GAEZ TO ATTEND TO INVESTOR'S REQUIREMENTS.

SEC. 23. PROTECTION OF ENVIRONMENT. - THE GAEZs, IN COORDINATION WITH THE APPROPRIATE AGENCIES OF THE GOVERNMENT, SHALL TAKE THE APPROPRIATE STEPS AND ENACT THE PROPER MEASURES FOR THE PROTECTION OF THE LOCAL ENVIRONMENT.

TITLE VIII - IMPLEMENTING, REPEALING, SEPARABILITY AND EFFECTIVITY CLAUSES

SEC. 24. IMPLEMENTING RULES AND REGULATIONS (IRR) - WITHIN SIX (6) MONTHS FROM THE EFFECTIVITY OF THIS ACT, THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR), IN CONSULTATION WITH THE DEPARTMENT OF TRADE AND INDUSTRY (DTI), PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA), DEPARTMENT OF TOURISM (DOT), SHALL FORMULATE THE APPROPRIATE RULES AND REGULATIONS NECESSARY TO EFFECTIVELY IMPLEMENT ANY OR ALL OF THE PROVISIONS OF THIS ACT.

SECTION 25 [19] Repealing Clause.—All laws, decrees, executive orders, PROCLAMATIONS, rules, [or] regulations [inconsistent herewith] AND OTHER ISSUANCES, OR PARTS THEREOF WHICH ARE INCONSISTENT WITH THE PROVISIONS OF THIS ACT are hereby repealed, amended or modified.

SECTION 26. SEPARABILITY CLAUSE.—THE PROVISIONS OF THIS ACT ARE HEREBY DECLARED TO BE SEPARABLE, AND IN THE EVENT ANY ONE OR MORE OF SUCH PROVISIONS ARE HELD UNCONSTITUTIONAL, THE VALIDITY OF THE OTHER PROVISIONS SHALL NOT BE AFFECTED.

SECTION 27 [20]. Effectivity CLAUSE— [This Decree shall take effect immediately.] **THIS ACT SHALL TAKE EFFECT FIFTEEN (15) DAYS FROM THE DATE OF ITS PUBLICATION IN AT LEAST TWO (2) NEWSPAPERS OF GENERAL CIRCULATION IN THE PHILIPPINES.**

Approved.