

SEVENTEENTH CONGRESS OF THE REPUBLIC }  
OF THE PHILIPPINES }  
*First Regular Session* }



Senate  
Office of the Secretary

'17 MAY 24 P2:00

SENATE  
Senate Bill No. 1470

RECEIVED BY: 

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Introduced by **SENATOR LACSON**

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**AN ACT  
CREATING THE PHILIPPINE CHARITY OFFICE**

**EXPLANATORY NOTE**


The Philippine Charity Sweepstakes Office (PCSO) Charter was in force and effect since the enactment of Republic Act No. 1169 in 1954. The Charter was amended in 1979 through Batas Pambansa Blg. 42, which raised the charity fund from 25% of the net receipts to 30%. Since then, no further amendment has been passed by Congress.

For almost four decades since the Charter's last amendment, several new programs have been instituted by the PCSO, which were then incomprehensible at the time of the enactment of R.A. No. 1169 and B.P. Blg. 42. The seeming limitation of the Charter to regulate these programs in effect makes it almost obsolete.

Throughout the same period, the PCSO had also been mired in irregularities, possibly conducted by unscrupulous individuals who took advantage of the loopholes of the present Charter.

The provisions in this Bill allow the PCSO Charter to adapt to the changing system of and emerging variations of lotteries and similar activities. The Bill also seeks to strengthen the Charter by one, making the PCSO more accountable to the public, and two, limiting its discretion in the distribution of its funds.

It is for the abovestated purposes that the approval of this bill is earnestly sought.

  
**PANFILO M. LACSON**  
Senator

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**AN ACT**  
**CREATING THE PHILIPPINE CHARITY OFFICE**

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

1           **SECTION 1. Short Title.** – This Act shall be known and cited as the  
2 “Philippine Charity Office Act of 2017.”

3           **SECTION 2. Purpose.** – Consistent with the mandate of the State to  
4 provide for the welfare of its people, the government shall operate lotteries,  
5 sweepstakes and other similar activities to maximize revenue for the purpose of  
6 raising and providing funds for health programs, medical assistance and services,  
7 and related charities.

8           **SECTION 3. Philippine Charity Office.** – There is hereby created a body  
9 corporate to be known as the Philippine Charity Office, hereafter referred to as the  
10 Office, with a primary mandate of raising revenues to fund for health programs,  
11 medical assistance and services, and related charities of the government.

12           Unless specified in this Act, the Office shall be the sole entity authorized to  
13 promote, organize, operate, hold and conduct lotteries, sweepstakes and other  
14 similar activities in the country.

15           **SECTION 4. Powers and Functions of the Office.** – The Office shall have  
16 the following powers and functions, subject to applicable laws, rules, and  
17 regulations, and in connection with its operations authorized by the provisions of  
18 this Act, or as are essential to the proper conduct of such operations:

19           1. Sue and be sued;

- 1           2. Adopt and use a seal;
- 2           3. Lease or own real and personal property, and sell or otherwise dispose
- 3           of the same;
- 4           4. Acquire and hold such assets and incur such liabilities, whether
- 5           domestic or foreign, on such terms and conditions as it may deem
- 6           appropriate for the accomplishment of its purposes;
- 7           5. Enter into contracts.

8           **SECTION 5.** *Power and limitations to engage in investments, programs,*  
9 *projects and activities.* – The Office may engage in health and welfare-related  
10 investments, programs, projects and activities which may be profit-oriented, by  
11 itself or in collaboration, association or joint venture with any person, association,  
12 company or entity, whether domestic or foreign, except operate, hold and conduct  
13 lotteries, sweepstakes and other similar activities, for the purpose of providing for  
14 permanent and continuing sources of funds for health programs, including the  
15 expansion of existing ones, medical assistance and services, and/or charitable  
16 grants: Provided, That such investments will not compete with the private sector in  
17 areas where investments are adequate, as may be determined by the National  
18 Economic and Development Authority.

19           The Office may undertake any other activity that will enhance its funds  
20 generation operations and funds management capabilities, subject to the same  
21 limitations provided for in the preceding paragraph.

22           **SECTION 6.** *Board of Directors.* – The Office shall have a Board of  
23 Directors to be composed of five (5) members, all of whom shall be citizens and  
24 residents of the Philippines, without political affiliation, who shall be appointed,  
25 and whose term of office shall be fixed, by the President. The members shall elect  
26 from among themselves the Chairman of the Board.

27           The members of the Board shall be entitled to *per diem* for their actual  
28 attendance in board meetings and reimbursement for actual and reasonable  
29 expenses and incentives as authorized by the Governance Commission for  
30 Government-Owned or -Controlled Corporations (GCG) pursuant to Republic Act  
31 No. 10149.

1           The Board shall meet at such times as may be necessary or expedient for  
2 the transaction of its business and the meetings shall be held at such place and  
3 time and on such days as the Board determines.

4           **SECTION 7.** *Disqualification and Liability of the Directors of the Board.*

5           – No person convicted of any crime involving moral turpitude, or a violation of  
6 this Act, shall qualify as a director of the Board.

7           Directors who willfully and knowingly vote for or assent to patently illegal  
8 or unlawful acts of the Office, or who are guilty of gross negligence or bad faith in  
9 directing the affairs of the Office, or acquire any personal or pecuniary interest in  
10 conflict with their duty as such directors shall be disqualified for the position, and  
11 shall be liable jointly and severally for all damages resulting therefrom suffered by  
12 the Office, and other persons.

13           **SECTION 8.** *Powers and Functions of the Board.* – The Board shall have  
14 the following powers and functions:

- 15           1. Adopt policies and implement programs to promote the charitable  
16           activities of the government.
- 17           2. Control and supervision over the operations of all lotteries, sweepstakes  
18           and similar activities throughout the country.
- 19           3. Establish rules and regulations governing the establishment, operation  
20           and conduct of all lotteries, sweepstakes and similar activities  
21           throughout the country.
- 22           4. Adopt programs, measures and schemes for the elimination of illegal  
23           numbers game.
- 24           5. Issue licensing to agents and determine the amount and manner of  
25           compensation.
- 26           6. Apportion its revenues in accordance with the provisions of this Act.
- 27           7. Make a continuous study and investigation of the lottery in country.
- 28           8. Hear and decide on appeal any approval or denial by the General  
29           Manager of the licensing or suspension, or of any renewal or revocation  
30           or refusal to renew the license of a lottery agent or Authorized Agent  
31           Corporation (AAC).

1 9. Consistent with the purposes of this Act, to determine and approve the  
2 most effective organizational framework and its staffing pattern; to fix  
3 the salaries and determine the reasonable allowances, bonuses, and other  
4 incentives of its officers and employees as may be recommended by the  
5 General Manager; and to prescribe the manner of hiring and  
6 compensating on a contractual basis such sales and other personnel as  
7 may be required for its operations, subject to pertinent civil service and  
8 compensation laws.

9 10. Promulgate and implement such rules and regulations necessary to  
10 implement this Act.

11 11. Do and perform any and all things that may be necessary or proper to  
12 carry out the purposes of this Act.

13 **SECTION 9. *General Manager.*** – The General Manager shall be  
14 appointed by the Board of Directors and he/she can be removed or suspended only  
15 for cause as provided by law. He/She shall have the direction and control in all  
16 matters which are not specifically reserved for action by the Board. Subject to the  
17 approval of the Board of Directors, he/she shall also appoint the personnel, except  
18 the Auditor and the personnel of the Office of the Auditor who shall be appointed  
19 by the Chairman of the Commission on Audit.

20 **SECTION 10. *National Lotteries.*** – No person or entity may operate, hold  
21 and conduct national lotteries, sweepstakes and other similar activities except for  
22 the Office. National lotteries, sweepstakes and other similar activities are to be  
23 operated nationwide and/or regionwide and on such type, frequency, price of  
24 tickets and prizes determined by the Board. If feasible, the Office may conduct  
25 sweepstakes and similar activities in provinces, cities or municipalities.

26 **SECTION 11. *Online Lotteries.*** – The Office may promote, operate, hold  
27 and conduct online lotteries through internet or any form of remote technological  
28 communication that hereafter may be discovered. For this purpose, the Office shall  
29 operate and maintain a secured central computer system to operate the online  
30 lotteries.

31 The Board shall issue rules and regulations for the operation of online  
32 lotteries subject to the provisions of Republic Act No. 8484 (*Access Devices*

1 *Regulation Act of 1998*), Republic Act No. 8792 (*Electronic Commerce Act of*  
2 *2000*), Republic Act No. 10173 (*Data Privacy Act of 2012*), Republic Act No.  
3 10175 (*Cybercrime Prevention Act of 2012*), and other pertinent laws.

4       **SECTION 12. *Local Lotteries.*** – The Board may establish lotteries which  
5 shall only be operated, held and conducted locally, within a municipality, city and  
6 province. The Board may grant licenses to agents, to be called the AACs, for the  
7 operation and conduct of local lotteries; Provided, That, The license herein granted  
8 is merely an extension of the authority to operate lotteries granted solely to the  
9 Office by this Act; Provided, Further, That the Board shall retain control and  
10 supervision in the operation, holding and conduct of all local lotteries, including  
11 its AACs.

12       The Local Government Units (LGUs) having jurisdiction over the area shall  
13 be consulted before local lotteries may be operated within their locality. The  
14 LGUs shall be entitled to 7% of the Gross Sales/Receipts obtained from their  
15 locality, of which, 2% shall go to the Barangay, 4% to the municipality or city and  
16 2% to the province. The amount received by the LGUs shall only be used to fund  
17 their healthcare or medical programs and services; *Provided*, That the municipality  
18 or city shall appropriate 20% of their share for the programs, activities and  
19 projects of their respective Peace and Order Councils.

20       Without dispensing with the authority of the Commission on Audit (COA),  
21 the Office may conduct an audit as to the proper use of funds received by the  
22 LGUs. The release of shares of LGUs shall automatically be suspended if there is  
23 a finding of any irregularity in the use of funds based on a COA Report or audit of  
24 the Office.

25       The Board shall issue the necessary rules and regulations for the operation,  
26 holding and conduct of local lotteries.

27       **SECTION 13. *Licensed Authorized Agent Corporations.*** – AACs shall be  
28 corporations, wholly owned by Filipinos, and duly registered with the Securities  
29 and Exchange Commission (SEC) or with the Cooperative Development Authority  
30 (CDA). A non-refundable license fee and cash bond shall be required from all  
31 AACs before they may be granted a license. The Board may provide additional

1 qualifications of and requirements from AACs and impose conditions on their  
2 license. License granted shall be exclusive to the licensee AAC and cannot be  
3 transferred nor assigned. No license shall be granted to an AAC covering more  
4 than one locality. An AAC can only operate within the locality specified under its  
5 license.

6 Licensed AACs shall be directly and solely liable for any complaint or  
7 liability that may arise from their transactions with the public.

8 **SECTION 14. *Lottery Agents.*** – The Board shall authorize agents to sell  
9 tickets, including online lottery tickets. Only natural persons, not politically  
10 affiliated, may be authorized as lottery agents. No person convicted of crimes  
11 involving moral turpitude shall be licensed. Licensed agent shall be of legal age  
12 and shall not employ any person below 18 years old to sell or vend tickets. License  
13 granted shall be exclusive to the licensee agent and is not transferable or  
14 assignable.

15 An agent shall only operate on the location stated in its license and no  
16 license shall be extended for more than one location.

17 Before a license may be issued, all agents shall give a bond, fee, guarantee,  
18 or other security instrument in the amount and in such form as the Board may  
19 from time to time determine. The Board may likewise impose certain  
20 qualifications, requirements and obligations to agents.

21 Lottery agents shall be entitled to a commission to be determined and set by  
22 the Board provided, it should not be less than 5% of the cost of the ticket.  
23 Likewise, the agent shall be entitled to a share of .5% on the winning ticket.

24 Licensed agents shall be directly and solely liable for any complaint or  
25 liability that may arise from their transactions with the public.

26 **SECTION 15. *Suspension and Revocation of License.*** – The Office shall  
27 suspend, revoke or refuse to renew the license of AACs or Lottery Agents on the  
28 following grounds:

- 1 a) Failure to maintain the qualifications, requirements and conditions
- 2 imposed by this Act and the Rules and Regulations and issuances issued
- 3 by the Office.
- 4 b) Failure to file the required bond, pay the necessary fees and or charges
- 5 within the period prescribed by the Office.
- 6 c) Failure to account the tickets received and the proceeds of the sale or to
- 7 file a return, report or keep records as required by the Office.
- 8 d) Any act of fraud, deceit, misrepresentation or any conduct prejudicial to
- 9 public confidence.
- 10 e) Conviction of any offense involving moral turpitude.
- 11 f) Violation of any provision of this Act or the terms of the license.
- 12 g) Other grounds that the Office established under its Rules and
- 13 regulations and issuances.

14 The General Manager shall temporarily suspend a lottery agent or AACs  
15 pending an investigation or hearing.

16 **SECTION 16. *Prohibited Acts.*** –

- 17 a) No ticket shall be sold or prize be paid to a minor, any member of the
- 18 Board, officer or employee of the Office, lottery agents and their
- 19 employees, shareholder, officer or employee of the AACs, or to any
- 20 person, employee or officer of any entity that is providing services or
- 21 goods directly related in the operation, conduct, holding of lotteries,
- 22 sweepstakes and other similar activities.
- 23 b) No lottery agents and AACs, including all their officers and employees,
- 24 shall extend credit or lend money to a person for the purchase of tickets.
- 25 c) No name of any government official or employee shall appear on the
- 26 ticket or play slip of any lottery game or on any prize or on any instrument
- 27 used for the payment of prizes.

28 Commission of the above-mentioned prohibited acts shall be penalized by  
29 not less than one (1) year but not more than three (3) years imprisonment and a  
30 fine of not less than Five Hundred Thousand Pesos but not more than One Million  
31 Pesos.



1 Any person, in case of Corporation its officers, who operate, hold, conduct  
2 any lottery, sweepstakes or similar activities without being a licensed agent or an  
3 AAC, shall be penalized by imprisonment of not less than six (6) years but not  
4 exceeding twelve (12) years and a fine of not less than Five Million Pesos but not  
5 more than Ten Million Pesos. All proceeds capable of monetary value received  
6 from such prohibited activities shall be forfeited in favor of the Office and to form  
7 part of its Charity Fund.

8 **SECTION 17. *Audit of Accounts and Transactions***– An annual audit shall  
9 be conducted by the Office on all its all lottery agents and AACs; Provided, that,  
10 the Office may conduct an audit anytime at its discretion and shall have visitorial  
11 power over the premises of the lottery agents and AACs.

12 The COA may at its discretion conduct an audit on all accounts and  
13 transactions of the Office and its lottery agents and AACs. The COA, in the  
14 conduct of its function, shall have free and unhampered access to the premises,  
15 documents, papers and effects of the Office and its lottery agents and AACs.

16 The presence of a COA representative shall be required during the drawings  
17 or selections of winning tickets, otherwise the drawings or selections shall be void.

18 **SECTION 18. *Taxes*** - A tax equivalent to 10% shall be imposed on the  
19 prize of winning tickets to be withheld by the Office. No other tax, charges, lien or  
20 deductions shall be imposed except as provided under this Act..

21 **SECTION 19. *Allocation of Revenues***. – The printing cost of tickets for  
22 lotteries, sweepstakes and other similar activities shall not exceed two 2% of the  
23 sales receipts of such tickets. The sales receipts deducted by the printing cost shall  
24 constitute the net receipts, which in addition to other income of the Office, shall be  
25 allocated as follows:

26 1. 55% shall constitute the prize fund, which shall be used for the  
27 payment of prizes, commission of AAC and lottery agents, and taxes on prizes.

28 Prizes not claimed by the public within one year from date of draw shall be  
29 considered forfeited, and shall form part of the charity fund.

1           2.     30% shall constitute the charity fund, which shall be used for health  
2 care or medical programs and services, and related charities of national character.

3           3.     15% shall constitute the operating fund, which shall be used for the  
4 payment of operating expenses and capital expenditures of the Office, and of other  
5 taxes and duties.

6           All balances of any funds shall revert and form part of the charity fund.

7           **SECTION 20.** *Charity Fund.* – The balance of the charity fund, after  
8 deducting the mandatory contributions provided by law, shall be distributed as  
9 follows:

10          1.     75% shall be deposited to the Philippine Health Insurance  
11 Corporation (PhilHealth) to be used for medical assistance to indigents and low-  
12 income individuals, in addition to and separate from the individual's benefits  
13 under the National Health Insurance Program.

14          2.     15% shall be deposited to public hospitals, rural health care units,  
15 and other public healthcare facilities to be used for medical and healthcare-related  
16 purposes, including purchase of ambulances.

17          3.     8% shall be deposited to the Department of Health to be used for  
18 free distribution of medicine, and medical equipment such as wheelchairs, and for  
19 similar purpose.

20          4.     1% shall be deposited to the Department of Social Welfare and  
21 Development who shall grant social welfare assistance to accredited orphanages,  
22 nursing homes, and other similar institutions.

23          5.     1% shall be deposited to the Philippine Council for Health Research  
24 and Development.

25           **SECTION 21.** *Separability Clause.* – If any provision of this Act shall be  
26 declared invalid or unconstitutional, the remaining part or provisions not otherwise  
27 affected shall remain in force.

28           **SECTION 22.** *Repealing Clause.* – Republic Act No. 1169, as amended by  
29 Batas Pambansa Blg. 42, is hereby repealed. Any law, decree, ordinance,  
30 administrative circulars not consistent with any provision of this Act is hereby  
31 amended, repealed or modified accordingly.

1           **SECTION 23.** *Transfer of Powers.* – All powers, duties and functions  
2 vested by law in the Philippine Charity Sweepstakes Office not inconsistent with  
3 the provisions of this Act shall be deemed transferred to the Philippine Charity  
4 Office. All references to the Philippine Charity Sweepstakes Office in any law or  
5 special charters shall be deemed to refer to the Philippine Charity Office.

6           **SECTION 24.** *Effectivity Clause.* – This Act shall take effect fifteen (15)  
7 days after its complete publication in the Official Gazette or in at least two (2)  
8 newspapers of general circulation.

9           *Approved,*