

SENATE

COMMITTEE REPORT NO. 587

Submitted by the Committee on Public Services on February 2, 2022

Re: **House Bill No. 10199**

Recommending its approval with amendments.

Sponsor: **Senator Grace Poe**

MR. PRESIDENT:

The Committee on Public Services, to which was referred **House Bill No. 10199**, introduced by **Representatives Salceda, Garin, Estrella, et. al.**, entitled:

AN ACT

GRANTING LUCKY 8 STAR QUEST INC. A FRANCHISE TO OPERATE ANYWHERE IN THE PHILIPPINES OFFSITE BETTING ACTIVITIES ON DULY-LICENSED COCKFIGHTING, DERBIES, AND SIMILAR ACTIVITIES THROUGH ONLINE OR OTHER MODERN MEANS

has considered the same and has the honor to report back to the Senate with the recommendation that it be approved with the following amendments:

1. On page 1, line 5, before the word 'broadcast', insert the phrase "**OPERATE AND CONDUCT COCKFIGHT EVENTS,**";
2. On page 2, line 5, after the word 'offsite', insert the phrase "**AND ONLINE**";
3. On the same page, line 10, after the period, insert a new sentence to read as follows:

"SUPERVISION AND REGULATION OVER THE OPERATION AND CONDUCT OF ONSITE BETTING SHALL BE EXERCISED BY THE CORRESPONDING LOCAL GOVERNMENT UNIT (LGU) OR THE GAMES AND AMUSEMENT BOARD (GAB), AS MAY BE APPLICABLE."

4. On the same page, from lines 18 to 19, delete the entire paragraph.

5. On page 3, line 7, delete the phrase "is authorized to" and replace it with "**SHALL**".

On the same line, delete the word "any" and replace it with "**THE FOLLOWING**".

6. On the same page, line 26, after the period, insert two new paragraphs to read as follows:

"IN CASE OF THE GRANTEE'S FAILURE TO PROVIDE AND INSTALL ANY OF THE AFOREMENTIONED EQUIPMENT OR FACILITIES WITHIN THE THREE-YEAR PERIOD, THE HOLDING OF COCKFIGHTS OR DERBIES BY THE GRANTEE SHALL BE SUSPENDED UNTIL SUCH TIME AS THE EQUIPMENT OR FACILITIES ARE PROVIDED AND INSTALLED.

PAGCOR SHALL ASSIGN ITS AUDITORS AND INSPECTORS TO SUPERVISE AND REGULATE THE PLACING OF BETS, THE PROPER COMPUTATION OF DIVIDENDS AND THE DISTRIBUTION OF WAGER FUNDS IN OFF-SITE AND ONLINE BETTING."

7. On the same page, line 32, after the period, insert a new sentence to read as follows:

"THE GRANTEE SHALL ENSURE THAT ONLY THOSE WHO ARE 21 YEARS OLD AND ABOVE ARE ALLOWED TO BET IN ANY OF THE EVENTS MENTIONED, WHETHER ONSITE, OFF-SITE, OR ONLINE."

8. On page 4, line 6, after the period, insert a new sentence to read as follows:

"PURSUANT TO SECTION 3 OF THIS ACT, THE GRANTEE SHALL SECURE THE NECESSARY PERMITS FROM GAB AND SUCH OTHER RELEVANT GOVERNMENT AGENCIES."

9. On the same page, line 8, delete the word "are".

10. On the same page, line 13, after the period, insert a new Section 9 to read as follows:

"SEC. 9. BREAKAGE. - THE RECEIPTS FROM BETTING CORRESPONDING TO THE FRACTIONS OF LESS THAN TEN CENTAVOS (P0.10) ELIMINATED FROM THE DIVIDENDS PAID TO THE WINNING BETS, COMMONLY KNOWN AS BREAKAGE, SHALL BE SET ASIDE AND DISTRIBUTED PROPORTIONALLY TO ALL STATE-OWNED HOSPITALS.

11. On the same page, line 26, delete the phrase "The BIR" and replace it with "**PAGCOR**".

12. On page 5, line 6, after the word "The" insert the phrase "**GRANTEE SHALL PAY**", and after the word "PAGCOR", delete the phrase "may impose".

On the same line, delete the phrase that starts with "Twelve" and ends with the parenthesis in line 8, and replace it with the phrase "**TWO HUNDRED MILLION PESOS (PHP200,000,000.00)**" in words and in numbers.

13. On the same page, line 9, delete the phrase ", whichever is higher".
14. On the same page, line 27, delete the word "the" before the words "shall be".
15. On the same page, from lines 30 to 31, delete the entire paragraph.
16. On page 6, line 9, delete the first proviso that begins with the word "*Provided*" and ends with the word "located" in line 10.

On the same line 10, delete the word "further".
17. On the same page, line 30, delete the word "common" and replace it with "**OUTSTANDING CAPITAL**".
18. On page 7, lines 5 and 11, after the word "PAGCOR", insert the phrase "**AND OTHER RELEVANT GOVERNMENT AGENCIES**".
19. Finally, renumber the succeeding Sections accordingly.

Respectfully submitted,

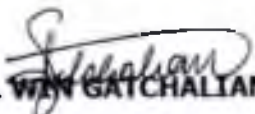

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HOUSE OF REPRESENTATIVES

H. No. 10199

BY REPRESENTATIVES SALCEDA, GARIN (S.), ESTRELLA, VILLAFUERTE, ALVAREZ (F.), SAVELLANO, PADUANO, ROMUALDO, QUIMBO, SUNTAY, DY (F.M.C.), NOGRALES (J.J.), PINEDA, FERRER (L.), NIETO, OUANO-DIZON, VIOLAGO, CRISOLOGO, MANGUDADATU, EBCAS, PLAZA, SUANSING (E.), PADIERNOS, TAMBUNTING, DAGOOC, LACSON, SUANSING (H.), NOEL, LAGON AND ZAMORA (W.K.),
PER COMMITTEE REPORT NO. 1216

AN ACT

GRANTING LUCKY 8 STAR QUEST INC. A FRANCHISE TO OPERATE ANYWHERE IN THE PHILIPPINES OFFSITE BETTING ACTIVITIES ON DULY-LICENSED COCKFIGHTING, DERBIES, AND SIMILAR ACTIVITIES THROUGH ONLINE OR OTHER MODERN MEANS

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

1 **SECTION 1. *Nature and Scope of Franchise.*** – Subject to the provisions of the Constitution
2 and the applicable laws, rules, and regulations, there is hereby granted to Lucky 8 Star Quest Inc.,
3 hereunder referred to as the Grantee, its successors or assignees, a franchise to operate offsite
4 betting activities on duly-licensed cockfighting, derbies, and similar or derivative activities.

5 In the exercise of the franchise, the Grantee shall also be allowed to broadcast online and
6 through other modern means live and data streamed cockfighting activities and derbies
7 anywhere in the Philippines, and to construct, establish, operate, and maintain on-cockpit and
8 off-cockpit betting stations for the taking of wagers on the result of the duly-licensed activities,
9 either directly or by means of any mechanical, electrical and/or computerized totalizator, subject
10 to the approval of the local government of the city or municipality where the off-cockpit betting

1 stations shall be established; and to do and carry out all such acts, deeds and things as may be
2 necessary for the effective conduct of business under this franchise.

3 **SEC. 2. Authority of the Philippine Amusement and Gaming Corporation.** – Unless
4 otherwise provided by law, the Philippine Amusement and Gaming Corporation (PAGCOR) shall
5 exercise supervision and regulation over the operation and conduct of offsite betting on locally
6 authorized and remotely broadcast cockfighting matches in order to promote and maintain,
7 orderly, honest and fair conduct of activities, provide protection to the betting public and
8 patrons, and ensure that offsite betting on locally authorized and remotely broadcast
9 cockfighting matches and similar activities as authorized under this franchise shall remain a stable
10 base for revenue generation.

11 The PAGCOR shall also require the periodic review of the Grantee's operations by an
12 accredited international gaming auditor to ensure that the Grantee's practices are consistent
13 with international gaming standards and best practices.

14 The PAGCOR shall likewise work with the Grantee to promote responsible gaming. The
15 PAGCOR shall take such measures as requiring a conspicuously displayed reminder on all
16 broadcasted events and offsite betting stations encouraging patrons to bet responsibly and
17 reiterating the restriction against betting for individuals below 21 years of age.

18 The PAGCOR shall issue guidelines as to the fairness and effectiveness of cockfights,
19 derbies, and other activities authorized under this franchise.

20 **SEC. 3. Permits with the Local Government Units and the Games and Amusements**
21 **Board.** – The Grantee shall secure from the local government units and such other relevant
22 government agencies the necessary licenses and other permits for the construction,
23 establishment, operation, and maintenance of its on-cockpit and off-cockpit betting stations.

24 The cockfighting activities shall be subject to the approval of and under the supervision
25 and regulation of the concerned local government units in the case of local cockfights pursuant
26 to Section 447 (3)(v) and Section 458 (3)(v) of the Local Government Code, and by the Games and
27 Amusements Board (GAB) in the case of International derbies pursuant to Section 2 (b) of
28 Presidential Decree No. 1802 or the Law Creating the Philippine Gamefowl Commission. These
29 agencies shall enforce all the laws, rules and regulations governing cockfighting events:

30 *Provided,* That the process for such permits and licenses shall be subject to the provisions
31 of Republic Act No. 9485 or the *Anti-Red Tape Act of 2007*, as amended by the Republic Act No.
32 11032, otherwise known as the *Ease of Doing Business and Efficient Government Service Delivery*
33 *Act of 2018*.

34 **SEC. 4. Monitoring and Supervision of Certain Activities.** – The GAB shall ensure that the
35 latency of livestreams conducted by the Grantee does not unduly disadvantage any member of
36 the betting public. The GAB shall also issue rules and regulations to prevent game-fixing in the
37 activities covered by the scope of this franchise. Notwithstanding any laws, rules, and regulations

1 to the contrary, the GAB shall also issue licenses to workers and operators within its mandate
2 such as the operator or general manager, pit manager, referee (or *sentenciador*), cashier, bet
3 manager, derby matchmaker, bet taker, and gaffer of the source cockfights of the Grantee.

4 The Grantee shall likewise notify the GAB of all its source cockpits and livestreamed
5 events for purposes of monitoring and supervision under this Section.

6 **SEC. 5. *Computerized and Mechanical Devices.*** – To ensure orderly, clean, and honest
7 conduct of activities under the franchise, the Grantee is authorized to provide and operate any
8 mechanical, electrical or computerized devices, equipment, and facilities including, among
9 others:

10 (a) Electric and/or computerized totalizator;

11 (b) Machines directly connected to a computer in a display board for the sale of tickets
12 including those sold in off-cockpit betting stations;

13 (c) Modern sound system and loud speaker facilities;

14 (d) Modern telecommunications and broadcasting equipment and facilities, whether at
15 the Grantee's off-cockpit betting stations, for receiving and transmitting, whether live or
16 otherwise, messages, signals, and pictures by any means now known or which in the future may
17 be developed for the reception and transmission of messages, signals, and pictures relating to
18 the betting system, the actual conduct of cockfighting events, the announcements of winning
19 numbers, derby entries, and dividends paid or to be paid thereon, and any other form of
20 information relating to the conduct and promotion of cockfighting events within or outside the
21 Philippines;

22 (e) Continuous and back-up power supply, and such other instruments, devices,
23 equipment, facilities and systems;

24 (f) Facilities that will bring safety, security, comfort, and convenience to the public; and

25 (g) Such other facilities, devices, and instruments that will ensure clean, honest, and
26 orderly betting on cockfighting events.

27 **SEC. 6. *Offering, Taking or Arranging Bets for Cockfighting Events or Derbies.*** – The
28 Grantee or its duly authorized agent may offer, take or arrange bets for cockfighting, derbies,
29 and other similar events conducted in or outside the Philippines, in person or by any electronic,
30 on-line, or other means of processing transactions anywhere in the Philippines, whether within
31 or outside the place, enclosure of the cockpit where the cockfight events are held, in on-cockpit
32 or off-cockpit betting stations.

33 No other entity or person other than the Grantee or its duly authorized agents or licensees
34 shall offer, take, or arrange bets on cockfighting events participating in cockpit arenas conducted
35 by the same, or maintain or use a totalizator or any other device, method, or system to bet on

1 any cockfights within its premises or outside the same enclosure, in the course of cockfighting
2 events conducted or operated by the same Grantee.

3 **SEC. 7. Studio Cockpit.** – The Grantee is hereby authorized to establish and operate a
4 studio cockpit for international derbies which shall be used solely for live streaming of cockfights
5 for purposes of online and off-site betting conducted by PAGCOR, and not for traditional person-
6 to-person betting by the public.

7 **SEC. 8. Terms of Betting Tickets.** – The Grantee shall publish and display prominently and
8 in appropriate places the terms and conditions regarding the sale of betting tickets, be they are
9 physical or virtual tickets.

10 The deposit or withdrawal of betting credits through electronic means with the Grantee's
11 betting interface shall be conducted only through payment channels that are registered with the
12 *Bangko Sentral ng Pilipinas* (BSP) and are compliant with the rules and regulations prescribed by
13 the Anti-Money Laundering Council (AMLC).

14 **SEC. 9. Taxation.** – There shall be levied, assessed, and collected on the Grantee a tax
15 equivalent to five percent (5%) based on gross gaming receipts derived from activities authorized
16 under this franchise: *Provided*, That 'gross gaming receipts' embraces all the receipts including
17 income derived from '*placada*' or net commission from activities authorized by this franchise, net
18 of agents' commissions, and marketing expenses: *Provided further*, That such revenues shall be
19 directly remitted to the Bureau of Internal Revenue (BIR): *Provided, furthermore*, That such tax
20 shall not be in lieu of local government taxes and regulatory fees and charges applicable to such
21 activities: *Provided finally*, That all other activities of the Grantee whose authorization does not
22 derive from this franchise shall be subject to applicable taxes under the National Internal
23 Revenue Code, as amended, and other applicable local and national laws, and that the fiscal
24 regime provided under this Section does not extend to agents and all other distinct and separate
25 persons or entities whose activities are ancillary to those of the Grantee.

26 **SEC. 10. Revenue Monitoring.** – The BIR shall have the authority to inspect totalizers
27 and other betting devices used in the collection, consolidation, and recording of wagers made in
28 offsite betting activities on locally licensed games.

29
30 The PAGCOR and the BIR shall establish a system of exchange of information with regards
31 to the monitoring of revenues of the Grantee.

32
33 **SEC. 11. Monitoring through Financial Institutions.** – To discourage transactions in bulk
34 cash, ensure that the Grantee's cash inflows remain available for use in the economy, and allow
35 the financial system regulators to monitor cash flows of the Grantee, in the interest of revenue
36 integrity protection, the Grantee shall make use of BSP - supervised financial institutions (BSFIs)
37 in its transactions.

1 The BSP shall issue a compliance checklist of minimum requirements that the Grantee
2 must present to BSFIs as well as other guidelines to assist BSFIs discriminate between authorized
3 and unauthorized operators and agents, and to ensure that cash flows of the Grantee are
4 conducted only through regulated financial institutions.

5
6 **SEC. 12. Regulatory Fee.** – The PAGCOR may impose a regulatory fee of Twelve thousand
7 five hundred pesos (P12,500.00) per cockfighting match that is broadcasted by the Grantee, or
8 One hundred twenty million pesos (P120,000,000.00) for every month of the Grantee's
9 operations, whichever is higher.

10
11 **SEC. 13. Penalties.** –

12 (a) Violation of provisions on operations. – Any person or entity found to have violated
13 the provisions of Sections 1, 2, 3, 6, 7, and 8 of this Act shall be punished by a fine of
14 not less than Twenty thousand pesos (P20,000.00) but not more than One hundred
15 thousand pesos (P100,000.00) or by imprisonment of not less than six (6) months but
16 not more than one (1) year, or both, at the discretion of the court.

17 If the offender is a corporation, partnership or association the criminal liability shall
18 devolve upon its president, managing partner or manager responsible for such violation.

19
20 (b) Violation of tax provision. – Any person or entity who willfully attempts in any manner
21 to evade or defeat any tax imposed under this franchise or the payment thereof shall,
22 in addition to other penalties provided by law, upon conviction thereof, be punished
23 with a fine of not less than Five hundred thousand pesos (P500,000) but not more
24 than Ten million pesos (P10,000,000), and imprisonment of not less than six (6) years
25 but not more than ten (10) years: *Provided*, That the conviction or acquittal obtained
26 under this Section shall not be a bar to the filing of a civil suit for the collection of
27 taxes: *Provided further*, That the civil suit for the collection of such taxes shall be the
28 subject to applicable provisions of Title VIII of the National Internal Revenue Code, as
29 amended.

30 Nothing in this Act shall be construed as to prevent the Grantee from seeking damages
31 from any liable person or corporation for the unauthorized use of the privileges of this franchise.

32 **SEC. 14. Term of Franchise.** – This franchise shall be in effect for a period of twenty-five
33 (25) years from the date of the effectivity of this Act, unless sooner cancelled. This franchise shall
34 be deemed *ipso facto* revoked in the event that the Grantee fails to comply with any of the
35 following conditions:

- 36 (a) commencement of operations within three (3) years from the approval of its
37 operating permit by the PAGCOR;
38 (b) commencement of operations within five (5) years from the effectivity of this Act;
39 and

1 (c) continuous operation for two (2) years.
2

3 **SEC. 15. Warranty in Favor of National and Local Governments.** – The Grantee shall hold
4 the national, provincial, city, and municipal government of the Philippines free from all claims,
5 liabilities, demands, or actions arising out of accidents causing injury to persons or damage to
6 properties, during the construction or operation of the off-cockpit betting station of the Grantee.

7 **SEC. 16. Commitment to Provide and Promote the Creation of Employment**
8 **Opportunities.** – The Grantee shall create employment opportunities and accept on-the-job
9 trainees in the franchise operations: *Provided*, That priority shall be accorded to the residents of
10 the place where the principal office of the Grantee is located: *Provided, further*, That the Grantee
11 shall comply with the applicable labor standards and allowance entitlement under existing labor
12 laws, rules and regulations, and similar issuances.

13 The employment opportunities or jobs created shall be reflected in the General
14 Information Sheet (GIS) to be submitted to the Securities and Exchange Commission (SEC)
15 annually.

16 **SEC. 17. Sale, Lease, Transfer, Grant of Usufruct, or Assignment of Franchise.** – The
17 Grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights
18 and privileges acquired thereunder to any person, firm, company, corporation, or other
19 commercial or legal entity, nor merge with any other corporation or entity, nor shall the
20 controlling interest of the grantee be transferred, simultaneously or contemporaneously, to any
21 person, firm, company, corporation, or entity without the prior approval of Congress. The
22 Grantee shall inform Congress, through the Office of the Speaker of the House of Representatives
23 and Office of the Senate President, of any sale, lease, transfer, grant of usufruct, or assignment
24 of franchise or the rights and privileges acquired thereunder, or of the merger or transfer of the
25 controlling interest of the Grantee, within sixty (60) days after the completion of the said
26 transaction. Failure to report to Congress such change of ownership shall render the franchise
27 *ipso facto* revoked. Any person or entity to which this franchise is sold, transferred, or assigned
28 shall be subject to the same conditions, terms, restrictions, and limitations of this Act.

29 **SEC. 18. Dispersal of Ownership.** – The Grantee shall offer at least thirty percent (30%) of
30 its common stocks, or a higher percentage that may hereafter be provided by law, in any
31 securities exchange in the Philippines within five (5) years from the effectivity of this Act:
32 *Provided*, That in cases where the public offer of shares is not applicable, other methods of
33 encouraging public participation by citizens and corporations must be implemented.
34 Noncompliance therewith shall render the franchise *ipso facto* revoked.

35 **SEC. 19. Reportorial Requirement.** – The Grantee shall submit an annual report to the
36 Congress of the Philippines, through the Committee on Legislative Franchises of the House of
37 Representatives and the Committee on Public Services of the Senate, on its compliance with the

1 terms and conditions of the franchise and on its operations on or before April 30 of every year
2 during the term of its franchise.

3 The annual report shall include an update on the commencement of activities,
4 development, operation, and expansion of business; audited financial statements; latest GIS
5 officially submitted to the SEC, if applicable, and certification of the PAGCOR on the status of its
6 permits and operations.

7 The reportorial compliance certificate issued by Congress shall be required before any
8 application for permit or certificate is accepted by the PAGCOR.

9 **SEC. 20. *Fine.*** – Failure of the Grantee to submit the requisite annual report to Congress
10 shall be penalized by a fine of Five hundred pesos (P500.00) per working day of noncompliance.
11 The fine shall be collected separately from the reportorial penalties imposed by the PAGCOR, and
12 it shall be remitted to the Bureau of the Treasury.

13 **SEC. 21. *Equality Clause.*** – Any advantage, favor, privilege, exemption, or immunity which
14 may hereafter be granted for offsite betting activities on duly-licensed cockfighting and derbies
15 through online means, upon prior review and approval of Congress, shall become part of this
16 franchise and shall be accorded immediately and unconditionally to the herein Grantee:
17 *Provided*, That the foregoing shall neither apply to nor affect the provisions concerning territorial
18 coverage, the term, or the type of service authorized by the franchise.

19 **SEC. 22. *Repealability and Non-exclusivity Clause.*** – This franchise shall be subject to
20 amendment, alteration, or repeal by Congress when the public interest so requires and shall not
21 be interpreted as an exclusive grant of the privileges herein provided for.

22 **SEC. 23. *Separability Clause.*** – If any of the sections or provisions of this Act is held invalid,
23 all other provisions not affected thereby shall remain valid.

24 **SEC. 24. *Repealing Clause.*** – All laws, decrees, orders, resolutions, instructions, rules and
25 regulations, and other issuances or parts thereof which are inconsistent with the provisions of
26 this Act are hereby repealed, amended, or modified accordingly.

27 **SEC. 25. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the
28 *Official Gazette* or in a newspaper of general circulation.

Approved,