

# **THE CAGAYAN SPECIAL ECONOMIC ZONE AND FREE PORT INTERACTIVE GAMING RULES AND REGULATIONS OF 2017**

Pursuant to Republic Act No. 7922 or the “Cagayan Special Economic Zone Act of 1995”, BE IT ADOPTED by the Board of Directors of the Cagayan Economic Zone Authority (CEZA), as follows:

## **Article I Preliminary Provisions**

Section 1. **Title.** – These Rules and Regulations shall be cited as the Interactive Gaming Rules and Regulations of 2017 of the Cagayan Economic Zone Authority (CEZA) or the “CEZA IGRR of 2017” for brevity.

Section 2. **Application and Objectives.** – This CEZA IGRR of 2017 shall apply to all interactive gaming and interactive gaming related activities based in and offered from within the Cagayan Special Economic Zone and Free Port (CSEZFP). CEZA may issue such licenses, certificate of registrations and permits as are necessary to ensure proper and effective regulation of interactive gaming and interactive gaming related activities based in and offered from within the CSEZFP.

This CEZA IGRR of 2017 shall have the following objectives:

- (a) To provide a lawful basis for the regulation and control of interactive gaming and interactive gaming related activities based in and offered from within the CSEZFP as a means of attaining the objectives of Republic Act No. 7922 and of promoting and preserving economic development, self-sufficiency, peace and order, and good government;
- (b) To ensure the fair, honest and responsible conduct of interactive gaming and interactive gaming related activities;
- (c) To ensure that adequate safeguards are established and enforced to prevent interactive gaming and interactive gaming related activities as conduits of money laundering activities or otherwise being associated in any way with crime or criminality;
- (d) To ensure fair treatment of players by the operators of interactive games; and
- (e) To protect persons under the approved age and other vulnerable persons from being exploited by interactive gaming or interactive gaming related activities.

Section 3. **Definition of Terms.** – For purposes of this IGRR of 2017:

“Approved Agent” means a person or persons approved by CEZA to carry out any of the functions set forth in this CEZA IGRR for and in behalf of CEZA;

“Approved form” means a form approved by the CEZA for use herein;

“Administrator” means the Administrator of the Cagayan Economic Zone Authority;

“Authorized game” means an interactive game authorized under the laws of the Philippines and this CEZA IGRR of 2017;

“Cagayan Economic Zone Authority (CEZA)” means the Board of Directors of CEZA, the governing body of CEZA, charged to exercise the powers of the CEZA pursuant to Section 7 in relation to Section 6 of Republic Act No. 7922;

“Close Associate”, of an applicant for a license means:

- a) A director or an executive officer of the applicant; or
- b) A shareholder of the applicant; or
- c) A person who CEZA reasonably believes will, if a license is granted to the applicant, be associated with the ownership or management of the licensee’s operations;

“Close Associate”, of a license means:

- a) A director or an executive officer of the licensee; or
- b) A shareholder of the licensee; or
- c) A person who CEZA reasonably believes is associated with the ownership or management of the licensee’s operations;

“Code” means Code of Practice;

“Conduct” includes promote, organize and operate;

“Control System” means a system of internal controls and administrative and accounting procedures for the conduct of interactive games by a licensee;

“CSEZFP” refers to the Cagayan Special Economic Zone and Freeport as a separate customs territory covering the entire area embraced by the Municipality of Sta. Ana and the islands of Fuga, Barit and Mabbag in the Municipality of Aparri, all in the province of Cagayan;

“Data/Content Streaming Provider” refers to entities that provide services for real time streaming of casino games produced from a live dealer studio set-up, streamed via the internet to the website of the Licensees;

“Executive Officer” of a company, means a person who is concerned with, or takes part in, the company’s management, whether or not the person is a director or the person’s position is given the name of executive officer;

“Gambling record” of a licensee, means the day-to-day records, including accounting records, about the operations conducted by the licensee under its License;

“Inspector” means a person who is charged by CEZA to conduct inspection to ensure proper implementation of this CEZA IGRR of 2017;

“Interactive game” means a game where:

- a) A prize consisting of money or something else of value is offered or can be won under the rules of the game; and
- b) A player :
  - i. Enters the game or takes any step in the game by means of a telecommunication device, including, but not limited to, internet; and
  - ii. Gives, or undertakes to give, a monetary payment or other available consideration to enter the game; and
- c) The winner of a prize in a game is decided:
  - i. Wholly or partly by chance; or
  - ii. By a competition or other activity in which the outcome is wholly or partly dependent on the player’s skill.

Betting on a race event, sporting event or any other event by means of telecommunications device is taken to be an interactive game. However, a game is not an interactive game if a regulation declares it not to be an interactive game.

“Interactive gaming equipment” means a machine or other device (whether electronic, electrical or mechanical), computer software or any other thing used or suitable for use in the conduct of an interactive game;

“Interactive gaming levy” means the fee imposed under this CEZA IGRR of 2017;

“Interactive gaming licensee” means an off-shore company, not domiciled in the Philippines, which is an owner of gaming websites and doing business as an interactive gaming operator, takes bets and pays out winnings to players outside the Philippines;

“Interactive gaming support service company” means a locally registered company with certificate of registration issued by CEZA, created specifically to provide support services to interactive gaming licensees. Support services may include the following:

- i. Customer support services;
- ii. Video streaming and content provision;
- iii. Server and website management and maintenance; and
- iv. Transactions monitoring and reporting;

“Interactive gaming systems provider” means a foreign or local company with certificate of registration issued by CEZA to provide gaming software or platforms, payment solutions and/or other systems used for interactive gaming operations;

“Law enforcement agency” means:

- a) The Philippine National Police; or
- b) Any other Police Force outside the Philippines; or
- c) The Security Force of CEZA; or
- d) Any other body within or outside the Philippines with law enforcement functions;

“License” means a license issued under this CEZA IGRR of 2017 to conduct interactive games;

“Licensee” means a company that is licensed under this CEZA IGRR of 2017 to conduct interactive games;

“Master Licensor” means a company authorized by CEZA to be the entity responsible for all activities pertaining to the marketing and promotion of investments on interactive games;

“Persons” means an individual, corporation or entity involved in an interactive game;

“Player” means an individual who participates in an interactive game;

“Regulator” means the Cagayan Economic Zone Authority and its approved agent;

“Regulations” means regulations made under this CEZA IGRR of 2017;

“Telecommunication device” means:

- a) A computer adapter for communicating by way of the internet or another communications network; or
- b) A digital television or a television receiver adapted to allow the viewer to transmit information by way of a cable television network or other communication device; or
- c) A telephone; or
- d) Any other electronic device or thing for communicating at a distance.

## **Article II**

### **Licensing Regulations for Interactive Gaming**

**Section 4. License Requirement.** – For greater certainty, no person shall conduct interactive gaming and interactive gaming activities within from the CSEZFP unless approved to do so pursuant to a valid license, certificate of registration, or permit issued by CEZA and the game has been approved by CEZA under this CEZA IGRR of 2017.

Licensees, authorized service providers, authorized system providers, and data/content streaming providers are responsible for ensuring that their operators conform to the applicable laws of the Philippines and these regulations;

A person who contravenes this section shall be liable to pay a fine as follows:

- a) If the person is an individual – by a fine not exceeding United States Dollars: Two Hundred Thousand (US\$200,000) or its Philippine Peso equivalent; or
- b) In any other case – by a fine not exceeding United States Dollars: One Million (US\$1,000,000.00) or its Philippine Peso equivalent.

Section 5. **Prohibitions.** – It shall be understood by the licensee that:

- 1) No individual who is under 18 years of age shall be allowed to play an interactive game conducted by the licensee; and
- 2) No bets or wagers from within the territorial jurisdiction of the Republic of the Philippines shall be accepted in connection with the operation of the licensee and neither shall the results of sporting events held within the Philippines be subject of sports betting operation of the said licensees.

A licensee that contravenes any of the prohibitions in this section shall be liable to pay a fine not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

Section 6. **Interactive Gaming Master Licensor.** – CEZA may appoint Master Licensors as Approved Agents to assist CEZA in the regulation and monitoring of all activities pertaining to the licensing, operation and development of interactive gaming.

1. Application for New Master Licensor – An applicant for Interactive Gaming Master Licensor must meet the following requirements:
  - a. Submission of Letter of Intent;
  - b. Duly accomplished Application Form with proof of payment of application and processing fee;
  - c. Must be a duly constituted business enterprise organized and registered under the laws of the Philippines; and
  - d. Compliance with the following requirements:
    - d.1. Probity check on applicant’s identity on each of the key officials of the corporate applicant in terms of finances, integrity, competence and criminal records;
    - d.2. Review of applicant’s business plan and investment commitment in the amount not lower than United States Dollars: One Hundred Million (US\$100,000,000.00), spread for ten (10) years, in the CSEZFP to be

devoted to leisure and resort operation, exclusive of all fees and bonds required by CEZA and other government agencies in connection with the Master License;

d.3. Review of applicant's Money Laundering and Prevention Program (MLPP); and

d.4. Review of applicant's statutory and operational documentations.

2. Existing Master Licensors shall submit their updated business plan, MLPP and investment commitment in the amount not lower than United States Dollars: One Hundred Million (US\$100,000,000.00) spread for ten (10) years, in the CSEZFP, inclusive of their existing investments.

**Section 7. Application for License, Certificate of Registration, and Permit.** – An application for 1) Interactive Gaming License (IGL); and 2) Certificate of Registration (COR) for a) Interactive Gaming Support Service (IGSS), b) Interactive Gaming Systems Provider (IGSP), and c) Data/Content Streaming Provider; and 3) Permit to Possess Studio Gaming Set-up shall:

- a) Be submitted directly to CEZA, coursed through the Administrator;
- b) Be in such forms as prescribed by CEZA or its approved agent;
- c) Include and business plan of the local company and Service Agreement between the local and foreign company;
- d) Include a Money Laundering Prevention Program (MLPP) which shall include a sound risk management policies and practices geared towards the promotion of high ethical and professional standards and the prevention of money laundering;
- e) Include a commitment by IGSS and IGSP to locate/operate its gaming business in the CSEZFP; and
- f) Be accompanied by a non-refundable application fee as prescribed under Section 8 of this CEZA IGRR of 2017 and paid directly to CEZA.

Additional data or documents that are necessary and reasonable to enable CEZA to evaluate the application may, by written notice from the Administrator, be required from the applicant. The notice shall specify the period for the submission of the additional requirements, which shall not be less than fifteen (15) calendar days from receipt of the notice.

No applicant shall submit an application of give information or document which are false and misleading in any material particular. An applicant that violates this section of the CEZA IGRR of 2017 shall be liable to pay a fine not exceeding United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent.

**Section 8. Interactive Gaming Fees.** – CEZA shall impose the following fees for offshore/interactive gaming in the CSEZFP:

1. The Master Licensor shall pay to CEZA a one-time non-refundable application and processing fee in the amount of United States Dollars: Five Hundred Thousand (US\$500,000.00) or its Philippine Peso equivalent. Upon approval of its application for license, the Master Licensor shall pay a one-time License Fee in the amount of United States Dollars: Two Million (US\$2,000,000.00) or its Philippine Peso equivalent and shall post a Performance/Security Bond in the amount of United States Dollars: One Million (US\$1,000,000.00) or its Philippine Peso equivalent prior to the issuance of its license.
2. For Internet Gaming License (IGL), the following fees shall be paid to CEZA:
  - a. Application and Processing Fees –
    - a.1. For E-Casino, a fee of United States Dollars: Twenty Thousand (US\$20,000.00) or its Philippine Peso equivalent;
    - a.2. For Sports Betting, a fee of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent;
  - b. License Fees – upon approval of the application, the applicant shall pay the corresponding license fees prior to the issuance of its license:
    - b.1. For E-Casino, a license fee of United States Dollars: Forty Thousand (US\$40,000.00) or its Philippine Peso equivalent;
    - b.2. For Sports Betting, a license fee of United States Dollars: Thirty Thousand (US\$30,000.00) or its Philippine Peso equivalent;
  - c. Applicants for IGL shall post the corresponding one-time Performance/Security Bond prior to the issuance of its License –
    - c.1. For E-Casino, a fee of United States Dollars: Forty Thousand (US\$40,000.00) or its Philippine Peso equivalent;
    - c.2. For Sports Betting, a fee of United States Dollars: Thirty Thousand (US\$30,000.00) or its Philippine Peso equivalent;
  - d. Annual Renewal Fee –
    - d.1. For E-Casino, in the amount of United States Dollars: Forty Thousand (US\$20,000.00) or its Philippine Peso equivalent;
    - d.2. Sports Betting in the amount of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Pesos equivalent.
3. For Interactive Gaming Support Service (IGSS), a one-time application and processing fee shall be in the amount of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent. The annual renewal fee for IGSS shall be in the amount of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent.

4. For Interactive Gaming Systems Provider (IGSP), a one-time application and processing fee shall be in the amount of United States Dollars: Five Thousand (US\$5,000.00) or its Philippine Peso equivalent. The annual renewal fee for IGSP shall be in the amount of United States Dollars: Five Thousand (US\$5,000.00) or its Philippine Pesos equivalent.
5. For Data/Content Streaming Provider – a one-time application and processing fee in the amount of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent and upon approval of its application, the applicant shall pay the License Fee in the amount of United States Dollars: Twenty Thousand (US\$20,000.00) or its Philippine Peso equivalent. The Data/Content Streaming Provider shall post a Performance/Security Bond Fee in the amount of United States Dollars: Twenty Thousand (US\$20,000.00) or its Philippine Pesos equivalent, prior to the release of its license. The annual renewal fee for Data/Content Streaming Provider shall be in the amount of United States Dollars: Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent.

**Section 9. Surcharge for Late Payment of Interactive Gaming Fees.** – A licensee shall pay to CEZA a fee prescribed under Section 8 of this CEZA IGRR of 2017 for the grant of License and on each anniversary of the date the License was granted.

A licensee that fails to pay the fee on due date shall be liable to pay a surcharge equal to one hundred percent (100%) of the prescribed fee. The fee and the surcharge are debts due to CEZA and CEZA may recover the debts by action in a court of competent jurisdiction or other legal means.

**Section 10. Interactive Gaming Levy.** – A levy (“interactive gaming levy”) is imposed on the gross gaming revenues of the licensee’s operations under its License, to be paid on a monthly basis.

1. Within the first year of the implementation of this CEZA IGRR of 2017:
  - a. A licensee for E-Casino and/or RNG-based gaming shall pay to CEZA the amount equivalent to two per centum (2%) of its gross gaming revenues or a minimum guarantee fee (MGF) as provided in its contract with the Master Licensor, whichever is higher, fifty per centum (50%) of which shall be retained by CEZA and the remaining fifty per centum (50%) shall accrue to the Master Licensor;
  - b. A licensee for Sports Betting, shall pay to CEZA the amount of United States Dollars; Ten Thousand (US\$10,000.00) or its Philippine Peso equivalent, (50%) of which shall be retained by CEZA and the remaining fifty per centum (50%) shall accrue to the Master Licensor.
2. For the succeeding years, thereafter, the licensee shall pay to CEZA the interactive gaming levy to be calculated as follows:
  - a. For Studio and Live Streaming:



- a.1. 1 to 40 tables US\$2,000 per table
  - a.2. 41 to 80 tables US\$ 80,000 plus US\$1,750 per table in excess of 40 tables
  - a.3. 81 to 120 tables US\$ 150,000 plus US\$1,500 per table in excess of 80 tables
  - a.4. 121 to 200 tables US\$210,000 plus US\$1,000 per table in excess of 120 tables
- b. For E-Casino and/or RNG-based gaming, the amount equivalent to four per centum (4%) of the gross gaming revenues or United States Dollars: One Hundred Thousand (US\$100,000.00) or its Philippine Peso equivalent, seventy-five per centum (75%) of which shall be retained by CEZA while the remaining twenty-five per centum (25%) shall accrue to the Master Licensor.
  - c. For Sports Betting, the amount of United States Dollars: Twenty Thousand (US\$20,000.00) or its Philippine Peso Equivalent, seventy-five per centum (75%) of which shall be retained by CEZA while the remaining twenty-five per centum (25%) shall accrue to the Master Licensor.

For purposes of this section, the gross gaming revenue of a licensee’s operations under its License for a particular period shall be calculated using the following formula:

$$\text{Gross revenue} = \text{Amount played} - \text{Amount of Winnings} - \text{Merchant Discount}$$

Where:

- a) “Amount played” is the total amount received during that period by the Licensee from those operations; and
- b) “Amount of Winnings” is the total amount paid out as prizes to players during that period by the licensee in respect to those operations.

**Section 11 – Payment and Return for the Calculation of Gaming Levy.** – A licensee shall pay the interactive gaming levy within fifteen (15) calendar days upon receipt of billing invoice.

A licensee shall provide to CEZA the information needed for calculating interactive levy for five (5) calendar days following the month in respect of which the gross profit was made. The information shall be in an approved form.

A licensee that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: Five Hundred Thousand (\$500,000.00) or its Philippine Peso Equivalent. A second contravention shall result to the cancellation of license.

**Section 12. Penalty for Late Payment and Underpayment.** – A licensee shall pay to CEZA a penalty on any amount of interactive gaming levy outstanding (“the unpaid amount”) as of the end of the period allowed for the payment.

The penalty is:

- a. 7.5% of the unpaid amount; and
- b. A further 5% of the unpaid amount for each month or a part of the month during which the unpaid amount is not paid.

If any part of an underpayment of interactive gaming levy is due to fraud, there shall be added to the levy an amount equal to three (3) times the underpayment.

**Section 13. Recovery of Account.** – The amount of interactive gaming levy and any penalty payable herein are debts due to CEZA by the licensee and may be recovered by CEZA by action in a court of competent jurisdiction or other legal means.

**Section 14. Approved Agent.** – CEZA, through the Administrator, may appoint one or more Approved Agents to assist in the evaluation of applications for license, authorization, or permit for interactive gaming and to carry any of the following functions, for and on behalf of the CEZA:

- a) To investigate whether any person applying for or holding a license, authorization or permit is a suitable person for the purposes of these regulations and submit a report of its findings to CEZA, through the Administrator;
- b) To conduct control system reviews and ensure that any person applying for or holding any license, authorization or permit in the CSEZFP has the necessary level of technical competence, and submit a report of its findings to CEZA, through the Administrator; or
- c) To assist in the application of a continuous compliance program, and submit reports of its findings to CEZA through the Administrator.

**Section 15. Appointment of Approved Agent.** – CEZA, through the Administrator, may appoint a person as an Approved Agent if it considers that the person has the necessary expertise and is otherwise suitable in consideration of the person's knowledge, skills, training, reputation, character, business reputation, current financial position and financial background.

CEZA may approve an investigative program in order to verify at any time whether a person is suitable to be an Approved Agent.

An Approved Agent shall be subject to the directives of CEZA, through the Administrator, and shall not act outside of the scope of authority contained in those directives.

CEZA, through the Administrator, may appoint a person as Approved Agent for a renewable period of one (1) year based on satisfactory performance of the Approved Agent.

Section 16. **Grant or Denial of Application.** – CEZA, based from the recommendation of the Approved Agent, may either grant or deny the application within one (1) month after receiving the application or the requested additional data or documents.

Upon the recommendation of the Approved Agent, CEZA may grant the application for Master Licensor, IGL, COR for IGSS and IGSP, and Permit to possess studio gaming set-up only if:

- a) CEZA is satisfied that the applicant is suitable person to hold Master License, IGL, COR, for IGSS and IGSP, and Permit to possess studio gaming set-up; and
- b) The application and any additional information or documents given in response to a notice are not false or misleading in any material particular.

CEZA, through the Administrator, shall issue the License, COR, and Permit to the applicant within seven (7) working days should it decide to grant the application. CEZA, through the Administrator, shall give the applicant a written notice of its decision should it decides to deny the application for License, COR or Permit.

Section 17. **Determination of Suitability of Applicant.** – In deciding whether an applicant is a suitable person to hold a License, COR or Permit under this CEZA IGRR OF 2017, CEZA and the Approved Agent shall consider the following:

- a) The character, business reputation and financial background of each close associate of the applicant;
- b) The applicant's current financial position whether the applicant has the financial, technical and other resources to conduct interactive games under a License;
- c) Whether the financial resources of the applicant are available from a source that is not tainted with illegality;
- d) Whether the applicant has in place a satisfactory corporate, ownership or trust structure;
- e) The experience and business ability of the persons who will be involved in the management or operation of the applicant's operations;
- f) The applicant for IGSS and IGSP is committed to physically locating/operating in the CSEZFP;
- g) The applicant for Master Licensor is committed to invest the amount of United States Dollars: One Hundred Million (US\$100,000,000.00), spread for ten (10) years, in the CSEZFP exclusive of all the fees and bonds required by CEZA and other government agencies in connection with the gaming license;
- h) The applicant shall follow appropriate policies and procedures to restrict individuals under eighteen (18) years of age to play in the interactive gaming;

- i) The applicant shall follow appropriate policies and procedures to minimize behavior associated with problem gambling;
- j) The applicant shall follow policies and take affirmative steps to prevent money laundering and other suspicious transactions associated with interactive gaming; and
- k) The applicant shall comply with the policies and directives that CEZA deems appropriate.

Section 18. **Investigation in Relation to Application.** – CEZA, through the Approved Agent, may conduct investigations and make inquiries, which CEZA considers necessary, before final determination is made whether to grant an applicant the gaming license, COR or Permit.

CEZA, through the Approved Agent, may obtain from a Law enforcement agency a report on any individual who:

- a) Is a close associate of the applicant; and
- b) Is or will be involved in the management or operation of the applicant's operations.

For purposes of this section, CEZA, through the Approved Agent, may require from an individual applicant or the authorized representative, in the case of an applicant corporation, to have his or her photograph, finger prints and palm prints taken. An applicant who fails to comply with the said requirement shall be liable to pay a fine of not exceeding in United States Dollars: Forty Thousand (S\$40,000) or its Philippine Peso equivalent.

Section 19. **Existing Operators Licensed in Approved Jurisdiction.** – Any person conducting an interactive game wholly or partially within a licensed jurisdiction recognized by CEZA may, based from the recommendation of the Approved Agent, be granted a provisional license immediately upon submission of application requirements and payment of the required fees.

CEZA, through the Administrator, may grant a License to such an existing operator if it can be shown that the operator is licensed within a jurisdiction with control and regulations on interactive gaming comparable to these regulations to ensure the integrity of the interactive gaming and the suitability of the operations. CEZA and the Approved Agent must be satisfied that the applicant is committed to, and can demonstrate its commitment to:

- a) Prevent money laundering, financing of terrorism and detect suspicious transactions;
- b) Prohibit underage and protect the vulnerable from being exploited by the interactive gaming;
- c) Restrict and discourage compulsive gambling in interactive gaming and encourage responsible gaming practices and programs; and

- d) Game fairness and transparency.

If, upon commencement of the licensee's operation, the licensee is in contravention of any provision of these regulations, the operator shall:

- a) Give written details of the contravention to CEZA within one (1) month after commencement of operations;
- b) Rectify the contravention within one (1) month from the date of the commission of the contravention, or such other period as CEZA approves in writing, after commencement of operations.

No compensation shall be demandable against CEZA by an existing operator on any loss or damage suffered by the operator that:

- a) Arises from the operator rectifying a contravention of this CEZA IGRR of 2017; or
- b) Arises as a result of the operator having its license suspended or revoked after failing to rectify a contravention of this CEZA IGRR of 2017; or
- c) Arises as a result of the operator having its license suspended or revoked.

Section 20. **Appeal.** – An applicant for a License, or a licensee, as the case requires, may appeal to CEZA against the following decisions of the Administrator:

- a) Refusal to grant a License;
- b) Imposition of terms and conditions on any License;
- c) Suspension or revocation of a License;
- d) Refusal to rescind the suspension of a License;
- e) Refusal to renew a License;
- f) Refusal to approve a transfer of a License;
- g) A decision or recommendation prescribed by the CEZA IGRR of 2017 as a decision or recommendation in respect of which an appeal can be made.

An appeal shall be made not more than fifteen (15) days after the date on which the appellant is notified of the decision appealed against or within such further period as CEZA may allow.

CEZA may:

- a) Refer the matter back to the Administrator with directions to reconsider the whole or any specified part of the matter; or

- b) Confirm, reverse or modify the decision appealed against, and make such orders and give such directions as may be necessary to give effect to the decision of CEZA.

Section 21. **Terms and Conditions of License.** – The Administrator, upon the recommendation of the Approved Agent, may determine the terms and conditions of a License.

The period of a License shall not exceed seven (7) years.

The Administrator, upon the recommendation of the Approved Agent, may include in a License any other terms and conditions that are necessary or desirable in the public interest, within the standards for the proper conduct of interactive gaming.

The Administrator, upon the recommendation of the Approved Agent, may:

- (a) Vary the terms and conditions of a License; or
- (b) Impose further terms and conditions of a License.

Before changing the conditions of a License, the Administrator, upon the recommendation of the Approved Agent, must notify the licensee in writing of the proposed change and give the licensee at least fourteen (14) calendar days within which to make comments or proposals in writing to the Administrator.

The Administrator and the Approved Agent shall:

- a) Take into account any comments or proposals made by the licensee in making the decision to change the terms and conditions of a license; and
- b) Give the licensee written notice of any change to the terms and conditions of its License.

The conditions of a License shall include conditions requiring the holder of the License to provide security and to maintain such deposits and reserves, as are specified or determined in accordance with the License for the payment of debts arising out of the interactive gaming conducted by the Licensee.

Section 22. **Form of License, Authorization, or Permit.** – A license, Authorization, or Permit shall be in the form approved by the CEZA.

The approved form shall include the following particulars:

- a) The name, address, telephone number, fax number and email address of the License holder, Authorization or Permit holder;
- b) The address of the premises from which the Authorization holder will conduct interactive gaming and interactive gaming related activities.
- c) The authorized games to conduct;

- d) Commencement and termination dates of the license, authorization or permit;
- e) A clause stating that CEZA and its employees and agents are not liable for any damages, losses, costs or liabilities incurred by a License holder, Authorization or Permit holder;
- f) A clause stating that the License, Authorization or Permit holder agrees to indemnify the CEZA against any claims, demands or actions and any resulting damages, awards or costs (including legal costs) brought by any third party against the CEZA in relation to the acts or omissions of a License, Authorization or Permit holder; and
- g) Any other terms and conditions that are in the public interest and CEZA, in its sole discretion, considers necessary or desirable for the proper conduct of interactive games.

Section 23. **Suspension and Revocation of License.** – CEZA, through the Administrator, may suspend or revoke a License if:

- a) CEZA is satisfied on reasonable grounds that:
  - i. The licensee is no longer a suitable person to hold a License; or
  - ii. The License was issued on the basis of materially false or misleading information or documents; or
  - iii. Following an investigation by an Approved Agent, an inspector or an audit, the licensee has insufficient financial resources to conduct interactive games in accordance with the License and it is the public interest to suspend or revoke the License; or the licensee is in violation of any provision contained herein; or
- b) The licensee is subject to voluntary or involuntary winding up proceedings or has a receiver appointed.

If CEZA intends to suspend or revoke a License, CEZA, through the Administrator, shall notify the licensee in writing of the proposed suspension or revocation and give the licensee at least fifteen (15) calendar days in which to make submissions of its explanation in writing to CEZA, through the Administrator.

CEZA and the Administrator shall take into account any submissions made by the licensee in deciding whether to suspend or revoke the License.

CEZA and the Administrator shall give the licensee written of any suspension or revocation of its License.

Section 24. **Immediate Suspension.** – CEZA, through the Administrator, upon the recommendation of the Approved Agent, may suspend a License immediately for a period of not exceeding ninety (90) days if CEZA believes that:

- a) A ground exists to suspend or revoke the License; and

- b) The circumstances are so extraordinary that it is imperative to suspend the License immediately to ensure that the public interest is not adversely affected.

The suspension shall be effected by a written notice by the Administrator given to the licensee, operates immediately once the notice is given, and continues to operate until CEZA, through the Administrator, cancels the suspension or the suspension expires, whichever happens first.

**Section 25. Effects of Suspension and Revocation of License.** – An entity whose License is suspended or revoked shall cease to conduct all interactive games while the suspension or revocation is in force.

CEZA, through the Administrator, may rescind the suspension of a License or upon application for its rescission in writing by the entity concerned.

The licensee shall resume conducting interactive games when the suspension is rescinded or expires.

The cancellation or suspension of a license does not affect any liability for wrong or omission made before the date of the suspension or revocation takes effect.

The liability of the holder of a License to pay any fee or interactive gaming duty continues during the period when the License is suspended.

**Section 26. Surrender of License.** – CEZA, through the Administrator, may approve the surrender of a License upon application for its rescission in writing by the licensee. The surrender of a License shall not affect any liability for any wrong or omission made before the date on which it ceases to have effect.

CEZA, through the Administrator, may impose conditions relating to the surrender of a License, including conditions that apply after the surrender and the former licensee must comply with those conditions.

A former licensee that fails to comply with any condition imposed in the section shall be liable to pay a fine or not exceeding United States Dollars: Forty Thousand (US\$40,000) or its Philippine Peso equivalent.

**Section 27. Renewal of License.** – A licensee shall apply in writing to CEZA, through the Administrator, to renew its License not less than twenty-eight (28) calendar days before the day on which the License expires.

CEZA, through the Administrator, after consultation with the Approved Agent, may refuse to renew a License on any ground under this CEZA IGRR of 2017 upon which the Administrator may suspend or revoke the License.

If CEZA intends not to renew a License, the Administrator shall notify the licensee in writing of the non-renewal of License and give the licensee at least fourteen (14) calendar days upon which to make submission in writing to CEZA.



CEZA, through the Administrator, shall give the licensee written notice of any refusal to renew the License.

Section 28. **Non-transferability of License.** – A license cannot be transferred except by way of enforcement of a mortgage, charge or encumbrance in accordance with Section 29 of this CEZA IGRR of 2017.

Section 29. **Mortgage, Charge or Encumbrance of License.** – A licensee shall not mortgage, charge or otherwise encumber its License except with the written approval of the CEZA, made through the Administrator.

If a person has a right to sell and transfer a License under or because of a mortgage, charge or encumbrance, the License may only be sold and transferred to a person approved by the CEZA, upon consultation with Approved Agent.

CEZA shall not approve the transfer of a License, unless CEZA, after consultation with the Approved Agent, is satisfied that the proposed transferee is a suitable person to hold the License.

If a person has under, or because of, a mortgage, charge or encumbrance a power to appoint a receiver or manager of the business conducted under the License, the power may only be exercised if CEZA first approves the proposed or manager in writing.

Section 30. **Bank Accounts.** – A license shall keep an account or accounts with a financial institution in the Philippines that is licensed under the General Banking Act for the conduct of:

- a) All banking or similar transactions for the operations conducted under its License;  
or
- b) Such other purposes as are approved in writing by CEZA, through the Administrator.

A licensee shall use a financial institution account only for a purpose referred to in the preceding sub-section a) or for which the account is approved under the preceding sub-section b).

A licensee that contravenes subsection a) or b) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

### **Article III Anti-Money Laundering**

Section 31. **Money Laundering Prevention Program.** – Licensees and authorized IGSPs, IGSSs, and data/content streaming providers shall develop and implement Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) policies that are approved and supported by its senior management which will provide reasonable security measures to prevent transactions which are potentially connected to money laundering and the financing of terrorism becoming associated with interactive gaming.

Licensees and authorized IGSPs, IGSSs, and data/content streaming providers shall appoint a qualified person to act as an Anti-Money Laundering Compliance Officer.

For purposes of this section, the applicable provisions of Republic Act No. 10927 and its Casino Implementing Rules and Regulations (CIRR) with respect to regulation of internet-based casinos for the prevention of money laundering and terrorist financing activities shall be complied by the Licensees and authorized IGSPs, IGSSs, and data/content streaming providers.

Notwithstanding any other provision of these regulations or Republic Act No. 109277 and its CIRR, Licensees and authorized IGSPs, IGSSs, and data/content streaming providers shall develop and implement measures to ensure that:

- (a) No cash-ins will be made to a player's account where there is reason to suspect money laundering or terrorist activity;
- (b) All information regarding changes to player details will be logged and appropriate verification documentation will be requested for significant changes, including but not limited to player's names and banking details; and
- (c) Transfer of funds between player accounts will only be conducted through a formal documented process.

#### **Article IV Compliance**

Section 32. **Approval of Interactive Games.** – A licensee shall not conduct an interactive game under its License unless CEZA, through the Administrator, has given written approval for:

- a) The interactive game;
- b) Any software under which the game and, if possible, the source code for that game;
- c) The rules of the game;
- d) Any material accompanying the game; and
- e) The way in which the game, and any accompanying material, present to and interact with the player.

In deciding whether to give its approval, CEZA may consider whether:

- a) Each player of the game will have easy access to the rules of the information about the rate of return that the game provides;
- b) The game operates strictly in accordance with any rules and information provided to players;
- c) Any aspect of the game is false or misleading; and

- d) The graphics, sounds, text and other presentational aspects of the game are socially responsible and in accordance with prescribed standards.

A license that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: Five Hundred Thousand, (US\$500,000) or its Philippines Peso equivalent.

**Section 33. Approval of Control Systems.** – A licensee shall not conduct interactive games under its License unless the CEZA, through its Approved Agents, has given written approval for the licensee’s control system.

In deciding whether to approve a licensee’s control system, CEZA and the Approved Agent may consider the following:

- a) The licensee’s general procedures to be followed for the conduct of interactive games;
- b) The licensee’s procedures and standards for the maintenance, security, storage and transportation of equipment to be used for the conduct of interactive games;
- c) The licensee’s procedures for recording and paying prizes won in interactive games;
- d) The licensee’s procedures for using and maintaining surveillance and security facilities;
- e) The licensee’s system for transferring and accounting of money;
- f) The licensee’s procedure for:
  - i. Dealing with player’s complaints about games;
  - ii. Conforming with the policies of financial bodies (for example, MasterCard and Visa);
  - iii. Excluding players from playing interactive games;
  - iv. Identifying and managing the problem gambling behavior or players; and
  - v. Registering players;
- g) The licensee’s general administrative systems and procedures;
- h) Such other matters as CEZA consider relevant.

A licensee that contravenes this section shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

Section 34. **Change of Control System.** – A licensee may apply to CEZA, through the Approved Agent, to change its approved control system.

The application shall:

- a) Be made in writing at least sixty (60) days before the licensee proposes to start conducting interactive games under the approved control system as proposed to be changed; and
- b) Contain particulars of the proposed changes to the licensee’s approved control system.

In deciding whether to approve the application, CEZA and the Approved Agent shall consider the matters referred to Section 33.

CEZA, upon the recommendation of the Approved Agent, may, by written notice issued by the Administrator and served to a licensee, direct such licensee to change the licensee’s approved control system within the time, and in the way, stated in the notice.

If the licensee does not comply with the direction, the approval for the licensee’s control system shall be deemed cancelled.

Section 35. **Approval of Equipment.** – A licensee shall obtain from CEZA, through the Administrator, written approval for each item of interactive gaming equipment used by the licensee to conduct interactive games under its License.

A licensee shall not install, modify, decommission, remove or destroy any such equipment without the written approval of CEZA, through the Administrator.

Only upon the affirmative recommendation of the Approved Agent shall CEZA, through the Administrator, give its approval of the foregoing.

A licensee that contravenes this section shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

Section 36. **Notification of Changes.** – A licensee shall give CEZA, through the Administrator, written notice of:

- a) A change in or addition to the licensee’s close associates; or
- b) A reduction in the licensee’s financial resources; or
- c) Any change or addition to the persons who manage or operate the licensee’s operations.

The written notice shall be submitted to CEZA, through the Administrator, within seven (7) days after the change, addition or reduction occurs.

A licensee that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

Section 37. **Gambling Records.** – Save for any exempt gambling record prescribed by these regulations, a licensee shall keep licensee’s gambling records at a place approved by CEZA and for five (5) years after the end of the transaction to which the record relates.

A licensee that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

Section 38. **Submission of Reports.** – A licensee shall submit reports to CEZA, through the Administrator, about the licensee’s operations under its License.

CEZA shall specify, by written notice issued by the Administrator to the licensee, the information to be included in the reports. A licensee shall not include any information that is false or misleading in any material particular in the report. The report shall be in an approved form and be submitted at the time stated in the notice.

CEZA, through the Administrator, may make information obtained under this section available to a law enforcement agency within or outside the Philippines if CEZA is satisfied on reasonable grounds that the information relates to an activity that is illegal within or outside the Philippines.

A licensee that contravenes this section shall be liable to pay fine of not exceeding United States Dollars: Two Hundred Thousand (US\$200,000) or its Philippine Peso equivalent.

Section 39. **Audit.** – As soon as practicable after the end of a financial year, a licensee shall cause the books, accounts and financial statements for the operations conducted under its License for the financial year to be audited by an auditor qualified for appointment and approved by the Regulator as defined in this CEZA IGRR of 2017.

The auditor shall:

- a) Complete the audit within 3 months after the end of the financial year; and
- b) Immediately after completion of the audit, give a copy of the audit report to the Regulator.

Paragraph 2 a) does not apply to the auditor if the Regulator is satisfied that in the circumstances it would be unreasonable to require the auditor to comply with the paragraph, and the auditor completes the audit as soon as practicable.

On receiving an auditor’s report, the Regulator may, by written notice issued by the Administrator and given to the licensee, require the licensee to give the Regulator further information about a matter relating to the licensee’s operations mentioned in the audit report. A licensee shall submit the required information within the time stated in the notice.

The audit shall be undertaken at the licensee’s own expense.

A licensee that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

Section 40. **Special Audit.** – The Regulator may, by written notice issued by the Administrator and given to the licensee, require the licensee to cause the books, accounts and financial statements for the operations conducted under its License to be audited for the period specified in the notice if the Regulator is satisfied that the licensee:

- a) May have provided doubtful, misleading or erroneous report of results of its gaming operations, either deliberately or by negligence, which has the effect of substantial loss of income in favor of CEZA; or
- b) May have insufficient financial, technical or other resources to conduct interactive games in accordance with its License and the provisions of this CEZA IGRR of 2017; or
- c) May have undertaken fraudulent acts in conducting interactive games under its License; or
- d) May have committed violations of the provisions of this CEZA IGRR of 2017.

The audit shall be undertaken at the licensee's own expense within the period specified in the notice by an auditor qualified for appointment and approved by the Regulator.

The auditor shall give copy of the report to the Regulator immediately after completing it.

A licensee that contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

Section 41. **Investigation of Licensee.** – The Regulator may, at any time, conduct the investigations and make the inquiries which CEZA considers necessary to enable CEZA to determine whether a licensee:

- a) Is a suitable person to continue to hold a License; or
- b) Is complying with the provisions of this CEZA IGRR of 2017 or the code.

A licensee shall pay to CEZA the reasonable costs incurred by the latter in conducting any investigation and making any inquiry.

## **Article V Regulator**

Section 42. **Functions and Powers of the Regulator.** – The Regulator, as defined under this CEZA IGRR of 2017, shall do all things necessary or convenient to be done for or in connection with the performance of its functions under the CEZA IGRR of 2017.

Section 43. **Code of Practice.** – Subject to the approval of CEZA as regulator, the Administrator shall prepare a code of practice for licensees. In preparing the code of practice, the Administrator may consult with all licensees.

Without limiting the code of practice, it may provide for the following:

- a) The standards to be complied with by licensees conducting interactive games;
- b) The prizes in interactive games conducted by licensees;
- c) The payment of winnings by licensees to players;
- d) The way in which disputes between players and licensees are to be resolved.

The code of practice is a regulation for the purposes of this CEZA IGRR of 2017.

A licensee that contravenes a provision of the code of practice shall be liable to pay a fine of not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

Section 44. **Complaints.** – the Regulator shall cause to be investigated any complaint made to it or to the Administrator about a licensee’s operations.

However, the Regulator does not have to investigate a complaint if in its opinion the complaint is petty, frivolous or vexatious.

Section 45. **Appointment of Inspector.** – CEZA envisions that this CEZA IGRR of 2017 shall be implemented to ensure the integrity of the interactive gaming operations, the suitability of the licensees and the protection of players, and the identification, investigation and elimination of suspicious, fraudulent or money laundering activities. For this purpose, CEZA, through the Administrator, may appoint any staff or officer of CEZA or any person other than any of the staff or officer of CEZA but who is not a public servant, who has appropriate qualifications and experience as inspector.

The inspector, who may override, confirm, complement, or supplement the report of the Approved Agent, shall have the following powers:

- a) To inspect, examine or test any interactive games or interactive gaming equipment used by a licensee in conducting operations under the License;
- b) To require a person to produce documents or answer questions about such games or equipment;
- c) To enter any premises used by the License for conducting operations under its License and seize any such games or equipment or any other books, documents or things (including electronically stored information) on those premises that the

inspector considers will afford evidence of the commission or a violation of any of the provisions of this CEZA IGRR of 2017.

The inspector shall obtain the consent of the owner or occupier of the premises to exercise the powers under paragraph 2 c) or, in the absence of consent, must obtain a search warrant from the proper Court.

Courts shall not issue a warrant unless it is satisfied by information under oath that:

- a) An offense against this CEZA IGRR of 2017 has been or is being committed, or is likely to be committed, on the premises; and
- b) Evidence of the commission, or likely commission, of the offense is likely to be found on the premises.

## **Article VI Miscellaneous Provisions**

Section 46. **Confidentiality.** A person who is, or was, an inspector, approved agent, or employee or officer of CEZA responsible for administering this CEZA IGRR of 2017 shall not disclose information obtained by the person in performing functions under this CEZA IGRR of 2017.

Paragraph 1 does not apply to the disclosure of information if the disclosure is:

- a) Made for purpose under this CEZA IGRR of 2017; or
- b) Made under an approval of the Regulator given under this section; or
- c) Authorized by any other law or an order of the Court.

A person who contravenes this section shall be liable to pay a fine of not exceeding United States Dollars: Ten Thousand (US\$10,000) or its Philippine Peso equivalent.

Section 47. **Forfeiture.** – A court that finds a person guilty of an offense under this CEZA IGRR of 2017 may order that any interactive gaming equipment or other item used, or intended to be used, by the person in the commission of the offense forfeited in favor of CEZA.

Section 48. **Order.** – CEZA may make orders and memorandum not inconsistent with this CEZA IGRR of 2017 to better carry out or give effect to the provisions hereof.

Section 49. **Separability Clause.** – If any provision of this CEZA IGRR of 2017 is declared unconstitutional, the same shall not affect the validity of other provisions of this CEZA IGRR of 2017.

Section 50. **Repealing/Revocation Clause.** – The 2003 Interactive Gaming Rules and Regulations of CEZA is hereby repealed or revoked.

Section 51. **Effectivity.** – This CEZA IGRR of 2017 shall take effect immediately.



