

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

SEVENTEENTH CONGRESS

First Regular Session

HOUSE BILL NO. 632

HOUSE OF REPRESENTATIVES

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INTRODUCED BY REPRESENTATIVE XAVIER JESUS D. ROMUALDO

EXPLANATORY NOTE

This measure, in the main, seeks to withdraw from the Philippine Amusement and Gaming Corporation (PAGCOR) the authority to grant franchises and licenses for the establishment and operation of gaming enterprises. Consequently, persons who wish to engage in such an enterprise must first obtain a franchise from Congress.

Under this measure, the PAGCOR may issue licenses to operate gaming establishments; however, a prospective gaming operator must first obtain a franchise from Congress. Unless and until the prospective gaming operator is granted a legislative franchise, the PAGCOR cannot issue a license to operate. Nonetheless, this bill provides that existing gaming franchises, licenses, contracts, and other similar arrangements granted by or entered into by the PAGCOR shall remain unimpaired and shall continue in full force and effect until they expire or the term of the PAGCOR's own franchise to establish, operate, regulate, and issue licenses to operate to gaming establishments expires, whichever comes earlier.

In addition, this measure seeks to amend Section 15 of Presidential Decree No. 1869, which provides that the funds of the PAGCOR that may be audited is limited to the 5% franchise tax and the 50% of the gross earnings of the PAGCOR pertaining to the government as its share. Under this measure, all funds and transactions, including revenues, income, and expenditures, of the PAGCOR shall be subject to audit by the Commission on Audit.

Gambling is widely considered to be reprehensible and even immoral. On the other hand, it is a reliable source of revenue for the Government and a significant source of funding for social and development projects and programs. Allowing the operation of gaming establishments in the country is thus a policy question that involves a delicate balancing of interests, which should be decided by the Members of Congress, who represent and are accountable to the people.

In view of all the foregoing, the support of the Members of Congress for the prompt and timely passage of this measure is earnestly sought.



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**AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 1869, AS AMENDED, AND
FOR OTHER PURPOSES**

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

1 SECTION 1. Section 3 of Presidential Decree No. 1869, as amended, is hereby further
2 amended to read as follows:

3
4 Section 3. Corporate Powers. – The Corporation shall have the
5 following powers and functions, among others:

6
7 (a) to prescribe its By-Laws;

8
9 (b) to adopt, alter, and use a corporate seal;

10
11 (c) to own real or personal property, to sell, alienate, mortgage, encumber,
12 or otherwise dispose of the same;

13
14 (d) to make contracts and to sue and be sued;

15
16 (e) to employ such officers and personnel as may be necessary or proper to
17 carry on its business;

1
2 (f) to acquire, lease, or maintain, whether on land, water, or air, personal
3 property and such other equipment and facilities as may be necessary or
4 proper to carry out its purposes;

5
6 (g) to import, buy, sell, or otherwise trade or deal in merchandise, goods,
7 wares, and objects of all kinds and descriptions that may be necessary or
8 proper to carry out the purposes for which it has been created;

9
10 (h) to enter into, make, conclude, perform, and carry out contracts of every
11 kind and nature and for any lawful purpose which are necessary,
12 appropriate, proper, or incidental to any business or purpose of the
13 CORPORATION; [PAGCOR; , including but not limited to investment
14 agreements, joint venture agreements, management agreements,
15 agency agreements, whether as principal or as an agent, manpower
16 supply agreements, or any other similar agreements or arrangements
17 with any person, firm, association or corporation.]

18
19 (i) to borrow money from local or foreign sources as may be necessary or
20 proper for its operations;

21
22 (j) to invest its funds as the Corporation may deem necessary or proper in
23 any activity related to its principal operation, including in any bonds or
24 securities issued or guaranteed by the Government of the Philippines;

25
26 (k) to perform such other powers and functions as may be provided by law;
27 and

28
29 (l) to do anything and everything necessary, proper, desirable, convenient
30 or suitable for the accomplishment of any of the purposes or the

1 attainment of any of the objects or the furtherance of any of the powers
2 herein stated, either alone or in association with other corporations, firms
3 or individuals, and to do every other act or thing incidental, pertaining to,
4 growing out of, or connected with, the aforesaid purposes, objects or
5 powers, or any part thereof.

6
7 PROVIDED, THAT, NONE OF THE POWERS STATED ABOVE SHALL BE
8 UNDERSTOOD AS GIVING AUTHORITY TO THE CORPORATION TO
9 GRANT LICENSES, CONTRACTS, OR OTHER SIMILAR
10 ARRANGEMENTS TO PRIVATE PERSONS OR ENTITIES FOR THE
11 ESTABLISHMENT OR OPERATION OF ANY GAMBLING OR GAMING
12 ENTERPRISE WITHOUT THE LATTER FIRST BEING GRANTED A
13 FRANCHISE FROM CONGRESS.

14
15 SEC. 2. Section 8 of the same Decree is hereby amended to read as follows:

16
17 Section 8. Registration. – All persons primarily engaged in THE
18 gambling OR GAMING BUSINESS, together with their allied businessES,
19 with A [contract or franchise] LICENSE TO OPERATE from the
20 Corporation, shall OBTAIN A LEGISLATIVE FRANCHISE BEFORE THEY
21 MAY register and affiliate their businesses with the Corporation. The
22 Corporation shall issue the corresponding certificates of affiliation upon
23 compliance by the registering entity with the promulgated rules and
24 regulations thereon.

25
26 SEC. 3. Section 10 of the same Decree, as amended, is hereby further amended
27 to read as follows:

28
29 Section 10. Nature and Term of Franchise. – Subject to the terms
30 and conditions established in this Decree, the Corporation is hereby

1 granted, from the expiration of its original term on July 11, 2008, FOR
2 another period of twenty-five (25) years, [renewable for another twenty-five
3 (25) years,] the right, privilege, and authority to ESTABLISH AND [,]
4 operate BY ITSELF, REGULATE, and ISSUE licenses TO OPERATE TO
5 gambling casinos, gaming clubs and other similar recreation or amusement
6 places, and gaming pools, i.e. basketball, football, bingo, [etc.] POKER
7 CLUBS, AND E-GAMES, except jai-alai, whether on land or sea, within the
8 territorial jurisdiction of the Republic of the Philippines; PROVIDED, THAT
9 PRIOR TO THE ISSUANCE BY THE CORPORATION OF A LICENSE TO
10 OPERATE A GAMBLING CASINO, GAMING CLUB AND OTHER
11 SIMILAR RECREATION OR AMUSEMENT PLACE, OR GAMING POOL,
12 A FRANCHISE SHALL FIRST BE OBTAINED FROM AND GRANTED BY
13 CONGRESS: Provided, FURTHER, That the corporation OR ITS
14 LICENSEE shall obtain the consent of the local government unit that has
15 territorial jurisdiction over the area chosen as the site for any of its
16 operations.

17
18 The operation of slot machines and other gambling paraphernalia and
19 equipment[,] shall not be allowed in establishments open or accessible to the
20 general public unless the site of these operations are three-star hotels and
21 resorts accredited by the Department of Tourism AND authorized by BOTH
22 the Corporation and by the local government unit concerned.

23
24 The authority and power of the CORPORATION [PAGCOR] to [authorize,
25 license and regulate] ESTABLISH, OPERATE, REGULATE, AND ISSUE
26 LICENSES TO OPERATE games of chance, games of cards, and games of
27 numbers shall not extend to: (1) games of chance authorized, licensed and
28 regulated or to be authorized, licensed and regulated by, in, and under
29 existing franchises or other regulatory bodies; (2) games of chance, games
30 of cards, and games of numbers authorized, licensed, regulated by, in, and

1 under special laws such as Republic Act No. 7922; and (3) games of
2 chance, games of cards, and games of numbers like cockfighting,
3 authorized, licensed and regulated by local government units. The conduct
4 of such games of chance, games of cards, and games of numbers covered
5 by existing franchises, regulatory bodies, or special laws, to the extent of the
6 jurisdiction and powers granted under such franchises and special laws,
7 shall be outside the licensing authority and regulatory powers of the
8 CORPORATION [PAGCOR].

9
10
11 SEC. 4. Section 15 of the same Decree, as amended, is hereby amended to read
12 as follows:

13
14 SEC. 15. Audit[or]. – The Commission of Audit [or any government
15 agency that the Office of the President may designate shall appoint a
16 representative who shall be the Auditor of the Corporation and such
17 personnel as may be necessary to assist said representative in the
18 performance of his duties. The salaries of the Auditor or representative and
19 his staff shall be fixed by the Chairman of the Commission on Audit or
20 designated government agency, with the advice of the Board, and said
21 salaries and other expenses shall be paid by the Corporation. The funds of
22 the Corporation to be covered by the audit shall be limited to the 5%
23 franchise tax and the 50% of the gross earnings pertaining to the
24 Government as its share.] SHALL AUDIT ALL FUNDS AND
25 TRANSACTIONS, INCLUDING REVENUES, INCOME, AND
26 EXPENDITURES, OF THE CORPORATION.

27
28 SEC. 5. Non-Impairment of Existing Franchises, Licenses, and Contracts. – All
29 franchises, licenses, contracts, and other similar arrangements granted by or entered
30 into by the Philippine Amusement and Gaming Corporation (PAGCOR) with private

1 individuals or entities for the establishment, operation, and maintenance of gambling
2 casinos, gaming clubs, and other similar recreation or amusement places devoted to
3 gambling and the playing of games of chance before the effectivity of this Act shall
4 remain in full force and effect until their expiration; *Provided*, that these shall not exceed
5 the term of the PAGCOR's franchise. Thereafter, such licenses, contracts, and other
6 similar arrangements shall not be renewed or extended, unless the licensee, contracting
7 party, or grantee, as the case may be, is granted a legislative franchise by Congress;
8 *Provided*, further, any such franchise may, by law, be altered, amended, or repealed
9 when the common good so requires.

10
11 SEC. 6. Separability Clause. – If any provision of this Act is declared invalid or
12 unconstitutional, the other provisions not affected thereby shall remain in full force and
13 effect.

14
15 SEC. 7. Repealing Clause. – All laws, decrees, executive orders and issuances,
16 rules and regulations, and other issuances, or parts thereof, that are inconsistent with
17 the provisions of this Act are hereby repealed or modified accordingly.

18
19 SEC. 8. Effectivity Clause. – This Act shall take effect fifteen (15) days after its
20 publication in the Official Gazette or a newspaper of general circulation.

21
22 Approved,
23