

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



**HOUSE OF REPRESENTATIVES**

H. B. No. 4528

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Introduced by Rep. Vilma Santos-Recto  
6<sup>th</sup> District of Batangas

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**AN ACT  
CREATING THE PHILIPPINE AMUSEMENT AND GAMING COMMISSION  
(PAGCOM), AUTHORIZING THE APPROPRIATION OF FUNDS THEREFOR,  
AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

This bill seeks to separate the regulatory function of the Philippine Amusement and Gaming Corporation (PAGCOR) from its role as operator of gaming activities. These distinct functions should not be placed under one agency in order to maintain a separation of powers and uphold a system of checks and balances.

There should be a clear separation between the regulatory and proprietary activities of PAGCOR in order to achieve a level playing field with other private gaming corporations. The government also has no business running gambling facilities. Instead, the government should adopt the policy that its role should only be *steering* and not *rowing*. This means government should deal with coordination and control of gaming entities but should not get involved in direct gaming operation.

The delineation of functions will also allow the regulatory agency to focus on the supervision and monitoring of gaming operators to ensure that they comply with the established rules and regulations including compliance with the required remittance of government share to the National Treasury.

Under the bill, the present PAGCOR is abolished while a Philippine Amusement and Gaming Commission (PAGCOM) is created which will discharge the function of regulating the gaming operations in the country.

The existing PAGCOR casinos shall be privatized by the Privatization and Management Office (PMO) and proceeds from such privatization shall be remitted to the National Treasury and shall form part of the General Fund to be available for expenditure upon authorization of Congress through the annual General Appropriations Act (GAA).

The gaming facilities shall focus on foreign tourists. A license shall be issued to gaming operators only in Local Government Units (LGUs) where the tourist arrivals as certified by the Department of Tourism are 100,000 foreign tourists per annum or more. Furthermore, in order to discourage locals from patronizing the casino, a minimum of Php 1,000 entrance fee shall be charged to residents.

The PAGCOM shall collect from casino operators five percent (5%) as gross revenue tax. Further, after such deduction, PAGCOM shall collect additional twenty-five percent (25%) from the aggregate gross earnings, which shall be earmarked for the priority projects of the LGU hosting the gaming facility; the creation of a Trust Fund in the Department of Social Welfare and Development intended for the establishment and operation of rehabilitation centers for the treatment of addictions including compulsive gambling, drug dependency and alcoholism, among others; PAGCOM's administrative cost and other priority social services programs of the National Government. The 25% share of the National Government shall be reflected in the GAA as a Special Purpose Fund.

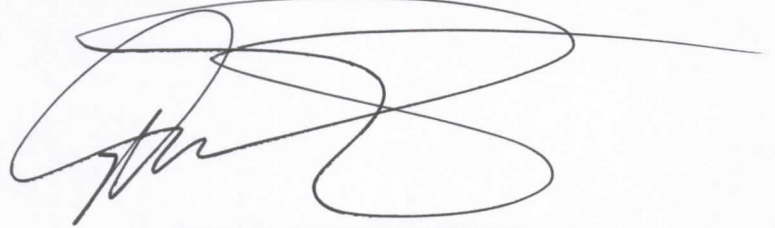
In order to ease the impact of the separation from government service, PAGCOR officials and employees who will opt not to be absorbed by the new PAGCOM, will receive a Severance Mitigation Package (SMP) based on the recommendation of the Governance Commission for Government-Owned and -Controlled Corporations (GCG) and approval of the President.

The SMP benefits shall be on top of whatever separation and retirement benefits those officials and employees of the abolished PAGCOR may be entitled to under existing laws.

However, once the SMP is availed of, they shall not be eligible for employment in the PAGCOM for the next five years from separation or retirement.

On the other hand, those officials and employees who will opt to stay with PAGCOM and will be able to get a regular plantilla position shall enjoy a compensation package that is exempted from the Salary Standardization Law and should approximate if not exceed what they have been receiving from the abolished PAGCOR subject to the approval of the President upon recommendation of the GCG.

This bill will ensure the effective operation of gaming corporations in order to provide the government with more funds for the implementation of priority programs. Hence, approval of this bill is earnestly sought.

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**VILMA SANTOS-RECTO**

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(PAGCOM), AUTHORIZING THE APPROPRIATION OF FUNDS THEREFOR,  
AND FOR OTHER PURPOSES**

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

**Chapter I**

**GENERAL PROVISIONS**

Section 1. *Short Title.* – This Act shall be known as the “*Philippine Amusement and Gaming Commission (PAGCOM) Act*”.

Sec. 2. *Declaration of Policy.* – It is hereby declared policy of the State to integrate a centralized and efficient regulatory service in the Philippines in the conduct of operation for all games of chance and other similar forms of amusement and recreation by providing for the creation of a Commission, in such a manner as to promote transparency, efficiency and business viability within its jurisdiction. In the pursuit of this policy, this Act shall have the following objectives:

(a) To clearly delineate the operation of gaming activities, on one hand, and regulation, on the other;

(b) To centralize and consolidate all forms of regulatory power, including licensing and enforcement, of gaming activities in one governmental entity in order to promote efficiency, transparency and good governance;

(c) To place the operation of gaming activities in the hands of the private sector by



- 1 privatizing the current gaming operations of the Philippine Amusement and  
2 Gaming Corporation (PAGCOR);
- 3 (d) To establish, regulate and issue a license to operate business activities of all games  
4 of chance and such other similar forms of amusement and recreation, within the  
5 territorial jurisdiction of the Philippines;
- 6 (e) To ensure that such businesses will generate sources of additional revenue for the  
7 national government;
- 8 (f) To eradicate the evils, malpractices and incidence of corruption that are prevalent  
9 in the conduct and operation of gaming clubs and casinos which operate in the  
10 absence of governmental supervision;
- 11 (g) To expand and improve the tourism industry; and
- 12 (h) To introduce additional safeguards in the regulation and operation of gaming  
13 activities.

14 SEC. 3. *Definition of Terms.* – For purposes of this Act, the terms:

- 15 (a) *Commission* shall refer to the Philippine Amusement and Gaming Commission  
16 created under Section 4 of this Act.
- 17 (b) *President* shall refer to the President of the Republic of the Philippines.
- 18 (c) *Philippine Amusement and Gaming Corporation (PAGCOR)* shall refer to the  
19 Philippine Amusement and Gaming Corporation created under Presidential  
20 Decree No. 1869, as amended by Republic Act No. 9487.
- 21 (d) *Privatization and Management Office (PMO)* shall refer to the Privatization and  
22 Management Office organized under Chapter 4 of Executive Order No. 323 (S.  
23 2001).

## 24 Chapter II

### 25 PHILIPPINE AMUSEMENT AND GAMING COMMISSION

#### 26 THE COMMISSION

27 Sec. 4. *Creation.* - There is hereby created and established an independent, quasi-  
28 judicial regulatory body to be named the Philippine Amusement and Gaming Commission  
29 (PAGCOM), hereinafter referred to as the Commission. For this purpose, the Commission  
30 shall be attached to the Office of the President for supervision and control.

31 Sec. 5. *Powers and Functions.* - The Commission shall have the following powers and  
32 functions:

- 33 (a) To provide comprehensive policy guidance for the promotion and development of  
34 the Commission, as provided in this Act;

- 1 (b) To ensure that the Commission performs its functions in a proper, efficient and  
2 effective manner;
- 3 (c) To determine the organizational structure and staffing pattern of the Commission  
4 in accordance with the provisions of this Act, subject to existing Department of  
5 Budget and Management (DBM) and Civil Service Commission (CSC) rules and  
6 regulations: *Provided*, That the PAGCOM compensation plan including a  
7 performance incentive scheme for officials and employees shall be exempted from  
8 the Salary Standardization Law but subject to the recommendation of the  
9 Department of Budget and Management and approval of the President of the  
10 Philippines;
- 11 (d) To decide on all matters relating to licenses, certificates, and permits for the  
12 operation of gaming activities and prescribe the appropriate terms and conditions  
13 thereof;
- 14 (e) To establish and maintain linkages with international gaming commissions,  
15 associations or organizations of other countries, and international non-  
16 governmental organizations whose main objective is regulation and supervision of  
17 games of chance and other similar recreation and amusement activities;
- 18 (f) To coordinate and cooperate with other government agencies and entities  
19 concerned with any aspect involving the provisions of this Act;
- 20 (g) To prescribe rules of practice and procedures for its proceedings ;
- 21 (h) To issue provisional remedies and interlocutory orders, including preliminary  
22 injunction, whether prohibitory or mandatory, in all cases in which it has  
23 jurisdiction, and in which cases the pertinent provisions of the Rules of Court shall  
24 apply;
- 25 (i) To punish for contempt in accordance with the pertinent provisions of the Rules  
26 of Court;
- 27 (j) To issue *subpoena duces tecum* and *ad testificandum* and summon witnesses to  
28 appear in any proceedings of the Commission;
- 29 (k) To administer oaths and affirmations in the transaction and performance of their  
30 official duties;
- 31 (l) To conduct investigations and hearings of complaints for violation of gaming  
32 laws and of the Commission's rules and regulations, orders, decisions and/or  
33 rulings and to impose fines and/or penalties for such violations;

1 (m) To determine, prescribe, approve and periodically review and adjust the manner  
2 and method of payment of fees, costs, and penalties to be paid to or collected by  
3 the Commission;

4 (n) To formulate policies, directives, programs and projects, as well as the rules and  
5 regulations and guidelines to implement the provisions of this Act; and

6 (o) To exercise such other acts as are incidental to or are appropriate and necessary in  
7 connection with the creation of the Commission.

8 Sec. 6. *Composition, Qualification and Tenure.* – The Commission shall be headed  
9 by a Commissioner as Chairperson and four (4) Deputy Commissioners as members, all of  
10 whom shall be appointed by the President for a term of three (3) years and may be  
11 reappointed for another term unless removed for cause. They must be citizens of the  
12 Philippines, of good moral character, holder of a college degree and with at least five (5)  
13 years of actual and distinguished experience in their respective fields.

14 The President, upon recommendation of the Commission, shall appoint an Executive  
15 Director. The appointee must be a citizen of the Philippines and of good moral character,  
16 holder of a college degree and with at least three (3) years of actual and distinguished  
17 experience in their respective fields. The Executive Director shall have the following powers  
18 and functions:

19 (a) Advise and assist the Commission in the formulation and implementation of  
20 the objectives, policies, plans and programs of the Commission;

21 (b) Direct and supervise officials and employees of the Commission;

22 (c) Prepare an annual report on the activities of the Commission at the close of  
23 each fiscal year and to submit a copy thereof to the President and Congress;

24 (d) Keep and maintain official records and reports of the proceedings of the  
25 Commission;

26 (e) Oversee all the operational activities of the Commission;

27 (f) Coordinate the programs and projects of the Commission and be responsible  
28 for its economical, efficient and effective administration;

29 (g) Administer oaths in connection with all matters relating to the business of  
30 the Commission; and

31 (h) Perform such other duties as may be assigned by the Commissioner.

32 Any appointment to fill the vacancy in the foregoing provision arising from death,  
33 removal, retirement or resignation shall be made only for the unexpired term.

34 Sec. 7. *Meetings and Quorum.* – In all cases, the Commission shall convene and act

as a collegial body in all matters referred to in Section 5 of this Act. The Commission shall meet at least once a month, or as determined by the Commission. The presence of at least three (3) members shall constitute a quorum.

**Sec. 8. *Decision and Appeal.*** – In all cases or proceedings before the Commission, the decision of the majority shall prevail. Decisions of the Commission shall become final and executory fifteen (15) days from receipt thereof. Only one (1) motion for reconsideration shall be filed with the Commission.

The decision, order or resolution of the Commission shall be appealable to the Office of the President within thirty (30) days from receipt. The decision of the Office of the President shall be final and executory unless stayed by an order of the Court of Appeals.

## CHAPTER III

## LICENSING REGULATIONS

Sec. 9. *Registration and Licensing of Gaming Operators.* – The Commission shall register and issue license, authority, privilege or permit to gaming operators, subject to such rules, guidelines, procedures and other issuances as the Commission may promulgate: *Provided*, That licenses shall be issued to gaming operators only in municipalities and cities with tourist arrivals of one hundred thousand (100,000) or more foreign tourists annually as certified by the Department of Tourism (DOT) unless the gaming facility will be located in a new entertainment resort facility and the DOT certifies as to the potential tourist arrivals equivalent to or more than the required number: *Provided, further*, That the PAGCOM shall require gaming operators to collect an entrance fee of not less than One Thousand Pesos (P1,000) for local players.

The Commission shall also ensure that the granting and revocation of licenses, authority, privilege or permits are carried out fairly, transparently, and without discrimination.

Sec. 10. *Special Condition on License-Holders.* – After deducting the five percent (5%) gross revenue tax, the Commission shall collect twenty-five percent (25%) of the aggregate gross earnings of License-Holders, which shall be remitted to the National Treasury: *Provided*, That the equivalent amount shall be included in the General Appropriations Act (GAA) as a Special Purpose Fund and shall be earmarked for the following: the administrative cost of the Commission; the priority projects of Local Government Units (LGUs) hosting the gaming facilities; the Department of Social Welfare and Development (DSWD) intended for the establishment and operation of rehabilitation centers; and other priority social services programs of the National Government: *Provided*,



1 *further*, That a Trust Fund is hereby created in the DSWD for the operation of rehabilitation  
2 centers for all forms of addiction including compulsive gambling, drug dependency and  
3 alcoholism.

#### 4 **CHAPTER IV**

#### 5 **ABOLITION OF PAGCOR**

6 Sec. 11. *Abolition of the Philippine Amusement and Gaming Corporation*  
7 *(PAGCOR)*. – The PAGCOR, created under Presidential Decree No. 1869, as amended by  
8 Republic Act No. 9847, is hereby abolished.

9 All powers, duties and rights vested by law and exercised by PAGCOR in the  
10 performance of its regulatory powers, is hereby transferred to the Commission.

11 All assets, real and personal properties, except those that may be privatized under  
12 Chapter V of this Act, including funds and revenues owned by or vested in the different  
13 offices of PAGCOR are transferred to the Commission.

14 All contracts, records and documents relating to the powers and functions of the  
15 abolished agency, its offices and branches are likewise transferred to the Commission.

#### 16 **CHAPTER V**

#### 17 **PRIVATIZATION OF THE PHILIPPINE AMUSEMENT AND GAMING** 18 **CORPORATION (PAGCOR)**

19 Sec. 12. *Privatization of PAGCOR's Operations*. — All assets pertaining to the  
20 operations of gaming activities of PAGCOR shall be privatized and disposed of in  
21 accordance with this Act, and, as soon as practicable, the Commission on Audit (COA), in  
22 coordination with PAGCOR, the Commission and the Privatization and Management Office  
23 (PMO) shall conduct a complete accounting and inventory of such assets to determine and  
24 ascertain their nature, description, amount and value, as well as other rights and obligations  
25 pertaining thereto, if any.

26 Nothing herein shall be construed as preventing the PMO from causing the appraisal by a  
27 third party of any of the assets prior to or in the course of preparing the privatization or  
28 disposition plans for the said assets.

29 Sec. 13. *Additional Mandate of the PMO*. – In addition to its powers, duties and  
30 functions under Executive Order No. 323 (s. 2001), as amended, the PMO shall, for and in  
31 behalf of the National Government, take possession of, conserve, provisionally manage, and  
32 dispose of the assets which have been identified for privatization and disposition by the  
33 Commission.

1 In the discharge of its mandate under Executive Order No. 323 (s. 2001) and this  
2 Section, the PMO is hereby empowered to implement a specific marketing and disposition  
3 program for privatization and disposition; to execute and deliver, on behalf of the National  
4 Government, deeds of sale, contracts, trust instruments, and other legally operative  
5 documents as may be necessary or appropriate to convey title to, take possession of, and  
6 conserve, such assets; to engage external expertise as may be necessary in the fulfillment of  
7 its tasks under this Act; to adopt internal rules and regulations in relation to the marketing and  
8 disposition of the assets; and to submit periodic reports to the Commission on the status of  
9 the disposition program.

10 Any and all sales and other modes of privatization or disposition or any form of  
11 divestment or transmission of rights over these assets shall not be considered final unless  
12 approved or ratified by the Commission.

13 Sec. 14. *Powers of the PMO.* — The PMO is hereby accorded discretionary powers  
14 with regard to the preparation of the privatization plans and policies of the assets transferred  
15 to it. The PMO is empowered to enter into sales through public bidding, negotiated sale,  
16 lease, or any form of divestment or transmission of rights over the assets: *Provided, That*  
17 operations of these assets or a partnership with the private sector in the management or  
18 operation thereof prior to actual sale or disposition shall remain with the Commission.

19 Sec. 15. *Commission to Determine Transfer Value.* — The Commission is hereby  
20 vested with full and complete powers and prerogatives to determine the indicative sale or  
21 transfer valuations of the assets identified for privatization or disposition by the PMO, which  
22 valuations shall be based on COA's audit report or listing as adverted to or those made by a  
23 reputable third-party appraisal firm: *Provided, That* any valuations approved by the  
24 Commission shall not be deemed a condonation, waiver, or extinguishment of any obligation  
25 by any third party to such assets.

26 Sec. 16. *Reimbursement and Retention.* — In order to fulfill its additional mandate  
27 under this section, the PMO shall be reimbursed for reasonable expenses incurred in the  
28 management and disposition of these assets, subject to pertinent laws, rules and regulations.

29 Sec. 17. *Remittance of Proceeds of Privatization.* — All proceeds or receipts from the  
30 privatization, sale or disposition of the assets, except portions thereof for operational  
31 expenses of the Commission, or such amount approved by the Commission to be refunded to  
32 the PMO under the preceding section, shall be remitted to the Bureau of Treasury (BTr).

33 Sec. 18. *Reporting Requirements.* — The Commission shall, on a semi-annual basis,  
34 submit to the President and to Congress a report on the status of disposition of the assets,

1 which shall include, among others, a description of the individual assets privatized and  
2 disposed of, their purchasers, the consideration received, and the terms of payment as agreed  
3 upon.

## 4 CHAPTER VI

### 5 SEPARATION AND RETIREMENT BENEFITS

6 Sec. 19. *Separation and Retirement Benefits.* – Officials and employees of the  
7 PAGCOR who choose to separate from government service or who shall choose to retire, if  
8 eligible, shall be given a Severance Mitigation Package (SMP) in addition to other separation  
9 and retirement benefits to which they may be entitled under existing laws and regulations,  
10 and based on the recommendations of the Governance Commission on Government-Owned  
11 and -Controlled Corporations (GCG) created under R.A. 10019 and approval of the President.

12 *Provided,* that no affected employee who opt to retire or separate from service shall  
13 receive less than an aggregate amount of Two Hundred Thousand Pesos (Php 200,000.00)  
14 as his retirement or separation benefit: *Provided, further,* That those who availed of the  
15 benefits under the foregoing provisions shall not qualify for re-employment to the  
16 Commission within five (5) years from the date of retirement or separation from service.

## 17 CHAPTER VII

### 18 FINAL PROVISIONS

19 Sec. 20. *Funding.* – The budgetary requirements for the operation of the Commission  
20 shall be charged against the income of the PAGCOM.

21 The cost of retirement and separation benefits of officers and employees of the  
22 abolished PAGCOR shall be charged to the funds of the Corporation before its privatization.

23 Sec. 21. *Auditor.* – The COA may appoint a representative who shall be the Auditor  
24 of the Commission and such personnel as may be necessary to assist said representative in the  
25 performance of his duties.

26 Sec. 22. *Interim Period.* – All incumbent officials and personnel of PAGCOR whose  
27 positions are vital for the purposes for which this Act was created, shall continue to discharge  
28 the functions of their positions until the Commission has been organized.

29 Sec. 23. *Saving Clause.* – Unless otherwise provided in this Act, rights and  
30 privileges vested or acquired under the provisions of Presidential Decree 1869, as amended  
31 by Republic Act No. 9487, its nature and term of franchise, prior to the effectivity of this  
32 Act shall remain in full force and effect.

33 Sec. 24. *Implementing Rules and Regulations.* – Within ninety (90) days from the  
34 date of effectivity of this Act, the Commission, the PMO, the Government Service Insurance

1 System (GSIS), the Social Security System (SSS), and the DBM, shall formulate the rules  
2 and regulations for the proper implementation of this Act.

3       Sec. 25. *Separability Clause.* – If any part or provision of this Act shall be declared  
4 unconstitutional, the other parts or provisions hereof which are not affected thereby, shall  
5 continue to be in full force and effect.

6       Sec. 26. *Repealing Clause.* –

7       (a) Presidential Decree No. 1869, otherwise known as the PAGCOR Charter, as  
8 amended by Republic Act No. 9487 is hereby repealed;

9       (b) All laws, executive issuances, orders and rules and regulations contrary to or  
10 inconsistent with the provisions of this Act or any part thereof are hereby  
11 repealed, amended and/or modified accordingly.

12       Notwithstanding the foregoing, nothing in this Act shall diminish the powers and  
13 functions of agencies, relative to the operation and regulation of gaming activities, provided  
14 under Republic Act Nos. 7922, 9490, 1169, as amended, and Presidential Decree Nos. 420  
15 and 810.

16       Sec. 27. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete  
17 publication in the *Official Gazette* or in two (2) newspapers of general circulation.

Approved,