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**Exclusive AiG interview with Secretary Jose Mari Ponce, Administrator and CEO of CEZA, host to the 8<sup>th</sup> Asian iGaming Congress.**

***Could you present CEZA and First Cagayan in a few words? What's your involvement in gaming in general and iGaming in particular?***

My office, the **Cagayan Economic Zone Authority (CEZA)** is a government-owned and controlled corporation. It was created by Republic Act 7922 to develop, manage and operate the 54,000-hectare Cagayan Freeport..

We are mandated to spur economic development in the area through;

- (1) **Transshipment**
- (2) **Agro-industry**, and
- (3) **Tourism**

Under our Charter (Section 6-E of Republic Act 7922, or the Cagayan Special Economic Zone Act of 1995), CEZA has the power to operate or license tourism related activities including games, amusements, recreation and sports facilities such as dog racing, horse racing and gambling casinos, meaning that it has the power to regulate all forms of gaming in its jurisdiction.

**First Cagayan Leisure and Resort Corporation (FCLRC)** is a private corporation which was appointed as the *Master Licensor* for CEZA's Online Gaming Operations. It is a subsidiary of Leisure and Resorts World Corporation, which is a corporation that is listed under the Philippine Stock Exchange. It has a twenty five (25) year license as *Master Licensor*.

In a nutshell, CEZA is the **Authority or Regulator**, while FCLRC is the **Conduit** by which potential locators are screened and eventually allowed to operate. FCLRC does all the legwork, particularly research and/ or background checks on applicants, as well as software checking. FCLRC ensures that only **quality applicants** are chosen to register and eventually operate. Apart from this, FCLRC is also involved in the marketing and promotion of the jurisdiction.

***Can you tell us more about the profile of operators that are hosted by First Cagayan? How many and who are they?***

Currently, there are 42 locators in our jurisdiction, with 32 of them operational. We have two kinds of gaming operators in the zone:

- 1) E-Casino and Sports Book operators, and
- 2.) purely Sports Book operators

Some of the biggest sportsbook operators in the world are also registered with CEZA; these include **SBO Bet.com**, **IBCbet.com**, **SB1888.com**, **Mansion88.com**, and **Bodog88.com**.

As for E-Casino and videostreaming operators, most of them are companies coming from all over Asia, such as Macau, Taiwan, Singapore, and Malaysia. Their operations range in size from around three (3) tables (which is our smallest operator) to around twenty two (22) tables on the average. One of our biggest is Suncity Casino, which operates seventy (70) proxy-betting tables, and fifteen (15) videostreaming tables.



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FCLRC also accredits platform workers/ support systems that facilitate gaming operations, and allow for turn key operations - - these provide call center services as well as manpower services for gaming. All of our operators are geared towards the Asian Market.

***As Asia's only iGaming jurisdiction, could you tell us more about Asia's potential for online gaming?***

To give you a background, back in 2003, Asian market only had a 5-10% market share. After six (6) years, total market contribution grew to 20%, as evidenced by revenues generated by our jurisdiction.

In the case of CEZA, back in 2004 we had only two gaming locators. In the following years, these locators increased significantly as business began to grow. As of 2007, the Cagayan Jurisdiction accounted for US\$367 Million of Asia's US\$1.56 Billion online market estimated by the Global Betting and Gaming Consultants (GBGC) - - which makes up around 24% of the total world market share.

Looking at these figures, we believe that the potential is great. However, due to authorities' perception of the gaming industry, which is basically in the gray area, there is still fear of growth because of lack of acceptance in other countries. If gaming is accepted in countries like Japan, Korea and China, the growth potential can be realized. We believe that what we are experiencing today is only the tip of the iceberg.

***So many Western operators have tried to expand into Asia, but failed. Why do you think that is the case?***

I think that one major factor is the system of credit. Western operators concentrated on payment collection thru **credit cards**, Asian operators utilized the **agency system**.

In the agency system, an agent has around 40-50 clients, they take commission from having to guarantee payments for these players. Western operators cannot understand the risks involved in the agency system, or are not keen on taking on such risks.

Of the 42 licensees that we have, it is safe to say that 10 were former agents, they have grown and decided to become gaming operators.

***What are the key success factors that brands, like Mansion, 188bet or SBObet, your licensees, have grasped and implemented to build successful iGaming operations in Asia?***

For Mansion, 188, SBObet, their strength basically was in their **data base system**, they used to be operating outside the Philippines, but were not hosted in specific jurisdictions then, weren't as organized. Upon entering the Philippines, all they had to do was to professionalize their system and tap the same database they had.

Just like any other gaming operator/ player relationship, the element of trust is there. Whereas if it were a WESTERN operator, the element of TRUST is missing. The more successful operators in our jurisdiction are those who used to operate outside the Philippines, and who decided to consolidate everything, every aspect of operation in the Philippines

***What are key growth areas in iGaming in Asia that are also different from the West?***

The key growth area in terms of market is China, because of the mere size of its population.



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We believe that one key growth area that is different from the West would be anything that has to do **with trust and confidence**, particularly the way games are broadcasted to our players.

For instance, **video streaming**, wherein live games are broadcast over the internet - this is essentially an invention of Asian operators. For the western market, random number generation is ok, but would not always be so in the Asian Market. An enhancement of this is **proxy betting**, wherein a camera is focused on the gaming table where the actual games can be viewed, and a representative of the player sits on the table and makes sure that everything is in order.

***How do you attract operators? Why would they choose the Philippines over other jurisdictions?***

The success of the first five years of our jurisdiction speaks for itself, how major operators have grown their businesses and expanded, how they have stayed on as compared to other jurisdictions, where they stayed for only a short time. In essence, we believe that our jurisdiction has already built a reputation.

More than anything we believe it is **stability and comfort** which attracts operators to the Philippines. Right now we are the only i-gaming jurisdiction in the Asia. We also believe in other factors that put us at par with other jurisdictions in the world, to wit;

- 1) Location - - We are the only legal jurisdiction in Asia
- 2) Infrastructure - - we are competitive with other cities like Singapore, HongKong; our connectivity is stable, reliable redundant and competitively priced
- 3) Manpower - - We have the best looking dealers and the best English-speaking dealers
- 4) Less Bureaucracy - - We have the advantage of being located in a Freeport regime – CEZA prioritizes investments, so there is less red tape in official dealings

***What are the key challenges that you face as a regulator today?***

- **Demand for speedier, clear and higher quality internet connectivity** - - while they were less demanding 5 years ago, our operators want quality videostreaming, at competitive bandwidth prices. Philippines had to set up these infra at a late stage.

- **Threat of other potential emerging jurisdictions** - - such as Macau, Singapore etc., which might open up jurisdictions similar to FCLRC. Could be today, could be tomorrow.

***9. How are you adjusting your regulations to the changing regulatory environment in Asia and worldwide?***

Basically, we try to give what our locators require - - infrastructure, power, etc. The goal is getting them into the Philippines soon as we can. We try to be sensitive to the needs of the operators. Having the privilege of being one of the first jurisdictions, and having the top 5 gaming operators in the world licensed in the Philippines also helps in attracting potential locators.

At the same time, we are strict with delinquent operators - - we can cancel their licenses, or we don't renew their licenses and we do not in any way condone anything illegal.

***You will be hosting the 8th Asian iGaming Congress on 9-11 March in Manila? What is the message that you would like to convey to all iGaming experts who will convene in Manila for that meeting? Why have you decided to host this meeting and why is Manila the best location for AiG this year? What are your expectations for this event?***

Being the ONLY jurisdiction in Asia, and having a very open outlook with regards to the potential of i-gaming in Asia, it's about time that the Philippines host a conference of this magnitude.



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We would like you find out for yourselves, see for yourselves how our jurisdiction operates, and how open we are to the gaming industry. We hope to solicit their opinions/ experience on how we can best improve our jurisdiction, and we would like to invite potential locators to try out the Asian market. Compared to other AiG venues, we think that we are more open to hosting an event of this magnitude. Other Asian countries which have hosted this conference in the past, and which aren't as open to the industry, have been quite strict in monitoring conferences. In the Philippines, we are more open to new developments. By hosting this event, we expect to generate interest in potential operators for them to locate here in the Philippines.

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