

**Driving Regulatory Developments in the Region for the  
Creation of a Transparent Legislative Framework**  
**AiG Conference, March 10, 2010**

**By Sec. Jose Mari B. Ponce**

I would like to greet all the participants of the 8<sup>th</sup> Asian iGaming Conference a pleasant morning. I hope that you are enjoying your stay here in Manila so far. I am personally very proud to co-host this landmark event as this is proof that the Philippines, particularly Cagayan, is recognized as a legitimate gaming jurisdiction in Asia. As you can see, anyone with legitimate gaming operations is welcome here. Unlike in other countries where there is fear and hesitation that interactive gaming operators are always being monitored under watchful eyes of law enforcement agencies.

Not here, gaming in the Philippines is regulated by law. My office, the Cagayan Economic Zone Authority (CEZA), is a government-owned and controlled corporation created by law in 1995. We are mandated to develop, manage and operate the 54,000-hectare Cagayan Freeport in the northeasternmost tip of the country into a major transshipment port, an agro-industrial hub, and a tourism center.

The same law paved the way for the establishment of the Cagayan Gaming Jurisdiction. It is under our charter that we are authorized to operate or license directly or indirectly tourism-related activities such as games, amusements, recreation and sports facilities like dog racing, horse racing and gambling casinos, independent from PAGCOR.

Now, in order to implement or crystallize the delegated authority, CEZA tapped **First Cagayan Leisure and Resort Corporation** (First Cagayan) as its Master Licensor for Interactive Gaming Operations to screen, research and validate applications for interactive gaming, as well as market and promote the jurisdiction.

Another private group has been engaged by CEZA to become the Master Licensor for Land-based Casino Operations, this is **North Cagayan Gaming and Amusement Corporation** (North Cagayan). Their responsibility is to screen and validate applications from prospective locators for Land Based Gaming Operations. North Cagayan, just like First Cagayan, will venture into the development of infrastructures and other facilities in the Cagayan Freeport in order to support existing and future gaming operators.

The relationship between CEZA, FIRST CAGAYAN and NORTH CAGAYAN can be best described as **sybiotic**, or one that is mutually dependent and beneficial to each entity, and it basically demonstrates how Government working closely with the Private Sector can produce **immediate** and **significant** results. In this unique business model, Government provides the legal umbrella or milieu under which these private sector partners can operate, at **minimal cost** and **no cost** at all to government. At the same time, the private sector partners invest funds and build the necessary infrastructure needed to carry out CEZA's gaming mandate.

As most of you already know, we are the first and only recognized interactive gaming jurisdiction in Asia, running at the forefront of the development of this industry in the region. With all modesty, I can say that we understand the Asian market better than any other jurisdiction in the world. In 2004, we had only 2 interactive gaming operators. Over the years, the industry has grown because of the reputation of the Cagayan Jurisdiction being a fair and well-run gaming jurisdiction. Major operators have registered with us, and stayed with us, giving us a current count of 41 interactive gaming operators, 37 of which are already operational. Top operators in

the industry are registered with us are **SBO Bet.com, IBCbet.com, SB1888.com, Mansion88.com, and Bodog88.com.**

Let me tell you the reasons why these 41 gaming operators are with Cagayan:

1. First reason, we are backed by a **Strong Legal Framework**, giving the industry players peace of mind that the Cagayan Jurisdiction is lawfully established and operated, not just a fly-by-night regulatory body. CEZA has clear Implementing Rules and Regulations and Interactive Gaming Rules that is comparable or even better than that of other jurisdictions.
2. Second, we have a **highly-rated Telecommunications Network**; a redundant telecommunication backbone with microwave facilities and domestic fiber optic networks with direct connection to international gateway. We are in the process of constructing a 10-hectare Cyber City Complex which will house our interactive gaming operators. We have finished construction of the first state-of-the-art internet data center building with advanced internet connectivity, data servers and telecommunications equipment, while the complex itself shall feature office buildings and a commercial center.

3. Third, a **highly qualified manpower pool** able to speak fluent English and trainable to speak and write other languages such as Chinese (Mandarin, Fookien, Cantonese) Niponggo and Korean is available in our area. In fact we have 3 universities and several colleges in the Province of Cagayan coordinating with us to determine the courses and skills offered to their students in preparation to the requirements of our operators.
  
4. Fourth, we have set up a **One-Stop Shop Office** to streamline the approval and licensing procedures for interactive gaming applications, eliminating red tape in official dealings as this would turn-off potential operators. We deal in a professional manner, which we are very proud of.
  
5. Fifth, we offer **Competitive Rates** – 2% of Gross Wins which is within industry rate. We also provide **fiscal incentives** to our operators; a special tax rate of 5% on gross income in lieu of all national and local taxes or a 4 to 6-year Income Tax Holiday, plus tax and duty-free importation of articles, raw materials, capital goods, equipment and consumer items, issuance of

investor and working visas, and all other incentives provided by the law.

6. Sixth, the Cagayan Freeport is accessible by land, sea and air.

There are already 2 airports in the Province of Cagayan but we are building a new **international airport**, 30 minutes or less away from the Cagayan Freeport and will be ready middle of this year. There will be direct flights from Hongkong, Macau, China, Korea, Japan and other key cities and this will greatly improve accessibility and comfort for the locators, visitors, players and tourists destined for our area.

7. Seventh, we offer a casino-resort destination set at a tropical island setting. In our area, visitors and players can commune with nature and escape the bustling environment such as the ones in Macau and Las Vegas and enjoy the lovely lifestyle.

8. And last, we have a fair and safe regulatory environment which gives importance to player protection through probity checks for the software and operators.

Back in 2003, when we only had 2 operators as mentioned earlier, the Asian market only had a 5-10% market share of the total interactive gaming market worldwide. After just four (4) years or in 2007, total market contribution grew to 20% or about US\$1.56 Billion as estimated by the Global Betting and Gaming Consultants (GBGC). And in the same year, the Cagayan Jurisdiction accounted for US\$367 Million or 24% of the total Asian market share. Yes, the interactive gaming industry in Asia is growing.

Now, looking at these figures, we believe that the potential is great. However, due to other countries' perception of the interactive gaming industry as being a gray area, there is still fear of growth because of the lack of acceptance in these countries. If interactive gaming will be accepted in countries like Japan, Korea, China and the rest of Asia, the growth potential can be realized. We believe that what we are experiencing today is only the tip of the iceberg.

Having said that, we should all be excited for what will become of the interactive gaming industry in the years to come. We find it fitting that a significant gaming conference, such as this, is held here in the Philippines as we in the Cagayan Jurisdiction are confident that we can become the center of the interactive gaming

industry in Asia and it is where you truly can experience and have a feel of the Asian gaming environment.

Thank you and good morning!