

Cagayan Economic Zone & Free Port
Interactive Gaming Rules and Regulations

Version 2.0, August 2004

Part 1 - Preliminary

1. Interpretation
2. Interactive game

Part 2 – Licenses for interactive gaming

Division 1 – Offence for unlicensed interactive gaming

3. Licensees to conduct interactive gaming

Division 2 – Licensing procedure

4. Application for license
5. Application to be granted or refused
6. Investigation in relation to application
7. Existing operators Licensed in Approved Jurisdictions

Division 3 – Conditions and form of license

8. Conditions of license
9. License fee
10. Form of license

Division 4 – Suspension, revocation and surrender

11. Suspension and revocation of license
12. Immediate suspension
13. Effect of suspension and revocation
14. Surrender of license

Division 5 – Other general provisions

15. Renewal of license
16. License not to be transferred
17. Mortgage, charge or encumbrance over license

Part 3 – Compliance requirements

18. No internet gambling by persons under 18

19. Approval of interactive games
20. Approval of control systems
21. Change of control system
22. Approval of equipment
23. Financial institution accounts
24. Notification of changes
25. Records
26. Submission of reports
27. Audit
28. Special audit
29. Investigation of licensee

Part 4 – Interactive gaming levy

30. Liability to the gaming levy
31. Payment and returns for calculation of gaming levy
32. Penalty for late payment and underpayment
33. Recovery of amounts

Part 5 – the Regulator

34. Functions and powers of the Regulator
35. Code of Practice
36. Complaints
37. Appointment of inspectors
38. Reports
39. Contracting out services and work

Part 6 – Miscellaneous

40. Appeal rights
41. Confidentiality
42. Forfeiture
43. Orders
44. Application of certain other Acts
45. Commencement

THE
CAGAYAN ECONOMIC ZONE & FREE PORT
INTERACTIVE GAMING RULES AND REGULATIONS

Rules and Regulations to regulate interactive gaming, and for related purposes.

BE IT ADOPTED by the Cagayan Economic Zone Authority as follows:

Part 1

Preliminary

Interpretation

1. In this Rules, unless the contrary intention appears:

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

“authority” means the Cagayan Economic Zone Authority;

“chairman” means the Chairman/Administrator of the Cagayan Economic Zone Authority;

“CEZA” refers to the Cagayan Economic Zone Authority who is the governing body of the CSEZFP;

“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 the authority 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 licensee, means:

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

“code” means the Code of Practice in force under section 35;

“commencement” means the commencement of the effective period of this Act;

“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.

“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 a record (including a document) about the operations conducted by the licensee under its License;

“inspector” means a person who is an inspector for this Rules and Regulations;

“interactive game” has the meaning given by section 2;

“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 section 30;

“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 Rules and Regulations to conduct interactive games;

“Licensee” means a company that is licensed under this Rules and Regulations to conduct interactive games;

“master licensor” means a company that has been authorized by the Cagayan Economic Zone Authority to be the entity responsible for monitoring all activities pertaining to the licensing and operation of interactive games;

“player” means a person who participates in an interactive game;

“regulations” means regulations made under this Act;

“telecommunication device” means:

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

INTERACTIVE GAME

- 2. 1) A game is an interactive game if:
 - 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 telecommunications device; and
- (ii) gives, or undertakes to give, a monetary payment or other valuable consideration to enter the game; and
- c) the winner of a prize in the 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 dependant on the player's skill.
- 2) Subject to subsection (3), betting on a race event, sporting event or any other event by means of a telecommunications device is taken to be an interactive game.
- 3) A game is not an interactive game if a regulation declares it not to be an interactive game.

PART 2

LICENSES FOR INTERACTIVE GAMING

DIVISION 1 – OFFENCE FOR UNLICENSED INTERACTIVE GAMING

LICENSEES TO CONDUCT INTERACTIVE GAMING

- 3.
 - 1) A person must not conduct an interactive game wholly or partly in CSEZFP unless the person is a licensee and the game has been approved by the Regulator under section 19.
 - 2) A person who contravenes subsection (1) is 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) or its Philippine Peso equivalent.

DIVISION 2 - LICENSING PROCEDURE

APPLICATION FOR LICENSE

- 4.
 - 1) An application for a License to conduct interactive games in CSEZFP must:
 - a) be made in writing to the Chairman coured through the Master Licensor; and
 - b) be in such form as is specified by the Regulator; and
 - c) be accompanied by such application fee as is prescribed by the regulations.
 - 2) The Master Licensor may, by written notice given to an applicant for a License, require the applicant to give it further information or documents that are necessary and reasonable to help CEZA and the Master Licensor evaluate the application. The notice must specify a period of not less than 14 days within which the applicant is to give the further information or documents.
 - 3) An applicant must not:
 - a) make an application that is false or misleading in any material particular; or
 - b) give in response to a notice under subsection (2) any information or document that is false or misleading in any material particular.

4) An applicant that contravenes subsection (3) shall be liable to pay a fine not exceeding United States Dollars: Six Hundred Thousand (US\$600,000) or its Philippine Peso.

5) An Application fee referred to in paragraph (1)(d) is not refundable.

APPLICATION TO BE GRANTED OR REFUSED

5. 1) The Chairman and the Master Licensor must
- a) consider an application for a License; and
 - b) either grant or refuse to grant the application within 1 month after receiving it and any other information or documents requested by it the Chairman and/or the Master Licensor under section 4.
- 2) After consultation with the Master Licensor, the Chairman may grant an application for a License only if:
- a) the Chairman is satisfied that the applicant is a suitable person to hold a License; and
 - b) the application and any information or documents given in response to a notice under section 4 are not false or misleading in any material particular; and
 - c) any person required to comply with subsection 6(3) has done so.
- 3) In deciding whether an applicant is a suitable person to hold a License, the Chairman and the Master Licensor must have regard to the following:
- a) the character, business reputation and financial background of each close associate of the applicant;
 - b) the applicant's current financial position and 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) anything else prescribed under the regulations.
- 3) If the Chairman and the Master Licensor decides to grant an application for a License, they must within 7 days issue a License to the applicant.
 - 4) If the Chairman and the Master Licensor decides to refuse to grant an application for a License, the Chairman through the Master Licensor must within 7 days give the applicant written notice of the decision.

INVESTIGATION IN RELATION TO APPLICATION

- 6.
 - 1) The Chairman and/or the Master Licensor must conduct the investigations and make the inquiries the Chairman and/or the Master Licensor considers to be necessary to enable him or her to determine an application for a License.
 - 2) The Chairman and/or the Master Licensor may obtain from a law enforcement agency a report on any individual who:
 - a) is a close associate of the applicant; or
 - b) is or will be involved in the management or operation of the applicant's operations.
 - 3) For the purposes this section, the Chairman and/or the Master Licensor may require an individual mentioned in subsection (2) to have his or her photograph, finger prints and palm prints taken.
 - 4) A person who fails to comply with a requirement under subsection (3) shall be liable to pay a fine not exceeding United States Dollars: Forty Thousand (US\$40,000) or its Philippine Peso.

EXISTING OPERATORS LICENSED IN APPROVED JURISDICTIONS

- 7)
 - 1) Any person conducting an interactive game wholly or partially within a licensed jurisdiction recognized and approved by the Chairman, may be granted a provisional license immediately upon submission of application and payment of the required fees.
 - 2) The Chairman and the Master Licensor may grant a License to such an existing operator if it can be shown the operator is licensed within a jurisdiction with controls and regulations deemed appropriate by the Regulator.
 - 3) If, upon commencement of the licensee's operation, the licensee is in contravention of any provision of this Rules and Regulations, the operator must:
 - a) give written details of the contravention to the Regulator within 1 month after commencement of operations
 - b) rectify the contravention within 1 month, or such other period as the Regulator approves in writing, after commencement of operations
 - 4) Compensation is not payable by CEZA and the Master Licensor to an existing operator in respect of any loss or damage suffered by the operator that:
 - a) arises from the operator rectifying a contravention of this Rules and Regulations in accordance with subsection (3); or
 - b) arises as a result of the operator having its license suspended or revoked after failing to rectify a contravention of this Rules and Regulations in accordance with subsection (3); or
 - c) arises as a result of the operator having its license suspended or revoked in accordance with section (11)(1).

DIVISION 3 - CONDITIONS AND FORM OF LICENSE

CONDITIONS OF LICENSE

8.
 - 1) The Chairman must, after consultation with the Regulator, determine the conditions of a License.

- 2) The period of a License cannot exceed 7 years.
- 3) The Chairman in consultation with the Master Licensor may include in a License any other conditions that are necessary or desirable in the public interest, or for the proper conduct of interactive gaming.
- 4) The Chairman may:
 - a) vary the conditions of a License; or
 - b) impose further conditions of a License.
- 5) Before changing the conditions of a License under subsection (4), the Master Licensor must notify the licensee in writing of the proposed change and give the licensee at least 14 days in which to make submissions in writing to the Chairman coursed through the Master Licensor.
- 6) The Chairman must:
 - a) take into account any submissions made by the licensee in making his decision; and
 - b) give the licensee written notice of any change to the conditions of its License.

LICENSE FEE

9.
 - 1) A licensee must pay to the Regulator a fee prescribed by the regulations for the grant of a License (including a License granted under subsection 7) and on each anniversary of the date the License was granted.
 - 2) A licensee that fails to pay the fee by the due date is liable to a surcharge equal to 100 percent of the prescribed fee. The fee and the surcharge are debts due to CEZA and the Master Licensor by the licensee and CEZA and the Master Licensor may recover the debts by action in a court of competent jurisdiction.

FORM OF LICENSE

10.
 - 1) A License must be in the form approved by the Chairman.

- 2) The approved form must provide for the inclusion of the following particulars:
 - a) the licensee's name;
 - b) the date of issue of the License;
 - c) the period for which the License is granted;
 - d) the conditions of the License;
 - e) such other particulars as are prescribed.

DIVISION 4 – SUSPENSION, REVOCATION AND SURRENDER

SUSPENSION AND REVOCATION OF LICENSE

11.
 - 1) The Chairman may, after consultation with the Regulator, suspend or revoke a License if:
 - a) the Chairman 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 inspector under section 37 or an audit under section 27 or 28, the licensee has insufficient financial resources to conduct interactive games in accordance with its License and it is in 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.
 - 2) In exercising his power under subparagraph (1)(a)(i), the Chairman may have regard to the matters mentioned in subsection 5(3). The Chairman

may exercise the power whether or not a notice has been given by the licensee under section 24.

- 3) If the Chairman intends to suspend or revoke a License, the Chairman through the Master Licensor must notify the licensee in writing of the proposed suspension or revocation and give the licensee at least 14 days in which to make submissions in writing to the Chairman.
- 4) The Chairman must take into account any submissions made by the licensee in deciding whether to suspend or revoke the License.
- 5) The Master Licensor must give the licensee written notice of any suspension or revocation of its License.

IMMEDIATE SUSPENSION

12. 1) The Chairman may, after consultation with the Regulator, suspend a License immediately for a period not exceeding 90 days if the Master Licensor believes that:

- a) a ground exists under section 11 to suspend or revoke the License; and
 - b) the circumstances are so extraordinary that it is imperative to suspend the License immediately to ensure the public interest is not affected in an adverse and material way.
- 2) The suspension:
- a) must be effected by a written notice given to the licensee; and
 - b) operates immediately the notice is given; and
 - c) continues to operate until the Chairman cancels the suspension or it expires, whichever happens first.

EFFECT OF SUSPENSION AND REVOCATION

13. 1) A company whose License is suspended or revoked under section 11 or 12 must cease to conduct all interactive games while the suspension or revocation is in force.
- 2) The Chairman may rescind the suspension of a License on his or her own motion or on application in writing by the company concerned.

- 3) The licensee can resume conducting interactive games when the suspension is rescinded or expires.

SURRENDER OF LICENSE

14.
 - 1) The Chairman may, after consultation with the Regulator, approve the surrender of a License on application in writing by the licensee.
 - 2) The Chairman 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.
 - 3) A former licensee that fails to comply with any conditions imposed under subsection (2) shall be liable to pay a fine not exceeding United States Dollars: Forty Thousand (US\$40,000) or its Philippine Peso.

DIVISION 5 – OTHER GENERAL PROVISIONS

RENEWAL OF LICENSE

15.
 - 1) A licensee must apply in writing to the Chairman coursed through the Master Licensor to renew its License not less than 28 days before the day on which the License expires.
 - 2) The Chairman may, after consultation with the Regulator, refuse to renew a License on any ground referred to in subsection 11(1) on which the Master Licensor may suspend or revoke the License, but not on any other ground.
 - 3) If the Chairman intends not to renew a License, the Chairman through the Master Licensor must notify the licensee in writing of the proposed refusal to renew and give the licensee at least 14 days in which to make submissions in writing to the Chairman coursed through the Master Licensor.
 - 4) The Chairman must take into account any submissions made by the licensee in deciding whether to renew the License.
 - 5) The Master Licensor must give the licensee written notice of any refusal to renew the License.

LICENSE NOT TO BE TRANSFERRED

16. A License cannot be transferred except by way of enforcement of a mortgage, charge or encumbrance in accordance with subsection 17(2).

MORTGAGE, CHARGE OR ENCUMBRANCE OVER LICENSE

17. 1) A licensee must not mortgage, charge or otherwise encumber its License except with the written approval of the Chairman after consultation with the Master Licensor.
- 2) 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 Chairman after consultation with the Regulator.
- 3) The Chairman must not approve the transfer of a License, unless the Chairman is satisfied after consultation with the Master Licensor that the proposed transferee is a suitable person to hold the License.
- 4) In deciding whether to approve the transfer, the Chairman may take into account the matters set out in subsection 5(3) and exercise any of the powers in section 6 in relation to the proposed transferee.
- 5) 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 the Chairman first approves the proposed receiver or manager in writing.

PART 3

COMPLIANCE REQUIREMENTS

NO INTERNET GAMBLING BY PERSONS UNDER 18

18. 1) A licensee must not allow an individual who is under 18 years of age to play an interactive game conducted by the licensee.

NO BETS FROM THE PHILIPPINES

- 2) It shall be understood that 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.

- 3) A licensee that contravenes subsection (1) shall be liable to pay a fine not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

APPROVAL OF INTERACTIVE GAMES

19.
 - 1) A licensee must not conduct an interactive game under its License unless the Regulator has given written approval for:
 - a) the interactive game; and
 - b) any software under which the game operates and, if possible, the source code for that game; and
 - c) the rules of the game; and
 - d) any material accompanying the game; and
 - e) the way in which the game, and any accompanying material, presents to and interacts with the player.
 - 2) In deciding whether to give an approval, the Regulator may have regard to whether:
 - a) each player of the game will have easy access to the rules of the game and information about the rate of return that the game provides; and
 - b) the game operates strictly in accordance with any rules and information provided to players; and
 - 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.
 - 3) A licensee that contravenes subsection (1) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

APPROVAL OF CONTROL SYSTEMS

20. 1) A licensee must not conduct interactive games under its License unless the Regulator has given written approval for the licensee's control system.
- 2) In deciding whether to approve a licensee's control system, the Regulator may have regard to 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 systems for transferring and accounting of money;
 - f) the licensee's procedures for:
 - i. dealing with players' complaints about games; and
 - ii. conforming with the policies of financial bodies (for example, Mastercard and Visa); and
 - iii. excluding players from playing interactive games; and
 - iv. identifying and managing the problem gambling behaviour of players; and
 - v. registering players;
 - g) the licensee's general administrative systems and procedures;
 - h) such other matters as the Regulator thinks relevant.

- 3) A licensee that contravenes subsection (1) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

CHANGE OF CONTROL SYSTEM

21.
 - 1) A licensee may apply to the Regulator to change its approved control system.
 - 2) The application must:
 - a) be made in writing at least 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.
 - 3) In deciding whether to approve the application, the Regulator must have regard to the matters referred to in subsection 20(2).
 - 4) The Regulator may, by written notice given to a licensee, direct the licensee to change the licensee's approved control system within the time, and in the way, stated in the notice.
 - 5) If the licensee does not comply with the direction, the approval for the licensee's control system is cancelled.

APPROVAL OF EQUIPMENT

22.
 - 1) A licensee must obtain the Regulator's written approval for each item of interactive gaming equipment used by the licensee to conduct interactive games under its License.
 - 2) A licensee must not install, modify, decommission, remove or destroy any such equipment without the written approval of the Regulator.
 - 3) Computer software does not have to be approved under this section if it has been approved under section 19.
 - 4) A licensee that contravenes subsection (1) or (2) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

FINANCIAL INSTITUTION ACCOUNTS

23. 1) A licensee must keep an account or accounts with a financial institution in the Philippines that is licensed under the General Banking Act for use for:
 - a) all banking or similar transactions for the operations conducted under its License; or
 - b) such other purposes as are approved in writing by the Regulator
- 2) A licensee must use a financial institution account only for a purpose referred to in paragraph (1)(a) or for which the account is approved under paragraph (1)(b).
- 3) A licensee that contravenes subsection (1) or (2) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

NOTIFICATION OF CHANGES

24. 1) A licensee must give the Regulator 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;within 7 days after the change, addition or reduction occurs.
- 2) A licensee that contravenes subsection (1) shall be liable to pay a fine not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

RECORDS

25. 1) A licensee must keep licensee's gambling records at a place approved by the Regulator.
- 2) Subsection (1) does not apply to an exempt gambling record prescribed by the regulations.
- 3) A licensee must keep a gambling record for 5 years after the end of the transaction to which the record relates.
- 4) A licensee that contravenes subsection (1) or (3) shall be liable to pay a fine not exceeding United States Dollars: One Hundred Thousand (US\$100,000) or its Philippine Peso equivalent.

SUBMISSION OF REPORTS

26. 1) A licensee must give reports to the Regulator about the licensee's operations under its License.
- 2) The Regulator is to specify, by notice in writing to the licensee, the information to be included in the reports.
- 3) The reports must be in an approved form and be given at the times stated in the notice.
- 4) A licensee must not include any information that is false or misleading in a material particular in a report.
- 5) The Regulator may make information obtained under this section available to a law enforcement agency within or outside if the Regulator is satisfied on reasonable grounds that the information relates to an activity that is illegal within or outside the Philippines.
- 6) A licensee that contravenes subsection (3) or (4) shall be liable to pay a fine not exceeding United States Dollars: Two Hundred Thousand (US\$200,000) or its Philippine Peso equivalent.

AUDIT

27. 1) As soon as practicable after the end of a financial year, a licensee must 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.

- 2) The auditor must:
 - 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.
- 3) 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.
- 4) On receiving an auditor's report, the Regulator may, by written notice 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.
- 5) A licensee must comply with a requirement under subsection (4) within the time stated in the notice.
- 6) An audit is to be undertaken at the licensee's own expense.
- 7) A licensee that contravenes subsection (1) or (5) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

SPECIAL AUDIT

28. 1) The Regulator may, by notice in writing 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 insufficient financial, technical or other resources to conduct interactive games in accordance with its License and the provisions of this Act; or
 - b) may have undertaken fraudulent acts in conducting interactive games under its License; or
 - c) May have provided false or misleading reports under section 26

- 2) The audit must 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.
- 3) The auditor must give a copy of the report to the Regulator immediately after completing it.
- 4) A licensee that contravenes subsection (1) or (2) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred (US\$500,000) or its Philippine Peso equivalent.

INVESTIGATION OF LICENSEE

29.
 - 1) The Regulator may, at any time, conduct the investigations and make the inquiries the authority considers to be necessary to enable him or her 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 Act, the regulations or the code.
 - 2) A licensee must pay to the Regulator the reasonable costs incurred by the latter in conducting any investigation and making any inquiry.

PART 4

INTERACTIVE GAMING LEVY

LIABILITY TO LEVY

30.
 - 1) A levy ("interactive gaming levy") is imposed on the gross winnings of the licensee's operations under its License.
 - 2) Subject to subsection (3), interactive gaming levy is to be calculated and paid on a basis prescribed by the regulations.
 - 3) For the purposes of this section, the gross profit of a licensee's operations under its License for a particular period is to be worked out using the following formula:

Gross winnings = Amount played - Amount of winnings - Merchant Discount

where:

“Amount played” is the total amount received during that period by the

licensee from those operations; and

“Amount of winnings” is the total amount paid out as prizes to players during that period by the licensee in respect of those operations.

PAYMENT AND RETURNS FOR CALCULATION OF GAMING LEVY

31. 1) Interactive gaming levy is payable by the licensee within fifteen (15) days after receipt of billing invoice.
- 2) A licensee must provide to the Regulator the information needed for calculating interactive gaming levy within five (5) days following the month in respect of which the gross profit was made. The information must be provided in an approved form.
- 3) A licensee that contravenes subsection (1) or (2) shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent. A second contravention shall result to the cancellation of license.

PENALTY FOR LATE PAYMENT AND UNDERPAYMENT

32. 1) A licensee must pay to the Regulator a penalty on any amount of interactive gaming levy outstanding (“the unpaid amount”) as at the end of the period allowed for the payment.
- 2) The penalty is:
 - a) 7.5% of the unpaid amount; and
 - b) a further 5% of the unpaid amount for each month or part of a month during which the unpaid amount is not paid.

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

RECOVERY OF AMOUNTS

33. An amount of interactive gaming levy and any penalty payable under this Part are debts due to the Regulator by the licensee and may be recovered by the Regulator by action in a court of competent jurisdiction.

PART 5

REGULATOR

FUNCTIONS AND POWERS OF REGULATOR

34.
 - 1) The Cagayan Economic Zone Authority or its duly appointed Master Licensor is the Regulator.
 - 2) The Regulator must:
 - a) administer this Act; and
 - b) process applications for Licenses made under section 4 and advise the Chairman on such applications; and
 - c) perform the other functions conferred on the Committee by this or any other Rules and Regulations.
 - 3) The Regulator has power to do all things necessary or convenient to be done for or in connection with the performance of its functions.
 - 4) The Regulator must perform its functions in accordance with any general policy directions given by the Chairman in writing. However, the Chairman must not give directions that are inconsistent with this Rules and Regulations.

CODE OF PRACTICE

35.
 - 1) The Regulator must prepare a code of practice for licensees.
 - 2) In preparing the code of practice; the Regulator may consult with all licensees.
 - 3) 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.
 - 4) The code of practice is a regulation for the purposes of this Rules and Regulations.
 - 5) A licensee that contravenes a provision of the code of practice shall be liable to pay a fine not exceeding United States Dollars: Five Hundred Thousand (US\$500,000) or its Philippine Peso equivalent.

COMPLAINTS

36.
 - 1) The Regulator must cause to be investigated any complaint made to it or to the Master Licensor about a licensee's operations.
 - 2) However, the Regulator does not have to investigate a complaint if in its opinion the complaint is petty, frivolous or vexatious.

APPOINTMENT OF INSPECTORS

37.
 - 1) The Committee may appoint all or any of the following to be an inspector:
 - a) any person, including a person who is not a public servant, who has appropriate qualifications and expertise.
 - 2) An inspector has 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 licensee for conducting operations under its License and seize:
 - i. any such games or equipment; or
 - ii. any other books, document or thing (including electronically stored information);

on those premises that the inspector considers will afford evidence of the commission of a violation of any of the provisions of this Rules and Regulations.

- 3) An inspector must 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.
- 4) A Court must not issues a warrant unless it is satisfied by information on oath that:
 - a) an offense against this Rules and Regulations 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 offence is likely to be found on the premises.

REPORTS

- 38.
 - 1) The Regulator must, within 2 months after the end of each year, provide the Chairman with a report relating to the Regulator's activities for that year.
 - 2) The Regulator must provide the Chairman with any additional information he requires about a matter contained in a report.

CONTRACTING OUT SERVICES AND WORK

39. 1) The Regulator may enter into an agreement with a person or any entity with appropriate qualifications and expertise to provide services to, or to perform work for, the Regulator.

PART 6

MISCELLANEOUS

APPEAL RIGHTS

40. 1) An applicant for a License, or a licensee, as the case requires, may appeal to the Chairman against the following decisions of the Master Licensor:
- a) to refuse to grant a License under section 5;
 - b) to impose conditions on any License under section 8;
 - c) to suspend or revoke a License under section 11;
 - d) to refuse to rescind the suspension of a License under section 13;
 - e) to refuse to renew a License under section 15;
 - f) to refuse the approval of a transfer of a License under section 17;
 - g) a decision prescribed by the regulations as a decision in respect of which an appeal can be made.
- 2) An appeal must be made not more than 28 days after the date on which the appellant is notified of the decision appealed against or within such further period as CEZA may allow.
- 3) The Chairman may:
- a) refer the matter back to the Master Licensor 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 the Master Licensor.

CONFIDENTIALITY

41. 1) A person who is, or was, an inspector or employee or officer of the Authority responsible for administering this Rules and Regulations must not disclose information obtained by the person in performing functions under this Rules and Regulations.
- 2) Subsection (1) does not apply to the disclosure of information if the disclosure is:
 - a) made for a purpose under this Rules and Regulations; or
 - b) made under an approval of the Regulator given under this section; or
 - c) authorized by any other Act or law, or an order of the Court.
- 3) A person who contravenes subsection (1) shall be liable to pay a fine not exceeding United States Dollars: Ten Thousand (US\$10,000) or its Philippine Peso equivalent.

FORFEITURE

42. A court that finds a person guilty of an offence under this Rules and Regulations may order that any interactive gaming equipment or other item used, or intended to be used, by the person in the commission of the offence is forfeited in favor of CEZA.

ORDERS

43. CEZA may make orders and memorandum not inconsistent with this Rules and Regulations for the better carrying out or to give effect to the provisions of this Rules and Regulations.

APPLICATION OF CERTAIN OTHER ACTS

44. 1) To avoid doubt, the Foreign Investment Act of 1991 (R.A 7042) applies in relation to an applicant for a License and a licensee.

- 2) To avoid doubt, Republic Act No. 7922, “the Cagayan Special Economic Zone Act of 1995”, is the only Act under which authority is granted to issue gaming licenses within the Cagayan Economic Zone and Free Port.

COMMENCEMENT

45. This Rules and Regulations commences on the day of its Adoption.