

Office of the President
of the Philippines
Malacañang

PRESIDENTIAL DECREE NO. 1869

CONSOLIDATING AND AMENDING PRESIDENTIAL DECREE NOS. 1067-A, 1067-B, 1067-C, 1399 AND 1632, RELATIVE TO THE FRANCHISE AND POWERS OF THE PHILIPPINE AMUSEMENT AND GAMING CORPORATION (PAGCOR).

WHEREAS, Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632 relative to the Franchise and Powers of the Philippine Amusement and Gaming Corporation (PAGCOR), were enacted to enable the Government to regulate and centralize thru an appropriate institution all games of chance authorized by existing franchise or permitted by law;

WHEREAS, to facilitate the enforcement and application of the above-mentioned Presidential Decrees, it is imperative to consolidate them into one statute;

WHEREAS, since its creation in 1977, PAGCOR has demonstrated its reliability as a source of income for the Government, particularly for the funding of government infrastructure projects, such that, as of December 1982, PAGCOR has generated gross revenue of ₱1.677 Billion, contributing ₱956 Million as the 60% share of the Government plus ₱83 Million in the form of 5% franchise tax;

WHEREAS, PAGCOR's operation has enabled the Government to identify the potential sources of additional revenue, provided games of chance are strictly managed and made subject to close scrutiny, regulation, supervision and control by the Government;

WHEREAS, to make it more dynamic and effective in its tasks PAGCOR should now be reorganized by (a) increasing the participation of the private sector in the subscription of the authorized capital stock of PAGCOR and by adjusting the share of the Government in the gross earnings to 50%; provided, that the annual income of the Government is not less than ₱150 Million and, if it is less, then the share of the Government shall be 60% of the gross earnings; (b) providing for a settlement of the portion of the Government's share that was utilized for the stabilization of casino operations, and (c) providing for greater flexibility in operation by limiting governmental audit only to the determination of the 5% franchise tax and the Government's share of 50% of the gross earnings;

[Handwritten Signature]

Office of the President
of the Philippines
Malacañang

- 2 -

WHEREAS, in order to make PAGCOR's regulatory powers more effective, it is necessary that businesses primarily engaged in gambling operations be affiliated with PAGCOR, and become subject to its regulatory powers with respect to operation, capitalization and organizational structure;

WHEREAS, under Presidential Decree No. 1416, as amended, the President of the Philippines is authorized to reorganize the administrative structure of government offices;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and by Presidential Decree No. 1416, as amended, do hereby decree;

TITLE I - GENERAL PROVISIONS

SECTION 1. Declaration of Policy. It is hereby declared to be the policy of the State to centralize and integrate all games of chance not heretofore authorized by existing franchises or permitted by law in order to attain the following objectives:

(a) To centralize and integrate the right and authority to operate and conduct games of chance into one corporate entity to be controlled, administered and supervised by the Government;

(b) To establish and operate clubs and casinos, for amusement and recreation, including sports gaming pools (basketball), football, lotteries, etc.) and such other forms of amusement and recreation including games of chance, which may be allowed by law within the territorial jurisdiction of the Philippines and which will: (1) generate sources of additional revenue to fund infrastructure and socio-civic projects, such as flood control programs, beautification, sewerage and sewage projects, Tulungan ng Bayan Centers, Nutritional Programs, Population Control and such other essential public services; (2) create recreation and integrated facilities which will expand and improve the country's existing tourist attractions; and (3) minimize, if not totally eradicate, the evils, malpractices and corruptions that are normally prevalent in the conduct and operation of gambling clubs and casinos without direct government involvement.

Office of the President
of the Philippines
Malacañang

- 3 -

TITLE II - CREATION OF PHILIPPINE AMUSE-
MENT AND GAMING CORPORATION

SEC. 2. - Philippine Amusement and Gaming Corporation (PAGCOR);

Creation and Purpose - To implement State policy and pursue the objectives set forth in the preceding Section, there is hereby created a body corporate to be known as the Philippine Amusement and Gaming Corporation, hereinafter referred to as the "Corporation", which shall have its principal office in Metropolitan Manila. The Corporation may establish such offices, agencies, subsidiaries, or branches in the Philippines as its operations would require and its Board of Directors may determine.

SEC. 3. Corporate Powers - The Corporation shall have the following powers and functions, among others:

- a) to prescribe its By-Laws;
- b) to adopt, alter and use a corporate seal;
- c) to own real or personal property, and to sell, alienate, mortgage, encumber or otherwise dispose of the same;
- d) to make contracts, and to sue and be sued;
- e) to employ such officers and personnel as may be necessary or proper to carry on its business;
- f) to acquire, lease or maintain, whether on land, water or air, personal property and such other equipment and facilities as may be necessary or proper to carry out its purposes;
- g) to import, buy, sell, or otherwise trade or deal in merchandise, goods, wares and objects of all kinds and descriptions that may be necessary or proper to carry out the purposes for which it has been created;
- h) to enter into, make, perform, and carry out contracts of every kind and for any lawful purpose pertaining to the business of the Corporation, or in any manner incident thereto, as principal, agent or otherwise, with any person, firm, association, or corporation;
- i) to borrow money from local or foreign sources as may be necessary or proper for its operations;

✓

Office of the President
of the Philippines
Malacañang

- 4 -

- j) to invest its funds as the Corporation may deem necessary or proper in any activity related to its principal operation, including in any bonds or securities issued or guaranteed by the Government of the Philippines;
- k) to perform such other powers and functions as may be provided by law; and
- l) to do anything and everything necessary, proper, desirable, convenient or suitable for the accomplishment of any of the purposes or the attainment of any of the objects or the furtherance of any of the powers herein stated, either alone or in association with other corporations, firms or individuals, and to do every other act or thing incidental, pertaining to, growing out of, or connected with, the aforesaid purposes, objects or powers, or any part thereof.


SEC. 4. Authorized Capital Stock - The Corporation shall have an authorized capital stock divided into one million voting and no par value shares, to be subscribed, paid for and voted as follows:

- a) 550,000 shares of stock to be subscribed to and paid for by the Government of the Republic of the Philippines at an original issue value of P200.00 per share; and
- b) 450,000 shares remaining may be subscribed to by persons or entities acceptable to the Board of Directors at issue value to be determined by such Board of Directors.

The voting power pertaining to shares of stock subscribed to by the Government of the Republic of the Philippines shall be vested in the President of the Philippines or in such person or persons as he may designate.

The voting power pertaining to shares of stock subscribed by private persons or entities shall be vested in them.

SEC. 5. Government Investment - The Government advances to the Corporation authorized on May 29, 1978, having reached the amount of P70,430,752.03, shall be converted into equity as part of the investment of the Government to be applied to the subscription of 550,000 shares.



Office of the President
of the Philippines
Malacañang

- 5 -

SEC. 6. Board of Directors - The Corporation shall be governed and its activities be directed, controlled and managed by a Board of Directors, hereinafter referred to as the Board, composed of five (5) members, three (3) of whom shall come from the Government sector and shall be appointed by the President, while the other two (2) shall be from the private sector who own at least 1 share of stock in the Corporation and who shall be elected by the stockholders of the corporation in the annual general meeting or in a special meeting called for such purpose.

Each Director shall serve for a term of one (1) year and until his successor shall have been duly appointed and qualified.

SEC. 7. Powers, Functions and Duties of the Board of Directors - The Board shall have the following powers, functions and duties:

- a) To allocate and distribute, with the approval of the Office of the President of the Philippines, the earnings of the Corporation earmarked to finance infrastructure and socio-civic projects;
 - b) To designate the commercial bank that shall act as the depository bank of the Corporation and/or trustee of the funds of the Corporation;
 - c) To prepare and approve at the beginning of each calendar year the budget that may be necessary under any franchise granted to it, to insure the smooth operation of the Corporation; and to evaluate and approve budgets submitted to it by other corporations or entities with which it might have any existing contractual arrangement;
 - d) To submit to the Office of the President of the Philippines before the end of February of each year a list of all the infrastructure and/or socio-civic projects that might have been financed from the Corporation's earnings, and to submit such periodic or other reports as may be required of it from time to time; and
 - e) To perform such other powers, functions and duties as may be directed and authorized by the President of the Philippines or as may be necessary or proper for the accomplishment of its purposes and objectives.
- 16

Office of the President
of the Philippines
Malacañang

- 6 -

TITLE III - AFFILIATION PROVISIONS

SEC. 8. REGISTRATION - All persons primarily engaged in gambling, together with their allied business, with contract or franchise from the Corporation, shall register and affiliate their businesses with the Corporation. The Corporation shall issue the corresponding certificates of affiliation upon compliance by the registering entity with the promulgated rules and regulations thereon.

SEC. 9. REGULATORY POWER - The Corporation shall maintain a Registry of the affiliated entities, and shall exercise all the powers, authority and the responsibilities vested in the Securities and Exchange Commission over such affiliated entities mentioned under the preceding section, including but not limited to amendments of Articles of Incorporation and By-Laws, changes in corporate term, structure, capitalization and other matters concerning the operation of the affiliating entities, the provisions of the Corporation Code of the Philippines to the contrary notwithstanding, except only with respect to original incorporation.

TITLE IV - GRANT OF FRANCHISE

SEC. 10. Nature and term of franchise - Subject to the terms and conditions established in this Decree, the Corporation is hereby granted for a period of twenty-five (25) years, renewable for another twenty-five (25) years, the rights, privilege and authority to operate and maintain gambling casinos, clubs, and other recreation or amusement places, sports, gaming pools, i.e. basketball, football, lotteries, etc. whether on land or sea, within the territorial jurisdiction of the Republic of the Philippines.

SEC. 11. Scope of Franchise - In addition to the rights and privileges granted it under the preceding Section, this Franchise shall entitle the Corporation to do and undertake the following:

(1) Enter into operating and/or management contracts with any registered and accredited company possessing the knowledge, skill, expertise and facilities to insure the efficient operation of gambling casinos; provided, that the service fees of such management and/or operator companies whose services may be retained by the Corporation shall not in the aggregate exceed ten (10%) percent of the gross income;

(2) Purchase foreign exchange that may be required for

M

Office of the President
of the Philippines
Malacañang

- 7 -

the importation of equipment, facilities and other gambling paraphernalia indispensably needed or useful to insure the successful operation of gambling casinos;

(3) Acquire the right of way or access to or thru public land, public waters or harbors, including the Manila Bay Area; such right shall include but not be limited to the right to lease and/or purchase public lands, government reclaimed lands, as well as lands of private ownership or those leased from the Government. This right shall carry with it the privilege of the Corporation to utilize piers, quays, boat landings, and such other pertinent and related facilities within these specified areas for use as landing, anchoring or berthing sites in connection with its authorized casino operations;

(4) Build or construct structures, buildings castways, piers, decks, as well as any other form of landing and boarding facilities for its floating casinos; and

(5) To do and perform such other acts directly related to the efficient and successful operation and conduct of games of chance in accordance with existing laws and decrees.

SEC. 12. Special Condition of Franchise - After deducting five (5%) percent as Franchise Tax, the Fifty (50%) percent share of the Government in the aggregate gross earnings of the Corporation from this Franchise shall be immediately set aside and allocated to fund the following infrastructure and socio-civic projects within the Metropolitan Manila Area:

- (a) Flood Control
- (b) Sewerage and Sewage
- (c) Nutritional Control
- (d) Population Control
- (e) Tulungan ng Bayan Centers
- (f) Beautification
- (g) Kilusang Kabuhayan at Kaunlaran (KKK) projects; provided, that should the aggregate gross earning be less than ₱150,000,000.00, the amount to be allocated to fund the above-mentioned project shall be equivalent to sixty (60%) percent of the aggregate gross earning.

In addition to the priority infrastructure and socio-civic projects within the Metropolitan Manila specifically enumerated above, the share of the Government in the aggregate gross earnings derived by the Corporation from this Franchise

Office of the President
of the Philippines
Malacañang

- 8 -

may also be appropriated and allocated to fund and finance infrastructure and/or socio-civic projects throughout the Philippines as may be directed and authorized by the Office of the President of the Philippines.

SEC. 13. Exemptions -

(1) Customs duties, taxes and other imposts on importations - All importations of equipment, vehicles, automobiles, boats, ships, barges, aircraft and such other gambling paraphernalia, including accessories or related facilities, for the sole and exclusive use of the casinos, the proper and efficient management and administration thereof, and such other clubs, recreation or amusement places to be established under and by virtue of this Franchise shall be exempt from the payment of all kinds of customs duties, taxes and other imposts, including all kinds of fees, levies, or charges of any kind or nature, whether National or Local.

Vessels and/or accessory ferry boats imported or to be imported by any corporation having existing contractual arrangements with the Corporation, for the sole and exclusive use of the casino or to be used to service the operations and requirements of the casino, shall likewise be totally exempt from the payment of all customs duties, taxes and other imposts, including all kinds of fees, levies, assessments or charges of any kind or nature, whether National or Local.

(2) Income and other taxes - (a) Franchise Holder: No tax of any kind or form, income or otherwise, as well as fees, charges or levies of whatever nature, whether National or Local, shall be assessed and collected under this Franchise from the Corporation; nor shall any form of tax or charge attach in any way to the earnings of the Corporation, except a Franchise Tax of five (5%) percent of the gross revenue or earnings derived by the Corporation from its operation under this Franchise. Such tax shall be due and payable quarterly to the National Government and shall be in lieu of all kinds of taxes, levies, fees or assessments of any kind, nature or description, levied, established or collected by any municipal, provincial, or national government authority.

(b) Others: The exemption herein granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to corporation(s), association(s), agency(ies), or individual(s) with whom the Corporation or operator has any contractual relationship in connection with

Office of the President
of the Philippines
Malacañang

- 9 -

the operations of the casino(s) authorized to be conducted under this Franchise and to those receiving compensation or other remuneration from the Corporation or operator as a result of essential facilities furnished and/or technical services rendered to the Corporation or operator.

The fee or remuneration of foreign entertainers contracted by the Corporation or operator in pursuance of this provision shall be free of any tax.

(3) Dividend Income - Notwithstanding any provision of law to the contrary, in the event the Corporation should declare a cash dividend, that portion of the dividend income corresponding to the participation of the private sector shall, as an incentive to the beneficiaries, be subject only to a final income tax rate of ten (10%) percent in lieu of the regular income tax rates. The dividend income shall not in such case be considered as part of beneficiaries' taxable income; provided, however, that such dividend income shall be totally exempted from income or other forms of taxes if invested within six (6) months from the date the dividend income is received, in the following:

- (a) operation of the casino(s) or investments in any affiliate activity that will ultimately redound to the benefit of the Corporation or any other corporation with whom the Corporation has any existing arrangements in connection with or related to the operations of the casino(s);
- (b) Government bonds, securities, treasury notes, or debentures; or
- (c) BOI - registered or export-oriented corporation(s).

(4) Utilization of Foreign Currencies - The Corporation shall have the right and authority, solely and exclusively in connection with the operations of the casino(s), to purchase, receive, exchange and disburse foreign exchange, subject to the following terms and conditions:

- (a) A specific area in the casino(s) or gaming pit shall be put up solely and exclusively for players and patrons utilizing foreign currencies;
- (b) The Corporation shall appoint and designate

Office of the President
of the Philippines
Malacañang

- 10 -

a duly accredited commercial bank agent of the Central Bank, to handle, administer and manage the use of foreign currencies in the casino(s);

- (c) The Corporation shall provide an office at casino(s) exclusively for the employees of the designated bank, agent of the Central Bank, where the Corporation shall maintain a dollar account which will be utilized exclusively for the above purpose and the casino dollar treasury employees;
- (d) Only persons with foreign passports or certificates of identity (for Hong Kong patron only) duly issued by the government or country of their residence will be allowed to play in the foreign exchange gaming pit;
- (e) Only foreign exchange prescribed to form part of the Philippine International Reserve and the following foreign exchange currencies: Australian Dollar, Singapore Dollar, Hong Kong Dollar, shall be used in this gaming pit;
- (f) The disbursement, administration, management and recording of foreign exchange currencies used in the casino(s) shall be carried out in accordance with existing foreign exchange regulations; and periodical reports of the transactions in such foreign exchange currencies by the Corporation shall be duly recorded and reported to the Central Bank thru the designated Agent Bank; and
- (g) The Corporation shall issue the necessary rules and regulations for the guidance and information of players qualified to participate in the foreign exchange gaming pit, in order to make certain that the terms and conditions as above set forth are strictly complied with.

SEC. 14. Other Conditions -

- (1) Place - The Corporation shall conduct the gambling
- MS

Office of the President
of the Philippines
Malacañang

- 11 -

activities or games of chance on land or water within the territorial jurisdiction of the Republic of the Philippines. When conducted on water, the Corporation shall have the right to dock the floating casino(s) in any part of the Philippines where vessels/boats are authorized to dock under the Customs and Maritime Laws.

(2) Time - Gambling activities may be held and conducted at any time of the day or night; provided, however, that in places where curfew hours are observed, all players and personnel of the gambling casinos shall remain within the premises of the casinos.

(3) Persons allowed to play -

(a) Tourist and/or foreigners who are not residents of the Philippines;

(b) Residents with a gross income for the previous year of at least ₱50,000.00, which fact shall be certified to by the Bureau of Internal Revenue; and

(c) The number of guests of the above-mentioned qualified persons shall be limited to two (2) only; provided, that the said guests are at least 21 years of age.

(4) Persons not allowed to play -

(a) Government officials connected directly with the operation of the Government or any of its agencies;

(b) Members of the Armed Forces of the Philippines, including the Army, Navy, Air Force or Constabulary; and

(c) Persons under 21 years of age or students of any school, college or university in the Philippines.

From these are excepted the personnel employed by the casinos, special guests, or those who at the discretion of the Management may be allowed to stay in the premises.

(5) Operation of related services - The Corporation is authorized to operate such necessary and related services, shows and entertainment. Any income that may be realized from these related services shall not be included as part of the income of the Corporation for the purpose of applying

W

Office of the President
of the Philippines
Malacañang

- 12 -

the franchise tax, but the same shall be considered as a separate income of the Corporation and shall be subject to income tax.

TITLE V - GOVERNMENT AUDIT

SEC. 15. Auditor - The Commission on Audit or any government agency that the Office of the President may designate shall appoint a representative who shall be the Auditor of the Corporation and such personnel as may be necessary to assist said representative in the performance of his duties. The salaries of the Auditor or representative and his staff shall be fixed by the Chairman of the Commission on Audit or designated government agency, with the advice of the Board, and said salaries and other expenses shall be paid by the Corporation. The funds of the Corporation to be covered by the audit shall be limited to the 5% franchise tax and the 50% of the gross earnings pertaining to the Government as its share.

TITLE VI - EXEMPTION FROM CIVIL SERVICE LAW

SEC. 16. Exemption - All position in the Corporation, whether technical, administrative, professional or managerial are exempt from the provisions of the Civil Service Law, rules and regulations, and shall be governed only by the personnel management policies set by the Board of Directors. All employees of the casinos and related services shall be classified as "Confidential" appointee.

TITLE VII - TRANSITORY PROVISIONS

SEC. 17. Transitory Provisions - The properties, monies, assets, rights, choses in action, obligations, liabilities, records and contracts of the Philippine Amusement and Gaming Corporation (PAGCOR) under Presidential Decree Nos. 1067-A, 1067-B, 1067-C, 1399 and 1632 shall continue to be vested in and assumed by the Corporation, pursuant to this Decree.

Likewise, all personnel of PAGCOR under the above-mentioned Decree shall be absorbed by the Corporation under this Decree and shall remain in their respective positions without demotion in rank or reduction in salary: provided, that employees who shall be separated from the Corporation shall be given at least one month gratuity for every full year of service, a fraction of over six months being considered a full year, but in no case more than twenty-four months salary, in addition

Office of the President
of the Philippines
Malacañang

- 13 -

to all benefits to which they may be entitled under existing laws, rules and regulations.

SEC. 18. Exemption From Labor Laws - No union or any form of association shall be formed by all those working as employees of the casino or related services whether directly or indirectly. For such purpose, all employees of the casinos or related services shall be classified as "confidential" appointees and their employment thereof, whether by the franchise holder, or the operators, or the managers, shall be exempt from the provisions of the Labor Code or any implementing rules and regulations thereof.

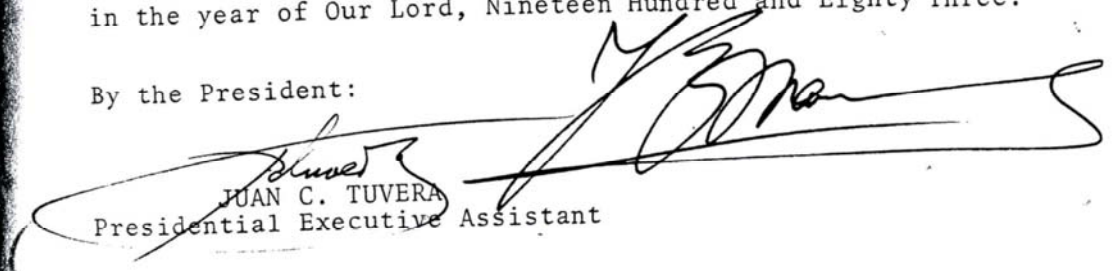
TITLE VIII - REPEALING AND EFFECTIVITY CLAUSES

SEC. 19. Repealing Clause - All laws, decrees, executive orders, administrative orders, rules or regulations, inconsistent herewith are hereby repealed, amended or modified accordingly.

SEC. 20. Effectivity - This Decree shall take effect immediately.

DONE in the City of Manila, this 11th day of July
in the year of Our Lord, Nineteen Hundred and Eighty-Three.

By the President:


JUAN C. TUVERA
Presidential Executive Assistant

