



## 2016 REVISED IMPLEMENTING RULES AND REGULATIONS FOR THE SMALL TOWN LOTTERY OPERATIONS OF THE PHILIPPINE CHARITY SWEEPSTAKES OFFICE

### Article I

### DECLARATION OF POLICY AND GENERAL PROVISIONS

**Section 1.** Republic Act No. 1169 (as amended), established the Philippine Charity Sweepstakes Office (PCSO) as the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character. It also expressly authorizes PCSO to hold and conduct lotteries and other similar activities in such frequency and manner in accordance with the rules and regulations determined by its Board of Directors.

In pursuit of its mandate and directives of the President of the Philippines, the PCSO Board of Directors conducted experimental test-runs for the Small Town Lottery (STL) Operations, and thereafter evaluated its feasibility. Through Board Resolution No. 2433, Series of 2009, approved on 18 December 2009, STL was declared as one of the regular products of the PCSO. Further, Board Resolution No. 019 Series of 2016, approved the expansion of STL operations in other provinces and cities.

**Section 2.** These Implementing Rules and Regulations (IRR) are hereby promulgated to regulate the operations of Small Town Lottery.

**Section 3.** The STL shall be implemented locally all over the country through Authorized Agent Corporations (AAC), taking into consideration the manpower of the PCSO and other relevant factors, as may be determined by the PCSO Board of Directors. It shall be the only legal and authorized numbers game nationwide, and the PCSO Authorized Agent Corporations (AAC) are the only entities or persons authorized to operate and conduct STL in their areas of operation.

**Section 4.** The STL is a regular game of the PCSO authorized by the national government thru Section 1 of R.A. 1169, as amended. Authorized Agent Corporations (AACs) are engaged to assist the agency in the implementation of the STL and are considered mere extensions of PCSO. Local Government Units (LGUs) are encouraged to support the STL operations to help raise revenues for the government.

**Section 5.** In the selection of areas where the STL shall be conducted, factors to be taken into consideration shall include, but not limited to:

- (a) The projected viability of an STL operation in the area; and
- (b) Previous existence and/or operation of illegal numbers games in the locality.

**Section 6.** The STL shall be implemented with the following objectives:

- (a) To raise additional funds for PCSO's health programs, medical assistance and services, and charities of national character, and;

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- (b) To provide funds to various local government units for their health programs and medical assistance and services;
- (c) To provide an alternative to illegal numbers games/operations and to aid their eradication; and
- (d) To provide additional opportunities for employment.

**Article II  
DEFINITION OF TERMS**

**Section 7.** For purposes of these Rules and Regulations, unless otherwise stated herein, the following terms shall mean:

- a) **Agency Commission** - refers to the percentage in the Gross Receipts and considered as the revenue of the Authorized Agent Corporation as provided herein;
- b) **Authorization Fee** - refers to the non-refundable amount to be paid by the Authorized Agent Corporation to the Treasury Department to conduct STL operations in a particular area;
- c) **Authorized Agent Corporation (AAC)** – refers to a corporation or a cooperative duly registered with the Securities and Exchange Commission (SEC) or with the Cooperative Development Authority (CDA), respectively that has applied, been duly qualified and expressly authorized by the PCSO to conduct STL in a particular area;
- d) **Bet** – refers to the consideration paid by a bettor to play/participate in a particular STL draw/s;
- e) **Bettor** – any person aged 18 years old and above who places a bet for any STL draw;
- f) **Board of Directors, Board** – refers to the policy-making body of the PCSO, whose powers and functions are provided under the PCSO Charter;
- g) **BOS-Department** – refers to the office under the Branch Operations Sector of PCSO;
- h) **Branch Office** – extension of the PCSO main office in a location where it conducts PCSO business activities;
- i) **Capitalization** – refers to the sum of a Corporation’s stock, number of outstanding shares and paid-up capital in accordance with the PCSO requirement for the operation of STL;
- j) **Cash Bond** – amount of cash held in trust by PCSO to answer for the AAC’s faithful compliance of its duties and responsibilities to PCSO, including shortfall from the committed PMRR, in accordance with this IRR;
- k) **Chairman** – refers to the Chairman of the PCSO Board of Directors;
- l) **Charity Fund** – refers to the fund set-up or established for charity purposes as provided in the PCSO Charter;

- m) **Documentary Stamp Taxes** – ten percent (10%) of gross sales to be charged against the Charity Fund, in accordance with RA 7660;
- n) **Draw** – refers to the procedures and activities of the lottery wherein the winning set/combination of numbers is determined in accordance with this IRR;
- o) **Draw court** – refers to the place or venue where the draw is to be conducted as may be authorized by PCSO;
- p) **Games**

Name	Number Range	Description	Pay-Out
2-Number Game	1 - 31	A combination of two (2) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order.	P1:P400
Suwer3	0 - 9	A combination of three (3) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order.	P1:P450
Pares	1 - 38	A combination of two (2) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order.	P1:P800
<i>Other variations or games with designs and features which may hereafter be requested by the AAC and authorized by the PCSO Board of Directors.</i>			

- q) **General Manager** – refers to the General Manager of the PCSO;
- r) **Gross Receipts** - refers to the total actual bets placed by bettors at a given time;
- s) **Illegal Numbers Game** – refers to lottery games which are unauthorized or prohibited under the law, or without legislative franchise or authority;
- t) **Illegal Lottery and Numbers Game Operation** – refers to any conduct or operation of any numbers game or any form thereof, such as but not limited to *jueteng, masiao, bookies operations, game*

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*fixing, and other forms of lotteries, including the collection of bets for such illegal/unauthorized operation, and which are not authorized by the PCSO or any other government agencies;*

- u) **Lottery** - refers to a game by which a person pays money for the chance to win through the conduct of draws and the prizes are distributed to the winners where the revenue/sales generated therefrom are allocated in accordance with RA 1169 as amended;
- v) **Management Structure** – refers to the organization of a Corporation/Cooperative that clearly outlines the roles of its top management, middle management, line management and its workforce relative to the operation of STL;
- w) **Manpower** – refers to personnel complement/workforce of the Corporation/Cooperative for the operations of the STL;
- x) **Mobile Handheld Terminal or MHT** – refers to an electronic cash register which records a bet, prints or creates a corresponding ticket/receipt and transmits the record of the bet to central data center;
- y) **Net Receipts** - Gross Receipts from STL operations, less 2% printing cost;
- z) **Operating Fund** – refers to the fund set-up for operating expenses and capital expenditures in accordance with the PCSO Charter;
- aa) **Payout**– the total amount of winnings paid to a winning bettor for a winning bet or wager;
- bb) **PCSO** – refers to the Philippine Charity Sweepstakes Office, with the powers and functions provided for under Republic Act No. 1169, as amended by Batas Pambansa Blg. 42 and Presidential Decree No. 1157;
- cc) **PCSO Charter** – refers to Republic Act No. 1169, as amended by Batas Pambansa Blg. 42 and Presidential Decree No. 1157;
- dd) **Presumptive Monthly Retail Receipts (PMRR)** – amount determined by PCSO as the presumed minimum monthly sales of an AAC which shall be subject to periodic review;
- ee) **Printing Costs** – refers to the cost for printing established in accordance with the PCSO Charter;
- ff) **Prize Fund** – refers to the funds set-up for the payment of prizes established in accordance with the PCSO Charter;
- gg) **Sales Force** – collectively refers to the sales personnel, i.e., Sales Representatives and Sales Supervisors of the AAC;
- hh) **Sales Representative** – refers to any person employed by the AAC tasked to collect bets and issue the corresponding tickets/receipts in accordance with this IRR;
- ii) **Sales Supervisor** – refers to any person tasked to supervise Sales Representative;



- jj) **Small Town Lottery, STL** – Refers to the PCSO lottery conducted at the local level. i.e., cities, provinces, etc., involving the collection of bets, issuance of tickets, conduct of draws, payments to winners and remittances as mandated in this IRR;
- kk) **STL Stations** – an extension office of the AAC located in its approved area of operation and authorized by PCSO, ideally established in every municipality or city covered by its authority, for purposes of consolidating the sales collected by the sub-stations, remittance of proceeds due to PCSO, sell and pay winning STL Tickets;
- ll) **STL Sub-station** – a collection center strategically established in various locations inside a municipality or city and operating under the supervision of an STL Station for purposes of collecting bets from STL bettors and remitting its collection to the STL Station, information dissemination, and distribution of payouts to winning bettors as may be authorized by the PCSO;
- mm) **STL Agency Agreement** – refers to the written agreement by and between the Authorized Agent Corporation and the PCSO defining their respective authorities, rights, duties, and legal obligations relative to the STL in a particular area, in accordance with this IRR;
- nn) **STL Area of Operation** – refers to such area applied for by the AAC for its authorized STL operations, which could be a province or a chartered city; provided, however, that in the case of Metro Manila, the STL Area of Operation shall be in accordance with the following districts:
  - i) Southern District comprising of the Cities Makati, Pateros, Taguig, Muntinlupa, Las Pinas, Paranaque and Pasay
  - ii) Western District comprising the City of Manila only;
  - iii) Central District comprising Quezon City only;
  - iv) Northern District comprising the Cities of Caloocan, Malabon, Navotas and Valenzuela; and,
  - v) Eastern District comprising the Cities of Pasig, Mandaluyong, San Juan and Marikina;
- oo) **Taxes on Prizes** – refers to the amount due and payable to the Bureau of Internal Revenue for prizes in accordance with the PCSO Charter;
- pp) **Ticket** – refers to the official tickets printed and/or duly authorized by the PCSO, which shows the details of a bet for a specific draw in a particular area and serves as proof thereof;

**Article III**  
**STL MONITORING GROUP (SMG) and PCSO BRANCH**

**Section 8.** The STL Monitoring Group (SMG) refers to the group in PCSO, created by the PCSO Board of Directors that will oversee and monitor the overall operations of the STL.

The SMG shall be composed of the following:

- (1) Representative from the Office of the Chairman, PCSO

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- (2) Representative from the Office of the General Manager, PCSO
- (3) Assistant General Manager for the Gaming, Product Development and Marketing Sector and/or his authorized representative;
- (4) Assistant General Manager for the Branch Operations Sector and/or his authorized representative;
- (5) Assistant General Manager for the Management Services Sector and/or his authorized representative;
- (6) Manager for the Legal Department and/or his authorized representative;
- (7) Manager for the Internal Audit Services and/or his authorized representative.

**Section 9.** The SMG shall, among others, perform the following functions:

- a. Oversee, with the assistance of the Branch Operations Sector, the STL operations and compliance with this IRR, STL Agency Agreement and other issuances of PCSO;
- b. Evaluate and process all applications filed by corporations/cooperatives, or applications for renewal of the STL Agency Agreement, in accordance with the criteria and procedure of PCSO, and submit its recommendation for final approval of the Board;
- c. Coordinate with all other PCSO departments involved in the STL operations nationwide;
- d. Undertake the following activities as authorized by PCSO:
  - i. Evaluate STL Reports (sales, remittances, and other operational reports) to be submitted by the OAGM for Branch Operations Sector every 3<sup>rd</sup> week of the month;
  - ii. Recommend appropriate revisions on this IRR to enhance the monitoring system; and
  - iii. Report to the Board the status of operation of the STL-AAC's based on the submission of the Branch Operations Sector.
- e. Conduct feasibility study on the implementation of MHT in coordination with the STL Technical Working Group (STL-TWG).

**Section 10.** The Branch Offices shall have the following duties and functions:

- a. Supervise STL operations and ensure compliance of this IRR by the AACs with reference to the following:
  - i. Sales Performance in relation to the PMRR. Any underperformance should be reported within five (5) working days to the concerned BOS-Department for the issuance of proper notice to the AAC;
  - ii. Remittance policies, rules and regulations, and procedures. Non-compliance should be reported within five (5) working days to the concerned BOS-Department for appropriate action;

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- iii. Conduct of STL Draws. All STL Draws conducted in the area supervised by the Branch Office must comply with Article VIII - Management and Conduct of STL Draws hereof;
  - iv. Submission of Reports and other documents as may be required by the SMG; and
  - v. Broadcasting and publication of draw results.
- b. Conduct inspection and evaluation of proposed STL Stations/Sub-stations and Draw Courts, and submit recommendation to the concerned BOS-Department for further action;
  - c. Issue IDs to STL sales supervisors and representatives, which shall be provided with control numbers and duly entered into the records of the office;
  - d. Submit the following reports of AACs on a monthly basis;
    - i. Sales and Remittances of AACs;
    - ii. Problems encountered in the operation of STL including matters pertaining to illegal number games; and
    - iii. Other reports which may be required by the STL-SMG.

**Article IV**  
**APPLICATION, EVALUATION AND QUALIFICATION OF STL AACs**

**Section 11.** The STL applicant must possess the following qualifications:

- a. Must be a corporation/cooperative whose primary or main purpose is conduct STL operations;
- b. Must have in its employ the necessary personnel complement to efficiently undertake STL in the area applied for, as determined by the STL Monitoring Group;
- c. Must be one hundred percent (100 %) Filipino owned;
- d. Must have a minimum authorized capital stock of Fifty Million Pesos (P50,000,000.00), with minimum paid-up capital of Fifteen Million Pesos (P15,000,000.00); and
- e. Must possess the necessary competence, expertise and credibility to undertake STL operations in relation to Section 12 paragraph (d).

**Section 12.** The applicant is required to submit to PCSO the following documents:

- a. Duly accomplished STL application form, signed by any of its following officers: Chairman, President, Chief Executive Officer, or General Manager;
- b. Corporate/Cooperative Secretary's Certification of a Resolution from the Board of the Corporation/Cooperative granting him/her the authority to execute/sign the said application, and particularly stating therein the area applied for;
- c. SEC/CDA Certified True Copy of Articles of Incorporation/Cooperation, as well as its Constitution and By-laws, duly registered with the Securities and Exchange Commission (SEC)/Cooperative Development Authority (CDA);

- d. Company Profile including, but not limited to the following:
- i. Corporate Background;
  - ii. Organizational Structure including qualifications and comprehensive background of Directors and Officers of the corporation;
  - iii. Workforce/Manpower;
  - iv. Management History;
  - v. Financial Information; and
  - vi. Business Portfolio.
- e. Latest Tax Clearance and/or Certificate of Registration duly issued by the Bureau of Internal Revenue (BIR); Philippine Health Insurance Corporation (Philhealth) and Social Security System Certificate of Registration of the corporation/cooperative, its directors and employees;
- f. Audited Financial Statements (FS) and Income Tax Return (ITR) for the immediately preceding year, if applicable;
- g. Duly accomplished Joint and Several or Solidary Undertaking Form, duly notarized, executed by each of the members of the Board of Directors and principal officers of the corporation/cooperative;
- h. Latest/Comprehensive Curriculum Vitae/Bio-Data of its corporate officers and directors showing their qualifications and experience;
- i. Feasibility study on the proposed STL area applied for, showing the projected viability of the implementation of the STL in the said area, taking into account the following considerations:
- i. Information/data on illegal numbers games which have operated in their proposed area, particularly on its estimated daily sales based on field reports;
  - ii. Financial statistics indicating the feasibility of STL operation in the proposed area;
  - iii. Employment to be generated, to include both sales force complement and administrative/management personnel;
  - iv. Profile of the proposed area in terms of population, main sources of livelihood, local products, trade and industry, peace and order condition, and other relevant information; and
  - v. Proposed operating plan.
- j. Copy of the Official Receipt (OR) issued by the PCSO Treasury Department for the payment of the non-refundable application fee of Fifty Thousand Pesos (Php50,000);
- k. Latest National Bureau of Investigation (NBI) Clearance of Incorporators and officers of the Corporation/Cooperative and valid for six (6) months upon submission;
- l. Updated General Information Sheet of the Corporation/Cooperative;
- m. Proposed PMRR in sealed envelope signed by the applicant on the flap;
- n. A sworn undertaking executed by each of the directors that (i) they will not allow STL to be a front for the operation of the illegal numbers game, (ii) they will do everything possible to make STL more attractive to players than any illegal numbers game, (iii) they did not pay any

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personnel in the PCSO any consideration for their application to be recommended for approval; and (iv) if it is determined that they violated any of these undertakings, the PCSO Board shall have the right to cancel their licenses and/or permits to operate; and

- o. Such other documents as the PCSO may deem necessary or proper to assess the capacity of the corporation, and to ascertain the feasibility of the implementation of the STL in the area concerned.

**Section 13.** If there are two (2) or more applicants for the same area, the following procedures and criteria shall be observed in their evaluation:

- (1) Applications that are not compliant with any of the requirements shall be automatically disqualified;
- (2) Applicants that are compliant with all requirements shall be evaluated by the SMG. The result of its evaluation on all applications shall be submitted and endorsed to the Board of Directors based on the approved criteria;
- (3) The following criteria shall apply in the determination of the best and most responsible proposal:

CRITERIA	1 <sup>st</sup> HIGHEST	2 <sup>nd</sup> HIGHEST	3 <sup>rd</sup> HIGHEST	4 <sup>th</sup> HIGHEST & All other Applicants
I. Capitalization	20 %	15 %	10 %	5 %
II. PMRR	50 %	30 %	20 %	10 %
III. Manpower	20 %	15 %	10 %	5 %
IV. Management Structure	10 %	8 %	6 %	5 %

- (4) The Board of Directors shall approve the best and the most responsive proposal from the list submitted by the SMG, and thereafter, grant the authority to operate the STL in the area applied for.

**Section 14.** Within ninety (90) days after receipt of a written notice of STL Agency authorization by the PCSO Board of Directors, the applicant shall comply with the post-approval procedural requirements, such as, but not limited to payment of corresponding fees, establishment of a business office within the approved area of operation; submission of a list of all its employees, supervisors, and representatives; and other requirements that the PCSO may require from time to time.

**Section 15.** Applicable fees shall be paid by the Applicant/AAC relative to the application and operations of STL. The types of fees are as follows:

- (a) **Application Fee** - shall be paid by the Applicant to the PCSO Treasury Department as non-refundable processing fee upon submission of application;
- (b) **Authorization Fee** – non-refundable fee for the privilege of being a PCSO Authorized Agent Corporation in the conduct of STL operations; and
- (c) **Cash Bond** – The agreed bond shall answer for any and all of the AAC's liabilities, including but not limited to taxes, penalties and charges, damages for default or violation of any of its obligations under this IRR

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and the STL Agency Agreement, such as non-remittance/under-remittance, shortfall from PMRR, among others.

All existing AACs, upon the effectivity of this IRR, shall post an additional Cash Bond to comply with the provisions of this Section.

**Conditions of the Bond**

- c.1. Said bond shall remain effective during the term of the STL Agency Agreement;
- c.2. The accrued interest in the Cash Bond shall accrue in favour of the PCSO;
- c.3. The cash bond shall be forfeited in the event that it is duly established that the AAC is in default of any of its obligations under its Authority, including claims for damages;
- c.4. In the event that the approved STL-AAC fails to operate within the specified time provided under Section 13, fifty (50%) percent of the cash bond posted shall be forfeited in favor of PCSO.

**Table of Fees.**

Type of Fee	Amount	When to Pay
Application	Php50,000.00	Upon submission of application based on per Area of Operation
Authorization Fee (Non-refundable)	Equivalent to twenty-five (25%) percent of the approved Presumptive Monthly Retail Receipts (PMRR)	Upon compliance with all post-approval requirements and should be paid within fifteen (15) days from receipt of Order of Payment from the Branch Operations Sector.
Cash Bond	Php15,000,000.00 or one month of the approved PMRR whichever is higher	Upon compliance with all post-approval requirements and should be paid within fifteen (15) days from receipt of Order of Payment from the Branch Operations Sector.
Renewal Fee (Non-refundable)	Equivalent to twenty five (25%) of the approved PMRR Update cash bond in compliance with Section 15.	Upon approval of the PCSO Board of the renewal of the STL Agency Agreement and should be paid within fifteen (15) days from receipt of Order of Payment from the Branch Operations Sector.

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**Payment of Fees.**

- (a) The Applicant shall coordinate with the Branch Operations Sector which shall issue an Order of Payment;
- (b) Payment shall be made to the PCSO Treasury Department; and
- (c) Proof of payment shall be submitted to the Branch Operations Sector and shall form part of pre and/or post approval requirements.

**Section 16.** Upon payment of the Authorization Fee and posting of the required Cash Bond, the PCSO and the AAC shall execute the STL Agency Agreement granting the AAC authority to operate under the following terms:

Particulars	Period of Operation	Conditions
Probationary Test Run	One (1) Year	<ul style="list-style-type: none"> <li>• Exclusive operation</li> <li>• Non-negotiability of the PMRR</li> </ul>
Regular Operations	Three (3) Years	<ul style="list-style-type: none"> <li>• Exclusive operation</li> <li>• Non-negotiability of the PMRR</li> <li>• On the 4<sup>th</sup> year of operation the PCSO reserves the right to open the area to other interested applicants, upon written notice to incumbent/existing AACs, six (6) months prior to the expiration of the STL Agency Agreement of the incumbent/existing AAC</li> <li>• Incumbent/Existing AACs shall be granted the "Right to Match" the PMRR offered by the new applicant/s*</li> </ul>

*\*Provided that, renewal is subject to evaluation of performance and compliance with the IRR, including the submission of proposed PMRR in a sealed envelope to be evaluated in a manner akin to bidding, along with other applicants, if any.*

**Article V**

**OBLIGATIONS OF STL AUTHORIZED AGENT CORPORATION (AAC)**

**Section 17.** The AAC shall strictly comply with the duties and obligations imposed in this IRR, all of which are deemed incorporated and form part of the STL Agency Agreement. Failure of the AAC to comply with any of its obligations shall be a ground for PCSO to cancel the STL Agency Agreement and forfeit the cash bond.

**Section 18.** The AAC, in the conduct of its operation shall perform, among others, the following duties and responsibilities:

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- a) Establish and maintain a business office for STL within the PCSO approved area of operation;
- b) Shall not transfer said office or establish another office for such operations without prior notice to and approval by the PCSO;
- c) Establish and maintain the STL Draw court and STL stations/sub-stations with the following distance restrictions:
  - (a) 100 meters away from places of learning; and\
  - (b) 100 meters away from places of worship;
- d) Sell tickets for the STL games and other PCSO lottery products, as may be mandated or authorized, only to individuals eighteen (18) years old and above. No bet must be accepted from minors, personally or by other persons on their behalf;
- e) Remit to PCSO the total sales collection less Agency Commission from the Prize Fund and Sales Supervisors/Representatives share from the Operating Fund, every Tuesday of the following week (Weekly Remittance). In no case shall the total monthly sales collection be lower than the approved PMRR in the area;
- f) Hold in trust the Prize fund for PCSO. The AACs shall submit a summary report of the prize pay-out every 15<sup>th</sup> of the following month;
- g) Submit to PCSO every 15<sup>th</sup> of the following month summary report of the payroll of their Sales Representatives as proof of disbursement of the 10% share of the Sales Representatives from the Operating Fund;
- h) Provide its sales force and other employees with PCSO-prescribed uniforms and Identification Cards which must be strictly worn and prominently displayed when they are on duty;
- i) Submit the following reports to PCSO every 15<sup>th</sup> day of the succeeding month:
  1. Updated list of its sales force and employees with their corresponding Identification numbers and specimen signatures copy furnished the PNP Regional Office. A corresponding Identification Card (ID) shall be issued by the PCSO Branch Office;
 

Any addition and/or reduction of personnel from this list must be submitted to the PCSO Branch Office within forty-eight (48) hours from its effectivity. In cases of terminated services of sales agents, the AAC shall have the obligation to retrieve and surrender these IDs to the PCSO Branch Office;
  2. Updated List of Existing STL stations copy furnished the PNP Regional Office;
  3. Sales Report per municipality; and
  4. Disbursement Report on the 10% Collector's Share;
- j) Monthly Payment or as may be required by law of all taxes, fees and other charges dues to the government from its operation and submit to PCSO proof of said payment within five (5) days after payment;

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- k) Regularly submit to PCSO reports or other required information, in the form and frequency as may be prescribed by PCSO;
- l) Keep proper books of accounts of its operation in accordance with generally accepted accounting principles and as may be required by PCSO and/or Commission on Audit. Said books and other records and documents in support thereof must be kept at its principal office for STL operations and must be made readily available for inspection by PCSO or its duly authorized representative/s and the Commission on Audit at any time during STL operating hours;
- m) Indemnify PCSO, the members of the Board, officers, and employees for whatever injury or damage they may suffer by reason of the failure, negligence, or delay on the part of the AAC and/or its employees in the performance of its obligations under the STL Agency Agreement;
- n) Pay PCSO, its members of the Board, officers and employees liquidated damages in the minimum amount of Ten Million Pesos (P 10,000,000.00) for whatever cost or damage they may incur or suffer by reason of any action or suit wherein they, without bad faith, malice or negligence, are impleaded; and
- o) Comply and strictly abide with the special conditions on illegal gambling and related activities, as provided under Section 20 of this IRR.

**Section 19.** The AAC shall strictly observe the exclusivity and non-transferability of the Authority to Operate under the STL Agency Agreement. Thus, the AAC shall not sub-contract or transfer any of its rights or obligations under said agreement. Likewise, the AAC or any of its shareholders shall not assign, transfer, cede, sell or dispose or any portion of its/their stock/shares to any natural/juridical person/s without the prior written approval by PCSO.

**Section 20.** The AAC shall disseminate immediately and extensively, on its own account, the results of each local draw through its sales force verbally and broadcast the same through local radio. The AAC must secure a certification of each broadcast, containing the results of the local draw, from the contracted station/s. Such certifications must be submitted to the PCSO together with the recorded material.

**Section 21.** Special Conditions on Illegal Gambling and Related Activities. The PCSO Small Town Lottery operation is the only legal and authorized numbers game nationwide. Accordingly, all AAC's shall strictly comply and abide with the following conditions on illegal gambling and related activities, namely:

- a. Report immediately to the PCSO, or any of its branch or office, the conduct, presence or existence, of any illegal or unauthorized gambling activity or operations by any person or persons within its approved area of operation;
- b. Avoid, and is prohibited from, at all times and any and all circumstances, giving, delivering, remitting, granting, paying or contributing any money, cash or anything of value or consideration, directly or indirectly, to any person or individual, to any local official, to any local government unit (LGU); to any Congressman or his office; to the local office or command of the Philippine National Police (PNP), National Bureau of Investigation (NBI), or any other law enforcement agency, or any of its member, or

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officer, in consideration for, by reason of, or otherwise related to the conduct of STL operations;

- c. To report immediately to the PCSO or any of its offices or branches, any person, including any PNP/NBI official, any government official or employee, who requests, asks, solicits, extorts, demand or in any manner seeks the payment or delivery of money, cash or anything of value or consideration, directly or indirectly, from any Authorized Agent Corporation (AAC) in connection with, by reason of, or otherwise related to the conduct of STL operations.
- d. To ensure utmost compliance with these special provisions on illegal gambling and related activities, PCSO reserves the right to initiate and file the necessary and appropriate criminal and/or administrative charges against the AAC, or any of its officers or employees, against any police officer, government employee or any person, who are found under existing laws and procedures to have violated any provisions of the Revised Penal Code and such other penal laws.

#### **Article VI** **STL TICKETS, WINNINGS, RESTRICTIONS**

- Section 22.** AACs shall use official tickets/receipts either printed by the PCSO or AAC, in accordance with the prescribed form and design of PCSO.
- Section 23.** The STL ticket is a bearer instrument. Thus, the holder is presumed to be its owner. PCSO and/or the AAC or any of their officers/employees shall not be responsible for lost tickets.
- Section 24.** Winners shall claim their prizes from the AACs which issued the ticket/receipt. Prizes not claimed within one (1) year from draw date shall be forfeited and shall be remitted to the PCSO to form part of the PCSO Charity Fund.
- Section 25.** No prize shall be paid to or redeemed by any person under the age of eighteen (18) years.
- Section 26.** The AAC shall be solely responsible for paying the prize winnings of bettors. Any deficiency in the Prize Fund shall be shouldered by the AAC.

#### **Article VII** **GROUND FORS SUSPENSION/CANCELLATION /REVOCATION/ TERMINATION OF THE STL AGENCY AGREEMENT**

- Section 27.** The PCSO Board shall have the sole discretion and authority to suspend, cancel, revoke or terminate the STL Agency Agreement of any AAC on any of the following grounds:
  - a) Violation of any of the provisions contained in the STL Agency Agreement and this IRR;
  - b) Failure to organize and commence the STL operations in the approved area within the period of ninety (90) days from the date of the STL Agency Agreement;
  - c) Failure to submit any document and comply with any requirement of PCSO within the required period;

- d) Failure to secure prior approval for any change in the ownership, Members of the Board and/or officers of the AAC;
- e) Unauthorized/Unjustified suspension or termination of operation for more than three (3) days;
- f) Non-remittance or under-remittance of STL proceeds due to PCSO, at any given time, regardless of subsequent settlement, without prejudice to the forfeiture of the Cash Bond;
- g) Failure to attain and/or remit the PMRR on time;
- h) Unauthorized establishment of STL Stations and Sub-stations;
- i) Acting as a front for illegal lotteries or numbers games;
- j) Use of unprescribed draw machines and draw balls;
- k) Failure or refusal to pay the legitimate prize payout;
- l) Commission of fraudulent acts or misrepresentation, such as, but not limited to:
  1. Supplying false information regarding the corporation, its stockholders, directors or officers;
  2. Providing false or incorrect information on any pertinent fact regarding the STL and management; and
  3. Fixing, rigging or otherwise manipulating the betting, collection, draw and payment process.
- m) Failure or refusal to comply and abide with the special conditions on illegal gambling and related activities as provided under Art. V, Section 21 of this IRR; and
- n) Violation of any provision of this IRR, and of pertinent and relevant PCSO issuances, directives, memoranda or circulars, and existing applicable laws.

**Section 28.** PCSO shall notify the AAC in writing of its decision to suspend/ cancel/terminate or revoke the STL Agency Agreement. The AAC, shall have a period of five (5) calendar days from receipt thereof to file a motion of reconsideration. The resolution by the PCSO of said motion for reconsideration shall be final and unappealable.

**Article VIII  
MANAGEMENT AND CONDUCT OF DRAWS**

**Section 29.** All STL Draws shall be conducted in accordance with this IRR, and, such other approved procedures and operational guidelines.

**Section 30.** A centralized STL draw for the NCR Region shall be held at the PCSO Main Office which shall be stream/broadcast live at the NCR based STL-Stations and Substations.

**Section 31.** All STL draws conducted outside of the NCR shall be broadcasted live on local television. In the absence of broadcast facilities in the area, the STL

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draw proceedings must be reported on radio or published on print media at the AACs cost.

In cases where the conduct of draws cannot be held at the PCSO Branch Offices due to justifiable constraints, the STL Draw may be held at a site/place duly authorized by PCSO and compliant with the following criteria:

- (a) 100 meters away from places of learning;
- (b) 100 meters away from places of worship;

**Section 32.** Regular Draws shall be held at a frequency/schedule as may be determined and recommended by the Branch Operations Sector through the SMG and approved by the PCSO Board.

**Section 33.** Only PCSO authorized draw machines and draw balls shall be used in the conduct of STL Draws.

**Section 34.** Back-up Draw Machines should be made available during the conduct of draws.

**Section 35.** All STL Draws shall be witnessed and certified by a Board of Judges composed of a Chairman and three (3) members and a representative from the Commission on Audit (COA). The Members of the Board of Judges shall be selected from the local residents in the area and must be of legal age.

#### ARTICLE IX PRESUMPTIVE MONTHLY RETAIL RECEIPT

**Section 36.** The PCSO Board of Directors shall, at its own authority and discretion, determine the PMRR of a particular area of operation, province or city, which the STL AACs shall comply and remit, taking into account, among other factors, the location, population, national and local economic and growth targets and activities. The PMRR shall be subject to periodic review and/or adjustments by PCSO.

**Section 37.** In cases of renewal of the STL Agency Agreement, the AAC may request from and submit to the SMG a new PMRR proposal. The new PMRR proposal should be submitted together with the other documentary requirements three (3) months prior to the expiration of its STL Agency Agreement. All requests for a new PMRR proposal shall be subject to the prior review and approval of PCSO.

**Section 38.** The SMG shall conduct a semestral review of the PMRR in each area of STL operation and propose the adjustments to the Board for approval.

#### ARTICLE X REVENUE ALLOCATION

**Section 39.** The Gross Receipts shall be allocated as follows:

Particulars	Revenue Allocation
<b>I. Gross Sales/Retail Receipts</b>	<b>100.00%</b>
Printing Cost	<b>2.00%</b>
<b>II. Net Sales</b>	<b>98.00%</b>
<b>III. Prize fund (55% of Net Sales)</b>	<b>53.900%</b>
Agency Commission (10% of Gross Sales)	<b>10.00%</b>

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Particulars	Revenue Allocation
10% Withholding Tax from Agency Commission	1.00%
Net of Agency Commission	9.00%
BIR Taxes (5% of PF)	2.695%
Net of Prize Fund	41.205%
<b>IV. Charity fund (30% of Net Sales)</b>	<b>29.40%</b>
City / Municipality	3.00%
Congressional District	0.25%
Provincial Government	0.75%
Philippine National Police	2.50%
National Headquarters	0.40%
Police Regional Office	0.40%
Police Provincial Office	0.60%
Local Police Station	0.60%
CIDG -National	0.20%
CIDG - Regional	0.20%
CIDG - Provincial	0.10%
Documentary Stamp Tax (10% of Gross Sales )	10.00%
PCSO Charity Fund	12.900%
<b>V. Operating Fund (15% of Net Sales)</b>	<b>14.70%</b>
Sales Supervisors/Representatives Share	10.00%
Operating Fund/Expenses (PCSO)	4.70%
<b>Total</b>	<b>98.00%</b>

(a) 0.50 % of the printing cost shall be retained by the AACs, in case printing of the STL Tickets shall be undertaken by the AACs.

(b) The remaining 1.50% of the printing cost shall be remitted by the AAC to PCSO.

**Section 40.** The PCSO shall enter into an agreement with LGU units, agencies and offices, indicating the category of programs for which their allocation may be utilized and the reportorial requirements pertaining to their utilization.

**Section 41.** STL shares allocated for the Provincial Government shall be added to the PCSO Charity Fund in case of STL AACs operating in chartered cities.

**Section 42.** The Charity Fund due to the LGUs shall be remitted by the PCSO on a monthly basis.

**Section 43.** The PCSO shall enter into an agreement with government law enforcement agencies to allow PCSO to maximize revenues in the STL operations and to prevent illegal number games.

**Article X  
TRANSITORY PROVISIONS**

**Section 44.** All existing STL AACs, as of 1 October 2016, shall have the "Right to Match" the PMRR offered by other interested applicants in their area of operation in the event that PCSO opens the said area/s to other applicant/s.

**Section 45.** Likewise, existing STL AACs as of 1 October 2016, are given ninety (90) days prior to the expiration of their authority to conduct STL operation to

submit their application for renewal of authorization, including its proposed PMRR for consideration and evaluation of the PCSO. Otherwise, the authorization of the STL AAC shall automatically expire on the date indicated in the STL Agency Agreement.

**Article XI  
FINAL PROVISIONS**

**Section 46.** No STL operation shall be used for partisan political purposes and activities.

**Section 47.** No officer or employee of the PCSO or any relative within the second degree of consanguinity or affinity may be a stockholder or employee of any STL AAC.

**Section 48.** This IRR, as well as the STL Agency Agreement, may be modified, amended or supplemented as may be necessary, upon recommendation of the SMG and approval of the PCSO Board.

**Section 49.** All existing rules and regulations, board resolutions, circulars, memoranda, and directives from the PCSO inconsistent with IRR if any, are hereby amended, revoked, repealed or superseded.

**Section 50.** Failure or omission by PCSO to enforce, assert or invoke any and all provisions of this IRR shall not be considered a waiver of any of its right to enforce its authority, rights and remedies with respect to such breach or violation thereof.

**Section 51.** This Revised Implementing Rules and Regulations (IRR) shall take effect immediately upon its approval by the PCSO Board.

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