

Reform to perform

Shutdown provides rare POGO opportunity



by [Brendan D. Bussmann](#)

[Sunday 7 June 2020 at 10:00](#)



Global Market Advisors' Brendan D. Bussmann examines the rare opportunity, provided by the shutdown of services in the Philippines for COVID-19, for gaming regulator PAGCOR to revisit regulation of offshore gaming operators.

As the brick and mortar gaming world fell silent in response to the coronavirus, many online gaming operations continued throughout the pandemic. However, the Philippine Amusement and Gaming Corporation (PAGCOR) and President Rodrigo Duterte also shuttered the Philippine Online Gaming Operators (POGOs) in the middle of March in response to the outbreak. POGOs have made a sizeable impact financially to the Philippines, with revenues increasing by more than 13% from 2018 to 2019.

In late April, the government began to hold conversations about restarting these operations and deeming them essential businesses as a way to help finance a government heavily hit by a revenue shortfall due to the pandemic. After a six-week break, they were allowed to restart these operations following the strictest guidelines issued by the government under the Enhanced Community Quarantine (ECQ). Restrictions included limitations on staff sizing (30%), shuttle services for employees, temperature checks, social distancing and masks for employees.



A POGO hub in Clark.

It was stated that the suspension of POGOs cost PAGCOR as much as Php600 million (roughly US\$12 million) in monthly revenue. PAGCOR itself is the third largest revenue generating agency for the Philippine Government, just after the Bureau of Internal Revenue (BIR) and the Bureau of Customs.

POGOs have been operating since 2016 and have proven to be a solid revenue generator for both operators and the regulatory body. However, they have been, and continue to be, held under serious scrutiny, as these operations and some of their side effects have ballooned in certain areas of the Philippines. The negatives have included, but are not limited to, immigration issues, significant impacts on the residential and commercial real estate markets, and impacts on other government agencies including the Department of Labor and Employment (DOLE), the Central Bank and the BIR.

PAGCOR, in the middle of May, began its campaign to educate the general public on the regulatory structure of POGO's. This includes some of the basics, such as specifying which individuals are allowed to play POGO's, along with some of the key aspects of the service providers that help support the operations as well as the operators themselves. It also discusses the challenges that have surrounded these online operators including money laundering, prostitution rings, human trafficking, criminal activities and whether or not they serve as a front for a spy network. However, the campaign also highlights the job creation and increased revenues in spite of the influx of foreign – largely Chinese – workers.

The reforms of POGO's have continued most recently into May with a crackdown on NOGO's (Non-registered Offshore Gaming Operators) by a task force of government agencies. The goal is to eliminate those groups that are illegally operating facilities within the country and end illegal online gaming.

The recent arrests of 265 Chinese nationals in Las Piñas City and operations in Makati City and elsewhere are likely the start of these procedures to clean up the industry and bring legitimate operators into a competitive playing field.



While POGOs do present their own challenges to the regulatory structure, these operations are still undergoing rapid growth and are being reined into a system that cannot keep up with their advances. Online gaming can provide a sustainable revenue resource, but the right regulatory structure and enforcement protocols are needed for the industry to thrive. The pandemic has offered an opportunity for PAGCOR to implement a regulatory structure, as well as to begin its efforts to more effectively combat the illegal operators in the market (NOGOs) and provide a better structure for those wishing to operate legally within the Philippines.

While there is still revenue being left on the table until a more robust revenue verification system is put in place, POGOs can serve as a model for online gaming operations around the world as PAGCOR moves forward with its efforts to solidify the structure for the industry.

Especially in the pandemic world, the opportunity for online gaming is undeniable. While it will not replace the thrill of live gaming that many players have grown accustomed to, it does provide a viable and convenient alternative while brick-and-mortar operations are scaled down.

However, it is imperative that, as jurisdictions look into online gaming, they allow for strict regulation, know your customer (KYC) procedures and responsible gaming measures to ensure a feasible and competitive online market.



Brendan D. Bussmann

Brendan D. Bussmann is a Partner and Director of Government Affairs with Global Market Advisors (GMA). He was instrumental in the foundation and implementation of responsible gaming initiatives when the Singapore market opened. GMA is the leading provider of consulting services to the gaming, entertainment, sports, and hospitality industries.