

## Philippines Proxy Betting

Katrina L. Nepomuceno

**O**VERVIEW: THIS ARTICLE USES a question-and-answer format to explain proxy betting and distinguish it from both land-based casino betting and video-streaming betting. The roles of the proxy player (proxy), proxy operator, and remote better are defined; the origin of proxy betting and its distinct characteristics identified; and its operational characteristics explained.

Q: What is proxy betting?

A: Proxy betting is a platform for internet casino gaming, wherein a remote bettor plays an e-casino game through a proxy (another person, acting as a representative) who is present to place a bet before a live dealer, using dead chips in a land-based casino setting.

Q: What is a remote bettor?

A: A remote bettor is an individual who is a foreign passport holder and who chooses to play through a proxy in a land-based casino setting. Citizens of the Philippines are not allowed to participate in proxy betting.

Q: Who appoints the proxy?

A: The proxy is appointed by the remote player. The proxy can be a person who is known to the remote player and who is sent to the land-based casino facility to play on his behalf; or the proxy can be a person who is employed by the e-casino operator

and is assigned to play on behalf of the remote player.

Q: What is a land-based casino setting?

A: Unlike live video-streaming betting, where the gaming table and the live dealer are situated in a cubicle in a streaming studio, proxy betting takes place in a facility that is actually a real land-based casino. The proxy betting facility is regulated and monitored as a land-based casino. The only difference between a “real” casino and a proxy-betting casino is that in a proxy-betting casino, no cash transactions take place. Instead, the remote player opens an account at an offshore facility of the operator, where cash transactions take place; settlements also take place in the offshore facility.

Q: Does “off-shore facility of the operator” mean an account opened in a non-Philippines jurisdiction?

A: Yes. An offshore account is an account opened or maintained with a financial institution outside of Philippine jurisdiction.

Q: How does proxy betting differ from live video-streaming betting?

A: In live video streaming, the remote bettor directly places the bet before a live dealer, whom the remote bettor can view in real time via the Internet. Proxy betting is similar in many ways to live video streaming. However, in proxy betting, the remote bettor is represented by a proxy, who receives instructions from the remote bettor on how and what to bet through Voice over Internet Protocol (VOIP) phones.

Q: How did proxy betting develop?

---

Katrina L. Nepomuceno is corporate legal counsel, First Cagayan Leisure and Resort Corporation (master licensor for online gaming in the Cagayan Freeport, Philippines) and a general member of the International Masters of Gaming Law.

A: Proxy betting developed because of “trust issues” many Asian players have about Internet casino games running on random number generators (RNG). Asian players were suspicious that RNG games could easily be rigged and their results controlled by the operators, without players being given the chance to verify the authenticity of the games. The need to verify the game process resulted in the development of the live video-streaming platform. However, many players still did not fully believe that the results were real and authentic. Asian players needed to engage their senses to verify the game process and the result—there was always a desire to actually see and “feel” the game. To see and feel the game, players wanted to be present during it. However, not every player can be present in a casino; thus, the next best thing is to have somebody the player trusts present in the conduct of the game—someone who can see, feel, authenticate, verify, and tell the player that the game was real and not rigged. This makes it seem like the player was in the casino, through the player’s proxy.

Q: What are some advantages for the bettor of proxy betting over live video streaming?

A: In proxy betting, the remote bettor has a better grasp of what actually transpires during the conduct of the game. Bettors feel that authenticating the game as legitimate via proxy is easier and more reliable than authenticating live video-streaming betting. This is because the proxy verifies the game and the bets, and can report everything that transpires to the remote bettor.

Q: Are there any disadvantages of proxy betting for the bettor?

A: In live video-streaming betting, the remote bettor is the only one responsible for how he wants to proceed—he can bet on a game without third-party intervention. In proxy betting, the bettor’s instructions are implemented by the proxy, which introduces one more link in the “chain” and could in theory introduce another place or point for errors or misunderstanding.

Q: What are some advantages and disadvantages for the operator of proxy betting, as compared with live video-streaming betting?

A: In proxy betting, the operator generates a higher net win, because the bets are larger than in live video-streaming betting. However, the investment required to conduct proxy betting is greater than the investment required for live video-streaming betting, since proxy betting requires a land-based casino facility, not simply a cubicle with streaming-video capability.

Q: What happens if the proxy does not follow the remote bettor’s instructions? Is the bet voided?

A: The operator only relies on the proxy, so bets placed by the proxy would not be voided even if they were not in accordance with the remote bettor’s instructions. Instead, the proxy answers to the remote bettor should there be a variance between the instructions given and the implementation of those instructions.

Q: When was proxy betting first implemented?

A: Proxy betting was introduced in 2005, in a casino of the Philippine Amusement and Gaming Corporation (PAGCOR), at the Clark Economic Zone. It was in 2006 that the first license for the regulation of proxy-betting operations at the Cagayan Freeport, Philippines was issued by the Cagayan Economic Zone Authority (CEZA), through its master licensor, First Cagayan Leisure and Resort Corporation (FCLRC or First Cagayan).

Q: How many proxy betting operators are there?

A: At present, there are six (6) proxy betting operators at the Cagayan Freeport and ten (10) at the Clark Economic Zone.

Q: What games are played through proxy betting?

A: Any casino game could be played in proxy betting. However, baccarat is the most popular game played via proxy betting.

Q: Why is baccarat the most popular game played by proxy betting?

A: Baccarat is the most popular game played in proxy betting because it is also the most popular online casino game for Asians. 99.99% of remote proxy bettors are Asian, so their preferences shape proxy betting.

Q: Is proxy betting regulated?

A: Yes, proxy betting is regulated through the licensing of proxy betting operators. The only I-gaming jurisdiction that can license proxy betting in the Philippines is the Cagayan Freeport in Northern Philippines, through CEZA and First Cagayan.

Q: What regulations apply to proxy betting?

A: The Interactive Gaming Rules and Regulations apply to proxy betting operations. In addition, CEZA/First Cagayan has adopted applicable regulations akin to land-based casino gaming regulations as part of the operating guidelines for proxy betting.

Q: Why do the operating guidelines for proxy betting need to include provisions on land-based casino gaming?

A: The operating guidelines for proxy betting include provisions on land-based casino gaming because proxy-betting operations take place in a land-based casino setting.

Q: Is proxy betting subject to both Internet- or online-gaming regulations as well as land-based casino regulations?

A: No. Insofar as proxy betting is concerned, there is only one set of regulations followed by the operators, and that is the online-gaming regulations. The land-based gaming regulations are not separate from online gaming regulations. Provisions of land-based gaming regulations form part of online gaming regulations.

Q: How big is a proxy betting casino facility generally?

A: The gaming area for a proxy betting casino facility is between 1,500 sq. m to 4,000 sq. m.<sup>1</sup>

Q: How many gaming tables are there in a proxy betting facility generally?

A: There are approximately 30 baccarat tables in a proxy betting facility.

Q: How much is the average investment required to be a proxy betting licensee?

A: About US\$50,000,000.00.

Q: What is the average net win of a proxy-betting operator?

A: Approximately US\$10,000,000.00/month.

Q: Do proxy-betting operators also operate land-based casinos?

A: Proxy-betting operators do not presently operate land-based casinos. But if they were able to secure a license for a land-based casino, they could operate one, because a proxy-betting operator has the complete facilities to run a land-based casino.

Q: If a proxy-betting operator also operated land-based casinos, would the land-based and proxy-betting facilities have to be physically separate? Or could both land-based and proxy wagering take place in the same facility?

A: A proxy-betting operation could co-locate with a land-based casino in one facility or building. However, the conduct of the proxy-betting games should be segregated from that of the land-based games.

Q: Why should proxy-betting and land-based games be segregated, if both were taking place in the same facility?

A: It is not practical for proxy-betting and land-based betting to take place at the same table. Monitoring proxy betting could be compromised; also, the pace or tempo of proxy-betting games is different from that of land-based games. That is because the proxies must wait for the instructions of their remote bettors during the game process.

Q: Does the remote bettor view the game in real time?

A: Yes, the remote bettor views the game in real time. The video has to synchronize with the conversation between the proxy and the remote bettor. If there is a delay, the trustworthiness of the proxy-betting platform is compromised.

---

<sup>1</sup> Approximately 16,000 sq. ft to 43,000 sq. ft.

Q: How specific are the instructions provided by the remote bettor to the proxy?

A: The instructions are *very* specific. The game proceeds as if the proxy is the remote bettor's hand, carrying out the bettor's precise instructions without the intermediation of the proxy's own judgment or will.

Q: Do the proxies themselves need to be licensed? And are they approved by the regulatory jurisdiction, the proxy betting operator, or both?

A: The proxies are not separately licensed by the regulator. However, operators submit a list of proxy players to the regulator. The decision about who plays as proxy in proxy-betting facilities is left with the remote bettors.

Q: What are the requirements for becoming a proxy?

A: The proxy must be a "foreign passport holder." The operator will also subject the proxy to probity check.

Q: How are proxies compensated?

A: If the proxy is someone who from the operator's pool of proxies, they are paid a salary by the operator and they also receive a commission from the remote bettor. If the proxy is directly appointed by the remote bettor, he only receives the commission from the remote bettor.

Q: Remote bettors need to open an account with the operator, but if there is a problem and the bettor does not make good his or her obligations, is the proxy liable?

A: No, the proxy is not liable. The operator deals directly with the remote bettor on matters pertaining to the account.

Q: Is there a minimum account size that must be opened to play by proxy?

A: Yes, but not in the law or regulations. The minimum account size is determined by the proxy-betting operators.