

Fiscal Year 2020

COMMONWEALTH CASINO COMMISSION

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Citizen-Centric Report (Pursuant to PL 20-83)



COMMISSIONERS

Edward C. DeLeon Guerrero
Chairman

Rafael Demapan
Vice Chairman

Ramon M. Dela Cruz
Secretary

Mariano Taitano
Treasurer

Diego M. Songao
Public Affairs

MANAGEMENT

Andrew Yeom
Acting Executive Director

Ruth Ann P. Sakisat
Executive Assistant to the Commission

Velma Lore
Permit & Licensing Manager

Vicente B. Babauta
Enforcement & Investigations Manager

Ian Morrell
Information Technology Manager

Arden Joel Sablan
Acting Compliance Manager

Jolene Demapan
Acting Audit Manager

Juanette LG. Sablan
Human Resource Officer

Donald C. Camacho
Procurement Officer

Catherine C. Licop-Mendoza
Finance & Accounting Officer

ABOUT US

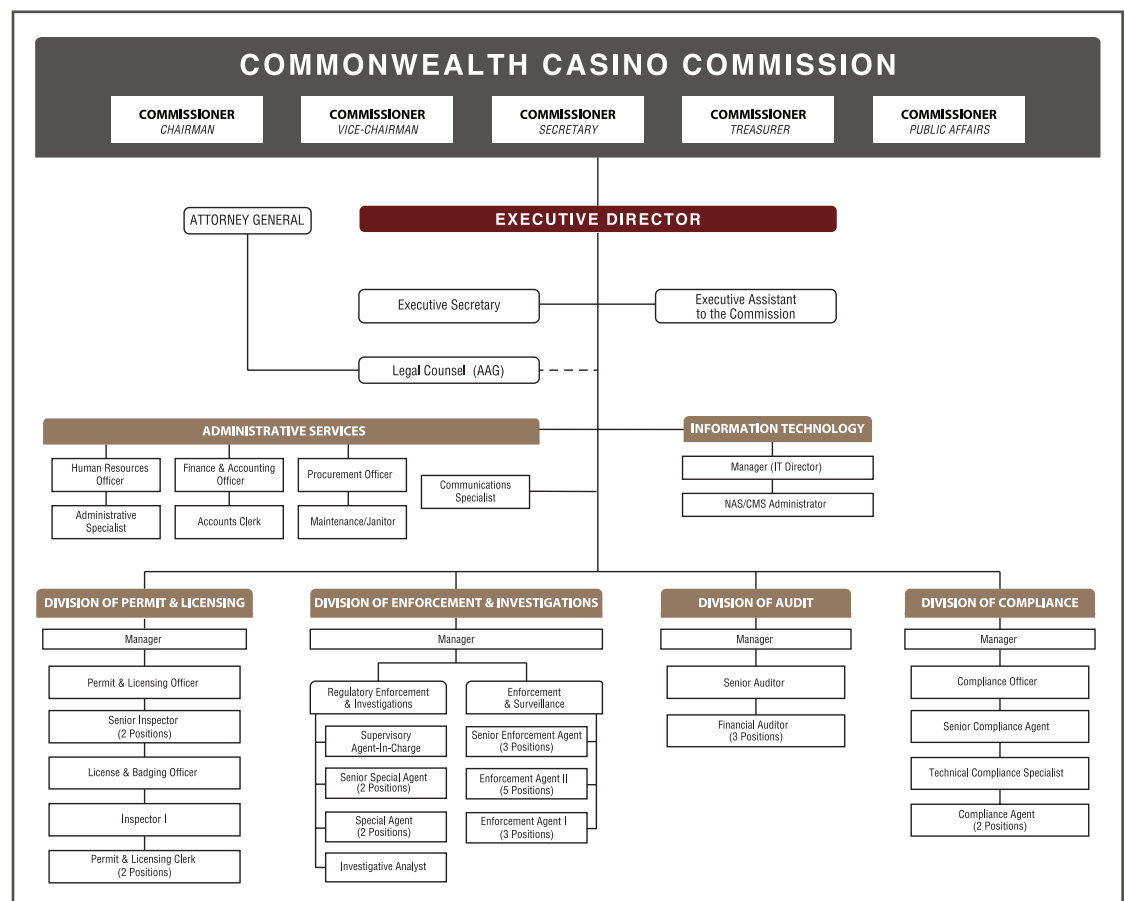
The Commonwealth Casino Commission (“Commission”) is the casino gaming regulatory agency of the Commonwealth of the Northern Mariana Islands (“CNMI”) government that oversees and regulates the activities of the exclusive casino licensee operating on Saipan. The Commission is comprised of five divisions—Executive Division, Division of Enforcement & Investigations, Division of Permit & Licensing, Division of Compliance, and Division of Audit.

GOALS

- Protect the integrity of casino games, equipment, and accessories;
- Monitor the movement of funds entering and exiting the casino to ensure compliance with Anti-Money Laundering and Counter-Terrorist Financing statutes under Title 31 of the U.S. Code (Bank Secrecy Act);
- Prevent unsuitable persons and vendors from doing business with the Casino Licensee;
- Monitor the financial suitability and viability of the casino licensee and other vendors licensed by the Commission;
- Monitor the Casino Licensee’s compliance with Federal and CNMI laws, regulations, and the Minimum Internal Control Standards; and
- Assist in the implementation of responsible gaming programs and activities to safeguard gaming patrons from problem gambling.

ORGANIZATIONAL STRUCTURE

The Commission Organizational Structure is comprised of five divisions headed by the Executive Director, while the five Commissioners function as the policy-making body.





OUR VISION:
TO ESTABLISH AND OVERSEE A WELL-REGULATED AND SUCCESSFUL CASINO GAMING INDUSTRY ON SAIPAN.

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PERFORMANCE REPORT

In Fiscal Year 2020 (“FY-2020”), the Commission completed numerous suitability investigations and other due diligence on the Casino Licensee’s employees, key employees, and vendors. The Commission subsequently licensed, registered, and permitted the following:

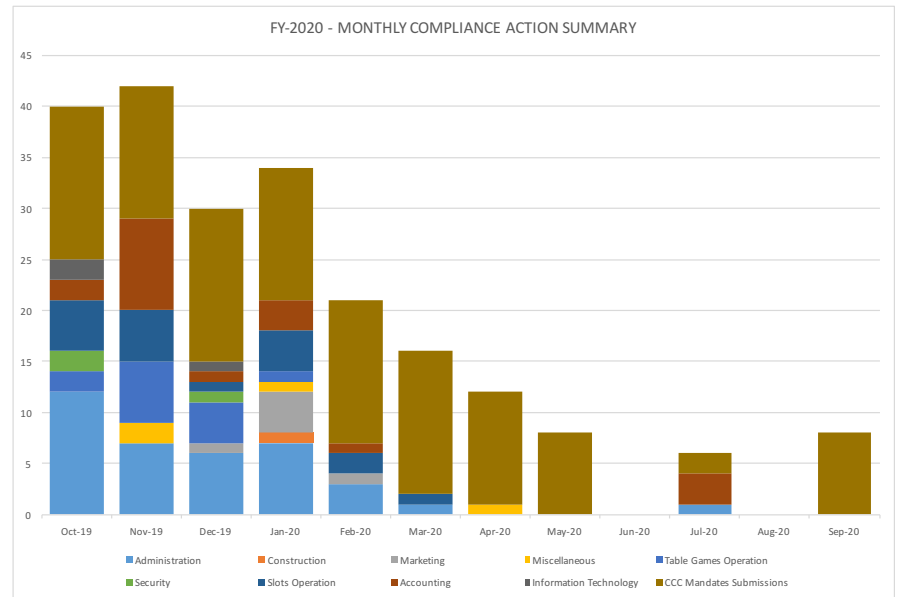
	ISSUED OR RENEWED IN FY-2020	ACTIVE LICENSE as of September 30, 2020
LICENSES		
Casino Key Employee	2	3
Casino Regular Employee	104	418
Casino Junket Operator/ Promoter	3	8
Casino Service Provider - Gaming	1	15
Casino Vendor – Non-Gaming	4	51
PERMITS		
Casino Junket Operator Representatives	7	13
Gaming Service Provider Representatives	0	0
Non-Gaming Vendor Representatives	41	5
REGISTRATIONS		
Non-Gaming Employees	254	502

* The following tables detail the number of casino games at the Imperial Pacific Resort & Hotel (IPR) in Garapan, Saipan prior to the temporary shutdown on March 17, 2020, as a result of the COVID-19 pandemic.

GAMING TABLES As of March 17, 2020*		
GAME	MASS	VIP
Baccarat	18	30
Blackjack	4	0
Sic Bo	8	0
Roulette	2	0
Saipan Stud	2	0
Texas Hold'em	4	0
Three Card Poker	2	0
Bull Bull Poker	4	0
TOTAL	44	30

ELECTRONIC GAMING MACHINES (EGMS) As of March 17, 2020*	
MANUFACTURER	QTY
AlfaStreet	10
Aristocrat	100
Aruze	40
Bally	24
IGT	12
Konami	38
Shuffle Master	44
TOTAL	268

In FY-2020, the Commission has reviewed, processed, and acted on a total of 217 IPI compliance-related requests.



Throughout FY-2020, the Commission has met and promulgated the following Commission Orders:

COMMISSION ORDERS	
ORDER NUMBER	DESCRIPTION OF ORDERS
No. 2020-001	Order Requiring Casino Licensee to Settle Uncontested Accounts Payables
No. 2020-002	Order Requiring Casino Licensee to Appoint a Chief Executive Officer
No. 2020-003	Order Requiring Casino Licensee to Maintain Sufficient Working Capital to Pay Three Months’ Payroll in a Bank in the CNMI or USA
No. 2020-004	Order Requiring Casino Licensee to Settle Accounts Payables



2020 Commonwealth Casino Commission Members. Left to right: Secretary Ramon M. Dela Cruz, Treasurer Mariano Taitano, Chairman Edward DeLeon Guerrero, Vice-Chairman Rafael Demapan, Public Affairs Diego M. Songao.



OUR MISSION:

TO ENFORCE AND IMPLEMENT THE CASINO GAMING LAWS, REGULATIONS, AND CASINO LICENSE AGREEMENT. TO PROVIDE REGULATORY OVERSIGHT OVER SAIPAN'S CASINO GAMING INDUSTRY.

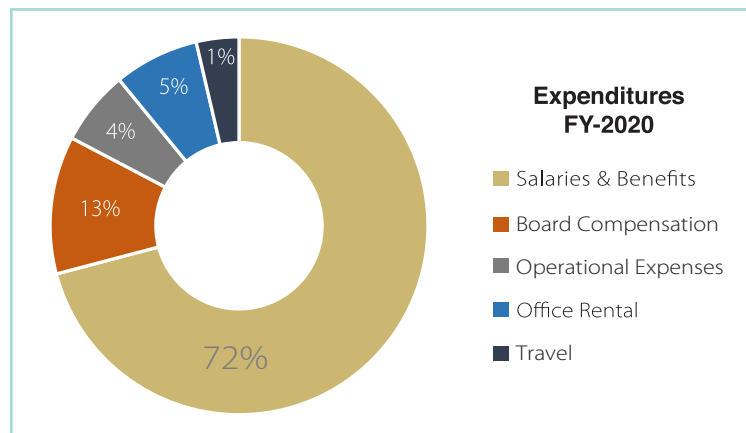
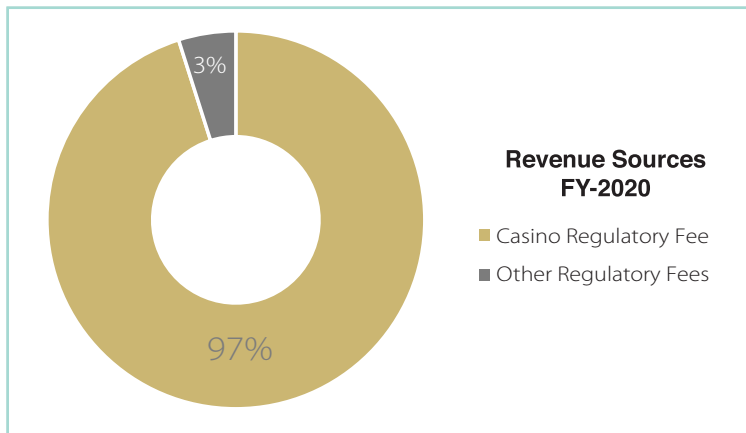
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FINANCES (Public Law 20-67)

For FY-2020, the Commission's budget is \$3,106,501 derived from the CNMI General Fund (\$1) and from the Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund. Revenue Sources and Expenditures are shown in Table 1 and Table 2, respectively.

TABLE 1: REVENUE SOURCES		
	FY-2019	FY-2020
CCCRF Fund	\$3,000,000	\$3,000,000
Other Regulatory Fees	\$100,328	\$106,500
Local General Fund	\$1	\$1
TOTAL	\$3,100,329	\$3,106,501

TABLE 2: EXPENDITURES		
	FY-2019	FY-2020
Salaries & Benefits	\$1,926,720	\$1,904,767
Board Compensation	\$324,996	\$316,871
Operational Expenses	\$193,471	\$93,149
Office Rental	\$109,000	\$120,000
Travel	\$123,157	\$13,830
TOTAL	\$2,677,344	\$2,448,617



CNMI Public Law 19-24 created the Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund, codified in 4 CMC § 2309, which established a flat annual license fee of Three Million Dollars (\$3,000,000) with a five percent increase every five years for the next twenty years beginning October 1, 2015. The CCCRF Fund is the annual license fee for Casino Employees, Key Employees, Gaming Tables, and Electronic Gaming Machines (slot machines). P.L. 19-24 allows the assessment of a flat fee of 3 million dollars rather than assessing individual license fees for employees, tables, and machines.

As shown on the Expenditures Chart, the Commission's greatest expenses are primarily for employee salaries and benefits and board compensation. The Commission also continues to invest in its people through professional trainings and development relevant to the casino gaming industry. The trainings help the Commission enhance knowledge of new standards, industry best practices and evolving technologies in casino gaming that includes the latest software, hardware, equipment, games, and other facets of the industry such as detecting and stopping activities that involve criminal elements.



2020 Commonwealth Casino Commission Acting Executive Director Mr. Andrew Yeom, 5th from right, pose with Commission division managers.



CHALLENGES:

THE COMMISSION STRIVES TO OVERCOME MANY OBSTACLES ON THE PATH TO BUILDING A SUCCESSFUL CASINO INDUSTRY IN THE CNMI.

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CHALLENGES AND OUTLOOK

COVID-19 PANDEMIC

The primary challenge that greatly affected this Fiscal Year and the foreseeable future for the Commission as well as other countries all over the world, whether by forms of government or private entities, remains to be the Covid-19 pandemic. Since the Covid-19 outbreak in the CNMI, FY-2020 tourist arrivals has reduced to near zero between April 2020 and September 31, 2020. As a result, the CNMI experienced a decrease in tourist arrivals by about 49% in comparison to FY-2019.

Heading into FY-2021, the Commission anticipates minimal tourist arrivals due to recent global travel restrictions in response to Covid-19, including policies imposed by Trump Administration, the US Centers for Disease Control and Prevention “CDC”, and the local government. This has greatly affected the gaming industry in the CNMI, particularly VIP patrons traveling from Asia. Additionally, President Trump in early June 2020 barred Chinese airline carriers from entering the US and its territories, including the CNMI.

AUTONOMY AND ENFORCEMENT

Public Law 21-27, enacted on May 18, 2020, designated the Commission as a law enforcement agency. While the enactment enables the Commission to work in partnership with other local and federal law enforcement agencies, the law does not clarify the parameters of the designation, including legal jurisdiction and enforcement authority. Henceforth, the Commission seeks to clarify these matters via House Bill 21-11 (“HB 21-11”), which awaits action by the House of Representatives. The bill is the latest iteration of legislation that would reinforce the roles and responsibilities of the Commission, further solidifying its regulatory authorities over Saipan’s casino industry. Moreover, HB 21-11 would have made the Commission a fully autonomous agency.

CLA COMPLIANCE

The Licensee’s compliance with the Casino License Agreement (“CLA”) continues to be a challenge for the Commission. The Commission continuously enforces the CLA on the licensee, although the passage of HB 21-11 would greatly assist in enforcement. The Licensee recently informed the Commission and other local government agencies of their late payment for the Annual License Fee, which should have been paid on or before August 12, 2020.

Along with annual fees, the CLA also dictates the timeframe for completion of the licensee’s facilities. This however, is perpetually impeded by labor workforce woes, including temporary labor shortages, skilled local construction worker shortages, and greater foreign labor restrictions and limitations.

CAPACITY

In response to the Covid-19 pandemic, the Governor’s Office issued an Executive Order to temporarily freeze hires and promotions as well as a reduction in work hours. This became a challenge as key positions throughout the Commission have since become vacant. With these positions being vacant, Commission staff and management will see additional workload once the casino reopens. The Commission continues its due diligence to ensure that the licensee complies with all federal and local laws, regulations, and orders.

INTERNET GAMBLING

The House of Representatives towards late February 2020 transmitted House Bill 21-31 to the Senate. This bill would have allowed the three Senatorial Districts to establish and regulate internet gaming in the CNMI. However, the bill has not gained traction at the Senate since. Had this bill been enacted into law, additional manpower and financial

support would be needed by the Commission for the enforcement and implementation of the new law.

E-GAMING

The House of Representatives discussed House Bill 21-96, which would transfer any and all Lottery Commission authority over e-gaming to the Commission, however discussions of including its jurisdictions over the CLA, has not finalized as of publication. The Commission continues to look forward to unifying regulatory oversight on electronic poker, e-gaming, pachinko, and maybe even the lottery. Securing the necessary funding resources to carry out the additional responsibilities will be a continuing challenge.

JUNKET OPERATORS

The Commission has licensed nine active junket operators. However, with the temporary casino closure, travel limitations, pandemic response and prevention, and immigration issues, VIP gaming revenue dropped significantly this fiscal year. Based on casino gaming activity in the CNMI, VIP gaming accounted for about 90% of the Licensee’s total gaming revenue for Fiscal Year 2019, but for the current Fiscal Year, VIP gaming accounted for only 50% of gaming revenue. This large parity may translate to a huge drop in CNMI revenue for the incoming Fiscal Year.

TRAININGS

The casino industry continues to evolve with the fast pace of technological advancement. With global travel restrictions, fund cutbacks, and reduction of work hours as a result of Covid-19, the Commission was not able to provide the required up-to-date trainings for its staff members. This is a challenge that the Commission may have to endure moving into FY-2021.

OTHER FACTORS

The CNMI continues to struggle with Executive Orders, including the removal of Hong Kong from the Guam-CNMI Visa Waiver Program issued on July 14, 2020. The Visa Waiver program allowed eligible countries to stay in the CNMI from two weeks to up to 45 days for either business or pleasure using only their passports. Barring any country from this program is a huge dent to the CNMI since it limits potential tourist markets and new business potentials. Additionally, President Trump issued an Executive Order in late June 2020 barring several categories of foreign workers from entering US soil. This would exacerbate the Licensee’s capability to complete construction of their initial gaming facility in Saipan and in turn, further delay the full revenue potential of the gaming industry. Among other Executive Orders, the President also barred flights between the US and China, whose residents account for nearly half of total tourist arrivals in the CNMI. All these Executive Orders are a result of the Covid-19 pandemic.

Despite the increasing number of challenges, the Commission steadfastly looks at the long-term horizon for potential risks to implement preventative measures and plans to mitigate these risks all while regularly reviewing and exploring possible opportunities that could expand or better improve Saipan’s casino gaming industry.

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