

# Fiscal Year 2022

# COMMONWEALTH CASINO COMMISSION

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



### COMMISSIONERS

**Edward C. DeLeon Guerrero**  
Chairman

**Rafael S. Demapan**  
Vice Chairman

**Ramon M. Dela Cruz**  
Secretary

**Mariano Taitano**  
Treasurer

**Martin T. Mendiola**  
Public Affairs

### MANAGEMENT

**Andrew Yeom**  
Executive Director

**Ruth Ann P. Sakisat**  
Executive Assistant  
to the Commission

**Thelma Mizer**  
Manager  
Divisions of Enforcement &  
Investigations/  
Permit & Licensing

**Ian Morrell**  
Manager  
Information Technology

**Catherine C. Licop-Mendoza**  
Finance & Accounting

**Keisha Blaise**  
Legal Counsel/  
Assistant Attorney General

## ABOUT US

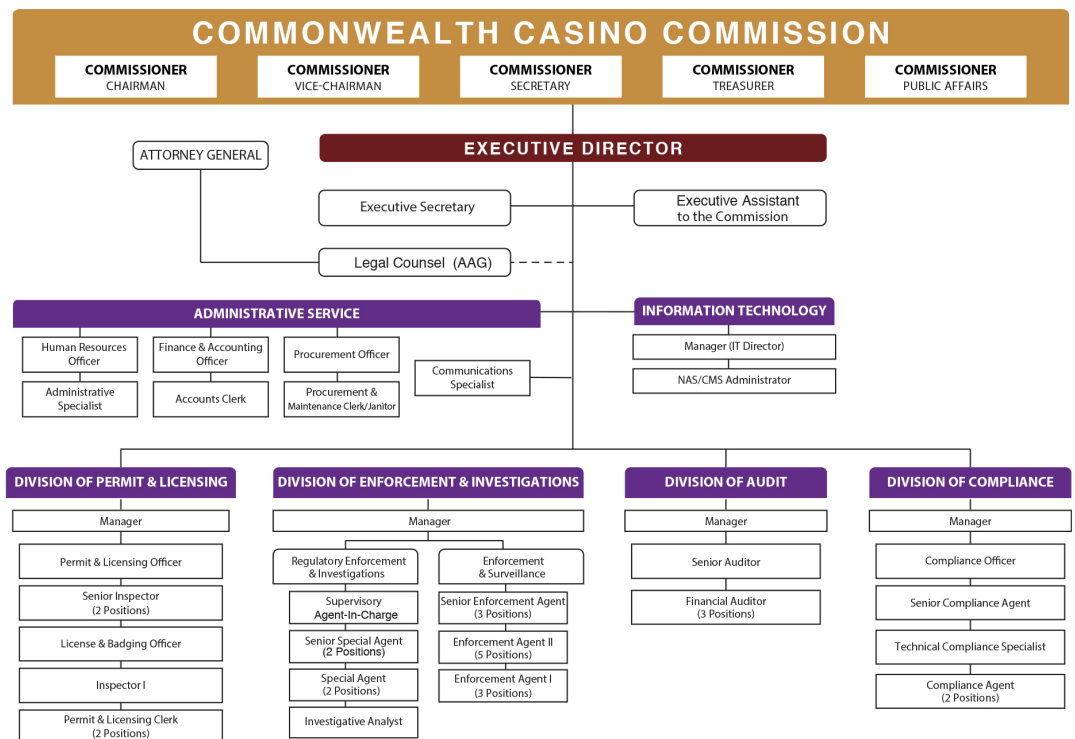
The Commonwealth Casino Commission ("Commission") is the casino gaming regulatory agency of the Commonwealth of the Northern Mariana Islands ("CNMI") government that oversees and regulates the activities of the exclusive casino licensee operating in Saipan. The Commission is comprised of five divisions — 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 statutes pertaining to Anti-Money Laundering and Counter-Terrorist Financing under Title 31 of the U.S. Code;
- 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 (MICS);
- Assist in the implementation of responsible gaming programs and activities to safeguard gaming patrons from problem gambling; and
- Implement enforcement actions against the casino licensee's unsuitable method(s) of operation.
- Research and maximize potential opportunities to build and maintain the casino industry in order to facilitate the economic growth of the CNMI

## ORGANIZATIONAL STRUCTURE

The Commission is comprised of five divisions headed by the Executive Director. 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 2022 (“FY 2022”), there was minimal issuance of licenses for casino employees, key employees, service providers and vendors. The reduction in the number of permits and licenses issued in FY 2022 as compared to FY 2021 is largely due to the ceased gaming operations in March 2020 due to the Covid-19 pandemic mandating closure of all inbound international flights and closure of many business operations on island. The halt of gaming activities continued further with the issuance of Commission Order No. 2021-002 suspending all casino gaming operations because of the licensee’s failure to pay its 2020 annual exclusive casino gaming license fees, failure to pay its 2020 casino regulatory fees, and failure to comply with Commission Order requiring payroll reserves, among other violations.

## ENFORCEMENT ACTIONS

A total of five enforcement actions were filed against IPI, 4 at the end of FY 2021 and 1 in FY 2022. An Administrative Evidentiary Hearing was initially scheduled for May 24th, 2022. However, the hearing was postponed due to the issuance of a Temporary Restraining Order (“TRO”) by the US District Court on May 23, 2022. The TRO ordered the Commission to immediately cease and desist from proceeding with Enforcement Actions 2021-001 to 005 (consolidated). In addition, the CCC was prohibited from receiving financial reports from the licensee during its regular monthly meetings while the TRO was still in effect. On September 26, 2022, the District Court granted a Preliminary Injunction preventing CCC from continuing with its planned revocation hearing. The District Court ordered the CCC to participate in a non-binding arbitration with IPI pursuant to Section 30 of the Casino License Agreement (CLA) before resumption of the revocation hearing.

| LICENSE                          | ACTIVE LICENSE  | ACTIVE LICENSE  |
|----------------------------------|-----------------|-----------------|
|                                  | As of 9/30/2021 | As of 9/30/2022 |
| <b>LICENSE</b>                   |                 |                 |
| Casino Key Employee              | 0               | 0               |
| Casino Regular Employee Casino   | 49              | 10              |
| Junket Operator                  | 2               | 0               |
| Casino Service Provider (Gaming) | 12              | 7               |
| Casino Vendor (Non-Gaming)       | 15              | 1               |
| <b>PERMITS</b>                   |                 |                 |
| Junket Operator Representatives  | 0               | 0               |
| Service Provider Representatives | 0               | 0               |
| Vendor Representatives           | 0               | 0               |
| <b>REGISTRATIONS</b>             |                 |                 |
| Non-Gaming Employees             | 0               | 3               |

| GAMING TABLES    |           |           |
|------------------|-----------|-----------|
| GAME             | MASS      | VIP       |
| Baccarat         | 18        | 30        |
| Blackjack        | 4         | 0         |
| Sic Bo           | 8         | 0         |
| Roulette         | 2         | 0         |
| Saipan Stud      | 2         | 0         |
| Texas Holdem     | 4         | 0         |
| Three Card Poker | 2         | 0         |
| Bull Bull Poker  | 4         | 0         |
| <b>TOTAL</b>     | <b>44</b> | <b>30</b> |

| ELECTRONIC GAMING MACHINES |            |
|----------------------------|------------|
| MANUFACTURER               | QTY        |
| Alfastreet                 | 10         |
| Aristocrat                 | 100        |
| Aruze                      | 40         |
| Bally                      | 24         |
| IGT                        | 12         |
| Konami                     | 38         |
| Shuffle Master             | 44         |
| <b>TOTAL</b>               | <b>268</b> |

| DESCRIPTION OF COMPLAINTS |  |
|---------------------------|--|
| COMPLAINT                 | DESCRIPTION  |
| <b>2021-001</b>           | Failure to Pay Annual Casino License Fee for FY 2020       |
| <b>2021-002</b>           | Failure to Maintain Payroll for 3 Months as ordered by CCC |
| <b>2021-003</b>           | Failure to Pay the Annual Casino Regulatory Fee FY 2020    |
| <b>2021-004</b>           | Failure to Pay the Annual Casino License Fee FY 2021       |
| <b>2021-005</b>           | Failure to Pay the Annual Casino Regulatory Fee FY 2021    |

## TIMELINE OF ENFORCEMENT ACTIONS

| DATE           | ACTION   | CONSOLIDATED/REMARKS  |
|----------------|--|---|
| MARCH 15, 2022 | Order Affirming the Casino Commission’s Suspension of Petitioner’s Exclusive Casino License and Monetary penalties | Commission Order No. 2021-002. Final Order for Enforcement 20-001 and 20-003 (consolidated) |
| MAY 23, 2022   | Temporary Restraining Order  | CCC to Cease and Desist from proceeding with Revocation Hearing on May 24-25, 2022.         |
| SEPT. 26, 2022 | Memorandum Decision Granting Plaintiff’s Motion for Preliminary Injunction and Motion to Compel Arbitration        | Civil Case No. 1:22-cv-00007  |



## 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

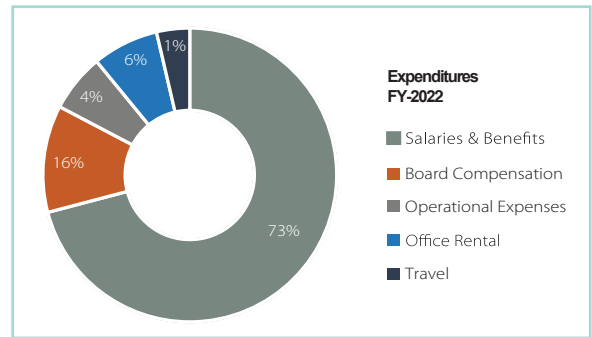
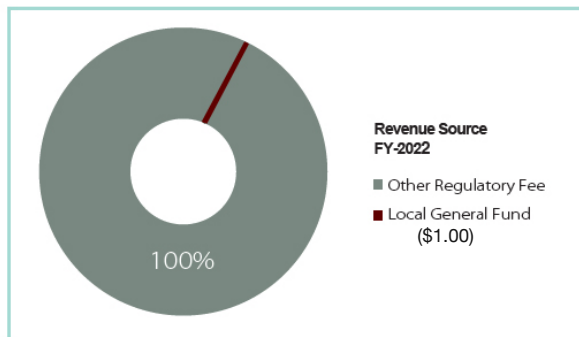
For FY 2022, the Commission's revenue was limited to only \$15,001 due to the Casino Licensee's failure to pay its annual Casino Regulatory Fee of \$3.15M, which was due on October 1, 2021. The Commission's expenses are primarily for employee salaries and benefits and board compensation..

TABLE 1: REVENUE SOURCES

|                       | FY-2021         | FY-2022         |
|-----------------------|-----------------|-----------------|
| CCCRF Fund            | \$0             | \$0             |
| Other Regulatory Fees | \$20,214        | \$15,000        |
| Local General Fund    | \$1             | \$1             |
| <b>TOTAL</b>          | <b>\$20,215</b> | <b>\$15,001</b> |

TABLE 2: EXPENDITURES

|                      | FY-2021            | FY-2022            |
|----------------------|--------------------|--------------------|
| Salaries & Benefits  | \$1,424,606        | \$561,795          |
| Board Compensation   | \$322,234          | \$272,461          |
| Operational Expenses | \$70,287           | \$53,240           |
| Office Rental        | \$120,000          | \$120,000          |
| Travel               | \$18,156           | \$9,117            |
| <b>TOTAL</b>         | <b>\$1,955,283</b> | <b>\$1,016,613</b> |



Commonwealth Casino Commission Staff 2022



2022 Commission Members. (Left to Right) Public Affairs Martin T. Mendiola, Treasurer Mariano Taitano, Chairman Edward C. DeLeon Guerrero, Vice Chairman Rafael S. Demapan, Secretary Ramon M. Dela Cruz



## CHALLENGES:

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

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## CHALLENGES AND OUTLOOK

The Covid-19 emergency declaration remained in effect throughout Fiscal Year 2022. The economy is slowly picking up beginning with a few tourists from the South Korean market and other regions. Businesses have resumed operations, including most hotels and restaurants. There are a few new businesses thanks to several loan programs and grants in the CNMI's attempt to boost its economy. The CNMI continues to struggle to return to pre-pandemic levels of tourism in respect to the hotel and casino industries.

Listed below are some of the challenges facing the casino industry, and the Commission in FY 2022.

### 1. Non-payment of Annual Regulatory Fees

The Casino Commission, through Public Law 19-24, relies on its annual Casino Regulatory Fee of \$3M for its personnel and operations budget. These are the regulatory fees assessed on Imperial Pacific International (CNMI), LLC (IPI) for the issuance of licenses of Casino Employees, Casino Key Employees, Electronic Gaming Machines, Gaming Tables, and related casino equipment and accessories. The licensee has failed to make payments for year 2020, 2021, and 2022, claiming Force Majeure due to the series of typhoons and the Covid-19 pandemic. Their non-payment of the fees is the subject of ongoing litigations in the CNMI and federal District Court. On September 26, 2022, Judge Ramona Manglona issued a written order granting IPI the right to dispute the nonpayment of fees due to force majeure through arbitration. Due to this federal intervention, the Commission's authority to proceed with the revocation hearing is halted, putting the entire casino industry at a standstill. It is the Commission's position that revocation hearings for gaming violations are not subject to arbitration and force majeure is not included in any of the CNMI's gaming statutes. The Commission recommends that the federal District Court ruling on this matter be appealed to the 9th Circuit Court of Appeals as this ruling weakens the CCC's authority to effectively regulate the casino gaming industry. As a result, the Commission is faced with serious challenges to continue its operations without any funding as well as to move the industry forward due to the federal court's intervention on this matter.

### 2. Casino Gambling at a Glance

When the license was first issued, IPI's market strategy was to cater to VIP players from mainland China. Due to changes in the US immigration laws in 2019, Chinese citizens are only allowed a maximum 14-day stay instead of the previously allotted 45 days. Hong Kong and Macau citizens must obtain US visas and are now ineligible for the parole program. Furthermore, China's new anti-gambling laws are very strict and include restrictions on offshore investments in casinos and restrictions in recruiting Chinese citizens to work or play in offshore casinos. Chinese VIP players are no longer a viable target for IPI and there's an apparent need for the licensee to reassess its strategy and business model should they retained their casino license.

### 3. The Building - Initial Gaming Facility

According to reports during CCC monthly meetings, IPI estimates that it will need an additional \$100 to \$250 million to complete the construction of the Imperial Pacific Resort building in Garapan, Saipan. IPI management frequently reports that they are diligently seeking investors to partner with to fulfill its plans to complete the project. If funds are secured, the licensee will need to seek the Commonwealth Lottery Commission's approval to extend the February 28, 2021 deadline for completion of construction, per the Casino License Agreement (CLA), Amendment No. 6. This project calls for the completion of 329 hotel rooms of 5-star quality and 15 villas, along with 14,000 square meters of gaming floor.

## INTERNET GAMBLING

House Bill 22-47, a bill to allow the three Senatorial Districts to establish and regulate Internet gaming in the CNMI failed to make it out of the House of Representatives. Although, the Commission did its research and found that Internet gaming can potentially and legitimately generate revenue for the CNMI (ie. Double-Down's social casino model, and the World Series of Poker Online teaming up with Las Vegas, Delaware, and NJ model that is already enjoying the big success in the online casino gaming space, etc.), its comments bore little or no significance in the bill's movement. The Commission will also need to do its part in developing regulations should the legislation be enacted into law

## CAPACITY

In FY 2022, the Commission started with only 12 employees as opposed to 41 in FY 2021. Despite the drastic reduction in force, the Commission continued with its mandates. Several staff had to wear multiple hats in order to get the job done. Without the infusion of funds through the payment of the regulatory fee or help from the central government, the Commission will soon run out of options and may have to close its doors.

## COMPLIANCE

Imperial Pacific International (CNMI), LLC's ("IPI") compliance with Public Law 18-56, 19-24 and 21-38 continues to be a problem. Its continued disregard of the Casino Regulations and Commission Orders are also adding to the pile of violations. Currently, the exclusive Casino License is suspended until it complies with Commission Order No. 2021-002. IPI appealed the Commission's Order No. 2021-002 to the CNMI Superior Court but Judge Wesley M. Bogdan affirmed the CCC's judgment and orders on this matter. On August 23, 2022, IPI filed an appeal in the CNMI Supreme Court opposing Judge Bogdan's affirmation of the Commission's suspension order. This appeal is still pending at the Supreme Court but since IPI failed to request for a stay pending the appeal, the CCC has requested the court for aid in judgment to collect all amounts due from IPI.

## OTHER FACTORS

House Bill 22-111 was introduced in the House of Representative on July 14, 2022 and seeks to amend the compensation of the Casino Commission members. The Commission submitted comments on the bill indicating that it does not support the bill as it will cause significant challenges to the Commission's efforts to efficiently and effectively regulate the casino gaming industry and enforce its statutory mandates. The bill, if passed, also conflicts with the current compensation level of the Executive Director as provided for in Public Law 18-56. It will also limit the Commission's ability to recruit competent regulatory professionals in a highly competitive gaming industry. The applicability of 1 CMC §8246 and §8248 to the Commission will not fulfill the intent of the bill because Commissioners are not considered employees of the Commission or the CNMI government. Furthermore, the Commission receives only \$1.00 annually from local government funding.

|  |   |  |                      |
|--|---|--|----------------------|
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