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**Vicente B. Babauta**  
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Investigations Manager*

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**Catherine C. Licop-Mendoza**  
*Finance & Accounting  
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**Michael Ernest**  
*Legal Counsel, Assistant  
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**ABOUT US**

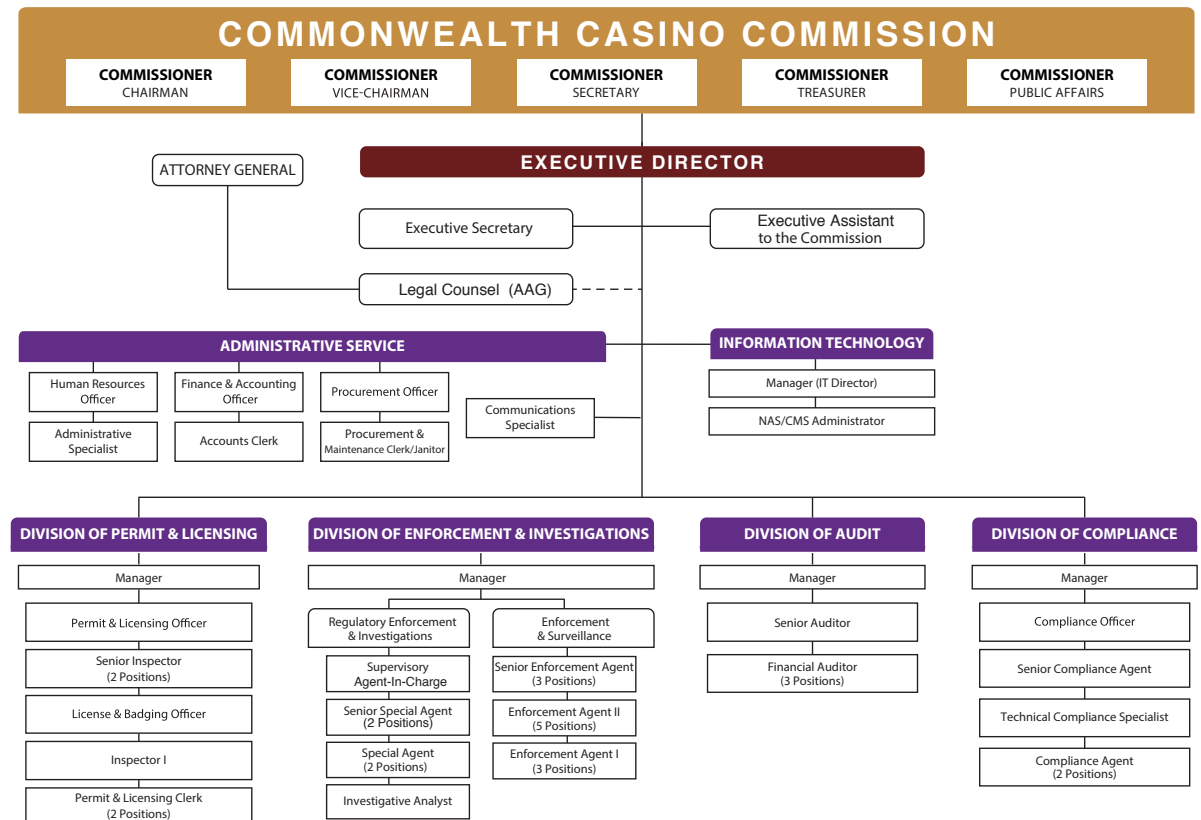
The Commonwealth Casino Commission (“Commission”) is the casino gaming regulatory agency of the Commonwealth of the Northern Mariana Islands Government that oversees the activities of the exclusive casino licensee operating on Saipan. The Commission is comprised of five divisions—Executive Division, Division of Enforcement & Investigations, Division of Permit & Licensing, Division of Compliance, and Division of Audit. The Commission consists of five Commissioners who act as the policy making body.

**GOALS**

1. Protect the integrity of casino games, equipment, and accessories;
2. 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;
3. Prevent unsuitable persons and vendors from doing business with the Casino Licensee;
4. Monitor the financial suitability and viability of the casino licensee and other vendors licensed by the Commission;
5. Monitor the Casino Licensee’s compliance with Federal and CNMI laws, regulations, and the Minimum Internal Control Standards; and
6. Assist in the implementation of responsible gaming programs and activities to safeguard gaming patrons from problem gambling.

**OPERATIONAL STRUCTURE**

The Commission has fifty-one (51) authorized full-time equivalent (“FTE”) employees across its five divisions:





## 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 2019 (“FY 2019”), 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 FY2019	ACTIVE LICENSE as of September 30, 2019
<b>LICENSES</b>		
Casino Key Employee	20	15
Casino Regular Employee	537	472
Casino Junket Operator/ Promoter	9	9
Casino Service Provider - Gaming	6	25
Casino Vendor – Non-Gaming	42	57
<b>PERMITS</b>		
Casino Junket Operator Representatives	3	3
Gaming Service Provider Representatives	3	0
Non-Gaming Vendor Representatives	55	37
<b>REGISTRATIONS</b>		
Non-Gaming Employees	1,750	736

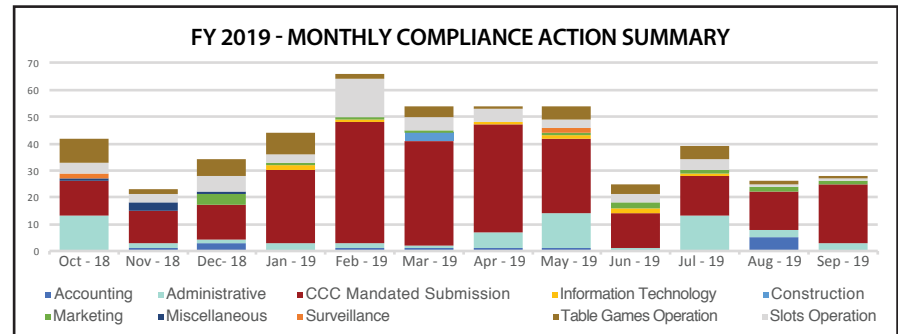
The following tables detail the number of active casino games that have been approved by the Commission as of September 30, 2019, at the Pacific Imperial Resort & Hotel (IPR) in Garapan, Saipan.

GAMING TABLES As of September 30, 2019			ELECTRONIC GAMING MACHINES (EGMS) As of September 30, 2019	
GAME	MASS	VIP	MANUFACTURER	QTY
Baccarat	18	30	AlfaStreet	10
Blackjack	4	0	Aristocrat	100
Sic Bo	8	0	Aruze	40
Roulette	2	0	Bally	24
Saipan Stud	2	0	IGT	12
Texas Hold'em	4	0	Konami	38
Three Card Poker	2	0	Shuffle Master	44
Bull Bull Poker	4	0		
<b>TOTAL</b>	<b>44</b>	<b>30</b>	<b>TOTAL</b>	<b>268</b>

## NEW WEBSITE!

During Fiscal Year 2019, the Commission launched its official website ([www.cnmicasinocommission.com](http://www.cnmicasinocommission.com)) and has provided numerous resources to keep the public informed on who we are, what we do, our statutes, regulatory forms, meeting agendas, minutes, and more. The Commission also released its first Multi-Year Report that covers activities from July 2014 to September 2018.

In FY 2019, the Commission has reviewed, processed, and acted on a total of 482 IPI compliance-related events.



Throughout FY 2019, the Commission has met and promulgated the following Commission Orders:

COMMISSION ORDERS	
ORDER NUMBER	ORDER TITLE
Commission Order No. 2019-001	Order stating Executive Director's authority over hiring of Commission staff and authorizing Executive Director to promulgate the terms and conditions of Commission staff employment
Commission Order No. 2019-002	Order temporarily suspending, in part, Minimum Bankroll Requirements
Commission Order No. 2019-003	Order confirming stipulated agreement in DEI 18-0024-I (Executive Director v. Imperial Pacific International (CNMI), LLC) – Minimum Bankroll Requirements
Commission Order No. 2019-004	Order confirming stipulated agreement in DEI 19-0006-I (Executive Director v. Imperial Pacific International (CNMI), LLC) – Annual Casino License Fees

In FY 2019, the Commission has taken the following enforcement actions and issued the penalties listed below:

ENFORCEMENT ACTIONS		
LICENSEE	RELEVANT STATUTE / ORDER	FINANCIAL PENALTY
Imperial Pacific International (CNMI), LLC	NMIAC §175-10.1-560 CCC ORDER 2019-003	\$220,000.00
Imperial Pacific International (CNMI), LLC	4 CMC §2306(b)(3) & NMIAC §175-10.1-610 CCC ORDER 2019-004	\$375,000.00



**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**

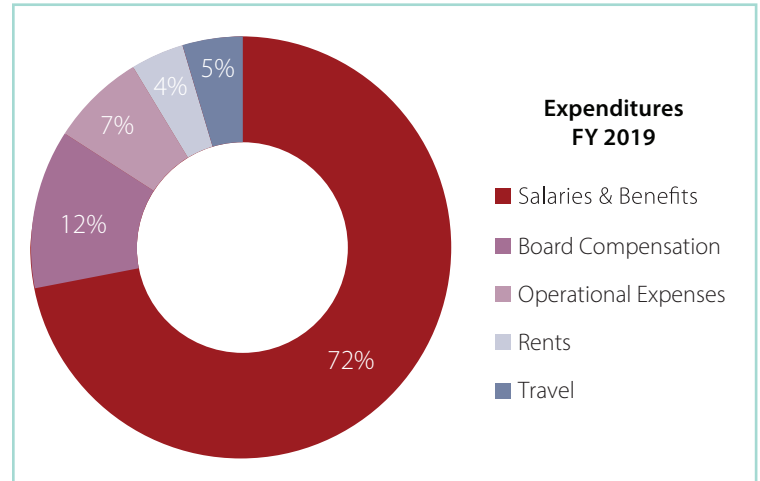
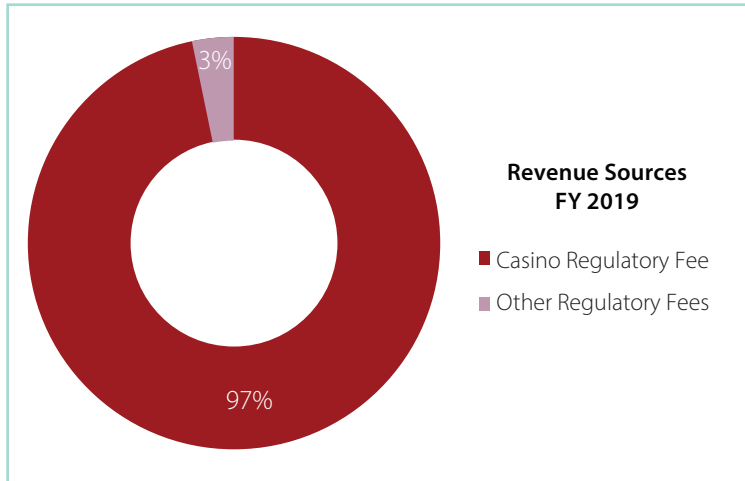
For FY 2019, the Commission's budget is \$3,100,328, derived from the Commonwealth Casino Commission Regulatory Fee (CCCRF) Fund. Revenue Sources and Expenditures are shown in Table 1 and Table 2, respectively.

	FISCAL YEAR 2018	FISCAL YEAR 2019
CCCRF Fund	\$3,000,000	\$3,000,000
Other Regulatory Fees	\$151,242	\$100,328

**TOTAL \$3,151,242 \$3,100,328**

	FISCAL YEAR 2018	FISCAL YEAR 2019
Salaries & Benefits	\$2,009,754	\$1,926,720
Board Compensation	\$313,774	\$324,996
Operational Expenses	\$315,799	\$193,471
Office Rental	\$85,956	\$109,000
Travel	\$221,898	\$123,157

**TOTAL \$2,947,181 \$2,677,344**



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 personnel 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 activities that involve criminal elements.



Commonwealth Casino Commission Division Employees of the Year.



## 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

### COURT ON MANDATED DISCLOSURES

The Commission was challenged in the CNMI Superior Court through the filing of a preliminary injunction by the exclusive casino licensee and its subsidiaries regarding the release of information contained in its audited financial statements and the Commission was simultaneously placed under a Temporary Restraining Order (“TRO”). The Commission, through the Office of the Attorney General, removed the case to the U.S. District Court of the CNMI, where U.S. District Court Judge Ramona V. Manglona extended the TRO and subsequently decided to deny the preliminary injunction. Immediately after, the exclusive casino licensee appealed to the U.S. Court of Appeals for the Ninth Circuit, where the U.S. District Court order was stayed. However, the Ninth Circuit Judges A. Wallace Tashima and Milan D. Smith Jr. subsequently denied the appeal that would prevent the Commission from disclosing IPI’s unredacted financial statements.

### AUTONOMY AND ENFORCEMENT

The Commission has been pursuing clarity in its autonomy through House Bill 21-11 with the support of the 21st NMI Legislature’s House Committee on Gaming. This Bill would allow the Commission to be a proper autonomous public agency as intended by CNMI Public Law 19-24. The Bill would also designate the Commission as a law enforcement agency, which is necessary for the Commission to link with other law enforcement agencies whether state, local, or federal and have the ability to share and access investigative and enforcement resources. In addition, the Bill would criminalize cheating, reinforce safeguards against doing business with unsuitable and unlicensed persons, and strengthen the Commission’s authority over the activities of the exclusive casino licensee.

### CLA COMPLIANCE

One of the current and future challenges is ensuring that the exclusive casino licensee complies with its contractual obligations, most especially that of the Casino License Agreement (“CLA”). The Casino License Agreement is an agreement between the Commonwealth Lottery Commission and the exclusive casino licensee, Imperial Pacific International (CNMI), LLC (“IPI”). It outlines three different mandated phases of development of the exclusive casino license down to the number of four- or five-star hotel rooms, square meter of gaming area, square meter of food & beverage and retail outlets, number of villas and other integrated resort amenities. Furthermore, there is a required timeline for these phases to be completed and operational as well as other conditions like the contribution of a Community Benefit Fund. The Commission works with the Commonwealth Lottery Commission and the Office of the Governor in monitoring the exclusive casino licensee’s compliance with the Casino License Agreement.

### CAPACITY

As the different development phases complete and begin operations, the Commission is concerned with capacity as the 24/7 casino gaming and related activities are expected to grow significantly while the Commission’s financial resources are primarily fixed for every five years with a slight five percent growth. The Commission believes that it will need more financial resources to successfully build the necessary capacity to meet the expected exponential growth in its scope.

### INTERNET GAMBLING

The 21st NMI Legislature’s House Committee on Gaming has been actively pursuing the legalization of internet gambling in each of the Senatorial Districts of the CNMI and has drafted House Bill 21-31 that proposes to legalize it. There have been many discussions as to which government agency will promulgate regulations and oversee this industry; however, the Commission has been viewed as the likely regulator for this industry. Should this Bill become law and the

Commission be the designated regulatory agency, the challenge will be building the capacity to properly and effectively regulate this new industry should no supplemental funding be appropriated to off-set this additional responsibility.

### E-GAMING

The Commission embraces streamlining and unifying the CNMI’s regulatory body by combining casino regulatory oversight with the regulatory oversight of electronic poker, e-gaming, pachinko, and maybe even the lottery. Securing the necessary funding resources to handle the additional responsibilities will be a continuing challenge.

### COMMISSIONERS TERM EXPIRATION

On April 30, 2020, the six-year terms of three of the five Commission board members will have expired. These three Commission board members all represent Saipan and once their terms expire and there are no confirmed appointments, the Commission will be unable to convene due to the lack of quorum requirements. Nevertheless, there is a likely chance that confirmed new Commission board members will have no experience in the casino gaming industry and it may take several months to possibly a few years for them to gain a comprehensive understanding of this industry.

### JUNKET OPERATORS

Based on existing gaming activities on Saipan, over 90% of all gaming revenues derive from gaming tables within the VIP operations and the rolling program. Less than 10% of the revenue comes from mass gaming tables and electronic gaming machines (slot machines). Due to liquidity needs, Casino Junket Operators and Promoters are necessary to ensure success of the CNMI’s VIP gaming industry. The Commission is doing its best to perform due diligence and other suitability review prior to issuing the junket licenses. To date, nine (9) Junket Operators/Promoters have been licensed by the Commission to work with IPI in bringing in VIP players.

### OTHER FACTORS

The CNMI’s number one economic industry is tourism, which has seen over 607,000 tourist arrivals in Fiscal Year 2018. The casino gaming industry on Saipan is a new industry and fundamentally serves as a tourism enhancement activity for the CNMI’s growing tourism market. Saipan’s casino industry is affected by a variety of unique challenges in the Asia-Pacific region. Primarily activities surrounding new construction, access to skilled labor force for hotel and gaming operations, federal control of our immigration system (limiting movement of visitors through our ports of entry); limited direct international flights to the CNMI; the CNMI’s limited infrastructure (water, power, sewage treatment facilities, port facilities, etc.); increased regional government controls and restrictions on movement of funds all remain significant challenges to the success of our gaming industry.

The Commission is continually looking at the long-term horizon for potential risks so as to implement preventative measures and plans to mitigate these risks. At the same time, the Commission is regularly reviewing and exploring future opportunities that could expand or better improve Saipan’s casino gaming industry.

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