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LEGAL & INSURANCE DEPARTMENT
LEGALLY PRIVILEGED - CONFIDENTIAL MEMORANDUM

To: NOTE TO FILE

From: Debra Tegoni

Date: 17 September 2013

Subject: **China Union Pay**

QUESTION

If the use of a China Union Pay card at Crown ultimately to purchase chips, as a legal transaction, such that it would not be at risk of being clawed back and so create a commercial risk for Crown.

SUMMARY OF ISSUES

1. The CBA sent an email to Crown stating that the use of China Union Pay transactions cannot be used to place bets or purchase gaming chips (stating that they don't believe this is permitted from Hotels anyway).
2. It is not clear on what basis they state this and I do not have the CBA Terms and Conditions. I do understand, however, that we are using CBA to provide the service at this point in time. There are clear risks with this.
3. By way of contrast the NAB Letter of Offer dated 13 March 2012 (presumably it is needing to be updated and new terms and conditions obtained) currently specifies that an acceptable Nominated Card includes China Union Pay cards.
4. On this basis the NAB Merchant Agreement, specifically clause 4.1(k), allows a nominated card, ie CUP card to process a "quasi-cash transaction" (a purchase of goods easily converted into cash such as gaming chips, money orders or foreign cash) as a purchase transaction, not a cash-out transaction.

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5. This needs to be taken into account when looking at the hotel accounts, as it must state that it is a purchase transaction. This clearly envisages that a CUP card can process these transactions. *We assume it's a legal transaction (of POC issue)*
6. Further, clause 4.17 also talks again about merchants conducting "quasi-cash transactions" in the same vein – therefore indicating that they are acceptable. *↓*
7. Note that a transaction will not be valid (and therefore not honoured and therefore Crown could be at risk) if the transaction is illegal pursuant to clause 9.1(a) or if the merchant has not complied with obligations under clause 3.7 (9.1(n)). Clause 3.7 provides that under no circumstances can a Union PayPal transaction be processed to give the Union Pay cardholder **cash**. Accordingly, in relation to Roland's note we need to clarify that the transaction **cannot** be used for cash under any circumstances.
8. It appears that the use of China Union Pay cards, for the purposes set out and approved by the NAB, are therefore legal and we can make that assumption. Query whether it would be preferable for us to specify or clarify with the NAB that provided we do not provide cash, we can provide chips to process a quasi-cash transaction and on the basis of that assurance, (which ideally should be documented either by email or by a note of telephone conversation). We could then rely on that to refute any transaction being invalid or illegal – but their current terms appear clear anyway. *Did we?*
9. It appears that there are little grounds upon which the transaction could be considered illegal. Gambling run by the casino here in Melbourne is legal. It is legal for any person, as far as we know, to gamble here in Australia.
10. If it is in fact illegal for a Chinese resident to gamble overseas (which I don't think is the case) then that is a matter for the individual patron. *subject to POC & NAB's terms & conditions*
11. If the patron were ultimately to refute the transaction we would have to rely on documentation that supports his or her presence here and that the transactions did occur ~~at~~ and **NOT** for cash. Presumably we would be able to verify any claim that they were not here and not part of this transaction.
12. If in fact they disputed the transaction we would not be able to enforce the debt against assets in China but it would be unlikely that this would need to occur. This presents less risk than credit for Crown.

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13. Overall, provided we stayed within the provisions of the *Casino Control Act* such that the transaction occurs at least 50 metres from any entrance to the casino floor (I understand at the hotel desk) it is ok. There is a technical risk that the transaction is only completed on the gaming floor (by giving the chips). We have been doing this for a long time and this has been acceptable. I think on balance we would win that argument, given that the policy behind the ATM restrictions (50 metres away from the casino floor) was really to ensure that people have the time and opportunity to reflect and this is what we have allowed them to do well and truly as they are conducting the transactions 50 metres away from the casino floor and then having to go back to obtain chips from the Mahogany Cage pursuant to a cheque purchase voucher (CPV).
14. The transaction occurs here. It is hard to see how the transaction could be illegal unless NAB have changed their Terms and Conditions or specified that using a China Union Pay card for a quasi-cash transaction such as this is now illegal and invalid. This should be clarified and a new letter of offer obtained.

I advised Roland of all of this on 17/09/2013.

Did we do this?