

# MinterEllison

6 Jul 2018

## BY EMAIL

Mr Joshua Preston  
Chief Legal Officer - Australian Resorts  
Crown Resorts Limited

Dear Josh

### International VIP Business Operations

We refer to our various discussions on this subject.

We have received a report from Hakluyt. In light of that report, we advise as follows.

#### Hakluyt's inquiries

- Hakluyt consulted 85 sources in four jurisdictions as follows:

Macau	28
China (ex-Macau)	16
Singapore	16
Malaysia	25
<b>Total</b>	<b>85</b>

- Hakluyt's sources are described as:

Government	32
Operator	22
Adviser	18
Business	10
Journalist	3
<b>Total</b>	<b>85</b>

#### Macau

- Hakluyt considers Macau to be 'a challenging re-entry proposition', but says 'careful marketing is possible'. By 'careful marketing', Hakluyt means marketing of Integrated Resorts (IRs) and visitor services, not mentioning gambling, and activity strictly confined to Macau, not crossing into mainland China.
- This appears to us to mean in practice that Crown's operating protocols in relation to Macau should essentially remain to the effect that:
  - staff operating in Macau do so from the HK office;



- (b) if staff meet in Macau with any VIP customer, they do not discuss travel or accommodation arrangements for a future visit to Crown, or terms of play for a future visit (amount of front money, payment of front money, commissions, incentives, etc.). Any such discussions are to be handled by telephone from HK or elsewhere outside Macau; and
  - (c) staff can have discrete meetings with DICJ-licensed junket operators, and arrangements for future visits to Crown Resorts may be discussed in general terms, subject to final arrangements being made through communications from HK or Crown in Australia.
5. Hakluyt sees little point in arranging a meeting or discussion with DICJ – no greater clarity is likely to be gained from doing so.
  6. Hakluyt did not consider whether staff who are Chinese nationals or Macau residents face any different nature or degree of risk than foreign nationals or non-Macau residents when operating in Macau.
  7. In relation to the general environment in Macau, Hakluyt says:

***'Looming concession expiry dominates regulatory thinking***

*The forthcoming expiry of Macau's six casino concessions – two licences are due to expire in 2020 and four in 2022 – dominates regulatory thinking on gaming in the Chinese enclave. Prospects for wider regulatory action, in the short term at least, appear to be limited, in part because of uncertainty over Beijing's plans for the leadership of the Macau special administrative region (SAR).*

*An overhaul of the licensing framework, including the sub-licensing system, is possible, but thought unlikely to happen before a new chief executive for the region is appointed to replace Fernando Chui, whose term expires in December next year.*

*As a former official in the Liaison Office of the Central People's Government of Macau ("Beijing Liaison Office") put it: "Macau is at a crossroads. There will be a new chief executive in 2019 and I doubt we'll hear anything solid from Beijing before then."*

*Similarly, an experienced former international regulator living in Macau told us: "We're unlikely to see any major reforms until a new CEO is in place. Beijing will want these decisions made in a single administrative term."*

*At the same time, Beijing's preoccupation with corruption among officials in Macau is likely to act as a further brake on any short-term regulatory change. The former international regulator, who has followed gaming in Macau for 15 years, said: "Beijing's reaction to recent corruption in the chief executive's office and the DICJ [Macau Gaming Inspection and Coordination Bureau or Direcção de Inspeccao e Coordenacao de Jogos] has led to confusion and further delays from Beijing."*

***Most marketing regulation concerns junkets***

*In contrast to licensing, the regulation of marketing activities in Macau is, in the words of a functional constituency member of the Macau Legislative Assembly, "an ancillary issue". Other than restrictions on advertising, regulatory action is almost exclusively focused on junkets. And, according to an executive at a Macau casino operated by a US group: "The regulators' emphasis is on licensing and capital requirements rather than scrutiny of the actual activities of junket operators."*

*Controls on junket operators have recently been tightened. According to the functional constituency Legislative Assembly member: "There are 109 licensed junket operators in Macau. This figure has been declining steadily in the past few years due to regulatory moves imposing stricter operating rules on the promoters, notably higher capital deposits. This has weeded out some of the smaller players."*

*Looking ahead, and notwithstanding the current government uncertainty, there could be some further tightening of regulations for junket operators in the enclave.*

*Any short-term changes to junket licensing, though, are thought unlikely to be major, doing little to change the generally passive stance of the Macau authorities towards the marketing activity of foreign casinos and expected to have little meaningful impact on their operations.*

*A partner at a Macau law firm specialising in gaming regulation remarked: "There is currently a guessing game over what will happen with the concessions, but absent promises to tighten junket regulation, the situation on marketing in Macau looks very much one of status quo."*

### **Key personnel changes could lead to regulatory reform**

*...the view among our mainland sources is that substantial changes to personnel overseeing key administrative bodies can be expected and that these moves, when they come, may lead to deeper regulatory reforms affecting Macau directly. A gaming industry consultant, well connected in Beijing, pointed to a possible future focus on Macau: "Xi's consolidation of power could lead to significant changes. The fact that a Central Committee vice minister, Zheng Xiaosong, was appointed director of the State Council's Liaison Office in Macau in September 2017 is evidence of that."*

*Media reports suggesting that Han Zheng, a member of the Politburo Standing Committee, is to lead the Central Coordination Group for Hong Kong and Macau Affairs (HKMAO) are seen as a further indication of Xi's likely intention to focus on Macau. A regional casino expert now working for the Singapore Casino Regulatory Authority (CRA) said: "This is just one of many indications of an increasing focus. But as the National People's Congress only held its first session in March, I'm expecting the big changes to HKMAO are yet to come."*

*These appointments have stoked speculation in Macau about what might lie ahead.*

*The gaming industry consultant suggested: "President Xi's disappointment with Macau's efforts to reduce official corruption is viewed with increasing trepidation in the casino industry. There are concerns that the reason for the silence on concessions and new junket regulations is that Zheng Xiaosong is preparing to clean house in Macau and that he's been instructed to micro-manage the industry's regulatory process."*

*The nature of any longer-term reforms, though, is unclear. We heard nothing to suggest, for example, that there would be a tightening of the rules governing the marketing of casinos in Macau itself. A lawyer advising casino industry clients in Macau said: "Laws are being jammed down Macau's throat by Beijing, but not laws changing the way casino marketing happens. They like the money too much to rock that boat."*

### **There may be renewed efforts to clamp down on VIP junkets...**

*More likely are renewed efforts by central government to clamp down on VIP junkets, which it regards as linked to organised crime and money laundering, and a campaign – as we explain below – to encourage Macau to tap the potential of the mass consumer market as part of wider economic development plans.*

*Beijing sees a direct link between casinos, international money laundering, junket operators and organised crime. According to the executive at a Macau casino operated by a US group: "Junkets are controlled by organised crime syndicates in Hong Kong and Macau. US law enforcement compiled a list of the junkets and their controlling triad organisations in the run-up to the handover of Macau in 1999. That list remains an accurate depiction of the situation today."*

*The gaming industry consultant noted: "There is no mistaking President Xi's perception that Macau has played an integral role in money laundering for the military and senior party officials." And a University of Macau professor researching the industry observed: "The huge financial flows into Macau, both legal and illegal, are a major concern for Beijing – both for financial security and national security reasons."*

*In this context, a Bank of China (BOC) executive in Macau told us that it is already taking steps to tighten its controls, as part of wider curbs on international money flows: "We are*

*the bellwether of compliance in terms of banks operating in Macau and our compliance team over the last year has grown from zero to over 100 staff."*

*In addition, there is government concern about the role played by junket operators in debt recovery in mainland China. A former law enforcement regulator commented: "As the majority of Macau's casino income comes from China, where collecting casino debts isn't possible as gambling is illegal, organised crime has been an essential part of the debt collection process."*

*Beijing, though, is likely to want to strike a balance in any further reforms so that anti-corruption measures do not put at risk Macau's financial health. As the former international regulator put it: "Despite a crackdown on their operations, the junkets are still the major source of revenue for casinos. Fewer junkets mean fewer triads, but also mean lost revenue. And that is something Beijing may not want to see as further efforts are made to rein in corrupt activity."*

#### **...and a drive to develop Macau's wider, mass-market potential**

*Indeed, more broadly, the government wants to develop what it sees as Macau's economic potential. Said a former Macau government official turned political analyst: "Beijing sees Macau as an integral part of its long-term plans for the [Pearl River] Delta region. Infrastructure to increase the number of visitors to Macau to 50 million a year is being developed."*

*He added: "This, of course, is good for the casino mass market, but not necessarily for the junkets."*

*A former law enforcement regulator in Macau elaborated: "The central government wants to see Macau develop more like Singapore, with family-entertainment venues, promoting the territory to lower and middle-income tourists, not just high rollers."*

*An official at the China Liaison Office in Macau suggested that the government was more amenable to promoting the territory in this way because government-approved security systems, such as facial recognition, have been installed in every ATM within close reach of a casino in Macau. He said: "This gives them a lot more comfort on the mass market."*

*It's worth noting that Macau operators are already responding to this shift in thinking by concentrating more on the development of their mass-market operations, including retail. "We've changed our marketing strategy full circle," a marketing executive at Sands Group China said. "We're generating nearly \$400 million in revenues just from shopping. The casinos are making a little less than that."*

8. In relation to marketing strategies, Hakluyt says:

#### **'Private VIP marketing restricted to Macau remains relatively low risk...**

*In Macau, provided it is done judiciously, VIP marketing can be relatively low risk, we were told. The Macau law firm partner noted: "The casino operators may market on a private basis. Usually they will have a portfolio of VIP clients and they take them for dinner, drinks and to a show, and of course they are marketing their casino overseas. Technically, if you are promoting any kind of gaming, you have to be licensed. But these private situations are impossible to police."*

*The China Lotteries Commission official concurred: "The MPS casino teams constantly monitor the marketing that the operators are doing. But if the companies are careful and never directly promote the casino, it is difficult for the MPS to stop them. What they do instead is target financial movements." A gaming industry specialist at the Macau Trade and Investment Promotion Institute added, as an aside: "I suspect the main risk is that other casinos might be jealous and if you ever used the word 'casino' in promotional or marketing materials, or even in conversation, they might report you to the DICJ."*

#### **...and a marketing office would not invite undue attention**

*Nobody voiced any concern about the implications of opening a marketing office in Macau, on the assumption that it would be solely to market non-gambling services.*

*The Macau law firm partner told us: "Some foreign casinos have set up office in Macau. It is a very straightforward process. I see no reason why the current political circumstances would make that markedly more risky than it was in the past."*

*However, several contacts noted that if the office were to arrange travel independently for high rollers to another country, then it would need a travel agency licence.*

#### **Any public marketing in Macau must focus on IR services**

*Any public marketing in Macau should avoid mentioning casinos or gaming and focus instead on IR and visitor services. The China Folk Anti-Gambling Association official said: "You can market your hotel or resort and you can arrange travel to the hotel or resort, but you absolutely cannot market the casino until your customer is in your country." Even then, foreign operators "must tread warily", remarked an Asian gaming industry veteran.*

*Casinos in Macau are, perhaps unsurprisingly, investing significantly in non-gambling IR infrastructure and services. The former Beijing Liaison Office official commented: "All the casino operators are hedging. They either want to retain their licence or want the government to issue a new licence. The incumbents have been investing heavily in non-gambling capital works projects, building new hotels and theme parks. Ultimately, Beijing expects a casino operator to bring more to the table than just gambling."*

*Yet, while marketing IR services in Macau appears to be relatively low risk, it will still be noticed on the mainland, which is something operators should bear in mind. An academic and adviser to the MPS noted: "Even if you don't send staff to mainland China to promote your casino, this sort of activity [marketing IR services] does raise your profile over there and might give the MPS cause to watch you more closely."*

9. In relation to competitor activity, Hakluyt's comments are as follows:

#### **'Sky City and The Star are active and being watched by the MPS**

*As you are aware, both Sky City and The Star continue to market their Australian and New Zealand properties in Macau. The veteran Asian gaming industry executive confirmed: "Sky City and The Star each have offices or full-time reps on the ground in Macau."*

*We also heard that both operators are marketing their casinos on the mainland through junket operators. The Sands Group China executive told us: "I've seen them promoting baccarat tournaments through their junket operators on the mainland quite recently. Why they wish to continue doing this after the fallout from the Crown Resorts affair, I don't know. It is pretty stupid. Eventually the government will clamp down on them."*

*Certainly, this activity would appear to be risky. The academic and adviser to the MPS said: "Both companies are on MPS watch lists. The MPS knows they're operating illegally to promote their casinos in China, but hasn't been able to prove it to a degree that would enable arrests and prosecution. I expect that, at some point, The Star and Sky City employees will be caught. The MPS is determined to catch them."*

*An analyst at a Beijing consultancy advising the Ministry of Industry and Information Technology (MIIT) on internet gambling, similarly, commented: "MPS doesn't have evidence of The Star or Sky City actually doing this, because they've both been a bit more careful. But I expect they'll get caught at some point, either through undercover agents or through someone being careless."*

#### **The Star's new junket partnership brings scale**

*Several sources drew a distinction between the two companies' approaches, identifying The Star's partnership with Chow Tai Fook Enterprises and the Far East Consortium as possibly a lower-risk, and larger-scale, way to market junkets.*

*According to the Asian gaming industry executive: "Partnership is the best way for an Australian operator to proceed under the current circumstances. You reduce risk by working through the partner's networks. The Star may well have accomplished this with Chow Tai Fook Enterprises and Far East Consortium. Both are headquartered in Hong Kong and have extensive contacts throughout China and Macau." A gaming analyst in*

Macau agreed: "The Star has gone for scale by teaming up with these seasoned players. They are going for critical mass."

You will form your own judgment on whether to pursue a similar strategy. However, you should be aware that The Star's arrangement may expose it, albeit indirectly, to links with organised crime. A directly elected pro-democracy Legislative Assembly member explained: "The Star uses junkets or sub-junkets, via Chow Tai Fook, which is controlled by the family of the late Cheng Yu-tung. The family has partnered with junket operator Suncity in a number of deals over the years. Suncity is Macau's biggest junket operator and it's run by Alvin Chau Cheok Wa, who in his youth was part of the 14K triads."

#### **Sky City is active in targeting high rollers, primarily through private marketing**

Sky City, it appears, has been targeting high rollers in Macau. A long-time manager of several casinos in Asia told us: "Sky City is going after the high-roller market quite aggressively, offering both deposit bonuses as well as welcome bonuses for VIPs they know have been active for several years."

A former Genting marketing executive said of Sky City's activity in Macau: "Of the foreign operators marketing in Macau, Sky City appears to be the one focusing most on VIPs, offering bonuses and hosts. The other Australian casinos are going for the families and mass market and perhaps hoping a VIP will emerge. I think the latter approach is probably the safer one."

Indeed, the company's focus on private VIP marketing in Macau may serve to keep it below regulators' radar. The functional constituency Legislative Assembly member explained: "The scale of what Sky City is doing in Macau is negligible compared to others. It isn't something the regulators would take notice of."

The Sands Group China executive agreed: "They are, I think, only attracting a relatively small-time type of high roller. The government is less interested in these gamblers, so they are probably looking at Sky City with one eye closed. They are monitoring the really big high rollers [betting a minimum \$250,000 a night]."

Regulators do not yet seem to have identified any problems. A director of the company registration division of the State Administration for Market Supervision told us: "They [Sky City] are promoting their resorts in China. As far as we know, they haven't openly promoted their casinos. I don't rule out the possibility they may promote their casinos privately, but it's difficult for us or other regulators to find out unless their customers report it to regulators."

10. In relation to approaching DICJ, Hakluyt says:

**'Communicating with the Macau authorities carries lower risk [than communicating with mainland China authorities]...**

However, communication with the Macau authorities involves minimal risk, particularly in the context of licensing. The China Lotteries Commission official confirmed such communication would be unlikely to attract undue attention from mainland regulators: "I can't see this causing any problems with the mainland authorities."

Several contacts nominated specific Macanese officials potentially worth communicating with. The DICJ official said: "The key decision-maker here would be the director of the [DICJ] bureau Paulo Martins Chan. But Kam Lei Cheang, director of auditing, and Sut Ioc Chan, director of research, would also be worth speaking to."

Paulo Martins Chan, in particular, was identified as worth cultivating. A source close to the president of Sands China told us: "Over the last two years I have been impressed with how much younger he [Chan] is in terms of his attitude towards the industry. He is open to other forms of gambling, unlike in the past where only the traditional games were allowed. We are currently studying sports and e-games betting with him, because today's players are placing substantial money on those forms of gambling."

**...but don't expect a meaningful response**

*The benefits of direct contact are likely to be limited, however. Despite the lower risk of communicating with Macau's regulators, you should not expect a meaningful response from them. The regional gaming consultant cautioned that it is unclear among local operators whether casino industry executives should approach Fernando Chui, officials within his office or the DICJ's senior officials such as Paulo Martins Chan, deputy director Leong Man Ion or Sut loc Chan: "Some believe it is best to keep their heads down and await the regulatory changes that are likely to be coming."*

*More generally, we were told that, for the most part, regulatory officials are unlikely to provide actionable responses to queries. As the Macau law firm partner put it: "Talking to them would make little difference. It won't elicit a meaningful answer. They will just set out the legal requirements in Macau." And the executive at a Macau casino operated by a US group added: "Macau's gaming regulators are notorious for not talking to anyone. They don't have to. If you approached them, they would give a generic response."*

**Singapore**

11. Hakluyt considers the operational risks in Singapore to be generally lower than Macau. Hakluyt did not consider whether there was any different degree or nature of risk for Singaporean nationals or residents operating in Singapore.
12. By way of background in relation to Singapore, Hakluyt says:

**'Singapore has traditionally been averse to gambling...'**

*The Singaporean government has traditionally been negatively disposed towards gambling, reflecting wider public concern about its social impact.*

*As a director at the Ministry of Home Affairs (MOHA), the ultimate regulator of casino activity via the Casino Regulatory Authority (CRA), put it: "Singapore's thinking on gambling has long been clear. We generally want the locals to stay out of it unless they have more than enough spare cash after providing for their day-to-day needs."*

*A director of Genting said: "Singapore has conservative attitudes towards gambling and people worry about the negative social effects of casinos on younger residents."*

**...but there is an acknowledgement of the economic benefits of casinos**

*However, the thinking of contemporary policy makers has shifted. There is now a clear acknowledgement of the economic benefits that casinos can bring, including through tourism.*

*The Genting director again: "When Lee Kuan Yew was prime minister [1959-90], there was no way the government would tolerate gaming, let alone issue casino licences. But the situation has changed since then as the government, in wanting to stimulate growth, has sought new sources of revenue, including from gaming."*

*A retired Singapore military officer, who maintains close political connections, agreed, noting that the country's IRs were a major attraction for foreign visitors: "The government's attitude to the existing casinos is much more positive now. Singapore benefits from the income and new facilities for family entertainment. Tourism is important to us and these resorts are a big draw."*

*And a director in the government's Public Service Division added: "Josephine Teo, second MOHA minister, is examining the challenges for the casino industry in Singapore. It's been elevated to this level because tourism makes such a big economic contribution. She wants to ensure IRs can compete effectively with casinos elsewhere in Southeast Asia, including in less developed countries such as Cambodia."*

**General loosening of regulations**

*Regulations covering licensed casinos and marketing activities have been relaxed over recent years. Said the MOHA director: "The loosening of regulations on casinos is not a*

*new phenomenon in this country. It started more than a decade ago. After Lee Kuan Yew left power, there was an intense public debate about gambling, which resulted in the creation of the CRA. Since then, it's been a slow process of liberalisation."*

*And the retired military officer told us: "The Singapore control regulations are really only in place because of objections by a small minority to the opening of the two casinos. The government was in fact always a bit half-hearted about them."*

*The MOHA director suggested that the looming expiry of the two existing casino licences could lead to a further relaxation of rules, and possibly even the introduction of new concessions: "We're considering the potential for new licences to be included in the casino industry in Singapore. There's no way we're tightening things up for any reputable operator in this sector. Quite the opposite."*

#### **Little concern about China arrests...**

*Our contacts said the authorities had little or no concern about marketing by foreign casinos.*

*When pushed on the subject of the 2016 Crown arrests in China, the retired military officer said: "The government doesn't care what happened in China or about what China does on casino regulation. It's not our role to look at China. They should be looking to our leadership."*

#### **...but government is sensitive to criminal links to gambling**

*The Singapore government, though, is sensitive to criminal links to gambling and the marketing of casinos. The CRA, for example, requires strict compliance with rules designed to prevent the industry being used to launder the proceeds of crime.*

*The managing director of a Singapore private accounting firm, which deals with casinos, explained: "The CRA is very sensitive to any forms of collusion and money laundering practices. They watch money flows into and out of the country closely and this is something any company working here has to consider carefully. Any cross-border transfers that include black-listed recipients will not be allowed."*

*The director in the Public Service Division stressed: "For the past 10 years, our casinos have been associated with only low levels of organised crime. We wish to keep it that way and maintain our credibility. The idea is to minimise our exposure to such risk. Anyone involved with the casino industry in Singapore needs to show that they are on board with this and that they will work to stop organised crime."*

#### **High roller and VIP marketing attracts less attention...**

*In navigating the regulatory environment, it's important to understand the differences in how mass marketing and more targeted, VIP marketing are regarded. The government differentiates between ordinary people (for whom casinos are considered a bad thing) and wealthy individuals (who can look after themselves).*

*The retired military officer explained: "The government is deadly serious about protecting the interests of low earners. Its message is 'don't target the office worker, the factory worker, the cab driver'. This is classic Singaporean thinking from the LKY era. And it's the right thing to do: it encourages the right people to use the casinos."*

*Pressed on foreign casinos marketing to local high rollers, he continued: "The government isn't worried about marketing to the wealthy. Who cares? There are so many ways for the wealthy to lose their money as it is. The assumption is they are smart and mature enough to look after themselves. If I'm a foolish old man and spend all my money overseas, that's my problem. As far as the government is concerned, it's my wife who should regulate me."*

*A Singaporean high roller and patron of Australian casinos confirmed: "Singapore is very careful about mass marketing or even facilitation, like the provision of a bus service from the suburban housing estates to [Genting's] Resorts World Sentosa. The authorities do not want local casinos actively canvassing ordinary Singaporeans, but they don't really*



care about foreign ones privately canvassing the wealthy. This has opened the way for foreign casinos to reach out to VIPs and high rollers via targeted marketing."

### **...but the authorities are vigilant on junket operators**

The Singaporean authorities are vigilant on junket operators because of their perceived links with organised crime. A CRA official said: "We don't approve of junket operators. To date, only two junket licences have been awarded and these are monitored scrupulously. This has largely meant that the two casinos themselves must undertake the VIP promotion and operations role that would usually be handled by the junkets. The fact both casinos have been forced to increase debt provisions shows both that our policy is working and that junket operators aren't just tour organisers, but have links to illegal lending and money laundering."

An investigator employed by the CRA told us: "The CRA is aware that despite the lack of licences, junket operators are still sneaking in. From time to time we are asked to sit in the security room and watch the floor. You can always see several Chinese men in key positions speaking or sending hand signals to higher-stakes gamblers. These are obviously junkets or triads who have brought down their VIPs and are extending credit. They cannot be stopped entirely."

### **Marketing foreign casinos is tolerated, albeit with caveats**

Open marketing of casino operations is strictly forbidden and, in the words of a former Resorts World Sentosa executive, "just isn't worth it. This is the type of incident the government would come down on hard both to discourage other operators and show the public how seriously it takes enforcement."

However, it is clear that overseas operators are able to market their services without undue attention from the authorities provided a number of conditions are met. In particular, as with other jurisdictions, it is important to be seen to promote IRs in any public marketing with no mention of gambling.

As the CRA official put it to us: "Casino market representatives are not allowed to publicly advertise actual gaming activities, but are allowed to advertise the resort aspects of a property. Stepping over this line is inviting a robust reaction from CRA."

The caveats relating to direct marketing will be of most interest to you. In this context, several sources mentioned the importance of avoiding individuals on exclusion lists. The former Resorts World Sentosa executive, for example, said: "Any gaming marketing to individuals on a third-party exclusion list risks grave repercussions. A foreigner doing this would be arrested and declared persona non grata, while a Singaporean would be likely to face jail time. This would probably be covered in the press and would be bad for everyone involved. A foreign operator undertaking direct marketing with VIPs in Singapore must be aware of these exclusions."

Clearly, when conducting private, targeted marketing in Singapore, it is important to keep these communications out of the public domain. You will form your own judgment on whether and how to proceed, but the retired military officer said: "If casino marketing is private, there is no problem. There are all kinds of private marketing in Singapore, even for prostitution. The government is aware it's going on, but as long as it's discreet, and doesn't affect the community, it turns a blind eye."

He continued: "The government won't do anything unless it goes public. It will be reactive not proactive. But things could go sour quickly if things blow up in public."

### **Sky City's and The Star's activities seen to be at the healthier end of the spectrum**

Multiple international operators take advantage of this leniency. A high roller and patron of several casinos in Singapore, Malaysia, Australia and Macau observed: "Foreign casinos still reach out to VIPs and high rollers in Singapore through targeted marketing. I frequently get texts from casino operators in Macau, for example, and that makes it tough for the Singapore casinos to maintain their high-end local clients. We often want to go to other places to gamble."

The above explains why Sky City and The Star are relatively open in promoting gambling in their Australian properties, even connecting staff members' names to communications that some might argue amount to a breach of CRA regulations. The head partner of a Singapore-based law firm working for casino interests said of such practice: "Both Sky City and The Star are considered by the government to be at the healthier end of the spectrum, both at a regulatory and political level. But if they were a full-scale casino in Singapore, they would face different requirements."

Some question whether direct contact with VIPs is covered by regulation at all. The Genting director said of SMS communications: "If you use mobile technology to communicate with VIPs, you could argue no laws are broken as it's not advertising."

And the retired military officer said of Sky City's and The Star's VIP direct marketing: "I don't think this is a concern as it is targeted at a sophisticated high-roller audience. These people are spending their money overseas anyway so it just doesn't make much difference. If the marketing is subtle, there's no problem. I'm always being targeted with SMSs offering me Ferraris and that doesn't seem to worry the government."

### **Re-entering the Singapore market appears entirely possible...**

This brings us to the practical questions surrounding possible re-entry into the Singapore VIP market. Several sources noted that Crown had previously operated in Singapore without incident. The international high roller recalled: "Crown had an office in Singapore. They only pulled out because of the scandal in China."

Were you to re-establish a marketing presence in Singapore, its purpose should be to promote your Australian IRs. The Genting director commented: "Companies that have casino operations are allowed to open offices in Singapore, just like any other company. However, they are not allowed to promote their casino activities. This shouldn't present an immediate problem for those operators within major IRs."

### **...as long as you take compliance seriously**

Nobody identified compelling reasons not to set up a physical marketing presence in Singapore. However, it is prudent to take compliance requirements seriously when seeking to open a new office. As the accounting firm managing director explained: "If a new entrant raises concern that they might be providing a false impression, that for example they wish to focus on other business areas instead of what they're claiming they want to do, then this is likely to ring alarm bells."

The chairman of a Singapore government agency was clear on this: "Any approval, even a small one, raises some risks for the government. We do not want to be seen to be taking unnecessary risks for the sake of maximising revenues."

Transparency and accountability will be significant factors in gaining an approval. The government agency chairman added: "A good track record is also essential. Any corporate scandals that lead to reputational damage in terms of branding would be considered seriously as public scrutiny is expected to be higher with this sort of thing."

Similarly, the MOHA director told us: "A foreign IR wanting to conduct marketing should first declare their intention to do so. They should set up a proper representative office and be focused on transparency in their approach, meaning be open about their business activities."

A commitment to addressing concerns about organised crime is also advisable in Singapore, given the government's focus on this. The accounting firm managing director noted: "It is best to explain the business intent first, have a strategy, study the rules of the game and expect close scrutiny of possible prospects. The CRA wants to keep Singapore clean of organised crime connected to casinos, wherever they are in the world. Thorough due diligence should be expected."

Any proposed office linked to a casino is likely to face a higher diligence hurdle, including for individuals. The head partner of the law firm said: "It is critical to choose the right person to lead this business and to prepare for checks at all levels, including the board." Moreover, any associated business should, if appropriate, have a good track record with

*the International Association of Gaming Regulators, an organisation to which the CRA is affiliated and from which it takes advice.*

*Nobody suggested, even when pressed, that Crown was considered an undesirable player due to the China arrests.'*

13. In relation to consulting the Singaporean regulator, Hakluyt says:

***'Communication with the Singapore authorities seen as low risk...***

*Having discussions with the Singapore government is unlikely to pose any major risks. If anything, the opposite is probably true. The government agency chairman said: "Opening an office is not encouraged unless there has been prior discussions with the relevant government agencies. In the current social media environment, it is not conducive for businesses to make surprise announcements."*

*A gaming industry consultant in Singapore agreed: "It would be considered discourteous not to see the relevant CRA officials, and that might raise risks in itself." The former Resorts World Sentosa executive agreed: "Foreign IRs marketing in Singapore are advised to err on the side of caution. First of all, they should make contact with the CRA, which will want to be kept informed about their activities."*

***...but don't expect much in the way of response***

*But you should not expect much by way of response from the authorities. The gaming industry consultant said: "CRA administrators and investigators are approachable and personable, but don't give anything away. Singaporean bureaucrats are traditionally risk-averse and will typically ignore a question or change the subject if an issue is raised that they feel could leave them exposed, which is just about anything outside their immediate purview. Their personalities are difficult to penetrate. While they certainly will tell you what you can't do, they are reluctant to explain what you can. Don't expect any analysis or personal opinion."*

*He continued: "CRA investigators tend to come from either the police or the Monetary Authority of Singapore and administrators from the MOHA or the Singapore Tourism Board [under the Ministry of Trade and Industry]. The current CRA chief executive is Jerry See, who has been in his position four-and-a-half years, an unusually long time. See would be the official to make contact with as he has the authority to speak more openly about regulatory policy, and is the most informed. CRA board members are largely figureheads and have scant gaming knowledge. They should not be approached unless a direct introduction is made."*

## **Malaysia**

14. Hakluyt sees Malaysia also as relatively low risk for low key marketing. Again, Hakluyt did not consider whether the degree or nature of risk is different for Malaysian nationals or residents operating in Malaysia.
15. By way of background in relation to Malaysia, Hakluyt says:

***'Malaysia has an archaic regulatory framework...***

*Casino regulation in Malaysia is lighter, more culturally oriented, less structured and less modernised than the jurisdictions examined above. As a former Nevada regulator now researching the Asian casino industry put it: "Malaysia has the most curious regulatory structure of any jurisdiction in the region." Basic gambling laws date back to 1953 (with a revision in 1983) and there are still some major quirks in the system – such as the demand that Genting seek licence renewals four times a year. This is a requirement that has been in place since 1965.*

***...with Nevada and Singapore as much in the frame as Kuala Lumpur***

*Indeed, Malaysia is unusual for having international regulators, rather than a local authority, undertake the majority of casino supervision. We spoke about this to a director of Lembaga Totalisator Malaysia (the totalisator board under the Ministry of Finance), who*

confirmed: "Governance tends to be on domestic gambling-related activities." And a former Genting executive told us: "The Malaysian Ministry of Finance [MOF] does not play an active regulatory role other than through its Betting Control Unit [BCU]. And the BCU is more concerned with gambling issues in the community than it is with international operators.

"Most technical oversight of Genting Malaysia, for instance, comes from the Nevada Gaming Control Board [NGCB] and the Singapore Casino Regulatory Authority [CRA] rather than from the MOF. The reason for this is that several of Genting's partially or wholly owned subsidiaries have been licensed in both places."

### **Organised crime is not a policy driver**

Another peculiarity of Malaysia – compared to China or Singapore – is that concern about organised crime is not a major driver of the government's political or regulatory approach to casino operations and marketing. Our sources indicated this was due to Genting's focus on a mass-market customer base, and consequent non-reliance on high rollers. A former NGCB regulator put it this way: "Malaysia has been highly fortunate. Having Genting as the first IR in Southeast Asia enabled Genting to successfully capture and maintain the mass-market segment. This is still by far its primary source of revenue. It is not dependent on VIPs and junkets or high rollers from China, and organised crime has consequently never emerged as a significant issue."

### **Gambling is a significant source of taxation revenue...**

There is, as we shall see, growing pressure from Malaysia's moral majority to impose tighter restrictions on gambling. But the government's hand has so far been stayed by the fact that gambling taxes are a significant source of state revenue. As a now-retired political secretary to one of Malaysia's deputy prime ministers explained: "The government derives a lot of revenue from the gaming industry – more than RM4 billion [\$1 billion] from all the various forms of legal gambling. The addition of another casino, or greater promotion of the existing ones, would certainly enhance the coffers of the government and be most welcome, if it was politically possible."

Forgone revenue resulting from the prevalence of illegal gambling was also raised by several sources, including the director of Genting quoted in Part Two of this report. "Gambling is a very profitable business," he observed, "and illegal gains not subject to taxation could have otherwise contributed in a significant way to the revenue of the government. Because of this, the Ministry of Home Affairs [MHA], plus the BCU and Malaysian Anti-Corruption Commission, go to great lengths to curb illegal gambling."

The balance of our reporting therefore suggests that the government would have a much more liberal attitude to expanding the casino industry if it were not for the concerns of religiously inclined voters. As the Genting director quoted in Part Two put it: "Non-Muslim Malaysians, especially the Chinese, are fond of gambling. Their gambling habits contribute significantly to taxation revenue. If it weren't for the disdain that many Muslims show for gambling, the government would have issued more casino licences already. However, the government must tread a fine balance between the need for revenue collection and the risk of upsetting local Muslims."

### **...and the new government looks unlikely to change course**

Very few of our sources thought that the 9 May general election – which saw the 92 year-old Mahathir Mohamad returned to power – will change government attitudes to gaming in the short term. A Malaysian equities investor operating in gaming commented: "The new government has far more pressing issues to address, not least of which is improving the nation's financial position. They are determined to restore the nation's financial health, and squeezing the casino industry isn't compatible with that." And a Chinese Malaysian journalist who has covered the gaming sector for several years said: "There is unlikely to be any shift in government policy with regards to gaming: the status quo will remain."

The journalist explained: "The Pakatan Harapan [PN] coalition [led by Mahathir Mohamad and now in government] has significant non-Muslim representatives at both state and federal level. Their Muslim leadership is also more moderate, embracing the idea that Malaysia is a multicultural country. Calls made by conservative groups during the

administration of the Barisan Nasional government [led by former prime minister Najib Razak and now out of power] to curtail or even ban gaming are unlikely to gain traction with the current government."

Prime Minister Mahathir's record over the 22 years he was last in office was also seen by our sources to be an indicator of a benign attitude to casinos and associated activities. A research analyst with extensive experience in gaming companies said: "I expect Mahathir to maintain his fairly neutral stance on gambling as he did in his first tenure as prime minister. His views are long standing and are unlikely to be affected by the new government."

### **Mahathir himself has reason to favour the gaming sector**

His policy preferences aside, Mahathir also has strong personal and political connections to families and businesses in the gaming sector. The former NGBC regulator pointed out: "Mahathir has known Tee Keong, Genting's CEO, and Goh Tong Lim, the Genting patriarch, for decades. In the past he viewed them as important connections to the country's Chinese business elite." This is also true of more peripheral players in the gaming industry. The Chinese Malay journalist noted: "Mahathir is close to Vincent Tan, owner of numbers forecast operator Berjaya Sports Toto, and won't want to make life more difficult for him."

Several sources noted a more direct incentive for the new government to maintain the status quo with gaming interests. A long-established corporate consultant with strong ties to PN told us: "Key players in the Malaysian gaming industry have for decades discreetly paid large sums as political contributions to the governing party. These are known locally as 'national service' payments and were paid without complaint. In essence, it was a cost of business and ensured a smooth relationship with government. Senior members of the new PN coalition government, including Mahathir and Anwar Ibrahim, all had intimate knowledge of this practice when last in power. It is likely these political subventions will continue in the new era."

A Malaysian tycoon heavily invested in trade industries summed up: "No one will want to rock this boat, as there would be a number of prominent politicians affected. That's hardly in the government's interests."

### **But the rising influence of Muslim politics presents a longer-term concern...**

The Muslim population – which as you will be aware is growing larger and more shrill – will be a check on the government's laissez-faire tendencies, though. A European casino industry consultant based in Kuala Lumpur put this in a demographic context: "The demographics of Malaysia are changing in favour of the Muslim Malays. They comprised over 70 per cent of young voters at the election. The Malay community itself is becoming noticeably more Islamic in terms of outward displays of sentiment. Against this demographic, political and religious backdrop, I think the battle for the gaming industry will be to hold on to what they already have."

And the research analyst similarly cautioned: "It is very unlikely the current government will in any way encourage or expand on gaming activities in the country. Regardless of the benign-to-positive posture of the government, gambling is greatly frowned upon by the religious establishment, and with a Muslim majority population growing increasingly conservative, the government will not be interested in sparking off any controversy on the topic."

In particular, the reliance of the governing coalition on the seats of the political Islamist party, Parti Amanah Negara (PAN) will, at the least, create a disincentive to pursue liberalisation. A European casino consultant explained: "The governing coalition of four main parties includes PAN, an offshoot of the Malay Islamic Party, and for them gaming and gambling is considered haram, or forbidden under Islam. I can see no circumstances in which any of the other parties would seek to pressure PAN on an issue such as gambling: if they tried to push PAN too far, the party would probably end up having to leave the coalition."

### **...and the religious lobby has already flexed its muscles on gaming**

One indicator of how powerful the religious lobby is came last year, when the government floated reforms to loosen regulation on casino operations and marketing. An executive of the Economic Planning Unit of MOF told us: "In 2017, one of the initiatives I put forward was to liberalise and expand gambling facilities in Malaysia. We are well aware that a lot of Malaysians have taken to using online betting platforms and unofficial betting agents. This is untaxed revenue that would greatly benefit the nation's current deficit. We even proposed the idea of liberalising legislation pertaining to marketing and promotions of gaming. Unfortunately, there was a lot of resistance, so we shelved the idea."

### **Expect strict controls on casino marketing to continue**

The current position on casino marketing, as you will probably be aware, is complex. According to a director of the Association of Accredited Advertising Agents Malaysia, "There are no specific laws governing the promotion of casinos in Malaysia." But the fact that Malaysia's pre-independence gaming legislation does not formally address casino marketing does not mean that it is welcome. On the contrary, as the Genting director spelled out for us: "Any form of gambling promotion is strictly prohibited unless approval is obtained from the BCU. No one is allowed to set up offices, representative offices, or agencies solely for the purpose of promoting gambling activities, notably casino activities."

We also spoke about this to the former Genting executive (who is close to Mahathir). He cautioned: "The situation with regard to casino activities, and with gambling in general, is not encouraging and the trend is definitely not to give permission to carry out casino marketing activities." The former deputy prime minister's private secretary added: "It is almost impossible for any operator to advertise and promote casino activities because the BCU would never approve of such activities. The Islamic NGOs like the Malaysian Muslim Youth Movement and the state Religious Affairs Departments are highly effective in their vigilance against the promotion of gambling. They apply pressure on the Muslim population to avoid indulging in any form of gambling and on the government to suppress its promotion and advertising."

### **Integrated resorts a well-established back door for casino marketing**

There are ways around this, though. According to a former foreign executive at Genting: "Marketing in Malaysia can be done – but it must be done discreetly, due to the sensitivities of its primarily Muslim population. Conservative politicians must never be in position to complain of obvious promotions from foreign casinos."

In particular, while the promotion of casino gambling remains strictly controlled in Malaysia, Genting long ago laid out the approach of using its IRs, of which it was an Asian pioneer, as a back door to market its casinos. The Genting director set this out plainly: "The casino is silently promoted as part of a complete holiday package. We have theme parks, different types of hotels catering to every visitor's whims and fancies, operate different types of restaurants offering different types of cuisine from all over the world, and we also promote events and shows involving international and well known artists. When we market Genting in Malaysia and Singapore, we strictly adhere to the law, and focus on all the activities and amenities within the theme park and make no mention of the casino. We don't need to."

This approach was also seen as acceptable for foreign operators marketing in Malaysia. The former Genting executive close to Mahathir ventured: "Foreign-employed representatives can operate in-country as long as they adhere to the laws on the prohibition of unlicensed casino activities and all forms of casino marketing." (The Genting director addressed tourism-dressed casino marketing in the context of Australia with some scepticism, though. "The Australian operators won't have this opportunity," he thought, "as tourists don't necessarily visit the casinos when they visit the sights of their Australian destinations like they do with our properties.")

### **A smaller junket industry...**

Due to the predominance of the mass market in Malaysia, junket- and travel-related marketing is less common than in the other jurisdictions covered in this report. However, such operations remain a material presence in the casino marketing scene, particularly for

high rollers, and have many of the same characteristics. A well-known junket operator in Penang told us of the local market: "The promotion is undertaken by tour companies as well as individual tour operators for both local and foreign casinos. Tour companies are operated by legitimate travel and tour agents engaged by the casinos, or directly by the casino operator. Genting works closely with tour agents, promoting their theme park entertainment and holiday packages on their cruise ships, all of which also have casino operations. They own and operate their own tour agency in Penang, to promote their cruise packages."

The market also contains sole trader junket operators, according to the same source: "These businesses are unlicensed and essentially rely on word-of-mouth introductions. There are around two dozen such operators in Malaysia. They offer free trips, shuttle services between Kuala Lumpur and Genting Highlands, or from Johor Bahru to Resorts World Singapore, or even free flight tickets to Australia or New Zealand for high rollers."

#### **...but a vibrant one...**

Some junket operations targeted at high rollers are location-specific. The Chinese Malaysian journalist with a history of covering gaming issues explained: "Specialised junket operators cover particular parts of the country or individual casinos. The states of Sabah and Sarawak have junket operators solely focused on local businessmen and tycoons, to whom they market casinos in Malaysia, Singapore, Cambodia and Macau." The source noted: "Casinos that pay better commission rates naturally find favour with these more specialised junket operators. The major junket operators work with smaller and individual operators across these states to channel patrons to their choice of casinos."

Most legitimate junket operators work as travel agents and use that licensing system for legitimacy. The managing director of one such company, acting as an agent for a casino, told us: "Many junket operators in Malaysia prefer to work as tour or travel agents, as it is relatively easy and fast to secure the necessary licences and operate legally."

#### **...although with unsurprising links to organised crime**

Notwithstanding the quasi-legitimacy of much of the Malaysian junket industry, our sources warned of links with money laundering and organised crime, whether in the licensed or unlicensed parts of the industry. As we found in China, junket operators often provide credit for high-roller gamblers, the illegal nature of which makes links to organised crime all but necessary for the enforcement of debt collection.

The journalist quoted earlier explained: "These [junket operator] players, often with the agreement of casinos, offer lines of credit to gamblers, taking an agreed fee for the transaction. In this way, large sums of money are disbursed across national borders without any formal record, trace or check. Often a telephone call or a signed note is all that's required." He continued: "The junket operator shoulders the responsibility for the advanced funds and, because of this, most of them need ties to criminal gangs to provide some form of enforcement. Even the major junket operators – at least those of them that don't have formal licences to lend money – tend to be involved in this sort of activity."

16. In relation to re-establishing an office in Malaysia, Hakluyt says:

#### **'A physical presence possible, and probably advantageous**

Now we move to the question of setting up a physical marketing presence in Malaysia. The consensus among our sources was that a physical marketing office in Malaysia is both politically possible and advantageous to a foreign operator. However, such a presence must be cloaked in the promotion of non-gaming activities in an IR environment (including entertainment, food, retail and leisure). As the Genting director noted: "It will be hard for foreign operators to market casino activities in Malaysia, and especially so if they don't have any presence locally. But if the casino operation exists alone and the operator is not backed by theme parks, recreational activities and other forms of entertainment, how are they going to market their activities?"

The politically connected former Genting executive set out a practical approach: "Foreign casino operators are allowed to set up physical marketing offices in Malaysia but they cannot advertise or make reference to casino activities in any form whatsoever. This

*restriction usually rules out casino operators who have no other form of entertainment to market, like resorts, theme parks, or tourism activities."*

*Such an office might even have a travel-related (junket) purpose. The Malaysian tycoon offered: "This is a bit of a grey area. If the operator is solely a casino operator they probably will not be allowed to set up a physical office. But they might be able to set up a representative office that provides ancillary services such as holiday packages, private jet and helicopter services."*

17. In relation to competitor marketing, Hakluyt says:

**'Sky City and The Star do use discreet VIP marketing...**

*Our associates found clear indicators of marketing activity in Malaysia by both Sky City and The Star. In most instances, it appears the operators are avoiding attention from the authorities using the techniques set out in this report (including having a discreet physical presence). The former foreign Genting executive set out the approach: "Sky City and The Star do have marketing people on the ground, but take care about opening formal offices. Their people work from home. They do not appear to be operating under licences. The majority of the reps appear to be Chinese Malaysians, and they operate quietly.*

*"So long as the other foreign marketers who are Malaysian nationals keep their activities limited to dinner and lunch appointments, or perhaps discreet cocktail receptions, there appears little that can go wrong. It is unlikely that the MOF is aware of their presence. As far as Sky City and The Star are concerned, I would be surprised if any relevant officials have heard of their activity."*

*The Malaysian tycoon had been in personal contact with The Star, and supported the former Genting executive's analysis. He commented: "From my experience with The Star's representatives, it is always a very intimate gathering of key business people. And from what I can see, as long as they remain discreet the regulatory bodies will give them a wide berth."*

**...and junket providers**

*Sky City and The Star also use junket providers in Malaysia. We spoke about this to a junket operator who services both casinos. "Both companies have contracts with junket operators, to bring gamblers from Malaysia to their casinos in Australia and New Zealand on a commission basis," he told us. "Commissions are fairly low at three to five per cent. My clients advance their funds to us, we issue them a payment slip with the funds converted to Australian or New Zealand dollars and then returned at the casino in form of chips. We credit the sum collected to the casino's account in Malaysia, after deducting my commission, prior to my client visiting the casinos."*

**Foreign and local marketing is treated the same way...**

*The consensus view among our sources was that Malaysian authorities do not distinguish between local (Genting) and foreign operators in the regulation of casino marketing. The MD of a tour company working in casino marketing, for instance, told us: "The government treats Genting's marketing just the same way as it does anyone else's. There's no difference." And a director of the Malaysian Ministry of Tourism was pragmatic: "There is no issue for a foreign company seeking to promote its products in Malaysia. There is no distinction between local and foreign interests: the requirements are the same."*

*The tourism official added: "Of course, they would need to follow all the standard business requirements, such as registering their company with the Companies Commission [the Malaysian corporate registry] or incorporating a local subsidiary. They might also need to obtain an outbound tour operator's licence from the ministry, and place a deposit, if they intended to directly offer tour packages and trips to their overseas resorts."*

*We also heard from a local advertising industry executive who works in casino promotion. He advised: "No, Genting is not treated differently from other foreign operators. Genting enjoys the advantage of domesticity and history. But the blanket ban on casino advertising also applies strictly to Genting."*



**...as long as it is discreetly carried out**

18. As to operations in Malaysia, Hakluyt says:

*'Several sources made it clear that the Malaysian regulators are prepared to turn a blind eye, as long as operators do not overstep the mark. The totalisator board director spelled this out: "We are well aware of many foreign representatives conducting facilitation services for international betting in casinos, on horse racing and sports. As Malaysia does not want to officially cultivate the gambling industry, the stance has always been that as long as things are kept low key and gambling activities are done either in international waters or in a foreign country, there is nothing much we can do or want to do.*

*"My recommendation is that if a foreign casino operator wishes to conduct local marketing operations, they need to do so in a subtle manner. As much as possible, they should take a leaf out of Genting's book and promote destination branding."*

*A director of Genting involved with tour operations – whose practical experience bears out the views of the totalisator board director – offered some further advice: "A foreign operator would be best advised to set up a legitimate company and offer tour services as their casino promotion effort," he told us. "This would not only allow the casino to promote their activities legally but would afford them direct control over the promotion of their products, as opposed to using third parties." However, he also cautioned: "The downside to such an approach is the high operational cost compared to using a commission-based junket operator."*

**Avoid relying on the mass media to carry your message...**

*The balance of our reporting suggests that any promotional activities you undertake in Malaysia should be of a direct (private communications) nature rather than using mass media. A former director of Cambodian casino, Naga World, pointed out: "When we were catering for our local [Malaysian] clients to come to the casino we took a very direct approach, leveraging private networks to get to high rollers. Once we understood the potential whales in Malaysia, we would ensure our local representatives maintained good relations with them."*

*The Malaysian tycoon was another who offered such advice: "If a foreign party wants to set up shop here, they need to be low key. Discretion is king. They need to know the local market and have representatives with good chemistry with the key players that use their services. Their customers also want to keep a low profile, you know." And a user-experience executive at Resorts World Genting confirmed their reliance on direct marketing for high rollers: "We tend to focus on the digital avenue to do our marketing, which is predominately targeted at foreign gamblers. Insofar as the domestic market is concerned, our marketing is minimal."*

**...and be careful not to even appear to target ethnic Malays**

*Most of our sources counselled against public marketing campaigns for foreign operators, even if focused on IRs. The totalisator board director warned against any such campaign: "It is imperative that the marketing campaign, if any, should have no Malay-looking faces. That would not go down well with the general population. In addition, you must be very cautious about being seen to promote alcohol. Overall, I doubt a mass marketing campaign would be worth the risk."*

*The Genting user-experience executive noted that even local operators need to exercise caution: "When it comes to marketing products and services, we have to be very careful in how we position ourselves in the mainstream media. We are rather special as we have a number of regulations to adhere to, unlike other industries." And the Singapore gaming consultant summed up the risks of public marketing in a competitive Malaysian market: "There is nothing to be gained and everything to lose by choosing to adopt a higher profile as a response to competitive pressures."*

19. In relation to approaching the Malaysian authorities, Hakluyt says:

**'Approaching the Malaysian authorities is achievable but not recommended**

*Our sources did not perceive any great risk from a foreign operator communicating with local authorities. However, almost none saw any potential benefit. The consensus view was that if a foreign operator is promoting non-gaming activities and providing practical assistance to travellers, there is no need to approach officials. The tour company managing director told us: "There's just no need for foreign companies keen to operate in Malaysia to refer their application to the finance department [MOF] as they are not undertaking any physical casino activities in Malaysia."*

*Others pointed out that such communications might expose an operator to unnecessary attention most unlikely to be beneficial. The head of partnerships for a major Malaysian technology company invested in gaming warned: "Approaching the regulators formally will not have any benefit whatsoever. They are set up to regulate domestic gambling and betting only. Taking a formal approach would just bring unnecessary attention and hurdles." The Singapore gaming consultant agreed: "Foreign casinos marketing discreetly should only steer clear of them. The less attention drawn to what they're doing, the better." The former foreign Genting executive likewise cautioned: "I strongly advise against making courtesy calls on MOF. You'll just end up with their legal department."*

*Our sources also pointed to the practical difficulties of foreign operators endeavouring to form relationships with regulators and political figures. The Singapore gaming consultant continued: "There is no way of working or developing relationships with the government or the regulators." And the former NGCB regulator gave an informed assessment of the situation: "With the exception of neighbouring Singapore, casino owners and senior executives have rarely been granted appointments with relevant MOF officials. Even international regulators have had difficulty and generally been referred to the Royal Malaysia Police, who possess very little knowledge. During its licensing process in 2005, CRA's then chief Raja Kumar was surprised to find the MOF disengaged and unknowledgeable even when enquiring about Genting Malaysia."*

**Conclusion**

20. Hakluyt's inquiries do not suggest that Crown's international VIP operating protocols should be tightened.
21. If Crown's operations would be materially assisted by relaxing the protocols in any of the above jurisdictions, we recommend that we further discuss and consider what additional in-country conduct might be contemplated and the risks associated with it.
22. We look forward to discussing the above with you when you have had an opportunity to consider our report.

Yours faithfully  
**MinterEllison**

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