

# Melco Crown Wins First Round In Taiwan Bank Violation Case

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Melco Crown Entertainment subsidiary MCE International and four current and former employees have been acquitted of violating Taiwanese banking and currency exchange laws.

The Taipei branch of MCE International Limited and the employees were found not guilty of violating Taiwan's Banking Law and foreign exchange regulations by the Taipei District Court.

The defendants had been accused of circumventing border currency controls and acting as an underground bank in transferring NT\$5.4bn (\$167m) to Melco Crown's City of Dreams and Altira casinos and settling debts for hundreds of Taiwanese high-rollers between July 2009 and January 2013.

Current and former "responsible officials" Wang Yen Sheng and Sung Hou-hsuan, and current and former office secretaries Chiu Chin-hsuan (a.k.a. Lili Chiu) and Chen Li-shan were acquitted.

However, a Taipei District Prosecutors Office spokesman told GamblingCompliance today that prosecutors have filed an appeal with the High Court.

In dismissing all counts against the defendants, the lower court found that the company's exchanging of cash in Taiwan for VIP rolling chips in Melco Crown's Macau casinos did not constitute currency exchange under Taiwanese law.

The court also rejected prosecutor arguments that the wholly-owned Melco Crown subsidiary and its staff attempted to flout international currency remittance rules through a bank account used for storing customer front money and settling winnings or debts.

In a copy of the judgment obtained by GamblingCompliance, the court said: "The account in question was in no way implicated in conduct involving illegal remittances."

The court chided prosecutors for their "misunderstanding" of company operations, according to the 28-page judgment.

A significant proportion of the judgment concentrated on statements by defendants and witnesses that gambler funds deposited in the Taiwan bank account were only exchanged

via customer VIP cards for Hong Kong dollar-denominated “mud chips” — VIP rolling chips — which could only be used for gambling and never redeemed for cash.

Two of those witnesses, Bo Ta Promoção de Jogos junket operator and former Bo Ying junket associate Lin Ming-ta and his wife Chang Chin-lan, were quoted at length on their dealings with MCE International and company practices in Macau.

Their testimony stressed the business imperative of converting customer front money into VIP rolling chips and not into a local cash facility, and the court agreed.

“Such chips are unconvertible into cash and are neither internationally recognised and circulating currencies nor have the characteristics of such currencies,” the judgment said. It concluded that such transactions could not constitute currency exchange.

The court found that lead defendants Wang Yen Sheng and Sung Hou-hsuan, both former employees of City of Dreams, were acting under instructions from head office in Hong Kong and were not gaining benefits as or from third parties in any operations.

The court also sided with counsel for the two secretaries, who had been described in their indictments as complicit through their “accounting” and “cashier” work for the company.

The judgment rejected these claims out of hand, citing voluminous witness testimony and the prosecutors’ own documentary evidence that the women were office secretaries and administrators who followed emailed instructions from Hong Kong, arranged hotels and transport for clients, and had no authority to touch the company’s accounts.

The court also accepted testimony from a senior employee at Taiwan-based Mega Bank, where MCE International’s main account was kept, that the company’s financial matters were entirely handled by financial staff in Hong Kong and that local staff did not withdraw from or otherwise influence the account.

Melco Crown did not respond to a request for comment at publication time. It remains unclear why the company did not announce the result of the case, whose October 1 judgment was not publicised by the court or local media.

The court previously approved the freezing of NT\$3bn (\$92.5m) in MCE International’s bank account ahead of the trial, but the status of those funds remains unclear pending the appeal.

The widely publicised January 2012 raid on MCE International’s former office in the Taipei 101 skyscraper and [associated raid](#) on currency exchange company MoneySwap in central Taichung city sent a chill through Macau branch companies in Taiwan that solicit customers.

Prosecutors committed considerable resources to the nearly three-year case after [indicting the defendants](#) in August last year, including questioning of 45 witnesses, most of whom were high-roller clients of the company and are named in the judgment.

Prosecutors also submitted exit and re-entry immigration data for 95 company clients sourced from the Ministry of the Interior, while MCE International lists of travel and transfer data for 291 individuals and a large amount of other documentation were also presented to the court.

Bill Bryson, a Taiwan-based lawyer and senior advisor to Global Market Advisors who has monitored the MCE International case, said he was not surprised by the decision to acquit. “It would have been very surprising to the industry if the court had characterised the draw of VIP chips against a security deposit as a foreign exchange transaction,” he said. “Such chips can only be used at the tables, and are therefore not cash equivalents.”