

Proxy betting attracting Macau's missing billions?



Proxy betting is booming in Asia's grey markets, with live broadcasts of table games thought to be pulling in a chunk of Macau's missing VIP billions, but this growth has led to concern over unclear regulations.

Some experts are suggesting that a sizeable portion of Macau's lost turnover has found its way into the grey markets of Indochina and Southeast Asia – specifically Cambodia, Vietnam and Philippines - as customers in remote locations seek the anonymity and relative ease of utilizing so-called proxy players.

In theory, the practice is illegal in Macau, though it was only relatively recently that the major casinos claimed to have stopped accepting proxy bets. However, elsewhere the restrictions are more relaxed and open to interpretation.

"Even though the high rollers aren't necessarily coming to Macau anymore, there's no doubt in anybody's mind that they are still playing," Tim Shepherd, co-founder and executive director of Silver Heritage said at the recent iGA conference in Macau. "If you speak to a few of the people at this conference, the money is still flowing."

"Our observations are that there are a lot of casinos opening up to proxy betting in Philippines and Cambodia - and that is perhaps in answer to the demand that was previously here (Macau)."

"You can only add together the factors, and make your own conclusions: there is an uptake in the

number of casinos in Cambodia – most of them are broadcasting their tables and the casinos in the Philippines are also broadcasting their tables, so who are they broadcasting to?”

Macau's gross revenue in gaming dropped from more than \$45 billion in 2013 to less than \$30 billion last year, and looks set to decline further this year, with the bulk of the losses from the VIP segment.

"Has that money disappeared into proxy betting?" he asked. "Some obviously has gone to Philippines, some has gone to Sydney, sure, and the (Chinese) economy isn't strong, but that is a huge drop – but what nobody in Macau is recognizing or asking when revenue has dropped that much – where is that money?"

AML concerns

The relative lack of regulation in Asia's grey markets, where proxy betting is flourishing, also raises concerns around money laundering - a concern highlighted by the extraordinary recent case where \$81 million was channelled through Philippines-based casinos by a money remittance company. The money was siphoned off from the central bank of Bangladesh.

The case could bring undue focus on other casinos in the region and that is why experts are calling for clearer rules regarding not just proxy betting but all transactions.

"The stolen money turning up in the Philippines is an amazing story; how on earth does that happen? How does AML (anti-money laundering) not apply to the Philippines casino industry?"

"There is a much broader cost to this than people think – this is a headache for the casino industry, and there is a need to figure out ways to know the source of the funds coming into the casino and record it," Shepherd said.

The FATF (Financial Action Task Force) guide is clear on what AML should cover, and every country is a signatory to it, and Philippines is too. All casinos should be notating US\$3k-plus transactions."

"It's getting ugly, there is a lot of pressure from the US and they are tying it back to aid and investment – if countries are assessed for their compliance with AML and anti-terrorism activities, and are seen to be failing that, their investment grade goes down and the economy suffers – so get your house in order."

A key difference between the proxy betting that was taking place in Macau and the new services available in other Asian markets is that some casinos in Cambodia, Vietnam and Philippines are streaming video of the tables to players in remote locations – whereas in Macau proxy players were simply connected by phone.

Industry experts agree that clearer ground rules, including the aforementioned tighter application of anti-money laundering measures are necessary for proxy betting to remain viable – but also warned that regulators shouldn't confuse live streaming of table games with online gaming.

"Proxy betting seems to be lumped under the same heading of online betting, which it's not," said industry veteran Shaun McCamley an Asian-based partner for Global Market Advisors. "The delivery system is nothing like online, it is completely separate – you can do proxy betting without a real time feed, and unlike online betting, where you have to place the bet physically through a computer or mobile device, proxy betting you are simply using a window to look at something in real time – without a telephone line you can't place a bet."

Online confusion

"The problem as I see it is that there hasn't been a good education process for some government officials and they are seeing this as online gaming and it is not – I see it as a different delivery system."

"There's no comparison, the only comparison might be that you turn your computer on, but you don't actually have to have a computer – you can do it phone to phone and a lot of people do. If you don't have a phone you can't make a bet – online betting means you have to have an account, you put money into a account. Even if you are watching a dealer, the way you place the bet has to be placed through a personal computer."

Shepherd backs the assertion that proxy players should not be considered online gaming and added that the broadcast games are attracting much more serious activity than many people realize.

Both Shepherd and McCamley stressed the need for tighter regulations - for not only proxy betting, but all new casino activity in the region to allow the grey markets to move forward.

"As far as regulations goes, more regulation in sophisticated markets can hurt, but for us here in Asia, regulation is great – when overseas investors see solid regulations they can say "OK, we are comfortable working here"," he said. "The big investors don't want to put their licences in Kentucky or Nevada in jeopardy, so they like regulation – rather than shy away from it," Shepherd added.

But how to get governments to raise the bar when it comes to regulations? McCamley says it will require a proactive approach from operators.

"Regulation is really what the industry wants, and as industry commentators that's what we like to see – black and white, and no grey areas. And then everyone is comfortable – regulations that are clearly in place," he said. "In jurisdictions like Cambodia, where everything is grey, you aren't going to get the protections and controls in place, which is a shame – because that is what we want to see. Operators need to plan for when regulations do come in place. They need to ensure these grey areas are properly managed – we all favour regulation. What smarter operators should be doing is actively lobbying governments so that they have a clearer understanding of what the processes are and governments, rather than sitting on the fence, they should either legislate for something like proxy betting or legislate specifically against it."