

UnionPay retail merchants on the line

By Sheyla Zandonai - September 19, 2017



The use of UnionPay retail merchant facilities, rather than ATMs, can explain a rise in demand for cash from mainland Chinese UnionPay (CUP) cardholders betting on premium mass tables in Macau, according to comments provided to Business Daily by iGamix managing director Ben Lee.

'ATMs are being used predominantly by the grind mass and lower-end of the premium [...] whereas UP [UnionPay] merchant transactions are dominated by the higher premium mass whose average buy-ins range from HK\$150,000 to HK\$500,000,' Lee said.

Last week, a note released by investment bank Morgan Stanley revealed that dependence on CUP cards for cash on hand remained 'high' for the premium mass gaming segment during the year ended August 2017.

The institution outlined that as much as 70 per cent of gambling funds have been sourced through CUP for customers gambling higher sums – an increase when compared to 66 per cent in 2016 and 60 per cent in 2015.

Morgan Stanley's report was published nearly three months after the Monetary Authority of Macau (AMCM) enacted the Know Your Customer (KYC) technology with facial recognition in local ATMs targeting CUP cardholders.

According to the Authority, more than 1,000 of a total of 1,250 local ATMs are currently KYC-run machines.

'I believe the introduction of KYC into the ATMs has resulted in both a shift in volume to Hong Kong ATMs, but again more likely it pushed the volume towards the UP retail merchants, both legal and illegal,' said Lee.

Based on his 'personal experience,' the consultant added that the number of 'illegal touts wandering around casinos promoting their portable merchant devices is at an all time high.'

Tightening controls on UnionPay

Lee concurs with suggestions outlined in Morgan Stanley's report that the likelihood of new or further tightening of UnionPay regulations 'will undoubtedly affect the premium mass and mass' business in Macau.

The institution noted that measures such as facial recognition, transaction limits, and rising scrutiny linked to 'any potential clampdown on the usage of debit/credit cards in future' remain a risk to the premium mass segment.

The iGamix managing partner explained that premium mass players 'are not as well heeled nor connected' to the extent that 'a significant portion of the UP transactions are actually facilitated by the casinos' premium hosts via their preferred UP merchant.'

For those reasons, he said it is possible that 'we may yet see either the introduction of KYC cameras for those retail outlets devices or more likely further restrictions on the placement of those outlets in proximity to the casinos.'

Stanford C. Bernstein, a brokerage, also released a note towards the end of last week claiming that the recent increase in anti-corruption actions by the central Chinese government observed over the last eight months could impact both VIP and premium mass markets, due to Chinese credit restrictions, the slowing down of growth in supply, and the softening of real estate prices.