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Experts cautious on impact of licensing two junket ops in Singapore

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Singapore's decision to license two junket operators for one of its casino resorts—but to choose ones understood currently to have no existing players from mainland China—looks like an attempt to exert maximum control over this most controversial aspect of the Asian casino scene.

The two junkets chosen by the Casino Regulatory Authority (CRA) for Resorts World Sentosa (RWS) are headed by Huang Yu Kiang and Low Chong Aun. They are to be known in Singapore as International Marketing Agents (IMAs)—possibly to get away from the connotations the term 'casino junket' has in Macau and the wider world.

According to Ben Lee of iGamiX Management & Consulting, an expert in VIP gaming with experience in operations and project development across Asia, the IMAs are two Malaysian junket operators who currently specialise in supplying Southeast Asian players to Resorts World Genting (formerly known as Genting Highlands) the Genting-owned casino resort in Malaysia.

The CRA signalled its desire to retain tight control over the process by giving each named IMA only a 12-month licence, stipulating they cannot offer services to Singapore citizens and issuing revised regulations that specifically prevent the sharing of junket commissions with parties not licensed in Singapore. This is understood to be an attempt to close the back door to Macau-China junkets getting involved in Singapore via association with the newly-licensed entities. It seems the CRA has also in effect reversed the normal burden of proof applied to criminal and civil court matters in many jurisdictions—that the prosecution or plaintiff must prove its case. Instead it seems the new junkets will actively and regularly have to prove they are acting with probity. On that basis, it seems likely the licensing of junkets in Singapore will not provide the revenue 'big bang' that some industry observers had expected.

Speaking at a Macau press conference today to preview the Global Gaming Expo Asia to be held in Macau in May, Ben Lee gave some more details about the newly-permitted junkets.

"This will no doubt drive incremental business for Resorts World [Sentosa in Singapore]," said Mr Lee.

My company has had direct dealings with these gentlemen," he added.

"Mr Huang is probably in the top three in terms of junket operations in Malaysia. He drives his customers to Resorts World Genting, Cambodia, and now Singapore. Mr Low is probably somewhere in the top ten [in Malaysia] and has a very similar profile to Mr Huang. Both have had very little exposure to junket players outside Malaysia.

"Malaysian junkets already have funds transfer channels between Singapore and Thailand— consisting of the Indian moneychanger network that dominates these three countries. The funds channelling network in China, Macau and Hong Kong is completely different and made up predominantly of southern Chinese [participants].

"Though there are some channels already in place for funds transfer from Malaysia for [casino] players going to Macau, there are no real channels [currently] for Chinese Rmb going into Singapore [for gambling]. "

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Sheldon Adelson, Chairman of Las Vegas Sands Corp, the developer and operator of Singapore's other integrated resort Marina Bay Sands, hasn't—to *Inside Asian Gaming's* knowledge—actively spoken against having Singapore junkets. But unlike RWS he hasn't applied for them either.

But Mr Adelson did claim last year that illegal junkets were already operating in the Singapore market. In April last year he caused ripples at a JP Morgan Gaming, Lodging, Restaurant & Leisure Management Access Forum in Las Vegas by saying he had personally blocked a US\$5 million transaction between Macau and Singapore from a named person not previously identified as a high roller, stating the person was "obviously a junket rep".

In any case analysts differ on the short term impact of the legalised junkets to the market.

John Oh of CLSA Asia-Pacific Markets said in a note: "More important, though, is the signal that the Singapore administration is not averse to allowing IMAs to operate in the market, and this in our view is the beginning of more IMAs being licensed over time. It remains highly academic to quantify the potential impact to either Las Vegas Sands or Genting Singapore for now, but rest assured that we expect VIP rolling chip volumes to take on a new trajectory of growth and will reinvigorate Singapore's gaming market, which has been otherwise labelled as "flatish" and "boring". We forecast that Singapore gaming revenue will grow by +15% from US\$6 billion in 2011 to US\$6.9 billion in 2012, of which hold-adjusted VIP revenue will grow 11% this year."

Grant Govertsen of Union Gaming Research Macau, sounded a note of caution in the impact of the IMAs.

"At this point, the CRA has not yet approved any junkets who wish to operate at Las Vegas Sands' Marina Bay Sands. The junkets will receive one-year licences. We note that the CRA's language is quite forceful, suggesting licensees will be continually subjected to suitability tests upon pain of revocation. A condition of the approval is that junkets only target foreigners—suggesting that locals are off limits. We think junket approval will remain slow and small."

Cameron McKnight, Senior Analyst at Wells Fargo said: "In our view, junkets in Singapore are unlikely to play the pivotal role they do in Macau, and their activities are likely to be very tightly controlled. There are several reasons for this view:

"Singapore's strict licensing criteria and extensive background checks will likely limit the pool of potential junket operators. The fact that only two new junkets were approved, but the applications of 12 were rejected bears this out. Singapore's very strict gaming regulations are designed to protect its position as a key Asian financial hub.

"Singapore junkets will be unable to "plug into" Macau junket networks. The CRA released revised regulations that specifically prevent the sharing of junket commissions with unlicensed parties. Effectively, this means that registered junkets in Singapore will not be able to act as a shop front for Macau based junkets, or tap into their networks or capital bases."

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