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VIETNAM

SEPTEMBER 2016

Vietnam draft decree may spell trouble for Cambodia casinos



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Vietnam's proposals to overhaul its casino legislation are now in the hands of the government for final approval in a step that could be a game changer for the industry, and that of neighboring Cambodia.

In June, Vietnam took the long-awaited step and sent a draft decree that could pave the way for locals to gamble to the National Assembly.



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border.

Though details of the draft and timeframes of when it may be enacted are hazy, Vietnam's deputy director of the Ministry of Finance's Lottery and Gambling Division was quoted in local media as saying, "we hope that this will be the last draft."

The bill aims to give the country a competitive edge over Cambodia, which draws busloads of Vietnamese everyday to its ramshackle casinos in the border town of Bavet. Local media has reported that Vietnam will rake in \$800 million a year in state revenue if it allows locals to play.

Industry game changer

Michael Kelly, executive chairman of the board of Asian Coast Development Ltd, the master developer of the Ho Tram Strip in Ba Ria-Vung Tau province, says revoking the ban would "change the face" of Vietnamese gaming and put an end to underground operations, and money leaving to regional rivals.

SPORTS BETTING CAP CRITICIZED AS TOO LOW

THE FINANCE MINISTRY OF VIETNAM IS SEEKING THE GOVERNMENT'S APPROVAL TO LEGALIZE SPORTS BETTING, BUT THE DRAFT PROPOSAL HAS BEEN CRITICIZED FOR SETTING A MAXIMUM STAKE FAR TOO LOW AT JUST \$45 A DAY. NGUYEN HOANG HAI, DEPUTY CHAIR OF THE VIETNAM ASSOCIATION OF FINANCIAL INVESTORS SAID EITHER PEOPLE WON'T BET, OR WILL GET OTHERS TO PLACE BETS FOR THEM. "BETTING SHOULD BE EITHER BANNED OR LEGALIZED. BUT IT SHOULD NOT BE HALF ALLOWED LIKE THIS," HE ADDED.

NO GAMBLING AT NEW RACE TRACK

VIETNAM'S DAI NAM JOINT STOCK COMPANY SAID IT PLANS TO INVEST \$100 MILLION INTO A RACECOURSE COMPLEX IN THE DAI NAM TOURISM PARK. THE RACECOURSE WILL OCCUPY AN AREA OF 60 HECTARES IN THE RECREATION PARK, ABOUT 40KM FROM HO CHI MINH CITY, AND IS EXPECTED TO OPEN IN

"With a heavy reliance upon Vietnamese players, it would be fair to say that casinos on the border and generally around Cambodia would find themselves having to compete with domestic enterprises to attract players," Kelly said.

Similarly, Citi Research said in a note that the draft decree "could create threats" to Cambodia's leading casino, NagaWorld, in Phnom Penh.

Players from Vietnam represent between 10 to 20 percent of Naga's mass players, according to Citi estimates.

"If the Vietnamese government allows locals to play in Vietnam, Naga could see a lot less cross-border Vietnamese players."

Low spending power

But given the Vietnamese market's average wealth is below that of mainland Chinese and Koreans, coupled with the fact that some of its Vietnamese players reside in Phnom Penh, "We think a more

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WILL BE ALLOWED.

Cambodia have cited border casino operators expressing concern that a gaming law in Vietnam will deal a heavy blow to an already ailing industry.

“Yes, the law would likely make it difficult for Cambodian border casinos,” Ros Phirun, deputy director of the financial industry department of Cambodia’s Ministry of Economy and Finance, told local media.

However, some industry insiders say the local market that Vietnam’s government will seek to attract to its casinos will be markedly different from those playing at the border, or in NagaWorld.

Ben Lee, managing partner of IGamiX management and consulting, says the government will want to attract wealthy players who are less likely to develop social problems than the low-spenders who go to Cambodia.

But a prominent industry executive, who declined to be named, said Cambodia’s border business will surely lose traffic given the convenience of gambling at home.

No free-for-all

However, even if the law is changed and the local ban is lifted, it will not be a freefor-all scenario among gaming operators and players, which could stymie some of the local market’s potential.

Only wealthy patrons, who will possibly be charged an entry fee and have to apply for membership, will be allowed in casinos. Similarly, the government will be selective in who gets local gaming licenses, while burdensome investment requirements will still be imposed with the new draft, said the source.

The draft proposes halving the investment threshold for new casinos looking to operate tables from \$4 billion to \$2 billion. But some say this only applies to locally-backed developers, and foreign investors will still have to invest a minimum of \$4 billion.

Getting a license and being qualified to offer local gaming remains a risky bet at this stage, the source said.

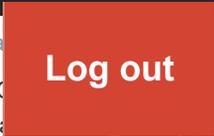
“Nobody is going to qualify for local play unless you’ve got that \$2 billion in the ground already or your license has been issued,” said the source. “Qualified is one thing and receiving play is another.”

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