

# Turning the tables in Macao

Autonomous Chinese gambling centre Macao is under pressure from Beijing to tighten controls on gaming, amidst ongoing concerns that the special administrative region (SAR) is a hub for dirty money, washing through its casinos. **Keith Nuthall & Andreia Nogueira** report on the response.



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The Macanese government expects its tiny peninsular and associated islands of 33.3 square kilometres to generate gross gaming revenues of MOP216 billion (US\$27 billion) in 2024, up from MOP183.1 billion (US\$22.8 billion), recovering from a Covid-19 induced slump. [1] By comparison, Nevada Gaming Control Board said casinos in the US state, home to Las Vegas, collected US\$15.5 billion in gaming revenue in 2023.

With the mainland Chinese government of President Xi Jinping sensitive to corruption risks across greater China, it has pressured Macao to limit its exposure to criminal proceeds.

In June [2024], China's ministry of public security urged Macanese and mainland law enforcement to strengthen cooperation in combating illegal money exchange businesses in Macao, state-run *Xinhua News Agency* reported. [2]

## Hard line on money changers

Macao's response was swift, with the region's ministry of public security, in June [2024], announcing it would investigate and close unlicensed exchanges, many operating in Macanese casinos. The region's Gaming Inspection and Coordination Bureau (DICJ) said it banned 927 unlicensed money changers from casinos, as a result. [3] The Macao government also announced, in August [2024], a proposed amendment to the SAR's Law to Combat Gambling Crimes, criminalising the unauthorised operation of these services in casinos and associated hotels and entertainment venues, with offenders facing up to five years' prison and Macao casino bans of between two and 10 years. [4]

Daniela Guerreiro, associate at the Macao-based law firm MdME's compliance and regulatory practice, supports this measure because "casino activities are typically cash-intensive and fast-paced", which makes "transactions notably anonymous and hard to trace". She added that "the use of currency exchange may increase even more the ML/TF risk" with "overseas criminally-derived funds infiltrating the Macao financial system". Furthermore, she told *MLB*, illegal foreign currency exchange counters "will most likely not abide by the applicable AML/CFT laws".

The moves come as Macao gambling-related crime, such as fraud (including fixing games) and loan sharking rose 122% in Q1 2024 year-on-year. In May [2024], for example, Macao's Judicial Police bust a crime ring where managers, supervisors and dealers had tampered with poker cards to manipulate winnings, according to the *Macao News Agency*. [5]

## More customers, more reports

Macao's Financial Intelligence Office (FIO) (Gabinete de Informação Financeira – GIF), the SAR's financial intelligence unit (FIU), also announced, in July [2024], that Macanese casinos filed 57% more suspicious transaction reports (STRs) in H1 2024 year-on-year – 2,181 in total. [6]

A GIF official told *MLB*: "The significant increase in the number of STRs was mainly due to economic rebound and the significant increase in the number of visitor arrivals during 2024, and the continuous investment of resources by reporting entities in detecting suspicious transactions." This includes converting gambling chips to cash on behalf of third parties and currency exchanges, among others.

## External approval

Macao has been effective in upgrading its AML/CFT laws and policies to the satisfaction of the Asia/Pacific Group on Money Laundering (APG). In its latest mutual evaluation follow up report, issued in 2019 [7], the APG found Macao largely or fully compliant with all FATFs 40 Recommendations, a record confirmed by a 2021 Macanese government report accepted in 2021 by the APG. [8]

## Two into one

One important recent reform, stressed in the FIO's annual 2023 report, released in August [2024] [9], is how the FIU has, since February [2024], been established as a permanent unit in the Macao Unitary Police Service (UPS), under Administrative Regulation no. 5/2009 'Organisation and Operation of the Unitary Police Service' as amended by Administrative Regulation no. 3/2024. [10] The development, it said, would "strengthen cooperation with the police to enhance effectiveness" in AML/CFT.

The FIU may need more support: STR volume has risen to 4,614 in 2023, from 2,199 in 2022 and 2,435 in 2021, with gaming disclosures numbering 3,431 in 2023.

The GIF official told *MLB* that it is now merged into the UPS, in line with Macao's "streamlining administration" policy, boosting cooperation with law enforcement. The official stressed that the FIU has "technical and operational independence", while UPS is now "vested with the attributions and competences to prevent and combat" ML and other crimes. [11]

## Joined-up legal thinking

Macao's Interdepartmental Anti-Money Laundering/Counter Financing of Terrorism (AML/CFT) Working Group, which includes representatives from 13 government agencies, including the Commission against Corruption of Macao and the Gaming Inspection and Coordination Bureau, "meet regularly to discuss on how to strengthen the legal" AML framework, said the FIU official. Their work includes "reviewing current laws", cooperating with public and private sectors, "encouraging the public to jointly participate in preventing and combating money laundering", among other measures.

Guerreiro considers the integration of the GIF into the UPS as "one of the most relevant AML/CFT" recent initiatives in Macao. She also stressed the importance of a revised Macao Gaming Law (amended by Law no. 7/2022) [12], which "prohibits gaming promoters (junket operators) from depositing gaming chips and funds for gaming activities, on behalf of patrons, whether directly or through third parties". Junket operators manage every aspect of a casino visit, including accommodation, and "they typically deal with high-risk clientele (high net-worth individuals, foreign jurisdiction individuals, etc.) and may facilitate large-sum transactions," entailing significant ML risks, said Guerreiro.

## Online and undercover

A newer ML/TF risk is posed by the growth in online gambling, however, the lawyer noted: "There are many outlets reporting on the increase of technological crime associated with online gaming, risks of problem gaming, and difficulties in the application of KYC measures. Online gaming provides unrivalled anonymity to the gamers, allows high transaction volumes to occur, in addition to its international reach," she warned. That said, the Macao legislative assembly is currently debating a new Law to Combat Illegal Gambling Crimes, which could ban online gaming in the territory, along with some other practices such as private 'side betting' wagers linked to the outcome of an original bet and 'multipliers' where winnings are automatically gambled on a subsequent wager. [13]

Guerreiro stressed that the draft law also authorises the use of undercover informants in building illegal gaming cases, with their identities being protected for as long as 20 years. The lawyer noted this is "is ethically debatable" and it would contradict the "the Criminal Procedure Code, wherein the use of deceptive means to obtain evidence is strictly prohibited". [14]

Given the dynamism of the gaming sector, Guerreiro was happy that – as she saw it – "AML/CFT has always been a priority for Macao". To continue to be effective against dirty money flows, Macao laws and guidelines "should be frequently reviewed", to properly address new technologies, such as artificial intelligence, and tackling "emerging ML typologies", said the lawyer. She also called for "inter-regional AML/CFT standards to close any regulatory gaps between" Macao, Hong Kong and mainland China.

## Notes

- <https://www.statista.com/statistics/253755/gross-revenue-from-gaming-and-gambling-in-macao/>
- <https://www.businessintelligence.mo/2024/06/03/%E5%85%AC%E5%AE%89%E9%83%A8%E9%83%A8%E7%BD%B2%E6%89%93%E5%87%BB%E6%05%B4%E6%B2%BB%E6%8D%A2%E9%92%B1%E5%85%9A%E7%AD%89%E8%BF%9D%E6%B3%95%E7%8A%AF%E7%BD%AA/>
- <https://www.macaubusiness.com/public-security-ministry-calls-for-crackdown-on-illegal-money-exchange-in-macau/>
- <https://www.macaubusiness.com/casino-based-money-changing-to-be-criminalised-under-new-illicit-gambling-bill/>
- <https://www.macaubusiness.com/fraud-emerges-as-primary-concern-in-q1-casino-crime/>
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