



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**MONDAY, 24 FEBRUARY 2020
AT 10.07 AM**

Continued from 21.1.2020

DAY 2

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992 (NSW)*

MR A. BELL SC appears with MS N. SHARP SC and MR S. ASPINALL as counsel assisting the Inquiry

MR N. YOUNG QC appears with MS R. ORR SC, MR P. HERZFELD and MS C. HAMILTON-JEWELL of counsel for Crown Resorts Limited and Crown

5 **Sydney Gaming Pty Ltd**

MS R. HIGGINS SC appears with MR T. O'BRIEN of counsel for CPH Crown Holdings Pty Ltd

MR S. FINCH SC appears with MR J. STOLJAR SC and MS Z. HILLMAN of counsel appears for Melco Resorts & Entertainment Limited

10

COMMISSIONER: Yes, sorry about the delay. I think it has been rectified. Yes, Ms Sharp.

15 MS SHARP: This public hearing will concern aspects of the casino and in particular will focus on junkets, money laundering and current regulatory settings. This is for the following reasons: part B of the terms of reference of this inquiry require you to inquire into the veracity of media allegations which, amongst other things, allege that
20 Crown Resorts or its subsidiaries engaged in money laundering and junk operators with links to drug traffickers, money launderers, human traffickers and organised crime groups. In light of that, you are required to consider the suitability of Crown Resorts and its subsidiary which holds the restricted gaming licence to continue holding that licence.

25 Part C of the Terms of Reference requires you to consider the environment in which casinos operate and to make recommendations for achieving best practice regulatory settings which are appropriately adapted to this environment and the risks associated with it. This public hearing will provide the necessary context in which those issues arising in parts B and C will be explored. In broad terms, during this set of hearings
30 you will hear evidence in relation to the nature of the operation of casinos in New South Wales and elsewhere in Australia, the concept of junkets including their provenance and their introduction into Australian casinos, the reasons for the use of junkets in the casino business model, both nationally and internationally, junket operations in practice in Crown Resorts Limited and the Star in Sydney, the
35 vulnerability of junkets to the infiltration of organised crime, the vulnerabilities of casinos to money laundering, both generally and in connection with the use of junkets and the consequential impact on the operation of casinos.

This public hearing will also explore the relevant regulatory settings in relation to
40 junkets and money laundering and will include evidence in relation to, firstly, the relevant statutory and regulatory regimes under which casinos operate in New South Wales and elsewhere in Australia; secondly, the various statutory agencies with responsibility for the regulation of casinos and, thirdly, regulation in some other jurisdictions. Commissioner, that's all I propose to say by way of opening. What I
45 will do now is tender the first set of documents for this hearing. Last week, Commissioner, a list of the non-confidential documents was served on each of the

interested parties. I understand, Commissioner, you have a copy of that list before you.

COMMISSIONER: I do, yes. Thank you.

5

MS SHARP: Commissioner, there are 265 numbered documents in that list. What I will do is tender all of the documents on that list.

COMMISSIONER: Yes, thank you, Ms Sharp. Does anyone wish to say anything
10 about the marking of that group of documents?

MR FINCH: No.

COMMISSIONER: Thank you, Mr Young, Mr Finch and Ms Higgins. Yes, those
15 documents will be marked exhibit A1 to 265.

EXHIBIT #A1 TO 265 NON-CONFIDENTIAL DOCUMENTS

20

MS SHARP: Thank you, Commissioner. Your Honour, I now move to call the first witness in this hearing, which is Mr Paul Bromberg. He will be appearing by way of video link from Bangkok.

COMMISSIONER: Yes, thank you. Good morning, Mr Bromberg.

MR P. BROMBERG: Yes, good morning.

COMMISSIONER: Thank you very much for making yourself available at such an
30 early time in Bangkok.

MR BROMBERG: You're welcome.

COMMISSIONER: Mr Bromberg, I understand that you would wish to make an
35 affirmation to give evidence to the inquiry; is that correct?

MR BROMBERG: That is correct.

COMMISSIONER: Yes, I will administer that now, if you are ready.

40

MR BROMBERG: I am.

45 <PAUL DAVID BROMBERG, AFFIRMED

[10.11 am]

<EXAMINATION BY MS SHARP

COMMISSIONER: Yes, thank you, Mr Bromberg.

MS SHARP: Mr Bromberg, would you state your full name please.

5 MR BROMBERG: Yes, Paul David Bromberg.

MS SHARP: And your address is known to those assisting this inquiry?

MR BROMBERG: Correct.

10

MS SHARP: You are currently based in Bangkok in Thailand.

MR BROMBERG: That is correct.

15 MS SHARP: And how long have you been based there?

MR BROMBERG: 22 years.

MS SHARP: I would like to show you a document, if I can call it up on screen. It is
20 INQ.500.001.0053. Mr Bromberg, do you have a copy of a document with that
number in the top – on the top right hand of the page?

MR BROMBERG: Yes, I do.

25 MS SHARP: And that is a two-page document?

MR BROMBERG: Correct.

MS SHARP: That is a copy of your current CV.

30

MR BROMBERG: Correct.

MS SHARP: And we may take it that that accurately states your qualifications and
experience.

35

MR BROMBERG: Correct.

MS SHARP: I wanted to ask you a little bit more about your CV, Mr Bromberg.
Let me start with your formal qualifications. Now, it's right that you hold a Bachelor
40 of Arts with Honours from the University of Leeds in England?

MR BROMBERG: Correct, in Modern Chinese Studies.

MS SHARP: After you graduated from there, is it right that took an undergraduate
45 research scholarship in 1985 to 1986 at the University of Xiamen in China.

MR BROMBERG: Yes, postgraduate, correct.

MS SHARP: And there you studied Chinese literature.

MR BROMBERG: Correct.

5 MS SHARP: Tell me, Mr Bromberg, do you speak any language other than English?

MR BROMBERG: Yes, I can speak Mandarin and Thai.

10 MS SHARP: And are you able to describe your level of proficiency in Mandarin?

MR BROMBERG: I would say that I can have a reasonable conversation now. Probably 30 years ago I was very fluent, but I can still read quite accurately.

15 MS SHARP: Could we take that document off the screen, please. Mr Bromberg, it's correct that since August 2019 you have been a Senior Vice-President, Investigations with the Spectrum Gaming Group.

MR BROMBERG: That is correct.

20

MS SHARP: Could you tell us what the Spectrum Gaming Group does, Mr Bromberg.

25 MR BROMBERG: Yes. Spectrum Gaming Group is a gaming consultancy that specialised in regulatory compliance matters in the gaming industry. It was set up in 1992 in New Jersey but has since grown and basically operates world-wide.

MS SHARP: And what is your role with respect to the Spectrum Gaming Group?

30

MR BROMBERG: Okay. Well, since August I oversee all of the investigations in Asia. But prior to August 2019 I was the chief executive officer of a company called Spectrum Asia in which Spectrum Gaming Group had a minority shareholding. And together, we oversaw all investigations in Asia and I've been working with Fred Gushin, the managing director of Spectrum Gaming Group since about 1991 and with Spectrum Gaming Group since the foundation of Asia which was in 2003.

35

MS SHARP: And in the period of 2000 – sorry, did you say 2003?

40 MR BROMBERG: Correct. That's when Spectrum Asia was set up.

MS SHARP: In the period from that time, did Spectrum Asia concentrate on issues in the gaming industry or look at matters more broadly than that?

45 MR BROMBERG: Yes, looking at matters more broadly. We were a corporate investigations firm and working in business intelligence and investigatory matters, but on the gaming side of our business we worked exclusively with Spectrum

Gaming Group and worked on a number of very high profile matters as I think we will discuss in a minute.

5 MS SHARP: And you mentioned that you were the chief executive officer of Spectrum Asia. While you held that position did you still undertake investigations and market intelligence?

MR BROMBERG: Sure, sure. Certainly.

10 MS SHARP: And you would lead teams of investigators from time to time?

MR BROMBERG: That is correct.

15 MS SHARP: And prior to Spectrum Asia coming into existence, is it right that there was a corporate entity called Spectrum OSO Asia Limited?

MR BROMBERG: That's correct. Actually, spectrum OSO Asia was the corporate name and we decided it was a little bit clumsy so we decided to trade as Spectrum Asia.

20

MS SHARP: Is it right when it was called Spectrum OSO Asia, you played a role in setting up an office for that entity in Macau?

MR BROMBERG: That is correct, in 2004.

25

MS SHARP: Did you live there during that period?

MR BROMBERG: No, I did not, but I was travelling very regularly there and in fact continued to do so pretty much until I would say around 2012 when we closed that office down.

30

MS SHARP: You've actually anticipated my next question, Mr Bromberg. I'm going to ask you how frequently do you travel to Macau?

35 MR BROMBERG: I would say between 2004 and 2012 very, very frequently, at least one a month, often twice a month. We did have a country manager running the office but I was there on a regular basis. Since 2012 probably I've been to Macau probably about once every six to eight weeks but over the last couple of years less frequently, maybe once a year but not as frequently.

40

MS SHARP: Have you attended at casinos when you have been in Macau?

MR BROMBERG: Yes, I have.

45 MS SHARP: How frequently - - -

MR BROMBERG: I would say I visited most of the casinos.

MS SHARP: And have you been - - -

MR BROMBERG: In Macau.

5 MS SHARP: - - - to what is known as the VIP rooms in some of those casinos?

MR BROMBERG: Yes, I have.

10 MS SHARP: And have you liaised with the operators of those casinos from time to time?

MR BROMBERG: Yes, I have, from time to time.

15 MS SHARP: Have you liaised with the Macau regulator from time to time? I think we know it in English as the DICJ.

20 MR BROMBERG: Yes, the Gaming Inspection and Coordination Bureau, which is often known as DICJ. Yes, I have. I would say that between around 2008 and 2013 I met with the head of the DICJ at least three or four times, sometimes formally, sometimes informally.

MS SHARP: And have you liaised with law enforcement officials in Macau during your time in Macau?

25 MR BROMBERG: Yes, I have. Not recently but in Macau and in Hong Kong where Hong Kong authorities closely monitor what is also happening in the gaming industry in Macau.

30 MS SHARP: Now, part of your role, you've indicated, while you were at Spectrum Asia was to conduct investigations. Did this include probity investigations?

MR BROMBERG: Yes, it did, for a number of governmental and corporate clients.

35 MS SHARP: I want to understand in some detail now what your background is in investigating the casino industry and investigating it in various jurisdictions. Can you give us some examples, perhaps do so in a chronological way, of some of the experiences you've had in investigations, and I understand that you have been investigating in the casino industry since about 1991; is that correct?

40 MR BROMBERG: Yes, that's correct. In 1991 we were hired – when I was at Kroll Associates, we were hired by the Tinian Gaming Commission to investigate licence applicants for a licence on the island of Tinian in the northern – Commonwealth of Northern Marianas. At that time, we ended up investigating a number of companies that had links to Japanese yakuza, Japanese organised crime
45 groups.

Roll forward to about 2003, 2004, right after Macau liberalised its gaming industry, we were hired by one of the American operators to undertake fairly limited investigations, limited in scope, of individuals in companies that they were considering to work ask junket operators at their casino. In 2005, Spectrum Gaming
5 Group and I worked as the lead investigator in Asia, was appointed by the Singapore government to undertake probity investigations of all of the applicants for a casino licence, first at Marina Bay and secondly at Sentosa. Those investigations took place over a period of over two years and we had some 80 investigators and financial
10 investigators working on those investigations. And it gave us a very good view of what was happening in the Asian gaming industry at that time.

Subsequently, in 2008, we were hired by the Hong Kong Jockey Club to provide a study on VIP gaming market which was primarily looking at Macau, and then by the casino regulatory authority of Singapore also to do a study on the VIP gaming
15 market across Asia. And then from 2010 to 2012, Spectrum was hired by the casino regulatory authority of Singapore to undertake investigations of all licence applicants for a junket licence, what is known as an international marketing agent in Singapore. And we undertook a number of investigations into those applicants, which also gave us interesting insights into the world of the junket industry.

20 Thereafter, in 2013, Spectrum was hired by the government of Massachusetts to investigate licence applicants for casino licence in the state of Massachusetts. Again, as part of that investigation I led investigations into the American operators that had operations in Macau but were applying for a licence in Massachusetts. We also
25 updated in 2013 our study of the junket industry for – across Asia for the casino regulatory authority of Singapore. And since that time, I think, and there has not been any formal engagements but I have kept a fairly close monitor on what's happening in the junket and VIP business across Asia.

30 MS SHARP: And indeed you're frequently approached by media organisations to commentate on developments in what I might broadly describe as the Asian casino market.

MR BROMBERG: That is correct.

35 MS SHARP: Including in relation to recent developments in Japan?

MR BROMBERG: That's correct. We have been following what's happening in Japan very closely.

40 MS SHARP: I will come to that.

MR BROMBERG: And from a – okay, go ahead.

45 MS SHARP: I will ask you about Japan in due course, thank you, Mr Bromberg. Is it correct that you have also done some work in recent times for the UK Gambling Commission?

MR BROMBERG: That is correct. Also looking at certain aspects of the Asian gambling market which I'm afraid I can't go into details.

5 MS SHARP: And is it right that that work was conducted in 2017 and also in 2019?

MR BROMBERG: That's correct.

MS SHARP: Now, you often speak at gaming conferences around the world?

10 MR BROMBERG: That's correct, and indeed I was on the board of the G2E Asia Global Gaming Expo Asia from 2006 to 2013 as well, when they were developing the brand in Asia.

15 MS SHARP: Is it right you wrote a chapter entitled Gaming in South East Asia in a 2006 publication called Casino Industry and the Asia Pacific?

MR BROMBERG: That is correct.

20 MS SHARP: Based on your experience, Mr Bromberg, how well would you say you know the international casino industry?

MR BROMBERG: I would say that I know it very well in Asia. I am familiar with it outside of Asia but within Asia I would say I know it extremely well.

25 MS SHARP: And how well do you think you understand junkets in Macau?

MR BROMBERG: I think probably as well as any Caucasian will understand them. It is a very secretive world and difficult to penetrate but we have had an awful lot of experience in looking at that industry.

30 MS SHARP: And how about junkets in Asia and South East Asia more broadly?

MR BROMBERG: Yes, and I would say the same. It's not an open industry where they widely advertise their business practices but, you know, I've certainly spoken with many junket operators in South East Asia over the course of the years, of many years.

40 MS SHARP: Now, I don't want you to disclose any secrets or your confidential methodology, but are you able to tell us in general terms what sources you – of information you rely upon in conducting your investigations?

45 MR BROMBERG: Okay. Well, an investigation, I mean there are different types of investigations. So for a casino licensing investigation, the casino itself and the members of the board, key employees, they will all fill in very intrusive forms about their own background and levels of wealth, and the casino about its business. But for the junkets, usually they're less willing to provide detailed information. So it is a matter of, first of all, of course, undertaking any public research, research of media

sources that one can look at. But then also if they are willing to cooperate with a licensing investigation in whatever information they provide, which we can then, as a first stage check as to accuracy, and then subsequently investigate.

5 But I would say that the junket licensing investigations that we undertook for the casino regulatory authority of Singapore were probably among the most difficult investigations that we've ever had to undertake and that was because of the levels of secrecy that the junkets usually maintain, but also the fact that they don't keep very accurate records, you know, generally. So it's quite difficult to assess any
10 information that is being provided to you.

MS SHARP: And, again, without asking you to disclose any confidences, do you rely upon your contacts you've established over the years in law enforcement and with casino regulators in conducting your investigations?
15

MR BROMBERG: When we're undertaking an official investigation for governments, certainly.

MS SHARP: Now, again I don't want you to disclose anything confidential in answer to my next question, but is it correct that Spectrum Gaming Group has done
20 some consultancy work for Melco Resorts?

MR BROMBERG: Yes, that's correct.

MS SHARP: What are you able to tell us about that, without disclosing any confidence?
25

MR BROMBERG: I believe and, again, I wasn't personally involved in these projects, but I believe that there were a number of feasibility studies undertaken in
30 Japan and a study on best compliance practices in the industry.

MS SHARP: Did you have any personal involvement in any of that?

MR BROMBERG: Not in the actual work but only in certain meetings after the work had taken place.
35

MS SHARP: And, again, I don't want you to disclose any confidential information or, indeed, even disclose the nature of your engagement, but it's correct, isn't it, that at one stage the Independent Liquor & Gaming Authority in New South Wales
40 contracted you to perform some investigatory work for it?

MR BROMBERG: That's correct. We undertook some background research on potential partners of a licensee.

MS SHARP: Thank you.
45

MR BROMBERG: Yes.

MS SHARP: I won't ask you anything further about that. Could I move to a completely different topic now. I would like to clarify with you some terminology that we often see used in various publications about casino operations and it's used in the industry more broadly. Can I start with this: can you tell us what a VIP player is? That is a very important person player.

MR BROMBERG: Okay. So a VIP player – I mean, there's a broad definition for VIP player and it depends on which market you're talking about, but it's somebody who is going to spend more than an average player when they visit a casino. I think in Macau we would define a VIP player as somebody who is willing to spend probably about a million Hong Kong dollars, that's US\$130,000 dollars on a gambling visit. But a VIP player in a lesser market or a smaller market like Vietnam or Cambodia might be somebody who is willing to send 10 or 20 thousand US dollars. So it really depends on the market as to the definition. And then you also have what are VVIPs, a very, very important player, also known as a whale, and those people might be willing to spend to five to 10 million or up in US dollar terms. So these are people that are going to spend very large amounts of money in the casino.

MS SHARP: Are you familiar with the expression "high roller"?

MR BROMBERG: Yes, that is the same. Interchangeable between VIP and high roller.

MS SHARP: What about the term "premium player". What does that mean?

MR BROMBERG: Okay, a premium player would be somebody that is going to play more than somebody just on the mass floor but they have not usually – been brought to the casino by a junket operator. So they are – they may play almost to the level of a VIP player. Some premium players may even play to the level of a VIP player but they're typically playing within the casino but not within necessarily the VIP rooms. Later some premium players are taken to the VIP rooms by the casino.

MS SHARP: In one of your last answers, I heard you use the expression "mass floor". What do you mean by that?

MR BROMBERG: Yes. So that is the casino floor where most – most people who visit a casino will only see the main casino floor or the mass floor. So that is where the mass market, normal people who just come into the casino to play for fun will spend most of their money.

MS SHARP: Now, I would like to ask you to define a junket. If you could just give us a working definition for now because I will come back to that to ask you about it in a bit more detail later.

MR BROMBERG: Okay. So there are many definitions of the word "junket" but in Asia, it's typically somebody who provides travel and complimentary services for

their customers. The junket operator is paid a commission by the casino based on the play of his customers, his or her customers, that they bring to the casino through prearranged criteria with that casino. So, essentially, junkets brings players to the casino and in return for the amount that they play, not for what they win or lose, but
5 for the amount that they play, they receive a commission which has been prearranged, based on that play.

MS SHARP: So, in a sense, is a junket like an introducer or a facilitator?

10 MR BROMBERG: Yes, but much more than that, because if they were only doing that, then they would not be involved in the rest of the stay when the customer is in the casino. But the junket operator facilitates every aspect of the visit or the trip by the casino patron to the casino.

15 MS SHARP: Now, it's right that different models of junkets have emerged around the world, isn't it?

MR BROMBERG: That's correct. Certainly, junkets have played very different roles in other markets such as the US to what they do in Asia, where they play a
20 much larger role. And that's partially because many of the customers who the junkets are taking to the casino come from countries which do not have legislation governing gaming or gaming debt, the extension of credit or the collection of debt.

MS SHARP: And, Mr Bromberg, I will come back to explore with you in a bit
25 more detail the differing models of junkets that have emerged throughout the world. While we're working through terminology, you're familiar, I take it, with the expression "VIP room"?

MR BROMBERG: Correct. The VIP room, which would you like me to explain
30 my understanding of it now?

MS SHARP: Yes.

MR BROMBERG: So the VIP room, essentially, is a room inside a casino, and it
35 really developed in the 1980s in Macau. It was actually a brilliant strategy by STDM which was the company which had the casino monopoly licence from the 1960s on in Macau. Because by renting out a room in a casino to a VIP operator, essentially the casino removed the risk of having to try to collect debt from the players in that room. So the VIP room is often run by a junket operator, not always but usually, so
40 that junket operator will send their own customers to the VIP room in the casino where they can essentially monitor what's happening – monitor closely what's happening in that room. And then they can provide all the services in that room, even if the casino's employees are actually the ones who are working there. But essentially it has become almost like a mini casino within the casino.

45 MS SHARP: Now that last answer, Mr Bromberg, was that relating specifically to VIP rooms in Macau?

MR BROMBERG: Correct. There are now VIP rooms in other casinos around Asia, indeed possibly in other jurisdictions as well, but in other parts of Asia, the rules and regulations vary, but often the junket operator may still have their own dedicated VIP room but what they can do there is perhaps not as – it's not as open or
5 as easy for them to operate it as in Macau. So they may have to adhere to stricter regulations about what they can or cannot do in the VIP room in other jurisdictions.

MS SHARP: Now, insofar as Macau is concerned, you've said that the casino operator rents out the room to the VIP room operator. Does that mean that the casino
10 operator also assigns responsibility for things like managing the cage or the purchase of chips to the VIP room operator?

MR BROMBERG: Okay. Certainly that has been the case in the past. And, again, I would say it depends on each casino because there are different casinos doing –
15 operating in different ways, even within Macau. But certainly the – right now, most of those junket operators, they may not – I mean it may not be a cage in the strict sense of how you might view a cage in a casino but they would certainly have a desk which is their own desk where all financial transactions are tallied and certainly they would have one person, probably the head of that cage, of the junket operator's cage
20 who liaises with the casino operator's cage for all transactions. So essentially they are almost like having their own cage within the casino.

MS SHARP: Mr Bromberg, are you familiar with the way VIP rooms operate in
25 Australia?

MR BROMBERG: No, I'm not, not closely. In general terms but not closely, not specifically.

MS SHARP: We have been using the word "cage", are you able to explain to us
30 what a cage is?

MR BROMBERG: Yes, essentially, it's the financial operating centre of the casino. It's where all the money comes in and where all the money is paid out. So it's
35 essentially the accounting centre of the casino.

MS SHARP: And are there specific cages in the VIP rooms in Macau?

MR BROMBERG: Yes, there are, which belong to the casino, and then, as I said, the junket operators in those VIP rooms would also have their own – their own desk
40 or – in the past they may have physically had a cage but now I think for the most part they have their own kind of accounting desk where all transactions are tallied up.

MS SHARP: And in relation to the main floors of the casinos, do we also find
45 cages?

MR BROMBERG: Yes, much larger cages. Yes. Which is where the customers go and buy their chips and where they would cash in their chips.

MS SHARP: Just on to the topic of chips now, is it right that all wages in a casino need to take place using chips?

5 MR BROMBERG: That is correct now. In – apart from possibly for slot machines but yes, if you are playing a table game you would need chips, correct.

MS SHARP: What are chips, and how do chips work?

10 MR BROMBERG: Okay. Well, chips – in most jurisdictions you have live chips. So the customer would go and buy chips at the casino cage. I give a thousand dollars, I get a thousand dollars of chips. I either lose all my chips or I win, and then I go and cash in the chips that I've got and get cash back, or if I lose my chips I go and buy more chips. But in the VIP rooms and when playing baccarat there is something called a dead chip or a non-negotiable chip and these chips were
15 established in Macau and specifically, to cut a very long story short, the reason that these were created was because essentially it allows the junket operator to keep track very closely of what his players are playing, not what they're winning and losing but what they're playing because they get a commission only on the chips that are
20 played.

So the non-negotiable chips or the dead chips are bought by the player when they arrive at the casino and then essentially they keep buying more dead chips until they finish playing. When they finish playing, if they've won, then that's when they can receive live chips which means they can go and cash out, so using the live chips. But
25 those dead chips cannot be exchanged for cash.

MS SHARP: And you've mentioned dead chips, are they also sometimes referred to as rolling chips?

30 MR BROMBERG: Yes, they can be but it really it's the rolling action which is the most important, that those chips are constantly being turned over by the junket operators or the VIP room operator. The customers will be buying and playing those chips. It's most important that they agree to a certain amount of volume that they will play before they arrive in the casino. And that's for a VIP player, not for a mass
35 player, obviously.

MS SHARP: And that brings me to my next term I would like your assistance in defining which is "front money". Can you tell us what that is, please?

40 MR BROMBERG: Okay, that's the money that is sent in advance of the arrival of a junket player or a junket group, or a VIP individual player. So money that is sent either by the player themselves or by the junket operator to the casino. And that front money will either be used to buy chips or if the player or the junket operators well know, that could be almost used as a deposit as well, against which credit will
45 be extended.

MS SHARP: And are you able to say whether or not it is the usual practice for junket operators in Macau to agree with casino operators as to the level of front money that will be used during any particular junket play?

5 MR BROMBERG: Yes, I would say that's very common. All of the junket operators' agreements with the casinos are based upon a certain volume. So, for instance, to be able to have a VIP room in a casino, the junket operator must agree to a certain amount, you know, it could be millions of dollars per month that their clients are going to roll – so that means the chips that they're going to play at that
10 casino that month. And so that would also be the front money that they're going to play. The more that the casino trusts a player or a junket operator, probably the less front money is required because there's a level of trust. If they don't know that player or it's a new relationship with a junket operator, they would probably require a larger amount of front money to be sent to them.

15 MS SHARP: Can I ask you about the concept of rebates within casino operations and junket play.

MR BROMBERG: Okay. Well, again, the rebate is given by the casino operator
20 initially to either its VIP player directly or to the junket operator as a means of incentivisation. So, again, if you're going to spend a thousand dollars to buy chips, but I give you an extra 10 per cent, that, you know, they're hoping that you're going to spend more. What happens is that the rebate is then passed on by the junket operator to their own, either their subjunket, so people who are working to find
25 clients and they get to keep a percentage of that rebate, or directly to the customers, to their own customers. And the rebate, the amount of the rebate will depend on a number of things. It will depend on whether the player is playing in cash – if they're paying 100 per cent cash, the casino is going to give a higher rebate than if the player is playing on credit. So that is – so the aim of the rebate is simply to incentivise
30 either the junket operator or the players.

MS SHARP: So, in a sense, to put it in general terms, it's like offering a discount.

MR BROMBERG: Correct. Correct.
35

MS SHARP: And are you able to tell us what a rebate player is?

MR BROMBERG: Well, it's a player who is coming – who is getting a rebate on a regular basis.
40

MS SHARP: So is a rebate player ordinarily a VIP player?

MR BROMBERG: Yes, I would say so. I don't think that the casinos would be offering rebates, significant rebates, to mass players because the volume is not
45 significant enough. The rebate has to take place – and the rebate can also take place in the form of, you know, complimentary, such as, you know, hotel rooms or, you

know, rebates on travel costs as well. But, you know, to get a rebate, you have to be willing to spend a significant amount of money at the casino.

5 MS SHARP: Now, what about the expression “turnover” in a casino, what does that mean?

MR BROMBERG: Turnover, well, just, like – it is the revenue, but it is not the amount that is won or lost. It is the typically the gross gaming revenue. So the amount that has been spent at the casino.

10 MS SHARP: Can it sometimes mean the amount that is actually wagered, whether it’s won or lost?

MR BROMBERG: Yes, that is correct.

15 MS SHARP: Are you able to assist us with the meaning of “loan sharking”?

MR BROMBERG: Sure. So loan sharking occurs when a player needs money, needs funds and doesn’t have the ability to get cash from any other means. Within the Macau casinos, loan sharks actually roam the mass floors looking for people that could become clients but equally many of the VIP room operators have agreements with loan shark – organised loan shark organisations who can provide loans at very high interest rates to customers that are willing to pay those rates.

25 MS SHARP: Are you familiar with the concept of side bets?

MR BROMBERG: Yes, I am.

MS SHARP: And what are they?

30 MR BROMBERG: A side bet – okay, a side bet is a bet that takes place away from the table. So in – this started in Macau but it has grown to be an Asian phenomenon and it may even happen in other jurisdictions as well. But, essentially, it’s a side agreement between the junket operator and their clients. So, for instance, if we say for every thousand Hong Kong dollars that the customer bets on the table, there will be a side agreement that could be as much as 10 times that amount between the junket and the player. Side bets of three to four times the amount on the table are quite routine and, as I said, they can be very, very significant. So, in a way, it is a means of avoiding regulatory scrutiny. It’s a means of avoiding paying tax on the play and it’s a means of avoiding payment of casino their fees as well.

MS SHARP: I can understand what’s in it for the junket operator in terms of a means of avoiding paying tax but what’s in it for the junket player to engage in side betting?

45 MR BROMBERG: That they get an even larger rebate. So they get a bigger discount because, for instance, in Macau the government tax is – the government tax

is almost 40 per cent. So, essentially, if you're not having to pay that, then they're able to offer a larger discount to the customer.

5 MS SHARP: In your experience, is it the case that a side bet agreement can be made between the junket operator and the junket player without knowledge of the casino operator?

10 MR BROMBERG: It is possible. I would say that it's quite common in many jurisdictions. Obviously casinos do not like this practice. In Macau, I have seen, myself, instances where junket operators are clearly engaged in side bets with their customers and brazenly so. And one of the reasons they do that with impunity is that some of the casino operators are scared to intervene in that practice. But I would say that for the most part, if casinos know that it's happening, they would crack down on it and certainly in the agreements with the junket operators there will be clauses
15 saying that the side betting is not permitted.

MS SHARP: How do you say that you've actually seen side betting take place?

20 MR BROMBERG: Because it is apparent that the communication between the junket staff and the players, that they are not just discussing or counting what is happening on the table but also what is happening off the table.

25 MS SHARP: Now, there's an important notion in casino operations known as the "house advantage" or the "house edge". Could you tell us what that is, please?

30 MR BROMBERG: Sure. In all casinos world-wide, the house has an advantage over the player as long as the player continues to play for a certain amount of time. The house will always mathematically – the house will always win. In baccarat, the preferred game in Asia, there is a theoretical win of between 2.5 and 2.8 per cent. So that means that the casino will almost always win that amount of money over time on all the amounts, on all the turnover in its casino on the baccarat tables.

MS SHARP: Is there a referred game or a game of choice of VIP players in Macau?

35 MR BROMBERG: Yes. Baccarat, which is I would say probably 95 plus or maybe even 98 or 99 per cent of all play is baccarat. And the reasons for that are three-fold. First, there's a common perception amongst baccarat players that the house advantage is slightly less than in other games. Secondly, there is the perception amongst baccarat players that it's a fairer or straighter game because essentially you
40 have two choices: betting on the house or betting on the player. So it's really a very simple choice. And the third reason is that historically people have always thought of baccarat players as being somewhat affluent, and so there is an aspirational quality about wanting to play baccarat. So that's why baccarat is certainly by far the
45 preferred game.

MS SHARP: Now, you've touched upon this matter briefly already but using Macau as an example, are you able to give us some indication of the minimum bets one would see in the VIP room for baccarat?

5 MR BROMBERG: Certainly. Again, it depends on the size of the casino. I would say in some of the smaller casinos – and again it's also changed over time, as the Macau industry has expanded so have the minimum bets as well: but right now I would say a minimum bet in a smaller casino in a VIP room in a baccarat table
10 US dollars per hand and then in some of the bigger casinos, probably between 5000 and 10,000 Hong Kong dollars per hand which is somewhere between about almost 700 dollars and 1300 US dollars.

MS SHARP: Are you able to assist us: does the casino operator or the VIP operator
15 or, indeed, the regulator, do any of them set minimum bets for VIP rooms in Hong Kong – I beg your pardon, in Macau?

MR BROMBERG: In Macau.

20 MS SHARP: Yes.

MR BROMBERG: Certainly, the casino operator will set those limits. Now, they may discuss with the regulator what they're doing but they themselves have control over the limits in, you know, within their casino.
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MS SHARP: Now, if you're able to answer this, are the minimum limits you've identified in Macau broadly consistent with minimum limits you find in VIP rooms around the world in casinos?

30 MR BROMBERG: No, they're much higher. Much higher. So I would say in other jurisdictions, traditionally the minimum bets would be much lower.

MS SHARP: Can you assume something for me. Can I have you assume there's a
35 minimum bet requirement of 30 Australian dollars per hand of baccarat. Does that sound like a VIP minimum bet to you?

MR BROMBERG: No, it does not. But that's not to say – again I'm not familiar with Australian practices, but it does sound quite low.

40 COMMISSIONER: Well, I suppose it's not a minimum bet for Macau, it's quite different from Macau, you would say; is that right?

MR BROMBERG: That's right. I mean, it may be that in Australia that's quite reasonable but for my perspective, in Macau that would be an extremely low bet.
45 Even probably about the, you know, on the main floor I think it would be at least 300 Hong Kong dollars which is around 40-something US dollars. So it would be in excess of that amount.

COMMISSIONER: Thank you.

MS SHARP: Are you able to compare it with minimum bets in, say, Nevada in Las Vegas?

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MR BROMBERG: No, I'm not familiar with the minimum bets there but I would be willing to speculate that they would also be significantly less than in Macau.

MS SHARP: Just while we are on the topic of betting in Macau, is it usual or is it usually the case that bets are wagered in Hong Kong dollars?

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MR BROMBERG: Yes that is correct, although they can be wagered in Macau patacas as well.

MS SHARP: Can I move to a different topic now, Mr Bromberg. I wanted to understand in some more detail the profile of VIP players and let me start by asking you this: where do most VIP players come from that bet in Macau?

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MR BROMBERG: Okay. The vast majority are from China. I believe that, I think 95 or 96 per cent of all players in Macau come from mainland China, Hong Kong and Taiwan.

20

MS SHARP: And what about looking around the world more broadly, where do the VIP players come from?

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MR BROMBERG: I think there are VIP players coming from – you know, most countries will have a few but the vast majority do come from China.

MS SHARP: Do casinos around the world compete with one another for VIP players?

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MR BROMBERG: Certainly. Certainly it has been a very, very competitive market, especially over the last 10 years or so as the VIP sector has grown and as China's economy has continuously boomed.

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MS SHARP: And is it fair to say that what they are competing for is a market share of their VIP players from mainland China?

MR BROMBERG: That's certainly true.

40

MS SHARP: Are you able to say what explains the high proportion of VIP players coming from mainland China?

MR BROMBERG: As I said before, I think it has been the growth in the Chinese economy. Certainly, Chinese people seem to enjoy gambling, and there has certainly also been this, I think, a feeling that if you've become rich very suddenly, perhaps for legitimate reasons, you know, you have had a business that has been listed or has

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been very successful, people are willing to gamble because they feel that they can recreate that wealth, if they do lose in a casino. There's also been a huge amount of, well, can I say, black money that has also come out of China, fuelled by corruption, fuelled by illicit acts or deeds as well as the legitimate. So there has been a huge
5 wave of hot money coming out of China over the last 10-plus years and that has led to a huge increase in the VIP market.

MS SHARP: Is casino gambling legal in China, in mainland China?

10 MR BROMBERG: Apart from Macau it is not.

MS SHARP: Is that one of the reasons that explains why the VIP players come from mainland China in the main?

15 MR BROMBERG: Certainly. I mean, there is no – there is nowhere else for them to play apart from in Macau and then subsequently they've been going further abroad for the experience.

MS SHARP: Is it correct that there has been a crackdown on corruption in mainland
20 China in recent years?

MR BROMBERG: That's correct. Since the end of 2012.

MS SHARP: And one of the things you specialise in, am I right, Mr Bromberg, is
25 understanding the political environment in mainland China?

MR BROMBERG: That's – that's correct.

MS SHARP: Can you tell us a little bit more about the corruption crackdown and
30 when it commenced?

MR BROMBERG: Okay. Yes, so essentially the crackdown on corruption commenced in late 2012, an initiative by President Xi Jinping. And the campaign sought to root out government corruption, the under-reporting of income by wealthy
35 Chinese business people and other illegal activities. Some people speculate that there was also a political aspect to this by targeting political opponents of President Xi and his group. But the reality is that the crackdown has had a massive impact not only on government corruption but also on private sector corruption.

40 MS SHARP: And has this crackdown extended to Macau which is a special administrative region of mainland China?

MR BROMBERG: Yes, it has. And the reason for that is that the gaming sector became a key focus of the crackdown on corruption, because the frequency and
45 volume of transactions in the gaming sector created enabling conditions for the laundering of money, essentially. Which meant that large amounts of money which people were eager to get out of China, as I said before, passed through Macau and

essentially passed through the Macau VIP rooms at that time, prior to, I would say, around 2016 when the situation began to change.

MS SHARP: And what happened in around 2016?

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MR BROMBERG: Okay, well, essentially, at the end of 2014 President Xi Jinping visited Macau and gave a warning to Macau that they had to improve their regulation of the gaming industry. Subsequent to that, they took that on board, I assume, and a number of measures were implemented around about 2015, 2016, to start to improve gaming regulation. A new anti-money laundering law was passed. New regulations on the junket industry were implemented although they haven't really been enforced until late last year. But there were a number of other measures that were implemented to try to control the movement of money out of China, and to also see what Chinese people were doing in Macau in terms of withdrawal of money from ATMs or just movement of money from China into Macau and then on.

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MS SHARP: Is it fair to say that until the corruption crackdown, Macau had been the destination of choice for VIP players from the Chinese mainland?

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MR BROMBERG: Yes, I think that's very true because it was the easiest and closest market for them to reach, and also I think that at that time there wasn't as much choice in the Asian region as there subsequently was after 2016. Essentially, what Macau offered to many VIP players was the ability to gamble but while retaining their anonymity. And that was very important to them because they didn't want the Chinese government to know what they were doing or how much money they were spending in Macau.

MS SHARP: And do I take it that this is starting to change because of regulatory changes in Macau?

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MR BROMBERG: Yes, I believe it is. Certainly they've brought in, as I said before, a number of rules and regulations which I can expand upon if you would like, but I think that we also have a new administration as of the beginning of December 2019 in Macau and they have very clearly stated that, unlike previous regimes, they intend to govern in accordance with the law and the laws now are in place to – to – as I say, to regulate the industry in a more normal manner to what we see in terms of gaming regulation in other jurisdictions.

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MS SHARP: Now, I will come back in a little while to ask you more about changes in the regulatory environment in Macau but for now, can I concentrate on economic effects. You would agree, firstly, that Macau is very dependent on the gaming sector in its economy?

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MR BROMBERG: Massively. It is – it makes up almost all of its GDP.

MS SHARP: And - - -

MR BROMBERG: The vast majority.

MS SHARP: - - - historically, at least since the monopoly on the casino was
5 market in Macau.

MR BROMBERG: That's correct. Certainly at its peak, it was around 69, 68, 69
per cent of all gaming revenues in Macau. And so that was probably in 2013 when it
10 peaked at about 69 per cent. The crackdown on corruption has had a massive impact
on that, so that we found in 2019 VIP gaming revenues were down to 46 per cent.
So a massive reduction as a result of these new measures to regulate the gaming
industry.

MS SHARP: And, to your observation, has what you describe as the massive
15 reduction in VIP revenues caused casino operators to target other parts of the casino
market - - -

MR BROMBERG: Certainly. And that was one of the – yes, certainly that was one
of the requirements when President Xi Jinping visited Macau in December 2014
20 which was the 15th anniversary of the handover of Macau back to China. He
specified that he wanted to make Macau less dependent on its gaming industry and
also to diversify the industry away from VIP play to make it more of a popular
family destination over time. So, essentially, that is what the Macau government and
the casino operators have been doing over the last five or six years – five years.

MS SHARP: And as an industry watcher, are there any parts of the casino market
25 that are now being targeted as growth areas for the casino operators in Macau?

MR BROMBERG: Yes, it has been the premium mass segment but the mass and
30 premium mass segments have been targeted and, certainly, for the first time ever last
year, mass – the mass market was larger than the VIP market. So, essentially, it
looks as though the Chinese government, the Macau government are getting what
they want.

MS SHARP: And just to confirm, was it your evidence previously that so far as the
35 premium mass market is concerned, junkets don't play a role in that segment of the
market?

MR BROMBERG: That – that is generally correct, yes.
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MS SHARP: So as a result of the corruption crackdown in mainland China, is it the
case that we have less VIP players coming from mainland China or are they going to
places other than Macau?

MR BROMBERG: I think that they're going to other places – to places other than
45 Macau. Now, it's very difficult to know the exact numbers of VIP players coming
out of China because there are no statistics. But it would seem that now, right now –

obviously before the coronavirus crisis the Chinese economy has been slowing down so that would indicate that VIP numbers would also probably slow down. But up until maybe last year or the year before, there was no slow down but the numbers were still decreasing so I would say they were going to other jurisdictions to play.

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MS SHARP: And are you able, again, as an industry observer, are you able to tell us where the VIP players are going to?

MR BROMBERG: Certainly. They target new destinations, especially for the junket operators where they feel that there's less scrutiny. The most – the favourite locations have probably been the Philippines, Cambodia, Vietnam, they've gone to – but they have also gone to Australia and to America, to Las Vegas and even to the UK. So they have really been spread wide across the world.

15 MS SHARP: Are there are particular factors that might attract a VIP player to Australia as opposed to, say, somewhere else in South East Asia?

MR BROMBERG: I think it's the location. I mean I think that if they want to go to Australia because they understand that it's a nice place to visit, then that is the attraction. Obviously, for the junket operators, they tend to go to – I mean, they tend to take their players to places for two reasons. One is where they get the best commission, and the second is where their players want to go. And I would say that over time the VIP players have become more sophisticated. So certainly 10 years ago, VIP players were happy to go to Macau because that's what they knew and they felt comfortable there. But, essentially, now by going to these other markets, the casino operator – the casinos in those other markets are accommodating them. They're providing signs in Chinese. They're providing Chinese food. They're making it much easier for players to go to their casinos. Therefore, there's more choice. So certainly Australia would be an attractive destination.

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MS SHARP: Now, can I come at this point to ask you in a bit more detail about junkets. Let's start with this: it's right that there are different types of models of junkets, isn't it?

MR BROMBERG: That's correct. I would say that the junket industry has evolved also over the last 20 years. 20 years ago, a junket operator may very well have been very similar to a travel agent. Then in terms of facilitating travel for the clients who went on the junket. Then many of the junket operators themselves were VIP players who maybe realised that there was more money to be made in – as a junket operator than in trying to play in the casino.

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The Chinese junket operators are somewhat different, I think, to the south-east Asian junket operators and, again, this is probably due to competition and maybe it's less true now than it was 20 years ago. But the way that one south-east Asian junket operator described the industry to me in around about 2005, 2006, was that the south-east Asian junket operator liked to have very long-term relationships with their clients. They liked their clients to bleed a little bit but they didn't want to kill them.

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Whereas the Chinese junket operators simply wanted their players to spend as much money on each junket as possible and they didn't care whether they killed them or not. So that was the perception of the south-east Asian junket operators at that time.

5 I think that the market has become increasingly competitive. So that what we see now is fewer junket operators and those that have survived are probably larger in terms of the numbers in their operation, and they've also become bigger businesses. And that's probably true in South East Asia but certainly true in Hong Kong Macau and China. In South East Asia there may be still smaller family run businesses.

10 MS SHARP: Are we seeing a diversification of the businesses of some junket operators?

15 MR BROMBERG: Certainly. As the business becomes more difficult, all those junket operators in Macau, they've looked to diversify their business by getting into other businesses but particularly casino operation. They've got the client base. So – and they've got large accumulated stockpiles of money. So their thinking is why don't we set up our own casinos and then we can direct our own players to those casinos rather than to the casinos of other people, other companies. But they've also
20 diversified into other businesses as well. I think they've set up their own forex businesses, foreign exchange businesses, they have set up hotel and hospitality businesses, quite a diverse range of business interests.

25 MS SHARP: And just on your point that some junket operators are now becoming casino operators, is that the case with respect to the Sun City junket in Vietnam?

MR BROMBERG: That's correct. They're Hoian Project, which they essentially own and will control – will be their own casino, correct.

30 MS SHARP: So we have spoken a little bit about the changing market dynamics so far as junkets are concerned. Now I would like to focus a little bit more on what it is that junkets do with respect to casinos.

35 COMMISSIONER: Just before you go to that, if I may interrupt, I'm sorry, Ms Sharp. Mr Bromberg, you mentioned Hoi An; is that right?

MR BROMBERG: Yes, correct.

40 COMMISSIONER: And can you just tell me when you said they own the casino, is the casino under construction, is it?

MR BROMBERG: Yes.

45 COMMISSIONER: And when it is due to be completed?

MR BROMBERG: That's correct, I believe it's – yes, I believe at the end of this year. I believe it's scheduled to open this year.

COMMISSIONER: And is that what is described as an integrated resort with things other than a casino?

5 MR BROMBERG: I don't know what plans they actually have but, yes, they – the intention, I believe, is for it to be an integrated resort because the Vietnamese government that commitment for any new casino project in Vietnam.

10 COMMISSIONER: And that is a casino owned by, what, the company, Sun City, is it?

MR BROMBERG: Yes, but I believe they do have a Vietnamese partner. I think it's Fina Capital but I wouldn't swear to that off the top of my head.

15 COMMISSIONER: Yes, I'm sorry to interrupt, yes, Ms Sharp.

MS SHARP: Just on a point that the Commissioner has raised, are you able to tell us what integrated resorts are?

20 MR BROMBERG: Certainly. So an integrated resort is a resort with many attractions and facilities, of which a casino is one part. Now, you could say that the casino is the financial engine that drives the integrated resort. It is what allows the owner or the developer of the integrated resort to go to banks and get very significant financial loans. And it is traditionally what drives the largest profits in the integrated resort. But having said that, there could also be many other parts of an integrated
25 resort; for instance, theme parks you could have entertainment, theatre, live shows, there are hotels, there could be aquarium, you know, there could be many, many parts to – golf courses – all in or around the integrated resort.

30 MS SHARP: So is it right to say that the casino offerings of Melco resorts in Macau are integrated resorts?

MR BROMBERG: That's correct. I would say not all of their casinos but certainly City of Dreams and Studio City are integrated resorts.

35 MS SHARP: And what about Crown Melbourne here in Australia?

MR BROMBERG: Yes, I would say that's also an integrated resort because it also offers entertainment and hotel facilities as well, yes.

40 MS SHARP: Now, I wanted to come back to ask you some more about the specifics of junkets but I see the time. Would this be a convenient time, Commissioner, for an adjournment.

45 COMMISSIONER: A short break, yes. Mr Bromberg, we're going to have about a 10 minute break and we will resume just after 25 – your time it's probably 25 to 9, is it?

MR BROMBERG: No, it's 25 past 7 now.

COMMISSIONER: 25 past 7, so it will be 25 to 8. Thank you, Mr Bromberg, I will adjourn for a short while. Thank you.

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ADJOURNED

[11.23 am]

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RESUMED

[10.07 am]

COMMISSIONER: Yes, Mr Bromberg, are you ready to proceed?

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MR BROMBERG: Yes, I am.

COMMISSIONER: Thank you, Mr Bromberg. Yes, Ms Sharp.

20 MS SHARP: Mr Bromberg, I will now ask you some more questions about junkets in Macau and the way they operated. I wanted to explore with you in more detail the services that the junkets provide and can I start with the service of locating VIP players in the first place. What can you tell us about that?

25 MR BROMBERG: Okay. Well, obviously the junket operators depend on locating VIP players. They have extensive networks all across China just for that purpose. Originally, most of the VIP players were referrals but because these businesses are now so big, they simply can't rely on referrals any more and they have to go as far
30 afield as possible. And that's why whether they're looking for people in, whether it's in karaoke lounges, nightclubs, massage parlours, wherever, they will be looking and scouting for VIP players.

MS SHARP: Do junkets – at least those that operate in Macau, do they play a role in making funds available to VIP players for betting?

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MR BROMBERG: Certainly. So the role of the junket is manifold in Macau. Essentially, they serve several purposes. Because gambling is illegal in China, they will – first of all they will identify a player. Then they will arrange for the player's funds to be collected and either transferred to Macau or they will keep the money in
40 China and deliver the chips to the player on arrival in Macau. They also will extend credit to the player, once they are familiar with the player or if they feel comfortable with the player. And then they will facilitate the travel, which requires a type of visa from China to Macau or to other destinations, they will arrange the visas. Then they arrange the flights. They arrange the hotels.

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And once in Macau, they will arrange entertainment, whether that is of a female variety in many cases, or if it's narcotics, that has been known as well, and then

sometimes if players need funds and they're not willing to extend further credit they may be able to point them in the direction of loan sharks as well. So it's a multiple – a manyfold service, I would say.

5 MS SHARP: Now, the junkets don't always extend credit to the VIP players. Sometimes the players are wagering with their own money; correct?

MR BROMBERG: That's correct. Sometimes.

10 MS SHARP: But what I want to ask you about is this: are there capital or currency restrictions in mainland China in terms of how much a person can get out of China?

MR BROMBERG: That's correct and, essentially, the reason that the junkets have been so effective and have also been so successful from a financial point of view is because they've been able to circumvent Chinese law on a daily basis. They are not only facilitating gambling for Chinese nationals, which is illegal and the Chinese government has stated on several occasions that this is illegal, but they have also been breaching Chinese currency control regulations by moving money often through underground banking system into – from China to Macau or to Hong Kong.

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MS SHARP: I will come back to ask you a little bit more about underground banking systems but for now, are you able to give us some indication of what the currency controls are in mainland China?

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25 MR BROMBERG: Off the top of my head, I think it's about 20,000 yuan, which is probably about \$300 per day, but up to a maximum of something like US\$50,000 per year per person - - -

30 MS SHARP: So is it correct that there are restrictions on the amount of currency that can be taken out of mainland China by a resident and those restrictions in terms of daily restrictions and also a yearly restriction?

35 MR BROMBERG: That's correct. I don't have the numbers in front of me but it's something like – something like that. But, yes, there is definitely a daily restriction and an annual restriction, an annual limit.

MS SHARP: And what about when, say, a player from mainland China is in Macau, are there limits on the ATM withdrawals that such a player may make in Macau?

40 MR BROMBERG: Yes. Yes, there are. Now, those have been tightened up considerably and, as you may have read in the press also now there is special technology recognition on all ATMs in Macau. So what was happening previously is that prior to around 2015, 2016, it was very easy for players to circumvent or for junkets to circumvent those restrictions by going into shops and making false charges on credit cards, for instance, or on taking a number of ATM cards from – from friends of the player and then making withdrawals, you know, multiple withdrawals at one time from – through the ATM. So the government realised that this was

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happening and so they decided that they wanted to understand who was making those withdrawals, hence the facial recognition technology.

5 MS SHARP: You've spoken in some detail now about the kinds of services that junkets in Macau provide to players. Would it be accurate to describe junkets in Macau as travel agents?

10 MR BROMBERG: No, I don't think it would be accurate to describe them as that. I think that – I think that they provide some services that are similar to a travel agent and, certainly, some travel agents have subsequently evolved into becoming junket operators. But they're not – you know, they are not an equivalent, it's not an equivalent profession.

15 MS SHARP: You mentioned earlier that sometimes junkets provide credit to their junket players. Now, is it the case that in mainland China it is illegal to enforce a gambling debt?

MR BROMBERG: That is correct.

20 MS SHARP: Now, what implications does that have in terms of the role of junkets in offering credit to their players?

25 MR BROMBERG: Okay. So, again, the junkets must have some methodology of collecting that debt and obviously if they can't do it through friendly means, then they will often turn towards violence or look for ways to force the player to repay the debt. And, again, this is one of the reasons that organised crime groups are – have been widely reported to be involved in the junket industry, because obviously having those associations is essential to be able to get debt repaid.

30 MS SHARP: Now, again, this is a question in relation to the way junkets operate in Macau. Do those junkets provide the chips to the players in their junkets?

35 MR BROMBERG: Usually yes. Usually yes. So they will buy the chips from the casino and then pass them on to the players.

MS SHARP: So does that mean that the casino does not directly sell the chips to the junket players?

40 MR BROMBERG: That's correct.

MS SHARP: And in Macau, is it correct that the relevant relationship is between the junket operator and the casino operator rather than between the player and the casino operator?

45 MR BROMBERG: Yes, that's correct. And, in fact, the junket operators are very protective, as much as they can be, of the identities of their players because they're

worried about the casinos poaching them as are other junket operators poaching them. So they're very protective of their players.

5 MS SHARP: In relation to players in junkets, in Macau do the casino operators ever extend credit to those junket players?

10 MR BROMBERG: Usually not directly but if there's a VIP player who has come in directly to the casino then they will – they will lend credit directly to the player. But if the player is on the junket, then it's unlikely because they won't have any knowledge of whether the player can repay or not. So it's very risky for them to deal directly with the player, whereas they have a level of confidence that if they lend to the junket operator, that they will get repaid. That is essentially the role of the junket in reducing the risk that the casino operator is engaging in.

15 MS SHARP: Now, I wanted to compare the junket model in Macau with – we will start with the junket model in Nevada. I take it you have some understanding of the way that junkets operate in Nevada?

20 MR BROMBERG: Yes, I do.

MS SHARP: And there, the junkets are actually referred to as independent agents.

MR BROMBERG: That's correct.

25 MS SHARP: And are you able to tell us what the key differences are between the way that junkets operate in Macau as opposed to Nevada?

30 MR BROMBERG: Okay. Well, the first and key difference is that an independent agent is not able to extend credit to the player. So – which is a very, very large and significant difference. However, the independent agent may attempt to collect debt on behalf of the casino from the player. Now, whereas junket operators are formally licensed in Macau and we can talk about that later – or now, if you like – as to what that actually means. In Nevada, the independent agent is not required to be licensed. But they do have a register with the Nevada Gaming Control Board and if they are
35 subsequently found to be in breach of any Nevada Gaming Control Board rules or regulations, then they can be called forward for licensing, which would require a formal investigation.

40 The other thing which they're required to do is that they are required – the independent agent is required, once a year, to report to the Nevada Gaming Control Board any compensation that they pay to any secondary agent such as a subjunket, somebody working for them who is not a formal member of their organisation and they have to provide their entity. Now, again, I can't say how much the independent agents adhere to those rules and regulations but if they are found to be in breach of
45 them, then there will be – there is recourse for the authority, the regulatory authority, to take sanctions against them or to censure them.

MS SHARP: Mr Bromberg, you said a little bit earlier that independent agents in Nevada need to be registered but are not licensed. Does that mean that the regulator in Nevada does not conduct any suitability review on the agent?

5 MR BROMBERG: That's correct, there is no suitability review whatsoever. Simply put, the independent agent will simply register an application and provide a statement that they agree to be governed and bound by the laws of the State of Nevada and the regulations of the Nevada Gaming Commission.

10 MS SHARP: In Nevada, is there a direct relationship between the VIP junket player and the casino operator? Or is the relationship between the junket operator and the casino operator?

15 MR BROMBERG: The relationship will be between the player and the junket operator if they've come on a junket, because, essentially, for the same reasons that I outlined earlier, that those junket operators are very protective of their players. That's their livelihood. So they need to make sure that they can identify, and do identify, the identity of the players obviously, but beyond that they probably do not want the casino operator to have that much information about the identity of the
20 players.

MS SHARP: Does that mean that it's generally a matter for the casino operator to enforce debts incurred by VIP players who have come in on a junket in Nevada?

25 MR BROMBERG: Yes, it would be the responsibility of the junket operator typically to get the debt repaid to the casino. And, again, the casino probably will not pay the commission out until all of that has been – has been settled.

30 MS SHARP: So your evidence is that it's the junket operator rather than the casino operator that enforces the debts of the players in Nevada?

35 MR BROMBERG: Yes, that's right. But the difference is that it's not the junket that has issued the credit, it is the casino that has issued the credit. So that is the major difference between what you see in Nevada and what you see in Macau.

MS SHARP: And is it right that under the regulatory framework in Nevada a junket operator should not be extending credit to a junket player?

40 MR BROMBERG: Correct. That would be illegal. Now, whether that happens, again, outside of the jurisdiction, if there are prearranged agreements between the junket operator and their players, you know, I can't say. But I've heard that that is quite common practice, not only for people going to Nevada but anywhere, any jurisdictions outside of China.

45 MS SHARP: Now, I just want to ask you a few questions about junket arrangements in Australia. You're not - - -

COMMISSIONER: Just before you do, if I could clarify. I'm sorry, Mr Bromberg, can I just clarify in relation to the issue of credit in Nevada.

MR BROMBERG: Yes.

5

COMMISSIONER: You say that it is the casino that issues the credit. Could you just tell me, as you understand it - - -

MR BROMBERG: Correct.

10

COMMISSIONER: - - - to whom is the credit issued?

MR BROMBERG: The credit would be issued directly to the player. Sometimes the junket operator will provide information and they will stand by the repayment of that credit but I understand that it should be made to - directly to the player. But whether physically it is transferred to the player, the chips are given to the player that, I'm not that familiar with, with how things work in Las Vegas or Nevada.

15

COMMISSIONER: And so it is the case that it is perfectly legal for the casino in Nevada to issue credit to the player but not to the junket operator?

20

MR BROMBERG: That - that's my understanding.

COMMISSIONER: Thank you, Mr Bromberg. I'm sorry - - -

25

MR BROMBERG: Now, there may be occasions when they also can issue credit to the junket operator but, you know, I am not - I'm in the 100 per cent sure about that. But I know that for the most part they would want to issue directly to the player, rather than to the junket operator.

30

COMMISSIONER: And you have raised the issue of the poaching of the players and the concerns of the junket operator not to have too much of transparency for the players that they bring along, but presumably that could be dealt with by way of an arrangement between the casino and the junket operator for promises to be made about poaching, I presume?

35

MR BROMBERG: Yes, certainly, it could be in the contract between the casino and the junket operator. But, again, I think that many junket operators have been burned over the years one way or another and they're just very sceptical.

40

COMMISSIONER: You haven't mentioned yet and it may be that I am intruding into Ms Sharp's questioning, but you haven't mentioned any concern about the players not wanting to be identified. Do you have any other - - -

MR BROMBERG: Certainly that's the case - certainly that has been the case and that is why, which I think I did mention earlier, why Macau was so successful for so long because, essentially, despite having laws in place which are know your

45

customer laws, those laws were for many years flouted by the junket operators and so that they allowed their customers to maintain anonymity. And I think that's one reason why now the players are leaving Macau because they feel those rules are now being properly enforced.

5

COMMISSIONER: Yes but I was referring to Nevada, in terms of the position in Nevada, is it the case that the players who are on junkets, as they're called, or with the independent agents group, are they also concerned about anonymity?

10 MR BROMBERG: They may or may not be concerned but they have to adhere to certain regulations whereby their identity is provided simply in order to get a visas in the first place but to the casino. So there is a certain amount of information that is provided and if they really don't want that, then they wouldn't – they would not travel in the first place.

15

COMMISSIONER: Thank you, Mr Bromberg. I'm sorry to interrupt, Ms Sharp.

MS SHARP: Mr Bromberg, I just wanted to ask you some questions now to compare junkets in Australia with junkets in Macau and independent agents in Nevada. Now, if a junket operator in Australia provided credit to its junket players, would that make the junket in Australia more like the junket in Macau than in Nevada?

20 MR BROMBERG: Yes. Yes, if they are providing credit, then, of course, that would be similar to – to the practices in Macau.

MS SHARP: And if the contractual arrangements or agreements in the Australian junket context were between the junket operator and the casino operator, would that make the situation more like Macau or more like Nevada?

30

MR BROMBERG: In what sense? In terms of granting credit? Can you clarify that, please.

MS SHARP: Yes, I'm happy to do so. In terms of granting credit and agreeing to provide front money.

35

MR BROMBERG: Okay yes, then that would be more in terms of Macau as well.

MS SHARP: And if a player's debt after a period of gambling – or if the player was indebted to the junket after a period of VIP gaming, would make the situation more like Macau or more like Nevada?

40

MR BROMBERG: It would certainly make it more like Macau because they would owe the junket rather than the casino. So, in that sense it would be more like Macau.

45

MS SHARP: Just returning to junkets in Macau for a moment, why is it that VIP players wish to deal with a junket rather than deal with the casino directly?

MR BROMBERG: Well, I think there are several reasons, but for the reasons that we mentioned earlier, the junket facilitates every aspect of the visit from China to Macau or to other jurisdictions. And that includes, essentially, doing things that are illegal in China, such as moving money, large sums of money, out of China and then
5 also granting credit, which the – and which the casinos are unwilling to do because they are not familiar with the player, and they're not familiar with their financial situation or whether they will be able to repay that debt. So that is why they're willing to go with the junket operator.

10 MS SHARP: Based upon your long history as a casino industry observer and based upon your various investigations into the casino industry and into junkets in particular, are you able to say whether or not junkets in Macau have been infiltrated by organised crime?

15 MR BROMBERG: Okay. I think – I can't say 100 per cent myself, but I think what we can say is that there is a huge amount of evidence that has appeared in media reporting, in US governmental reports and in academic research as well as intelligence information that I understand over the years, that organised crime groups have been intimately involved in the junket business in Macau over many years.
20 And I think the first public reporting of that was the 1992 Senate hearing report on organised crime in Asia, which touched upon – I believe it called Stanley Ho an associate of triad groups and it named a number of senior triad officers as running junkets in Macau and VIP rooms in Macau.

25 MS SHARP: When you were referring to a 1992 Senate hearing, was that a hearing of the United States Senate?

MR BROMBERG: Yes, correct.

30 MS SHARP: And when you were referring to triads, what did you mean?

MR BROMBERG: Triads are organised crime groups that are commonly termed triads, triad societies. So they are – they have been active in China for many hundreds of years and in overseas Chinese communities as well, and are involved in
35 many illicit activities even today that take place around the world.

MS SHARP: Are you able to identify some of the features of junkets that operate in Macau that make them vulnerable to the infiltration by organised crime?

40 MR BROMBERG: Yes, I mean, I would say that all local junket operator in Macau, it's essential to have some relationship with a triad group and the reason for that is that – there are a variety of reasons, actually. It's protection of their VIP rooms so, again, against incursions by other junkets. It's for – and again, they're worried about other junket operators poaching clients. It's for the security of cash during
45 transportation. It's for body guards for their VIP clients. It's the provision of prostitution to their clients. It's for narcotics and other vice services, and it's for the cross-border transportation of cash from China as well as I mentioned before, debt

collection, and also just as a display of power. So for all those reasons, I think there's a lot of reasons why organised crime groups are involved in, and have been involved in, the junket business and the VIP room business in Macau for many years.

5 MS SHARP: Now, I ask you this in your capacity as a longstanding industry observer of casinos in Macau; is it well known that organised crime has infiltrated junkets in Macau?

10 MR BROMBERG: Yes, certainly. It has been very well reported over many years, in multiple – in multiple forms. And, you know, I would say that most recently there have been a number of court cases in Hong Kong, in Australia, which also identify triad groups as putting pressure on individuals to repay money, often kidnapping family members, detaining people illegally. So these are – these are not just fantasy tales, they are actually cases that have been prosecuted.

15 MS SHARP: Can I ask you in particular about a junket known as Suncity. Has there been media reporting in Macau about any links that Suncity may have with organised crime?

20 MR BROMBERG: Yes, I'm not familiar with reporting in Macau but I do know that the Apple Daily in Hong Kong – and Apple Daily is one of the largest newspapers in Hong Kong – has come out openly and accused three or four of the senior officers of Suncity as being leading triad officials; so organised crime officials.

25 MS SHARP: And has there been any repercussions following from the publication of those allegations and the naming of those individuals?

30 MR BROMBERG: Not that I'm aware of.

MS SHARP: What about in terms of defamation proceedings?

MR BROMBERG: Yes, I'm not aware of any subsequent defamation proceedings.

35 MS SHARP: Are you able to say which individuals were named by the Apple Daily?

40 MR BROMBERG: Well, certainly, Alvin Chau Cheok Wa was one of them. I don't have the others right in front of me, I'm afraid.

MS SHARP: That is information you can provide to this inquiry subsequently?

MR BROMBERG: Certainly. Certainly, I would be able to do that.

45 MS SHARP: Now, a little while ago I asked you some questions comparing operations of Australian junkets with those in Macau on the one hand, and Nevada on the other. Are you aware of how the VIP rooms operate in Australia and whether

there are any distinctions between the way VIP rooms operate in Australia and in Macau?

5 MR BROMBERG: Sorry, I'm not familiar with how the VIP rooms operate in Australia. The only thing that I would say is that I understand that the casino probably maintains control over most functions in the VIP rooms in Australia, as would be the case in other jurisdictions that have VIP rooms in casinos. But, beyond that, I couldn't say.

10 MS SHARP: And at the last point you made, that's a point of distinction with the situation in Macau?

15 MR BROMBERG: That's right. And I'm not saying that's the case in every casino. What I will say is that it's the case in some casinos where the VIP rooms are definitely rented out. There are other VIP rooms which are essentially set aside for different junket operators, but again the situation changes. Some junket operators come, they go. Some are successful, then they are less successful. So it's a fluid situation.

20 MS SHARP: I want to ask you some questions now about the legal regulation of junkets in Macau. Now, it is correct, isn't it, that your work has given you some familiarity with the way that junkets are legally regulated in Macau?

25 MR BROMBERG: That's correct.

MS SHARP: Now, could I ask you to provide us with a short history of the regulation of junkets in Macau and we can start from the time at which the monopoly over the casino was disbanded and various concessions were granted to casino operators. Now, at that time - - -

30 MR BROMBERG: Yes.

MS SHARP: - - - were junkets regulated?

35 MR BROMBERG: No, they were not. So the decision was made in – shortly after that time, to licence junkets and the licensing procedure of junket promoters, as they're known in Macau, commenced in June 2004. So at that time the regulation required corporate identities – corporate entities to identify the shareholders of the junket, or operator or promoter, and forbade the assignment of any part of their
40 business to unidentified entities. Now, the problem occurred that despite the fact that many other regulators believed at that time that the DICJ, the gaming regulator in Macau, would actually institute a formal licensing process.

45 The reality was that existing junket operators were grandfathered in so that there were no meaningful licensing investigation. And the other thing that's happened is that up until very recently, licences were exchanged or sold – junket licences were exchanged or sold and also the junket promoters were entering into commission

sharing arrangements with other sub-junkets or other people that were not being identified, so essentially in breach of Macau's gaming law. Now, what happened was that the reason that was given to me by DICJ in around about 2013 in a meeting was that they decided that there were about 10,000 people at that time working in the gaming industry as junket operators, sub-junkets, or collaborators, three different levels of people working in the industry. And they felt that if they had implemented a very stringent licensing policy, that it would cause social disruption and put – and make unemployed a large number of those people.

10 So which is why they just accepted them into the – into the industry. But the result of that is that it meant that in the eyes of other regulators, that they weren't necessarily doing their job properly, and that as I understood it from the head of the DICJ at that time, the only thing that was undertaken of a junket licence applicant was that if it was an individual, they were not required to have – they must not have a criminal record, and that they undertook a Dun & Bradstreet report on the company. So very, very minimal requirements. Now, subsequent to the visit by President Xi Jinping in December 2014, things have changed and in September 2015, the DICJ announced plans to revise the junket rules and regulations.

20 And at that time they announced that there was going to be a requirement to name all the shareholders of the junket because prior to that basically the shareholders were changing on a regular basis. People were buying and selling shares in junket operations. So actually no one really had any idea who the shareholders were of a particular junket operation. They required that the key employees be identified and that the junket increase the capital requirements significantly. However, even then, in 2015, the DICJ said that the rules would not be enforced on existing junket operators and only applicable to new junket operators. In other words giving a free pass to all existing junket operators.

30 But I think what's happened since then is that with the change in the marketplace, you have seen the number of licensed junkets fall from a high of around about 230 companies down to about 90 companies and maybe about only 10 individuals as being licensed. And so there has been a tightening of rules and regulations. There is now an annual audit requirement by DICJ of the junket operators and my understanding is that there has recently been an edict issued by DICJ that will forbid the transfer of any junket licence from one party to another, and that I think we can see that a lot of these rules and regulations that have been on the books for a number of years are now starting to be enforced. I hope that was okay.

40 MS SHARP: Thank you very much for that comprehensive explanation. Can I just tease out a few observations that you've made. First of all, there came a point in time where junkets in Macau had to be licensed; is that correct?

45 MR BROMBERG: That's correct, around about 2004.

MS SHARP: And when we talk about licensing, are you distinguishing that from registering as a junket?

MR BROMBERG: Well, officially yes. The reality was that there wasn't much difference between registration and licensing because there was no formal or meaningful investigation of the junket operators by the gaming regular.

5 MS SHARP: Just on that point was the law to the effect that a junket could only be licensed if it passed a suitability test?

MR BROMBERG: That was the law and that was supposed to be what happened. But, again, it was supposed to be a written recommendation by the head of the DICJ
10 based upon that, the investigation finding, correct.

MS SHARP: And when you talk about an investigation, what was the DICJ required to investigate in order to determine suitability?

15 MR BROMBERG: Well, it was supposed to identify all of the shareholders of that organisation and presumably to check for the probity of the junket operator entity. So there is – also supposed to examine the qualifications of junket licence applicants but it would appear that that did not take place at that time.

20 MS SHARP: Now, you prefaced a few of your answers then by saying what was supposed to take place. Can you tell us what, if any, background checks took place in practice?

MR BROMBERG: To my understanding, as I said, there were no background
25 checks undertaken apart from the requirement to provide a certificate of no criminal conviction or if the person was a Macanese national then the DICJ would check with the judicial police to make sure that the applicant didn't have a criminal record in Macau. And then if it was a company, they would request a Dun & Bradstreet report. That is what I was told by the head of the DICJ in 2013 when I asked
30 specifically about this and when I asked about the casino licence applicants in 2001, 2002. So he told me that himself.

I can't say that I have intimate knowledge of what happened post 2013 but I don't see any change and I understand there has not been, until recently, any new
35 requirements imposed on the junkets, although recently, within the last couple of years, there has been further requirements on the existing junkets to provide more information. The DICJ have undertaken audits of the junkets and I understand that in around about 2017, about 15 or 16 of the junket operators refused to comply with requests for financial information and, therefore, they lost their licences. So there
40 have been some changes taking place over the last couple of years.

MS SHARP: And, Mr Bromberg, you said earlier in your evidence that some of the junkets had been grandfathered in to the new licensing scheme. Can you tell us in more detail what you mean there?
45

MR BROMBERG: Just that there were a number of junket operators who had been working for many years with the Stanley Ho owned casinos, the STDM owned

casinos and that those junket operators did not have to pass through any regulatory investigation whatsoever. They just were able to apply for a licence and seemingly were granted that licence because they were already in business.

5 MS SHARP: Now, earlier in your evidence, you distinguished between a junket, a sub-junket and a collaborator. Could you just explain the difference between those three concepts to us?

10 MR BROMBERG: Okay. Well, the junket operator is at the top. So it's like a pyramid. Most junket operations are like pyramids. The junket operator is at the top. They're the interface with the casino. Now, a sub-junket will be people that are out also looking for clients. They may have their own junket business. Probably very small, two, three person operation. And they will often team up with the junket because they don't necessarily have relationship at a specific casino. They may deal
15 direct with some casinos but not with others. So – but if their player wants to go to a casino and they know a junket operator has a relationship, they will deal directly with the junket operator and get a commission from the junket operator.

20 A collaborator is usually lower down the chain. They could be looking for customers on the mass casino floor. So they will be hunting for people that they see spending quite a lot of money, trying to entice them to join, to go into a VIP room or join a junket. They may be looking for people in other jurisdictions to join a junket. But they probably are not of a sufficient – in a sufficient position to actually deal directly with the casino, to grant credit.

25 So, essentially, they're like spotters. They're spotting customers for the casinos. Now, there has been a requirement for collaborators to be registered with the DICJ but it's my understanding that, again until recently, that has not been the case; that they were not actually registered. But now, subjunkets and collaborators that are
30 working for a specific junket operator are being required to be registered and it's my understanding that that now should be enforced, whether it is going to be or not, I'm not actually 100 per cent sure but hopefully is going to be the way forward.

35 MS SHARP: Mr Bromberg, you've said that recently things have changed. Are you able to give us a date or an approximate date?

40 MR BROMBERG: Okay, well, as I said, they announced – the DICJ announced in 2016 that they were going to revise the junket regulation of 2002 which regulates the conditions and procedures of a licence gaming operator also known as a junket operator and that, as I mentioned before, had a certain number of requirements attached to it.

45 So that was the first step. And then they then announced that there were going to be random regulatory checks and those started to take place in 2016. And then the accounting audits I believe took place – started taking place in 2017 and those audits took place over credit issuance and temporary deposits. And then new controls were

put in place, thanks to the – a new AML law that came into place in 2016. And that also had a major impact on the junket operators.

5 So, in essence, there are about four or five of those new requirements. The first was a requirement for the casino and junket operator to review their money laundering risks. Every two years, and to introduce effective measures to tackle money laundering. There was a requirement to identify transactions involving politically exposed persons and to introduce risk management systems. These are all completely new for junket operators. They certainly had been around a long time for 10 casinos but this is all completely new for the junkets.

There was a requirement for the casino operator to verify and sign a large sum transaction reports by those junkets working in their facilities. And they had to then sign off on the suspicious transaction reports that were submitted by the junkets, by 15 the junket operator. So that in the past, what was happening – and I have personal knowledge of this – the junket operators were often not identifying the names of their patrons and they were signing their own names on the suspicious transaction reports or not doing any suspicious transaction reports at all. The casino s would take them and file them with the financial Macau without any penalty or concern. So this is 20 something that is new and I would talk about the lack of reporting in a minute.

But they were also – junket operators are now forbidden from engaging in business with individuals using aliases who are otherwise anonymous. So that again was 25 another problem that they didn't want to provide their identity. Now that would be illegal. And then there's a requirement for records of all credit operations to be named by all parties involved in the issuance of credit. Again, in the past, junkets would literally keep their records on one small piece of paper and that was their filing system. That's no longer permitted.

30 The other major change which I should mention took place in 2016 when the Macau government banned proxy betting. Now, proxy betting, which is illegal in most jurisdictions in the world, was permitted in Macau in 2003 during the SARS epidemic when people were scared to travel to Macau and didn't want to sit in 35 casinos. So they were able to play from China primarily but also from Hong Kong over a phone with having a proxy betting for them in the casino table. Now, obviously, that flies in the face of all know your customer rules and regulations. So it had remained on the books in Macau and then was made illegal, as was all telephone betting, in Macau in 2016. So all of these changes had a major impact on 40 the junket industry, the VIP business, in Macau over the last few years.

MS SHARP: Now, I just want to return to ask you some questions specifically about the licensing of junkets in Macau. First of all, is it correct - - -

MR BROMBERG: Okay.

45 MS SHARP: - - - that both companies and individuals can be licensed as junkets in Macau?

MR BROMBERG: I believe so because there are presently, as of 30 January 2019, which is the last list of licensed junket promoters on the DICJ website, there were 90 corporate bodies and 10 natural persons listed as junkets formally licensed to operate in Macau.

5

MS SHARP: And prior to the licensing of these junkets, I just want to confirm this, what is your understanding of the background checks that are done on these junkets by the DICJ?

10 MR BROMBERG: Well, certainly – yes, certainly in the past there were no background checks. The only requirements, as I say again, was that the individuals did not have any criminal record and that the company would undertake a Dun & Bradstreet check on the companies.

15 MS SHARP: Now, I want to show you an article in the gaming magazine Gambling Insider. Could I call up document INQ.130.001.6680. And you have that document available to you electronically, do you, Mr Bromberg?

MR BROMBERG: Yes, I do.

20

MS SHARP: You will see that article on the first page is called A Broken Model.

COMMISSIONER: Question mark.

25 MR BROMBERG: Correct.

MS SHARP: And could I ask you, please, to turn to pinpoint 6681, which is the little number you will see at the top right of the document.

30 MR BROMBERG: Top right. Okay.

MS SHARP: And could I blow this up so that - - -

MR BROMBERG: Okay, yes.

35

MS SHARP: - - - we are focusing on the third column, the last paragraph.

MR BROMBERG: Okay.

40 MS SHARP: And here, what you will see is a quote from Jeff Fiedler who is from the Macau Gaming Watch Project, and he is reported as saying that:

To date, junket regulation has been far too superficial and wholly inadequate while vetting of individuals isn't up to scratch.

45

Is that a view that you agree with?

MR BROMBERG: Yes, it is. And I would say that, again, if you look at – if you look at a gaming – the gaming regulatory system in Macau, how many junket operators have ever been – received any regulatory or disciplinary action in Macau, and to the best of my knowledge, it’s zero. So, you know, the – in most – I would
5 say formally regulated jurisdictions, you would find that there are many sanctions taken against licensees for all kinds of breaches. Some may be serious. Some may be not so serious. But, again, it doesn’t appear that the DICJ has taken – in the past – has taken any serious actions against any of the junket operators. So I would agree with that, that at that point in time when this article was written, that that’s correct.
10 Now, as I say, going – as of today, I understand that things are changing so we live in hope that the situation is going to improve from a regulatory perspective.

MS SHARP: Could I show you another document, please, Mr Bromberg and can I call up INQ.100.010.0895.
15

COMMISSIONER: These are all part of exhibit A, are they?

MS SHARP: I beg your pardon, your Honour?

20 COMMISSIONER: These are all part of exhibit A?

MS SHARP: Yes, they are.

COMMISSIONER: Thank you.
25

MS SHARP: And what you will see on that first page is that there is a message from the Crown Resorts board and that it’s dated 31 July 2019 – sorry.

MR BROMBERG: Okay, correct. I have.
30

MS SHARP: And could I ask you to turn to the next page, which is point 0896. Now, this was an advertisement which the Crown Resorts board of directors placed in a number of Australian newspapers on about 31 July 2019. Could I direct your attention, please, Mr Bromberg, to the first column. There are a number of
35 subparagraphs. We will go to subparagraph – I beg your pardon. We will first of all go to the heading Junket Operators and to the second paragraph under that heading. If we could blow that up. Mr Bromberg, can you see that second paragraph under the heading Junket Operators states:

40 *Macau-based junkets are required to be licensed there and are subject to regulatory oversight and probity checks.*

Now, should we take much comfort from the fact that junket operators are licensed in Macau and subject to probity checks in determining whether they are fit and proper
45 to operate in this industry?

MR BROMBERG: I don't believe so. Obviously, there has been reporting to that effect, as you just showed me, but also multiple other publications to the same effect. So I think it is fair to say that one could be sceptical of the licensing in Macau of the junket operators.

5

MS SHARP: And just while we're in that document, could I draw your attention a little further up on that first column, if we go to subparagraph (e) and blow that up, and one of the assertions made in this advertisement was that in the recent reporting that had taken place in Australia, no reference was made to the fact that the parent of the Suncity junket was a large company listed on the Hong Kong Stock Exchange. Now, based on your industry observation and your many investigations, what comfort can we take from the fact that Suncity junket is listed on the Hong Kong Stock Exchange?

15 MR BROMBERG: I would say very little. I have undertaken a number of inquiries of companies listed on the Hong Kong Stock Exchange that are operating overseas in the gaming industry. And the truth of the matter is that the Hong Kong regulators are concerned about what happens in Hong Kong. They will be concerned about notices filed by those companies listed on the Stock Exchange to make sure that they are true and accurate as far as they can investigate. But they have also – I have also been in
20 conversations with officials at the Stock Exchange and in the Securities and Futures Commission in Hong Kong where they have stated quite clearly that they do not have the resources or the powers to investigate clearly what is happening in overseas jurisdictions. So they are reliant upon – almost upon their members to self-regulate
25 what is happening overseas.

MS SHARP: Can I turn to a different topic now.

30 COMMISSIONER: Just before you do. I suppose, Mr Bromberg, you say that you have done these investigations but the Hong Kong Stock Exchange listings of companies surely is one factor that could be relied upon by an international operator to say, well, the company is in fact registered with the Hong Kong Stock Exchange for whatever it is worth, as you put it, but it is a factor, is it not?

35 MR BROMBERG: It is a factor and it's certainly a financial factor because it should be a comfort as to the financial stability of a company. But in terms of its probity, I don't think that the Hong Kong Stock Exchange is undertaking investigations into foreign entities. And this is true also of many Chinese companies that have listed on the Stock Exchange not just in the gaming sector, some of which
40 have turned out to be run by crooks. So these things do happen and obviously there is only so much that a Stock Exchange can do but at the time of listing, so many of the Stock Exchange will undertake a certain – they have certain requirements that those companies must meet and that is a fact.

45 COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: Mr Bromberg, I want to move now to Singapore. You, of course, have had a fair degree of involvement in working with the Singaporean government and latterly with the CRA, the casino regulator. I just wanted to establish a few matters of history, first of all. Is it the case that it was in 2005 that the Singaporean government decided to legalise casinos in Singapore?

MR BROMBERG: That's correct.

MS SHARP: And is it right that there are presently two legal casinos operating in Singapore?

MR BROMBERG: Yes, that's correct.

MS SHARP: And when did they commence operations?

MR BROMBERG: Each commenced in 2010.

MS SHARP: And who are those operators and where are they operating?

MR BROMBERG: Okay. The first was Resorts World Sentosa which is run by Genting Singapore on Sentosa Island in Singapore. And the second to open a few months later – I think the first one was in February 2010, and then around about April or May 2010 Las Vegas Sands opened the Marina Bay Sands which is in downtown Singapore, in the central business district.

MS SHARP: Now, it's the case, isn't it, that junkets in Singapore must be licensed.

MR BROMBERG: That is correct, yes.

MS SHARP: And for that purpose, the regulator, the CRA, conducts a suitability review of the junket.

MR BROMBERG: That's correct.

MS SHARP: And what can you tell us about the kind – and I don't want you to disclose any confidences, I should say, but what can you tell us in general terms about the probity or suitability work that the casino regulator undertakes when determining whether to licence a junket in Singapore?

MR BROMBERG: What I can say is that the basis of a licence granted to a junket promoter or international marketing agent as they're known in Singapore, was based upon the fact that those entities should meet the same suitability levels as anybody holding a casino or employee licence in Singapore.

MS SHARP: And are you able to indicate how many junkets have to date been licensed in Singapore?

MR BROMBERG: Yes, it's a matter of public information. There have been three junket operators that have been licensed in Singapore; all working at Resorts World Sentosa. As of the last time I looked, which I believe was about in December, or January this year, there was still two licensed junket operators.

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MS SHARP: Now, it's correct that a number of junket operators, have applied for licences but have not been granted licences.

MR BROMBERG: Certainly, that's my understanding.

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MS SHARP: Has any operator based in Macau, that is, a junket operator based in Macau, been licensed by the Singaporean regulator?

MR BROMBERG: No, not as of yet.

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MS SHARP: With the junkets that operate in Singapore, do they play a role in providing credit to VIP players?

MR BROMBERG: They – officially, I don't believe they do, but they may in certain instances. What is crucial is that they must keep very detailed records of all of their activities and that the CRA are able to audit them on a regular basis whenever they wish to. So that is a marked difference from the requirements before in Macau where there was no requirement. Obviously, since 2016 that has also – or '17, that has also changed in Macau. But the intention, as I said, was that the junket operator would effectively be held to the same standards as the casino operator.

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MS SHARP: Tell me, while we're discussing the situation in Singapore, do the Singaporean casinos extend credit to VIP players in mainland China?

MR BROMBERG: It is my understanding that right now they do not, unless that VIP player has a business or a bank account or other assets in Hong Kong, Singapore or another jurisdiction where they are able to take legal action to collect debt. So in the past, especially immediately after they opened, it's my understanding that they were providing credit to VIP players in China but that there were many non-performing debts so they had to write off very large sums of money. And then each of them took a corporate decision that they would restrict the credit that is extended to those customers that had – were very well known to them and those that had, as I said before, assets or business interests overseas.

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MS SHARP: I would like to move to Japan now.

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COMMISSIONER: Before you leave Singapore, if I may.

MS SHARP: Yes.

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COMMISSIONER: Mr Bromberg, one of the questions is the nature of the regulatory approach to casinos and the damaging effect that regulations can have on

the capacity or the viability of a casino. In terms of what you have told me about Singapore, is it the case that since the change to limit the nature of the credit arrangements, that the casinos have survived and are vibrant or is there a problem being experienced by reason of that intrusion?

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MR BROMBERG: The casinos have survived and they are vibrant. You know, now we're talking about the very – it's where the rubber hits the road. It's the nub of the problems for casinos. You have the international marketing departments in each casino wanting to do as much business as they possibly can and the compliance

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Inherently, that conflict exists at every casino world-wide. In Macau certainly in the boom years, often it was the international marketing department that won out over the compliance department but, you know, in many other jurisdictions the international marketing department has won out and subsequently it's cost the casino

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lots of money when they've been found in breach of rules and regulations. The problem is how to ensure commercial success while maintaining regulatory integrity which is an incredibly difficult discussion. In Singapore, you know, the situation is not perfect, I think, because while the system has maintained the integrity

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of the casinos in Singapore, and has certainly protected Singapore from infiltration of organised crime in Singapore, it remains to be seen how those junkets are possibly circumventing rules and regulations that exist there by doing deals outside of Singapore in Macau or in China. So it may be that the VIP players are going there. The question is: are they going there legitimately or are they still mean by which they're receiving credit and being funded by junkets overseas. And that's a big question which remains unresolved and not just for Singapore, by the way. I would say that that same problem has happened

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COMMISSIONER: Yes, thank you, Mr Bromberg. I'm sorry to interrupt, Ms Sharp.

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MS SHARP: Thank you, Commissioner. Moving now to Japan, it's right, isn't it, that Japan is in the midst of a process of legalising a casino or casinos?

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MR BROMBERG: That's correct. Somewhat slowly but surely.

MS SHARP: And you've been following these developments fairly closely?

MR BROMBERG: That's correct, very closely.

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MS SHARP: And where are things up to in Japan?

MR BROMBERG: Well, Japan has just formed its own casino regulatory commission, which started work on 7 January, and they are in the process of reviewing a policy document which is due to be released in the first quarter of this year that will provide some flesh to the bones of the integrated resorts implementation law, which was passed a couple of years ago.

So after we get that policy document, we will have some idea of how the integrated resorts will be chosen, what form they will take. There can be up to three, we know that. And we know one other very important factor in Japan, is that Japan has stated that they will not allow junkets in the Japanese gaming industry. So that is a huge decision which has already been taken in accordance with the law that was passed in 2016, I think it is.

MS SHARP: Now, in that context of not allowing junkets, are you able to shed any light on what the target market is for the casinos proposing to operate in Japan?

MR BROMBERG: Well, obviously they will be targeting foreign high net worth individual, high rollers, but equally they will be a number of Japanese customers targeted but one of the reasons for having integrated resorts in Japan is to attract more tourists and attract a more diversified attractions to visitors.

MS SHARP: We've spoken now about the regulation of junkets in a number of jurisdictions. You have some familiarity with how junkets are regulated in a jump jurisdictions and also how they operate in practice. Do you have any observations about whether the preferred model – where junkets are permitted to operate at all, is to licence them as oppose to not licence them?

MR BROMBERG: I personally think it's better to licence everybody who is operating in the casino industry, because I think licensing is one of the foundations of a successful, properly regulated industry. So if it's possible to licence them, that is I think the best way forward. New Jersey and Singapore are presently the only jurisdictions that licence their junkets. Now, having said that, balancing the commercial realities with licensing requirements is a tricky subject.

In New Jersey 20 years ago, junket business was very different to what it is now. Junket business is a very small part of Just Jersey's gaming industry now. They have very strict requirements. In Singapore they have very strict requirements but that doesn't mean to say that they can't be also – that they can't be eased, those requirements couldn't be eased to some degree. I think that licensing is important. A registration system is the first step. Licensing would be preferable. But it's the degree to which, or the scope of the investigation that's required to licence somebody. It has to be somewhat meaningful but it possibly doesn't have to be as intrusive as a full casino licensing investigation. So that is, I would say, probably the way forward. Again, not doing any licensing I think leaves one exposed to having people come in who are not suitable to be involved in the gaming industry.

MS SHARP: And when you're talking about licensing in that last answer, are you meaning to suggest licensing by a government regulator or licensing by the casino operator?

5 MR BROMBERG: Well, licensing by a gaming regulator is, of course, the preferred step – way forward but, you know, in terms of economic reality there could be a way whereby the casino operator, who operates on trust in most properly regulated systems anyway, undertakes very meaningful background research and investigation of their junket operators and provides those reports to the gaming
10 operator. It may be the case that a gaming operator just simply doesn't have the resources or the reach to undertake those investigations. But certainly some kind of licensing investigation should be undertaken, in my opinion.

MS SHARP: And could I just ask you to clarify your last answer. You said
15 certainly it was preferable for the government regulator to licence as opposed to the casino operator to licence. Why is that?

MR BROMBERG: Because then you remove the possibility of any missteps by the casino operator. You are putting the – you are putting the responsibility of licensing
20 into the hands of government and, therefore, you take away any possibility of poor decisions by the casino operator that may be has become too close to a particular junket operator. I think that's always preferable.

MS SHARP: In that last answer, was that based in any way upon a perception that if
25 a casino operator was to licence a junket, that might conflict with some of the other objectives of the casino operator.

MR BROMBERG: There can always be a conflict of interest and obviously you have to have separation of functions even within the casino. So, you know, most
30 large casinos do have their own independent investigative department, investigations departments. They have their own independent compliance committees. Those are very important functions. So, again, you could set up an independent investigations division solely for licensing of junkets that reports to an independent compliance committee but meets certain requirements that have been – that are required by the
35 gaming regulator. But, again, the gaming regulator would have to undertake regular audits and receive each report to make sure that the investigation undertaken by the casino operator was full and thorough and meaningful. And I think that's the crucial – and one has to remember again, again the operator is not a law enforcement body, whereas many gaming regulators are. Gaming regulators have access to law
40 enforcements' intelligence, casino operators do not. That is why a casino operator can only go so far in terms of their investigation and their due diligence, whereas a government law enforcement authority can go a lot further.

COMMISSIONER: Can I just ask you, Mr Bromberg, I know we are coming up to
45 take a break, but can I just ask you, you indicated earlier that in 2013 you worked – was it with the Massachusetts Gaming Commission?

MR BROMBERG: That's correct.

COMMISSIONER: And in 2013 are you able to give me an indication in general terms what you actually did for the Massachusetts Gaming Commission?

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MR BROMBERG: Yes. I think most of what Massachusetts did during that time is a matter of public record. So Spectrum Gaming Group was hired to investigate the several casino licence applicants in Massachusetts. But one of those in which I took part was MGM and MGM Macau has – MGM has a Macau operation and within that operation one of the key things that we looked at was their relationship with their Macau junkets. And, in fact, in our report we highlighted some what we considered were deficiencies at the time that the MGM in Macau were not familiar with the ownership of those junket operators. And this was partly because the ownership was changing on such a regular basis, but there were a number of other issues that we investigated at the time and they were all highlighted in our report which is available, I believe, on the Massachusetts Gaming Commission's website.

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COMMISSIONER: So far as the Massachusetts Gaming Commission is concerned, it has an enforcement capacity; is that right?

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MR BROMBERG: That's correct.

COMMISSIONER: When you were speaking earlier of the division of regulatory approach, some regulators do not have the capacity to enforce the law but the Massachusetts Gaming Commission is one that does have that capacity, I understand; is that right?

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MR BROMBERG: That's right. That's correct. They work closely with the local police in doing that vetting or having that vetting function. And, in fact, I think most of the regulatory commissions in the United States, certainly in New Jersey and Nevada, they are law enforcement agencies. Singapore, the casino regulatory authority is a law enforcement agency. So whether they are able to get that kind of intelligence from law enforcement, if they are having – and also with overseas law enforcement because essentially what they do is they set up memorandum of understandings with other law enforcement bodies. So that they can share intelligence.

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COMMISSIONER: And the junkets in Massachusetts are authorised by the commission under one of the chapters of the law; is that right? Or are you not aware of that?

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MR BROMBERG: I'm not familiar with how junkets operate in Massachusetts. Again, we were looking at how the Macau junkets were doing business with the Macau operation of MGM at that time.

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COMMISSIONER: Yes. Thank you, Mr Bromberg. Is that a suitable time.

MS SHARP: I should just indicate I have no further questions for this witness.

COMMISSIONER: All right. Any questions from Mr Young?

5 MR YOUNG: No, we have no questions.

COMMISSIONER: Yes, Ms Higgins?

MS HIGGINS: No.

10 COMMISSIONER: Mr Finch?

MR FINCH: No, your Honour.

15 COMMISSIONER: Mr Bromberg, that brings us to the conclusion of your evidence and I would like to thank you very much for firstly your willingness to assist this inquiry and secondly to make yourself available at such an early time in Bangkok. So we will now adjourn. I will now adjourn and until when, Ms Sharp?

20 MS SHARP: Until 10 o'clock tomorrow Commissioner, when we have our next video link. That will be Professor Anthony Cabot who we will have in the morning and then in the afternoon we will have Professor Nelson Rows, also by video link.

COMMISSIONER: Thank you, Mr Bromberg. Yes, thank you, I will adjourn.

25 MR BROMBERG: Thank you, Commissioner.

<THE WITNESS WITHDREW>

[1.01 pm]

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MATTER ADJOURNED at 1.01 pm UNTIL TUESDAY, 25 FEBRUARY 2020

Index of Witness Events

PAUL DAVID BROMBERG, AFFIRMED	P-54
EXAMINATION BY MS SHARP	P-54
THE WITNESS WITHDREW>	P-100

Index of Exhibits and MFIs

EXHIBIT #A1 TO 265 NON-CONFIDENTIAL DOCUMENTS	P-54
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