

13 February 2006

The Casino Control Bill 2006, 2nd Reading Speech by DPM and Minister for Home Affairs, Wong Kan Seng, Parliament Sitting, 13 February 2006

Mr Speaker, Sir, I beg to move, that the Bill be now read a second time.

Background

2. In April last year, the Government announced its decision to invite proposals to develop two Integrated Resorts with casinos in Singapore. This was debated over four days in Parliament during which many Members of Parliament shared their concerns on gambling, stated their positions and made suggestions concerning casinos in Singapore. The Integrated Resorts was also a subject of vigorous public discussion for over a year.

3. There were many Singaporeans who supported the proposal for the Integrated Resorts as they will enhance Singapore's tourism appeal vis-à-vis other popular tourist destinations that are also reinventing themselves. The Integrated Resorts would provide a strong boost to our economy and create many new jobs for Singaporeans. At the same time, having casinos could mean more people gambling and getting themselves – and their families – into trouble. Concerns were expressed that crimes, such as loan sharking, money laundering and prostitution could increase and tarnish Singapore's reputation as a clean, safe and secure place and that casino gambling could also erode values such as thrift and hard work that have underpinned Singapore's success.

4. Finally, after much debate and deliberation, we decided to act in favour of what would bring more benefit to Singapore and Singaporeans, and to allow the Integrated Resorts to be built. At the same time, we will also take measures to minimize the undesirable effects of casino gambling, and put in appropriate safeguards to deter vulnerable persons from the casino.

5. Sir, the Casino Control Bill that I have introduced in Parliament is an important milestone in the process of bringing the Integrated Resorts project to fruition. The Bill seeks to put in place a legislative and regulatory framework that will help provide an environment where the Integrated Resorts can succeed and thrive, while enabling us to keep social and law and order problems under control.

Learning from other Leading Jurisdictions

6. Since April last year, my Ministry has been studying the regulatory practices of well-known casino jurisdictions in other parts of the world. We studied multi-casino jurisdictions, such as Nevada and New Jersey in the US; and single-casino jurisdictions, such as New South Wales and Victoria in Australia and Macau. I visited casinos and regulators in Las Vegas and Macau to appreciate first hand the challenges and issues of regulating an industry as complex and dynamic as casinos. Apart from Las Vegas and Macau, my officials also visited casino regulators and operators in New Jersey in the US and New South Wales and Victoria in Australia to learn from their experience.

7. The issues and concerns across the various jurisdictions are not very different from ours. However, each jurisdiction has chosen a slightly different approach to tackle specific issues, depending on its historical and legislative context, as well as the resources available. For instance, in US, the general practice is to divide the regulatory powers into a Commission, which sets the policies and collects licensing fees, and a separate Casino Control Board, to enforce the policies and conduct investigations. This reflects their preference for checks and balances. In Australia, however, the regulatory powers are centralised in a single agency for effectiveness and efficiency.

8. Having studied more about the best practices across these jurisdictions, we have adapted the best practices and sound policies appropriate to our unique requirements. We aim to position our Integrated Resorts with the best in the world. Our regulatory standards must necessarily be on par with theirs too.

Public Consultation

9. My Ministry put up the draft Casino Control Bill for public consultation from 17 October to 11 November last year. Members of the public were invited to give their comments on the Bill. Potential investors of our integrated resorts were also invited to provide feedback on the Bill. We also sent the draft to regulators in the US and Australia for comments.

Public Feedback

10. The exercise has generated useful feedback from Singaporeans. Most of it pertained to specific social safeguards, such as the entry levy and exclusion orders, and on not crime, corruption or other law and order concerns traditionally associated with casinos. This suggests that there is public confidence in the Government's ability to manage the potential law and order issues associated with casinos. It is interesting to note that while some members of the public suggested that we should remove or lower the entry levy, there were others who supported the entry levy, and even suggested raising it higher and incorporating more entry criteria! On balance, we decided to keep the entry levy fees at \$100 per 24 hours and \$2,000 per year, as we felt that it should be adequate to discourage Singaporeans from picking up the gambling habit.

11. Our response to the public feedback was posted on the Feedback Unit's e-Consultation portal on 13 December 2005.

Investors' Feedback

12. In comparison, the investors' concerns were whether the various requirements were overly stringent and could affect their ability to raise funds or run their businesses effectively.

13. We took into account the investors' feedback and suggestions, and decided to relax a number of operational controls on the casino operator that may interfere with their day-to-day operations. They include the requirement for the casino operator to seek the regulator's approval for the casino layout, and the powers to stipulate a minimum number or a maximum number of a particular game in the casino. CRA's power to limit the number of

hours that a casino can operate has also been removed. We believe that our supervision and regulation of the casinos will not be compromised by these changes.

14. In response to feedback, the Government also decided to enact the Casino Control Bill early so that potential investors will have a better idea of our regulatory regime and what they can and cannot do. In addition, through this Casino Control Bill, the Government is committed to a number of measures to provide greater certainty and support to investors of our Integrated Resorts. This is because the Integrated Resorts require heavy investments. We want them to succeed after the investors have committed to spend billions of dollars on the projects. For instance, the casino tax rates will remain unchanged for 15 years. The two casino operators will also enjoy an exclusivity period of 10 years. During this period, no new casinos will be allowed. The lease of the land on which the Integrated Resorts will be sited will be for 60 years and they be allowed to operate a casino for 30 years, subject to the suitability of the casino operators to run them.

15. We believe that all these measures will provide greater certainty and enhance the competitiveness and attractiveness of our Integrated Resorts and the investors' ability to raise funds for the project.

Foreign Regulators' Feedback

16. In addition to seeking comments from the public and the investors, we also sought comments from casino regulators in other jurisdictions. The objective was to tap their experience and expertise as established casino regulators, to help address our own lack of experience in managing the casino industry. I am happy to say that their feedback has been very encouraging. Many cited the Bill as a thorough and sound legal basis to launch a comprehensive regulatory framework.

Casino Control Bill

17. Sir, the Casino Control Bill will provide the legislative and regulatory framework to help to ensure that criminal activities associated with casino operation do not take root in Singapore, and to mitigate the potential negative consequences of the casinos on our society.

18. The Bill comprises 13 Parts, and deals with the key aspects of regulating casinos in Singapore.

19. It has 3 broad objectives. First, the Bill will provide for the setting up of the casino regulator with the necessary powers to enforce the regulatory regime. Second, the Bill will set out a regulatory regime for the casino operator and related business parties. Third, the Bill will provide for a number of social safeguards to protect vulnerable persons from casino gaming.

20. I will now describe the key aspects of the Bill.

Casino Regulatory Authority

The Statutory Board

21. Sections 5 to 17 of the Bill will establish a new Statutory Board called the Casino Regulatory Authority, or CRA for short. The CRA will be supervised by the Ministry of Home Affairs.

22. As a statutory board, the CRA shall be subject to the same governance standards as other Statutory Boards of the Government. In particular, the CRA shall submit to the Minister for Home Affairs its annual report and audited financial statements, which will be presented to Parliament. The Board of the CRA shall comprise a Chairman and 4 to 16 members, approved by the Minister for Home Affairs. For transparency and accountability, board members are also required by law to declare their interest in any particular project or transaction concerning the CRA or the casino operator. These are provided for under Sections 18 to 39 of the Bill.

23. The CRA will be formed 12 to 18 months before the first casino starts operation. The casino operator can take this lead time to seek approval from CRA and apply for the licences for various aspects of the casino that are required under the Casino Control Bill.

Regulatory Powers of the CRA

24. I shall now touch on the regulatory powers of the CRA. The CRA will be responsible for enforcing the provisions in the Casino Control Bill and regulating the casinos in Singapore. This is consistent with overseas practices, where dedicated bodies are set up to regulate casinos.

25. Firstly, the CRA shall have powers to investigate and probe into the casino operator's background, accounts and business links (under Sections 10, 15, 46, 63, 85). The investigations, which are very thorough and often involve the key directors and management, are standard practice in many well known overseas gaming jurisdictions. Such comprehensive investigations are also being conducted for the bidders of our Integrated Resorts.

26. When I visited the Nevada Gaming Commission in November 2005, the Chairman of the Nevada Gaming Commission and Members of the Nevada Gaming Control Board advised me to carefully scrutinise the potential casino operators, as it is only through the selection of suitable casino operators with the right people to manage its operations would we be able to keep criminals and fraudsters away from our casinos. This is the reason why we, like other leading gaming jurisdictions, conduct probity investigations on potential operators of our Integrated Resorts. Such checks will ensure that only suitable persons are given the licence to operate casinos in Singapore.

27. Having been exposed to similar investigations in other casino jurisdictions, foreign bidders of our Integrated Resorts project have cooperated fully with us in the process. However, such comprehensive investigations are new to Singapore companies taking part in the RFP for the Integrated Resort. Their management may not be used to disclosing so much information about themselves and their companies. These practices are nonetheless

necessary to ensure that our probity checks measure up to the standards of respected casino jurisdictions in other parts of the world.

28. Any company that wants to be involved in the casino industry in Singapore is expected to cooperate with the CRA and be subject to probity investigation. This principle of having the industry demonstrate that they can meet the regulatory objectives before being allowed to operate a casino is succinctly captured by the phrase “Compliance first, Commerce later”, a policy adopted by the Nevada Gaming Control Board.

29. Secondly, the CRA is empowered to deal with offences typically committed in casinos. Cheating, forgery, tampering with gaming equipment or attempting to exploit the casino chips as an alternative currency are regarded as attempts to undermine the integrity of the casinos’ operations, which will lead to fines or imprisonment or both. These are covered under sections 171 to 188

30. Apart from investigative and enforcement powers, CRA is also the approving authority for various aspects of casino operations. It will oversee the casinos’ system of internal controls and accounting procedures, such as those listed at Section 139. It can also receive and investigate complaints from casino patrons about unfair gaming. Sections 111 to 114 of the Bill empower the CRA to adjudicate disputes between the casino operators and their patrons.

31. In addition, various sections of the Bill empowers the CRA to collect licensing fees and to take disciplinary action against casino operators, key employees and other parties licensed under the Casino Control Bill for any regulatory breaches. Disciplinary actions include fines or the variation, suspension and even termination of their licenses. The Authority shall also work closely with the Police to manage the law and order situation in and around the casinos.

Casino Operator, Related Parties and its Operations

32. Let me now turn to the regulatory requirements of the Bill and explain their policy intent.

33. Many crimes in the casinos are committed by persons who collude with casino employees. They range from less sophisticated crimes, such as cheating at tables, to high-level schemes between the casino and criminal syndicates to say, launder money.

34. To ensure that the integrity of our casinos is not compromised from within, Sections 43 to 56 and Sections 79 to 98 of the Bill will require that the casino operators and their key employees be licensed by the CRA. No one shall be allowed to work or hold key positions within the casino without a licence.

35. Only suitable persons will be licensed to operate the casino or to work in positions of influence in the casino. The considerations of “suitability” include whether the applicant is of good repute with regard to character, honesty and integrity, and has the ability to work in the capacity that he or she has applied for. For applicants who wish to operate the casino, the applicant must also demonstrate that he has a sound and stable financial background.

36. Having obtained the licence, the licensee must remain suitable throughout the validity period of the licence. Where there are material changes to the licensee's situation that could affect his suitability, the licensee is required to report these changes promptly to the CRA.

37. Organizing junkets is a specialised and highly lucrative business that is important to the casinos' viability. Junket promoters bring in high-rollers to the casinos and provide them with VIP treatment in return for a commission. Junket promoters function as the middle man between the casinos and the high-rollers, buying and encashing chips on behalf of the high rollers. Because of the large sums of money transacted between the junket promoters, their clients and the casinos, it is important that junket promoters are well-regulated to ensure that the junkets do not provide a cover for crime syndicates to engage in criminal activities, such as money laundering. For this reason, Section 110 of the Bill shall require junket operators to be licensed before they can work with our casinos.

Shareholders and Business Associates

38. Apart from the casino operators and their employees, shareholders and business associates can also be possible avenues that criminals can exploit to infiltrate casino operations. Hence, in Nevada, eg, share transfers of any amount would require approval from the regulators if the casino is privately held. For publicly listed casinos, regulators are to be kept informed of shareholders who become 5% stakeholders and approval is required for stakes of 10% or more.

39. As such, under the Casino Control Bill, the regulator will be empowered to exercise control over such relationships. Shareholders taking a 5%, 12% or 20% stake in the casino operator shall be required under Sections 64 to 71 of the Bill to seek approval from the Minister for Home Affairs. Such shareholder controls are to ensure that persons owning significant stakes in the casino operators are suitable persons to be associated with our casinos, and to ensure that there is no undesirable influence over the casinos' operations.

40. The casino operator's relationship with other business partners will also be closely monitored. Under Sections 72 to 78 of the Bill, the casino operator shall be required to seek approval for contracts of significant monetary value or that provide critical services to the casino, such as security and surveillance. Such contracts are called "controlled contracts". The objective is to ensure that there is no undesirable influence on the integrity of the casino operations through these contracts. Details of the controlled contract regime such as the exact value or specific types of services that will render a contract as controlled will be prescribed in the subsidiary legislation to be enacted under the Casino Control Bill.

Operations of the Casinos and its Internal Controls

41. Casinos are highly complex operations. The gaming devices that a casino employs, such as jackpot machines, are highly technical and specialised, and are increasing in sophistication. Sections 57 and 99 to 105 of the Bill will enable the CRA to supervise casino operations, including requiring the casino operators to seek approval before a game can be conducted in the casino. CRA will study the game rules closely to ensure that the odds are

not overly skewed in the casino operator's favour and the integrity of the game is not easily compromised. Jackpot machines shall also be closely regulated for the same reason.

42. Prostitution and illegal money lending are often associated with casinos. Section 129 of the Bill will also require the casino operator to take all appropriate steps to ensure that such activities do not take place within its premises. The Police and the CRA will work closely with the operators to keep the casinos clean from such undesirable activities.

43. Huge amounts of cash and chips are constantly flowing within and through the casinos. Strict internal controls and procedures are therefore needed to protect the integrity of the games and the financial transactions against cheats and other criminals. We shall require the casino operator to put in place a robust anti-money laundering programme which shall include know-your-customer due-diligence, mandatory reporting for transactions above \$10,000, record keeping for transactions above \$5,000, mandatory reporting of suspicious transactions and anti-money laundering training for employees. These measures, which will be prescribed in the subsidiary legislation under the Casino Control Act, are in line with international anti-money laundering standards set by the Financial Action Task Force and other leading gaming jurisdictions.

44. Sections 138 to 145 of the Bill will also require the casino operator to seek approval for its system of internal controls and administrative and accounting procedures. Of importance would be a comprehensive surveillance system throughout the casino to facilitate the monitoring of operations and the gathering of evidence.

Social Safeguards

45. What I have described thus far are measures to deal with the law and order aspects of the casino operations. Another key objective of the Casino Control Bill is to minimize the potential for casinos to cause harm to minors, vulnerable persons and society at large. The Bill shall enact the social safeguards that the Government had announced in Parliament in April last year.

Problem Gambling

46. In deciding the appropriate social safeguards, we need to understand how casual and recreational gambling can lead to problem gambling. In a study conducted by the Commercial Affairs Department on prison inmates who had committed commercial crimes, the interviewees revealed that they got hooked on gambling after experiencing the euphoric feeling when they won. Others gambled to escape stress.

47. As they develop into problem gamblers, they get so consumed by it that they lose interest in everything else, and their family and work lives are affected. They also lie habitually about their gambling habits and conceal their losses. When they lose, they tend to chase after the losses and end up in deeper trouble. Many eventually turn to crime to finance their habits.

48. Based on this study, there seems to be a point beyond which some casual and recreational gamblers begin to slide down the slippery slope to become compulsive and

pathological gamblers It is therefore vital that those who choose to gamble are aware of the vital signs so that they can seek help before their habits get out of control.

Entry Levy

49. To discourage locals from developing into problem gamblers, Section 116 of the Bill shall require the casino operators to collect an entry levy from Singapore Citizens and Permanent Residents for every consecutive 24 hours in the casinos or \$2,000 for an annual membership. This levy will also underscore the message that gambling is an expense and not a means to get rich.

Credit and Loss Limits

50. Problem gamblers have a tendency to gamble beyond what they can afford. As a safeguard, Section 106 of the Bill shall require casino operators to provide information about games to patrons as well as a loss limit system that casino patrons may choose to use. This will give patrons an option to commit upfront to a loss amount that they can afford in their gaming.

51. Section 108 of the Bill shall prohibit casino and junket operators from extending credit to Singapore Citizens and Permanent Residents, unless they maintain a credit balance of at least \$100,000 with the casino operator at the start of their gaming which would qualify them as premium players.

52. Automated Teller Machines or ATMs shall be prohibited within the casinos under Section 109 of the Bill so that patrons will not have easy access to their savings accounts to gamble continuously.

Minors

53. Minors are also another potentially vulnerable group who may fall prey to the glamour of the casino, without realising the possible dangers of gambling. Sections 130 to 137 of the Bill will prohibit persons below the age of 21 years from entering the casinos.

Exclusion orders

54. Under the Casino Control Bill, various bodies shall be empowered to impose exclusion orders. These are statutory orders that will prohibit a member of the public from entering the casino. The objective is to ensure that certain persons who may be more vulnerable or are undesirable from stepping into the casino. Sections 121 and 122 of the Bill will empower the CRA to impose exclusion orders in general. In addition, the Commissioner of Police can also impose exclusion orders on criminals or suspected criminals, to deny them the use of casinos as a place to perpetrate their illegal activities.

55. As Members may be aware, the National Council on Problem Gambling was launched on 31 August 2005 and has started its public awareness campaigns on problem gambling as well as specific initiatives to help problem gamblers. The Council will also be empowered

under Sections 155 to 168 of the Bill to issue exclusion orders to stop problem gamblers from entering the casinos.

56. Family members of problem gamblers can apply to the Council for exclusion orders to be imposed on their loved ones. The Council may also issue the order on persons who have poor credit records or are on social assistance programmes. This process will help prevent problem gamblers from getting deeper into trouble.

57. Persons who have a gambling problem can also make a personal application to be excluded. These voluntary exclusion orders can be lodged with the casino operators under Section 120 or with the National Council on Problem Gambling under Section 165. This is an additional service to help those who know that they are vulnerable.

58. The CRA will work closely with the Ministry of Community Development, Youth and Sports to ensure that the social safeguards, such as entry levy collection and the exclusion orders, are effectively implemented in the casinos.

Casino Tax and Enforceability of Gaming Contracts

59. Let me now turn to the casino tax and enforceability of gaming contracts. Section 146 to 152 of Bill shall provide for tax rates of 5% and 15% to be levied on the gross gaming revenue from premium players and non-premium players respectively. This is on top of the existing corporate and goods and services taxes that the casino operator shall have to pay. As mentioned earlier, the tax rates will remain unchanged for 15 years as part of our commitments to the Integrated Resorts.

60. Section 202 of the Bill shall also make a related amendment to the Income Tax Act to impose a withholding tax of 3% of the commissions earned by the junket promoters.

61. Separately, the Section 40 of the Bill will allow gambling contracts made in casinos enforceable in courts. To put it simply, the winner can take the loser to court if the loser does not pay his dues. Similarly, credit extended by casino and licensed junket promoters to patrons for the purpose of casino gaming in a manner that complies with the Casino Control Bill are also enforceable. This is needed to provide assurance to our casino operators that they will have legal recourse to recover their earnings.

62. For consistency, Section 201 of the Bill will make a related amendment to the Civil Law Act to also make enforceable, gambling contracts between patrons and other legal gambling operators in Singapore, such as Singapore Pools and Singapore Turf Club. However, unlike the casinos and junket operators, gambling contracts issued by the other legal operators that are based on credit shall continue to be unenforceable. This means that if Pools or Turf Club decide to take bets based on credit and if the patron subsequently defaults in payment, Pools or Turf Club will not be able to take the patron to court to reclaim the payment. This is to ensure that the local gambling operators do not promote gambling to locals by giving out credit.

Conclusion

63. Sir, the Government decided to allow two integrated resorts with casinos to be built in Singapore because we assessed that there are significant economic and tourism benefits if the integrated resorts succeed and take off in a big way. We will help provide the environment to help the industry succeed. However, this must not and need not come with heavy costs to our society or the law and order situation. MHA, in working with the relevant ministries and agencies, have tried our best to strike that delicate balance in drafting this Bill.

64. A sound and comprehensive legislative framework, based on international best practices and with the appropriate safeguards, is therefore necessary to protect our interests and hard earned reputation. We will take a strict but fair approach in working with the future casino operators. We shall do our best to ensure that the Casino Control Bill provides a conducive environment for the integrated resorts to develop and operate successfully in Singapore.

65. Sir, I beg to move.