

## Casino Stocks Plunge on Report of Macau ATM Withdrawal Cap

Written by Administrator

Thursday, 08 December 2016 14:44 -

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Casino stocks dropped in Australia and the U.S. after a report that China is imposing a 50 percent cut on UnionPay ATM withdrawal limits in Macau, widening a crackdown on how gamblers move cash into the enclave.

The cap on the China UnionPay Co. cards, used by about half of mainland Chinese gamblers to withdraw money in Macau, takes effect Saturday, reducing the daily withdrawal ceiling to 5,000 patacas (\$626), according to the report. Crown Resorts Ltd. dropped as much as 8 percent, the biggest decline in almost two months, in Sydney trading on Friday.

China has been tightening its capital controls as depreciation pressure builds on the yuan. The measures have [included](#) a pause on some foreign acquisitions and bigger administrative hurdles to taking yuan overseas, people familiar with the steps have told Bloomberg News. At the same time, Macau's \$30 billion gaming industry has rebounded as operators including Wynn Macau Ltd. opened new resorts. [Gross gaming revenue](#) rose for the fourth straight month in November, recording the strongest year-on-year growth since February 2014.

While most mass market gamblers should not be materially affected by the new UnionPay withdrawal limit, there are some exceptions, Vitaly Umansky a Hong Kong-based analyst at Sanford C. Bernstein & Co., wrote in a note on Friday. "We know that there are individuals who specialize in utilizing hundreds of ATM cards on any given day to withdraw cash and provide liquidity to junket agents and some premium mass players. This is where a slightly greater impact could be felt," the analyst wrote.

"Nearly 50 percent of Chinese customers in Macau use UnionPay ATM withdrawals as one source of cash for gaming," Umansky wrote, citing the brokerage's survey. Other methods include bringing cash into Macau, withdrawing cash from Hong Kong and Macau bank accounts, and through pawnshops, he wrote.

A spokesman for the Monetary Authority of Macao did not immediately respond to a request for comment on the South China Morning Post report.

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To read what analysts said about the UnionPay ATM crackdown, [click here](#)

The Macau Monetary Authority's limit on withdrawals in Macau is designed to further tighten rules on the use of China UnionPay cards, the South China Morning Post reported. Law enforcement officials have [scrutinized](#) UnionPay transactions as a way for people to illegally take cash out of China.

"Assuming it's true, we cautiously view the news as arguably 'sending a message' to safeguard against potential capital outflow abuses, amidst the continued decline in China's foreign exchange reserves," DS Kim, an analyst at JPMorgan Chase & Co. in Hong Kong, wrote in a note. "We note that this would be the first capital control measure that directly targets Macau, hence may be viewed as a meaningful signal."

Casino operators' shares also slid in New York on Thursday. Wynn Resorts Ltd. fell as much as 12 percent, Las Vegas Sands Corp. dropped 13 percent and MGM Resorts International sank 4.3 percent. Melco Crown Entertainment Ltd. plunged 14 percent. Las Vegas Sands declined to comment, while other casino operators didn't immediately respond to requests for comment.

### Series of Restrictions

Macau has continued to tighten scrutiny of its casino industry amid the nascent gambling revenue recovery. Imposition of stricter regulations concerning junket operators, money laundering and phone betting this year are likely to benefit the Chinese territory's business, said Paulo Chan, director of the Gaming Inspection and Coordination Bureau, said in an [interview](#) this month.

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The Macau government began restricting UnionPay debit cards in 2014, ordering jewelry shops and pawnshops on casino floors to remove the company's card terminals. Four people were arrested in the gambling enclave last year on suspicion of illegally using altered UnionPay terminals to obtain cash for clients. In Hong Kong, UnionPay account holders were blocked in October from using their cards to buy insurance, which gave them another potential way to move money overseas by swiping the cards multiple times.

Macau is in the midst of a surge in new casino construction, with new billion-dollar resorts popping up that target casual gamblers instead of the high rollers that form the bulk of its gambling customers.

Almost a million Chinese tourists visited the former Portuguese enclave in the first seven days of October for Golden Week, the most in at least a decade.

Wynn opened its most expensive casino in Macau, the \$4.2 billion Wynn Palace, in August. Sheldon Adelson's Las Vegas Sands opened the \$2.9 billion Parisian Macau in September, and MGM is planning to open the \$3.1 billion MGM Cotai next year.

"The controls they have put into place are consistent with the controls they have put into place in the past," MGM Resorts International Chief Executive Officer Jim Murren said in an interview on CNBC. "I don't want to minimize the significance -- it will reduce some revenue -- but the long-term play is an extremely positive story."

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