

# Money laundering in Australian casinos

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## Abstract

**Purpose** – This study aims to examine the role of Australian casinos in facilitating money laundering and Chinese capital flight.

**Design/methodology/approach** – The reports and transcripts of evidence from government inquiries into money laundering in Australian casinos are integrated with analyses of Asian transnational crime.

**Findings** – Money laundering in Australian casinos is linked to transnational crime and Chinese capital flight. A central finding is that junket operators play a key role in facilitating money laundering. The casinos are particularly exposed to criminal influences in the Chinese very important person gambling market, since they have used junket operators and underground banks, many of whom are closely linked to major Chinese criminal groups from Hong Kong and Macau.

**Research limitations/implications** – Very little information is available on money laundering in Australian casinos and this research has relied on the government inquiries that have been conducted over the past two years on the subject.

**Practical implications** – The author's focus on money laundering in Australian casinos in the context of Asia-Pacific transnational crime is important for Federal and state government regulators grappling with the rapidly changing money laundering issues. The government inquiries recognised that the money laundering was related to transnational crime, but did not have the time and resources to explore the topic. The paper provides state government casino regulators and financial crime regulators with a broader international perspective to anticipate future money laundering and crime pressures facing Australia's casinos.

**Social implications** – Money laundering in Australian casinos has had devastating social implications on the community. My research helps to focus attention on the problems of transnational crime and money laundering.

**Originality/value** – Little research has examined the linkages between casinos and transnational crime. This study has found that Australian casinos were used to launder the proceeds of illegal drug trafficking and to facilitate Chinese capital flight. While casinos have been forced by damming government inquiries to tighten anti-money laundering controls, it is likely that there will be pressure to relax these controls in the future because of competitive pressure from other casinos in the Asia-Pacific region.

**Keywords** Casinos, Australia, Money laundering, Transnational crime, China, Illegal drugs, Capital flight, Chinese triad groups

**Paper type** Research paper

## Introduction

The number of casinos in the Asia-Pacific region has risen rapidly, partly in response to demand from Chinese gamblers. At the same time, transnational crime has grown in the

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region, with criminals seeking additional means of laundering crime proceeds. The combination of these two trends has created major money laundering threats for casinos in the region.

I focus on money laundering in casinos in Australia. Australian casinos have been the subject of government inquiries recently into money laundering associated with illegal drug trafficking and Chinese capital flight. While the government inquiries have recognised that casino money laundering is related to transnational crime, the international perspective was a side-issue rather than central in their reports.

Casinos are subject to long-term threats from transnational crime: large amounts of money are laundered from the proceeds of transnational crime, since illegal drug usage is high in Australia. Similarly, Chinese capital flight is substantial in Australia, since it is an attractive destination for Chinese immigration and casinos have attracted Chinese very important person (VIP) gamblers needing substantial sums to gamble with.

Casinos are associated with significant crime threats because they are cash-intensive businesses, which exposes them to money laundering dangers. They are used to facilitate theft, fraud, money laundering and other crimes [Financial Action Task Force (FATF), 2009, pp. 25–26]. Crime threats are particularly apparent in the VIP market, because it is common for players to gamble with large amounts of cash, the source and ultimate ownership of which may not be readily discernible, enabling criminals to disguise proceeds of crime as through a high-stakes gambler (Sharp, 2020a, p. 35).

Transnational crime has risen rapidly in the East Asian region [UN Office of Drugs and Crime (UNODC), 2019]. Displacement effects are having a major impact in illegal drugs production, with a crackdown on crime in China displacing production to corrupt countries in the Mekong region (Myanmar, Laos and Cambodia). Little is known about the money laundering flows associated with this transnational crime. It is likely that a substantial percentage of these flows stays in the home country and adjacent countries in the Mekong region, but significant sums are laundered internationally.

More generally, major illicit financial flows (IFFs) take place globally and in the Asia-Pacific region. IFFs have been defined as the movement of money across borders that is illegal in its source (e.g. corruption, smuggling and illegal drugs), its transfer (e.g. tax evasion and violating currency controls) or its use (e.g. terrorist financing; Herbert, 2020, p. 2).

Chinese capital flight is a major area of IFFs in the Asia-Pacific region. This capital is not necessarily illegally earned in China, but violates Chinese capital controls limiting transfers to no more than US\$50,000 per year. Wealthy Chinese use a variety of methods to move their money offshore, with underground banks a significant means of shifting the money. Gambling in casinos is a popular reason for capital flight for wealthy Chinese.

The purposes of this paper are to examine the:

- nature of money laundering in Australian casinos in the context of transnational crime in the Asia-Pacific region;
- role of casinos in facilitating Chinese capital flight; and
- competition between casinos in the Asia-Pacific region.

## Background

The reports of investigative reporters (“Four Corners” program from the Australian Broadcasting Corporation and Nick McKenzie and colleagues from the Australian newspapers of *The Age/Sydney Morning Herald*) led to public concern over money laundering taking place in casinos in Australia. These reports were a major factor in

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pushing the respective state governments to commission inquiries into money laundering in casinos.

I focus on the two largest casino companies in Australia: Crown Casino and Star Entertainment. Crown operates casinos in Melbourne and Perth, and opened in Sydney in 2022. Star has a smaller turnover and operates a casino in Sydney and two in Queensland.

The state government casino regulators have done little to regulate casinos, preferring a risk-based model. The New South Wales (NSW) Government dismantled the Casino Control Authority and replaced it with the Independent Liquor and Gaming Authority, a group regulating all gaming activities in the state (Bergin, 2021, pp. 37–43). However, as a result of the highly critical government inquiries in the different states, this free-wheeling approach to regulation has been abandoned and state governments have belatedly realised the need to regulate their crime-ridden casino industries.

The Australian money laundering regulatory agency, Austrac, as well as law enforcement agencies were ineffective in dealing with crime problems associated with casinos. These agencies were faced with powerful casino firms who actively lobbied state governments to advance their business interests. Furthermore, state governments lacked the political will to deal with crime issues; they were more interested in expanding tax revenue, employment and tourism generated by casinos.

The Bergin Inquiry in NSW into Crown Casino was the first and most comprehensive investigation in Australia (Bergin, 2021). Later inquiries in other states made use of many of Bergin's findings. The Bergin Inquiry was followed by the Finkelstein Inquiry in Victoria (Finkelstein Inquiry, 2021) and the Perth Royal Commission (2022). More recently, Star Entertainment has been the subject of the Bell Inquiry in NSW (Bell, 2022), with a follow-up inquiry on Star's Queensland operations (the Gotterson inquiry) due to report later in 2022.

I make use of the transcripts of evidence and final reports of the government-commissioned inquiries into money laundering in casinos in various Australian states. The money laundering and transnational crime issues identified in these inquiries is set in the broader context of Chinese transnational crime in the Asia-Pacific region.

### **Casinos and the Chinese international gaming market in the Asia-Pacific region**

Strong competition exists between casinos in different countries in the Asia-Pacific region to attract the Chinese international gaming market, particularly in the VIP market. China is a huge market for international gaming, since there was a massive growth of international Chinese tourism in the pre-Covid period.

China's rapid economic growth and rising disposable income has led to higher levels of international tourism, often including gaming activity. Outbound tourist departures increased from 10 million in 2000 to 130 million by 2017, with expenditure of US\$115.29bn. China was the world's largest source of outbound tourism expenditure. The growth of the Chinese middle class, easing of travel regulations, destinations and low-cost charter flights all contributed to this growth (Zhu *et al.*, 2021, p. 1). Asia-Pacific countries dominate Chinese tourist destinations, although since 2020 with the Covid-19 pandemic this international tourism market has collapsed.

The Chinese international gamblers may be divided into a number of categories:

- mass market (small gamblers);
- premium mass (range from medium to large gamblers); and
- VIP or high roller (generally are associated with junket operators, who arrange travel, accommodation and gambling chips).

Most crime problems are associated with the junket-related VIP gamblers.

Macau experienced very rapid growth in casino business, with gross gaming revenue reaching US\$45bn by 2013 and accounting for 88% of its gross domestic product in 2014. Furthermore, gambling revenue accounted for 83.5% of government revenue (Liu, 2015, pp. 500–501). Macau's success attracted other Asia-Pacific countries to follow a gambling-led tourism strategy in the hope that it would attract large tourism revenue, increase employment and make a major contribution to taxation revenue.

The Chinese Government cracked down on corruption and crime associated with gambling in Macau after 2013, especially in the crime-ridden VIP market (Bromberg, 2020, p. 72). This crackdown has been a major factor in the growth of casinos throughout the region looking to pick up market share, as junket operators and their associated VIP gamblers moved away from gambling in Macau.

### **Transnational crime, money laundering and casinos in the Asia-Pacific region**

I link money laundering in Australian casinos to Australia's role in Asia-Pacific transnational crime. I focus on Chinese transnational criminal groups, since they are prominent in using casinos to launder the proceeds of their criminal activity, although Chinese money laundering groups launder money for other criminal groups as well for a commission [FATF (Financial Action Task Force), 2018].

The UNODC estimated in 2019 that the methamphetamines market in the Asia-Pacific region was worth between US\$30bn and US\$61bn. The heroin market is declining but was between US\$9bn and \$10bn (UNODC, 2019, p. 3). The overall illegal drug market is likely to have continued to grow, particularly in methamphetamines (UNODC, 2022). The profitability of this illegal drug trade has meant that massive amounts of money need to be laundered in the region. Casinos provide one means of laundering the money.

Chinese criminal groups dominate the transnational crime market in the Asia-Pacific region (Felbab-Brown, 2022). Australia is linked into multiple transnational crime networks, often involving Chinese and Latin American criminal groups (McCarthy-Jones *et al.*, 2020). I focus on one of these networks, linking Australia to Chinese transnational crime groups trafficking methamphetamines. Precursor chemicals are shipped from China to produce methamphetamines in Shan State in Myanmar (UNODC, 2020, p. 14). The drugs are then trafficked to Australia.

The displacement of methamphetamines production from China to Shan State in Myanmar after 2015 has resulted in trafficking networks shifting to Southeast Asia (UNODC, 2019; Felbab-Brown, 2022, p. 27). For example, Thailand and Malaysia ranked second and third, respectively, in 2017 as prominent departure points for methamphetamines seized in Australia, whereas in 2015, China and Hong Kong were the top two embarkation points for methamphetamines trafficked to Australia (UNODC, 2019, p. 33). Australia's methamphetamines market is supplied primarily from Myanmar and the illegal drug trade is controlled by Chinese transnational crime (Felbab-Brown, 2022, p. 28). Douglas, the regional head of UNODC, points out that production of methamphetamines in Myanmar has had a major role in expanding Southeast Asia's role as an origin and transit region for markets throughout the Asia-Pacific, but Australia features prominently as a destination (Parpart, 2019).

### **Intermediaries facilitating illicit financial flows in casinos**

Numerous Chinese intermediaries facilitate IFFs through casinos. These networks link back to Macau, Hong Kong and Southern China, often using underground banking channels or hawala networks.

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### *Junket operators*

Junkets operators are a group of intermediaries who originated in Macau to facilitate gaming activity of Chinese VIP gamblers, but have spread to casinos in other countries. Many junkets have linkages with organised crime in Macau (Lo and Kwok, 2017). These criminal linkages have followed the junket operators into other countries.

Junket operators are a group of intermediaries who originated in Macau to facilitate the financial needs of VIP gamblers. Australian casino operators have been heavily dependent on junkets for the continued success of the VIP market for a number of reasons:

- legal restrictions on the promotion of gambling in China make it important for casinos to use junkets to recruit VIP gamblers in China;
- junkets play an important role in providing credit to VIP gamblers and have been described as mini-banks; and
- they are responsible for the debts of the gamblers and assumed the role of enforcing those debts (Sharp, 2020b, p. 4984).

Large platform junket operators often operate on an international basis and facilitate the gambling needs of Chinese VIP gamblers in whatever casinos they choose to gamble in. Furthermore, large junkets have diversified into owning and operating casinos, because this allows them to keep the business of their VIP gamblers, rather than sharing it with external casinos (Bromberg, 2020). Another reason is that the junket model is under regulatory threat in Macau and they are moving into other businesses.

There are *long and complex value chains* associated with flows of junket-related funds (involving both gaming and financial services) that makes it difficult for a single reporting entity to understand the purpose of transactions or the beneficial ownership of funds of moved (Austrac, 2022, para. 477g). This is supported by evidence from Nicholas Stokes of Crown Casino, who argued that because banks were unwilling to be involved in financial transactions with casinos, they were forced to use remittance dealers. This led to high risks particularly for funds from China (Stokes, 2021, p. 367).

Risks were exacerbated by the fact that the junket operator did not visit the casino very often, so generally the financial dealings were with junket representatives who were in fact unknown to the casino (Stokes, 2021, p. 374). These junket representatives often moved between junkets, further raising uncertainty over their status for casino operators (Sharp, 2020b, p. 5023). For example, one junket representative, Simon Pan, has been involved with a number of junkets in Crown Casino's Melbourne casino. Pan is a brothel owner in Melbourne, with media allegations of linkages to organised crime and human trafficking of women from Asia (Sharp, 2020b, p. 5029). Risks also came from the fact that junket operators were owned by shareholders and directors, most of whom were unknown to the casino (Stokes, 2021, p. 375). Some of these owners were likely to be criminals in Macau and Southern China.

### *Linkages with Chinese transnational crime*

Many junket operators have close linkages with organised crime. The Bergin Inquiry into casinos highlighted the close linkages between major junket operators and illegal drug trafficking groups (Asian Racing Federation, 2021, p. 13; Bergin, 2021, p. 63, p. 298).

Illicit activity is important in credit provision and debt collection in China, since gambling debts are legally unenforceable. Crown Casino instituted a program junket strategy to deal with VIP players, largely because Crown would not have to worry about

collecting debts: the junkets had connections with organised criminals in China who would collect any debts (Bergin, 2021, pp. 313–315).

Junket operators also use underground banks to transfer funds out of China, an activity that is illegal under Chinese law. Furthermore, the lack of transparency of casino junket operations, anonymity of participants and obscurity of beneficial ownership, source and distribution of junket funds provide opportunities for criminal exploitation (Bergin, 2021, p. 67). Junket operators have diversified away from Macau into other Asia-Pacific casino sites, they operate informal funds transfer systems across the region making the junkets pan-Asian illegal gambling and money laundering operators (Asian Racing Federation, 2021, p. 14).

The Bergin Inquiry (Bergin, 2021, p. 303) documented the interlinkages between illegal drug trafficking organisations, junket operators and Crown Casino. Of particular importance is the illegal drug trafficking organisation, The Company, which is an alliance of five major Chinese criminal groups, heavily involved in illegal drug trafficking and money laundering (Allard, 2019; Parpart, 2019). The Company has been reported as accounting for up to 70% of all drugs trafficked into Australia over the past two decades (McKenzie *et al.*, 2019).

Several junket operators had dealings with The Company. One was a Melbourne man, Suky Lieu, who was convicted of illegal drug trafficking. Lieu's associate, Roy Moo was convicted of money laundering in 2013 and imprisoned. He was barred from attending Melbourne Crown Casino, but was still arranging the laundering of funds back to Hong Kong on behalf of The Company. He made a number of transfers to the Bank of China in Hong Kong from Crown Casino's bank account in Australia (Aspinall, 2020, p. 5068). Moo laundered money via a VIP account owned by an Indonesian junket operator, the Madam Ang Junket Group, which employed Moo. In addition, the Hot Pot junket through its operator Ng Chi Un, was linked to Tse Chi Lop, the then head of The Company. This junket generated hundreds of millions of dollars of turnover for Crown (Bergin, 2021, p. 306; Sharp, 2020b, pp. 5000–5002).

The Neptune Group, a major platform junket operator, was also involved in illegal drugs trafficking. Various people associated with the Neptune Group have been associated with organised crime in Hong Kong and the Bergin Inquiry had difficulty untangling the complicated shareholdings (Bergin, 2021, p. 309; Sharp, 2020c, pp. 5023–5024). Finally, a junket operated by Song Zzehai was charged with running an illegal gambling syndicate in China in 2016, but Crown continued dealing with him.

There are murky and poorly documented interrelationships between junket operators, underground banks and major transnational crime figures. For example, media allegations have been made over the criminal linkages of corporate interests involved with Star Entertainment's casino in Brisbane, Queensland (Robertson *et al.*, 2022). In particular, Chai Tai Fook, controlled by the Cheng family in Hong Kong, is a partner in the new Star casino being built in Brisbane. Chow Tai Fook and associated companies have been linked to Chinese organised crime for decades and in particular the notorious Macau Triad member, Wan Kuok-Koi (aka, Broken Tooth), who is involved in several Southeast Asian casino developments.

Suncity is the world's largest junket operator, although its future in Macau and in China is uncertain given that its former CEO Alvin Chau has been arrested in China over money laundering and other criminal activity in November 2021. Suncity was a major revenue earner for Crown and Star Entertainment. It has been alleged that Chau has links with the 14K Triad criminal group (Bergin, 2021, p. 307). However, the ultimate beneficiary of Suncity was Heung Wah-Keung, a member of a triad organisation (Sharp, 2020b, p. 5004).

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Cheng Tink Kong is Chau's business partner and is also a member of the 14K Triad and has been alleged to be involved in illegal bookmaking, drug trafficking and money laundering (Arnott, 2022).

The Bergin and Finkelstein Inquiries found that bags of money were brought into Suncity's casino "cage" in shopping bags. Hundreds of thousands of dollars in cash came through the desk and no checks were made as to the source of the cash (Bergin, 2021, p. 235; Finkelstein Inquiry, 2021, p. 219). Suncity's casino "cage" is a part of a more general problem, since large platform junket operators often operate separate rooms within casinos leading to major supervision problems – they are effectively mini-casinos with their own staff. Crown Casino had no AML control over Suncity's operations.

### Competition between Asia-Pacific casinos

Casinos in the Asia-Pacific region compete to gain market share in the VIP market, targeting in particular the Chinese market. The growing corruption crackdown in China after 2013 has been an incentive for them to try to attract Chinese VIP gamblers away from Macau.

Australian casinos engaged in aggressive competitive behaviour to capture market share from other casinos in Australia and the Asia-Pacific region. They ignored AML responsibilities and Chinese foreign capital transfer regulations. Their primary focus was on aggressively building up market share in the VIP market (Bell, 2022, p. 194).

Crown Casino in 2014–15 devised a strategy to bring large platform junkets to Australia. James Packer, the majority shareholder of Crown, pushed for this strategy as he saw that it had worked well in Macau. Packer aimed to treble Australia's share of the international VIP gaming market and planned to do this through platform junkets and its joint venture arrangement with a major Macau casino company Melco Crown (Sharp, 2020c, p. 5056). A major advantage for Crown in pursuing this strategy was that it reduced its credit risk, since the junkets took on the debts of their VIP gamblers

Crown felt that the future success of its proposed VIP casino in Sydney at Barangaroo was reliant on the efforts of the sales network of its VIP International business and junket operators in marketing Crown Sydney as an integrated resort catering to VIP players in a sophisticated luxury tourist destination (Bergin, 2022, pp. 15–26, p. 242). Furthermore, Crown sent marketing people into China to attract gamblers, a strategy which violated Chinese law and resulted in the arrest of 19 staff in October 2016 (Bergin, 2021, p. 252, p. 292). Crown's aggressive junket strategy exposed Australia to Chinese transnational crime in the casino industry.

Star Entertainment competed for the junket business. After Crown Casino's employees were arrested in China in October 2016, Star was able to gain more junket business from China (Sharp, 2022, p. 3989). Star was worried about the impact of the proposed Crown casino in Sydney, which would focus solely on VIP gamblers, and was attempting to build up its share of this business as much as possible before it opened.

The Australian casinos competed aggressively by facilitating Chinese capital flight. They allowed VIP gamblers to obtain funds for gambling by permitting them to charge their credit cards for "hotel services" when in fact a large part of the charges were for gambling purposes. China UnionPay cards are not allowed to be used for gambling, but both Crown Casino and Star Entertainment ignored these rules. Crown Casino devised a China UnionPay process to evade Chinese currency restrictions and enable the illegal transfer of funds from China. Between 2012 and 2016 wealthy Chinese transferred up to A\$160m from accounts in China to the Crown Towers Hotel in Melbourne, purportedly for hotel services, but in reality, for gambling. These actions were in violation of China's international currency transfer rules and also violated Australia's money laundering laws (Finkelstein Inquiry, 2021, p. 2).

Star Entertainment followed a similar strategy in its Sydney casino. Between June 2013 and March 2020, Star allowed 1,307 patrons to use China UnionPay debit cards to withdraw a total of A\$908m (Bell, 2022, Vol. 1, p. 207). One of the largest users, Dong Fang Lee, used the card heavily, withdrawing A\$70m between 2014 and 2015 (Sharp, 2022, pp. 4148–4149). He never stayed at the hotel even though ostensibly the card was for hotel expenses. He did not use all the gambling chips he received and ended up cashing some of them in, using the China UnionPay card as though it were an ATM machine to transfer money from China to Australia (Sharp, 2022, p. 4026).

Star Entertainment found that the growing scope of Chinese Government restrictions on capital outflows of Chinese gamblers was hindering its business. Star encouraged Chinese VIP gamblers to deposit money into a Macau bank account owned by a junket operator, Kuan Koi, to bypass Chinese Government restrictions (Hawkins, 2022). Later, Star established a subsidiary, EEIS, in Hong Kong to open new payment channels for patrons so that they could move their money to gamble in Australia (Theodore, 2022). However, Star did not undertake AML checks on these customers. Star used EEIS to provide credit to VIP gamblers on terms that were more competitive than those provided by other casinos in the region (Theodore, 2022).

## Conclusions

### *Casinos, money laundering and transnational crime networks*

The Australian casino case study of casinos illustrate their central role in laundering money through a transnational crime network. Chinese money launderers used Australia's casinos to facilitate the laundering of the proceeds of illegal drug trafficking of methamphetamines from Myanmar to Australia. The laundered proceeds were sent to Hong Kong and Southern China. In turn, some of the profits were used to purchase precursor chemicals to facilitate the expansion of the transnational crime system. Casinos facilitated the operation of the transnational crime systems, although other money laundering mechanisms were extensively used.

The intense publicity associated with the money laundering and crime scandals has interrupted the money laundering activities of casinos. The role of money laundering in Australian casinos has been interrupted partly by the Covid-19 pandemic halting the Chinese gaming tourist trade, but also by the public inquiries into their operations. Both issues have led to the suspension of junket operators' activities in Crown Casino and Star Entertainment.

The long-term difficulty facing casino regulation is that inevitably government policy is swayed by the fact that casinos generate significant employment and offer taxation and tourism benefits. While casino companies have accepted strict AML regulations in Australian states at present, it is likely that over time they will pressure governments to relax the rules (Hatch, 2022). The history of casino regulation in Australia has followed this "watering down" of regulation, with crime ultimately returning to the casinos.

### *Competition between Asia-Pacific casinos*

Australian casinos compete with others in the Asia-Pacific region for Chinese gamblers. However, Southeast Asian casinos have the advantage of proximity to the Chinese market compared to those in Australia. New integrated resort casinos in have been built in Southeast Asian countries, such as NagaWorld in Phnom Penh in Cambodia and Hoiana in Vietnam, that provide high-quality holiday resorts as well as gaming facilities. Casinos in the Mekong region (e.g. Shwe Kokko in Myanmar and Kings Romans casino in Laos) are notorious hubs for transnational crime and money laundering (Gore *et al.*, 2022). Several Mekong countries (Laos, Cambodia and Myanmar) are corrupt and crime-ridden and



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transnational criminals are already laundering massive sums through casinos in the region (Douglas, 2019; van Uhm and Wong, 2021).

China is cracking down on Macau casinos, particularly in the junket-dominated VIP market. Junket operators are relocating their business to the weakly-regulated Southeast Asian countries, particularly in the Mekong region (Laos, Cambodia and Myanmar). These developments will have repercussions throughout the Asia-Pacific casino industry and Australian casinos will face growing competitive pressure from casinos in Southeast Asia. Furthermore, casinos in the Asia-Pacific also face considerable uncertainty from the emergence on online casinos, particularly in Southeast Asia (Asian Racing Federation, 2022; Douglas, 2022).

The government inquiries into money laundering in casinos in Australia focused on domestic issues associated with criminal activity. Transnational crime issues were considered, but the inquiries were circumscribed by their limited resources and strict time limits. While the time and resource constraints faced by the inquiries are understandable, their failure to examine the Asia-Pacific transnational crime and money laundering issues facing casinos means that their findings are limited.

Obviously, the regulatory jurisdiction of states is limited to their particular state. However, regulation needs to be set in the context of the international competitive environment facing casinos and the transnational crime situation. Casinos operate in a fiercely competitive environment for the VIP market. Many VIP gamblers come from overseas, particularly China; these gamblers are offered inducements to gamble in different Asia-Pacific casinos.

#### *Casinos and illicit hubs and networks in the Asia-Pacific region*

The IFFs associated with Australian casinos are part of a much broader group of illicit networks in the Asia-Pacific region. Little is known about the size, growth and extent of these IFF networks. Furthermore, they are in a state of continued flux, as they respond to market opportunities and criminals avoid regions with more active law enforcement.

Hong Kong and Southern China perform a key hub role in a number of illicit markets in the Asia-Pacific region, including illegal drugs, illicit wildlife trafficking and counterfeit goods (UNODC, 2013, p. 55; Wildlife Justice Commission, 2020; Europol, 2017, p. 18). In particular, Hong Kong has a set of business and financial intermediaries skilled at facilitating illicit and licit transactions with China and Asia-Pacific markets.

Hong Kong/Macau is the key IFF hub in the Asia-Pacific casino industry. This region is the centre for intermediaries (particularly junket operators and underground banks) who facilitate IFFs in the casino industry. However, the crackdown on corruption and crime is leading to displacement effects for junket operators in Macau, with many shifting to the poorly regulated Mekong region and other Southeast Asian countries. It is unclear at present what the future role of the traditional hub in Macau and Hong Kong will be.

Little is known about the major criminal groups active in Hong Kong, Macau and Southern China. Press reports have indicated that The Company (also known as the Sam Gor syndicate) is a loose alliance between five major Chinese criminal organisations which dominate illegal drug trafficking in the Asia-Pacific region (Allard, 2019). Many of these criminal groups have investments in Asia-Pacific casinos and junket operators and are known to be major customers of the casinos.

Australian casinos face long-term threats from transnational crime in the region. Illegal drug users are major customers of illegal drug trafficking organisations and the proceeds of these sales need to be laundered internationally.

Latin American illegal drug trafficking groups are becoming more active in the Asia-Pacific region, expanding either on their own or in alliance with Chinese criminal groups (McCarthy-Jones, *et al.*, 2020). Chinese money laundering groups have shown in North America that they can cheaply launder the proceeds of illegal drug sales (Langdale, 2021). It is likely that they will occupy a growing role in the region and will use existing links to casinos to launder the proceeds of illegal drug trafficking.

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