

1 January 2018

Asia Research

# Global Gaming Operators

Industry Update

New PRC policy limits bankcard withdrawals to RMB100,000 (~USD15,000) per CUSTOMER per year

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This replaces the old policy of RMB100,000 per ACCOUNT per year

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The policy is targeting the use of domestic bankcards being used overseas for cash withdrawals - it is not targeted specifically at Macau

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We do not expect a material impact to Macau as a result of the new bankcard policy

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Shares of the Macau names are likely to be weaker today on this news as well as the December revenue miss relative to consensus expectations

## New China bankcard restrictions - unlikely to have a measurable impact on Macau

**PRC rolls out new bankcard policy.** Over the weekend, and effective immediately, China's State Administration of Foreign Exchange rolled out a new policy that targets capital outflows. The new policy, which is applicable to any and all domestic bankcards (not just UnionPay), will limit the total overseas withdrawal capabilities of an individual to RMB100,000 (~USD15,000) per year regardless of how many accounts an individual has. Previously the limit was RMB100,000 per account per year, meaning that if a person had 10 accounts then they could withdrawal RMB1,000,000 overseas. The new policy simply looks at all accounts on a collective basis. Recall that it was about two years ago that China implemented the RMB100,000 annual limit per account. As part of the new restrictions there will also be a daily withdrawal limit of RMB10,000 (~USD1,500)

**Not targeted at Macau.** We expect the Macau names to trade lower today, not only because of the December revenue miss, but also because of this bankcard news. Historically the Macau names have typically sold off on news of bankcard restrictions - representing buying opportunities - even though none have seemed to have had a measurable impact on the market (e.g. previous iteration of annual RMB100,000 withdrawal limit, previous lowering of daily withdrawal limit, previous implementation facial recognition/ID checking, previous targeting of mobile UnionPay terminals). We expect this latest restriction to be no different (i.e. shares are weak despite what should be no impact on the market). It is important to keep in mind that the new restrictions are not targeted at Macau, but rather on any overseas transactions.

**Unlikely to have a material impact on Macau.** First, the limit of ~USD15,000 per individual per year (rather than per account per year) would only potentially impact premium mass players given that lower-tier mass players average annual theoretical GGR contributions are lower than \$15k and that VIP players are playing on credit. Second, it is quite likely that many premium mass players have established overseas bank accounts already, which would not be impacted by domestic bankcard restrictions. Third, we believe that using bankcards to withdraw cash from ATMs has always been more of a last-choice option anyway given the lack of limits on bankcard purchases. Put together, we would not expect there to be any measurable impact on Macau GGR, although perhaps at the margin some very small number of premium mass players could migrate to VIP.

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\*Please see analyst certification and required disclosures starting on page 2 of this report.

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**Hold** – the total forecasted return is expected to be greater than or equal to 0% and less than or equal to 15%

**Sell** – whose shares exhibit downside potential of at least 15% within the next 12 months

**Suspended** – the company rating, target price and earnings estimates have been temporarily suspended.

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HOLD	8	33%	HOLD	0	0%
SELL	0	0%	SELL	0	0%

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