



# Ministry of Tourism, Transport & Municipalities

## Ministerial Statement

To the Senate

By

**Senator, the Hon. M. Michael Fahy, JP.**  
Minister of Tourism, Transport & Municipalities

### Update on the Work of the Bermuda Casino Gaming Commission

Date: March 22<sup>nd</sup>, 2017

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**Madam President,** I wish to update members of the Senate and the people of Bermuda on the accomplishments of the Bermuda Casino Gaming Commission to date, and the extraordinary work they continue to do.

**Madam President,** questions continue to be raised about the time frame in which the first casino in Bermuda will be operational. I wish to put to rest those criticisms and to inform the people of Bermuda of the herculean efforts being undertaken at the Bermuda Casino Gaming Commission to make gaming a reality in Bermuda. I also wish to demonstrate my support for the Commission and to congratulate them on the speed at which they are moving this process along.

**Madam President,** modern and internationally accepted models of best practices of gaming regulation comprise five areas of attention –

- (1) The owners, vendors, managers, employees, and sources of finance should be free from any inappropriate past or present associations and behaviors, and uphold high ethical standards.
- (2) The casinos should possess sound operational and financial controls.
- (3) The games offered should be fair, honest, and operate with a high level of security and integrity.
- (4) All fees, taxes, and related payments, should be appropriately accounted for and paid.
- (5) Controls should be in place to protect the vulnerable.

**Madam President,** if these five goals are not met or are left unaddressed it creates a favorable environment for the presence of organized crime to operate within the Bermuda economy. Furthermore,

- it creates a favorable environment for the corruption of the political process, and for the corruption of law enforcement officials,
- it facilitates the laundering of money, potentially funding criminal and terrorist activities, and jeopardizes the reputation and perception of the government and banking sector,
- it robs the country of actual and potential tax receipts,
- it generates overseas jobs at the expense of Bermudians,
- it provides no protections to Bermudians from fraud and deceit,
- it allows for no protections for problem and pathological gamblers, and allows for their exploitation,
- it endangers Bermuda's international reputation and relations by violating the gaming laws of other countries,
- it facilitates the breakdown of controls over sports integrity, and,
- it adversely impacts Bermuda's balance of payments.

**Madam President,** the Bermuda Casino Gaming Commission is making a difference by ensuring that these five stated goals are at the forefront of its efforts. No casino in Bermuda will open until these goals are met or in place. This is no simple task, and quite simply, it takes time to get it right.

**Madam President,** the gaming industry is one of the most heavily regulated industries in the world. This is because of the large volumes of cash being exchanged without receipts. As you will appreciate from my remarks, because of the Commission's efforts, Bermuda will be recognised as a world renowned and reputable jurisdiction.

**Madam President,** the usual timeframe for legislation to move from the Cabinet approval process to the pages of our law books can be up to three years, or more, depending on the urgency of the matter, the amount of consultation required and all of the other hurdles that can slow the pace, including a recess of the Legislature.

**Madam President**, “things happen” and through no fault of the Commission and its staff they have encountered, and ably overcome, delay after delay. The chronology of events, which includes the enactment of forty-one (41) crucial amendments to the Casino Gaming Act 2014 (the Act) and the subsequent promulgation of three (3) sets of regulations, and which has led to the Commission’s position today, is outlined below.

**In September 2015**, Richard Schuetz was appointed as Executive Director of the Gaming Commission. Together with Gaming Commission Chairman Alan Dunch, he agreed to be involved in the further development of the pre-existing and unfinished regulation package with a view to overcoming its shortcomings

A month later, **in October 2015**, Mr. Schuetz and the Commission determined the way forward was to amend the Act so as to shorten the time to market, make the Act more attractive to operators, reduce Commission expenses and reduce the human resource needs of the Commission, all while maintaining system and process integrity.

**In late November 2015**, it is my understanding this decision was discussed with and supported by then Minister Crockwell. It was agreed that the draft regulations should be based on the proposed amendments to the Act.

Between **December 2015 and February 2016**, the Commission grew to a small staff of three, including the Executive Director. Also during the month of February, the desired amendments to the Act were produced for the then Minister’s consideration.

**Madam President**, you may recall a ministerial statement addressing the issue of desired changes to the Act made at the end of February last year.

**Madam President**, the Honourable Member subsequently stepped down as the substantive Minister prior to any changes being made to the Act, although, again, it is my understanding he was aware of the proposal.

Between **March and June 2016**, through a period during which there was an Acting Minister in place, followed by a transition to a new Minister – me – Mr. Schuetz and general counsel Deborah Blakeney finalized the proposed amendments to the Act.

**Madam President**, due to the steadfast and unwavering commitment of chairman Dunch, his Commissioners and the very small staff of now six (6) persons at the Gaming Commission, the forty-one (41) amendments were brought into force on January 12<sup>th</sup> 2017.

**Madam President**, each of those forty-one (41) changes was designed to:

- correct flaws in the initial Act,
- reduce the time to market,
- reduce the human resource requirements of the Commission while maintaining system and process integrity,
- reduce the financial costs of the Commission, and,
- make the model more attractive to the operators.

**Madam President**, the Gaming Commission has been very vocal and consistent in its questioning of the use the Singapore Gaming Act as a model for Bermuda. The Commission found it curious for these reasons.

- The vision for Bermuda for the introduction of casinos involved using the integrated resort model which implies that the target market would be the tourist market. Approximately 90% of the tourist market in Bermuda is from North America. Becoming reliant on an Asian model seemed, to the Commission, a bit unusual in those circumstances.
- At the time that the visit was made to Singapore by former Minister Crockwell and the former Attorney General, Mark Pettingill, that jurisdiction had been regulating gaming under their Act for less than four years. That is a very short time to assess the strengths and weaknesses of the Act. By contrast, the Act, as amended, has resulted in a Bermudian Act derived from the finest and best regulatory models around the world.
- The Singapore model is extraordinarily intensive from the regulatory standpoint, with a higher number of regulators per casino than any other

jurisdiction in the world. This implies very high regulatory costs, which are acceptable in a jurisdiction like Singapore that generates sizeable gaming revenues, but problematic in a jurisdiction like Bermuda.

- Singapore launched with approximately 190 regulators for two casinos, whereas the Bermuda amendment package was designed to reduce the headcounts in Bermuda to approximately 20.
- There are a number of provisions in the Act that are not particularly business friendly. In an environment like Singapore where the casinos are generating billions of dollars of revenue, an operator is willing to tolerate a series of business unfriendly provisions. Within a market like Bermuda, which has but 1% of the population of Singapore, and a materially smaller tourist base to rely upon, the revenues will not be sufficient to have an operator tolerate the business unfriendly provisions in the Act.

**Madam President**, even with its very large regulatory agency, it took Singapore in excess of six years to become operational with a casino. It seems unrealistic to expect Bermuda's much smaller regulatory agency to do it faster.

**Madam President**, the ongoing budget for the Singapore regulatory entity is presently over \$24 million dollars annually, and it employs over 160 individuals. If the Bermuda Casino Gaming Commission had persisted in following the Singapore model, the process could have taken the same six to eight years and many many millions of dollars.

**Madam President**, as I previously stated, the time required to move from policy to legislation can take years, and the Commission has done extremely well in moving the process along quite quickly.

**Madam President**, the Commission continues, in the same vein, to pursue the opening of the first casino in Bermuda. In addition to the amendments to the Act, the Commission has ensured the enactment of two sets of very important regulations, namely,

- The Casino Gaming (Casino General Reserve and Taxes) Regulations 2017 and

- The Casino Gaming (Casino Fees) Regulations 2017

And more importantly, a third set of regulations entitled “the Casino Gaming (Casino Licence Application) Regulations 2017” are currently being prepared for my signature.

**Madam President,** I am pleased to inform the Bermuda public that these regulations, together with the Request for Proposal (RFP) documents being reviewed for approval by the Gaming Commissioners, will provide the framework for the Commission in the coming weeks to be able to solicit, consider and accept applications for casino licences.

**Madam President,** I am also pleased to enumerate the extensive list of activities currently being undertaken and addressed by the Commission. These are matters which, ironically, the Casino Gaming Commission is now braced for the new criticism of “moving too fast”. The projects in hand are-

**1. AML (anti-money laundering) matters**

- (a) The Commission has compiled a list of “best practices” to be included in AML legislation.
- (b) The Commission has met with representatives of the National Anti Money Laundering Committee (NAMLC) to discuss the Commission’s desired casino specific legislative AML provisions;
- (c) “Guidance Notes” will be prepared to provide extensive guidance and instructions for casino operators on AML matters.

**2. The Bermuda Police Service**

- (a) The Gaming Commission has met with the Police Commissioner and Deputy Commissioner regarding their obligations under the Act, including AML;
- (b) The police were informed that there would be funding available from the operators to assist with the steps needed to ensure essential police services are in place and that neighbourhoods close to casinos are safe.
- (c) Discussions with the police included the Commission’s need for the secondment of a sworn officer who will be paid by the Commission.

That officer would deal with and have responsibility for:

- certain investigations requiring police assistance,

- the conduct of criminal background checks for all persons being “badged” by the Commission,
- conducting ‘live scans’ or computerized scans and fingerprinting, and,
- the receipt of Suspicious Activity Reports (SARs),

### 3. **Staffing**

The Commission has secured the services of a Chief Technology Officer. A job description for a junior legal counsel is being reviewed with a view to alleviating the costs associated with outside counsel. The Commission has also accepted the offer of assistance from a volunteer ‘intern,’ without remuneration. She is a retired attorney who will assist the Commission with projects such as reviewing the Commission’s policies and procedures manual and working on an ethics and code of conduct.

### 4. **Memorandum of Understanding (MOU)**

The Commission has prepared, and is negotiating, a draft MOU between the Commission and the New Jersey Division of Gaming Enforcement, and another with the UK Gambling Commission. The Commission intends to also sign MOU’s with other entities such as the Bermuda Police Service, Financial Intelligence Agency (FIA), and other jurisdictions, as required.

### 5. **Potential casino operators**

The Commission has been very responsive to the two new applicants for designated site orders. They have also met with designated site owners and/or their representatives, who were seeking clarification on the Commission’s regulations and what the suitability investigations might entail.

### 6. **Training**

Mr. Schuetz and one Commissioner will be travelling to Las Vegas on the 19<sup>th</sup> April 2016 with a representative from the Bermuda College and the Bermuda Hospitality Institute to visit the International Gaming Institute, the International Hotel College for meetings. The objective is to assemble a Bermuda training team and identify team resources for training in casino surveillance, electronics, and slot maintenance.

7. **Problem gambling**

The Commission is about to appoint of a Director of Problem and Responsible Gaming. The Problem Gaming Council is also being assembled, and the names of the members of that council will be published by the Commission in the coming weeks.

8. **National service standards**

The Commission has met with the Bermuda Tourism Authority (BTA) regarding their National Service Standards Certification Programme. This Programme can conduct polling and use other means to measure customer satisfaction for businesses in Bermuda. The Commission will recommend that each casino licence holder must be a member of the local body.

**Madam President**, as I have shown, the Commission is not by any definition, delaying or hampering the process of opening a casino in Bermuda. Indeed the Commissioners and staff are working and collaborating with both foreign and local entities to make gaming a reality. The Commission has a good working relationship with the Attorney General's Chambers; members of the opposition party; the Bermuda College; the Department of Workforce Development; the Bermuda Hospitality Institute; the Bermuda Tourism Authority; the Financial Intelligence Agency; the National Anti Money Laundering Committee; the Bermuda Police Service; Government House, the US counsel general; the faith community; the recovery community; Bermuda charities and numerous other partners;

**Madam President** our overseas associates include, amongst others, the Gaming Laboratories International, the Nevada Gaming Control Board; the New Jersey Division of Gaming Enforcement, the National Council on Problem Gaming, and, the UK Gambling Commission.

**Madam President** with the assistance of those foreign and local entities, the Commission is well on its way to reaching its target of the first casino opening in early 2018.



**Madam President** I encourage the public to continue to support the efforts of the Bermuda Casino Gaming Commission and I want to thank Chairman Dunch, Deputy Commissioner Garry Maderios, Commissioners Derek Ramm, Judith Hall-Bean and Dennis Tucker, together with the Commission staff, for their hard work and dedication.

**Madam President,** I encourage anyone who wants more information on the work of the Commission, to contact their office at 400-2100 or email [admin@bcgc.bm](mailto:admin@bcgc.bm)

**Thank you Madam President.**