

Wall Street Journal Junket Article

September 20, 2012

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Vegas Bet on Chinese VIPs Raises Red Flags With Feds

By [ALEXANDRA BERZON](#), [KATE O'KEEFE](#) and [JAMES V. GRIMALDI](#)



Associated

Press

A baccarat dealer shuffles cards while preparing a table at the MGM Grand Hotel & Casino in Las Vegas.

LAS VEGAS—It could easily be mistaken for Chinese territory. On the 36th floor of the Venetian hotel and casino sits the "Paiza," a unique gambling salon and suites for high rollers from Asia, adorned with traditional serene Chinese paintings and a karaoke room. Gambling tables accommodate as few as one player, for patrons who prefer more privacy.

The area is named after a passport given centuries ago to important Chinese officials and guests. And the importance of the guests is certainly not in question: These "whales" of gambling are betting anywhere from \$10,000 to \$400,000—per hand.

For [Las Vegas Sands](#) Corp., owner of the Venetian, and a handful of other casino companies in Las Vegas, this select niche has become a godsend for an industry stuck in a financial losing streak for much of the past four years. Jumping on a business that is virtually invisible to most casino goers, industry giants like Sands, [MGM Resorts International](#) and [Wynn Resorts](#) Ltd., are rolling out the red carpet for an elite group of gamblers, and scoring some remarkable jackpots.

CHINA'S MONEY TRAIL

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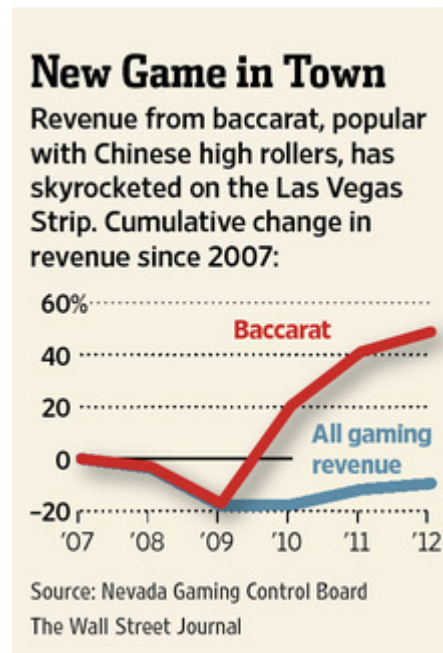
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In a single night during the Lunar New Year last year, Wynn's Las Vegas resort won \$16 million in table gambling, the biggest tables-game night in its history. Asked at an investor conference about the Chinese business in Las Vegas, Sands' CEO [Sheldon Adelson](#) described gambling as a "linchpin" of the Chinese culture. "In my second life, I'm coming back as Chinese," he said.

But while this Asian connection is a potential gold mine, it is quietly attracting a related and controversial business that has drawn the attention of federal authorities. China allows residents to take only \$50,000 in currency abroad a year, so some high rollers rely on foreign tour operators, known as "junkets," to provide access to far greater sums. Based in the Chinese gambling mecca of Macau, it is an industry U.S. law enforcement officials and diplomats have long suspected of money laundering and organized crime.

Now as the big U.S. companies are upping the ante on their Chinese business, the U.S. Treasury enforcement arm is focusing on whether some junket operators are importing a new layer of money laundering to Las Vegas by obscuring the source of their funding, the method for transferring it to high rollers and the identities of the gamblers themselves. As part of that focus, the Treasury's Financial Crimes Enforcement Network last month issued a web alert to casinos advising them to monitor junket operations and junket patrons and report "all available information" on any suspicious activity.



The alert isn't the only headache Las Vegas may face from the world of junkets. According to documents reviewed by The Wall Street Journal, at least two alleged Chinese organized crime figures are operating in Las Vegas through Macau-based junkets; both have been members of Sands' high roller "Chairman's Club." Law enforcement authorities say they are concerned about casinos transferring junket deposits

across international borders for patron gambling; without the same scrutiny banks provide, those fund movements carry a high risk of money laundering, they say.

People close to the junket industry also provided the Journal with names of four operators who have been registered to do business in Nevada—but who were found unsuitable last year by outside investigators for Singapore's gambling authority. Three of the four are still registered in Nevada, including one who investigators said had hundreds of millions of dollars in unaccounted for cash and assets, the people said. Nevada and Singapore gambling officials declined to comment.

Spokesmen for Sands, MGM and Wynn declined to discuss the specifics of their junket partnerships, but casino officials say they have been able to limit junket presence in Las Vegas by working directly with Chinese patrons. Indeed, while their ranks are growing, the number of VIP gamblers from the mainland who are making the trip to Las Vegas is still a relatively small group. The casinos also said their operations comply with all laws and that their junket partners haven't been charged with any serious crimes. "We can't be held to account for something that legal authorities have yet to resolve," said Alan Feldman, a spokesman for MGM.

Las Vegas' interest in the Chinese sector is the latest example of U.S. companies noticing—and trying to capitalize on—increasing flows of assets leaving mainland China. Of course, that interest by Las Vegas isn't entirely new, dating back to at least the 1980s, when Caesars Palace famously placed a Buddhist shrine in front of its casino. Lunar New Year has long been a big event in town, and some casino hotels avoid rooms with the number "4," considered unlucky by some Chinese. Still, attracting travelers from mainland China was rare, since travel was limited and casino companies had few inroads into the complex gambling scene in Macau, the heart of Chinese gambling.



Associated Press

The Chinese New Year display inside the Conservatory at the Bellagio Hotel and Casino in Las Vegas.

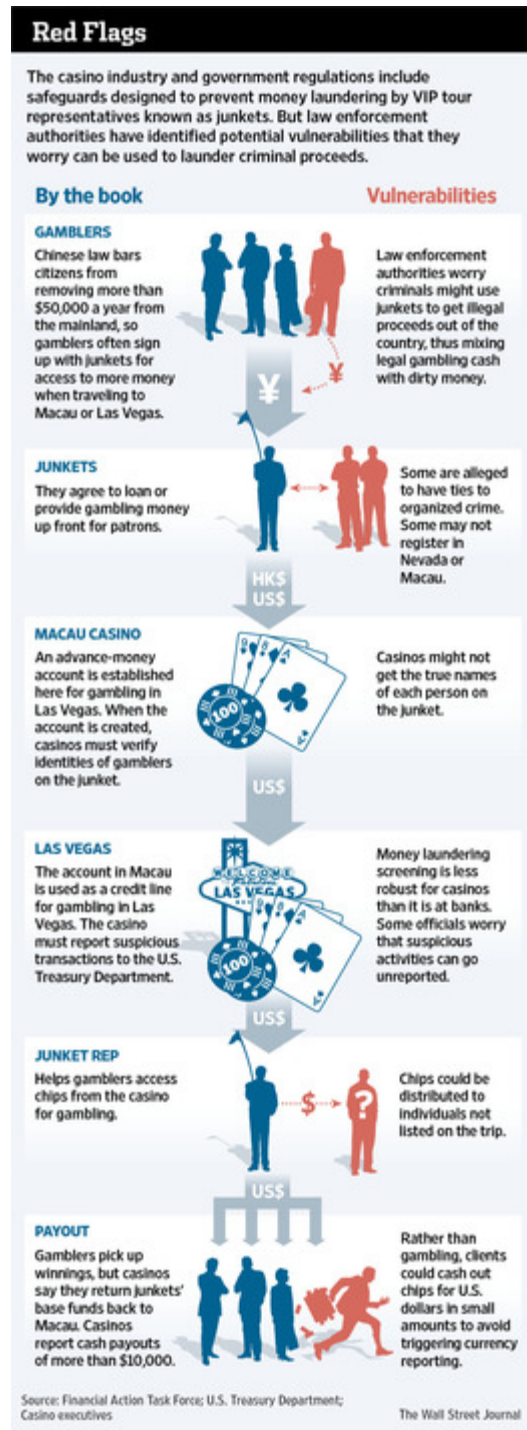
In recent years, though, MGM, Wynn and Sands have opened casinos in Macau, which has catapulted into the world's largest gambling center, with a remarkable \$34 billion in gambling revenue last year, more than five times the size of the Vegas Strip. The success the companies have had there—Wynn relied on Macau for 72% of its revenue last year—has given them a new incentive to create a home-away-from-home for Chinese mainlanders. Sands alone poured \$25 million into upgrading just one "Paiza" gambling center in Las Vegas, while other casinos have been similarly generous, creating ultra luxury gambling salons with Chinese TV and Chinese food delicacies.

"Guests can have anything they want anytime," Greg Shulman, a vice president for marketing for MGM's Bellagio hotel, said on a tour earlier this year of that casino's salon, decorated with gold and red hues and private spaces. He called the adjacent dim sum and noodle joint "one of the most important restaurants in the entire building."

In all, the number of mainland Chinese and Hong Kong tourists to Las Vegas has shot up almost 80% over five years, to 188,000 last year. But for casinos, the most important payout has come at its baccarat tables, the game favored by Chinese high rollers. Revenue from that game rose 49% through July this year, compared with the same time period five years ago, even as overall gambling revenue on the Strip fell almost 10%. Because of baccarat's growth, the game has jumped to more than one fifth of all Vegas Strip gambling revenues, up from 13%.

"The baccarat growth is entirely driven by mainland Chinese travelers," said Ben Lee, a casino consultant who has written extensively about the junket market. "What you have is a small number of people making a big impact."

Red Flags



A good part of that growth, insiders say, wouldn't have been possible without the junket industry. Entrenched in Macau casinos since the 1980s, junkets are essential to many Chinese high rollers because China has tight restrictions on how much currency residents can carry abroad in a year. The country doesn't recognize gambling debt either.

To assist high-rollers, junkets give players extensive credit lines to gamble and then collect debts when the losses pile up. Some allow high rollers to merely sign IOUs before they go abroad—but exactly how junkets get around Chinese regulations is shrouded in mystery, regulators say. "I still to this day have not had anyone be able to show me how the money leaves mainland China and ends up in Macau," said Mark Lipparelli, the outgoing chairman of the Nevada Gaming Control Board, which has sweeping authority over Nevada casinos and their partners. "I have yet to have anyone explain this to me in a coherent manner."

Analysts estimate there are as many as 10,000 people working in some capacity for the junket industry, which runs from single-man shops to formal firms. Many are tied to so-called "super junkets," conglomerates that operate a wide range of junket activity and in some cases, end up with quirky assets from years of debt collecting. According to one former junket employee, Steve Karoul, a Mystic, Conn., casino consultant who now advises investors on the industry, the parking lot of one junket he worked for in the 1990s looked like a used car dealership, because it had seized so many cars from gamblers unable to pay debts. The company also seized real-estate assets, including a 400-room hotel. "It's all gray market," he said.



Alexandra Berzon

Baccarat table in the 'Paiza' gambling lounge for Asian high-rollers on 50th floor of Palazzo casino in Las Vegas.

One operator who talked to the Journal said the industry has been trying to change its reputation, and now has some firms listed on foreign stock exchanges. "Junkets are becoming more corporate," said Hoffman Ma, deputy chairman of Success Universe Group Ltd., which has been in the junket business since the 1990s. He said some Macau junkets still have links with organized crime in China, but described that activity as lessening, with junkets trying to make "more loans legitimate" and realizing that "violence isn't going to work in Macau anymore."

Mr. Lipparelli, at the Nevada gaming board, said that while those links may occur in Macau, his office has found no evidence of junkets introducing organized crime to Las Vegas. "There's nothing that would indicate that," he said. Still, according to two people knowledgeable about junkets in Asia, private investigators working for the Casino Regulatory Authority of Singapore reviewed the application of a junket operator registered in Nevada—and recommended he not be approved because he failed to disclose ties to a suspected organized crime figure. The same investigators found another Nevada-approved operator, Chan Ting Lai, unsuitable because he listed more than \$250 million in cash and assets he couldn't account for, according to the two people.

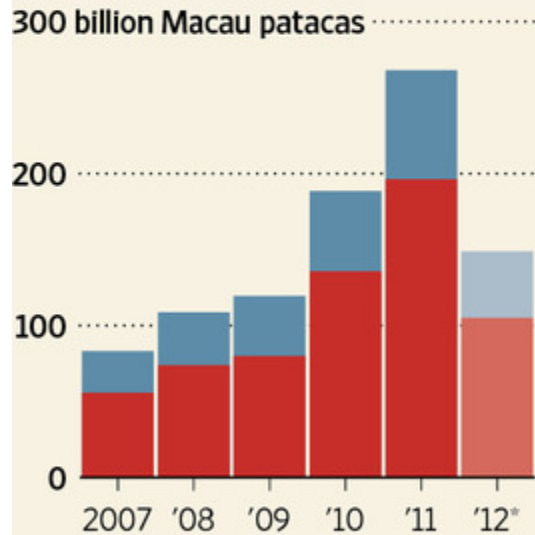
Reached in Hong Kong, Mr. Chan, owner of a large interior design firm who has occasionally appeared at local entertainment industry events, said he was still waiting for news on his application from the regulatory authority in Singapore.

Crucial Territory

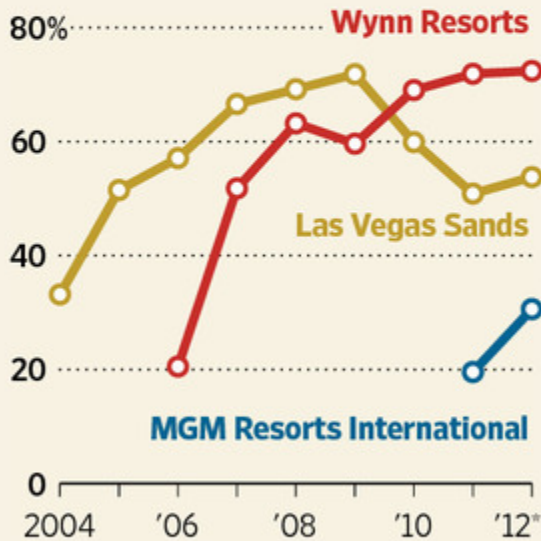
High rollers in Asia have propelled gambling revenue growth in Macau, which now accounts for most of some U.S. casino companies' revenue.

Macau gambling revenue

VIP baccarat Other



Percentage of U.S. casino companies' revenue earned in Macau



Note: 100 billion Macau patacas = \$12.5 billion at current exchange rate *First half

Source: Union Gaming Research and company data; Macau Gaming, Inspection and Coordination Bureau

The Wall Street Journal

Nevada and Singapore regulators typically share information, but a spokesman for the Nevada Gaming Control Board wouldn't comment on whether the agency knew about the outside investigators' report for Singapore. Agency officials say that with hundreds of casino partnerships to monitor, it doesn't typically do extensive reviews on applications for smaller operators. The gaming board did recently increase registration fees, from \$750 to \$2,000, to fund more thorough checks, but critics say it still needs to step up scrutiny of Macau-based operators. "Macau is a real potential source of embarrassment and difficulty for the Nevada regulators," said Bill Eadington, a professor at the University of Nevada Reno who has studied Macau junkets.

On the federal level, fund transfers between Macau and Las Vegas that casinos handle for junkets have attracted the attention of the Treasury Department. Chip Poncy, head of a Treasury Department policy office, said such transfers are "a vulnerability we've seen for quite some time" and that authorities are working with casinos and regulators to address "the specific exploitation of it." Such transfers have long been a concern for regulators internationally. "You've got these layers of anonymity building up and building up so the player can hide between quite a few layers of transactions," said Rachael Horton, a

former New Zealand casino regulator who wrote a 2009 report for the Financial Action Task Force, an anti-money-laundering group based in Paris.

Casino officials for Sands, MGM and Wynn say they comply with all federal requirements and have policies guarding against money laundering; gamblers, they say, aren't allowed to cash transferred funds in Las Vegas, just the winnings they make from them. "Our company has a detailed compliance program that is submitted to regulators," said Ron Reese, a Sands spokesman.



Reuters

Charles Heung was identified as high-ranking triad figures in a 1992 U.S. Senate subcommittee report on Asian organized crime. He has publicly denied being involved in organized crime.

Details on the movement of funds for Chinese high rollers into Las Vegas—and some of the more controversial figures who may be involved—have also emerged since a high-profile, wrongful-termination suit was filed in 2010 by Steve Jacobs, the former head of Macau operations for Sands. In the suit, Mr. Jacobs filed copies of a Sands ledger showing intracompany transactions between Macau and Las Vegas with junket and individual names blocked out; the Journal has now seen the names. Two people with past alleged ties to Chinese organized crime groups known as triads are either listed in the ledger—or are business partners of junkets on the document.

The two men—Cheung Chi Tai and Charles Heung—have each been identified as high-ranking triad figures in a 1992 U.S. Senate subcommittee report on Asian organized crime; the report, which followed a series of triad-related arrests by the FBI, drew its findings from law enforcement authorities and informants. More recently, a Hong Kong appeals court judgment in March 2011 said Mr. Cheung was a

"triad leader" who ordered the death of a casino dealer. He wasn't charged in the case, but a subordinate was sentenced for conspiracy to commit murder.



Las Vegas Sands Corp.

'Paiza' dining room.

Neither Mr. Cheung nor Mr. Heung has been convicted of triad activity, and Mr. Heung has publicly denied being involved in organized crime; when contacted, representatives of the two men declined to comment. According to people with knowledge of the company, both have also been members of Sands' "Chairman's Club." The club is a select group of high-rollers given exclusive access to Sands' most luxurious suites, six-figure monthly expense accounts and extensive credit lines, according to a court filing by Mr. Jacobs, who, through his attorney, has declined to discuss his case.

For their part, Treasury and other law enforcement authorities who have seen or are familiar with the Sands ledger say they are alarmed by the size of some of the activity. Although the reasons for the fund movements aren't known, the Journal found more than two dozen junket operators on the ledger transferring a total of about \$28 million from 2006 to 2010. One junket operator alone transferred \$3.6 million in two days between Macau and Las Vegas in 2009; another transferred \$2.4 million in one day, according to the ledger.

Jet Set

Number of Las Vegas visitors
from China and Hong Kong



Source: Las Vegas Convention
and Visitors Authority
The Wall Street Journal

Asked about the ledger, which was an accounting document at Sands, Ron Reese, a company spokesman, wouldn't comment on the money transfers, the company's use of junkets or any people identified as moving money through casinos. "We believe the company has acted properly and we will continue to cooperate with all our regulators," he said. "But we will not compromise the privacy rights of our customers."

In the end, some followers of the junket arrival in Las Vegas say the biggest mystery may be the size of this new industry. In Macau, junkets accounted for nearly three-fourths of the island's gambling revenues last year, according to local regulators. Here in Las Vegas, casino executives say the junket industry is much smaller, accounting for no more than 20% of their mainland China VIP business. But some consultants say that number is higher.

One problem: it is hard to track junket revenues because some junkets don't use formal contracts—part of what Mr. Lee, the expert in the Chinese gambling market, calls the "shadow junket" industry.

"Getting money over to America is even harder than getting money to Macau," he said. "That's why the junkets have a big role in Vegas."

—Daniel Lippman, Chester Yung and Chun Han Wong contributed to this article.

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Triad Story: Connection Seen to Las Vegas Operators

Documents reviewed by the Journal show that junkets allegedly tied to Chinese organized crime figures are operating in Las Vegas. Here's a thumbnail sketch of Chinese gangs, known as triads:

Background: Triads first started as political opposition groups more than three centuries ago. Today, there are an estimated 40 triads in Hong Kong, some with tens of thousands of members. They are also active in mainland China and Macau, among other places, according to U.S. government reports.



Reuters

Wan Kuok-Koi, center

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Junket Ties: Experts trace the alleged close ties between triads and Macau's junkets to the introduction in the 1980s of VIP rooms that junkets run in casinos. Triad members have functioned as bouncers, loan sharks and bookmakers for gambling rooms, according to an academic study published in the Journal of Money Laundering Control.

Violence: A violent turf war in the 1990s culminated in the 1998 arrest of Wan Kuok-Koi, known as "Broken Tooth Koi," a junket operator and triad leader arrested by police on suspicion of being involved in a car bombing of a top Macau police official. Though not charged in the bombing, he was sentenced to 15 years in prison for triad membership, money laundering, loan sharking and other crimes. He couldn't be reached for comment.

Recent Cases: A 2011 Hong Kong appeals court judgment said Macau junket operator Cheung Chi Tai was a "triad leader who gave instructions" to a subordinate to "injure and later kill" a casino dealer. No charges were filed against Mr. Cheung, whose representatives declined to comment. The subordinate was convicted of conspiracy to commit murder, among other charges. In June, another junket operator, Ng Wai, known in Macau as "Street Market Wai," was beaten by six men with hammers and sticks at his own casino. His representative declined to comment on what security experts called a triad-style attack because of the methodology.

—Alexandra Berzon, Kate O'Keeffe and James V. Grimaldi

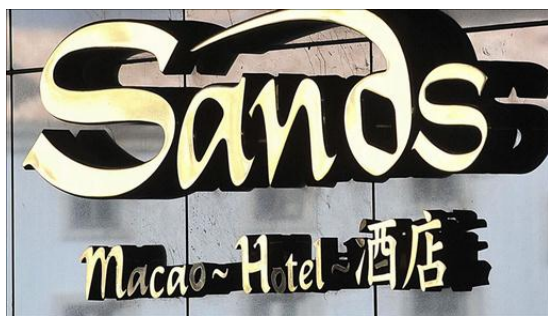
August 7, 2012, 7:24

Sands Probed in Money Moves

By [KATE O'KEEFFE](#), [ALEXANDRA BERZON](#), [JUSTIN SCHECK](#) and [JAMES V. GRIMALDI](#)

Federal authorities are investigating whether [Las Vegas Sands](#) Corp. and several of its executives violated money-laundering laws by failing to alert authorities to millions of dollars transferred to its casinos by two Las Vegas high rollers, according to lawyers and others involved in the matter.

The U.S. attorney's office in Los Angeles is examining the casino company's handling of money received several years ago from a Mexican businessman later accused of drug trafficking and a former California executive subsequently convicted of taking illegal kickbacks, according to the people involved.



Sands is now facing questions from federal authorities about potential violations of U.S. anti-money laundering regulations. What does this mean for Sands chairman and major political donor Sheldon Adelson? The WSJ's Kate O'Keeffe explains.

The probe comes as the casino giant, controlled by billionaire [Sheldon Adelson](#), faces possible legal trouble on another front. U.S. authorities are also investigating whether Sands violated U.S. antibribery laws in its operations in the Chinese territory of Macau.

Senior Justice Department and Treasury officials say they have grown concerned in recent years about the risk that casinos could be used for money laundering and terrorism financing, and that compliance standards in the industry aren't strong enough. The Sands investigation could become an important test case of federal efforts to force casinos to become more like banks in knowing where customers are getting their money.



Associated Press

Ausaf Umar Siddiqui, center, outside a federal courthouse in 2009 with his lawyers at the time. A big Sands customer, the former executive at a California retail chain pleaded guilty to taking kickbacks from vendors.

There are no indications that investigators are examining actions by Mr. Adelson, Sands's chief executive and largest shareholder, who also is a big political donor. Mr. Adelson and his family earlier this year made the single largest donation to the super PAC supporting Republican presidential candidate Mitt Romney, and the casino tycoon has said he will spend about \$100 million to support Republican candidates in this year's election.

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The timing of the probe could open up the Justice Department to criticism that it is a politically motivated effort to discredit a major supporter of President Obama's opponent.

Las Vegas Sands spokesman Ron Reese said the company is cooperating with a federal investigation into the company's handling of money from specific gamblers.

"The company believes it has acted properly and has not committed any wrongdoing," he said. Sands also has denied the bribery allegations, which initially were made in a wrongful-termination suit by a former senior executive. The investigation, which was previously disclosed by the company, involves allegations that Sands's employment of a Macau lawyer, who was also a local legislator, could run afoul of federal antibribery laws.

In the highly regulated gambling industry, a negative outcome for Las Vegas Sands in either investigation could complicate its relationship with regulators and make it harder to expand into new markets.

Casinos have long been subject to some of the same regulations as banks, aimed at preventing criminals from laundering illegal gains by moving them into legitimate accounts. Since 1985, casinos, like banks, have had to report large cash transactions. The rules for casinos were tightened in 2003, with the requirement that they file so-called suspicious-activity reports—long a duty of banks—when they suspect illicit cash is being used.

In the past, casinos have incurred civil fines from federal or state regulatory agencies for violating anti-money-laundering rules. In some cases low-level casino employees have faced related criminal charges, though such situations are rare.

The Sands money-laundering probe is focused on whether the casino and some of its executives ignored warning signs about two customers and failed to alert federal authorities about large quantities of money they had deposited, people familiar with the matter said. Both were so-called whales, the kind of big-spending gamblers who are heavily courted by casinos. Both spent the majority of their money at the Venetian casino, which is owned by Sands, according to court records and people familiar with the matter.

A key issue in the investigation is likely to be whether it was possible for the casino to know that the customer money came from illicit activities—which U.S. authorities later alleged—or whether the casino at least should have been suspicious enough to alert authorities. Federal courts have ruled that financial institutions, even if they don't know the source of customer cash, can be prosecuted if their executives show "willful blindness" to its origins, or if the institutions themselves show "flagrant organizational indifference" to where the money comes from. In this arena, federal law treats casinos as financial institutions.

If prosecutors are to make a case against Sands, they likely will need to establish that it overlooked significant red flags about suspicious activity, didn't have an effective anti-money-laundering program or ignored its own policy.

People involved with the probe say the investigation began last year, and a decision on whether to charge Sands or any of its executives may not come for several months, perhaps after the November presidential elections, they said.

While the activities of several company executives are being examined, no one has yet been identified as a target for possible prosecution, people familiar with the matter said. The Los Angeles prosecutors told lawyers involved in the matter they may pursue criminal charges against the company because it is responsible for the activities of its senior executives, say people familiar with the case. The U.S. Attorney for Los Angeles, Andre Birotte, Jr., declined to comment.

The case has its roots in a series of money transfers in the mid-2000s by Zhenli Ye Gon, a Chinese-born Mexican national who owned three Mexican pharmaceutical companies and was a Vegas high roller, say several people familiar with the investigation.



Associated Press

Zhenli Ye Gon, who was later accused of drug trafficking, transferred millions into Las Vegas Sands accounts.

In July 2007, Mr. Ye Gon was indicted in the U.S. on charges of trafficking products used to make methamphetamine, four months after Mexican authorities and the U.S. Drug Enforcement Administration raided his Mexico City home and found more than \$205 million in U.S. dollars. He has said he is a legitimate businessman and didn't supply the illegal narcotics trade.

Mr. Ye Gon clearly had been a lucrative casino customer. He told the Associated Press in a 2007 interview that he would bet \$150,000 a hand at baccarat during his gambling sprees, and that the Sands-owned Venetian casino gave him a Rolls Royce. He lost more than \$125 million at Vegas casinos, including the Venetian, according to a 2007 affidavit by a federal agent who reviewed casino records, although \$40 million of that was lent to him by casinos and never paid back.

It isn't clear whether prosecutors suspect Mr. Ye Gon was trying to launder money through the casinos to make it appear clean, or was simply transferring money there for gambling purposes. Either way, if the money was illicit, it could be considered money laundering, according to lawyers involved in the case.

In 2006, Mr. Ye Gon made tens of millions of dollars in transfers to Sands accounts from Mexican "casas de cambio," which are currency-exchange firms that have been the focus of several recent money-laundering probes in the U.S., several people involved in the case said. He transferred a total of around \$85 million to casinos owned by Sands and other operators, court filings indicate. Prosecutors have told lawyers representing Sands employees that Mr. Ye Gon's use of Mexican exchange houses to handle such huge transfers was a red flag.

In a court filing, a DEA agent said a woman he described as Mr. Ye Gon's former mistress suggested Mr. Ye Gon used the casinos to launder money. According to the mistress, "the traffickers instructed him to use his bank accounts to send the money to Las Vegas where he could launder it and that the money in Mr. Ye Gon's accounts at the Venetian was drug money," the filing said.

Mr. Ye Gon's case recently was cited in a report by the Senate Permanent Subcommittee on Investigations into money laundering at U.K. bank [HSBC](#), where Mr. Ye Gon kept many accounts. In a recent Senate hearing, an HSBC executive said that the bank had made mistakes in its handling of Mr. Ye Gon.

Prosecutors seek to make test case of casino giant controlled by big GOP donor.

Sands's Mr. Reese said the company followed its normal due diligence in handling funds from Mr. Ye Gon, which included checking his name against lists of persons banned from doing business with U.S.-based companies and doing a credit check.

In March 2007, after a newspaper story portrayed Mr. Ye Gon as an international fugitive, Sands alerted Nevada gambling regulators, according to Mr. Reese. Sands executives didn't previously issue suspicious-activity reports on his transactions because they didn't believe him to be suspicious, Mr. Reese said.

"The conventional wisdom in town was he was the legitimate businessman he had professed to be," he said. "We extended credit to a person who we wouldn't have if at any point we thought he could be hauled off to jail," Mr. Reese said.

Mr. Ye Gon's lawyer declined to comment on the probe, except to say that his client isn't cooperating with authorities on it.

At the time of Mr. Ye Gon's arrest, another high roller, Ausaf Umar Siddiqui, then a vice president at retail chain Fry's Electronics with a salary of about \$200,000, was making big bets at Sands casinos.

Sands received more than \$100 million from Mr. Siddiqui through a circuitous route, according to court filings in a later criminal case against him for taking kickbacks from Fry's vendors. Filings in that case indicate that Mr. Siddiqui created a company called PC International LLC to receive kickbacks, then wired more than \$100 million to two Sands companies, Venetian Marketing Inc. and WDR LLC, over a three-year period ending in 2008. That company also wired about \$20 million to Destron, an MGM Resorts subsidiary, according to the filings.

"Like the rest of the industry, we had absolutely no knowledge of embezzlement, and our due diligence gave us no reason to believe he was anyone but the person he purported himself to be," said the Sands's Mr. Reese. A spokesman for MGM Resorts said the company had no comment.

Federal prosecutors said that Mr. Siddiqui spent that money, and millions more, at the casinos, which gave Mr. Siddiqui huge lines of credit, free luxury hotel suites and free private-jet rides, according to court filings. Separately, documents reviewed by The Wall Street Journal show that Mr. Siddiqui used an internal Sands credit system that allowed high rollers to deposit millions of dollars in accounts in Las Vegas and then access the funds in Macau, or vice versa.

Federal agents arrested Mr. Siddiqui in 2009 on charges of taking illegal kickbacks. He pleaded guilty and now is serving a six-year prison term. Mr. Siddiqui's lawyer declined to comment on the probe.

That same year, the government's case against Mr. Ye Gon was dismissed after prosecutors found problems with evidence and witnesses. He still is being held in custody pending extradition to Mexico, where authorities want to put him on trial for drug trafficking and money laundering, according to court records filed in the extradition case.

—John R. Emshwiller contributed to this article.

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