COMMENTARY

Regulatory Failures of the Corporate Casino Model: A Commentary on Anthony Cabot's Casino Redux

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Abstract

The corporatization of the casino industry represents one of gambling regulation's great success stories. Through comprehensive licensing regimes, background investigations, and corporate ownership laws, regulators successfully displaced direct organized crime control that characterized mid-twentieth century casinos. Yet Anthony Cabot's *Casino Redux: Unveiling the Global Casino Network of Chinese Organized Crime* (2025) reveals that this corporate model has generated its own systemic vulnerabilities. Drawing on Cabot's archival examination of regulatory failures across multiple jurisdictions, this commentary argues that incentive alignment failures, including revenue incentives for executives, government dependency on gaming taxes, and the emergence of operators described by Cabot as 'too big to fail', have created conditions for indirect organized crime involvement that may prove as damaging as the direct ownership it replaced. The 'Macau Model' and 'Vancouver Model' demonstrate how legitimate corporations, through junket relationships and anti-money laundering failures, have become unwitting facilitators of transnational criminal enterprise. Addressing this new form of capture requires regulatory and governance reforms distinct from those that succeeded against the American Mafia.

The transformation of casino ownership from organized crime syndicates to publicly traded corporations stands as one of gambling regulation's defining achievements. Bernhard et al. (2008) documented this evolution through three distinctive eras in Las Vegas gaming leadership: a maverick era of early pioneers, a mafia era of organized crime infiltration, and an MBA era of corporate professionalization. In Nevada, the transition away from organized crime involvement required decades of sustained regulatory effort: the creation of an independent Gaming Commission in 1959 (Adler, 2022) and the 1969 Corporate Gaming Act

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that brought institutional capital and professional management (Eadington, 1984). Similar corporatization processes unfolded globally as jurisdictions sought to capture gaming's economic benefits while excluding criminal operators.

Anthony Cabot's *Casino Redux: Unveiling the Global Casino Network of Chinese Organized Crime* (2025) complicates this success narrative. Drawing on nearly 3,000 citations to primary sources, including government inquiry transcripts, corporate filings, investigative reports, and academic literature, Cabot demonstrates that the corporate model designed to exclude organized crime has instead created new vectors for criminality. The threat no longer comes from mobsters in the boardroom but from incentive structures that align legitimate corporate interests with criminal enterprise. This commentary argues that understanding and addressing these incentive alignment failures represents the central regulatory challenge for modern gambling.

The Success of Corporatization

The regulatory architecture that displaced direct organized crime control deserves recognition. Nevada's Gaming Control Act established a licensing regime predicated on comprehensive character investigations and ongoing suitability requirements (Cabot, 2025). Applicants must demonstrate fitness to hold a license. Any association with unsuitable persons could disqualify licensure. Corporate ownership laws required background checks on significant shareholders and key employees, creating accountability structures that extended throughout organizational hierarchies. As Bernhard et al. (2008) documented, the 'MBA era' brought operating principles focused on shareholder value, professional management practices, and government relations that replaced the informal arrangements of prior eras.

The corporatization model was subsequently exported globally. Australia, Canada, and the Asia-Pacific jurisdictions that authorized casino gaming adopted licensing frameworks broadly derived from the Nevada template. Publicly traded companies with institutional shareholders, professional management, and compliance departments came to dominate the industry. The conventional wisdom held that these corporate structures, with their transparency requirements and reputational stakes, provided inherent protections against organized crime infiltration. Ferentzy and Turner (2009), reviewing the gambling and organized crime literature, found that while historical connections were well-documented, contemporary corporate gaming appeared largely insulated from criminal influence.

Indirect Capture of Casino Operators

Cabot's evidence reveals that this conventional wisdom was premature. The integration of criminal societies into the legitimate casino economy was no longer achieved through ownership. Instead, operational relationships formed. The junket system that emerged to serve predominantly Chinese high-roller gamblers created a shadow infrastructure in which organized crime networks provided services that licensed operators could not. As Cabot explains, "junket operators shoulder most of the credit risk and debt collection" (p. 583), functioning as intermediaries who extend credit across borders, enforce debts through

extra-legal means, and facilitate capital movement that circumvents China's strict currency controls.

Lo and Kwok's (2017) ethnographic study of Macau junket operators illuminates this dynamic. Through semi-structured interviews with 17 subjects who had direct knowledge of VIP room operations, they documented how Triad organizations provided extra-legal governance and entrepreneurship within the casino ecosystem. Junket operators with organized crime connections were not aberrations, they were structural features of the high-roller segment. They resolved disputes, enforced debts, and facilitated transactions that legitimate corporate compliance systems could not accommodate. Casino operators, rather than excluding these actors, became dependent on them for access to the most lucrative customer segment.

This represents a fundamentally different form of organized crime involvement than what mid-20th century regulators confronted. The American Mafia sought ownership and control while Triad networks described by Cabot (2025) seek integration and facilitation. Corporate casino operators did not share ownership with criminals or take direction from syndicate bosses. Instead, they constructed business models that required criminal intermediaries to function, then adopted compliance postures that avoided scrutiny of those relationships. Cabot's assessment is clear, "The government overseers ignored or didn't appreciate 50 years of successful regulatory practices. Triad infiltration was most perplexing in countries like Australia, Canada, and others with mature regulatory systems." (p. 590).

Incentive Alignment Failures

Three structural features of the corporate model created conditions for this indirect capture. First, executive compensation tied to revenue growth generated pressure to pursue high volume customers regardless of their provenance. Cabot identifies "the root of this devolution" as "a system that rewards management not for ethical or legal conduct, but for their ability to boost quarterly profits" (p. 594). Casino executives across jurisdictions were incented to ignore indicators of criminal activity because confronting those indicators would have affected the revenue that determined their compensation and career advancement.

Second, government dependency on gaming tax revenue compromised regulatory independence. The 'Vancouver Model' that Cabot analyzes in detail demonstrates this dynamic. Government-owned casinos in British Columbia facilitated the laundering of illicit funds through systematic breakdowns of anti-money laundering protocols. The German (2018) independent review documented how the British Columbia Lottery Corporation and specialized police units were affected by the perverse incentive of maximizing government revenue. The Cullen Commission (Cullen, 2022) subsequently established that government leaders were not passive observers but active participants in a system that prioritized revenue over public safety.

Third, the emergence of operators 'too big to fail' insulated major corporations from meaningful regulatory consequences. Cabot observes that, "those responsible for the misdeeds emerge unscathed, their reputations perhaps tarnished, but their pockets still full. The company or property in question is sold off and the culprits walk away with minimal consequences" (p. 599). The Perth Casino Royal Commission (Owen et al., 2022) documented how Crown Resorts facilitated money laundering while regulators demonstrated reluctance to impose sanctions that might threaten the economic benefits the company provided. Sam

Cooper's (2021) investigative journalism in *Wilful Blindness* exposed similar patterns in other jurisdictions.

Regulatory Reform

The regulatory tools that succeeded against direct organized crime ownership are insufficient for this new threat model. Background investigations cannot identify incentive alignment failures. Licensing requirements cannot prevent corporations from constructing business models dependent on criminal intermediaries. Suitability standards cannot address governance failures at the governmental level. In response, Cabot argues that "anything less than a zero-tolerance policy for organized crime creates a dangerous gray area, where the lines between legality and criminality become blurred" (p. 604). Central to this approach is personal liability for executives involved in anti-money laundering violations. The current practice of imposing corporate fines fails to deter individual malfeasance because the culpable parties face no personal consequences. Legislative reform must extend regulatory jurisdiction over former executives to prevent the common tactic of 'resignation to avoid adjudication' (Finkelstein, 2021). Regulators require the statutory authority to pursue findings of unsuitability against former officers and, crucially, to enforce financial clawback provisions against bonuses earned during periods of systematic non-compliance. Additionally, aiding and abetting anti-money laundering (AML) violations must become a substantial crime carrying the possibility of imprisonment.

Beyond individual accountability, Cabot (2025) recommends that effective reform requires addressing the structural conditions that enable indirect capture. Regulators must be insulated from revenue dependency through funding mechanisms independent of gaming taxes. Finally, regulatory frameworks must account for the 'too big to fail' dynamic, potentially through structural separation requirements or enhanced scrutiny for operators above certain market share thresholds.

We recommend two additional tools. First, subject matter expertise in gambling-specific AML must be developed within regulatory agencies and law enforcement. Current practices often transplant financial sector compliance frameworks without adaptation to gaming's operational realities. Effective oversight requires specialized knowledge of how junket operations function, how organized crime networks exploit regulatory gaps across jurisdictions, and how high-roller marketing practices create AML vulnerabilities. Regulators must be able to recognize when junket-facilitated transactions represent systematic AML failures rather than isolated compliance lapses.

Second, robust whistleblower protection and incentive programs must be established in gambling organizations. As Cabot observes, the scandals that prompted royal commissions and public inquiries were not detected by regulatory oversight mechanisms but by investigative journalists working with sources. Critically, the sources who enabled this journalism were individuals within AML compliance functions, who possessed direct knowledge of suspicious activities but lacked effective internal channels to address regulatory inaction (Cabot, 2025; Cooper, 2021). These professionals occupied the structural position to observe misconduct but faced career risks for reporting the malfeasance. Formal whistleblower programs offering financial incentives, employment protection, and confidential reporting mechanisms would transform these individuals from reluctant leakers into a sys-

tematic detection resource. The U.S. Securities and Exchange Commission's whistleblower program, which has generated billions in enforcement recoveries through awards to informants, provides a template adaptable to gaming regulation (*SEC Whistleblower Program*, n.d).

Conclusion

The corporatization of the casino industry successfully addressed the regulatory challenge of its era, displacing direct organized crime ownership. But success against one threat model created vulnerabilities to another. The corporate structures, revenue incentives, and regulatory relationships that replaced mob ownership have generated their own issues. Cabot's archival evidence suggests these issues may be similarly damaging to public safety and financial system integrity. The "Macau Model" and "Vancouver Model" demonstrate that legitimate corporations can become vehicles for transnational organized crime without any criminal ever appearing on an ownership chart.

Casino Redux represents a significant contribution to gambling criminology and regulatory law precisely because it documents this evolution. In Cabot's assessment, "Casinos, like other corporations, are amoral beasts" (p. 594). Although many are led by good actors, the corporate structure lends itself to pursue profit within whatever constraints regulators are willing to impose. Without a zero-tolerance approach, criminal liability for executives, and structural protections against regulatory capture, the industry will continue to serve functions for organized crime that differ in form but not in consequence from those it served in prior decades. Gambling regulation has entered a new phase requiring different tools.

Declarations

Competing interests KP declares the following financial interests/personal relationships which may be considered as potential competing interests

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