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National Manager Regulatory Operations
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Mr Jack Haldane
Director Regulatory Operations
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Dear Mr Newman and Mr Haldane

Crown – AUSTRAC Reporting

We refer to the telephone conversations between Mr Joshua Preston (Chief Legal Officer – Australian Resorts) and Mr Peter Soros and subsequently Mr Nathan Newman on 11 August 2020 and the telephone conversations between Mr Nick Stokes (Group General Manager – AML) and Mr Jack Haldane on 12 and 13 August 2020 relating to historical deposits into bank accounts operated by Riverbank Investments Pty Ltd (**Riverbank**), a related party to Burswood Nominees Ltd (**Crown Perth**).

The purpose of this letter is to provide information to the Australian Transactions and Analysis Centre (**AUSTRAC**) about Crown Perth's review of those accounts and progression of reporting to AUSTRAC in relation to that review and any historical transactions.

As AUSTRAC is aware, there is presently an inquiry being undertaken by the NSW Independent Liquor and Gaming Authority established under section 143 of the *Casino Control Act 1992* (NSW) (**Inquiry**).

During the course of evidence before the Inquiry, Mr Joshua Preston was shown a number of historical bank statements for bank accounts which were operated by Riverbank. The Inquiry's examination caused Crown Perth to conduct an immediate review of these accounts. Crown Perth's review is in its initial stages, however, our preliminary inquiries show that in respect of the historical bank accounts operated by Riverbank:

- a) Crown Perth Cage staff (**Cage Staff**) had responsibility for reviewing transactions on the Riverbank bank account (including deposits paid into that account). Cage Staff were also responsible for recording all Riverbank account transactions in Crown Perth's casino management system (**SYCO**) and crediting deposits made into the Riverbank account against the nominated patron's SYCO account;

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- b) in the event that multiple individual deposits into the Riverbank account had been made in favour of the same nominated patron, Cage Staff appear to have aggregated the individual deposits and recorded the value of the aggregated deposits as a credit to the nominated patron's account when entering the transaction into SYCO;
- c) the aggregated value of the deposits was entered as a 'Transfer Acknowledgment' (TA) amount in SYCO against the patron's account;
- d) Crown Perth's Anti-Money Laundering team (AML team) in the relevant period extracted daily reports from SYCO and reviewed the deposits into the Riverbank account as recorded on those reports, such that the AML team's review was of the TA amount as an aggregated figure against any gaming or other activity undertaken by the patron at Crown Perth, and the review does not appear to have included a review of any individual underlying deposits or deposit amounts as there was no indication on the face of the SYCO report that the amount had been aggregated; and
- e) based on an initial review of Riverbank account transactions, it appears that the majority of deposits that were subject to the aggregation practice described above occurred between 2013 and late 2016. The specific Riverbank account was closed in or around 3 December 2019.

For context, we confirm that Cage Staff have at all material times received training in relation to identifying suspicious transactions, and Crown's Perth AML/CTF Program obliged Cage Staff to monitor transactions related to all accounts for *"material abnormal transactions values or other behaviour which suggest higher than usual ML/TF Risks"*.

Upon becoming aware of these matters, we have reiterated to Crown's Cage staff that individual deposits are to be entered as individual credits against the patron's account (and not as an aggregated TA amount).

As AUSTRAC is aware, Crown is currently in the process of rolling out Sentinel, Crown's automated transaction monitoring solution, that has been designed to identify and alert certain money laundering red flag transactions or patterns of transactions (e.g. third party transactions, large cash transactions, velocity, average bet increases etc) for review by the AML Team. Importantly, Sentinel has been designed to be dynamic and configurable such that the rules can be modified as and when required, particularly when new money laundering typologies are published, change or are updated. In addition, red flag data and trends from Crown's new Unusual Activity Report / Suspect Matter Report (SMR) process that records actual SMR cases will be used to inform periodic tuning exercises and drive Sentinel rule enhancements. This enables Crown to respond to new money laundering risks as they arise and enhance its transaction monitoring capability.

Next steps

Mr Stokes has continued to engage with Mr Haldane since 13 August 2020 and will continue to engage with him in respect of the ongoing actions to be taken by Crown Perth in relation to this matter, including:

- a) progressing a full review of Crown Perth's processes with respect of the recording and auditing of transactions on Crown Perth's accounts (including seeking any appropriate external review). In this respect, we do however note that, as recently as 2019, the Crown group engaged an

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external expert to specifically review its transaction monitoring program, which found that Crown Perth and Crown Melbourne were meeting its obligations in accordance with the AML/CTF Act and AML/CTF Rules in this regard;

- b) undertaking a “root cause” analysis to determine any process or AML/CTF controls failures or weaknesses and any necessary remediation or change to the relevant processes or AML/CTF controls; and
- c) conducting a historical review of cash deposit transactions into the Riverbank accounts and, where appropriate, lodging any additional suspicious matter reports in relation to historical transactions and conducting any other processes, including enhanced customer due diligence, which may arise from our review.

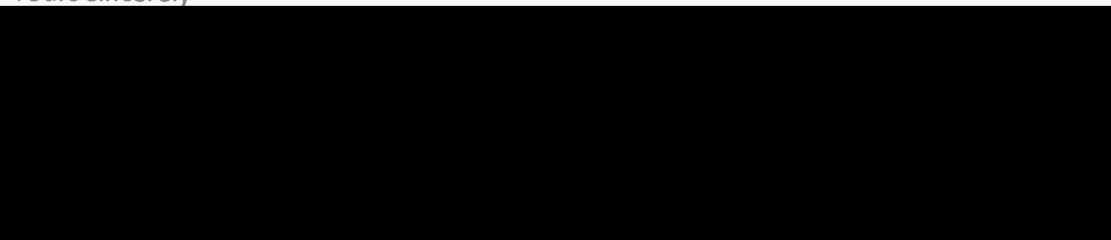
We separately confirm that, as a result of becoming aware of the aggregation of multiple cash deposits, the Crown group more broadly is presently carrying out a detailed analysis of all historical cash deposit transactions into bank accounts operated by Crown Perth and Crown Melbourne Limited and related entities, including the Riverbank accounts and the accounts operated by Southbank Investments Pty Ltd. We note that the accounts operated by Southbank Investments Pty Ltd were also closed in late 2019.

Crown confirms (as requested by AUSTRAC) that the current COVID-19 pandemic and the restrictions this has placed on Crown’s current operations will not impact on this review or Crown's ability to meet existing and ongoing AML/CTF compliance obligations.

Crown is absolutely committed to full compliance with its AML/CTF obligations. It wishes to assure AUSTRAC that this matter has been, and will continue to be, taken very seriously and we will keep AUSTRAC apprised of progress with our review.

Should you have any queries in the meantime, please contact us directly.

Yours sincerely



Joshua Preston
Chief Legal Officer – Australian Resorts

Nick Stokes
Group General Manager – AML