

**Privileged and Confidential****[Insert Crown letterhead]**

Dear Philip

**Crown Resorts Limited – Strictly Private & Confidential**

Thank you for your time earlier. As discussed, the purpose of this letter is to provide the Authority with some further information about how Crown is proposing to address one of the steps that the Bergin Report suggested Crown could take as part of a pathway to render Crown Sydney Gaming Pty Ltd (**Crown Sydney**) and Crown Resort Limited (**Crown Resorts**) as 'suitable'.

**1 Background**

The Bergin Report suggested a number of steps Crown could take to address the issues identified in the report and as part of a pathway to render Crown Sydney and Crown Resort as 'suitable'. Suggested steps included:

- conducting a full and wide-ranging forensic audit of Crown Resorts' and Crown Sydney's bank accounts to satisfy the Authority that the criminal elements that the Commissioner found had infiltrated the accounts of Southbank Investments Pty Ltd (**Southbank**) and Riverbank Investments Pty Ltd (**Riverbank**) have not infiltrated any other accounts (p 569, para 16) (**Forensic Audit**); and
- building barriers against criminal infiltration of Crown's bank accounts, with certification to the satisfaction of the Authority (p 569, para 15) (**Controls Certification**).

This letter sets out the review that the Board of Crown Resorts proposes to cause to be undertaken to address these recommendations (**Review**). Crown Resorts welcomes any feedback from the Authority on this proposed scope.

**2 The Reviewer**

Crown Resorts will appoint Deloitte to conduct the Review (**Reviewer**). Crown Resorts considers that Deloitte have the right combination of forensic and AML/CTF risk consulting expertise, and the scale and resources to conduct the Review expeditiously.

The Board considers there is an obvious logic to having one Reviewer to conduct the Forensic Audit and Controls Certification so that the Controls Certification is provided by someone who has a clear understanding of any vulnerabilities identified in Crown's bank accounts through the Forensic Audit.

The Reviewer will be engaged on the express understanding that their reports will be shared by Crown Resorts with the Authority, AUSTRAC and other interested regulators and agencies (such as the casino regulators in Victoria and Western Australia).

The Reviewer will report directly to the Crown Resorts Board Audit and Corporate Governance Committee. The Chair of the Committee will be delegated responsibility for oversight of the engagement with the Reviewer.

**3 Crown entities within scope of the Review**

Crown Resorts will engage the Reviewer on its own account and on behalf of the following group entities (**Relevant Crown Entities**):

- Crown Melbourne
- Burswood Nominees Limited (**Crown Perth**)
- Crown Sydney

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- Riverbank
- Southbank

While the Commissioner appears only to have suggested a forensic audit of the bank accounts of Crown Resorts and Crown Sydney, the forensic audit Crown Resorts proposes in this scope is broader – covering the Riverbank and Southbank accounts, as well as relevant accounts from other Crown group entities based in Australia, including Crown Perth. *[Allens note to Crown – we anticipate that a narrow review of Crown Resorts and Sydney would likely not satisfy other regulators, particularly VGCLR.]*

*[Question for Crown: are there any other Australian based Crown entities that should be within scope?]*

## 4 Scope

### 4.1 Forensic Audit

The timeframe the subject of the Forensic Audit will be the seven years prior to the commencement of the Forensic Audit (**Relevant Period**). This period aligns with the obligation in section 286 of the Corporations Act to retain financial records for seven years after the transactions covered by the records are completed.

The Forensic Audit will involve:

- a comprehensive review of all relevant account statements for the bank accounts held by the Relevant Crown Entities that are or were capable of being used by patrons to deposit or withdraw funds during the Relevant Period, whether such accounts are held in Australia or overseas (together, the **Crown Accounts**) (the Crown Accounts are listed in Schedule 1 *[To be inserted]*); and
- identification of transactions in the Crown Accounts that are indicative of money laundering or terrorism financing typologies, based on relevant domestic and international regulatory guidance available at the time of the Review (rather than the time of the transactions). Typologies should include, but not be limited to, those identified in Grant Thornton (**GT**) and Initialism Reports in relation to the Riverbank and Southbank accounts dated November 2020 (**GT and Initialism Reports**).

The final report for the Forensic Audit (**Forensic Audit Report**) should include:

- a written methodology for the Forensic Audit;
- a written report outlining the Reviewer's conclusions and their basis; and
- a spreadsheet identifying any transactions that have been identified as indicative of money laundering or terrorism financing (**Identified Transactions**).

## 5 Controls Certification

The Controls Certification will involve a review of the Relevant Crown Entities' 'current state' preventative and detective controls in relation to:

- electronic funds transfers to and from the Crown Accounts; and
- deposits into, and withdrawals of cash from, the Crown Accounts,

(together, the **Relevant Controls**). The Relevant Controls will include Crown's current transaction monitoring program.

The Controls Certification will involve a review of the design effectiveness and the operating effectiveness of the Relevant Controls.

The Controls Certification will provide an opinion, having regard to the Forensic Audit, as to whether:

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- Crown's current transaction monitoring program is designed and operating effectively to identify transactions on the Crown Accounts that are indicative of potential money laundering or terrorism financing typologies and whether the Reviewer recommends that any enhancements should be made to improve the operation of the transaction monitoring program; and
- Crown's preventative controls relating to the Crown Accounts are designed and operating effectively to eliminate or mitigate to an acceptable level the risk of transactions occurring on the Crown Accounts that are indicative of potential money laundering or terrorism financing typologies, and any enhancements that the Reviewer recommends be made to improve their operation.

The final report for the Controls Certification (**Controls Certification Report**) should include:

- a methodology document; and
- written report outlining the conclusions.

Crown Resorts will review a draft of each of the Forensic Audit Report and Controls Certification Report in order to provide any factual clarifications prior to finalisation.

## 6 Crown response to Forensic Audit and Controls Certification

Crown Resorts will respond to the Reviewer's recommendations and explain in writing the steps it intends to take to address them (**Crown's Response**).

The Reviewer will review Crown's Response and confirm in writing whether the steps Crown intends to take to address the Reviewer's recommendations will, if appropriately implemented, address the Reviewer's recommendations (**Reviewer's Response**).

Crown Resorts will provide to the Authority a copy of the:

- Forensic Audit Report;
- Controls Certification Report;
- Crown's Response; and
- the Reviewer's Response.

Crown Resorts will also provide copies of the documents listed above to:

- AUSTRAC;
- VCGLR; and
- WA Racing, Gaming and Liquor.