



22 February 2021

Mr Phillip Crawford
 Chairperson
 Independent Liquor and Gaming Authority
 GPO Box 7060
 SYDNEY NSW 2000

Dear Philip,

Crown Resorts Limited – Strictly Private & Confidential

Background

The Commissioner's report of the inquiry under section 143 of the *Casino Control Act 1992* (NSW) (**Inquiry Report**) suggested a number of steps Crown could take to address the issues identified in the Inquiry Report and as part of a pathway to render Crown Sydney Gaming Pty Ltd (**Crown Sydney**) and Crown Resorts Limited (**Crown Resorts**) as 'suitable'. Suggested steps include:

- conducting a full and wide-ranging forensic audit of Crown Resorts' and Crown Sydney's bank accounts to ensure 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); and
- building strong barriers against criminal infiltration of Crown's bank accounts, with certification to the satisfaction of the Authority (p 569, para 15).

As foreshadowed in our recent discussion, this letter sets out the review that the Board of Crown Resorts proposes to cause to be undertaken to address these recommendations (**Review**).

By way of background, the Southbank and Riverbank bank accounts were a type of 'patron account': i.e., an account that was used by patrons of Crown to deposit or withdraw funds (**Patron Accounts**). The Southbank and Riverbank bank accounts no longer exist, but Burswood Nominees Limited (**Crown Perth**), Crown Melbourne Limited (**Crown Melbourne**) and Crown Sydney hold Patron Accounts (together, the **Current Patron Accounts**), noting that Crown Sydney's Patron Accounts have not yet been used to receive or disburse funds to patrons. To mitigate the risk of these accounts being used to facilitate money laundering or terrorism financing, the Current Patron Accounts are subject to a number of transaction monitoring and account access controls that are designed to prevent and detect cash deposits, structuring and, save for in exceptional circumstances, transfers to and from the account by persons other than patrons (**Patron Account Controls**).

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Overview of the Review

Crown Resorts proposes to divide the Review into the following three phases, which will run in parallel:

1. **Phase 1** will assess the design and operating effectiveness of the Patron Account Controls. This phase will be completed sooner than phases 2 and 3 to ensure the Crown Resorts Board and the Authority are provided with comfort as soon as possible that Crown has appropriately mitigated the risk of transactions occurring through Current Crown Patron Accounts that are similar to those identified in the Grant Thornton (GT) and Initialism Reports in relation to the Riverbank and Southbank accounts dated November 2020 (GT and Initialism Reports).
2. **Phase 2** will confirm whether there are any transactional patterns or behaviours indicative of any money laundering typologies through historic or current Patron Accounts, including but not limited to the typologies identified in the GT and Initialism Reports. This phase will provide the Crown Resorts Board and Authority with full visibility as to:
 - a. whether there were other transactional patterns or behaviours indicative of money laundering through the Riverbank or Southbank accounts not identified in the GT and Initialism Reports; and
 - b. the extent to which any other Patron Accounts (including the Current Patron Accounts) may also have been infiltrated by criminal elements.
3. **Phase 3** will provide comfort to the Crown Resorts Board and the Authority as to whether Crown's broader control framework appropriately mitigates the risk of any transactions similar to those identified in Phase 2 continuing to occur through the Current Crown Patron Accounts.

Further detail regarding the scope of these phases is set out in section 0, below.

Crown Resorts welcomes any feedback from the Authority on this proposed scope.

The Reviewer

Crown Resorts proposes to 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. Crown Resorts has been in discussion with Deloitte regarding the potential engagement, including its scope, and will seek to finalise this appointment within five working days of this letter.

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.

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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, agencies (such as the casino regulators in Victoria and Western Australia) and any relevant commissions of inquiry.

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
- Crown Perth
- Crown Sydney
- Riverbank
- Southbank

While the Commissioner appears only to have expressly suggested a forensic review of the bank accounts of Crown Resorts and Crown Sydney, the forensic review Crown Resorts proposes in this scope is broader.

All work as part of the Review will be conducted in accordance *APES 215 Forensic Accounting Services*, issued by the Professional and Ethical Standards Board.

Scope

Phase 1: Patron Account Controls Assessment

In phase 1:

The Reviewer will assess:

- the Current Patron Accounts from 1 December 2020 to the date of the Reviewer's engagement; and
- the Patron Account Controls and provide an assessment of the design and operating effectiveness of the Patron Account Controls.

While the period the subject of phase 1 will be confined, it commences on or about the date that the majority of the Patron Account Controls were implemented, and we are confident that it is the appropriate period to assess for this purpose.

Phase 2: Forensic review

Phase 2 will involve a review of any historic Patron Accounts identified as such by Crown (including Riverbank and Southbank bank accounts) and the Current Patron Accounts to identify any transactional patterns or behaviours indicative of any money laundering typologies through historic or current Patron Accounts, including but not limited to the typologies identified in the GT and Initialism Reports.

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As a further check, the Reviewer will undertake a sample review of other Australian or overseas bank accounts held by the Relevant Crown Entities or other legal entities associated with Crown's Australian casino operations. If it identifies any accounts that were used, or capable of being used, as Patron Accounts it will add these to the scope of the phase 2 review.

The timeframe the subject of phase 2 will be three years prior to the date of the engagement of the Reviewer.

In conducting the phase 2 review, the Reviewer will have access to bank account statements and any other records that it requests and is permitted to review, such as know your customer records, transaction monitoring alerts and enhanced customer due diligence records.

Phase 3: Further Controls Assessment

Phase 3 will involve a broader assessment of the design and operating effectiveness of Relevant Crown Entities' current detective and preventative controls in relation to any transactions identified as indicative of money laundering typologies during phase 2.

Such controls will include the Patron Account Controls, applicable customer identification procedures, transaction monitoring and enhanced customer due diligence processes and systems.

Phase Reports

For each phase:

- the Reviewer will issue a report with its findings and recommendations;
- Crown Resorts will respond to the Reviewer's recommendations and explain in writing the steps it intends to take to address the recommendations; and
- 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.

Each of the Reviewer's reports for phases 1 to 3 will include:

- a written methodology for the assessment;
- a written report outlining the Reviewer's observations and recommendations; and
- any supporting transactional analysis.

The Reviewer will provide Crown Resorts with the opportunity to review a draft of each report solely in order to provide any factual clarifications prior to finalisation.

As the Reviewer conducts the Review, it will share, on a rolling basis, with Crown Resorts:

- any transactions, patterns or behaviours it considers to be indicative of potential money laundering typologies; and
- weaknesses in Relevant Crown Entities' controls.

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This information will be shared solely to assist Relevant Crown Entities to comply with any reporting obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and to make any necessary enhancements to any controls as soon as possible. To the extent the Relevant Crown Entities make enhancements to their controls in response the Reviewer will still note the historical weakness that was identified.

The Relevant Crown Entities will describe any enhancements that they have implemented during the Reviewer's program of work in their response to the Reviewer's report.

Reporting to the Authority

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

- engagement letter for the Review; and
- the report for each phase, Crown Resorts' response and the response by the Reviewer.

Crown will provide a status update on the Review, and anticipated timeframes for completion, as part of its response to the Authority's letters dated 15 February 2021. The Reviewer will be available to meet with the Authority to discuss their reports, if requested.

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

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

Relationship between the Review and broader program of work relating to AML/CTF Program

The Review is intended to address the recommendations of the Inquiry Report relating to the activity observed in the Riverbank and Southbank accounts. The Review will not consider other patron-related activity unrelated to the Patron Accounts, for example behaviour on the casino floor and how Crown manages the money laundering and terrorism financing risks associated with such activity.

The Review is a component of a broader program of enhancement that Crown is undertaking or intends to undertake in relation to its AML/CTF Program, which we intend to update the Authority on separately as part of our broader engagement with you on the steps we are taking to satisfy the Authority of Crown Resorts' and Crown Sydney's suitability.

Yours sincerely



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Executive Chairman

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