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Ref: 749232/178

29 May 2013

Mr Joshua Preston
Executive General Manager, Legal & Corporate Services
Burswood Nominees Ltd
PO Box 500
VICTORIA PARK WA 6979

Dear Mr Preston

Re: Compliance assessment – Burswood Nominees Ltd (“Crown Perth”)

We refer to our compliance assessment of Crown Perth conducted at Crown Perth premises on 15 and 16 April 2013. Thank you for the assistance provided during the assessment.

The attached report is a summary of our findings. Please forward your written response to the report supported by documentary evidence of any changes by the due date, 19 June 2013.

This report is not a comprehensive statement of your compliance with the AML/CTF Act, AML/CTF Regulations and AML/CTF Rules. AUSTRAC is not bound by this report and may take action against you if you are found to be in contravention of the AML/CTF Act, AML/CTF Regulations and/or AML/CTF Rules. This report does not comprise legal or other advice, and must not be used as a substitute for independent legal or other professional advice.

The report and the information in it is confidential. It may be disclosed to third parties only for the purposes of obtaining legal advice and other professional advice required for compliance with the AML/CTF Act, AML/CTF Regulations and AML/CTF Rules, or to meet your regulatory obligations to another government authority.

If you have any questions with regards to the attached report please contact me on **Personal** or **Personal Information**.

Yours sincerely

**Personal
Information**

Richard Lee
SENIOR MANAGER, COMPLIANCE



Australian Government

Australian Transaction Reports
and Analysis Centre

Compliance Assessment Report

Burswood Nominees Ltd

Reporting Entity Number: 178

Assessment team: Richard Lee, Senior Manager
Peter Robson, Supervision Officer
Kirsty Baldassar, Senior Liaison Officer

Report date: 29 May 2013

Reference Number EDRMS 737792

INTRODUCTION

The following report sets out, within the scope of this assessment Burswood Nominees Ltd's level of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) and the *Anti-Money Laundering and Counter-Terrorism Financing Rules* (AML/CTF Rules). Burswood Nominees Limited is hereinafter referred to as Crown Perth in this report.

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Explanation of terms

- 'Requirements' set out the provisions of the AML/CTF Act or AML/CTF Rules that have not been met as well as the material facts observed during the assessment, the action required and a due date for the action.
- 'Recommendations' set out proposals for action or procedural changes that should be formally considered for implementation. The proposals address the areas where there may be ways that you can further enhance its compliance systems and controls to assist in better mitigating money laundering and terrorism financing (ML/TF) risk in the future.
- 'Action' sets out the rectification required to correct an area of non-compliance.
- 'Action due' sets out the date by which the action must be rectified.

SCOPE

The scope of the assessment focussed on the following AML/CTF Act requirements:

- The governance of AML/CTF obligations
- Identification of ML/TF risks;
- Employee risk awareness training program;
- Employee due diligence program;
- Collection and verification of KYC information;
- Ongoing customer due diligence;
- Reporting of suspicious matters, threshold transactions and international funds transfer instructions;
- Requirement to conduct an independent review of Part A of your AML/CTF program on a regular basis;

EXECUTIVE SUMMARY

The scope of the assessment involved:

- the review of documents provided by Crown Perth as described in Annexure A;
- analysis of Threshold Transaction Reports (TTRs) reported by Crown Perth between 4 August 2012 and 4 March 2013;
- analysis of Suspicious Matter Reports (SMRs) reported by Crown Perth to AUSTRAC between 4 August 2012 and 4 March 2013;
- analysis of International Funds Transfer Instructions (IFTIs) reported by Crown Perth between the dates of 20 February 2012 and 19 February 2013;
- the review of the 2011 and 2012 compliance reports submitted by Crown Perth;
- meetings and discussion with the following Crown Perth staff:
 - Mr Joshua Preston, Executive General Manager Legal and Corporate Services
 - Ms Denise Vanderklau, AML & Compliance Officer
 - Mr Christo Theodoropoulos, Compliance Manager Table Games
 - Mr Steve Mitchell, Manager Cage & Count
 - Mr Stacey Keynes, Cage Supervisor
 - Mr Jason Barry, General Manager Table Games
 - Mr Wayne Beadon, Pit Boss
 - Mr Ke Yang, Assistant Accountant, Finance
 - Mr Indra Davis, Pearl Room VIP Operations Manager

This report details:

- the work performed and the evidence collected during the assessment;
- the areas of non-compliance relating to your AML/CTF requirements;
- the material facts supporting the assessment;
- prescribed actions relating to four requirements
- nine recommendations to minimise the occurrence of future non-compliance.

The following is a summary of areas of non-compliance detected during the compliance assessment which require your immediate attention and action.

Whilst requirements are listed in numerical order, this is not a reflection of their severity.

Requirement 1 – Enhanced customer due diligence program

Crown Perth must include in its AML/CTF Program the procedures and policies it relies upon to comply with Parts 15.8, 15.9 and 15.10 of the AML/CTF Rules.

Requirement 2 – Reporting of Threshold Transactions

Crown Perth must ensure that all threshold transactions reported to AUSTRAC contain such information as is specified in Chapter 19 of the AML/CTF Rules.

Requirement 3 – Reporting of Suspicious Matters

Crown Perth must ensure that all suspicious matters reported to AUSTRAC contain such information as is specified in Chapter 18 of the AML/CTF Rules.

Requirement 4 – Reporting of International Funds Transfer Instructions

Crown Perth must ensure that all international funds transfer instructions reported to AUSTRAC contain such information as is specified in Chapter 17 of the AML/CTF Rules.

Recommendations

AUSTRAC has also made nine recommendations that should be considered by Crown Perth for implementation.

ASSESSMENT REPORT

AREAS OF NON-COMPLIANCE

Requirement 1 – Enhanced customer due diligence

Part 15.8 of the AML/CTF Rules requires a reporting entity to include an enhanced customer due diligence program in Part A of its AML/CTF Program.

Part 15.9 of the AML/CTF Rules requires a reporting entity to apply the enhanced customer due diligence program when:

- (1) it determines under its risk-based systems and controls that the ML/TF risk is high; or
- (2) a suspicion has arisen for the purposes of section 41 of the AML/CTF Act; or
- (3) the reporting entity is entering into or proposing to enter into a transaction and a party to the transaction is physically present in, or is a corporation incorporated in, a prescribed foreign country.

Part 15.10 of the AML/CTF Rules requires the enhanced customer due diligence program to include appropriate risk-based systems and controls so that, in cases where enhanced customer due diligence is applied, a reporting entity must undertake, in regard to the identified ML/TF risk or suspicion, one or more of the six activities outlined in subparagraphs 15.10 (1) to (6) of the Rules.

Material facts

Crown Perth's AML/CTF Program contains a copy of the relevant section of the AML/CTF Rules relating to enhanced customer due diligence but does not contain any explanation of how Crown Perth complies with these obligations. AUSTRAC notes that some of the enhanced due diligence performed is listed in Crown Perth's AML & Compliance Officer Standard Operating Procedure.

Action:

Crown Perth must include in its AML/CTF Program an enhanced customer due diligence program that contains appropriate risk based systems and controls that comply with Parts 15.8, 15.9 and 15.10 of the AML/CTF Rules.

Action Due:

19 June 2013

Requirement 2 – Reporting of Threshold Transactions

Pursuant to section 43 of the AML/CTF Act:

- (1) *This section applies to a reporting entity if:*
 - (a) *the reporting entity commences to provide, or provides, a designated service to a customer; and*
 - (b) *the provision of the service involves a threshold transaction.*
- (2) *The reporting entity must, within 10 business days after the day on which the transaction takes place, give the AUSTRAC CEO a report of the transaction.*
- (3) *A report under subsection (2) must:*
 - (a) *be in the approved form; and*
 - (b) *contain such information relating to the transaction as is specified in the AML/CTF Rules.*

The reportable details for threshold transactions are contained in Chapter 19 of the AML/CTF Rules.

Material facts

AUSTRAC analysed a sample from 4,072 TTRs submitted by Crown Perth to AUSTRAC between the dates of 4 August 2012 and 4 March 2013 and identified the following deficiencies in relation to these reports:

- (1) 32 reports included a transaction that involved an exchange of cash for cheque. These reports must include the drawer, drawee and amount of the cheque in the corresponding fields. (eg. *Wong, Wai 14 October 2012*)
- (2) 2,779 reports did not contain details of the customer's occupation, however some of these customers were identified in SMRs as junket operators. These reports should include "junket operator" as the customer's occupation in the corresponding field. (eg. *SA, Adenan Sujadi 22 December 2012, Ong, Bee Hoon Mary 7 November 2012*)
- (3) 20 reports indicated a designated service that did not correspond with the details of the transaction submitted, eg. a designated service of 'betting' has been provided but the transaction is an exchange of cash for a cheque. (eg. *Yang, Jianxin 16 February 2013, SA, Adenan Sujadi 22 December 2012*)
- (4) One report did not contain the alternate name of a customer when this information was provided in an SMR for the same customer. (eg. *Vo, Thanh Nguyen 24 November 2012*)
- (5) Two reports contained a questionable date of birth of 1/1/1911. (eg. *Juwarno, Teguh Suyitno, 18 December 2012, Feng, Qi 29 October 2012*)
- (6) 211 reports contained the non cash component 'other' where an existing selection from the drop-down list would be appropriate. (eg. *Tee, Kim Tee 27 February 2013, Chua, Lin Chai Anthony 21 August 2012*)

Action:

Crown Perth must review its systems and controls to ensure that all threshold transaction reports submitted to AUSTRAC contain such information as is specified in Chapter 19 of the AML/CTF Rules.

Action due:

19 June 2013

Requirement 3 – Reporting of Suspicious Matters

Pursuant to section 41(2) and (3) of the AML/CTF Act;

(2) *If a suspicious matter reporting obligation arises for a reporting entity in relation to a person, the reporting entity must give the AUSTRAC CEO a report about the matter within:*

- a) if paragraph (1)(d), (e), (f), (i) or (j) applies—3 business days after the day on which the reporting entity forms the relevant suspicion; or*
- b) if paragraph (1)(g) or (h) applies—24 hours after the time when the reporting entity forms the relevant suspicion.*

(3) *A report under subsection (2) must:*

- a) be in the approved form; and*
- b) contain such information relating to the matter as is specified in the AML/CTF Rules; and*
- c) contain a statement of the grounds on which the reporting entity holds the relevant suspicion.*

The reportable details for suspicious matters are contained in Chapter 18 of the AML/CTF Rules.

Material facts

AUSTRAC analysed a sample of 711 SMRs submitted to AUSTRAC by Crown Perth between the dates of 4 August 2012 and 4 March 2013 and identified the following deficiencies in relation to those reports:

- (1) 36 reports contain an account based transaction but the customer's account details were not provided in the corresponding field. (eg. *Heine, Kersten 12 February 2013, Princi, Michele 28 December 2012*)
- (2) A number of reports contain details of other parties to which the suspicion relates in the grounds for suspicion field but the details of these other parties were not provided in the corresponding fields. (eg. *Lim, Du Hee 8 January 2013, Mahyudin, Mansyur 8 January 2013*)
- (3) A number of reports describe the suspicion relating to several transactions but the details of these transactions were not provided. Each transaction relating to the suspicion must be entered separately into the corresponding fields of the report. (eg. *Lim, Brandon Lak 28 December 2012, Hahn, Daphne Hazel 3 January 2013, Takele, Abebe Guoy 14 August 2012*)
- (4) None of the reports that included a cheque transaction relating to the suspicion provided the details of the cheque in the corresponding fields. (eg. *Yap, Koon Hong 1 November 2012, Looi, Jia Wei Rexston 6 November 2012*)
- (5) None of the reports that included a funds transfer relating to the suspicion provided the details of this transfer in the corresponding fields. (eg. *Ho, Kan Kong 26 February 2013*)
- (6) 678 reports are indicated to be for 'chips/currency exchange', however in a number of instances the transaction details do not match this designated service. (eg. *Heine, Kersten 1 February 2013, Anderson, Shane Allan 1 March 2013*)
- (7) 240 reports contain only the text 'No recorded gaming activity to support cash out' in the grounds for suspicion field. All relevant information relating to the suspicion should be included in this field. (eg. *Ngo, Truong Ha 21 January 2013, Dorn, Hans Frederick 27 February 2013*)

Action

Crown Perth must review its systems and controls to ensure that suspicious matter reports submitted to AUSTRAC contain such information as is specified in Chapter 18 of the AML/CTF Rules.

Action due:

19 June 2013

Requirement 4 – Reporting of International Funds Transfer Instructions

Pursuant to section 45 of the AML/CTF Act:

- (1) *This section applies to a person if:*
 - (a) *the person is:*
 - (i) *the sender of an international funds transfer instruction transmitted out of Australia; or*
 - (ii) *the recipient of an international funds transfer instruction transmitted into Australia;*
 - and*
 - (b) *if the regulations provide that this paragraph is applicable—the total amount or value that is to be, or is, transferred is not less than the amount specified in the regulations; and*
 - (c) *such other conditions (if any) as are set out in the AML/CTF Rules are satisfied.*
- (2) *The person must, within 10 business days after the day on which the instruction was sent or received by the person, give the AUSTRAC CEO a report about the instruction.*
- (3) *A report under subsection (2) must:*
 - (a) *be in the approved form; and*
 - (b) *contain such information relating to the matter as is specified in the AML/CTF Rules.*

The reportable details for international funds transfers under a designated remittance arrangement are contained in Chapter 17 of the AML/CTF Rules.

Material facts

Analysis of a sample of 27 IFTIs (19 incoming and eight outgoing) submitted to AUSTRAC by Crown Perth between the dates of 20 February 2012 and 19 February 2013 identified:

- (1) None of the outgoing reports contain the transferor's account number held with the organisation that accepted the instruction in the corresponding field. (eg. ZSM, Zhang Shaoming 31 October 2012)
- (2) None of the outgoing reports contained the account number to which the funds will be transferred. (eg. Wo, Ho Chung 10 May 2012)
- (3) None of the outgoing reports contain the transferor's occupation, however in some instances this information has been given for the same customer in TTRs or SMRs. (eg. Hsin, Hsieh Hsin 10 October 2012)
- (4) One of the outgoing reports appears to be for a domestic transaction. (eg. Lan, Choi Fung Ching 8 December 2012)
- (5) All 19 of the incoming reports fail to provide the details of the person or organisation in the foreign country that accepted the transfer instruction. In all of these reports 'UNKNOWN' has been submitted in the corresponding fields. (eg. Hsiung, Huang Yi 1 February 2012)
- (6) All 19 of the incoming reports fail to provide the details of the person or organisation sending the transfer instruction. In all of these reports 'UNKNOWN' has been submitted in the corresponding fields. (eg. Shaoming, Zhang 17 January 2013)
- (7) All 19 incoming reports contain details suggesting that although the funds are to be collected in Australia, the receiving institution is overseas. (eg. Jie, Feng 14 December 2012, Hsin, Hsieh Hsin 5 October 2012)

Action

Crown Perth must review its systems and controls to ensure that all international funds transfer instructions submitted to AUSTRAC contain such information as is specified in Chapter 17 of the AML/CTF Rules.

Action due:

19 June 2013

RECOMMENDATIONS

Recommendation 1

AUSTRAC recommends that Crown Perth review and amend its risk awareness training program. The key areas where we recommend changes are:

- Inclusion of Crown Perth's requirement to provide additional details in a TTR relating to an individual other than the customer of the designated service that conducts a threshold transaction; for example, a third party or a person authorised by the customer (i.e. an agent). (see AUSTRAC Guidance Note 10/02 for further information);
- Inclusion of specific information regarding the consequences for failures to report transactions, failures to collect and verify identification or breaches of tipping off;
- Inclusion of internal consequences of non-compliance, i.e. disciplinary action such as counselling, impacts on staff bonuses or dismissal;
- Inclusion of the ML/TF risks that Crown Perth may face by providing a designated service to politically exposed persons, customers Crown Perth refer to as special interest foreigners and criminals; as well as the consequences of these risks;
- Clarify the statement *A Threshold Transaction is a transaction involving any Australian or foreign currency to the equivalent of AU\$10,000 or more. It is a transaction involving cash only.* A threshold transaction may be accompanied with a non-cash component as one transaction, for example a chip out of \$12,000 worth of chips for \$10,000 cash and \$2,000 cheque; and
- Remove reference to "International Currency Transaction Reports". These reports are an obligation under the Financial Transaction Reports Act 1988. The current terminology is a report about "Cross Border Movements" under the AML/CTF Act.
- Remove reference to the AML/CTF legislation being 'new laws'.

Recommendation 2

AUSTRAC recommends that Crown Perth amend its AML/CTF Program regarding independent reviews to ensure that their frequency is not reliant on any regulatory assessments performed by AUSTRAC.

Recommendation 3

The 2011 Compliance Report submitted on behalf of the Crown/Burswood DBG states that neither casino had an AML/CTF Compliance Officer throughout the previous year, which is incorrect. During the onsite assessment Crown Perth staff stated that if any of the answers provided on behalf of the DBG were not accurate for their business then a variation would be lodged with AUSTRAC, however no amendment was made in this case. AUSTRAC recommends that Crown Perth review its procedures to ensure that the answers provided in Compliance Reports are made accurately.

Recommendation 4

AUSTRAC recommends that Crown Perth review the methods used by staff to collect and verify KYC to ensure discrepancies are identified. For example, when a customer is asked to produce identification

and the details of the identification are collected, staff should question the customer as to whether or not the information is still current.

Recommendation 5

AUSTRAC recommends that Crown Perth include a field for collecting occupation information on their Crown Club membership application form. This would enhance the current transaction monitoring process as a far greater number of patron's transactions could be cross referenced against the high risk occupation list.

Recommendation 6

Given the volume of transactions by customers of Crown Perth, AUSTRAC recommends that Crown Perth consider implementing a more sophisticated automated transaction monitoring program to widen current monitoring and incorporate cross referencing with customer occupation information.

Recommendation 7

AUSTRAC recommends that Crown Perth consider relying on triggers for rescreening staff for employee due diligence purposes. Triggers may include information from Crown Perth's Whistleblowing Policy, concerns about particular staff member's performance or suspicions about a particular staff member.

Recommendation 8

AUSTRAC recommends that Crown Perth reconsider the criteria for high risk customer verification as outlined in its AML/CTF Program as it appears identical to the verification for all customers, rather than being a higher standard of verification.

Recommendation 9

AUSTRAC recommends that Crown Perth assign a transaction reference number to suspicious matter reports to make it easier to identify reports that have been returned by AUSTRAC for verification or where further information may be required.

Annexure A

Crown Perth compliance assessment

Records and information collected by AUSTRAC

Item number	Description	Date received
1	AML/CTF Program Version 10 dated 23 November 2012	25/03/13
2	Employee Due Diligence policy v5	25/03/13
3	Archive Management policy	25/03/13
4	Anti Money Laundering & Counter Terrorism Financing policy	25/03/13
5	Internal Audit Department Audit Proposal - Anti-Money Laundering Audit (76/11) - July 2011	25/03/13
6	Internal Audit Report - Anti-Money Laundering Audit (76/11) - September 2011	25/03/13
7	Internal Audit Follow-Up - Anti-Money Laundering Audit (76/11) - January 2012	25/03/13
8	Burswood Risk Assessment - Draft	25/03/13
9	Burswood Risk Assessment - 1 st Draft (example)	25/03/13
10	Burswood Risk Assessment 2012	25/03/13
11	2012 DS Risk Assessment 2	25/03/13
12	Risk Assessment - Final	25/03/13
13	Email correspondence - 8 Feb 2011	25/03/13
14	Pearl Room Local Members AML - Standard Operating Procedures	25/03/13
15	Standard Operating Procedures - AML & Compliance Officer	25/03/13
16	Crown Cage - Standard Operating Procedures - Account Opening	25/03/13
17	Crown Cage - Standard Operating Procedures - AUSTRAC Reporting	25/03/13

Item number	Description	Date received
18	Table Games - Threshold Transaction and Suspicious Matter Report - Standard Operating Procedures	25/03/13
19	Finance - Standard Operating Procedures - International Funds Transfer Instructions (IFTIs)	25/03/13
20	International Operations - AML/CTF - Standard Operating Procedures	25/03/13
21	Junket Settlement Sheet - Crown Perth	16/04/13
22	Premium Player Settlement Sheet - Crown Perth	16/04/13
23	Pearl Room Membership Application - Crown Perth	16/04/13
24	Minutes of board meeting 9/8/12 - Burswood Limited	16/04/13
25	Minutes of board meeting 21/11/12 - Burswood Limited	16/04/13
26	Executive Risk and Compliance Committee minutes - 23/1/12	16/04/13
27	Executive Risk and Compliance Committee minutes - 8/5/12	16/04/13
28	Executive Risk and Compliance Committee minutes - 31/7/12	16/04/13
29	Executive Risk and Compliance Committee minutes - 5/10/12	16/04/13
30	Executive Risk and Compliance Committee minutes - 4/12/12	16/04/13
31	Executive Risk and Compliance Committee minutes - 29/2/13	16/04/13
32	Memorandum to CEO 24/9/12 - AML/CTF Program	16/04/13
33	Memorandum to CEO 23/11/12 - AML/CTF Program	16/04/13
34	Organisation charts - Crown Perth	16/04/13
35	KYC system screenshots	16/04/13

Item number	Description	Date received
37	AML Online Course screenshots - Crown Perth	30/04/13
38	AUSTRAC Compliance Assessment 15-16 April 2013 - Powerpoint presentation	30/04/13