

**VCGLR'S SUPPLEMENTARY ANSWERS TO QUESTIONS FROM THE ROYAL
COMMISSION INTO THE CASINO OPERATOR AND LICENCE (ROYAL COMMISSION)
DATED 1 JUNE 2021 AND AS AMENDED ON 2 JUNE 2021**

1. By letter dated 11 June 2021, the VCGLR responded to NTP-134 and answered a series of questions from the Royal Commission dated 1 June 2021 (earlier response). At the time of making that earlier response, the VCGLR indicated that may also provide further details relevant to the earlier response. This document contains those further details.

Question (c)

- (c) *Were there any breaches, potential breaches or changes to the business of Crown Resorts Limited or Crown Melbourne Limited that the VCGLR learned about:*

- (i) *for the first time during the Bergin Inquiry; or*

- (ii) *for the first time during the evidence that has been given to the Royal Commission so far, that the VCGLR considers should have been the subject of a prior discussion with the VCGLR, in the interests of an open, constructive and transparent relationship?*

2. In respect of the matters referred to in paragraph 5(f) of the earlier response, the VCGLR further notes that:

- a. Crown's Joshua Preston wrote to the VCGLR on 20 February 2020 (VCG.0001.0002.3263) and, among other things, gave information specifically in respect of the extent to which Mr Zhou had ever acted as a junket operator, junket agent or introducer at the Melbourne Casino. Mr Preston's letter included the following:

"I am instructed that Mr Zhou has not acted as a junket operator, junket agent or introducer (as the terms are defined in the junket and Premium Player Programs Standard Operating Procedures) at Crown Melbourne."

- b. That statement by Mr Preston has since been contradicted by the evidence "Security Officer 1" gave to this Royal Commission on 24 June 2021, which included evidence to the effect that Crown's Craig Walsh advised Security Officer 1 that Mr Zhou (and/or "Chinatown") was a licensed junket operator at Crown Melbourne and furthermore, that fact had been confirmed by "Security Officer 2". (T2548/37-2549/4, among others).
- c. As such, in addition to the extent to which Mr Zhou and the Chinatown junket would likely to have been included as part of the VCGLR's disciplinary proceedings (but for Mr Preston's advice that he was not a junket operator), the VCGLR considers the content of Mr Preston's 20 February 2020 letter to have been prima facie misleading, based on the subsequent evidence of "Security Officer 1."

3. In respect of the matters referred to in paragraph 5(g) of the earlier response, the VCGLR notes that:
- a. on 10 September 2019 (prior to the BRG Report) Crown also received a report from FTI Consulting (**FTI Report**) (VCG.0001.0004.8922);¹
 - b. notwithstanding its relevance to the:
 - i content of the junket and premium player internal control statement (**Junket ICS**); and
 - ii disciplinary proceedings that were recently undertaken by the VCGLR in respect of Crown's junket operations;

the FTI report was not disclosed to the VCGLR either for the purpose of any amendment to the Junket ICS or in the course of the VCGLR's disciplinary proceedings;
 - c. it would seem that the FTI Report was also not produced to the Bergin Inquiry;
 - d. the approach Crown took to the VCGLR's disciplinary proceedings was, in many respects, contrary to the matters that are set out in the FTI Report;
 - e. among other things, the FTI Report included specific consideration of seven specific junket operators, one of whom was also the specific subject of the VCGLR's disciplinary proceeding;
 - f. in respect of that junket operator (Alvin Chau), the FTI Report recommended that additional due diligence could and should have been conducted including:
 - i removing the "English" language filter on searches;
 - ii conducting searches of aliases or alternative names that had been identified;
 - iii conducting searches of operators and agents' names in Chinese characters;
 - iv broadening the scope of enquiries beyond the jurisdictions of China and Hong Kong.

These matters were not disclosed to the VCGLR until the FTI Report was produced in the course of this Royal Commission. Indeed, not only were these matters not disclosed, Crown also refused to accept that its processes were inadequate insofar as they concerned Mr Chau;
 - g. annexure 5 of the FTI Report summarises 16 "components" or "recommendations" that generally support the findings that were made by the VCGLR in the course of the disciplinary proceeding. Considerable time and regulatory effort might have been avoided had these "components" or "recommendations" been disclosed and/or conceded by Crown in the course of the disciplinary proceeding;

¹ As the FTI Report does not include page or paragraph numbers, pinpoint references to the matters referred to have only been provided to the extent possible.

- h. the FTI report also included other matters that were not referred to by Crown in the course of its submissions for the purpose of the disciplinary proceeding, including that:
 - i in FTI's opinion, Crown's internal control statements and other policies and procedures needed to be strengthened by clearly articulating the key risks to be considered throughout the junket onboarding and due diligence process (see section 5.1 of the FTI Report);
 - ii in 2016, Crown's internal auditors had recommended a comprehensive internal review and as a result "several [junket] relationships were terminated, and Crown ceased relationships with [junket] operators that were identified as solely domiciled in the People's Republic of China;"
 - iii other gaming companies, including "Star", collect a broader range of information on junket operators at the commencement of a junket relationship than Crown;
 - iv Crown's anti-money-laundering team were not involved in the "onboarding" and due diligence processes relating to the junket operators with whom Crown chose to do business and Crown's primary concern was that of managing any credit risks that might be associated with a particular junket operator;
- i. the FTI report also included matters that were contradicted by Crown in the course of its submissions in the disciplinary proceeding, including that:
 - i although the FTI report recommended that Crown should apply its due diligence processes to both junket operators and agents (see section 6.1 of the FTI Report), Crown submitted during the disciplinary proceeding that there was no reason for its processes to be applied to junket agents (as distinct from operators);
 - ii Crown did not accept that its processes should include obtaining information directly from junket operators. In FTI's view (and indeed that of the VCGLR) this was necessary and appropriate (see section 6.2 of the FTI Report);
 - iii the manner and basis upon which decisions to continue conducting business with junket operators was inadequate (See section 8 of the FTI Report);
 - iv the third-party research providers on whom Crown relied "*are mainly aggregators of information who undertake limited verification and further research...these platforms may not provide reliable reports in some instances.*" (see section 9.4 of the FTI Report);
 - v Crown's approach to junket due diligence could be "*strengthened by considering a broader range of potential risks and ensuring those engaged in conducting the due diligence research are appropriately supported with the tools and resources required to adequately identify and mitigate potential risks to Crown.*"

Notwithstanding these findings (by its own expert), Crown was not prepared to accept in the course of the disciplinary proceedings that its processes were inadequate and/or not robust.

4. In respect of the matters referred to in paragraph 6 of the earlier response, the VCGLR adds that:
- a. Until the matter was raised in the hearing on 7 June 2021 by Counsel Assisting the Royal Commission, the VCGLR was unaware that Crown was deducting amounts in respect of certain ‘bonus jackpots’ from its Gross Gaming Revenue amounts.
 - b. The VCGLR was made aware on 2 June 2021 by letter from Crown (Xavier Walsh) to the VCGLR (Catherine Myers) (**VCG.0001.0004.9128**) that Crown had provided the Royal Commission with six tranches of responses to the Royal Commission’s Request for Information RFI-002 concerning conduct by Crown that would, or might, breach any provision of the *Casino Control Act 1991* (Vic), the *Casino (Management Agreement) Act 1993* (Vic), the *Gambling Regulation Act 2003* (Vic) (**GRA**), the *Gambling Regulations 2015* (Vic), the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF Act**), the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007* and the Responsible Gambling Code of Conduct. In respect of those responses from Crown to the Royal Commission, the VCGLR notes that:
 - i the first tranche response dated 24 March 2021 was provided by the Royal Commission to the VCGLR on 30 March 2021 as part of a request for information from the VCGLR, and was the subject of the VCGLR’s response to the Royal Commission dated 3 May 2021;
 - ii the third tranche response dated 19 May 2021 attached the 100 Day Report prepared by Crown’s Louise Lane dated 30 April 2018. The report was provided by Crown (Jan Williamson) to the VCGLR (Scott May) on 20 May 2021 with a covering email stating that Crown understood the document would be the subject of Counsel Assisting’s opening and the subject of evidence on that same day (**VCG.0001.0002.8451, VCG.0001.0002.8453**). The 100 Day Report had not previously been provided to the VCGLR;
 - iii the fifth tranche response dated 23 June 2021 was provided by Crown (Xavier Walsh) to the VCGLR (Catherine Myers) on 25 June 2021 (**VCG.0001.0004.8912, VCG.0001.0004.8913**), which brought to the VCGLR’s attention for the first time, a potential breach by Crown of the requirements under the GRA concerning Player Activity Statements. In particular, the VCGLR was not aware that contrary to the requirement of s 3.5.38 of the GRA which requires a patron to be suspended from Crown’s loyalty scheme if the patron failed to collect their Player Activity Statement (**PAS**) (where they have elected to do so) within one month after the day on which notice of the availability of the statement is sent to the patron, Crown had a practice of doing so only where the patron failed to collect their PAS in the preceding 355 days. Further, not all of the patrons who had elected to collect their PAS were being notified by Crown in the manner required by s 3.5.37(2) that that their PAS was available for collection;
 - iv the sixth tranche response dated 29 June 2021 was provided by Crown (Steven Blackburn) to the VCGLR (Catherine Myers) on 29 June 2021 (**VCG.0001.0004.9211, VCG.0001.0004.9212, VCG.0001.0004.9213**), which disclosed that, following evidence before the Royal Commission on 23 June 2021, Crown had identified a potential breach by Crown of the AML/CTF Act as a result of a Crown Tower invoice issued to Peter Gavalas;

- v the second and fourth tranche responses dated 21 April 2021 and 18 June 2021 respectively were not provided to the VCGLR until 2 July 2021 (VCG.0001.0004.9128), after it was requested for by the VCGLR on 30 June 2021 (VCG.0001.0004.9138). The VCGLR it is still in the process of reviewing Crown's responses, and may wish to further supplement this response once its review is completed. The VCGLR will produce any such supplementary response to the Royal Commission as soon as possible.
5. Further, the VCGLR was not consulted about or made aware of the following matters prior to being provided with Crown's remediation plan as at 27 May 2021 (VCG.0001.0002.8521) (**May Report**):
- a. that CPH had completed the process of providing additional undertakings to ILGA. Based on ILGA's press release dated 16 April 2021, the VCGLR was aware that CPH and ILGA had reached an agreement about a number of undertakings regarding Crown Resorts and its associates, but that the final form of the agreed undertakings had not yet been recorded in an enforceable legal document between ILGA and CPH. The VCGLR was not aware, prior to the May Report, that this process had been completed.
 - b. on 21 May 2021:
 - i Crown implemented a further direction to the Significant Cash Policy to lower the cash deposit thresholds at the cage for Crown Melbourne and Crown Sydney;
 - ii Crown determined not to accept 'Other Casino Cheques' or 'Telegraphic Transfers' sent from other casinos on behalf of Crown's customers, and not to send Telegraphic Transfers directly to another Casino on behalf of its customers.

Question (d)

- (d) *Was the VCGLR informed of Crown Resorts Limited's intention to cease junket operations before that decision was made and implemented?*
- (i) *If so, can you please advise how VCGLR was informed?*
 - (ii) *If not, would the VCGLR consider that Crown Resorts Limited should have engaged in such a discussion with the VCGLR, in the interests of an open, constructive and transparent relationship?*
6. In respect of the matters referred to in paragraph 19 of the earlier response, the VCGLR further notes that:
- a. Crown did not advise the VCGLR during the meeting on 16 November 2020 that it would announce to the market (the following day) that it would permanently cease dealing with all junket operators;
 - b. during the meeting on 16 November 2020, Crown did however raise (among other things) the manner in which junket operators might in the future be approved by the regulator. In respect of this matter, the VCGLR told Crown that such an approach of regulator-approval would:
 - i result in risk being transferred from Crown to the regulator;
 - ii require a change in both legislation and government policy;

- iii require the allocation of additional resources and funding to the VCGLR in order for it to carry out any additional functions related to junket operations.
- c. Notes from this meeting is **VCG.0001.0004.8892**.