

File note

Matter Crown | China Union Pay

File No. 011916235

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Subject **Meeting with Matthew Luttick**
Thursday, 6 May 2021 at 2:30 pm – 3:35 pm

Present: Matthew Luttick (**ML**), Christopher Archibald (**CA**), Anna Dixon (**AD**), Jessica Elliott (**JE**), Harriet Craig

Role

- 1 ML completed a law and commerce degree. He started his career at PwC and then spent two years overseas contracting in the United Kingdom. He worked as a Finance Manager and Dun & Bradstreet for a few years before moving to Corporate Accounting Manager at Atlas Steels. In November 2006, he started at Crown as Corporate Accounting Manager. After several years, he became Deputy Financial Controller and then, approximately seven years ago, became Financial Controller.

Structure

- 2 Within Crown, ML sits in Corporate for Crown Melbourne. This is different to Corporate for Crown Resorts which has responsibility for Melbourne, Sydney and Perth.
- 3 Crown has a decentralised finance function so areas like VIP, Food and Beverage and Hotel report separately to the General Managers in each area, but Corporate works closely with them from a management reporting perspective. The corporate functions across Crown report to Corporate, including payroll, accounts payable, fixed assets, revenue audit (a casino-specific function) and corporate accounting. Revenue audit deals with income tax and gaming tax. Gaming revenue is audited on a daily basis.
- 4 During 2012 and 2013, ML was Deputy Financial Controller and was promoted to Financial Controller in or around 2013.
- 5 ML advised that his team's interaction with the Cage is mostly ensuring that transactions initiated in the Cage are accurately accounted for in the finance system. If a patron wins and requests a TT, the request will be initiated by the Cage and go to the VIP Credit team who obtains and collates source documentation which is then approved by VIP management and then ML's team releases the funds. ML's team deals with the ANZ banking system and ensuring that the paperwork matches each transaction.
- 6 CA noted that, if money is deposited by a customer at the Cage, the role of the Cage operator is to record transaction codes or GL codes. He asked whether this is what ML's team checks and ML confirmed that they do. ML advised that all of those transactions where customers deposit money into their account or receive chips at a table need to be accounted for and reconciled, which his team does. ML's team receives a file from the Cage, posts transactions into the finance system and balances with the finance system.

- 7 When asked about the interaction with the Hotel systems, ML advised that it isn't part of his responsibility because Hotel's revenue interfaces automatically into the finance system. Hotel reconciles the Hotel's bank account. ML's team reconciles most of the general ledger accounts at Crown but there are some which are done by the business units themselves. Hotel's bank account has thousands of transactions that need to be matched to the customer's account in Opera. This is done by an Income Audit team within Hotel which is separate to the Revenue Audit team.
- 8 CA asked whether, when someone pays their hotel bill, the funds go into Crown Tower's bank account and whether this is a different account from Crown Melbourne Gaming. ML confirmed that is correct and advised that there is a suite of accounts but broadly there's Hotel's account and a main sweeping account. These are owned by the same corporate entity – Crown Melbourne.
- 9 ML advised that there are some bespoke elements to the hotel industry which Income Audit deals with, consistent with how most hotels operate. CA asked whether these bespoke issues arrive from using credit or debit cards at Crown, and ML advised that most of what Crown is involved with doesn't involve credit or debit cards. It is essentially a cash business. VIP do offer credit, but the gaming floor business is all cash. There are credit card transactions in Food and Beverage but no particular bespoke issues as far as he's aware of.
- 10 CA asked whether ML's team has any responsibilities for VIP International customers. ML advised that most of what his team does is ensuring transactions are accounted for in the finance system. They don't get involved in the issuance of credit or assessment of doubtful debt (although they need to make sure that entries for doubtful debt are reflected in the finance system). Traditionally, they have very little involvement in operational issues beyond making sure transactions are accurately accounted for.

AML

- 11 When asked whether AML factors into ML's role, ML advised that the AML team deals with most of the incoming funds. Sometimes in the past ML's team has been asked to provide bank statements because they have access to ANZ. This is changing now with the introduction of a new system called "Splunk" in which ML believes the data will automatically interface into the AML system.

Hotel

AD showed ML document CWN.514.051.0604 – Email from Paul Jenkins of Ashurst to Steve Bennett regarding China Union Pay and Regal Crown.

- 12 ML doesn't know of Regal Crown.
- 13 AD asked whether NAB aware of the fact that China Union Pay was used to purchase chips. ML doesn't have direct knowledge of NAB being informed of this, however, he would be surprised if NAB didn't know, given the amounts concerned.
- 14 CA asked whether ML was involved in or responsible for merchant codes in Hotel or Food and Beverage. ML advised that he wasn't. His understanding of merchant codes arises from when they've opened a restaurant and Food and Beverage send ML documents to sign for the account which ask for the main account activity. The bank then comes up with the appropriate code.



- 15 ML was asked about Hotel merchant codes and advised that he didn't have any knowledge prior to the meeting with NAB.
- 16 CA asked whether, other than the meeting with NAB, ML had any involvement or discussions, or any need to deal with the Hotel transactions at a later time. ML advised that there was a second meeting about a year later but nothing between those two periods.
- 17 CA asked whether, from a finance / accounting perspective, it didn't really matter how or what transactions were going one and whether it was enough to know that there was a transaction of X dollars which needed to be accounted for. ML advised that this is a fairly accurate description. The transactions were going into Crown Towers' bank account, someone would post journals to reflect the transactions and the account would be reconciled. This was all done by Hotel Finance – the Corporate team was not involved.
- 18 CA asked whether ML had seen or accessed journal entries, and whether the journal entry was to the effect that the Hotel division was transferring funds to the Gaming division. ML advised that he expects so. He noted that there are tens of thousands of journal entries per month. He asked the Hotel Finance team for a journal a few months ago in connection with the Bergin Inquiry.
- 19 AD asked whether ML has oversight of the banking relationship or whether people from Hotel have oversight of Hotel's relationship. ML advised that the Hotel has terminals and tends to manage these themselves. When asked who decides who Crown will bank with, ML advised that the decisions are normally made as part of a tender process and go through the procurement area of Crown. They get a range of stakeholders involved, including possibly ML and his Perth counterpart. Other parts of the business, like Food and Beverage, may also get involved. They also have a Treasury department consisting solely of Travis Costin who has the overarching banking relationship with ANZ (transactional) and NAB (corporate credit cards).
- 20 AD noted that there's a document which indicates there may have been a breach of the terms and conditions associated with CBA terminals which related to China Union Pay and asked whether this was something that would have been escalated to ML's team. ML didn't think it would necessary be escalated to him but noted that it depends on the decision made by the person whose attention it came to. It would possibly get escalated to Travis Coston or to the EGM of International VIP.

26 May 2016 – First Meeting

AD referred to document CRW.512.049.0144 – Calendar invitation for a meeting with NAB

- 21 AD asked ML about the first meeting on 26 May 2016. ML advised the main purpose of the meeting was that Jason O'Connor (**Jason**) had heard there were issues at Star Entertainment in Sydney which related to transactions processed via China Union Pay. ML advised that Roland Theiler (**Roland**) wasn't included in the invitation but did attend. The meeting was an exploratory discussion about whether there were any problems with China Union Pay transactions. Jason and Roland were very familiar with China Union Pay but it was the first ML had heard of it.
- 22 ML recalls that broad context for the meeting being that Jason and/or Roland had spoken to their counterparts and Star and believed Star had a similar facility and was reporting issues with transactions being processed and customers getting access to their funds. ML doesn't think Crown had experiences issues but had just heard about



issues at Star. Allan Goldring (**Allan**) attended the meeting and was one of NAB's senior risk people, he was their guru in understanding risk and merchants. The meeting was Jason and Roland tapping into him.

- 23 CA asked whether the discussions related only to gaming or all China Union Pay transactions. ML wasn't sure, but thinks it was a broad discussion about VIP International customers. He expects that gaming activity would have been a key driver, but customers may have also been using the card for non-gaming activity and, as premium customers, Crown would have wanted them to have a good experience. ML couldn't recall a discussion about the distinction between buying food and beverages and gaming.
- 24 CA asked whether the discussion was pitched as: "customers come over and want to use China Union Pay, is there a risk?". ML thought it might have been. He noted that, given there were two senior International VIP executives in the meeting, the clear context was that their concern was primarily activity to support gaming transactions. He noted that a lot of International VIPs don't pay for food, beverage and hotels. This is another reason to lead him to believe that gaming was the concern, but he can't recall if it was explicitly said.
- 25 AD noted that there's been a suggestion that the Chinese government raised issues with NAB who in turn raised them with Crown regarding China Union Pay and asked whether ML was aware of it. ML thought Allan alluded to those sorts of issues and had noted that in China it is difficult to get information about why a transaction has been queried. ML doesn't recall NAB raising concerns but thinks NAB said they would like to be able to tell Crown why Star was experiencing issues but getting information about the issues was difficult.
- 26 CA asked whether, leaving aside the suggestion of concerns of the Chinese government flowing through, ML recalls, at a more mundane level, there ever being enquiries by the card issuing bank to the merchant bank (i.e. NAB) and then NAB coming to Crown to ascertain anything about a particular China Union Pay payment. ML isn't aware of any such enquiries but noted that Josh Preston (**Josh**) provided him with correspondence from NAB ahead of the second meeting.

5 May 2017 – Second meeting (teleconference)

AD showed ML document CRW.510.052.0035 – Email from Adam Menassa to Matthew Luttick and Shannon Softley – and attachment CWN.569.005.3829 – letter from NAB to Crown Melbourne

- 27 ML explained that Josh, who was then the Chief Legal and Risk Officer of Australian Resorts, sent him the letter from NAB (CWN.569.005.3829). Josh and Alan McGregor (**Alan**), who was the CFO of Australia Resorts at the time, called ML on 3 May and said there were some transaction regarding a customer which they were seeking to get further particulars about. Josh and Alan wanted a meeting with NAB, which ML organised for 5 May. The meeting was a teleconference between Josh, Alan, ML and three NAB representatives. ML noted that the representatives will be listed on the invitation (CRW.512.048.0066 – Steve Hanson, Joel Avenell and Adam Menassa).
- 28 ML advised that the meeting was because Josh wanted to discuss the notices with someone from NAB. Josh and Alan asked ML to arrange the meeting because he knew the account manager at NAB who looks after Crown's corporate credit cards. ML attended the meeting but was brought in purely for his contacts to facilitate the meeting



- between two of Crown's executives who didn't know anyone at NAB. Josh was the primary driver and Alan would pipe in.
- 29 ML recalls Josh asking NAB whether Crown could talk to the customer openly about the notice. ML recalls NAB advising that that was fine.
- 30 CA asked whether ML recognised or came to realise that the transactions that were being queried were a similar kind of transaction to those Roland and Jason had discussed at the meeting the year before. ML advised that he didn't join the dots at the time but, in hindsight, it seems to be the case.
- 31 ML noted that he believes these transactions were in relation to one of Crown's top gaming machines customers – ██████████ – who is very well known by the Gaming team business and the Executive team. JE noted that she made a complaint to NAB. ML noted that ██████████ was a gaming machine customer, not VIP. JE noted that ██████████ withdrew about \$8m over 22 months.
- 32 When asked whether the meeting related to China Union Pay, ML thought it may have been discussed but couldn't recall in detail. He doesn't think the meeting was about China Union Pay. Josh's concern was specifically about the customer who was one of Crown's top gaming machines customers. Josh wanted to understand more about the notice.
- 33 CA asked whether ML knew whether the customer entered China Union Pay transactions at hotel desk in the same way that VIP international did. ML wasn't sure.
- 34 CA asked whether there are any limits on gaming machines. ML advised that there are limits – on the gaming floor the limit is probably about \$5 but may be higher in some premium rooms.
- 35 ML advised that ML, Josh and Adam were the three Crown representatives at the second meeting, together with Shannon Softley (**Shannon**), Steve Hanson and Adam Menassa from NAB. The premise was a request for information about the transaction.
- 36 ML expects that Josh received the NAB notice and rang Alan who probably didn't know what it was, so Josh and Alan phoned ML. ML didn't know what it was, so Josh and Alan would have asked ML whether he had a contact and NAB. Shannon was Crown's account manager for their corporate credit cards. ML organised the meeting through Shannon so that Josh could ask what instigated the notices and ask whether Crown could discuss them with the patrons involved – which NAB confirmed Crown could. ML recalls Josh asking a lot of questions.
- 37 CA noted that the notice was issued after the China arrests when the China Union Pay process ceased but that the transactions the subject of the notices took place when the process was still being used by Crown. He asked whether ML recalls the meeting delving into or being transparent about the process of using NAB credit cards for gaming purposes. ML didn't recall any concerns being raised by NAB in the meetings.
- 38 AD asked whether one of Josh's concerns was whether the complaint came from a customer or another source. ML thinks that was part of it. To the best of his recollection, the answer was that it wasn't something initiated by the customer.

