

# File note

Matter                    Crown | China Union Pay

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Author                 **Harriet Craig**

Subject                **Meeting with Jason O'Connor**  
**Friday, 23 April 2021 at 10:00 am – 1:00 pm**

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Present: Jason O'Connor (**JoC**); Graydon Dowd (**GD**) (via video link); Christopher Carr (**CC**); Christopher Archibald (**CA**); Anna Dixon (**AD**); Jessica Elliott; Harriet Craig

## General

- 1        JoC is a Chartered accountant. He previously worked for EY but went across to help Crown get established. He started in a Finance role in the Corporate Strategy / Financial Modelling side of the business. He moved through various areas. Not long before Crown opened up in Southbank, Crown started to properly engage with the international market and a new management team was constructed to run the VIP International Business. JoC was asked to join as Financial Support / Financial Management. JoC moved from the VIP team to the Gaming Floor Team and then went to work as the General Manager of Finance. James Packer constructed a business development team to look at opportunities in Macau, Vegas and Europe and JoC joined that team. Packer made several acquisitions, including of Gateway Entertainment in Vancouver. JoC moved to Canada as CFO for nearly three years. He returned in late 2010 and started a temporary role in the VIP International business because Roland Theiler wanted to step back from the role. Although initially temporary, JoC stayed in that role until the China arrests.
- 2        JoC, Jacinta Maguire, Phillip Batsakis and Roland Theiler were all special employees.

## China Union Pay cards

- 3        JoC explained that Crown was receiving messages and requests from customers about whether they could use their China Union Pay card to access their money. JoC didn't receive requests directly, but customers would speak with staff who reported to JoC. JoC expected that some requests were from Chinese customers planning to visit and making enquiries about how they could pay, and others were from customers at Crown who had exhausted other means of funds and asked whether they could access money on their China Union Pay card. He didn't have a firm recollection but said he can almost guarantee both happened.
- 4        JoC advised that the typical arrangement when Chinese customers come to Crown is that the customers have a line of credit with Crown which is capped. When customers exhaust the limit but want to stay longer, they want to use their own money. There may be times when customers wanted to access their China Union Pay card to repay a line of credit, but JoC thought that was doubtful.

## New customers

- 5 When asked to describe the sales engagement with a prospective client about how to fund the trip, JoC advised that the official position was that it was up to the customer to figure out how they paid Crown. Crown never felt it was their role to find a solution.
- 6 JoC advised that customers rarely pay money upfront – rather, there is usually a credit relationship.
- 7 JoC clarified that the customers he was referring to are VIP customers from overseas. The starting point to qualify for the benefits that the VIP arrangement provides is about \$500,000. At that point, Crown is prepared to have discussions about lines of credit.
- 8 When asked whether discussions with prospective VIP international customers always entail discussion about the means by which the customer would repay the credit, JoC advised that most customers have a longstanding relationship with Crown, so Crown knows they are reliable and will repay credit. New customers are more challenging – Crown has to go through the KYC process and new customers present more credit risk. JoC advised that there is information-sharing in the industry about customers, so an important step when a new customer presents for a credit line is engaging with other casinos in the region to understand that customer's standing and credit risk. JoC also advised that customers are more ready to remit funds if they have a bank account outside China because customers often speak of a perception that their Chinese bank accounts are being monitored.

#### **Requirement for an in-house solution**

- 9 CA asked whether there were discussions with customers that descended into the pathways that were needed, or reciprocity or configuration at Crown's end, to enable the flow of funds. JoC advised that the primary relationship with VIP customers was with the sales team based in China. They reported up to JoC but had delegated authority. For big credit applications, JoC was one of the people had to sign off on the application but, for lower level values, JoC didn't necessarily see the application. JoC wouldn't see the background or credit checks.
- 10 CA asked whether JoC's role ever involved considering whether Crown needed to agree to platforms of receiving funds. JoC advised that he would be involved if there was a significant change or methodology required. He didn't recall ever implementing any but said that Crown explored a number of options put forward by businesses. JoC didn't think Crown ever got comfortable with these proposed arrangements, so no platforms were put in place. The proposals were usually that Crown would engage directly with the new entity. This can be contrasted with the existing arrangements with "money changers" (businesses like Western Union common through parts of Asia) which engage directly with the customers rather than with Crown. Crown never wanted to be involved in providing a remittance solution. When approached with a solution, Crown would look at because it is a problem for the industry and business, but, for various reasons, Crown never really got comfortable with the proposals.
- 11 When asked if Crown's appetite for looking at solutions changed from time to time, in particular in times of underperformance whether there was commercial pressure to pursue a solution, JoC advised that there is constantly pressure to perform better.
- 12 JoC advised that the issue is remitting money from China to Crown because there's a perception among Chinese customers that their bank accounts are being monitored and they don't want to be seen to be sending money to a casino because it's frowned upon. CA asked whether it's worse than frowned up and in fact contrary to Chinese law. JoC advised that he doesn't think the act of sending money to a casino is contrary to Chinese



law and travelling to gamble isn't contrary to the law. He did note that there is a prohibition on the amount of money Chinese citizens can send offshore each 12 months (\$50,000) and that this is one of the barriers in customers remitting funds to Crown.

- 13 JoC advised that there are difficulties enforcing debts in China as Crown can't go to Court to enforce them. JoC agreed that Crown was taking quite a significant commercial risk extending credit to Chinese customers but advised that the network of casinos in the region was strong. If a customer decided not to repay a debt with one casino, others will know and can decide whether to take the risk.
- 14 JoC was aware before 2016 of the difficulty in remitting funds and the prohibition on sending more than \$50,000 offshore. He said that, although it is difficult to get the real facts, this was common knowledge.
- 15 When asked whether the Southbank and Riverbank accounts are examples of the kind of options created by Crown to help clients remit funds, JoC said he thought so. The accounts were established early in Crown's history in response to a desire not to have Crown's name on customer's bank statements.
- 16 CA noted the tension between the commercial pressure to find solutions for clients remitting funds on the one hand but leaving it to be the customer's problem and having a low risk appetite on the other hand. He asked whether JoC could describe how competing considerations were balanced. JoC explained that, generally speaking, JoC's management team would consider a proposal to see whether it was a reasonable opportunity to explore. If they got comfortable, they would get legal advice, usually from Crown's internal legal counsel. JoC doesn't recall getting to that point with any proposal other than China Union Pay.

#### **CPH influence**

- 17 CA asked about the role the CPH influence in the issue. JoC advised that, early in his tenure when he returned from Canada, the business was going through a transformation and there was more emphasis being placed on the VIP international business. His team was asked to strategically review the business and figure out ways to obtain a greater share of the global baccarat market. As part of that review, barriers were identified, including customers' ability to remit money out of China. People in global markets became involved to find solutions to barriers, including Mike Johnston, Steve Bennett (then the Treasurer of CPH) and Brad Kady. JoC's team had monthly phone meetings with them to find solutions to the barriers identified in the strategic review. JoC advised that the group got the name "CPH working group" or "VIP working group" through the Bergin process, but isn't sure whether they actually had that name internally.
- 18 CA asked about the "CEO meetings" or the "Park Street meetings", whether that was another forum JoC was involved in and whether that was a forum for finding solutions for payment platforms. JoC responded "yes" and explained that the CEO meetings were large meetings that covered a lot of topics. VIP was part of the process and they participated and presented to the CEO meetings, but those meetings were not the forum to dive into the challenges. It was therefore delegated to Mike Johnston to help VIP find solutions. JoC advised that Mike Johnston was the most senior person, and he called on Steve Bennett and Brad Kady as needed. That unit wasn't exerting any pressure to quickly find solutions. Rather, they were offering help and expertise to see if they could help to find solutions.

#### **Beginning of the China Union Pay policy**



- 19 JoC didn't recall the China Union Pay concept being explored in the context of the CPH working group, he thought the China Union Pay card solution came after the CPH working group looked at payment solutions.
- 20 JoC noted that these events occurred a long time ago and that his recollection is sketchy. He noted that he hasn't referred to his files or records to refresh his memory.
- 21 JoC recalled that the China Union Pay solution began in 2013 / 2014 when JoC was hearing from staff who were in turn hearing from customers that they wanted to use China Union Pay cards when they were visiting Crown like they were able to do at other casinos in the region. Complaints suggested that it was a real issue for customers who were resenting that Crown wasn't offering something that other properties were. Until that point, requests to use China Union Pay cards had been met with "sorry, we don't have that facility". JoC tasked Phillip Batsakis with control of the project and with responsibility for liaising with Gaming, Banking, Finance and Legal.
- 22 JoC recalled being concerned with the relationship with the banks due to a legal prohibition on credit card use for gaming purposes. JoC had a general understanding of the prohibition for a long time and said that the people who work in the Cage are acutely aware of this. JoC was aware that China Union Pay was a debit card, so it didn't fall foul of the credit card prohibition. JoC didn't know whether customers could use debit cards at the Cage.
- 23 JoC advised that he doesn't have a good memory of the approval process and would defer to Phillip Batsakis on this. He said that, overall, the process wasn't quick. The team got advice from the relevant people and looked at the banking relationship and the agreement with the banks. JoC remembers being told the banks were comfortable with what was being proposed – the lawyers gave that sign off. JoC advised that there wasn't a grand announcement because Crown wanted it to just be an option rather than the primary solution. Internally, staff were told about the option but that other options were preferred.
- 24 JoC expected that the China Union Pay solution was used often. He advised that there was a cap in place which was small compared with the numbers VIP normally deals with. JoC was surprised to learn that the cap was \$50,000 as he thought it was a lower cap. JoC didn't have a sense of the total value of the solution, but thought it fell between material and minimal – it was never a material part of the business but, given the scale, it wasn't minimal either.
- 25 JoC didn't necessarily perceive the China Union Pay solution to be economically valuable, but said that, from a customer perspective, it stopped the requests and complaints so had value from a customer experience position. JoC hadn't considered it as a way to bring in more customers – it was a responsible to a customer request rather than a way to accelerate revenue growth.
- 26 JoC thought that total payments of \$150m felt a little, but not enormously, over what he expected.

***GD left meeting at 11:00 am for a Court hearing but said that he comfortable with meeting proceeding in his absence. JoC was also comfortable with the meeting proceeding.***

- 27 JoC advised that annual revenue in the VIP business across Melbourne, Perth and London is about \$1bn. He said that it is roughly split: 65-70% Melbourne, 5-10% London and the balance Perth.



**CC showed JoC document CWN.514.061.8246 – Email chain dated 8 – 13 August 2012**

- 28 CC noted the email chain is dated August 2012 which he thought was before the VIP working group started in April 2013. JoC noted he thought the VIP working group started earlier. He recalled the strategic review process starting shortly after he returned from Canada in February 2011. He then noted that early on the team was focused on making key recruits, including Michael Chen who took about a year to recruit. On further reflection he considered CC's date was probably correct given that Michael Chen was involved in the strategic review.
- 29 CC took JoC to the first email dated 8 August 2012 from Eric Liang to William Mackay asking whether the credit card facility is in place. CC noted that this seems to suggest there was a discussion about a credit card facility prior to that. JoC wasn't aware of what that could be a reference to, other than a general comment about customers wanting to use their China Union Pay account.
- 30 CC noted the reply from Will Mackay that they are still waiting for official sign off and asked whether this suggests that Phillip Batsakis's working group was considering it at this point. JoC advised that Phillip Batsakis had administrative carriage of the process and may not have been involved at this stage. He advised that Will Mackay predated Phillip Batsakis, who may not have come in until later in the process.
- 31 CC asked, if there was a different process prior to Phillip Batsakis, whether JoC remembers anything about it. JoC advised that there wasn't any formal process. He noted that customers can use credit cards to pay hotel bills and make purchases, but he doesn't remember any process put in place to make funds available for gambling. JoC couldn't recall any once-off transactions at the hotel to make funds available for gambling before the China Union Pay program.
- 32 CC took JoC to page 8250 and asked about the email at the bottom of the page which shows Matt Sanders writing to Will Mackay about the process. The email notes that "Richard and Jason will need to pre-approve a max \$200k pay out from the cage". JoC confirmed that he is the Jason they're talking about. However, he doesn't recall anyone coming to him for approval. JoC wasn't sure whether Matt Sanders would have had authority to authorise it himself. He knew Matt had some authority to approve credit but didn't know what the number was.
- 33 When asked whether a one-off transaction is something that would happen periodically, JoC advised that people would come forward with proposals but it wasn't a regular occurrence.
- 34 CC took JoC to the email from Eric Liang on 13 August 2012 at page 8246 and asked whether he remembered the suggestion as early as 2012 that this be made a regular process. JoC advised that he doesn't recall the email chain.
- 35 CC noted that it seems that JoC put the Phillip Batsakis process in chain and that it seemed to involve Roland Theiler. JoC noted that he was part of the VIP Commercial team so he would have been involved.
- 36 JoC couldn't recall whether Debra Tegoni gave legal sign off on the policy or whether there was anyone else involved. He noted that Debra was the most senior legal person representing Crown Melbourne, so it was likely that she asked one of her team to review it for her.

**Risk appetite**

- 37 JoC advised that Crown's risk appetite in 2011 – 2016 was unclear, although they didn't recognise it at the time. JoC had his own view about what sort of risks Crown was prepared to expose itself to and noted that he is conservative. He advised that, while there was a conservative position across the business, the VIP part of the business was judged differently and that, because of the numbers involved, people were prepared to expose the business to more risk. That VIP risk appetite didn't necessarily change during JoC's tenure, he just understood that there was a different risk for VIP.
- 38 JoC advised that Crown had no tolerance for legal or compliance risk, although he understands that history will show that something went wrong. He tried to take a very conservative position when dealing with finance risk, but particularly do when dealing with legal or compliance risk. His understanding at the time of the consequences of getting it wrong ranged from fines imposed by the regulator to criminal sanctions.
- 39 JoC perceived Crown's culture to be less conservative than him. He tried to control it as best he could but noted there were a lot of personalities involved in the VIP part of the business. As the leader, he tried to maintain a conservative position. His superiors, being Barry Felstead, told him he was too conservative. Barry was more aggressive in terms of economic risk (not legal or compliance risk) which impacted pricing and rebate structure. The sales team under Michael Chen's leadership would look for opportunities to grow the business because they had big bonuses at play. JoC had to balance and educate them about how far Crown could go and what paths it couldn't go down (including certain proposals for ways customers could transact with Crown). He said this was difficult for a number of reasons including language barriers and living and working remotely so they weren't exposed to the culture in Australia.

#### **VIP International Credit and Debit Card Cash Out Review**

##### ***CA showed JoC document CRW.523.002.0331 – June 2013 VIP International Credit and Debit Card Cash Out Review***

- 40 JoC advised that, because the document was headed "VIP International," it was probably drafted by someone in his team. He advised that the document is part of the project he has been discussing. He expected that the fact that Phillip Batsakis's name was added to the table of approvers suggests that Matt Sanders had left, and Phillip Batsakis stepped in.
- 41 JoC was reminded by the document that there's long been a practice in hotels (for example, in New York) whereby customers who want money for shopping approach the front desk and ask for USD. They then receive cash which is charged to their room account. He gathered that that was also a practice available at Crown and was probably being used by Crown's customers. He expects that was formalised to manage the process.
- 42 CA asked whether the scope of the review might have been considering access to funds not just for gaming but also more generally. JoC expects that customers used to ask why, given they could get cash at the front desk, they couldn't use it to buy chips.
- 43 CA drew JoC's attention to the first sentence of the "Background" section – "Since August 2012, Crown Melbourne has permitted International patrons to obtain access to their funds via cash outs on credit and debit cards". He noted the date of the document and suggested that it seemed to come before seeking legal advice about the details of the China Union Pay process. JoC advised that this didn't jog his memory about how the process was used before legal advice was obtained and said that he doesn't have any recollection of a sanctioned process before the more detailed review was



undertaken with Debra Tegoni and others. JoC could only guess that the process was being used before the legal advice was obtained but in the way previously explained – that customers would ask the front desk for cash for shopping and that it was only when customers started asking for bigger amounts and saying they wanted to buy chips with it that Crown started the process.

- 44 JoC advised that this is the sort of program, with the sort of numbers involved, that could have been set up without his approval. He advised that this is a Cage function which could have gone through the Cage and Finance teams for approval.
- 45 JoC advised that “CCF” stands for Cheque Cashing Facility but that it is essentially a credit line. He advised that the cheque casing facility is usually available to domestic customers which historically involved customers handing over a personal cheque.
- 46 JoC advised that policies of a transactional nature would usually have been kept in the Cage / Cashier function. If there’s a policy setting out how these transactions are dealt with, that policy is likely to be owned and kept within the Cage.
- 47 CA asked whether page 3 of the document is the “updated policy” referred to at the end of page 2. JoC advised that it doesn’t look like a policy, but the contents read like a policy. **CC identified document number CRW.523.002.0005** – a document entitled “VIP International Credit and Debit Card Cash Out Policy” which contains the same text as page 3 of the review.
- 48 JoC advised that it is likely that the policy sat in a separate business group. He advised that VIP had policies and procedures but tended not to deal with transactional matters.
- 49 JoC is listed as an approver for \$200k - \$500k but didn’t recall approving any of these transactions. He accepted that they are small numbers compared with what he normally dealt with.
- 50 CA noted that the review (CRW.523.002.0331) imposed a cap of \$200k for credit transactions whereas the policy (CRW.523.002.0005) imposed a cap of \$500k. When asked whether the cap was to protect against commercial risk, JoC advised that, from his perspective, he didn’t want the China Union Pay solution to become the first option for customers. CC asked why, given that this is cash in hand compared with a line of credit which Crown has to chase afterwards. JoC thought it wasn’t a good look for customers to be accessing large amounts of money this way and thought it perhaps didn’t pass the pub test. It didn’t feel to him like something Crown should be pushing but, because it was being used at competitor properties, they decided to put it in place but not push it as a method of accelerating growth. JoC thought that view was taken into account in the caps and said he would have been comfortable to have caps in place, although he was surprised to see the \$500k cap.
- 51 CC asked why this “didn’t pass the pub test”. JoC advised that he didn’t like the idea of opening up the ability for people to get cash advances on their credit card because it wasn’t responsible from a harm minimisation perspective. CC noted that JoC thought this was only for debit cards so customers would only have been drawing down their own funds. JoC commented that it hard to define what was wrong, but it was probably a number of things. He was comfortable enough to put it in place, but he didn’t want it to involve large numbers. This might have been because of the attention that large numbers would attract which would give risk to reputational risk.
- 52 JoC also expressed surprise that credit was allowed at all as he thought the process was only for debit. His understanding now is that Crown can’t let customers use credit



cards for gambling purposes. He drew a distinction between a line of credit (offered by Crown) and a credit card, noting that the prohibition was only on the latter. JoC thought Crown allowed debit cards because they were pre-loaded with customer's money so they wouldn't get into debt. However, he noted that the review suggests otherwise.

- 53 JoC advised that the people he would have looked to to help with the decision about whether the option is offered to domestic as well as international customers are Debra Tegoni (legal compliance) and Steve Hancock (transactional compliance). He also noted that he often goes to Michelle Fielding from a gaming compliance perspective but that this wouldn't have fallen within her expertise. He advised that Steve was running the Cage and was very knowledgeable about what Crown could and couldn't do regarding customer transactions. He advised that the Cage is the cashier sitting behind the grill. Steve is quite senior but doesn't sit on the executive team so is one rung down from JoC. Steve reported to the CFO (then Alan McGregor).
- 54 CA asked about the timing of the approval process. JoC advised that Crown needed advance notice and that this was a factor that contributed to his preparedness to be comfortable with policy. He didn't want customers exhausting a credit line, asking for an extension and being rejected, and then pulling out another card. CA noted that the 48-hr requirement was dropped from later documents and that some of the hotel documents only require 30 minutes notice. JoC couldn't recall this change.
- 55 JoC explained that the requirements to be on the VIP international program were firstly that the customer was domiciled in a foreign country and secondly a financial buy in – usually \$500k. He noted that it is a rebate style program with different steps and that lower level programs don't offer financial rebates but do offer other financial benefits.
- 56 When asked about how he was kept abreast of the process undertaken by Phillip Batsakis, JoC advised that it is hard to be specific but that he would generally be updated progressively and informally.
- 57 JoC thought that Phillip Batsakis was administratively keeping track of the policy, providing authorisation and tweaking the policy. He noted that the document suggests that the policy pre-dated Phillip so it might have been his predecessor who handed over the policy to him. Roland Theiler was tasked with overseeing credit, compliance, jet fleet, accounting and other areas so he had a broad area of responsibility. JoC didn't recall Roland being involved in this process but noted that Phillip and/or Matt Sanders would have gone to Roland for advice and bounced ideas off him.

#### **Legal advice**

***CC showed JoC document CRW.523.002.0121 – Email from Debra Tegoni to David Stoddart, copied to Catherine Young, Roland Theiler and Jason O'Connor, containing legal advice***

- 58 JoC referred to the three points at the top of Debra's email and advised that that is his recollection of what was being considered: whether there was a problem with banking terms, how it sits within rules governing the use of credit cards and considering ATM and EFTPOS restrictions.
- 59 CC asked JoC about his response to Debra's comment that there is a risk that providing cash via the hotel is a breach but that the risk is low. JoC advised that he would have read the email and that he recalls David Theiler's and David Stoddart's involvement. JoC couldn't say whether Debra's comment would have prompted him to make further inquiry, but said that he is supportive of her logic – i.e. that if a customer can withdraw





cash more than 50m from the casino floor then they should be able to get cash from the hotel desk provided it was more than 50m away. JoC doesn't recall reading the advice and thinking "there's a risk, we should do something about it". If he had reservations about Debra's judgment, he would have spoken to her about it. He did this on several occasions but couldn't recall whether this advice was one of them.

- 60 CC referred to the fourth bullet point and noted that Debra said that "s68(2) of the Act prohibits Crown from providing money or chips as part of transaction involving a credit or a debit card unless exempted under s68(8) when the chips are provided **on credit** (there is no mention of a debit card in this section) ...". JoC advised he was having a hard time following the advice but said that, in 2013, he understood it to be a credit card issue rather than a debit card issue.
- 61 CA asked whether JoC would have regarded it as permissible for patron to use a debit card to buy chips at the Cage. JoC didn't think that would be permissible. Because credit cards were not permitted, he thought debit cards were also not permitted because the Cage would find it difficult to distinguish between debit and credit cards.
- 62 JoC doesn't recall reading the advice and thinking he should get advice from someone external. He doesn't recall ever being unhappy with the advice Debra Tegoni gave and seeking external legal advice.
- 63 JoC couldn't recall the source of his understanding of the prohibition on credit cards. He started at Crown early in Crown's history and doesn't remember any formal training or induction training around compliance. He noted that there are now programs in place that apply to everyone but doesn't think there's specific training for senior people that addresses these sorts of regulatory issues. He advised there was no training component to become a licensed "special employee" – rather, it is just a probity issue. He expects that his understanding about the 50m rule and the prohibition in credit cards are just things he picked up during conversations in the course of business.
- 64 JoC noted Harold Mitchell's evidence to the Bergin Inquiry that there's an online AML refresher program which was the only formal AML training at Crown.

#### **China Union Pay article**

***CC showed JoC documents CWN.548.010.0692 and CWN.548.010.0694 – Emails from Jason O'Connor to Barry Felstead and Debra Tegoni dated 13 March 2014 containing a link to a Reuters article on China Union Pay***

- 65 JoC advised that he would have sent the emails to Barry Felstead and Debra Tegoni because of the reference to China Union Pay. He noted that the use of China Union Pay is common knowledge in Macau. In Macau, the casino floors are surrounded by jewellery or watch boutiques and customers will buy a watch using their China Union Pay card and then immediately return it for cash.
- 66 JoC advised that he often sent things around to relevant people that he wanted to be aware of it. He would usually put a small comment (i.e. "FYI") so it was odd that he sent the emails to Barry and Debra without any commentary, but this wasn't because there was something about the article that he didn't want to put in writing.
- 67 JoC read the first page of the article, including the description of a woman in Macau entering a watch store and using her China Union Pay card to withdraw \$50,000 in cash and signing a credit card receipt described the transaction as a "general sale". JoC advised that what Crown was doing felt different as they weren't trying to do something



misleading. Unlike Crown's practice, the practice described in the article was designed to make the transaction look like something it wasn't. When asked whether this was what Crown was doing, JoC responded that one could ask the same question regarding every transaction Crown receives from a Chinese customer. Crown extends millions of dollars in credit knowing that the limit is \$50k per year. The position Crown took was that if you want credit then you have to accept responsibility to repay it. CC noted that there is a difference between saying it's the customer's responsibility to repay and having an in-house process which an article says violates Chinese AML regulations. JoC wasn't sure how Crown navigated that issue.

- 68 JoC doesn't recall thinking Crown should get more legal advice. He noted that the questions asked about the China Union Pay process are probably similar questions that could be asked of the Crown business model more generally. He doesn't think Crown ever sought legal advice on that issue as the position was that it was a prohibition on the customers. CC suggested that it was different because the China Union Pay process was an internal function which could be contrasted with the general approach of not getting involved in repayment solutions. JoC noted it was hard to recall what his mindset might have been at the time but understood it was an important issue.
- 69 JoC noted that the article was after Crown had spent time getting advice and putting the system in place. He doesn't recall being prompted to review the China Union Pay process after seeing the article.

#### **AML risk**

- 70 When asked about the ways in which the China Union Pay process was reviewed or checked, or safeguards or conditions were incorporated to deal with AML risk, JoC advised that it would be part of the Cage's normal AML process. He noted that the VIP team didn't have documented obligations around AML control / compliance but was expected to be aware of and assist with the issues. For example, VIP shouldn't bring in a customer that they wouldn't be able to get AML comfortable with. Usually the sales team would do the work involved on the ground in China to collect the information for Crown to get comfortable with KYC obligations and funds obligations. The responsibility didn't all fall on the Cage, but it played a large role in administering it. The Credit Control team also played a role if the customer was coming on credit, as did Scott Howell who was part of the Compliance team that reported up to Debra Tegoni, possibly through Michelle Fielding.

#### **Implementation in Perth**

- 71 JoC doesn't recall any consideration being given to whether the China Union Pay policy needed to be approved by the Regulator. He advised that it would have been Debra or Michelle's job to give consideration to that.
- 72 JoC doesn't recall whether the China Union Pay policy was adopted in Perth and, if not, why not. He advised that Josh Preston was in charge of Legal and Compliance in Perth.

#### ***CC showed JC document CRW.523.002.0046 – Email from Jason O'Connor to Debra Tegoni dated 24 February 2014***

- 73 CC noted that the email says "We spoke with Josh last week about using the credit cards (China Union Pay) at Perth ... One issue is what the VCGLR might do if contacted by the Perth regulator, which Josh feels is likely to happen". JoC couldn't recall this issue but thinks that Josh was generally of the view that the regulator in Perth needed to be consulted or involved in some capacity in just about everything in Perth which is



different to the Victorian regulator. JoC expected it was a matter of thinking “if we do something in Perth, the regulator might contact the Victorian regulator, so we need to think that through”. JoC didn’t know why that would be an issue if Crown was comfortable with the China Union Pay policy but said that he doesn’t read it as suggesting Crown wasn’t comfortable. Rather, he read it as “be aware of the difference in relationship or process between Western Australia and Victoria because the Western Australia regulator is likely to speak to the Victorian regulator about this”. He wasn’t sure there’s any negative consequences of this or that anyone was trying to hide it from the regulators.

- 74 CC referred back to Debra’s legal advice that there’s a “low risk” and asked whether the email reflects a concern that the risk might come to fruition in Victoria if the regulator heard about the process. JoC couldn’t recall being concerned that it was going to fall foul of the regulator. He accepted there’s a possibility that they were aware of a risk of non-compliance but doesn’t think that was the mindset at the time.

### Third party payments

- 75 CC noted the suggestion that there was a process whereby Patron A in, for example, China would transfer money to Patron B in China and then, in Australia, Patron B would transfer that money from their Australian bank account to Patron A’s Australian bank account or to Crown on Patron A’s behalf to avoid the crossing of international borders. JoC advised that it sounds like what Crown refers to as a “money changer” – for example, Western Union. There is a network of money changers throughout Asia and his understanding is that a lot of clients use money changers to get money to Crown. Money changers have accounts in different countries which are netted off against each other rather than money crossing borders. JoC didn’t think that the money changers are formally registered.
- 76 JoC didn’t have knowledge of money being transferred between two patrons but he wouldn’t rule it out.
- 77 JoC didn’t have a strong recollection of Crown’s third-party receipts or remittance policy. He advised that the Cage, Compliance and VIP were all responsible for providing information for the purpose of assessing preparedness to accept third-party receipts, and that primarily the Cage, Compliance and front-line AML people were responsible for the decision. The information provided included KYC information which bleeds into the source of funds issue.
- 78 JoC couldn’t confirm whether the KYC process occurs with regard to money changers. He suspects this would have occurred in another part of Crown. If it did occur in his team, it would have been the credit controllers.
- 79 JoC couldn’t recall any instances where AML concerns arose in connection with the money remitter arrangement. He recalled one or two instances where a transaction was stopped by a Chinese or Macanese authority. He also recalled conversations about certain remittances being returned where it originally came from a company’s bank account or a trust’s bank account (there is an exemption made for the company money remitters). The sensitivity arises from requiring all shareholders to repay debt from the company.

