

## Royal Commission into the Casino Operator and Licence

### THIRD STATEMENT OF XAVIER WALSH

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**Occupation:** Chief Executive Officer, Crown Melbourne Limited  
**Date:** 3 May 2021

1. I make this statement in response to the Royal Commission's Request for Statement – 005.
2. This statement has been prepared on the basis of my own knowledge, material that I have read and enquiries I have made with various employees within the Crown Resorts group.
3. This is my third statement to this Commission.
  1. **Describe the process, for the two year period up to November 2020, for carrying out due diligence reviews and probity checks in relation to JTOs and JTRs, including whether any due diligence was carried out to determine the relationship between the JTO and JTR, the beneficial owner of the JTO and the entities from whom the JTO obtains credit.**
4. Historically, I have not had any involvement in this process. I assumed responsibility for the VIP International team upon my appointment as Chief Executive Officer (CEO) Crown Melbourne on 9 December 2020. Accordingly, I have learned the information that follows in the course of my new role and especially in the course of preparing this statement and previous statements.
5. A prospective Junket Operator applicant was required to complete a New Junket Application form which required the provision of a range of information and supporting documentation, including:
  - appropriate identification;
  - evidence that the patron was domiciled overseas;
  - a copy of the patron's DICJ Junket Licence (Macanese gaming regulator);
  - evidence of Junket operations at other casinos;
  - a police check (or similar documentation) from the patron's country of residence (except for Junket Operators holding a DICJ Junket Licence, as I understand obtaining that licence involved a police check);
  - a business card (to assist with company searches);

- a personal cheque (to provide evidence of a bank account not domiciled in China, held in the Junket Operators name); and
  - ABN (or completed application form).
6. Crown's Credit Control team would then commence due diligence (encompassing probity as well as credit worthiness) on the prospective Junket Operator by obtaining information from one or more external subscription services including: Dow Jones, Factiva, Global Data, Acuris Risk Intelligence, WealthX and Central Credit. Company searches and property searches were also conducted (where available), as well as an internet search for any other general information.
  7. The above process was followed for all new Junket Operators and existing active Junket Operators from early 2017.
  8. Once established, the Junket Operator was included in the Dow Jones daily screen (Dow Jones is a subscription based online service for conducting due diligence and ongoing monitoring and sanctions screening). Each day, Crown ran all active Junket participants through this screening service. In addition, annual probity reviews were conducted to refresh the information obtained in the initial probity and credit review.
  9. Appropriate identification was obtained for Junket Representatives and Junket Players who were included in the Dow Jones daily screen.
  10. In circumstances where the beneficial owner of the Junket was a company, company searches were undertaken to identify that company's directors and shareholders, however due diligence on the beneficial owner was not routinely performed.
  11. Due diligence was not conducted on third parties who guaranteed the Junket Operator's credit facility other than a manual Dow Jones search.

**2. Describe any changes to the process in paragraph 1 in the last 10 years.**

12. Again, I have learned this information in recent months whilst in my new role.
13. The process described in my response to question 1 above was in place from mid-2017. There were a number of changes to the process prior to then.
14. Prior to November 2016, the process to approve a new Junket Operator was that:
  - a prospective applicant would be required to complete a New Junket Application form and provide appropriate identification documentation;
  - an assessment was made as to whether the prospective Junket Operator was likely to be effective at Crown by reference to their operations in other casinos;
  - a background check would be undertaken against the external subscription database,

World Check; and

- on an ad hoc basis, information was obtained from additional external databases around the period 2015 to October 2016.

15. From November 2016, Crown enhanced its processes by obtaining the following information in respect to Junkets that recorded turnover of more than \$10 million in the previous three years:

- A copy of the DICJ Junket licence;
- Company search of the licence holder;
- Gaming history of the Junket Operator at other casinos (both domestic and international) at which the Junket Operator was active (prior to 2016, this step was done as part of the credit approval process); and
- Additional information was sought from external subscription searches, as deemed appropriate.

Crown also commenced a review in late 2016, by which it ceased dealing with Junket Operators domiciled in mainland China by early 2017.

16. From early 2017 the processes described in my response to question 1 were applied.

**3. Describe any processes for monitoring and auditing the processes in paragraphs 1 and 2.**

17. From March 2018, on a daily basis, Crown's Regulatory and Compliance team reviewed the Junket Program Agreements (packets) held by Crown on each active Junket for completeness and periodically checked the information verifying that the Junket Operator was domiciled overseas. These reviews were predominantly focussed on ensuring all of the paperwork was complete.

18. Crown's Internal Audit department conducted audits to *"review processes for the initiation, monitoring and recording of Junket and Premium Player Program Play, ensuring the integrity and transparency of Program activity"* (quote referenced from the 3 April 2018 Internal Audit for Junket and Premium Player Program Processes and Procedures) (CRW.008.012.1961). The audits focussed on the completeness of the paperwork, rather than the appropriateness of the due diligence undertaken.

**4. Who was responsible for deciding whether to approve or establish relationships with a JTO and/or JTR?**

19. For the period up to his arrest in China in October 2016, the Group Executive General Manager VIP International, Jason O'Connor, was responsible for approving Junket Operators.

20. From mid-2017, Crown Resorts Director, Michael Johnson, Chief Executive Officer Australian Resorts, Barry Felstead and Group Chief Legal Officer, Joshua Preston were variously responsible for approving relationships with Junket Operators.
21. Junket Representatives were engaged by the Junket Operator. Crown did not participate in that decision other than to reserve the right to reject a Junket Representative's appointment in the event that the Dow Jones search, referred to in my response to question one, revealed a concern with respect to the Junket Representative's probity. However, I am not aware (and have not been able to identify) of any occasion when this occurred. The Junket Operator was required to notify Crown of the Junket Representative's appointment, via the execution of an "Appointment of Agent(s) by the Junket Operator" letter which authorised the Junket Representative to perform functions on behalf of the Junket Operator.

**5. Describe the role of the Risk Committee, the Audit Committee and the Boards in the due diligence processes and decisions whether to approve or establish relationships with a JTO.**

22. Prior to August 2020, the Crown Resorts Risk Management Committee, the Crown Resorts Audit and Governance Committee and the Boards (**Boards & Committees**) were not involved in approving the due diligence processes or decisions on whether to approve or establish relationships with a Junket Operator.
23. I am aware that various documents were provided to the Boards and Committees prior to August 2020 including business plans, risk reviews and review profile updates, VIP International trading summaries and other papers to update Directors on relevant matters pertaining to VIP International which on occasion may have identified individual Junket Operators. However, these did not relate to due diligence processes or decisions whether to approve or establish a relationship with a Junket Operator.
24. In August 2020, the Crown Resorts Board received a draft report of Deloitte's review of Crown's Junket due diligence processes (**Deloitte Report**). The Board resolved to adopt the recommendations of the Deloitte Report.
25. On 17 November 2020, the Crown Resorts Board determined to cease dealing with Junkets.

***Deloitte junkets review***

**6. Describe the nature and scope of the review Deloitte was engaged to undertake in 2020 in relation to Crown's junket program.**

26. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**7. Outline the findings and recommendations made by Deloitte.**

27. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**8. Was a copy of the Deloitte 2020 Report provided to the Boards and/or any sub-committees of the Boards?**

28. A draft copy of the Deloitte Report was included in the papers for the 18 August 2020 Crown Resorts Board meeting.

**9. If yes, outline any discussion at board level or at the sub-committee level about the conclusions, findings or recommendations of the Deloitte 2020 Report.**

29. I was not in attendance at the 18 August 2020 Crown Resorts Board meeting. The minutes for that meeting reflect that:

- the Board noted the draft Report and the recommendations to further enhance Crown's Junket review processes;
- The Board discussed the focus areas of the review undertaken by Deloitte and noted that further work was required, including in relation to ongoing monitoring of continuing Junket Operator relationships and associated Junket Financier due diligence processes;
- Crown Resorts Chief Executive Officer, Ken Barton, noted that Crown would be suspending all Junket relationships until a comprehensive review of those relationships was complete and advised of additional measures the company was taking in this respect, including with the input from former NSW Deputy Police Commissioner, Mr Nick Kaldas, and the engagement of consulting firm Promontory Australasia; and
- The Board resolved that the recommendations of the Deloitte Report be adopted, with the Board to retain oversight of progress of the additional work required.

**10. Describe the changes Crown has made or intends to make arising out of the Deloitte 2020 Report and the timeframe for such changes to be implemented.**

30. My answer to this question draws upon the response to question 13 from my first statement to the Commission.

31. The intended implementation of the recommendations made in the August 2020 Deloitte Report about Crown's Junket due diligence process, and their application to Junket Representatives and financiers, was suspended when the Crown Resorts Board announced on 17 November 2020, the company's decision to cease dealing with Junket Operators.

### **Person of Interest (POI) Committee**

32. Even though it ceased dealing with Junkets, Crown sought to incorporate a number of the Deloitte recommendations into the processes for the ongoing gaming business' practices. These include the recommendations regarding:
- finalising and implementing the POI Committee Charter;
  - finalising and implementing of a Patron Decision Assessment (**PDA**) tool;
  - enhancing documentation of decision making; and
  - communication of POI Committee decisions to the Crown Resorts Risk Management Committee (**RMC**) and Crown Melbourne Compliance Committee. Both Committees receive a table listing the names of the persons subject to review by the POI Committee, the reason(s) for the review, and the POI Committee's decision.
33. A Group POI Committee (**POI Committee**) was established in October 2020 with membership now comprising the:
- CEOs of Crown's Melbourne, Sydney, Perth and London properties;
  - Heads of Security and Surveillance at each of the four properties;
  - Group Chief Compliance and Financial Crime Officer;
  - Group General Manager Anti Money Laundering;
  - Group Chief Risk Officer;
  - Group Executive General Manager Regulatory and Compliance; and
  - Group General Manager Responsible Gaming.
34. Typically, there are a number of other managers who attend as invitees from the Financial Crime, Gaming Operations and Security or Surveillance departments.
35. The POI Committee is administered by Crown's Regulatory and Compliance department and meets monthly in person (or via telephone or video link). It also considers 'out of meeting' cases on an ad hoc basis.

### **Significant Player Review (SPR)**

36. The recommendations of the Deloitte Report have also been used to develop and guide inputs into the SPR process, which is applied to customers identified for review by reference to their level of gaming activity at Crown.
37. The SPR process is commenced by either the Table Games or Gaming Machines business units (**Gaming Business Units**), which seeks information on source of wealth, and to establish whether a patron presents a potential financial crime, regulatory or reputational risk. In addition to gaming activity and source of wealth information obtained in respect to a patron, information from the Regulatory and Compliance, Financial Crime, Surveillance, Security Investigation Unit Credit Control and Responsible Gaming departments is collated and used to build a profile of the individual. The information can be gathered from open or

closed sources and may also involve the use of external probity and creditworthiness subscription services.

38. If the SPR identifies flags to warrant consideration by the POI Committee, the information obtained is input into the PDA tool. The PDA tool endeavours to enhance objectivity of decision making, as it requires answers to a pre-determined set of questions to arrive at a risk assessment for review by the POI Committee to guide decision making. A more fulsome description of the PDA tool is provided in my response to question 22 below.
39. Historically, in relation to concerns regarding the suitability of a patron, the stance taken by Crown was to take note of allegations but rely more heavily on whether charges had been laid or a conviction recorded. The current process, as reflected in the SPR and PDA tool, is that allegations or unconfirmed media reports or law enforcement requests for information, may by themselves, or in combination with other information obtained, be sufficient for a Withdrawal of Licence (WOL) to enter or remain on Crown's premises to be issued (CRW.512.048.0060 and CRW.512.048.0035).
40. To date, in excess of 1,850 customers have been subject to the SPR process resulting in over 100 being issued a WOL (or a Notice Revoking Licence as it is known in Western Australia).
41. Approximately 500 International Premium Players, who have been identified as most likely to visit when international border restrictions are lifted are currently being assessed via the SPR process.
42. As the SPR and development of the PDA tool are relatively recent initiatives, they are subject to ongoing refinement. Steven Blackburn, who commenced as Crown's Group Chief Compliance and Financial Crime Officer on 1 March 2021, is currently reviewing the SPR policy and the POI Committee process, looking for improvement opportunities. It is likely that changes will be made to both the SPR policy and POI Committee process as an outcome of Mr Blackburn's review.

**11. Attach any work plan regarding the implementation of the recommendations made by Deloitte.**

43. A copy of the workplan is attached (CRW.510.001.1626). I note that work on the items exclusively relevant to Junkets has been discontinued following Crown's decision on 17 November 2020 to cease dealing with Junket Operators.

**Berkeley Research Group review**

**12. Describe the nature and scope of the due diligence review the Berkeley Research Group was engaged to undertake in relation to some of Crown's JTOs, identifying the relevant JTOs.**

44. Berkeley Research Group (**BRG**) were engaged to conduct a discreet due diligence investigation into five persons (the **Subjects**) to "*uncover their actual background, business activities, reputation (including corruption and bribery-related matters), regulatory and compliance issues, and any significant 'red flag' issues*" that could affect Crown's evaluation of them, "*including any litigation or involvement in government investigations*". The final BRG report was issued to Crown on 12 September 2020.

45. The Subjects were:

46.

47.

48.

49.

50. A copy of the BRG Report is attached (CRW.516.004.0615).



- 13. Outline the status of the Berkeley Research Group's due diligence review including any findings, conclusions or recommendations made by the Berkeley Research Group.**
51. The BRG Report did not make recommendations, rather it reported the findings of its investigation into the Subjects.
- 14. Was a copy of the Berkeley Report provided to the Boards and/or any sub-committee of the Boards?**
52. The Berkeley Report was not provided to the Boards or any subcommittees of the Board. I understand it was however, provided to Directors of Crown Resorts individually during the course of their preparation to give evidence to the Bergin Inquiry which occurred in the latter half of September 2020 onwards.
- 15. If yes, outline any discussion at board level or by the sub-committees as to the conclusions, findings or recommendations of the Berkeley Report.**
53. Given the manner of its distribution to the Directors (as noted in my response to question 14 above), I do not believe the Boards or subcommittees of the Boards discussed the BRG Report or its contents in these forums.
- 16. Describe any decisions Crown has made as a consequence of the Berkeley Research Group's due diligence review.**
54. On 20 January 2021, the POI Committee determined that each of the Subjects be issued a WOL to prevent their entry into the Crown complexes in Melbourne, Perth, Sydney and London. REDACTED - PRIVILEGE  
REDACTED - PRIVILEGE  
REDACTED - PRIVILEGE  
I have previously provided the details of the MinterEllison review in my first statement.
55. Subsequently, following a query by the Victorian Commission for Gambling and Liquor Regulation (VCGLR) on 19 February 2021 as to whether Crown Melbourne had or was intending to issue a Casino Exclusion Order (**Exclusion**) to a number of patrons, including both [REDACTED] and [REDACTED] an Exclusion was issued to each of them on 1 March 2021. As noted above, [REDACTED] and [REDACTED] had already been issued a WOL.
56. Crown agreed to also issue Exclusions to [REDACTED] and [REDACTED] which banned them from entering the casino as any breach of an Exclusion is a criminal offence and may result in prosecution of the excluded person.

**17. Describe any changes Crown has made or intends to make arising out of the Berkeley Research Group's due diligence review and the timeframe for such changes to be implemented.**

57. As noted in my response to question 16 above, REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

58. The August 2020 Deloitte Report into Crown's Junket due diligence and POI review process made a number of recommendations including that Crown "*review the external data sources accessed and include additional risk and reputational focussed sources and the capacity to engage external investigation support*" (CRL.658.001.0122). The BRG Report is an example of the type of support that Deloitte recommended (and Crown accepted) be engaged, as appropriate, when undertaking due diligence on a particular person.

**18. To the extent not answered, outline the changes Crown has made or intends to make in relation to the process and procedures for carrying out due diligence reviews and probity checks in relation to JTOs or JTRs as a consequence of the Bergin Report.**

59. The 17 November 2020 decision by the Board to cease dealing with Junket Operators preceded the release of the Bergin Report on 9 February 2021. Consequently, Crown has not made any changes in relation to the process and procedures for carrying out due diligence reviews and probity checks in relation to Junket Operators and Junket Representatives.

60. However, in response to the matters canvassed in the Bergin Inquiry and internally within Crown with the benefit of the Deloitte Report, the due diligence processes in relation to individuals have been enhanced as outlined in my response to question 10.

#### ***POI Committee***

**19. Describe the role of, and internal management framework that relates to, the POI Committee.**

61. The role of the POI Committee, as set out in the POI Committee Charter, is to ensure that Crown's casinos "*remain free from criminal influence or exploitation by reviewing persons of interest who are brought to the attention of the Committee for a variety of unacceptable behaviours...*". The POI Committee considers the information prepared in respect to each POI, including the PDA, and then determines whether Crown should continue to deal with that person (CRW.510.004.0129).

62. The POI Committee Charter sets out the role, composition and proceedings of the POI

Committee. The POI Committee Charter is supported by the POI Process Document which details the processes to be followed by the POI Committee (CRW.520.003.8590).

**20. How has role of or the framework relating to the POI Committee changed in the last five years?**

63. The POI Committee took its current form in October 2020, following consideration of the recommendations of the August 2020 Deloitte Report.
64. Prior to this, the Crown Melbourne POI Committee had been in place for many years and was previously attended by a large number of representatives from across the business who determined the appropriateness of continuing to deal with the patrons that were the subject of the meeting.
65. Crown Perth also had recurring meetings with representatives from the Security, Surveillance, AML and Legal departments who similarly considered the appropriateness of continuing to deal with persons being discussed at the meeting.
66. As described in my response to question 10 above, the POI Committee is more structured than its predecessors in its composition, process and documentation.

**21. Describe the status of Crown's plans to expand the POI Committee as a group wide committee covering the Crown Perth Casino, the Crown Melbourne Casino and the Barangaroo Casino?**

67. As noted in my response to question 10, the POI Committee includes representation from all four of Crown's casinos.

***Patron Decision Assessment Tool***

**22. Describe the Patron Decision Assessment Tool, including its features and purpose.**

68. The purpose of the PDA tool is to provide objective and consistent criteria to support decisions the Committee is asked to make with regard to POIs and Crown's appetite to continue to do, or consider doing, business with them. It relies on inputs into a risk assessment matrix comprising various questions, the answers to which are given a value. The categories of inputs are:

- The nature of the alleged behavior;
- Whether the person was convicted and/or has served their sentence;
- Whether there is/was a threat to Crown's patrons or employees;
- Whether the alleged activity was occurring at Crown;
- The nature of Crown's relationship to the person; and

- The potential impact to Crown.

69. The PDA tool also contains a variety of general background information, the person's AML risk rating, details of any allegations and the source of those allegations.
70. The collation of the values ascribed to a patron leads to an overall patron risk rating which assists the POI Committee's deliberation. A copy of the PDA tool with accompanying risk assessment matrix is attached in my response to question 10 above (CRW.512.048.0035).

**23. Outline how the Patron Decision Assessment Tool will be implemented to manage, quantify and record the risk rating of persons of interest.**

71. The PDA tool forms the basis for consideration of any POIs who are presented to the POI Committee. Each of the inputs (described in my response to question 22 above) to the PDA tool are assigned a weighting and are tallied to produce a risk rating of 'low', 'medium' or 'high'. 'Medium' rated patrons are escalated to the POI Committee meeting and patrons rated 'high' are sent to the POI Committee for determination through the 'out of meeting' process.
72. The PDA tool process is typically initiated by Crown's Financial Crime, Regulatory and Compliance, Security, Surveillance or Gaming departments.

**24. What is the status of the development and implementation of the Patron Decision Assessment Tool?**

73. The PDA was implemented in October 2020 when the Group POI Committee was established in its current form.

***Significant Player Review***

**25. Describe how the Significant Player Review process is proposed to work and its objectives.**

74. The Significant Player Review (SPR) is a due diligence initiative of the Gaming Business Units to identify individuals who may present an elevated level of legal, financial crime or reputational risk to Crown given the volume of their gaming spend at Crown.
75. The SPR is an ongoing review process which encompasses analysis of a number of factors in relation to an individual patron, including source of wealth. Crown initially seeks to understand a patron's source of wealth via information obtained from open source searches or an external subscription service. In the event those searches do not provide sufficient evidence of a patron's source of wealth, a source of wealth declaration is requested from the patron which upon receipt is assessed by Crown in respect to the plausibility of information provided relative to the patron's level of gaming spend.

The SPR considers other factors including:

- whether the gaming is funded via cash or electronic transfer from a bank account;
- the number and age of Suspicious Matter Reports;
- the number and age of law enforcement or other government agency requests (LEA) for information;
- occupation;
- property or business ownership;
- adverse media;
- instances of unacceptable behaviour on Crown premises;
- personal associations and affiliations with banned customers; and
- responsible gambling concerns.

Additional detail on the information collated and considered when undertaking a SPR is described in my response to question 29 below.

76. When completing the SPR decision tool, the Gaming Business Units engage with the Credit Control, Regulatory and Compliance, Financial Crime, Responsible Gaming and Security and Surveillance departments to allow a profile to be built on the person who is the subject of the review.
77. Similarly to the PDA tool, the answers to the above categories are fed into a decision tool which culminates in a patron risk rating. A copy of the SPR decision tool is attached. (CRW.512.048.0060).
78. The tool outputs a patron risk rating of either 'green' (the lowest rating), 'amber', 'red' or 'black' (the highest rating).
79. A SPR that determines a patron's risk being assessed as 'black' results in the patron being referred to Crown's Security Investigation Unit to complete a KYC Subject Profile which, together with a PDA and supporting background information, is forwarded to the POI Committee for consideration. A template KYC profile is attached (CRW.512.048.0055).
80. Customers initially rated 'red' will be escalated to 'black' unless additional supporting material can be sourced or mitigating controls implemented to justify lowering the rating to 'amber' or 'green' (refer to my response to question 26 below).

**26. Describe the thresholds which may trigger a re-assessment of the Significant Player Review process or of a Significant Player?**

81. A SPR is triggered in the following circumstances:





82. A customer rated 'amber' will be re-assessed every year. They will also be subject to monthly screening by the Gaming Business Units for any activity that suggests a re-assessment should be undertaken, such as a material increase in gaming spend, large cash transactions or a LEA request.

83. A customer rated 'green' will be re-assessed every two years and is subject to the same screening as undertaken for 'amber' rated customers described above.

**27. Attach the current draft (or the final version) of the Significant Player Review Policy.**

84. A copy of the current version of the SPR policy, dated 12 March 2021, is attached (CRW.700.008.0137).

85. Crown's Group Chief Compliance and Financial Crime Officer, Steven Blackburn, is currently reviewing the policy. It is likely that revisions will be made following Mr Blackburn's review.

**28. How will the Significant Player Review process interact, if at all, with the POI Committee?**

86. A patron is generally referred to the POI Committee by the Financial Crime, Regulatory and Compliance, Security and Surveillance or Gaming Departments.

87. The Gaming Business Units initiate the SPR process as a KYC initiative. When the SPR produces a patron risk rating of 'black', the process to refer the patron to the POI Committee is commenced with the production of a KYC Subject Profile by Crown's Security Investigation Unit.

88. A KYC Subject Profile compiles all the information collated from the Gaming, Credit Control, Financial Crime, Regulatory and Compliance, Responsible Gaming and Security departments.

89. The Gaming Business Unit uses the KYC Subject Profile to provide input into the PDA tool. The PDA tool produces an assessment of either 'high', 'medium' or 'low'. Depending upon the recommended outcome of the PDA tool, the Gaming Business Unit will either:

- Complete and circulate a POI 'out of meeting' email with the supporting documentation, if the PDA assessment is 'high'; or
- Send the supporting information to the Regulatory and Compliance team for inclusion in the monthly POI Committee agenda if the PDA assessment is 'medium'.

90. The POI Committee will then determine whether to continue a relationship, cease the relationship by issuing a WOL, or alternatively request further information.

91. A chart summarising the interaction between the SPR and the POI Committee is attached (CRW.512.048.0058).

**29. Describe the reviews of customers conducted pursuant to the Significant Player Review process and whether any such reviews have led to any Withdrawal of Licence.**

92. Work on the SPR process began in July 2020. The process has undergone refinement over that period. Currently, customers who meet the threshold for review are given a default rating of 'amber' (the second lowest of four rating categories). The customer is then subject to a review by Gaming Business Unit team members, who will collate all available KYC information held on the customer.
93. Gaming Operations will then commence further checks, including but not limited to:
- Factiva and Google searches (for adverse media);
  - Dow Jones database searches;
  - house valuation (subject to confirmation of title holdings);
  - occupation; and
  - any other information gathered from within the business.
94. Gaming Business Units request further customer due diligence checks from other business units including the Credit Control, Security and Surveillance, Financial Crime and Responsible Gaming teams.

Credit Control checks include:

- third-party ASIC (or international equivalent) searches including;
  - company reports;
  - credit history;
  - bankruptcy search;
- title searches for property holdings; and/or
- third party wealth report (if applicable).

Security and Surveillance team checks include:

- historical illegal activity on site (confirmed or suspected);
- external LEA request/enquiries;
- customer ban history;
- associations with any notable customers; and/or
- any other intelligence held that may be relevant to heightened legal, financial crime or reputational risk.

Financial Crime Team checks include a review of:

- customer transaction history for indications of heightened financial crime risk; and
- a customer's previous unusual or potential suspicious transactional behaviour.

95. Completed reviews of customers result in a risk rating. The resulting risk rating informs the Gaming Business Units on any further actions required, including whether to request that the Security Investigation Unit complete a KYC Subject Profile, complete a PDA and refer the patron to the POI Committee, or request additional monitoring of the customer by the Financial Crime department.

96. Since implementation in July 2020 over 100 patrons subject to a SPR have been issued a WOL.

**30. To the extent not answered above, what other tools, controls, policies or processes does Crown use to:**

**a. undertake assessments, probity checks or due diligence in relation to patrons;**

97. Crown physically sights and records appropriate identification for each customer that:

- Joins Crown's loyalty program, Crown Rewards;
- Plays under a gaming program; or
- Conducts a threshold transaction.

98. Additionally, Crown's Financial Crime team conducts Ongoing Customer Due Diligence (OCDD) in accordance with Crown Resorts Limited's Joint Anti Money Laundering and Counter-Terrorism Financing Program (**Joint Program**).

99. OCDD encompasses:

- Transaction Monitoring;
- Customer Screening; and
- Enhanced Customer Due Diligence (when appropriate).

**(Joint Program Part A Clause 12)**

100. In addition to the work undertaken by the Gaming Business Units in instigating SPRs and the OCDD work performed by the Financial Crime team, the Credit Control department undertake the following steps for gaming customers who are applying for a Credit or Cheque Cashing Facility (CCF):

- identification checks;
- verification of address;
- PEP and Sanction screening via Dow Jones;



- Searches for adverse media (via Factiva and Google);
- Searches of external probity subscription services;
- Make enquiries with Central Credit and other casinos;
- Bankruptcy searches; and
- Source of Wealth, including obtaining business details and performing company and property ownership searches, and confirming directorships and shareholdings, where applicable.

101. The Credit Control checks serve a dual purpose of establishing both probity and creditworthiness.

102.

- b. identify critical risk customers or consider whether Crown should allow critical risk customers to gamble at the Melbourne Casino.**

103. Crown's Joint Program requires each Crown entity to rate its customers according to its Customer Risk Rating Methodology (**Joint Program Part A Clause 11.4**).

104.

105.

- 31. Produce any relevant policies or documents evidencing the answers to paragraph 30.**

106. The following documents evidence my answers to question 30:

- Crown Resorts Limited - Joint AML CTF Program - Part A - Approved 2 November 2020 (CRW.514.002.0110);
- Crown Resorts Limited - Joint AML CTF Program - Part B - Approved 2 November 2020 (CRW.514.002.0145);
- Crown Resorts Limited - Joint AML CTF Policy and Procedures - Approved 2 November 2020 (CRW.514.002.0001);
- Crown Resorts Limited - Person of Interest Committee Charter - October 2020 (CRW.510.004.0129);
- Crown Resorts Limited - POI Process Document (CRW.520.003.8590);
- POI Out of Meeting Email Template (CRW.520.002.2255);
- PDA tool (CRW.512.048.0035);
- Significant Player Policy (CRW.700.008.0137)
- SPR Decision tool (CRW.512.048.0060);
- AML/CTF Policy Statement - Escalation of Critical Risk Customers (CRW.510.004.0703); and
- Credit Control – ECDD Profile Template (this template was derived from the document formally used for Junkets. It was repurposed and implemented for SPR in April 2021) (CRW.512.048.0061).

***Deloitte 2021 review***

**32. Describe the nature and scope of the Deloitte 2021 review.**

107. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**33. What were the recommendations in the Bergin Report that Deloitte was asked to address or consider addressing?**

108. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**34. What is the status of the Deloitte 2021 review? To the extent the Deloitte 2021 review will be undertaken in phases, identify the relevant phases and the status of each phase.**

109. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**35. What, if any, findings or recommendations have been made by Deloitte?**

110. In accordance with the Commission's letter dated 13 April 2021, I have not responded to this question.

**36. Have the Boards and/or any sub-committees of the Boards, considered any recommendations made by Deloitte?**

111. On 26 March 2021, Deloitte presented a report to Crown that contained 17 recommendations and observations following its assessment of Crown's Patron Account Controls.

112. Ms Toni Korsanos, Chair, Crown Resorts Audit and Corporate Governance Committee received the report and shared it with fellow Directors. However, the report has not been formally tabled at any of the Board or Board subcommittee meetings but I am informed that the report has been discussed amongst the Directors (CRW.512.023.0100).

**37. If yes, outline any discussion at board level or at sub-committee level about any conclusions, findings or recommendations made by Deloitte.**

113. On 31 March 2021, Ms Korsanos wrote to Deloitte to confirm the Directors' acceptance of the report's findings and Crown's proposed actions to address its recommendations.

**38. Outline the changes Crown Melbourne and Crown Resorts have made or intend to make arising out of the Deloitte 2021 review and the timeframe for such changes to be implemented.**

114. Crown provided its response to the Deloitte 2021 report on 31 March 2021, detailing the steps it intends to take to address each of the Deloitte recommendations.

115. On 13 April 2021, Deloitte responded noting that Crown's proposal to address each of the recommendations and observations was appropriate. As set out in the attachment, the implementation dates for each of the initiatives range from 15 April to 1 October 2021 (CRW.512.037.0418).

**39. Attach any work plan regarding the implementation of the recommendations made by Deloitte.**

116. I refer to my response to question 38, which I believe answers this question.

**AUSTRAC Report**

**40. On 11 December 2020, AUSTRAC published its money laundering and terrorism financing risk assessment of the junket tour operations sector.**

**41. Was a copy of the AUSTRAC Report provided to the board of Crown Melbourne and/or Crown Resorts?**

117. Yes, on 11 December 2020 the report was emailed to the Crown Resorts Directors by

Crown's Legal Counsel and Assistant Company Secretary (CRW.526.007.6375).

**42. If yes, was there an analysis of the AUSTRAC Report which accompanied the provision of the report to the boards of Crown Melbourne and/or Crown Resorts?**

118. The email referred to in my response to question 41 above did not include any analysis, just the AUSTRAC Report itself.
119. The AUSTRAC Report was referred to in the Material Risk Report summary provided to the Crown Melbourne Audit Committee on 2 February 2021, and also in the risk update to the 9 February 2021 Crown Melbourne Board meeting, although I note the latter meeting was not held, as it coincided with the release of the Bergin Inquiry report (the papers were however circulated).
120. The AUSTRAC Report is also mentioned in the Risk Report included in the 25 March 2021 Crown Resorts Risk Management Committee papers.
121. I was not present at either the Audit Committee or Risk Management Committee meetings referred to in my response to this question, however I did receive the papers for the 9 February 2021 Crown Melbourne Board meeting.

**43. If yes, what conclusions or observations were made in that analysis?**

122. References to the release of the AUSTRAC Report were made in the in February 2021 meeting of the Crown Melbourne Audit Committee, the Crown Melbourne Board meeting papers and the March 2021 Crown Resorts Risk Management Committee.
123. The minutes for the aforementioned Crown Melbourne Audit Committee and the Crown Resorts Risk Management Committee meetings do not record any conclusions or observations made in respect to the AUSTRAC Report.

**44. Outline any changes Crown has made or intends to make arising out of the AUSTRAC Report.**

124. The decision taken by Crown on 17 November 2020 to cease dealing with Junkets, preceded the release of the AUSTRAC Report on 11 December 2020.
125. The AUSTRAC Report referred to a number of risk mitigation strategies that are applicable to strengthening measures to prevent the risk of financial crime within a casino, regardless of whether the casino deals with Junkets or not. These include:
- Reviewing risk appetite in relation to large cash transactions and applying heightened scrutiny of the likely origin/use of cash before deciding to proceed with the transaction;

- Collaborating more closely with LEAs;
- Accepting adverse information beyond charges or convictions as sufficient to reconsider relationships with specific customers;
- Lessening emphasis on the actions of third parties to provide comfort to the casino in respect to the suitability of a customer (such as government agencies involved in issuing visas);
- Improving systems to prevent third party transactions; and
- Increasing collaboration with a casino's bank.

(Pages 42 and 43)

126. Prior to the issuance of the AUSTRAC Report, Crown had already implemented risk management strategies addressing concerns expressed in the AUSTRAC Report by:

- Prohibiting cash deposits into its bank accounts (**CRL.742.001.0014**);
- Lowering the cash transaction thresholds for inbound transactions at the Cage or buy in at a gaming table (**CRL.742.001.0014** and **CRW.512.023.0007**);
- Incorporating adverse media in its patron probity considerations (I refer to my answers to questions 25, 29 and above regarding SPRs, reviews undertaken by Crown's Credit Control team and OCDD);
- Lessening its reliance on the degree to which a valid visa supports a person's suitability, by expanding the information sources accessed to assess that person (I refer to my response to question 1 above);
- Prohibiting third party transactions/transfers of funds, other than in limited circumstances requiring senior executive approval (as per the memorandum titled Prohibition on Third Party Payments (**CRW.512.027.1026**), the July 2020 and October 2020 FAQ on third party transfers (**CRW.709.010.6422** and **CRW.520.003.9552**), and the Prohibition on Third-Party Transfer and Money Remitters Policy (**CRL.742.001.0101**));
- Engaging in ongoing dialogue with Crown's banks on the measures Crown has taken to mitigate the risk of financial crime and seek assistance as required; and
- Engaging former NSW Deputy Police Commissioner, Mr Nick Kaldas to assist Crown to establish information sharing protocols with LEAs.

**45. On page 41 of the AUSTRAC Report, AUSTRAC outlines a series of practices used by casinos to mitigate the risk of criminal exploitation of junkets. Which of these practices are used or have been used by Crown in respect of its JTOs and JTRs?**

127. Crown has implemented all of the practices used by casinos referred to on page 41 of the AUSTRAC Report to mitigate the risk of criminal exploitation of Junkets with the exception that Crown required the Junket Operators to enter Australia every two years to ensure they are still eligible to be granted a visa, rather than every year per the AUSTRAC Report.



***Licensing, approvals or sanctions of junket operators***

46. On 17 November 2020, Crown Resorts issued a ASX/media release stating:

**“The Board has determined that Crown will permanently cease dealing with all junket operators, subject to consultation with gaming regulators in Victoria, Western Australia and New South Wales. Crown will only recommence dealing with a junket operator if that junket operator is licensed or otherwise approved or sanctioned by all gaming regulators in the States in which Crown operates.**

**The consultation process with Crown’s gaming regulators in Victoria, Western Australia and New South Wales has commenced.”**

a. **Outline the consultation process Crown engaged in with gaming regulators in Victoria, Western Australia and New South Wales.**

128. On 16 November 2020, the VCGLR was contacted and advised that the Crown Resorts Board was considering ceasing Junket Operations subject to a licensing regime, or similar approval process, agreed with all regulators in the States in which it operates. Similar conversations were had with both the NSW Independent Liquor and Gaming Authority (ILGA) and the Western Australian Department of Local Government, Sport and Cultural Industries (DLGSC).
129. Subsequently, the Board made the decision to cease dealing with Junket Operators on 17 November 2020, and the ASX was informed.
130. Following the 17 November 2020 announcement, consultation with the VCGLR has primarily pertained to how Crown's decision to cease dealing with Junket Operators impacts on its obligations under the Crown Melbourne Consolidated Casino Agreement to be the dominant Commission Based Player casino in Australia. There have been no substantive discussions with the VCGLR regarding a potential Junket licensing or approval process.
131. On 27 April 2021, the VCGLR issued a Letter of Censure (**Censure Letter**) to Crown which *“prohibits Crown from recommencing junket operations at the Melbourne casino until it has satisfied the Commission that its processes and procedures have been improved to the satisfaction of the Commission” (CRW.512.048.0039).*
132. It is my understanding, that there have been no discussions on this topic with ILGA following the issuance of the Bergin Report on 1 February 2021, which recommended that the *Casino Control Act* be amended to prohibit casino operators in NSW from dealing with Junket Operators (**Recommendation 11**).

133. Crown Perth wrote to the DLGSC on 23 November 2020 proposing the removal of reference to Junkets in its Casino Manuals. This change was approved in February 2021. The Gaming and Wagering Commission of Western Australia subsequently issued directions to Crown Perth under the *Casino Control Act 1984 (WA)* on 24 February 2021 which provide that Crown Perth shall not participate in the conduct of Junkets, premium player activity or privileged player activity (**Directions**). I understand that Crown has not held discussions with the DLGSC with respect to a licensing or approval process for Junkets.

**b. Is it Crown's present intention to recommence dealings with junket operators? On what basis, and subject to what (if any) conditions does Crown intend to recommence dealings with JTOs?**

134. Crown has no present intention of recommencing dealings with Junket Operators. The condition upon which it would consider recommencing dealing is stipulated in its ASX announcement referred to in my response to this question.

**c. Outline the issues that Crown considers have to be addressed, the steps that Crown considers need to be taken and the procedures that need to be implemented before Crown is able to recommence dealings with JTOs and the likely timeframes.**

135. The announcement made by Crown on 17 November 2020 included that "...Crown will only recommence dealing with a junket operator if that junket operator is licensed or otherwise approved or sanctioned by all gaming regulators in the States in which Crown operates".

136. In light of the Directions referred to in my answer to question 45 above, the Censure Letter and the recommendation of the Bergin Inquiry that the *Casino Control Act* be amended to prohibit casino operators in NSW from dealing with Junket Operators (**Recommendation 11**), Crown believes the likelihood of Junket Operators being "approved or sanctioned by all gaming regulators in the States in which Crown operates", is extremely unlikely.

137. Therefore, Crown has no present intention to re-engage with Junkets, and accordingly, a likely timeframe for Crown to do so cannot be provided.

#### ***Junket and Premium Player Programs Internal Control Statement***

**47. In December 2017, the VCGLR took disciplinary action after finding that Crown Melbourne had failed, in some instances, to implement the internal control statement for Junket and Premium Players and imposed a fine of \$150,000. The failures involved failing to properly document junket**

**arrangements, including failing to name junket program players and an operator, failing to document front money and failing to accurately record the authorised Crown Melbourne representative.**

**a. Describe the internal controls not complied with.**

138. On 28 December 2016, the VCGLR wrote to Crown alleging 21 breaches of the Junket and Premium Player Programs Internal Control Statement (ICS), dated 13 December 2013. The alleged number of breaches was later reduced to 13 instances. The letter noted that the Commission determined that Crown had contravened s 121(4) of the *Casino Control Act* (Vic) on 13 occasions as a result of non-compliance with the Junket and Premium Player Programs. Section 121(4) provides "*The casino operator must ensure that the system approved for the time being under this section for the casino is implemented*".
139. The contraventions were the result of failing to satisfy clauses 2.1.1, 2.2 and 2.7 of the ICS, which provided for:
- the conduct of Junket and Premium Player programs (**Clause 2.1.1**);
  - the creation and maintenance of an audit trail for the monitoring and recording of a variety of information in relation to the Junket and its players (**Clause 2.2**); and
  - the notification of new non-resident Junket Operators to the VCGLR (**Clause 2.7**).

**b. Describe the nature of Crown Melbourne's non-compliance, including the period(s) of non-compliance.**

140. Crown was found to be non-compliant on two (2) occasions (breach 1 & 19), for not documenting Junket program player's names on the Junket Agreement, in breach of *cl. 2.2.1(a)(iii)* of the ICS, therefore breaching s 121(4) the *Casino Control Act 1991* (Vic).
141. Crown was found to be non-compliant on three (3) occasions (breach 2, 3 & 14), for not documenting Junket program players on the Junket Agreement (but attaching them in a print form from the casino management system instead), in breach of *cl. 2.2.1(a)(iii)* of the ICS, therefore breaching s 121(4) of the *Casino Control Act 1991* (Vic).
142. Crown was found to be non-compliant on one (1) occasion (breach 5), for not documenting the Front Money on the Junket Agreement, in breach of *cl. 2.2.1 (a)(iv)* of the ICS, therefore breaching s 121(4) of the *Casino Control Act 1991* (Vic).
143. Crown was found to be non-compliant on six (6) occasions (breach 6, 7, 8, 9, 15 & 20), as the Crown representative was neither accurately recorded, nor identifiable in the Junket Agreement (illegible hand writing), in breach of *cl. 2.2*, therefore breaching s 121(4) of the *Casino Control Act 1991* (Vic).
144. Crown was found to be non-compliant on one (1) occasion (breach 17), as Crown failed to



notify the Commission of a new non-resident Junket Operator, in breach of *cl. 2.7*, therefore breaching *s 121(4)* of the *Casino Control Act 1991* (Vic).

145. The failures related to the completion of the documentation relating to five Junket programs dated as follow:

- Program 230115 - Crown entered into a Table Game (TG) Junket Program on 10 January 2015;
- Program 239480 - Crown entered into a TG Junket Program on 15 July 2015;
- Program 240433 - Crown entered into a TG Junket Program on 1 August 2015;
- Program 242109 - Crown entered into a TG Junket Program on 3 September 2015; and
- Program 242435 - Crown entered into a TG Junket Program on 9 September 2015.

**c. Following the VCGLR's disciplinary action, did Crown Melbourne review its systems and controls in relation to documenting junket arrangements? If so, describe the nature and findings of the review.**

146. Yes. Meetings were held with the heads of the VIP International, Gaming and Cage departments to reinforce the necessity to accurately complete the Junket paperwork and they were asked to reinforce this requirement with their teams. The discussions were followed up by a memo dated 22 December 2017, 'Junket and Premium Player Program Internal Control Statement (ICS) Compliance'. The matter was also reiterated in staff musters and briefing sessions across departments, as well as in departmental newsletters (CRW.520.015.4517).

147. Crown also held discussions with the VCGLR regarding amending the ICS to reflect that the casino management system be the source of truth to record the necessary information as it held all of the relevant information (and is accessible to and audited by the VCGLR), to reduce the opportunity for human error. However, this change was not ultimately approved.

148. Crown made an IT change to implement a drop box on a number of electronic forms where the staff member could select their name and identification number, rather than having to hand write them. Additionally, as noted in my response to question three, a dedicated staff member was tasked with reviewing all Junket packets on a daily basis to ensure that they were complete, accurate and legibly completed – this practice continued until Junkets ceased at Crown Melbourne.

**d. What steps did Crown Melbourne take to address the issues of non-compliance identified by the VCGLR's disciplinary action?**

149. The steps taken are detailed in my response to question 47c, above.

- e. **Further to sub-paragraphs (a) and/or (b), what, if any, changes did Crown Melbourne implement in relation to documenting junket arrangements following the VCGLR's disciplinary action?**
150. The changes implemented are detailed in my response to question 47c, above
- f. **In the Sixth Casino Review, the VCGLR observed that to assist in mitigating the risks associated with junkets, the current internal control statements for junkets could be strengthened with the inclusion of more robust controls in relation to the identification of individual junket players and their associated gaming transactions.**
- g. **Describe the steps, if any, taken by Crown Melbourne in response to that VCGLR observation.**
151. Recommendation 17 of the Sixth Casino Review, required Crown to undertake a robust review of its internal controls with external assistance, including input from AUSTRAC, to ensure that AML risks were addressed. Crown's AML Department undertook a review of its ICSs (including the Junket and Premium Player Program ICS) with the assistance of external consultants Initialism and made suggestions for change, which formed part of Crown's response to Recommendation 17 of the Sixth Review.
152. Crown also consulted with AUSTRAC (both informally and formally) in respect of Recommendation 17 and its proposed changes to the relevant ICSs, including meeting with senior AUSTRAC staff responsible for AUSTRAC Regulatory Operations.
153. In seeking AUSTRAC's input, Crown provided AUSTRAC with an overview of Recommendation 17 (together with access to the Sixth Review Report), as well as:
- a copy of the contemplated amendments to the relevant ICSs; and
  - an updated position regarding the proposed amendments to the relevant ICSs to take account of Initialism's advice (specifically, the inclusion of the AML/CTF Program as a control in each relevant ICS).
154. AUSTRAC responded to Crown that it was not appropriate for it to comment on Crown's internal control statements, and therefore, no input from AUSTRAC was included in Crown's response. Additionally, Crown spoke with AUSTRAC regarding input and/or assistance with Crown's AML training for its staff; however, AUSTRAC advised that it does not provide training to reporting entities.
155. Crown submitted to the VCGLR that it would make changes to the Junket and Premium Player Program ICS to add Crown's AML/CTF Program as a control in the "Minimum Standards and Controls" section and a specific risk of "Criminal influence and exploitation" (which captures potential money laundering or terrorism financing activities) in each

relevant ICS Risk Assessment Matrix. Crown agreed it would make these changes once approved by the VCGLR. The VCGLR responded, noting that it intended to undertake its own review of the ICSs and wrote to Crown in August 2020 to commence this process.

156. The new Junket and Premium Player Program ICS was approved by the VCGLR on 17 December 2020; however, the Junket element of the ICS will not be implemented following Crown's decision to cease dealing with Junkets.

***Financial impact***

**48. Explain, with full details, the current and projected financial impact on Crown Melbourne of the decision to cease dealings with JTOs and JTRs.**

157. A paper was presented to the Crown Resorts Board in November 2020 recommending that Crown permanently cease dealing with all Junkets and provided an estimate of the financial impact should this recommendation be endorsed (**CRW.510.002.1206**).
158. The estimate of the financial impact on Crown Resorts and Crown Melbourne was projected to be a reduction in EBITDA of a total of \$113.5m and \$33.3m, respectively over the financial years ended 30 June 2022 to 2025.
159. The estimated financial impact referred to above was calculated using the four year financial plan presented to the Crown Resorts Board in June 2020 as the basis for comparison with the financial forecast presented to the Crown Resorts Board in the November 2020 paper. The June 2020 forecast was formulated on a number of high level assumptions particularly in relation to the ongoing impact of COVID-19 on Crown's businesses. In hindsight, those assumptions appear to be optimistic and therefore present a worst case scenario when estimating the financial impact of Crown's decision to cease dealing with Junkets. Consequently, we now expect the financial impact to be less than estimated in the November 2020 paper presented to the Crown Resorts Board.
160. The key assumptions contained in this financial analysis are as follows:
- All three of Crown's Australian properties no longer accept Junket play, adopting a premium player only model;
  - No impact on Crown Aspinalls (London) was assumed as Aspinalls does not accept Junket play;
  - Some limited natural uplift of premium play volumes was assumed due to the transfer of some Junket players who are past visitors (and who pass relevant KYC and ECDD checks) to the properties;
  - Crown's three private jets are sold, with any future jet travel requirements met via private charter\* (one-off financial impact);

- The existing Hong Kong office is closed and the overseas based sales model reverts to a local Melbourne based model;
- The reduction in Junket player visitation numbers will have some negative financial consequences on areas of the local business including premium gaming, premium food and beverage and the Crown Towers hotel; and
- A significant reduction in labour required across the group (one-off financial impact of redundancies).

*\* I note that Crown has since decided to sell only one jet.*

**49. Has Crown identified other revenue streams to compensate for or to mitigate the financial impact of the decision to cease dealings with JTOs? If yes, please identify those other revenue streams.**

161. Crown intends to re-enter the International VIP Premium Player market (except at Crown Perth unless approved by the DLGSC) when international borders reopen and subject to the risk assessment advice being sought from Herbert Smith Freehills in relation to various overseas jurisdictions as described in my first and second statements.
162. As noted in my response to question 48, Crown has commenced and will continue progressively reducing its expense structure in relation to the VIP International business due to the decision to cease dealing with Junkets, changes to the international regulatory and political setting and a reduction in Crown's own risk appetite.

#### ***Bergin Report***

- 50. The Bergin Report concluded that in the period 2012 to 2020, Crown entered into and/or continued commercial relationships with JTOs who had links to triads and organised crime groups.**
- 51. To what extent do you attribute these failings to Crown's risk management framework, processes for conducting due diligence reviews and probity checks in relation to JTOs or any other matter?**

163. In reflecting upon the material I have read and enquiries I have made in preparing this statement and my previous statements, I have formed the view that the failings identified in the Bergin Report to be attributable to three primary causes:
- (i) A deficient risk management framework and the business' failure to properly engage with it;
  - (ii) Shortcomings in due diligence processes associated with Junkets that was too heavily focussed on creditworthiness and too narrow in scope; and

- (iii) A risk culture in elements of the business that was inconsistent with the expectations of the regulator and the general community.

#### **Risk Management**

- 164. Crown's risk management documentation was limited in content, for example a Risk Management Strategy setting out what the Board expects from its risk management framework did not exist.
- 165. The role of risk was not elevated to an appropriate status reflecting its importance to the organisation.
- 166. Departments responsible for managing risk, including the Financial Crime department were lightly resourced.
- 167. The system in place for recording and reporting breaches, wasn't efficient or comprehensive.
- 168. Crown's risk appetite as set by the Board was not clearly articulated and guidelines and systems for escalating matters to the Board were not clear.

#### **Due Diligence**

- 169. As described in my responses to questions one and two, Crown's due diligence processes historically gave greater weight to creditworthiness as opposed to probity. The fact that the bulk of the due diligence was performed by the Credit Control team points to this bias.
- 170. Additionally, the probity work done in respect of Junkets was primarily on the Junket Operator. Aside from appropriate identification, minimal checks were undertaken with respect to Junket Representatives and Junket participants other than being subject to a daily World Check/Dow Jones screen. Minimal, if any probity due diligence was performed on beneficial owners or financiers (where known).
- 171. Even when adequate due diligence was obtained on a Junket Operator, sufficient weighting was often not placed upon identified concerns.

#### **Risk Culture**

- 172. Crown historically accepted risks that it shouldn't have. Continuing relationships with certain Junket Operators after instances of unacceptable behaviour or credible allegations were known, the prevalence of third party funds transfers and the failure to escalate matters of concern are examples evidencing Crown's misaligned risk culture.

**52. To what extent do you consider any changes identified in response to the paragraphs 17 and 18 above will ensure that such failings do not occur in the future?**

173. Question 17 refers to the BRG Report. As noted in my response to that question, the BRG Report provided due diligence information on the Subjects, it did not make any recommendations. The Subjects were subsequently issued a WOL as outlined in my response to questions 16 and 17 above.

174. Crown has commenced responding to the failings identified in the Bergin Report. In reference to the three concepts I referred to in my response to question 51 the paragraphs below detail the work Crown has done, and is continuing to do to rectify these failings.

#### **Risk Management**

175. The significant enhancements that have been made to Crown's Risk Management Framework since 2018, in areas including documentation of decisions and processes, escalation and reporting and resourcing are evidence that risk structure and processes in place before these enhancements were made were not adequate in enabling Crown to meet its regulatory obligations.

176. The development of a Risk Management Strategy and a formally documented Risk Appetite Statement as part of that strategy are evidence of documentation enhancements.

177. The instigation of the Executive Risk and Compliance Committee (**ERCC**) at Crown Melbourne in 2018, now chaired by the Group EGM Regulatory and Compliance, is one example of strengthened governance. Matters considered by the ERCC are typically canvassed in a variety of other management committees including committees convened to discuss matters relating to AML/CTF, compliance and regulatory matters, responsible gambling, responsible service of alcohol, occupational health and safety and fraud. Also in 2018 Crown Melbourne implemented an enterprise compliance and risk management system from CURA Software Solutions (**CURA**) that requires departments within Crown to report monthly, quarterly and annually on breaches of policy, procedures or regulatory obligations. The CURA reports are certified by the heads of the reporting departments. CURA ensures reportable matters are escalated in a systematic manner. Information discussed at the ERCC forms the basis of material presented to Crown Resorts' Risk Management Committee (**RMC**) and Crown Melbourne's Board Compliance Committee ensuring matters are transparently communicated across the organisation including the Crown Boards, as appropriate.

178. Previously, the Risk and Audit department reported to Crown's Chief Executive Officer

(CEO) Australian Resorts, with an administrative reporting line to the Chief Legal Officer who had a number of other functions. Crown has now separated Internal Audit from Risk and created the Chief Risk Officer (CRO) position as a standalone role with a single responsibility for risk management. The CRO reports directly to the Crown Resorts interim Executive Chair (and will report to the Crown Resorts CEO once appointed) and the Chair of Crown's RMC. Hence, risk management has been enhanced and elevated via a more direct and senior reporting line.

### **Due Diligence**

179. Following the arrest and detention of Crown's employees in China, changes were made to Crown's processes and procedures for carrying out due diligence reviews, as outlined in my response to question 1. These changes require further improvement as I noted in my response to question 12.
180. Crown has also reflected on the due diligence shortcomings with respect to Junket participants and implemented the SPR as an ongoing process for existing and future customers.
181. The Bergin Inquiry and consequent Report highlighted shortcomings in Crown's resilience to financial crime, which requires a substantive response. Enquiries by AUSTRAC and findings by the VCGLR, underlined the imperative for change.
182. Crown's response to date has been to take significant steps to improve its resilience to financial crime occurring at its casinos, including the:
  - Appointment of the Group Chief Compliance and Financial Crime Officer, Steven Blackburn;
  - Substantial and ongoing investment by Crown to:
    - increase the number of team members in its Financial Crime, Regulatory and Compliance and Risk departments;
    - introduce new processes and automate existing processes; and
    - engage a variety of professional advisers to assist to develop and implement improvements.
  - Adoption of the current Joint Program by the Crown Resorts Board on 2 November 2020;
  - Decision by the Crown Resorts Board on 17 November 2020, to permanently cease dealing with Junkets;
  - Use of a greater number of information sources to capture patron data;
  - Introduction of the Group POI Committee (including the use of the PDA tool);
  - Implementation of enhanced controls including:
    - prohibiting cash deposits into its bank accounts;
    - prohibiting third party transfers (subject to approved exceptions); and



- introducing limits on cash transactions within the casino, and
- A refresh of AML/CTF training for all employees, including Crown's Board.

183. As noted in my response to question 51 above, Crown also has in place the CURA compliance and risk management system to ensure escalation occurs. When failings are notified, they are escalated to Crown Melbourne's ERCC then the RMC and ultimately the Crown Resorts Board.

184. Crown recognises that measures required to mitigate the risk of financial and other crimes occurring at its casinos requires continual review and improvement. To this end, I am aware that there are a number of projects underway, including Mr Blackburn's strategy for Crown's mitigation of the risk of financial crime at its casinos, which I expect to come with a number of recommendations requiring implementation.

#### **Risk Culture**

185. The Crown Board has clearly communicated to all senior employees that its risk appetite is substantially lower than was previously the case. The Executive Chair also highlighted to all employees when recently launching the company wide survey of Crown's culture, that the Bergin Inquiry "identified shortcomings in our culture which do not reflect our values and expectations". The purpose of the survey is to measure culture across the organisation and then create an action plan to address areas of concern. I expect the culture survey to be a regular occurrence.

186. I believe the 'top down' approach is an important concept and following my appointment as Crown Melbourne's CEO I have made a commitment to address new employee induction orientations where I focus on the concept of 'see something, say something'. I have also been attending meetings of various departments to reinforce the Board's direction to prioritise matters of regulatory compliance, prevention of criminal elements within the casino, reputation, brand and patron (and employee) health and safety. This will be an ongoing commitment to ensuring Crown's Value of 'Do the Right Thing' remains at the forefront of all employee's thinking.

187. Crown recognises that well documented and communicated strategies, policies and processes do not eliminate the risk of breaches occurring, but will provide the best opportunity for them being identified and escalated in a timely manner.

188. Improvements to Crown's risk management strategy, customer probity processes and risk culture will continue to evolve, however it is my view that had Crown had in place its current and developing systems, the many shortcomings identified by the Bergin Inquiry may not have occurred. Therefore, I believe it follows that at least in part, risk management and probity process failings contributed to the issues highlighted in the Bergin Inquiry.



Signed:

A solid black rectangular box used to redact a signature.

Date:

3 May 2021

