



**RISK MANAGEMENT COMMITTEE**  
Meeting of the Committee  
by Teleconference  
Monday, 25 February 2019 at 9.30am



## Risk Management Committee

Meeting of the Committee to be held on 25 February 2019 at 9.30am  
by teleconference

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### Attendees

<i>Committee:</i>	Geoff Dixon (Chair) Andrew Demetriou Jane Halton  Mary Manos (Secretary)
<i>By Invitation:</i>	John Alexander (Crown Resorts) Ken Barton (Crown Resorts) Barry Felstead (Australian Resorts, CEO) Lauren Harris (Crown Resorts) Josh Preston (Australian Resorts, CLO)

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RESTRICTED AGENDA

### 1. **VIP Operating Model**



**AGENDA ITEM 1:**  
VIP Operating Model



## Risk Management Committee

### Memorandum

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**To:** Risk Management Committee

**From:** Barry Felstead

**Date:** 22 February 2019

**Subject:** **VIP Operating Model – Singapore / Risk Assessment**

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Dear Committee Members,

#### **Background**

We refer to the “VIP Operating Model – Malaysia and Singapore” paper dated 7 February 2019 that was considered at the Risk Management Committee meeting held on Monday, 11 February 2019. That paper sought approval from the Committee to adjust the approved VIP Operating Model (**initial Model**) to now permit staff to be based in Malaysia and Singapore to carry out non promotion of gaming activities.

#### **Risk Assessment**

As discussed with Committee members, management has determined to separate the Singaporean element of the proposal from the Malaysian element in order for Singapore to be considered in isolation and the initial Model to be adjusted accordingly (**Singapore Proposal**).

In this respect, having considered the Committee’s feedback from the 11 February meeting, we have prepared a Risk Assessment related to having 1 or 2 staff based in Singapore, which is attached as “Attachment A”. The Risk Assessment articulates the risks, controls implemented as part of the initial Model and new enhanced controls to support the Singapore Proposal.

#### **Independent advices**

To support the Risk Assessment and to assist the Committee in considering the Singapore Proposal, we have obtained further advice from MinterEllison who have engaged a specialist risk advisory firm (Hakluyt) to assist, as well as taking further advices from local Singaporean lawyers. A copy of MinterEllison’s advice dated 18 February 2019 is attached as “Attachment B”.

**Financial Impact - Singapore**

	FY16	FY17	FY18	FY19 YTD
Turnover (\$b)	2.0	1.4	1.4	0.8
Theoretical Direct Contribution (\$m)	8.9	7.4	6.5	3.2
Number of Gaming Programs	728	521	361	223

Results from the Singapore market have continued to decline since FY16 when turnover of \$2b (\$8.9m theoretical contribution) was generated.

For the first 7 months of FY19 turnover was \$0.8b (\$3.2m theoretical contribution), however nearly half of this turnover was produced by only 2 customers and most of this was in the first quarter of FY19. Turnover from the same 2 customers was immaterial in FY18 - if these 2 outlying customers were excluded from YTD FY19 turnover would have been \$0.5b (or \$0.8b annualized).

Operating under the initial Model, it is likely that future annual turnover volumes would be around \$1.2b (\$4.6m contribution) which is significantly lower than prior years.

Personal relationships are very important to customers and assist greatly in determining which property they choose to visit. We believe we are foregoing a significant profit opportunity by not having face to face non-gaming related discussions with customers in market by staff located in Singapore.

Management's view is that operating under the Singapore Proposal would see the business maintain future volumes at around \$1.6b per annum (\$6.1m contribution) with the possibility of increasing those volumes as the Singapore Model matures.

**Proposed Resolution**

REDACTED - PRIVILEGE

Management is therefore of the respectful view that taking into account the Risk Assessment and the advices of external advisors, the Singapore Proposal is appropriate to be approved.

Accordingly based on the above, it is proposed that the Committee recommend to the Board that the Singapore Proposal be approved and that the:

*"Board **RESOLVE** to approve the initial Model being adjusted to permit staff being based in Singapore with the controls (both existing and proposed) detailed in the Risk Assessment being implemented."*

Kind regards

Barry Felstead  
**Chief Executive Officer – Australian Resorts**  
 Encl



VIP Operating Model - Risk Assessment  
SINGAPORE

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## BACKGROUND

The business made changes to the VIP Operating Model (**Model**) adopting a number of revised operational protocols, which have been in place since Q3 2017.

The current Model has established protocols which require our staff to make gaming related calls out of the Hong Kong office, or have an Australian based staff member make these calls for them, and then go in country to have face to face meetings and attend events where they discuss non-gaming subjects with patrons (**existing protocols**).

The business is proposing to adjust that Model for our Singapore staff, allowing them to be based and reside in Singapore, therefore being more present in country to perform face to face non-gaming engagement with patrons, while continuing to have gaming related activities done out of either Hong Kong or Australia.

## RISK ASSESSMENT

Some of the major inherent risks associated with the VIP operations in Asia in particular, and Singapore more specifically, are noted below, along with both existing controls, and additional controls proposed to enhance the control framework in place, and further reduce the residual risk.

Both the current socio economic context and the existing control framework in place reduces the risk of incidents to a 'LOW' residual level, as assessed by both Australian and in country legal experts as well as expert risk advisors, but the proposed additional measures can further enhance Crown's position and allow it to respond more quickly to either triggers or events.

The main risks identified are as follows:

1. Breach of local regulations and/or legislation
2. Staff failing to follow operational protocols
3. Breach of local expectations, cultural beliefs and 'unwritten rules'
4. Safety incidents involving staff (protest or targeted action against individual staff by the public)
5. Arrest and/or detention of staff (action by local law enforcement agencies)

Risk	Existing Controls in Place for Hong Kong based staff who travel into country	Additional controls proposed	Residual risk level
<b>1 – Breach of local regulation and/or legislation</b>			
	<ul style="list-style-type: none"> <li>• There is to be no promotion of gambling or any other 'on the ground' activity on visits to other Asian centres which might be characterised as arranging gambling or performing travel agency functions (for which a travel agents licence is required) such as arranging travel to Australia or accommodation in Australia (as provided for in the existing protocols);</li> <li>• VIP staff are to only deal with junket operators who are licensed by the</li> </ul>	<ul style="list-style-type: none"> <li>• Extend the existing protocols to Singapore based staff;</li> <li>• Employees in country are to record details of all meetings and conversations are to be <u>into Sales Force</u> within 24 hours of any meeting to ensure that there is a current record of the activity and discussions that took place;</li> <li>• A <u>script</u> is to be provided to employees with examples of how to respond to a patron if they make gaming related comments, for example, "we will get someone from our Hong Kong or Australian offices to call you regarding gaming matters as we are not in a</li> </ul>	<b>LOW</b>

## Attachment A

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	<p>DICJ in Macau or otherwise vetted by Crown management (as provided for in the existing protocols);</p> <ul style="list-style-type: none"> <li>• The appointment of a dedicated Compliance Officer in Hong Kong;</li> <li>• Periodic reviews of the existing protocols with supporting training; and</li> <li>• The Hong Kong team is supported by staff based in Australia.</li> </ul>	<p><i>position to discuss anything related to gaming”;</i></p> <ul style="list-style-type: none"> <li>• Regular <u>risk management monitoring</u> will be done by local lawyers and/or a risk advisory consultancy to pick up early warning signs of any change to enforcement policy or any risk of enforcement action being taken against foreign casinos in relation to marketing activities. Including for example: <ul style="list-style-type: none"> <li>○ a weekly sweep of print and online media;</li> <li>○ the sweep will cover material in English, Mandarin and Malay;</li> <li>○ the sweep will cover reports of parliamentary proceedings; and</li> <li>○ a weekly report, even if it is just to confirm that there have been no developments of note.</li> </ul> </li> <li>• Hong Kong based Compliance Officer to include compliance and protocols checks to Singapore based staff and to report to the Group General Manger Regulatory and Compliance on at least a monthly basis;</li> <li>• Retain ongoing services of local legal firm to advise on changes in legislation and related interpretations and operationalisation of such legislation;</li> <li>• <u>Updated training</u> will be provided to the relevant staff members specifically focusing on the script to follow should gaming matters be raised when meeting with patrons in other Asian jurisdictions. This will be refreshed on a regular basis, specifically taking into account any learnings from the regular monitoring; and</li> <li>• <u>VIP staff bonus plans</u> are to be revised to remove the reference to specific jurisdictional targets and to add a KPO regarding compliance with the protocols. The new bonus plans will be based on overall VIP budget performance, so that there will be no incentive for staff to pursue specific financial targets for the jurisdiction in which they operate.</li> </ul>	
<b>2 - Staff failing to follow protocols</b>			
	<ul style="list-style-type: none"> <li>• The appointment of a dedicated Compliance Officer based in Hong Kong;</li> <li>• Periodic reviews of the existing protocols with supporting training is undertaken; and</li> <li>• The Hong Kong team is supported by</li> </ul>	<ul style="list-style-type: none"> <li>• Employees in country are to record details of all meetings and conversations <u>into Sales Force</u> within 24 hours of any meeting to ensure that there is a current record of the activity and discussions that took place;</li> <li>• Hong Kong based Compliance Officer to include compliance and protocols checks to</li> </ul>	

## Attachment A

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	staff based in Australia.	Singapore based staff and to report to the Group General Manger Regulatory and Compliance on at least a monthly basis; and <ul style="list-style-type: none"> <li>• <u>VIP staff bonus plans</u> are to be revised to remove the reference to specific jurisdictional targets and to add a KPO regarding compliance with the protocols, enhancing and promoting compliance culture.</li> </ul>	
<b>3 - Breach of local expectations, cultural beliefs and 'unwritten rules'</b>			
	<ul style="list-style-type: none"> <li>• There is to be no promotion of gambling or any other 'on the ground' activity on visits to other Asian centres which might be characterised as arranging gambling or performing travel agency functions (for which a travel agents licence is required) such as arranging travel to Australia or accommodation in Australia (as provided for in the existing protocols);</li> <li>• Advice has been received that indicates the lack of concern by the government and general public of gambling habits by wealthy individuals; and</li> <li>• Strict engagement protocols and compliance regime exist in Hong Kong to ensure concerns around illegal activities and criminal links are identified and effectively managed.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees in country are to record details of all meetings and conversations <u>into Sales Force</u> within 24 hours of any meeting to ensure that there is a current record of the activity and discussions that took place;</li> <li>• All existing and proposed Singaporean <u>customers are to be screened</u> before our staff living in Singapore meet or engage with them to ensure there are no known integrity issues that we can reasonably identify (via Crown's Dow Jones tool which is also used for our AML/CTF Program); and</li> <li>• Discussions with potential patrons will be targeted to wealthy individuals only, avoiding the general public perception of the impact of gambling on lower income individuals;</li> <li>• Extend the use of a local law firm to inform on local practices, 'unwritten rules' and cultural expectations.</li> </ul>	<b>LOW</b>
<b>4 – Safety incident involving staff (protest or targeted action against individual staff by the public)</b>			
	<ul style="list-style-type: none"> <li>• Constant and ongoing engagement between Hong Kong based staff and head-office staff;</li> <li>• Following of strict protocols for approach and engagement for targeted individuals (as provided for in the existing protocols); and</li> <li>• Incorporating compliance with operating protocols into employment contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• Only low key events, interactions and meetings with targeted individuals, ensuring limited public attention;</li> <li>• Engagement of International SOS (<b>ISOS</b>) in the provision of travel risk management services, including pre-travel assessments, live notices of medical or safety events or concerns, in country health and safety support, and extraction where necessary</li> <li>• Ability to track staff location through the ISOS APP, to ensure staff location and safety in case of civil unrest or other safety concern; and</li> <li>• Protocols in place, coordinated by ISOS, for making contact with staff in country during and after event.</li> </ul>	<b>LOW</b>



## Attachment A

5 – Arrest and/or detention of staff (action by local law enforcement agencies)		
	<ul style="list-style-type: none"> <li>• SAME AS ABOVE</li> </ul>	<ul style="list-style-type: none"> <li>• Analyse any in country peer events that could escalate to an event for Crown staff;</li> <li>• Retaining the services of local law firm or other suitable advisors to conduct trigger identification, including for example: <ul style="list-style-type: none"> <li>○ a weekly sweep of print and online media.</li> <li>○ the sweep will cover material in English, Mandarin and Malay.</li> <li>○ the sweep will cover reports of parliamentary proceedings.</li> <li>○ a weekly report, even if it is just to confirm that there have been no developments of note;</li> </ul> </li> <li>• ISOS also provides recommendations for local vetted legal representation, as well as extraction and retrieval services where required; and</li> <li>• Considering additional insurance product, in complement our existing special contingency (K&amp;R) policy.</li> </ul>

LOW

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**CONCLUSION**

The control framework in place has been effective since the change in the VIP Operational Model. It has been focused on ensuring compliance and minimising the risk of Crown's processes being viewed by local law enforcement or even the general public as inadequate, and risking the safety and freedom of staff, as well as Crown's reputation.

Crown has been operating in the Singapore market over that period of time, and staff are familiar with the protocols and compliance regime.

The proposed additional controls focus on pro-active identification of triggers, both in the legislative environment and popular perception, which will help Crown enact its response plan should any incident materialise. They will also enhance the compliance culture required by Crown from its VIP Operations.

To further enhance its response plan, the engagement of International SOS, as a travel risk management provider, will also contribute to both pro-active trigger identification, with an added scan of medical and safety issues, as well as effective incident monitoring, staff tracking and crisis response should any incident materialise.

Overall, the additional risk of moving staff from the Hong Kong-based office to live in Singapore is very limited, and the introduction of additional controls further positions Crown to pro-active trigger identification and effective response and reduces the overall risks to the Model.

# MinterEllison

18 February 2019

## BY EMAIL

Mr Joshua Preston  
Chief Legal Officer - Australian Resorts  
Crown Resorts Limited

Dear Josh

### International VIP Business Operations – Singapore

We confirm that we have received two reports from Hakluyt in relation to Singapore, the most recent of which was in late September 2018.

#### Hakluyt's conclusions

1. Hakluyt's conclusions are:
  - *'The Singaporean government has traditionally been negatively disposed towards gambling, reflecting wider public concern about its social impact. But there is now also a clear acknowledgement of the economic benefit casinos can bring, including through tourism. The country's IRs are a major attraction for foreign visitors.'*
  - *'Regulations covering licensed casinos and marketing activities have been relaxed in recent years and the forthcoming expiry of the two existing casino licences could lead to a further relaxation, possibly even the introduction of new concessions.'*
  - *'The authorities, though, are sensitive to criminal links to gambling and the marketing of casinos. So, while promoting resort services should not raise undue risks, it's important to approach compliance seriously and in a transparent way.'*
  - *'A loosening of regulation around casino operations over the last decade has led to lighter-touch regulation of foreign casino marketing. There appears to be little risk with basing staff in Singapore provided marketing is targeted at wealthy residents, is conducted in private and uses broader integrated resource marketing as a wrapper for gaming-related promotions. The crowded nature of foreign casino marketing efforts in Singapore also makes a local office practically desirable. While local employees are likely to be preferred to expatriates, regulators do not see this as a significant issue.'*

#### Commentary

2. Hakluyt's commentary behind these conclusions and in relation generally to the environment in Singapore is as follows:

***'Singapore has traditionally been averse to gambling...'***

*The Singaporean government has traditionally been negatively disposed towards gambling, reflecting wider public concern about its social impact.*

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As a director at the Ministry of Home Affairs (MOHA), the ultimate regulator of casino activity via the Casino Regulatory Authority (CRA), put it: "Singapore's thinking on gambling has long been clear. We generally want the locals to stay out of it unless they have more than enough spare cash after providing for their day-to-day needs."

A director of Genting said: "Singapore has conservative attitudes towards gambling and people worry about the negative social effects of casinos on younger residents."

**...but there is an acknowledgement of the economic benefits of casinos**

However, the thinking of contemporary policy makers has shifted. There is now a clear acknowledgement of the economic benefits that casinos can bring, including through tourism.

The Genting director again: "When Lee Kuan Yew was prime minister [1959-90], there was no way the government would tolerate gaming, let alone issue casino licences. But the situation has changed since then as the government, in wanting to stimulate growth, has sought new sources of revenue, including from gaming."

A retired Singapore military officer, who maintains close political connections, agreed, noting that the country's IRs were a major attraction for foreign visitors: "The government's attitude to the existing casinos is much more positive now. Singapore benefits from the income and new facilities for family entertainment. Tourism is important to us and these resorts are a big draw."

And a director in the government's Public Service Division added: "Josephine Teo, second MOHA minister, is examining the challenges for the casino industry in Singapore. It's been elevated to this level because tourism makes such a big economic contribution. She wants to ensure IRs can compete effectively with casinos elsewhere in Southeast Asia, including in less developed countries such as Cambodia."

**General loosening of regulations**

Regulations covering licensed casinos and marketing activities have been relaxed over recent years. Said the MOHA director: "The loosening of regulations on casinos is not a new phenomenon in this country. It started more than a decade ago. After Lee Kuan Yew left power, there was an intense public debate about gambling, which resulted in the creation of the CRA. Since then, it's been a slow process of liberalisation."

And the retired military officer told us: "The Singapore control regulations are really only in place because of objections by a small minority to the opening of the two casinos. The government was in fact always a bit half-hearted about them."

The MOHA director suggested that the looming expiry of the two existing casino licences could lead to a further relaxation of rules, and possibly even the introduction of new concessions: "We're considering the potential for new licences to be included in the casino industry in Singapore. There's no way we're tightening things up for any reputable operator in this sector. Quite the opposite."

**Little concern about China arrests...**

Our contacts said the authorities had little or no concern about marketing by foreign casinos.

When pushed on the subject of the 2016 Crown arrests in China, the retired military officer said: "The government doesn't care what happened in China or about what China does on casino regulation. It's not our role to look at China. They should be looking to our leadership."

**...but government is sensitive to criminal links to gambling**

The Singapore government, though, is sensitive to criminal links to gambling and the marketing of casinos. The CRA, for example, requires strict compliance with rules designed to prevent the industry being used to launder the proceeds of crime.

The managing director of a Singapore private accounting firm, which deals with casinos, explained: "The CRA is very sensitive to any forms of collusion and money laundering practices. They watch money flows into and out of the country closely and this is something any company working here has to consider carefully. Any cross-border transfers that include black-listed recipients will not be allowed."

The director in the Public Service Division stressed: "For the past 10 years, our casinos have been associated with only low levels of organised crime. We wish to keep it that way and maintain our credibility. The idea is to minimise our exposure to such risk. Anyone involved with the casino industry in Singapore needs to show that they are on board with this and that they will work to stop organised crime."

### **High roller and VIP marketing attracts less attention...**

In navigating the regulatory environment, it's important to understand the differences in how mass marketing and more targeted, VIP marketing are regarded. The government differentiates between ordinary people (for whom casinos are considered a bad thing) and wealthy individuals (who can look after themselves).

The retired military officer explained: "The government is deadly serious about protecting the interests of low earners. Its message is 'don't target the office worker, the factory worker, the cab driver'. This is classic Singaporean thinking from the LKY era. And it's the right thing to do: it encourages the right people to use the casinos."

Pressed on foreign casinos marketing to local high rollers, he continued: "The government isn't worried about marketing to the wealthy. Who cares? There are so many ways for the wealthy to lose their money as it is. The assumption is they are smart and mature enough to look after themselves. If I'm a foolish old man and spend all my money overseas, that's my problem. As far as the government is concerned, it's my wife who should regulate me."

A Singaporean high roller and patron of Australian casinos confirmed: "Singapore is very careful about mass marketing or even facilitation, like the provision of a bus service from the suburban housing estates to [Genting's] Resorts World Sentosa. The authorities do not want local casinos actively canvassing ordinary Singaporeans, but they don't really care about foreign ones privately canvassing the wealthy. This has opened the way for foreign casinos to reach out to VIPs and high rollers via targeted marketing."

### **...but the authorities are vigilant on junket operators**

The Singaporean authorities are vigilant on junket operators because of their perceived links with organised crime. A CRA official said: "We don't approve of junket operators. To date, only two junket licences have been awarded and these are monitored scrupulously. This has largely meant that the two casinos themselves must undertake the VIP promotion and operations role that would usually be handled by the junkets. The fact both casinos have been forced to increase debt provisions shows both that our policy is working and that junket operators aren't just tour organisers, but have links to illegal lending and money laundering."

An investigator employed by the CRA told us: "The CRA is aware that despite the lack of licences, junket operators are still sneaking in. From time to time we are asked to sit in the security room and watch the floor. You can always see several Chinese men in key positions speaking or sending hand signals to higher-stakes gamblers. These are obviously junkets or triads who have brought down their VIPs and are extending credit. They cannot be stopped entirely."

### **Marketing foreign casinos is tolerated, albeit with caveats**

Open marketing of casino operations is strictly forbidden and, in the words of a former Resorts World Sentosa executive, "just isn't worth it. This is the type of incident the government would come down on hard both to discourage other operators and show the public how seriously it takes enforcement."

*However, it is clear that overseas operators are able to market their services without undue attention from the authorities provided a number of conditions are met. In particular, as with other jurisdictions, it is important to be seen to promote IRs in any public marketing with no mention of gambling.*

*As the CRA official put it to us: "Casino market representatives are not allowed to publicly advertise actual gaming activities, but are allowed to advertise the resort aspects of a property. Stepping over this line is inviting a robust reaction from CRA."*

*The caveats relating to direct marketing will be of most interest to you. In this context, several sources mentioned the importance of avoiding individuals on exclusion lists. The former Resorts World Sentosa executive, for example, said: "Any gaming marketing to individuals on a third-party exclusion list risks grave repercussions. A foreigner doing this would be arrested and declared persona non grata, while a Singaporean would be likely to face jail time. This would probably be covered in the press and would be bad for everyone involved. A foreign operator undertaking direct marketing with VIPs in Singapore must be aware of these exclusions."*

*Clearly, when conducting private, targeted marketing in Singapore, it is important to keep these communications out of the public domain. You will form your own judgment on whether and how to proceed, but the retired military officer said: "If casino marketing is private, there is no problem. There are all kinds of private marketing in Singapore, even for prostitution. The government is aware it's going on, but as long as it's discreet, and doesn't affect the community, it turns a blind eye."*

*He continued: "The government won't do anything unless it goes public. It will be reactive not proactive. But things could go sour quickly if things blow up in public."*

#### **Sky City's and The Star's activities seen to be at the healthier end of the spectrum**

*Multiple international operators take advantage of this leniency. A high roller and patron of several casinos in Singapore, Malaysia, Australia and Macau observed: "Foreign casinos still reach out to VIPs and high rollers in Singapore through targeted marketing. I frequently get texts from casino operators in Macau, for example, and that makes it tough for the Singapore casinos to maintain their high-end local clients. We often want to go to other places to gamble."*

*The above explains why Sky City and The Star are relatively open in promoting gambling in their Australian properties, even connecting staff members' names to communications that some might argue amount to a breach of CRA regulations. The head partner of a Singapore-based law firm working for casino interests said of such practice: "Both Sky City and The Star are considered by the government to be at the healthier end of the spectrum, both at a regulatory and political level. But if they were a full-scale casino in Singapore, they would face different requirements."*

*Some question whether direct contact with VIPs is covered by regulation at all. The Genting director said of SMS communications: "If you use mobile technology to communicate with VIPs, you could argue no laws are broken as it's not advertising."*

*And the retired military officer said of Sky City's and The Star's VIP direct marketing: "I don't think this is a concern as it is targeted at a sophisticated high-roller audience. These people are spending their money overseas anyway so it just doesn't make much difference. If the marketing is subtle, there's no problem. I'm always being targeted with SMSs offering me Ferraris and that doesn't seem to worry the government."*

#### **Re-entering the Singapore market appears entirely possible...**

*This brings us to the practical questions surrounding possible re-entry into the Singapore VIP market. Several sources noted that Crown had previously operated in Singapore without incident. The international high roller recalled: "Crown had an office in Singapore. They only pulled out because of the scandal in China."*

*Were you to re-establish a marketing presence in Singapore, its purpose should be to promote your Australian IRs. The Genting director commented: "Companies that have*

casino operations are allowed to open offices in Singapore, just like any other company. However, they are not allowed to promote their casino activities. This shouldn't present an immediate problem for those operators within major IRs."

**...as long as you take compliance seriously**

Nobody identified compelling reasons not to set up a physical marketing presence in Singapore. However, it is prudent to take compliance requirements seriously when seeking to open a new office. As the accounting firm managing director explained: "If a new entrant raises concern that they might be providing a false impression, that for example they wish to focus on other business areas instead of what they're claiming they want to do, then this is likely to ring alarm bells."

The chairman of a Singapore government agency was clear on this: "Any approval, even a small one, raises some risks for the government. We do not want to be seen to be taking unnecessary risks for the sake of maximising revenues."

Transparency and accountability will be significant factors in gaining an approval. The government agency chairman added: "A good track record is also essential. Any corporate scandals that lead to reputational damage in terms of branding would be considered seriously as public scrutiny is expected to be higher with this sort of thing."

Similarly, the MOHA director told us: "A foreign IR wanting to conduct marketing should first declare their intention to do so. They should set up a proper representative office and be focused on transparency in their approach, meaning be open about their business activities."

A commitment to addressing concerns about organised crime is also advisable in Singapore, given the government's focus on this. The accounting firm managing director noted: "It is best to explain the business intent first, have a strategy, study the rules of the game and expect close scrutiny of possible prospects. The CRA wants to keep Singapore clean of organised crime connected to casinos, wherever they are in the world. Thorough due diligence should be expected."

Any proposed office linked to a casino is likely to face a higher diligence hurdle, including for individuals. The head partner of the law firm said: "It is critical to choose the right person to lead this business and to prepare for checks at all levels, including the board." Moreover, any associated business should, if appropriate, have a good track record with the International Association of Gaming Regulators, an organisation to which the CRA is affiliated and from which it takes advice.

Nobody suggested, even when pressed, that Crown was considered an undesirable player due to the China arrests.'

3. We sought further information from Hakluyt in relation to the so called 'third party exclusion list'. Hakluyt's response was:

**'The Singapore exclusion list is strictly confidential...**

All our sources were clear that the Singapore government's third party exclusion list is confidential and would be most unlikely to be made available, even for the purposes of ensuring compliance. An expatriate consultant who has worked for years with the Casino Regulation Authority (CRA) on probity investigations explained the situation thus: "It would absolutely not be possible for outside parties to view the list. Information on participants and applicants is closely guarded. Anyone with access to the list would have signed Singapore's Official Secrets Act. 1, and everyone in my company, had to sign this as a precondition for undertaking the probity investigations, as well as get a security clearance from the Internal Security Department. Singapore doesn't mess around on things like this."

Our sources confirmed that the list is updated quarterly, and ad hoc as needed.

**...and focused mainly on organised crime...**

*The list exists primarily to exclude known organised crime figures from the casino industry. This is mostly aimed at the two domestic casinos rather than overseas operations. A director of the Public Service Division told us of the CRA's success in minimising the association of casinos with organised crime: "We wish to keep it that way and maintain our credibility." A director of the Ministry of Home Affairs also noted there are additional excluded parties not seen to be involved with organised crime: "It includes people with no criminal record, like people with identified gambling problems and those seen as high risk by the Ministry of Social and Family Development and the National Council on Problem Gambling."*

**...but remains an avenue for engagement with the CRA**

*When pressed on how the CRA's mandate would affect a new marketing operator, several of our sources argued that the exclusion list could provide a means of positive engagement over time. The expatriate consultant suggested: "It is possible an operator could ask the CRA if specific individuals might cause a problem. That would likely build a positive perception in the CRA." And the head partner of a Singapore law firm working with casinos commented: "The CRA's job is to address and arrest risks associated with casinos. A new marketing operator needs to show they are aligned with that task. If they succeed, the CRA will work closely with them over time. Then, there's no need to see the list."*

*He continued: "I think the regulators will strike a fine balance in this instance. They will expect the operator to respect regulations and take corrective actions where needed, but will also allow common sense leeway. Sometimes not everything will be cast in stone: there will be case-by-case flexibility."*

4. Hakluyt initially suggested that Crown approach the Casino Regulatory Authority (CRA) in Singapore to obtain a licence to open a local office. We sought advice from local lawyers on this recommendation and they indicated that there was no applicable form of licence for foreign casino staff. The CRA only regulates the operation of Singaporean casinos and any enforcement action against the staff of a foreign casino would be a police matter.
5. We discussed with the Singaporean lawyers whether an approach might be made to the CRA and the local police to seek comfort that the activities of local staff would not be the subject of enforcement action, providing that they complied with Crown's operating protocols.
6. The lawyers said that such an approach would be unusual and would be unlikely to result in the CRA and the police saying that local staff operations are permissible, given that such operations would necessarily be connected (at least to some degree) with offshore activity designed to promote gaming trips and events to Singaporean customers.
7. In the circumstances, we do not recommend an approach to the CRA or police. Such an approach may put Crown staff 'on the enforcement radar', when low key customer meetings/discussions may not.

**Singaporean Law Advice**

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Yours faithfully



**Richard Murphy**  
Partner

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