



ML/TF RISK ASSESSMENT Review
Customer Name: Chau Cheek Wa ('CCW')

Background

Chau Cheek Wa (CCW) was approved as a junket operator in 2009, with a junket agreement executed between CCW and Crown Melbourne at that time.

In January 2014, Crown Resorts Limited (CRL) agreed with Suncity International Limited (an entity forming part of the Suncity Group, of which CCW is the founder and ultimate beneficial owner) that it would (amongst other things) procure Crown Melbourne to reserve a room at Crown Melbourne that can accommodate up to three gaming tables (Pit 86) for the exclusive use of the Chau Cheek Wa junket group.

Following the establishment of Pit 86 in June 2014, the turnover of the CCW junkets has exceeded \$20.5 billion (FY15 through year to date FY18).

From time to time (and at a minimum on an annual basis), Crown Melbourne will conduct enhanced customer due diligence on CCW in respect of his continuation as a junket operator.

Given the size and scope of the Suncity junket operator's operations, Crown Melbourne has assessed the due diligence materials available to it and has determined that it is appropriate to continue to do business with the ultimate beneficial owner, CCW.

Following a World Check result in June 2017 identifying CCW as a Foreign Politically Exposed Person (due to his position as a member of a political advisory body), CCW's customer risk assessment was increased in accordance with the Crown Melbourne AML/CTF Program to "high".

Moreover, Crown Melbourne is aware of negative press on CCW, including his potential links to Triads (as noted in ECDD conducted on him however notes that this commentary remains media speculation and that, to date, CCW has not been charged with an offence and has received his annual police clearance in Macau pursuant to the requirements of his DICJ (junket operator) license in that jurisdiction.

Existing Know Your Customer Processes

Junket Operator:

- Junket agreement signed and retained on file.
- Crown Rewards membership created.
- Two forms of Appropriate ID sighted, copied and retained on file.
- ECDD upon establishment (credit or where otherwise requested).
- Annual ECDD.
- Ad hoc ECDD (including where an SMR might be filed on the individual).

Junket Representative:

- Crown Rewards membership created.
- Agent Letter signed by Junket Operator and retained on file.
- Two forms of Appropriate ID sighted, copied and retained on file.

Key Player:

- Crown Rewards membership created.
- Two forms of Appropriate ID sighted, copied and retained on file.
- Ad hoc ECDD (including where an SMR might be filed on the individual).

Suncity Staff Member:

- Identified by Crown Melbourne Security and are issued with a card and lanyard for identification purposes only.
- Not Crown Melbourne employees.

Current ML/TF Risk Assessment

During the period October 2017 through beginning April 2018, Crown Melbourne became aware that:

1. A number of large cash transactions had occurred at the administration desk in Pit 86 as between the junket operator CCW on the one hand and his key players, or unknown third parties, on the other.
2. A number of CCW's employees that had been permitted to access the Suncity administration desk for the purposes of performing administration functions for the junket operator and key players in the room, were permitting these transactions to occur without, in Crown Melbourne's view, sufficient scrutiny; and
3. Given these large transactions, Crown Melbourne determined it appropriate to consider:
 - ML/TF Risks arising from the quantum of cash that might otherwise be being held in Pit 86;
 - ML/TF Risks arising from the use by the junket operator, key players and others, of Crown Melbourne's casino value instruments (in this case, Crown Melbourne's chips); and
 - A potential laxity in controls in place by the Junket Operator and its staff, in respect of how it accepts or otherwise deals with cash from its key players and third parties.

The ML/TF Risk Assessment commenced in April 2018 having identified the above, with Crown Melbourne:

- assessing the nature of its relationship with CCW, his junket representatives, key players and the Suncity employees and whether further information might be required on each of these individuals;
- assessing the nature of the ML/TF Risk to Crown Melbourne attributable to large cash transactions between unknown parties and junket operators on Crown Melbourne's premises using Crown Melbourne's casino value instruments (chips), acknowledging that Crown Melbourne is not the party providing a designated service in this instance; and
- reviewing the controls in place to mitigate and manage ML/TF Risks arising from these large third party cash transactions.

Result of ML/TF Risk Assessment

As a result of the ML/TF Risk Assessment, the following controls were identified, with proposed enhancements considered and approved by Senior Management.

Existing Control	Summary of Existing Control	Agreed Enhancement to address ML/TF Risk
Identification of customers	<p>Crown Melbourne identifies each of its junket operators, junket representatives and key players.</p> <p>Crown Melbourne does not identify or record for any particular day other individuals in the room (for example, invited guests, unknown third parties and/or Suncity employees manning the Suncity administration desk).</p>	<p>Crown Melbourne will implement the same identification processes and procedures as the Mahogany Room. That is all non-Crown entrants to Pit 86 (regardless whether the entrant is a junket operator, junket representative, key player or Suncity staff member) must identify themselves upon entry and be registered to enter. This information is then recorded, enabling Crown Melbourne to then identify, for the purposes of its reporting processes, the participants in any transaction occurring at the Suncity administration desk.</p> <p>As a condition of entry into Pit 86, Suncity employees must ensure that their ID pass is on a lanyard around their neck and visible at all times.</p>
Surveillance of Pit 86	Crown Melbourne's surveillance team monitors Pit 86 on a 24/7 basis.	Please see the proposed enhancement at AML/CTF Training below.
Security	Two security guards are placed outside of the entrance to Pit 86 on a 24/7 basis.	No further enhancement to this control is suggested at this time.
AML/CTF Training	<p>Crown Melbourne staff working in Pit 86 are provided with AML/CTF Risk Awareness Training, which addresses the obligations of Crown Melbourne under the AML/CTF Act and Rules and the consequences of non-compliance with the AML/CTF Act and Rules.</p> <p>In addition, Crown Melbourne's AML/CTF Risk Awareness Training identifies cash handling (including large cash transactions with third parties) as a type of ML/TF Risk that Crown Melbourne might face and the potential consequences of the</p>	<p>Crown Melbourne's AML Team is to roll out targeted AML/CTF Training to all Crown Melbourne personnel operating in Pit 86 on a regular basis, which will include, amongst other matters:</p> <ul style="list-style-type: none"> - ML/TF Risks associated with large cash transactions on Crown Melbourne's premises, including in Pit 86; - What might constitute a "petty cash" transaction; and - Patterns to look for in respect of multiple transactions of \$300,000 by junket operators, junket representatives and key

	risk.	players.
New control	Agreed Enhancement to address ML/TF Risk	
Restriction on cash transactions between patrons and the junket operator in Pit 86	<p>To reaffirm that the Suncity desk is an administration desk (and not a Cage), all cash transactions must be conducted at one of Crown’s cages.</p> <p>All transactions at the Cage require fulsome Appropriate ID.</p> <p>The only cash transactions permissible at the Suncity administration desk are in respect to petty cash transactions (shopping).</p>	
Restriction on the cash transactions by the junket operator, the junket representatives and the key players under the junket at or with Crown Melbourne to A\$300,000 per gaming day.	<p>Crown Melbourne has implemented a control that, for CCW and each of his junket representatives and key players, the maximum amount of any cash transaction in any given gaming in to Crown Melbourne is A\$300,000.</p>	
Regular compliance reviews at Crown Melbourne’s discretion	<p>Crown Melbourne has determined to undertake regular compliance audits of Pit 86.</p>	

Comment [BH1]: Should this read 38??

In addition to these key controls, Crown Melbourne has determined to enhance its Enhanced Customer Due Diligence framework to require third party checks on all key players identified as part of this ML/TF Risk Assessment, and to assess each key player’s risk rating in light of this information.

Risk Assessment

In April 2018 CCW following the risk assessment being conducted was given a risk rating status of “HIGH”

Risk Assessment Review-Enhancements

As planned the Junket moved from Pit 86 to Pit 38 in the first week of July. The enhancement of existing controls has all occurred and been confirmed by the Group General Manager – AML.

In summary the following is noted-

- As CCW is now in Pit 38, the identification processes and procedures in the Mahogany Room apply to the Junket Operator, Junket Representatives and Key Players.

- The same level of surveillance is in place in Pit 38 as Pit 86.
- Pit 38 is within the controlled Mahogany Room.
- The Crown AML Team conducts regular training of security and surveillance staff, which includes the matters detailed in the agreed enhancements.

Risk Assessment Review-New Controls

The new cage controls and those relevant to cash restrictions have been introduced and confirmed by International Business Operations

- A visual inspection of the room setup/layout, desks, computer terminals, camera placement etc. was completed by Justin Butler and Louise Lane immediately prior to the opening of the room.
- Pit 38 is located within the Mahogany Room which provides additional oversight by Operational staff and ensures that all patrons and guests enter through the Reception Area. The Reception is required to check patron cards and guest ID's.
- It has be enforced that transactions must be conducted at a Crown Cage and that fulsome appropriate ID is produced.
- For CCW and each of his junket representatives and key players, the maximum amount of any cash transaction in any given gaming in to Crown Melbourne is A\$300,000.
- Junket key players with significant losses enhanced customer due diligence is performed on the player. This may include full transaction history review, global data report, open source searches and credit control file reviews.
- No compliance review of pit 38 has been completed at this stage.

Comment [BH2]: Louise I think this rests with you these days and is correct?

Comment [BH3]: See above 86 or 38

Reporting

Confidential – NDI

1 Law Enforcement inquire regarding CCW was received since the Risk Assessment was conducted.

Adverse Information

A review of open source records has not revealed any further adverse media regarding CCW or Sun City

Review Findings-

Given the enhancement of existing controls, introduction of new controls, reporting numbers. law enforcement inquiries and no further adverse media it is concluded that the Risk Assessment conducted and its findings in April 2018 are still relevant and current Risk level is to be maintained at "HIGH"

Next Review Date-

Crown Melbourne will review this ML/TF Risk in June 2019.

