

ROYAL COMMISSION INTO THE CASINO OPERATOR AND LICENCE

WITNESS STATEMENT OF JASON CREMONA

A. INTRODUCTION

1. My name is Jason Cremona. I am employed by the Victorian Commission for Gambling and Liquor Regulation (VCGLR) as the Manager of Licence Management and Audit (LMA) in the Licensing Division. I report to Alex Fitzpatrick, Director of Licensing.
2. I make this statement in response to a request from the Royal Commission into the Casino Operator and Licence dated 31 March 2021.
3. Although that request seeks information from the VCGLR about several topics, my statement deals with only those topics in which I was involved, unless otherwise stated. I have been informed that the topics I was not involved in will be dealt with by another witness or witnesses from the VCGLR.
4. This statement is produced to the Royal Commission in response to a Notice to Produce. In this statement I will address the following topics as requested by the Royal Commission:
 - (a) Identifying the officers and staff members who worked on the Sixth Casino Review (Paragraph 1(c) of the Notice to Produce);
 - (b) Identifying the officers and staff members who worked on the implementation of the recommendations in the Sixth Casino Review (Paragraph 1(c) of the Notice to Produce); and
 - (c) Providing an example that illustrates how responsive and co-operative Crown Melbourne (Crown) was in its dealings, and its approach and attitude to its dealings with the VCGLR, (Paragraph 4 of the Notice to Produce). The example I cover in my statement related to dealings with Crown in relation to Recommendation 17 of the Sixth Casino Review. This example occurred in 2018 and 2019.

B. OFFICERS AND STAFF MEMBERS WHO WORKED ON THE SIXTH REVIEW

5. A review team (**Review Team**) was established within the VCGLR to conduct the Sixth Casino Review pursuant to section 25 of the *Casino Control Act 1991 (Vic) (CC Act)*. I have responded to the Royal Commission's questions in this section based on the records of the VCGLR. Other than a discussion with the Sixth Casino Review team about Internal Control Statements (ICSs) or addressing ad hoc queries from the Sixth Casino Review team throughout the conduct of the Sixth Casino Review, I had no detailed or day-to-day involvement in the conduct of the Sixth Casino Review.

Review Team

6. The Review Team reported to a Steering Committee of VCGLR executives led by the CEO, and then on to the Commission.
7. The Review Team (**Table 1**) was responsible for undertaking the investigation, including assessing information collected, drafting the report for the Commission's consideration and ensuring all other project requirements were met. The Review Team was led by the Director, Sixth Casino Review, who was responsible for the day-to-day management of the project team and reported to the CEO.
8. The Review Team comprised fixed-term staff and staff seconded from elsewhere in the VCGLR. At times, the Review Team drew on the expertise of internal and external Subject Matter Experts (SMEs) to support the delivery of the project. External consultants also supported the work of the team (for example, providing probity advice and financial advisory services). The work plan and process undertaken by the team is explained on pages 21 - 23 of the Sixth Casino Review.
9. The Director who led the project was responsible for leading the review including managing the team, liaising with Crown, stakeholder management (such as consultation with other regulators and agencies such as AUSTRAC) and delivering the review report. The team also comprised of:
- (a) a Principal Legal Adviser who provided legal advice and analysis. Responsibilities included providing advice on the legal arrangements that

govern the casino and contributing to the writing of the final report, and responsible gambling matters.

- (b) a Principal Major Licence Officer who examined and analysed the regulatory, commercial and governance operations of Crown. Responsibilities included the preparation of project documentation, liaising with Crown and other bodies relevant to the review and contributing to the writing of the final report.
- (c) a Senior Project Officer who oversaw project management and aspects of appropriate governance for the review team such as probity processes. Responsibilities included maintaining project management systems and processes, preparing project papers, maintaining document management processes and providing secretariat support.
- (d) a Policy Analyst responsible for conducting research and analysis, identifying and analysing emerging trends and issues involving complex and sensitive issues in gambling regulation.

10. In addition to the above, VCGLR staff that were seconded to the review team included a Product and Systems Analyst who provided technical advice on Crown's systems and a Gambling and Liquor Inspector.

Table 1 – Sixth Casino Review project team

Name	Position on Sixth Casino Review	Current employer
Robert Chappell	Director, Casino Licence Review Project	Manager, Practitioner Discipline, Victorian Building Authority, resides in South Australia.
Rowan Harris	Principal Major Licence Officer	VCGLR
Garry Ferris	Policy Analyst	Unknown
Miriam Holmes	Senior Legal Policy Officer	Director, Office of General Counsel, Department of Premier and Cabinet (source: DPC organisational chart March 2021)

Name	Position on Sixth Casino Review	Current employer
Paul Noblett	Product and Systems Analyst	VCGLR
Zoe Holmes	Senior Project Officer	Election Procedures and Instructional Products Coordinator at Victorian Electoral Commission
Simone Alesich	Policy Analyst	Senior Policy Adviser, Social and Economic Inclusion, Department of Jobs, Precincts and Regions (<i>Source: LinkedIn</i>)
Luisa Bianchin	Gambling and Liquor Inspector	Team Leader, Integrity and Corruption Investigations at Department of Justice and Community Safety (<i>Source: LinkedIn</i>)

Steering Committee

11. The Steering Committee (**Table 2**) acted as the authorising committee, responsible for the overall direction and management of the project. It provided strategic oversight of the project and ensured it was delivering against the stated scope, within the approved budget and timeframes. The Steering Committee provided regular progress reports (verbal or written) to the Commission on progress against the schedule, key risks and mitigations and significant stakeholder engagement. The Director, Sixth Casino Review and senior review team members would attend Commission meetings to provide updates.
12. The Steering Committee considered and reviewed the findings presented, which were then considered and reviewed by the Commission before they were approved and the Chairperson and the CEO signed-off the final report.
13. **Attachment 1** provides a diagram of the governance structure. The VCGLR also holds a governance plan – sixth review of the casino operator and licence – which contains further details.¹

¹ VCG.0001.0002.6407.

Table 2 – Sixth Casino Review Steering Committee

Name	Job title	Current employer
Catherine Myers	Chief Executive Officer	VCGLR
Michael Everett	Director Corporate Services and Chief Finance Officer	VCGLR
Stephen Berriman	Director Compliance	Retired
Alan Stone (until July 2018)	Director Legal Services and General Counsel	Corporate Counsel at Glen Eira City Council
Scott May (July 2018 until conclusion)		VCGLR
Alex Fitzpatrick	Director Licensing	VCGLR
Nitsa Karahalios	Director Research and Engagement	Project Lead Regulatory Practice Agriculture Victoria

14. The Commissioners during the Sixth Casino Review are set out in Table 3.

Table 3 – Commissioners during Sixth Casino Review

Name	Job title	Current employer
Ross Kennedy	Chairperson	VCGLR Chairperson
Helen Versey	Deputy Chair	VCGLR Deputy Chair
Deidre O'Donnell	Deputy Chair	VCGLR Deputy Chair
Des Powell	Member	VCGLR Sessional Commissioner
Dina McMillan	Member	Principal / Managing Director, McMillan Consulting Group (Source: LinkedIn)

C. OFFICERS AND STAFF MEMBERS WHO WORKED ON THE IMPLEMENTATION OF THE SIXTH CASINO REVIEW

15. LMA which I manage, was allocated the responsibility for assessing Crown's implementation of the Sixth Casino Review recommendations. The VCGLR staff members within LMA who worked on the implementation of the recommendations were Rowan Harris (Principal Major Licence Officer), Steven Thurston (Licence Manager) and me. We worked as a team.
16. We shared the following roles and responsibilities:
- (a) engaging with Crown on recommending appropriate action required to ensure the requirements of each recommendation were implemented by Crown and the recommendations met;
 - (b) assessing the adequacy of Crown's implementation, and its formal submission/s, in relation to addressing each of the Sixth Casino Review recommendations;
 - (c) consulting with other agencies in relation to recommendations specific to the accountabilities of those agencies, e.g.; AUSTRAC in relation to Recommendation 17 and the Victorian Responsible Gambling Foundation (VRGF) in relation to responsible gambling recommendations;
 - (d) providing views, in the form of Commission papers to the Commission and memorandums to the Director Licensing in relation to Crown's implementation of the recommendations;
 - (e) monitoring any follow up or additional actions required by Crown in relation to the recommendations. This would be as a result of a request from the Commission post its consideration of a recommendation as being implemented, or to assist the Commission in reaching a decision about implementation.

D. EXAMPLES OF CROWN'S RESPONSIVENESS IN DEALINGS WITH VCGLR

17. On or about late June 2018, I obtained a copy of the publicly available Sixth Casino Review Report from the VCGLR website.
18. I am aware that by letter dated 4 June 2018, Crown provided its views in relation to the draft Sixth Casino Review Report, which was provided to Crown for comment. In relation to Recommendation 17, in its response, Crown noted '*recommendation supported*'.²
19. On 2 July 2018, I note that Crown further corresponded with the Commission in relation to the final Sixth Casino Review Report, and in relation to Recommendation 17 Crown noted '*recommendation accepted*'.³
20. The Sixth Casino Review Report included a total of 20 recommendations, one of which was Recommendation 17 which appears in a section of the report starting at page 133 entitled 'Money laundering':

*"The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed."*⁴

21. I have provided details of Crown's response to Recommendation 17 on the basis that it is an example that has been sought by the Royal Commission to illustrate how responsive and co-operative Crown has been in its dealings with the VCGLR.
22. ICSs are prepared pursuant to section 121 of the CC Act. That section states, among other things, that:
 - (1) A casino operator must not conduct operations in the casino unless the Commission has approved in writing of a system of internal controls and administrative and accounting procedures for the casino.

² VCG.0001.0001.1804.

³ VCG.0001.0001.0096.

⁴ Page 138 of the Sixth Casino Review Report.

- ...
- (4) The casino operator must ensure that the system approved for the time being under this section for the casino is implemented.
23. Section 122 of the CC Act provides details of the minimum standards and controls that must be included in the ICSs. This includes procedures for the promotion and conduct of junkets or premium player arrangements.
24. By way of context:
- (a) Junket means an arrangement whereby a person is, or a group of people are, introduced to a casino by a Junket Operator or promoter who receives a commission based on the turnover of play in a casino, which is attributable to the person introduced by the Junket Operator or promoter or otherwise calculated by reference to such play.
 - (b) Premium player arrangement means an arrangement whereby a casino operator agrees to pay a patron of the casino a commission based on the patron's turnover of play in the casino or otherwise calculated by reference to such play.
 - (c) A Premium Player means a player who is domiciled outside of Victoria and who participates in a Premium Player Program Agreement, whereby the casino operator agrees to pay a patron of the casino a commission based on the patron's turnover of play in the casino or otherwise calculated by reference to such play.
 - (d) Junket Operator means the operator and/or promoter of a Junket.
 - (e) Junket Player means a person who participates in a Junket Program at the Melbourne Casino.
 - (f) Junket Program means a junket tour at the Melbourne Casino arranged by a Junket Operator and documented in a Junket Program Agreement.
 - (g) ICSs deal with minimum standards and controls in relation to Crown's dealings with premium players and junkets.

25. The Sixth Casino Review on page 138 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 when participating in junkets.'*⁵
26. Noting the above observation, it was my view that the Sixth Casino Review determined that Recommendation 17 was required to assess the suitability of relevant ICSs and at a minimum ensure greater visibility of individual junket players and their gaming activity, such as contributions to the front money of the junket program, and in general, ensure that anti-money laundering (AML) risks are appropriately mitigated via these controls in the ICSs. Crown's Standard Operating Procedures (SOPs) further emphasise this point by defining 'Front Money' as the amount of money made available for gaming with the casino by a Junket Operator (or agent) or Premium Player. This definition omits the term junket players.
27. Upon assessment of the various ICSs that existed, I note that the relevant ICSs for the purposes of Recommendation 17 that may relate to AML include Cheque Cashing and Credit Facilities, Gaming Equipment, Gaming Machines Operations, Surveillance, Table Games Operations, Cage Operations, Junket and Premium Player Programs.⁶
28. In approximately late June 2018, Alex Fitzpatrick asked me to have LMA maintain responsibility for working with Crown in relation to its implementation of the 20 recommendations in the Sixth Casino Review Report.
29. I then engaged with Rowan Harris and Steven Thurston in relation to our approach to working with Crown on the recommendations.
30. On 25 September 2018 I attended, as Acting Director Licensing, a VCGLR and Crown Licence Management Meeting, together with the VCGLR's Acting CEO (Alex Fitzpatrick), the then Director of Compliance, Steven Thurston and Rowan Harris. Several of Crown senior executives also attended this meeting. They were Xavier Walsh (then Chief Operating Officer, now Chief Executive Officer), Joshua Preston

⁵ Page 138 of the Sixth Casino Review Report.

⁶ Page 138 of the Sixth Casino Review Report.

(then Chief Legal Officer, Australian Resorts), Michelle Fielding (Group General Manager, Regulatory and Compliance), Sonja Bauer (Group General Manager, Responsible Gaming).

31. This was a regular meeting where some executives from the VCGLR and Crown met. One of the agenda items for this meeting was the Sixth Casino Review Report recommendations. At this meeting, Crown was informed of the proposed process for monitoring its implementation of the Sixth Casino Review recommendations, that was to be endorsed by the Commission at its next meeting. Crown also provided a status update on each of the recommendations.
32. In relation to Recommendation 17, the minutes of the meeting recorded:
"Recommendation 17. Crown noted that it had spoken to senior managers from AUSTRAC regarding this recommendation. The VCGLR will provide greater clarity of the recommendation and consult with AUSTRAC. Action item 4 (below)".⁷
33. Based on this update, I had assumed that Crown had spoken to AUSTRAC about Recommendation 17, and in particular, how Crown would seek that AUSTRAC provide its views about the suitability of its ICSs in relation to AML. I do not recall clarifying this point at the meeting but this was my impression, noting that this was the first update from Crown on all of the Sixth Casino Review recommendations. It was also the first meeting where all 20 recommendations were discussed between LMA and Crown, and at this stage LMA was merely looking for a high level update from Crown and had not turned its attention specifically to Recommendation 17, noting the due date for this recommendation was months away and there were other recommendations, due before Recommendation 17, that were a focus.
34. The minutes of the meeting recorded the following for Action item 4:
"Sixth Casino Review Recommendation 17. VCGLR to provide its expectations of this recommendation".

⁷ VCG.0001.0002.3504.

35. Crown had requested that VCGLR provide clarification of its expectations in relation to Recommendation 17. Action item 4 was assigned to Rowan Harris with a due date of 31 October 2018.
36. The minutes of the meeting also noted that Steven Thurston, Rowan Harris and I would meet with the Crown Group General Manager, Regulatory and Compliance and Group General Manager, Responsible Gaming on a regular basis to track progress of the Responsible Gambling Recommendations 6 to 16. The first of these meetings was scheduled for early November 2018.
37. It was also an Action item in respect of Recommendation 3 that the VCGLR was to consider Crown's proposed engagement of PricewaterhouseCoopers (PwC). Further, in respect of Recommendation 5, the VCGLR was to provide advice on its Risk Based approach.
38. After the meeting with Crown on 25 September 2018, Rowan Harris prepared a Commission Paper, dated 2 October 2018, which set out our approach to working with Crown on the recommendations.⁸ This Commission Paper included the following approach:
- (a) the recommendations will be monitored principally via the VCGLR/Crown Operations meetings which are held every six weeks, and the VCGLR/Crown Executive Licence Management meetings;
 - (b) senior LMA staff will meet with the Crown Group General Manager, Regulatory and Compliance and Group General Manager, Responsible Gaming on a regular basis to track progress in relation to the Responsible Gambling Recommendations (6 to 16);
 - (c) separate meetings will also be held between senior LMA staff and Crown as required;
 - (d) Crown will be requested to provide regular written updates on implementation progress;

⁸ VCG.0001.0001.0097.

- (e) LMA will provide periodic updates to the Commission as significant milestones are reached and provide a recommendation as to Crown's implementation of each recommendation, once assessed by LMA.
39. The Commission noted the process to be applied at its monthly Commission meeting on 25 October 2018. I did not attend this Commission meeting, but I was informed of the outcome by Alex Fitzpatrick. The outcome was that the Commission had approved the approach set out in the Commission Paper.
40. On 31 October 2018, Steven Thurston, Rowan Harris and I met with Michelle Fielding and Sonja Bauer of Crown to discuss the Sixth Casino Review recommendations relating to responsible gambling (6-16) and to provide an update on the action points noted from the 25 September 2018 meeting.
41. The minutes of this meeting include a note at Item 6(d) that is the same as the minutes from the 25 September 2018 meeting, namely that the VCGLR was to provide Crown with its expectations in relation to Recommendation 17.
42. The minutes of the 31 October 2018 meeting also include that:

"Crown noted that AUSTRAC has not expressed concern with Crown's procedures in respect of the Junkets ICS and regulates Crown through its AML Program.

The VCGLR advised that in their view part of this recommendation is about ensuring greater visibility of individual junket players and their gaming activity to ensure that Anti Money Laundering risks are appropriately addressed. Therefore, it is expected that the review of the appropriate ICS, which will include the Junkets and Premium Player Programs ICS, will vary the applicable ICS to enable the same level of transparency for individual junket player activity as there is for premium players. Crown noted that the Recommendations do not specify amendments to the Junket and Premium Player ICS, nor make mention of individual player activity. In reviewing the ICS, Crown would need to seek input from the VCGLR in conjunction with AUSTRAC regarding record keeping in relation to individual junket players (which Crown noted is not required by the Recommendations) and this should inform reporting of any

suspicious matters by Crown (which Crown noted is not required by the Recommendations)."⁹

43. The key point was that Crown was pushing its AML program, and the VCGLR was drawing attention to the specifics of the Recommendation which related to an ICS review with the assistance of AUSTRAC, rather than the suitability of its AML program.
44. The key controls in the Junket and Premium Player ICS require visibility to the front money contributed by premium players and junket operators, as opposed to junket players.
45. Based on my review of the ICS, my view of the 'risk' raised by the Sixth Casino Review is visibility over junket participants' contributions to the junket operator. As I understand it:
 - (a) Crown are required by AUSTRAC to monitor the 'transactions over \$10,000' that take place between a customer (such as a premium player or Junket operator) and Crown, as he/she is entering into the transaction with the Casino and handing over the money;
 - (b) Junket participants are considered 'customers' of the Casino by Crown, but were not subject to the same transaction monitoring as the junket operators, in that the front money they bring to the table is not subject to any reporting requirements;
 - (c) as a result, AUSTRAC expects the 'Know Your Customer' (KYC) requirements to apply to both junket participants and operators;
 - (d) 'KYC' requirements, however, do not extend to financial contributions by the junket participants to the operator, hence the issue raised in the review.
46. A key issue at the 31 October 2018 meeting with Crown was that my team continued to refer to and emphasise the key observation in the Sixth Casino Review about junket players at page 138 of the Sixth Casino Review Report, and the need for Crown to

⁹ VCG.0001.0002.3505.

engage with AUSTRAC about the ICSs. Crown challenged our view. I said at this meeting that it would be necessary for Crown to get AUSTRAC's observations on whether its ICS should be strengthened, to ensure the outcome of Crown addressing Recommendation 17 met the Commission's expectations. Michelle Fielding responded by saying that Crown was not required specifically by Recommendation 17 to look at that area of junket players or to have AUSTRAC provide a view on that subject. This was concerning as in my view Crown appeared to be taking a literal approach to this recommendation, rather than looking to address the overarching risks/concerns, and key observation that was referred to in the Sixth Casino Review report, at p138, being that *"The VCGLR observes 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 when participating in junkets"*.

47. As this was the first key meeting where Recommendation 17 was discussed, I expected that further meetings would occur and Crown would take on board the points of concern being raised by my team at this meeting and look to address these points to ensure Crown delivered on Recommendation 17 by 1 July 2019.
48. During the discussion on the status of each of the recommendations at this 31 October 2018 meeting, I was also concerned about the extent of clarification being sought by Crown in relation to several recommendations, considering Crown had formally accepted the recommendations. In particular I noted the following questions posed by Crown in respect of the recommendations listed below:
 - (a) Recommendation 10: Crown asked why they were being asked to remove exclusion orders over 10 years old;
 - (b) Recommendation 14: Crown thought there was overlap with other recommendations, and were unsure of basis for this recommendation, or what is expected;
 - (c) Recommendation 15: Crown asked why would the VCGLR share the Responsible Gambling (RG) data with the VRGF;

- (d) Recommendation 17: Crown raised why was this about ICS and not AML/CTF program;
 - (e) Recommendation 19: Crown advised that they were unsure of the basis for this recommendation as the policy being sought was supplied as part of the review process and had been discussed with review members.
49. Immediately after the meeting with Crown, Rowan Harris, Steven Thurston and I met in the food court at Crown to discuss the meeting. I called this impromptu meeting to ascertain from Rowan Harris if he expected that Crown would be seeking clarification to recommendations at this stage of the process. As Rowan Harris had been a party to the previous two review processes (fifth and sixth review), I was hoping he would clarify if this approach was common, or whether he was equally as surprised as I was. Rowan Harris advised that he too was taken aback by the extent of clarification being sought by Crown, post their acceptance of the recommendations.
50. While driving home that evening I called Michelle Fielding and told her of my overarching concerns, which I later confirmed in an email I sent to her the next day dated 7 November 2018. I told Michelle that I would speak to Alex Fitzpatrick and provide formal correspondence to Crown to mitigate the risk that lack of clarification into a recommendation became a contributing factor to Crown's failure to implement a recommendation. I also emphasised that such clarification would need to be sought from the Commission, and not at VCGLR working level, i.e.; via myself or my team members. I cannot recall what Michelle Fielding said in that call.
51. After returning to the office the next day, I spoke to Alex Fitzpatrick and raised concerns in relation to the extent of clarifications sought by Crown in relation to some of the recommendations.
52. The main reason why I raised those concerns was because I was aware of the process in relation to the Sixth Casino Review and knew that it had involved providing Crown with a copy of the Sixth Casino Review Report and seeking that it formally accept the report and its recommendations. I had also seen the letter I mentioned earlier, dated 2 July 2018 from Crown to the VCGLR regarding the Sixth Casino Review Report which noted, among other things, that Crown accepted all the Recommendations proposed by the VCGLR, including Recommendation 17. In its earlier letter on 4 June

2018, when commenting on the draft report, Crown supported Recommendation 17 and also noted that there are a range of strong initiatives for Crown to consider from the Review, and that Crown welcomed the opportunity to work closely with the VCGLR to implement the Recommendations.¹⁰

53. From the 4 July 2018 letter, I had expected that Crown had complete clarity of what was expected of them, considering they accepted the Recommendations. I was surprised that these issues were being raised now by Crown, at working level discussions, and not with the Commission, when Crown was given an opportunity to assess the draft recommendations and report.
54. I suggested to Alex Fitzpatrick that a formal notification be provided to Crown advising that if clarification was required, this should be sought from the Commission as opposed to the VCGLR officer level. Alex Fitzpatrick supported this position and provided feedback on the draft letter to send to Crown.
55. On 7 November 2018, I sent an email to Michelle Fielding copied to Rowan Harris titled "Clarity regarding Sixth Review Recommendation" which stated as follows:

"As discussed in our telephone conversation after the meeting on 31 October 2018, I was concerning re the extent of clarity being sought by Crown in relation to a large number of the 20 recommendations in the Sixth Review.

I have spoken to Alex Fitzpatrick about this, and she agrees that it is vital that Crown obtain the necessary clarity at the outset to ensure it progresses to achieve the recommendations to the satisfactory of the Commission.

Considering Licensing, and LMA in particular, have taken lead house in assessing Crown response to the recommendations, it is important for me that Crown be given a formal opportunity, at the outset, to seek that clarity and Licensing respond accordingly.

I have drafted a letter, that is with Alex Fitzpatrick for review, and I expect to send it out tomorrow.

¹⁰ VCG.0001.0001.1804.

*I look forward to receiving your response and ensuring this important process commences on the right foot.*¹¹

56. On 9 November 2018, I sent an email to Michelle Fielding copied to Rowan Harris attaching the letter that I had referred to in my email. That letter was signed by me and stated as follows:¹²

I refer to our meeting on 31 October 2018 in relation to the Sixth Casino Review Report (the report) recommendations.

I note that as part of the Sixth Casino Review, Crown was provided with an opportunity to consider and comment on the draft report on 28 June 2018. The final report was subsequently accepted by Crown, including each of the 20 recommendations contained therein.

As you are aware several recommendations are required to be addressed by 1 January 2019 with the final recommendation being due for completion on 1 July 2022. In accepting the recommendations, the Commission expects Crown to have a clear understanding of what is required to implement the recommendations.

To ensure Crown addresses the recommendation within the timeframe, and to the satisfaction of the Commission, if Crown requires any clarification from the Commission then it should seek this clarity as soon as possible.

Please note the Commission will not consider redefinition or amendment of any of the recommendations detailed in the report.

I look forward to addressing any response from Crown, and continuing ongoing discussions with Crown in relation to assessing the adequacy of its response to the recommendations.

57. At this point, my aim was to ensure that all points of clarity were addressed at the outset rather than at a time close to the Recommendations becoming due, and that such points of clarity, if sought by Crown, be requested from the Commission and not at VCGLR working level.
58. To the best of my recollection, neither Michelle Fielding (to whom I sent my email and letter) nor anyone else at Crown responded to my email of 7 November 2018 or to my letter of 9 November 2018.
59. Having not received a response to either my 7 November 2018 email or my letter of 9 November 2018, I sent another letter to Michelle Fielding on 10 December 2018. In that letter, I informed Crown that the VCGLR expected an update on the

¹¹ VCG.0001.0002.6406.

¹² VCG.0001.0002.6163; VCG.0001.0002.6164.

Recommendations due on 1 July 2019, including an update on Recommendation 17 by 1 March 2019.¹³

60. In or around November 2018, to assist my team in obtaining clarity about the matters that informed the recommendations of the Sixth Casino Review, I also arranged a meeting with Miriam Holmes, Senior Legal Policy Officer of the Sixth Casino Review Team, to discuss the background and expectations in relation to each of the 20 recommendations. Other than Rowan Harris and Paul Noblett, Miriam Holmes was the only other internal VCGLR staff member at the time who was still working within the VCGLR and, as I understood it, worked closely with the Project Director in setting the recommendations in the Sixth Review.
61. Sometime in November 2018 Rowan Harris and I met with Miriam Holmes to discuss the background and expectations regarding each of the recommendations. Although minutes from this meeting were not kept, Rowan Harris populated a table which noted the matters discussed in this meeting, and previous points noted, against each of the 20 recommendations. Miriam provided some comments on this table.¹⁴ The following was noted in relation to Recommendation 17. Certain confidential matters have not been reproduced in the extract below:

Background

The VCGLR, other regulators and law enforcement agencies are aware of the significant potential risks of money laundering through casinos, particularly through junket operations.

...

The structure of junket operation enables opaqueness around the source of beneficial ownership of funds presented as buy-ins and represents a significant money laundering risk.

While the casino conducts Know Your Customer (KYC) due diligence on the customer, being the Junket Operator, there are no KYC requirements for participants. This

¹³ VCG.0001.0002.3509.

¹⁴ VCG.0001.0002.6171.

arrangement results in cash or other funds being moved through the junket, where neither the source of funds, the owner of funds nor the identity of the individual conducting the betting transaction or cash deposit is known.

...

The VCGLR observes that to assist in mitigating the risks associated with junkets, the current internal control statements for junkets could be strengthened (amended?) with the inclusion of more robust controls in relation to the identification of individual junkets players and their associated gaming transactions when participating in junkets (page 138 of report).

AUSTRAC has recently established a dedicated Gambling Reporting Team. AUSTRAC has approached Stuart McClelland in relation to Rec. 17 (26 November). He is organizing a meeting with AUSTRAC.

Crown noted that AUSTRAC has not expressed concern with Crown's procedures in respect of the Junket ICS and regulates Crown through its AML Program.

The VCGLR advised that in their view part of this recommendation is about ensuring greater visibility of individual junket players and their gaming activity to ensure that Anti Money Laundering risks are appropriately addressed. Therefore, it is expected that the review of the appropriate ICS, which will include the Junkets and Premium Player Programs ICS, will vary the applicable ICS to determine the same level of transparency for individual junket player activity as there is for premium players.

Crown has stated that AUSTRAC has not expressed concern with Crown's procedures in respect of the Junket ICS and regulates Crown through its AML program. In addition, Crown has noted that the Recommendations do not specify amendments to the Junket and Premium Player ICS, nor make mention of individual player activity. Crown also, advised that the recommendation does not require Crown to review the Junkets ICS with AUSTRAC's input.

In reviewing the ICS, Crown would need to seek input from the VCGLR in conjunction with AUSTRAC regarding record keeping in relation to individual junket players (which Crown noted is not required by the Recommendation) and this should inform

reporting of any suspicious matters by Crown (which Crown noted is not required by the Recommendations).

Requirements for meeting the recommendation

1. *Review relevant ICS's, including Junket and Premium Player Programs with input from AUSTRAC to ensure that there is the same level of transparency for individual junket activity as there is for premium players.*
 2. *Do the relevant ICSs, including the Junket and Premium Player Programs ICS identify and record the flow of junket player funds within the junket as a minimum standard in the ICS to ensure that AML risks are appropriately addressed?*
62. On the 22 November 2018 I was copied in an email from Stuart McClelland, VCGLR Compliance Manager Casino, to Miriam Holmes.¹⁵ The email advised that in discussions with members of the AUSTRAC dedicated Gambling Reporting team on an unrelated matter, AUSTRAC “brought up recommendation 17 of the recent review and wanted to know what is expected from them”. I advised Stuart McClelland that LMA had taken carriage of working with Crown on implementation of the 20 recommendations in the Sixth Casino Review Report and Rowan Harris and myself would reach out to AUSTRAC to discuss Recommendation 17.
63. On 18 January 2019, Rowan Harris received a progress update from Crown in relation to the recommendations. This update did not suggest that Crown had taken any steps to seek clarification from the Commission in the way that I had suggested in my letter of 9 November 2018. Crown's update in respect of Recommendation 17 was however that:

"Crown has met with AUSTRAC to discuss this recommendation. A new joint AML Program across Crown's Australian Resorts is being developed and will be reviewed by an external party. AUSTRAC is being kept informed of progress.

¹⁵ VCG.0001.0002.6419

*Internal controls are being reviewed.*¹⁶

64. When I read this update in the course of preparing this statement, it appeared to me that the discussions between Crown and AUSTRAC at the time related to its joint AML/CTF program, as opposed to what Recommendation 17 specifically required, which was a discussion about Crown's ICSs. Back in January 2019, this update was not my focus as my team and I were focusing on recommendations that were due prior to Recommendation 17. I did not raise a concern with Crown at this point as Crown still had almost six months to address Recommendation 17 and I assumed, based on previous communications, Crown would take the necessary steps to address the recommendation.
65. On 20 February 2019, Steven Thurston, Rowan Harris, Alkan Munur (Team Leader, High Risk Gambling and Casino Compliance), and I met with Janet McCarthy (Director, Regulatory Operations) and Briony Olmedo (Acting Manager, Regulatory Operations) of AUSTRAC to ensure AUSTRAC had visibility of on the VCGLR's expectations in relation to Recommendation 17 and AUSTRAC's involvement.¹⁷ One of the matters that was discussed at this meeting was that of the VCGLR's expectations in relation to Recommendation 17. VCGLR's minutes of this meeting record:

"• *VCGLR intention and expectations*

*The VCGLR's view is that, at a minimum, the focus of this recommendation is about ensuring greater visibility of individual junket players and their gaming activity (record keeping that should inform reporting of any suspicious matters by Crown) to ensure that anti-money laundering risks are appropriately addressed. It is expected that Crown's review of the relevant ICSs, including the Junket and Premium Player Programs ICS, will vary the applicable ICSs to determine the same level of transparency for individual junket player activity as there is for premium players.*¹⁸

66. My own notes from the meeting, taken on my iPad, made the following observations:

¹⁶ VCG.0001.0002.6037; VCG.0001.0002.6038; VCG.0001.0002.6039.

¹⁷ VCG.0001.0002.6177.

¹⁸ VCG.0001.0002.3512.

- (a) *"BO (Briony Olmedo, Acting Manager, Regulatory Operations, AUSTRAC) noted that AUSTRAC have not seen nor been consulted with on the suitability of the ICS."*
- (b) *"BO noted that Crown raised 'uncertainty' in relation to the recommendation when AUSTRAC had preliminary discussions with Crown".¹⁹*

67. My recollection of the discussion was that Crown had engaged with AUSTRAC on its joint AML/CTF program between Crown and Crown Perth, and also discussed Recommendation 17 briefly. But AUSTRAC confirmed that the discussion about Recommendation 17, at the time, was not about AUSTRAC reviewing the ICSs to ensure that "AML risks are appropriately addressed".

68. I note that AUSTRAC also advised that it had provided feedback to either the NSW regulator or a casino operator in relation to the suitability of its ICSs and SOP that govern Casinos in that state. This issue was not discussed in detail.

69. On 22 February 2019, I was copied into an email from Rowan Harris to AUSTRAC which confirmed what LMA expected as part of the consultation by Crown with AUSTRAC in relation to Recommendation 17.²⁰ The email provided further clarity about next steps regarding Recommendation 17. The email included:

"Following on from our meeting, we would like to provide further clarity in terms of the next steps regarding recommendation 17. The Commission expects that Crown commence its review of the relevant internal control statements (ICSs), in particular the Junket and Premium Player Programs ICS forthwith, and that Crown actively seek AUSTRAC's input in relation to its views on the suitability of the ICSs to ensure that anti-money laundering risks are appropriately addressed.

As discussed at the meeting, the VCGLR's view is that, at a minimum, the focus of this recommendation is about ensuring greater visibility of individual junket players and their gaming activity (record keeping that should inform reporting of any suspicious matters by Crown) to ensure that anti-money laundering risks are appropriately

¹⁹ VCG.0001.0002.6423.

²⁰ VCG.0001.0002.6248.

addressed. Therefore, it is expected that Crown's review of the relevant ICSs, including the Junket and Premium Player Programs ICS, will vary the applicable ICSs to determine the same level of transparency for individual junket player activity as there is for premium players.

As also discussed, the proposed timeline for completion of the review of the relevant ICSs is the end of April 2019."

70. AUSTRAC did not respond to this email.
71. On 22 February 2019, I was also copied into an email from Rowan Harris to Michelle Fielding which updated Crown on the VCGLR's discussions with AUSTRAC and outlined the VCGLR's intention and expectations in respect of AUSTRAC's involvement with Recommendation 17.²¹ I asked Rowan Harris to send this email to Crown to provide transparency to our engagement with AUSTRAC and to ensure Crown had an understanding of what we expected from them, and AUSTRAC, in relation to Recommendation 17, which was, primarily that:
- (a) the relevant ICSs be made available to AUSTRAC to review, which will include the Junket and Premium Player Programs ICS;
 - (b) Crown would be expected to formally engage with AUSTRAC to seek its views on the suitability of the ICSs;
 - (c) Crown provide a formal submission on Recommendation 17, to the Commission, by 1 July 2019.
72. I do not recall Crown responding to this email.
73. After the meeting with AUSTRAC on 20 February 2019, I was concerned that Crown had not proactively engaged with AUSTRAC by late February 2019 in relation to providing the ICSs for AUSTRAC's review and comment in relation to Recommendation 17, noting the deadline for the completion of the recommendation

²¹ VCG.0001.0002.3513.

was now only months away and AUSTRAC would need to be given enough time to conduct its review and provide input.

74. On 28 February 2019, there was a Commission meeting at which a number of the recommendations were considered.²² I did not attend this meeting, however the Commission was provided with a written status update prepared by Rowan Harris and reviewed by me in relation to all recommendations based on the update which had been provided by Crown as at 18 January 2019 and also our view on Crown's update.²³ Rowan Harris maintained a status table which identified each of the 20 recommendations and provided Crown's update and the VCGLR's comments on Crown's updates in relation to the status of the recommendations, as received. This was a source document that was relied upon to regularly update the Commission and other stakeholders on the status of Crown's implementation of the 20 recommendations.
75. Assuming that Crown would act on our email of 22 February 2019, as referred to above, and immediately engage with AUSTRAC, we noted that Recommendation 17 'implementation was on track' in the status table. However, we also noted this recommendation as "Amber" as our concern at that point in time was that Crown had yet to actively engage with AUSTRAC in seeking a review of its ICSs.
76. After this meeting, Rowan Harris updated the status table to note the discussions at the Commission meeting and circulated this to the team.²⁴
77. On 13 March 2019, Steven Thurston, Rowan Harris, and I met with Crown for a dedicated VCGLR/Crown Sixth Casino Review meeting. Our intention was to receive a progress update from Crown in relation to the nine Recommendations due on 1 July 2019.
78. I had assumed from the discussions with Crown on 25 September 2018 that the meetings with Crown on the Sixth Casino Review recommendations would be primarily with Michelle Fielding, and include Sonja Bauer where responsible gambling

²² VCG.0001.0002.6409.

²³ VCG.0001.0001.0007, VCG.0001.0001.0006

²⁴ VCG.0001.0002.3022.

recommendations were discussed. I was surprised that Joshua Preston, then Chief Legal Officer, Australian Resorts, attended this 'working level' meeting.

79. At this meeting, the discussions around most of the recommendations were quite specific to the wording of those recommendations.
80. When discussions commenced in respect of Recommendation 17, it became apparent that Joshua Preston's updates were not addressing the key component of the recommendation. Rather, Joshua Preston continued to reference the suitability of Crown's joint AML/Counter-Terrorism Financing (CTF) program, which was more a focus of AUSTRAC rather than the VCGLR's. He was not providing an update on Crown's review of the ICSs in consultation with AUSTRAC and with external assistance as required by Recommendation 17.
81. My impression at the time was that Joshua Preston believed that he could persuade the VCGLR that Recommendation 17 could be met by deeming that the joint AML/CTF program was appropriate in ensuring AML risks are addressed. Although the AML/CTF program is clearly a fundamental tool in addressing such risks, I advised Crown that the ICS should complement or support the AML program, as both were fundamental to mitigating AML risks at the casino, and in relation to Recommendation 17, it was the ICSs that needed to be assessed for their suitability in doing this and assisting in mitigating AML risks. I was focusing on the need for visibility in relation to junket players front money or financial contribution, and ensuring the casino was free of criminal influence.
82. I made it clear to both Joshua Preston and the others at the meeting that the joint AML/CTF program is not linked to Recommendation 17. Item 2, paragraph (c) under the sub-heading Recommendation 17 of the minutes of this meeting emphasises both Joshua Preston's agenda to promote the relevance of the joint AML/CTF program to Recommendation 17 and also my clear response that the joint AML/CTF program was not linked to Recommendation 17.²⁵ It records as follows:

"c) *JP advised that the joint (Crown Perth/Crown Melbourne) AML program will be reviewed by an external party and is a 'significant piece of work' which may*

²⁵ VCG.0001.0002.6021.

not be completed by 1 July 2019. The VCGLR believes that the joint AML Program is not linked to Recommendation 17."

83. By this note I meant that Recommendation 17 does not require a review of the joint AML/CTF program. I was focused on the ICS which came under VCGLR's oversight and the requirements of Recommendation 17 which related to the ICS. I refused to be drawn into the suitability of the joint AML/CTF program.
84. The minutes of this meeting were prepared by Rowan Harris and reviewed by me prior to them being sent to Crown by Rowan Harris on 4 April 2019.²⁶ Michelle Fielding provided her mark-ups to the minutes on 18 April 2019 and Joshua Preston's feedback to the minutes on 22 May 2019.²⁷ My team reviewed Crown's feedback around 27 May 2019.²⁸ In respect of Recommendation 17, Joshua Preston in his 22 May 2019 comments to the 13 March 2019 minutes added the note that the Recommendation was on track. However, my team, at this point, being late May 2019, did not accept his comment.
85. By then, we had received a further status update from Crown on 2 May 2019. The due date for Recommendation 17 was only 5 weeks away. We had also informed the Commission in the 23 May 2019 Commission meeting that Recommendation 17 was not on track.
86. In addition to the minutes that were kept in respect of the meeting that happened on 13 March 2019, I also made notes at that meeting on my iPad which I emailed to myself on 14 March 2019.²⁹ In relation to Recommendation 17, my notes recorded:

"Recommendation 17

- *JP noted that ongoing meeting with AUSTRAC over 2 years. Strong AML/CTF outcomes.*

²⁶ VCG.0001.0002.6020; VCG.0001.0002.6021

²⁷ VCG.0001.0002.3528; VCG.0001.0002.3529

²⁸ VCG.0001.0002.3164.

²⁹ VCG.0001.0002.3518

- *JP noted that looking to introduce joint program across Perth and Victoria, working closely with AUSTRAC. 'Significant price [piece] of work' but not overly linked to recommendations (almost above and beyond it)*
- *JP noted that strengthening references in internal control would be somewhat limited to the 'reference to AML internal program/processes' and framework documents'. Not sure if this is appropriate.*
- *JC questioned if 'suitability of control statements' has been discussed with AUSTRAC. JP noted that it has not been.*
- *JP noted that the fundamental issue re AML/CTF is internal AML program and not ICS.*
- *JC noted that ICS should support AML program*
- *JC noted concern that response does not specifically address the recommendation.*
- *JP concerned to relevance and 'issue' addressed in recommendations, yet reluctantly accepted.*
- *RH questioned the 'issue' noted in the report re junket ICS. JP noted that this was an observation and would not 'drive' the review outcomes.*
- *JC noted clear expectations re consultation with AUSTRAC."*

87. Where my notes noted "price", I was referring to "piece".
88. Where my notes referred to "almost above and beyond it", I was providing my thoughts rather than recording what Joshua Preston said.
89. Where my notes referred to "*JC questioned if 'suitability of control statements' has been discussed with AUSTRAC. JP noted that it has not been.*", I was wanting to clarify my understanding that Crown had yet to speak to AUSTRAC about the suitability of ICSS as required by Recommendation 17.

90. Where my notes referred to "*JC noted concern that response does not specifically address the recommendation.*", it was a note that Crown was not addressing Recommendation 17.
91. Where my notes referred to "*JP concerned to relevance and 'issue' addressed in recommendations, yet reluctantly accepted*", whilst I cannot now specially recall what this is referring to, it is probable that I was recording that Joshua Preston told me that Crown reluctantly accepted Recommendation 17.
92. Where my notes referred to "*JC noted clear expectations re consultation with AUSTRAC*", I was referring to my emphasis to Joshua Preston at that meeting that he needed to speak to AUSTRAC and provide AUSTRAC with copies of the ICSs. I had to emphasise this because Joshua Preston continued to question the relevance of the ICSs in relation to Recommendation 17.
93. In addition to the minutes and my notes, Steven Thurston also prepared a file note of this meeting which is dated 18 March 2019. His file note incorporates my notes referred to above.³⁰ In respect of Recommendation 17, Steven Thurston's file note states as follows:

"Recommendation 17 was subject to extensive discussion, as there seems to be a disconnect between what LMA staff consider is the expectation and how Crown intends to respond.

At the meeting Crown took the position that:

- *Notwithstanding Crown's ultimate acceptance of the recommendations, Recommendation 17 had been the subject of some discussion with the VCGLR prior to the finalisation of the Sixth Casino Review and Crown made its position known that it did not agree with a recommendation in relation to AML/ATF [CTF] processes.*
- *Crown has an AML framework that AUSTRAC is "happy with".*

³⁰ VCG.0001.0002.3012.

- *No further changes are necessary to any of the Internal Control Statements or Standard Operating Procedures since the AML responsibilities are covered by the framework.*

JC made it clear that the Commission expects that the ICSs and SOPs are updated to reflect the framework.

Furthermore, when Crown staff said they had not shown their relevant ICS to AUSTRAC, JC suggested that they amend the ICS and share it with AUSTRAC for their feedback. (See further discussion points in Attachment).

Recommendations

That the above be noted, and the Director, Licensing be alerted that there may ultimately be a dispute between Crown and the Commission about Recommendation 17, and a likelihood that the Commission may need to find that Crown has not met Recommendation 17."

Recommendation 17

Crown to undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.

- *JP noted that Crown has had ongoing meetings with AUSTRAC over 2 years. Strong AML/CTF outcomes being considered and endorsed by AUSTRAC.*
- *JP noted that Crown is looking to introduce a joint program across Crown Perth and Crown Melbourne, working closely with AUSTRAC.*
- *'Significant piece of work' but not overly linked to recommendations (almost above and beyond it)*
- *JP noted that strengthening references in internal control would be somewhat limited to the 'reference to AML internal program/processes' and 'framework documents'. JP noted that he was not sure if this is appropriate.*

- *JC questioned if 'suitability of control statements' has been discussed with AUSTRAC, as clearly required by the recommendation. JP noted that it has not been discussed, and didn't think this was important or relevant.*
- *JP noted that the fundamental issue re AML/CTF is internal AML program and not the Internal Control Statement or the Standard Operating Procedures which are designed for a different regulator.*
- *ST asked whether the AML/CTF framework is itself a procedural document and, if so, why it couldn't be submitted as an ICS/SOP³¹. JP noted again that the ICS/SOP regime is regulated by the VCGLR and the AML/CTF framework is regulated by AUSTRAC.*
- *JC noted that ICS should support AML program, and the ICS review, in particular Junkets and Premium Player ICSSs, needed to be subject to Crown's review and input from AUSTRAC re its suitability.*
- *JC noted his concern that Crown's response and the discussion in the meeting does not appear to specifically address the recommendation.*
- *JP concerned about relevance and 'issue' addressed in recommendations, yet reluctantly accepted.*
- *RH questioned the 'issue' noted in the report re junket ICS. JP noted that this was an observation and would not 'drive' the review outcomes.*
- *JC noted clear expectations re consultation with AUSTRAC.*
- *JP claimed the recommendation is on track for 1 July but VCGLR staff are sceptical about the adequacy of what may be provided in the submission. "*
(emphasis added)

94. Post the 13 March 2019 meeting, I realised that Crown had not been speaking to AUSTRAC about the specific basis of Recommendation 17 or the key requirements of that recommendation, as indicated in Crown's 18 January 2019 status update. Rather,

³¹ As noted above, the SOPs are standard operating procedures which outline how Crown will achieve its ICSSs.

Crown had been discussing its joint AML/CTF program with AUSTRAC. At this point, we had a really solid indication that Crown was off on a different tangent and if this continued Crown would not meet the expectations of the Commission in respect of Recommendation 17.

95. My frustration at this time with Crown's approach on Recommendation 17 was based on the fact that Recommendation 17 was clear about what it expected – undertaking of a robust review of internal control statements with regards to ensuring AML risks are appropriately addressed, with external assistance, including input from AUSTRAC. Yet Crown failed to appreciate this and did not provide a status update that addressed these points and focussed instead on its joint AML/CTF program which, in my opinion, was irrelevant to this Recommendation. I communicated this to Crown at the 13 March 2019 meeting. At that point in time, I was of the view that Crown could not comply with Recommendation 17 unless it obtained AUSTRAC's input in relation to the ICSs.
96. Prior to the 13 March 2019 meeting, I had never previously been told that Crown had challenged or did not agree with Recommendation 17 when it was discussed with the Sixth Casino Review team. After this meeting, I did not check Joshua Preston's comments about Crown's reluctance to accept Recommendation 17 as the recommendations had been made and determined by the Commission and the 2 July 2018 letter from Crown that I have already referred to stated that Crown had accepted all of the recommendations. My job was simply to ensure that each of the recommendations were implemented. Further, Crown had not raised this issue with the Commission despite an invitation from me for them to do so.
97. On 3 May 2019, Rowan Harris received a further status update from Michelle Fielding.³² Upon review of Crown's comments in relation to Recommendation 17, set out below, I noted that:
- (a) there was no indication from Crown's update that it had sought AUSTRAC's views in relation to the suitability of its ICSs regarding preventing money laundering.

³² VCG.0001.0002.6022; VCG.0001.0002.6023.

- (b) Only preliminary discussions had taken place with AUSTRAC on the ICSs, yet draft changes have been proposed for management review.
- (c) Crown had not appeared to be addressing Recommendation 17, consistent with Rowan Harris's email to Michelle Fielding of 22 February 2019.

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p>Recommendation 17</p> <p>The VCGLR recommends that <u>by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.</u></p>	<p>Recommendation Accepted</p>	<p><input type="checkbox"/> Crown has met with AUSTRAC to discuss this recommendation. A new joint AML Program across Crown's Australian Resorts is being developed and will be reviewed by an external party. AUSTRAC is being kept informed of progress.</p> <p><input type="checkbox"/> Internal Controls have been reviewed, preliminary discussions with AUSTRAC have taken place and draft changes have been made for management review.</p>	<p>1 July 2019</p>	<p>In Progress</p>

98. A Commission Paper dated 8 May 2019 titled "Sixth Casino Review recommendations – progress update" was prepared by Rowan Harris and recommended by Alex Fitzpatrick.³³ This Commission Paper was prepared for a Commission Meeting on 23 May 2019. Paragraphs 15 to 23 of this paper dealt with Recommendation 17. In the update table attached to the paper, Rowan Harris noted "*Licensing staff are*

³³ VCG.0001.0001.0094.

concerned that the approach being taken may not align with the expectations of the Commission" and the status was flagged in 'Red' and recorded as "Not on-track".

99. I felt very frustrated by this stage as there had now been no progress on Recommendation 17 for many months and Crown appeared to show no inclination to want to shift its position.
100. Alex Fitzpatrick asked me for an update on Recommendation 17 sometime in mid-May 2019, ahead of that Commission meeting. After my discussion with her, I spoke to Rowan Harris and asked him to seek an update from AUSTRAC in relation to any engagement with Crown on Recommendation 17.
101. Following this, Rowan Harris had a conversation with Briony Olmedo at AUSTRAC and prepared a file note of his telephone conversation dated 20 May 2019 which he shared with me.³⁴ The file note states that the main points of the conversation were as follows:
- "Main points of the conversation were:*
- a) *Briony has had one brief conversation with Crown in relation to AUSTRAC's input into Recommendation 17. In addition, AUSTRAC did an on-site tour of Crown at the beginning of May 2019.*
 - b) *No Internal Control Statements (ICSs) have been provided to AUSTRAC for its review. AUSTRAC has not "pushed" Crown for them.*
 - c) *Briony advised that "Crown is pushing back on reviewing the relevant ICSs, in particular the Junkets and Premium Player Programs (ICS).*
 - d) *Briony further advised that Joshua Preston, Chief Legal Officer does not seem to understand why the ICSs need to be reviewed."*
102. On 21 May 2019, I also provided Alex Fitzpatrick with an update on Recommendation 17 and outlined my concerns with regards to Crown's approach.

³⁴ VCG.0001.0002.3131.

103. On 22 May 2019, I provided Alex Fitzpatrick with an email titled "Update on Recommendation 17 of the 6CR".³⁵ I noted in the email that Rowan Harris had prepared a high-level brief on Recommendation 17, and a draft letter to be sent to Joshua Preston.³⁶ My email stated as follows:

"As discussed yesterday, in relation to the status of Crowns progress in addressing the 6CR recommendations, LMA are most concerned about Recommendation 17.

Recommendation 17 requires Crown, by 1 July 2019, to undertake a robust review (with external assistance) of relevant control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.

Our interpretation of this recommendation which we have clearly, on numerous occasions, advised Crown (Michelle Fielding and Joshua Preston) is that to adequately address this recommendation the VCGLR would expect:

- *Crown conduct a review of relevant ICS's applicable to AML, which should include the Junket and Premium Player ICS at a minimum,*
- *Consultation must be formally had with AUSTRAC, where formal input is provided regarding the suitability of the ICS's in ensuring AML risks are addressed,*
- *Consultation with AUSTRAC must be evidenced in the response Crown provided to the VCGLR re this recommendation,*
- *Response to the recommendation must outline Crowns response to consultation with AUSTRAC and details the expected outcomes of its 'robust review', ie; any proposed changes to the ICS.*

To date Crown have been very much 'non-committal' in terms of the extent of consultation with AUSTRAC and have deviated the focus of the recommendation from the suitability of the ICS's re AML, to the suitability of Crowns overall AML/CTF Program.

³⁵ VCG.0001.0002.3525.

³⁶ VCG.0001.0002.3527.

LMA have also consulted with AUSTRAC and discussed the recommendation and the VCGLR's expectation re the 'consultation' required. As recently as last week, Rowan Harris consulted further with AUSTRAC and was advised that they have not been approached by Crown to assess the suitability of the ICS's.

I further discussed this with Michelle Fielding in my catch up with her yesterday and although she was 'confident that Crowns submission to meet the VCGLR's expectations', even after I highlighted that this recommendation was the one we were most concerned about due to the lack of consultation with AUSTRAC, she fell short in saying that AUSTRAC has been provided copies of Crowns ICS for input to the robust review. This is what we consider fundamental to Crown successfully meeting this recommendation.

Just to fully inform you of this 'risk' before the Commission meeting, Rowan Harris has compiled:

- 1) A high level brief on Recommendation 17, and*
- 2) A draft letter to send to Joshua Preston, in relation to this risk, if this action is deemed necessary post the Commission meeting."*

104. A Commission Meeting took place on 23 May 2019.³⁷ Minutes from the Commission meeting stated:

"In relation to a review of internal controls statements (ICS) relevant to anti-laundering (Recommendation 17), Crown appears to have taken an approach to address the recommendation which may not align with the Commission's expectations.

Members agreed that Crown should be informed that the Commission expects the review of ICS be completed including input from AUSTRAC in relation to suitability in respect of anti-money laundering. Further consideration is to be given to reporting the progress of the Sixth Casino Review recommendations in the VCGLR Annual report."

³⁷ VCG.0001.0002.6028.

105. The VCGLR sent a letter to Crown on 23 May 2019.³⁸ The letter was sent by email to Joshua Preston, copying Alex Fitzpatrick and me. The letter stated as follows:

At its meeting on 23 May 2019, the Victorian Commission for Gambling and Liquor Regulation (the Commission) was provided with an update on the status of Crown Melbourne Limited's (Crown's) progress in relation to the recommendations contained in the Sixth Casino Review report. In particular, the nine recommendations due for completion on 1 July 2019.

The Commission was advised on progress against each recommendation, based on formal consultation with Crown, and an updated copy of Crown's progress schedule³ outlining action it has or will take to address each of the 20 recommendations.

Based on this advice, and noting that Crown, by way of letter dated 2 July 2019 accepted the 20 recommendations in the Sixth Casino Review report, the Commission is of the view that Crown may not meet the intended outcomes of recommendation 17.

Recommendation 17 requires Crown, by 1 July 2019, to undertake a robust review (with external assistance) of relevant internal control statements (ICSs), including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.

Based on discussions with Commission staff and Crown's written updates, Crown appears reluctant to undertake a review of any relevant internal control statements (ICSs) with input from AUSTRAC.

At a minimum, to implement this recommendation, the Commission expects that Crown provides AUSTRAC with the relevant ICSs, including the Junkets and Premium Player Programs ICS, to inform the review and assist Crown in ensuring that AML risks are appropriately addressed through its AML program as well as the ICSs.

106. On the morning of 24 May 2019, I got a telephone call from Michelle Fielding responding pretty aggressively to the letter that had been sent to Joshua Preston that day. Primarily she was of the view that the tone of the letter misrepresented Crown and they 'did not say they would not seek input from AUSTRAC', amongst other concerns. She said Joshua Preston was 'furious' and would most probably 'call the Minister'. I briefed Catherine Myers on the matter noting my concerns and that I stand by the risk that was presented to the Commission and the response to Crown.³⁹ I am not aware of whether Crown pursued their concern any further with the Minister or Catherine Myers as the CEO of the VCGLR.

³⁸ VCG.0001.0002.3021.

³⁹ VCG.0001.0002.3531.

107. On 14 June 2019 by email, Alex Fitzpatrick received a letter from Joshua Preston dated 13 June 2019, regarding Recommendation 17 in response to the VCGLR's letter of 23 May 2019.⁴⁰ The letter stated as follows:

Your letter

Your letter indicates, among other things, that:

- *'the Commission is of the view that Crown may not meet the intended outcomes of recommendation 17'; and*
- *'Crown appears reluctant to undertake a review of any relevant internal control statements (ICSs) with input from AUSTRAC.'*

Crown is keen to ensure that the VCGLR does not have fixed or predetermined views about the process followed by Crown, or the final outcome of the process followed by Crown.

Crown's view is that these statements do not reflect or properly account for the detailed briefings already provided to the VCGLR on the status of Crown's response to this recommendation, and the relationship between the ICSs and Crown's broader AML/CTF compliance framework.

Given this, Crown feels it important to document the process it has followed, and the current status of that process.

⁴⁰ VCG.0001.0002.6424; VCG.0001.0002.6425.

Actions taken by Crown in Response to Recommendation 17

In response to Recommendation 17, Crown has:

- reviewed all of its ICSs;
- identified the ICSs with potential relevance to anti-money laundering risks;
- considered these ICSs against the backdrop of Crown's existing AML/CTF Compliance Framework;
- prepared proposed amendments to these ICSs, where appropriate;
- recently submitted these ICSs, and the proposed changes to AUSTRAC, and requested that AUSTRAC provide:
 - its view on the changes proposed by Crown; and
 - any other input or commentary from AUSTRAC regarding the relevant ICSs.
- also recently submitted these ICSs, and the proposed changes, to an independent AML/CTF expert, and requested that expert provide:
 - his view on the changes proposed by Crown; and
 - any other input or commentary he has regarding the relevant ICSs.
- at the same time, Crown has also:
 - conducted its annual ML/TF Risk Assessment of the designated services it provides, its delivery methods, the technology used, and its customers; and
 - separately, performed an extensive review of its corporate risk management framework, ensuring its relevance and effectiveness to Crown.

Crown is currently awaiting input from AUSTRAC and the independent expert. That input will, as the Commission would expect, be carefully considered and evaluated by Crown. Absent any material delay in AUSTRAC or the independent expert providing their feedback, Crown remains on track to have completed the review process by 1 July 2019.

Please be assured that Crown continues to work through this Recommendation and the various other Recommendations in an orderly and diligent manner.

108. On 28 June 2019, Rowan Harris received a call from Jack Haldane of AUSTRAC. Rowan Harris prepared a note of this conversation which he emailed to me.⁴¹ It noted the following key points:

"Key points of conversation:

⁴¹ VCG.0001.0002.3129.

1. *Crown only commenced engagement with AUSTRAC on 30 May (ie. date it provided ICSs for review). A meeting was held with AUSTRAC on 14 June. Crown has had 12 months to work on Recommendation 17.*
2. *Crown has proposed amendments to ICSs (which ones, do they include Junkets? Will have to wait for its submission) and sought AUSTRAC's input. However, because of legal constraints AUSTRAC is of the view that it is not appropriate to comment on the ICSs. Can't say whether they are 'good or bad' from an AML point of view. They are not part of the AML framework.*
3. *AUSTRAC found the ICSs minimalistic.*
4. *Crown's focus re rec.17 (as we are aware) is on implementation of joint AML program which goes before the board for approval in August 2019.*
5. *Crown engaged Neil Jeans AML consultant in regards to Recommendation 17."*

109. From this file note, I understood that Crown did not commence engagement with AUSTRAC in respect of the review of relevant ICSs until 30 May 2019 (that is six days after the VCGLR's letter of 24 May 2019, which resulted in Michelle Fielding calling me on 24 May 2019). Further, Crown apparently met with AUSTRAC on 14 June 2019 to discuss the review.

110. Following this discussion, on the same day, Jack Haldane sent an email to Rowan Harris,⁴² attaching a letter from AUSTRAC to Crown dated 28 June 2019,⁴³ which stated as follows:

"As discussed, attached is the correspondence that we will be sending to Crown later today regarding their request for AUSTRAC input as part of rec 17 of the s25 review. We will be sending this correspondence to Crown later this afternoon.

Following internal consideration, we have made the decision that it is not appropriate for AUSTRAC to comment on the ICSs. The reason for this decision is that AUSTRAC's remit is AML/CTF legislation and compliance with that framework, and we do not

⁴² VCG.0001.0002.3057.

⁴³ VCG.0001.0002.3058.

believe it is appropriate for us to provide guidance on compliance with another legislative regime or compliance with those obligations.

In terms of the general question around Crown's compliance with the AML/CTF legislation, we would be happy to discuss with you at a later stage. However, as flagged during our call we have not conducted an assessment this year, predominantly based on Crown's advice that they will be adopting a new joint AML/CTF Program to cover both their Perth and Melbourne businesses later this year. Our intention is to test their AML/CTF compliance after the adoption of that program. We are happy to keep you apprised of timing for the assessment on Crown."

111. The letter from AUSTRAC to Crown dated 28 June 2019 further stated:

"Having considered your letter and the matters discussed at our subsequent meeting, it is AUSTRAC's view that how Crown addresses Recommendation 17 is a matter for Crown and it is not appropriate for AUSTRAC to provide comment upon ICSs. AUSTRAC's role is to supervise Crown's compliance with the Anti-Laundering and Counter Terrorism Financing Act 2006 and Anti-Laundering and Counter Terrorism Financing Rules Instrument (No.1), including via its AML/CTF Program".

112. I am not aware of Crown proactively advising myself or my team of its engagement/meeting with AUSTRAC during May 2019. However, from discussions with AUSTRAC as referenced in Rowan Harris' file note above and the communications from AUSTRAC, it appears Crown did not commence engagement with AUSTRAC in respect of the review of relevant ICSs until 30 May 2019 when it provided the ICSs to AUSTRAC. As noted above, Crown met with AUSTRAC on 14 June 2019 to discuss the review, only a few weeks before Recommendation 17 was due for completion, and only provided the ICSs to AUSTRAC a month before this date.
113. Shortly after the letter from AUSTRAC, Crown provided a submission to the VCGLR dated 1 July 2019 in relation to its implementation of Recommendation 17 of the Sixth Casino Review.⁴⁴ In its submission to the VCGLR on 1 July 2019 in relation to the implementation of Recommendation 17 Crown advised:

⁴⁴ VCG.0001.0001.0037.

- (a) It has **completed its robust review** of the relevant ICSs to ensure that money laundering risks are appropriately addressed which included assistance from external advisory firm Initialism Pty Ltd and AUSTRAC. Crown sought advice on the changes to the relevant ICSs proposed by Crown, and any other input or commentary Initialism Pty Ltd might have regarding the relevant ICSs.
- (b) AUSTRAC advised Crown that its treatment of Recommendation 17 *"is a matter for Crown and that it is not appropriate for AUSTRAC to provide comment on ICSs"*.
- (c) It continues to take steps to review and enhance its broader AML/CTF risk-based framework.
- (d) Its review of the relevant ICSs was conducted concurrently with Crown's annual AML/CTF risk assessment under its risk-based AML/CTF Program.
- (e) It proposed amendments to the relevant ICSs. The proposed amendments to the relevant ICSs were:
 - (i) the inclusion of Crown's AML/CTF Program as a control in the "Minimum Standards and Controls" section of each relevant ICS; and
 - (ii) the inclusion of a specific risk of "Criminal influence and exploitation" (which captures potential money laundering or terrorism financing activities) in each relevant ICS Risk Assessment where that risk is not already directly or indirectly included.

(emphasis added)

- 114. At around the same time, Crown also provided its submissions in respect of nine other recommendations.
- 115. My team commenced a review of Crown's nine submissions in July 2019 and this review took place over the months of July 2019, August 2019 and September 2019. The plan was for my team to provide the Commission with a paper in respect of these recommendations once our assessment of each of the recommendations was complete. It was anticipated that my team's assessment of Crown's implementation of

Recommendation 17 would be presented to the September 2019 Commission meeting, noting that papers for all Commission meetings must be completed by approximately the first week of the month of the meeting. As a result, it was expected that my team would not be able to complete the analysis of Crown's response to Recommendation 17 by the first week of August 2019, to meet the deadline for the August 2019 meeting, noting we were also addressing 8 other submissions.

116. In late July 2019 however, there was a '60 Minutes' television expose about various activities at Crown, including money laundering. That prompted urgent internal discussion about Recommendation 17 and brought forward the timeline for my team's assessment and recommendation to the Commission on Recommendation 17.

117. On 1 August 2019, I received an email from Alex Fitzpatrick which stated as follows:

"Following Catherine's meeting with the Minister can you as a matter of urgency start considering Crown's submission in relation to the above recommendation - we need to aim to have this done within 2 weeks and we will have a special commission meeting to consider".⁴⁵

118. On 2 August 2019, Rowan Harris emailed me a draft internal memo on my team's position on Crown's response to Recommendation 17. At this stage the team were considering several options in relation to Recommendation 17, noting that we were of the opinion that Crown had not addressed the specific concerns in relation to junket players, as they were advised to in discussions with my team. The draft internal memorandum set out the following options:

1. *Accept Crown has met the recommendation without qualification. Nothing further to do.*
2. *Crown has met the recommendation, but not happy with outcome....VCGLR to review.*
3. *Crown has not met the recommendation, and it should go back and further review the ICS under our guidance.*

⁴⁵ VCG.0001.0002.6408.

119. The team and I then discussed the draft internal memorandum and I told Rowan Harris and Steven Thurston that, based on past experiences, the Commission would look to Licensing to present a position on the matter, along with a defined recommendation, as opposed to options. I further advised that I did not believe option 1 was to be considered, noting that Crown did not address the concerns in relation to junket players as a result of its review. The team agreed with this position and considered the most appropriate option to present to Alex Fitzpatrick in the internal memo was option 2, to support a final recommendation to present to the Commission.
120. My preliminary view in relation to Recommendation 17 was:
- (a) Crown have addressed the strict form or wording of the recommendation and completed a review of the relevant ICSs, with external assistance, and 'sought input from' AUSTRAC;
 - (b) However, it is clear that Crown have not addressed the risk identified and the observation in the Sixth Casino Review report as an outcome of its review, being the need for greater visibility to junket players and their contributions or front money;
 - (c) we would consider recommending to the Commission that, although a review of the ICSs has been conducted by Crown, its review did not address a key observation of the Sixth Review, and therefore further review is warranted by the VCGLR and/or an external entity of the VCGLR's choice (if applicable) to assess the suitability of the documents regarding the monitoring of junket players (to address the intention behind the recommendation). In the absence of AUSTRAC providing guidance, the VCGLR needed to source relevant expertise to ensure the highest standards of controls were in place.
121. After further consideration, my assessment on Recommendation 17 in substance did not change but I also considered other points such as the extent to which the provision of the Initialism report needed to be addressed. In that regard:
- (a) In its submission Crown quoted from Initialism Pty Ltd's independent report which was prepared for Crown, however, a copy of that report was not proactively provided by Crown together with its submission.

- (b) I expected that a copy of the Initialism report would be provided to support Crown's submission in relation to Recommendation 17, yet Crown only provided details of the Initialism report in its submission.
 - (c) Although this was enough to support that Crown had sought 'external assistance' to address Recommendation 17, I was concerned that I had not reviewed the Initialism report and any additional findings in the Initialism report may not have been evidenced in Crown's submission. Due to the urgency with making a decision in relation to Recommendation 17, the team proposed that the recommendation to the Commission in relation Recommendation 17 deem that Crown has completed Recommendation 17, subject to the provision of the Initialism report.
 - (d) Further, although Crown had proposed amendments to the ICSs (based on the external advice from Initialism), the proposals did not address the observation, as expressed in the relevant section of the Sixth Casino Review Report .
122. I was of the view that Crown had met the minimum requirements of Recommendation 17 meaning that Crown had undertaken a review of relevant ICSs, with external assistance from Initialism and sought input from AUSTRAC. I did not believe that there were sufficient grounds, when assessing the specific words of Recommendation 17, to determine that Crown had failed to implement the recommendation as required.
123. However, in my view Crown applied a minimalist approach to addressing the suitability of its ICSs in mitigating money laundering. The expectation that relevant internal controls be introduced to the ICS to provide greater visibility to the identity of the junket players and their associated gaming transactions and front money contributions, when participating in junkets (see page 138 of the Sixth Casino Review), was not addressed. I considered that the best approach to addressing the matter raised at page 138 of the Sixth Casino Review Report was via a further review and enhancement of the relevant ICSs by the VCGLR, rather than seeking to have Crown itself conduct another review.

124. This thinking was recorded in the final internal VCGLR memorandum on Recommendation 17, dated 5 August 2019.⁴⁶
125. As to the reasons for recommending that the VCGLR conduct a review of Crown's ICSs rather than sending it back to Crown for review, this point is not covered in the internal memo. At the time however, I thought there would be no benefit to Crown being instructed to conduct a further review of the ICSs, and therefore deeming the recommendation incomplete. Crown had been reluctant from the beginning to address the required changes to the ICSs as noted in the body of the Sixth Casino Review Report (page 138), as evident in the discussions I had with them. However, Crown had 'conducted a review'. Therefore, closing the recommendation, noting the further intensive work to come seemed appropriate.
126. I wanted to close off the Sixth Casino Review process with regards to Recommendation 17 and move on with the Commission's review of the relevant ICSs to address the Commission's concerns. The Commission's review would have superseded Crown's review in any event.
127. I also expected difficulty in justifying to Crown why it had failed to meet the recommendation because I expected Crown would say it had technically met the words of the recommendation.
128. At this point I had lost confidence in Crown's desire to address the substance of the VCGLR's expectations regarding Recommendation 17 given my dealings with them in the last year on the implementation of this recommendation. Overall, it was my view that it was preferable, and more effective, to accept Recommendation 17 as being technically implemented, and then commence a 'VCGLR managed process' to ensure the VCGLR's desired outcome and intention of Recommendation 17 was achieved, by strengthening the ICSs as required. I did not want the outcome to be distracted by a technical debate with Crown on the wording of Recommendation 17.

⁴⁶ VCG.0001.0002.3148.

129. On 9 August 2019, a Commission paper was prepared by my team in respect of Recommendation 17, to be presented to a specially convened Commission meeting to consider this recommendation.⁴⁷ It concluded as follows:

Conclusion

33. Licensing acknowledges Crown's review of AML/CTF obligations in respect of recommendation 17, and Crown's proposed amendments to the relevant ICSs in light of AML/CTF risks.
34. However, Licensing is of the view that a simple reference to the AML/CTF program in the relevant ICSs (as proposed by Crown, although it links the mitigation of AML/CTF risks via the program back to the ICSs, may be insufficient for the purposes of the Commission being satisfied that all AML and junket operation risks have been appropriately addressed in Crown's ICSs.
35. To that end, it is recommended the Commission conduct its own review of Crown's ICSs to assess whether AML and junket operation risks have been addressed. The proposed review will include an assessment of Crown's AML/CTF program⁴⁸, and consultation with the ACIC.
36. It is further recommended that the Commission engage an expert in AML/CTF compliance and crime risk management to assist it in the conduct of its own review of Crown's ICSs.
37. Taking into account the above, Licensing is of the view that Crown conducted a review of relevant ICSs to ensure that AML risks are appropriately addressed and therefore has satisfied recommendation 17.

130. The paper recommended as follows:

1. That the Commission⁴⁹ agrees that
 - (a) Crown has implemented recommendation 17, subject to the provision of the Initialism Pty Ltd report relating to Crown's review of its internal control statements (ICSs); and
 - (b) the Victorian Commission for Gambling and Liquor Regulation, with external assistance, including input from the Australian Criminal Intelligence Commission, conduct a further independent review of relevant internal control statements to ensure junket operations of Crown and money laundering risks have been addressed.

131. On 15 August 2019, I sent an email to Alex Fitzpatrick about Recommendation 17 ahead of a Commission meeting about Recommendation 17.⁴⁸ My email noted as follows:

"- Licensing view was consistent all along in relation to the requirement on Crown to address the suitability of the ICS's as opposed to reviewing the AML/CTF program. However recognise the need to review the program;

⁴⁷ VCG.0001.0001.0041.

⁴⁸ VCG.0001.0002.3543.

- Crown initially refrained from commenting on the suitability of the ICS's re AML/CTF and also was not willing to consult with AUSTRAC;

- Crowns suggested changes to the ICS's, only made as part of their submission on 1 July 2019, in Licensing's opinion, do not adequately address the 'issues' around the suitability of the ICS's, and if submitted for approval, further changes would be sought. These may include, but not limited to, adding 'implement' to the suggested section regarding the AML/CTF program, and addressing the junket participants issue;

- AUSTRAC [Crown] have advised on several occasions that they [AUSTRAC] have assessed the AML/CTF program and considered it suitable;

- When working through the suggested review of ICS's, Licensing do envisage reviewing the suitability of the AML/CTF program if the link into the ICS's is to be retained (including further changes noted above);

- AUSTRAC have confirmed that KYC requirements only apply to junket participants, and not the 'transactional' visibility that also applies to junket operators, as they, the operators, enter into the financial transaction with Crown. As a result, the ICS's should look to address this 'issue' or 'shortcoming', even if AUSTRAC do not see this as a requirement.

- Clearly, there would be no benefit to Crown being instructed to conduct a 'further review of the ICS's, and therefore deeming the recommendation incomplete. They have been reluctant to address the required changes to the ICS, as evident in the discussions and the body of the review report, however they have 'conducted a review', ie; met the recommendation. Therefore closing the recommendation, noting the further intensive work to come is appropriate."

132. At its special meeting of 15 August 2019, the Commission considered this paper.⁴⁹ At this meeting, the Commission noted Crown's submissions in relation to its implementation of Recommendation 17 and determined to defer its decision on whether Crown had implemented Recommendation 17, pending Crown's providing the Initialism report for the Commission's consideration.

⁴⁹ VCG.0001.0002.6024.

133. On 21 August 2019, the Chair of VCGLR, Ross Kennedy sent a letter to Joshua Preston which stated as follows:⁵⁰

At its meeting on 15 August 2019, the Commission noted Crown's review of its Internal Control Statements (ICSs) to ensure junket operations at Crown and money laundering risks have been addressed.

In considering Crown's submission the Commission:

- *determined that it will defer its decision on whether Crown has implemented recommendation 17, until Crown provides the Commission with a copy of the Initialism Pty Ltd report relating to Crown's review of its ICSs; and*
- *endorsed that the VCGLR, with external assistance where required, will conduct a further independent review of relevant ICSs to consider whether risks relating to money laundering and junket operations have been adequately considered by Crown and whether further controls are required to address any risks identified.*

Accordingly, could you please provide a copy of Initialism Pty Ltd's report within seven days of receiving this letter.

The VCGLR will also conduct its independent review of the ICSs in due course and will actively consult with Crown during the conduct of this review and seek necessary changes to the ICSs if required.

134. On 28 August 2019, Barry Felstead (former CEO of Crown Australian Resorts) sent a letter to Ross Kennedy which stated as follows.⁵¹

Your letter requests a copy of the report from Initialism Pty Ltd (Initialism) relating to Crown's review of its ICSs (Initialism Report).

As requested, a copy of the Initialism Report is attached to this letter.

As the Commission is aware, Crown implemented the recommendations of the Initialism Report as part of its process in responding to Recommendation 17, which recommended that Crown 'undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.'

For all of the reasons outlined in our letter dated 1 July 2019, Crown is of the view that it has fully complied with and implemented Recommendation 17, with the benefit of external input. As the Initialism Report concludes, by implementing the recommendations 'Crown is adequately addressing Recommendation 17, and thereby ensuring that Crown has appropriately addressed its anti-money laundering risk within the ICSs.'

Crown will nevertheless provide the VCGLR with any information or assistance needed in connection with any further review of the ICS deemed necessary. It welcomes any opportunity for enhancements to its systems and processes, and will continue to work collaboratively with the VCGLR with a view to achieving this outcome.

⁵⁰ VCG.0001.0001.2124.

⁵¹ VCG.0001.0001.0072.

Crown otherwise notes for completeness that:

- both the information contained in this correspondence, and the enclosed document, are confidential and provided to the VCGLR on a confidential basis; and
- Crown has not waived, and does not intend to waive, privilege in any document, including any document created in connection with or relating to the Initialism Report.

135. Crown's letter of 28 August 2019 attached the Initialism report dated 21 June 2019.⁵²

136. On 9 September 2019, a Commission paper was prepared by my team in respect of a number of Sixth Casino Review recommendations.⁵³ Views were expressed in relation to Recommendation 17 and the Initialism report at paragraphs 19 to 25 of that paper. It concluded as follows in paragraph 26:

26. In summary, as Initialism did not identify any significant concerns in relation to Crown's ICSs and how it addresses anti-money laundering risks, it is recommended that the Commission agrees that Crown has implemented recommendation 17, noting that the VCGLR will conduct its own independent review of Crown's ICSs.

137. At its meeting on 26 September 2019, the Commission considered the Initialism Pty Ltd report and agreed that Recommendation 17 has been implemented, noting that the VCGLR will undertake its own review of Crown's relevant ICSs to consider whether risks relating to money laundering and junkets have been adequately considered by Crown, and whether further controls in its ICSs are required to address any risks identified.⁵⁴

138. On 29 October 2019, Ross Kennedy sent a letter to Joshua Preston which stated as follows.⁵⁵

⁵² VCG.0001.0001.0072.

⁵³ VCG.0001.0001.0073.

⁵⁴ VCG.0001.0002.6026.

⁵⁵ VCG.0001.0001.2120.

I refer to Crown Melbourne Limited's (Crown's) submissions to the Victorian Commission for Gambling and Liquor Regulation (the Commission) dated 28 June and 1 July 2019, in relation to the completion of recommendations 5 and 17 of the Sixth Casino Review.

As advised in my letter dated 21 August 2019, the Commission deferred its decision on whether Crown has implemented recommendation 17, pending provision of a copy of the Initialism Pty Ltd report that supported Crown's review of its relevant internal control statements (ICSs). The Commission received a copy of that report on 26 August 2019 and has now considered that report.

At its meeting on 26 September 2019 the Commission noted that:

- in relation to implementation of recommendation 5, Crown has briefed key internal staff on the VCGLR's risk-based approach to regulation, with particular focus on how that approach relies on the integrity of Crown's internal processes at its quarterly Executive Risk and Compliance Committee meeting held on 21 May 2019, and
- in relation to implementation of recommendation 17, Crown has undertaken a review (with external assistance) of its relevant ICSs, to ensure that anti-money laundering risks have been addressed.

Although the Commission notes that Crown has implemented recommendation 17, as further advised in my letter dated 21 August 2019, the VCGLR will also be conducting an independent review of the relevant ICSs, with external assistance, to consider whether risks relating to money laundering and junket operations have been adequately considered by Crown and if further controls are required to address any risks identified.

139. After the Commission accepted that Crown had implemented Recommendation 17, my involvement ceased in relation to this recommendation and the further work in relation to the Commission's review of the suitability of Crown's ICSs. However, I am aware that the following steps occurred:

- (a) Senet Legal Pty Ltd (Senet) reviewed Crown's ICSs for the Commission.
- (b) The Commission accepted the recommendations of the Senet review on 28 May 2020.
- (c) The ICSs were then redrafted.
- (d) Crown was consulted in respect of the re-draft of the ICSs.
- (e) Amended ICSs for junkets were sent to the Commission for approval and were approved.
- (f) Crown were advised of the amended ICSs.

I HAD LIMITED INVOLVEMENT IN RELATION TO.

140. On 25 September 2020, Crown issued an ASX Media Release which announced Crown's suspension of all activities with junket operators until 20 June 2021, while a comprehensive review of its processes related to junket operators is undertaken.⁵⁶
141. On 17 November 2020, Crown issued an ASX Media Release titled "Future Junket Relationship Update" which stated that *"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."*⁵⁷
142. In summary, as is evidenced in my statement above, the issues with Crown's approach to Recommendation 17 ^{are} is as follows:
- (a) Crown challenged the recommendation after accepting it,
 - (b) Crown initially did not seem to intend to follow the specifics of the recommendation,
 - (c) Crown wanted to link the recommendation to the joint AML/CTF program rather than a review of relevant ICSs,
 - (d) Crown delayed discussions with AUSTRAC about the recommendation and seeking its views on the suitability of the ICSs,
 - (e) Crown referred to the Initialism expert report in its submission but did not proactively share this report with the VCGLR until requested to do so,
 - (f) Crown took a very narrow view of the specific words, as distinct from the intention of Recommendation 17 and failed to acknowledge the observations in the Review Report, as its amendments to the ICSs did not address the

⁵⁶ VCG.0001.0002.2522.

⁵⁷ VCG.0001.0002.6158.

observations on page 138 of the Sixth Casino Review Report or the issues which the Commission was seeking to tackle,

- (g) the Commission was forced to implement its own process for the purpose of ensuring that the intention of Recommendation 17 was carried into effect.

Dated: 15 April 2021

Jason Cremona