



Memorandum **IN PROGRESS**

TRIM ID: CD/19/13430

To:	Alex Fitzpatrick, Director, Licensing	
Cc:	Jason Cremona, Manager, Licence Management and Audit (LMA)	
	Adam Ockwell, Director Licensing	
	Steve Thurston, Licence Manager, LMA	
From:	Rowan Harris, Principal Major Licence Officer, LMA	
Division:	Licensing	
Subject:	Sixth Casino Review - Recommendation 17	Date: 2 August 2019

Purpose

1. To provide an assessment of Crown Melbourne Limited's (Crown's) submission dated 1 July 2019 in relation to recommendation 17 of the Sixth Casino Review (the Review).
2. To provide a range of options for the Commission in responding to Crown's submission.
3. To recommend the option of a further review, led by the VCGLR¹, of the relevant internal control statements (ICs) is required to enable more robust controls in relation to the identification of individual junket players and their associated gaming transactions in light of:
 - lack of input from AUSTRAC – AUSTRAC believes that it is not appropriate for it to provide comment on the ICs, and
 - Crown's amendments to the "Minimum Standards and Controls" sections in the relevant ICs which refer to the AML/CTF program are not acceptable in addressing the intended requirements of recommendation 17.

Background

4. Recommendation 17 provides:

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.

Commonwealth secrecy provision

Commonwealth secrecy provision

Commonwealth secrecy provision

¹ This should involve Licensing and Compliance Division staff.

Commonwealth secrecy provision

Commonwealth secrecy provision

9. AUSTRAC wanted to see reporting obligations improved and believed suspicious deposits were still being accepted which was not in the spirit of AML. In an AUSTRAC letter to Crown dated 26 September 2017, AUSTRAC *“encouraged Crown to submit a suspicious matter report when it observes unusually large transactions being processed over the cash desk in the Suncity Room, or any other suspicious activities”*.

10. **Commonwealth secrecy provision** the Sixth Casino Review observed that:

‘to assist in mitigating the risks associated with junkets, the current ICSs, including for Junkets and Premium Player Programs ICS could be strengthened 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. 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 AML risks are appropriately addressed.’²

11. In order that a satisfactory submission by Crown in respect of recommendation 17 is provided, the VCGLR expected:

- a) a robust review of ICSs relevant to anti-money laundering (AML), including but not limited to the Junket and Premium Player Programs ICS
- b) input from AUSTRAC following an independent assessment of the relevant ICSs in relation to their suitability regarding AML
- c) amendments to the ICS to include, at a minimum, strengthening of the current ICS for Junkets and Premium Player Programs by the inclusion of more robust controls in relation to the identification of individual junket players and their associated gaming transactions when participating in junkets, and to determine the same level of transparency for individual junket player activity as there is for premium players.

12. During engagement with Crown following the finalisation of the Sixth Casino Review Report, Licensing articulated to Crown the expectations highlighted in paragraph nine above in particular, the lack of transparency of junket players’ front money being the driver for this recommendation. It was made clear that the Commission expects that the review of the relevant ICSs will result in the same level of transparency for individual junket player activity as there is for premium players in the ICS.

² Page 138 of the Sixth Casino Review Report.
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13. The VCGLR met with AUSTRAC on 20 February 2019 to outline the Commission's expectations of Crown's consultation with AUSTRAC, in particular that Crown actively seek AUSTRAC's input in relation to its views on the suitability of the ICSs, including the Junket and Premium Players ICS to ensure that AML risks are appropriately addressed (**Attachment 2**). At that time, AUSTRAC staff seemed willing and able to provide the input required to encourage Crown to conduct a robust review.

14. The VCGLR emailed Crown on 22 February 2019 requesting that the relevant ICSs are made available to AUSTRAC for their input to the review, and to ensure the recommendation is appropriately addressed (**Attachment 3**).

Comments/Issues

15. Crown, in its submission, advised that it *'has completed its robust review of the relevant ICSs to ensure that money laundering risks are appropriately addressed. This robust review included assistance from external advisory firm Initialism Pty Ltd³ and input from AUSTRAC.'*

16. In the early stages of the VCGLR's monitoring of recommendation 17, Crown was reluctant to involve a review of any ICSs in its response to the recommendation, and did not believe AUSTRAC should be consulted about the adequacy of these documents. Crown, in Licensing's opinion, was failing to address the key driver of recommendation 17 referred to in paragraph nine above.

17. Throughout Licensing's monitoring of the progress of recommendation 17, Crown has maintained that the suitability of the AML/CTF program it is developing is more important than the suitability of the ICSs (in particular, the Junkets and Premium Player Programs ICS) in ensuring that AML/CTF risks are appropriately addressed. Crown advised that it was working closely with AUSTRAC to develop a joint AML program across the Melbourne and Peth casinos, and that AUSTRAC had been complimentary of its process in relation to the joint program. Crown stated that, as an additional measure, it had a transaction monitoring program in place.

18. Furthermore, Crown made its position clear that it considers it acceptable to have controls and procedures for an AML/CTF program prepared under the guidance of AUSTRAC that are distinct from controls and procedures in ICSs which are prepared pursuant to section 121 of the *Casino Control Act 1991*. However, Licensing is of the view that all controls relevant to section 121 should form the basis of ICSs even if those controls are relevant to the expectations of another regulator. The VCGLR's oversight of ICSs aims to ensure that they support all regulatory requirements contained at section 121, not just those specific to gambling.

19. At a dedicated VCGLR and Crown meeting on 12 March 2019, Crown advised the VCGLR that the strongest control over AML is the AML/CTF program. In addition, the strengthening of internal controls would be somewhat limited to the AML internal program/processes and 'framework documents'. Crown believes that the relevant control for AML/CTF is the AML/CTF program, not the ICSs, and that this is a statutory requirement. The VCGLR advised Crown that the ICSs should support Crown's AML program, and the ICS review, as required by the recommendation, in particular the Junkets and Premium Players ICS, needed to be subject of Crown's review and AUSTRAC's input regarding its suitability.

20. In a letter dated 23 May 2019, the VCGLR advised *'at a minimum, to implement this recommendation, the Commission expects that Crown provides AUSTRAC with the relevant ICSs, including the Junkets and Premium Players 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'* (**Attachment 4**).

³ Initialism Pty Ltd is Melbourne based consulting firm that specialises in AML/CTF compliance and financial crime risk management.

21. 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. Crown met with AUSTRAC on 14 June 2019 to discuss the review.

22. AUSTRAC in a letter to Crown dated 28 June advised that:

'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'

23. The VCGLR believes that although Crown has made amendments to the ICSs in the absence of AUSTRAC's input, the amendments as advised by Initialism, do not address the requirements of recommendation 17. The amendments to the relevant ICSs are:

- *the inclusion of Crown's AML/CTF Program as a control in the "Minimum Standards and Controls" section of each relevant; and*
- *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 (Attachment 2).*

Recommendation

24. That you agree that the Commission Paper provide a range of options to the Commission in response to Crown's submission in relation to recommendation 17 of the Sixth Casino Review.

- Agreed
 Please discuss

25. That you agree these options should be put to the Commission:

- a) Find Crown has fully met the requirements of recommendation 17 based Crown's submission demonstrating completion of a robust review and suggested amendments to the ICSs.

- Agreed
 Please discuss

(not recommended)

- b) Find that Crown has met the requirements of recommendation 17 of the Sixth Casino Review Report. However, given the inadequacy of the Casino's response, the Commission determine that:

- a. the suggested amendments to the ICSs are inadequate to meet the expectations of the Sixth Casino Review
- b. a further review of the ICSs will be conducted by the Licensing and Compliance Divisions, in consultation with an external advisor, and
- c. Crown be directed to amend its ICSs in accordance with the outcome of the above review.

(recommended)

- c) Find that

- a. the recommended amendments to the ICSs have not adequately strengthened controls over junket operations in respect of individual participants and their gaming transactions
- b. as such, Crown has not met the requirements of

recommendation 17 of the Sixth Casino Review Report in that the review and the outcome of the review are not "robust" as required

- c. Crown be required to amend its ICSs to address the observation quoted from the Sixth Casino Review in paragraph 9 above, in consultation with Licensing and Compliance Divisions.

(not recommended)

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