



24 April 2020

**CONFIDENTIAL  
BY EMAIL**

Ms Victoria Whitaker and Dr Murray Lawson  
Deloitte Risk Advisory  
Grosvenor Place  
225 George Street  
Sydney, NSW, 2000

Dear Ms Whitaker and Dr Lawson

**Request for proposal - junket due diligence and persons of interest process review**

**1. Background**

- 1.1 As the parent of companies holding licences to operate casinos in Victoria, New South Wales and Western Australia, Crown Resorts Ltd (**Crown**) is required to ensure that its group operations are conducted in accordance with all relevant laws and regulations.
- 1.2 Crown has internal processes and procedures to assist it to comply with its legal and regulatory obligations in respect of its extensive operations (approximately 32 million visits per year).
- 1.3 Crown's governance related frameworks have significantly evolved in recent years, including with a view to centralising its risk, audit, compliance and anti-money laundering/counter terrorism financing functions.
- 1.4 Over two years ago, Crown embarked on a significant process to create consistent group functions in order to provide Crown with an enhanced platform by which to manage and resolve key compliance and risk issues and to facilitate open lines of communication between Crown's businesses. A key part of this enhancement work was the development of new risk framework documentation such as the Crown's risk management strategy, which includes a section on Crown's risk appetite.
- 1.5 The Crown Board, management and I are committed to a strong compliance culture within Crown, and continuous improvement of our risk-related processes and procedures. We recognise that internal processes need to evolve to remain up-to-date in relation to legal and regulatory requirements, as well as community expectations.
- 1.6 Against the background of the ongoing inquiry by the New South Wales Independent Liquor and Gaming Authority, Crown has identified certain processes it would like to review to continue to identify opportunities for enhancement.
- 1.7 Accordingly, on 18 February 2020, the Crown Board approved a *'review of key business procedures and to conduct a process mapping exercise for the purposes of identifying areas for improvement, with one such process being the junket approvals process.'*

Crown Resorts Limited

ABN 39 125 709 953

Crown Towers  
8 Whiteman Street Southbank 3006  
Victoria Australia

Tel: +613 9292 8888  
Fax +613 9292 8808

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1.9 As a first stage of this review, we invite Deloitte to submit a proposal to conduct a review of Crown's governance, reporting and due diligence frameworks in respect of the processes for:

- (a) assessing applications by prospective junket operators;
- (b) periodic assessment of existing junket operators; and
- (c) decision-making in relation to whether 'persons of interest' are permitted to enter or play at Crown's casinos or be on Crown's properties, as described below.

1.10 Ultimately, Crown's goal is for this review to identify opportunities for Crown to enhance its junket operator and persons of interest due diligence frameworks to ensure that Crown is well-placed to make appropriate, informed decisions in accordance with Crown's risk appetite.

## **2. Risk framework and appetite**

2.1 Attached are the key risk framework documents that have in the recent past been developed and adopted by Crown:

- (a) Crown's Risk Management Committee Charter;
- (b) Crown's Risk Management Committee Policy;
- (c) Crown's Risk Management Strategy, which includes a section on Crown's risk appetite; and
- (d) the most recent Risk Matrix.

2.2 These documents describe Crown's updated risk assessment and management framework and articulate Crown's risk appetite, whereby Crown seeks to make balanced, fully-informed decisions as to which junket operators (and which of their customers) or other persons of interest Crown will and will not do business with (and on what terms), reflecting Crown's risk strategy and risk appetite.

## **3. Matters to be reviewed**

3.1 The Review is intended to make recommendations in relation to:

- (a) Crown's decision-making frameworks in respect of junket operators, and the Crown policy settings which inform the decisions Crown makes in respect of junket operators;
- (b) Crown's decision-making frameworks in respect of persons of interest, and the Crown policy settings which inform the decisions Crown makes in respect of those individuals;
- (c) how these frameworks and processes might be improved to assist in the making of decisions reflecting Crown's risk appetite; and
- (d) the reporting to, and involvement of, Crown's board and board sub-committees in relation to these matters.

### *Junket operator application process*

3.2 Crown wishes to review its processes for the assessment of new junket operator applications.

3.3 The Review should take into account, and make recommendations based on, the following principles:

- (a) Crown should have access to the best reasonably available information sources in assessing the background and probity of a prospective operator;
- (b) Crown's process for assessing applications of prospective operators should be rigorous and conducted to a high standard; and

- (c) Crown at all times seeks to remain free from criminal influence and to avoid its operations and casinos being used or exploited by criminal elements.

3.4 The Review should make recommendations in respect of any suggested improvements to:

- (a) the information inputs to be considered and sources to be mined in connection with the assessment of a prospective operator;
- (b) the process for assessing an application made by a prospective operator, including any consideration of any broader group of persons or entities with which the prospective operator might be associated;
- (c) the role for different aspects of the business, including the AML department, the compliance department, the credit department, the VIP International department, and other aspects of the business, in the assessment process; and
- (d) the governance framework and responsibility for approving a new junket operator, including whether the framework and processes are well designed to make decisions reflecting Crown's risk appetite.

*Junket operator review process*

3.5 Crown also wishes to review its processes for the annual review of existing junket operators.

3.6 The review should take into account, and make recommendations based on, the following principles:

- (a) Crown should have access to the best reasonably available information sources in reviewing the background and probity of existing operators;
- (b) Crown's review of existing operators should be should be rigorous and conducted to a high standard; and
- (c) Crown at all times seeks to remain free from criminal influence and to avoid its operations and casinos being used or exploited by criminal elements.

3.7 The Review should make recommendations in respect of any suggested improvements to:

- (a) the information inputs to be considered and sources to be mined in connection with the annual review of existing operators;
- (b) the process for reviewing existing operators, including, without limitation:
  - (i) the process for updating previous probity and background checks on existing operators;
  - (ii) the process undertaken to weigh various factors in connection with existing operators' activity over the prior year, including review, analysis, and consideration of:
    - (A) any law enforcement requests in respect of the existing operator;
    - (B) any suspicious matter reports in respect of activity connected to the existing operator;
    - (C) any other information relevant to the existing operator available to Crown;
  - (iii) the composition of the committee reviewing existing operators;
  - (iv) the role for different aspects of the business, including the AML department, the compliance department, the credit department, the VIP International department, and other aspects of the business, in reviewing the background and probity of existing operators; and

- (c) the governance framework and responsibility for the review of existing junket operators, including whether the framework and processes are well designed to make decisions reflecting Crown's risk appetite.

*Persons of Interest committee process*

- 3.8 Crown also wishes to review its processes for reviewing and making decisions about persons of interest.
- 3.9 The review should take into account, and make recommendations based on, the following principles:
- (a) Crown should have access to the best reasonably available information sources in assessing how to deal with persons of interest;
  - (b) Crown's review of persons of interest should be rigorous and conducted to a high standard; and
  - (c) Crown at all times seeks to remain free from criminal influence and to avoid its operations and casinos being used or exploited by criminal elements.
- 3.10 The review should make recommendations in respect of any suggested improvements to:
- (a) the information inputs to be considered and sources to be mined in connection with reviewing and making decisions about persons of interest;
  - (b) the process for reviewing and making decisions about persons of interest, including, without limitation:
    - (i) the information available to the persons of interest committee (and any other relevant body) in making decisions on particular persons of interest;
    - (ii) the process undertaken to weigh various factors in connection with a review of or decision about a person of interest, including review of:
      - (A) any law enforcement requests in respect of the person of interest;
      - (B) any suspicious matter reports issued in respect of activity connected to the person of interest;
      - (C) any other information relevant to the person of interest available to Crown;
    - (iii) the composition of the committee tasked with reviewing persons of interest;
    - (iv) the role for different aspects of the business, including the AML department, the compliance department, the credit department, the VIP International department, and other aspects of the business, in reviewing persons of interest; and
  - (c) the governance framework and responsibility for reviewing and making decisions about persons of interest including whether the framework and processes are well designed to make decisions reflecting Crown's risk appetite (and whether it is desirable to more clearly articulate Crown's risk appetite).

*Governance and reporting frameworks*

- 3.11 The Review is also to make recommendations for any improvements in governance or reporting frameworks for:
- (a) decision making in the process of assessing junket operator applications, the periodic junket operator review process, and the persons of interest committee process; and
  - (b) reporting and referral to the Board and/or a Board subcommittee of decisions and/or any issues arising from such processes.

**4. Next steps**

4.1 Crown would like the review to commence as soon as reasonably practicable.

4.2 Crown has decided to appoint Anne Siegers [REDACTED] as the point of contact for Deloitte both in relation to the proposal and co-ordination on an ongoing basis, but please feel free to contact me directly if you would like to discuss any aspect.

Records  
[REDACTED]

Ken Barton  
**Chief Executive Officer**  
**Crown Resorts Limited**