

Junkets due diligence and persons of interest process review

Interview Minutes

Interviewee: Michelle Fielding, Group GM Regulatory and Compliance

Purpose: The purpose of this engagement is to review 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.

Focus Areas identified for exploration:

- Due diligence
- POI process
- Junket approval process and monitoring
- Broader compliance / control measures

Materials: NA – due to current restrictions/recommendations around Coronavirus this will be delivered remotely over Zoom.

Logistics: The interview will last for one hour

Specific questions:

- General views on the junket program:
 - Key risks
 - Areas of improvement / recent focus
 - Best means to balance commercial and compliance/reputational concerns – how is this currently working.
 - History of junket process – prior 2017 VIP Commercial and Compliance looked after junket approvals. Why did this change, and how well does the current model work?
- Junket approval process
 - What is Compliance's role in the process?
 - Compliance review due diligence file and check for completeness – what are they looking for? How do they provide support/challenge?
 - Do you have access to the due diligence files?
- Reporting
 - Compliance notifies VCGLR – what communications do you have with the VCGLR? I.e. intelligence sharing?
 - What checks do the VCGLR do? I noticed notifying them of junkets was included as a control. What does this involve?
 - Which other external agencies do you work with? How is information fed back into the business?
 - AUSTRAC reporting – is this carried out by Compliance? What communications do you have with AUSTRAC?
- Assessment of existing junket operators:
 - What role does Compliance play in the ongoing probity and monitoring measures for the junket program?
 - Are there information / reviews conducted during and after the trip?

- How does the feedback loop work? Are there any areas for improvement in this process?
- Persons of interest
 - Could you speak a bit about the current processes for POIs, and how the Committee was established?
 - How is this working? Strengths, challenges etc.
 - What are the trigger points for escalation? How are these defined, reviewed and communicated?
 - When is POI Out-Of-Meeting process used instead of meetings?
 - What number go through meeting vs out-of-meeting? Has there been any analysis on whether that affects decision?
 - If meetings are monthly, what happens to the POI in the interim? Are they suspended or allowed to continue playing?
 - Where is the decision logged? Is it then entered into Syco / salesforce / the relevant due diligence file?
 - What is the monitor and follow-up process to make sure that relevant action is taken?
- Broader control / compliance for junkets
 - What is Compliance's role in educating staff to manage risks associated with junkets or POIs?
 - Are there flags or criteria throughout the process that trigger specific escalation or action?
 - What is your team's role in reporting to the board on either the POI or junket programs? What information gets feed up, through what forums and how frequently?
 - What information do you think the board needs to know about this?
- Biggest risk – individuals hired by company that manage these relationships – as much as you can put processes in place, when it's individuals dealing with individuals will always be a risk.
- People from different countries and cultures, different expectations. In Aspinall's, our London casino, they have to know people's incomes, they need bank statements. The casino has to know what the income is and you get prosecuted if you go beyond that.
- We're behind – people come in with money, we don't have to know where that money comes from.
- We do a lot of checks; Dow Jones gives you a lot of information. But the adverse stuff seems to be rumour rather than adverse. Then you have to make a decision and decide how you're going to put weight on that.
- A lot of them say believed to be a member of the 4K triads. How do you establish that? I find it quite an odd one. What we go to the POI committee is when people are trying to charge someone with something.
- I do accept where there's smoke there's fire. If there's a lot of rumour.

How does junket program line up with your stuff in compliance?

- Not a great deal. Compliance isn't responsible for due diligence. A lot done by Mary or AML. Sometimes they come and say we're on the fence what do you think? But there's no due diligence program within compliance.
- We intervene in due diligence space when we become aware of adverse information.
- We manage the POI committee which is quite an unusual process. Started as something off the cuff. It was never meant to be those things that people expect today.
- That's largely where compliance intervenes.
- It doesn't have to be a conviction; charge is enough for us to get that ball rolling. We do have some people who are charged and acquitted, committee considers removal of ban order.
- If we see an article about someone in the paper. If it's associated with money laundering, drug trafficking, felony crime, we'll weigh in.
- When we hear something's gone on untoward somewhere else, at another casino, we start doing checks internally. Check casino database.
- Sometimes person involved in unacceptable behaviour is a front for someone else, they'll make those connections.
- It's through the process of day to day business that adverse information comes up.

How often would that occur?

- We don't say these figures publicly, we probably have 2000 requests for law enforcement a year in Melbourne, a small percentage would be junket operators.
- When adverse information comes up for junket operators it tends to be of that higher degree.
- If adverse information comes to light, we have a look at it, if it's a serious nature –
- I'll go back in time to history.
- For 20 years, I've been Crown's evidence giver. That's something that me or someone in my team would go. I was in my 20s at the time, I've been doing it for about 20 years. I said to General Counsel at the time, I think we should look at some of these, I keep providing police this information, but unless they're arrested, they keep coming in.
- Started with me and gaming department, purely because they dealt with these people. Then we called in Security and Surveillance as they deal with a lot of adverse information.
- We now have a minimum base of departments that must be represented. What we did was put the information forward that we knew about this person. The bulk of them, if they're going to a meeting, they're probably not good for us, I'd say 90% of them get banned. Meeting was once a quarter back in early days, then once a month. We were getting some that were coming up and we needed to stop dealing with today. Started form, what we know about the person, what's adverse about them, what risk do they pose to the casino. Even if they don't present a risk to the casino per se we still don't want them. We fill that form out, email bombs to POI committee. We say respond with any feedback by X, but never get to that time. We will ban them pretty quickly in that space.
- We're pretty brutal. Kick out more than stay.
- Every 5 years, we have casino review by regulator. Every time this comes through, they are shocked by how many we kick out. They're always shocked by the amount they kick out.

Casino review, on the VCGLR's website – section 25.

- Ann's preparing form to put some science behind the decision making. Now everyone's going where's the template and risk basis for that. I left for three years. While I was gone, we got sued. The hand scribbled notes from the first POI became the saving point.
- Became hand scribbled notes, then dot points, now minutes, now agendas. It was just a crappy little meeting that developed into something worthwhile.

Possible to get some examples of minutes and agendas from those.

- I'll give you both – out of office and in office meeting process.
- It's far, far more out of meeting. The meetings get cancelled because by the time we get to meeting there's nothing left. The reason we now go to meeting is if there's some controversy.
- Some may be AML team looking at records – historic cases for example, those ones become the most controversial. The person's done a crime, done their time, is it right for Crown to say you're not back in.

Do those ones trigger review of play behaviour?

- What goes to committee:
- History of adverse info, SYCO, findings from SIA, police records, sometimes ATO requests, child payment requests.
- They're actually not simple decisions.

It's really coming to situation of trying to balance someone's personal rights.

- Best thing about it being by committee. S, 25 – one of things they love is that this is done by committee and not by a couple of senior managers. Everyone's got a moral compass. The balance of everyone's view. You won't be surprised to find a few people have a louder voice. Normally advisors to business so voices carry extra weight, voice of lawyer would carry more weight than table games. Myself and Jan Williams are senior solicitors who attend these.
- Craig Walsh is the ED of Security and Surveillance. He's an ex-policeman, he's on that plane. His experience and history give him a similar perspective.
- I deal with AFP, ASEO on a daily basis.

- Our experiences are very different. My department is official handing out of information.
- They'll speak to Craig, there's policy documents on this sort of thing. If they need something done in a real-life sense, life monitoring for example, they do that with Craig's team.
- Once it gets to an official stage, they must come through us, we release documents, keep records of who and how and when. We also have to keep it under privacy act. That's more our department than Craig's. All official records, release of footage – made by Craig but they give it to us. The official release of statements and evidence comes from us. That's been the case for about 20 years.
- Staff members that do that – Sean Counihan – manages law enforcement and pulls POI together.

What reporting about all this process goes up to board level?

- I wouldn't have thought any back in time.
- But Josh Preston has been much more hands on with that sort of stuff. Anne's done a lot of structures, documents in place.
- Is there a POI document that goes to board? Wouldn't have thought so because it comes to us.
- Matters that become a risk or could become a serious matter for Crown may go up. But isn't a POI report that goes to board.
- When there are ones that significantly concern me, I will have a conversation with Barry and Josh.
- An example is Cho Wah Chow. Alvin Chau is front place for Sun City Group. He doesn't have criminal record, but rumour mill points to Sun City all the time. When I get requests relating to Alvin or Sun City I would escalate those right away,
- One we got really, is someone went to police and said he was being extorted. Went to police and said when he deposits money, does it in an account named Alvin Chow. But Alvin Chow doesn't know anything about it.
- We saw the Hong Kong Jockey Club banned him; we were straight away well what do they know that we don't.

Regulation – not clear what should be done.

- We want you to do something, but that's a matter for you.

Where would you see Crown being in terms of liberality with junkets?

- It's a point in time question. If you went back three years ago, risk appetite was enormous. As soon as incident went down in China, Jason O'Connor arrested, the whole world changed for us. What occurred is regulator as well, went from being quite enormous to quite constrained.
- For new assessments we're in a tighter frame, there's some like Sun City that would be considered high risk.
- The risk appetite is quite small.
- Going back to first question, when I said big risks, it's the individuals who control it.
- Individuals control these relationships, but also to a large extent control the information we get. Information about individual, business, movement of money, that's really down to individuals – sales reps. You assume to a certain level what they're telling you is honest.

One of my recommendations from previous was at start of due diligence, get as much from them as you can. Then puts you in driver's seat – verifying what they tell you.

- But for example, we collect certain things like domicile. So when those documents come through, we have to say to someone in the sales team I need three documents to confirm this person's domicile.
- The fact that these people are between you and patron, you have to take on face value that what they're giving you is true.
- We put so much effort into their training. I fly to Hong Kong and spend two days telling them what the law requires, what HK requires. We go over at least two sometimes three times annually. They hear it and know it. What's the message they get.
- Remuneration conflict – all of employment contracts re-written to take bonus for sales out of it. Jan Williamson, she's the new legal counsel. She does most of the work in this space, employment contracts, regulators.

Documentation – feedback loops

- With out of office ones, there's not a great deal of dialogue with why people are making their decision, they just say supported – even if meetings, Sean will go through and we'll just say supported and it's recorded as outcome. For other ones, we debate for half an hour, and then tend to record just what the outcome was rather than rationale.
- It seems that in recent times, with minutes being requested for regulators, people would say these minutes are insufficient. If people want us to put substantive information in, that's something we could start doing, but this process was started to be with people, to be a good corporate citizen.

Regulator

- Deal with WA, NSW, London. Victorian is miles apart.
- They're more concerned with their image and their positioning into outcome of matters than truth of matter.
- Auditor General review 3 years ago.
- In that Crown holds a straight line.
- Junkets – clause in internal controls that can veto any junket operator – get junket operator information and file it.
- They have a lot of reports where they say – this must be received by first quarter.

Junket

- Credit control and AML – only overlaps to POI committee.
- Adverse information goes to the SIA database – information picked up through that initial check.
- Also have a field in player database, freehand comments. As soon as patron enters building all of comments come up.
- When we're say someone bans, stop codes go into system – have a lot of steps and processes into system – identify person coming in, instantly sends message to surveillance, if someone's banned their face now gets added to facial recognition system. Extra cameras pick someone up. By the time person gets to door, Craig Walsh can speak through that more.