

Junkets due diligence and persons of interest process review

Interview Plan

Interviewee: Craig Walsh, ED Security and Surveillance

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 & experiences – do junkets present problems for his team? Are they given any special attention?
 - Areas of improvement / recent focus
 - Best means to balance commercial and compliance/reputational concerns – how is this currently working.
- Junket approval process – application
 - What role does Security and Surveillance play in the due diligence process?
 - How does the new database check work? Is it having a positive impact? Is there more to be done?
 - The junket application form asks for details of facilities at other casinos. Is Security and Surveillance party to this information? Do you assist with reference checking?
- Intelligence
 - What communications do S&S have with other casinos?
 - How is information shared externally?
 - What communications do S&S have with law enforcement or other external agencies? Does this cover junket programs in particular?
- Assessment of existing junket operators:
 - What role does S&S play in the ongoing probity and monitoring measures for the junket program?
 - What, if any, reviews are conducted post visit by one of the operators?
 - How is information fed back into the team handling junket reviews?
 - Is S&S involved in reviews / checks carried out following junket visits?
- POI Process
 - How does S&S contribute to the POI process?
 - How is it working? Positives, challenges, areas for improvement.

- What kind of volume of meetings / out of meeting processes have you been having?
- Systems
 - What are the different systems you use?
 - Do these pose any challenges? What is your experience of using these?
 - Findings from previous audits included considerations around incorrect data entry, has there been work taken to amend this?
 - Where are the possibilities for human error? How are these mitigated? Including in the due diligence process.
 - Do the systems provide an audit trail?
- Broader control / compliance for junkets
 - How are S&S staff trained to manage risks associated with junkets or POIs?
 - Are there flags or criteria throughout the process that trigger specific escalation or action?

Ann – physical security, and a lot of surveillance.

Craig - police background a lot of contacts in this area.

Role and responsibilities

Been here seven years now.

Prior to that homicide investigator, couple of stints in armed robberies here. 25 years in the cops. This role in Crown, we have around 500 – 600 security officers, 100 surveillance. Sit on top of both departments, both have their own directors in charge. Investigations section, mostly ex-police. support by a couple of analysts, we also have our surveillance analysts. Very smart people, experts on the surveillance side of things.

The more enlightened casinos have surveillance analysts. Those guys are essentially charged with checking everyone coming here.

Access via surveillance networks throughout Australia, Asia, the States, Europe.

Security, my role involves looking after the physical aspects of things.

We are very very different from MACAU. Way we operate just generally. And different from the states. Physical risk, removing people, too much booze, drugs, mental health issues. We can remove 200 people easily on a Saturday. The risk of that is significant. We've had four security officers charged with murder. Couple of supreme court charges.

Live and die on protecting liquor and gaming license, good relationships with VCGLR – compliance take the lead on that. We look after relationship with Victorian police. Luckily many of the Commissioners are my former colleagues. We also manage relationship with local police.

That's the role. We get involved, thankfully, not a lot to do with junket business.

Sure you'll be familiar with James Manning business, I investigated that along with others. I was GM of Security, then became GM of Security and Surveillance, subsequently ED.

I don't know a lot about surveillance but have good people who do know their business.

As far as junkets go, generally dealt with misbehaviour of various members of junket groups. Could be physical. In the past if we talk Sun City, police seizing 300k. We work with police, we knew Sun City was being targeted.

Walked fine line of maintaining relationship, trying to protect business. Don't go direct to VIP hosts – might sound harsh but I don't trust them. In past, targeting murder, VIP host mentioned police had been on site. Could get charged for being accessory, police could close us down.

We have had knowledge of misbehaviour from junkets. Have been told of suspicions junkets are laundering drug money. Putting you on notice that's what we're going to do. Did a lot of stuff in the background, obviously we report on matters that need to be reported.

Suspicious reporting, excess of 10k, 9,8 then the 5k – that sort of stuff. Deal with them when targeting people in our casinos, [REDACTED] All the electronic stuff you would think of.

We're lucky, a short time ago before we closed down, [REDACTED] passed it on.

That's kind of where we fit it. We do the checks on people coming in if we know about them. Deal with money laundering allegations, money lending. We're in it, but we're not in it.

Junkets, no doubt you've got the feeling so far that that's a very different world.

My view is Vic Pol should vet all of our people. If not Vic Pol, AFP. If I could make comment on the media commission in NSW, we're fighting with both hands tied behind our back. We don't have the abilities that law enforcement have. I've said to senior police, we'd be happy to run the names by you.

My view is, if they're crooks, you've got ability to know that.

In terms of POI process – how does that work?

Two levels of POI – POI stuff that happens on a daily basis.

Villa rented in Crown Towers. Empty bags of something left lying around the room. We identify person who rented the room, they're backlisted. We do that on regular basis, someone gets in a brawl, we see someone money lending, blacklisted. It's not practical to do that as we'd be meeting every day.

Wrong place to come if you don't want to be observed. [REDACTED] Bad call if you're coming here to get involved in criminal behaviour. Straight forward stuff comes to us. Got a matrix we use for consistency.

Can put hand on heart with section 25, I can say we have a process, we're consistent, this is the penalty that comes out of it.

We revisit them everyone now and again.

There are instances when we take an individual view on it. But essentially try to be consistent.

Other things that come up are a little bit tricky, law enforcement. Nick and I have had this conversation. Nick and Adam want to know about everything. There are times where they can know about everything, times when they don't. If we're existing a covert investigation, I wouldn't necessarily tell them.

Gets a little bit tricky. Frankly our current POI Committee make-up is no way near senior enough. Uncomfortable sharing with all and sundry. Nears to be a tighter and more senior group. Over representation which can skew the voting. Gaming want everyone one. I take the opposite view; I want everyone out.

There needs to be a pragmatic approach.

Along with Nick, there'll be times when we don't tell Nick everything. Along with Anne, we had this discussion, fairly robust. Our representation, relationship with crime squads, Vic Pol, if there was a hint of something getting out, we'd be done for.

Last thing we want to do, we don't like Crown anymore.

Don't want to walk that tight rope. Last group, generally what POI deals with, is stuff that comes out of the media.

Guys find trawling the media, Dow Jones, all that sort of stuff. That's the stuff that hasn't happened here, we're not aware of it since it made the media.

We'll set that down for hearing at POI committee, decision will be made one way or another. Some of that will be difficult, one of the issues we deal with, guys committed a murder, he's been in, he's come out. How long does he have to pay penance for? That's one we've struggled with a little bit.

That's generally the one we struggle with, the media one. Do we let them back in? Any time they get involved in unacceptable behaviour.

Some of it's straight forward, guys left a kilo of drugs in the safe – that's straight forward. It's more the media, it's a representation issue. What do we decide about that?

For junkets more generally, the majority of the guys they bring out here are pretty good.

Could I put hand on my heart and say there's no money lending going on. Is that the purpose of the junkets?

It's between them. They have lines of credit and business between them but that's there business model. Where does that matrix exist in terms of policy?

It's probably grown organically. My concern was, we'd find someone who's knocked off 10\$ in gaming floor we'd give them a year, a guy knocks off 2k in mahogany room we give them a warning. I was extremely uncomfortable. My protection, or argument, this is how we maintain consistency. That is always the tension between what happens with black member who's worth millions to us a year. My view, when I came out of the police, I was more black and white, now I live permanently in grey.

I take the view; I'll be consistent across the board. I'll escalate if I'm not sure about something.

That's fair enough, it's appropriately escalated. I would love to get familiar with that framework.

I'll find it for you.

I'll copy Anne in as she has the secure portal.

Ken has engaged me fairly openly.

Is it going to right level? Are right people in the room to make those calls? What visibility does the board have – balance to be struck.

Got to have confidence in process.

Need to understand framework and how it's operating.

We try very hard to make defensible calls. The only time I get uncomfortable is when we make a call because someone's a black tier member. Behaviour wise they get a bit of leeway. My view is there has to be some type of penalty, behaviour has to be addressed and should be consistent.

The biggest drama we've got from a POI perspective is we just don't know. If you tell us Craig Walsh is a bad guy who shouldn't be here, we don't know in case you tell us. Don't then hold us accountable for letting someone in here.

Getting rid of people in a legitimate business. Guy owns a brothel around the corner. We don't license here. The government does. If they give him a license how should we know.

We don't license Sun City, we don't have the intelligence indices to know if there bad people or not.

We do our proactive checks on people coming here to play, again its essentially open source checking and through surveillance network.

That's with the other gaming places around the globe?

In terms of looking at junket operators, especially when Mary Gioras is doing the due diligence, do they come to you and say who is this guy>

I'm unaware of them doing it on a regular basis.

Would the network be willing to handle those sorts of enquiries.

I think the network would be willing to, although in Macau they're constrained. Maybe Manila, Singapore. Don't have connections with new ones opening.

Junket players, if they come to your attention, they run through scams. We run people who are coming through as players to get an understanding of whether we know anything about them.

If we're serious about knowing who's playing here and who we're licensing, they come into Melbourne, but they're bouncing round everywhere as players. Is every casino doing the checks or is it the AFP or border force doing the checks on them as suitable person to enter the country.

Other casinos, not so much asking about the operators, but certainly other players, let each other know about other scams or that stuff going on. Loose network, but valuable.

POI process – consistency

I think we need a similar thing we have here, a matrix that gives you a range of options that you can then maintain a consistency with.

The trouble you've got with POI Committee, you don't have consistent representation in the committee. Pretty hard to get a consistent penalty basis. Underpinned by a matrix would be way to go. Think it needs to be reduced, made more senior and perhaps broader.

Mary mentioned they've started to contact someone to tell them whether there's anything on file.

That goes to the analysts, at least then you get the benefit of knowing the guys not a thief etc. Now regularly coming and asking if there's anything on file you've got.

That's a good thing.

One view of risk, all of that has to be looked as a holistic view.