# Junkets due diligence and persons of interest process review

## Interview Plan

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| **Interviewee:** | Anne Siegers, Group GM Risk & Audit |
| **Purpose:** | The purpose of this engagement is to review Crown's governance, reporting and due diligence frameworks in respect of the processes for:<br><br>(a) assessing applications by prospective junket operators;<br><br>(b) periodic assessment of existing junket operators; and<br><br>(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<br>• POI process<br>• Junket approval process and monitoring<br>• 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:**

Risk – always managed well but not necessarily documented well.

Craig – decision matrix, asked to forward to Anne.

Craig cop view, not always wanting to share process. Anne's idea to add his decision matrix into it. Ensure we have one tool rather than many.

- General views on the junket program:
  - Key risks – articulation on risk register
  - Areas of improvement / recent focus
  - Best means to balance commercial and compliance/reputational concerns – how is this currently working.

Junket element, a few things:
- Criminal side of things – major criminal activity
- Another -volumes and credit element, operational
- People don't come with those sums of money in pockets, why the process has grown from credit department
- That remains valid, possibly bigger, banks / institutions reducing appetite for large foreign transactions.
- Model itself, we have this intermediary, reducing transparency to end player, legal right to expand on understanding relationship and source of funds
- Risk of major criminal activity, corporate risk, volatility of getting revenue – two articulations on risk register
- Major reputational damage
- One of the causes for a lot of that is expectation of public has materially shifted, dealing with a large misunderstanding of what casinos are, gap between movies and reality, particularly around regulatory environment.
- Misunderstanding of how many controls are in place

- Internally, a lot of processes grow organically, unlike banks, regulatory pressure, in casino environment a lot of processes businesses realised there was a gap, overlayed by regulation, don't want to overrule what grew organically, tension between best practice, what we're doing, how well it's working. Not getting rid of process.

**If you had a blank canvas**

- I'd change it dramatically. Now have the right people with fingers in pie. But having it driven by credit or managed by credit is not best place to have it. Don't think I'd have it driven by AML, one precise lens. Most likely need to be governance group within international team that would report independently to Josh or I don't know who – would look at relationship with international players more holistically. Where we could have that independence governance element, credit, AML, a number of groups feeding into that process.
- Wouldn't mind if it was here, but there's a lot of synergies and information that doesn't come into meetings, need to be in middle to completely understand the process. If you're outside you're not going to be in the depth of it. Would have to be in the middle of that team. VIP Team would have to feel a sense of ownership to it, it would be a sharing of information. Drive the ownership with that team so you could give it a chance to succeed.
- Otherwise if its in my team or compliance, there's the sense someone else is doing it. It might be more successful if it was driven from VIP Team, a lot of people, Roland and Jacinta, people in charge of operations there. If you gave team a dual reporting line, maybe into me or in Josh. It would have to have committee or decision that brings AML, Compliance, Credit.

**If you're making decision about reputational risks, at the same time you're deciding if people are creditworthy, are you making trade-offs to those risks in terms of commercial.**

- Junket approval process
  - What is Risk's role in the junket approval process?
  - Have you had any involvement in reviewing the process or in the recent enhancements that have been made?
  - What is your view on the current process and where it sits – i.e. Credit leading, current levels of involvement from AML and compliance?

- Biggest gap right now – where it sits. The perception of it.
- No involvement what so ever.
- When we started this project, started process, and was going to spend some time looking at gaps, but then covid arrived.
- Where I was at, we started designing the process, things like consolidating POI decision with tool. Police requests, going to Craig Walsh, Sean Cunningham. We need to consolidate that. Internally Craig still behaves like cop can't share information.
- If someone had information and couldn't share it around.

**What do you see as key barrier to sharing?**

- I've had heated conversations with him. I'm not a policeman or lawyer but has hard time with that still.
- Looking at process that will give confidence those confidentiality matters have been obtained.

**It's whether you identify the really sensitive and take them to a group.**

- When I re-drafted, I only included the general managers.
- In the sensitive cases I'd anticipate Craig would be the person you would talk to.
- Would anticipate it would not be appropriate for Craig to disclose, but we need some papers to cover ourselves.

- In the media, we can't go back and say we are working with law enforcement. We need to somewhere have something to say why did you stop working with those, because we were collaborating with law enforcement agencies.
- Internally I'd say it would be up to Craig to say, whatever word we used, we don't need to say more. But at least we would know.
- I've put reason why on the form. At least we've documented it's something on our radar.

**It's documenting those exceptions and the exceptions of risk.**

- It would be completely appropriate. We need to be able to say our processes worked.
- In that instance still go through POI process. If we have red flag that comes up, and tool tells us we need to think about, we shouldn't take exceptions out of that process. I think we need to take everyone to that committee – it's senior enough. If Craig says I'm overriding this, we need to know there's a good reason for it.

**Dealing with those things that way is fine – at least we've still got a reason.**

- I think it's important for that group of people to see that we have visibility, that there's something going on.

- Assessment of existing junket operators:
    - What is your perspective on current levels of oversight and DD on junket representatives and players? Including ongoing probity after initial approvals?
    - How does the audit program engage with junkets?

- Training and support
    - How does risk support the business in its management of junkets, POIs or potentially higher risk patrons?
    - How do the systems speak to each other? What's risk's involvement in the AML Patron risk rating, and AML/TF risk register?

- POI Process
    - What is the balance or standard of proof for the decision?
    - For 'hearsay', what is the threshold of accepted vs actionable.
    - For the out of office program, what information needs to be provided? Is it just decision or is there a record of reasons why? Is there any additional review of decisions or any look back/scrutiny of the decisions of the committee?
    - In terms of practicality, how many POIs pass through both the in and out of meeting process?
    - What are your thoughts on the membership of the group? Is it fit for purpose? Working well?
    - What level of seniority should the decisions rest with?
    - What are your thoughts on the decision matrix being used by the Security & Surveillance teams? How does this align with the framework for in meeting decisions?

- That's why I try to make sure we have a status, documented the source of allegation. If it's just in the papers, it doesn't throw a lot of weight. But if we have charges it doesn't weigh as much.
- If nothing's done, no charges were ever laid, we can't be judge and jury.
- Right now the tool says no decision at this stage and keep an eye on it.

**When you say keep an eye on it, what does that mean?**

- That increases the rating on our screening, so they are flagged up. When their name pings again, it increases the scrutiny.

- Junkets, VIP, PEPs have a timeline for run throughs, daily monitoring, in line with AML risk being higher level.
- If something's been to a POI, allegation unconfirmed, say we'll monitor that more often. May mean daily DOW Jones.
- Next phase is formalising the decision making to show some consistency, document to trace why we got to the point we're at.
- What follows that is who takes whatever outcome, how does that happen.
- Depending on how you answer questions, it changes outcome based on questions, formula that calculates whether it's low medium or high.
- If it's low it says at this stage, no answer, medium take to POI to discuss, high, take it POI to validate decision.
- Nick wanted to say everything that's red we automatically exclude. I don't want people to jump through hoops, I want people to use that tool. Want everything to go through POI.

**In terms of scoring behind this, do you have anywhere that's rough.**

- I can send you the unlocked one.
- Focus on does it get what we want. Is it going to deliver the outcome. Hidden columns and rows that have the scoring.
- What influences is status of allegation. Hearsay, vs convicted.
- That box above keeps popping up.
- Law enforcement can ask us four times on the same case, and nothing comes up on it. Our data is not sophisticated – it's the same request over and over.
- Same for SMRs. Not comfortable at this stage that reporting makes someone high risk, the kind of reporting is on threshold. In the past we would have reported a lot. Not a good source of data.

**In terms of decisioning tool, embedded within this scoring, is Crown's view on what matters:**
- I think so, which is why nature of conduct, stage they're at. First three or four questions multiply outcome, last question you add outcome.
- What I've tried to do is mechanise what we were doing. This was a more bottom up approach. Filling in little box of risk categories and impact.

**Codifying assumptions and priorities into what we value, what we prioritise and structure to get into position.**

**It's a rational way of doing it – expressing these are Crown's priorities, these are things that matter.**

- The tool is just a reflection of what was already happening.
- The tool at this stage haven't had any POIs. At this stage all I've done is sent tool out to Nick, Adam, Sean, Craig – said please play with this.
- Tinkered around, haven't used it – next POI will be first.
- Email – people just state agree, not why they agree.
- Out of meeting decisions are often straightforward agreements. Most of the time information is good enough we make a decision on it, but do exactly the same in a meeting.
- We've been a bit sensitized, we as Crown have been in the media, we know reality behind it. Unless court decision or something behind it.

**Discussion around whether we'd be able to review some minutes from the discussion.**

- POI form
    - Could you talk us through the form a bit – how does the risk assessment work? Do different answers/questions receive a different rating?
    - How is the rationale recorded? Are there any areas for improvement?
    - How does the recommended outcome work? What are the possible options – high/medium/low? Is there guidance anywhere on how to apply these and what they might entail?

- Communications to the Board
    - What communications on POIs / Junkets are currently escalated to the board?
    - Is this effective/sufficient?
    - How does the risk management committee facilitate discussion on junkets / POIs
    - What oversight do you think the board needs on the junket and the POI programs?
    - Has there been discussion of board reporting on these programs?

- Operational matters, so unless there's
- Risk management committee on Wednesday last week, talking about sharing information across different agencies. Board were sharing should the Board have security clearance.
- My personal view is they are operational. They shouldn't be making decisions on patrons. We want them to look at process, check its robust enough.
- But shouldn't be involved in patron decisions, unless they hit the media or the potential for media is high.
- If they wanted involvement in these, that would be appropriate, but don't want them involved in ongoing patron and operational decisions.
- Only reason is something that will affect reputation of business, but need to be given assurance.
- Care of duty and diligence – two tests – if something hit the media – completely appropriate to brief the board. As soon as we became aware of something that may have impact, but not in the decision itself. There's not expected to know ins and outs of all processes in great amount of detail. I don't think that's wat we want their time for.
- Wouldn't give them the rating table – too far removed from decision. Nick feels that escalation for his process should be board.
- Never been audit on POI process as was a bit informal.
- Not recent audits on junket process. External audit team process is one, compliance review is one, that has taken place.
- I don't want people to put internal audit as be-all. The process should be sufficient on its own. Trying to step away, I'm happy to do more but not if it means you're going to do less.
- POI – hasn't come under level of scrutiny, and most of that is the last year. Junkets are a very small portion.

- General
    - Three lines of defence model – how is this currently working and is it supporting junket / POI risk management?
    - Resourcing – are the right teams sufficiently resourced? Trained/skilled? Where are the gaps, if any.
    - Culture – does the current culture support effective risk management? Specifically regarding junkets and POIs?

**Tool gives a risk outcome.**
**The other side is now codifying what those outcomes mean – what actions are taken. Outlay process from start to finish.**

Super conscious on keeping it simple. Rather create less, but have it really well embedded. As long as less has all the core components.