



**Junket Due Diligence and Persons of Interest Process
Review**

Crown Resorts Limited
XX June 2020

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Guidance and Limitations

The purpose of this document is to summarise the findings from Deloitte's review into **XXX**.

Our engagement is not an assurance engagement and we did not perform any audit, testing or verification of the information provided to us throughout the engagement and will not provide legal advice. We have also not made assessments of the accuracy of any data in underlying systems. Deloitte has not undertaken any additional research beyond the data provided to us.

This report is prepared solely for the internal use of Crown in accordance with our engagement letter. This document is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose set out in our engagement letter. You should not refer to or use our name or the presentation for any other purpose.

The Services provided are advisory in nature and have not been conducted in accordance with the standards issued by the Australian Auditing and Assurance Standards Board and consequently no opinions or conclusions under these standards are expressed. Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made.

Our work is performed on a sample basis; we cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud.

01 | Executive Summary

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Executive Summary

Thematic findings from our review into the maturity of Newcrest's risk culture.

PART A: Junket Operators

Context

Deloitte Australia Risk Advisory Pty Ltd was engaged by xxx



We conducted an artefact review XXX.



We reviewed XX files



We interviewed XX staff members

Executive Summary

A summary of our overall assessment and the insights and suggestions emerging from our review.

PART B: Persons of Interest Process

PART C: Reporting and Involvement of Crown's Board

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02 | Methodology

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Our Methodology

A customised four-phase approach to assessing Crown's decision making processes relating to junket operators and persons of interest (POIs).

Background

Deloitte were engaged to conduct a review of Crown's decision-making processes related to junket operators and persons of interest (POIs). The purpose of the review is 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.

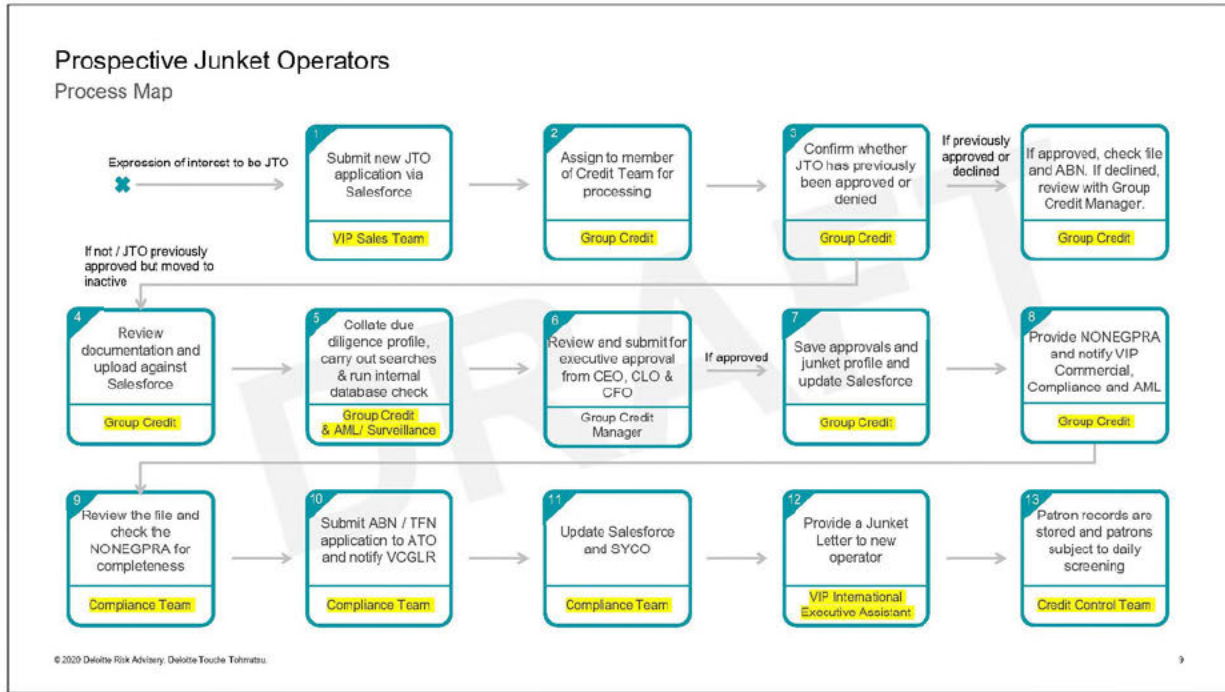
Approach

Our approach involved conducting a review of relevant policies and procedures, internal communications and other documentation as deemed relevant. We also undertook interviews with the key Crown staff and leadership team involved in the processes. We have consolidated our findings through end-to-end mapping of the current decision-making processes relating to new and existing operators and POIs.



03 | Detailed Findings – Junket Operators

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Need to be doing this properly - proper training

Front line staff - managing their risk

Are we seeing displacement of responsibility to credit process

Are we having an issue there - are lines of accountability clear? What should VIP Team be held accountable for
 Capturing - immediate red flags - not being captured within process anywhere - declaration or free text from Sales - could be added to credit due diligence profile - clearly articulates in document that different perspectives have been captured
 First line responsible for XYZ, this is what they've done - this is what they're responsible for, this is what they've done

6 & 7 - decision recorded on summary and approved by Exec - documenting decision taken if Crown takes the risk - if adverse info received do they document why they still went ahead

Risk rating tool - something missing for articulation for regulators

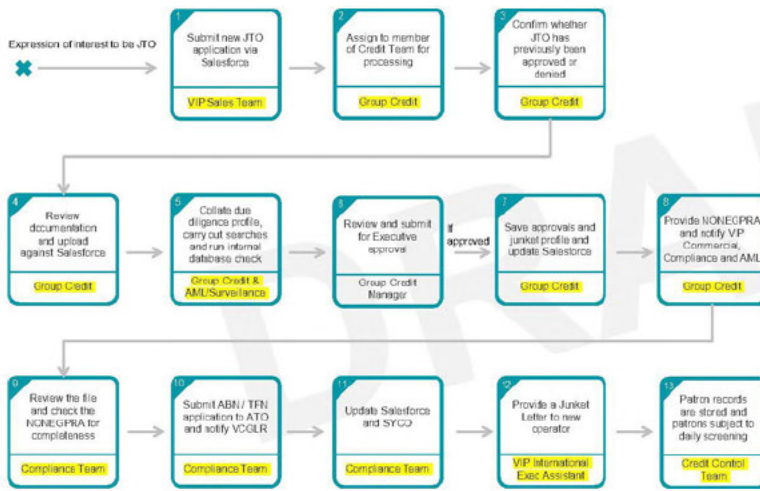
Compliance and AML should be reviewing - before goes to Execs

AML analyst reviews, writes up summary to send to Executive management along with recommendaiton

AML involved in due diligence process as well - got to be asking

Second check with Security and Surveillance, if anything adverse identified in connection with industry it goes through their network

Prospective Junket Operators Process Map and Documentation Required



JTO APPLICATION INCLUDES:

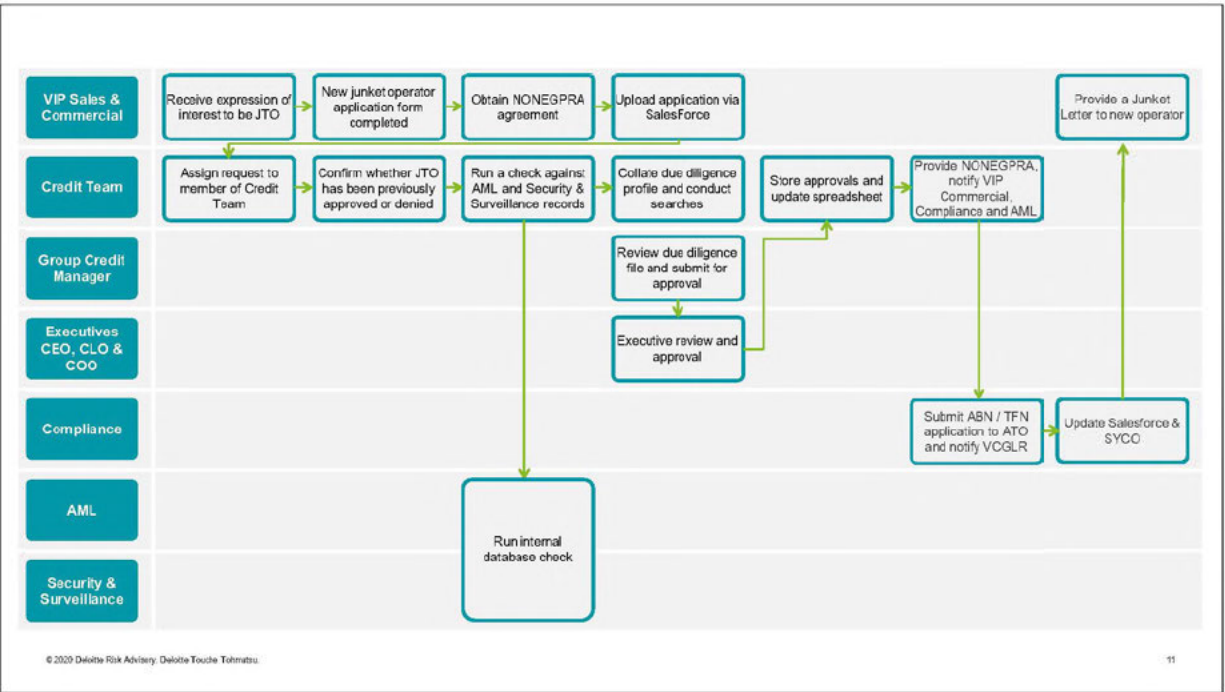
- JTO's personal details
- Joint NONEGPR (Melbourne & Perth)
- Passport
- ID card or driver's license
- Proof of address
- Business card
- Personal cheque
- Police check
- DICJ license
- ABN / TFN or application
- Credit or cheque cashing facility request
- Application for deposit account, cheque cashing, credit facility/funds advance facility

+ ADDITIONAL DOCUMENTATION

- Evidence of other junket operations
- Source of wealth
- Comments/other information

DUE DILIGENCE FILE INCLUDES:

- Crown history
- Other casino activity
- ID details
- Police check from every country of residency
- Police check via Fil2Work (Hong Kong & Singapore)
- DICJ link
- VEVO check
- DOW Jones
- Global Data
- Wealth X
- Factiva
- Searches: personal, company, property
- Recommendation



Prospective Junket Operators

Detailed Findings

- (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.

For Discussion

- **Front line staff** – what should VIP responsible for? Is risk management/responsibility displaced to the credit process? How are immediate red flags captured?
- **Lines of accountability** - training manual / process is currently focussed on Credit's role. Need clear accountability for roles of different lines.
- **Role of compliance and AML** – should include review before going to Execs. I.e AML analyst reviews and writes up a summary to Execs along with recommendation. Add critical thinking / challenge layer into process. Add expertise in AML and red flags.
- **Training** – training needs to be elevated to include risks rather than just process based. Link to importance of the process for integrity. Specific training on how to conduct searches. Process is currently looked at from a credit perspective.
- **Risk rating tool** – the due diligence file and risk process doesn't include an articulation of how risks are weighted / considered, or rationale for decisions. This would assist with articulation for regulators.
- **Codifying risks** - what are the risks associated with JTOs and what are they being assessed against? Basic recording that needs to be put in front of the decision maker – are they a PEP, sanctions etc. Potential restructuring of form to group it by risks rather than searches. Consider inclusion of risk categories from POI process for consistency.
- **Databases** – current databases in use are wealth focussed.

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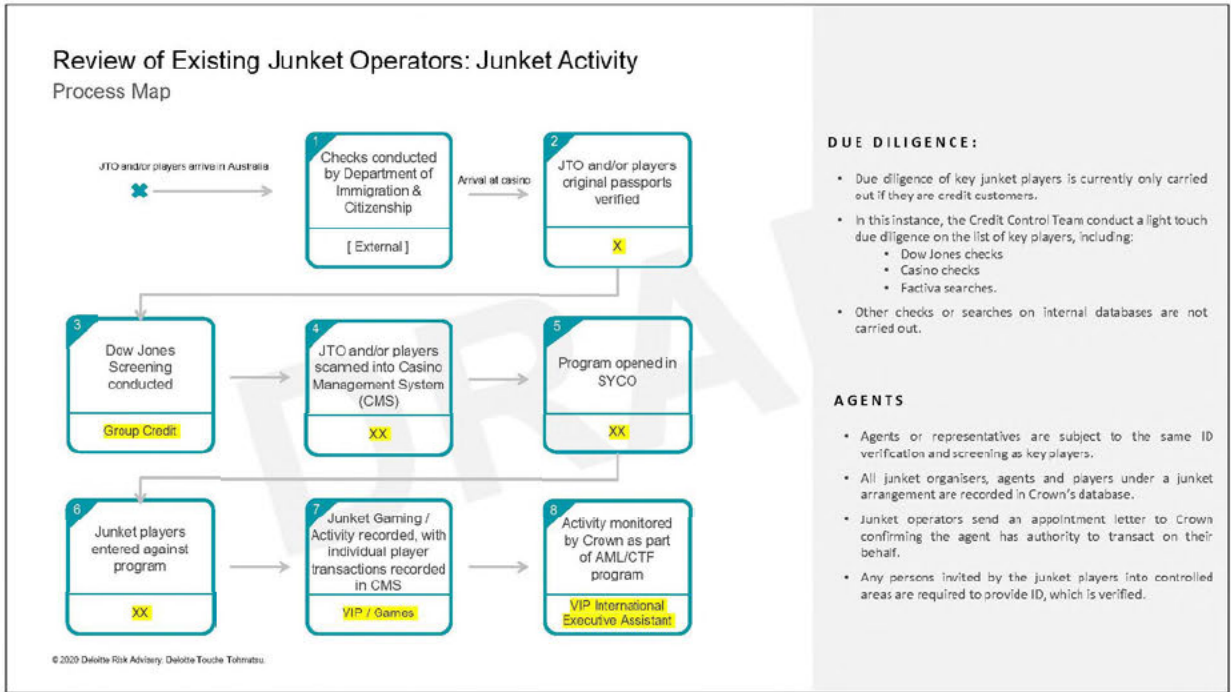
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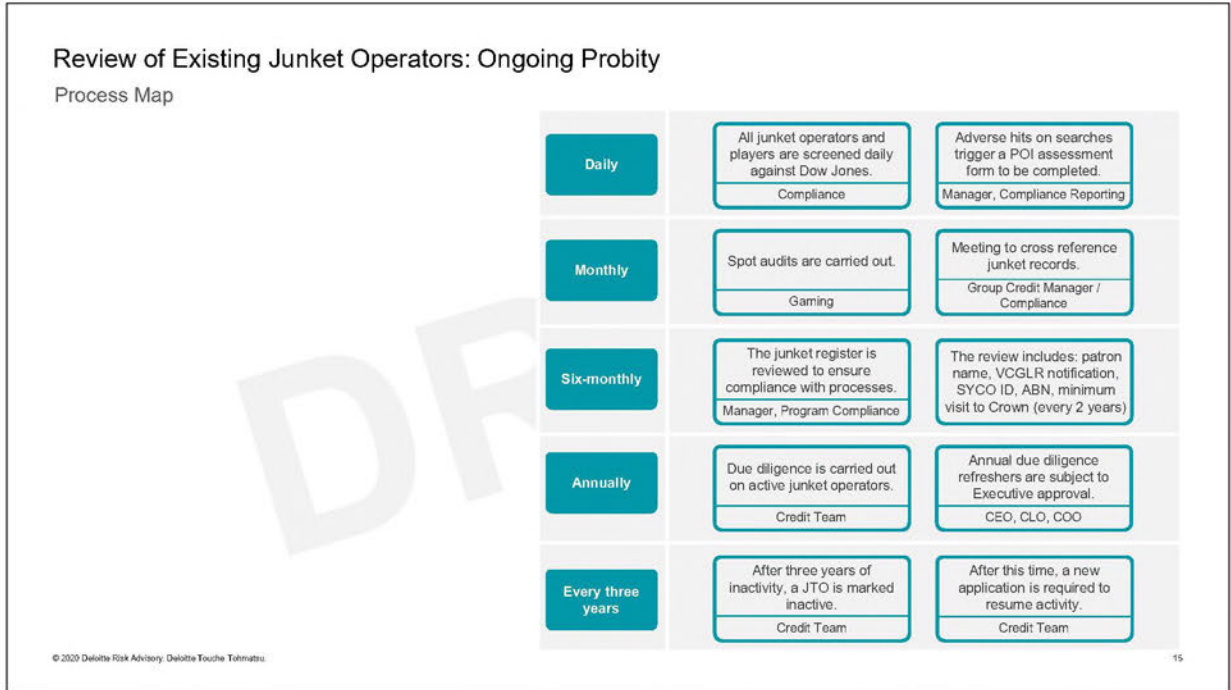
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Agents - play a huge role in game in the casino.

Believe that agents should be attributed same level of due diligence as the operators in advance of any visits. With same annual visits, same inactivity thresholds.

Players - do get EDD under AML program. Picks up PEPs etc. Players can be treated as anyone else who walks through the door.



Annual review

Did security and surveillance pick up anything odd relating to that trip

Were any SMRs raised during that trip / security and surveillance incidents / or other reporting that comes in/ Dow Jones
Bit more thinking on what that needs to look like

Positive if Execs now having a role in annual review, Compliance should also review this first

Josh: We've got these large junkets, and a lot of small junkets. Instead of just relying on annual junket, we do need trigger points. If there's a ML request, we need to have trigger points which are embedded with people seeing them and recording them, understanding what's to be escalated to the committee. Instead of waiting for 12 monthly review process.

Review of Existing Junket Operators

Detailed Findings

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.

Probity - codifying risks we worry about with junket operators and what we're assessing them against
 Elevate role of credit - doesn't talk about adverse information - sanctions, PEP etc - even if not a hit demonstrate that they've done - add a finding is this person a PEP
 Basic recording that needs to be put in a front of a decision maker - decision maker will be reading that cover sheet - got to summarise up front what risks were looked for and what the outcome is - strengthening SOPs to include process maps, aligning definition to risk, aligning the way risk is assessed
 Credit team are coming up with a risk assessment - risk rating in relation to junket operators, no where is it articulated what that risk rating is about - credit vs reputational risk
 Bringing in risk buckets for POI - risk category areas to add consistency
 All JTOs are high risk from AML perspective, how do ratings of other forms of risk inter-relate to each other - these are all risk categories we should be rating as junket operator - they need to be separate findings from buckets of risk. Recommendation around re-structuring form around risk buckets.

Thinking - what are my risks - criminals, poor credit, ML, reputation damage - what ever category is you need to articulate and say that's risk assessment criteria

Undertake DD to inform yourself of risk assessment criteria

Info against that risk - high or low

Assess, mitigate - Surveillance, EDD

No where in procedural documents does it codify risks

Needs risk matrix - explicitly stated, clearly -when it comes to JTOs, these are risks Crown seeks to address and this is how they go about

Databases they use - global data, wealth X - very limited coverage as wealth focussed

Acuris - not bad but different types of reports, expensive, most comprehensive types of reports are the best

Input from AML team Chinese language speaker doing additional searches as well - can't all be done in English by credit team

Credit for DD - oversight of process needs to be done by people with broader understanding of ML, red flags

Change process - train up team in open source searching

Can't be looked at from a credit perspective

Start in the right direction - copying in AML and S&S as initial process - engaged in the process from the get go - shouldn't be a process where they're bought in at the end throughout application and due diligence

Intel network from S&S

Compliance are engaged - but we want them more engaged

For Discussion

- **Agents** – agents play a huge role in visits but aren't attributed to the same level of due diligence as operators. Recommend same level of DD in advance of any visits, and same thresholds around annual DD and inactivity thresholds.
- **Feedback loops** – more thinking on feedback after visits – did Security/Surveillance pick anything up? Were any SMRs raised? More thinking on what this needs to look like. Trigger points for escalation and feedback rather than waiting for annual review process.
- **Probity** - codifying the risks associated with junket operators and what they are being assessed against. What do we mean when we talk about probity.

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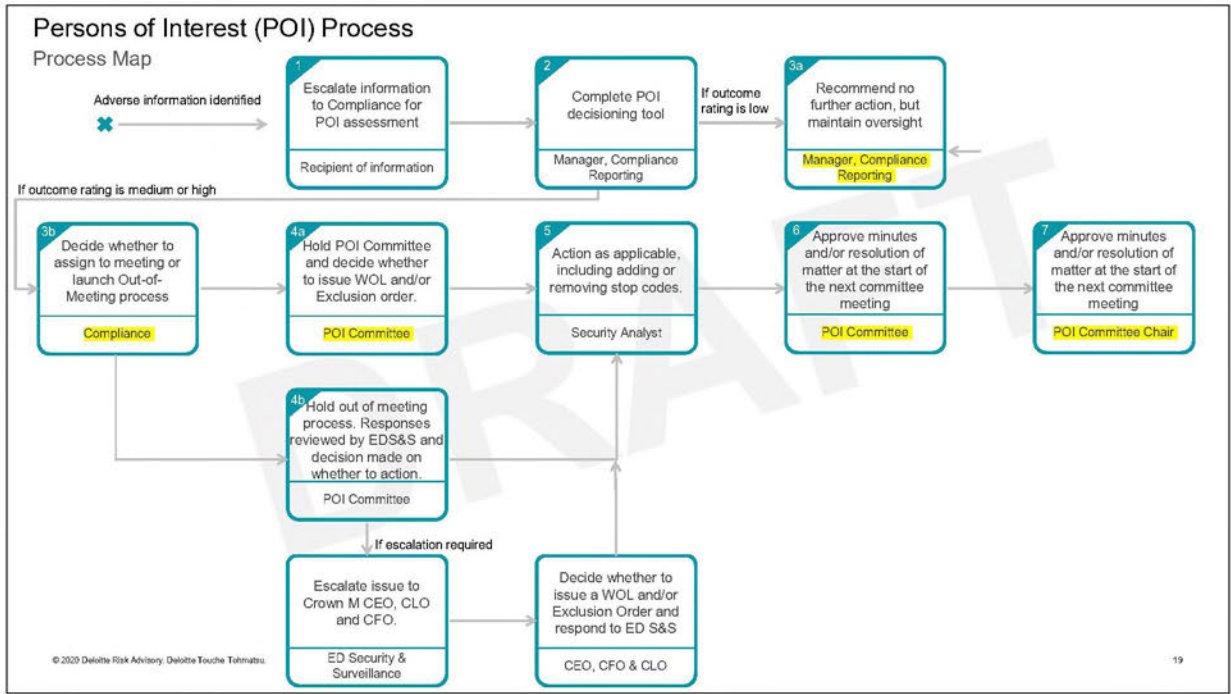
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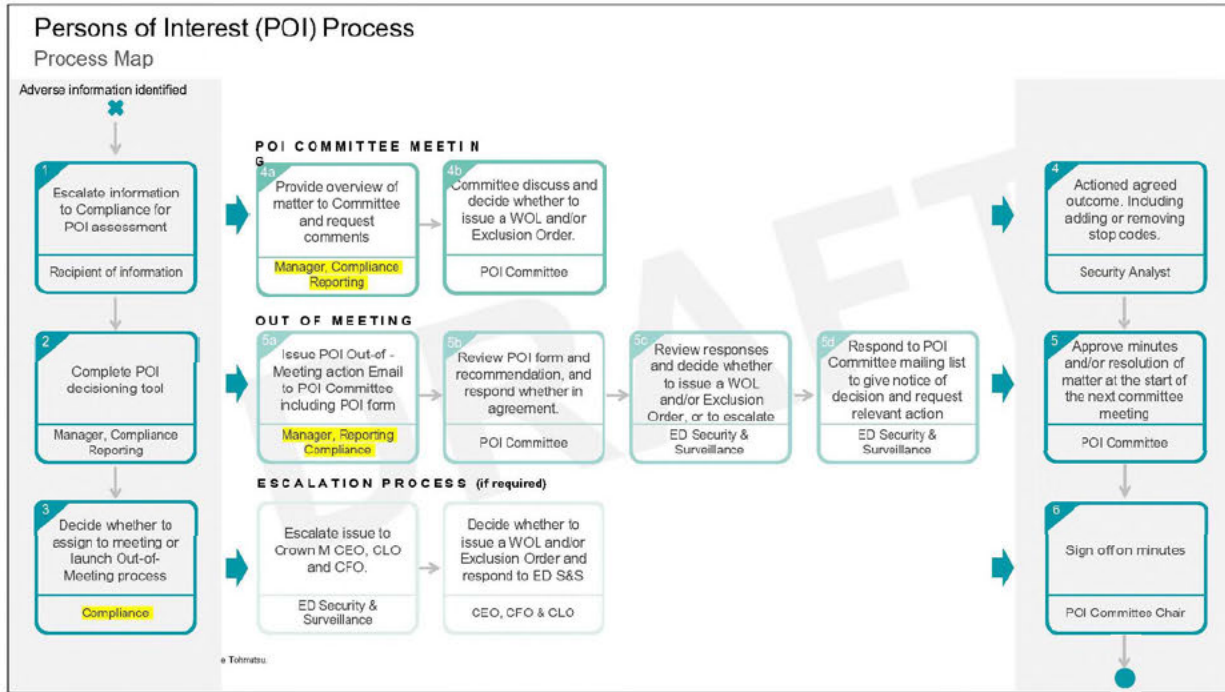
04 | Detailed Findings – Persons of Interest

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Have as overview of process - info comes in, either gets assigned to in meeting or out of meeting

Then next slide blows up those processes into component parts - add escalation to slide 20



SMRs / hits on DOW Jones trigger POI process – what else triggers a POI process? Where is this documented? Should be articulated in the charter? What does this exist to do?

Risk scoring & tool – good step they may want to implement more broadly

POI – heading in right direction
 Articulated direction from POI decisioning tool
 Clear record of judgement of decision made

Key reasons for that decision should be documented

If they're making a decision – why
 If they're making a decision to allow someone in the presence of adverse information

Positive it sits with compliance – holistic view – SMRs etc

Group participation –
 Process for dealing with really sensitive stuff
 Have it documented what is that process – how do those get dealt with with the community
 Is it that if it's really senior it goes to a smaller level group – Exec Group will take decisions that others won't be privy to
 Process can be communicated, but not details
 Josh as CLO, Craig S&S, probably COO or CEO, Michelle – Compliance – smaller senior group who make that decision

Potentially someone like Anne could get reports without knowing detail

Flag on file – got to be entered into system to have that recorded – record created – somewhere they should have the rationale, but not held in open database – might be more central /close-hold

Look at make-up of committee – check it's balanced

Make sure it's adequately recorded around Craig having ownership

POI Tool

Would like to see assumptions that these are based on –

Crown weights conviction of offence as higher than someone who's never been charged
Decision making framework - this is how we come to those decisions, this is how they weight them
In our view, does this adequately represent the risks that Crown say they want to look at

Haven't articulated in any explicit fashion, what are the risks that Crown want to avoid with the POI process - what is this supposed to stop

Risk considerations - how is this articulated?

How well does this POI process reflect that decisioning list - and do we think that process is right?

They've weighted the different offences but not given assumptions as to why -

We will give appropriate regard as to the recency of allegations

Needs to be put in writing and entire executive need to be signed up to and agree on - does the committee sign up to this framework

Who's approved that framework

Is this something that group risk should be talking about - should it go to risk and audit committee - role for the risk committee - in at least determining the principles on which they are making these decisions

If you think about ARC's role in making sure risk is being managed appropriately

The principles that govern it, what they care about

Where's the shared agreement and articulation of this

What's the threshold for disagreement before it is escalated

Persons of Interest (POI) Process

Detailed Findings

- 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).

For Discussion

- **What triggers the POI process** – this should be documented in the charter.
- **POI tool** – step in the right direction. May wish to implement more broadly. Positive it sits with Compliance who have a holistic view.
- **Records** - there needs to be a clear record of the judgement made, and the reasons why should be documented.
- **Group participation** – tension around current group membership for sensitive areas. Could have a smaller / more senior group for the really sensitive bits, who make decisions that others won't be privy to. CLO, S&S ED, COO/CEO and ED Compliance. Have the group mandate and process documented and somewhere secure to store decisions.
- **POI tool** – would like to see the assumptions this is based on and weighting of decisions. Who should make this judgement? Potentially ARC given role in appropriately managing risk, with a shared agreement and articulation of this.
- **Escalation** – where is the threshold for disagreement before it is escalated articulated?

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POI Tool
Decision weighting

To add to Appendix

ASSESSMENT QUESTIONS									
1	2	3	4	5	6	7	8	9	10
Value1	Value2	Value3	Value4	Value5	Value6	Value7	Value8	Value9	Value10
What is the nature of the person's alleged behaviour?	Has the person already been convicted and served his/her sentence?	Is there a threat to the safety of Crown's other patrons and staff?	Is (or was) the alleged activity occurring on Crown property?	What is the nature of the relationship between the person and Crown?	What is the potential direct impact to Crown?				
Claim for unpaid child support or ATO matters	The person has never been charged	No physical violence involved in alleged behaviour	Yes, the activity took place at Crown	The individual is not a known Crown patron/guest	Regulatory prosecution				
Drunk and disorderly behaviour (repeat)	The person has not yet been charged, but investigation is underway	Alleged aggressive behaviour	Yes, the activity is/has indirectly deemed to be taking place at Crown	The individual is on Crown's contact list, but not a current member	Law Enforcement action				
Domestic violence and/or sexual assault	The behaviour took place over 10 years ago and the person has served their sentence	Alleged violent behaviour	The activity is not noted to have taken place at Crown	The person is an occasional visitor who is not part of a premium/janet program	Regulatory inquiry				
Drug trafficking / Fraud and/or theft / Receipt of proceeds of crime	The behaviour took place over 5 years ago and the person has served their sentence	Risk of violent retaliation by third/associated party	Not taking place in the states Crown is operating in	The person is a regular visitor, but we have limited information on them	Public outcry				
Money Laundering	The person is serving their sentence	Other - Please elaborate	Not taking place in Australia	The person is a regular visitor with whom we have a long standing/extensive relationship	Media reference				
Terrorism or financing of terrorism	Other - Please elaborate		Other - Please elaborate	Other - Please elaborate	No impact				
Murder or attempted murder					Other - Please elaborate				
Other - Please elaborate									



05 | Detailed Findings – Board Involvement

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Board Involvement

Detailed Findings

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.

Need to ensure under director's duties it's being run with appropriate care and diligence

Need to have confidence that risks are being appropriately managed

Audit Committee is adequate place to have oversight

Needs to be triggers within it - potential for significant negative publicity or other issues that those are escalated to Board level

Need to currently be reporting things up more than currently are

Inclusion on audit process -

06 | Appendix

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Appendix A

Regulatory Landscape

Regulator expectations in Victoria, Western Australia and New South Wales

The respective regulatory bodies in Victoria, Western Australia and New South Wales do not provide specific guidance on the way due diligence should be conducted for Operators and Players. The current regulatory frameworks also do not prescribe the processes a Casino must follow to manage the potential risk associated with Operators and Players. However, they do specify that the Casino must establish an appropriate system of internal controls to appropriately mitigate the risks of Operators and Players.

Appropriate risk-based due diligence procedures are a key component of the internal controls that form part of Crown's compliance with regulatory requirements. As such, Crown's internal controls related to Junket Operations should be commensurate with the risks identified.

Need to include precise language – OLD regulatory standpoint as well

Overseas regulator approaches to Junket Operator due diligence

In our opinion, the approach taken by the Casino Regulatory Authority (CRA) in Singapore represents the most conservative approach in the Asia-Pacific region. Applicants are required to provide comprehensive disclosures relating to ownership, financial position and reputation and track record. The CRA then engages a licenced investigations firm to verify all information including interviewing applicants and visiting the operations at other casinos outside of Singapore.

Macau Gaming Inspection & Coordination Bureau

The approach taken by the Gaming Inspection & Coordination Bureau (DICJ) in Macau also requires detailed disclosure of information by the applicant, however we understand it does not take similar steps to verify this information. Experienced gaming industry specialists in the Macau casino environment with knowledge of the DICJ have previously described the process as largely 'passive' with little investigation conducted by the DICJ to verify information supplied by applicants. The DICJ does not have a specific investigations capability in relation to junket operators.

Update on the recent moves in Macau

Appendix A

Industry Approaches

Industry approaches to Junket Operator due diligence

Our research identified information provided by Star Entertainment ("Star") as part of the 2016 review of its casino licence. The Star conducted a walk-through with the reviewer, J Horton, QC, who provided a summary of the process in his final report. While we have been unable to verify that the process operates as outlined in the course of normal business, several features of The Star's approach are worthy of note for later comparison with the procedures adopted by Crown.

While a detailed summary of the reported Star procedure is outlined in Annex 2, we note several features of their approach would support a robust due diligence process and aid in identifying a range of potential legal and reputational risks. First, the Star obtains a large amount of information from the Operator at the outset of the process. It collects identifying information for Operators, details of directors, shareholders and Agents. Operators are also required to provide disclosure of involvement in litigation, regulatory investigations, financial position and to provide consent for the Star to undertake and investigation into them. The benefit of this information is to provide a starting point for the due diligence process and aid the assessment of the transparency of the Operator.

Second, the Star conducts the risk assessment process independently of the assessment of creditworthiness. All Operators and their Agents undergo The Star's due diligence procedure prior to any commercial agreements being made. The Star applies the same level of due diligence to both the Agents who attend the casino and manage visits as it does to the Operators themselves.

Finally, The Star undertakes some basic research themselves but also utilises external consultants where required to undertake more complex due diligence investigations where required.

FTI Consulting is also aware of the approach taken by a large Macau-based Casino that undertakes very limited in-house research to determine basic identifying information for new Operators and then engages an external investigations company to conduct a due diligence investigation prior to any commercial discussions being undertaken. This approach is adopted across all Operator applications and is reviewed internally every 12 months and a new external investigator report conducted every two years.

<https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-ilga-horton-qc-28-november-2016.pdf>

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Industry approaches to Junket Operator due diligence

Our research identified information provided by Star Entertainment ("Star") as part of the 2016 review of its casino licence. The Star conducted a walk-through with the reviewer, J Horton, QC, who provided a summary of the process in his final report. While we have been unable to verify that the process operates as outlined in the course of normal business, several features of The Star's approach are worthy of note for later comparison with the procedures adopted by Crown.

While a detailed summary of the reported Star procedure is outlined in Annex 2, we note several features of their approach would support a robust due diligence process and aid in identifying a range of potential legal and reputational risks. First, the Star obtains a large amount of information from the Operator at the outset of the process. It collects identifying information for Operators, details of directors, shareholders and Agents. Operators are also required to provide disclosure of involvement in litigation, regulatory investigations, financial position and to provide consent for the Star to undertake and investigation into them. The benefit of this information is to provide a starting point for the due diligence process and aid the assessment of the transparency of the Operator.

Second, the Star conducts the risk assessment process independently of the assessment of creditworthiness. All Operators and their Agents undergo The Star's due diligence procedure prior to any commercial agreements being made. The Star applies the same level of due diligence to both the Agents who attend the casino and manage visits as it does to the Operators themselves.

Finally, The Star undertakes some basic research themselves but also utilises external consultants where required to undertake more complex due diligence investigations where required.

FTI Consulting is also aware of the approach taken by a large Macau-based Casino that undertakes very limited in-house research to determine basic identifying information for new Operators and then engages an external investigations company to conduct a due diligence investigation prior to any commercial discussions being undertaken. This approach is adopted across all Operator applications and is reviewed internally every 12 months and a new external investigator report conducted every two years.

<https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-ilga-horton-qc-28-november-2016.pdf>

Appendix A

Industry Approaches

Star Entertainment's Junket Procedure

Our research identified information provided by Star Entertainment ("Star") as part of the 2016 review of its casino licence. Star provided the reviewer in this case with a 'walk-through' of its Junket onboarding process and the review provides some insight into the steps taken to conduct due diligence into Operators and Players prior to entering a relationship with them.

It is noted Star has no contractual involvement in the relationship between Operators and players, only signing an agreement with the Operator following completion of the due diligence process and following provisional authorisation being granted by the Gaming Manager.

The Star process for entering a new relationship and undertaking due diligence, as described in the report, is summarised below. At the outset, Star obtains several documents, disclosures and a 'consent to investigate' from the Operator. The value of this information is to provide a starting point for the due diligence investigation and a body of information to be verified against the available public records. In particular, information obtained from public record searches that had not been disclosed would serve as a clear red-flag for following up and may indicate dishonesty on the part of the Operator.

KYC Information collected at application:

1. Personal information including:
 - Police clearance certificate
 - Photo Identification
 - Certified copies of passport
2. Employment history
3. Business Associations
4. Junket operations with other casinos
5. Disclosure of involvement in litigation
6. Financial details
7. Character references
8. Notice of consent for The Star to conduct investigations into the Junket Operator
9. A release and indemnity

Appendix A

Industry Approaches

AML/ CTF Checks and Internet Searches

The Star conducts AML/CTF Checks and undertakes additional internet searches in relation to the Operator to identify PEPs and other high-risk companies and individuals.

1. World-Check
2. Independent Internet Searches
3. Referral to external consultant

Information is reviewed by 'The Star's investigators' who may recommend further due diligence be undertaken, including by 'external consultants.'

Review and Provisional Approval

The Star holds a regular junket and player monitoring meeting to discuss information received in relation to proposed promoters, representatives or participants.

The Gaming Manager reviews all information collected and, if no information indicates the JO or their representatives are unsuitable, provides provisional approval. The operator then enters into discussions with the Star's international team to organise a junket and reach agreement with The Star in respect of the rebate, complimentary inclusions and the length of stay.

<https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-iga-horton-qc-28-november-2016.pdf>

Appendix B

Crown's Program and History of Enhancements

Check against Josh's
summary and update

Development of the Due Diligence Process at Crown

Crown has undertaken an internal review of its policies and procedures designed to identify risks associated with Junket Operators with which it maintains relationships. We note that the policies and procedures underpinning the due diligence of Operators have evolved substantially since 2016, following an Audit conducted by the Victorian Commission for Gambling Regulation in 2011, and a Compliance Assessment by the Australian Transaction Reports and Analysis Centre ("AUSTRAC") dated 18 May 2018.

In 2003 Crown implemented *New Standard Operating Procedures* following the repeal of the Victorian Casino Control Act 1991 (CCA) and the Casino Control Regulations by the Victorian Government in consultation with the VCGLR. The key relevant provisions indicated that:

No approval or probity checking is required for a junket organiser or agent.

A Non-Exclusive Overseas Gaming Promotions Agreement must be signed by the junket organiser off shore before any junket activity can be undertaken at Crown

All junket organisers, agents and players under a junket arrangement are recorded in Crown's player database

All names in the Crown database are run against the WorldCheck database with a view to identifying any known terrorists as Crown is obligated not to knowingly deal with any recognised terrorists

The Crown player database is also run against the WorldCheck database for known criminals and Politically Exposed Persons to identify any potential risks

In December 2011 the Victorian Commission for Gambling and Liquor Regulation ("VCGLR") updated the Junkets & Premium Player Programs (Including Introduction of Players) Internal Control Statement (ICS). The key relevant provisions under the ICS indicated that:

ICS clause 2.2.1 (a) requires that a Junket Program Agreement be completed (and retained) prior to commencement of Junket Program Play documenting at a minimum Junket Operator (or Agent), Junket Program Type, Junket Program Player Names, Front Money, Commission payable to Junket Operator (where applicable), approval of terms and conditions by Junket Operator (or agent) and authorised Crown representatives and any subsequent changes to agreed terms and conditions.

Following this update, in June 2013 and October 2013, Crown undertook Internal Audits of internal processes and procedures for the initiation, monitoring and recording of Junket Program play which revealed that there were several discrepancies between Junket Program Agreements and Syco Records. Crown's management reinforced that all Junket Players named in the Junket Program Agreement are to be recorded in Syco in the form of full name, residential address and date of birth.

In 2016-2017 AUSTRAC undertook a casino junkets campaign to develop further understanding of how junkets work in Australia. AUSTRAC assessed Crown Melbourne's AML/CTF Program, ongoing -customer due diligence and reporting obligations.

AUSTRAC also separately conducted Compliance Assessment (in relation to Electronic Gaming Machine ("EGM") Operations between 1 July 2016 and 30 June 2017).

Appendix B

Crown's Program and History of Enhancements

AUSTRAC provided Crown Melbourne with ten (10) recommendations to assist it to strengthen its AML/CTF systems and controls. We note that AUSTRAC did not identify non-compliance by Crown Melbourne. AUSTRAC's recommendations broadly covered risk assessments and staff training relating to unusual or suspicious activity, the importance of automating transaction monitoring, and AML/CTF program policies and procedures.

FTI Consulting has outlined the relevant AUSTRAC recommendations that may impact the due diligence process of Operators and Premium Players below, noting that AUSTRAC's scope was limited to EGMS:

Recommendation 6 – Make records of investigations where no adverse findings were identified

Crown Melbourne currently records the findings of investigations of transaction monitoring alerts where suspicious customer activity is positively identified but does not make records of investigations where no adverse findings are identified. As such, Crown Melbourne may be unable to evidence whether an investigation took place or not. Making records of all investigation outcomes will enable Crown Melbourne to provide evidence of each investigation and its findings to auditors.

Recommendation 9 – Reference the requirement to verify customer's KYC information in the gaming payout procedures

Section 3032 - Processing an AUSTRAC Reportable Payout of the Gaming Machines Operations WPIs (Appendix B, Table 1, Item 43, page 149) states "the following information is required to be collected and retained: full name, date of birth, and residential address. The procedure does not instruct staff to verify the customer's full name and date of birth or residential address which is a requirement of the AML/CTF Act.

Beginning in November 2016 and until August 2017, Crown undertook an internal and ongoing review of all existing Operators and Premium Players. The following recommendations were identified in respect of Junket Program Activity, contained in a Risk & Assurance department memorandum dated 9 November 2016.

Internal Audit recommends a due diligence review of proposed Junket Operators to assess primarily, whether a Junket Operator is a valid Junket Operator. The review will also ensure that an appropriate audit trail in support of due diligence review be documented and retained in a central location and internal processes and procedures for the conduct of Junket Program activity updated to reflect checks undertaken.

Internal Audit recommends an additional column be included in the "Junket Operator and Agent" listing to indicate the date of VCGLR notification, and supporting documentation centrally retained.

Cash Transactions Reporting Manager (CTRM) advised that due to the significant amount of transactions reported in excess of \$50k, and following agreement with AUSTRAC, going forward Crown Melbourne is to review only patron losses in excess of \$50k and "report as required." Crown Melbourne will no longer report wins in excess of \$50k unless deemed to be a "reportable matter," at the discretion of the CTRM.

As part of the review, relevant Crown stakeholders formed a select committee to review five (5) junket profiles weekly in order to determine whether to proceed with the Junket relationship.

FTI understands that Crown applied three (3) key criteria when making a determination as to whether to proceed with the relationship.

Appendix B

Crown's Program and History of Enhancements

- The legitimacy of the Junket
- Whether the Junket Operator is a valid Junket Operator (versus a Premium Player)
- Whether the Junket Operator was involved in attracting Premium Players with which they had a business relationship (i.e. not personal associates)
- The Operator's domicile outside of Mainland China
- The probity of the Operator from a credit risk perspective

Following the review, Crown's executive management made the decision to terminate a large number of cash and credit Junket relationships.

In December 2017, the VCGLR took disciplinary action against Crown Melbourne. Crown was fined AUD 150,000 for failing, in thirteen (13) instances to adequately document junket arrangements. Following on from the disciplinary action, Crown has instructed its staff members to type out license numbers, and when not possible, to provide clear handwritten license numbers on Junket Agreements.

E – Overview of Junket Processes

C - M F14 ICS Junkets & Premium Player Programs Audit Report

G - Crown_2018_05_16_Compliance_Assessment_Report dated 18 May 2018.docx - A.....pdf

C - M F15 Junket Processes - Audit Report - FINAL

Appendix C

Information Sources Used During the Junket Due Diligence Process

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Appendix D
POI Decisioning Tool

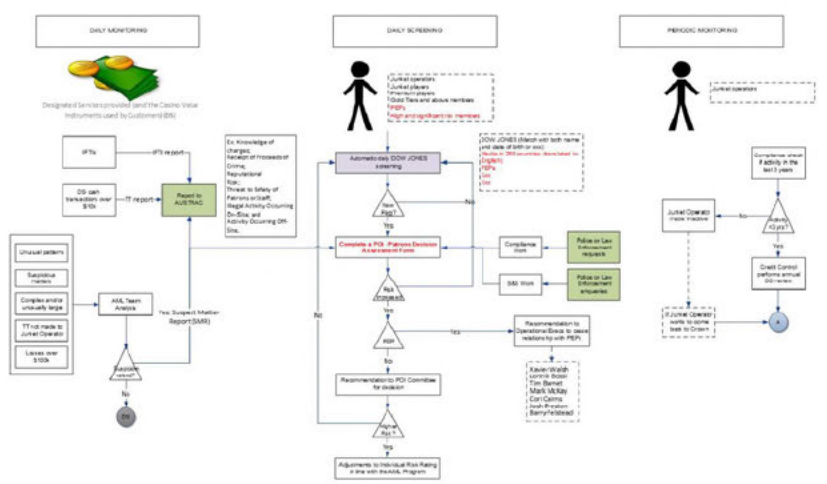
Workings

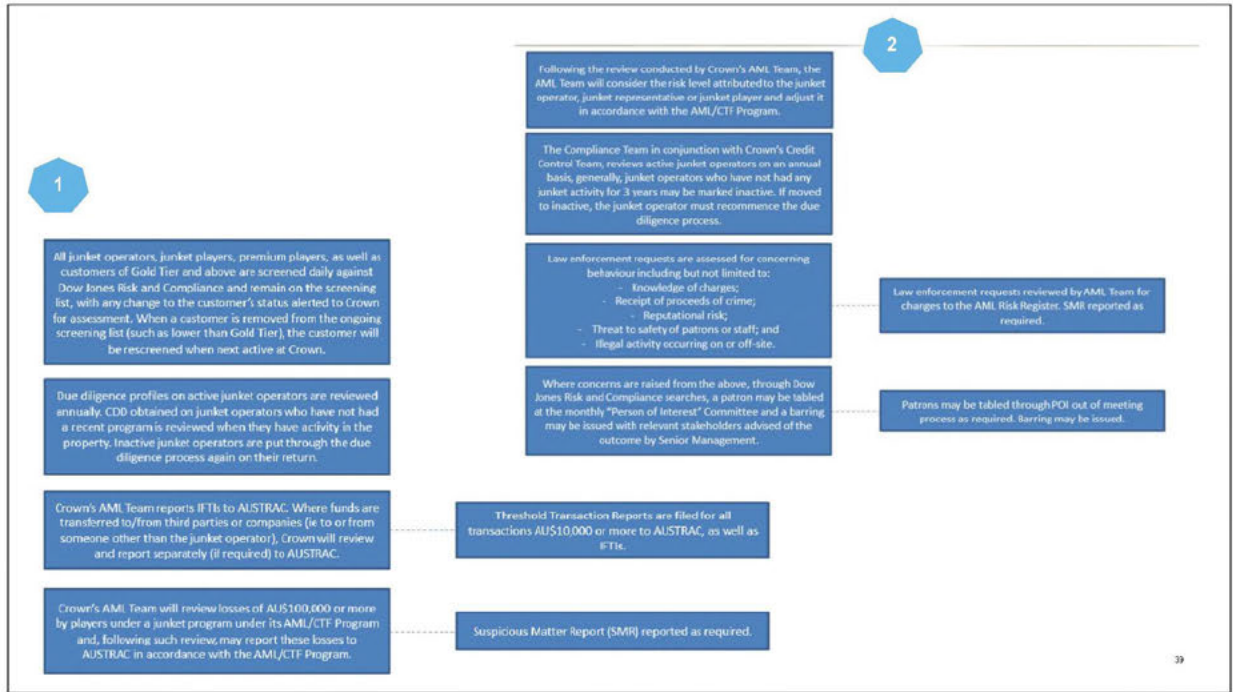
C - Ongoing Probing/Monitoring

Crownless is piloting a Transaction Monitoring Program that monitors the transactions of its Advisors and Customers.

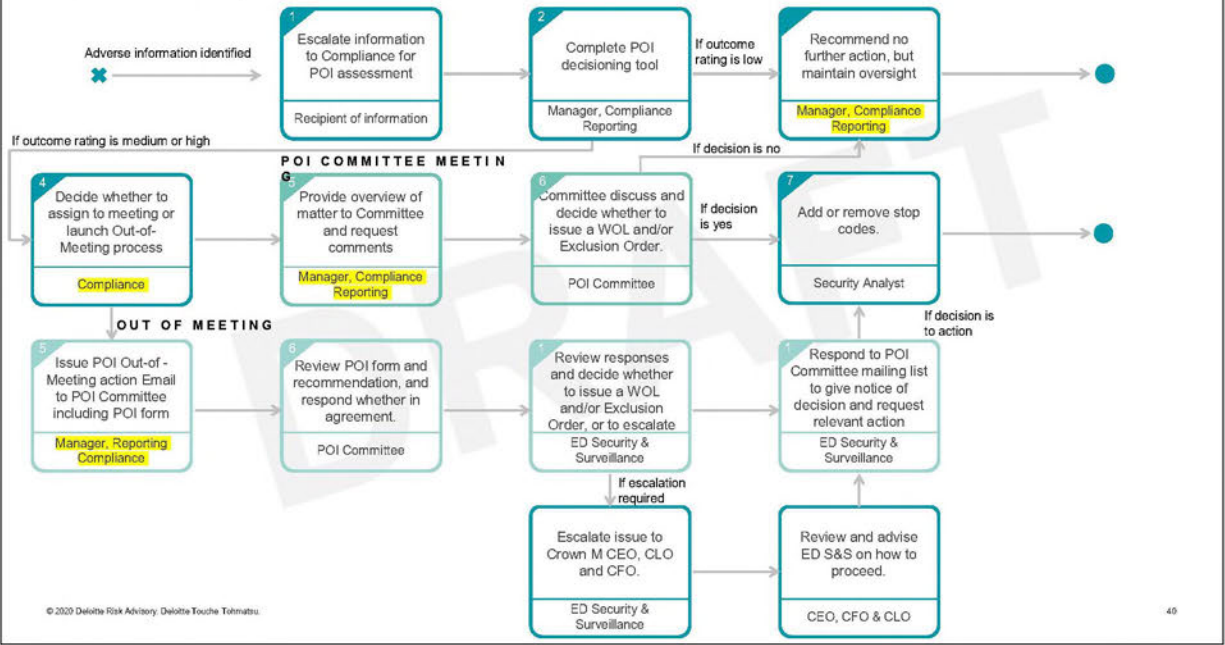
The Transaction Monitoring Program has been adopted by Crown in order to:

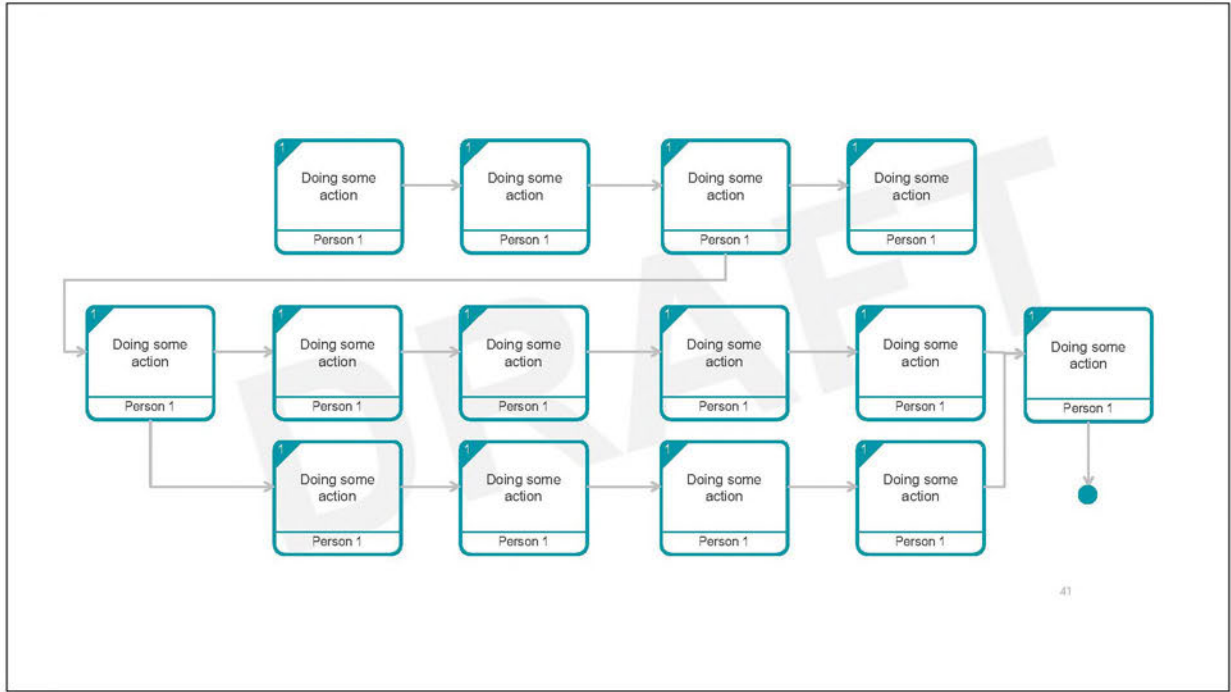
- monitor the transactions of its Customers in respect of the DS;
- identify transactions or patterns of transactions in respect of the DS that could be suspicious; and
- identify complex, unusually large transactions or unusual patterns of transactions in respect of the DS, which do not appear to have an economic or visible lawful purpose.

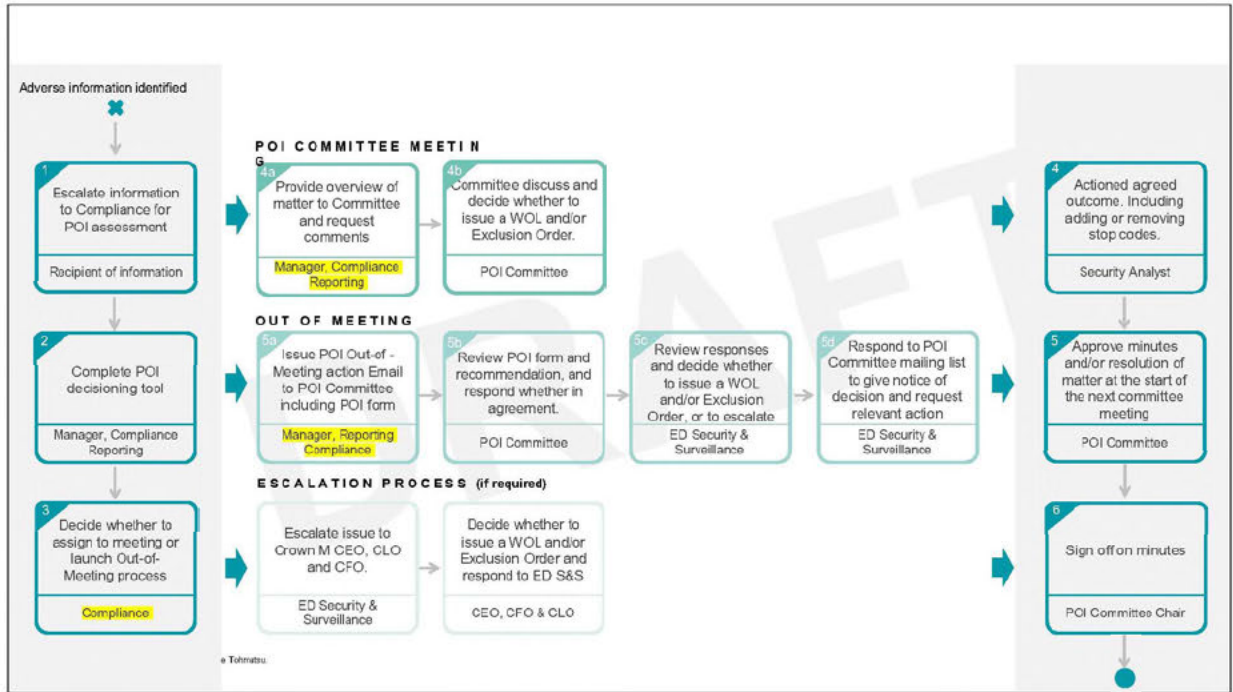




Persons of interest (POI): process map







SMRs / hits on DOW Jones trigger POI process – what else triggers a POI process? Where is this documented? Should be articulated in the charter? What does this exist to do?

Risk scoring & tool – good step they may want to implement more broadly

POI – heading in right direction
 Articulated direction from POI decisioning tool
 Clear record of judgement of decision made

Key reasons for that decision should be documented

If they're making a decision – why
 If they're making a decision to allow someone in the presence of adverse information

Positive it sits with compliance – holistic view – SMRs etc

Group participation –
 Process for dealing with really sensitive stuff
 Have it documented what is that process – how do those get dealt with with the community
 Is it that if it's really senior it goes to a smaller level group – Exec Group will take decisions that others won't be privy to
 Process can be communicated, but not details
 Josh as CLO, Craig S&S, probably COO or CEO, Michelle – Compliance – smaller senior group who make that decision

Potentially someone like Anne could get reports without knowing detail

Flag on file – got to be entered into system to have that recorded – record created – somewhere they should have the rationale, but not held in open database – might be more central /close-hold

Look at make-up of committee – check it's balanced

Make sure it's adequately recorded around Craig having ownership

POI Tool

Would like to see assumptions that these are based on –

Crown weights conviction of offence as higher than someone who's never been charged
Decision making framework - this is how we come to those decisions, this is how they weight them
In our view, does this adequately represent the risks that Crown say they want to look at

Haven't articulated in any explicit fashion, what are the risks that Crown want to avoid with the POI process - what is this supposed to stop

Risk considerations - how is this articulated?

How well does this POI process reflect that decisioning list - and do we think that process is right?

They've weighted the different offences but not given assumptions as to why -

We will give appropriate regard as to the recency of allegations

Needs to be put in writing and entire executive need to be signed up to and agree on - does the committee sign up to this framework

Who's approved that framework

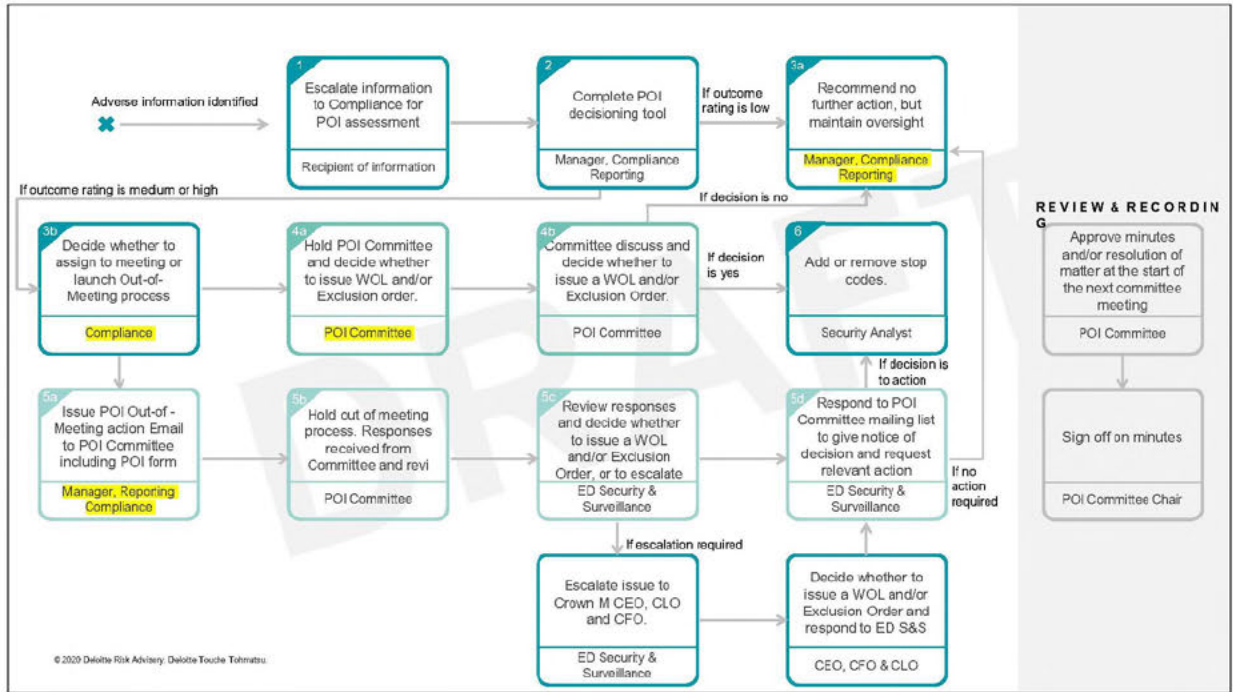
Is this something that group risk should be talking about - should it go to risk and audit committee - role for the risk committee - in at least determining the principles on which they are making these decisions

If you think about ARC's role in making sure risk is being managed appropriately

The principles that govern it, what they care about

Where's the shared agreement and articulation of this

What's the threshold for disagreement before it is escalated



Have as overview of process - info comes in, either gets assigned to in meeting or out of meeting

Then next slide blows up those processes into component parts - add escalation to slide 20



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