

**STATEMENT OF NEIL GEORGE JEANS – RFS – Initialism - 001**

**ANNEX I**



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By Email: [REDACTED]

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Dear Louise,

#### **Re Recommendation 17 of the Section 25 Review 2018**

Further to your instructions and engagement contained within your letter LEGAL\_412857.1, I am pleased to provide the following opinion and observations, as part of Initialism's the external assistance provided to Crown Melbourne since December 2018.

#### **VCGLR Recommendation 17**

In July 2018, Crown Melbourne (Crown) was subject to a Review under Section 25 of the Casino Control Act 1991 by the Victorian Commission for Gambling and Liquor Regulation (VCGLR). As a result of the Section 25 Review, the VCGLR made 20 Recommendations, including Recommendation 17, which stated:

*"The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed."*

Since receiving the Review, I am aware that Crown has performed an extensive review of its corporate risk management framework, ensuring its relevance and effectiveness to Crown.

I also understand that Crown's review was supported by two external reviews, one conducted by PwC in May 2018 in the context of the Review, which confirmed that the fundamental elements of a risk management framework were in place at Crown and applied across the business.

A second external review was conducted by Deloitte in 2019 to confirm all the relevant elements of an effective and robust framework were in place or in development, and to further assist in the design of maturing elements to the Framework.

In addressing Recommendation 17, I understand that Crown has conducted an internal review of its Internal Control Statements (ICSs) and identified changes to the ICSs, to ensure there is effective interplay between Crown's AML/CTF Program and the relevant ICSs.

I was asked to review Crown's current ICSs and the proposed changes to the ICSs, and established that throughout the ICSs, Crown applies a risk assessment approach aligned to ISO 31000:2018 - Risk Management.

ISO 31000 provides principles, frameworks and processes for managing risk, creates a robust structure for the identification of threats and risks, and supports the effective allocation and use of resources for risk management.

Crown has adopted a methodology for the assessment of risk that is internationally recognised as being appropriate for organisations regardless of their size, activity or sector. Crown's application of ISO31000 in its ICSs includes:

- Establishing core principles for managing the risks
- Identifying minimum standards and controls applicable to manage and mitigate the risks
- Identifying the key risks faced by a specific part of the business
- Assessing the inherent risk level of each key risk
- Applying a consistent risk rating based on likelihood and impact
- Analysis of the standards and control against each key risk

I understand from material provided by Crown that other external advisors have confirmed that Crown's risk management framework are ISO31000 compliant.

Crown's application of ISO 31000 and approach to risk assessment is also aligned to the approach recommended by AUSTRAC in its guidance on ML/TF risk assessments.

Crown considered including in each relevant ICS a section on ML/TF risk, setting out how the AML/CTF Program manages and mitigates its ML/TF risks. However, it is my opinion that the AML/CTF Program is a control and should be included in the "Minimum Standards & Controls" section of each relevant ICS.

Initialism's proposed amendments to the ICSs, which we understand Crown intends to incorporate in its review, to address Recommendation 17 are to:

- add the AML/CTF Program as a control in the "Minimum Standards & Controls" section of each relevant ICS;
- add a specific risk of "Criminal influence and exploitation" in each ICS Risk Assessment Matrix where relevant and it is not already included; and
- assess which controls set out in the minimum standards & controls (including the AML/CTF Program control) that manage and mitigate the risk of criminal influence and exploitation.

These changes, in my opinion, will ensure that each relevant ICS appropriately addresses anti-money laundering risks whilst staying within Crown's current risk management framework.

Having reviewed the ICSs and the proposed changes it is my opinion that with these changes Crown is adequately addressing Recommendation 17, and thereby ensuring that Crown has appropriately addressed its anti-money laundering risk within the ICSs.

### **VCGLR Observations**

Whilst not a requirement of Recommendation 17, I am aware of commentary included by the VCGLR in its Review related to AML/CTF, namely in respect of:

- A. Crown's Know Your Customer (**KYC**) processes for Junket Operators and Junket Players;
- B. The transaction monitoring of Junket Players; and
- C. Engaging further with Regulators and Law Enforcement Agencies to assist Crown in delivering enhanced training for casino staff.

Based on my work with Crown, regarding VCGLR's commentary, I am pleased to confirm the following:

- A. Crown obtains KYC information for Junket Operators, Junket Representatives and Junket Players in advance of their play.

Crown conducts Enhanced Customer Due Diligence (ECDD) (including through external searches) in respect of Junket Operators. This ECDD includes obtaining the approval of Senior Management in advance of the provision of any designated service to a new Junket Operator under a Junket Program.

In addition, Crown screens all patrons to identify and action potential politically exposed persons, sanctioned individuals and special interest persons (being persons who are, for example, alerted by Dow Jones as being involved in crime categories including corruption, financial crime, tax crime, organised crime, trafficking or terror).

This screening occurs daily for all new and active customers. Some patrons, including all Junket Operators, Junket Representatives and Junket Players, irrespective of whether they are currently active at Crown, are then screened on an ongoing basis to identify where a patron's alert status changes.

- B. Crown reviews, as part of its Transaction Monitoring Program, the transactions of Junket Operators and Junket Players, including:
  - a) Any cash transaction of A\$10,000 (or its foreign currency equivalent) or higher by a Junket Operator (or a Junket Representative on his or her behalf), when reviewing threshold transactions;
  - b) Any telegraphic transfer (whether domestic or foreign) by a Junket Operator, Junket Player or a third party to a Junket Operator; and
  - c) The estimated turnover - win and loss of Junket Players under a Junket Program at the conclusion of the Program.

This monitoring is conducted in addition to monitoring undertaken by front line operations staff (including in respect of large cash transactions observed from the floor, or by Surveillance)

Where Junket Operators and Junket Representatives conduct a transaction with Crown of A\$10,000 (or its foreign currency equivalent) or more at the casino, Crown files a threshold transaction report.

I am aware that Crown's automated monitoring system is being further developed which will enable the monitoring of transactional activity across its casinos, where possible, in real time.

As part of my work for Crown I assessed the appropriateness and effectiveness of Crown's current and proposed transaction monitoring and it is my opinion that Crown is meeting its obligations under section 36 of the AML/CTF Act, as it is monitoring customers using designated services to identify, mitigate and manage the risk of a customer's use of a designated service being involved in or facilitating money laundering or terrorist financing.

Based upon the work, Crown is also meeting the requirements of Chapter 15 of the AML/CTF Rules, as the monitoring undertaken is documented in the AML/CTF Program, and includes appropriate systems and controls to undertake the monitoring to facilitate the identification of suspicious matters, and seeks to identify complex, unusually large transactions and patterns of transactions which have no apparent economic or visible lawful purpose.

Crown has appropriately focused the monitoring controls within its Transaction Monitoring Programs (TMP) on the use of Casino Value Instruments, including chips, tokens, gaming tickets, cheques and other instruments (CVIs), gaming accounts and designated services.

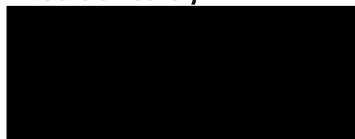
Crown's TMPs leverage a series of reports from business systems, these reports cover the activity and use of all relevant CVIs, gaming accounts and services designated by the AML/CTF Act.

I have also reviewed a UAT version of the revised systematic monitoring and it appears that the automation will be at least equivalent to the current manual trigger identification and will provide increased sustainability and scalability to Crown's monitoring activity.

- C. Recognising the potential benefit of opportunities for Regulators and Law Enforcement Agencies to assist in delivering enhanced AML/CTF training for casino staff, I understand that Crown actively engages and is regularly invited to present to Law Enforcement Agencies and Regulators, and appreciates the benefit of understanding and learning from these organisations, including in respect of current and potential emerging risks.

Please let me know if there is any further information that you require.

Yours sincerely



Neil Jeans  
Principal - Initialism Pty Ltd