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1 July 2019

Ms Catherine Myers  
 Chief Executive Officer  
 Victorian Commission for Gambling and Liquor Regulation  
 Level 3, 12 Shelley Street  
 RICHMOND VIC 3121

cc: Rowan Harris

**By Email**

Dear Ms Myers

**Sixth Review of the Casino Operator and Licence (Sixth Review) - Recommendation 17**

I refer to Recommendation 17 of the Sixth Review and our response dated 2 July 2018.

Recommendation 17 provides as follows:

*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.*

Crown Melbourne Limited (**Crown**) has completed its robust review of the relevant Crown Internal Control Statements (**ICSs**), to ensure that money laundering risks are appropriately addressed. This robust review included assistance from external advisory firm Initialism Pty Ltd (**Initialism**) and input from AUSTRAC (the **Relevant ICS Review**).

In conducting the Relevant ICS Review, Crown reviewed all ICSs to assess:

- which ICSs are potentially relevant to the assessment and management of money laundering risks (specifically, those ICSs of business units directly or indirectly involved in the provision of designated services (as that term is defined by the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act)* and the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No 1) (AML/CTF Rules)* to patrons) (**relevant ICSs**); and
- with reference to the relevant ICSs, whether any amendments are appropriate to ensure that anti-money laundering risks are appropriately addressed.

An overview of the Relevant ICS Review is **enclosed** with this letter.

As a reporting entity under the AML/CTF Act, Crown is required by law to have a risk-based AML/CTF Program in place that is compliant with the requirements of the AML/CTF Act and AML/CTF Rules. The AML/CTF Rules specify that the primary purpose of Part A of an AML/CTF Program is to identify, manage and mitigate money laundering or terrorism financing risks that a reporting entity reasonably faces in the provision of designated services under the AML/CTF Act.

Crown notes in this respect that it has such an AML/CTF Program in place that is regularly assessed by AUSTRAC.

Crown's review of the relevant ICSs was conducted concurrently with Crown's annual ML/TF risk assessment under its risk-based AML/CTF Program. Crown's annual ML/TF risk assessment involved a consideration by Crown's AML Team, in conjunction with the relevant business units, of the potential money-laundering and/or terrorism financing risks (**ML/TF risk**) that may be presented by the designated services Crown provides (and how these services are provided), the risks presented by its customer types, and the controls in place to manage those risks.

### **External Assistance**

Crown provided a copy of the Relevant ICS Review and Crown's annual ML/TF risk assessment, together with details of Recommendation 17 (and access to the Sixth Review Report) to Initialism seeking:

- its advice on the changes to the relevant ICSs proposed by Crown; and
- any other input or commentary Initialism might have regarding the relevant ICSs.

In its advice, Initialism noted that Crown has adopted a methodology for the assessment of risk that is internationally recognised as being appropriate for an entity such as Crown and that Crown's application of ISO 31000 and Crown's approach to risk assessment is aligned to the approach recommended by AUSTRAC in its guidance on ML/TF risk assessments.

Initialism also noted that Crown obtains 'know your customer' information on Junket Operators, Junket Representatives and Junket Players in advance of their play; conducts enhanced customer due diligence (including through external searches) in respect of Junket Operators and that, as part of its transaction monitoring program, Crown monitors the transactions of Junket Operators and Junket Players.

Initialism's recommendations have been adopted by Crown, as noted further below.

### **AUSTRAC Consultation**

Following the issuance of the Sixth Review Report, Crown consulted with AUSTRAC (both informally and formally) in respect of Recommendation 17 and its proposed changes to the relevant ICSs, including meeting with senior AUSTRAC staff responsible for AUSTRAC Regulatory Operations.

In seeking AUSTRAC's input, Crown provided AUSTRAC with an overview of Recommendation 17 (together with access to the Sixth Review Report), as well as:

- a copy of the contemplated amendments to the relevant ICSs; and
- following the receipt of advice from Initialism, an updated position regarding the proposed amendments to the relevant ICSs to take account of Initialism's advice (specifically, the inclusion of the AML/CTF Program as a control in each relevant ICS).

AUSTRAC has now formally advised Crown that its treatment of Recommendation 17 "*is a matter for Crown and that it is not appropriate for AUSTRAC to provide comment on ICSs*". AUSTRAC has also advised Crown that its role is to supervise Crown's compliance with the AML/CTF Act and AML/CTF Rules (including via Crown's AML/CTF Program) and that it will continue to supervise Crown in that capacity to ensure that Crown adheres to laws designed to identify and mitigate its money laundering and terrorism financing risks.

We note in this respect that Crown's AML/CTF Program was most recently reviewed by AUSTRAC in November 2017, with no non-compliances identified. AUSTRAC did however make several recommendations, which Crown considered and, where required, adopted into its AML/CTF Program.

### **Additional Initiatives**

Crown understands that, notwithstanding its compliant AML/CTF Program, it is critical that Crown remain vigilant in the identification, mitigation and management of any new or emerging ML/TF risks that might be presented by the services it provides, how they are provided and to whom it provides them.

In this respect, Crown has taken, and continues to take, steps to review and enhance its broader AML/CTF risk-based framework. These steps include:

- a comprehensive review of Crown's existing AML/CTF risk-based framework, which will upon finalisation include:
  - a new Corporate Policy Statement to apply to all employees; and
  - an independently reviewed, newly developed Joint AML/CTF Program to be adopted by Crown Melbourne, Crown Perth and, in due course, Crown Sydney;
- an external review of Crown's transaction monitoring program by Initialism, confirming Crown's compliance with the requirements of the AML/CTF Act and AML/CTF Rules. Initialism confirmed that Crown Melbourne has the systems and controls in place to identify the transactions of its customers that appear to be suspicious and that its AML/CTF Program seeks to identify complex, unusual large transactions or patterns of transactions that have no apparent economic or visible lawful purpose;
- the enhancement of the existing approval process for any new product or service to be introduced to the gaming floor, which includes the approval by the AML Team of the contemplated product or service;
- following the appointment of the Group General Manager – AML in November 2017, the additional appointment of two manager-level resources to the AML Team to increase resourcing levels in order to assist the business units in the identification, mitigation and management of ML/TF risk;
- the enhancement of Crown's screening of its Customers to detect if they are 'politically exposed', sanctioned or otherwise a person of special interest, with many Customers screened on an ongoing basis for any change in their status (with an alert generated for AML Team review accordingly); and
- the maintenance by Crown of regular, ongoing dialogue with law enforcement, AUSTRAC and other relevant bodies to ensure Crown remains abreast of any new or emerging ML/TF risks, or any factors that might impact the inherent or residual ratings of existing ML/TF risks identified by Crown.

Crown understands the potential benefits to Crown of Regulators and Law Enforcement Agencies presenting to our employees in respect of ML/TF matters. Crown notes that it is regularly invited to present to Law Enforcement Agencies and Regulators on ML/TF matters and when we provide such presentations, we encourage feedback from attendees in recognition of the importance of information-sharing on potential existing and emerging risks in this space.

We note in this regard that AUSTRAC has advised Crown that it does not provide training to reporting entities, but has encouraged Crown to review the money laundering typologies and other guidance produced by AUSTRAC and to build these into its internal training programs, an approach already adopted by Crown.

### **Results of Relevant ICS Review**

Following Crown's robust review, and taking into account input from Initialism and AUSTRAC, Crown proposes the following changes to the relevant ICSs :

- the inclusion of Crown's AML/CTF Program as a control in the "Minimum Standards and Controls" section of each relevant ICS; and
- the inclusion of a specific risk of "Criminal influence and exploitation" (which captures potential money laundering or terrorism financing activities) in each relevant ICS Risk Assessment Matrix where that risk is not already directly or indirectly included.

Crown considers that the completion of its review of the relevant ICSs, with the input of Initialism and AUSTRAC, has been completed in satisfaction of Recommendation 17 of the Sixth Review.

Crown will be shortly submitting for the VCGLR's approval updated relevant ICSs to reflect the results of Crown's robust review of the relevant ICSs, as noted above.

Please do not hesitate to contact me or Joshua Preston if you have any queries.

Yours sincerely



**Barry Felstead**  
Chief Executive Officer – Australian Resorts

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