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4 June 2018

By email and mail

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

Commercial in Confidence

Dear Ms Myers,

Sixth Review of the Casino Operator and Casino Licence

Thank you for your letter dated 21 May 2018, enclosing the Victorian Commission for Gambling and Liquor Regulation's (**Commission**) Draft Report on the Sixth Review of Crown Melbourne Limited's (**Crown**) operation and the casino licence (**Draft Report**). Crown would also like to acknowledge the Commission's efforts in carrying out this very large and complex review (**Review**) process.

Crown is very pleased that the Commission has found that Crown:

- remains a suitable person to hold a casino licence; and
- is compliant with relevant casino legislation, agreements and documents; and
- has concluded that it is in the public interest that the casino licence remains in force.

The Draft Report contains a number of over-arching themes, on which Crown comments as follows:

NOTE: Crown provides this letter on a 'Without Prejudice' basis and Crown reserves the right to amend the contents of this letter upon receipt and consideration of the outcome of the Commission's China Investigation section, which Crown is not yet in receipt of.

Responsible Gaming (RG)

The Draft Report contains a considerable focus on Crown's RG framework and initiatives, of which Crown is extremely proud and to which Crown continues to be committed.

Crown notes that the outcomes of the previous Review (**Fifth Casino Review**), included the Commission's finding that:

- Crown had robust and detailed systems and processes in place for dealing with RG issues [Chapter 3.4];
- Crown treats its obligations seriously in relation to detecting persons breaching their exclusion orders [Executive Summary]; and
- Crown's self-exclusion revocation procedures are adhered to and are robust [Chapter 3.5].

Since that time, Crown has not only continued with its base RG framework, but has also enhanced it by addressing the RG related recommendations of the Commission from the Fifth Casino Review (including the Recommendation for a trial of data analytics; for which the Commission sent Crown a letter in 2015 noting that compliance with the Recommendation was complete). Crown also proactively advanced its RG framework with a series of voluntary initiatives (including by way of example, the 'Time-out Program'; Melbourne/Perth voluntary self-exclusions and scannable RG QR codes throughout the gaming floor).¹

Crown remains committed to its RG Program and welcomes opportunities to continue to refine and improve its operation in this very important area of our business. Crown's commitment to the development and refinement of RG measures will be based, as far as possible on research and expert opinion.

AUSTRAC

Crown notes various comments and references throughout the Draft Report regarding its AUSTRAC compliance. Those references give an impression that there are weaknesses and indeed potential failings in the framework related to our Anti-Money Laundering / Counter-Terrorism Financing (AML/CTF) Program. Crown respectfully disagrees with this. Crown has a strong history of compliance with its AML/CTF obligations and although it recognises and accepts that there is always room for improvement, Crown continues to undertake its AML/CTF compliance activities with commitment and rigour. This commitment is evidenced by the fact that there were no adverse findings against Crown in both AUSTRAC assessments carried out during the Review period. There are identified areas for improvement of a generally minor (although important) nature, which have been addressed by Crown and implemented.

In short, Crown is of the view that the overall outcome of the assessments were positive and that its AML/CTF Program is sound.

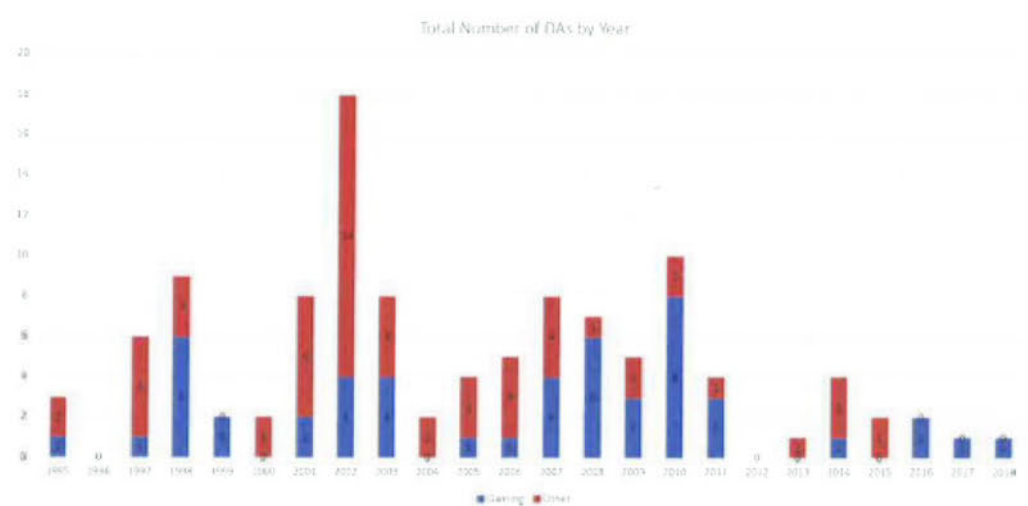
¹ In this context, it is difficult to reconcile the Commission's current view that Crown's '...responsible gambling approach is unchanged since the Fifth Casino Review. In the VCGLR's opinion, Crown's approach is reactive and self-referencing...' (Executive Summary, page 9, line 34).

Governance and Risk

Crown is committed to its governance obligations, and takes any and all breaches seriously. It therefore acknowledges that the two recent disciplinary actions taken by the Commission are important matters that involve discrete failures in its internal processes. Crown believes that these failures were isolated and not representative of any systemic compliance problems, and has taken action to analyse them and make necessary adjustments to control procedures to mitigate the opportunity for similar failures to occur in the future.

Crown's risk management framework contemplates that Crown aims to be an effective and compliant organisation, but it also acknowledges realistically that human error can occur.

In the context of the number of process documents that are completed daily within Crown, the number of audits conducted by the Commission over the Review Period (more than 1,500)², as well as the large number of changes that take place on the casino floor on an ongoing basis, the small number of incidents and disciplinary actions in our view is a sign of how effective the risk, internal control and compliance frameworks are, as highlighted in the following table representing our records of the history of the disciplinary actions taken against Crown:



Based on the above, Crown is of the view that the two recent disciplinary actions taken by the Commission, which are unrelated in nature, do not represent a "systemic weakness"³ in the risk management and compliance framework. Nor do they indicate that Crown is "not sufficiently capable of anticipating risks, and addressing them"⁴ when they arise.⁵ Crown does recognise that these isolated incidences represent breakdowns of its internal processes, but does not

² Page 36, line 33.

³ Page 12, line 37.

⁴ Page 92, line 36.

⁵ Nor do they "pose[s] the question as to whether Crown's internal culture is conducive to full compliance with regulatory expectations and public interest".

accept that it is fair to regard them as systemic or endemic to our culture or as reflecting adversely on our ability to anticipate and manage risks overall.

Crown notes that during the Fifth Casino Review, the Commission recognised that Crown had extensive statutory and contractual obligations placed on it reflecting the scale and complexity of the Melbourne Casino [Executive Summary]. Further, that Crown had a high level of compliance with its statutory and contractual obligations [Executive Summary] and that its internal audit planning processes were thorough and robust [Chapter 2.4].

The Commission acknowledged that Crown had established a clearly articulated risk management and assurance framework, setting out the roles of each of the different reporting entities with input into the risk management process [Chapter 2.4].

Disciplinary action taken against Crown has decreased since that time and recently Crown has taken proactive steps to enhance its governance and risk framework, including with additional resources.

Subject to the Commission's views, Crown would very much appreciate it if, for the reasons set out above, the themes referenced could be reflected in the final Report.

Recommendations Comments

Consistent with Crown's ongoing desire to maintain and improve upon the highest standards throughout the Melbourne Casino, Crown provides its draft response to the draft Recommendations made by the Commission.

'Recommendation 1

The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in active scrutiny of the operations of the Melbourne Casino. Particular consideration should be given to—

- *formulating a charter for the Crown Melbourne board*
- *fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and*
- *elevation of governance to the group board and committees.*

The submission should identify any changes to regulatory frameworks and how these will be addressed.'

Recommendation supported in principle, subject to comments below.

Crown will, in conjunction with its parent company, review its governance framework, taking into account the matters recommended by the Commission for consideration. A new framework for reporting has already been designed and is being worked through. Crown will continue to review its corporate structure moving forward with any proposed changes brought to the attention of the Commission.

We also note that the current Crown Melbourne Framework has been considered by the Commission in times past, with some of the current structures in place as a result of regulatory obligations.

In the circumstances, although Crown welcomes the essence of this recommendation, it respectfully notes that in its view it is premature to suggest that a change program will be required, particularly one 'to fully engage its independent directors in active scrutiny of the operations of the Melbourne Casino'. It is, with respect, not the function of directors, especially non-executive directors, to engage in active scrutiny of operations.

Recommendation 2

The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.'

Recommendation supported.

Recommendation 3

The VCGLR recommends that, by 1 January 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in the chain of command, and upgrade them where required. This assessment should be assisted by external advice.'

Recommendation supported, subject to an amendment to the timeframe to 30 June 2019.

It should be noted that the risk framework has already been reviewed and an enhanced framework is currently being implemented, which is supported by an IT system based reporting, recording and management framework.

Also, a Group General Manager – Risk and Audit was appointed in 2017 to oversee the group function of risk and audit. Additional resources have also been committed to support the enhanced framework.

As we are currently progressing the implementation of our frameworks, we respectfully suggest that a more reasonable and practical timeframe for responding to the recommendation would be 30 June 2019, to allow us to have the systems commissioned and their effectiveness over a sufficiently-representative period properly considered by an external reviewer.

'Recommendation 4

The VCGLR recommends that, by 1 January 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.'

Recommendation supported, subject to an amendment to the timeframe to 30 June 2019 (see reasons articulated in Recommendation 3).

In this respect, a new process has already been implemented to address changes to any new initiatives, along with the design and introduction of a new business-wide compliance framework that is being rolled out across the business.

'Recommendation 5

The VCGLR recommends that Crown convene annual roundtable sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.'

Recommendation supported.

'Recommendation 6

The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gaming staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff have sufficient time aside from their gaming duties.'

Recommendation supported.

Crown has already commenced the process of employing an additional five RG staff members. Additionally, there will be a review of the training for gaming and other related staff.

'Recommendation 7

The VCGLR further recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.'

Recommendation supported in principle, subject to the commentary in Recommendation 8 below.

Recommendation 8

The VCGLR recommends that, by 1 January 2020, Crown Melbourne implement a comprehensive player data analytics tool for all patrons that utilises both historical data with parameters developed from the second player model, as well as real-time monitoring of play periods, to proactively intervene when patrons are identified as being at risk of harm from gambling. In implementing this tool, Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing a world-class, proactive model with real-time operational effectiveness.'

Crown supports the enhancement of its RG framework. We also support reviewing the extent to which further data analytics tools might enhance the framework.

On the other hand, we have significant reservations about data tracking un-carded players and believe that the subject needs to be approached with caution. Such tracking has a number of inherent challenges, both legal and practical. We would need to comprehensively review relevant legislation, including that governing privacy, data management and consent. We would also need to work through practical issues such as when players move machines, stop and start play on the same machine, etc.

We are aware that there is a version of an analytics tool which has been in use in one jurisdiction for a brief period. We would want to see a comprehensive evaluation of any positive, neutral or negative effects of such a tool before considering implementing it or some adaptation of it.

Crown would however support an enhancement of recommendation 7 to monitor close-to-real-time play periods on gaming machines for carded play (after an assessment of technical capabilities). Further, the proposed data analytics model that Crown has been working on (of which the Commission is aware and involved), is currently framed around a report being run (not in real time), reviewed by RG and then relevant players being approached when they are next identified on the property. Crown's view is that this in itself is a material positive step forward in our RG framework (which had considerable technical hurdles to overcome, at significant cost). Further, this form of data analytics is now at a stage where there is a body of evidence-based research behind it to assist in evaluating how it can work and the implications for patrons and other stakeholders. The concept of tracking un-carded players is not anywhere nearly as advanced.

Crown will continue to explore the enhancement of its data analytics model over the period and report to the Commission on any opportunities for its enhancement, based on appropriate quality research.

Respectfully Crown suggests that recommendations 7, 8 and 9 be compressed into a single recommendation as follows:

Proposed new Recommendation 7/8/9

The VCGLR further recommends that Crown Melbourne continue to use observable signs in conjunction with other harm minimisation measures such as data analytics to identify carded patrons at risk of being harmed from gambling. Crown is also to progress enhancements of its data analytics model to become a near to real-time effectiveness model. Subject to any technical considerations, Crown should aim to have this model implemented by 1 January 2020. Crown is also to explore opportunities to enhance its data analytics model and report to the Commission on any evidenced based research initiatives.

'Recommendation 9

The VCGLR recommends that, within 12 months after the implementation of a player data analytics tool, it be independently assessed by a person approved by the VCGLR.'

As above. Please note however that any assessment that may be carried out moving forward (and we respectfully suggest that it is not necessary in the way proposed in Recommendation 9 (see suggested recommendation 7/8/9 above)), should be undertaken by an independent assessor appointed by mutual agreement between the Commission and Crown.

'Recommendation 10

The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the Casino Control Act. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:

- *Crown Melbourne issuing short term exclusion orders for 3, 6, 12 or 24 months under section 72 of the Casino Control Act, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and*
- *Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020.'*

Recommendation supported.

'Recommendation 11

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the Casino Control Act at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other

external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations, about this option.'

Recommendation supported.

'Recommendation 12

The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.'

Recommendation supported.

Crown notes that it has already expanded its facial recognition capabilities and proposes to continue to do so in F20.

'Recommendation 13

The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.'

Recommendation supported.

'Recommendation 14

The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:

- *early proactive intervention initiatives*
- *player data analytics*
- *proactive engagement with pre-commitment*
- *intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling, such as 8 or 12 hours*
- *the role of all staff in minimising harm*
- *the effective use and monitoring of exclusion orders*
- *internal reporting arrangements*
- *integrating responsible gambling into proposals for trialling or introduction of new products and equipment*
- *performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation*
- *the roles of the Crown Resorts Responsible Gaming Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice*
- *the objectives of the RGSC in relation to minimising harm to patrons, and*

- *the responsible service of gaming as a fundamental core business consideration when making strategic decisions regarding casino operations.'*

Recommendation supported to the extent permitted by legislation (for example, as to restrictions associated with YourPlay).

Recommendation 15

The VCGLR recommends that within three months of implementing the strategy, there is regular reporting to the Crown Resorts Responsible Gaming Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation, appeals; as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR and the VRGF for monitoring purposes.'

Recommendation supported, subject to the removal of the proposal to provide the reports to the VRGF. Crown is supportive of the provision of the reports to the VCGLR (noting this will be on average six times a year, as the Committee Meetings are not always held strictly every two months), however Crown's view is that providing these reports to a third party, that is not a statutory regulator, is in our respectful opinion not appropriate. Crown would suggest that in relation to the VRGF, regular meetings be convened to discuss matters related to RG performance and related information.

Recommendation 16

The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gaming Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.'

Recommendation supported.

Recommendation 17

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.'

Recommendation supported.

Recommendation 18

The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the Casino Control Act or Gambling Regulation Act, that Crown document:

- *the purpose*

- *obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals*
- *what changes the grant of the approval would make to products, rules and procedures, etc*
- *risks associated with the approval and how they will be treated*
- *how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and*
- *which areas of Crown will be responsible for managing implementation.'*

Recommendation supported.

'Recommendation 19

The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the Casino Control Act in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.'

Crown supports this recommendation, however notes that it has had a policy in place to issue Exclusion Orders for unacceptable behaviour for over ten years and does issue Exclusion Orders for this purpose in appropriate circumstances. Crown also notes that it issues withdrawal of licence notices to persons in appropriate circumstances, as it is entitled to do as a common law right, as those notices cover broader areas of the Crown property than the more limited area covered by Exclusion orders.

'Recommendation 20

The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts board meet to review the implementation of the recommendations set out in this report.'

Recommendation supported, subject to the inclusion of Crown Melbourne Executive management being involved in such meetings.

Conclusion

We note that several of the Recommendations raised may require approval from the Commission to implement, as currently a number of the structures and processes in place at Crown reflect what has been in place, and approved by the Commission, for many years (for example, the Crown Committee framework and the audit framework, deemed to be strong at the Fifth Casino Review).

Crown acknowledges that there are a range of strong initiatives for Crown to consider from the Review, some of which have already been embraced and are being implemented. Crown

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welcomes the opportunity to work closely the Commission to implement the recommendations. In this respect, I am pleased that we have already made significant progress on several of these recommendations.

Crown thanks the Commission for providing the opportunity to respond to the Draft Report.

Should you have any queries or wish to discuss our letter, please do not hesitate to contact Joshua Preston or me.

Yours sincerely



Barry Felstead
Chief Executive Officer – Australian Resorts
Crown Melbourne Limited