




Victorian Commission for  
Gambling and Liquor Regulation

## Memorandum

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<b>To:</b>	Alex Fitzpatrick, Director, Licensing	
<b>Cc:</b>	Jason Cremona, Manager, Licence Management and Audit (LMA)	 6/8/2019
	Adam Ockwell, Director Licensing	
	Steve Thurston, Licence Manager, LMA	
<b>From:</b>	Rowan Harris, Principal Major Licence Officer, LMA	
<b>Division:</b>	Licensing	
<b>Subject:</b>	Sixth Casino Review - Recommendation 17	<b>Date:</b> 5 August 2019

### Purpose

1. To provide an assessment of Crown Melbourne Limited's (Crown's) submission dated 1 July 2019 in relation to recommendation 17 of the Sixth Casino Review (the Review) to inform the paper to be presented to a special Commission meeting.

### Background to recommendation 17

2. Recommendation 17 provides:

*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.*

**Commonwealth secrecy provision**

**Commonwealth secrecy provision**

## Commonwealth secrecy provision

### Consultation with AUSTRAC and Crown regarding recommendation 17

13. During ongoing engagement with Crown as part of Licensing's assessment of Crown's progress in relation to addressing the Sixth Review recommendations, Licensing articulated to Crown the VCGLR's expectations in this regard.

## Commonwealth secrecy provision

15. The VCGLR met with AUSTRAC on 20 February 2019 to outline the Commission's expectations of Crown's consultation with AUSTRAC, in particular that Crown actively seek AUSTRAC's input in relation to its views on the suitability of the ICSs, including the Junket and Premium Players ICS to ensure that AML risks are appropriately addressed (**Attachment 2**). At that time, AUSTRAC staff seemed willing and able to provide the input required to encourage Crown to conduct a robust review.

16. The VCGLR emailed Crown on 22 February 2019 requesting that the relevant ICSs are made available to AUSTRAC for their input to the review, and to ensure the recommendation is appropriately addressed (**Attachment 3**).

17. In the early stages of the VCGLR's monitoring of recommendation 17, Crown appeared reluctant to involve a review of any ICSs in its response to the recommendation, and did not believe AUSTRAC should be consulted about the adequacy of these documents. Crown, in Licensing's opinion, was failing to address the key driver of recommendation 17.

18. Throughout Licensing's monitoring of the progress of recommendation 17, Crown has maintained that the suitability of the AML/CTF program it is developing is more important than the suitability of the ICSs (in particular, the Junkets and Premium Player Programs ICS) in ensuring that AML/CTF risks are appropriately addressed. Crown advised that it was working closely with AUSTRAC to develop a joint AML program across the Melbourne and Perth casinos, and that AUSTRAC had been complimentary of its process in relation to the joint program. Crown stated that, as an additional measure, it had a transaction monitoring program in place.

19. Furthermore, Crown staff made their position clear that they consider it acceptable to have controls and procedures for an AML/CTF program prepared under the guidance of AUSTRAC that are distinct from controls and procedures in ICSs which are prepared pursuant to section 121 of the *Casino Control Act 1991*. However, Licensing was of the view that all controls relevant to section 121 should form the basis of ICSs even if those controls are relevant to the expectations of another regulator. The VCGLR's oversight of ICSs aims to ensure that they support all regulatory requirements contained at section 121, not just those specific to gambling.

20. At a dedicated VCGLR and Crown meeting on 12 March 2019, Crown further emphasised its position on recommendation 17 and advised the VCGLR that the strongest control over AML is the AML/CTF program. In addition, the strengthening of internal controls would be somewhat limited to the AML internal program/processes and 'framework documents'. Crown believes that the relevant control for AML/CTF is the AML/CTF program, not the ICSs, and that this is a statutory requirement. The VCGLR advised Crown that the ICSs should support Crown's AML program, and the ICS review, as required by the recommendation, in particular the Junkets and Premium Players ICS, needed to be subject of Crown's review and AUSTRAC's input regarding its suitability.

21. In response to the risk that Crown were not progressing to implement recommendation 17 in a manner acceptable to the VCGLR, a letter dated 23 May 2019 from the VCGLR was sent to Crown and emphasised the Commissions expectation that *'at a minimum, to implement this recommendation, the Commission expects that Crown provides AUSTRAC with the relevant ICSs, including the Junkets and Premium Players ICS, to inform the review and assist Crown in ensuring that AML risks are appropriately addressed through its AML program as well as the ICSs'* (**Attachment 4**).

### **Review of Crown's submission in relation to Recommendation 17**

22. In order that a satisfactory submission by Crown in respect of recommendation 17 is provided, the VCGLR expected:

- a) a robust review of ICSs relevant to AML, including but not limited to the Junket and Premium Player Programs ICS
- b) input from AUSTRAC following an independent assessment of the relevant ICSs in relation to their suitability regarding AML, and
- c) amendments to the relevant ICSs to include, at a minimum, strengthening of the current ICS for Junkets and Premium Player Programs by the inclusion of more robust controls in relation to the identification of individual junket players and their associated gaming transactions when participating in junkets, and to determine the same level of transparency for individual junket player activity as there is for premium players.

23. In its submission to the VCGLR on 1 July 2019 in relation to recommendation 17 (**Attachment 5**) Crown advised:

- It has completed a robust review of the relevant ICSs to ensure that money laundering risks are appropriately addressed which included assistance from external advisory firm Initialism Pty Ltd and AUSTRAC. Crown sought advice on the changes to the relevant ICSs proposed by Crown, and any other input or commentary Initialism Pty Ltd might have regarding the relevant ICSs.
- AUSTRAC 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”.
- It continues to take steps to review and enhance its broader AML/CTF risk-based framework.
- Its review of the relevant ICSs was conducted concurrently with Crown’s annual ML/TF risk assessment under its risk-based AML/CTF Program.
- It proposes amendments to the relevant ICSs.

24. Observations made by Licensing in its assessment of Crown’s response to recommendation 17 included:

- a) Crown did not commence engagement with AUSTRAC in respect of the review of relevant ICSs until 30 May 2019 when it provided the ICSs to AUSTRAC. Crown met with AUSTRAC on 14 June 2019 to discuss the review.
- b) AUSTRAC, in a letter to Crown dated 28 June 2019, advised that:
 

*‘Having considered your letter and the matters discussed at our subsequent meeting, it is AUSTRAC’s view that how Crown addresses Recommendation 17 is a matter for Crown and it is not appropriate for AUSTRAC to provide comment upon ICSs. AUSTRAC’s role is to supervise Crown’s compliance with the Anti-Laundering and Counter Terrorism Financing Act 2006 and Anti-Laundering and Counter Terrorism Financing Rules Instrument (No.1), including via its AML/CTF Program’*
- c) While Crown has quoted from Initialism Pty Ltd’s independent report, the Commission has not been provided with a copy of that report. LMA staff have therefore had to take on trust the provision of the report from Initialism Pty Ltd, and that no further high-level findings exist in that report which may have supported further work by Crown on its ICSs.
- d) although Crown has proposed amendments to the ICSs (based on external advice from Initialism Pty Ltd), as required by recommendation 17, the proposals do not address the **intention** of recommendation 17, as expressed in the relevant section of the Sixth Casino Review report<sup>3</sup>. The proposed amendments to the relevant ICSs are:
  - *the inclusion of Crown’s AML/CTF Program as a control in the “Minimum Standards and Controls” section of each relevant; 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 where that risk is not already directly or indirectly included (**Attachment 5**).*

## Conclusion

25. In summary, LMA staff are of the view that Crown has met the specific requirements of recommendation 17. However, the shortcomings in Crown’s proposed amendments to ICSs do not go far enough to provide the sort of transparency to the Commission of individual junket participants and their gaming transactions as intended by the Sixth Casino Review report and **Commonwealth secrecy provision**. This needs to form the basis of a recommendation to the Commission that further review and development of the relevant ICSs is required.

<sup>3</sup> See paragraph 11 for the relevant quotation from Sixth Casino Review report.

**Recommendation**

26. That you note the above assessment of Crown's submission in relation to recommendation 17 of the Sixth Casino Review  Noted  
 To discuss


27. That you endorse the recommendation below to be presented to the Commission in relation to recommendation 17:  Agreed  
 Please discuss

*That the Commission agrees that:*

*(a) Crown has implemented recommendation 17, subject to the provision of the Initialism Pty Ltd report regarding the suitability of the review into the relevant internal control statements, and*

*(b) the VCGLR, with external assistance, will conduct a further independent review of the relevant ICSs, to determine necessary changes in relation to the monitoring of Junket operations at Crown, and money laundering risks in general.*

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