



Victorian Commission for
Gambling and Liquor Regulation

Sixth Casino Review – recommendations 5 and 17, and progress of recommendations 10, 11 and 14

TRIM ID: CD/19/14732

Recommendation

1. That the Commission:
 - (a) agrees¹ Crown Melbourne Limited (Crown) has implemented recommendation 5 of the Sixth Casino Review (the Review) as a result of its briefing of key internal staff on the Victorian Commission for Gambling and Liquor Regulation's (VCGLR's) risk-based approach to regulation at its quarterly Executive Risk and Compliance Committee meeting held on 21 May 2019
 - (b) agrees Crown has implemented recommendation 17 of the Review as a result of providing the Commission with a copy of the Initialism Pty Ltd report in relation to Crown's review of its relevant internal control statements (ICSSs) to ensure anti-money laundering risks are appropriately addressed, noting that the VCGLR is going to undertake its own review of Crown's ICSSs, and
 - (c) notes the progress of the Licensing Division's assessment of recommendations 10, 11 and 14 of the Review, that were due 1 July 2019.

Background

2. At its meeting on 28 June 2018, the Commission adopted the findings and opinions set out in the Sixth Casino Review report (the Review Report). The Review Report contained 20 recommendations with corresponding deadlines for Crown to implement. All recommendations in the Review Report were accepted by Crown.
3. The Licensing Division has responsibility for monitoring and assessing Crown's progress in relation to each of the recommendations, and providing regular updates to the Commission in relation to the adequacy of the progress.
4. The Commission has considered Crown's implementation of a number of the Review recommendations at previous meetings, and agreed that Crown has implemented recommendations 1, 2, 4, 12,² 13, 19 and part of recommendation 8.
5. In relation to the recommendations outlined in the Review Report, where the date for completion was 1 July 2019, the following is noted:
 - (a) Ten recommendations were due by 1 July 2019, and Crown has made submissions detailing its implementation of each of these recommendations by the due date.³ Of these

¹ The wording of the recommendation has been the subject of consultation with the General Counsel, and the preference is that the Commission 'agree to Crown's implementation' of the Sixth Review recommendations, rather than 'approves their completion'.

² Recommendation 12 is related to Facial Recognition Technology (FRT), and its implementation has been accepted subject to quarterly updates on the effectiveness of its FRT, commencing from September 2019.

³ Nine recommendations due by 1 July 2019 were 3, 4, 10, 11, 12, 13, 14, 17 and 19. Recommendation 5 requires an annual round-table briefing by Crown for key internal staff on the VCGLR's risk-based approach, which is to occur on 1 July each year.

recommendations, four are already considered implemented (recommendations 4, 12, 13 and 19) in line with the Commission's agreement at its meetings on 25 July and 22 August 2019.

- (b) Three of the nine recommendations due by 1 July 2019 (10, 11 and 14) are in the process of being assessed, and will be the subject of a paper for the October 2019 Commission meeting. A progress update on these three recommendations is provided in this paper.
- (c) At a special meeting on 15 August 2019, the Commission deferred its decision on Crown's implementation of recommendation 17, until Crown provided a copy of the Initialism Pty Ltd report relating to Crown's review of its ICSs for the Commission's consideration.
- (d) At its meeting on 22 August 2019, the Commission deferred its decision on Crown's implementation of recommendation 3 until Crown provided a copy of the external advisor's report completed by Deloitte, which informed the assessment of Crown's risk framework and systems, for the Commission's consideration.
- (e) Crown's completion of recommendations 5 and 17 are the subject of this paper.

Issues/Comments

Recommendation 5

6. Recommendation 5 of the Review Report provides:

The VCGLR recommends that Crown convene annual round table 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.

7. In relation to recommendation 5, the Review report stated:

"Consistent with the VCGLR's published regulatory approach, the VCGLR aims to achieve high levels of voluntary compliance by setting clear expectations, and encouraging the right behaviour, while taking strong enforcement action when breaches are detected. It aims to constrain regulatory costs and restrictions to what is necessary to achieve regulatory objectives.

*A consequence of this approach is that when reasonable regulatory expectations are not met, the breach is more serious. For that reason, it is important for all licensees to comprehend the full extent of their obligations so that they know what is expected."*⁴

8. Recommendation 5 requires Crown to demonstrate:

- it has convened a meeting that can reasonably be expected to be conducted on an annual basis
- the meeting has and will continue to brief 'key internal staff' on an annual basis
- the material presented is consistent with the subject matter in recommendation 5, that is the nature of risk-based regulation and the consequences for Crown's approach to regulatory compliance.

⁴ Page 74, Sixth Casino Review report.

9. Crown's submission of 28 June 2019 in relation to recommendation 5 is provided at **Attachment 1**.
10. To assist with implementation of recommendation 5, Crown requested and was provided with a copy of the 'VCGLR's Regulatory Approach' and a summary of the 'VCGLR's Regulatory Approach'. Crown was made aware of the VCGLR video: 'The VCGLR's regulatory approach' published on the VCGLR's website which could also assist Crown in briefing key internal staff on the VCGLR's risk based approach to regulation.
11. In its submission, Crown noted that:
- (a) Crown's Executive Risk and Compliance Committee (ERC Committee) was briefed on 21 May 2019 on the VCGLR's risk-based approach to regulation.
 - (b) Attendees at the ERC Committee comprised all members of Crown Melbourne's Executive, along with the Group General Managers from the Risk and Compliance departments.
 - (c) Copies of the 'VCGLR's Regulatory Approach' document and a summary of 'VCGLR's Regulatory Approach' were provided to all attendees, and the ERC Committee was also informed that the VCGLR's risk-based regulatory approach recognises Crown's Compliance Framework, including internal controls.
12. On 22 August 2019, Licensing requested a copy of the minutes of the 21 May 2019 ERC Committee meeting to validate the claims made by Crown in its submission. The minutes provided by Crown substantiate that the information outlined in its submission was provided in the meeting (refer to page 5 of **Attachment 2**).
13. In addition to the ERC Committee meeting held on 21 May 2019, Crown advised in its submission that it has also addressed recommendation 5 through:
- (a) Continual education and discussion of the VCGLR's expectations at Crown's monthly Compliance Committee meetings, comprising nominated Compliance Officers from key business units, including gaming. The annual round table session and this forum assist in ensuring the ongoing oversight and effectiveness of Crown's Compliance framework, by clearly articulating (amongst other matters) corporate expectations regarding regulatory awareness and compliance activities, thereby continuing to encourage a culture of compliance.
 - (b) Crown's compliance framework comprises a requirement register, whereby all gaming (and liquor) related legislation and regulatory requirements have been assessed for compliance priority. This is reflected in all applicable department compliance plans and reinforces the importance of strong controls and operating procedures in these areas throughout the business.
 - (c) Crown's recently introduced compliance reporting system CURA⁵ ensures that all compliance matters are reviewed, analysed, and where necessary, escalated to ensure that any underlying weaknesses in controls can be addressed on a timely basis.

⁵ CURA (a brand name which does not appear to be an acronym) is a commercial governance, risk and compliance management software platform that enables continuous mitigating and monitoring of risk in a business environment.

14. Based on Crown's submission, Licensing agrees that Crown has implemented recommendation 5, by appropriately conducting the first annual round table session where Crown briefed key internal staff on the VCGLR's risk-based regulatory approach and expectations.
15. Given that recommendation 5 requires Crown to convene ongoing annual round table sessions, an assessment of the quarterly ERC Committee meetings held at Crown will be performed by Licensing to ensure that annual discussions on the VCGLR's Regulatory Approach occur. This requirement has been included on the Major Licence Management date-based obligations register monitored by Licensing.

Recommendation 17

16. 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.

17. At its special meeting on 15 August 2019 the Commission:
- (a) noted Crown's submission in relation to its implementation of recommendation 17. A copy of Crown's submission in relation to recommendation 17 is provided at **Attachment 3**
 - (b) determined to defer its decision on whether Crown had implemented recommendation 17, pending Crown providing a copy of the Initialism Pty Ltd (Initialism) report for the Commission's consideration.
18. As requested, Crown provided a copy of the Initialism report to the VCGLR on 28 August 2019 (**Attachment 4**).
19. Upon review of the Initialism report, Licensing notes:
- (a) Initialism was asked to 'review Crown's current ICSs and the proposed changes to the ICSs. This appears consistent with the expectations of recommendation 17
 - (b) Initialism's view is that Crown's risk assessment process is aligned to ISO 31000⁶ and the approach recommended by AUSTRAC
 - (c) Initialism provided a view in relation to Crown's Know Your Customer (KYC) and transaction monitoring for junket operators and players.
20. In relation to point (c) above, Licensing makes the following observations:
- (a) Initialism notes that KYC requirements apply to junket operators, junket representatives and junket players. Crown conducts all requirements in this regard, in advance of any game play. Licensing notes that, although Crown's actions appear compliant with Anti-Money Laundering/Counter Terrorism Financing (AML/CTF) legislation, KYC requirements specifically do not extend to include any transaction monitoring and/or reporting requirements.

⁶ ISO 31000 is a family of standards relating to risk management codified by the International Organisation for Standardisation. The purpose of ISO 31000 is to provide principles and generic guidelines on risk management.

- (b) Initialism notes that telegraphic transfers in relation to junkets are monitored. Licensing notes that the risk in relation to money laundering is still evident with regards to cash or non-telegraphic transfers.
- (c) In relation to transaction monitoring, Initialism confirmed that any transaction over \$10,000 between Crown and a junket operator or junket representative, must be monitored and reported to AUSTRAC. Although Crown are compliant with its AML/CTF obligations in this regard, Licensing notes that transaction monitoring requirements do not extend to junket participants as the financial transaction that Crown must monitor and report (in exceeding \$10,000), are only those that occur between the junket operator and Crown.

21. In relation to the risks associated with Crown's AML/CTF monitoring of junket participants, the Review Report also observed that:

- i *'to assist in mitigating the risks associated with junkets, the current ICSs for junkets could be strengthened with the inclusion of more robust controls in relation to the identification of individual junket players and their associated gaming transactions when participating in junkets.'*⁷

Commonwealth secrecy provision

22. Therefore, although Initialism is of the view Crown's ICSs and risk management framework are 'compliant' with minimum standards and ISO requirements, the AML/CTF risk associated with monitoring financial transactions from junket participants to a junket program is still evident, and will be considered as part of the VCGLR's review of Crown's ICSs.
23. Furthermore, in relation to the outcomes of its review, Initialism also proposed the following amendments to the ICSs to address recommendation 17:
- (a) *add the AML/CTF Program as a control in the "Minimum Standards and Controls" section of each relevant ICS*
 - (b) *add a specific risk of "Criminal influence and exploitation" in each relevant ICS Risk Matrix Assessment where relevant and it is not already included*
 - (c) *assess which controls set out in the minimum standards and controls (including the AML/CTF Program control) that manage and mitigate the risk of criminal influence and exploitation).*⁸
24. Initialism further advised that Crown has implemented Initialism's recommendations (amendments above) as part of its process in implementing recommendation 17, and concluded that:
- "Crown is adequately addressing recommendation 17, and thereby ensuring that Crown has appropriately addressed its anti-money laundering risk within the ICSs".*
25. Crown in its submission (**Attachment 3**) has recommended amendments to its ICSs which address the issues expressed in the Initialism report, and introduces the AML/CTF programs as a 'Minimum Standards and Control' in the relevant ICSs.
26. In summary, as Initialism did not identify any significant concerns in relation to Crown's ICSs and how it addresses anti-money laundering risks, it is recommended that the Commission agrees that Crown has implemented recommendation 17, noting that the VCGLR will conduct its own independent review of Crown's ICSs.

Recommendations 10 and 11 – progress

27. Recommendation 10 provides:

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*

⁸ Initialism appears to be reflecting keywords from the objects of the *Casino Control Act 1991*.

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.

28. Recommendation 11 provides:

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.

29. Crown's submissions in relation to recommendations 10 and 11 were received by the due date of 1 July 2019. Licensing forwarded Crown's submissions to the Victorian Responsible Gambling Foundation (VRGF) with Crown's consent to enable formal closure of the tripartite process (Crown, the VCGLR and the VRGF), including what was agreed as a result of the 'page turn' review of Crown's Third-Party Exclusion policy and procedure documents in relation to recommendation 11. Crown's policies and procedures in relation to recommendations 10 and 11 were also developed with assistance from other external stakeholders independent of the tripartite process. This included input from Professor Alex Blaszczyński, University of Sydney.
30. Given the tripartite process, Licensing invited the VRGF's comments as subject matter experts on Crown's submissions. These were provided on 1 August 2019 and are currently being reviewed.

Recommendation 14 – progress

31. Recommendation 14 provides:

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:

- (a) early proactive intervention initiatives*
- (b) player data analytics*
- (c) proactive engagement with pre-commitment*
- (d) intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling*
- (e) the role of all staff in minimising harm*
- (f) the effective use and monitoring of exclusion orders*
- (g) internal reporting arrangements*
- (h) integrating responsible gambling into proposals for trialling or introduction of new products and equipment*

- (i) *performance measures to assess the performance of the Responsible Gambling Liaison Officers, Responsible Gambling Support Centre (RGSC) and casino staff in relation to harm minimisation*
- (j) *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*
- (k) *the objectives of the RGSC in relation to minimising harm to patrons, and*
- (l) *the responsible service of gaming as a fundamental core business consideration when making strategic decisions regarding casino operations.*
32. Crown provided its submission in relation to recommendation 14 by the due date of 1 July 2019.
33. In assessing Crown's submission, Licensing identified that although Crown advised it had addressed matters (a) to (l) above, as either key initiatives or actions in its Responsible Gambling Strategic Plan 2018-2020, Crown did not demonstrate how they were linked. As a result, on 22 August 2019, Licensing requested Crown to link matters (a) to (l) to the key priorities or actions in a schedule.
34. Crown provided the requested schedule on 27 August 2019 and this is currently being assessed.

Consultation

35. No consultation was required in the preparation of this paper.

Recommended:



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