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Our Ref: Nick Stokes
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Mr Nathan Newman
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Commercial in Confidence

Dear Mr Newman and Mr Haldane

Crown – AUSTRAC Reporting

We refer to the telephone conversations between Mr Nick Stokes (Group General Manager – AML) and Mr Jack Haldane on 18 and 30 September 2020, both relating to the letter received from the Australian Transactions and Analysis Centre (**AUSTRAC**) dated 16 September 2020, in which you have raised questions concerning the historical deposits into bank accounts operated by Riverbank Investments Pty Ltd (**Riverbank**), a related party to Burswood Nominees Ltd (**Crown Perth**).

As recently requested by AUSTRAC, the purpose of this letter is to:

- a) specifically respond to question 9 in your letter and in turn provide a status update as to Crown Perth's internal review of the Riverbank bank statements and suspicious matter reporting to AUSTRAC in relation to that review; and
- b) inform you of the progress of our response to the other questions raised in your letter.

Status Update – Review of Bank Accounts

As advised in our letter dated 20 August 2020, Crown Perth has committed to:

- a) conducting an initial internal review of historical patron cash deposits into the Riverbank account and, where a reasonable suspicion has been formed, lodge suspicious matter reports in relation to those transactions and conducting any other processes, including enhanced customer due diligence, which may arise from our review; and
- b) subsequently conduct the same internal review process for all customer bank accounts operated by Crown Perth and Crown Melbourne Limited (**Crown Melbourne**) and related entities, specifically including Southbank Investments Pty Ltd (**Southbank**).

We confirm that the priority for the Crown Group (comprising Crown Resorts Limited (**Crown Resorts**) related entities including Crown Melbourne and Crown Perth) (collectively **Crown**) has been to focus on the historical bank accounts of Riverbank and Southbank (rather than bank accounts held in the name of Crown Melbourne and Crown Perth). This decision has been primarily due to the inquiry of the NSW Independent Liquor and Gaming Authority identifying evidence of potential structuring within these specific accounts and not the bank accounts held by Crown Melbourne and Crown Perth. Crown however remains committed to reviewing all of its patron bank accounts in due course.

By way of an update, we can confirm that Crown has now completed an initial internal review of:

- Riverbank bank statements from July 2013 (when it was with ANZ) up to the closure of the account in December 2019 (when it was with CBA); and
- Southbank bank statements from October 2013 up to the closure of the account in December 2019 (with CBA throughout).

The date range selected corresponds to a standard document retention period of 7 years for Southbank and for Riverbank has been extended past 7 years due to instances being identified back to July 2013 (no instances have been identified earlier than this date).

As a result of the internal review of bank statements completed for Riverbank and Southbank for the date range identified above, we have initially identified a total of 102 "instances" across Riverbank and Southbank. These instances comprise:

- two or more cash deposits of less than \$10,000, but totalling more than \$10,000, being made to either the Riverbank or Southbank bank account;
- the deposits were within a 72-hour period; and
- the deposits were credited to a nominated patron account.

We note that our internal review has expressly focused on identifying transactions of this nature and the details of the instances are summarised below:

Riverbank

Total number of instances:	84
Total number of cash deposits:	429
Total value of potential structured transactions:	\$3,813,828

Southbank

Total number of instances:	18
Total number of cash deposits:	180
Total value of potential structured transactions:	\$1,409,573

The distribution across the years is as follows:

Year	Riverbank	Southbank	Total
2013	39	Nil*	39
2014	24	7	31
2015	13	5	18
2016	7	3	10
2017	1	3	4
2018	Nil	Nil	Nil
2019	Nil	Nil	Nil
Total	84	18	102

**For the year 2013, Southbank was reviewed between October 2013 to December 2013 (CBA account), with no instances identified for this period. Prior to the opening of the CBA account, Southbank operated an HSBC account, which has not been reviewed.*

Proposed Actions and Remedial Reporting Process

The nature and circumstances of these instances is indicative of potential structuring and consequently, Crown is presently undertaking the following further actions:

- with each identified instance (102 in total), Crown is initially obtaining and reviewing historical data and documentation. This phase will involve following Crown's existing "Level 1 Unusual Activity Reporting" (UAR) process to escalate those customer transactions that have been identified as potential structuring of cash deposits to the AML Team;
- all UARs will be reviewed by the AML Team and, where required, escalated to "Level 2 – Investigation" for a detailed assessment; and
- following the assessment may be further escalated to "Level 3 – Suspicious Matter Reporting" based on a reasonable suspicion having been formed.

The extent of Enhanced Customer Due Diligence undertaken and Further Know Your Customer collection, as well as any changes to customer risk ratings will be documented and actioned during Level 2 and Level 3.

To date, 18 UARs have been referred to the AML Team for detailed investigation (Level 2), with one matter subsequently reported to AUSTRAC (Level 3). REDACTED - SECRET INFORMATION

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With the identified Southbank instances, Crown has only recently commenced its operational review, with the process being delayed as a result of COVID-19 work place restrictions currently applicable in Victoria.

Internal Review (Riverbank and Southbank accounts) – Preliminary Observations

Although our investigations are ongoing, the preliminary observations with respect to identified instances include:

- a) we are not aware of any law enforcement action being taken in relation to the patrons depositing cash into the Riverbank or Southbank accounts;
- b) most, if not all, of the deposited funds were used to repay existing debts to Crown Melbourne or Crown Perth, or were used as front money for gaming by the relevant patrons; and
- c) Crown Melbourne or Crown Perth retains the gaming records for all patrons involved, so the monies deposited can be traced for AML purposes.

We commit to update AUSTRAC as to the progress of the internal review process for Riverbank and Southbank through October 2020.

Proposed Future Actions

In addition to completing the above actions relating to the Riverbank and Southbank bank accounts, Crown further proposes to:

- a) complete the same internal review process for Crown Melbourne and Crown Perth casino bank accounts to identify if potential structuring has occurred within these accounts. This internal review will cover a 7-year date range and where appropriate, UARs will also be completed (Level 1 and Level 2) and suspicious matter reports lodged (Level 3) and any other processes conducted, including Enhanced Customer Due Diligence, which may arise;
- b) engage Initialism (Mr Neil Jeans) to externally audit Crown's internal review process for all bank accounts with respect to identifying instances of structuring and reporting matters to AUSTRAC; and
- c) undertake, with involvement of Mr Jeans, a "root cause" analysis to determine any process or AML/CTF controls failures or weaknesses and any necessary remediation or change to the AML/CTF controls.

In this respect of the "root cause" analysis, we importantly note that, as an immediate preventative action, effective as of 18 September 2020, Crown no longer allows its patrons to deposit cash into any of its bank accounts (and has notified patrons who have deposited cash in the past 12 months of this position), Crown is also working with its financial institution to put in place further AML/CTF controls.

Response to Questions

In respect of other questions raised in your letter, Crown Perth is continuing to source all information and materials and will provide a fulsome response shortly to AUSTRAC. We further commit to keep you apprised of any material updates or issues identified.

We are grateful for your ongoing engagement in respect of this matter.

If you have any further queries, please contact me directly.

Yours sincerely



Nick Stokes
Group General Manager - AML