



PRIVILEGED AND CONFIDENTIAL

REVIEW OF DUE DILIGENCE PROCEDURES FOR OPERATORS AND PREMIUM PLAYERS CROWN RESORTS LTD

DRAFT REPORT

TUESDAY 10 SEPTEMBER 2019

EXPERTS WITH **IMPACT**[™]

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1. Background

FTI Consulting was engaged on 15 August 2019 to conduct an independent review of the current policies and procedures implemented at Crown for conducting due diligence research into existing and new Junket Operators (“Operators”) and Premium Players.

FTI Consulting has been engaged to review the sources of information, the research methodology and relevant third-party research platforms currently utilised by Crown in its internal due diligence process, with a view to providing an assessment as to the effectiveness and defensibility of its approach to due diligence on Operators and Premium Players, specifically as it relates to identifying potential legal or reputational risks to Crown and assessing the probity of Operators. This review will not consider the suitability and effectiveness of Crown’s assessment of the creditworthiness of Operators.

2. Disclaimer

The statements and opinions contained in this report are given in good faith. However, in the preparation of this report, we have relied upon the accuracy and completeness of the information provided to us.

We have not conducted an audit in accordance with Auditing Standards of any information supplied to us. We have not conducted any verification of any information supplied to us except as specifically identified in this report and have otherwise assumed that the information supplied to us is accurately stated.

The report is based on information available to FTI Consulting at the time of writing of the report and does not take into account any new information which becomes known to us after the date of the report. We accept no responsibility for updating the report following receipt of any such new information.

This report has been prepared exclusively for MinterEllison (“the Client”) and for the sole use of their client, Crown Resorts Ltd (“Crown”), pursuant to terms of engagement between FTI Consulting Technology (Sydney) Pty Ltd (“FTI”) and the Client under their agreement (“Contract”). FTI consents to the sharing of any reports and information between various Client companies and within Crown. No other party however, is entitled to rely on this report for any purpose whatsoever.

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3. Methodology and Scope

FTI Consulting reviewed internal documentation and memoranda relating to the onboarding process of Operators and records of periodic review processes and other audits.

FTI has compared the current processes and procedures against industry practices utilised in similar situations and our knowledge of the appropriate sources of information to identify relevant insights as part of the due diligence process.

The work undertaken during this review has included:

1. A review of the internal policies and procedures relating to screening of Operators and Premium Players;
2. A review of the current information sources used in this process and assessing the adequacy of these in obtaining relevant information;
3. Focussed interviews of current Crown staff engaged in the on-boarding of Operators and conducting vetting activities;
4. A Review of the procedures for documenting the due diligence undertaken; and
5. A detailed review of seven (7) Operator due diligence files.

Limitations

This report is not a comprehensive assessment of Crown's compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* or the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)*.

This assessment is limited to a review of the due diligence process in relation to Operators and Premium Players as it is currently carried out. We note that the process itself has evolved considerably following an internal review of Operators and Premium Players, completed in August 2017 with several subsequent updates.

As part of this review, FTI Consulting also reviewed a limited sample of seven (7) due diligence files. The sample of files were selected by FTI Consulting on the basis of the Operator's jurisdiction, the turnover of the account, and the risk determination made by Crown on the Operator. While we have attempted to capture a range within each category, we note that the sample size may not be sufficient in order to be representative of the risks identified across all Operators with which Crown maintains relationships. We have provided further information on the criteria for choosing the sample files in **Annex 3** of this report.

4. Executive Summary

The Crown Junket Operator On-Boarding & Due Diligence Process

FTI Consulting was engaged to conduct an independent review of the due diligence procedures currently being utilised by Crown in relation to Operators and Premium Players. We note this is the first external review conducted into the Junket Operator & Premium Player due diligence process.

Crown's procedure for onboarding Operators has been developed over several years and has been refined based on internal feedback as well as audit by, and engagement with both state gaming regulators and AUSTRAC. The most recent amendments to the procedures occurred in July 2019.

Internal documents reviewed by FTI Consulting and interviews with Crown management demonstrated awareness of the higher potential legal and reputation risks posed by Operators. Crown's internal control documents record the risk of criminal influence and exploitation as 'Significant'.

Discussions with the members of the Credit Team involved in the due diligence process reflected the efforts undertaken to develop and improve processes commensurate with the growing understanding of potential risks and the efforts undertaken to evaluate the sources of information in Crown's due diligence research. For example, we note the Credit Team have reviewed the adequacy of the sources used as part of their due diligence and onboarding processes and changed their processes where deficiencies were identified.

Observations

Crown has a detailed process for conducting due diligence on Operators. The process appropriately emphasises the need to have current information confirming that Operators do not have a criminal record. Crown confirms that Operators do not have a criminal record by obtaining a copy of the Operator's Macau Gaming Inspection & Coordination Bureau (DICJ) License or, in the event that the Operator is not from Macau, by obtaining a police clearance certificate issued within the last 12-month period.

All new Operator relationships are approved by the Executive Management Team prior to any visits occurring. Crown checks that the KYC identification information is valid prior to each Junket arrival and before approving a Junket Program. Crown's process indicates that the due diligence research is reviewed and updated on an annual basis, while some checks are updated every six-months.

- Crown's emphasis is on assessing the ongoing probity of the Operators with whom it is engaged. While the focus was previously on ensuring the absence of a criminal history, Crown's internal documents demonstrate a growing awareness of the potential risks associated with Operators over time. The current internal control statements and other policies and procedures can be strengthened by clearly articulating the key risks to be considered throughout the Junket Onboarding and Due Diligence Process. (See Section 5.1)

- Crown conducts due diligence on Operators but does not currently conduct due diligence on Agents, who are often responsible for logistical and financial management during visits. We recommend Crown adopt a similar risk-based approach to these individuals. (See Section 6.1)
- While Crown obtains several identification documents and other information about Operators at the outset of the on-boarding process, the due diligence process would be strengthened by obtaining additional information from the Operator, such as declarations of involvement in litigation, that would assist in the due diligence process and inform the assessment of a broader range of potential risks. (See Section 6.2)
- The current due diligence process is conducted by the Credit Team and seeks primarily to assess the creditworthiness of the Operator and to confirm that they do not have a criminal history. We recommend consideration be given to separating the assessment of potential legal, compliance and reputational risks from the assessment of creditworthiness to support the independence of the process. We further recommend the process involve input from AML and Compliance team members to ensure the due diligence research is driven by a more specialised view of the potential risks. (See Section 6.4)
- During the onboarding process for new Operators, the Credit team use a scoring mechanism based on whether the Operator holds a valid licence from the DICJ in Macau. We note the Credit team have sought to evaluate the integrity and comprehensiveness of the DICJ process of registration and have highlighted the large amount of information collected from applicants in the process. Information from a contact of FTI with knowledge of the DICJ processes noted that while the DICJ collects this information, little is independently verified by the DICJ. As such, Crown should consider its current reliance on the DICJ process and seek to verify the information obtained directly from the Operator as part of its own due diligence. (See Section 6.4)
- Throughout the due diligence process, Crown appropriately seeks to utilise multiple sources of information to aid in the assessment of creditworthiness and identify potentially adverse issues. The sources consulted consist of third-party information providers, public records available via online platforms and independent internet searches. The cross referencing of information from multiple sources is a key contributor to the robustness of the current processes.
- We note in several instances where executive management decisions were not recorded in the due diligence files. We recommend the outcome of executive management decisions be recorded in the files, particularly in cases where a decision is taken to continue business with an Operator who has been the subject of potentially adverse reports, even if those reports could not be confirmed during the due diligence process. (See Section 8)
- In reviewing the third-party information sources in use, we note several limitations in relation to searching in languages other than English. We recommend that Crown revise its procedures relating to Operators from non-English speaking backgrounds and use databases that are better suited to conducting searches of Chinese and other Asian language media reports. (See Section 9.1)
- We recommend building the capability of the staff conducting the due diligence research via training in open source research skills and obtaining specialist advice in completing the draft research manual to ensure it addresses the key jurisdictions of relevance to Crown. (See Section 9.4)
- In undertaking due diligence research, Crown utilises Wealth-X and Global Data, two third-party providers to obtain reports on Operators. FTI Consulting has reviewed these providers and note that these are mainly aggregators of information who undertake limited verification

and further research. We noted these platforms may not provide reliable reports in some instances. (See Section 9.4)

- Acuris is utilised at the commencement of a new junket relationship. Due to the high cost of the Acuris “C6” reports, the Credit Team does not obtain new Acuris reports on an annual basis for the Operators. The Acuris platform provides the most robust research approach, although we note they offer several levels of reports. Our review of files identified that Crown has requested differing levels of research from Acuris in relation to Operators. The ‘Express’ report is unlikely to be sufficient in supporting a comprehensive search of potentially adverse media.

Over time Crown has developed a process which seeks to identify potential risks associated with its Junket operations. However, we note that the current process can be strengthened by considering a broader range of potential risks and ensuring those engaged in conducting the due diligence research are appropriately supported with the tools and resources required to adequately identify and mitigate the potential risks to Crown.

We note we have not discussed the above findings with Crown at the current time.

The remainder of this document is structured as follows:

Section 5 – Overview of the Regulatory Framework

Section 6 – Onboarding Process for Operators

Section 7 – Probity and AML/CTF Assessment Process

Section 8 – Executive Management Approval

Section 9 – Due Diligence Checks & Research

Section 10 – Work Undertaken

We have also provided a summary of our sample file review at **Annex 3**, and a summary table of our Observations and Recommendation in **Annex 5** of this report.

5. Overview of the Regulatory Framework

5.1 Development of the Crown Junket Operator & Premium Player Due Diligence Process

Crown's approach to onboarding Operators has been the subject of ongoing review via internal audit and engagement with regulators since at least 2003. A summary of the genesis and development of the process is contained in **Annex 1** of this report.

We note Crown has sought to strengthen the due diligence process based on the reviews and the growing awareness of the risks associated with Junket Operations. Of note, Crown's engagement with Operators was subjected to a comprehensive internal review between November 2016 and August 2017 as a recommendation of the 2016 internal audit¹. As recommended, an internal committee reviewed all Operator relationships. As a result, several relationships were terminated, and Crown ceased relationships with Operators that were identified as solely domiciled in the People's Republic of China. The most recent update to the Junket Operator Procedures was in June 2019 following an additional internal review.

The FTI Consulting review is focussed on the current process for onboarding and conducting due diligence and does not seek to review the historical actions taken by Crown.

5.2 Current Regulatory & Internal Control Framework

Regulator expectations in Victoria, Western Australia and New South Wales

The respective regulatory bodies in Victoria, Western Australia and New South Wales do not provide specific guidance on the way due diligence should be conducted for Operators and Players. The current regulatory frameworks also do not prescribe the processes a Casino must follow to manage the potential risk associated with Operators and Players. However, they do specify that the Casino must establish an appropriate system of internal controls to appropriately mitigate the risks of Operators and Players.

Appropriate risk-based due diligence procedures are a key component of the internal controls that form part of Crown's compliance with regulatory requirements. As such, Crown's internal controls related to junkets should be commensurate with the risks identified.

A more detailed summary of the Regulatory Framework is contained in **Annex 2** of this report.

¹ C - M F15 Junket Processes - Audit Report - FINAL

Crown's Junkets & Premium Players Internal Control Statement ("ICS")

Crown's 'Junkets & Premium Players Internal Control Statement ("ICS")' aims to identify and evaluate risks inherent in the conduct of Junkets and Player Programs. According to the ICS Risk Assessment Matrix, the **possible** occurrence of criminal influence and exploitation may have **moderate** reputational, operational and financial risks to Crown. Overall, the risk presented by Operators is deemed as **significant**.

We understand that the VCGLR approved the current version of the ICS (2011). We also understand this version is currently under review and will be submitted to VCGLR for approval in the near future. We were advised that the updated version does not contain changes to the process for onboarding Operators.

The ICS articulates the various Minimum Standards and Controls that underpin the Risk Assessment of Operators and Players. In Section 2.5 of the ICS, Crown states that the Audit processes are a central component to identifying whether, and to what extent, an applicant presents a Criminal Influence and Exploitation Risk to Crown. Section 2.5 states that "Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Operators, Junket Players and Premium Players". We note the ICS does not outline the due diligence undertaken by the Credit Team as part of the onboarding process.

We note that 'probity', as it relates to Crown's Junket Operations, is not explicitly defined. Previous and current documents relating to the program described one component as 'the absence of a criminal record'. This is operationalised during the onboarding process by Crown obtaining from the Operator either a current criminal record check or evidence of registration with the Macau DICJ.

Interviews with Crown staff also emphasised the importance of the Operator being able to gain a Visa to enter Australia and this is reflected in the Crown Junket Processes requiring that Operators physically visit an Australian Crown Property before their maiden junket visit and at least every two years afterwards.²

The most recent review of the Junket Program processes, completed in March 2019, notes that Crown's brand and reputation may be compromised should the Junket Program activity be linked to unethical or criminal conduct. It also states that the Junket Program activity must ensure integrity and transparency, which appears to reflect a growing understanding of the potential risks associated with Operators over and above criminal activity.³

² Regulatory & Compliance Memorandum, Junket Processes Updated, 7 June 2019

³ Risk & Assurance Memorandum, 'Review of Junket and Premium Player Program Processes and Procedures

Observation:

While the ICS provides for a risk-based framework approach to Operators, it lacks a specific definition of 'probity' as it relates to Operators and Premium Players. We note Crown has previously relied on the absence of a criminal record and the ability to gain entry to Australia as indicators of probity. More recent documents have noted also that Crown has also expanded their focus on potential risks of unethical conduct in relation to the junket program.

Crown's current process seeks to confirm the absence of a criminal record and, to a lesser extent, attempts to identify additional reputational risks. However, there is a lack of explicit definition of these risks in related policies and procedures.

It also remains unclear whether the consideration of probity includes, or is in addition to, the assessment of the creditworthiness of the Operator.

Recommendation 1:

FTI Consulting recommends the ICS and related policies and procedures relating to junket onboarding and due diligence be updated to include a specific statement of the legal and reputational risks to be considered during the process.

At a minimum, we recommend this definition include consideration of criminal history; potential money laundering and other forms of financial crime (e.g. fraud and corruption); financial and trade sanctions; and unethical business practices (e.g. forced labour etc.).

We recommend the documentation related to the due diligence process include specific reference to findings related to these risks and that this is reflected in the 'Summary Sheet' considered by senior management in approving Operators.

5.3 Approaches from Overseas Regulators and Other Gaming Providers

In the absence of clear regulatory guidance on the level of due diligence that should be conducted on Operators, companies have been developing their own internal procedures and then seeking review and agreement from regulators. As such, there is no ‘industry standard’ approach for acceptable due diligence in relation to Operators. FTI has reviewed publicly available information regarding the differing approaches taken by regulators in Macau and Singapore due to their relevance to Crown. A description of these two approaches is outlined in Annex 2 and is summarised below.

Overseas regulator approaches to Junket Operator due diligence

In our opinion, the approach taken by the Casino Regulatory Authority (CRA) in Singapore represents the most conservative approach in the Asia-Pacific region. Applicants are required to provide comprehensive disclosures relating to ownership, financial position and reputation and track record. The CRA then engages a licenced investigations firm to verify all information including via interviewing applicants and visiting the operations at other casinos outside of Singapore.

The approach taken by the Gaming Inspection & Coordination Bureau (DICJ) in Macau also requires detailed disclosure of information by the applicant, although we understand it does not take similar steps to verify this information. FTI interviewed a source with extensive knowledge of the Macau casino environment and the DICJ who described the process as largely ‘passive’ with little investigation conducted by the DICJ to verify information supplied by applicants. The source noted the DICJ did not have an investigation team to conduct this type of work.

Industry approaches to Junket Operator due diligence

Our research identified information provided by Star Entertainment (“Star”) as part of the 2016 review of its casino licence.⁴ Star conducted a walk-through with the reviewer, J Horton, QC, who provided a summary of the process in his final report. While we have been unable to verify that the process operates as outlined in the course of normal business, several features of Star’s approach are worthy of note for later comparison with the procedures adopted by Crown.

While a detailed summary of the reported Star procedure is outlined in Annex 2, we note several features of their approach would support a robust due diligence process and aid in identifying a range of potential legal and reputational risks. First, Star obtains a large amount of information from the Operator at the outset of the process. It collects identifying information for Operators, details of directors, shareholders and Agents. Operators are also required to provide disclosure of involvement in litigation, regulatory investigations, financial position and to provide consent for Star to undertake and investigation into them. The benefit of this information is to provide a starting point for the due diligence process and aid the assessment of the transparency of the Operator.

Second, Star conducts the risk assessment process independently of the assessment of creditworthiness. All Operators and their Agents undergo Star’s due diligence procedure prior to any commercial agreements being made. Star applies the same level of due diligence to the Agents who attend the casino and manage visits as it does to the Operators themselves.

Finally, Star undertakes some basic research themselves but also utilises external consultants, where required, to undertake more complex due diligence investigations.

⁴ <https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-ilga-horton-qc-28-november-2016.pdf>

FTI Consulting is also aware of the approach taken by a large Macau-based Casino. It undertakes very limited in-house research to determine basic identifying information for new Operators, but then engages an external investigations company to conduct a due diligence investigation prior to any commercial discussions being undertaken. This approach is adopted across all Operator applications and is reviewed internally every 12 months, with a new external investigator report conducted every two years.

6. Onboarding Process for Operators and Players

6.1 Overview of the Onboarding Process

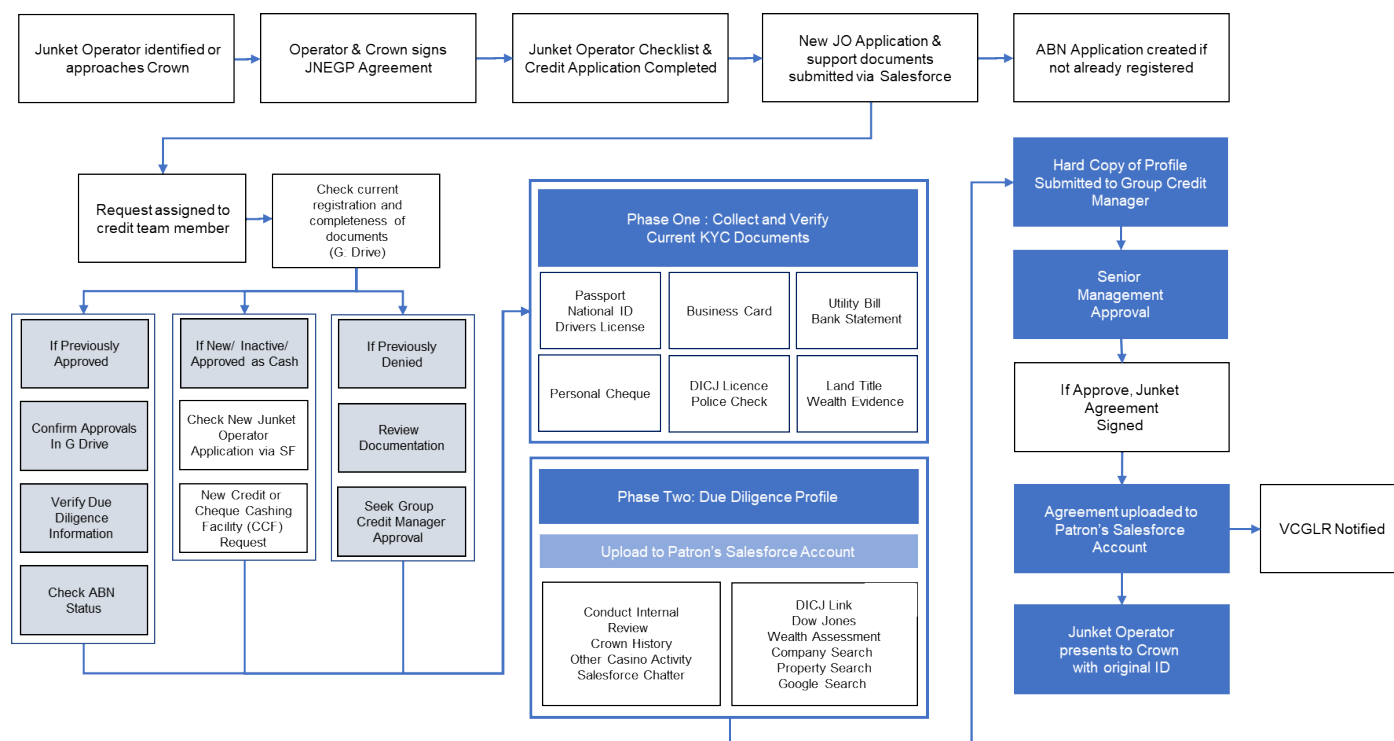
The process for on-boarding Operators and managing ongoing review and administration is controlled by the Credit Control Team. The Credit Team is currently comprised of seven (7) individuals comprising three (3) credit analysts, two (2) credit officers, a credit supervisor and a debt collector. The due diligence checks are conducted by the credit analysts with oversight by the credit supervisor.

The Credit Team is responsible for:

1. Credit facilities
2. Debt recovery
3. Due Diligence on Domestic and International Operators and Premium Players.

The Credit Team holds responsibility for all aspects of the administration and documentation of the process and works with the Sales/Marketing team in the early stages of gathering documentation from new Operators.

The below figure summarises the key stages in processing new Operator applications and the involvement of additional teams in the process at various stages. At the end of the process below, a new Operator would be approved to arrange their first visit to Crown. A larger version of this figure is included as Annex 6.



The remainder of this section is structured as follows:

Sections 6.2 & 6.3 – Relate to the interaction between the Credit and Sales/Marketing team including the collection of initial information and the application for a new junket operator being submitted.

Section 6.4 – Reviews the interaction between the Credit Team and the AML & Compliance functions during the on-barding and due diligence process.

Section 6.5 – Relates to the administrative processes undertaken by the Credit Team in relation to the Operator but does not include the detailed due diligence research undertaken. This stage of the process is addressed separately in Section 7 of this report.

6.2 Interaction between Marketing Executives and Applicant

According to the current Junket Onboarding process, Crown's Marketing Executives have initial discussions with potential Operators and are the primary source of new Junket relationships. The Marketing Executive remains responsible for all communications between Crown and the Operator.

We understand from our interviews with Crown representatives that the Marketing Executives are based in Crown's Hong Kong office. The team has representatives who focus their marketing activities in North East Asia (China, Japan, Taiwan) and South East Asia (Malaysia, Thailand, Singapore).

Joint Non-Exclusive Gaming Agreement

Once a Marketing Executive identifies that an individual may be a possible junket provider for Crown, the Marketing Executive and the Operator sign a **Joint Non-Exclusive Gaming Agreement**. We understand that the Joint Non-Exclusive Gaming Agreement is subject to Agreement Signing Rules, whereby it must be witnessed by specific staff members appointed by Crown (noted in the procedures as Indran and Indra).

New Junket Operator Checklist and Credit Application

Once the Joint Non-Exclusive Gaming Agreement has been signed, the Marketing Executive completes a **Credit Application or Authorisation to Assess Credit Worthiness**. In order to ensure that the Executive collects the requisite KYC information from the applicant, the Executive also completes the **New Junket Operator Checklist**.

The Marketing Executive initiates the on-boarding process in accordance with Crown's obligations under the AML/ CTF Act.⁵ According to Sec. 1.8.6 of the Joint AML/CTF Program, each Crown Entity has an obligation to know the persons to whom it provides Designated Services.

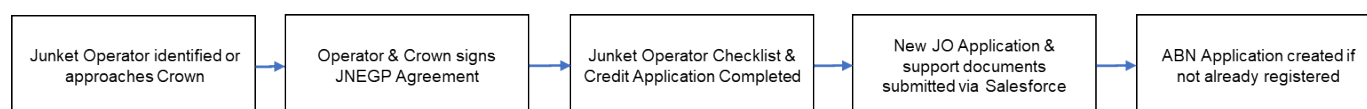
According to the New Junket Operator Checklist and Current Credit of CCF Request, Crown collects the following documents from the Operator:

⁵ We note Crown is currently reviewing its Joint Anti-Money Laundering and Counter Terrorism Financing Program ("The Joint AML/CTF Program"), prior to implementation.

Document	Origin	Purpose of collection
Copy of Passport	Operator	KYC identification
Copy of National ID or Driver's Licence	Operator	KYC identification
Business Card	Operator	KYC identification
Copy of Utility Bill/Bank Statement	Operator	Confirmation of current address
Copy of Personal Cheque	Operator	Credit assessment
Copy of DICJ License or equivalent (e.g. Police Check/AML CV Check)	Operator	Mandatory requirement
Completed ABN and TFN Application forms	Crown/Operator	Tax Compliance
Completed Non-Exclusive Gaming Agreement	Crown/Operator	Credit agreement
Credit/CCF Request (version 7)	Crown	Credit assessment
Any land title/ wealth evidence where applicable	Operator	Credit assessment

Process Mapping – Marketing Executive Initial Onboarding Process

The following figure outlines the initial process for application and collecting documentation regarding a new junket application.



Observations:

Crown appears to collect and verify KYC information in accordance with its AML/CTF Program. However, we note other gaming companies, including Star, collect a broader range of information on Operators at the commencement of the relationship.

Recommendations:

FTI Consulting recommends that Crown collect the following documents from the Operator in addition to the minimum documentation as stipulated under the AML/CTF Act:

1. Declarations from the Operator relating to his or her employment history
2. Declarations from the Operator relating to his or her involvement in litigation or regulatory inquiries
3. Company Financial Statements for the Operator's Primary Business
4. Disclosure relating to the corporate vehicles in which the applicant has a substantial or beneficial interest

6.3 SYCO Operator Maintenance and Salesforce Chatter

Following the initial information collection described above, the Application and any other information known internally about the applicant is uploaded to the Operator's profile in the Salesforce system and an additional entry is created in Crown's internal system, SYCO. We understand that a Junket Operator must be listed in SYCO Operator Maintenance to be able to open a Junket Program.

The Salesforce platform facilitates the informal communication between the Credit Team and the Marketing Executive via a "Chatter" side-panel. FTI understands that the Credit Team utilises the Chatter side-panel and email communication as a primary means of ongoing contact with the Sales team⁶. To a lesser extent, the teams also interact over the phone, as they prefer to obtain the information in writing.

Observations: The Marketing Executives' knowledge about Operators is an invaluable resource in providing further context to the due diligence team. The limited use of the Chatter function currently may inhibit comprehensive research and contextualised findings.

Recommendations: FTI Consulting recommends Crown capture the knowledge of the Sales and Marketing team during the due diligence process and formally record any information relevant to assessing the Operator.

We further recommend the Marketing Team provide specific commentary on their knowledge of the applicant's business interests, political associations and other personal or corporate associations. This could be achieved via formally recording the Salesforce chatter and/or creating mandatory fields to capture this information in the Salesforce system.

6.4 Interaction between the Credit Team and other relevant departments at Crown

The Due Diligence Process relating to Operators and Players is handled by the Credit Team. This process occurs prior to any visit to Crown and it is at that time Operators, their Agents and Players come under Crown's AML Framework.

AML Team

The AML team have no involvement in the onboarding and due diligence process related to Operators.

While the information collected by the Credit Team to identify Operators satisfies basic the KYC requirements under the AML/Framework, Crown's approach is that it only once the Operator is approved, and the Agents and Players visiting Crown, that the standard requirements for Customer Due Diligence (CDD) apply to those individuals as outlined in the AML Framework.

We were advised during discussions with the AML team that Crown applies measures of Enhanced Customer Due Diligence (ECDD) to all Operators, Agents and Players who attend Crown including daily

⁶ 'New Junket Operator' Procedures.V2, 15 May 2019

automated watchlist monitoring, transaction monitoring and additional measures if required such as surveillance.

We further understand that members of the AML team and senior management have actively considered whether the Operator Onboarding and Due Diligence process should be managed directly by the AML team.

Compliance Team

Crown's compliance team oversee the key regulatory requirements relating to Junkets. This includes ensuring all documentation meets the requirements of the regulator regarding the reporting of Operators and the signing of agreements.

We noted the regular audits carried out by the Compliance team focus on ensuring all documents required by the regulator are accurate and clear and all required information has been reported to the regulator. We note the Compliance team does not oversee the conduct or outcomes of the due diligence process conducted by the Credit Team.

6.5 Credit Team

Once the Application has been finalised on Salesforce and the Operator has applied for an ABN, the requisite KYC information is provided to the Credit Team located in Melbourne / Perth.

FTI Consulting understands that the Credit Team has assumed the primary responsibility for the onboarding and ongoing due diligence process for Operators and Premium Players.

Observations: We note the due diligence process undertaken by the Credit Control Team appears to be compliant with the ICS. However, the as noted during our discussions with Crown staff, the Credit Team's primary focus remains assessing the Operator's capacity and willingness to meet its financial commitments to Crown.

The broadening of the process to account for potential legal and reputational risks has occurred over time and has largely been developed by the Credit Team alongside the assessment of credit risk. As a result, there is limited input to the process from the AML/CTF team throughout the due diligence process.

We note also that the staff currently conducting the due diligence research have not received formal training in opensource and public record research techniques or the assessment of potential red-flags for reputational and legal issues in addition to assessing credit worthiness.

Recommendations:

We recommend the Crown staff conducting the due diligence process receive training in open-source and public records research techniques and in identifying red-flags for possible legal and reputational concerns during the research.

We also recommend the team develop a comprehensive research manual that contains guidance on search strategies, information sources and how to best utilise the available resources.

We recommend Crown evaluate the appropriateness of the process falling exclusively within the Credit Control Team's remit, given the nature of the risks involved. Involvement of members of the

AML and compliance teams in the due diligence process would broaden the risk assessment and improve decisions about the extent of the due diligence undertaken.

6.5.1 Ongoing KYC Process for New, Returning and Previously Declined Operators

We note that the ongoing review of Operators (regardless of whether they are existing or new Operators) contributes to the robustness of the process by ensuring that the information held in relation to each Operator is up-to-date and correct. In the first instance, the Credit team reviews the **Credit – 2019 Junket List** (in Excel spreadsheet format) (“List”) to identify whether the Operator has previously received approval to operate at Crown. We understand that the List is also referred to interchangeably by relevant Crown Staff and in the documentation reviewed by FTI Consulting as the Crown Junket Analysis spreadsheet.

Returning Operators

The due diligence information held on the Operator is reviewed to ensure it incorporates and reflects the latest information and due diligence assessments. If all information is current and filed appropriately, the Operator is considered ‘Active’.

New Operators

In the event the Operator has no preceding relationship, has become ‘Inactive’, or has previously been an active cash operator that now wishes to move to a credit basis, the application is considered as a new application and must undergo all stages of re-approval, including updating the due diligence research.

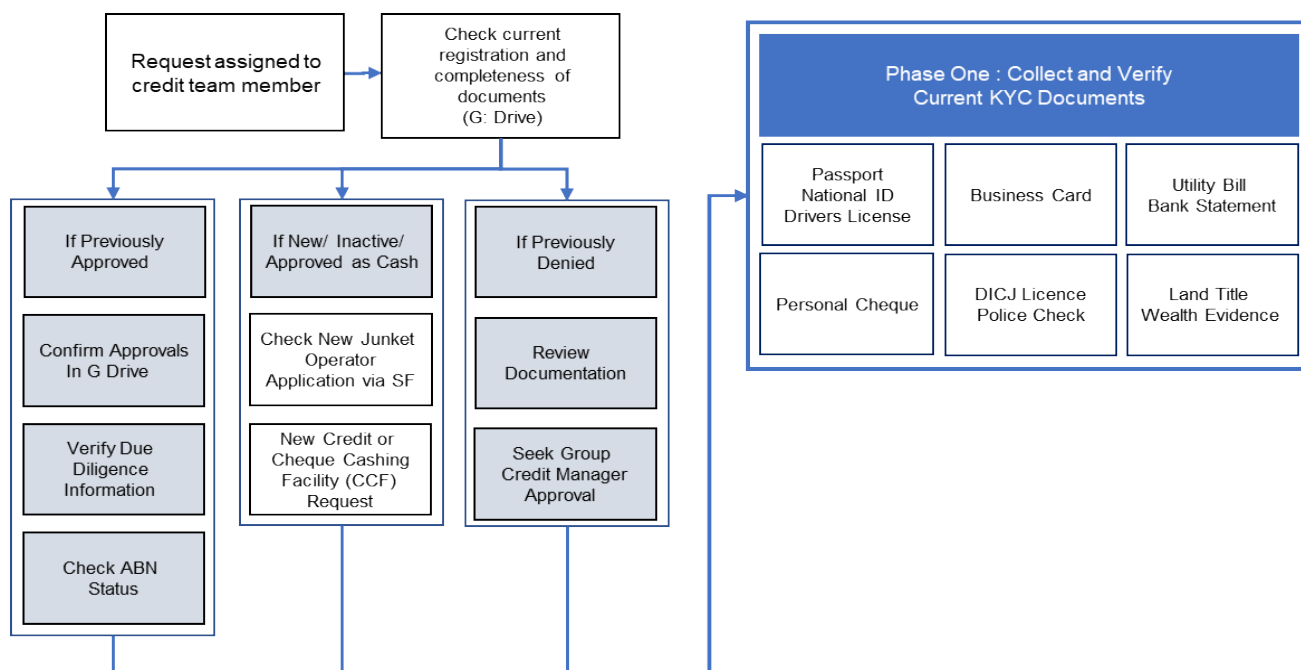
Declined Operators

In the event the Operator has previously been declined, the application is reviewed by the Credit team and the Group Credit Manager. We were informed that a new application is only reinitiated if there are sufficient grounds, such as the JO having recently gained DICJ registration.⁷

This review process represents an important component of Crown’s commitment to managing the risk presented by Operators and Players on an ongoing basis.

⁷ Interview with Mary Gioras, 16 August 2019

Process Mapping



We understand the ongoing KYC process has evolved over time. We were informed during interviews with Crown staff that the review of ABN status information was included as this was previously identified as a potential gap.⁸

Credit – 2019 Junket List or the Crown Junket Analysis Spreadsheet

According to the List, Crown’s Credit Team capture the status of each Operator according to whether the Operator is active, awaiting review, inactive, denied credit, or currently being reviewed. We understand that the List is reviewed both periodically as a whole and each time a specific Operator makes an application to pursue a junket program at Crown.

In the event the Operator has received prior approval and is requesting a new Junket Program, the Credit Team conducts a review of all information contained in the List to ensure that it is correct and up to date.

During the review, the Credit Team examines the identification documentation provided by the operator. The team ensures that the documents are “valid” on the basis of the review criterion, displayed below. We note that Police Checks are valid for 12 months from the date that they were issued except for Indonesian Police Checks which have an expiry date. All DICJ Licenses expire on the 31st of December.

⁸ ibid

Category	Document Type	Review criterion
1	Passport	Per expiry date
2	Utility Bill	Expire 24 months from issue date
3	National ID Card	No expiry date, expire 5 years from issue
	Driver's Licence	Per expiry date
4	DICJ Licence	Expire 31st Dec
	Police Check	Expire 12 months from issue date (Indonesia expiry date)
5	Personal Cheque	Issue date is date received, Expire 12 months from received date
6	Business Card	Issue date is date received, Expire 12 months from received date
7	Tax File Number (TFN)	12-month review
8	Australian Business Number (ABN)	12-month review
9	Credit Application	No Expiry for V7
10	Non-Exclusive Agreement	No Expiry
11	Junket Profile	12-month review
12	Board Junket Approval	No Expiry

As part of this engagement, FTI Consulting has conducted a review of a sample of due diligence files to come to a closer understanding of the due diligence process. We have made commentary on these files within the relevant sections of the report in blue accent boxes. These sections follow an explanation of Crown's process in order to highlight how the process has been applied.

File Review

Ji Xiaobo: We note that the Utility Bill for this operator had expired and an exemption was provided by executive management. Consequently, he was able to commence a junket program at Crown.

Cheok Wa Chau: We observed that there were missing or incomplete documents for this Operator's file. We note that this Operator was denied approval to operate a junket at Crown because the Operator did not supply sufficient documentation. Consequently, we believe that Crown made a reasonable decision, given the information provided by this Operator.

The Non-Exclusive Agreement was not signed by a Crown representative.

The two (2) copies of the DICJ licence for this Operator saved on file had expired on 31 December 2016 and 31 December 2017, respectively.

We did not identify a copy of Police Check obtained in the absence of a current DCIJ Licence.

Wanee Boonbandansuk: We note that a Police Check was not obtained or saved on file for this Operator.

6.5.2 Allocation of Operator Category Number

Once a new application is reviewed by the Credit Team, they are allocated a Category Number based on the reliability information provided by the applicant and the weight attached to the KYC information as outlined below. In the case of an existing Operator, the previously allocated score is reviewed as part of the procedures outlined in Section 6.5.1

Code	Description
● 1	DICJ Individual License Holder / Director of Corporate License Holder
● 2	DICJ Collaborator Licence Holder (per COD list only)
● 3	Shareholder of Company who holds DICJ license
● 4	Director / Shareholder of Parent Company who holds DICJ license
● 5	Expired DICJ Principal License Holder
● 6	Director / Shareholder of Company who holds Expired DICJ license
● 7	Certificate of Criminal Record / Fit2Work
● 8	Junket in another jurisdiction (non DICJ)
● 9	Other (e.g. unverified sub agents, guarantors)
○ 10	No link to DICJ or other jurisdiction
○ 11	Ceased relationship with Crown
○ 12	In progress

From our discussions with Crown representatives, we understand this scoring system was developed as part of the review of Operators conducted in 2017. While we recognise the score is only finalised following approval, we observe it acts as a form of risk score during the due diligence process.

We note that applications that have a Category Number of 1-4 are assigned a green marker whereas applicants who have Category Numbers of 5-8 are assigned an amber marker. Unverified sub-agents and guarantors are designated in red, inferring that they are of higher risk. During the assessment process, the applicant is given a Category Number of “12” which indicates that the application is ‘In Progress’. As more information is obtained throughout the process, the score is varied to reflect the increased information and understanding gained about the operator.

The coding system reflects an assumption that current DICJ licence holders are more reliable than individuals who have supplied a current police check, which are in turn deemed to be more reliable than applicants who are shareholders of a company who holds a DICJ license.

Observation: The process by which the Credit Team allocates a Category Number to Operators is not consistent with the scoring regime utilised under the AML program. The credit scoring approach focuses predominantly on whether the JO is registered with DICJ or has provided some means to check criminal history. It does not appear to consider other potential reputational risks that may be associated with the operator or agents.

Recommendation: Crown should consider the whether the risk scoring used by the Credit Team is fit for purpose in informing the Credit Team’s approach to undertaking due diligence. A framework, that reflects potential risks from criminal, AML or unethical business practices, would better inform a subsequent risk-based due diligence process.

6.5.3 Reliance on DICJ Licensing Process

FTI Consulting understands that the Crown Credit Team have conducted independent research to understand the DICJ process for licensing Operators. The Credit Team Management has undertaken research using the available documents from the Macau Department of Justice (“DOJ”), to understand what information is collected by the DICJ.

We observed that Crown placed a high level of trust in the DICJ Licensing Process. The current scoring rubric used by the team is reflective of this research. Emphasis is placed on DICJ registration, or a valid police clearance, as a mandatory requirement before progressing in the process. Whilst we understand that DICJ conducts some verification and research on applicants, we note that the central criteria for obtaining a license is that the individual does not have a criminal record.

Sixin Qin: The Summary Sheet indicated that Sixin Qin was based in Hong Kong on the basis of his Utility Bill, Passport and Identity Card Documentation. Crown obtained a Fit2Work check in June 2019 which demonstrated that Sixin Qin did not have any “disclosable court outcomes” in Hong Kong.

There was further information contained in the Summary Sheet and Due Diligence File indicating that Sixin Qin may have a criminal record in Mainland China or Macau. The Global Data Report indicated that Qin “appears to live in Macau”. Both Wealth X and Global Data Reports indicated that Qin was a partner of the David Star Junket, based in Macau. Sixin Qin was also detained in Mainland China in 2012 on suspicion of money laundering.

There is no evidence contained in the due diligence file that would suggest that the Credit Team undertook to obtain a criminal record extract in Mainland China or Macau for Sixin Qin.

Observation: The Operator Category Number acts as an implicit risk rating reflecting in part the higher level of confidence around JOs who hold DICJ registration. We understand that the DICJ undertakes limited, if any independent verification of the applicants.

Crown does not obtain a criminal record check in all jurisdictions where the operator may have had a corporate and personal footprint. This may leave Crown exposed in situations where an Operator has obtained a criminal record in one jurisdiction, and subsequently relocated to another jurisdiction.

Recommendation: If there are indications that an Operator has a corporate and residential presence in multiple jurisdictions, we recommend that Crown requests a copy of the criminal record in those jurisdictions from the Operator.

In addition, Crown should obtain disclosures from the applicant relating to his or her involvement in litigation and regulatory investigations.

6.5.4 Scope of Crown’s Junket Operator Due Diligence

We note Crown’s due diligence process applies to Operators and Premium Players, and both groups undergo the same due diligence procedures and assessment of credit worthiness. Our discussions with Crown staff highlighted that Crown staff in numerous departments are aware that the process does not cover the Agents who represent Operators at Crown facilities.

From our understanding, Agents act as the representative for the Operator, often being present to manage the group during the visit to Crown. We were informed that Agents often have financial

delegations on behalf of the Operator, including arranging cash outs and transfers as required. Given their position, Agents present a potential risk of legal and reputational issues for Crown.

While we note the additional ECDD applied under the AML Framework to Agents who visit Crown. However, the important role of Agents in junket operations warrants further due diligence being conducted. We note that while Crown keeps records of Agents attending the casino, no electronic records are kept regarding which Agents attended various visits or when they were added or removed by the Operators.

Observation: Under the current framework, Agents are not considered as part of the Operator due diligence process and limited recording of when Agents were appointed or removed by Operators are held by Crown.

Recommendation: Crown obtain details of authorised Agents as part of the initial information provided for new Operators and that these Agents be subject to risk-based due diligence procedures along with the current due diligence process on Operators and Premium Players.

We recommend that only vetted Agents be permitted to act on behalf of Operators at Crown.

We recommend also that Crown consider recording information about when Agents are added and removed by Operators and formally documenting their visits to Crown.

7. Probity and AML / CTF Risk Assessment Process

Crown's AML Team consider that Operators, Agents and Players present a higher risk under the AML / CTF Rules and relevant AML / CTF program. We understand that Crown undertakes Enhanced Customer Due Diligence as specified by the AML Framework on these individuals at the time of the visit to Crown, but the AML team does not appear to have direct input into the Operator due diligence process conducted by the Credit Team.

The table below compares the Credit Team Category Number and the AML Risk Rating for the due diligence files reviewed by FTI Consulting.

Junket	Full Name	2019 Category Number (Credit – 2019 Junket List)	AML Rating (Crown Melbourne)	AML Rating (Crown Perth)
Sun City	Cheok Wa CHAU (Alvin CHAU)	1 - DICJ Individual License Holder / Director of Corporate License Holder	HIGH PEP	HIGH RISK
Imperial Pacific International	Xiaobo Ji	9 – Other (e.g. unverified sub agents, guarantors)	MODERATE	N/A
Not Applicable	Sio Fan CHEONG	11 – Ceased relationship with Crown	N/A	N/A
Not Applicable	Yu Kiung HUANG	1 - DICJ Individual License Holder / Director of Corporate License Holder	MODERATE	N/A
Pornchai Junket	Pornchai BOONBANDUNSUK	11 – Ceased relationship with Crown	N/A	N/A
Pornchai Junket	Wanee BOONBANDUNSUK	12 – In progress	N/A	N/A
David Star	Sixin QIN	8 - Junket in another jurisdiction (non DICJ)	SIGNIFICANT	MODERATE

File Review

Huang Yu Kiung: The due diligence file provided by Crown indicates that researchers identified that the junket operator had extensive involvement in casino activity in Malaysia and Cambodia. Huang is a director and shareholder of Victory Paradise Resort, a company that owns Victory Paradise Resort and Casino in Cambodia.

The casino and real estate sectors in Cambodia have been long identified by organisations such as the United Nations Office on Drugs and Crime and the Financial Action Task Force (FATF) as highly exposed to money laundering by organised crime groups. The FATF recognises that Cambodia has strategic AML/CTF deficiencies for which they have developed an action plan with the FATF.

On the basis of this information we do not believe that the "Moderate" AML Rating for Huang Yu Kiung is sufficient.

Observation: We note that the AML /CTF Risk Rating system has historically developed separate to the Junket onboarding and due diligence process, due to the due diligence process being managed by the Credit Team.

We observe no direct relationship between the Credit Risk Rating assigned by the Credit Team and the eventual ML / TF Risk Rating assigned to the Operator. We observe that the AML Risks attached to each Operator may differ in Melbourne and Perth facilities.

Recommendation:

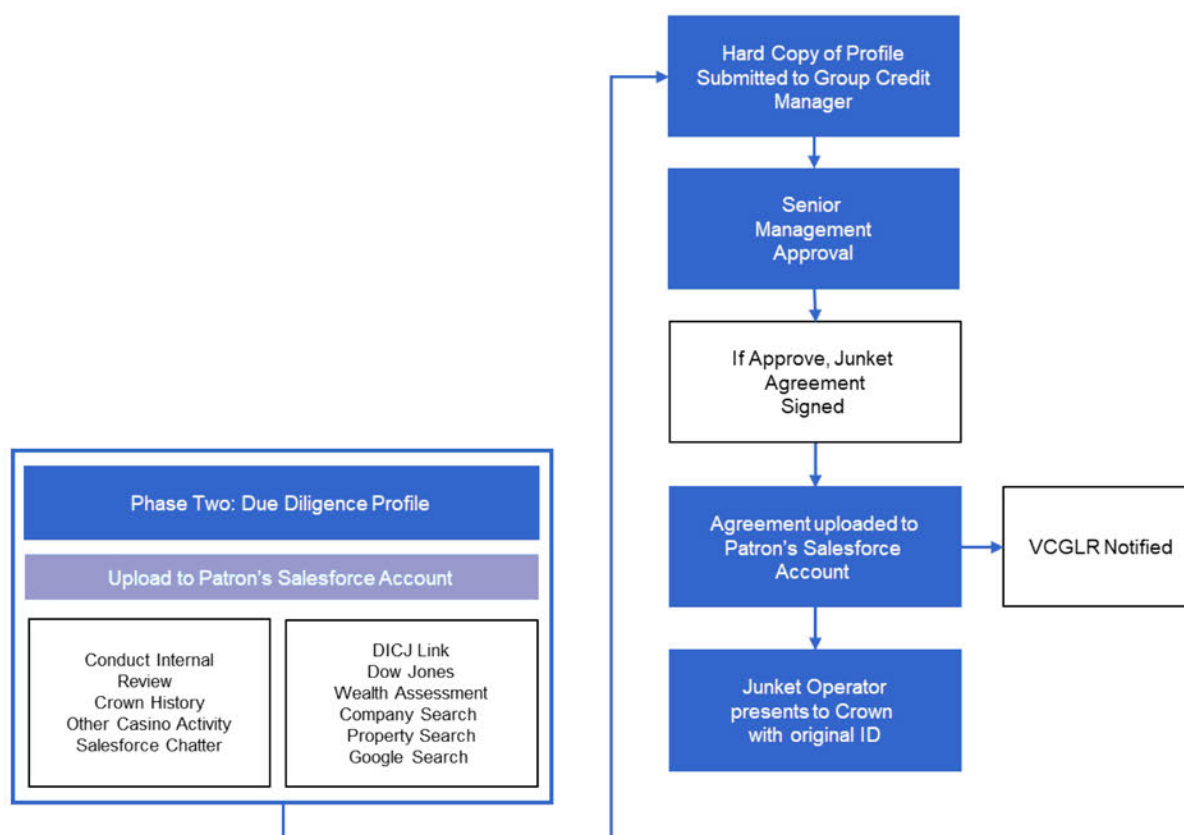
FTI Consulting recommends the Credit Team incorporate the AML/CTF Risk Rating during the due diligence process for both Operators and Premium Players and that this rating be incorporated into the due Diligence Summary Sheet.

We further recommend Crown consider aligning the risk assessment made by the credit team with the AML/CTF framework.

8. Executive Management Approval

Under Crown's Junket Program, Executive Management reviews all information obtained during the due diligence process and are the final approvers. During interviews with Crown staff, we noted that staff often have limited visibility of decisions made, particularly when a decision is made to continue business with an Operator that has been subject of potentially adverse reporting during the due diligence process.

During interviews with executive team members, we were informed that the key document read by the decision maker was the Due Diligence Summary Sheet. As such, we would recommend emphasis be placed on highlighting all potential risks noted during the due diligence explicitly in the summary sheet.



Sixin Qin: Sixin Qin was assigned an Operator Category Number of "8", on the basis that he is a junket operator outside of Macau. He has been identified as presenting "Significant" AML Risk in Melbourne and a "Moderate" AML Risk in Perth.

According to the Due Diligence Summary Sheet, there are several components of Sixin's profile that may support the "Significant" AML risk rating including:

- Sixin Qin is alleged to have an association with the David Star junket based in Macau which has not held a DICJ License since 2015. Information contained in the Summary document outlined several reports linking him to David Star, however we note the Credit Team characterised this

association as “unconfirmed”. The available information would suggest Sixin Qin may be an associate of David Star.

- Despite neither Sixin Qin nor David Star holding a DICJ licence it does not appear that the Credit Team have sought further information on the reasons for this.
- Sixin Qin is also recorded as a PEP within the C6 report, however this information is not included in the junket spreadsheet.
- The Summary Sheet also raises concerns relating to Sixin's creditworthiness due to lengthy payment delays at other casinos.

We note Executive Management provided approval for Crown to continue business with Sixin Qin though could not locate any documentation which provided the reason for this decision being taken.

Observations: During the review, we did not locate records of executive management decisions in relation to Operators. In particular, we reviewed one file in which an Operator was the subject of potentially adverse information, we were unable to locate a record of the decision to approve the relationship.

Recommendations: We recommend that the Junket Operator Due Diligence file held by the Credit Team contain a record of the decision to approve the Operator and the reasons for the decision.

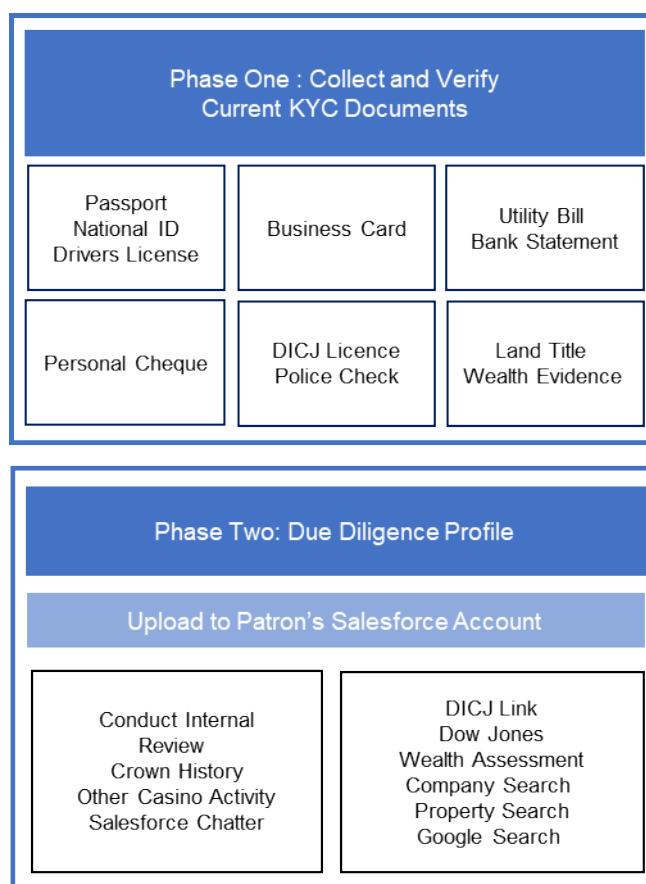
9. Due Diligence Checks and Research

Crown's suite of due diligence tools and providers include:

1. Dow Jones RiskCentre;
2. Acuris C6 reports;
3. Wealth-X reports;
4. Global Data reports; and
5. World Check.

We discuss each of these sources below.

The credit analysts are currently responsible for collating this research, which focuses on identifying sources of wealth, corporate associations, property ownership and general background information relating to the Operators. The research undertaken by the Credit Team forms Phase Two of the checking and verification processes undertaken.



7.1 Internal Credit Check

At this stage of the Due Diligence, Crown collects internal information relating to the Operator. The relevant Marketing Executive collect information relating to the Operator's history at Crown and any credit limits at other Casinos. The credit team also conducts a check of a database of credit

information shared by a number of casinos continuing information on the other casinos at which the Operator is active and the credit limits and associated payment history at those locations. Reviews of this information indicates it provides valuable insight into the creditworthiness of the Operator and serves as proof of successful operations at other venues and therefore contributes directly to the assessment of the Operator's track-record.

7.2 Dow Jones / Factiva

Overview

Dow Jones' Factiva is an international news database and a business information and research tool that aggregates content from 32,000 news sources from 200 countries in 28 languages.

Crown uses Factiva to conduct adverse media research with a customised search string to condense search results. The results should identify publicly-reported issues of high-risk reputational concern such as allegations of criminal associations or financial crimes, including money laundering etc.

FTI Consulting understands that these adverse media checks are refreshed every year in accordance with Crown's policy.

File Review

Cheok Wa Chau: The due diligence file provided by Crown indicates that Factiva Searches were not undertaken for this Operator. There is no information to suggest that Factiva research was conducted into this Operator by his alias names or by his names in Chinese characters, namely **周焯華** and **洗米華**.

We also note that Factiva and online research for **'Alvin Chau'** produces extensive English-language media reporting, which has referenced his alleged criminal links and associations.

RiskCentre - Politically Exposed Persons ("PEP"), Sanctions Lists and State-Owned Entities ("SOEs")

Dow Jones RiskCentre is an online interface that searches and identifies sanctioned individuals and entities, SOEs and PEPs.

FTI Consulting conducted an independent assessment of the Dow Jones RiskCentre and consider that it provides a weaker offering for Chinese subjects due to its limited information sources and narrow assessment of relative or close associates of a PEP. Dow Jones' database is informed by 11 central-level government bodies and does not include local public security bureaus and courts.

Cheok Wa Chau is not identified as a PEP via Dow Jones RiskCentre. However, C6 identified him as a PEP due to his role as a member of the 11th Chinese People's Political Consultative Conference of the Guangdong Provincial Government, China.

Sixin Qin: According to the Summary Sheet for this Operator, Crown conducted a Dow Jones/Factiva Check in March 2019. The Dow Jones/ Factiva check returned zero results. Upon inspection of the due diligence file, we understand that the Dow Jones/Factiva check was conducted in December 2018 and was limited to the Dow Jones RiskCenter function. The content was limited to "Watchlist, State Owned Companies".

We note that the search restrictions placed on the RiskCenter platform may have limited the volume and nature of the results.

Observations:

The results obtained from Dow Jones adverse media searches may provide Crown with limited results by virtue of the platform's narrow search string and the jurisdiction settings being set to Hong Kong OR China.

We observed Operators often have a footprint outside their country of residence. By broadening the search settings, the research should capture allegations and issues reported by media outlets outside of the Operator's domicile as it is likely they will have a footprint in other jurisdictions where they have conducted junkets (i.e. USA, UK, New Zealand etc.).

We observed that a search of Dow Jones was not conducted on Alvin Chau. Consequently, we cannot reasonably assume that Dow Jones Searches are always conducted on Operators.

Recommendations:

We recommend enhancing the Factiva search by adopting the following:

1. Removing the 'English' language filter.
2. Conducting searches of alias or alternative names identified for Operators and Agents via other report providers (C6, World Check, Wealth-X, Global Data etc.)
3. Conducting searches of Operators and Agents names in Chinese characters.
4. Broadening the scope of inquiries beyond the jurisdictions of China or Hong Kong.
5. Ensure date range is always set to 'All Dates'.
6. Conducting media searches on companies for which the Operators are directors or have a major shareholding or have a substantial or beneficial interest.

7.3 C6 Acuris

Overview

C6 Data and Intelligence identifies risks associated with entities and individuals in the context of enhanced due diligence, adverse media, sanctions, PEPs and global ID verification. Acuris provides this offering by way of a customised report. Acuris also has a unique proprietary database called KYC6 which is claimed to contain over four (4) million profiles collated over 15 years from public sources which are manually updated by its research team.

Crown obtains a C6 report into an Operator at the commencement of a new relationship. We understand that due to costs involved in requesting this report, it is not used for periodic re-validation. We also understand that C6 offering varying levels of reports covering basic or in-depth due diligence checks. For an Express Report, C6 primarily sources its information on Operators from its KYC6 database which contains profiles of sanctioned individuals and PEPs along with any relevant adverse media findings. We found that KYC6 produces limited results in cases relating to low-profile Operators who do not have any political affiliations and not subject to sanctions

FTI conducted independent inquiries into KYC6 to test its PEP, sanctions and adverse media database capabilities. We understand that the KYC6 product differs to other information providers because the research team is involved in collating and verifying the information displayed on the profiles, rather than relying on automated software that merely trawls public sources for information. Acuris claims that the database is manually updated with new adverse media records on a frequent basis.

File Review

Sio Fan Cheong: Reviews of **Sio Fan Cheong's** file noted no results were identified for her by C6.

Cheok Wa Chau: We note his C6 report, which was a 'Express Report', referred to a single adverse media article unrelated to the potential reputational risks posed by his alleged criminal associations. We note this adverse media could be readily identified from basic internet and Factiva research.

Furthermore, our independent reviews of **Cheok Wa Chau's** profile in Acuris' KYC6 database revealed he has six (6) adverse media reports attached with no media reporting observed between the years of 2017 and 2019, despite extensive adverse media coverage on him during this time period.

Wanee Bonbandansuk: Our reviews of **Wanee Bonbandansuk's** file noted her C6 report referenced her as a "Thai businesswoman" but failed to identify any directorships or shareholdings in their searches of Thai company records. This directly contradicted the findings of Crown's searches of local corporate registries which found she was affiliated with three (3) Thai companies.

Observations: As identified from **Cheok Wa Chau's** file, we observed that an individual's KYC6 profile is not consistently updated with pertinent adverse media, which would inform the degree of reputational risk posed by an Operator.

Crown's Credit Team does not routinely request the most comprehensive reports from Acuris. We noted that some Junket files include an Express Report named an 'Enhanced Due Diligence – Express Report' and other files enclose an 'Enhanced Due Diligence Level: Executive'. The products differ on the basis of the depth of research undertaken on the Operator.

The Express Report is a basic check which provides insufficient information around an Operator, particularly in identifying adverse media reporting and classifying reputational risks.

Recommendations: We recommend that Crown order only the Executive level report from C6, while supplementing this report with in-house adverse media checks through Factiva and online research.

7.4 Language Other than English Searches

File Review

Chook Wa Chau is more commonly known as **Alvin Chau**. The reports from GlobalData and Wealth-X also identified two (2) variations in the spelling of an alias name: **'Xi Mihua'** and **'Ximi Hua'**. We note from reviews of his file that searches do not appear to have been undertaken in these varying forms.

Searches of his English name produces extensive English-language media reporting, which has referenced his alleged criminal links and associations.

Searches of his name in Chinese-character through other databases such as Wisers and Baidu is also likely to produce international news not accessible via English-language research.

Observations: Language searches in Chinese, Thai or Malay are conducted only when the staff members have access to the relevant terms in a format that can be copied and pasted into the relevant platforms.

We have not observed that these searches have been undertaken during our review.

Recommendations:

We recommend that Crown requests the Chinese spelling of the applicant's name during the KYC Process (for example in Simplified and Traditional Chinese, or Thai letters).

We recommend enhancing the Factiva search by removing the 'English' language filter.

7.5 GlobalData

Overview

GlobalData is a data analytics and consulting company that delivers market and industry intelligence, servicing companies primarily across the consumer, retail, technology, healthcare and financial services sectors. GlobalData's proprietary database is its Intelligence Center platform, which delivers its services through an online interface that combines search, browse and alert functionality.

Crown orders a GlobalData dossier on individual Operators, which extracts information from the GlobalData Intelligence Center. The dossier outlines Operators' estimated net worth, employment history, wealth/asset ownership details, relationship groups and contact information.

FTI conducted inquiries with GlobalData's research team to ascertain the capabilities and limitations of their Intelligence Center. We understand the Intelligence Center consists of verified information, which is ascertained from primary and secondary sources and is updated by analysts who both conduct research and make direct inquiries to confirm this information.

Importantly, GlobalData does not offer what they call 'verticals' into the gaming and casino's sector, therefore limiting insights into this industry. We observed from our file reviews of major Operators such as Yu Kiung Huang and Sixin Qin, that GlobalData does not provide basic information such as tenure dates and ownership stakes in their junket companies or other businesses.

File Review

Yu Kiung Huang: We observed that the Global Data dossier identified multiple companies for Huang Yu Kiung which were not independently researched by Crown. Further we noted that many of the companies identified in the dossier were not referenced in the Summary Sheet.

Sio Fan Cheong: GlobalData sources its information from its Intelligence Centre which is more likely to draw results for high profile individuals with significant business interests. However, for low-profile Operators such as Sio Fan Cheong, no results were identified for her by GlobalData. We note corporate, litigation and property searches in local jurisdictions and local-language searches are more likely to yield results for low-profile Operators and Agents.

Observations: GlobalData's dossiers offer insight into the Operator's employment and associations, however the information is limited.

Recommendations: Research relating to the business interests of Operators and Players should be supplemented by other open-source research means such as independent corporate and property records checks in the relevant jurisdictions.

7.6 Wealth-X

Overview

Wealth-X specialises in data and insights on the world's wealthiest individuals to help organisations to effectively understand and engage them. Crown orders a Wealth-X dossier which outlined an Operator's biography, career history and wealth analysis. Wealth-X is useful in offering business intelligence and insights into high profile, high net worth individuals. This database would not be appropriate or relevant for checks targeting low profile Operators and Agents who do not fit within this category

File Review

Sio Fan Cheong: A request for a Wealth-X report for Sio Fan Cheong did not yield any results given she is not a high net worth individual (USD 30 million). We anticipate that some Operators and many Agents will not reach this threshold. Rather, corporate, litigation and property searches in local jurisdictions and local-language searches are more likely to yield results.

Observations: Wealth-X does not capture all Operators, given that the database contains high net worth and ultra-high net worth individuals (over USD 30 million net worth). There are also inherent limitations in the platform due to the English-language capabilities.

- Wealth-X among other third-party information platforms appear to simply scrape and collate data from information that is often made available/carefully curated by representatives of the individuals in question.
- Limitation in language capabilities and sources.

Recommendations: We recommend Crown continue using Wealth-X but supplement this information with open-source information such as Factiva, online research, property and litigation checks based on an Operator's footprint.

7.7 World Check

Overview

World Check is a database of PEPs and heightened risk individuals and organisations.

Observations: Searches of World Check are conducted using an Operator's name in its exact iteration. We recommend conducting searches on Operators with a 'contains' mode, rather than the 'exact' mode as this may exclude potential matches.

Recommendations: FTI understands Crown has migrated across from using World Check to Dow Jones for PEP and sanctions checks. This is outlined above.

7.8 Internet Research

Overview

In addition to the above third-party providers and research database platforms, Crown's Credit team conducts online research into the Operators. Any pertinent adverse online reporting is outlined in the Summary Sheet, along with relevant articles being saved as PDFs in file.

FTI understands that Crown conducts general online searches limited to Operators' name. No further searches are conducted around the companies they are affiliated with. We note that there are limited attempts made to verify or conduct deeper research into potential reputational issues identified from the reports produced by third-party providers.

We also note there are no specific requirements regarding Boolean or keyword searches to identify or narrow down relevant search results. We note that internet searches appear to be conducted in the Operator's first and last names, and not in any alias names or local-language characters.

The Credit team has drafted a research manual containing the guidelines that will make up its Customer Due Diligence Framework. We note that this document is in draft format.

File Review:

Ji Xiaobo: We noted that internet searches on this individual appear to have been last updated in November 2016, even though Wealth-X, Global Data and Dow Jones searches were updated at different times in 2019. This is inconsistent with Crown's due diligence policy, as it has been outlined to FTI.

Media research identified an adverse article published in November 2016 on Bloomberg.com and related to **Ji Xiaobo's** Best Sunshine Live Casino owned by **Imperial Pacific International Holdings**.

The article, titled "Obscure Casino Run by a Trump Protégé", made reference to information that had been provided to the journalist indicating that the U.S. Treasury's Financial Crimes Enforcement Network ("FinCEN") had noted the high volume of daily revenue figures at Best Sunshine as presenting a possible indication of money-laundering and poor financial controls. According to the article, the figures reported for Best Sunshine Live far exceeded comparable figures reported by casinos in Macau and Singapore. The article indicated that the Commonwealth Casino Commission which oversees Best Sunshine does not believe there to be any concerns about money laundering on the premises.

We identified further information available on the internet relating to **Ji Xiaobo** and **IPI** that was not reported in the documentation.

In June 2019, a report by Ernst & Young ("EY") shows that **IPI** owes USD 70 million in back taxes and to suppliers for missed payments.

In March 2017 **IPI** settled the lawsuit filed against the company, by a former employee **Danny Ewing** who alleged that the casino management was engaging in illegal practices.

According to the Amended Complaint for **Danny Ewing v Imperial Pacific International LLC** in the District Court for the Northern Mariana Islands ("CNMI") the complaint indicates that "the plaintiff became aware that **Imperial Pacific** was engaging in practices that were in violation of the law and contrary to the public policy of both the CNMI [...] **Imperial Pacific** failed to implement or enforce an adequate AML program".

In particular **Ewing** made several allegations against **IPI** including:

IPI had allowed a casino customer to deposit \$400,000 with the casino's cashier without the required AML identification and that IPI failed to take any action

Ewing also informed IPI that its practice of posting the AML requirements at the entrance of the casino and providing all new players that sign up for a player's card with instructions of how to structure their transactions to avoid reporting requirements was a violation the "structuring" regulations according to FinCEN.

Observations: We observed that online research is conducted as a general background check. Whilst there is a system for review and re-checking, the potential risks identified from available online reports and searches are not adequately classified and highlighted in the Summary Sheet to support any assertion of a reputational exposure that an Operator may pose.

We suspect that the identification of proxies and other related parties should be considered as relevant typology in staff training in order to increase the likelihood of this activity being detected and reported.

Recommendations: We recommend conducting training to enhance in-house research capabilities by the following:

- Developing and finalizing the Research Manual be further for utilisation by staff undertaking the due diligence checks and online research.
- Developing a categorisation of reputational risks such as 'Financial Crimes', 'Money Laundering' and 'Criminal Associations' in the Research Manual in order to better communicate or escalate potential risks to other teams.
- Conducting staff training in advanced open-source information collection and research methodologies to increase the likelihood of adverse information being detected.
- Obtain access to Baidu and Wisers in order to widen search results to include Chinese and local-language reporting.

Company & Property Searches

Where possible, Crown conducts searches of property and corporate records in relation to Operators as part of the due diligence process. Based on our discussions, we note these searches are conducted using online information providers or, in the case of Macau, via manual searches conducted by Crown staff traveling to Macau from Hong Kong.

FTI Consulting's experience is that third party providers do not always provide consistent results when searching across different jurisdictions. For example, FTI Consulting's experience is that searching business interests in Malaysia is difficult due to laws which maintain the privacy of these records. RAMSI is a private information provider based in Singapore which provides some limited information. However, in our experience, its coverage can be variable for regions outside of Singapore.

Questnet claims to provide information on company ownership in Indonesia, Thailand and Taiwan. In our experience, the information held by Questnet in relation to Indonesia is frequently incomplete or out of date. Conducting comprehensive searches in Indonesia often requires manual searches to be conducted in addition to online records. In relation to Thailand, small differences in the transliteration of Thai names can produce widely varied results and it is advisable searches be undertaken by native Thai speakers and in Thai language.

Because third party information providers can be unreliable, it is recommended that primary sources be consulted to obtain the most up to date information. In non-English language regions with complex or difficult to access information, many companies, including casino Operators, engage an external professional investigations firm, specialised in that region to undertake a due diligence investigation on their behalf. Suitable providers should have in-house language capability in the languages required, physical presence in the relevant jurisdiction and demonstrable experience undertaking due diligence investigations.

Annex 4 contains a table summarising the key information available in several of the jurisdictions relevant to Crown.

Sixin Qin: Sixin Qin is alleged to have an association with the David Star junket based in Macau. However, company Searches for David Star Sociedade Unipessoal Limitada Star did not identify that Sixin Qin is a director or shareholder of the company.

The C6 Report identified that Sixin Qin has multiple corporate interests in Hong Kong, and possible interests in China, in the real estate and car trading sectors. FTI has conducted independent Internet research on these companies and has concluded that information relating to their activities and conduct is very limited when relying on the translated English names of those companies.

For example, "Shanghai Oriental Car Trading Company" does not yield any results in Internet Searches however we note that there are several car trading entities in China that have the identifiers Shanghai and Oriental.

According to the C6 report it is evident that a PDF extract of company records could be obtained upon request. However, we note that these records have not been attached to the profile and have potentially not been obtained by Crown.

Observation: We have not observed that Crown consistently undertakes to obtain the original corporate records for identified companies associated with Operators.

Crown's processes do not currently include a mechanism for engaging external investigations firms to undertake due diligence in complex jurisdictions that cannot be adequately researched by the in-house Credit team.

Recommendation: Crown's credit team should request the original corporate records from C6 and then cross-check the information through local language searches and further corporate records research, where appropriate.

Obtaining these corporate extracts from their respective registry sources would allow Crown to verify the names of the relevant companies in Chinese characters, so that these names can be adequately researched as part of the due diligence process. Further, obtaining these extracts would provide further information relating to the associates of the Operator and provide further context surrounding their business interests.

Crown should consider establishing a relationship with providers who have experience undertaking due diligence investigations in complex areas and establish a process to engage external resources for higher risk Operators.

10. Work Undertaken

10.1 Documents Reviewed

The following documents and data were provided by Crown during our initial phase of work:

- New Junket Operator Application Checklist dated 10 April 2019
- Junket Operator Application Checklist dated November 2018
- Junket Operator Application Checklist dated January 2017
- Current Credit or Cheque Cashing Facility (CCF) Request dated 11 November 2017
- Current Application for Deposit Account, Cheque Cashing, Credit Facility, Funds Advance Facility
- Risk and Assurance Memorandum on Anti – Money Laundering / Counter Terrorism Financing Program Review of Compliance dated 1 April 2014
- Risk and Assurance Memorandum on Anti – Money Laundering / Counter Terrorism Financing Review of Cash Transactions Reporting Manager Spot Audits dated 30 January 2014
- Risk and Assurance Memorandum on Anti – Money Laundering / Counter Terrorism Financing Internal Control Statement Compliance Audit dated 17 October 2013
- Risk and Assurance Memorandum on Anti – Money Laundering / Counter Terrorism Financing Review of Cash Transactions Reporting Manager Spot Audits dated 14 August 2013
- Risk and Assurance Memorandum – Review of Junket Program Processes and Procedures, dated 9 November 2016
- Risk and Assurance Memorandum – Review of Junket and Premium Player Program Processes and Procedures dated 14 August 2019
- Internal Audit Report Dated 23 October 2019
- Internal Audit Report dated 16 February 2019
- Excerpts of Salesforce Compliance Panel (E-mail)
- Junket and Premium Player Programs Audit June and July 2019
- Junket and Premium Player Programs Audit May 2019
- Junket Operator Compliance Documentation (E-mail with Attachments)
- Presentation to AUSTRAC
- AML Program – Customer Risk Rating
- Credit Process January 2019 Due Diligence Arrivals
- Credit Process May 2019 Due Diligence New Junket Operator
- Overview of Junket Processes, properties showing 18 January 2008
- Credit – 2019 Junket List
- AUSTRAC Compliance Assessment Report dated 18 May 2018
- AUSTRAC Compliance Assessment Outcome Letter dated 18 May 2018
- Victorian Commission for Gambling Regulation dated 25 January 2011.

10.2 Interviews

FTI Consulting conducted interviews with the following Crown staff.

Name	Position
Anne Siegers	Group General Manager, Risk and Audit
Jacinta Careri	General Manager, Group International Business Operations
Joshua Preston	Chief Legal Officer
Justin Butler	Manager, Compliance
Louise Lane	General Manager, Anti -Money Laundering
Mary Gioras	Group Credit Manager
Roland Theiler	Senior Vice President International Business
Tammy Cook	Credit Supervisor, Crown Resorts Limited

10.3 Additional Research & Consultation

Third-Party Information Providers

FTI conducted research into the sources of information utilised by Crown during the due diligence process. FTI sought confirmation with the providers about their research methodology and in most cases obtained a demonstration or trial of the database and tested its functionality and coverage.

Specialist Consultation

We have also consulted closely with our specialists in Hong Kong and Singapore on appropriate processes for non-English language searching in those jurisdictions and best practice approaches to identifying information from publicly available sources in the regions relevant to Crown's Junket Operator program. We have also obtained comment from knowledgeable contacts where possible on the DICJ and CRA operator licencing process.

Annex 1 – Development of the Due Diligence Process at Crown

Crown has undertaken an internal review of its policies and procedures designed to identify risks associated with Operators with which it maintains relationships. We note that the policies and procedures underpinning the due diligence of Operators have evolved substantially since 2016, following an Audit conducted by the Victorian Commission for Gambling Regulation in 2011, and a Compliance Assessment by the Australian Transaction Reports and Analysis Centre (“AUSTRAC”) dated 18 May 2018.

In 2003 Crown implemented *New Standard Operating Procedures* following the repeal of the Victorian Casino Control Act 1991 (CCA) and the Casino Control Regulations by the Victorian Government in consultation with the VCGLR. The key relevant provisions indicated that:

- No approval or probity checking is required for a junket organiser or agent
- A Non-Exclusive Overseas Gaming Promotions Agreement must be signed by the junket organiser off shore before any junket activity can be undertaken at Crown
- All junket organisers, agents and players under a junket arrangement are recorded in Crown’s player database
- All names in the Crown database are run against the WorldCheck database with a view to identifying any known terrorists as Crown is obligated not to knowingly deal with any recognised terrorists
- The Crown player database is also run against the WorldCheck database for known criminals and Politically Exposed Persons to identify any potential risks⁹

In December 2011 the Victorian Commission for Gambling and Liquor Regulation (“VCGLR”) updated the Junkets & Premium Player Programs (Including Introduction of Players) Internal Control Statement (ICS). The key relevant provisions under the ICS indicated that:

- ICS clause 2.2.1 (a) requires that a Junket Program Agreement be completed (and retained) prior to commencement of Junket Program Play documenting at a minimum Junket Operator (or Agent), Junket Program Type, Junket Program Player Names, Front Money, Commission payable to Junket Operator (where applicable), approval of terms and conditions by Junket Operator (or agent) and authorised Crown representatives and any subsequent changes to agreed terms and conditions.

Following this update, in June 2013 and October 2013, Crown undertook Internal Audits of internal processes and procedures for the initiation, monitoring and recording of Junket Program play which revealed that there were several discrepancies between Junket Program Agreements and Syco Records. Crown’s management reinforced that all Junket Players named in the Junket Program Agreement are to be recorded in Syco in the form of full name, residential address and date of birth.¹⁰

In 2016-2017 AUSTRAC undertook a casino junkets campaign to develop further understanding of how junkets work in Australia. AUSTRAC assessed Crown Melbourne’s AML/CTF Program, ongoing - customer due diligence and reporting obligations.

AUSTRAC also separately conducted Compliance Assessment (in relation to Electronic Gaming Machine (“EGM”) Operations between 1 July 2016 and 30 June 2017).

AUSTRAC provided Crown Melbourne with ten (10) recommendations to assist it to strengthen its AML/CTF systems and controls¹¹. We note that AUSTRAC did not identify non-compliance by Crown Melbourne. AUSTRAC’s recommendations broadly covered risk assessments and staff training relating

⁹ E – Overview of Junket Processes

¹⁰ C - M F14 ICS Junkets & Premium Player Programs Audit Report

¹¹ G - Crown_2018_05_18_Compliance_Assessment_Report dated 18 May 2018.docx - A....pdf

to unusual or suspicious activity, the importance of automating transaction monitoring, and AML/CTF program policies and procedures.

FTI Consulting has outlined the relevant AUSTRAC recommendations that may impact the due diligence process of Operators and Premium Players below, noting that AUSTRAC's scope was limited to EGMs:

Recommendation 6 – Make records of investigations where no adverse findings were identified

Crown Melbourne currently records the findings of investigations of transaction monitoring alerts where suspicious customer activity is positively identified but does not make records of investigations where no adverse findings are identified. As such, Crown Melbourne may be unable to evidence whether an investigation took place or not. Making records of all investigation outcomes will enable Crown Melbourne to provide evidence of each investigation and its findings to auditors.

Recommendation 9 – Reference the requirement to verify customer's KYC information in the gaming payout procedures

Section 3032 - Processing an AUSTRAC Reportable Payout of the Gaming Machines Operations WPIs (Appendix B, Table 1, Item 43, page 149) states 'the following information is required to be collected and retained: full name, date of birth, and residential address. The procedure does not instruct staff to verify the customer's full name and date of birth or residential address which is a requirement of the AML/CTF Act.

Beginning in November 2016 and until August 2017, Crown undertook an internal and ongoing review of all existing Operators and Premium Players. The following recommendations were identified in respect of Junket Program Activity, contained in a Risk & Assurance department memorandum dated 9 November 2016.¹²

1. Internal Audit recommends a due diligence review of proposed Operators to assess primarily, whether a Junket Operator is a valid Junket Operator. The review will also ensure that an appropriate audit trail in support of due diligence review be documented and retained in a central location and internal processes and procedures for the conduct of Junket Program activity updated to reflect checks undertaken.
2. Internal Audit recommends an additional column be included in the "Junket Operator and Agent" listing to indicate the date of VCGLR notification, and supporting documentation centrally retained.
3. Cash Transactions Reporting Manager (CTRM) advised that due to the significant amount of transactions reported in excess of \$50k, and following agreement with AUSTRAC, going forward Crown Melbourne is to review only patron losses in excess of \$50k and "report as required." Crown Melbourne will no longer report wins in excess of \$50k unless deemed to be a "reportable matter," at the discretion of the CTRM.

As part of the review, relevant Crown stakeholders formed a select committee to review five (5) junket profiles weekly in order to determine whether to proceed with the Junket relationship.

FTI understands that Crown applied three (3) key criteria when making a determination as to whether to proceed with the relationship.

1. The legitimacy of the Junket
 - a. Whether the Junket Operator is a valid Junket Operator (versus a Premium Player)
 - b. Whether the Junket Operator was involved in attracting Premium Players with which they had a business relationship (i.e. not personal associates)
2. The Operator's domicile outside of Mainland China

¹² C - M F15 Junket Processes - Audit Report - FINAL

3. The probity of the Operator from a credit risk perspective

Following the review, Crown's executive management made the decision to terminate a large number of cash and credit Junket relationships.

In December 2017, the VCGLR took disciplinary action against Crown Melbourne. Crown was fined AUD 150,000 for failing, in thirteen (13) instances to adequately document junket arrangements. Following on from the disciplinary action, Crown has instructed its staff members to type out license numbers, and when not possible, to provide clear handwritten license numbers on Junket Agreements.

Annex 2 – Regulator & Industry Approaches to Junket Operator Due Diligence.

Gaming Inspection & Coordination Bureau (DICJ) in Macau

To gain registration as an Operator in Macau, the applicant files both an individual and corporate application with the Gaming Inspection & Coordination Bureau (DICJ). The applicant is required to self-report their own and their spouses' residential history; and disclose involvement in criminal and civil litigation and whether they have previously had government licences cancelled or suspended in any jurisdiction.

The DICJ also requires the submission of detailed corporate information including evidence of incorporation, details of current and former directors, and a list of shareholders. The company is also required to make declarations and provide information about its involvement in legal proceedings and regulatory investigations, and its financial situation (including any previous or current bankruptcy issues). The company must provide a signed declaration testifying to the accuracy and completeness of the information supplied.

On face value, this process appears to collect detailed information on the Operator and the owners of the company. However, little information is available about the level of verification and investigation undertaken by the DICJ as part of the process. In FTI Consulting's experience, it is possible for Operators with limited corporate profiles to obtain registration even if they have not had any prior gaming operations.

FTI Consulting spoke with a former senior Hong Kong police officer and former Head of Security at Wynne Resorts in Macau. This contact has extensive knowledge of the DICJ and broader Macau gaming environment. The source said that while the DICJ collects a lot of information, virtually no independent verification is undertaken as part of the licencing process. He noted the DICJ do not have an internal investigations capability to undertake independent assessment of applications. Overall, he described the process as 'passive', where information is collected via self-disclosure and only referred to if specific information comes to light suggesting that the declarations were not truthful.

Casino Regulatory Authority – Singapore

The CRA applies stringent criteria on the registration of Operators. As a result, only two Operators are licenced to operate in Singapore. As part of the registration process, the CRA obtains detailed corporate information and declarations from the operator about the business history, financial information, ownership, any involvement in litigation or regulatory matters and any operations in other jurisdiction.

This information provides the basis for a comprehensive due diligence investigation conducted by an independent investigation company. Investigators have direct contact with the company to review its financial and other information, conduct site visits to the company's operations in other regions and interview the owners and their agents. The process can take up to 12 months for registration to be

obtained. The granting of approval only occurs after the completion of the investigation with no adverse information being discovered.¹³

In our opinion, the CRA registration represents the most conservative approach to Operators in the Asia-Pacific region and reflects the government's desire to discourage the practice. Several reports note this has reduced the ability of the Singapore gaming companies to capitalise on potential revenue from junket operations and to be able to recover gaming debts.¹⁴ The Singaporean process does provide a contrast to the DICJ in which the regulator takes active steps to investigate and verify the information provided to them.

Star Entertainment's Junket Procedure

Our research identified information provided by Star Entertainment ("Star") as part of the 2016 review of its casino licence.¹⁵ Star provided the reviewer in this case with a 'walk-through' of its Junket onboarding process and the review provides some insight into the steps taken to conduct due diligence into Operators and Players prior to entering a relationship with them.

It is noted Star has no contractual involvement in the relationship between Operators and players, only signing an agreement with the Operator following completion of the due diligence process and following provisional authorisation being granted by the Gaming Manager.

The Star process for entering a new relationship and undertaking due diligence, as described in the report, is summarised below. At the outset, Star obtains several documents, disclosures and a 'consent to investigate' from the Operator. The value of this information is to provide a starting point for the due diligence investigation and a body of information to be verified against the available public records. In particular, information obtained from public record searches that had not been disclosed would serve as a clear red-flag for following up and may indicate dishonesty on the part of the Operator.

KYC Information collected at application:

1. Personal information including:
 - Police clearance certificate
 - Photo Identification
 - Certified copies of passport
2. Employment history
3. Business Associations
4. Junket operations with other casinos
5. Disclosure of involvement in litigation
6. Financial details
7. Character references
8. Notice of consent for The Star to conduct investigations into the Junket Operator
9. A release and indemnity

¹³ <https://sg.news.yahoo.com/first-batch-of-junket-licenses-awarded-to-two-m'sian-Operators.html>

¹⁴ <https://www.bloomberg.com/news/articles/2015-04-09/singapore-s-casinos-made-a-mistake-cutting-out-the-gangsters>

¹⁵ <https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-ilga-horton-qc-28-november-2016.pdf>

AML/ CTF Checks and Internet Searches

The Star conducts AML/CTF Checks and undertakes additional internet searches in relation to the Operator to identify PEPs and other high-risk companies and individuals.

1. World-Check
2. Independent Internet Searches
3. Referral to external consultant

Information is reviewed by 'The Star's investigators' who may recommend further due diligence be undertaken, including by 'external consultants.'

Review and Provisional Approval

The Star holds a regular junket and player monitoring meeting to discuss information received in relation to proposed promoters, representatives or participants.

The Gaming Manager reviews all information collected and, if no information indicates the JO or their representatives are unsuitable, provides provisional approval. The operator then enters into discussions with the Star's international team to organise a junket and reach agreement with The Star in respect of the rebate, complimentary inclusions and the length of stay.

Annex 3 - File Review

FTI Consulting conducted a limited file review of the due diligence files for seven (7) Operators who have or have had a junket relationship with Crown.

The files were selected on the basis that FTI consulting would obtain an indicative sample of the research undertaken by the Credit Team. The sample of files were selected on the basis of the Operator's jurisdiction, status, Category Number and the AML Risk determination.

Specifically, we reviewed these files with the following considerations in mind:

- Assessing adherence to Operator onboarding and review procedures in terms of documentation collection and research undertaken, as outlined by the New Junket Operator Checklist;
- Understanding how potential adverse issues are identified by Crown during the course of research from a compliance and reputational standpoint;
- Understanding how the research informs risk ratings, recommendations and ultimately how key reputational issues or red-flag issues are highlighted for special attention; and
- Identifying gaps in research and consider potential opportunities for how Crown can resolve these gaps.

Operator Name	Jurisdiction	Status	Reason	Category Number	AML Risk
Cheok Wa CHAU (Alvin CHAU)	Macau	Active	Review Completed 2019	1	High PEP / Significant
Xiaobo JI	Hong Kong	Active	Review Completed 2019	9	Moderate
Sio Fan CHEONG	Macau	Declined	Lack of Documents	11	None
Yu Kiung HUANG	Malaysia	Active	Review Completed 2019	1	Moderate
Pornchai BOONBANDUNSUK	Thailand	Declined	Ceased Relationship	11	None
Wanee BOONBANDUNSUK	Thailand	Active	Review Required	12	None
Sixin QIN	Hong Kong	Active	Review Completed 2019	8	Moderate

Findings

Documentation

We found that the majority of the due diligence files complied with Crown's internal procedures.

Required documentation such as the Joint Non-Exclusive Gaming Promotion Agreement, Police checks, copies of junket licences where applicable, relevant ID documentation, utility bills, business cards and personal cheques were generally collected and saved to the Operators' files. However, we noted some exceptions which could be remedied through a thorough documentation review process conducted prior to a new junket program or on an annual basis:

- The Summary Sheets for three (3) of the files we reviewed did not identify the latest documentation review date since 2017;
- One (1) Operator's files contained copies of his DICJ licences that had expired;
- One (1) Operator obtained an exemption for an invalid utility bill;
- One (1) Operator was missing a police check;
- One (1) Operator had a DICJ licence which was not renewed in 2015 and Crown accepted a police check instead; and
- One (1) Operator's file contained an incomplete Joint Non-Exclusive Gaming Promotion Agreement.

Due Diligence Research

Our reviews of the research conducted in-house and of the reporting completed by Crown's third-party providers offered the following insights:

- There was a period of initial due diligence research and review of Operators conducted during 2016 and 2017, which corresponded with an update in internal due diligence procedures.
- Research is purportedly reviewed annually, but we found two (2) instances where the Operators files had not been updated in over a year or the Summary Sheet did not convey what further research had been done, if any, since this initial check around 2016/17.
- Research is conducted into the Operators in relation to their country of residence but not in the jurisdictions where they are known to have a corporate or residential history.
- There is limited or no follow up research conducted into the adverse media or reputational issues identified by third-party providers or in-house research.
- There have been limited attempts made to clarify or verify sometimes contradicting information regarding corporate affiliations or information identified by different third-party providers.
- There are no risk ratings or recommendations factoring in potential reputational exposures identified from adverse litigation or media reporting.
- In two (2) cases relating to high-profile Operators, research and third-party reporting did not adequately identify pertinent reputational issues but we note these issues could have been remedied by enhanced in-house research.
- Adverse media reporting regarding pertinent reputational issues are not appropriately highlighted in the Summary Sheet for special attention or consideration.

Please refer to Section 6 and 7 for individual examples of missing or incomplete documentation and research gaps identified from our reviews of these files.

Annex 4: Summary of information available by jurisdiction

Adverse Media Search	Identity Verification	Corporate	Property	Litigation	Bankruptcy and Financial Data
Malaysia					
Recommend using a range of platforms	RAMCI	<p>Company searches are performed via the Companies Commission of Malaysia (SSM).</p> <p>It is not possible to search by Director or Shareholder.</p> <p>RAMCI offers reverse directorship searches, however the information is not comprehensive.</p>	<p>Searches are available; however, the process is manual and unreliable.</p> <p>The lot number and parcel number is required in order to perform the search however the results are not consistent</p> <p>Searches by owner are not available.</p>	Litigation records are not accessible without the consent of the parties.	RAMCI
Singapore					
Recommend using a range of platforms	Informally via Company Search, however the Passport Numbers may change.	<p>Company Records are available through BizFile / Accounting and Corporate Regulatory Authority (ACRA)</p> <p>We recommend searching by both ID Number and by Director Name</p>	Yes	Online via subscription databases.	Online searches are available.
Thailand					
Limited accessibility as search terms will	No	It is possible to undertake reverse director searches	Property searches require a local partner.	Litigation searches are available however they	There is no federal register for Bankruptcy searches however it

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need to be in Thai characters		<p>however the following are required:</p> <ul style="list-style-type: none"> - Exact spelling of the name - ID Number - Company Name 		<p>are court specific and not organised provincially or federally.</p> <p>The searches require physical attendance in order to be comprehensive.</p>	is possible to conduct searches of Bangkok Bankruptcy Court
Hong Kong					
Recommend using a range of platforms including simplified and standard Chinese characters	Informally Via a Company Search	<p>Company Records are available through Hong Kong Companies Registry.</p> <p>We recommend searching by both ID Number and by Director Name</p> <p>For applicants with a significant business profile, we recommend searches are also conducted in the PRC.</p>	<p>Searches can be undertaken on addresses.</p> <p>Searches by owner are not available.</p>	<p>Online searches of most HK courts can be accessed online.</p> <p>For applicants with a significant business profile, we recommend searches are also conducted in the PRC.</p>	Searches available via the Official Receiver's Office in Hong Kong.

Annex 5: Recommendations Summary

Component	Observation	Recommendation
Definition of probity	Internal Control Statements do not provide a detailed definition of the probity risks to be assessed in relation to Operators	Policies and Procedures be updated to include consideration of a broader range of potential risk including AML and other reputational concerns during the due diligence process.
Scope of due diligence	Crown does not currently undertake due diligence in relation to Agents	Crown include Agents as part of the risk-based due diligence process when onboarding and reviewing Operators.
Initial information collected	Crown currently collects KYC information and evidence of police check at the outset of the onboarding process	Crown seeks to obtain further information including declarations of involvement in legal proceedings, ownership information and information about other operations allowing for this information to be verified during the due diligence process.
Responsibility for the DD Process	Credit Team is primarily responsible for the DD process	Crown Executive to evaluate whether there is a more appropriate department or individual to oversee the DD process.
	Credit Team or relevant staff member have not been trained to conduct DD research	<p>Staff members conducting DD to be provided with formal training and support in Information Collection, Due Diligence, and assessing reputational risk in accordance with the ICS.</p> <p>Staff Members conducting DD to develop a comprehensive research manual that contains guidance on search strategies, information sources, and how to best utilise the available resources.</p>
Salesforce	The Salesforce Chatter Panel is an invaluable resource in providing further context and information about Junket applicants to team managing the DD research.	<p>Predetermined fields to be included within Salesforce in order to formalise communication on the following:</p> <ul style="list-style-type: none"> • Corporate Interests • Political Associations • Personal and Corporate Associates
Allocation of Operator Category Number	No direct relationship between the Credit Risk Rating assigned by the Credit Team and the eventual ML / TF Risk Rating assigned to the Operator as these rating systems seek to mitigate different risks.	Crown Credit Team to incorporate the AML/CTF Risk Rating during the DD process for both Operators and Premium Players. This rating is to be incorporated into the DD Summary Sheet.

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Component	Observation	Recommendation
Reliance and Trust placed in the DICJ License Process	The DICJ conducts some verification and research on applicants, however the central criteria for obtaining a license is that the individual does not have a criminal record.	Crown to heighten risk rating on Operators who have previously held but currently do not hold a DICJ License
		Crown to consider the limitations of the DICJ Licensing Process as a limited indication of an individual's probity.
		Crown to expand on the sources of information it currently utilises in order to assess an individual's probity. These sources to be expanded to include adverse media searches, civil litigation and track record.
	Crown does not obtain criminal records in all jurisdictions that apply to the Operator	Crown to independently obtain criminal record check information from all jurisdictions in which the operator has had a domicile or corporate interest, where appropriate.
Agents	Crown's does not conduct DD on the Agents of Operators.	Marketing Team to obtain details of all authorised agents from Operators as part of the initial onboarding procedure. Credit Team to conduct DD on all authorised agents in local language.
Dow Jones / Factiva Searches	The results obtained from Dow Jones adverse media searches may provide Crown with limited results by virtue of the platform's narrow search string	Staff members conducting DD to remove the English language filter and conduct searches in local languages
		Staff members conducting DD to extend the scope of inquiries beyond China and Hong Kong
		Staff members conducting DD to ensure date range is set to "All Dates"
		Staff members conducting DD to conduct research on companies and other identified associates
Acuris / C6 Intelligence	Crown's Credit Team does not request the most comprehensive reports from Acuris	Staff members conducting DD to request the Enhanced DD Level: Executive' report
	Acuris Reports are not updated every 12 months	Staff members conducting DD to obtain the corporate documents from Acuris and conduct further searches using local language. Staff members conducting DD to obtain an Enhanced DD Level Executive Report every 12 months
Global Data	Global Data is unlikely to yield results for low-profile Operators	Staff members conducting DD to supplement research relating to the business interests of Operators and Players with other open-source research in addition to Global Data dossiers.
	Global Data dossiers do identify companies however they were not independently researched by Crown	
Wealth X	Wealth X is unlikely to yield results for low-profile Operators who have a net worth below USD 30 million	Research relating to net worth of Operators and Players should be supplemented by other open-source research in addition to Wealth X.

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Component	Observation	Recommendation
Company and Property Searches	Crown's processes do not currently include a capability for engaging external investigations firms to undertake DD in complex jurisdictions that cannot be adequately researched by the in-house Credit team.	Crown to consider establishing a relationship with provider (s) who have experience undertaking DD in complex jurisdictions and establish a process to engage external resources for higher risk Operators.
Internet Research	According to Crown's policy Internet Research is updated every 12 months. We did not observe this to be consistently the case.	Crown to conduct internet searches on Operators every twelve (12) months and update the DD Profile accordingly with attachments of relevant information.
	Crown exclusively uses Google in order to conduct its research	Crown to conduct internet searches using Baidu and Wisers in addition to Google
	Crown collects information on Google which it does not always corroborate in relevant registries	Crown to utilise internet searches as a basis to identify other avenues for corporate and litigation records research
AML Risk Assessment Process	AML Risk attached to each Operator may differ in Melbourne and Perth facilities.	Crown to apply a consistent AML rating across its facilities
	AML Risk has no relationship to the Allocation of Operator Credit Rating Score	Crown to include an assessment of the AML Risk presented by the Operator in the Summary Sheet
Executive Management Approval	Crown Executive Management makes the final decision as to whether to proceed with a junket relationship. The reasons for these decisions are not documented.	Crown seek to record the outcome and reasons for decision to approve and that this information be held on file.



Annex 6: Overview of the end-to-end mapping of the Junket Onboarding Process.

