



Crown Melbourne Limited Compliance Committee

Wednesday, 29 May 2019 – 2.00pm

Chairman's Office, Level 3, Crown Towers

Attendees: Professor John Horvath (Chair), John Alexander, Rowena Danziger

Also Invited: Barry Felstead, Michelle Fielding, Mary Manos, Joshua Preston,

Apologies:

AGENDA

- 1. Minutes of Previous Meetings**
 - 1.1. [Confirmation of Minutes of the meeting on 11 February 2019](#)
- 2. Compliance and Regulatory**
 - 2.1. [Compliance and Regulatory Update](#)
 - 2.2. [Section 25 Recommendations Update](#)
- 3. [Litigation Report](#)**
- 4. [Anti-Money Laundering/Counter Terrorism Financing – Update](#)**
- 5. [Media Coverage](#)**
- 6. Other Business**



AGENDA ITEM 1:
Minutes of Meeting



MINUTES
CROWN MELBOURNE LIMITED COMPLIANCE COMMITTEE
HELD AT THE CHAIRMAN'S OFFICE, LEVEL 3, CROWN TOWERS
MONDAY, 11 FEBRUARY 2019
15:25 PM

IN ATTENDANCE:

Committee: Professor John Horvath (Chairman)
 John Alexander
 Rowena Danziger
 Barry Felstead (CEO – Australian Resorts)

Joshua Preston (Co-Company Secretary)
 Mary Manos (Co-Company Secretary)

Invitees: Michelle Fielding (GGM Regulatory & Compliance)

Apologies: Nil

Minutes of Meeting: The Minutes of the Meeting of the Compliance Committee held on 15 November 2018 were approved with one correction; “unrestricted mode” was altered to reflect the correct terminology, “continuous play mode”.

Compliance and Regulatory Update: The Compliance and Regulatory Update was taken as read.

Mr Preston spoke to the Update and noted the following matters:

Group Compliance Framework

The enhanced Compliance Framework continues to be rolled out across the business in a positive manner. The monthly Compliance Committee meetings were also continuing to progress well and are generating strong discussion amongst the Compliance Officers.

Compliance Issues

A matter arose regarding AGT gaming machines, which was identified as part of the increased routine gaming machine audits. A fix has been developed and will be submitted to the VCGLR for approval.

The detailed submission regarding Crown Melbourne’s Compliance framework was provided to the VCGLR on 24 December 2018, as required by the Commission as part of the blanking buttons matter.

We understand that this matter is now closed however we have not had a response from the VCGLR confirming this.

Professor Horvath queried the matter relating to the lighting levels on the gaming floor. Mr Felstead spoke to the process involved in testing lux levels.

Crown has not received a response from the VCGLR regarding the allegations raised by Andrew Wilkie MP related to plastic picks and multiple cards.

A minor [REDACTED] entered the gaming floor two days prior to his 18th birthday after showing ID (believed to be his brother's expired ID). Crown staff had checked the ID initially however a Government Inspector subsequently identified the person on the gaming floor where they determined he was a minor.

Serious Security & Surveillance Matters

The Committee discussed the significant injuries sustained by Crown Security Officers as a result of a group of patrons being denied entry at the Western entrance due to their intoxication. The group had come to Crown from a river cruise. Mr Felstead noted the excellent efforts of the staff to deal with this difficult incident with staff being offered the necessary support post the incident.

Professor Horvath discussed the comfort he takes from the Security statistics, which highlight the number of persons refused entry due to intoxication.

All other Security and Surveillance matters were taken as read.

Regulatory Matters

Mr Preston updated the Committee on the closing out of Recommendations 1 & 2 of the s 25 Review, which have gone to the VCGLR. No feedback has been received to date.

China Matter

Mr Preston noted that Adam Ockwell (the new Director of Compliance at the VCGLR) has taken this matter over from Steve Berriman who has left the VCGLR. A draft report is expected from the VCGLR in late February or early March, which will also be provided to the Minister. It is not known whether the report will be made public. Mr Preston and Mr Richard Murphy (MinterEllison) continue to remain engaged with the VCGLR on this matter.

It was noted that Jason O'Connor returned to work on 11 February 2019 in a non-licensed position. Crown has made a submission to the VCGLR as to Mr O'Connor remaining a fit and proper person to

maintain his casino special employee licence.

Poker Tax

No response has yet been received from the VCGLR or the Department of Justice regarding the poker tax matter, which the Committee noted has been ongoing for approximately 11 years.

Section 25 Recommendations Update

The Committee discussed the letters provided to the VCGLR to close out Recommendations 1 and 2.

The update of the Recommendations was otherwise taken as read.

Litigation Update: The Litigation Report was taken as read.

Anti Money Laundering/Counter The AML/CTF Update was taken as read.

Terrorism Financing – Update: Mr Preston specifically noted the following matters in the Update:

A Compliance Assessment will be undertaken by AUSTRAC at Crown Perth during June 2019.

A project is underway to remove duplicate loyalty accounts to improve efficiency of reporting processes.

Media Coverage: Mr Alexander queried what enquiries are being made of Crown's tenants to ensure that they are paying their staff correctly. Mr Preston advised that a note was being prepared to be sent to each tenancy, reminding them of the obligation in their leases to pay their staff correctly and to comply with all other relevant laws.

Other Business: There was no other business.

Closure: The meeting closed at 3:58pm.

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 Chairman



AGENDA ITEM 2:
Compliance and Regulatory



**Crown Melbourne Compliance Committee
Agenda Item 2: Compliance & Regulatory Update
February 2019 – April 2019**

1. Compliance Framework Status

Business units who have been integrated to the business wide compliance framework to date include:

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|------------------------------------------------------------------------------------------------------|-----------------------------|
| ▪ AML/CTF | ▪ Hotels |
| ▪ Cage | ▪ Procurement |
| ▪ Events and Conferences (Survey's deployed in May. Annual Compliance Plan to be signed 15 May 2019) | ▪ Property Services |
| ▪ F&B (3 distinct sections) | ▪ Responsible Gaming |
| ▪ Finance | ▪ Security |
| ▪ Gaming Machines | ▪ Surveillance |
| ▪ Gaming Machines Product | ▪ Table Games |
| ▪ Health and Safety | ▪ Human Resources |
| ▪ Regulatory and Compliance | ▪ Gaming Machines Technical |
| ▪ VIP International | |
| ▪ IT | |
| ▪ Marketing (Gaming and Non-Gaming) | |

These departments have prepared and are completing monthly compliance surveys and reporting into the Compliance Committee.

Annual Compliance Plans for the above departments have also been drafted, finalised and signed by the Compliance Officers and relevant Executive General Managers/General Managers.

The Health and Safety Survey has now been developed (a survey that goes out to all Department to answer H&S questions). In addition, a fraud related question has been incorporated into quarterly surveys and a once off PCI question was included to assist IT in their PCI compliance project.

Material and other relevant matters from the Monthly Compliance meetings are reported on in Section 4 below.

2. Compliance Framework Next Steps

During the next reporting period, it is expected that Annual Compliance Plans and compliance surveys will be finalised for the following departments:

- Legal (drafted – to be signed shortly)
- Projects
- Showroom



In addition, the Requirements Register (which prioritises from a compliance perspective all regulatory and legislative requirements) has been reviewed in conjunction with the Risk and Audit Department and will be tabled to this Committee in an upcoming meeting.

Compliance surveys and Annual Compliance Plans for all departments will continue to evolve over time as a result of incidents, the legislative and regulatory environment and changing business practices. All Departments will review their Annual Compliance Plans, with a view to sign-off for the end of the Financial Year. New Annual Compliance Plans for each business unit will be drafted in and signed-off in Q1 of FY20.

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3. Compliance Issues

The table below presents new and existing alleged material compliance breaches and other relevant issues which occurred during the period. These include breaches or issues identified either by a regulator or as reported internally via compliance surveys or other means.

Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
<i>Cage</i>			
Existing			
June 2018	The VCGLR wrote to Crown on 1 June 2018, seeking footage of a Chip Rotation in the Main Cage on 25 May 2018 – as a VCGLR audit revealed that the log of rotations was not completed on that date. Footage from the day did not show the chips being rotated. 'Rotation' in the context of the Cage is not applied as moving chips to the front from the back, but rather as rippling the chips with the staff member's hand in order to see if there are any discrepancies with the chips.	<i>Casino Control Act 1991</i> (Vic) VCGLR	The Cage has been asked by Compliance to ensure the chips are rotated in accordance with the SOP and a submission is being prepared to alter the rotation requirement. An update to the Cage SOP has been made to change the language of the process from rotation to verification and/or rotation. The update is now live and as at 13 May 2019, no contact from the VCGLR has been received on the matter.

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Compliance			
Existing			
October 2018	<p>On 31 October 2018, the VCGLR emailed Crown requesting a copy of the 2014 notification of a new Junket Operator (David LIM) to update their computer system. On 1 November 2018, Crown responded to the VCGLR by forwarding a copy of the initial notification via email.</p> <p>LIM signed his Agreement on 24 April 2014, played in May 2014, with Crown notifying the VCLGR on 10 September 2014.</p>	<p>Junket and Premium Player Program (including VIP Telephone Betting and the Introduction of Players) Internal Control Statement</p> <p>VCGLR</p>	<p>Investigations indicate that a former employee appears to have failed to have sent the Notification in a timely manner. This matter was addressed by the VCGLR (Tony Curran) at the time, in 2014.</p> <p>As at 13 May 2019, no further contact from the VCGLR has been received on the matter.</p>
Food & Beverage			
New			
April 2019	<p>On 29 April 2019, the VCGLR issued Crown a 'Letter of Warning' for failing to display the correct liquor licence within The Waiting Room.</p>	<p><i>Liquor Control Reform Act 1988</i> (Vic)</p>	<p>Crown had displayed the General Licence rather than The Waiting Room licence. Crown Legal is educating the relevant staff regarding the error. No further response to the VCGLR is required. Matter closed.</p>
April 2019	<p>On 13 April 2019, a VCGLR Inspector attended Crown Aviary in relation to inspecting Crown's RSA</p>	<p><i>Liquor Control Reform</i></p>	<p>The Liquor Licence was replaced with the correct</p>

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	obligations. It was noted that the Aviary had the incorrect Liquor Licence on display (Crown Events Licence, instead of the General Licence). It was explained at the time to the Inspector that Crown has the General Licence displayed across the complex. The F&B Manager dealing with the matter advised that the VCGLR Inspector agreed that this was therefore not a breach.	Act 1988 (Vic)	Licence immediately.
February 2019	The VCGLR noted a noise complaint under investigation from a resident located on the other side of the Yarra River.	Liquor Licence (Amenity)	<p>Emma Storey (Snr Entertainment Manager) reminded (via email) all Groove Bar bands of the importance of adhering to volume control.</p> <p>A VCGLR Inspector attended a meeting on site with Crown, Crown agreed to change the angle of some external speakers and is organising sound consultants to test sound rating compliance across a number of venues. The VCGLR Inspector informed Crown that they consider the matter closed.</p>
Gaming Machines			
New			
May 2019	On 2 May 2019, the VCGLR wrote to Crown requesting an explanation as to what action had been taken by Crown in relation to Player	Gambling Regulations 2015 (Vic) s 20	Crown informed the VCGLR of its actions on the night and they considered the matter closed. Crown will

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	Information Display (PID) access on the bank of D15 and D1603. The request relates to the PID not being available on the first tap of the 'i' button when the button panel is asleep (that is, it requires 2 x taps to activate the 'i' button – one to 'wake' the machine and again to activate the button).		respond to the letter shortly.
February 2019	Patron Complaint – Rewards Card Activation. A Crown Rewards member was advised by a Crown employee that they must enter the gaming floor to activate their invalid loyalty card. When the staff member was questioned by the patron, the alleged response was that it was VCGLR requirement. The patron made a complaint to the VCGLR, who in turn advised the member to make a complaint to Crown.	<i>Casino Control Act 1991</i> (Vic)	On 11 February 2019, Crown Gaming Machines Operations Manager Brett McCallum contacted the Member to address the member's concerns and moved the Member to a 'Lifestyle' membership. Relevant staff were educated as to the correct manner of dealing with these enquiries.
Existing			
November / Gaming Machines	On 30 November 2018, during a routine gaming machine audit an issue was identified with the AGT game base. The AGT game base permitted continuous play mode to be active for approximately 6 – 9 seconds after an eligible player card was removed from an unrestricted EGM. The lag in transition from Unrestricted to Restricted impacted 134 EGMs across the floor and meant	Ministerial Directions <i>Casino Control Act 1991</i> (Vic) ss 62AB and 62 AC <i>Gambling Regulation Act 2003</i> (Vic)	All AGT EGMs across the gaming floor were placed into 'maintenance mode' overnight. On 1 December 2018, the impacted EGMs were changed to Restricted Mode and switched back into game play. The VCGLR on site Inspectorate was notified of the issue by phone on 4 December 2018. A Significant Event Report was completed, with the

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	that up to 2-3 more games could be played in Unrestricted Mode before the system registered that the card had been removed.		<p>matter escalated to the manufacturer for investigation. The manufacturer's investigation revealed that an issue exists within the game code. A fix has been developed which has been tested by Crown (successfully) and the ATF, for recommendation to the VCGLR.</p> <p>All six Game Recommendations were approved by the VCGLR and implemented.</p> <p>As at 13 May 2019, no contact from the VCGLR has been received on the matter.</p>
September 2018	<p>On 27 September 2018, the VCGLR issued Crown with a s 26(1) Notice pursuant to the <i>Casino Control Act 1991</i> (Vic), requesting information pertaining to EGM C8303 operating in continuous play mode (alleged as 'unrestricted mode' in the Notice), when a Your Play card was not inserted.</p> <p>On 20 December 2018, the VCGLR (on-site Inspectorate) wrote to Crown requesting a clarification on several matters relating to this incident and an explanation as to why Crown breached s 62AB(2) of the <i>Casino Control Act 1991</i> (Vic).</p> <p>As a consequence of this matter; on 19 November 2018 the VCGLR (Director, Compliance) again wrote</p>	<p><i>Casino Control Act 1991</i> (Vic) s 26(1) and s 62AB(2)</p> <p><i>Gambling Regulation Act 2003</i> (Vic)</p> <p>Ministerial Directions</p> <p><i>Victorian Commission for Gambling and Liquor Regulation Act 2011</i> (Vic) Part 4 s 32(3)</p> <p>VCGLR</p>	<p>On 11 October 2018, Crown responded to the Notice. The cause was a wiring fault, which permitted the machine to imitate play in continuous mode if a particular button was held down.</p> <p>As of 1 November 2018, the VCGLR had not provided a determination; however, Crown was verbally told that the matter had been sent down to the on-site Inspectors for review.</p> <p>A full audit of all machines has been carried out. An enhancement to the audit and checking procedures has now been implemented.</p> <p>On 8 January 2019, Crown responded to the second VCGLR letter dated 20 December 2018, reinforcing its</p>

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	to Crown seeking further information as to whether regulation 18(6) of the <i>Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014</i> had been complied with.		<p>position as documented in Crown's initial response dated 11 October 2018. As at 13 May 2019, no contact from the VCGLR has been received on this matter.</p> <p>On 18 December 2018, Crown also responded to the VCGLR's letter dated 19 November 2018, asserting that no breach of Reg. 18(6) had occurred and attaching the VCGLR's approval of the current operating format.</p> <p>As at 13 May 2019, no further contact from the VCGLR has been received on the matter.</p>
December 2017	<p>The VCGLR issued a Notice to Show Cause in relation to the blanking button matter involving blanking plates for two weeks on 17 machines. The VCGLR determined that Crown required proper regulatory approval. Crown was issued with (and has paid) a \$300,000 fine and received a letter of censure. Crown was also required to, within 6 weeks, arrange a meeting with the Commission officers to discuss whether amendments were required to the ICS to prevent a recurrence. This meeting occurred and proposed wording framed for submission.</p> <p>The second requirement was to present to the</p>	<p><i>Gambling Regulation Act 2003</i> (Vic)</p> <p><i>Casino Control Act 1991</i> (Vic)</p> <p>VCGLR</p>	<p>Fine of \$300,000 paid.</p> <p>Crown has met with Commission Officers regarding amendments to the ICS to prevent a recurrence. Crown made its submission to the VCGLR on 26 July 2018, which was approved on 31 December 2018.</p> <p>Crown prepared a presentation on Crown's regulatory framework for Joshua Preston and Barry Felstead to present at a Commission meeting. However, the VCGLR has since made contact and asked that Crown now provide the update in the form of a written submission to the VCGLR Offices.</p> <p>On 24 December 2018, Crown provided a submission</p>

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	Commission within 6 months, on Crown's regulatory framework and the changes that have been made.		to the Commission on its enhanced Compliance framework. On 10 May 2019, the VCGLR wrote to Crown stating that they have considered Crown's Compliance Framework and intend to monitor its implementation and that they would be formally seeking records from Crown, including the minutes and papers of the ERCC and compliance reports from CURA.
April 2018	Allegations of compliance breaches raised by Andrew Wilkie MP relating to the use of Crown issued picks to hold the EGM button down for continuous play and multiple cards issued to patrons. The VCGLR served Crown with a Notice pursuant to s 26 asking Crown to provide any authorisations for the picks and requesting answers to questions relating to picks (e.g. when were they made, how many were made etc.).	<i>Gambling Regulation Act 2003</i> (Vic) VCGLR	The VCGLR attended Crown and requested cards for a review of the multiple cards allegation which were provided and used for testing. Crown has responded to the s 26 Notice including providing the VCGLR Rules for the Game from 1997, which approved the use of the picks. On 7 March 2019, the VCGLR concluded that button picks are considered gaming equipment under the Act, and that section 62 of the Act requires that all gaming equipment must be approved. The VCGLR determined that no disciplinary action would be taken against Crown, however, it determined to issue a Direction to Crown under s 23 of the Act. The Direction, directs Crown to: <i>1. Crown must not issue or supply to patrons any button picks or like items (being any item or device designed to hold</i>

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			<p><i>down or continuously depress an electronic gaming machine button) for use on any electronic gaming machine in the Melbourne casino; 2. Crown must take all reasonable steps to ensure that button picks or like items (as described above) are not used by patrons for gaming on electronic gaming machines in the Melbourne casino.</i></p> <p>Crown was further required to provide a report to Mr Ockwell, Director, Compliance, by 8 April 2019 detailing the steps taken by Crown to comply with the Direction.</p> <p>On 8 April 2019, Crown responded to Mr Ockwell, outlining the measures in place to address the Direction. No response has been received to our letter.</p> <p>On 21 March 2019, the VCGLR wrote to Crown advising that its investigation into the use of multiple cards has concluded. The VCGLR found that there is no contravention of any applicable gaming laws in the state of Victoria, but has referred the matter to the Department of Justice and Community Safety to determine whether regulatory reform is required.</p>

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<i>IT</i>			
Existing			
November 2018	As a result of an administrative oversight, the IT department failed to process terminations within seven (7) days of the cessation of employment of two (2) contractors; both holders of a Casino Special Employee Licence. Crown has a reporting obligation pursuant to the <i>Casino Control Act 1991</i> (Vic) to report a cessation of a licensed employee within seven (7) days.	<i>Casino Control Act 1991</i> (Vic) Section 56(1)(c) VCGLR	Both employees were placed onto the relevant Cessation Report to the VCGLR. On 26 November 2018, the Regulatory and Compliance Department sent a reminder to the HR and BOT teams outlining Crown's obligations pursuant to the Act. As at 13 May 2019, no contact from the VCGLR has been received on the matter.
October 2018	The Count for 20 October 2018, which was uploaded on 21 October 2018, failed to push the financial numbers for pits 33 to 99 through to the Master Gaming Report and therefore did not go through to the VCGLR in their daily Tag report.	VCGLR	The numbers have since been rectified and an investigation is under way as to what caused the failure. The VCGLR was notified and will be informed of the outcome of the investigation. On 9 January 2019, IT advised that they have identified database disconnect error messages in the soft count log process, which IT were able to replicate by pressing Ctrl+C or by clicking 'X' on the SYCO screen. Crown has informed the VCGLR (Jason Cremona) of the findings of IT's review. As at 13 May 2019, no further contact from the VCGLR

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			has been received on the matter.
Security			
Existing			
August 2018	Minor ██████████ was located on the gaming floor by a VCGLR inspector on 11 August 2018. ██████████ used his brother's ID to gain access. The VCGLR requested information from Crown related to the incident.	<i>Gambling Regulation Act 2003</i> (Vic) Part 7 Reg. 10.7.7	Crown responded to the VCGLR's request on 8 November 2018. The on-site Inspectorate has informally notified Crown that this matter has been sent to their Richmond offices for further review. As at 13 May 2019, no further contact from the VCGLR has been received on the matter.
Table Games			
New			
May 2019	On 2 May 2019, the VCGLR wrote to Crown requesting an explanation as to what action Crown had taken regarding the bias/balance of Roulette Table BW3109. The matter relates to a VCGLR inspection of BW3109 on 19 April 2019, with an alleged finding of a 'significant bias', which was	<i>Casino Control Act 1991</i> (Vic)	Crown is considering the VCGLR letter and will respond shortly.

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	disputed by Crown staff.		
May 2019	On 2 May 2019, the VCGLR wrote to Crown requesting an explanation as to why on 18 February 2019, Roulette Rule 5.3 was not adhered to on AR2504. It is alleged that the Dealer failed to signal 'no more bets' prior to the ball dropping, on multiple occasions. It is also alleged that the Dealer failed to return the late bets.	<i>Casino Control Act 1991</i> (Vic) Roulette Rule 5.3	Crown is considering the VCGLR letter and will respond shortly.
May 2019	On 2 May 2019, the VCGLR wrote to Crown requesting an explanation as to why on 18 February 2019, Roulette Rule 5.3 was not adhered to on AR0903. It is alleged that the Dealer failed to signal 'no more bets' prior to the ball dropping on a single occasion.	<i>Casino Control Act 1991</i> (Vic) Roulette Rule 5.3	Crown is considering the VCGLR letter and will respond shortly.
March 2019	On 26 March 2019, the VCGLR requested Crown to provide footage of a patron who they allege was gambling while intoxicated. It is alleged that the patron placed a bet on Roulette 3112 at approximately 05:28 hours. The VCGLR has recently also requested a statement from the Dealer and an F&B employee involved.	<i>Casino Control Act 1991</i> (Vic) S 81AAC Gambling or betting by intoxicated persons prohibited	On 4 April 2019, Crown provided the VCGLR with the requested footage. On 3 May 2019, Crown became aware that archived footage of the incident was corrupted. The VCGLR is aware that not all footage was provided and has now requested an investigation into how the footage became corrupted. Crown will respond to the matter shortly.

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March 2019	On 28 March 2019, the VCGLR wrote to Crown seeking an explanation as to why on 10 March 2019 an alleged breach of Poker Rule 17.4.1 and 17.6.1 occurred on PK17 between 04:30 and 05:44. It alleged that the Dealer failed to activate the Jackpot Button on multiple occasions and did not alert the TG AM (or above) to remedy the situation.	<i>Casino Control Act 1991</i> (Vic) Poker Rule 17.4.1 and 17.6.1	On 15 April 2019, Crown responded to the matter. The Dealer received disciplinary action and the Poker team received additional extensive briefing to ensure adherence with Rule 17.4.1 and 17.6.1. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
March 2019	On 18 March 2019, an alleged breach of the SOP (to be confirmed) occurred on MT0652 (Sic Bo). A job was logged with Maintenance to clean the dice, however, it was discovered that the seal was broken (a VCGLR Inspector was not in attendance when this occurred).	<i>Casino Control Act 1991</i> (Vic) Sic Bo	The VCGLR has asked Crown to review whether the VCGLR should be removed as part of the seal process.
February 2019	On 28 February 2019, the VCGLR wrote to Crown noting no further action would be taken against Crown in regards to an incident that occurred on BJ0736 on 23 November 2018. A patron claimed to have been denied the opportunity to indicate his intentions during a hand.	<i>Casino Control Act 1991</i> (Vic) Blackjack Rule 7.5.1	The matter is considered closed.
January 2019	On 29 January 2019, the VCGLR wrote to Crown requesting an explanation as to why on 9 January 2019, Poker Rule 17.4.1 & 17.6.1 was disregarded	<i>Casino Control Act 1991</i> (Vic) Poker Rule 17.4.1 &	On 27 February 2019, Crown responded to the VCGLR noting the seriousness of the matter. The Dealer received disciplinary action and the Poker team

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	by the Dealer on PK10. The VCGLR alleges that the Dealer did not activate the jackpot button at the commencement of play, nor notify the Area Manager to make the appropriate adjustment.	17.6.1	received extensive briefing to ensure adherence with Rule 17.4.1 and 17.6.1. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
January 2019	On 29 January 2019, the VCGLR wrote to Crown requesting an explanation as to why on 8 January 2019, Poker Rule 17.4.1 was disregarded by the Dealer on PK16. The VCGLR allege that the Dealer activated the jackpot button multiple times during a single hand, thus manipulating the jackpot system.	<i>Casino Control Act 1991</i> (Vic) Poker Rule 17.4.1	On 27 February 2019, Crown responded noting human error as the cause and that this was not an intentional act to manipulate the jackpot or contravene the Rules. The Dealer received disciplinary action and the Poker team received extensive briefing to ensure adherence with Rule 17.4.1. Table Games has sent a note to all poker staff regarding this issue and has issued file notes and written warnings to relevant staff. The escalated response arose from the Compliance Framework identifying a negative trend in this area and rectification action was initiated to address the weakness. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
January 2019	On 29 January 2019, the VCGLR wrote to Crown requesting an explanation as to why on 1 December 2018, Poker Rule 7.7 was disregarded. The VCGLR allege that the Dealer on PK17 allowed	<i>Casino Control Act 1991</i> (Vic) Poker Rule 7.7	On 18 February 2019, Crown responded to the matter. Crown noted human error as the cause, with the error being rectified immediately by the ACM on duty. Crown emphasised that the Dealer did not

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	additional commission to be collected.		intentionally collect additional commission contrary to Poker Rule 7.7. The Dealer received the appropriate disciplinary action and received additional training. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
Existing			
November – December 2018	Seventy-five (75) Provisional Improvement Notices (PINs) were issued by Health & Safety Representatives. Generally the PINs related to alleged issues such as a failure to provide information on incidents, insufficient time afforded the HSR's to perform workplace inspections and perceived staffing level reductions and failure to consult. Multiple PINs were issued covering the same allegation but each alleging a different breach of the <i>Occupational Health and Safety Act 2005</i> .	<i>Occupational Health & Safety Act 2004</i> <i>WorkSafe</i>	Twenty-six (26) were cancelled by WorkSafe. Thirty-four (34) were withdrawn after meeting with WorkSafe. Seven (7) were closed. The eight (8) outstanding PINs have been subsequently cancelled. For the current period January 2019 to April 2019, there were no new PINs issued.
January 2019	On 15 January 2019, the VCGLR wrote to Crown requesting an explanation as to why on 21 August 2018, multiple (alleged) breaches of cl. 10.2.1 of the Pai Gow Rules (patrons talking to each other about their hands) occurred on PG8910 (between 3:00am – 4:00am), being a breach s 60(2)(c) of the	<i>Casino Control Act 1991</i> (Vic) Pai Gow Rules	On 7 February 2019, Crown responded to the matter. Crown asserted that the game had been dealt in accordance with the Rules of Pai Gow, with adequate supervision from the Area Manager. However, did agree that the Dealer could and should have been more assertive in ceasing the communication between

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Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
	<i>Casino Control Act.</i>		the players. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
January 2019	On 14 January 2019, the VCGLR wrote to Crown requesting an explanation as to why on 16 October 2018, Caribbean Stud Poker Rules 7.5.3 (63 alleged breaches) – including failing to increment the Jackpot amount, 7.6.2 (3 alleged breaches) and 7.5.1(a) (one alleged breach) were not followed by the Dealer on CS0718.	<i>Casino Control Act 1991</i> (Vic) Caribbean Stud Poker Rules 7.5.3, 7.51(a) and 7.6.2	On 7 February 2019, Crown responded to the matter. Crown accepted that the Dealer made errors when dealing the game and that the oversights were corrected by the Area Manager on duty. The Dealer was issued with the appropriate disciplinary action and has undergone re-training in the Rules and procedures of Caribbean Stud Poker. As at 13 May 2019, no further contact has been made by the VCGLR on this matter.
December 2018	On 6 December 2018, the VCGLR wrote to Crown stating that on 20 October 2018, Inspectors observed an alleged breach of Poker Rule 14.2.5 by the Dealer on PK16. The VCGLR has sought an explanation from Crown as to why the Dealer did not place the 'boxed card' in the 'muck'.	<i>Casino Control Act 1991</i> (Vic) Poker Rule 14.2.5	On 18 December 2018, Crown responded to the letter citing human error as the cause of the incorrect placement of the boxed card. The boxed card was isolated and unable to be used in play and therefore there was no risk to the integrity of the game or any players. The Poker management team and the Dealer have been advised of the importance of compliance with the Poker Rules and SOPs. As of 13 May 2019, no further comment has been

2.1



Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
			received from the VCGLR.
July 2018	Table Games closed a FATG in SYCO but left half of the terminals operating for approximately 6 hours on the gaming floor. There was no impact to reporting of revenue. The matter was self-reported to the VCGLR on 11 July 2018.	<i>Casino Control Act 1991</i> (Vic) VCGLR	Matter under review by the VCGLR. As of 13 May 2019, no further contact has been received from the VCGLR on this matter.
October 2017	In October 2017, three Provisional Improvement Notices (PINs) were issued alleging breaches of Section 22(1)(a) and (b) of the <i>Occupational Health & Safety Act</i> in that there was no ongoing monitoring of health of employees in designated smoking areas. Crown has advised it consulted with the Health and Safety Representatives (HSRs) and indicated that it would undertake a full review and obtain expert opinion and advice to be completed by 31 March 2018. The HSRs have withdrawn the PINs to await completion of the review. The review has now been completed.	<i>Occupational Health & Safety Act 2004</i> WorkSafe	Crown has enhanced its framework with the introduction of employee health medical assessments, for those working in designated smoking areas. The roll-out commenced in February 2019.

2.1



Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
VIP			
New			
February 2019	A Junket claimed a \$300K variance in their records. An investigation noted a TG AM was present at a computer terminal at the time of the adjustment and may have inadvertently adjusted the rating.		A SYCO change was requested to remove a SYCO menu item that facilitated the error. This change is expected to be implemented in May 2019.
Existing			
November 2018	On 21 November 2018, a minor who was a guest in a Villa situated within Crown Towers, accessed a Salon on Level 29 after exiting the lift. The Salon door was open and the child walked in.	<i>Gambling Regulation Act 2003</i> (Vic) VCGLR	VIP has agreed that all Salon doors must remain closed at all times. This matter was reported to the VCGLR in the Self-Reporting Quarterly Minors Report.
August 2018	The VCGLR wrote to Crown seeking an explanation as to why the Commission was not notified of a new Junket Operator (SUJADI, Adelin) prior to commencing dealings with CML. On 1 March 2019, the Commission issued Crown with a Notice to Show Cause (Notice), under s 20(1)(b) of the <i>Casino Control Act 1991</i> (Vic)(Act). The Commission alleges that Crown contravened s	<i>Casino Control Act 1991</i> (Vic) Internal Control Statements VCGLR	Crown responded advising that our review of the matter indicated that human error was the cause of the issue. Crown noted to the VCGLR that Mr SUJADI had passed probity checks and was approved to operate at Crown Perth. Crown's Compliance Department and VIP International Department have reviewed the process and made changes to safeguard against a repeat error

2.1



Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
	121(4) of the Act, by failing to notify the VCGLR of a new non-resident Junket Operator as per the Junket and Premium Player Program Internal Control Statement (ICS). The ICS sets out that Crown will provide the VCGLR with notification of all new non-resident Junket Operators at cl.2.4.1.		<p>of this nature.</p> <p>On 29 March 2019, Crown responded to the Notice. Crown stressed that the matter was administrative in nature and not a deliberate act committed to conceal or deceive the Commission. On 7 May 2019, the VCGLR issued Crown with a \$25,000 fine. On 14 May 2019, a cheque was sent to the VCGLR.</p> <p>The matter is now closed.</p>
October 2018	<p>On 25 October 2018, the VCGLR wrote to Crown requesting an explanation in relation to the amount of commission paid on an International VIP program. The letter sought an explanation as to why commission was paid for play on Pai Gow, when clause 3 of the Program Agreement provided that it would be paid for play on Baccarat and Roulette only.</p> <p>On 12 November 2018, Crown responded to the request, advising that cl.14 of the Agreement permitted a change to the terms, if they are to the benefit of the patron. The VCGLR subsequently replied via writing on 6 December 2018, seeking further advice as to when cl.14 was applied and how was it documented. The VCGLR also reiterated that its initial calculation of accrued turnover was</p>	<p>Clause 3 of the Terms and Conditions of the Table Games Junket Program Agreement.</p> <p>Internal Control Statement</p> <p>VCGLR</p>	<p>A communication breakdown between VIP Operations and Table Games was originally thought to have led to an oversight. However, further review shows that the play on Pai Gow was requested by the Group.</p> <p>A change has been made to clause 3 of the Agreement, to better clarify the discretion to be applied to the games that attract commission.</p> <p>On 3 January 2019, Crown responded to the VCGLR's letter dated 6 December 2018, providing the information sought.</p> <p>As at 13 May 2019, no further contact has been made by the VCGLR on this matter.</p>

2.1



Date of issue / Dept	Description of issue	Relevant legislation/regulation and Regulatory Authority	Remedial Actions / Status
	different to that of Crown's calculation.		
October 2016	The VCGLR is investigating the detention of 19 Crown employees in China, charged and found guilty of offences relating to the promotion of gambling in the region.	Casino Control Act 1991 (Vic) VCGLR	Investigation remains in progress.
Various Departments			
New			
February 2019 to May 2019	Four Notifiable Incidents (NIs) occurred during the period. The NIs were reported to WorkSafe or Energy Safe Victoria (where applicable) with remediation actions undertaken (where applicable).	Occupational Health & Safety Act 2004 WorkSafe Energy Safe Victoria	<ul style="list-style-type: none"> ➤ A Food & Beverage employee suffered a laceration to the thigh requiring six stitches. ➤ A cleaner walked through the Silks door and was struck on hand. ➤ A Bistro Guillaume employee used tweezers to activate a broken switch and suffered an electric shock. ➤ A Nobu apprentice chef inserted a skewer into their left palm flesh between the index finger and thumb.

2.1



4. Serious Security & Surveillance Matters

	Date Reported	Background: Details of Serious Incident	Comments: including follow-up action, potential for media interest, litigation, etc.
1.	01/01/2019	<p>STAFF ASSAULT / MEDICAL INCIDENT</p> <p>Three Security Officers are alleged to have been assaulted after a female was asked to leave Club 23 due to unacceptable behaviour. The female, as well as two other patrons that became involved in the incident, were subsequently restrained by Security. Several glasses were broken during the incident, resulting in shards on the ground causing cuts to patrons and staff.</p>	<p>Two females that were restrained sustained minor cuts to the head, and one male who struggled whilst being restrained is suspected to have sustained a fractured nose.</p> <p>A Crown First Aid Officer attempted to provide medical assistance to the patrons, but was unable to proceed due to their aggression.</p> <p>Police attended and one female was arrested. The other two patrons involved were conveyed by ambulance to hospital for further treatment. All three patrons have been issued a Withdrawal of Licence by Crown.</p> <p>There was no media coverage of this incident.</p>
2.	11/01/2019	<p>ALLEGED ROBBERY</p> <p>A patron reported to Security that he was robbed of his watch and sunglasses after being approached and threatened by a group three young males near Nobu restaurant.</p>	<p>Police attended to speak to the alleged victim, after they were contacted by his girlfriend.</p> <p>Two of the alleged offenders were spoken to by a staff member, however all offenders left site as Security arrived. Surveillance and Security assisted Police with their inquiries into this matter.</p> <p>There was no media coverage of this incident.</p>

2.1



	Date Reported	Background: Details of Serious Incident	Comments: including follow-up action, potential for media interest, litigation, etc.
3.	19/01/2019	<p>PATRON ARREST – DRUGS AND FIREARM</p> <p>A patron staying at Crown Towers was arrested by Police when he returned to his room after a quantity of suspected illicit substance and drug paraphernalia was found in his room. The patron was searched by Police, and was found in possession of a large quantity of Methamphetamine as well as a loaded gun.</p>	<p>The patron was conveyed off site by Police. The patron has been issued a Withdrawal of Licence by Crown.</p> <p>There was no media coverage of this incident.</p>
4.	24/01/2019	<p>MEDICAL INCIDENT / DEATH</p> <p>An elderly patron, who was accompanied by his wife, collapsed at Southern Porte and was treated by Security and paramedics. The patron later passed away whilst leaving site in an ambulance.</p>	<p>The male was placed into the recovery position by Security and an ambulance was requested. A Crown First Aid Officer provided treatment to the male until paramedics arrived, at which point he stopped breathing and CPR was administered. The male was transferred into the ambulance when a pulse was detected, but his condition deteriorated and he was unable to be revived.</p> <p>Victoria Police attended, and the deceased male was later transported from Southern Porte to the Coroner.</p> <p>There was no media coverage of this incident.</p>
5.	26/01/2019	<p>SERIOUS ASSAULT – GLASSING</p> <p>A patron is alleged to have smashed a glass over the head of another male during a physical altercation between a group of patrons at Atrium Bar.</p>	<p>The altercation quickly escalated and several Security Officers attended to separate the parties involved. One injured patron was offered medical assistance which was refused. Police attended and spoke to the remaining persons involved. As the person believed to have been the main aggressor had left site, there was no further action taken by Security.</p> <p>There was no media coverage of this incident.</p>
6.	01/02/2019	<p>PROPERTY DAMAGE / BROKEN GLASS HAZARD</p> <p>Security was advised of the presence of broken glass on the riverside</p>	<p>Security immediately directed patrons away from the area on the riverside. The balcony and area below remained closed off to patrons</p>

2.1



Date Reported	Background: Details of Serious Incident	Comments: including follow-up action, potential for media interest, litigation, etc.
	<p>below Lumia Balcony. On further inspection, one of the glass panels of the balcony had shattered and fallen to the ground.</p> <p>It is alleged that a patron threw a drink at the panel after an altercation with another patron on the balcony.</p>	<p>while Maintenance staff completed temporary repairs.</p> <p>There were no injuries to patrons or staff as a result of the falling glass.</p> <p>The alleged offender left site after the incident, but has been identified and issued a Withdrawal of Licence by Crown. As per standard practice, Crown anticipates that the Police will seek orders for restitution (compensation).</p> <p>There was no media coverage of this incident.</p>
7.	<p>12/03/2019</p> <p>ATTEMPTED ROBBERY</p> <p>A patron ran into the Level 1 Food Court and reported to Security that he had been approached by a male and female in the Multi Deck Car Park, who had demanded that he handover his wallet and phone to them.</p>	<p>Security attended the Car Park and was able to locate the alleged offenders with the assistance of the alleged victim. The male offender ran off as Security approached, and was seen discarding a knife that he was carrying. The female remained with Security, and was spoken to by Police. The male was later apprehended by Security in the level 1 retail area and was subsequently arrested and taken off site by Police. The female was released. Both the male and female have been issued with a Withdrawal of Licence by Crown.</p> <p>The female was later confirmed by Police as being 17 years old and on review of CCTV footage, was found to have entered the gaming floor on four occasions prior to the incident, using fake identification.</p> <p>There was no media coverage of this incident.</p>
8.	<p>30/03/2019</p> <p>SERIOUS ASSAULT – GLASSING</p> <p>Security was requested to assist a patron on the dancefloor at Groove Bar, who was bleeding heavily from the mouth after she was allegedly assaulted with a glass by another female patron.</p>	<p>The female was treated by Security and a Crown First Aid Officer. Victoria Police attended and spoke with the female before she left in a taxi with her partner to attend hospital.</p> <p>A review of CCTV was conducted and the alleged offender was identified and detained for Police. The female was later released by</p>

2.1



Date Reported	Background: Details of Serious Incident	Comments: including follow-up action, potential for media interest, litigation, etc.
		<p>Police and issued with a Withdrawal of Licence by Crown.</p> <p>There was no media coverage of this incident.</p>
9.	<p>31/03/2019</p> <p>PATRON FALL</p> <p>An elderly female fell down the escalators leading from the Palladium function area to ground level, sustaining multiple cuts and abrasions.</p>	<p>The patron was bleeding heavily and was treated by Security and the Crown First Aid Officer. Paramedics also attended on request, and the patron was later conveyed by ambulance to hospital.</p> <p>There was no media coverage of this incident.</p>

2.1



Serious Security and Surveillance Statistics¹

	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
Headcount (Complex)	2,502,195	2,853,373	3,065,943	2,993,650	3,000,094	2,985,311	3,015,306	3,943,872	3,197,822	2,917,507	3,035,277	2,911,766
Serious assaults between patrons involving injuries (Medical Officer Involved)	3	0	1	0	2	3	1	4	2	0	1	2
Assaults between patrons	14	35	36	24	35	22	18	44	28	23	22	19
Assaults on Crown Melbourne employees	10	12	5	11	7	5	10	13	7	7	13	6
Intoxicated patrons refused entry	4,538	5,056	4,799	4,938	4,937	4,703	5,154	5,258	2,957	3,318	4,082	3,350
Intoxicated patrons removed	930	1,112	1,122	974	1,356	923	1,250	1,344	731	814	1,051	993
Assisted removals	44	58	47	41	55	36	71	81	31	30	46	45
Peaceful Removals	1,858	2,141	2,180	1,903	2,340	1,804	2,036	2,301	1,515	1,504	1,863	1,810
Weapons found on site	9	5	4	5	6	4	5	3	4	3	4	4
Minors on Gaming Floor	1	1	5	6	2	0	2	6	4	3	8	1

¹ Numbers are based on reports received, some are allegations only.

Some are sexual/indecent assault allegations.

Contractors are included for the Assaults on Crown Melbourne Staff.

The three rows for the assault numbers include some overlap.

Some incidents involved Assault of staff and patrons by patrons, and all the incidents counted as serious also counted as assaults between patrons.



5. Regulatory Matters

Your Play

On 5 October 2018, the VCGLR (Compliance Director) wrote to Crown making enquiries of a preliminary nature, regarding the operation of the Your Play Pre-commitment Scheme at the Casino. The queries concerned multiple cards; active Your Play members; number of Casual Cards etc. and largely sought data, training and directions provided to staff and operational information; however, no allegations were made as to any wrong doing by Crown.

Crown responded to the VCGLR's letter on 26 October 2018, providing the information and data as requested.

As of 13 May 2019, no further comment has been received from the VCGLR.

Section 25 Review

The VCGLR concluded its Sixth review of the Casino Operator and Licence, pursuant to s 25 of the *Casino Control Act*, for the period covering 1 July 2013 to 30 June 2018 (the Review was undertaken by a team headed by Robert Chappell (ex-CEO of the South Australian Regulator)) (**VCGLR Report**). The VCGLR Report, with Crown's Response appended, was published on Friday, 3 August 2018.

The VCGLR's Report (as anticipated) had a significant focus on RSG and Crown's Risk, Governance and Compliance processes/frameworks. The VCGLR's Report also covered the outcome of the VCGLR's investigation of the Wilkie allegations, finding that (setting aside the Blanking Button issue) all allegations were unfounded and/or misconceived.

The VCGLR's Report contains 20 Recommendations, which Crown has accepted and is currently working through internally and is engaging with the VCGLR on. To date, Recommendations 1 & 2 have been completed. Almost half of the Recommendations are due for completion by 1 July 2019. Attached at Agenda Item 5.2 is a table detailing the status of Crown's progress and commentary on the Recommendations.

China Matter

It is expected that the VCGLR will shortly be finalising its draft report, which will be provided to Crown and Crown will be invited to make submissions. The finalised report will be sent to the Minister for Gaming.

There has been no progress with former China based staff member Jenny Jiang.

April/May 2018 Wilkie Allegations

Allegations of compliance breaches were raised by Mr Andrew Wilkie MP relating to the use of Crown issued plastic picks to hold EGM buttons down for continuous play and multiple loyalty cards issued to patrons.



On 7 March 2019, the VCGLR concluded that button picks are considered gaming equipment pursuant to the *Casino Control Act*, and that section 62 of the Act requires that all gaming equipment must be approved (but has determined not to take disciplinary action on this occasion). The VCGLR issued a Direction to Crown under s 23 of the Act, which requires Crown to: *1. Crown must not issue or supply to patrons any button picks or like items (being any item or device designed to hold down or continuously depress an electronic gaming machine button) for use on any electronic gaming machine in the Melbourne casino; 2. Crown must take all reasonable steps to ensure that button picks or like items (as described above) are not used by patrons for gaming on electronic gaming machines in the Melbourne casino.*

Crown was further required to provide a report to Mr Ockwell, Director, Compliance, by 8 April 2019 detailing the steps taken by Crown to comply with the Direction. On 8 April 2019, Crown responded to Mr Ockwell, outlining the measures in place to address the Direction. No feedback has been received from the VCGLR concerning Crown's report.

On 21 March 2019, the VCGLR wrote to Crown advising that it had concluded its investigation into the issue and use of multiple player cards and found that Crown had not contravened any Victorian laws. The VCGLR further noted that they have referred the matter to the Victorian Department of Justice and Community Safety to determine whether regulatory reform was necessary.

Poker Tax

The VCGLR claims that Crown is required to pay Gross Gaming Revenue (**GGR**) gaming tax on the entry fee component of poker tournaments held at Crown. Crown has disputed that entry fees are subject to gaming tax, primarily based on:

- For a number of years in times past, the Rules for Poker Tournaments, approved by the VCGLR, specifically provided that GGR did not apply to the entry fee;
- The ATO has declared that the entry fee component is 'not a gambling supply' and is therefore subject to GST;
- The fee does not fit the definition of GGR or gambling, in that there is no possibility of a return from paying the fee as it is not wagered; and
- The VCGLR has determined that poker tournaments where the buy-in is returned to players as prizes which are permitted outside the casino, are not subject to gambling regulation or a casino licence and are not subject to a gaming tax.

The VCGLR has raised the matter periodically over more than 11 years and on 2 May 2018 served Crown with a Notice pursuant to s 26 of the *Casino Control Act 1991* (Vic) to provide certain data for an assessment to be made. Crown responded to the Notice providing the first of two large tranches of data covering 2014 to 2018.



A second tranche of data, covering the period 2010 to 2014 was subsequently provided and Crown advised the VCGLR that no further data was available for the years preceding 2010, as it had either been destroyed and/or it is now unreadable, as Crown no longer had the historic systems required to read it (note that Crown is only required by the *Casino Control Act* to keep data going back 7 years (8 years of data was provided)).

On 6 September 2018, the VCGLR again wrote to Crown querying the circumstances of the destroyed and unreadable data. In preparing the response to this letter, further detail was sought from the IT Department and an experienced employee who had recently returned to the relevant IT team was able to write code to extract further data going back to 2003. Crown subsequently wrote to the VCGLR explaining that further data had become available and that data was provided.

On 5 December 2018, the VCGLR (Chairman) again wrote to Crown, seeking detail as to what steps would be required to recover the unreadable data; what would be the cost of rebuilding the system and what amount of time would it require (it is notable that the period for which this information was sought was for between 16 and 22 years ago – the *Casino Control Act* requires the retention of the material for 7 years). The letter sought a further tranche of data (under s 26 Notice) (for the period since data was last provided) and required Crown Melbourne to commence reporting the taking of Poker Tournament Entry Fees in its usual Gross Gaming Revenue (**GGR**) report. Crown replied on 19 December 2018, providing all of the information requested – Entry Fees will be reported in the GGR report, but will not form part of the calculation. Crown has not yet received a response to its letter.

No further update has been received from the VCGLR.

EGM Continuous Play

On 27 September 2018, the VCGLR served Crown with a Notice pursuant to s 26 of the *Casino Control Act 1991* (Vic) to answer questions and provide data concerning EGM C8308, which the VCGLR allege was identified by Government Inspectors as operating in 'Unrestricted Mode', without YourPlay functionality activated. Crown investigated the machine with its Approved Testing Facility (ATF) (BMM) and the machine's manufacturer (IGT). It was identified that the machine was not operating in unrestricted mode, however, it had a wiring fault, which meant that when a particular button was held down, it performed as if continuous play was in operation. It should be noted that s 62AB of the *Casino Control Act 1991* (Vic) provides:

(2) A casino operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player (whether by pushing a play button, touching the screen or otherwise).

Crown responded to the Notice, advising that it was as a result of a machine hardware fault and also provided a copy of the manufacturer's report into the machine.

On 20 December 2018, the VCGLR (on-site Inspectorate) wrote to Crown requesting clarification on several matters relating to this incident and an explanation as to why



Crown breached s 62AB(2) of the *Casino Control Act 1991* (Vic) [a casino operator must not allow a game to be played on a gaming machine unless each spin can be initiated only by a distinct and separate activation of the machine by the player]. On 8 January 2019, Crown responded to the letter dated 20 December 2018, reinforcing its position as documented in Crown's initial response dated 11 October 2018. No reply has yet been received from the VCGLR.

As a consequence of this matter; on 19 November 2018 the VCGLR (Director, Compliance) wrote to Crown advising that they are continuing to investigate the circumstances relating to the malfunction of EGM C8308. In this letter, the VCGLR sought further information from Crown as to whether regulation 18(6) of the *Gambling Regulation (Pre-commitment and Loyalty Scheme) Regulations 2014* have been complied with. On 18 December 2018, Crown responded asserting that no breach of Reg. 18(6) had occurred and attaching the VCGLR's approval of the current operating format. No response has yet been received from the VCGLR.

As a result of this issue, various audits and reviews of similar machines have been undertaken.

As of 13 May 2019, no further update has been received from the VCGLR.

6. Legislative Update

Proposal to Restrict Cash Transactions

The Federal Treasury Department issued a paper titled "Introducing an Economy-Wide Cash Payment Limit; Government Response to the Black Economy Taskforce Final Report" dated 23 May 2018 inviting submissions from the public (which were due by 24 June 2018).

Included in the resulting report is a proposal to restrict cash transactions for goods and services to under \$10,000, to address its concerns around the black economy. All transactions over \$10,000 are proposed to be by electronic transfer only.

Crown prepared a joint submission with The Star Group and Sky City to the Treasury Department seeking an exemption to the \$10,000 proposal on the basis they are already major reporters (with the banks and payment providers who are to be exempt) to AUSTRAC. To date, the Treasury Department has not provided its formal response. Informal discussions continue between Crown, the Treasury Department and AUSTRAC.

2.1



Crown Melbourne Compliance Committee

Memorandum

To: Crown Melbourne Compliance Committee

From: Joshua Preston

Date: 21 May 2019

Subject: **Crown Melbourne – Sixth Review of Casino Licence under Section 25 of the *Casino Control Act 1991* (Vic) – Update Report**

2.2

Dear Committee Members,

Crown Management with the support of members of the Crown Resorts Limited Responsible Gaming Committee and Crown Resorts Management continue to progress with addressing each of the various recommendations.

Since the last report, Crown has had its first formal meeting with representatives of the VCGLR regarding progress against the recommendations.

Please find attached a copy of the Section 25 Recommendations Table as at 2 May 2019 which was provided to the VCGLR.

An update will be provided at the meeting on the progress on the various recommendations, with several having a due date of 1 July 2019. There will be some time pressure with meeting the upcoming deadlines, however management will continue to engage with the VCGLR in this respect.

Regards



Joshua Preston
Chief Legal Officer – Australian Resorts



Section 25 – Recommendations Table At 2 May 2019

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p>Recommendation 1</p> <p>The VCGLR recommends that, by 1 January 2019, Crown develop, and submit to the VCGLR for approval, a change program to fully engage its independent directors in proactive strategic oversight of the operations of the Melbourne Casino. Particular consideration should be given to -</p> <ul style="list-style-type: none"> formulating a charter for the Crown Melbourne board fully documenting, for visibility to the VCGLR, the reporting and decision-making relationships between all of the boards, committees and executive meetings with responsibility for, or oversight of, Melbourne Casino functions, and elevation of governance to the group board and committees. <p>The submission should identify any changes to regulatory frameworks and how these will be addressed.</p>	<p>Recommendation Accepted</p> <p>Crown will, in conjunction with its parent company, review its governance framework, taking into account the matters recommended by the Commission for consideration. A new framework for reporting has already been designed and is being worked through. Crown will continue to review its corporate structure moving forward with any proposed changes brought to the attention of the Commission.</p> <p>We also note that the current Crown Melbourne Framework has been considered by the Commission in times past, with some of the current structures in place as a result of regulatory obligations.</p>	<ul style="list-style-type: none"> A submission addressing all points referenced in Recommendation 1 was submitted to the VCGLR on 24 December 2018. The submission included a Crown Melbourne Board Charter. Although not specifically related to Recommendation 1, Crown is drafting a new updated Company Constitution, which will require the approval of the Commission in due course. 	1 January 2019	Yes
<p>Recommendation 2</p> <p>The VCGLR recommends that, by 1 January 2019, Crown undertake a review of the required qualifications for committee chairs set out in the charters, and ensure that the appointees' actual qualifications match.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Review undertaken and letter outlining actions taken by Crown submitted to the VCGLR on 24 December 2018. 	1 January 2019	Yes
<p>Recommendation 3</p> <p>The VCGLR recommends that, by 1 July 2019, Crown assess the robustness and effectiveness of its risk framework and systems, including reporting lines in</p>	<p>Recommendation Accepted</p> <p>It should be noted that the risk framework has already been reviewed and an enhanced framework is currently being implemented, which is supported</p>	<ul style="list-style-type: none"> The Group General Manager Risk & Audit has reviewed Crown's risk framework and commenced enhancements to the framework and systems in early 2018. In this respect the 	1 July 2019	In Progress

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p>the chain of command, and upgrade them where required. This assessment should be assisted by external advice.</p>	<p>by an IT based reporting, recording and management framework.</p> <p>Also, a Group General Manager – Risk and Audit was appointed in 2017 to oversee the group function of risk and audit. Additional resources have also been committed to support the enhanced framework.</p>	<p>enhanced risk framework has started to be rolled out across the business and is being embedded into work processes and systems.</p> <ul style="list-style-type: none"> • A new “Risk Appetite” was presented to, and ultimately approved, in December 2018 by the relevant Crown Boards and Committees. • The supporting risk matrix was revised, approved by the business and embedded into the risk system to ensure the capture of risk profile data. • Risk reporting has been restructured, and organised around seven risk categories, including the development of a key risk indicator (KRI) dashboard. • An external firm has also been engaged to carry out a review of the risk framework elements, and feedback has been considered and embedded where appropriate. • The risk system has been updated to reflect the updated framework elements, and implemented across Crown Melbourne. • Crown will shortly write to the VCGLR regarding this Recommendation. 		
<p><u>Recommendation 4</u></p> <p>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review of internal controls to ensure that Crown's regulatory and compliance department is aware of all projects and works in progress for which regulatory approvals might be relevant.</p>	<p>Recommendation Accepted</p> <p>In this respect, a new business-wide compliance framework has been designed and the roll out has commenced across the business. Further a new process has been implemented to address any proposed changes to the regulatory environment.</p>	<ul style="list-style-type: none"> • A Gaming Initiatives Form was developed and implemented into processes in the business and is the key action in satisfying this recommendation; along with the new Regulatory and Compliance Requirements Policy. • A submission was made for an amendment to the EGM ICS to provide for the Gaming Initiative Form – VCGLR approval has been received. • Review being undertaken to determine whether additional Internal Controls require amendment. 	<p>1 July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
		<ul style="list-style-type: none"> Although not specifically in response to this Recommendation, a new business wide compliance framework has been developed and rolled out to the business (95% of relevant departments are now integrated into the new framework). This included the commissioning of a reporting system (known as CURA) to support the new compliance framework. A detailed submission on the Compliance Framework was sent to the Chairman of the Commission on 24 December 2018, related to the Blanking Buttons matter. Following the review of internal controls, Crown will include a reference in relevant SOPs to Compliance being consulted prior to new initiatives being implemented. 		
<p><u>Recommendation 5</u></p> <p>The VCGLR recommends that Crown convene annual roundtable sessions briefing key internal staff on the VCGLR's risk-based approach to regulation, with a particular focus on how that approach relies on the integrity of Crown's internal processes.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> An annual briefing will be provided to Management at the Crown Melbourne Executive Risk and Compliance Committee (ERCC) meeting on the VCGLR's risk-based approach and its impact on Crown and its processes. The next meeting of the ERCC is scheduled for 21 May 2019 and the VCGLR's risk-based approach and its impact on Crown and its processes, will be presented to the Committee at that time. 	<p>Annual, ongoing.</p>	<p>No</p>
<p><u>Recommendation 6</u></p> <p>The VCGLR recommends that, by 1 January 2020, Crown Melbourne review its allocation of staffing resources to increase the number of work hours actually available to responsible gambling and intervention with patrons. This might be achieved by training more gaming staff to undertake assessments and then approach patrons identified as at risk, without the need to contact a RGLO. However, this will only be effective if those staff</p>	<p>Recommendation Accepted</p> <p>Crown has already commenced the process of employing an additional five Responsible Gaming staff members. Additionally, there will be a review of training for gaming and other related staff</p>	<ul style="list-style-type: none"> The recruitment of 5 extra Responsible Gaming Liaison Officers has been completed. We now have 12 RGLOs which has assisted in having a greater presence on the gaming floor. The roles and responsibilities of RGLOs are being reviewed to accommodate new Responsible Gaming (RG) initiatives. Currently reviewing the concept of gaming staff undertaking some RG specific activities. 	<p>1 January 2020</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
have sufficient time aside from their gaming duties.		<ul style="list-style-type: none"> The Gaming Machines and Table Games staff training framework has been reviewed - Crown remains of the view that the referral to expert RG staff remains a corner stone of its RG model. However, additional training for relevant gaming staff was reviewed and adjustments will be made. 		
<p>Recommendation 7</p> <p>The VCGLR further recommends that Crown Melbourne use observable signs in conjunction with other harm minimisation measures such as data analytics to identify patrons at risk of being harmed from gambling.</p>	<p>Recommendation Accepted</p> <p>A new data analytics trial has commenced in relation to carded players.</p>	<ul style="list-style-type: none"> Crown has developed a data analytics program called the "Crown Model", which has been developed from data and behaviours of former patrons who have self-excluded from Crown Melbourne. The Crown Model is designed as a predictive tool to assist in proactively identifying patrons who may be gambling in a manner which could be an indicator of potential harm. The trial of the Crown Model commenced on 25 June 2018 with operational procedures developed to respond to players of interest that are identified. The Crown Model is in its early stages with processes being adjusted as we learn from outputs. The first six month review is complete and the team is meeting regularly to discuss refinements. 	Ongoing	In Progress
<p>Recommendation 8</p> <p>The VCGLR recommends that Crown Melbourne proceed with development and implementation of comprehensive data analytics tools for all patrons, to proactively identify for intervention patrons at risk of harm from gambling. These tools would utilise both historical data (with parameters developed from the second player model), and real-time monitoring of play periods. Crown Melbourne should look to models in other jurisdictions, and consult with external data analytics experts, with a view to implementing world-class, proactive</p>	<p>Recommendation Accepted</p> <p>As referenced above, Crown has commenced a data analytics trial in relation to carded players.</p> <p>Further, work will be undertaken on systems to explore and implement real-time concepts by 1 January 2020.</p> <p>Crown also supports reviewing the extent to which further data analytics tools might enhance the framework into the future. In this respect, the use and reliability of data from uncarded play is new ground for the land based gaming industry which is</p>	<p>Rec 8(a)</p> <ul style="list-style-type: none"> Crown Melbourne has commenced its Crown Model trial. Crown has commenced its review of relevant literature and other jurisdictional experiences. The "real time monitoring" of play periods is currently under consideration and development including the recent adjustment of Crown's own "Play Periods" whereby RG, in conjunction with IT, is developing a reporting system, that identifies if a carded patron has been on the 	<p>Recommendation 8(a) 1 January 2020</p> <p>Recommendation 8(b) Commence study by 1 January 2019</p> <p>Report to the VCGLR by 1 January 2020</p>	In Progress

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p>approaches with real-time (or near-real time) operational effectiveness. In particular—</p> <p>(a) for carded play (that is, player activity which can be systematically tracked), Crown Melbourne will have in operation a comprehensive real-time player data analytics tool by 1 January 2020, and</p> <p>(b) for uncarded play (that is, all other player activity), Crown Melbourne will, by 1 January 2019, commence a comprehensive study of all the practical options for a real time player data analytics tool, with a view to reporting in detail (including legal, technical and methodological issues) to the VCGLR by 1 January 2020 and the tool being in operation by 1 July 2022.</p>	<p>not yet supported by reliable research and evidence.</p> <p>Crown will commit to carrying out a study of the options available and assess and analyse the research and expert evidence available with a view to exploring appropriate tools and options available to it for uncarded play.</p>	<p>property for 12 hours or more and play has been recorded.</p> <ul style="list-style-type: none"> A tool for monitoring Play Periods has been developed. Considering development of an app based alert and case management system. <p>Rec 8(b)</p> <ul style="list-style-type: none"> We refer to our letter dated 24 December 2018 and subsequent email correspondence with Mr Rowan Harris dated 18 January 2019. Undertaking regular meetings with Gaming senior management to discuss possible approaches. Crown is in discussions with external parties regarding possible solutions. 	<p>Commence operation by 1 July 2022</p>	
<p>Recommendation 9</p> <p>The VCGLR recommends that Crown Melbourne arrange, at its expense, for an independent assessment of the real-time player data analytics tool for carded play (see Recommendation 8(a)), to be completed 12 months after implementation of the tool. The independent assessment is to be undertaken by a person approved by the VCGLR, after consultation with Crown.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Will be progressed in due course 	<p>1 July 2023</p>	<p>No</p>
<p>Recommendation 10</p> <p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne undertake a comprehensive review of its policy for the making and revocation of voluntary exclusion orders under section 72(2A) of the <i>Casino Control Act</i>. The comprehensive review should be undertaken in conjunction with the VCGLR, VRGF and other relevant external stakeholders. The review should be undertaken with a view to implementing policies that facilitate:</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Literature review commenced internally. The VCGLR, VRGF and Crown had their first meeting on 29 November 2018 to commence discussions on this recommendation. The VCGLR, VRGF and Crown met for the second tripartite meeting on 18 December 2018, with undertakings to provide further material for the literature review. Four tripartite meetings have been held with 	<p>1 July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<ul style="list-style-type: none"> • Crown Melbourne issuing short term exclusion orders for 3, 6, 12 or 24 months under section 72 of the <i>Casino Control Act</i>, considering the specific circumstances of the person and their preferred time period for exclusion, and conditional on the person undertaking to comply with the order and with other matters (such as obtaining treatment), and • Crown Melbourne reviewing voluntary exclusion orders which are more than 10 years old to consider whether the continued operation of these orders serves a useful purpose, with a view to retaining only those orders that are beneficial to the persons who are subject to them, and can be adequately enforced. The VCGLR further recommends that the review of such orders occurs in an orderly manner between 1 July 2019 and 30 June 2020. 		<p>the VCGLR/VRGF.</p> <ul style="list-style-type: none"> • A first draft response regarding the short term exclusion proposal has been finalised and is currently being reviewed. • (Second Limb) – Crown has considered voluntary exclusion orders, which are more than 10 years old. A letter will be forwarded to the VCGLR regarding the outcome of Crown's review. 		
<p><u>Recommendation 11</u></p> <p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a policy and procedure to facilitate Crown Melbourne issuing involuntary exclusion orders under section 72(1) of the <i>Casino Control Act</i> at the request of family members and friends in appropriate cases. The policy and procedure should be developed in conjunction with the VCGLR, VRGF and other external stakeholders. Crown Melbourne should include information about this option in all its responsible gambling publications, website and regularly provide information to relevant stakeholders, such as Gambler's Help and other similar organisations, about this option.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> • The Crown Perth Third Party Exclusion Policy and Procedure has been reviewed and adjusted, in draft, to suit Crown Melbourne. • The VCGLR, VRGF and Crown had their first meeting to commence discussions on 29 November 2018 regarding this recommendation. • Crown provided the draft of the Crown Melbourne Policy and Procedure adapted from the Crown Perth Policy and procedure to the group. • The VCGLR, VRGF and Crown met for the second tripartite meeting on 18 December 2018, with undertakings to provide further material for the literature review. The VCGLR requested that Crown Melbourne provide Third Party Exclusion statistics from Crown Perth. • The VCGLR is scheduling a tripartite meeting with the South Australian Regulator to discuss 	<p>1 July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
		<p>its processes.</p> <ul style="list-style-type: none"> • Four tripartite meetings have been held with VCGLR/VRGF. • A first draft policy and procedure has been reviewed by the tripartite group and modifications are currently being made from the feedback received. 		
<p><u>Recommendation 12</u></p> <p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne expand facial recognition technology to cameras on all entrances to the casino and that Crown Melbourne provide written updates on a quarterly basis on its effectiveness to the VCGLR.</p>	<p>Recommendation Accepted</p> <p>Crown notes that it has already expanded its facial recognition capabilities and proposes to continue to do so in FY20.</p>	<ul style="list-style-type: none"> • Facial recognition cameras are now operating on all entrances to the casino. • Crown to formally write to the VCGLR confirming that all entrances to the Casino are now covered by facial recognition cameras and to notify a commencement date for quarterly updates on the effectiveness of the system. • A letter to the VCGLR confirming that all entrances to the Casino are now covered by facial recognition cameras has been drafted and is in the process of being settled internally. Crown will commence providing quarterly updates from October 2019 (which will cover the period 1 July 2019 to 30 September 2019) on the effectiveness of its Facial Recognition Technology. 	<p>1 July 2019 (and ongoing quarterly reports)</p>	<p>Yes (but for official notification to the VCGLR and ongoing quarterly reports)</p>
<p><u>Recommendation 13</u></p> <p>The VCGLR recommends that, as part of developing a new responsible gambling strategy, by 1 July 2019, Crown Melbourne rebrand or refresh its responsible gambling messaging and publish new responsible gambling messages throughout the casino, in all Crown Melbourne publications, including online and social media platforms.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> • To be progressed upon finalisation of the RG Strategy (see recommendation 14). • Initial drafts of new logo being developed. • Marketing has been briefed regarding a refresh and a new logo has been developed – ready for internal review/approval. Strategy will be set by 1 July 2019 and roll-out will commence at that time. • Crown is finalising the new marketing design and refresh (including logo). Nomenclature is proposed to be changed from Responsible Gambling Support Centre to Responsible Gambling Centre and Responsible Gambling 	<p>July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
		Liaison Officer to Responsible Gambling Advisors. Brochures are currently under review.		
<p>Recommendation 14</p> <p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne develop and implement a responsible gambling strategy focusing on the minimisation of gambling related harm to persons attending the casino. The strategy should address:</p> <p>(a) early proactive intervention initiatives</p> <p>(b) player data analytics</p> <p>(c) proactive engagement with pre-commitment</p> <p>(d) intervening with local players with continuous play based on shorter timeframes which are more reflective of responsible gambling</p> <p>(e) the role of all staff in minimising harm</p> <p>(f) the effective use and monitoring of exclusion orders</p> <p>(g) internal reporting arrangements</p> <p>(h) integrating responsible gambling into proposals for trialing or introduction of new products and equipment</p> <p>(i) performance measures to assess the performance of the RGLOs, RGSC and casino staff in relation to harm minimisation</p> <p>(j) the roles of the Crown Resorts Responsible Gambling Committee and the Responsible Gambling Management Committee in driving harm prevention strategies based on world's best practice</p> <p>(k) the objectives of the RGSC in relation to minimising harm to patrons, and</p> <p>(l) the responsible service of gambling as a</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Revised draft Strategy currently being considered. Various elements of each specific point referred to by the VCGLR are currently being progressed (see commentary on recommendations above) or will be addressed in due course. A draft strategy is being prepared for senior management review and then ratification by the Crown Resorts Limited Responsible Gaming Committee. 	<p>July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p>fundamental core business consideration when making strategic decisions regarding casino operations.</p>				
<p>Recommendation 15</p> <p>The VCGLR recommends that, within three months of implementing the new responsible gambling strategy (Recommendation 14), there is regular reporting to the Crown Resorts Responsible Gambling Committee for it to maintain oversight of Crown Melbourne's harm minimisation strategy for responsible gambling. Regular reports every two months should include numbers and types of interventions and other harm minimisation activities of RGSC and other staff, details of the number and nature of referrals to external service providers, exclusion orders, breaches, revocation and appeals, as well as results from player data analytics and other initiatives to minimise gambling related harm. These reports should also be made available to the VCGLR for monitoring purposes. (The VCGLR intends to share this information, as appropriate, with the VRGF).</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Revised reporting to be developed in due course. Reporting drafts have been prepared for senior management. 	<p>1 October 2019</p>	<p>In Progress</p>
<p>Recommendation 16</p> <p>The VCGLR recommends that within three months of implementing the strategy, a charter is developed for the Crown Melbourne Responsible Gambling Management Committee (staff committee) which includes reference to the role and responsibility of driving a harm minimisation culture.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Management is currently reviewing all Australian Resorts RG Committees to align processes where appropriate. Draft Charter is in progress. 	<p>1 October 2019</p>	<p>In Progress</p>
<p>Recommendation 17</p> <p>The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review (with external assistance) of relevant internal control statements, including input from AUSTRAC, to ensure that anti-money laundering risks are appropriately addressed.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> Crown has met with AUSTRAC to discuss this recommendation. A new joint AML Program across Crown's Australian Resorts is being developed and will be reviewed by an external party. AUSTRAC is being kept informed of progress. Internal Controls have been reviewed, preliminary discussions with AUSTRAC have taken place and draft changes have been made 	<p>1 July 2019</p>	<p>In Progress</p>

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown's Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
		for management review.		
<p>Recommendation 18</p> <p>The VCGLR recommends, in all future submissions by Crown Melbourne to the VCGLR for approvals under the <i>Casino Control Act</i> or <i>Gambling Regulation Act</i>, that Crown document:</p> <ul style="list-style-type: none"> the purpose obligations under relevant provisions of legislation, the Transaction Documents, and existing approvals what changes the grant of the approval would make to products, rules and procedures, etc risks associated with the approval and how they will be treated how responsible gambling considerations have been taken into account in the process and the measures Crown will implement to mitigate the risk of gambling related harm, and <p>which areas of Crown will be responsible for managing implementation.</p>	Recommendation Accepted	<ul style="list-style-type: none"> A new template for submissions to the VCGLR for seeking approvals has been drafted and in use since July 2018. Crown Management and VCGLR Officers will continue dialogue on the form of the submission and develop it where required. 	Immediate effect	In Progress
<p>Recommendation 19</p> <p>The VCGLR recommends that, by 1 July 2019, Crown Melbourne implement a policy to make an exclusion order under section 72 of the <i>Casino Control Act</i> in appropriate cases where a person has engaged in significant unacceptable conduct in the casino or is the subject of serious criminal charges.</p>	Recommendation Accepted	<ul style="list-style-type: none"> The existing 'Unacceptable Behaviour' policy statement has been reviewed and amended to strengthen the use of exclusion orders either instead of or as well as withdrawal of licences (in appropriate cases). Policy is currently under review by management. Management feedback has been received and the policy has been updated. A letter to the VCGLR has been prepared and is currently being reviewed. 	1 July 2019	In Progress

2.2

Section 25 – Timeline – Implementation of Recommendations

Recommendation	Crown’s Response	Proposed Action/Progress Update	Target/Action Dates	Completed Yes/No
<p><u>Recommendation 20</u></p> <p>The VCGLR recommends that, between November 2019 and March 2020, VCGLR Commissioners and directors of the Crown Resorts Board meet to review the implementation of the recommendations set out in this report.</p>	<p>Recommendation Accepted</p>	<ul style="list-style-type: none"> To be actioned in due course 	<p>Between November 2019 and March 2020</p>	<p>No</p>

2.2



AGENDA ITEM 3:
Litigation Report

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE


REDACTED - PRIVILEGE

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AGENDA ITEM 4:
Anti-Money Laundering / Counter Terrorism
Financing - Update

	<p>Crown Melbourne Compliance Committee Agenda Item 4: AML/CTF Update May 2019</p>
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1. AUSTRAC

(a) AUSTRAC Compliance Assessments

AUSTRAC has advised Crown that it will be conducting a Compliance Assessment on Crown Perth in October 2019 (having deferred the June assessment following discussion with Crown). This review will consider, amongst other matters:

- the Joint AML/CTF Program;
- the results and progress of the new automated transaction monitoring program (see section 7(a) below); and
- staff training initiatives.

Whilst this Compliance Assessment is to be largely focused on the Crown Perth operations, we should expect AUSTRAC to make enquiries in respect of the Group in respect of the matters listed above.

(b) AUSTRAC enquiry – Suncity

We have had no further correspondence with AUSTRAC on this matter.

(c) Fintel Alliance

We have been advised that, due to a reconsideration of composition and role of the Fintel Alliance, AUSTRAC were not progressing with new invitees at this point.

In its discussions with AUSTRAC, Crown Melbourne was advised that this was not a reflection on Crown and entirely an internal matter for AUSTRAC and the strategic direction of the Fintel Alliance going forward.

(d) AUSTRAC relationship

Crown Melbourne recently carried out a familiarisation tour with representatives from AUSTRAC (including the Deputy CEO) together with a presentation on the proposed transaction monitoring automation solution.

2. AUSTRAC Reporting and Program Matters

(a) Reporting statistics (January 2019 – April 2019)

The following table shows the number of Suspicious Matters Reports (**SMR**), Threshold Transactions (**TTR**) and International Funds Transfer Instructions (**IFTI**) reported to AUSTRAC since 1 January 2019 (reported by transaction date):



Month	Jan 19	Feb 19	Mar 19	Apr 19	YTD
TTRs	3,574	3960	3444	3476	14,454
SMRs	183	149	176	190	698
IFTIs	195	140	82	79	496

In respect of Crown Melbourne's AUSTRAC reporting obligations:

- AUSTRAC has approved Crown Melbourne's move to its updated Schema 1.2 for Suspicious Matter Reporting in early May. Crown Melbourne is now making appropriate IT changes to move to the updated online reporting requirements; and
- Crown Melbourne's Annual Compliance Report was filed with AUSTRAC on 31 March 2019, in accordance with its obligations under the AML/CTF Act.

(b) Joint Program

A draft of a Joint Program continues to be prepared with the assistance of external advisors, which will ultimately be rolled out across the Australian Resorts.

3. Customer Information

An update on existing projects follows:

- merging Crown Rewards memberships (or "merge and close") – the bulk merge foreshadowed in January / February 2019 is now occurring in two stages. Stage one has occurred, with the transposition of data from the "merged from" number into the "merged to" number now expected to occur in June/July 2019 (concurrent with the Crown Program Play (CPP) roll-out);
- the 'enhancement' of the Deposit Account (DAB) customer experience – enabling customers to open DABs at both properties through the one form and through the one process - is under user acceptance testing and is expected to be released into production at or about late June 2019; and
- a review of consents given by Customers to Crown Melbourne has commenced, to update those consents as necessary to enable Crown Melbourne to provide Customer information to third parties (for instance, our banks where we need to do so to facilitate a foreign transfer). An updated consent has been included in Crown's new DAB form (see above) for this purpose.



4. Customer Due Diligence

(a) Sanctions and PEP Screening (as well as other official lists)

Crown Melbourne and Crown Perth screen new and active customers against Dow Jones, in compliance with our AML/CTF Program and our AML/CTF Act and Rules obligations.

These new and existing customers are extracted from our SYCO database on a daily basis and, from this month, are uploaded on an automated basis. Results of the screen are then alerted to the AML Team for further actioning through the Dow Jones system. Appropriate quality checks will be implemented to ensure that automation operates as anticipated.

The VIP / Credit Control Team continues to screen identified VIP patrons through Dow Jones and alerts the AML Team (amongst others) of any relevant result for actioning.

(b) AML/CTF Patron Risk Register

As foreshadowed, Crown Melbourne continues its investigation of the extension of the Crown Perth Customer Risk Register (through the use of CURA) to Crown Melbourne, which will involve the exporting of relevant customer data from SYCO. This investigation includes a consideration of CURA's capacity to integrate with Crown's systems and how that integration might operate.

(c) Enhanced Customer Due Diligence

No matters to report on in this reporting period.

5. Existing Designated Services

The annual risk assessment of Crown Melbourne's ML/TF risks, conducted by the AML Team in conjunction with the Business Units (and this year, looking at the ML/TF risks presented across both Crown Melbourne and Crown Perth on a group basis) was completed in May 2019.

This updated register will shortly be distributed to each of the Business Units, and will be incorporated into the Joint AML/CTF Program supporting documentation.

6. New Designated Services (or new methods of delivery of existing)

A number of Gaming Initiative Forms have been considered by the AML Team since the last Committee meeting including:

- Approval of DACOM testing to ensure 'lock up' of EGMs at \$10k and \$75k operates as expected (testing of existing control).



- Approval of the ability of a Patron or Customer to purchase TITO Ticket at the Cage in Teak. TITO Tickets (or “Gaming Tickets”) are presently available for purchase by Customers in the Mahogany Room. Training will be provided to relevant Cage staff in Teak on potential ML/TF risks presented by this service.
- Approval of improvements to the MICK system. The contemplated improvements allow for scenarios and colour coding of MICK (to alert staff to whether the individual is permitted to enter a VIP room), and to display the Customer’s current program, privileges and entitlements.

7. IT Matters

(a) AML Sentinel Project

AML Sentinel, developed by the IT and AML Teams utilising the SPLUNK software system, is presently in user acceptance testing by the AML Team.

The transaction monitoring system will, in due course and following user acceptance and necessary approvals, replace the very manual and time consuming historical – compliant - transaction monitoring system in Melbourne (which involves the manual review by Crown Melbourne staff of system-generated transactional data, involving a substantial number of false positive results as a consequence).

(b) Duplicate patron accounts: roll out of CPP

No further update following the last meeting of the Committee, other than CPP is now scheduled for a delivery date of June 2019 and the AML Team will participate in relevant UAT in May 2019.

Due to an identified dependency (testing), the ‘merge’ of the ‘merge and close’ project is to be implemented concurrently with the CPP delivery. Both projects remain subject to appropriate Business Unit approvals prior to roll out.

8. Countries

The AML/CTF Program provides that the risk of particular jurisdictions is considered (once known) by utilising recognised lists published by relevant Government authorities.

Where appropriate, the jurisdiction of a customer may prompt further investigation of a customer and/or gaming activity, which in turn may affect the overall ML/TF risk of a customer. The AML Team looks at the country of origin of a customer as part of daily transaction monitoring.



During the period no new countries have been added to the following:

- Department of Foreign Affairs (**DFAT**) – Australia’s Implementation of UN Security Council sanctions;
- DFAT – Autonomous Sanctions; or
- FATF – Non Co-Operative Countries & Territories / High Risk Jurisdictions.

It is noted that “Cambodia” has been included by FATF under “other monitored jurisdictions” and will be considered by the Legal Officer – AML when reviewing patron activity under the AML/CTF transaction monitoring program.

The AML Team has the discretion to undertake further investigation of a customer and/or gaming activity.

9. Compliance Breaches

Individual departments are responsible for deciding the disciplinary action taken in response to breaches.

Where identified by the AML Team, the non-compliance is recorded and actioned by the AML Team. The AML Team will correct the error where it can to ensure that the appropriate information is submitted to AUSTRAC in compliance with the AML/CTF Act. Where it cannot correct the error and/or the error is identified following lodgement, then the AML Team will recall and correct it within the reporting time period wherever possible.

AML/CTF Program compliance breaches are reported:

- on the monthly Legal Compliance Certificates to the Crown Melbourne Compliance Committee; and
- directly to the Group General Manager – AML, which is then escalated to the AML/CTF Compliance Officer.

Should an Incident Report for a material breach or for re-occurring issues relating to particular staff member(s) be issued, serious disciplinary action is expected to be implemented.

Following are the compliance breaches for the period:

Type of Breach	Jan	Feb	Mar	Apr	YTD
Failure to obtain residential address for a Threshold Transaction from a Customer	-	1	-	-	1
Expired ID obtained from Customer at time of Threshold Transaction	-	1	-	-	1



Crown Melbourne is seeking to address non-compliance matters in the form of training 'Alerts' to the relevant Business Units.

In respect of the two non-compliances listed above:

- "failure to obtain the residential address": other than remedial training for the relevant staff member, Crown Melbourne has included a notation on the number for the patron to obtain the residential address when the person is next at Crown. When this has occurred, Crown Melbourne will recall the prior TTR from AUSTRAC, update the residential address and resubmit; and
- "expired ID": Crown Melbourne has obtained updated Appropriate ID from the Customer.

10. Training

As advised, applicable staff are enrolled in the AML online course every two years from the date of their initial enrolment. A list of the employees who have not completed their on-line courses is sent to the department managers each month.

In addition to our AML/CTF Risk Awareness Training, Crown Melbourne is providing (or is shortly to provide) focused AML/CTF training or communications to particular departments, referable to identified potential ML/TF risks as well as on identified areas for improvement (for example, IFTI and TTR reporting).

11. Legislative Changes and other relevant information

(a) Updates to the AML/CTF Act

There has been no update to the AML/CTF Act (or any potential changes thereto) since the last meeting of the Committee.

(b) Updates to the AML/CTF Rules

A new compilation of the AML/CTF Rules was released on 1 May 2019. This new compilation does not impact upon Crown Melbourne's operations.

(c) AUSTRAC Restructure

Following the last meeting of the Committee, AUSTRAC has implemented a restructure of its Regulatory Supervision team along industry lines.

As a result, the Crown Reporting Entities are now overseen by the Regulatory Supervision – Gambling Team, managed by Ms Briony Olmedo. Ms Olmedo has been involved in prior compliance assessments of Crown Melbourne and has a good knowledge of casino, wagering and gambling operations. As recently as 2 May 2019, we have taken Briony and her team through Crown Melbourne's operations and the contemplated updates to our transaction monitoring system.



Janet McCarthy, formerly the Director of Major Reporters, Compliance (and to whom Briony reported), has recently left AUSTRAC for a senior AML role at ANZ. Her replacement is yet to be formally announced.



AGENDA ITEM 5:
Media Coverage



China slowdown curbs Crown VIPs

James Thomson

Crown Resorts executive chairman John Alexander says softer economic conditions in China and a crackdown on conspicuous consumption in the world's biggest economy have pushed down spending by VIP gamblers at its Melbourne and Perth casinos.

VIP turnover across Crown's Australian resorts fell 12.2 per cent during the six months to December 31 to \$19.9 billion. Revenue from the group's biggest punters fell 11.2 per cent in Melbourne and 18.5 per cent in Crown Perth, where Crown continues to battle soft economic conditions.

Because of the small pool of VIP gamblers who regularly visit Australia, turnover can be volatile in any one half.

But Australia appeared to be caught in a broader decline in the Asian VIP market. Singapore's VIP turnover fell about 14 per cent in the December quarter, while Macau also saw declines in recent months.

Mr Alexander said the "macro factors that we all read about in China [such as] the slowdown in the economy, the crackdown on conspicuous consumption [and] further regulation around money transfers" were all likely to be weighing on Crown's Chinese visitors.

"Chinese people, like Australian people, are suddenly feeling a bit poorer than they were a few years ago because of what's going on. And it all goes to spending patterns," he said.

However, Mr Alexander said the casino operator, majority owned by James Packer, was not considering putting salespeople back into mainland

China, where several of its staff were arrested in late 2016 for breaching regulations around the promotion of casinos. Crown mainly uses licensed tour operators, known as junket operators, to bring VIPs to Australia.

"We are always looking to refine but we want to get China completely behind us before we revisit," he said.

Mr Alexander said the dip in VIP revenue was not a concern as Crown moved towards opening its VIP-focused casino, hotel and apartment project in Sydney's Barangaroo precinct, scheduled for 2021.

"Two years is a huge amount of time

in this particular business ... it can change very quickly," he said.

He also said Crown's Sydney property was always intended to focus on local VIPs, and argued that market appeared to be performing well, given the \$200 million that rival The Star Entertainment Group was spending on VIP facilities at its nearby casino.

Crown's Melbourne and Perth properties saw earnings before interest, tax, depreciation and amortisation decline by 3.2 per cent due to falling VIP turnover, but revenue from table games, gaming machines and non-gaming lines rose slightly.

In Perth, where EBITDA fell 8.6 per cent, gaming machine and non-gaming revenue rose slightly, but a 5.2 per cent fall in table game revenue underlined

the broader trend of consumer caution in the Perth market.

EBITDA at the group's London high-roller property, Aspinalls, fell 36.4 per cent to \$6.2 million.

Lower interest costs following the redemption of a tranche of subordinated notes last year helped keep overall earnings just ahead of last year.

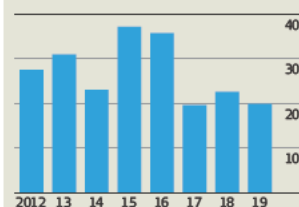
Macquarie Research said Crown's domestic business had performed reasonably well in the first half, but the VIP performance was a concern given worries about the outlook for the Chinese economy. The broker also highlighted an increase in labour costs and fixed costs as a concern.

Crown shares fell 5.3 per cent on Wednesday to \$11.55, and are down 7.6 per cent over the past 12 months, versus a 2.5 per cent rise in the broader market.

Mr Alexander said apartment sales at the Barangaroo project where tracking in line with expectations, although the market had become tougher in recent months.

Luck runs out

Crown VIP gambling turnover* (\$b)



*First half

SOURCE CROWN RESORTS

Crown

Half year	2019	2018
Revenue (\$m)	1478	1595.9
Pre-tax (\$m)	250	328
Net (\$m)	174.4	249.5
Int div*	30¢	30¢
*Payable	April 4	



Age, Melbourne

21 Feb 2019, by Nick Toscano

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BRIEF CRWNTASH INDEX 1

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China slowdown hits Crown high-rollers

GAMING

Nick Toscano

James Packer's casino giant Crown Resorts has suffered a steep drop in spending by wealthy high-roller gamblers coming from China, as the Chinese economy grinds to its slowest growth in nearly three decades.

"Chinese people, like Australian people, are suddenly feeling a bit poorer than they were a couple of years ago," Crown's executive chairman, John Alexander,

said yesterday. "It all goes to spending patterns."

Worldwide, gambling operators have been gripped by growing uncertainty about the fortunes of their lucrative international high-roller programs, where mainly Chinese punters, who often play baccarat, can turn over hundreds of thousands of dollars a hand and millions of dollars an hour.

Softening economic growth in China, the government's crackdown on conspicuous consumption and simmering trade ten-

sions with the US have fuelled fears of a possible pullback in volumes of wealthy Chinese gamblers visiting Australia, and a downturn in VIP revenue on which casino operators have become increasingly reliant.

Crown, Australia's largest casino operator, told investors yesterday that turnover from its "VIP program" had shrunk 12.2 per cent to \$19.9 billion, driving down the company's profits over the six months to December

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BRIEF CRWNTASH INDEX 1

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Crown hit by slowdown in Asian high-roller spending

From Page 27

31. At Crown's flagship casino in Melbourne's Southbank alone, turnover from foreign VIP gamblers was down 11.2 per cent to \$17.3 billion.

The company's "normalised" after-tax profit - removing the volatility of high-roller win rates - had risen less than 1 per cent to \$194.1 million, Crown said, missing forecasts. Macquarie Research had expected first-half profits of \$203 million, while JPMorgan had expected \$221 million.

"Overall, the result missed on softer-than-expected VIP within the Australian casinos," Macquarie senior gaming analyst David Fabris said.

Crown's share price fell more than 5 per cent yesterday to \$11.55.

Mr Fabris said he remained "cautious" on Crown's VIP program for the second half of the financial year, forecasting growth to decline another 16 per cent "as China macro looks to be challenging, and domestic growth looks to be low".

Foreign high-roller volumes across all Australian casinos crashed in 2016-17 after the Chinese government embarked on an anti-gambling crackdown and jailed 19 Crown staff for illegal marketing activities on the Chinese mainland. Foreign VIP turnover partly recovered in recent times, but has remained volatile and has failed to return to pre-2016 levels.

Crown's chief financial officer Ken Barton said the latest "softening" in VIP turnover was afflicting casinos across the Asia-Pacific region, including in Macau and Singapore. "It's indicative of what we are seeing across the VIP market more broadly," he said.

Crown Resorts, whose biggest shareholder is Mr Packer, operates venues in Melbourne and Perth, and is building a high-end casino and hotel in Sydney's Barangaroo, due for completion in 2021. The multibillion-dollar

Crown Sydney complex is billed as a VIP-only casino, but the company yesterday said it remained confident in its prospects when it opens in 2021, despite the drop in VIP volumes and the volatility of the international VIP market more broadly, saying: "Two years is a huge amount of time in this particular business."

"We look at longer-term trends ... and it's still a very substantial VIP market across the region," Mr Barton said. "There is a lot of wealth in China - wealth continues to grow, there is more affluence in China travelling overseas and a gambling experience is something looked on favourably as an option for people coming out of China."

The Barangaroo project was not solely aimed at foreign VIPs, Mr Alexander added, but was intended to cater for local VIPs too. "We believe that the local VIP market is growing," he said.

Crown's half-year results come after the Australian casino industry faced a turbulent 2018. Crown declared an interim dividend of 30¢ per share, 60 per cent franked, to be paid on April 4.



Crown chairman James Packer.



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BRIEF CRWNTASH INDEX 1

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Crown to expand casino 'oversight'

GAMBLING

Nick Toscano

James Packer's Crown Resorts is proposing make its directors more responsible for oversight at its flagship Melbourne casino after a state government investigation found the gaming giant was failing to monitor and intervene in problem gambling.

Following a meeting at Crown's Southbank casino last month, officials from the Victorian gambling

watchdog confirmed the company had submitted a program of reforms designed to "fully engage" its independent directors in proactive strategic oversight at the nation's biggest casino.

The annual meeting between Crown executives and the Victorian Commission for Gambling and Liquor Regulation (VCGLR) was the first since the regulator completed its wide-ranging five-yearly review of Crown's suitability to hold the state's sole casino licence.

While backing Crown's suitability, the report outlined a raft of serious shortcomings and stressed the need for Crown to make improvements to its governance. It also highlighted a need for improvements in Crown's regulations around money-laundering risks, and its prevention of criminals and problem gamblers

who were subject to "exclusion orders" from accessing the casino. The VCGLR confirmed that Crown had now moved to improve its board procedures in response to the regulator's findings that it should set up a charter for directors, ensure board committee chairs were "properly qualified" and it develop "a risk appetite with appropriate monitoring" to improve the company's institutional governance.

The Crown board includes former

federal minister Helen Coonan, prominent businessmen Harold Mitchell and Geoff Dixon and former AFL boss Andrew Demetriou.

Crown had also moved on a recommendation to give the regulator greater visibility on the reporting and decision-making relationships between all of the boards,

committees and executive meetings responsible for or with oversight of casino functions. The VCGLR said it was now considering Crown's responses to the two recommendations.

"The remaining 18 recommendations are not yet due for completion," the regulator said.

Crown's executive chairman, John Alexander, said the annual meeting between the company and the VCGLR went "very well".

He said Crown was making progress in the implementation of all of the regulator's recommendations, some of which were already in progress before the report was handed down.

"There were 20 recommendations, we've accepted all of them," he said.



Melbourne's Crown complex.