

Royal Commission into the Casino Operator and Licence**SECOND STATEMENT OF XAVIER WALSH**

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Occupation: Chief Executive Officer, Crown Melbourne Limited
Date: 23 April 2021

1. I make this statement in response to the Royal Commission's Request for Statement – 006. The request was made to the Head of VIP International, however I am making the statement as that position is currently vacant.
2. This statement has been prepared on the basis of my own knowledge, material that I have read and enquiries I have made with various employees within the Crown Resorts group.
3. This is my second statement to this Commission.

1. Which business unit or team within Crown is responsible for VIP gambling?

4. For the purpose of this statement the Commission has defined VIP to mean "*Very Important Persons and includes high rollers, whales, rolling chip players, and rebate players, but does not include persons who are VIPs solely because they participate in a loyalty program*". Each of the terms within the Commission's definition speaks to players participating in a gaming program and receiving commission (also referred to as rebates). Additionally, I read the Commission's definition of VIP to include International, Interstate customers and regional Victorians who participate on a Standard Complimentary Program, which does not pay commission but does provide participants the opportunity to earn complimentary benefits at a higher rate than the standard loyalty program. Local players are not included in the definition because they achieve their status via the loyalty program and therefore "*are only VIPs solely because they participate in a loyalty program*". A Local player is a Victorian resident playing at Crown Melbourne (other than a regional player on a Standard Complimentary Program), or a Western Australian resident playing at Crown Perth.
5. At Crown, a person is generally referred to as a VIP if they have access to a VIP room, for example the Mahogany Room at Crown Melbourne.

6. The VIP International team is a separate business unit within the Crown Resorts structure, reporting directly to me as Chief Executive Officer (**CEO**) Crown Melbourne, following my appointment to that position on 9 December 2020. Previously, VIP International reported to the Australian Resorts CEO, a position that no longer exists. The VIP International business unit caters almost exclusively to table game players, but is currently dormant pending the reopening of Australia's international borders and receipt of the risk assessment from Herbert Smith Freehills (**HSF**).
 7. In addition, Crown Resorts owns Crown Aspinalls (located in London), a boutique, high end, members only casino catering exclusively to VIP table game players. Crown Aspinalls currently operates as a separate entity, with its own Board of Directors and Managing Director, Michael Branson, although it does receive some support from the Compliance, Credit and Sales departments of Crown Melbourne. For the purposes of my statement, my responses speak to Crown's Australian casino operations only, because Crown Aspinalls currently operates in a different manner to Crown's Australian operations. Specifically it is:
 - a. A stand-alone business with an organisational structure independent of VIP International;
 - b. Disclosed separately in Crown Resorts' financial accounts;
 - c. A members only casino, which does not offer credit or accept junkets; and
 - d. Not included in the designated business group covered by Crown's Joint Anti Money Laundering Counter Terrorism Financing Program (**Joint Program**) (Part A: **CRW.514.002.0110** and **CRW.514.002.0001**; Part B: **CRW.514.002.0145**).
 8. The International Gaming Machine business unit is part of Crown Melbourne's Gaming Machines business, which, via the head of Gaming Machines, reports to me. This business unit is also currently dormant pending the reopening of Australia's international borders and receipt of the risk assessment from HSF.
 9. The Domestic Sales and Marketing team (**Interstate VIP**) forms part of both the Crown Melbourne Table Games and Gaming Machine business units. The heads of both Table Games and Gaming Machines report through to me. Whilst reporting into Melbourne, Interstate VIP has responsibility for also promoting Crown's Perth and Sydney properties to interstate players.

2. Who is the head of that business unit and how many other individuals are employed in that business unit?
 10. Currently the head of the VIP International position is vacant.
 11. The head of International Gaming Machines is also vacant, due to a recent resignation. The business unit presently has two employees, who are currently performing other duties within the Gaming Machines business unit. Both employees reside in Melbourne.
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12. The head of Crown's Interstate VIP business is Wayne Hooke, General Manager Domestic Sales and Marketing. Including Mr Hooke, the department has 23 positions.
13. Following approval of a proposal presented to the Crown Resorts Board on 14 January 2021 (**CRW.507.001.7275**), the VIP International business unit has undergone significant change in recent months including:
 - Removal of the three senior VIP International roles that were historically responsible for operating the business, namely the:
 - Senior Vice President - International Business;
 - Group General Manager - International Business Operations; and
 - President - International VIP Development.
 - On 28 January 2021 the remaining VIP International functions (except Sales and Aviation operations) were incorporated into Crown Melbourne's existing business units. The sole remaining standalone function of VIP International is Sales. Aviation operations has eleven employees and reports separately to me.
 - The closure of overseas offices in Hong Kong and Auckland on 28 February 2021; and
 - Overseas domiciled positions were made redundant as at 28 February 2021.
14. Crown has sought an external risk assessment from HSF in respect to 29 potential markets to understand the legal, political, and practical implications of potential marketing to those 29 jurisdictions. Once received it will guide the formulation of a business model regarding how and where VIP International will operate in future. The development of the business model will in turn allow Crown to hire a head of VIP International and other positions, to re-establish the VIP International Sales function in accordance with the HSF risk assessment.
15. As a result of the changes referred to above, there are only two remaining Sales employees of the VIP International business. Both employees reside in Melbourne and are presently performing functions within Crown Melbourne's Table Games business whilst the VIP International business is dormant.

3. Provide an organisational chart for the VIP gambling business unit.

16. The following organisational charts are enclosed:
 - Crown Resorts CEO Organisational structure (**CRW.512.010.0332**);
 - Proposed VIP International (subject to change following receipt of the external risk assessment referred to above) (**CRW.510.044.0003**);
 - International Gaming Machines – this team is proposed to be incorporated into VIP International (**CRW.510.044.0002**); and
 - Interstate VIP (**CRW.510.044.0001**).
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4. In the letter dated 17 March 2021 from the Chairman of Crown Melbourne and the Executive Chairman of Crown Resorts, it was stated that the VIP team, which historically operated as an independent business unit, have been integrated into Crown Melbourne's operations. Describe the process that was followed to integrate the VIP team into Crown's operations and any difficulties that were encountered.

17. Historically the VIP International business was a largely self-contained operation comprising the following functions:
- Sales (the majority of these roles were domiciled overseas);
 - Hosting & VIP Services (functions that attended to the guests on site);
 - Marketing (comprising customer communications, event planning and developing related collateral);
 - Credit;
 - Finance; and
 - Aviation operations.
18. As referred to in my response to question 2 above, on 14 January 2021 the Crown Resorts Board approved a proposal to better align the VIP International operations with the rest of Crown's business. The implementation of the proposal resulted in the VIP International business being pared back to a Sales function based in Melbourne.
19. In addition to closing Crown's overseas offices and making all overseas domiciled roles redundant, it also necessitated removing the three senior roles as noted in my response to question 2.
20. Once the senior roles were removed, the functional departments within VIP International (except Sales and Aviation) had their reporting lines altered to report to managers of the existing local business units. Those departments now report as follows:
- Hosting & VIP Services – reports to Crown Melbourne Table Games;
 - Marketing – reports to Crown's Group Marketing Function;
 - Credit Control – reports to the Chief Financial Officer Australian Resorts; and
 - Finance – reports to Crown Melbourne's General Manager Finance Gaming.
21. The remaining functions of Sales and Aviation operations report to me as CEO Crown Melbourne. Sales will report to the Head of VIP International, when that position is filled.
22. Crown Perth historically also had VIP International hosts located on site. On 24 February 2021, the Western Australian government issued a Direction to Crown Perth to cease offering junket or premium player programs. Consequently, the international hosting roles were made redundant.
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23. Organisational charts depicting the changes in VIP International are attached:
- a. VIP International Organisational Chart as at August 2020 (**CRW.510.044.0092**); and
 - b. Redistribution of roles as at January 2021 (**CRW.510.044.0060**).
24. Making positions redundant is never an easy task, even more so when many of the affected VIP International team were long standing employees who are now seeking new employment. I am not aware of any difficulties encountered with respect to the altering of reporting lines for retained employees.
25. There were no changes made to the International Gaming Machines department or the VIP Interstate department, as these departments were already incorporated within the Crown Melbourne Table Games and Gaming Machine business units.
- 5. Give the gross revenue and net profit (before tax) of Crown Resorts and Crown Melbourne over the past 6 years attributable to VIP gambling.**
26. Crown does not allocate interest or depreciation expense by business unit. Consequently, attached is a table depicting revenue and EBITDA of Crown Resorts and Crown Melbourne over the past six years attributable to VIP gambling (**CRW.510.044.0230**).
- 6. Further to paragraph 5, provide the breakdown of the VIP gambling gross revenue and net profit (before tax) attributable to domestic VIP and international VIP gambling, excluding figures relating to loyalty programs.**
27. As noted in response to question 5 above, Crown does not allocate interest or depreciation expense by business unit. Consequently, attached is a table depicting a breakdown of VIP gambling revenue and EBITDA for Crown Resorts and Crown Melbourne over the past six years attributable to domestic and international VIP gambling (**CRW.510.044.0231**).
- 7. Describe the way Crown promotes its services to VIP patrons, including the range of services Crown offers and provides to VIP patrons.**
28. Crown's VIP Interstate business is currently operating, however its VIP International and International Gaming Machines businesses are currently dormant. My response to this question 7 describes the manner in which Crown typically promotes its services to VIP patrons, noting that adjustments may be required in respect of international patrons following receipt of the HSF risk assessment.
29. Crown promotes its services to VIP patrons via direct communication by the Sales team members. Communication can be in person or via telephone, email, SMS, social media, or other electronic messaging, such as WhatsApp.
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30. If the customer is based overseas, the mode of contact and content of the discussion is determined by Crown's communication protocols governing the jurisdiction in which the patron resides (**CRW.510.044.0063**, **CRW.510.044.0006** and **CRW.510.044.0033**).
31. Once the patron is familiar with Crown, some of the communication may be of a general nature such as courtesy calls. However, when Crown initiates contact to promote its services it is typically via invitations to:
- Major sporting events (including the Spring Racing Carnival, Australian Open tennis, Australian Grand Prix) (i.e. **CRW.510.044.0004**);
 - Music concerts (i.e. **CRW.510.044.0089**);
 - Events at Crown (including cash draws, golf tournaments at Capital golf course, opportunities to meet sporting or entertainment personalities and cultural celebrations such as Lunar New Year functions) (i.e. **CRW.510.044.0005** and **CRW.510.044.0091**); and
 - Tournaments such as the Aussie Millions Poker tournament (i.e. **CRW.510.044.0137**).
32. Crown also periodically offers enhanced commercial terms on its gaming program agreements on a discretionary basis.
33. Additionally, Crown promotes the quality and breadth of the amenities at its resorts and the tourist attractions within the cities they are located (i.e. **CRW.510.044.0162**, **CRW.510.044.0187**, **CRW.510.044.0112** and **CRW.510.044.0209**).
34. Access to Crown's private jets is also offered as a benefit for patrons with a high level of turnover.
35. When the guests arrive in Melbourne, Crown attends to the requests of VIP patrons via its hosting and VIP services team who assist with:
- Airport transfers;
 - Hotel room requests;
 - Specific requests in relation to gaming, for example requesting a particular salon or table;
 - Translation services (as required);
 - Bookings to restaurants (on and off site), spa treatments, shopping tours, trips to tourist sites or various golf courses;
 - Ground transport (as required); and
 - Flight bookings and confirmations.
36. The provision of credit is another service offered to International VIPs once credit worthiness is established. The Casino Control Acts in Victoria (1991) and Western Australia (1984) both prohibit Australian residents being granted credit, however all customers may be approved for a cheque cashing facility (being a facility where Crown will accept a personal cheque or draw a counter cheque from a bank account held in the approved player's own name in exchange for gaming chips or poker machine credit, prior to the cheque being banked and cleared).
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8. Describe Crown's current business plan and strategies for VIP gambling and the VIP gambling business unit.

37. Currently both the VIP International and International Gaming Machines businesses are dormant due to international border restrictions enforced in response to the COVID-19 pandemic and whilst Crown awaits risk assessment reports from HSF in respect of various jurisdictions.
38. When the borders reopen, International Gaming Machines will be folded into the VIP International business that:
- Prioritises compliance with applicable regulations and legislation;
 - Comprises a Sales function only;
 - Has a customer base of Premium Players, Junkets will not be part of the business;
 - Is based in Melbourne. Crown will not have a physical overseas presence for gaming sales (other than Aspinalls in London); and
 - Has Sales members responsible for specific markets regardless of product preference (table games or gaming machines).
39. Whilst Crown has determined a proposed structure of the VIP International business going forward, no further action has been taken in relation to Sales, as any further action will be guided by the content of the external risk assessment referred to in my response to question 2 above.
40. Upon receipt of that advice, a Head of VIP International can be recruited and a comprehensive business plan developed for appropriate markets.
41. The VIP Interstate market was also dormant during most of 2020 with Crown Melbourne's casino closed from 23 March 2020 until 12 November 2020. It reopened with significant trading restrictions (which have progressively eased) and in an environment of periodic border closures. Crown Perth was closed from 23 March 2020 to 27 June 2020 and it also reopened with trading restrictions and the Western Australian borders remained closed until 14 November 2020. The closures disrupted the usual business planning process, consequently comprehensive business plans were not prepared for the financial year ended 30 June 2021.
42. VIP Interstate business plans for the financial year ended 30 June 2022 have not yet been presented for approval, however the proposed strategies include:
- Merging the functions of the Sales team to be responsible for both Table Games and Gaming Machines in their respective markets;
 - Designing events that cater for VIPs with similar attributes, rather than grouping invitees by product preference; and
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- Refining decision making around the programs offered to individual players based on expected play, rather than simply 'front money' (being the amount of money made available for gaming with the casino by the player).

9. Describe any changes to its business plan and strategies in the last 6 years.

43. Business plans for VIP International were prepared prior to the commencement of each financial year. Copies of the plans for the years ended 30 June 2015 to 30 June 2019 are attached (**CRL.527.001.3012, CRW.008.012.6819, CRW.008.012.6848, CRW.008.041.1021, CRW.008.041.1032**). Business plans were not prepared for the financial years ended 30 June 2020 and 2021.
 44. The key strategies up to the incarceration of the Crown employees in China in late 2016 were focussed on expanding VIP International's reach across multiple markets. Crown upgraded its private jets, enhanced 'in market' executive presence including attendance at marketing presentations for players, increased the number of private gaming salons in Crown Melbourne, developed Crown specific promotions to stimulate demand in non-peak periods and employed a 'Lifestyle Manager' to provide general information to international customers on opportunities in Australia for education, medical services, real estate purchases and the like (**CRW.510.044.0093**).
 45. Crown also introduced the 'Platform Junket' strategy. This strategy involved Crown referring potential players to key (credit worthy) junket operators in circumstances when Crown would not provide credit to the player. In addition to minimising credit risk, the strategy potentially provided Crown with another marketing channel to access new customers.
 46. The plan for the year ended 30 June 2017 proposed that Crown sought to improve the profitability of VIP International by lowering some of the junket commission rates to reduce the difference between the rate paid to smaller junkets and the lower rate paid to an individual Premium Player (removing the incentive for the junket to undercut Crown). Additionally, the business sought to encourage players to visit Crown Perth, following the completion of the Perth Crown Towers Hotel and associated amenities.
 47. The conviction and subsequent incarceration of Crown employees in China in October 2016 led to key changes to the manner in which VIP International operated. In particular, Crown's offices in Thailand, Indonesia, Macau, Vietnam, Taiwan and Singapore were closed. Operating protocols were developed to guide the business' activities in overseas jurisdictions including a complete ban on Sales team members travelling to China. As a result, Crown became more reliant on junkets as a source of business.
 48. The proposal for the year ended 30 June 2018 represented a back to basics approach to the International VIP business, focussing on events, service delivery and greater use of Crown jets
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and the Capital Golf Course. Crown Melbourne also made arrangements to establish a new in-house junket operation with Ngok Hei Pang (Megstar). No material changes to the business operations were proposed in the following year ended 30 June 2019.

49. As noted above, a detailed business plan was not prepared for the year ended 30 June 2020. The business continued in a similar manner to the prior year, until Crown Melbourne and Crown Perth closed in response to the COVID pandemic in March 2020. The main activity in the current financial year was the implementation of the restructure outlined in my response to question 4 above.
50. International Gaming Machines represents a small part of Crown Melbourne's Gaming Machine business (approximately 8% of revenue in its peak in the year ended 30 June 2019). Consequently, it does not command the same amount of attention as the larger business units. The strategies deployed were typically ongoing refinements to existing initiatives and included increasing the number of Sales employees (from two to five), relocating two of the Melbourne Sales employees to each of Hong Kong (May 2018), Singapore (September 2019) and hiring an additional employee in Malaysia (October 2019). I note the overseas domiciled positions were made redundant in February 2021. Additionally, Crown worked to improve profitability through better alignment of programs to individual players and attract more players by leveraging Crown's scale and breadth of offer. It also planned to establish relationships with inbound tour operators to promote Crown to their database, however this initiative failed to gain traction.
51. The Interstate Table and Gaming Machine revenues also represent a small percentage of the Table Games and Gaming Machine business unit's revenues, being approximately 10% and 6%, respectively in the year ended 30 June 2019. Strategies implemented over the past six years included:
- Increasing the number of Sales employees (there are currently 23 positions in the structure);
 - Establishing an additional sales office in Sydney in 2018;
 - Creating unique events to promote a visit to Crown. Examples include access to Crown's jets, shares in racehorses, 'private meet and greets' with sporting and entertainment personalities;
 - Improving alignment of available programs to individual players;
 - Seeking to establish relationships with different entities to promote Crown to their patrons e.g. club venues in NSW and Queensland;
 - Establishing an outbound call centre function to personalise marketing initiatives; and
 - Investing in additional VIP gaming areas and refurbishing existing areas to maintain a high quality environment for interstate players.
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10. What are the actual and forecasted budgets and gross revenue from VIP gambling for Crown Melbourne and Crown Sydney Gaming Pty Limited for:

- (a) each of the financial years from 1 July 2018 to 30 June 2020; and
- (b) each of the financial years ending 30 June 2021 to 30 June 2025.

52. A table showing Crown Melbourne and Crown Sydney Gaming Pty Limited's actual and forecasted budgets and gross revenue from VIP gambling for the requested years is attached (CRW.510.044.0229).

53. The forecasted figures shown in the attachment are drawn from the five year plan presented to the Crown Resorts board in June 2020, prior to the November 2020 decision to cease dealing with junkets. Consequently, the figures include projected revenue and EBITDA from junkets.

11. Describe the systems Crown has in place to permit and facilitate gambling by VIP patrons at the Melbourne Casino, including:

- (a) the probity or other checks Crown makes in relation to VIP patrons;

54. Given Crown's decision in November 2020 to cease dealing with junkets, I have confined my answer to the systems in place to facilitate gambling by VIP patrons, excluding junkets.

Initial Review

55. VIP patrons must execute a Program Agreement with Crown to participate in gambling as a VIP, other than Interstate or regional Victorian VIPs participating in a Standard Complimentary Program at Crown Melbourne (which does not require an Agreement, rather access to the program is provided at the discretion of gaming management following appropriate identification checks).

56. The steps undertaken in respect to probity of VIP patrons include:

- i. Obtaining appropriate identification;
 - ii. Obtaining evidence that the patron ordinarily resides outside of Australia in the case of an International or outside of Victoria (or Western Australia) in the case of an Interstate player or in regional Victoria in the case of a regional Standard Complimentary Program player;
 - iii. Adding the player to the Dow Jones database (an external subscription service which screens for matters of concern, primarily Politically Exposed Persons (PEPs), and sanctions) for ongoing daily screening;
 - iv. Conducting further enquiries of any matter identified by the Dow Jones screen that requires investigation; and
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v. If the above items (i) to (iv) are in order, the customer may be reviewed for approval of a credit or cheque cashing facility.

57. Appropriate identification includes one or more of the following;

- Passport;
- Australian or New Zealand Drivers Licence;
- Australian State or Territory Photo Card or Proof of Age Card; or
- Australian Immicard.

58. Evidence of residence will ordinarily require either a:

- Country ID card; or
- Utility bill or bank statement displaying a residential address.

Ongoing Screening

59. All VIP patrons are subject to Dow Jones PEP/Sanction screening.

60. Following the Dow Jones screening, a customer's AML risk rating may be adjusted by the Financial Crime team. If rated as 'high' and/or the customer is seeking to establish a credit or cheque cashing facility, a series of searches may be conducted including the following:

- External probity subscription services such as Acuris/C6 Global data;
- Review of media articles;
- Company searches;
- Directorships/shareholdings; and
- Review of known associates.

61. Credit checks are conducted for patrons seeking a credit or cheque cashing facility. Additional information sought by Crown when conducting credit checks may include:

- Source of wealth;
- Enquiries with other casinos;
- Property ownership;
- Bankruptcy search;
- Central Credit checks (a third-party subscription service relating to casino patrons);
- Business card; and
- Personal cheque.

62. In addition to the above process, Crown implemented the Significant Player Review (**SPR**) process in July 2020, which is applied to existing customers identified for review as a result of their actual or prospective level of gaming activity at Crown. The SPR process is commenced by either the Table Games or Gaming Machines business units, who are seeking information on source of funds and identifying any matters that may present a potential reputational, criminal exploitation or money laundering risk. Additional information from the Regulatory and

Compliance, Financial Crime, Surveillance, Security Investigation Unit and Credit Control and Responsible Gaming departments is used to build a profile of the individual. The types of information used to initially assess the patron may include:

- Director searches;
- Property searches;
- The existence of law enforcement and Australian government agencies (e.g. ATO, Centrelink etc.) requests for information from Crown;
- Behaviour on site (whether related to transactions or interactions with employees or other patrons);
- Open source and external searches to assist in identifying any concerns regarding probity and help establish source of wealth (e.g. Factiva news searches and external probity subscription services); and
- Any internal information that may raise responsible gambling concerns.

63. If the above enquiries do not provide sufficient comfort regarding whether Crown should continue dealing with the patron, further searches may be undertaken utilising the external providers. Additionally, enquiries regarding source of wealth, or other matters of concern may be directed to the patrons themselves.

(b) whether Crown offers credit to VIP patrons;

64. Crown Melbourne offers credit to patrons who ordinarily reside outside of Australia and are participants of a rebate program in accordance with the Victorian *Casino Control Act 1991* s 68(8).
65. Crown Perth historically offered credit, or a Funds Advance Facility as it's known in Western Australia, to an International Commission Based Player who does not ordinarily reside in Australia, in accordance with Directions issued pursuant to the Western Australia *Casino Control Act 1984*. However, on 24 February 2021 Directions were amended to state that the casino "shall not participate in Junkets, Premium Player or Privileged Player Activity". Consequently, credit can no longer be offered to patrons of Crown Perth.

(c) whether Crown allows VIP patrons to deposit money into a bank account operated by Crown or one of its related entities and, if so:

i. what details it requires VIP patrons to provide to identify themselves;

66. Patrons may transfer funds into Crown's bank accounts. Those funds are allocated to the patron's individual deposit account at Crown once Crown has verified that the transferor is the patron claiming the funds (unless the transferor is another casino, in which case confirmation is sought from the transferring casino that the funds are for the benefit of the patron claiming ownership).
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67. When patrons present at the Casino Cage to claim the funds, they are required to provide acceptable identification as per clause 3.4 of the Joint Program – Part B, in order to open a deposit account or transact on their existing account.
68. Patrons may also deposit funds into their deposit account with Crown in various forms including cash, casino chips, a ticket from an electronic gaming machine or electronic table game or a bank cheque at the Casino Cage.
69. If a patron deposits cash into Crown's bank account in contravention of Crown's Return of Funds policy, it is returned to them in cash at the Cage with a receipt identifying that the transaction represents a return of cash as a result of unauthorised cash deposit into a Crown bank account.

ii. whether a VIP patron's personal details are verified and, if so, how they are verified;

70. The VIP Patron's details are verified against a form of original identification provided by the customer and recorded in Crown's Casino Management System (**CMS**) (refer to the Joint Program).
71. If accepted, the identification is scanned into the CMS and referred to for all future transactions to verify a patron's identity or whenever the patron presents their membership card to request a transaction. Patrons are requested to provide updated identification, as required.
72. A recent initiative of Crown's Financial Crime team when undertaking Ongoing Customer Due Diligence (**OCDD**), is to verify a patron's personal identification documentation via a third-party documentation verification service. In late March 2021, Crown received a draft of phase 1 of a Vulnerability and Strategic Capability Assessment Report from Promontory in respect to its AML/CTF program. One of the recommendations being considered by Crown is that it authenticates identification documents using a digital document verification service (**CRW.512.017.0001**).

iii. whether Crown uses VIP patron identification numbers or loyalty identification numbers to identify deposits as having been made by a particular VIP patron or some other process and, if so, what process;

73. Patrons are required to provide their Crown Rewards membership number (or customer identification number in the case of a program player) and their full name for any deposit made into Crown's bank accounts. In addition to their membership number (or patron identification number) and name, patrons must also provide a copy of their bank receipt to match the transaction. The Cage staff will also match the transaction on Crown's bank account statement before funds are released to a patron, unless management approve the immediate release of the funds, in which case the matching of the receipt to the bank statement occurs subsequently.

iv. whether procedures vary depending on whether a VIP patron is an international patron or if a deposit is in foreign currency and, if so, in what respects.

74. In addition to the information requested in question 11(c)(iii) above, transfers received from overseas, require bank, branch and transferor details to assist in preparing an International Funds Transfer Instruction (IFTI) reported to AUSTRAC.
75. Transfers received into our foreign currency account have a foreign exchange rate applied to determine the Australian dollar equivalent. The foreign currency amount is then held to allow the patron to repurchase their funds at the same exchange rate at the end of the program.

12. Describe how Crown performs on-going (and/or enhanced) customer due diligence in respect of VIP patrons.

76. My answers in response to the above question and questions 13, 14 and 15 have been drawn from the Joint Program.
77. I am familiar with the Joint Program having read it and spoken to members of Crown's Financial Crime team to understand how it is implemented at Crown. Moreover, I have completed Crown's online training module and the training given to Crown's Board and senior management team, which speaks to Crown's response to meeting its obligations to prevent money laundering and terrorism financing. However, I do not have detailed first-hand knowledge of the workings of the Joint Program as the departments that are primarily responsible for key elements of the program, namely the Cage and the Financial Crime teams do not, and have never, reported through to me. My role is to provide support to the implementation of the Joint Program by ensuring that:
- changes were made to the various operational policies required to support the Joint Program;
 - Crown Melbourne employees complete Crown's AML/CTF training;
 - awareness of the Joint Program is communicated across the business;
 - support any requests from the Financial Crimes team for information when they are conducting Enhanced Customer Due Diligence (ECDD);
 - support is provided to law enforcement requests for information or assistance with investigations; and
 - all Crown Melbourne personnel respond promptly to requests for assistance from Crown's Financial Crime team.
78. My responses to this question speak to the due diligence on individuals and does not refer to Beneficial Owners, given it is not relevant in light of Crown's decision to cease dealing with Junket Operators.
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79. OCDD performed by the Financial Crime team consists of three components:
- a) Review and update of Know Your Customer (**KYC**) information;
 - b) The Transaction Monitoring Program; and
 - c) ECDD.
80. The review and update of KYC Information generally occurs in three ways:
- Daily screening of patrons in Crown's CMS against the Dow Jones database (any matches are reviewed and may lead to further enquiries or ECDD);
 - Periodic reviews of the risk ratings for patrons previously assessed as 'high' risk (occurs at least every two years); and
 - Refreshing KYC information when Crown is informed of a change to the patron's profile or information based on triggers occurring throughout the relationship with the customer. These triggers occur when reviewing KYC as part of ECDD or investigating a UAR or periodically when reviewing KYC information for 'high' and 'critical' risk rated customers. The updated KYC information will be re-verified either manually or against a third party documentation verification service.
81. Crown has put in place a Transaction Monitoring System (**TMS**), both manual and automated, across each of the Crown entities.
82. The purpose of the TMS is to identify any transaction that appears to be suspicious and requires reporting to AUSTRAC. It does this by defining a set of business rules or scenarios ('triggers') that may lead to unusual activity alerts, which is compared with the customer's respective KYC and gaming profile for assessment.
83. Crown applies ECDD measures when it identifies a customer has been assessed as a 'high' ML/TF risk or is a foreign PEP, or when a suspicion has been formed under section 41 of the *Anti-Money Laundering and Counter Terrorism Financing Act (2006)*.
84. If a customer is identified as a 'high' risk PEP, Crown will seek to understand the customer's source of wealth and source of funds and escalate to senior management for review, and if appropriate, approval to continue the relationship with that customer.
85. ECDD can be undertaken in a number of ways including reviewing Crown's internal records, open source searches, obtaining external information (through closed and open source means), requesting third party due diligence reports or requesting information from the customers themselves.
86. If a decision is taken to continue dealing with the patron after ECDD has been conducted, Crown may also place an alert on a customer's account, to allow analysis and monitoring of the customers transactions in the future.
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13. In respect of how many VIP patrons has Crown performed any due diligence. Describe precisely what was done.

87. Since 1 July 2009, 31,872 VIPs have gambled at either Crown Melbourne or Crown Perth.
88. At a minimum, Crown obtained primary identification and conducted World-Check searches or more recently, Dow Jones searches. World-Check is a subscription database of PEPs and heightened risk individuals and organizations, used around the world to help to identify and manage financial, regulatory and reputational risk. It is similar to the Dow Jones service currently used by Crown.
89. Further information of the nature described in response to question 11(a) above is obtained for VIPs seeking a credit or cheque cashing facility.
90. Additionally, if any matters of interest are identified in the initial information gathering phase or subsequently via OCDD, Crown undertakes ECDD as described in response to question 12 above. Examples of this ECDD include C6 reports, the Berkeley Research Group report dated 12 September 2020 (CRW.516.004.0615) and the Minter Ellison memo dated 30 December 2020 (CRW.510.001.1298).

14. Describe how Crown performs on-going (and/or enhanced) customer due diligence in respect of VIP patrons who are also PEPs.

91. For Foreign PEPs, or Domestic or International Organisation PEPs rated as High Risk (**High Risk PEP**), Crown will conduct ECDD in accordance with its Joint Program, Policies and Procedures as set out in item 12 above. In addition, where a customer is identified as a High Risk PEP, Crown will:
- where appropriate, take reasonable measures to understand the customer's source of wealth and source of funds; and
 - escalates to senior management for review, and if appropriate, approval to continue a business relationship with that customer, and make a determination as to whether Designated Services should continue to be provided to the customer.

15. In respect of how many PEPs has Crown performed any due diligence. Describe precisely what was done.

92. At the time of preparing this statement I have not been able to verify how many PEPs upon whom Crown Perth has performed due diligence, however I will provide it to the Commission as soon as it is available.
93. Crown Melbourne's records indicate that it has performed due diligence on 521 PEPs.
94. Crown Melbourne's processes in respect of PEP due diligence has periodically evolved.
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95. Prior to amendments to the Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1) (**AML Rules**) imposing new KYC and customer due diligence obligations, effective from 1 June 2014, there was no requirement to take specific additional due diligence measures for customers who are PEPs. However, the Cash Transaction Reporting Manager would review the relationship with the customer to determine the extent of the increased risk of continuing to deal with the customer, which may have included increasing the customer's risk rating and performing ECDD accordance with the then applicable AML/CTF Program.
96. Following the amendments to AML Rules referred to above, all customers identified as High Risk PEPs were subject to ECDD in accordance with the then applicable AML/CTF Program, including:
- where appropriate, undertaking reasonable measures to establish the customer's source of wealth and source of funds including one or more of the steps outlined in my response to question 11;
 - obtaining senior management review, and if appropriate, approval for continuing the business relationship or the provision or continued provision of a Designated Service to the customer; and
 - placing alert(s) on PEPs accounts, enabling enhanced transaction monitoring as outlined in my response to question 13.

Signed:

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Date:

23 April 2021
