

# Deloitte Junket and POI Review and Additional Recommendations & Status

26 November 2020

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## EXECUTIVE SUMMARY of DELOITTE RECOMMENDATIONS (Extract from Deloitte Report)

### Junket

There are several opportunities to strengthen the information inputs to the due diligence processes undertaken by Crown. Specifically, we recommend:

- Crown obtain additional declarations from operators in relation to litigation history and financial status to inform the research undertaken.
- Review the external data sources accessed and include additional risk and reputational focussed sources and the capacity to engage external investigation support.
- Provide formal open source research training to staff members conducting due diligence research.
- Formalise the current protocols for trace checking with Crown's Security & Surveillance team and outline how these are considered in decision-making.
- Clearly articulate the risk priorities and red-flags to be considered and align the view of risk with the broader risk management framework, via greater involvement of AML, Compliance and Security & Surveillance.
- Update the due diligence summary sheet to reflect the risk issues investigated, the outcomes of research and review by all relevant areas. Crown should also ensure both the decision and rationale are recorded alongside the information upon which the decision was based.
- Align the operating model for the new junket and the review processes with a clear three lines of defence model that articulates the roles and accountabilities of all relevant areas.

### POI

The proposed enhancements to the POI process and introduction of the PDA are positive initiatives which will add consistency and transparency to POI decision-making and support Crown's values and priorities to be considered as part of the process.

- We recommend the assumptions and priorities upon which the tool is based are clearly articulated, and the reliability of information sources is also considered. All decisions made through the POI process should be recorded with the rationale clearly documented.
- The information inputs that trigger the POI process are understood internally, however they are not yet captured within Crown's policy documentation which would assist in ensuring consistency and communicating the process externally. At present, the processes are not documented to consistently manage law all enforcement requests, which may pose a reputational risk to Crown. However, we note the ongoing efforts to strengthen these processes.
- The membership of the POI Committee effectively brings in stakeholders from relevant internal departments to ensure that a holistic view of risk and internal perspectives is included within the decision-making process. Crown may benefit from a more defined

approach to Executive and Board escalation. It may also be appropriate to review the size and composition of the committee to ensure it is able to effectively manage all matters, including those involving sensitive information shared by law enforcement.

#### **Involvement of Crown's board and subcommittees**

Both the POI and Junket due diligence and approval processes represent key risk management approaches for Crown.

Given the charter of the RMC and the fact the decisions taken in both programs are group-wide, the RMC remains the most appropriate forum for oversight.

- While the decisions in relation to specific operators and individuals should remain operational decisions of the Crown Executive, the RMC should have a role in approving the operating model in relation to both programs and agree the key risks assessed during decision-making. Crown could also consider what role the operational boards for Crown's properties have in this oversight.
- We further recommend the SOPs relating to both the junket and POI programs clearly articulate the requirements of reporting matters to the RMC in alignment with the Risk Management Statement.

#### **SUMMARY OF ADDITIONAL RECOMMENDED CHANGES (FROM INTERNAL REVIEW)**

In addition to the recommendations identified by Deloitte in their report, a number of additional enhancements are proposed for implementation:

- Review and formalise the junket approval process, having regards to the three lines of defence principles, and the effectiveness of the escalation process.
- Develop a tool that will assist in the junket approval process, will formalise the criteria for decision making and increase the objectivity and consistency of the process – consider a tool similar in principles to the new POI tool (PDA).
- Expand the Melbourne POI Committee to become a Group-wide POI Committee, to ensure consistency of decision-making across the Australian Resorts (Melbourne, Perth and Sydney)
- Develop a decision criteria tool that will capture the decision making process of the POI committee when the PDA requires a decision by the POI Committee (Orange rating)
- Expand the due diligence process to a large range of related parties to the Junket operators, including agents, representatives, 'financiers' and other known associates.
- Increase the use and access of external investigation capabilities. Develop a set of criteria that will increase the consistency of use of these tools and set clear parameters of when a flag is raised requiring further enhanced research. Extend information gathering to interactions with LEAs and Casino Integrity Group.

## DETAILED FINDINGS

AS: Anne Siegers  
 CW: Craig Walsh  
 MF: Michelle Fielding

MG: Mary Gioras  
 NS: Nick Stokes  
 VIP: Jacinta Careri/ Roland Theiler/ Ishan Ratman

Ref	Recommendation	Who	Status / Target
<b>1 – New Junket Operators</b>			
1.1.3	<p>We recommend Crown consider seeking declarations from prospective junket operators as part of the application process, including details of litigation history, financial situation and other business operations. This will strengthen the due diligence approach through providing the Credit team with additional information to cross-reference through their searches.</p> <p>Our review identified that there are opportunities to strengthen the junket due diligence through ensuring it is sufficiently tailored to the international nature of the program, including through:</p> <ul style="list-style-type: none"> <li>• Ensuring Crown’s operational preferences for all current external due diligence providers are set to include searches in the relevant languages used by the prospective operator.</li> <li>• Conducting searches on junket operator and agent aliases.</li> <li>• Considering using additional international providers as part of the due diligence process.</li> </ul>	MG/ VIP	<p>In progress - declaration form created.          Included in the form the capturing of other information such as supporting organisation, financiers, agents, reps, shareholders, etc., including aliases. As well as declaration of no link with criminal organisations and no money laundering activities or links.</p> <p>See item 1.1.7 for external capability.</p>
1.1.6	<p>We recommend Crown formalises internal checks as part of the junket approval process. These should be included within SOPs and training documents to ensure consistent application.</p> <p>Deloitte recommends that those staff members in the Credit team who are responsible for conducting due diligence are provided with formal training in open-source research and information collection.</p> <p>We also recommend that the internal training documents are supplemented to include guidance on carrying out searches and due diligence checks, including risks,</p>	MG	<p>In progress - SOP update with risks, red flags, escalation and triggers for Training update on open source searches and information collection          Update training on risks, red flags, escalation, and identify triggers for ‘more’</p>

	red flags and typologies, along with better defined escalation points and triggers for further investigation.		
1.1.7	Crown identify suitably qualified investigations professionals with the experience and capability to undertake more in-depth due diligence investigations in regions relevant to the junket program. Given Crown already undertakes its own due diligence research, it is recommended this support be engaged on an as needs basis when red-flags are noted during the course of research but are unable to be resolved. The SOPs related to the junket program should be updated to identify the key triggers for referral to the external provider chosen.	MG/ NS	In Progress – identify external capability and set up agreements  Set up triggers for ‘more’ (See 1.1.6)
1.2.2	Deloitte recommends the Junket Program SOPs and related policies and procedures regarding junket onboarding and due diligence be updated to include a specific definition of ‘probity’ as it relates to the program and articulates the legal and reputational risks which are to be considered during the process. Crown should consider including, any issues which would impact Crown’s suitability to hold a gaming licence; the consideration of criminal history; potential money laundering and other forms of financial crime (e.g. fraud and corruption); financial and trade sanctions; and unethical business practices (e.g. forced labour etc.) as part of this definition.	MG	In progress - Update SOP, policies and procedures (See 1.1.6)
1.2.4	Crown obtain details of authorised Agents as part of the initial information provided for new Operators and that these Agents be subject to appropriate risk-based due diligence procedures along with the Operator. We recommend also that Crown consider recording information about when Agents are added and removed by Operators and formally documenting their visits to Crown.	MG/ VIP/ MF/ NS	Update SOP (See 1.1.6) Updated forms to capture information at application stage from prospective junket operator, as well as sales staff. Enhance system capture to include visit information of agents and reps where possible
1.2.6	Crown should create a digital, point-in-time record of all information collected during the due diligence process along with the due diligence summary and the recorded outcome and rationale of the decision for the purpose of establishing a clear audit trail. A number of commercial platforms are available to assist in managing third-party risk management and due diligence processes and Crown could consider whether such	MG	Discuss with Andre the possibility of utilising the Unifii tool being developed for AML case management? In the meantime, develop a form that includes all elements and rationale for audit trail.

	a platform would be appropriate in supporting assessment of junket operators and documenting the due diligence and decision-making processes.		
1.2.8	<p>Crown should consider aligning the processes for assessing the risk of junket operators across Credit, AML, Compliance and Security &amp; Surveillance to create a common risk assessment process for each operator. A holistic or multi-category rating should be established at the outset of due diligence and updated to reflect the outcomes. For example, the risk assessment should reflect any potentially adverse reputational issues noted in connection with the operator and the level of risk assessed by the AML or Security &amp; Surveillance teams.</p> <p>It is also recommended Crown consider the appropriateness of separating the assessment of potential risks from the process for assessing creditworthiness. As noted in the approach taken by a similar company (See Appendix C), commercial and credit decisions are made after due diligence into potential risks has been completed. Alternatively, Crown could revise its current processes to ensure all relevant views and assessments from Credit, AML, Compliance and Security &amp; Surveillance are clearly reflected in documents reviewed by the decision maker.</p>	MG/ AS/ MF/ NS/ CW	In Progress – creation of form above (see item 1.2.6)
1.2.11	The junket due diligence summary should include the rationale for the decision made and be held on the junket due diligence file. Creating a contemporaneous record of both the decision and the rationale would strengthen Crown’s ability to review previous decisions and help ensure all relevant issues have been considered.	MG/ AS	In Progress – creation of form above (see item 1.2.6)
1.2.13	<p>We recommend the due diligence summary template be updated to include:</p> <ol style="list-style-type: none"> <li>1. Documentation of the risk categories considered in the due diligence research and the findings or otherwise against each of the categories;</li> <li>2. A section for the decision-maker to record to record the outcome and the rationale for their decision; and</li> <li>3. Specific response sections to be completed by the AML, Compliance and Security &amp; Surveillance recording their assessment of risk and any recommendations (See Section 1.3 for discussion).</li> </ol>	MG	In Progress – creation of form above (see item 1.2.6)

1.3.4	Crown strengthen the role of the AML and Compliance teams within the assessment process for new junket operators and the due diligence research in particular, to ensure a holistic view of risk is established at the outset of the due diligence process. Crown should establish a risk rating system that accounts for the full range of potential risks and outlines the appropriate red flags to be investigated throughout the due diligence. The due diligence research should be reviewed by an appropriately trained and experienced AML analyst prior to being forwarded to the decision maker and the outcomes of this review should be recorded on the due diligence summary sheet.	MG/ MF/ NS	In Progress – creation of form above (see item 1.2.6)
1.3.6	Crown continue with its work to embed a three lines of defence model across the junket program, which clearly articulates the roles and responsibilities of relevant parties and provides clear guidance on the risk issues to be considered during the consideration of new junket applications.	AS/ MF	In Progress – draft process discussed with Ken
<b>2 – Existing Junket Operators</b>			
2.1.3	We recommend Crown formalises its internal feedback and information sharing as part of the ongoing probity measures for junket operators. This should include considering more regular feedback loops to build up a holistic picture of junket activity, and ensure that any concerns are responded to promptly ahead of the annual review. We also recommend that any records relating to junket operators flagged by internal departments during the annual review are included on the summary form, along with further details on the results of these checks and their resolution where appropriate to do so.	MG	Add what criteria will trigger a pre-annual cycle review  In Progress – creation of form above (see item 1.2.6) to use for both new and renewals.
2.2.5	We recommend Crown continue efforts to document and embed the annual review as a reconsideration of the business relationship and that the decision is based on a detailed summary of both the updated checks completed and a review of the internal information collected by Crown relating to the operator, rather than focussing on updating the currency of information held. Relevant SOPs and other policy documents should be updated to reflect this focus. We further recommend the scope of the review incorporate junket agents and that they be subject to the same levels of repeat due diligence as the junket operators.	MG	In Progress – creation of form above (see item 1.2.6) to use for both new and renewals.  Update SOP (see 1.1.6)

2.3.3	<p>As noted previously, we recommend the AML, Compliance and Security &amp; Surveillance teams have a greater role in both the due diligence program and review of existing junket operators, including reviewing the due diligence file and contributing any additional information or assessments prior to the file being escalated for approval. Any findings around potential red flags from the perspective of these teams should be included within the junket annual review summary document.</p> <p>We have outlined our recommendations regarding risk appetite and defining probity within the previous section. These are also relevant for review of existing junket operators.</p>	AS/ MF	In Progress – creation of form above (see item 1.2.6) to use for both new and renewals.
<b>3 – Persons of Interest Process</b>			
3.1.4	<p>Deloitte recommends that Crown documents the information sources and events that trigger the POI process, to ensure consistency of application and ensure the process for responding to such matters is documented.</p> <p>We would also recommend that Crown look to streamline the POI process with law enforcement requests, to ensure that there is a complete record of information Crown holds regarding its patrons and ensure Crown’s decisions to continuing a relationship with patrons remains defensible.</p> <p>Moving forward as the process becomes more established, Crown may wish to explore how adverse information, such as AML red-flags or law enforcement requests are recorded to establish whether data driven solutions could assist with building up the intelligence picture and for consideration in the POI process.</p>	AS/ MF	<p><b>COMPLETED</b></p> <p>First meeting of the new POI committee on 14/10/2020</p> <p>Process documented – which includes sources of information, including law enforcement requests.</p>
3.2.3	<p>Deloitte recommends the assumptions upon which the scoring within the Patron Decision Assessment tool is based are clearly articulated, including how the information is weighted. We would further recommend that this include consideration of the reliability of information sources.</p> <p>All decisions made through the POI process should be recorded, with the rationale behind each decision documented to ensure that Crown’s actions are defensible, particularly when Crown decides to continue a relationship with a patron about whom adverse information is held.</p>	AS/ MF	<p><b>COMPLETED</b></p> <p>Process documented and decision recording mechanism in place</p>

3.2.6	Crown should continue its testing of the PDA form and document the outcomes of this process. Crown should also schedule a formal review of the enhanced POI process and the PDA form at an appropriate point once they have been implemented.	AS/ MF	<b>COMPLETED</b> Testing of tool on actual POI cases to refine the tool completed. Once tool is approved at 14/10/20 meeting, will formally begin implementation
3.3.3	We recommend that Crown ensure the appropriate seniority and makeup of the POI committee and that it represents sufficiently senior staff from the most relevant areas so as to improve efficiency and allow all relevant information to be considered by the committee. We also recommend that the policy documentation includes clear direction on the threshold upon which decisions should be escalated for Executive Approval to ensure consistency. Crown may also wish to consider and document the principles around Board escalation thresholds.	MF/ AS	<b>COMPLETED</b> Charter includes consideration for seniority of membership and escalation
<b>4 – Board Involvement</b>			
4.1.3	Crown establish a target operating model for both the junket and POI programs for consideration and approval by the RMC. This model should clearly articulate the risks be addressed within each process, the procedures and the relevant responsibilities and accountability frameworks. Crown should also consider reporting relevant metrics in relation to both programs to the RMC on a regular schedule.	AS/ MF	In progress - Summarise all changes – process map, org structure, escalation processes, pipeline enhancements, tools triggers  Prepare summary of activity for board – including numbers, ratings, outcomes of ‘mediums’, escalated matters
<b>5 – Additional Recommendations</b>			
5.1	Review and formalise the junket approval process, having regards to the three lines of defence principles, and the effectiveness of the escalation process	AS/ MF	In progress – see 1.1.6
5.2	Develop a tool that will assist in the junket approval process, will formalise the criteria for decision making and increase the objectivity and consistency of the process – consider a tool similar in principles to the new POI tool	AS/ MG	In progress – see 1.2.6



5.3	Expand the Melbourne POI Committee to become a Group-wide POI Committee, to ensure consistency of decision making across the Australian Resorts (Melbourne, Perth and Sydney)	AS/ MF	<b>COMPLETED</b> Charter addresses the seniority of membership and makes the process group, rather than property specific.
5.4	Develop a decision criteria tool that will capture the decision-making process of the POI committee when the PDA requires a decision by the POI Committee (Orange rating)	AS/ MF	<b>COMPLETED</b> Final version of POI tool includes capturing the decision-making process
5.5	Expand the due diligence process to a large range of related parties to the Junket operators, including agents, representatives, 'financiers' and other associates	MG/ NS/ CW	In Progress- see 1.1.6
5.6	Increase the use and access of external investigation capabilities. Develop a set of criteria that will increase the consistency of use of these tools and set clear parameters of when a flag is raised requiring further enhanced research. Extent information gathering to interactions with LEAs and Casino Integrity Group.	MG/ NS/ CW	In progress – See 1.1.7