

File note

Matter Crown | China Union Pay

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Subject **Meeting with Scott Howell**
Wednesday, 19 May 2021 at 12:30 – 2:30 pm

Present: Scott Howell (**SH**), Graydon Down (Hall & Wilcox) (**GD**), Christopher Archibald (**CA**), Anna Dixon (**AD**), Jessica Elliott (**JE**)

General

- 1 Scott is the Cash Transactions Reporting Manager at Crown Melbourne. He started at Crown in June 1994 in the gaming department. He was promoted to supervisor, then operations manager. When the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* (Act) was passed Scott was seconded into the Cage to work in the AML field as the Cash Transactions Reporting Manager.
- 2 Scott worked in the Cage for about 3-5 years and was moved into office space together with Crown's Legal and Compliance teams. He had no background in AML and learned everything on the job from Darryl Wydebrow. Crown had some AML-related SOPs at the time, which have developed organically over time, and new systems implemented, but many of the essential principles have not changed.
- 3 Scott reported to Phillip Batsakis, Michael Neilson, then Debra Tegoni (**DT**) in Legal, then Michelle Fielding in Compliance, and finally Nick Stokes in AML. Scott was the AML "lackey", responsible for implementing anything that needed to be done in the AML space. For the period SH reported to Michelle Fielding, he was also managed by DT. He would attend meetings and share his opinion if required, but he did not have a decision making function in relation to AML policies and procedures. DT would consider SH's views or dismiss them and would make her own decision. Scott would not "dwell on" or engage with AML legislation, as the programs or software he used would tell him what to do.
- 4 Until recently, Scott was the only Crown employee with a dedicated AML function. Louise Lane came into the AML team in 2018. Since the Bergin Report, there has been a step change in Crown AML, and the team is now 20 persons strong.

Reporting

- 5 The heart of Scott's role is to report to AUSTRAC on threshold transactions, suspicious matters and IFTI. He would be provided with 7 or 8 separate reports each day which covered off on transactions that had occurred in the previous 24 hours. The reports included threshold transaction reports, alert reports, cheque issue reports, direct reports, junket reports, carded buy in reports and carded void reports. The reports would include the customer name and identification details, transaction date, amount and destination. Scott would check the reports for accuracy and gaps in the information provided.

- 6 SH explained a threshold transaction is defined as a single transaction involving more than \$10,000 in cash, for instance by purchase of chips, deposit of funds, cashing out chips, or making a telegraphic transfer (TT) into a patron account (which was not itself a threshold transaction) and then withdrawing cash.
- 7 Direct reports detailed the movement of funds between accounts. In respect of third party transactions, SH noted that historically Crown would not report them via a suspicious matter report (SMR). The policy was that if there was a known relationship between the third party and the patron, the transaction was not suspicious.
- 8 In respect of IFTIs, SH noted that historically it was not possible to distinguish between an IFTI and a TT, as the reports would not indicate whether the source of funds was domestic or from overseas. SH stated that "generally you would know", and agreed that was by inference from the fact that the relevant customer came from overseas. IFTIs are now identified by asterixis in the relevant report. SH noted the use of foreign credit cards would not generate an IFTI.
- 9 Alert reports indicated the presence of anyone considered "high risk" at the casino, for example PEPs, persons under a withdrawal of license (WOL), persons for whom Crown had received a law enforcement agency enquiry, or persons known or suspected to be involved in criminal activity due to information received from management or staff, for example via a newspaper clipping.
- 10 SH noted that persons known or suspected to be involved in criminal activities were not permitted to be at the casino. The crimes did not necessarily involve ML and might be violence or sex related. SH would submit a matter for decision and a black mark would be placed on the patron's SYCO file. SH would implement a WOL to prevent the person from attending the premises.
- 11 In relation to junket reports, SH noted that, contrary to views expressed elsewhere, junket players are not anonymous. AML would prepare a report at the conclusion of the junket to review the gaming activity of the key players on the junket.
- 12 The carded buy-in report identified buy-ins on table games using a patron loyalty card. SH noted that historically there were more errors through table games than at the Cage, because it was not a function table game staff would ordinarily do. Carded void reports identified transactions that had been cancelled or voided, typically due to staff error, and SH noted those reports never provided any useful information.
- 13 SMRs had to be uploaded to AUSTRAC every business day. SMRs would be made for [REDACTED] suspicious matters that occurred on the casino floor. There might be as many as 10 – 25 SMRs to AUSTRAC and/or the police each day, and Crown might receive follow up enquires from those agencies.

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[REDACTED]



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- 15 SH became aware of the CUP process at a fortnightly team meeting attended by DT and Michelle Fielding. CUP came up as a topic of discussion. The process was already in place at that time, but SH was not sure when it started. The process was implemented for commercial reasons, to make gambling as comfortable as possible for the customer, so they would not have to go to a bank to get cash out. The issue at the team meeting was whether CUP should be allowed to occur, whether it circumvented the policy of the 50m rule, and whether it raised any AML issues.
- 16 SH described the CUP process, saying that a cash advance would occur at the hotel, then a piece of paper went to the Cage, which made the funds available. SH did not know how often this occurred. He recalled seeing comments on customer files along the lines of "funds made available", or "cash advance of \$200". He knew CUP was being used but it did not concern him. AML was concerned with the use of funds, not their source.
- 17 SH did not know how the accounting and paperwork behind CUP transactions worked. When CA noted that the CUP process came to be described as "purchase of chips" (which does sound like a designated service), SH said he did not know what went on the hotel's statements. He said it was likely the funds went into the patron's deposit account, and were then withdrawn for gaming. SH said the entire process may have been part of a rebate type game program, which required money up front to establish the program, and would award the customer a percentage rebate based on turnover.
- 18 Asked if he was aware of foreign country restrictions on exporting currency, SH stated that Crown would not accept funds from Iran. He was vaguely aware of China's currency restriction laws, but thought the limit was \$50,000 cash. In any event Crown received amounts of more than \$50,000 from China. If the transaction went through the banking system, from the same individual receiving it at Crown, SH did not regard it as suspicious.
- 19 Asked if he reviewed hotel transactions, SH said the hotel was restricted in what it could do, and could not do threshold transactions (cash amounts more than \$10,000), so that they would not "blur the lines". He noted there was an exception for paying the hotel bill because that was not a "designated service" under the AML Act.
- 20 SH said CUP transactions were not reported as SMRs to AUSTRAC because they were not cash transactions. He said

"CUP is not a threshold transaction because the funds are made available to them. The customer doesn't have ten grand, they have value, made available to them, in the piece of paper that entitles them to withdraw. The funds are in their account. If they were to withdraw cash, that would be a threshold transaction, but not if they got chips or a cheque."

CA and JE showed SH a list of all transactions on the CUP process with related SMRs over a period of 3 – 4 years

- 21 JE noted GD had not signed the AUSTRAC undertaking. CA acknowledged, consulted his undertaking, and stated he would speak about the transactions in a way so as to omit any information that would breach the undertaking.



- 22 SH said he assumed that the information on the left hand side of the transaction list was something prepared by the hotel. But the information pertaining to the names of persons, confirmation number, Crown club, date of birth and reason for suspicion was prepared by him. The STSTR is a number ascribed by SH's process to each SMR, and may align with all individuals involved in the transaction.
- 23 SH noted that overall losses may be suspicious, for example all high rollers over a period of time would likely have an SMR raised on them. "Gaming trends" is an overview of amounts won and lost over 12 months.

AD showed SH notes dated 4 February 2016 of a telephone call between Scott Howell, DT and SH behind tab 80

- 24 AD noted the conversation appears to relate to whether the CUP complies with IFTI rules and what might be considered suspicious. AD asked SH if he remembered whether CUP was a topic of scrutiny in February 2016, more than at other times.
- 25 SH could not read the writing and was not sure what the purpose of the note was. When asked whether DT was asking for his view of what Crown's obligations were, SH said DT would not have been asking for his legal interpretation, but may have asked for his views as to what or how Crown should do something.
- 26 SH said as a broad comment on what he was looking for on TT reports, it was transfers from third parties. Crown's processes would not permit transfers of money in, that were not used for gaming, and then sent somewhere else. Funds that were not used for gaming were returned to the sender.

JE showed SH a version of the list of transactions on the CUP process with related SMRs over a period of 3 – 4 years, on her laptop

- 27 SH said he knows what the spreadsheet is. AML would enter every SMR sent to AUSTRAC into a schedule. The schedule could have included entries relating to CUP but SH can't remember doing one for that reason. SH said it is probable that most entries relate to gambling losses.

AD showed SH an email from DT to Steve Hancock behind tab 90

- 28 AD noted the email asks for a daily or weekly report on CUP for Scott Howell and DT's records. AD asked SH what generated the email. SH said the report would have been reviewed because it would be of interest, for the same reason as a threshold transaction or TT report – because any transaction is a trigger to look.
- 29 CA asked SH what the helpful bit of information in a CUP report was, that might trigger him to look. SH said he would absolutely have reviewed the report if he had it. The transactions were not of themselves suspicious, but may have led to something suspicious.
- 30 CA asked SH if he could remember a stimulus for asking for a CUP report, because the request came 3-4 years after the CUP process was up and running. SH could not remember and did not remember ever seeing such a report. AD noted that was consistent with the documents (or lack thereof) we had seen, and that we had assumed DT's direction was never followed.



- 31 CA asked if it would be relevant if the frequency of CUP transactions had ramped up from 1 to 50 transactions a week, in 6 figure sums. SH said any information could be relevant. He made discretionary judgments all the time, would action some things and ignore others. If he knew the customer and their behaviour, he would not need to review.
- 32 SH was not aware of use of CUP growing significantly. He saw SYCO comments saying it was used on certain days, but did not know the amounts, or the full extent of the frequency.
- 33 CA asked SH why didn't he chase it? SH said he did not remember being asked to. He said he is guilty. That if he was asked he should have followed it up. He had been following certain processes for a long period of time and it may have escaped his thought pattern. If he did the wrong thing he is happy to be guilty.
- 34 CA asked SH about "match-making" transactions, where Crown received funds on behalf of an international patron in a way that avoids an international transfer of funds. SH had never heard of the terminology, but he would not have been aware of transactions happening outside of Crown. He was not aware of SMRs submitted to AUSTRAC in relation to match-making.
- 35 SH noted that Crown had been criticised for not reviewing transactions occurring in its bank accounts. But in his view that criticism was ill founded, because AML was reviewing a database that reflects all underlying transactions, so structuring would not have been missed.
- 36 SH indicated that transactions at the Cage could be a point of vulnerability, something that was "missed" by AML. If a high end gamer wanted to put through 8x lots of \$10,000, the Cage might for expedience process the transactions as one transfer of \$80,000. That process was an error.

