



Crown Resorts

Anti-Money Laundering
and Counter-Terrorism
Financing
Board and Senior
Management Training
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What we will cover today

1 AML/CTF IN AUSTRALIA

- An overview of the Australian AML/CTF regime and other relevant legislation
- What is money laundering?

2 CROWN'S AML/CTF PROGRAM

- Overview of the AML/CTF Program and Framework
- Crown reporting entities
- Three lines of defence
- Customer lifecycle

3 KEY ML/TF RISKS AND CONTROLS

- Case study
- Key ML/TF risks faced by Crown
- Key controls

4 BOARD OBLIGATIONS AND REPORTING

- AML/CTF Rules
- s180 Corporations Act
- Reporting to Board and senior management

5 AUSTRAC APPROACH

- Recent trends
- Westpac case study

6 BOARD AND SENIOR MANAGEMENT – POSSIBLE QUESTIONS

Relevant AML Legislation

Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)

- Objects include to provide for measures to **detect, deter and disrupt** money laundering, the financing of terrorism, and other serious financial crimes and to provide AUSTRAC and other Australian and international law enforcement agencies with information to investigate and prosecute money laundering, terrorism financing and other serious crimes

Casino Control Act 1992 (NSW)

- A primary object of the Act is to ensure that the management and operation of a casino remain free from criminal influence or exploitation

Casino Control Act 1991 (Vic)

- A purpose of the Act is to establish a system for the licensing, supervision and control of casinos with the aim of ensuring that the management and operation of casinos remain free from criminal influence or exploitation

Overview of AML/CTF Landscape

Australian Regulatory Regime

AML/CTF legislation

- > AML/CTF Act commenced in 2006.
- > Whilst the AML/CTF Rules have been amended, limited law reform has been pursued.
- > AML/CTF Amendment Bill 2019 was passed on 10 December 2020 but has yet to come into force. We do not expect that these will require material changes in Crown's policies or practices to achieve compliance.

Enforcement of the legislation

- > The lack of enforcement action by AUSTRAC was a key finding in the FATF Mutual Evaluation Report on Australia in 2015.
- > The response since has been stark: AUSTRAC has been led by CEOs with a LEA background, and with a focus on enforcement:
 - Tabcorp (Feb 2017): \$45 million penalty
 - CBA Jun (2018): \$700 million penalty
 - Westpac (Oct 2020): \$1.3 billion penalty

Overview of AML/CTF Landscape (Continued)

> Supervision and Enforcement

- Even greater emphasis on reporting entities implementing a risk-based approach, as opposed to ‘tick-the-box’ compliance.
- This means, technically addressing the AML/CTF Rules may not be sufficient if there is a failure to consider adequately the ML/TF risks, and apply the commensurate controls.
- AUSTRAC has demonstrated its willingness to take enforcement action where it identifies systemic breaches of the AML/CTF Act; this is likely to continue.
- Greater collaboration with industry across risk assessments, typology papers and the Fintel Alliance.

What is money laundering?

Legal definition of money laundering – See AML/CTF Act and Div 400 of the Criminal Code

1 Are there proceeds of crime or is there an instrument of crime?

2 Are you dealing in the proceeds of crime, an instrument of crime or money or property at risk of becoming an instrument of crime?

3 Is the dealing intentional, negligent or reckless? Or was it reasonable to suspect?

Proceeds of crime: any money or other property that is wholly or partly derived or realised, directly or indirectly, by any person from the commission of an offence.

Instrument of crime: any money or other property 'used in the commission of, or used to facilitate the commission of, an offence'.

- Dealing:**
- Receiving
 - Possessing
 - Concealing
 - Disposing
 - Importing
 - Exporting
 - Engaging in a banking transaction relating to the property



The concept of 'designated services'



The **AML/CTF Act 2006 (Cth)** and **AML/CTF Rules** comprise our AML/CTF regime, imposing significant compliance obligations on 'reporting entities'.



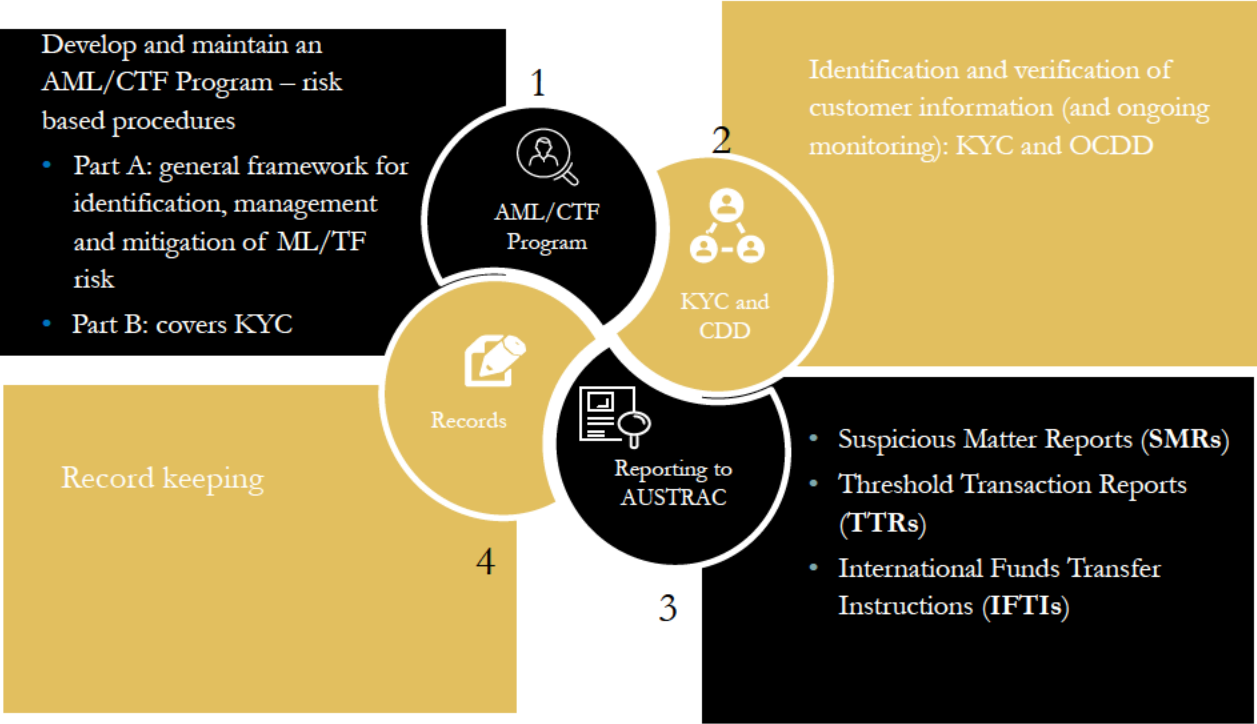
Reporting entities are those, like Crown, that provide 'designated services'



Section 6 of the AML/CTF Act lists the designated services

- Table 1: Financial services
- Table 2: Bullion
- **Table 3: Gambling services**
- Table 4: Prescribed services

Crown's Key AML/CTF Obligations



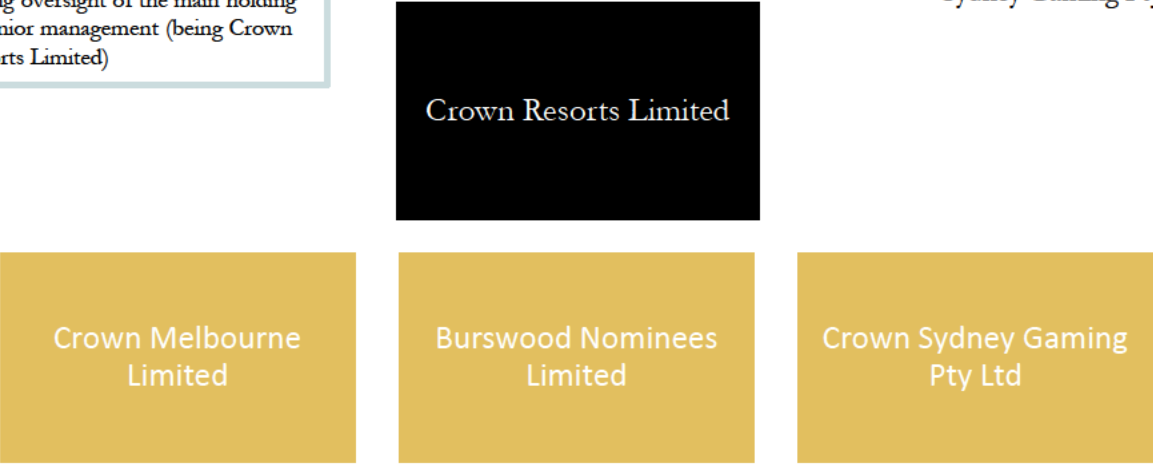
Crown Reporting Entities and the Role of Crown Resorts

Rule 9.4.2, AML/CTF Rules

Where there is a Joint Program (as Crown now has) and each DBG member is related, Part A can be approved by and subject to the ongoing oversight of the main holding company's board and senior management (being Crown Resorts Limited)

Key

- Not a reporting entity
- A reporting entity (or will be upon opening of casino in the case of Crown Sydney Gaming Pty Ltd)



Crown's Joint AML/CTF Program

- > Crown must adopt and maintain an AML/CTF Program (**Program**). The Program is a written document that outlines how Crown identifies, mitigates and manages the risk of its products or services being used for money laundering or terrorism financing (**ML/TF**).
- > The Program must contain a **Part A** (how Crown identifies, mitigates and manages ML/TF risk) and a **Part B** (how Crown identifies its customers and beneficial owners, including politically exposed persons (**PEPs**)).

PART A

- Risk assessment
- Board and senior management approval and ongoing oversight
- Appointment of an AML/CTF compliance officer
- Employee due diligence program
- AML/CTF training program
- Consideration of guidance material and feedback from AUSTRAC
- Systems and controls to meet AML/CTF reporting obligations
- Ongoing customer due diligence systems and controls (including transaction monitoring and enhanced customer due diligence)
- Reporting obligations (SMR, TTR, IFTI, compliance report, enrolment details update)
- Subject to regular independent review

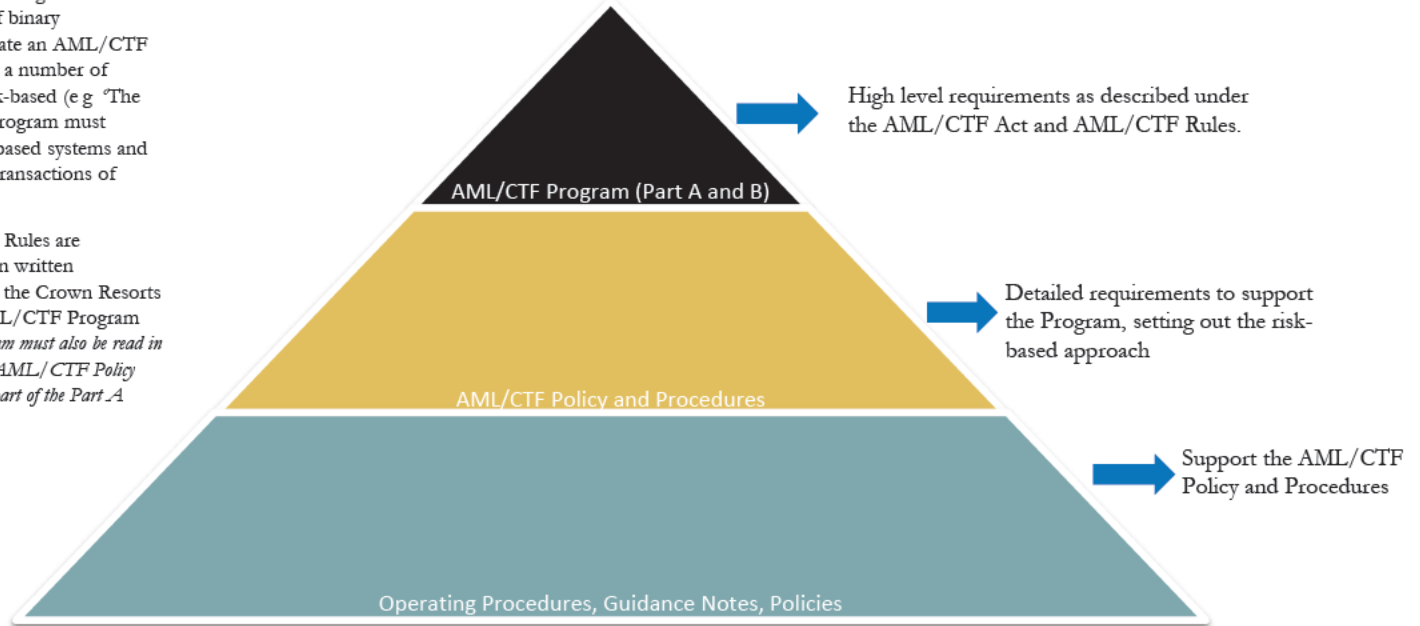
PART B

- Information collected and verified about customers to make sure they are who they claim to be, that they exist, and how this is done
- Information collected and verified about beneficial owners, and how this is done
- How Crown determines if a customer or beneficial owner is a PEP
- How Crown responds to discrepancies in customer information
- How Crown decides when to collect additional information about a customer

Crown's AML/CTF Framework

Note:

- AML/CTF Rules require Program to comply with a number of binary requirements (e.g. designate an AML/CTF Compliance Officer) and a number of requirements that are risk-based (e.g. 'The transaction monitoring program must include appropriate risk-based systems and controls to monitor the transactions of customers')
- To ensure all AML/CTF Rules are appropriately addressed in written documents approved by the Crown Resorts Board, Part A of the AML/CTF Program notes: *"This Part A Program must also be read in conjunction with the Crown AML/CTF Policy and Procedures, which form part of the Part A Program."*

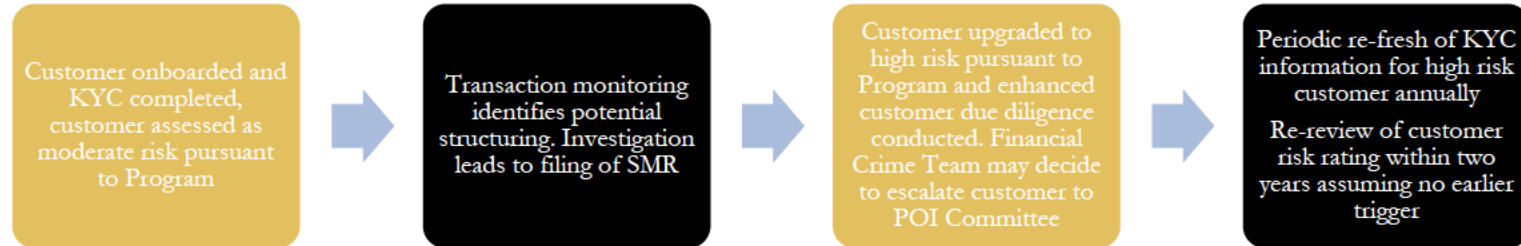


AML/CTF: Three Lines of Defence



Source: Section 7.2 of Part A of the Joint AML/CTF Program

Key Obligations by Reference to Example Customer Lifecycle



Money Laundering Scenario

Scenario Description

You are a drug dealer, selling recreational drugs in Sydney/Melbourne. After a typical weekend's business, you have \$500,000 in cash. Your objective is to launder the funds effectively to distance it from its illegal origins so that you may use it in the legitimate economy.

Scenario Parameters

- Your illicit funds are in denominations of \$50 notes; the total amount weighs 9.55kg, and can fit inside a large backpack.
- Consider that this is your average weekly profit; any money laundering typology you employ should be repeatable.
- The laundered funds must be available for use in Australia. If sent offshore, you need to consider how to repatriate the funds.
- At some point in your money laundering approach, you must attempt to utilise a Crown product or service.
- You may utilise whatever knowledge you have about money laundering typologies, and Crown's AML/CTF policies, systems and controls.



Casino Industry – Some Key ML/TF Risks

Obscure source of funds
and source of wealth

Transactions being
'structured' or 'refined'

Chips, tickets or tokens
being used to disguise or
wash illicit funds

Patron-to-patron gaming

Unmonitored transactions
or customers due to
volumes and exceptions
under the AML/CTF Act
and Rules

Laundering stained, stolen
or fraudulent bank notes
through gaming machines

Third party deposits into
casino bank accounts for
the benefit of a player

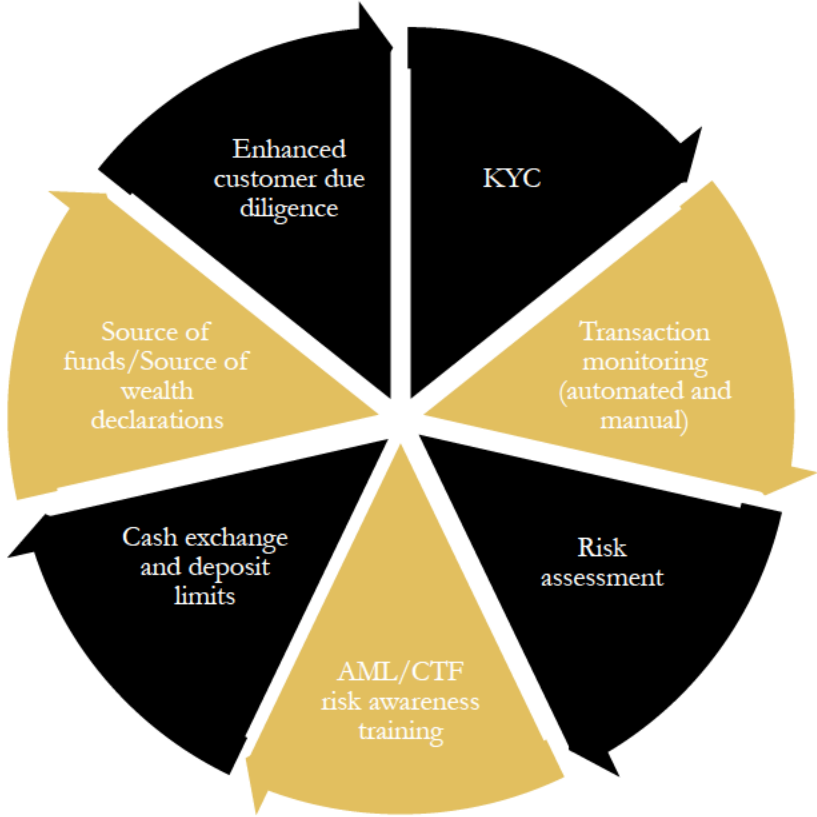
Junkets

Cuckoo smurfing

Chip walking

Sources:
FATF, Guidance for Casinos dated October 2008
FATF Report, Vulnerabilities of Casinos and Gaming Sector dated March 2009
American Gaming Association Best Practices for AML Compliance dated 2019-2020
UK Gambling Commission, Guidance for casino operators on the prevention of ML/TF dated February 2021
AUSRAC Junket Tour Operator Risk Assessment 2020
Ongoing risk assessment work

Casino Industry – Some Key AML/CTF Controls



Board and Senior Management – Key Obligations

Section 180 Corporations Act

- Duty of care and diligence

AML/CTF Rule 9.4

- Requires that Part A of a Joint Program may be approved by and subject to the ongoing oversight of the governing board and senior management of the main holding company of the group

AML/CTF Rule 9.6

- Requires that the result of the regular independent review (including any report prepared) must be provided to senior management and the governing board of each reporting entity in the DBG

Joint Program – Board and Senior Management Oversight and Reporting

Crown Resorts Board	“Crown Senior Management”	Crown Reporting Entity Boards	Executive Risk and Compliance Committee	AML/CTF Committee	Business Unit Compliance Officers
<ul style="list-style-type: none"> • Role: Approves and oversees the Joint AML/CTF Program, including carrying out the actions in Part A, section 7 • Reporting: Quarterly Report on Part A adequacy, effectiveness, implementation and compliance. Receiving other updates on matters sets out in Part A, section 7.1 	<ul style="list-style-type: none"> • Composition: Group Head of Financial Crime and Compliance, CFO – Crown Resorts; COO (or equivalent) of Crown Resorts, AML/CTF Compliance Officer • Role: oversees the Joint AML/CTF Program • Reporting: Monthly Report to Crown Senior Management on Part A adequacy, effectiveness, implementation and compliance 	<ul style="list-style-type: none"> • Role: leading and driving a positive culture of AML/CTF compliance and ensuring the matters set out in Part A, section 7.3 • Reporting: AML/CTF Compliance Officer to report ‘material matters’ at each meeting or more frequently as required 	<ul style="list-style-type: none"> • Role: Assists the Executive Chairman with oversight of risk and compliance activities • Reporting: Receives an update from the AML/CTF Compliance Officer at each meeting on information and / or risk metrics set out in Part A, section 7.4 	<ul style="list-style-type: none"> • Composition: A representative from each Business Unit of each Crown Entity • Role: Meets quarterly or more frequently as required by the AML/CTF Compliance Officer to discuss operational matters relevant to each Crown Entity’s compliance and reports on the status of such matters to the ERCC • Meets quarterly, or more frequently as required 	<ul style="list-style-type: none"> • Each Business Unit Compliance Officer completes a monthly compliance certificate, certifying compliance with the Part A Program on behalf of the Business Unit

AUSTRAC Board and Senior Management Guidance

Ensure that the AML/CTF Program is informed by an 'appropriate and comprehensive' ML/TF risk assessment

New and emerging ML/TF risks are identified and risk-based systems and controls updated appropriately

Regular and comprehensive ML/TF risk reporting

Appropriate assurance and monitoring processes

Independent reviews at appropriate intervals

Appropriate oversight of any agents

Ensure appropriate resourcing

AUSTRAC Governance Guidance

Be 'fully engaged' with AML/CTF compliance and risk management

'Engage, question and challenge' and be accountable for AML/CTF

AML/CTF tasks must be undertaken 'appropriately'

Take 'positive steps' to ensure AML/CTF requirements are met

'Oversight, accountability and resourcing'

Ensuring end-to-end ownership of AML/CTF compliance in the design of roles and processes

Case Study: Westpac

Contraventions of the AML/CTF Act by Westpac:

AML/CTF Act section	Details
s45(2)	<ul style="list-style-type: none"> Failing to give reports to AUSTRAC of IFTIs within the requisite 10 day timeframe Failing to give AUSTRAC IFTIs that had payer names
s64(7)(f)	<ul style="list-style-type: none"> Failing to pass on transfer information to another institution regarding IFTIs that Westpac transmitted out of Australia
s64(6)	<ul style="list-style-type: none"> Failing to pass on payer information to another institution
s115(2)	<ul style="list-style-type: none"> Failing to retain records for seven years the records of the transfer information that had been passed on to Westpac
s98(1)	<ul style="list-style-type: none"> Inadequate risk and due diligence assessments of its correspondent banking relationships
s81(1)	<ul style="list-style-type: none"> Westpac's program did not at all times meet the requirements in the AML/CTF Rules
s36(1)	<ul style="list-style-type: none"> Failing to conduct appropriate ongoing customer due diligence in relation to 262 customers

Case Study: Westpac

Key learnings

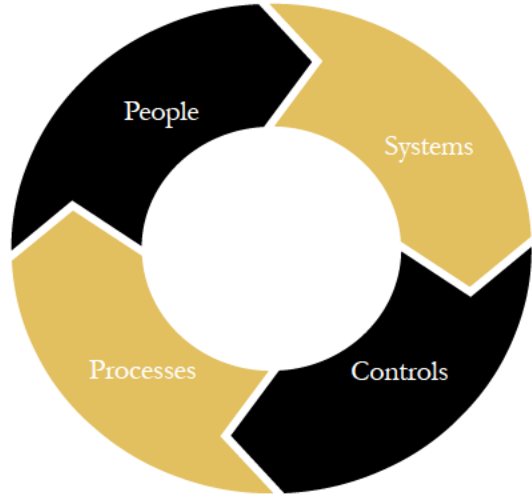
People

- > Understanding all product channels and processes with adequate controls/triggers
- > Board and senior management awareness is critical for reviewing and challenging the AML/CTF risk framework
- > Roles and responsibilities must be understood by staff, including a culture where problems can be raised and escalated quickly

Processes

- > Understanding and addressing deficiencies in due diligence and risk assessment processes is necessary
- > Effective implementation of AML/CTF processes is essential for complying with AML/CTF obligations

Governance



Systems

- > Assessment of any system, data and process changes impacting financial crime is critical
- > Legacy issues must be prioritised and addressed with a level of urgency

Controls

- > Effective reporting of key risks and metrics to inform the Board of ML/TF risks facing the reporting entity
- > Adequate oversight by the Board and second line is required

Board and Senior Management – Possible Questions

Is the information being provided by management detailed and specific?

Is sufficient time being allocated to AML/CTF issues in Board meetings?

Is the financial crime function adequately resourced? Are requests for extra resourcing being treated seriously?

Does the company need to invest in new technology? Or upgrade its current technology?

Is Group Audit allocating sufficient time in its plan for AML/CTF review?

Have I satisfied myself that the AML/CTF Program is appropriately risk-based?

Am I being informed regularly about any changes in the ML/TF risk environment?

Does the company's risk appetite adequately address the ML/TF risks? Does it need updating?

Are ML/TF items which are out-of-appetite being addressed in a timely and appropriate way?