



7 May 2021

Mr Philip Crawford
Chairperson
Independent Liquor and Gaming Authority
4 Parramatta Square
12 Darcy Street
Parramatta NSW 2150

Confidential

Dear Mr Crawford

Crown Suitability

I am writing to further matters discussed at our 4 May meeting.

We were grateful for the opportunity to update you on Crown's reform progress. Very substantial reform has been implemented across the business since the Bergin inquiry and that pace of reform will continue under a renewed Board and leadership team. The breadth of reform delivered to date is such that it is our view that Crown should now be considered a suitable person to give effect to the restricted gaming licence.

(a) Appointment and scope of Independent Monitor

Crown supports the proposed appointment of an independent monitor to provide assurance to the Authority with respect to elements of Crown's remediation plan. We understand it is intended that this will be a tri-partite appointment among the Authority, Crown and the independent monitor.

Central to Crown's remediation plan is the strengthening of the company's AML/CTF risk and compliance framework and addressing shortcomings identified during the Bergin inquiry. Given the nature and breadth of the AML/CTF related projects it is Crown's view that the independent monitor should assess the adequacy of the implementation of these projects. This is important assurance work that will give both the Authority and Crown comfort about the adequacy and effectiveness of these programs.

Crown supports the role of the independent monitor to also review certain non-AML projects in the remediation plan but the scope of this review should be to provide assurance to the Authority that the applicable project has been completed or that there is a satisfactory plan in place to complete



the project. We have proposed in Schedule 1 a high-level scope of work for the independent monitor that contemplates this approach.

(b) Financial Crime

It is our view that Crown's AML/CTF compliance framework currently has the foundational components in place to support a positive assessment of suitability now. This view is independently supported by phase 1 of the Deloitte forensic work, a copy of which has been provided to the Authority, which assessed the controls Crown has in place with respect to the Patron Accounts, as raised in the Bergin report. Deloitte concluded that Crown's controls are operating effectively and recommended further automation to ensure sustainability.

We are working with Deloitte to provide a preliminary report on phase 2 of its forensic engagement. This stream of work is focussed on identifying historical instances of potential money laundering. While it is important to uncover historical non-compliance, the findings from this phase of Deloitte's work will relate to the past, rather than the AML/CTF compliance framework that Crown has in place today. This lookback work by Deloitte in phase 2 will not address or identify issues relating to potential contamination or non-compliance in current patron accounts and, in our view, it should not delay an assessment of suitability. It is Crown's view that the Authority's consideration of suitability should be based on our current Patron Account controls at our member-only Sydney gaming operation, which is something that can be assessed by the independent monitor with the assistance of work already performed by Deloitte in phase 1 of its engagement.

Finally, with respect to financial crime, we discussed the growth in the size and quality of Crown's AML/CTF team at our meeting. I thought it was worth confirming our discussion as it demonstrates in clear and practical terms Crown's commitment to reform and improvement in this area. Since 1 January 2020, our internal team has increased from five people to 16. Four additional roles have been approved and are nearing the end of the recruitment process. This represents a 400% increase in financial crime staffing and is sufficient to support foundational suitability.

(c) Recovery of Inquiry Costs & Supervisory Levy

We confirm that Crown has agreed to pay:

- (a) \$12.5 million in satisfaction of the Authority's total costs of the Bergin Inquiry. We propose paying \$6.5m by 30 June 2021, \$3m by 30 September 2021, and \$3m by 31 December 2021;
- (b) a casino supervisory levy of \$5m per year in respect of Crown's Sydney premises. We propose to pay \$5m representing the levy for FY2021 on a payment schedule to be agreed. Thereafter, we propose to pay \$5m plus CPI in quarterly instalments, representing the



supervisory levy for FY2022. The levy for FY2023 and onwards will be determined following further consultation with the Authority.

Crown has made representations to the Authority on 26 April 2021 in relation to the Inquiry's costs of the investigation of the Melco/CPH transaction.

(d) Culture Reform

Crown is in the midst of a significant culture reform and uplift program. That program has delivered a noticeable change in the 'tone from the top' and company-wide expectations have been reset in relation to the effective identification and management of risk. This is a comprehensive piece of work that is well underway and will be a core responsibility of Crown's new CEO and Chief People & Culture Officer.

The importance of culture in Crown's reform program is reinforced by the engagement of Deloitte to conduct a comprehensive organisational culture review. This work will be delivered over four phases with the ultimate objective being a refreshed and clearly articulated target culture that aligns Crown's values, strategic direction and risk appetite. More detail on this phased approach is available in our remediation plan.

We would be grateful for the opportunity to take you through this work on culture reform when we next meet.

(e) Review of s142 Agreements

Crown supports a process designed to simplify its agreements under section 142 of the Casino Control Act 1992. Our support of this process is subject to agreement with the Authority that the process will examine simplification only and will not impact the commercial benefits secured by Crown under the agreements. On the basis that we have this agreement, we will contribute up to \$50,560 to the cost of this work. Crown and the Authority will need to agree any costs or work beyond this initial phase.

(f) Entitlement to Compensation

Crown has provided assurance to the Authority that it will not seek compensation in respect of work that it undertakes, or proposes to undertake, to satisfy the Authority of its suitability to hold a casino licence.

The Authority has sought further assurances from Crown that it will not claim compensation in relation to rectification steps made under the VIP Gaming Management Agreement, or legislative changes made in response to recommendations from the Bergin Report. Crown is open to



considering such assurances, but before we can properly consider this request, we would be grateful if the Authority could identify precisely those rectification steps and proposed legislative changes that such an assurance would apply to.

(g) VIP restructure

As noted in previous correspondence, we have transitioned to an Australian-based VIP business model. We have closed all our offshore offices and intend to operate our VIP activities as a business development function based in Melbourne reporting to the CEO of Crown Melbourne. Our staff numbers in this international division have reduced from 133 to 23 people, with all remaining staff redeployed in our domestic VIP operations based in Australia.

Our future business model for attracting foreign VIP players has not been determined and with borders remaining closed it has not been a high priority for the business in recent months. To help us prepare for the reopening of international travel we are undertaking a risk assessment of 29 foreign markets with the assistance of Herbert Smith Freehills. This work will enable us to understand the legal, political and practical implications of marketing to potential customers in foreign countries and will ultimately inform our future business model for international VIP business. We will keep you informed of this work as it progresses.

(h) Approvals

We discussed the status of ICMs and other regulatory approvals, which have been with the authority for approval since November 2020. We would like to schedule a meeting with relevant Crown and Authority personnel to advance that approval process in parallel with our discussions in relation to suitability and a likely opening date for our Sydney gaming operations. Can you please let me know who we should engage with to organise this meeting.

Finally, we spoke about our progress with law enforcement agencies in relation to information sharing and Crown's appetite to progress cashless gaming initiatives. We would welcome your assistance to progress both initiatives, including through the introductions you offered to make.

Yours sincerely,

Personal Information

**The Hon Helen Coonan
Executive Chairman
Crown Resorts Limited**



Schedule 1– Proposed scope of work for the Independent Monitor

No.	Area	Nature of Assessment
4.	Continuing education for directors	Independent monitor to assess if the education program has been implemented in the manner described in the remediation plan.
6.	Organisational structure	Independent monitor to assess if the education program has been implemented in the manner described in the remediation plan.
7.	Senior management renewal	Independent monitor to assess if senior management renewal has been implemented in the manner described in the remediation plan.
12.	Financial Crime Resourcing and Team structure	Foundational design adequacy and implementation to be reviewed by independent monitor
13.	ML/TF Risk Assessment	Foundational design adequacy and implementation to be reviewed by independent monitor
14.	AML/CTF Program	Foundational design adequacy and implementation to be reviewed by independent monitor
15.	AML reporting structures and governance	Foundational design adequacy and implementation to be reviewed by independent monitor
16.	Enhanced Patron Account Controls	Foundational design adequacy and implementation to be reviewed by independent monitor
17.	Transaction Monitoring Program / Sentinel	Foundational design adequacy and implementation to be reviewed by independent monitor
18.	Regulatory reporting (IFTIs, SMRs, UARs and TTRs)	Foundational design adequacy and implementation to be reviewed by independent monitor

No.	Area	Nature of Assessment
19.	ECDD / KYC	Foundational design adequacy and implementation to be reviewed by independent monitor
20.	AML/CTF Training	Foundational design adequacy and implementation to be reviewed by independent monitor
21.	Employee Due Diligence	Foundational design adequacy and implementation to be reviewed by independent monitor
22.	Sydney controls	Foundational design adequacy and implementation to be reviewed by independent monitor
23 – 25.	AML/CTF Independent Review	Foundational design adequacy and implementation to be reviewed by independent monitor
26 – 30.	Risk management (risk team changes, risk management policies, risk governance and reporting, additional risk management enhancements, Deloitte review)	Independent monitor to assess if the risk management enhancements have been implemented as described in the remediation plan.
31 – 32.	Culture Reform Program and rollout of Crown values	Independent monitor to assess if the culture reform program is progressing in the manner described in the remediation plan.
33.	Deloitte Culture Review	Independent monitor to assess if Deloitte’s culture review is progressing in the manner described in the remediation plan.
36.	POI Review	Independent monitor to assess if the POI review has been conducted in the manner described in the remediation plan.
37.	Significant Player Review	Independent monitor to assess if the SPR has been conducted in the manner described in the remediation plan.
39.	Information sharing protocols with LEAs	Independent monitor to assess progress and status of information sharing protocols with LEAs.
40.	Audit enhancement	Independent monitor to assess if the audit enhancements have been implemented in the manner described in the remediation plan.