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24 December 2018

Mr Ross Kennedy PSM
Chair
Victorian Commission for Gambling and Liquor Regulation
Level 3, 12 Shelley Street
RICHMOND VIC 3121

By email and mail

Dear Mr Kennedy,

Crown Melbourne Compliance framework update

We refer to the letter from the Victorian Commission for Gambling and Liquor Regulation (**Commission**) regarding the outcome of the button panel disciplinary matter, dated 26 April 2018, which required Crown Melbourne Limited (**Crown**) to present to the Commission, details of its updated compliance framework.

The Commission further requested that Crown articulate the 'lessons learned' from the button panel matter and how the framework will prevent a recurrence of such a matter in the future.

Subsequently we were requested to write to the Commission as opposed to presenting to the Commission on this matter. Please find following our submission in this regard.

Although we have not been requested to attend the Commission meeting to present on this issue on this occasion, we reiterate our request to be invited to the Commission meetings on a semi-regular basis to update the Commission on any current matters, or respond to the Commission on any matters it would like to hear from us on. We are of the respectful opinion that keeping the Commission apprised of business activities on a semi-regular basis would be of assistance to the Commission and also greatly assist Crown.

1. Executive Summary

Over the past 12 months, in our respectful opinion, Crown has made significant progress in the implementation of its business wide compliance framework and key elements of the framework are now embedded within Crown's operations. At a high level, these elements include the following:

➤ Governance and oversight:

- An Executive Risk and Compliance Committee (ERCC) has been formed, comprising all members of the Crown Melbourne Executive Team, as well as senior representatives from Compliance and Risk. The formation of this Committee demonstrates strong Executive leadership and means that compliance activities and potential issues are given Executive level focus and scrutiny.
- The Committee meets on an approximately quarterly basis, and two meetings have been held to date.
- Reporting to the Crown Melbourne Limited Board Compliance Committee has been reviewed and substantially enhanced for the Committee's awareness of compliance and other related matters from a broader cross section of Crown's business units.
- The new role of Group General Manager Regulatory & Compliance was created, to elevate the importance of compliance within the organisation, drive the implementation of the new framework and to ensure consistency between all of Crown's properties. The resources within the Regulatory & Compliance department have also since been realigned to ensure the framework is adequately supported.
- Compliance related responsibilities are articulated in the Crown Melbourne Compliance Program (Manual), together with a description of how the compliance framework operates at Crown. Further, departmental-specific compliance obligations and activities are articulated in department Annual Compliance Plans. The majority of Annual Compliance Plans have now been drafted for all departments and have been signed off by departmental management.
- A formal company Regulatory & Compliance Requirements Policy was drafted and issued in January 2018.

➤ Compliance Officers: The nomination of designed Compliance Officers within each operational department is largely complete. Compliance Officers are responsible for championing compliance activities and behaviours within their departments and reporting on compliance issues. Compliance Officers attend monthly Compliance Committee Meetings convened by the Group General Manager Regulatory & Compliance. These monthly meetings have occurred since February 2018.

➤ Compliance Requirements: The comprehensive identification of the compliance requirements of Crown Melbourne was completed in late 2017 and documented in a Requirements Register. These were prioritised to ensure compliance activities are directed to the compliance requirements, which are considered the highest priority. These requirements are currently subject to the first annual review process and thereafter will continue to be updated and re-assessed.

➤ Compliance System: a compliance system (CURA) was implemented at Crown Melbourne in January 2018. The system is used for compliance incident reporting, with self assessment compliance surveys completed by the Compliance Officers.

Further detail with respect to the compliance framework is provided in Section 2 below.

Specifically in relation to 'lesson's learned' from the button panel matter, the compliance framework addresses the following issues which were identified:

- an absence of a documented articulation of machine approvals as a compliance obligation: now articulated in the Requirements Register, and assessed as a high compliance priority.
- a lack of clarity over who was responsible for managing the compliance obligation relating to machine approvals: the new framework now articulates who is responsible for compliance with each key obligation; and
- a lack of reporting/compliance reporting against the obligation to comply with machine approvals: departments are required to complete periodic surveys to confirm compliance with key obligations. Importantly, where there are any compliance failings or issues, they are reported, escalated when necessary and rectified.

Further, this matter identified the absence of clear designed ownership of new gaming related initiatives and the lack of a formal consultation process with the Regulatory & Compliance department. To address this, a new 'Gaming Initiatives Form' has been created and implemented, to obtain and record sign-off from the Regulatory & Compliance and Responsible Gaming departments (together with the AML, Security, IT and Surveillance departments), for all new gaming initiatives.

Further detail is provided on this initiative in Section 3 below.

2. Compliance Framework

In the first half of 2017, a high level review of the governance frameworks in place across Crown Melbourne and Crown Perth identified the opportunity to operate a group compliance framework.

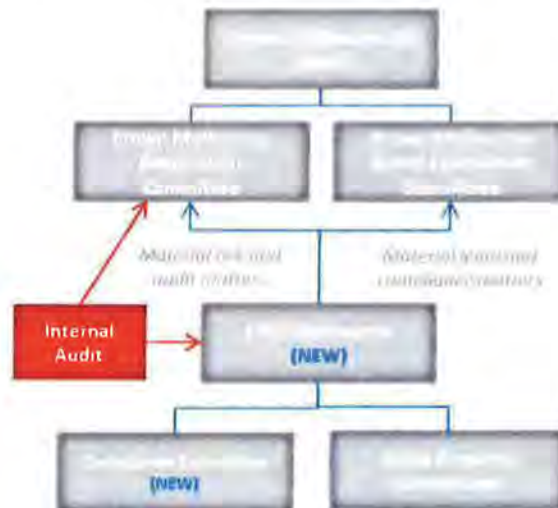
Following that review, the new position of Group General Manager Regulatory & Compliance was created with this position now overseeing the operation of the compliance frameworks in both properties.

Further, the development and implementation of a business wide compliance framework at Crown Melbourne, based largely on the framework currently in place at Crown Perth, was initiated and is now largely complete. The business wide compliance framework will assist in ensuring consistency in compliance practices within Crown Melbourne and also aims to increase awareness and accountability of compliance obligations.

Each of the main components of the framework, and the status of the implementation, is described further below.

Governance Structure

The following diagram shows changes made to the governance structure of Crown Melbourne, to further elevate and reinforce the importance of compliance (and risk) related activities:



The new elements of the structure include:

- An ERCC for Crown Melbourne, comprising all members of the Executive Team. No such committee existed previously. The ERCC meets quarterly and a formal Charter has been developed and endorsed.

The documented purpose of the ERCC, as outlined in the ERCC Charter, is to assist the CEO and Board of Directors in:

1. *“Assessing and providing oversight for the identification and evaluation of material risks involved in the business operations of Crown Melbourne (Company);*
2. *Reviewing and evaluating the Company’s actions to mitigate and manage business and compliance risks;*
3. *Assessing and providing oversight for the effective implementation and ongoing maintenance of the Company’s compliance program; and*
4. *Fulfilling their responsibilities relating to legal compliance matters and practices of the Company.”*

To date, two meetings of the ERCC have been held.

- A Compliance Committee, comprising all designated departmental Compliance Officers (refer below for further detail on Compliance Officers). The purpose of this Committee is to:
- discuss any compliance matters or issues that were reported during the month, and whether corrective actions are needed;
 - communicate to Compliance Officers any new company policies;
 - communicate to Compliance Officers any new or amended legislative or regulatory requirements; and
 - monitor any actions arising from previous meetings.

The Compliance Committee is also used as an educative forum for the Compliance Officers where the Compliance Officers are expected to take their learnings back to their departments to continue knowledge sharing and promote a positive compliance culture.

The Committee is chaired by the Group General Manager Regulatory & Compliance. Significant matters or trends that have arisen through this process are reported to the ERCC.

These meetings commenced in February 2018 and have been (and will continue to be) held monthly.

Compliance Officers

As referred to above, each relevant department is required to nominate a Compliance Officer, who is tasked with completing the monthly surveys and attending monthly Compliance Committee Meetings.

Compliance Officer duties include leading a culture of compliance and regulatory awareness and providing regulatory and compliance advice and support to their departments, to ensure adherence to procedures and processes. Specifically, Compliance Officers duties comprise:

- monitoring changes in legislation and other obligations impacting on the operations of their department (in liaison with Regulatory & Compliance / Legal);
- requesting amendments to operating policies and procedures to ensure obligations are embedded into the department's operating systems;
- organising education and training in compliance, within the department;
- monitoring and reporting incidents and any incidence of non-compliance;
- submitting a monthly compliance certificate, certifying compliance within the department;

- periodically auditing the compliance system within the department to ensure embedded processes are effective (in accordance with the Annual Compliance Plan);
- identifying and remediating any problem areas; and
- ensuring the Annual Compliance Plan is completed for the department.

To date, Compliance Officers exist for 20 departments, with approximately 3 more to incorporate within the compliance framework. Compliance Officers for the Table Games, Gaming Machines, Gaming Product and VIP International departments were nominated as a priority and these Compliance Officers have been attending Compliance Committee Meetings and completing compliance surveys for at least 10 months.

Annual Compliance Plans

Each department is required to have an Annual Compliance Plan drafted, which articulates the department's prioritised compliance obligations and compliance activities, which will be undertaken during the year. The Annual Compliance Plans are:

- signed off at the beginning of the year by the Compliance Officer and Department General Managers/Executive General Managers; and
- signed off at the end of the year by the Compliance Officer and Department General Managers/Executive General Managers, confirming completion (or otherwise).

Annual Compliance Plans for departments will continue to evolve over time as a result of learnings, the legislative and regulatory environment and changing business practices.

To date, Annual Compliance Plans have been developed and finalised for the following departments:

- | | |
|-----------------------------|----------------------|
| ▪ AML/CTF | ▪ Hotels |
| ▪ Cage | ▪ Procurement |
| ▪ F&B (3 distinct sections) | ▪ IT |
| ▪ Finance | ▪ Responsible Gaming |
| ▪ Gaming Machines | ▪ Security |
| ▪ Gaming Machines Product | ▪ Surveillance |
| ▪ Regulatory and Compliance | ▪ Table Games |

The remaining departments will progressively be incorporated over the coming months.

Compliance System

A compliance system (CURA) was implemented in Crown Melbourne in January 2018, in support of the compliance framework.

Its main role is to automate self assessment surveys for departments, create a documented log of compliance related obligations and provide a system based tool to monitor issues, trends and progress. For key high priority compliance obligations, departments are required to confirm compliance on either a monthly, quarterly, six monthly or annual basis.

The use of such a system ensures there is clear accountability on confirmation of compliance, and allows the Regulatory & Compliance department to easily monitor and track the completion of surveys, as well as monitor rectification of issues that arise.

Further the system acts as a health check of compliance, the process also continuously reminds each department of what their compliance and regulatory obligations are, which is essential to such a complex and highly regulated business. Further the surveys can continue to evolve as new compliance related issues arise, that is, if an issue arises, the survey can be adjusted to add a specific compliance question, which is to be considered each month when the Compliance Officers are completing the surveys.

This compliance system will continue to evolve and enhance the historic compliance structures at Crown Melbourne as well as further embedding a culture of compliance within the various departments across Crown Melbourne.

3. Lessons Learned

As referred to above in Section 1, Crown conducted an extensive internal review of its processes following the button panel matter.

The review identified certain issues, and these are detailed below together with commentary on how these issues are addressed by the implementation of the compliance framework:

- absence of articulation of machine approvals as a compliance obligation: although this requirement was generally understood by all who are involved in the operation of gaming machines, noting that Crown has had a very long history of compliance, the specific obligation of the need to follow a process to document compliance with gaming machine approvals is now detailed in the Requirements Register, and assessed as a high compliance priority.
- lack of clarity over who specifically was responsible for managing the compliance obligation relating to machine approvals: The new framework now articulates who is responsible for compliance obligations and in particular:
 - The Gaming Product department's Annual Compliance Plan includes this as its obligation to manage and report against. The Annual Compliance Plan has been signed off by Gaming Product management.
- Lack of reporting/compliance reporting against the obligation to comply with machine approvals:
 - The Gaming Product department's Compliance Officer now completes a periodic (monthly) survey, which includes the following questions:

- *Confirm that all gaming machine types have not been varied from the approval.*
 - *Confirm that no game has been varied from the approval.*
 - *Have all gaming machines purchased during the period been of a type approved by the Commission?*
 - *Have any new (or variation to existing) initiatives, games, technology, programs or procedures been incorporated without a Gaming Initiatives Form being completed and approved in advance?*
- The survey is completed by the department's Compliance Officer, and reviewed/approved by the department's General Manager.

Further, this matter identified the absence of clear designated ownership of new gaming related initiatives and the lack of a formal consultation process with the Regulatory & Compliance department. To address this, a new 'Gaming Initiatives Form' has been implemented, to obtain and record sign-off from the Regulatory & Compliance and Responsible Gaming departments (together with the AML, Security, IT and Surveillance departments), for all new gaming initiatives.

The Gaming Initiatives Form must be completed and approved in advance of any proposed initiative being introduced at Crown Melbourne, and must be completed for any new (or approved variation to existing) initiatives, games, technology, programs or procedures, to ensure any requirements of, or risks to: regulatory requirements, RSG, gaming integrity and social responsibility (along with anti-money laundering and counter terrorism financing regulation and security and surveillance) can be identified, assessed, mitigated and managed appropriately. The Forms, including all sign-offs (final sign-off being from the Regulatory & Compliance Department) are stored in Crown Melbourne's electronic filing system. A copy of the Gaming Initiative Form is attached for your information.

To further reinforce compliance responsibilities and expectations, the bi-annual Compliance Education Memo was issued as the Crown Regulatory and Compliance Requirements Policy.

Both the Gaming Initiatives Form and the Regulatory and Compliance Requirements Policy are living documents, which are regularly varied, updated and improved upon.

4. Summary

We appreciate the opportunity to provide an update on the implementation of the new business wide Compliance Framework at Crown Melbourne. As shown above, in our respectful opinion, significant progress has been made in the implementation of the framework.

The Compliance Framework now enhances our structure, education processes and accountability to Crown's overall compliance process and culture. The change management process has been embraced by the business and we look forward to its continuing development.

Over the coming months, the Compliance Framework will continue to be enhanced, with the remaining departments being incorporated and the related processes maturing.

Mr Ross Kennedy PSM
Victorian Commission for Gambling and Liquor Regulation

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Again, thank you for the opportunity to update the Commission on our progress on the enhanced Compliance Framework and please do not hesitate to contact Joshua Preston or myself if you have any queries, or alternatively we would be more than happy to attend a Commission meeting to discuss our developing framework or any other relevant matters to the Commission.

Yours sincerely



Barry Felstead
Chief Executive Officer – Australian Resorts



Joshua Preston – Australian Resorts

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GAMING INITIATIVES FORM

NEW OR VARIED GAMES, PROGRAMS, TECHNOLOGIES OR PROCEDURES

AML/CTF, REGULATORY & COMPLIANCE, RESPONSIBLE GAMING, SECURITY AND SURVEILLANCE APPROVAL

This Gaming Initiative Form must be completed to introduce to Crown Melbourne any new (or variations of existing) games, technology, programs or procedure, to ensure any requirements of, or risks to: anti-money laundering and counter terrorism financing regulation; security & surveillance; gaming integrity; regulatory requirements and social responsibility, can be identified, assessed, mitigated and managed appropriately.

*This Form must be completed and approved **in advance** of the proposed new initiative being introduced.*

To be completed by Originating Department:

Is this a new game/program/technology/procedure or a variance to an existing one?

New Variation

Have you considered and assessed all H&S risks?

Yes - or contact H&S

Game / Service:

Detailed description of change and areas of impact:

Proposed date of change:

Completed by:

Department Representative Name (& ID #)

Department Representative Signature (& Date)

Approved for forwarding to the Regulatory Departments to review:

Department GM (Initiative Owner) Name (& ID #)

Department GM (Initiative Owner) Signature (& Date)


CROWN GAMING INITIATIVE APPROVAL FORM
To be completed by the AML Representative
ML/TF Risk Identified?

Yes

No

N/A

If Yes or N/A, please describe controls in place to mitigate and manage the risk:

Change to AML/CTF Program Required?

Yes

No

N/A

If Yes or N/A, please describe:

Update to Designated Services Risk Register attached?

Yes

No

N/A

If Yes or N/A, please describe:

Approved for Implementation:

(Conditions apply:

Yes

No)

If yes, provide detail:

AML/CTF Representative Name (& ID #)

AML/CTF Representative Signature (& Date)

**GAMING INITIATIVE APPROVAL FORM****To be completed by the Responsible Gaming Representative****Impact on RSG?**

Yes

No

N/A

Please describe:

Approved for Implementation:**(Conditions apply:**

Yes

No)

If yes, provide detail:

Responsible Gaming Representative Name (& ID #)

Responsible Gaming Representative Signature (& Date)


CROWN GAMING INITIATIVE APPROVAL FORM
To be completed by the Surveillance Representative
Impact on Surveillance?
 Yes No N/A

Please describe:

Approved for Implementation:

(Conditions apply:

 Yes No)

If yes, provide detail:

Surveillance Representative Name (& ID #)

Surveillance Representative Signature (& Date)

To be completed by the Security Representative
Impact on Security?
 Yes No N/A

Please describe:

Approved for Implementation:

(Conditions apply:

 Yes No)

If yes, provide detail:

Security Representative Name (& ID #)

Security Representative Signature (& Date)


CROWN GAMING INITIATIVE APPROVAL FORM
To be completed by the IT Governance Representative

Impact on current IT Policies or IT Frameworks? Yes No N/A

If Yes or N/A, please describe:

Impact on current IT (MIS) ICS/SOP/WPIs etc.? Yes No N/A

If Yes or N/A, please describe:

Approved for Implementation: (Conditions apply: Yes No)

If yes, provide detail:

IT Governance Representative Name (& ID #)

IT Risk Governance Representative Signature (& Date)


CROWN GAMING INITIATIVE APPROVAL FORM
To be completed by Regulatory and Compliance Representative
Impact on current Regulatory Framework or Approvals? Yes No N/A

If Yes or N/A, please describe:

Impact on current ICS/SOP/Rules etc.? Yes No N/A

If Yes or N/A, please describe:

Controlled Contract? Yes No

Boundary Impact? Yes No

ATM Impact? Yes No

Recommendations to be actioned? Yes No N/A

If yes, provide detail:

Approved for Implementation: (Conditions apply: Yes No)

If yes, provide detail:

Regulatory & Compliance Representative Name (& ID #)

Regulatory & Compliance Representative Signature (& Date)



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