

Investigation Business Companies Crown Unmasked

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## Crown investment companies were used to launder drug funds, authorities believe

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Drug traffickers have used two private companies which were set up by Crown Resorts with Crown executives as directors to bank suspected proceeds of crime, federal investigations have alleged.

Investigators traced money from a number of suspected or convicted drug traffickers and money launderers flowing into the bank accounts of the two companies, Southbank Investments Pty Ltd and Riverbank Investments Pty Ltd, between 2012 and 2016, according to former officials.



Current and serving investigations agents have raised questions about Crown's approach to money-laundering. BLOOMBERG

In 2013, global bank HSBC shut down bank accounts linked to Riverbank and Southbank at a time it was shedding high-risk bank accounts around the globe because it had been caught by US authorities washing drug money for Mexican cartels. The Crown companies opened Commonwealth Bank accounts instead.

In a separate incident in early 2017, a Crown bank account was used to send hundreds of thousands of dollars to a drug trafficker, according to multiple sources aware of the transaction. The sources said Crown had failed to alert Australia's money laundering agency, Austrac, about the high-risk money transfer.

The revelations have raised a question in the minds of ex-investigators as to why Austrac has failed to dedicate resources to investigate potential breaches of money laundering laws by Crown, as it did [with the Commonwealth Bank](#).

Austrac said in a statement that with international and domestic law enforcement and regulatory partners, it was "actively addressing the significant risk of money laundering through casinos".

Casinos must report "suspicious matters," international funds transfers of any amount, and physical currency transactions of \$10,000 or more, and there were serious penalties for non-compliance, the statement said.

Austrac "regularly conducts rigorous compliance assessments" of casinos.

## Operation Zanella

The money allegedly deposited by criminal targets of the federal police into Riverbank Investments and Southbank Investments was ostensibly for the settlement of gambling debts involving Crown high rollers or their high-roller agents, known as "junkets".

But it appears the transactions may have also facilitated money laundering, according to the findings of a longstanding federal police inquiry, Operation Zanella.

Former investigators who worked with the AFP and Austrac have briefed *The Age* and *The Sydney Morning Herald* about the exploitation of Crown by money launderers, and about the work of Zanella.

In June 2015, a Zanella-linked inquiry codenamed Haricot traced multiple deposits from a Chinese cocaine trafficker and money launderer into Riverbank and Southbank accounts. That same month Haricot found that another drug trafficker had deposited \$200,000 via a known money-laundering agent into a Southbank account.

The AFP and Austrac have also identified money-remitting agents who are engaged in money laundering, including certain sub-agents of a money agency called Everforex, depositing funds into Riverbank and Southbank for Chinese high rollers. In early 2014, when police arrested a known money launderer they uncovered deposit slips for Riverbank.

Riverbank Pty Ltd is a \$2 company and Southbank Pty Ltd a \$100 company. During the time that some of the suspect money was deposited, the two small companies were directed by senior Crown executives, including serving Crown Resorts CEO of Australian resorts, Barry Felstead, and former company CEO Rowen Craigie.

Southbank Investments and Riverbank Investments' current directors are Crown Resorts' executive chairman John Alexander, its chief financial officer, Ken Barton, and Mr Felstead. There is no suggestion that any of the top Crown executives who directed the two companies knew about criminals depositing funds into their firms.

In a statement in response to questions, a Crown Resorts spokeswoman said the two companies were set up for "receiving and transferring funds to and from casino customers of Crown Perth and Crown Melbourne respectively".

"Both accounts are authorised to be used for that purpose in accordance with casino-regulated and legislative requirements," the spokeswoman said.

"Transactions through those accounts are subject to all of our usual reporting obligations, including our obligations under AML/CTF [anti-money-laundering and counter-terrorism financing] legislation."

But the revelations that the accounts have been used for suspect transactions raise fresh questions about corporate governance at Crown as the gaming company reels from a scandal that has exposed its partnerships with suspected Chinese organised crime bosses and Chinese Communist Party influence agents.

Directors have obligations under Corporations Law to ensure the firms they oversee mitigate risks that might expose them to criminal activity.

The revelations also raise questions for the agencies which traced the alleged dirty funds, including the Australian Federal Police and Austrac. While the ongoing operation codenamed Zanella has led to multiple seizures of cash and assets, sources with knowledge of events say that vast amounts of intelligence has not been acted upon.

"We [the AFP, Austrac and state police forces] were under-resourced and overwhelmed," said one law enforcement official who worked closely with Austrac.

## Investments? Or gambling cash?

Four sources with knowledge of the transactions said the high-risk nature of accepting funds from Chinese high rollers and junket agents — given the longstanding involvement of organised criminals in the high-roller sector — obliged both Crown-related firms to have extensive risk mitigation strategies in place.

One source said that federal police believed the two Crown companies were used by criminal entities because they believed that the money they deposited into them would not be closely scrutinised.

Another former law enforcement source said the names of the two private companies — which appear designed to make them look like "investment" funds — may have enabled people in China to claim their deposits were investments rather than related to gambling. It's illegal in China to gamble, collect gambling debts or move large amounts of money over the border.

A leak of internal Crown data obtained by *The Age* and *The Sydney Morning Herald* reveals that global bank HSBC shut down bank accounts linked to Riverbank and Southbank in 2013. At the time, HSBC was shutting down dozens of high-risk bank accounts across the globe because it had been caught by US authorities washing drug money for Mexican cartels.

"I am sorry that this is short notice but HSBC recently advised us that they will no longer provide us with Bank Accounts and that they would close all our accounts and reject any further payments from the end of this financial year," says a mid-2013 email

from a Crown staff member.

“I am sorry for any inconvenience this has caused but unfortunately it is outside of our control.”

Another email from 2013 states that the “HSBC Southbank Investments accounts (AUD, USD, HKD & SGD) will be closed at the end of this week. Any transfers/deposits into these accounts will no longer be accepted by HSBC and returned to the beneficiary.

“New bank accounts have been set up with the Commonwealth Bank of Australia – with beneficiary name: ‘Southbank Investments Pty Ltd’ with currencies AUD, HKD, SGD & USD.”

That email was sent on November 12, 2013. Eleven days later, federal police agents arrested an alleged Chinese money launderer and later discovered he’d been making multiple deposits of proceeds of crime into Riverbank’s account.

A leaked Crown email sent to staff and dated September 15, 2016, reveals steps by Crown’s senior managers to get staff to pay more attention.

“[Anti-money laundering] rules now require Crown to help detect and report suspicious activity and international transactions including the predicate offences to money laundering and terrorist financing,” the email says.

“Moving forward, we need you to ensure you collect information about the individual sending funds to our bank accounts.”

In a statement last week, Mike Phelan, chief executive of the Australian Criminal Intelligence Commission – which has launched a major probe into money laundering involving Australian casinos’ high-roller agents – warned that the opaque nature of gambling-related financial transactions was a major organised-crime risk.

The various operations that have traced funds into Riverbank and Southbank were largely conducted under the auspices of senior AFP officers including Nick McTaggart. Mr McTaggart, who now consults with the public sector on money-laundering risks, declined to comment.

Crown has described recent reporting by *The Age*, *The Sydney Morning Herald* and *60 Minutes* on its business as “unbalanced and sensationalised”, based on “unsubstantiated allegations, exaggerations, unsupported connections and outright falsehoods”.

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