



Regulatory & Governance Update January 2020

1. AUSTRAC

1.1. Section 167 Notices

Crown Melbourne – Compliance Assessment

As previously noted, Crown Melbourne received a Compliance Assessment in September 2019 in the form of a s167 Notice which focused on Politically Exposed Persons and High Risk Customers active at Crown Melbourne during FY16 and FY19. Crown Melbourne responded to the Notice on 19 October 2019, receiving a follow up Notice on 30 October 2019, with Crown's response completed on 12 December 2019.

A request for additional information was received from AUSTRAC on 23 January, which Crown is reviewing and preparing a response to.

Further, as previously noted, AUSTRAC has advised that the Perth Compliance Assessment has been postponed until 2020. Crown has yet to receive any further information as to the timing of this Assessment.

Risk Assessment of Junkets

As previously noted, Crown Melbourne and Crown Perth received further s167 Notices on 15 July 2019 seeking additional information as to AUSTRAC reporting on Junket Operators (TTRs, SMRs, IFTIs), amongst other matters. Crown Melbourne and Crown Perth have responded to those Notices.

AUSTRAC visited Crown Melbourne on 24 September 2019 to discuss the AUSTRAC's Risk Assessment of Junkets and indicated that a draft of its Risk Assessment will be provided to Crown for comment prior to publication.

At a meeting with Vicky Orshansky from AUSTRAC on 20 November 2019, it was suggested with draft report would be circulated sometime after Chinese New Year.

1.2. Joint Program and AML/CTF Framework

Operational implementation of the components of the Joint AML/CTF Program will be progressively implemented during 2020. The new Group GM-AML has identified some areas for focus and will table a detailed implementation plan, noting any proposed changes to the plan, at the next AML/CTF Compliance Committee.

Subject to the progress of the implementation of the Joint AML/CTF Program, Crown is planning to have an Independent Review of Part A of the Joint AML/CTF Program conducted in mid-2020 by a big four consulting/audit firm.

1.3. Existing Designated Services – Risk Assessment

The last annual risk assessment of Crown Melbourne's ML/TF risks, conducted by the AML Team in conjunction with the Business Units (identifying and assessing the ML/TF risks



presented across both Crown Melbourne and Crown Perth on a group basis) was completed in May 2019.

The updated register and assessment was shared with the relevant Business Units in June 2019.

Crown will undertake this year's annual risk assessment of Crown Melbourne's ML/TF risks in May 2020.

1.4. AML Sentinel Project

The AML Team is continuing to work with IT to develop AML Sentinel. There have been no material developments since the last meeting.

The AML Team is continuing live test AML Sentinel, alongside our existing Transaction Monitoring Program system (being largely a manual system) to further refine the triggers for automated reports and create new appropriate triggers. When Crown becomes satisfied with the triggers, and the performance of the automation functionality, we will look to phase out the manual review of reports.

1.5. Legislative Changes and other relevant information

Updates to the AML/CTF Act

There has been no update to the AML/CTF Act since the last meeting of the Committee.

On 14 November 2019 the Senate referred the provisions of the Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019 to the Legal and Constitutional Affairs Legislation Committee for inquiry and report by 7 February 2020.

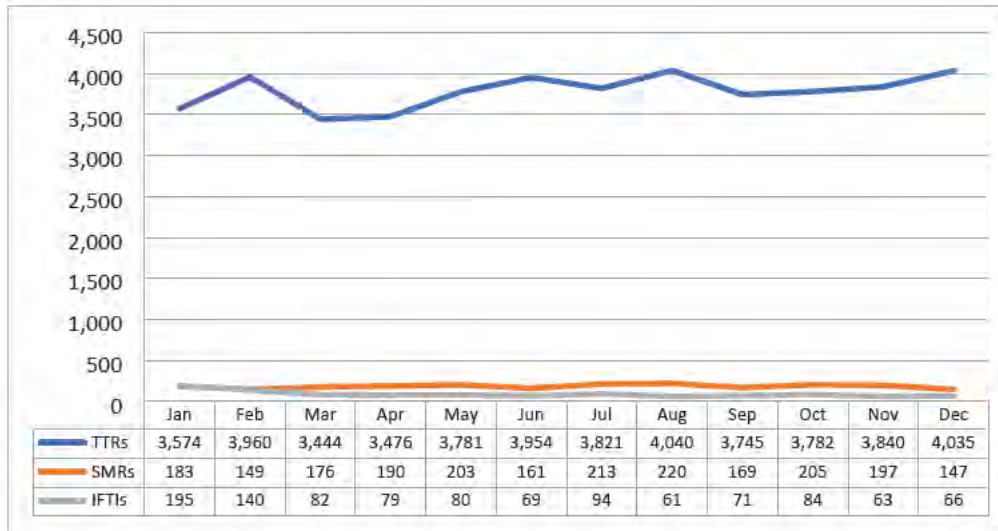
We will continue to monitor the progress of the Bill.

Updates to the AML/CTF Rules

There has been no update to the AML/CTF Rules since the last meeting of the Committee.

1.6. AUSTRAC Reporting statistics (January 2019 – December 2019)

The below table details the number of Suspicious Matters Reports (SMR), Threshold Transactions (TTR) and International Funds Transfer Instructions (IFTI) reported to AUSTRAC by Crown Melbourne for calendar year 2019 (reported by transaction date):



2. RISK MANAGEMENT

2.1. Material Events

Since the last update in November 2019, a number of existing and new key internal and external events have evolved or materialised which have the potential to impact the overall Risk Profile of the organisation, and particularly its material risk exposures.

The key events that have taken place or remain relevant during the period include:

- The proposed further acquisition by Melco Resorts & Entertainment Limited (Melco) of part of CPH Crown Holdings Pty Limited's shares of Crown is on hold pending NSW regulatory review and approval. This review will form part of the ILGA inquiry, which commenced 21 January 2020.
- The CBA SouthBank Investment account has been closed. Crown continues to investigate its banking arrangements and options.
- Topsy Cake Pty Limited, the operator of Dinner by Heston Blumenthal appointed provisional liquidators on 20 December 2019 due to its insolvency. Crown has terminated the lease effective 14 February 2020 and will in due course terminate the other contracts (Commercial Agreement and Intellectual Property Licence). See section 6.1 for further detail.
- Negotiations for the proposed new Crown Melbourne Limited Enterprise Agreement 2019 ("the main EA") which nominally expired on 1 July 2019 have concluded. The employee ballot was held between 18 and 21 January 2020 and the EA was approved by 92% with 65% participation.
- Negotiations for a proposed new Property Services Enterprise Agreement are continuing. The key outstanding issue concerns a claim for payment of a licence



allowance to electricians and plumbers. The current agreement nominally expired on 30 June 2019.

- On 19 September 2019, the *Currency (Restrictions on the Use of Cash) Bill* was introduced into Parliament and, based on the explanatory material, it is expected that exemptions will be created for certain payments that are subject to reporting obligations under the AML/CTF Act (including for designated services within the casino) within the rules made by the Treasurer and it is expected that casinos will be exempt from the scope of the cash payment limit. No further changes since the last report.
- The Australian Banking Association published a consultation paper for the use of credit cards for gambling transactions, calling for submissions on how the banking industry can assist in minimising gambling harm. Some institutions are already blocking credit cards at merchant locations that have a primary business stating 'gambling'. Whilst credit cards are not permitted to be used for gambling in casinos, Crown will review the consultation paper and intends to make a submission, possibly with other members of the casino industry.
- As reported previously, as a result of the allegations put by both the Nine Network (*60 Minutes* program, SMH and the Age) and Mr Wilkie, various investigations and inquiries are continuing involving AUSTRAC, ILGA and ACLEI. Investigations by the VCGLR, VCGLR Inspectorate, and the ATO into the allegations have concluded.
- During the period, Crown has continued to address, and engage with the VCGLR on, the recommendations made by the VCGLR as part of its Sixth Review of the Casino Operator and Licence. To date, Crown has responded to 17 of the 20 recommendations by the required due date, with the remaining 3 not yet due.
- An issue was identified with a number of Roulette wheels on the gaming floor. 13 years ago, the manufacturer delivered a version of the product that appears to potentially be different to the version approved by the Regulator and the version ordered by Crown. The difference was not visible to the eye (additional in-rim sensor – not regulated equipment), and Crown was not aware of being supplied different wheels until recently. The effected Roulette wheels have been removed from the floor, additional verification steps are now undertaken for all equipment and the Regulator has conducted a review of all Roulette Wheels.
- Crown Melbourne has responded to all s167 Notice requests from AUSTRAC. A request for additional information was received from AUSTRAC on 23 January, which Crown is reviewing and preparing a response to.
- No further update has been received regarding the VCGLR's investigation into an electronic gaming machine which the VCGLR alleges was operating in 'Unrestricted Mode', without 'Your Play' functionality activated. The VCGLR has referred the matter to the Commission, for consideration.
- As a result of media allegations against Crown reported in July 2019, the VCGLR wrote to Crown Melbourne on 23 September 2019, noting its intention to continue its



investigation into the China matter. Crown waived legal privilege on a number of documents, including witness statements (from detained staff), legal advice and expert reports, which will be reviewed by the VCGLR. Crown and Minter Ellison continue communications with the VCGLR on this matter.

- Crown Melbourne received a show cause notice from the Melbourne City Council (MCC) relating to combustible cladding on the Metropol Hotel (dated 11 April 2019). In response, Crown submitted to the MCC a report by fire engineers, DNT Engineering Services, on 12 September 2019. As since advised by the MCC, Crown submitted an application to the Building Appeals Board on 23 January 2020.

Adjustments to the risk profile:

Following the events above, a number of changes to risk ratings are proposed:

- The main EA was successfully negotiated, which has **reduced** the overall residual risk rating of the 'industrial action (#18)' risk to unlikely/moderate, or an overall 'moderate' risk.
- The first day of the public hearings for the ILGA inquiry was on 21 January 2020, and it is expected that the media will provide extensive coverage. As such, the likelihood of the 'Major reputational damage' risk (#14) is proposed to be **increased** to 'Almost certain', or an overall 'Critical' risk. The Crown Resorts Board is already managing this risk through the Brand subcommittee, and no additional escalation or action needs to be undertaken at this stage.

The current Risk Map is provided in **Attachment 1** for discussion.

3. REGULATORY AND COMPLIANCE

3.1. Your Play

There has been no further progress on the YourPlay matter in the period.

3.2. China Matter

REDACTED - PRIVILEGE

3.3. Poker Tax

There has been no further progress on the Poker Tax matter during the period.



3.4. EGM Continuous Play

There has been no further progress on the EGM Continuous Play matter during the period.

3.5. CBA

The Commonwealth Bank of Australia Southbank Investments bank accounts are now closed. The VCGLR has been informed of the matter.

3.6. Melco/ASX

On 8 August 2019, Crown Resorts issued an ASX Media Release advising that the NSW Independent Liquor and Gaming Authority will be conducting an inquiry under section 143 of the Casino Control Act 1992 (NSW) into the sale of Crown shares to Melco and various media allegations. The investigation (which will include a broader range of matters) commenced with opening addresses on 21 January 2020 with the first hearing to commence on 24 February 2020. There are 5 hearings scheduled to take place.

3.7. Allegations

As a result of the various allegations raised by Nine/Fairfax/Wilkie, there are a number of regulatory actions taking place including:

- an inquiry by ILGA;
- an investigation by ACLEI;
- a re-examination of the junket business at Crown Melbourne by the VCGLR;
- a VCGLR inspectorate audit of junkets and premium player programs in accordance with the internal controls;
- a request for information by the ATO;
- the reopening of the China investigation by the VCGLR; and
- an AUSTRAC assessment focussed on high risk patrons and politically exposed persons (although not referenced as specific to the allegations, it is not unrelated).

Mr Wilkie also made allegations of corruption between Victoria Police, the VCGLR and Crown, which have been sent to IBAC for investigation, as well as made public whistleblower information from alleged VCGLR Inspectors and a Crown limousine driver around money laundering, drugs, sexual abuse and violence against women.

A verbal update will be provided by Joshua Preston at the meeting.



3.8. Proposal to Restrict Cash Transactions

There has been no further progress on the Proposal to Restrict Cash Transactions matter during the period.

4. RSG

4.1. Section 25 Review Recommendations

Refer Agenda Item 5.2.

4.2. Crown Model

Following the conclusion of the Crown Model Trial, the Responsible Gaming and Customer Analytics teams prepared a review report. The report formed part of the submission to the Victorian Commission for Gambling and Liquor Regulation (VCGLR) for the Sixth Review of the Casino Operator and Licence, specifically Recommendations 7 and 8.

Crown Melbourne (**Crown**) intends to run, as well as continue to refine and develop the Crown Model, guided by the current literature in consultation with external experts in the field, the Customer Analytics Team and the Responsible Gaming Department.

4.3. Stakeholder Engagement

A number of stakeholder site visits occurred during the reporting period including the below:

Date	Support Service or other party
27 November 2019	Crown was invited to and attended the Chinese Peer Connection 10 Year Anniversary celebrations held at EACH (Gambler's Help) in Doncaster.
29 November 2019	James Newbury MP Member for Brighton and the Victorian Parliamentary Representative of the Victorian Responsible Gambling Foundation attended the Responsible Gaming Centre for discussion about Crown's Responsible Gaming Programs and Services as part of a property tour.
8 January 2020	Five new VCGLR Inspectors attended the Responsible Gaming Centre for a presentation on Crown's Responsible Gaming Programs and Services.

Responsible Gambling Ministerial Advisory Council (RGMAC)

The RGMAC met on 6 December 2019. Discussion included the imminent formation of the Responsible Gambling Code of Conduct – non-venue Working Group, which is Crown's classification, and to which the Group General Manager Responsible Gaming has been nominated for participation. This group has not yet been established.



Victorian Responsible Gambling Foundation (VRGF)

On 27 November 2019, the Group General Manager Responsible Gaming attended the VRGF 'Gambling Harm Awareness Week Reference Group' meeting. Discussions focussed on the various activities throughout Gambling Harm Awareness Week 2019. The many activities held at Crown were raised, with a brief synopsis and photos provided as part of the VRGF evaluation.

On 31 January 2020, the Minister for Gaming and Liquor Regulation, Marlene Kairouz, announced the appointment of Tass Mousaferiadis as the new chair of the Victorian Responsible Gambling Foundation board. Mr Mousaferiadis succeeds the outgoing chair, Julie Ligeti. Board member Monique Conheady has been appointed deputy chair.

Australasian Casino Responsible Gaming Forum

Crown chaired the Australasian Casino Responsible Gaming Forum, which precedes the NAGS Conference and is attended by Australasian casino executives with a responsible gaming portfolio, as well as the Australasian Gaming Council.

The Forum encourages open dialogue between all attendees, with discussion focussing on Host Responsibility/ Responsible Gaming programmes across the different jurisdictions; common issues/solutions regarding responsible gaming/host responsibility; new initiatives; and updates in the regulatory environment.

Key discussion points included the increase in Facial Recognition Technology being trialled or introduced in Australasian casinos; the introduction of a 'Guest Support Centre' at The Star Sydney (unstaffed at this stage); the use of the terminology 'Responsible Gaming/Gambling', which other jurisdictions are reviewing, with changes to 'Safer Gambling' in the UK.

The Australasian Gaming Council (**AGC**) presented on the changes within the AGC (as briefed in a previous ERCC report), and the update on the AGC Responsible Gaming Strategy document.

Particular items of note / relevance to Crown have been discussed with the Crown Melbourne Responsible Gaming Management Committee (**RGMC**).

National Association for Gambling Studies (NAGS), Hobart, 4 – 6 December, 2019

The General Manager Responsible Gaming (Perth) and Group General Manager Responsible Gaming attended the NAGs Conference. Presentations, papers and research updates spanned a range of topics.

The Conference theme was 'Intersections: Where new technologies inform traditional practices'. Presentations and panels covered a range of information and topics. Of



most interest were presentations in relation to responsible gaming staff training, self exclusion and the NSW Gambling Study.

Particular items of note / relevance to Crown have been discussed with the RGMC at the most recent Committee meeting.

Crown Melbourne and Crown Perth management who attended NAGS will prepare a report for distribution, including any recommendations the Responsible Gaming Advisory Panel may have.

4.4. Responsible Gaming Advisory Panel

The Crown Resorts Responsible Gaming Advisory Panel (Panel), comprised of Prof. Alex Blaszczyński, Prof. Lia Nower and Prof. Paul Delfabbro, held its first meeting on 12 November 2019. This first meeting was an informal meeting for the Panel members to meet the members of the Crown Resorts Limited Responsible Gaming Board Committee and discuss the functions of the Panel and confirm the Terms of Reference.

The Panel has been requested to complete a review of the Crown Resorts Responsible Gaming Framework and Strategy in line with Crown's Responsible Gaming (RG) vision. To this end, the Panel has been furnished with the relevant documents relating to Corporate Policies, Policies and Procedures, RG Training, RG patron documentation including RG Brochures etc. to assist. In addition, the Panel attended Crown Melbourne from 14 – 16 January 2020 to meet with senior Crown Perth and Crown Melbourne RG staff, and participated in a property tour. The outcomes of the Panel's review is expected in the coming months.

4.5. Regulatory

VCGLR – Approval of Responsible Service of Gaming (RSG) Training

The Casino Control Act 1991 (Vic) requires the VCGLR to approve Responsible Service of Gaming (**RSG**) Training for Crown Special Employees who perform functions in relation to gaming machines. This approval is in place for five years, expiring February 2020 (this will not expire while an application is submitted).

Crown's discussions with the VCGLR and VRGF in relation to the five-yearly approval of Crown's RSG Training program have continued during the reporting period. The VCGLR has requested Crown to meet a number of competencies, which are largely taken from the Victorian Responsible Gambling Foundation (**VRGF**) RSG training delivered to Victorian Gaming Machine Venue employees.

Crown has submitted proposals for new Gaming Machines Employee RSG Training (named 'Additional Focus'), updated RSG Induction Training (all employees), updated RSG online (all employees), updated RSG Senior Manager (advanced) and a gaming machines RSG refresher course.



The VCGLR and VRGF have made recommendations to the initial, advanced and refresher training modules, both online and facilitator led. These recommendations have been incorporated as required and suitable. The final drafts were submitted to the VCGLR on 31 December 2019 for final review.

Further information and updates were requested by the VCGLR in January, and these were duly submitted. The submission will be reviewed for approval by the VCGLR Commissioners at the February 2020. Crown has sought to present to the Commissioners at this meeting.

5. LEGAL (SUBJECT TO LEGAL PROFESSIONAL PRIVILEGE)

5.1. Car Parks

Crown continues to occupy the Clarke Street and Clarendon Street car parks pursuant to a lease that is on a monthly tenancy. The lease also includes two other parcels of land on either side of Haig Street that Crown previously sub-leased to commercial car park operators. We have agreed with DTF to relinquish the piece of land on the northern side Haig Street in return for securing an additional similar sized piece of land on the southern side of Haig Street which provides Crown two adjacent pieces of land which are intended to be used for an additional staff car park.

REDACTED - PRIVILEGE

5.2. IHG Trade Mark Matter

IHG (through Six Continents Hotels) is the owner of the CROWNE PLAZA trade mark and Crown Melbourne is the owner of the CROWN brand (as used by the Crown Resorts group and licensees). IHG and Crown are in dispute in relation to the respective use of the CROWNE PLAZA and CROWN brands for hotel services. The countries/jurisdictions of dispute include USA, UK, EU, Australia, Hong Kong, PRC (China), Taiwan and Macau. There are currently in excess of one hundred separate trade mark disputes before the various courts and tribunals around the world relating to this matter.

Previously the use was governed by a trade mark co-existence agreement that covered the Asia-Pacific region (excluding the Americas).

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

5.3. Zantran Pty Ltd (Class action – Crown Resorts Limited)

Zantran Pty Ltd (**Applicant**) a shareholder in Crown Resorts Limited (**Crown Resorts**) has issued class action proceedings in the Federal Court against Crown Resorts.

The Applicant on behalf of other yet identified shareholders alleges that it has suffered loss and damage (fall in share price) arising out of and in consequence of Crown's operations in China during 2015 and up to the detention of Crown employees in China (**Relevant Period**).

It is further alleged that Crown Resorts during the Relevant Period failed to disclose to the share market information that was not generally available which a reasonable person would expect to have a material effect on the price or value of Crown Resorts shares. Such information included the risk of Crown's operations in China, the Chinese Government crackdown on corruption, the arrest in China of South Korean Casino employees and the risk that employees might be detained and arrested in China for alleged breaches of Chinese gambling laws.

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE

The Applicant successfully made an application to the court for orders that the formerly detained employees be released from their employment and redundancy confidentiality obligations to enable the Applicant's lawyers to speak with those employees, with His Honour handing down His decision on 8 May 2019. Crown appealed the decision and on 22 January 2020 the Court upheld (i.e. successful) Crown's appeal which prevents the Applicant from speaking with those former detained employees.

6. OTHER MATTERS (LEGALLY PRIVILEGED AND COMMERCIAL IN CONFIDENCE)

6.1. Dinner by Heston Blumenthal

REDACTED - PRIVILEGE



6.2. Instrument and Payroll Compliance Review

Subject to Legal Professional Privilege

Over the reporting period, Workplace Strategists, with support from Deloitte and Corrs Chambers Westgarth, has significantly progressed a review mapping employee positions to workplace instruments across Crown Melbourne and Crown Perth.

The review, which has focused on employees who are currently either in salaried roles or covered by an award excluding salaried roles above the high-income threshold of \$148,700, has comprised approximately 1,077 positions across Crown Melbourne and Crown Perth.

REDACTED - PRIVILEGE



The whole process is expected to be completed towards the end of April 2020.

Together with the review of salaried employees, Crown Melbourne and Crown Perth will also examine payroll compliance of employees covered by an enterprise agreement.



Attachment 1
Crown Melbourne Corporate Risk Map – January 2020

		<i>Material Risks</i>				
Likelihood	Almost certain				14 - Major reputational damage	
	Likely		16- Harm to persons on property			
	Possible		9 - Loss of key management 15 - Poor people management practices	6 - External disruption to demand for our services 7 - Physical Business Disruption 8 - IT business disruption 11 - Litigation 12 - Major criminal activities 13 - Ineffective responsible service of gaming (RSG) 23 - Failure in responsible service of alcohol (RSA)	1 - Material breach of gaming and other relevant legislation /regulation 2 - Changes in key legislation or regulatory requirements 5 - Poor credit or investment decision 21 - Data misuse 22- Breakdown in relationship with key government, legislative or regulatory body	3 - Act of terrorism on Crown property 4 - Volatility of gaming revenue
	Unlikely		17 - Breakdown in strategic partnership with third party 19 - Unsustainable environmental management and ethical standards	10 - Reduction in property standards 18 - Industrial action		
	Rare					20 - Aviation accident
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU