



**CROWN RESORTS LIMITED  
MEMORANDUM**

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**To:** Board of Directors, Crown Resorts Limited (“**Board**”)  
**From:** Steven Blackburn, Chief Compliance and Financial Crime Officer (“**CCFCO**”)  
**Date:** 24 May 2021  
**Subject:** **Current state assessment and proposed plan regarding Crown Resorts Limited’s financial crime and compliance programs**

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**Purpose:**

This paper is intended to apprise the Board of the CCFCO’s assessment of the current state of Crown Resorts Limited’s (“**Crown**”) financial crime and compliance programs and, for the Board’s consideration and endorsement, a proposal to uplift these programs.

**Background:**

With an estimated 3% of Australia’s gross domestic product attributable to proceeds of crime (e.g. \$53.5 billion in 2019), financial crime is a pervasive and persistent challenge. Like other jurisdictions, Australia has promulgated laws that are intended to manage and mitigate financial crime through a federated approach primarily involving three stakeholders: government/regulators, law enforcement and industry. These stakeholders must work together to effectively manage and mitigate financial crime. Particular industries are highly susceptible to the risk of facilitating money laundering and terrorist financing based on the nature of their business. Together with financial institutions, casinos are amongst the industries where the risk is greatest, particularly given the extensive use of cash by casino customers. As criminals find new and novel ways to launder funds, casinos must adapt and evolve to face the ever-growing risk and the corresponding increase in regulator expectations.

Crown has significantly invested in its financial crime program over the last year and a half, exceeding its FY2021 budget for financial crime by 123% as of 1 March 2021. With the investment allocated in part to the introduction of a number of foundational risk mitigation tactics and the expansion of the financial crime team, there has been a corresponding reduction in Crown’s forward-looking financial crime and regulatory risk profile. A depiction of the current state maturity of Crown’s financial crime eco-system is included in the attached pack. To effectively manage financial crime risk and the associated regulatory risk, Crown must continue to evolve the financial crime program through material and ongoing investment in capacity, capability and technology. With investment, Crown will be able to further stabilize, industrialize and optimize its financial crime program, fulfilling Crown’s commitment to regulators to be a leader in financial crime management. Perhaps most importantly, Crown’s further investment will enable Crown to empower the other two stakeholders, government and law enforcement, to detect, deter and disrupt crime.

In its current state, Crown’s compliance program meets regulatory requirements, but the compliance function is under resourced and is not adequately supported for regulatory change and responsiveness. As with the financial crime program, Crown’s compliance program requires considerable investment in order to improve and evolve.

The Financial Crime and Compliance (“**FC&C**”) Change Program seeks to build on Crown’s existing financial crime and compliance foundations, introducing changes that will ensure the stability of the two programs, whilst industrializing and optimizing the functions wherever possible.

To that end, the FC&C Change Program involves key actions and outcomes, including but not limited to:

1. introducing further financial crime and compliance capability and capacity to drive the evolution of our financial crime and compliance programs;
2. clarify Crown's risk appetite statements with respect to financial crime and compliance;
3. improve financial crime and compliance frameworks and document hierarchy, including through the Policy Uplift Program;
4. improving Crown's financial crime risk assessment methodologies, including in respect of customers, products and jurisdictions, to better understand where our customers and products may pose heightened risks;
5. introducing a financial crime enterprise wide risk assessment based on enhanced risk assessment methodologies, to hone our focus on where the risk is greatest;
6. introducing improved financial crime and compliance risk reporting to better arm senior management and the Board to discharge their oversight obligations;
7. introducing a new Financial Crime Oversight Committee to be chaired by the CCFCO and accountable to the Board, with all senior business executives as members;
8. introducing robust second line of defence assurance to review and report on the effectiveness of the financial crime and compliance programs;
9. enhancing current financial crime training to help employees and relevant contractors better understand how to identify and escalate potential financial crime, with a focus on how they can make a difference for those most vulnerable;
10. clarifying roles and responsibilities across the first and second lines of defence to ensure those accountable and responsible for managing compliance and financial crime risk understand their obligations;
11. introducing greater accountability by including meaningful compliance and financial crime-related key performance objectives in performance plans and position descriptions for all relevant employees, including senior executives;
12. introducing greater rigour around the collection of customer information, particularly in respect of high risk customers;
13. introducing a number of new controls, including reduced cash thresholds, to provide Crown with greater insight into our customers and their activity;
14. introducing data analytics to improve our ability to identify and apply typologies;
15. enhancing existing financial crime and compliance-related systems and considering new technology solutions to simplify our first and second line processes and improve effectiveness;
16. introducing greater rigour related to third party procurement; and
17. facilitating greater convergence between our financial crime and surveillance activities and intelligence, to improve our financial crime reporting.

Further detail in respect of the proposed FC&C Change Program is included in the attached deck. To be successful, each of the foregoing changes require the commitment, engagement and support of the whole organization and the Board, as well as committed funding for the longevity of the FC&C Change Program. The proposed changes will also have implications for other Crown functions, including Technology, Operations, Finance, Surveillance & Security, Procurement and Human Resources. While none of the proposed changes can alter Crown's past exposure to financial crime and compliance risk, they will assist Crown in reducing its future risk.

**Recommendation:**

It is recommended that the Board note the current state assessments in this paper and endorse the proposed FC&C Change Program.

**Proposed by:**

Steven Blackburn  
**Group CCFCO**