

**Inquiry by the Honourable Patricia Bergin SC under section 143 of the *Casino Control Act 1992 (NSW)*
Amended Terms of Reference dated 24 June 2020**

STATEMENT OF KENNETH MCRAE BARTON

Name: Kenneth McRae Barton

Address: Crown Towers, Level 3, 8 Whiteman Street, SOUTHBANK VIC 3006

Occupation: Chief Executive Officer and Managing Director (Crown Resorts Limited)

Date: 17 November 2020

1. I make this statement on behalf of Crown Resorts Limited ACN 125 709 953 (**Crown**) and am authorised to do so. Except where otherwise indicated, I make this statement from my own knowledge and belief.
2. This statement is true and correct to the best of my knowledge.
3. This is the sixth statement I have made in connection with this Inquiry. My previous statements are:
 - (a) the statement provided to the Inquiry on 14 January 2020 (**first statement**);
 - (b) the statement provided to the Inquiry on 9 March 2020 (**second statement**);
 - (c) the statement provided to the Inquiry on 16 September 2020 (**third statement**);
 - (d) the statement provided to the Inquiry on 4 November 2020 (**fourth statement**); and
 - (e) the statement provided to the Inquiry on 15 November 2020 (**fifth statement**).

Purpose of statement

4. The purpose of this statement is to provide the Inquiry with an update in relation to:
 - (a) reviews of bank accounts historically operated by Riverbank Investments Pty Ltd (**Riverbank**) and Southbank Investments Pty Ltd (**Southbank**);
 - (b) Crown's discussions with ANZ in respect of the management of cash deposits into bank accounts going forward;
 - (c) Crown's policy in respect of significant cash deposits;
 - (d) the progress of AML resourcing and recruitment, including the status of recruitment for the new Head of Compliance and Financial Crimes; and
 - (e) the opening plan for Crown Sydney.

Riverbank and Southbank

Response to allegations in media article dated 5 August 2019

5. I am informed by Mary Manos, General Counsel of Crown Resorts Limited, that, on 10 November 2020, she caused a review to be undertaken of email records of relevant Crown AML staff, including Crown Resorts' former Group General Manager of AML, Ms Louise Lane.
6. Email records identified during the course of that review, and subsequent enquiries made of relevant people referred to below, demonstrate that steps were taken in response to the allegations in the article published in The Age on 5 August 2019 regarding Southbank and Riverbank beyond what is presently in evidence before the Inquiry. At the outset, I recognise that the steps I set out below do not constitute the kind of review that I have previously acknowledged ought to have been undertaken at this time (and, indeed, ought to have been undertaken when the suspicious transactions in the Riverbank bank account were first brought to Crown's attention in 2014). I provide this information to ensure that the record with respect to the steps that Crown took in the period following the publication of the allegations about Riverbank and Southbank in the media article of 5 August 2019 is complete.
7. The review of email records has identified the following relevant emails (which I have attached to this statement):
 - (a) on 6 August 2019 at 12:59pm, Ms Lane sent an email to Ash Bottrell (Executive Assistant) forwarding a Microsoft Excel spreadsheet with transaction data for the Commonwealth Bank of Australia (**CBA**) and ASB Bank (**ASB**) accounts held in the name of Southbank for the period from 5 July 2017 to 6 August 2019. Ms Lane asked Ms Bottrell to print out the spreadsheet and place it in a folder for her to review that afternoon. Ms Lane's email to Ms Bottrell forwarded an email she had received from Adam Sutherland, AML Manager Crown Melbourne, attaching the spreadsheet and noting that *"we will need to let credit know if they need to pull their hard copy daily "statements" back from archive for pre July 2017..."* (**CRL.742.001.0011**);
 - (b) on 6 August 2019 at 5.26pm, Ms Lane sent Joshua Preston bank account statements for the CBA account held in the name of Southbank for the period January to December 2017 (**CRL.741.001.0001**);
 - (c) on 6 August 2019 at 5:26pm, Ms Lane sent Mr Preston bank account statements for the CBA account held in the name of Southbank for the period January to December 2016 (**CRL.736.013.4369**);
 - (d) on 6 August 2019 at 5.27pm, Ms Lane sent Mr Preston bank account statements for the CBA account held in the name of Southbank for the period January to December 2015 (**CRL.741.001.0233**);

- (e) on 6 August 2019 at 5.29pm, Ms Lane sent Mr Preston bank account statements for the CBA account held in the name of Southbank for the period January to December 2014 (**CRL.741.001.0365**);
- (f) on 6 August 2019 at 5.31pm, Ms Lane sent Mr Preston bank account statements for the CBA account held in the name of Southbank for the period January to December 2013 (**CRL.736.013.4613**);
- (g) on 7 August 2019 at 7:26am, Ms Lane sent an email to Adam Sutherland informing him that she had reviewed the Southbank accounts for the period January to April 2017 and asking Mr Sutherland to look into a specific allegation made in the media article regarding the alleged transfer of funds to a drug trafficker (**CRL.736.013.4726**);
- (h) on 7 August 2019 at 7.44am, Ms Lane forwarded to Mr Preston the email she had sent to Mr Sutherland the previous evening, attaching copies of fortnightly statements for the Southbank account for the period January to April 2017 (**CRL.741.001.0440**);
- (i) on 7 August 2019 at 11.08am, Ms Lane sent an email to Travis Costin asking for copies of any Crown bank statements that may have been used to transfer customer funds in the period January to April 2017 other than for Southbank and Riverbank, which she had already received from Mr Costin (**CRL.741.001.0529**);
- (j) on 8 August 2019 at 8.47am, Ms Lane sent an email to Jimmy Rousis (Cage Compliance & Assurance Manager) enquiring as to the process Crown Melbourne adopts when it makes a telegraphic transfer request (**TR**) (**CRL.741.001.0531**);
- (k) on 21 August 2019 at 10.30am, Ms Lane sent an email to Mr Preston stating:

"I would like to utilise the services of Grant Thornton (or another party, as you see fit) to run some analysis over the Southbank Investments and Riverbank Investments accounts. This analysis should be under Minter Ellison's direction and reportable to you as Chief Legal Officer.

As I have mentioned previously, I have started this process but it is incredibly time consuming and I suspect will be easily done by a party with the right systems to enable us to run rules over the data (Crown is not there yet with Sentinel, but will be).

This analysis will be useful in any subsequent discussions with CBA about closure of these accounts, and will point to any areas that we can improve. It may also point to areas of concern we might want to raise with CBA as our banker in respect of CBA's AML/CTF processes.

In the alternative, if this is something that we want done internally, then we will need additional hands to do it.

A copy of this email is at (**CRL.741.001.0532**); and

- (l) on 21 August 2019 at 2.47pm, Ms Lane sent an email to Mr Costin (copied to Ms Siegers) asking Mr Costin to confirm whether she could get the Southbank and Riverbank bank statements in downloadable Microsoft Excel format (**CRL.741.001.0535**).
8. I had no knowledge of these communications or the matters to which they relate at the time, so I have now spoken with Ms Lane and she informed me as follows:
- (a) in response to the allegations in the media regarding Southbank and Riverbank in early August 2019, she decided to conduct a review of both accounts to determine whether there was any substance to the allegations that had been made;
 - (b) she took steps to obtain bank statements for the Southbank account, commencing from the time to which the media allegations related. Ms Lane sought from one or more Crown staff members (but cannot now recall from whom), and subsequently obtained, pdf copies of the bank statements for the Southbank account;
 - (c) she recalls intending to conduct a similar review of the Riverbank account, but given the timing of these events, coinciding as it did with matters identified below, she cannot now recall whether she subsequently also obtained hard copy bank statements for the Riverbank account. She does recall, however, requesting copies of the bank statements for the Riverbank account;
 - (d) after receiving the Southbank statements in hard copy, she recalls conducting a review of a number of hard copy bank statements for the Southbank account over a number of days. She did this by physically laying the bank statements out in her office at Crown, and marking with a highlighter pen any entries she considered to be of interest for further enquiry, which she then cross-checked manually against the Crown SYCO system customer records as to whether any reports had been made about them;
 - (e) she recalls that her review was intended as a broad ranging review, and included considering any transactions which appeared to be suspicious from a money laundering perspective, including potential 'structuring' involving multiple deposits of less than \$10,000 to a patron account;
 - (f) she recalls that, having identified any potentially suspicious entries, she checked whether those potentially suspicious transactions had been the subject of suspicious matter reports to AUSTRAC. Ms Lane recalls identifying instances where that was the case. Ms Lane considered that this was important as it served as a cross check that the systems that Crown had in place at the relevant time had been effective in picking up and reporting those transactions. Ms Lane said she recalls being generally satisfied that the transaction monitoring system was working as intended, but she considered a broader review was required prior to forming any final conclusion;
 - (g) having undertaken the partial manual review of bank statements referred to, in order to appreciate the scale of the task, Ms Lane formed the view that a full manual review by Crown staff was not feasible;

- (h) Ms Lane recommended to Mr Preston, both verbally and in writing, that an external consultant be considered to conduct the full review of the accounts;
 - (i) all of the above steps took place in August 2019. She took several weeks leave to travel overseas in September 2019 and then returned to Crown for a further two weeks work before leaving for a new external role. Ms Lane does not recall being asked to do anything further in connection with the Southbank and Riverbank accounts during the final two-week period of her employment with Crown, after her return from leave.
9. As I had no knowledge of these matters at the time I have also now spoken with Mr Preston regarding the emails referred to in paragraph 7 above. Mr Preston has given me the following account, that he recalls:
- (a) requesting Ms Lane to carry out some investigative work in relation to the allegations made in the 5 August 2019 media article;
 - (b) the specific media allegation in The Age article of 5 August 2019 was in relation to a large cash transfer to a drug dealer, but there was insufficient detail in the allegation to properly investigate it;
 - (c) Ms Lane undertook a review of Southbank CBA statements for a period relevant to the allegation and she advised him that she had identified some 'Quick Cash' transactions in the CBA account for Southbank, which were notable because of AUSTRAC's prosecution of CBA in relation to the Quick Cash facility, but that nothing appeared on the face of the review to specifically match the relevant allegations, noting that the information contained in the allegations lacked considerable detail;
 - (d) Ms Lane did not uncover any issues with Crown's transaction monitoring program (TMP) in respect of its application to the Southbank and Riverbank accounts and indeed advised that the TMP did respond to Southbank and Riverbank;
 - (e) Ms Lane advising him that if we wanted to carry out an historical review of all of the Southbank and Riverbank accounts, she recommended engaging an external consultant to review the electronic transaction data for all transactions across the Southbank and Riverbank accounts as Crown did not have the internal resources;
 - (f) that before we progress with engaging any potential external consultant, we should seek advices from Crown's external legal advisers, MinterEllison (which was done by either him or by Ms Lane, he cannot recall); and
 - (g) having:
 - (i) sought and obtained advice from MinterEllison that there was a risk that the engagement of external consultants to conduct this review would not be covered by legal privilege; and

- (ii) formed the view that it was not necessary, at that point in time, to conduct a comprehensive review of the kind that Ms Lane had recommended on the basis that the preliminary assessment of the Southbank accounts for the relevant period referred to in the media allegations had not identified anything that could be specifically identified as matching the allegations, and importantly that our TMP was responding to the accounts in any event, and accordingly relevant information was being provided to the appropriate authorities,

it was decided not to proceed with instructing external consultants to conduct a review of the transaction data in the Riverbank and Southbank accounts at that time.

- 10. As I noted in paragraph 6 above, and as the sequence of events outlined in the preceding paragraphs demonstrate, the comprehensive review of the Riverbank and Southbank accounts that ought to have been undertaken following the publication of the media allegations concerning those accounts on 5 August 2019 did not occur. Steps were taken to review transactions in those accounts, however it is clear that, in hindsight, that review did not go far enough and the engagement of external consultants to conduct a forensic review of the accounts, as recommended by Ms Lane, should have been pursued at this time.

Review of Riverbank and Southbank accounts

- 11. As noted above, and as set out in my third statement, I recognise that, in hindsight, there should have been a comprehensive review of the Southbank and Riverbank accounts performed at the time money laundering concerns were raised in relation to these accounts. This comprehensive review should have been directed to ascertaining whether and, if so, to what extent, there were indications of money being laundered through these accounts.
- 12. Since preparing my third statement, I have caused reviews of transactions in the Southbank and Riverbank accounts to be undertaken.
- 13. First, I requested that an internal review be performed in relation to the historical receipt of cash deposits into the Riverbank and Southbank accounts. This review identified instances during the period from July 2013 to December 2019 in which there was potential transaction structuring in the accounts (because two or more cash deposits of less than \$10,000, but totalling more than \$10,000, were made to either the Southbank or Riverbank account within a 72-hour period by or on behalf of the same person or same patron account) and those transactions were aggregated (ie, into a single above \$10,000 transaction) when entered into Crown's casino management system SYCO. It was primarily a manual review. The result of this review was reported to me in a memorandum from Claude Marais, General Manager, Legal and Compliance, dated 29 September 2020. I understand that Mr Marais' memorandum has been produced to the Inquiry and is Exhibit AJ-50 (CRL.719.001.0002).
- 14. Second, Crown instructed its solicitors, MinterEllison, to engage Grant Thornton to forensically analyse the bank account statements for Riverbank and Southbank for the period July 2013 to December 2019. Crown also instructed MinterEllison to engage Initialism in connection with this

review, as part of a broad engagement of Initialism to provide Crown with advice and support regarding AML/CTF matters as required.

15. In order to conduct its forensic analysis, Grant Thornton ingested the Riverbank and Southbank account statements into its data analytics platform. Grant Thornton was instructed to analyse the bank statements to identify potential structuring within that data. This analysis was undertaken in conjunction with Initialism, and involved defining parameters for identifying potential structuring based on the value of the transactions, the identity of the depositor, the timing of the transactions, and the nature of the transactions.
16. Whereas Crown's internal review focused on the number of instances of potential structuring where aggregation occurred, Grant Thornton was instructed to identify a full set of potentially structured transactions, whether aggregated or not. For the purposes of this review, Crown obtained additional information from ANZ in relation to certain transactions (including additional information about the way in which funds were deposited).
17. On 16 and 17 November 2020, Grant Thornton provided reports outlining instances of potential structuring in the Southbank and Riverbank accounts for the period July 2013 to December 2019. The parameters applied to the transaction data in each account for the purposes of this analysis was as follows:
 - (a) two or more cash deposits of less than \$10,000 each, totalling \$10,000 or more in a 24-hour period;
 - (b) two or more cash deposits of less than \$10,000 each, totalling \$10,000 or more in a 48-hour period;
 - (c) two or more cash deposits of less than \$10,000 each, totalling \$10,000 or more in a 72-hour period.
18. While the report dated 16 November 2020 in relation to the Riverbank accounts has been issued in final form, the report dated 17 November 2020 in relation to the Southbank accounts has been issued in interim form, pending reconciliation of the bank statement data with Crown's internal records held in archive at Crown Melbourne. I will provide a copy of the final report in relation to the Southbank accounts to the Inquiry once a final version has been issued. A copy of the interim report for Southbank is at **CRL.743.001.0003**. A copy of the final report for Riverbank is at **CRL.741.001.0536**.
19. As set out in each of these reports, Grant Thornton identified a significant number of instances in which transactions of this kind (ie, transactions falling within the parameters set out in (a), (b) and (c) above), took place in each account across the period July 2013 to December 2019.
20. On 16 November 2020, Initialism provided a report outlining the findings of its review regarding indications of money laundering based on the forensic analysis that Grant Thornton had undertaken on the Riverbank and Southbank accounts. A copy of Initialism's report is at **CRL.741.001.0666**.

21. Initialism's report sets out that, in its view, the Grant Thornton analysis indicates cash deposits into the Riverbank and Southbank accounts structured below the \$10,000 reporting threshold. Initialism's review has also identified a pattern in the transaction data analysed by Grant Thornton which indicates, in its opinion, potential exploitation by 'cuckoo smurfing money laundering syndicates' that made structured cash deposits below the reportable threshold into the Riverbank and Southbank bank accounts. Initialism also expresses the view that the transaction data indicates that these same syndicates potentially engaged in money laundering activity through making large cash deposits above the reportable thresholds to make payments into the Riverbank and Southbank bank accounts, as well as via third-party electronic funds transfers.
22. The results of Grant Thornton's analysis, and the views expressed in Initialism's report, are of real concern. The opinions expressed by Initialism are of particular concern. They underscore why, as I have observed previously, a comprehensive review of the Riverbank and Southbank accounts should have occurred when concerns in relation to structuring in those accounts were first raised.

Cash deposits in Crown's bank accounts

23. Among the steps that Crown is taking to reduce its vulnerability to money laundering (as I noted in my third statement) is work with Crown's bankers at ANZ to reduce, and preferably eliminate, the deposit of cash by patrons in Crown's bank accounts. Since preparing my third statement, Mr Alan McGregor, the current Chief Financial Officer, and other representatives of Crown have had a number of discussions with ANZ in relation to whether Crown can prevent cash deposits for patrons being made into Crown's bank accounts.
24. I am informed by Mr McGregor that ANZ has advised that it:
 - (a) cannot prevent cash deposits from being made into Crown's accounts because a person can deposit cash into a bank account without presenting to a bank teller, for example, by using the Quick Cash deposit method;
 - (b) is providing challenging to prevent cash deposits into Crown's bank account when presented to bank tellers at a branch; and
 - (c) is considering whether it could issue a direction to tellers not to accept cash in particular branches that have most commonly been used to deposit cash into Crown bank accounts (for example, the South Melbourne branch).
25. Crown and ANZ are continuing to work towards the elimination, to the extent possible, of cash deposits into Crown's account as well as dynamic monitoring of transactions through the account.
26. Crown has communicated with local patrons and international gaming machine players who have deposited cash over the past 18 months into Crown's bank accounts and advised them that they are no longer to deposit cash into Crown's bank accounts.

27. Crown has communicated with Hong Kong and Macau junket operators and premium table game players who visited Crown during the two years prior to March 2020 and advised them that they are no longer to deposit cash into Crown's bank accounts.

Significant cash deposits at the Cage

28. In addition to reducing, as far as possible, cash deposits into Crown's bank accounts, I have been considering the implementation of further controls in relation to deposits of significant amounts of cash at Crown's casino cages.
29. While there are a number of existing monitoring and control mechanisms regarding these types of deposits, there are opportunities for Crown to reject such deposits when they exceed a certain monetary threshold or are unsupported by legitimate evidence on source of funds.
30. Accordingly, on 16 November 2020 I sent a memorandum to the Chief Operating Officers of Crown Melbourne and Crown Perth and relevant senior executives setting out the following additional restrictions in relation to cash deposits by patrons at the Cage, effective immediately:
- (a) Cash deposits of over \$250,000 are not permitted and will not be accepted in any circumstances;
 - (b) Cash deposits of over \$200,000 will only be accepted following:
 - (i) receipt of a source of funds declaration from the patron depositing the cash; and
 - (ii) written approval from the respective property COO or the CFO Australian Resorts **and** either the Group AML Compliance Officer or the Group GM Risk & Audit; and
 - (c) Cash deposits over \$100,000 will only be accepted following::
 - (i) receipt of a source of funds declaration from the patron depositing the cash; and
 - (ii) approval from a Cage Supervisor for the deposit.
31. A copy of my memorandum is at **CRL.742.001.0014**.

AML resourcing

32. As I noted in my third statement, at the Crown Resorts Board meeting held on 10 September 2020 my proposal to establish a new Compliance and Financial Crimes department within Crown, led by a Head of Compliance and Financial Crimes, was endorsed by the Crown Resorts Board. On 7 October 2020 I provided the Crown Resorts directors with a memorandum updating them on various operational matters. I understand this memorandum has been produced to the Inquiry and is Exhibit AJ-51 (CRL.719.001.0005). Among the matters I updated the directors on in that memorandum was the recruitment process for the new position of Head of Compliance and Financial Crimes. I noted that the recruitment firm engaged by Crown, Heidrick & Struggles, were about to develop a short list, following which Crown would meet with the shortlisted candidates and a decision was expected by mid-November.

33. Since preparing this memorandum, I have completed the interview process for this role, which included shortlisting down to three candidates, all of whom were also interviewed by Jane Halton and two were also interviewed by Helen Coonan. As at the time of preparing this statement, a contract of employment has been provided to the proposed appointee.

Crown Sydney

34. The opening date and conditions for the Restricted Gaming Facility are currently being discussed with ILGA. On 9 November 2020, Crown provided a submission to ILGA setting out the conditions on which Crown proposed that the Restricted Gaming Facility could commence limited operations. I am informed by Glen Ward of Minter Ellison that he provided a copy of that submission to the Inquiry on a confidential basis on 10 November 2020, a copy of which is at **CRL.743.001.0021**.

Signed: _____

Date: 17 November 2020