

# MinterEllison

11 September 2017

Mr Joshua Preston  
Chief Legal Officer – Australian Resorts  
Crown Resorts Limited

Dear Josh

## **Review of due diligence procedures for junket operators and premium players**

We confirm that we have received a draft report from FTI Consulting for the purpose of us advising on potential due diligence process improvements and the legal implications, in the light of extant VCGLR and ILGA inquiries.

### **FTI Consulting methodology and scope**

1. FTI undertook, on our instructions:
  - (a) a review of Crown's internal policies and procedures relating to screening of junket operators and premium players;
  - (b) a review of the current information sources used in the screening process and assessment of the adequacy of these sources;
  - (c) interviews of current Crown staff engaged in the onboarding of junket operators and screening/review activities;
  - (d) a review of the procedures for documenting due diligence work; and
  - (e) a detailed review of Crown's due diligence files for seven operators.
2. The review was of the current due diligence process, noting that the process has evolved over time, including updates since an internal review completed in August 2017.
3. The review was not for the purpose of assessing Crown's compliance with AML/CTF legislation.
4. The seven sample due diligence files were selected by FTI on the basis of the junket operator's jurisdiction, the turnover of the account and Crown's own risk assessment. The sample size may not be sufficient to be representative.

### **Summary of FTI's conclusion and observations**

5. In summary, FTI concluded and observed:
  - (a) Crown management demonstrated awareness of the potential legal and reputational risks posed by junket operators;
  - (b) Crown's internal control documents record the risk of criminal influence and exploitation as 'significant';



- (c) Crown has a detailed process for conducting due diligence on junket operators which appropriately emphasises the need to have current information confirming that operators do not have a criminal record;
- (d) all new junket operator relationships are approved by the Executive Management Team prior to any visits occurring;
- (e) the currency of KYC identification information is checked prior to each visit and before approving each junket program; and
- (f) due diligence research is reviewed and updated annually and some checks are updated each 6 months.

6. Specifically, FTI says:

- *Crown's emphasis is on assessing the ongoing probity of the Operators with whom it is engaged. While the focus was previously on ensuring the absence of a criminal history, Crown's internal documents demonstrate a growing awareness of the potential risks associated with Operators over time. The current internal control statements and other policies and procedures can be strengthened by clearly articulating the key risks to be considered throughout the Junket Onboarding and Due Diligence Process.*
- *Crown conducts due diligence on Operators but does not currently conduct due diligence on Agents, who are often responsible for logistical and financial management during visits. We recommend Crown adopt a similar risk-based approach to these individuals.*
- *While Crown obtains several identification documents and other information about Operators at the outset of the on-boarding process, the due diligence process would be strengthened by obtaining additional information from the Operator, such as declarations of involvement in litigation, that would assist in the due diligence process and inform the assessment of a broader range of potential risks.*
- *The current due diligence process is conducted by the Credit Team and seeks primarily to assess the creditworthiness of the Operator and to confirm that they do not have a criminal history. We recommend consideration be given to separating the assessment of potential legal, compliance and reputational risks from the assessment of creditworthiness to support the independence of the process. We further recommend the process involve input from AML and Compliance team members to ensure the due diligence research is driven by a more specialised view of the potential risks.*
- *During the onboarding process for new Operators, the Credit team use a scoring mechanism based on whether the Operator holds a valid licence from the DICJ in Macau. We note the Credit team have sought to evaluate the integrity and comprehensiveness of the DICJ process of registration and have highlighted the large amount of information collected from applicants in the process. Information from a contact of FTI with knowledge of the DICJ processes noted that while the DICJ collects this information, little is independently verified by the DICJ. As such, Crown should consider its current reliance on the DICJ process and seek to verify the information obtained directly from the Operator as part of its own due diligence.*
- *Throughout the due diligence process, Crown appropriately seeks to utilise multiple sources of information to aid in the assessment of creditworthiness and identify potentially adverse issues. The sources consulted consist of third-party information providers, public records available via online platforms and independent internet searches. The cross referencing of information from multiple sources is a key contributor to the robustness of the current processes.*
- *We note in several instances where executive management decisions were not recorded in the due diligence files. We recommend the outcome of executive management decisions be recorded in the files, particularly in cases where a decision is taken to continue business with an Operator who has been the subject*

*of potentially adverse reports, even if those reports could not be confirmed during the due diligence process.*

- *In reviewing the third-party information sources in use, we note several limitations in relation to searching in languages other than English. We recommend that Crown revise its procedures relating to Operators from non-English speaking backgrounds and use databases that are better suited to conducting searches of Chinese and other Asian language media reports.*
- *We recommend building the capability of the staff conducting the due diligence research via training in open source research skills and obtaining specialist advice in completing the draft research manual to ensure it addresses the key jurisdictions of relevance to Crown.*
- *In undertaking due diligence research, Crown utilises Wealth-X and Global Data, two third-party providers to obtain reports on Operators. FTI Consulting has reviewed these providers and note that these are mainly aggregators of information who undertake limited verification and further research. We noted these platforms may not provide reliable reports in some instances.*
- *Acuris is utilised at the commencement of a new junket relationship. Due to the high cost of the Acuris "C6" reports, the Credit Team does not obtain new Acuris reports on an annual basis for the Operators. The Acuris platform provides the most robust research approach, although we note they offer several levels of reports. Our review of files identified that Crown has requested differing levels of research from Acuris in relation to Operators. The 'Express' report is unlikely to be sufficient in supporting a comprehensive search of potentially adverse media.*

7. FTI considers that the current process could be strengthened by considering a broader range of potential risks and by ensuring that those engaged in conducting the due diligence research are appropriately supported with tools, resources and training to better identify and mitigate potential risks to Crown.

#### **FTI sample file review**

8. FTI reviewed seven due diligence files to check the quality of the research undertaken and the recording of it. FTI's summary of the review and FTI's findings is contained in Annexure A.

#### **Crown's junket and premium players Internal Control Statement**

9. FTI reviewed the current ICS, noting the ICS's objective to identify and evaluate the risks inherent in the conduct of junket and player programs. FTI noted that, according to the ICS Risk Assessment Matrix, the possible occurrence of criminal influence and exploitation may have moderate reputational, operational and financial risks to Crown and the overall risk presented by junket operators is classified as 'significant'.
10. Whilst FTI noted that section 2.5 of the ICS requires Crown to ensure that it has 'robust processes in place to consider the ongoing probity of its registered Operators, Junket Players and Premium Players', it does not specify the processes or define 'probity'.
11. One component of probity is the absence of a criminal record. FTI notes that this component is 'operationalised during the onboarding process' by obtaining evidence of registration with the Macau DICJ or a criminal record check. Crown staff also emphasised in interviews the importance of a junket operator being able to gain a visa to enter Australia, such that junket operators are required to physically visit an Australian Crown property before the maiden junket visit and at least every 2 years thereafter.
12. The most recent review of junket processes in March 2019 specifically noted that Crown's brand and reputation may be compromised if junket program activity is linked to unethical or criminal conduct. FTI also notes that other references to ensuring integrity and transparency of junket program activity appears to reflect a growing understanding of the potential risks associated with junket operators, over and above criminal activity.
13. FTI observes:

*'While the ICS provides for a risk-based framework approach to Operators, it lacks a specific definition of 'probity' as it relates to Operators and Premium Players. We note Crown has previously relied on the absence of a criminal record and the ability to gain entry to Australia as indicators of probity. More recent documents have noted also that Crown has also expanded their focus on potential risks of unethical conduct in relation to the junket program.*

*Crown's current process seeks to confirm the absence of a criminal record and, to a lesser extent, attempts to identify additional reputational risks. However, there is a lack of explicit definition of these risks in related policies and procedures.*

*It also remains unclear whether the consideration of probity includes, or is in addition to, the assessment of the creditworthiness of the Operator.'*

As a result FTI recommends:

*'... the ICS and related policies and procedures relating to junket onboarding and due diligence be updated to include a specific statement of the legal and reputational risks to be considered during the process.*

*At a minimum, we recommend this definition include consideration of criminal history; potential money laundering and other forms of financial crime (e.g. fraud and corruption); financial and trade sanctions; and unethical business practices (e.g. forced labour etc.).*

*We recommend the documentation related to the due diligence process include specific reference to findings related to these risks and that this is reflected in the 'Summary Sheet' considered by senior management in approving Operators.'*

### **Probity guidance**

14. FTI notes that there is no 'industry standard' approach to due diligence inquiries in relation to the probity of junket operators. FTI therefore reviewed publicly available information regarding the approach of the regulators in Macau and Singapore. FTI's observations in relation to the approaches in these jurisdictions are set out in Annexure B.

### **Star Entertainment's due diligence process**

15. FTI also considered Star's approach to probity due diligence. In the course of the 2016 review of Star's casino licence, it conducted a 'walk through' with the reviewer, J Horton QC, who summarised the process in his final report.
16. A summary of Star's due diligence process is contained in Annexure C.
17. FTI notes that Star obtains a large amount of information from the junket operator at the outset of the process, including:
  - (a) identifying information (including details of directors, shareholders and agents;
  - (b) disclosure of involvement in mitigation or regulatory investigations;
  - (c) disclosure of financial position; and
  - (d) consent for Star to undertake further investigations.
18. FTI also notes that Star conducts the risk assessment process independently of the assessment of creditworthiness. Star applies the same level of due diligence to agents as to operators. All junket operators and all their agents undergo the due diligence procedure prior to any commercial agreements being made.
19. Also, whilst Star undertakes basic research in-house, it also utilises external consultants, where required, to undertake more complex due diligence investigations. FTI notes that this is in line with a large Macau-based casino with which FTI is familiar. It undertakes very limited in-house research to determine basic identifying information for new operators, but then engages an external investigation's company to conduct a due diligence investigation prior to any commercial discussions being undertaken. This approach is adopted across all operator applications and is

reviewed internally every 12 months, with a new external investigator report obtained every 2 years.

#### **Crown's onboarding process**

20. FTI's summary of Crown's onboarding process and FTI's observations and recommendations in relation to it are set out in Annexure D.

#### **AML/CTF Risk Assessment Process**

21. FTI compared Crown's due diligence process to its AML/CTF Risk Assessment Process. FTI's observations and recommendation in this regard are contained in Annexure E.

#### **Executive Management Approval**

22. FTI noted that executive management approval is required for the onboarding of new junket operators and reviews of suitability of existing operators. FTI's observations and recommendations in this regard are contained in Annexure F.

#### **Due Diligence checks and research**

23. FTI reviewed the checks and research currently undertaken in the course of junket operator due diligence. FTI's observations and recommendations in this regard are set out in Annexure G.

#### **FTI Recommendations**

24. A summary of FTI's recommendations is contained in Annexure H.

#### **Next steps and implications**

25. We suggest that we confer in relation to FTI's observations and recommendations and their implications for the VCGLR and ILGA inquiries.

Yours faithfully  
**MinterEllison**

**Richard Murphy**  
Partner

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enclosure

# ANNEXURE A – FTI File Review

FTI Consulting conducted a limited file review of the due diligence files for seven (7) Operators who have or have had a junket relationship with Crown.

The files were selected on the basis that FTI consulting would obtain an indicative sample of the research undertaken by the Credit Team. The sample of files were selected on the basis of the Operator's jurisdiction, status, Category Number and the AML Risk determination.

Specifically, we reviewed these files with the following considerations in mind:

- Assessing adherence to Operator onboarding and review procedures in terms of documentation collection and research undertaken, as outlined by the New Junket Operator Checklist;
- Understanding how potential adverse issues are identified by Crown during the course of research from a compliance and reputational standpoint;
- Understanding how the research informs risk ratings, recommendations and ultimately how key reputational issues or red-flag issues are highlighted for special attention; and
- Identifying gaps in research and consider potential opportunities for how Crown can resolve these gaps.

Operator Name	Jurisdiction	Status	Reason	Category Number	AML Risk
Cheok Wa CHAU (Alvin CHAU)	Macau	Active	Review Completed 2019	1	High PEP / Significant
[REDACTED]	Macau	Active	Review Completed 2019	9	Moderate
		Declined	Lack of Documents	11	None
		Active	Review Completed 2019	1	Moderate
		Declined	Ceased Relationship	11	None
		Active	Review Required	12	None
Sixin QIN	Hong Kong	Active	Review Completed 2019	8	Moderate

## Findings

### Documentation

We found that the majority of the due diligence files complied with Crown's internal procedures.

Required documentation such as the Joint Non-Exclusive Gaming Promotion Agreement, Police checks, copies of junket licences where applicable, relevant ID documentation, utility bills, business cards and personal cheques were generally collected and saved to the Operators' files. However, we noted some exceptions which could be remedied through a thorough documentation review process conducted prior to a new junket program or on an annual basis:

- The Summary Sheets for three (3) of the files we reviewed did not identify the latest documentation review date since 2017;
- One (1) Operator's files contained copies of his DICJ licences that had expired;

- One (1) Operator obtained an exemption for an invalid utility bill;
- One (1) Operator was missing a police check;
- One (1) Operator had a DICJ licence which was not renewed in 2015 and Crown accepted a police check instead; and
- One (1) Operator's file contained an incomplete Joint Non-Exclusive Gaming Promotion Agreement.

### **Due Diligence Research**

Our reviews of the research conducted in-house and of the reporting completed by Crown's third-party providers offered the following insights:

- There was a period of initial due diligence research and review of Operators conducted during 2016 and 2017, which corresponded with an update in internal due diligence procedures.
- Research is purportedly reviewed annually, but we found two (2) instances where the Operators files had not been updated in over a year or the Summary Sheet did not convey what further research had been done, if any, since this initial check around 2016/17.
- Research is conducted into the Operators in relation to their country of residence but not in the jurisdictions where they are known to have a corporate or residential history.
- There is limited or no follow up research conducted into the adverse media or reputational issues identified by third-party providers or in-house research.
- There have been limited attempts made to clarify or verify sometimes contradicting information regarding corporate affiliations or information identified by different third-party providers.
- There are no risk ratings or recommendations factoring in potential reputational exposures identified from adverse litigation or media reporting.
- In two (2) cases relating to high-profile Operators, research and third-party reporting did not adequately identify pertinent reputational issues but we note these issues could have been remedied by enhanced in-house research.
- Adverse media reporting regarding pertinent reputational issues are not appropriately highlighted in the Summary Sheet for special attention or consideration.

# Annexure B – Approach to probity in Macau and Singapore

## *Gaming Inspection & Coordination Bureau (DICJ) in Macau*

To gain registration as an Operator in Macau, the applicant files both an individual and corporate application with the Gaming Inspection & Coordination Bureau (DICJ). The applicant is required to self-report their own and their spouses' residential history; and disclose involvement in criminal and civil litigation and whether they have previously had government licences cancelled or suspended in any jurisdiction.

The DICJ also requires the submission of detailed corporate information including evidence of incorporation, details of current and former directors, and a list of shareholders. The company is also required to make declarations and provide information about its involvement in legal proceedings and regulatory investigations, and its financial situation (including any previous or current bankruptcy issues). The company must provide a signed declaration testifying to the accuracy and completeness of the information supplied.

On face value, this process appears to collect detailed information on the Operator and the owners of the company. However, little information is available about the level of verification and investigation undertaken by the DICJ as part of the process. In FTI Consulting's experience, it is possible for Operators with limited corporate profiles to obtain registration even if they have not had any prior gaming operations.

FTI Consulting spoke with a former senior Hong Kong police officer and former Head of Security at Wynne Resorts in Macau. This contact has extensive knowledge of the DICJ and broader Macau gaming environment. The source said that while the DICJ collects a lot of information, virtually no independent verification is undertaken as part of the licencing process. He noted the DICJ do not have an internal investigations capability to undertake independent assessment of applications. Overall, he described the process as 'passive', where information is collected via self-disclosure and only referred to if specific information comes to light suggesting that the declarations were not truthful.

## *Casino Regulatory Authority – Singapore*

The CRA applies stringent criteria on the registration of Operators. As a result, only two Operators are licenced to operate in Singapore. As part of the registration process, the CRA obtains detailed corporate information and declarations from the operator about the business history, financial information, ownership, any involvement in litigation or regulatory matters and any operations in other jurisdiction.

This information provides the basis for a comprehensive due diligence investigation conducted by an independent investigation company. Investigators have direct contact with the company to review its financial and other information, conduct site visits to the company's operations in other regions and interview the owners and their agents. The process can take up to 12 months for registration to be obtained. The granting of approval only occurs after the completion of the investigation with no adverse information being discovered.<sup>1</sup>

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<sup>1</sup> <https://sg.news.yahoo.com/first-batch-of-junket-licenses-awarded-to-two-m'sian-Operators.html>



In our opinion, the CRA registration represents the most conservative approach to Operators in the Asia-Pacific region and reflects the government's desire to discourage the practice. Several reports note this has reduced the ability of the Singapore gaming companies to capitalise on potential revenue from junket operations and to be able to recover gaming debts.<sup>2</sup> The Singaporean process does provide a contrast to the DICJ in which the regulator takes active steps to investigate and verify the information provided to them.

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<sup>2</sup> <https://www.bloomberg.com/news/articles/2015-04-09/singapore-s-casinos-made-a-mistake-cutting-out-the-gangsters>

# Annexure C – Star's probity due diligence process

## *Star Entertainment's Junket Procedure*

- Our research identified information provided by Star Entertainment ("Star") as part of the 2016 review of its casino licence.<sup>3</sup> Star provided the reviewer in this case with a 'walk-through' of its Junket onboarding process and the review provides some insight into the steps taken to conduct due diligence into Operators and Players prior to entering a relationship with them.
- It is noted Star has no contractual involvement in the relationship between Operators and players, only signing an agreement with the Operator following completion of the due diligence process and following provisional authorisation being granted by the Gaming Manager.
- The Star process for entering a new relationship and undertaking due diligence, as described in the report, is summarised below. At the outset, Star obtains several documents, disclosures and a 'consent to investigate' from the Operator. The value of this information is to provide a starting point for the due diligence investigation and a body of information to be verified against the available public records. In particular, information obtained from public record searches that had not been disclosed would serve as a clear red-flag for following up and may indicate dishonesty on the part of the Operator.

## KYC Information collected at application:

1. Personal information including:
  - Police clearance certificate
  - Photo Identification
  - Certified copies of passport
2. Employment history
3. Business Associations
4. Junket operations with other casinos
5. Disclosure of involvement in litigation
6. Financial details
7. Character references
8. Notice of consent for The Star to conduct investigations into the Junket Operator
9. A release and indemnity

## AML/ CTF Checks and Internet Searches

The Star conducts AML/CTF Checks and undertakes additional internet searches in relation to the Operator to identify PEPs and other high-risk companies and individuals.

1. World-Check
2. Independent Internet Searches
3. Referral to external consultant

<sup>3</sup> <https://www.liquorandgaming.nsw.gov.au/documents/reports/casino/review-the-star-casino-licence-ilga-horton-qc-28-november-2016.pdf>

Information is reviewed by 'The Star's investigators' who may recommend further due diligence be undertaken, including by 'external consultants.'

#### Review and Provisional Approval

The Star holds a regular junket and player monitoring meeting to discuss information received in relation to proposed promotors, representatives or participants.

The Gaming Manager reviews all information collected and, if no information indicates the JO or their representatives are unsuitable, provides provisional approval. The operator then enters into discussions with the Star's international team to organise a junket and reach agreement with The Star in respect of the rebate, complimentary inclusions and the length of stay.

# Annexure D – Crown's onboarding process for junket operators and premium players

## Overview of the Onboarding Process

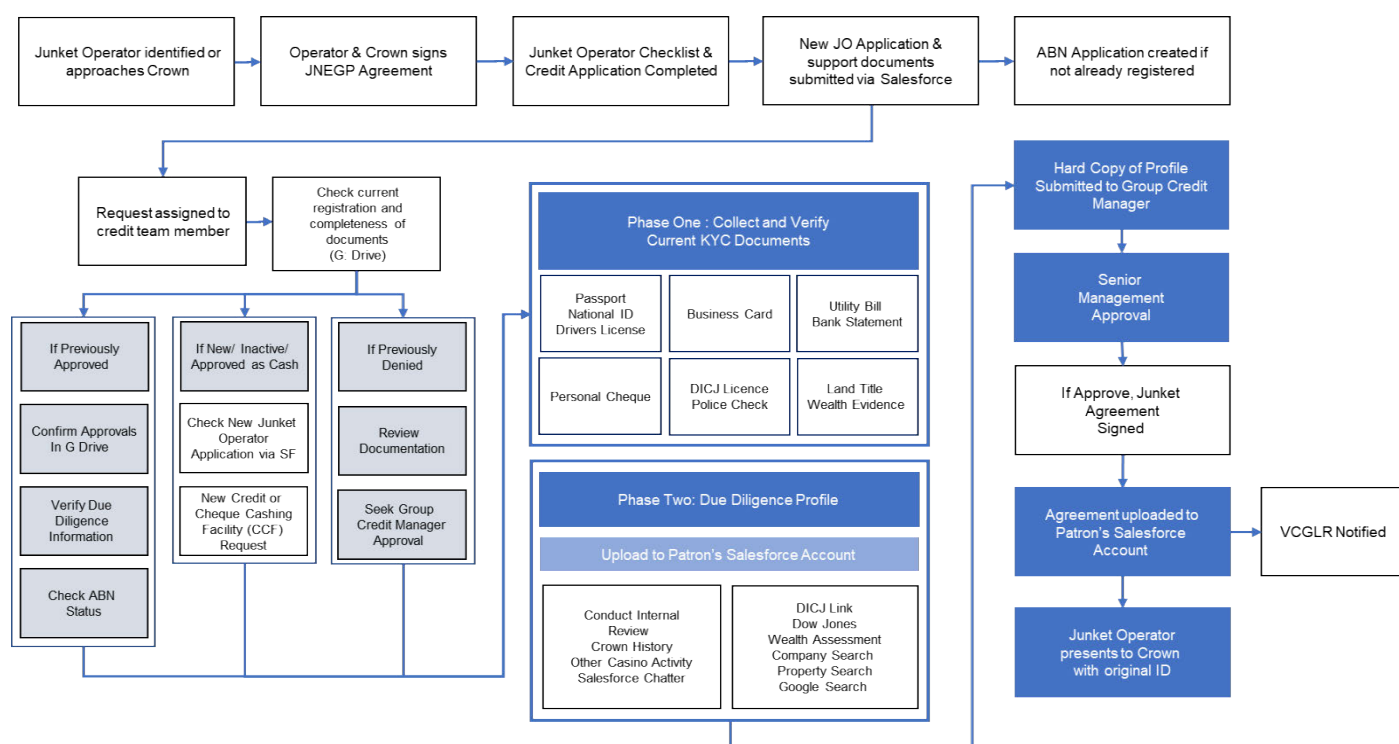
The process for on-boarding Operators and managing ongoing review and administration is controlled by the Credit Control Team. The Credit Team is currently comprised of seven (7) individuals comprising three (3) credit analysts, two (2) credit officers, a credit supervisor and a debt collector. The due diligence checks are conducted by the credit analysts with oversight by the credit supervisor.

The Credit Team is responsible for:

1. Credit facilities
2. Debt recovery
3. Due Diligence on Domestic and International Operators and Premium Players.

The Credit Team holds responsibility for all aspects of the administration and documentation of the process and works with the Sales/Marketing team in the early stages of gathering documentation from new Operators.

The below figure summarises the key stages in processing new Operator applications and the involvement of additional teams in the process at various stages. At the end of the process below, a new Operator would be approved to arrange their first visit to Crown. A larger version of this figure is included at the end of this Annexure.



## Interaction between Marketing Executives and Applicant

According to the current Junket Onboarding process, Crown's Marketing Executives have initial discussions with potential Operators and are the primary source of new Junket relationships. The Marketing Executive remains responsible for all communications between Crown and the Operator.

We understand from our interviews with Crown representatives that the Marketing Executives are based in Crown's Hong Kong office. The team has representatives who focus their marketing activities in North East Asia (China, Japan, Taiwan) and South East Asia (Malaysia, Thailand, Singapore).

### *Joint Non-Exclusive Gaming Agreement*

Once a Marketing Executive identifies that an individual may be a possible junket provider for Crown, the Marketing Executive and the Operator sign a **Joint Non-Exclusive Gaming Agreement**. We understand that the Joint Non-Exclusive Gaming Agreement is subject to Agreement Signing Rules, whereby it must be witnessed by specific staff members appointed by Crown (noted in the procedures as Indran and Indra).

### *New Junket Operator Checklist and Credit Application*

Once the Joint Non-Exclusive Gaming Agreement has been signed, the Marketing Executive completes a **Credit Application or Authorisation to Assess Credit Worthiness**. In order to ensure that the Executive collects the requisite KYC information from the applicant, the Executive also completes the **New Junket Operator Checklist**.

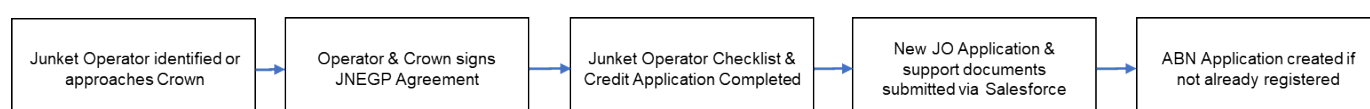
The Marketing Executive initiates the on-boarding process in accordance with Crown's obligations under the AML/ CTF Act.<sup>4</sup> According to Sec. 1.8.6 of the Joint AML/CTF Program, each Crown Entity has an obligation to know the persons to whom it provides Designated Services.

According to the New Junket Operator Checklist and Current Credit of CCF Request, Crown collects the following documents from the Operator:

• Document	• Origin	• Purpose of collection
• Copy of Passport	• Operator	• KYC identification
• Copy of National ID or Driver's Licence	• Operator	• KYC identification
• Business Card	• Operator	• KYC identification
• Copy of Utility Bill/Bank Statement	• Operator	• Confirmation of current address
• Copy of Personal Cheque	• Operator	• Credit assessment
• Copy of DICJ License or equivalent (e.g. Police Check/ AML CV Check)	• Operator	• Mandatory requirement
• Completed ABN and TFN Application forms	• Crown/Operator	• Tax Compliance
• Completed Non-Exclusive Gaming Agreement	• Crown/Operator	• Credit agreement
• Credit/CCF Request (version 7)	• Crown	• Credit assessment
• Any land title/ wealth evidence where applicable	• Operator	• Credit assessment

### *Process Mapping – Marketing Executive Initial Onboarding Process*

The following figure outlines the initial process for application and collecting documentation regarding a new junket application.



<sup>4</sup> We note Crown is currently reviewing its Joint Anti-Money Laundering and Counter Terrorism Financing Program ("The Joint AML/CTF Program"), prior to implementation.

**Observations:**

Crown appears to collect and verify KYC information in accordance with its AML/CTF Program. However, we note other gaming companies, including Star, collect a broader range of information on Operators at the commencement of the relationship.

**Recommendations:**

FTI Consulting recommends that Crown collect the following documents from the Operator in addition to the minimum documentation as stipulated under the AML/CTF Act:

1. Declarations from the Operator relating to his or her employment history
2. Declarations from the Operator relating to his or her involvement in litigation or regulatory inquiries
3. Company Financial Statements for the Operator's Primary Business
4. Disclosure relating to the corporate vehicles in which the applicant has a substantial or beneficial interest

## SYCO Operator Maintenance and Salesforce Chatter

Following the initial information collection described above, the Application and any other information known internally about the applicant is uploaded to the Operator's profile in the Salesforce system and an additional entry is created in Crown's internal system, SYCO. We understand that a Junket Operator must be listed in SYCO Operator Maintenance to be able to open a Junket Program.

The Salesforce platform facilitates the informal communication between the Credit Team and the Marketing Executive via a "Chatter" side-panel. FTI understands that the Credit Team utilises the Chatter side-panel and email communication as a primary means of ongoing contact with the Sales team<sup>5</sup>. To a lesser extent, the teams also interact over the phone, as they prefer to obtain the information in writing.

**Observations:** The Marketing Executives' knowledge about Operators is an invaluable resource in providing further context to the due diligence team. The limited use of the Chatter function currently may inhibit comprehensive research and contextualised findings.

**Recommendations:** FTI Consulting recommends Crown capture the knowledge of the Sales and Marketing team during the due diligence process and formally record any information relevant to assessing the Operator.

We further recommend the Marketing Team provide specific commentary on their knowledge of the applicant's business interests, political associations and other personal or corporate associations. This could be achieved via formally recording the Salesforce chatter and/or creating mandatory fields to capture this information in the Salesforce system.

<sup>5</sup> 'New Junket Operator' Procedures.V2, 15 May 2019

## Interaction between the Credit Team and other relevant departments at Crown

The Due Diligence Process relating to Operators and Players is handled by the Credit Team. This process occurs prior to any visit to Crown and it is at that time Operators, their Agents and Players come under Crown's AML Framework.

### *AML Team*

The AML team have no involvement in the onboarding and due diligence process related to Operators.

While the information collected by the Credit Team to identify Operators satisfies basic the KYC requirements under the AML/Framework, Crown's approach is that it only once the Operator is approved, and the Agents and Players visiting Crown, that the standard requirements for Customer Due Diligence (CDD) apply to those individuals as outlined in the AML Framework.

We were advised during discussions with the AML team that Crown applies measures of Enhanced Customer Due Diligence (ECDD) to all Operators, Agents and Players who attend Crown including daily automated watchlist monitoring, transaction monitoring and additional measures if required such as surveillance.

We further understand that members of the AML team and senior management have actively considered whether the Operator Onboarding and Due Diligence process should be managed directly by the AML team.

### *Compliance Team*

Crown's compliance team oversee the key regulatory requirements relating to Junkets. This includes ensuring all documentation meets the requirements of the regulator regarding the reporting of Operators and the signing of agreements.

We noted the regular audits carried out by the Compliance team focus on ensuring all documents required by the regulator are accurate and clear and all required information has been reported to the regulator. We note the Compliance team does not oversee the conduct or outcomes of the due diligence process conducted by the Credit Team.

### *Credit Team*

Once the Application has been finalised on Salesforce and the Operator has applied for an ABN, the requisite KYC information is provided to the Credit Team located in Melbourne / Perth.

FTI Consulting understands that the Credit Team has assumed the primary responsibility for the onboarding and ongoing due diligence process for Operators and Premium Players.

**Observations:** We note the due diligence process undertaken by the Credit Control Team appears to be compliant with the ICS. However, the as noted during our discussions with Crown staff, the Credit Team's primary focus remains assessing the Operator's capacity and willingness to meet its financial commitments to Crown.

The broadening of the process to account for potential legal and reputational risks has occurred over time and has largely been developed by the Credit Team alongside the assessment of credit risk. As a result, there is limited input to the process from the AML/CTF team throughout the due diligence process.

We note also that the staff currently conducting the due diligence research have not received formal training in opensource and public record research techniques or the assessment of potential red-flags for reputational and legal issues in addition to assessing credit worthiness.

### **Recommendations:**

We recommend the Crown staff conducting the due diligence process receive training in open-source and public records research techniques and in identifying red-flags for possible legal and reputational concerns during the research.

We also recommend the team develop a comprehensive research manual that contains guidance on search strategies, information sources and how to best utilise the available resources.

We recommend Crown evaluate the appropriateness of the process falling exclusively within the Credit Control Team's remit, given the nature of the risks involved. Involvement of members of the AML and compliance teams in the due diligence process would broaden the risk assessment and improve decisions about the extent of the due diligence undertaken.

#### Ongoing KYC Process for New, Returning and Previously Declined Operators

We note that the ongoing review of Operators (regardless of whether they are existing or new Operators) contributes to the robustness of the process by ensuring that the information held in relation to each Operator is up-to-date and correct. In the first instance, the Credit team reviews the **Credit – 2019 Junket List** (in Excel spreadsheet format) ("List") to identify whether the Operator has previously received approval to operate at Crown. We understand that the List is also referred to interchangeably by relevant Crown Staff and in the documentation reviewed by FTI Consulting as the Crown Junket Analysis spreadsheet.

##### *Returning Operators*

The due diligence information held on the Operator is reviewed to ensure it incorporates and reflects the latest information and due diligence assessments. If all information is current and filed appropriately, the Operator is considered 'Active'.

##### *New Operators*

In the event the Operator has no preceding relationship, has become 'Inactive', or has previously been an active cash operator that now wishes to move to a credit basis, the application is considered as a new application and must undergo all stages of re-approval, including updating the due diligence research.

##### *Declined Operators*

In the event the Operator has previously been declined, the application is reviewed by the Credit team and the Group Credit Manager. We were informed that a new application is only reinitiated if there are sufficient grounds, such as the JO having recently gained DICJ registration.<sup>6</sup>

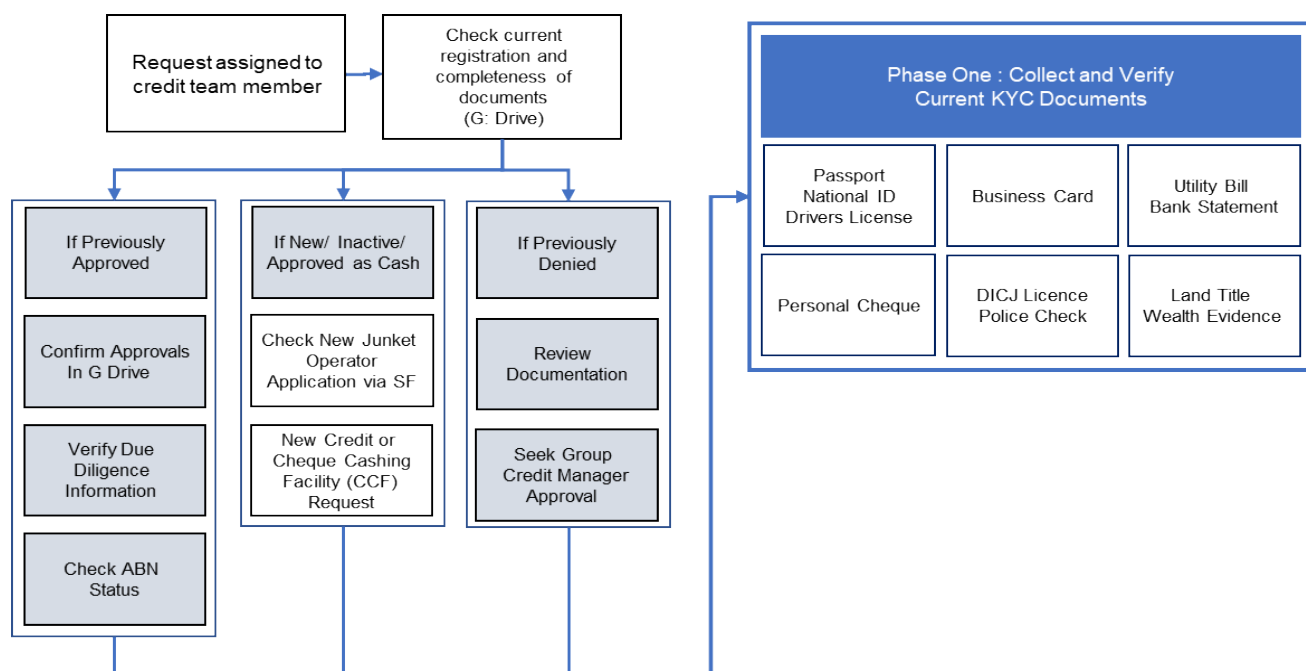
This review process represents an important component of Crown's commitment to managing the risk presented by Operators and Players on an ongoing basis.

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<sup>6</sup> Interview with Mary Gioras, 16 August 2019



## Process Mapping



We understand the ongoing KYC process has evolved over time. We were informed during interviews with Crown staff that the review of ABN status information was included as this was previously identified as a potential gap.<sup>7</sup>

### *Credit – 2019 Junket List or the Crown Junket Analysis Spreadsheet*

According to the List, Crown’s Credit Team capture the status of each Operator according to whether the Operator is active, awaiting review, inactive, denied credit, or currently being reviewed. We understand that the List is reviewed both periodically as a whole and each time a specific Operator makes an application to pursue a junket program at Crown.

In the event the Operator has received prior approval and is requesting a new Junket Program, the Credit Team conducts a review of all information contained in the List to ensure that it is correct and up to date.

During the review, the Credit Team examines the identification documentation provided by the operator. The team ensures that the documents are “valid” on the basis of the review criterion, displayed below. We note that Police Checks are valid for 12 months from the date that they were issued except for Indonesian Police Checks which have an expiry date. All DICJ Licenses expire on the 31<sup>st</sup> of December.

Category	Document Type	Review criterion
1	Passport	Per expiry date
2	Utility Bill	Expire 24 months from issue date
3	National ID Card	No expiry date, expire 5 years from issue
	Driver's Licence	Per expiry date
4	DICJ Licence	Expire 31st Dec
	Police Check	Expire 12 months from issue date (Indonesia expiry date)

<sup>7</sup> ibid

5	Personal Cheque	Issue date is date received, Expire 12 months from received date
6	Business Card	Issue date is date received, Expire 12 months from received date
7	Tax File Number (TFN)	12-month review
8	Australian Business Number (ABN)	12-month review
9	Credit Application	No Expiry for V7
10	Non-Exclusive Agreement	No Expiry
11	Junket Profile	12-month review
12	Board Junket Approval	No Expiry

As part of this engagement, FTI Consulting has conducted a review of a sample of due diligence files to come to a closer understanding of the due diligence process. We have made commentary on these files within the relevant sections of the report in blue accent boxes. These sections follow an explanation of Crown's process in order to highlight how the process has been applied.

#### File Review

██████████ We note that the Utility Bill for this operator had expired and an exemption was provided by executive management. Consequently, he was able to commence a junket program at Crown.

**Cheok Wa Chau:** We observed that there were missing or incomplete documents for this Operator's file. We note that this Operator was denied approval to operate a junket at Crown because the Operator did not supply sufficient documentation. Consequently, we believe that Crown made a reasonable decision, given the information provided by this Operator.

The Non-Exclusive Agreement was not signed by a Crown representative.

The two (2) copies of the DICJ licence for this Operator saved on file had expired on 31 December 2016 and 31 December 2017, respectively.

We did not identify a copy of Police Check obtained in the absence of a current DCIJ Licence.

██████████████████████████████ We note that a Police Check was not obtained or saved on file for this Operator.

## Allocation of Operator Category Number

Once a new application is reviewed by the Credit Team, they are allocated a Category Number based on the reliability information provided by the applicant and the weight attached to the KYC information as outlined below. In the case of an existing Operator, the previously allocated score is reviewed as part of the procedures outlined in Section 6.5.1

Code	Description
● 1	DICJ Individual License Holder / Director of Corporate License Holder
● 2	DICJ Collaborator Licence Holder (per COD list only)
● 3	Shareholder of Company who holds DICJ license
● 4	Director / Shareholder of Parent Company who holds DICJ license
● 5	Expired DICJ Principal License Holder
● 6	Director / Shareholder of Company who holds Expired DICJ license
● 7	Certificate of Criminal Record / Fit2Work
● 8	Junket in another jurisdiction (non DICJ)
● 9	Other (e.g. unverified sub agents, guarantors)
○ 10	No link to DICJ or other jurisdiction
○ 11	Ceased relationship with Crown
○ 12	In progress

From our discussions with Crown representatives, we understand this scoring system was developed as part of the review of Operators conducted in 2017. While we recognise the score is only finalised following approval, we observe it acts as a form of risk score during the due diligence process.

We note that applications that have a Category Number of 1-4 are assigned a green marker whereas applicants who have Category Numbers of 5-8 are assigned an amber marker. Unverified sub-agents and guarantors are designated in red, inferring that they are of higher risk. During the assessment process, the applicant is given a Category Number of "12" which indicates that the application is 'In Progress'. As more information is obtained throughout the process, the score is varied to reflect the increased information and understanding gained about the operator.

The coding system reflects an assumption that current DICJ licence holders are more reliable than individuals who have supplied a current police check, which are in turn deemed to be more reliable than applicants who are shareholders of a company who holds a DICJ license.

**Observation:** The process by which the Credit Team allocates a Category Number to Operators is not consistent with the scoring regime utilised under the AML program. The credit scoring approach focuses predominantly on whether the JO is registered with DICJ or has provided some means to check criminal history. It does not appear to consider other potential reputational risks that may be associated with the operator or agents.

**Recommendation:** Crown should consider the whether the risk scoring used by the Credit Team is fit for purpose in informing the Credit Team's approach to undertaking due diligence. A framework, that reflects potential risks from criminal, AML or unethical business practices, would better inform a subsequent risk-based due diligence process.

## Reliance on DICJ Licensing Process

FTI Consulting understands that the Crown Credit Team have conducted independent research to understand the DICJ process for licensing Operators. The Credit Team Management has undertaken

research using the available documents from the Macau Department of Justice (“DOJ”), to understand what information is collected by the DICJ.

We observed that Crown placed a high level of trust in the DICJ Licensing Process. The current scoring rubric used by the team is reflective of this research. Emphasis is placed on DICJ registration, or a valid police clearance, as a mandatory requirement before progressing in the process. Whilst we understand that DICJ conducts some verification and research on applicants, we note that the central criteria for obtaining a license is that the individual does not have a criminal record.

**Sixin Qin:** The Summary Sheet indicated that Sixin Qin was based in Hong Kong on the basis of his Utility Bill, Passport and Identity Card Documentation. Crown obtained a Fit2Work check in June 2019 which demonstrated that Sixin Qin did not have any “disclosable court outcomes” in Hong Kong.

There was further information contained in the Summary Sheet and Due Diligence File indicating that Sixin Qin may have a criminal record in Mainland China or Macau. The Global Data Report indicated that Qin “appears to live in Macau”. Both Wealth X and Global Data Reports indicated that Qin was a partner of the David Star Junket, based in Macau. Sixin Qin was also detained in Mainland China in 2012 on suspicion of money laundering.

There is no evidence contained in the due diligence file that would suggest that the Credit Team undertook to obtain a criminal record extract in Mainland China or Macau for Sixin Qin.

**Observation:** The Operator Category Number acts as an implicit risk rating reflecting in part the higher level of confidence around JOs who hold DICJ registration. We understand that the DICJ undertakes limited, if any independent verification of the applicants.

Crown does not obtain a criminal record check in all jurisdictions where the operator may have had a corporate and personal footprint. This may leave Crown exposed in situations where an Operator has obtained a criminal record in one jurisdiction, and subsequently relocated to another jurisdiction.

**Recommendation:** If there are indications that an Operator has a corporate and residential presence in multiple jurisdictions, we recommend that Crown requests a copy of the criminal record in those jurisdictions from the Operator.

In addition, Crown should obtain disclosures from the applicant relating to his or her involvement in litigation and regulatory investigations.

### Scope of Crown’s Junket Operator Due Diligence

We note Crown’s due diligence process applies to Operators and Premium Players, and both groups undergo the same due diligence procedures and assessment of credit worthiness. Our discussions with Crown staff highlighted that Crown staff in numerous departments are aware that the process does not cover the Agents who represent Operators at Crown facilities.

From our understanding, Agents act as the representative for the Operator, often being present to manage the group during the visit to Crown. We were informed that Agents often have financial delegations on behalf of the Operator, including arranging cash outs and transfers as required. Given their position, Agents present a potential risk of legal and reputational issues for Crown.

While we note the additional ECDD applied under the AML Framework to Agents who visit Crown. However, the important role of Agents in junket operations warrants further due diligence being conducted. We note that while Crown keeps records of Agents attending the casino, no electronic records

are kept regarding which Agents attended various visits or when they were added or removed by the Operators.

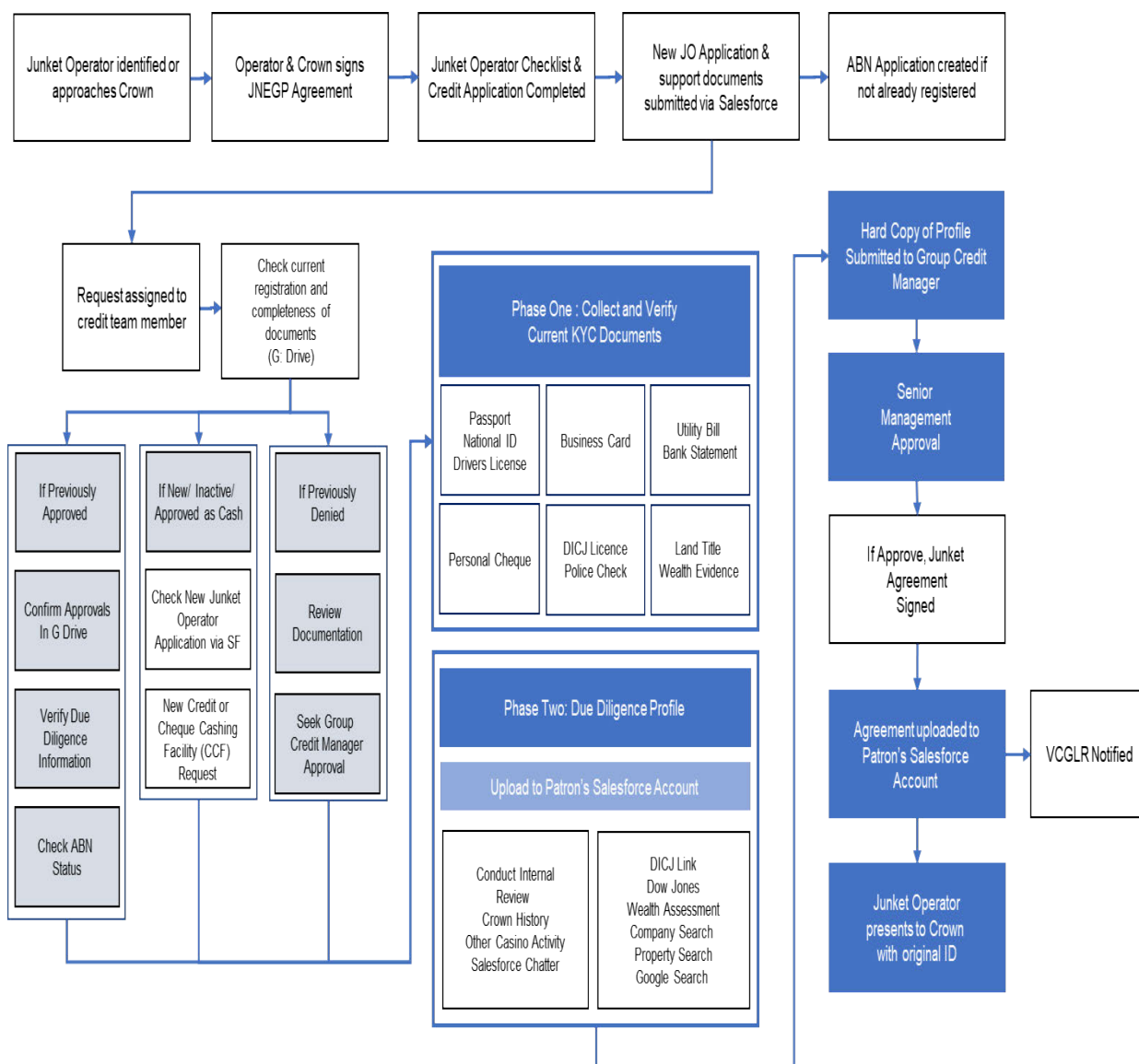
**Observation:** Under the current framework, Agents are not considered as part of the Operator due diligence process and limited recording of when Agents were appointed or removed by Operators are held by Crown.

**Recommendation:** Crown obtain details of authorised Agents as part of the initial information provided for new Operators and that these Agents be subject to risk-based due diligence procedures along with the current due diligence process on Operators and Premium Players.

We recommend that only vetted Agents be permitted to act on behalf of Operators at Crown.

We recommend also that Crown consider recording information about when Agents are added and removed by Operators and formally documenting their visits to Crown.

## Overview of the end-to-end mapping of the Junket Onboarding Process



# Annexure E – AML/CTF Risk Assessment Process

Crown's AML Team consider that Operators, Agents and Players present a higher risk under the AML / CTF Rules and relevant AML / CTF program. We understand that Crown undertakes Enhanced Customer Due Diligence as specified by the AML Framework on these individuals at the time of the visit to Crown, but the AML team does not appear to have direct input into the Operator due diligence process conducted by the Credit Team.

The table below compares the Credit Team Category Number and the AML Risk Rating for the due diligence files reviewed by FTI Consulting.

Junket	Full Name	2019 Category Number (Credit – 2019 Junket List)	AML Rating (Crown Melbourne)	AML Rating (Crown Perth)
Sun City	Cheok Wa CHAU (Alvin CHAU)	1 - DICJ Individual License Holder / Director of Corporate License Holder	HIGH PEP	HIGH RISK
Imperial Pacific International		9 – Other (e.g. unverified sub agents, guarantors)	MODERATE	N/A
Not Applicable		11 – Ceased relationship with Crown	N/A	N/A
Not Applicable		1 - DICJ Individual License Holder / Director of Corporate License Holder	MODERATE	N/A
Pornchai Junket		11 – Ceased relationship with Crown	N/A	N/A
Pornchai Junket		12 – In progress	N/A	N/A
David Star	Sixin QIN	8 - Junket in another jurisdiction (non DICJ)	SIGNIFICANT	MODERATE

## File Review

The due diligence file provided by Crown indicates that researchers identified that the junket operator had extensive involvement in casino activity in Malaysia and Cambodia. [REDACTED] is a director and shareholder of Victory Paradise Resort, a company that owns Victory Paradise Resort and Casino in Cambodia.

The casino and real estate sectors in Cambodia have been long identified by organisations such as the United Nations Office on Drugs and Crime and the Financial Action Task Force (FATF) as highly exposed to money laundering by organised crime groups. The FATF recognises that Cambodia has strategic AML/CFT deficiencies for which they have developed an action plan with the FATF.

On the basis of this information we do not believe that the "Moderate" AML Rating for [REDACTED] is sufficient.

**Observation:** We note that the AML /CTF Risk Rating system has historically developed separate to the Junket onboarding and due diligence process, due to the due diligence process being managed by the Credit Team.

We observe no direct relationship between the Credit Risk Rating assigned by the Credit Team and the eventual ML / TF Risk Rating assigned to the Operator. We observe that the AML Risks attached to each Operator may differ in Melbourne and Perth facilities.

**Recommendation:**

FTI Consulting recommends the Credit Team incorporate the AML/CTF Risk Rating during the due diligence process for both Operators and Premium Players and that this rating be incorporated into the due Diligence Summary Sheet.

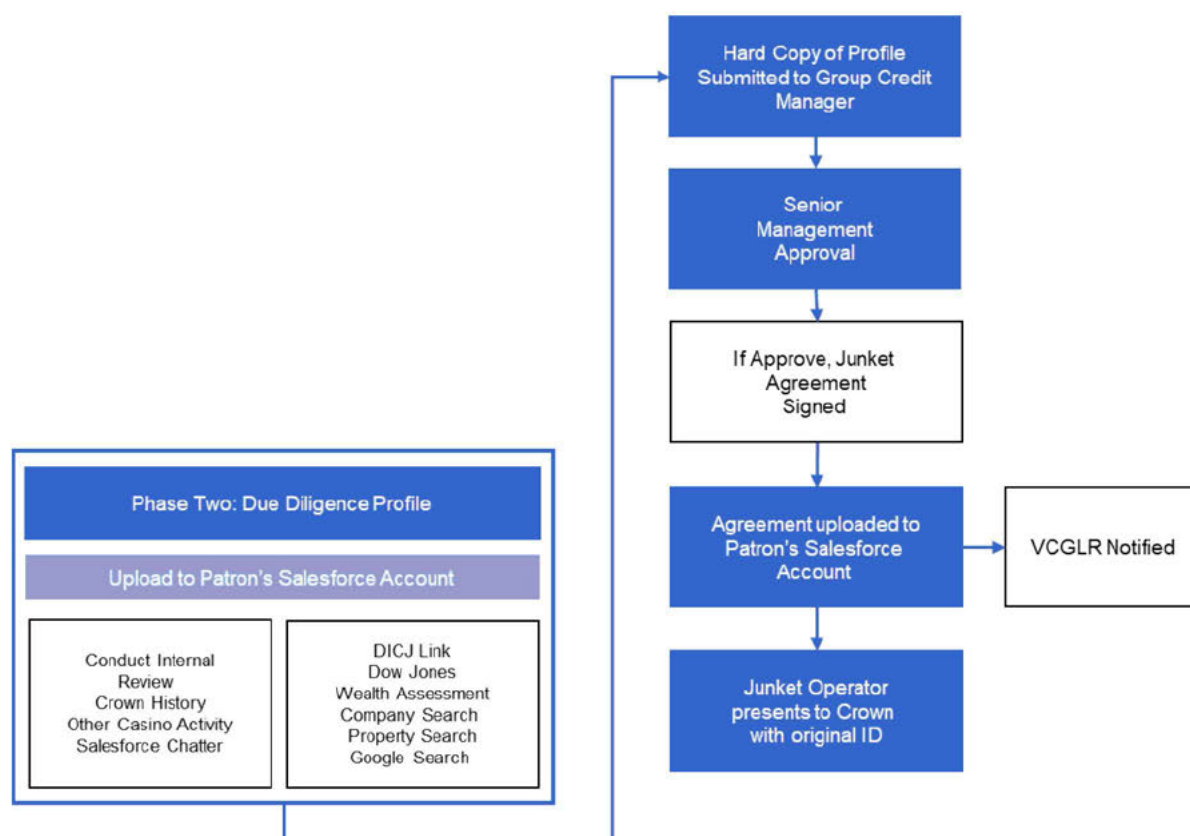
We further recommend Crown consider aligning the risk assessment made by the credit team with the AML/CTF framework.



# Annexure F – Executive Management Approval

Under Crown's Junket Program, Executive Management reviews all information obtained during the due diligence process and are the final approvers. During interviews with Crown staff, we noted that staff often have limited visibility of decisions made, particularly when a decision is made to continue business with an Operator that has been subject of potentially adverse reporting during the due diligence process.

During interviews with executive team members, we were informed that the key document read by the decision maker was the Due Diligence Summary Sheet. As such, we would recommend emphasis be placed on highlighting all potential risks noted during the due diligence explicitly in the summary sheet.



**Sixin Qin:** Sixin Qin was assigned an Operator Category Number of "8", on the basis that he is a junket operator outside of Macau. He has been identified as presenting "Significant" AML Risk in Melbourne and a "Moderate" AML Risk in Perth.

According to the Due Diligence Summary Sheet, there are several components of Sixin's profile that may support the "Significant" AML risk rating including:

- Sixin Qin is alleged to have an association with the David Star junket based in Macau which has not held a DICJ License since 2015. Information contained in the Summary document outlined several reports linking him to David Star, however we note the Credit Team characterised this association as "unconfirmed". The available information would suggest Sixin Qin may be an associate of David Star.

Despite neither Sixin Qin nor David Star holding a DICJ licence it does not appear that the Credit Team have sought further information on the reasons for this.

Sixin Qin is also recorded as a PEP within the C6 report, however this information is not included in the junket spreadsheet.

The Summary Sheet also raises concerns relating to Sixin's creditworthiness due to lengthy payment delays at other casinos.

- 
- We note Executive Management provided approval for Crown to continue business with Sixin Qin though could not locate any documentation which provided the reason for this decision being taken.

**Observations:** During the review, we did not locate records of executive management decisions in relation to Operators. In particular, we reviewed one file in which an Operator was the subject of potentially adverse information, we were unable to locate a record of the decision to approve the relationship.

**Recommendations:** We recommend that the Junket Operator Due Diligence file held by the Credit Team contain a record of the decision to approve the Operator and the reasons for the decision.

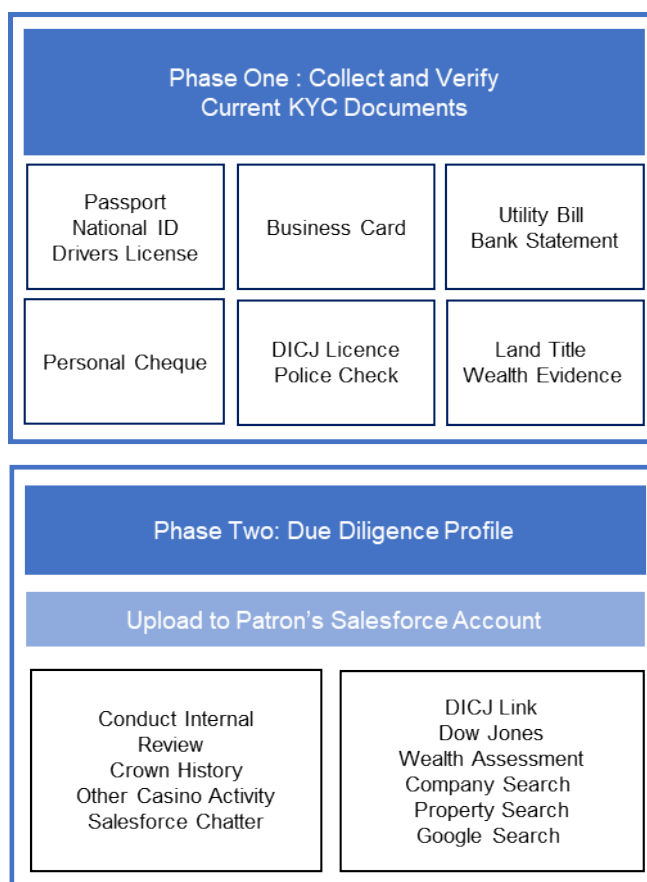
# Annexure G – Due Diligence Checks and Research

Crown's suite of due diligence tools and providers include:

1. Dow Jones RiskCentre;
2. Acuris C6 reports;
3. Wealth-X reports;
4. Global Data reports; and
5. World Check.

We discuss each of these sources below.

The credit analysts are currently responsible for collating this research, which focuses on identifying sources of wealth, corporate associations, property ownership and general background information relating to the Operators. The research undertaken by the Credit Team forms Phase Two of the checking and verification processes undertaken.



## Internal Credit Check

At this stage of the Due Diligence, Crown collects internal information relating to the Operator. The relevant Marketing Executive collect information relating to the Operator's history at Crown and any credit limits at other Casinos. The credit team also conducts a check of a database of credit information shared by a number of casinos continuing information on the other casinos at which the Operator is active and the credit limits and associated payment history at those locations. Reviews of this information indicates it provides valuable insight into the creditworthiness of the Operator and serves as proof of successful operations at other venues and therefore contributes directly to the assessment of the Operator's track-record.

## Dow Jones / Factiva

### Overview

Dow Jones' Factiva is an international news database and a business information and research tool that aggregates content from 32,000 news sources from 200 countries in 28 languages.

Crown uses Factiva to conduct adverse media research with a customised search string to condense search results. The results should identify publicly-reported issues of high-risk reputational concern such as allegations of criminal associations or financial crimes, including money laundering etc.

FTI Consulting understands that these adverse media checks are refreshed every year in accordance with Crown's policy.

### File Review

**Cheok Wa Chau:** The due diligence file provided by Crown indicates that Factiva Searches were not undertaken for this Operator. There is no information to suggest that Factiva research was conducted into this Operator by his alias names or by his names in Chinese characters, namely 周焯華 and 洗米華.

We also note that Factiva and online research for 'Alvin Chau' produces extensive English-language media reporting, which has referenced his alleged criminal links and associations.

### RiskCentre - Politically Exposed Persons ("PEP"), Sanctions Lists and State-Owned Entities ("SOEs")

Dow Jones RiskCentre is an online interface that searches and identifies sanctioned individuals and entities, SOEs and PEPs.

FTI Consulting conducted an independent assessment of the Dow Jones RiskCentre and consider that it provides a weaker offering for Chinese subjects due to its limited information sources and narrow assessment of relative or close associates of a PEP. Dow Jones' database is informed by 11 central-level government bodies and does not include local public security bureaus and courts.

**Cheok Wa Chau** is not identified as a PEP via Dow Jones RiskCentre. However, C6 identified him as a PEP due to his role as a member of the 11<sup>th</sup> Chinese People's Political Consultative Conference of the Guangdong Provincial Government, China.

**Sixin Qin:** According to the Summary Sheet for this Operator, Crown conducted a Dow Jones/Factiva Check in March 2019. The Dow Jones/ Factiva check returned zero results. Upon inspection of the due diligence file, we understand that the Dow Jones/Factiva check was conducted in December 2018 and was limited to the Dow Jones RiskCenter function. The content was limited to "Watchlist, State Owned Companies".

We note that the search restrictions placed on the RiskCenter platform may have limited the volume and nature of the results.

**Observations:**

The results obtained from Dow Jones adverse media searches may provide Crown with limited results by virtue of the platform's narrow search string and the jurisdiction settings being set to Hong Kong OR China.

We observed Operators often have a footprint outside their country of residence. By broadening the search settings, the research should capture allegations and issues reported by media outlets outside of the Operator's domicile as it is likely they will have a footprint in other jurisdictions where they have conducted junkets (i.e. USA, UK, New Zealand etc.).

We observed that a search of Dow Jones was not conducted on Alvin Chau. Consequently, we cannot reasonably assume that Dow Jones Searches are always conducted on Operators.

**Recommendations:**

We recommend enhancing the Factiva search by adopting the following:

1. Removing the 'English' language filter.
2. Conducting searches of alias or alternative names identified for Operators and Agents via other report providers (C6, World Check, Wealth-X, Global Data etc.)
3. Conducting searches of Operators and Agents names in Chinese characters.
4. Broadening the scope of inquiries beyond the jurisdictions of China or Hong Kong.
5. Ensure date range is always set to 'All Dates'.
6. Conducting media searches on companies for which the Operators are directors or have a major shareholding or have a substantial or beneficial interest.

## C6 Acuris

### Overview

C6 Data and Intelligence identifies risks associated with entities and individuals in the context of enhanced due diligence, adverse media, sanctions, PEPs and global ID verification. Acuris provides this offering by way of a customised report. Acuris also has a unique proprietary database called KYC6 which is claimed to contain over four (4) million profiles collated over 15 years from public sources which are manually updated by its research team.

Crown obtains a C6 report into an Operator at the commencement of a new relationship. We understand that due to costs involved in requesting this report, it is not used for periodic re-validation. We also understand that C6 offering varying levels of reports covering basic or in-depth due diligence checks. For an Express Report, C6 primarily sources its information on Operators from its KYC6 database which contains profiles of sanctioned individuals and PEPs along with any relevant adverse media findings. We found that KYC6 produces limited results in cases relating to low-profile Operators who do not have any political affiliations and not subject to sanctions

FTI conducted independent inquiries into KYC6 to test its PEP, sanctions and adverse media database capabilities. We understand that the KYC6 product differs to other information providers because the research team is involved in collating and verifying the information displayed on the profiles, rather than relying on automated software that merely trawls public sources for information. Acuris claims that the database is manually updated with new adverse media records on a frequent basis.

## File Review

Reviews of [REDACTED] file noted no results were identified for her by C6.

**Cheok Wa Chau:** We note his C6 report, which was a 'Express Report', referred to a single adverse media article unrelated to the potential reputational risks posed by his alleged criminal associations. We note this adverse media could be readily identified from basic internet and Factiva research.

Furthermore, our independent reviews of Cheok Wa Chau's profile in Acuris' KYC6 database revealed he has six (6) adverse media reports attached with no media reporting observed between the years of 2017 and 2019, despite extensive adverse media coverage on him during this time period.

Our reviews of [REDACTED] file noted her C6 report referenced her as a "Thai businesswoman" but failed to identify any directorships or shareholdings in their searches of Thai company records. This directly contradicted the findings of Crown's searches of local corporate registries which found she was affiliated with three (3) Thai companies.

**Observations:** As identified from Cheok Wa Chau's file, we observed that an individual's KYC6 profile is not consistently updated with pertinent adverse media, which would inform the degree of reputational risk posed by an Operator.

Crown's Credit Team does not routinely request the most comprehensive reports from Acuris. We noted that some Junket files include an Express Report named an 'Enhanced Due Diligence – Express Report' and other files enclose an 'Enhanced Due Diligence Level: Executive'. The products differ on the basis of the depth of research undertaken on the Operator.

The Express Report is a basic check which provides insufficient information around an Operator, particularly in identifying adverse media reporting and classifying reputational risks.

**Recommendations:** We recommend that Crown order only the Executive level report from C6, while supplementing this report with in-house adverse media checks through Factiva and online research.

## Language Other than English Searches

## File Review

**Cheok Wa Chau** is more commonly known as Alvin Chau. The reports from GlobalData and Wealth-X also identified two (2) variations in the spelling of an alias name: 'Xi Mihua' and 'Ximi Hua'. We note from reviews of his file that searches do not appear to have been undertaken in these varying forms.

Searches of his English name produces extensive English-language media reporting, which has referenced his alleged criminal links and associations.

Searches of his name in Chinese-character through other databases such as Wisers and Baidu is also likely to produce international news not accessible via English-language research.

**Observations:** Language searches in Chinese, Thai or Malay are conducted only when the staff members have access to the relevant terms in a format that can be copied and pasted into the relevant platforms.

We have not observed that these searches have been undertaken during our review.

**Recommendations:**

We recommend that Crown requests the Chinese spelling of the applicant's name during the KYC Process (for example in Simplified and Traditional Chinese, or Thai letters).

We recommend enhancing the Factiva search by removing the 'English' language filter.

## GlobalData

### Overview

GlobalData is a data analytics and consulting company that delivers market and industry intelligence, servicing companies primarily across the consumer, retail, technology, healthcare and financial services sectors. GlobalData's proprietary database is its Intelligence Center platform, which delivers its services through an online interface that combines search, browse and alert functionality.

Crown orders a GlobalData dossier on individual Operators, which extracts information from the GlobalData Intelligence Center. The dossier outlines Operators' estimated net worth, employment history, wealth/asset ownership details, relationship groups and contact information.

FTI conducted inquiries with GlobalData's research team to ascertain the capabilities and limitations of their Intelligence Center. We understand the Intelligence Center consists of verified information, which is ascertained from primary and secondary sources and is updated by analysts who both conduct research and make direct inquiries to confirm this information.

Importantly, GlobalData does not offer what they call 'verticals' into the gaming and casino's sector, therefore limiting insights into this industry. We observed from our file reviews of major Operators such as [REDACTED] and Sixin Qin, that GlobalData does not provide basic information such as tenure dates and ownership stakes in their junket companies or other businesses.

### File Review

[REDACTED] We observed that the Global Data dossier identified multiple companies for [REDACTED] which were not independently researched by Crown. Further we noted that many of the companies identified in the dossier were not referenced in the Summary Sheet.

[REDACTED] GlobalData sources its information from its Intelligence Centre which is more likely to draw results for high profile individuals with significant business interests. However, for low-profile Operators such as [REDACTED] no results were identified for her by GlobalData. We note corporate, litigation and property searches in local jurisdictions and local-language searches are more likely to yield results for low-profile Operators and Agents.

**Observations:** GlobalData's dossiers offer insight into the Operator's employment and associations, however the information is limited.

**Recommendations:** Research relating to the business interests of Operators and Players should be supplemented by other open-source research means such as independent corporate and property records checks in the relevant jurisdictions.

## Wealth-X

### Overview

Wealth-X specialises in data and insights on the world's wealthiest individuals to help organisations to effectively understand and engage them. Crown orders a Wealth-X dossier which outlined an Operator's biography, career history and wealth analysis. Wealth-X is useful in offering business intelligence and insights into high profile, high net worth individuals. This database would not be appropriate or relevant for checks targeting low profile Operators and Agents who do not fit within this category

### File Review

A request for a Wealth-X report for [REDACTED] did not yield any results given she is not a high net worth individual (USD 30 million). We anticipate that some Operators and many Agents will not reach this threshold. Rather, corporate, litigation and property searches in local jurisdictions and local-language searches are more likely to yield results.

**Observations:** Wealth-X does not capture all Operators, given that the database contains high net worth and ultra-high net worth individuals (over USD 30 million net worth). There are also inherent limitations in the platform due to the English-language capabilities.

- Wealth-X among other third-party information platforms appear to simply scrape and collate data from information that is often made available/carefully curated by representatives of the individuals in question.
- Limitation in language capabilities and sources.

- **Recommendations:** We recommend Crown continue using Wealth-X but supplement this information with open-source information such as Factiva, online research, property and litigation checks based on an Operator's footprint.

## World Check

### Overview

World Check is a database of PEPs and heightened risk individuals and organisations.

**Observations:** Searches of World Check are conducted using an Operator's name in its exact iteration. We recommend conducting searches on Operators with a 'contains' mode, rather than the 'exact' mode as this may exclude potential matches.

**Recommendations:** FTI understands Crown has migrated across from using World Check to Dow Jones for PEP and sanctions checks. This is outlined above.



## Internet Research

### Overview

In addition to the above third-party providers and research database platforms, Crown's Credit team conducts online research into the Operators. Any pertinent adverse online reporting is outlined in the Summary Sheet, along with relevant articles being saved as PDFs in file.

FTI understands that Crown conducts general online searches limited to Operators' name. No further searches are conducted around the companies they are affiliated with. We note that there are limited attempts made to verify or conduct deeper research into potential reputational issues identified from the reports produced by third-party providers.

We also note there are no specific requirements regarding Boolean or keyword searches to identify or narrow down relevant search results. We note that internet searches appear to be conducted in the Operator's first and last names, and not in any alias names or local-language characters.

The Credit team has drafted a research manual containing the guidelines that will make up its Customer Due Diligence Framework. We note that this document is in draft format.

### File Review:

██████████ We noted that internet searches on this individual appear to have been last updated in November 2016, even though Wealth-X, Global Data and Dow Jones searches were updated at different times in 2019. This is inconsistent with Crown's due diligence policy, as it has been outlined to FTI.

Media research identified an adverse article published in November 2016 on Bloomberg.com and related to ██████████ Best Sunshine Live Casino owned by Imperial Pacific International Holdings.

The article, titled ██████████ made reference to information that had been provided to the journalist indicating that the U.S. Treasury's Financial Crimes Enforcement Network ("FinCEN") had noted the high volume of daily revenue figures at Best Sunshine as presenting a possible indication of money-laundering and poor financial controls. According to the article, the figures reported for Best Sunshine Live far exceeded comparable figures reported by casinos in Macau and Singapore. The article indicated that the Commonwealth Casino Commission which oversees Best Sunshine does not believe there to be any concerns about money laundering on the premises.

We identified further information available on the internet relating to ██████████ and IPI that was not reported in the documentation.

In June 2019, a report by Ernst & Young ("EY") shows that IPI owes USD 70 million in back taxes and to suppliers for missed payments.

In March 2017 IPI settled the lawsuit filed against the company, by a former employee Danny Ewing who alleged that the casino management was engaging in illegal practices.

According to the Amended Complaint for Danny Ewing v Imperial Pacific International LLC in the District Court for the Northern Mariana Islands ("CNMI") the complaint indicates that "the plaintiff became aware that Imperial Pacific was engaging in practices that were in violation of the law and contrary to the public policy of both the CNMI [...] Imperial Pacific failed to implement or enforce an adequate AML program".

In particular Ewing made several allegations against IPI including:

IPI had allowed a casino customer to deposit \$400,000 with the casino's cashier without the required AML identification and that IPI failed to take any action

Ewing also informed IPI that its practice of posting the AML requirements at the entrance of the casino and providing all new players that sign up for a player's card with instructions of how to structure their transactions to avoid reporting requirements was a violation the "structuring" regulations according to FinCEN.

**Observations:** We observed that online research is conducted as a general background check. Whilst there is a system for review and re-checking, the potential risks identified from available online reports and searches are not adequately classified and highlighted in the Summary Sheet to support any assertion of a reputational exposure that an Operator may pose.

We suspect that the identification of proxies and other related parties should be considered as relevant typology in staff training in order to increase the likelihood of this activity being detected and reported.

**Recommendations:** We recommend conducting training to enhance in-house research capabilities by the following:

- Developing and finalizing the Research Manual be further for utilisation by staff undertaking the due diligence checks and online research.
- Developing a categorisation of reputational risks such as 'Financial Crimes', 'Money Laundering' and 'Criminal Associations' in the Research Manual in order to better communicate or escalate potential risks to other teams.
- Conducting staff training in advanced open-source information collection and research methodologies to increase the likelihood of adverse information being detected.
- Obtain access to Baidu and Wisers in order to widen search results to include Chinese and local-language reporting.

## Company & Property Searches

Where possible, Crown conducts searches of property and corporate records in relation to Operators as part of the due diligence process. Based on our discussions, we note these searches are conducted using online information providers or, in the case of Macau, via manual searches conducted by Crown staff traveling to Macau from Hong Kong.

FTI Consulting's experience is that third party providers do not always provide consistent results when searching across different jurisdictions. For example, FTI Consulting's experience is that searching business interests in Malaysia is difficult due to laws which maintain the privacy of these records. RAMSI is a private information provider based in Singapore which provides some limited information. However, in our experience, its coverage can be variable for regions outside of Singapore.

Questnet claims to provide information on company ownership in Indonesia, Thailand and Taiwan. In our experience, the information held by Questnet in relation to Indonesia is frequently incomplete or out of date. Conducting comprehensive searches in Indonesia often requires manual searches to be conducted in addition to online records. In relation to Thailand, small differences in the transliteration of Thai names can produce widely varied results and it is advisable searches be undertaken by native Thai speakers and in Thai language.

Because third party information providers can be unreliable, it is recommended that primary sources be consulted to obtain the most up to date information. In non-English language regions with complex or difficult to access information, many companies, including casino Operators, engage an external professional investigations firm, specialised in that region to undertake a due diligence investigation on their behalf. Suitable providers should have in-house language capability in the languages required,

physical presence in the relevant jurisdiction and demonstrable experience undertaking due diligence investigations.

There is a table summarising the key information available in several of the jurisdictions relevant to Crown at the end of this Annexure.

**Sixin Qin:** Sixin Qin is alleged to have an association with the David Star junket based in Macau. However, company Searches for David Star Sociedade Unipessoal Limitada Star did not identify that Sixin Qin is a director or shareholder of the company.

The C6 Report identified that Sixin Qin has multiple corporate interests in Hong Kong, and possible interests in China, in the real estate and car trading sectors. FTI has conducted independent Internet research on these companies and has concluded that information relating to their activities and conduct is very limited when relying on the translated English names of those companies.

For example, “Shanghai Oriental Car Trading Company” does not yield any results in Internet Searches however we note that there are several car trading entities in China that have the identifiers Shanghai and Oriental.

According to the C6 report it is evident that a PDF extract of company records could be obtained upon request. However, we note that these records have not been attached to the profile and have potentially not been obtained by Crown.

**Observation:** We have not observed that Crown consistently undertakes to obtain the original corporate records for identified companies associated with Operators.

Crown’s processes do not currently include a mechanism for engaging external investigations firms to undertake due diligence in complex jurisdictions that cannot be adequately researched by the in-house Credit team.

**Recommendation:** Crown’s credit team should request the original corporate records from C6 and then cross-check the information through local language searches and further corporate records research, where appropriate.

Obtaining these corporate extracts from their respective registry sources would allow Crown to verify the names of the relevant companies in Chinese characters, so that these names can be adequately researched as part of the due diligence process. Further, obtaining these extracts would provide further information relating to the associates of the Operator and provide further context surrounding their business interests.

Crown should consider establishing a relationship with providers who have experience undertaking due diligence investigations in complex areas and establish a process to engage external resources for higher risk Operators.

## Summary of information available by jurisdiction

Adverse Media Search	Identity Verification	Corporate	Property	Litigation	Bankruptcy and Financial Data
<b>Malaysia</b>					
Recommend using a range of platforms	RAMCI	<p>Company searches are performed via the Companies Commission of Malaysia (SSM).</p> <p>It is not possible to search by Director or Shareholder.</p> <p>RAMCI offers reverse directorship searches, however the information is not comprehensive.</p>	<p>Searches are available; however, the process is manual and unreliable.</p> <p>The lot number and parcel number is required in order to perform the search however the results are not consistent</p> <p>Searches by owner are not available.</p>	Litigation records are not accessible without the consent of the parties.	RAMCI
<b>Singapore</b>					
Recommend using a range of platforms	Informally via Company Search, however the Passport Numbers may change.	<p>Company Records are available through BizFile / Accounting and Corporate Regulatory Authority (ACRA)</p> <p>We recommend searching by both ID Number and by Director Name</p>	Yes	Online via subscription databases.	Online searches are available.
<b>Thailand</b>					
Limited accessibility as search terms will need to be in Thai characters	No	<p>It is possible to undertake reverse director searches however the following are required:</p> <ul style="list-style-type: none"> <li>Exact spelling of the name</li> <li>ID Number</li> <li>Company Name</li> </ul>	Property searches require a local partner.	<p>Litigation searches are available however they are court specific and not organised provincially or federally.</p> <p>The searches require physical attendance in order to be comprehensive.</p>	There is no federal register for Bankruptcy searches however it is possible to conduct searches of Bangkok Bankruptcy Court

Hong Kong					
Recommend using a range of platforms including simplified and standard Chinese characters	Informally Via a Company Search	Company Records are available through Hong Kong Companies Registry.  We recommend searching by both ID Number and by Director Name For applicants with a significant business profile, we recommend searches are also conducted in the PRC.	Searches can be undertaken on addresses.  Searches by owner are not available.	Online searches of most HK courts can be accessed online.  For applicants with a significant business profile, we recommend searches are also conducted in the PRC.	Searches available via the Official Receiver's Office in Hong Kong.

# ANNEXURE H – Recommendations Summary

Component	Observation	Recommendation
<b>Definition of probity</b>	Internal Control Statements do not provide a detailed definition of the probity risks to be assessed in relation to Operators	Policies and Procedures be updated to include consideration of a broader range of potential risk including AML and other reputational concerns during the due diligence process.
<b>Scope of due diligence</b>	Crown does not currently undertake due diligence in relation to Agents	Crown include Agents as part of the risk-based due diligence process when onboarding and reviewing Operators.
<b>Initial information collected</b>	Crown currently collects KYC information and evidence of police check at the outset of the onboarding process	Crown seeks to obtain further information including declarations of involvement in legal proceedings, ownership information and information about other operations allowing for this information to be verified during the due diligence process.
<b>Responsibility for the DD Process</b>	Credit Team is primarily responsible for the DD process	Crown Executive to evaluate whether there is a more appropriate department or individual to oversee the DD process.
	Credit Team or relevant staff member have not been trained to conduct DD research	Staff members conducting DD to be provided with formal training and support in Information Collection, Due Diligence, and assessing reputational risk in accordance with the ICS. Staff Members conducting DD to develop a comprehensive research manual that contains guidance on search strategies, information sources, and how to best utilise the available resources.
<b>Salesforce</b>	The Salesforce Chatter Panel is an invaluable resource in providing further context and information about Junket applicants to team managing the DD research.	Predetermined fields to be included within Salesforce in order to formalise communication on the following: Corporate Interests Political Associations Personal and Corporate Associates
<b>Allocation of Operator Category Number</b>	No direct relationship between the Credit Risk Rating assigned by the Credit Team and the eventual ML / TF Risk Rating assigned to the Operator as these rating systems seek to mitigate different risks.	Crown Credit Team to incorporate the AML/CTF Risk Rating during the DD process for both Operators and Premium Players. This rating is to be incorporated into the DD Summary Sheet.
<b>Reliance and Trust placed in the DICJ License Process</b>	The DICJ conducts some verification and research on applicants, however the central criteria for obtaining a license is that the individual does not have a criminal record.	Crown to heighten risk rating on Operators who have previously held but currently do not hold a DICJ License
		Crown to consider the limitations of the DICJ Licensing Process as a limited indication of an individual's probity.
		Crown to expand on the sources of information it currently utilises in order to assess an individual's probity. These sources to be expanded to include adverse media searches, civil litigation and track record.

Component	Observation	Recommendation
	Crown does not obtain criminal records in all jurisdictions that apply to the Operator	Crown to independently obtain criminal record check information from all jurisdictions in which the operator has had a domicile or corporate interest, where appropriate.
<b>Agents</b>	Crown's does not conduct DD on the Agents of Operators.	Marketing Team to obtain details of all authorised agents from Operators as part of the initial onboarding procedure. Credit Team to conduct DD on all authorised agents in local language.
<b>Dow Jones / Factiva Searches</b>	The results obtained from Dow Jones adverse media searches may provide Crown with limited results by virtue of the platform's narrow search string	Staff members conducting DD to remove the English language filter and conduct searches in local languages
		Staff members conducting DD to extend the scope of inquiries beyond China and Hong Kong
		Staff members conducting DD to ensure date range is set to "All Dates"
		Staff members conducting DD to conduct research on companies and other identified associates
<b>Acuris / C6 Intelligence</b>	Crown's Credit Team does not request the most comprehensive reports from Acuris	Staff members conducting DD to request the Enhanced DD Level: Executive' report
	Acuris Reports are not updated every 12 months	Staff members conducting DD to obtain the corporate documents from Acuris and conduct further searches using local language. Staff members conducting DD to obtain an Enhanced DD Level Executive Report every 12 months
<b>Global Data</b>	Global Data is unlikely to yield results for low-profile Operators	Staff members conducting DD to supplement research relating to the business interests of Operators and Players with other open-source research in addition to Global Data dossiers.
	Global Data dossiers do identify companies however they were not independently researched by Crown	
<b>Wealth X</b>	Wealth X is unlikely to yield results for low-profile Operators who have a net worth below USD 30 million	Research relating to net worth of Operators and Players should be supplemented by other open-source research in addition to Wealth X.
<b>Company and Property Searches</b>	Crown's processes do not currently include a capability for engaging external investigations firms to undertake DD in complex jurisdictions that cannot be adequately researched by the in-house Credit team.	Crown to consider establishing a relationship with provider (s) who have experience undertaking DD in complex jurisdictions and establish a process to engage external resources for higher risk Operators.
<b>Internet Research</b>	According to Crown's policy Internet Research is updated every 12 months. We did not observe this to be consistently the case.	Crown to conduct internet searches on Operators every twelve (12) months and update the DD Profile accordingly with attachments of relevant information.
	Crown exclusively uses Google in order to conduct its research	Crown to conduct internet searches using Baidu and Wisers in addition to Google
	Crown collects information on Google which it does not always corroborate in relevant registries	Crown to utilise internet searches as a basis to identify other avenues for corporate and litigation records research
<b>AML Risk Assessment Process</b>	AML Risk attached to each Operator may differ in Melbourne and Perth facilities.	Crown to apply a consistent AML rating across its facilities
	AML Risk has no relationship to the Allocation of Operator Credit Rating Score	Crown to include an assessment of the AML Risk presented by the Operator in the Summary Sheet

Component	Observation	Recommendation
<b>Executive Management Approval</b>	Crown Executive Management makes the final decision as to whether to proceed with a junket relationship. The reasons for these decisions are not documented.	Crown seek to record the outcome and reasons for decision to approve and that this information be held on file.