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PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 57

10:00AM WEDNESDAY 17 NOVEMBER 2021

COMMISSIONER NJ OWEN

COMMISSIONER CF JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

MS PATRICIA CAHILL SC and MS MIA HENDERSON as Counsel Assisting the Perth Casino Royal Commission

MR JOSHUA BERSON as Counsel for the Department of Local Government, Sport and Cultural Industries

MR TOM O'BRIEN as Counsel for Mr James Packer and Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd

MR KANAGA DHARMANANDA SC and MR LION FIRIOS and MS CLARA WREN as Counsel for Crown Resorts Ltd; Burswood Limited; Burswood Nominees Limited; Burswood Resort (Management) Limited; Crown Sydney Gaming Pty Ltd; Southbank Investments Pty Ltd; Riverbank Investments Pty Ltd and Crown Melbourne Limited

MR PAUL D EVANS as Counsel for the Gaming and Wagering Commission of Western Australia

MR DAVID SHAW as Counsel for Mr Steven Blackburn

MR ANTHONY POWER as Counsel for Ms Maryna Fewster

MS JOANNE SHEPARD as Counsel for Mr Barry Felstead

09:59AM

COMMISSIONER OWEN: Please be seated. Thank you, Mr Blackburn.

MR BLACKBURN: Thank you.

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COMMISSIONER OWEN: Do you wish to swear an oath or affirm?

MR BLACKBURN: Affirmation, please.

10

MR STEVEN BLACKBURN, AFFIRMED

COMMISSIONER OWEN: Thank you, Mr Blackburn.

15

Mr Shaw.

EXAMINATION BY MR SHAW

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MR SHAW: Could the operator please bring up Mr Blackburn's witness statement. Mr Blackburn, could you confirm please, the first page of your witness statement? Can you see it on the screen?

25

MR BLACKBURN: I can. Yes, it appears to be.

MR SHAW: Operator, could we please go to dot point 1306. Whilst that has been redacted, that's the final page of the substance of your witness statement?

30

MR BLACKBURN: Yes.

MR SHAW: Thank you. I will deal with this now, Commissioner. Can we go to the next page, point 1041, that's SB2. At number 10, there's a document referred to in relation to play period.

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MR BLACKBURN: Okay.

MR SHAW: Is it correct that that document now has been superseded by an updated Play Period document that bears CRW.701.011.1638, if the operator could bring that document up. I'm not sure that's going to be brought up on the screen, CRW.701.011.1638. Is that the document, Mr Blackburn?

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MR BLACKBURN: Yes, it is.

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MR SHAW: That is the updated version of document 10, the Play Period document?

MR BLACKBURN: Correct.

10:03AM

MR SHAW: Commissioners, I tender both the witness statement and --- I understand that has been uploaded, the updated Play Period document. I tender both.

5 COMMISSIONER OWEN: Thank you. The witness statement of Steven Blackburn, dated 23 October 2021 and bearing the identifier number #CRW.998.002.1008, with the amendment to item 10 in schedule SB2, is admitted into evidence as an exhibit.

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EXHIBIT #CRW.998.002.1008 - WITNESS STATEMENT OF STEVEN BLACKBURN DATED 23 OCTOBER 2021 WITH AMENDMENT TO ITEM 10, SCHEDULE SB2

15

MR SHAW: Thank you.

COMMISSIONER OWEN: Thank you, Mr Shaw. Ms Cahill?

20 MS CAHILL: May it please the Commissioner.

CROSS-EXAMINATION BY MS CAHILL

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MS CAHILL: Mr Blackburn, you commenced in your role as Chief Compliance and Financial Crime Officer on 24 February of this year; is that right?

MR BLACKBURN: That is correct.

30

MS CAHILL: One of the first major tasks you undertook was to review the Crown Group's then current financial crime and compliance programs ---

MR BLACKBURN: Correct.

35

MS CAHILL: --- and to advise the Crown Group board of your assessments of those programs and your plans going forward in relation to them?

MR BLACKBURN: That is correct.

40

MS CAHILL: That culminated in a paper that you prepared for the CRL board, dated 24 May 2021?

MR BLACKBURN: It did.

45

MS CAHILL: I will ask you to identify it, please, on the screen, CRW.510.073.1795, by reference to the cover page.

10:04AM

MR BLACKBURN: Sorry, it is slightly difficult to read, but I believe that is it. That would be the covering paper that presented the associated deck. So there was a package of materials, but that was the paper that was presented to the board.

5

MS CAHILL: Can I ask you why it is hard to read? Do you have the document appearing on the screen?

MR BLACKBURN: It's better now. Somebody brought it up, which is terrific. Somebody zoomed in.

10

MS CAHILL: You can't see it on that little screen that is in front of you?

MR BLACKBURN: No, this little screen in front of me is --- relates to the telephone. It's the telephone. The screens are in the distance, however, with the zoom, it is clear to me.

15

MS CAHILL: Okay. Accompanying this memorandum, I think you just referred to a PowerPoint presentation, CRW.510.073.1797.

20

MR BLACKBURN: Yes, correct.

MS CAHILL: I want to explain how my examination will proceed in relation to the AML/CTF topic, Mr Blackburn. I want to ask you some questions about the current state of the financial crime and compliance programs. I appreciate that your focus is very much on the change program to uplift what is existing, and I intend to ask you about that change program in due course, but first I want to get some understanding of the program as it sits at the present day. Is that clear?

25

MR BLACKBURN: Yes, it is.

30

MS CAHILL: I will do so primarily by reference to those two documents I just showed you. I appreciate we are now some months further down the track from when those documents were prepared in May. When giving your answers, I would ask you to be conscious of that and if there has been a material change in the program since then, as it is operating at Perth Casino today, could you please indicate that for the benefit of the Commissioners?

35

MR BLACKBURN: Happy to.

40

MS CAHILL: Is all of that clear?

MR BLACKBURN: It is clear, yes, thank you.

MS CAHILL: Returning to your 24 May memo, CRW.510.073.1795, can we blow that up for Mr Blackburn to see. In the third and fourth paragraphs, you draw a distinction between the financial crime program, which is discussed in the third

45

paragraph, and the compliance program, as discussed in the fourth. I want to ask you about the distinction in a moment. Can I ask you first about financial crime.

5 MR BLACKBURN: Yes.

MS CAHILL: Although financial crime is a descriptor to include all sorts of financial crime risks, such as fraud risk, when you speak about financial crime in the context of the Crown Casino operation, you are talking, aren't you, primarily and
10 relevantly about money laundering and terrorism financing?

MR BLACKBURN: That is correct.

MS CAHILL: You go on to speak about those risks in this paragraph. You identify
15 that casinos are amongst industries where the risk of facilitating money laundering and terrorism finance is the greatest. You would accept, wouldn't you, that the association of casinos with the risk of facilitating money laundering is long and well understood?

20 MR BLACKBURN: I would, yes.

MS CAHILL: Can I ask you about terrorism financing, though. What is the extent of the risk that casinos face of facilitating terrorism financing?

25 MR BLACKBURN: International experts regard it as low risk, given the nature of the activity, and terrorism financing is more commonly associated with banking through disguised organisations or charities.

MS CAHILL: How does terrorism financing, or the risk of terrorism financing,
30 through casinos typically arise?

MR BLACKBURN: It arises in the same way as money laundering, so the same indicators are indicative of both money laundering and terrorism financing, in that there is an attempt to clean money, to anonymise the original source of the funds.
35

MS CAHILL: Thank you. Coming back to the financial crime program and the compliance program you discuss variously in these two paragraphs on the page, is it correct to understand the two programs as distinct, albeit that they may overlap?

40 MR BLACKBURN: There is actually very little overlap between compliance and financial crime. Financial crime is a risk function with operational elements that is primarily aimed at compliance with AML/CTF legislation, potentially sanctions legislation to the extent it applies, whereas compliance speaks to a number of compliance requirements across multiple pieces of legislation, multiple jurisdictions,
45 not relating necessarily to financial crime.

There is a slight nexus through the Casino Control Act, in the context of an objective, to minimise infiltration of criminal activity at the casino. But otherwise, the

10:10AM

legislation is distinct and separate and apart. The licensing requirements are distinct, so compliance is essentially a separate function.

5 MS CAHILL: When you refer to the Casino Control Act there, the Casino Control Act of which jurisdiction?

MR BLACKBURN: Victoria and New South Wales, in particular. However, my sense is that the objective would apply in the context of Western Australia as well.

10

MS CAHILL: Can I ask you about the financial crime program. Your summary assessment in the third paragraph here, that is the top paragraph that has been highlighted on the screen, is set out there, and you identify work that has been done in the last 18 months. Do you see in that first sentence:

15

Crown has significantly invested in its financial crime program over the last *year and a half*.

MR BLACKBURN: Yes.

20

MS CAHILL: Do you mean there from late 2019?

MR BLACKBURN: Yes.

25 MS CAHILL: You then go on to reference:

A depiction of the current state of maturity of Crown's financial crime *eco-system is included in the attached pack*.

30 MR BLACKBURN: Yes.

MS CAHILL: Is "eco-system" here a reference to the financial crime risk identification and management system?

35 MR BLACKBURN: No. "Eco-system" is intended to capture all elements of the approach to financial crime risk mitigation and management. I can take you there or you may take me there. In the deck that is associated with this paper, there is a diagram that depicts a house. In the diagram, you will see elements, all of the elements of a robust financial crime program and that is what I consider the
40 ecosystem for financial crime.

MS CAHILL: Thank you. We'll come to the PowerPoint, I think you call it a deck, do you, a slide deck?

45 MR BLACKBURN: Yes, sorry, I think that may be a Canadian thing. I'm not sure.

MS CAHILL: Let's stay with the third paragraph for a moment. Do you see in, I think, the sixth line there is a sentence commencing:

To effectively manage financial crime risk and the associated regulatory risk.

And then it goes on?

5

MR BLACKBURN: Yes.

MS CAHILL: Is it your view that as at 24 May when you wrote this memo, the Crown Group effectively managed financial crime risk?

10

MR BLACKBURN: Sorry, that is not what that sentence states or was intended to state. It says "to effectively manage financial crime risk", you must do the following. That is what the intention was there.

15

MS CAHILL: I'm asking a separate question, Mr Blackburn. Was it your view that as at 24 May when you wrote this memo, the Crown Group effectively managed financial crime risk?

20

MR BLACKBURN: My view at 24 May, which is also articulated elsewhere in this paper and in the associated deck, is that Crown in aggregate had the foundational requirements for a compliant program.

25

MS CAHILL: To answer my question, was it your view that as at 24 May when you wrote this memo that the Crown Group effectively managed financial crime risk?

MR BLACKBURN: My perspective is that in aggregate Crown had a compliant program that was effective in managing financial crime risk. However, there were opportunities for considerable enhancements across all elements of the ecosystem.

30

MS CAHILL: I'm not asking you whether in your view the program was compliant or not, simply whether or not Crown Group effectively managed financial crime risk at 24 May. What is your view?

35

MR BLACKBURN: I would say that Crown in most ways was effectively managing financial crime risk, not entirely, and that's why enhancements were required.

MS CAHILL: In what respects was it not entirely effectively managing?

40

MR BLACKBURN: In every respect that I set out in the paper, which I assume you've read, and the deck that is associated to that paper. It articulates in each case a maturity assessment of each element of the financial crime ecosystem and program. I'm happy to take you there if you wish, but you will note that I've indicated that certain elements of the financial crime ecosystem were not at a maturity level that I would expect or hope for, for an advanced program.

45

MS CAHILL: You mean a maturity level of Initial?

10:15AM

MR BLACKBURN: Yes, correct.

5 MS CAHILL: If you assessed an aspect of the program as being at a maturity level of Initial, you would say that was not effective; is that right?

MR BLACKBURN: I would say it was inadequate.

10 MS CAHILL: Well, I am asking you about whether it was effective or not?

MR BLACKBURN: Could I inquire as to why you feel that term is important in the context of the question, because what I am attempting to tell you is my view on the maturity of the program as at a certain date, which is an assessment as to the program, based on my review over that period of time, as to its maturity and what
15 required further enhancement. I'm not certain I understand the point on the word "effective".

MS CAHILL: Coming back to your role at Crown, you would accept, wouldn't you, that part of your role is to ensure it has an effective financial crime risk program?
20

MR BLACKBURN: My role is to ensure that the financial crime program at Crown meets all regulatory requirements and regulatory expectations so that we can discharge our obligations under the AML/CTF Act and Rules in accordance with those laws.
25

MS CAHILL: It doesn't extend beyond compliance with legislation and regulation, Mr Blackburn; is that what you are saying? Independently of that, you don't perceive Crown as having a responsibility to effectively manage financial crime risk?

30 MR BLACKBURN: No. Those are your words, clearly, and they are also not what I just said, which is the obligation is to not simply comply with regulatory requirements, but also regulator's expectations.

My view on financial crime, if you are asking, is that our obligations extend to
35 protect the vulnerable, that is the point of a financial crime program, ultimately, it is to focus on those who are vulnerable and to assess those who are vulnerable by mitigating, managing, detecting, deterring and disrupting financial crime.

MS CAHILL: Separately from any legislative or regulatory requirements, do you
40 consider it is Crown's responsibility to effectively manage financial crime risk?

MR SHAW: Can I ---

MR BLACKBURN: Yes, I would.
45

COMMISSIONER OWEN: Did you want ---

MR SHAW: No, the answer has been given, Commissioner.

10:18AM

MS CAHILL: Can we go to the PowerPoint please, CRW.510.073.1797, at page 1801. You have assessed here each element of the current financial crime program as at May 2021, as to your perception of its then level of maturity.

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MR BLACKBURN: Correct.

MS CAHILL: Is this the document you were describing before?

10 MR BLACKBURN: Yes, this is what I describe as the house.

MS CAHILL: You explain at the top of the page that the aggregate view you have reached is that the program as a whole is foundational.

15 MR BLACKBURN: Correct.

MS CAHILL: Which is evidence that you gave to the Victorian Royal Commission, wasn't it?

20 MR BLACKBURN: It is.

MS CAHILL: I don't want to repeat that, Mr Blackburn, but I do want to understand a little more detail about some of the matters within your assessment of "foundational".

25

Can we go back to page 1800, please. You describe in both narrative and diagrammatic form here the different stages of development of a financial crime risk program; is that right?

30 MR BLACKBURN: That's correct.

MS CAHILL: You observe that most banks sit somewhere between Foundational and Advanced in this ---

35 MR BLACKBURN: Yes. I would suggest that's the case, based on my understanding of how the banks are currently prepared to meet their financial crime risk obligations. However, I would also say there is considerable variants amongst the banks.

40 MS CAHILL: The point you make here on this page is this; isn't it --- that an Optimal program, which is the most mature form of a program, with the characteristics you identify in the dot points under that, is an appropriate stretch target for banks?

45 MR BLACKBURN: I think it is. However, I would suggest that depending on the organisation, depending on the reporting entity, a large bank versus a small bank, a mid-size bank, they may have a different strategy. They may aspire to be somewhere

between Advanced and Optimal, some may aspire to be at Optimal, others may aspire to be Advanced.

5 MS CAHILL: You also observed that none, to your knowledge, have in fact achieved Optimal status?

MR BLACKBURN: I'm not aware of a --- yes, I'm not aware of a global bank, not simply the banks in Australia, but I'm not aware of a global bank that has reached
10 Optimal. I think there are many banks and many reporting entities beyond banks that have reached components of Optimal, but not necessarily Optimal in the entirety of the program. It is a very difficult aspiration, but one that --- with ongoing investment and resourcing is potentially achievable, depending on the resources of the bank as well.

15 MS CAHILL: The observation in the narrative on this page that you make is that the Optimal target may not be appropriate as a stretch target for Crown. Can I explain why that is?

20 MR BLACKBURN: Yes. In many ways the Optimal target is modelled on banks, really, or financial institutions that have comprehensive systems across their organisations, maybe in multiple jurisdictions but also lend themselves to automation in every way. For a casino, as a reporting entity, the aspirational point is a mixture of automation and manual, because observation is a critical, critical component to
25 managing and mitigating financial crime risk at a casino versus that at a bank.

MS CAHILL: You say in the last sentence of the narrative that the plan that you're propounding in this presentation is distinct from the plans typically deployed at banks. However, your change program that you are instigating nevertheless
30 conforms to the maturity arc that is diagrammatically represented on this page; is that right?

MR BLACKBURN: That's right. It's more about the how we get there, and how a reporting entity like a casino could aspire to optimal versus how a bank would. In a
35 bank, as I mentioned, automation is far more available and more appropriate in the context of managing and mitigating risk, whereas in a casino it isn't. So that is where it is distinguishable from a bank. The elements of where we are aspiring to be are frankly the same, but it's how we get there that may differ.

40 MS CAHILL: Over the page to 1801, this is where you assess individual elements of the current program.

MR BLACKBURN: Correct.

45 MS CAHILL: Did you do that specifically with reference to the program as it currently exists at Crown Perth?

MR BLACKBURN: I did it specifically as it relates to the program that exists at

Crown Resorts Limited, and all of its subsidiaries and all of its reporting entities --- Crown Perth, Crown Melbourne, and at some point, Crown Sydney.

5 MS CAHILL: So you looked specifically at Crown Perth?

MR BLACKBURN: Crown Perth is governed by the same documents that Crown Melbourne and Crown Resorts are. The only difference is the procedural documents which are business processes, as opposed to the governing documents which are
10 formed by the AML/CTF program, parts A and B, together with the policy and underlying a large procedural document.

MS CAHILL: Did you review the standard operating procedures, policy documents and so forth, which are unique to Crown Perth?

15 MR BLACKBURN: I did not review the procedural documents associated with Crown Perth, as that's a first line function as opposed to a second line function. I did however consider Perth in the context of the broader policy documents. The policies that you speak of are --- well, this is part of the challenge and one of the things I'm
20 attempting to uplift through our policy uplift program and also through the financial crime change program and compliance change program, is the framework associated with documents.

The policy is essentially a document that underlines the AML/CTF program, which
25 is Part A and Part B of the program. The policy is then also owned by the second line, that is the subsidiary document. Below that, are the procedural documents that are owned by the business. I did not review procedural documents at the time of my assessment in May.

30 MS CAHILL: Go to page 1802, please. This is where you begin to look at the key components of the program and assess the maturity of each of those components; is that right?

MR BLACKBURN: Correct.

35 MS CAHILL: Can I just ask what you have done here. Are you identifying the key components of Crown's program as it existed at May 2021, or are you identifying the key components of any financial crime and compliance program and measuring how Crown's program measures against those key components?

40 MR BLACKBURN: This is a measurement in the context of my expectations. However, the centre column, which is the "current state", is a reflection of Crown's program as at May 2021, as I understood it.

45 MS CAHILL: The left-hand column of "components" is the components you would expect to see, irrespective of whether they are there or not?

MR BLACKBURN: Correct.

MS CAHILL: Understand. The first thing you mention is the joint AML/CTF program, and you mentioned Part A and Part B a moment ago?

5 MR BLACKBURN: Correct.

MS CAHILL: There is also a set of policies and procedures housed in a document that is also comprised --- that also comprises that program; is that right?

10 MR BLACKBURN: That's correct. The document title of the AML/CTF program represents parts A and B of the program, but if you use perhaps a small "p", then you would consider the policy and the procedure underlying document as part of the overall program.

15 MS CAHILL: We'll just identify those documents, because we'll come back to them later in this examination.

MR BLACKBURN: Happy to.

20 MS CAHILL: CRW.514.002.0110, only on the room screens, please. That's the front page of "Part A"?

MR BLACKBURN: Yes.

25 MS CAHILL: That document was approved by the CRL board in November 2020; is that right?

MR BLACKBURN: That's correct.

30 MS CAHILL: At the same time there was a Part B document, which is displayed on the right-hand side of the screen as CRW.514.002.0145 that was also approved at that time, but it was then replaced in August 2021. Is that right?

MR BLACKBURN: That is correct.

35

MS CAHILL: We will identify it. CRW.700.102.5742, only on the room screens, please, and CRW.514.002.0001, only on the room screens, is the accompanying policies and procedures.

40 MR BLACKBURN: Correct.

MS CAHILL: Part A has not been the subject of any term amendment since it was approved in November 2020?

45 MR BLACKBURN: Yes, that's correct.

MS CAHILL: By the time of your memo in May 2021, the joint program had not

been fully implemented, had it?

MR BLACKBURN: It hadn't, no.

5

MS CAHILL: Has it been fully implemented now?

MR BLACKBURN: My understanding is that it has been fully implemented, but that is not based on testing. We are in the process of building a testing function that will allow us to confirm with confidence that it in fact has been implemented across the organisation.

10

MS CAHILL: When you say the program has been fully implemented, do you include within that answer Part B as it was approved in August 2021?

15

MR BLACKBURN: Correct.

MS CAHILL: You were obviously not there in November 2020 when the joint program was prepared and then approved by the board, but in terms of reaching your view about its foundational status as at May 2021, you presumably considered whether that program, in particular Part A, was based upon an AML/CTF risk assessment, did you?

20

MR BLACKBURN: I did.

25

MS CAHILL: Were you able to satisfy yourself that the joint program was based upon an ML/TF risk assessment in respect of, specifically, the Perth Casino operations?

MR BLACKBURN: I wouldn't have considered it specifically in respect of the Perth Casino operations other than as an element of all of the reviews that were undertaken, in particular by external advisers and external consultants, but also in the context of the 2019 review that Mr Preston conducted and assessed, which I understood to have included Perth as well. Notwithstanding that at the point of his review, the Perth DBG would have been separate and distinct from the CRL DBG, the designated business group, which was essentially formed through the introduction of the program in 2020.

30

35

MS CAHILL: For the program that was approved in November 2020 ---

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MR BLACKBURN: Yes.

MS CAHILL: --- you explored and considered whether it had, before then, been based upon a risk assessment?

45

MR BLACKBURN: I did, yes.

MS CAHILL: If I could show you this document, CRL.614.001.0670. Was this one

of the documents that you identified as forming the basis of the risk assessment that underpinned the joint program?

5 MR BLACKBURN: Not this document specifically, but the outcomes from this document. So the risk register, the AML risk register that was developed pursuant to this or as part of this review, is what I was --- what I considered. But, no, this document is new to me.

10 MS CAHILL: All right. 673, if we go there, please, was this document one that you considered as underpinning the joint program approved in November 2020?

MR BLACKBURN: I had --- I viewed that document. That is a document that was familiar to me as part of my review, yes.

15

MS CAHILL: Did you form the view that this was an assessment that underpinned the November 2020 joint program?

MR BLACKBURN: I formed the view that it was one of many assessments that underpinned the risk assessment of the joint program. This, in aggregation with or in collection with a number of external reviews including the Promontory review which was underway at the time, the first phase of that was released, which was intended to act as, at least, support for the EWRA, in that it was identifying vulnerabilities, inherent risk and assessing what was necessary to reach a residual --- a lower residual risk rating. But, yes, in short, this was one of the documents I would have considered.

25

MS CAHILL: Another one is at 0682, the risk register?

30 MR BLACKBURN: Correct.

MS CAHILL: When you talk about "external reports", you mentioned a moment ago, are you saying that was completed and then brought to account prior to the approval of the joint program in November 2020?

35

MR BLACKBURN: No, certainly not. Certainly not. What I'm saying is that the Promontory work was underway. There was consultation on the Promontory work, I discussed it a number of times prior to forming an opinion. I also had the benefit of the Initialism work from October 2020, which was essentially an assessment of the compliance of the program, which indicated that the program was compliant with applicable law and designed effectively to manage and mitigate --- identify, manage and mitigate risk. But amongst others, there were a number of reports.

40

MS CAHILL: Looking at the position as at November 2020, when the board approved the joint program, the two documents I have just shown to you, do you regard them as adequately assessing the ML/TF risk for the Perth Casino operations?

45

MR BLACKBURN: That would be a hypothetical, because I wasn't in that position,

because my opinion is as of May of 2021. However, if I were in that circumstance, and if I were presenting it --- if it were solely based on those two documents, I do not feel that would be adequate for a more comprehensive understanding of risk.

5

MS CAHILL: If we come back to the policy and procedures, this is just on the in-room screens, CRW.514.002.0001, at page 0082, there's a risk assessment methodology published 16 October 2020. With respect to the Perth Casino operations, are you able to say whether the ML/TF risk assessment on which the current joint program is based was prepared in accordance with this methodology?

10

MR BLACKBURN: I'd be unable to say.

MS CAHILL: At 0084, it refers to the methodology including certain dimensions which appear in the dot points. With respect to the Perth Casino operations, those two documents that I showed you before, the memo and the risk register, in your view do they include those same dimensions?

15

MR BLACKBURN: Having reviewed them, as I mentioned --- sorry, in respect of the two documents that I did review, you mean, do these comply with --- sorry, could you just repeat the question?

20

MS CAHILL: I showed you before a memo that contained a risk assessment in relation to Crown Perth?

25

MR BLACKBURN: Yes.

MS CAHILL: In your view, do those two documents conform to this methodology in the sense of including these same dimensions for assessment?

30

MR BLACKBURN: I think I'd need to consider that, but my initial reaction is no.

MS CAHILL: At 0087, there's a risk assessment model as part of the methodology that includes certain categories, subcategories and risks, as are set out there in those columns. Those two documents that I took you to earlier, in your view, do they conform to that risk assessment model?

35

MR BLACKBURN: Again, I'd need to consider it more deeply, but based on a fairly cursory review, I would say no.

40

MS CAHILL: The methodology at 0085 refers to the need to assess both inherent and residual risk ---

MR BLACKBURN: Yes.

45

MS CAHILL: --- with the residual risk being assessed after taking into consideration the existence and operational effectiveness of controls that are put in place to mitigate the risk being assessed.

Can we go to the risk assessment documents, CRL.614.001.0670 at 0673, this is that memo I showed you?

5 MR BLACKBURN: Yes.

MS CAHILL: Over the page, do you see at the top:

The residual risk rating for potential ML/TF activity at Crown is LOW.

10

MR BLACKBURN: Yes.

MS CAHILL: Would you agree ---

15 MR BLACKBURN: I do.

MS CAHILL: Would you agree with hindsight that that was not an adequate assessment of residual risk?

20 MR BLACKBURN: I would agree with that, yes.

MS CAHILL: Your agreement in hindsight is informed by, amongst other things, the outcome of the Bergin Inquiry?

25 MR BLACKBURN: I don't think that would have changed my opinion. I certainly appreciate the outcome of the Bergin Inquiry and I don't disagree with that element of it, but my opinion on its own would be that that was a curious result.

30 MS CAHILL: Look at the PowerPoint presentation from May, CRW.510.073.1797 at page 1802. Moving on from the "Joint AML/CTF program" component, if we skip "People and governance" and go down to "Enterprise-wide risk assessment". This is an important component of any program, as far as you are concerned?

35 MR BLACKBURN: It is indeed.

MS CAHILL: Can I just understand what you mean by an enterprise-wide risk assessment? Do you mean an assessment across Crown's entire business to identify comprehensively all financial crime risks?

40 MR BLACKBURN: I would suggest it's broader than that. It starts with --- so there are four core elements to a financial crime enterprise-wide risk assessment. The four core elements are customer risk, product risk, channel risk and jurisdiction risk. Each of those components have several elements to it in order to determine the inherent and residual risk.

45

Then taking those, accumulating them, looking at the objective evidence of the risk and the exposure across those four elements, then considering controls against those

risks to determine whether or not --- what your residual risk outcome is. That, to me --- and also doing it not simply across those elements, but also across your business lines, by business unit.

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So, in particular, where designated services are provided by specific business units, including at Crown Perth and the elements of those businesses and products at Crown Perth, it would be in respect of each of those at an initial level, and then aggregated for the purpose of the entire organisation.

10

MS CAHILL: The objective though is this, isn't it, of that method and approach, to, as far as is possible, comprehensively identify across the enterprise the financial crime risk that arises?

15

MR BLACKBURN: That's correct.

MS CAHILL: Because unless an enterprise or business has comprehensively identified all material financial crime risks, it can't be confident that it's adequately managing its risks. Would you agree with that?

20

MR BLACKBURN: Yes, I would agree with it in part. I think it simplifies it perhaps too much in that there are several elements to the risk and you can have components of the risk assessed which give you insight into your foundational risks, your fundamental risks, your inherent risks, and certain controls, an assessment of certain controls that may form part of your view of residual risks.

25

But at some point or another, it is extraordinarily helpful to have, which is why I proposed it, a consolidated enterprise-wide risk assessment. It's not fundamental or necessary to ensure that you are fully identifying your risks, but it is incredibly helpful as a tool.

30

MS CAHILL: At page 1802 of the presentation, you assess the enterprise-wide risk assessment for Crown as somewhere between initial and foundational; is that right?

35

MR BLACKBURN: Correct.

MS CAHILL: Which means it has moved beyond Initial and is heading towards, but has not yet reached, the characteristics of Foundational expressed at page 1800?

40

MR BLACKBURN: That was my opinion at the time, yes.

MS CAHILL: Having regard to the objective you have described of an enterprise-wide risk assessment, when you prepared your main memo to the board and the PowerPoint presentation, had you formed a view then about whether money laundering and terrorism financing risks specifically had been comprehensively assessed across the whole of Crown Casino's operations?

45

MR BLACKBURN: I formed the view that money laundering and terrorism

financing risks had been assessed, at least in part. I wouldn't have assessed it as complete or comprehensive and, as you can see, I indicated that it was somewhere between Initial and Foundational. For me, Foundational would mean that every
5 element had been comprehensively assessed and residual risk was fully understood.

MS CAHILL: The current joint program, as it sits presently, do you say that that is based upon an enterprise-wide risk assessment?

10 MR BLACKBURN: I would say that it is based on --- multiple risk assessments that in aggregate form an enterprise-wide risk assessment. But, again, the program as it stood in November 2020, I don't have the benefit of understanding what all was considered. You've identified two documents that presumably were considered as
15 part of that risk assessment, the underlying risk assessment. In my assessment, there were additional materials that I could cite to consider the risk, including external reviews.

MS CAHILL: But they postdated November 2020?

20 MR BLACKBURN: Correct. Well, I suppose with the exception of Neil Jean's Initialism review of October 2020. Just by way of reminder, that assessment indicated that Crown's program was compliant and designed effectively to identify, manage and mitigate risk and that is an opinion that can only be based on a
25 determination that there is an underlying enterprise-wide risk assessment that's adequate for the purposes of the program.

MS CAHILL: The two documents I took you to before that we have been discussing, you don't contend that they constitute an enterprise-wide risk assessment separately or together?
30

MR BLACKBURN: In my view, if they were the sole documents that were considered for the purpose of risk assessment, I would not feel they were adequate.

MS CAHILL: It's the case ---
35

MR BLACKBURN: But I suspect, depending on the expert you are engaging, you may have a different answer.

MS CAHILL: It's the case, isn't it, that PwC has been retained to prepare an enterprise-wide risk assessment for Crown now?
40

MR BLACKBURN: To assist with the preparation, yes.

MS CAHILL: With a focus specifically on ML/TF risk?
45

MR BLACKBURN: Correct.

MS CAHILL: It seems from paragraph 131 of your witness statement that that is due

to be completed this month and to be sent to the board for approval in December.

MR BLACKBURN: For noting in December, but yes, correct.

5

MS CAHILL: Just to understand precisely what PwC is doing, can we go to this document, CRW.700.100.1664.

10 You will recognise this document, Mr Blackburn, the Transformation Program Steering Committee. It's a PowerPoint presentation dated 6 October 2021.

MR BLACKBURN: I do recognise that, yes.

15 MS CAHILL: If we go to page 1696, here we are in the part that deals with the financial crime and compliance change program for which you are responsible?

MR BLACKBURN: Correct.

20 MS CAHILL: Did you either prepare or approve such of the contents of this PowerPoint presentation that relate to that change program?

MR BLACKBURN: I reviewed the content and was comfortable with it.

25 MS CAHILL: Over on page 1697, you see in that right-hand column, there is a reference "D1". Do you see that row, D1?

MR BLACKBURN: Yes, I do.

30 MS CAHILL: That's a reference to developing, executing and signing off on the EWRA?

MR BLACKBURN: Yes.

35 MS CAHILL: That's simply the methodology document, is it, or is it actually an assessment of risk itself?

MR BLACKBURN: It's the result.

40 MS CAHILL: All right. But that's just for this financial year?

MR BLACKBURN: Correct, that is typically how you do EWRA's, is on an annual basis. So it would be for the last financial year.

45 MS CAHILL: Although, if we look at D2, is the idea there that once the assessment for this financial year has been completed, there's a task that's to be undertaken to produce a process that will be able to be deployed year on year?

MR BLACKBURN: That's correct. In my experience, EWRA should never be

singular events; they must be ongoing events and they must actually have components that occur over the course of the fiscal year, not simply at the end of the fiscal year.

5

MS CAHILL: So the D1 task, therefore, and what is going off to the board for approval --- is it next month ---

MR BLACKBURN: Correct.

10

MS CAHILL: --- is, in effect, an interim methodology or process that is to be further refined next year?

15

MR BLACKBURN: My view is that every EWRA is an interim process, in that it requires continuous evolving or evolution, excuse me, in the context of financial crime being an ever evolving challenge. So I don't think one could ever say that you would have a truly effective EWRA to meet all risks at all times. You need to continue to evolve it.

20

MS CAHILL: Accepting that, the D1 exercise is not intended to be repeatable whereas the D2 exercise is; would you agree?

MR BLACKBURN: D1 is foundational for D2. You can't have D2 without D1, so they must be read in conjunction.

25

MS CAHILL: Just having a look at the time frames here, is Crown on track to meet those time frames in the right-hand column, in respect of D1 and D2?

MR BLACKBURN: We are indeed.

30

MS CAHILL: So in relation to D2, the design of the EWRA process refinement is to be completed by, more or less, the end of the year. When will that go to the board of CRL for approval?

35

MR BLACKBURN: Well, it will continuously go to the board. So every year, the EWRA --- so our approach to EWRA going forward, which will be captured in the program, in Part A of the program, will be to conduct an EWRA on an annual basis, and it will consistently build on the previous year's EWRA, but you look at the objective evidence from that period in time, so that fiscal year.

40

So presumably I will take --- whenever the redesign is ready, I will take it to the board for noting as opposed to approval, simply to inform them of what we've done to change the program and what we continue to do to change the program and the likely outcomes of those changes.

45

MS CAHILL: The D2 exercise is distinct from an annual assessment, though, isn't it?

MR BLACKBURN: I wouldn't say so, no, in that D2 is required for your continued evolution. So the D2 process is kind of fundamental, frankly, to having an effective and ongoing robust EWRA.

5

MS CAHILL: Yes, so there will be a separate FY22 ML/TF EWRA?

MR BLACKBURN: There certainly will, yes.

10 MS CAHILL: That will be a separate task?

MR BLACKBURN: Correct, yes. Each year there will be a separate task that builds on the last.

15 MS CAHILL: So will the D2 EWRA process refinement task culminate in a document to be approved by the CRL board?

MR BLACKBURN: To be noted by the CRL board, yes.

20 MS CAHILL: When will that happen?

MR BLACKBURN: At the end of the calendar year for 2022.

MS CAHILL: And for Burswood Limited, the board of Burswood Limited?

25

MR BLACKBURN: For noting as well, same period of time.

MS CAHILL: Can we come back to your witness statement, please, at paragraph 133, page 1030. You refer to a risk assessment framework document dated August 2021.

30

MR BLACKBURN: Yes.

MS CAHILL: On the hearing room screens, please, if we can open up CRW.700.102.5470. Can I ask you what relationship this document bears, if any, to the EWRA?

35

MR BLACKBURN: This is a foundational document, if you will, it's a constituting document for the purpose of the EWRA. It sets out the framework and approach, so essentially, the design of the overall approach to constructing the EWRA, the financial crime EWRA.

40

MS CAHILL: Just keep that document sort of virtually tagged, if you will, with a finger on it, and go back to your witness statement at 122, page 1028. There is something I want to understand about your evidence here. The effect of paragraph 122, as I understand it, is to say that the risk of facilitating financial crime at each Crown Casino is, in your view, virtually identical; is that right?

45

MR BLACKBURN: Yes.

5 MS CAHILL: If we go back to the document I have just shown you, page 5478, under the heading "Considerations" on the left, you will see the second sentence where it talks about "inherent risk profiles for similar products may differ across Crown locations"?

10 MR BLACKBURN: Yes, that's correct.

MS CAHILL: There are two requirements. You don't disagree with that proposition?

15 MR BLACKBURN: I don't.

MS CAHILL: Does that mean, therefore, that the risk profiles may not be virtually identical across different locations?

20 MR BLACKBURN: It will entirely depend on --- so the fundamentals of the underlying risks are the same. The approaches of the criminals for facilitating money laundering and the typologies associated with the criminal activities are consistent across jurisdiction. It may differ based on, for example, the number of EGMs in a location versus the absence of EGMs in a location. So it could differ based on the products, it could differ based on channels, if there were a difference in
25 channels --- at this point, there isn't --- and it could differ based on customers. So when you are conducting the customer risk assessment, you will determine how many of your customers are high risk, moderate risk or low risk. That may differ jurisdiction to jurisdiction, which ultimately means that the EWRA for each jurisdiction may be slightly different, but ultimately addressing and managing the
30 same underlying risks.

MS CAHILL: So are there two EWRA's for financial year 2021, one for Melbourne and one for Perth?

35 MR BLACKBURN: There will be three, in fact. There will be one for Melbourne, one for Perth and one for Sydney, all of which aggregate into the global EWRA, which is the CRL.

40 MS CAHILL: Right. So if we go back to CRW.700.100.1664 at page 1697, that task D1 actually refers to three separate assessments, does it?

45 MR BLACKBURN: Yes, I wouldn't necessarily call them separate assessments in that they are looking at the same components, they are just looking at it for different jurisdictions, but the components are frankly identical. As I said, you're looking at channel risk, you're looking at product risk, customer risk and jurisdiction risk. So the assessments --- the methodology behind the assessments is virtually identical. It's just applied to different data sets.

MS CAHILL: If I can just ask you to look at this document, and I think it's also just in the hearing room, CRW.701.011.2255, which is something that's been provided recently to the Commission as a working draft of the EWRA dated November 2021.

5

MR BLACKBURN: Yes.

MS CAHILL: Is that for a particular property or does it deal with different properties in different ways?

10

MR BLACKBURN: I have yet to review this document. I reviewed it last night when the PCRC --- when it was indicated that you would be taking me to this document, but it is not yet in a position to be shared with me.

15

MS CAHILL: So you wouldn't be able to say --- so I'll go back a step. Who has prepared this, to your knowledge?

MR BLACKBURN: So it would be my team, members of my team, particularly those responsible for financial crime risk governance, together with the PwC help.

20

MS CAHILL: Is it nearing finalise ---

MR BLACKBURN: Sorry, my apologies, I'm wrong on that, because I did check late last night if my team had seen it. I understand that this was prepared by PwC and has yet to be vetted by either Crown --- by my team at Crown or by myself.

25

MS CAHILL: All right. Is it nearing finalisation, to your knowledge, or you are just unable to say because it hasn't been vetted by Crown?

30

MR BLACKBURN: I don't know. I simply haven't reviewed it yet, so I'm not certain.

MS CAHILL: Coming back to CRW.700.100.1664 at page 1697, does this document that I have just shown you relate to the task at D1 or the task at D2, or neither?

35

MR BLACKBURN: It would likely be an underlying task for D1. It would be the first part of that, so development, primarily.

40

MS CAHILL: All right. Now let's come back to the draft EWRA of November 2021 ---

COMMISSIONER JENKINS: Before we move to that, can I just then ask, there are various due dates on the right-hand side on D1.

45

MR BLACKBURN: Correct.

COMMISSIONER JENKINS: Are they different documents, or the design,

11:00AM

implementation and embedding of the one document?

5 MR BLACKBURN: The latter. It's the design, implementation and embedding of the final document.

10 COMMISSIONER JENKINS: That document that Ms Cahill took you to, I'm still just unsure, is that the document that should have been finished off by 30 September, or ---

MR BLACKBURN: The document that was referred to moments earlier, the August document, which was the ML/TF framework document was the design element of the overall EWRA. So that would be reflected in the first category.

15 COMMISSIONER JENKINS: I don't understand why you haven't reviewed it at this point.

20 MR BLACKBURN: I have reviewed the design document, so the framework document, but I have not reviewed the result, the initial draft result, which would underlie the implementation document.

COMMISSIONER JENKINS: Would I be right then in assuming that by 25 November, you and your team are supposed to have done that?

25 MR BLACKBURN: That is the expectation, yes.

COMMISSIONER JENKINS: Thank you. Ms Cahill.

30 MS CAHILL: Thank you, Commissioner.

And what else by 25 November? Just reviewing that document and finalising it, or something else?

35 MR BLACKBURN: That is the task ahead.

MS CAHILL: That is the task of implementing the EWRA?

40 MR BLACKBURN: Well, finalising the document for implementation, and then embedding following board noting.

MS CAHILL: So it will be embedded between 25 November and 17 December?

MR BLACKBURN: Correct.

45 MS CAHILL: What does that actually mean?

MR BLACKBURN: Well, the results of the EWRA will inform our approach to many different things. It will inform our approach to policy change. Some of that

policy change may happen immediately, but what it will do through embedment is trigger a number of other actions that flow from the data collected and the results of the assessment.

5

MS CAHILL: Right. If we come back to the draft EWRA for discussion, CRW.701.011.2255 at page 2273.

10 Accepting that this has not been vetted by Crown, Mr Blackburn, do you see in the first paragraph, there is a comment --- if we can pop that out for Mr Blackburn, please --- that first paragraph, there is comment at the top of the page, the first paragraph --- there is some commentary about the limitations that have been encountered. In the second sentence, it explains that these challenges are not uncommon, specifically for those undertaking baseline EWRA's, such as Crown.

15

MR BLACKBURN: Yes.

MS CAHILL: Would you regard Crown as now undertaking a baseline EWRA?

20 MR BLACKBURN: Yes, I would.

MS CAHILL: Which means, does it, that Crown has not previously undertaken an EWRA?

25 MR BLACKBURN: No, no, I think it's the definition of EWRA. So EWRA's can be constructed based on multiple reports and reviews and assessments, or on a singular one. This baseline one is a singular EWRA and that will be what I intend to deliver in December.

30 MS CAHILL: At 2275, section 4.3 ---

35 MR BLACKBURN: If I might just clarify, or provide some additional comments on the context of EWRA's, if you will, the point of an EWRA, as you probably appreciate, is to understand the underlying risks associated with your designated services. The designated services in the context of a casino are relatively straightforward. It's not the same as in the banking industry where you have a great deal of complexity across the designated services, the channels, the products, et cetera. In the context of a casino there is a limited number of products, very limited number of channels, particularly in a pandemic environment, and all of these in aggregate present a relatively straightforward process for enterprise-wide risk.

40 In conducting that enterprise-wide risk, there are many, many helpful inputs, and some of those helpful inputs are things like external reviews where they have identified risks, they have identified vulnerabilities, they have identified appropriate controls, because it assists you in understanding whether or not you have the correct controls to manage the risks. I think you will probably recall that in the Deloitte forensic assessment that was commissioned as of the Bergin Inquiry, the result of the phase 3 of that indicated that Crown had built appropriate controls to mitigate,

45

manage and --- to mitigate and manage the financial crime risk associated with 10
criminal typologies. That is the inherent risk that you are looking at, the 10 criminal
typologies represent inherent risk. Then you assess the controls at that point to
5 determine whether or not those controls are effective. Happily for us, Deloitte
indicated that they believe our controls are effective, though not sustainable until
such time as we automate more of them.

10 But these are the, sort of, fundamental underlying components of an EWRA and why
we --- frankly why I was able to say in May that it wasn't completely initial, because
we did have foundational elements that I could rely on to determine whether or not
the underlying risks were understood.

15 MS CAHILL: This section 4.3, the first sentence there on the screen, can you tell me
whether you agree or disagree with that ---

MR SHAW: Can I ask, Commissioner, could Mr Blackburn be given the
opportunity, before being drilled on paragraph 4.3, to read as much of the document
as he wishes to?

20 COMMISSIONER OWEN: Do you need to put this in context, Mr Blackburn? If
you do, please let us know.

MR BLACKBURN: If I could take two minutes, that would be terrific, just to
25 quickly have a look at the document.

COMMISSIONER OWEN: Certainly.

30 MS CAHILL: I don't have a problem with that, Commissioner, just as long as it is
understood that Mr Blackburn was specifically given the documents ahead of time
yesterday in order to avoid this delay.

COMMISSIONER OWEN: Yes, but let him remind himself. If you could pull that
out, please?

35 MR BLACKBURN: That would be terrific, thank you very much. I do have a paper
copy here that I will reference.

40 MR DHARMANANDA: Just to be entirely clear in relation to the delivery of the
documents that Mr Blackburn received, if one counts the number of pages there is
(inaudible).

45 COMMISSIONER OWEN: Mr Blackburn, we will be due to have a break in five
minutes' time. I won't object if we break now and you can have a look over the
break. We'll take 20 minutes and come back --- it will be 11.30 am our time, which
will be 2.30 pm, I think, your time.

MR BLACKBURN: Terrific, thank you very much.

ADJOURNED

[11.09am]

5

RESUMED

[11.30am]

10 COMMISSIONER OWEN: Thank you, Mr Blackburn.

Ms Cahill.

15 MS CAHILL: Thank you, Commissioner. Mr Blackburn, on the screen, you will see the first paragraph of section 4.3 in the working draft of the EWRA.

MR BLACKBURN: Yes.

20 MS CAHILL: My question is whether you agree with the statement in the first sentence?

MR BLACKBURN: I don't agree with anything in that paragraph.

25 MS CAHILL: You don't agree?

MR BLACKBURN: No.

30 MS CAHILL: All right. So where it says there's no standalone risk assessments for the product, customer, jurisdiction and channel categories that have previously been conducted and documented, you say there have been?

35 MR BLACKBURN: I would say we have a product risk assessment, we have a customer risk assessment, and a jurisdictional risk assessment and a channel risk assessment, so I think perhaps the semantics hang on "standalone". I'm not sure what that means in this context, but we have operating assessments for all four of those elements.

40 MS CAHILL: You would disagree with the proposition that seems to be implicit in this sentence that whatever has been done could not be considered as an input into the EWRA?

MR BLACKBURN: I definitely disagree with that.

45 MS CAHILL: Thank you. Can I come back to your witness statement, please, 147 at page 1033. You give some evidence there about the EWRA identifying ML/TF risk associated with the planned VIP business of Crown Perth?

MR BLACKBURN: Correct.

11:31AM

MS CAHILL: What is the planned VIP business of Crown Perth?

5 MR BLACKBURN: My understanding is that it is a consideration of customers with high net worth that may be considered VIPs for gambling purposes, but I'm not fully across the VIP plans.

MS CAHILL: Thank you.

10 MR BLACKBURN: I am comfortable, though, that whatever customers we introduce will be assessed through our new customer risk assessment methodology, which will then feed into the EWRA, allowing us to understand the risks posed by those customers and the residual --- and the controls intended to manage those risks.

15 MS CAHILL: I just want to clarify something about the joint program in its current form with Mr Blackburn.

MR BLACKBURN: Yes.

20 MS CAHILL: To your knowledge, both before your arrival at Crown in February and since then, from about mid-2020, Crown has implemented a number of specific controls to mitigate the risk of money laundering through its casino operations; do you agree?

25 MR BLACKBURN: We have indeed, yes.

MS CAHILL: Not exclusively, but in many respects those measures have been undertaken as an out-working of the consequences of the Bergin Inquiry?

30 MR BLACKBURN: I'm not sure that's a fair conclusion. I would suggest they were taken in part because of the work that we are doing for the financial crime and compliance change program, which is intended to uplift and enhance every element of the SE ecosystem. So there were elements, I think you will agree, in the 24 May board paper and pack that are not reflected in the Bergin Inquiry. The Bergin Inquiry
35 was relatively specific to three typologies of criminal type activity. Our steps have gone far, far beyond that.

MS CAHILL: So you did hear my question, that I said "not exclusively"?

40 MR BLACKBURN: I apologise, I apologise. I didn't hear you say that, but I understand.

MS CAHILL: At least some of the responses have been as a consequence of the out-workings of the Bergin Inquiry?

45 MR BLACKBURN: I would expect that, yes.

MS CAHILL: Would you agree with me that the change program itself is, in essence, a consequence of the out-workings of the Bergin Inquiry?

5 MR BLACKBURN: I don't think so and here is why I would suggest not. I think that probably contributed to it, but my being hired at Crown was initiated by the former CEO, Ken Barton, before the Bergin Inquiry presented its report. It was subsequent to that. Now, much of the Bergin Inquiry had occurred by that point in time, so I imagine that partially motivated his actions.

10 But in my assessment of Ken's intention in hiring me, it was to evolve the financial crime and compliance program at Crown to be world-leading, and that is what I understood as the motivation for bringing me in. I was determined to do a financial crime and compliance change program from the day I stepped into Crown,
15 recognising that that was a value that I could add in advancing Crown's program and ultimately in advancing the altruistic goal of managing crime.

MS CAHILL: These changes that have occurred since mid-2020, whatever the rationale for them or the motivation, your change program or Bergin findings or
20 whatever, am I right in understanding that the steps that have been taken in that regard have not yet found their way into Part A of the joint program as it is documented?

MR BLACKBURN: That is correct. They are above and beyond the requirements
25 of Part A, so they are essentially excessive or enhancement steps that will supplement what we are currently doing through Part A.

MS CAHILL: Are they reflected at a more granular level of detail, for example in
30 policies and procedures?

MR BLACKBURN: They have been incorporated into some policies and procedures, as I understand it, but there is documentary evidence of every change we have made. Where it resides will depend on the change.

35 MS CAHILL: There will be some elements of the program, perhaps specifically the policies and procedures component of it, which will need to be updated to reflect these measures that have been undertaken?

MR BLACKBURN: Correct.

40 MS CAHILL: You mention at paragraphs 134 and 135 of your witness statement, pages 1030 to 1031, that it is intended to amend the joint program as a whole?

MR BLACKBURN: To simplify our hierarchy, yes.

45 MS CAHILL: The intention is to present the amendment of the program to the board of CRL for approval in December 2021; is that right?

11:37AM

MR BLACKBURN: Part A, correct.

MS CAHILL: Just Part A?

5

MR BLACKBURN: Yes. That's the only component that is required to be approved at the board level under the AML/CTF Act and Rules

10 MS CAHILL: So when is the program as a whole, the completion of the amendment time, to occur?

15 MR BLACKBURN: The remainder of the program, so Part B of the program, will incorporate much of what is currently in the policy and procedural document that underlies the two, and that will also be presented to the board at the same session for noting.

MS CAHILL: So the program as a whole will be --- the amendments will be complete by the end of next month?

20 MR BLACKBURN: Yes, correct.

MS CAHILL: What is the current status of the amendments?

25 MR BLACKBURN: They are well progressed. We anticipate that we will be in a position to circulate a document relatively soon, so well before, obviously, it is presented to the board.

30 MS CAHILL: At 135, you say it is anticipated that systems, controls and substantive obligations described in the existing program will not substantially change as a result of the revisions that you describe in 134. But Part A will need to change materially, won't it, to address the change in controls that have occurred since mid-2020?

35 MR BLACKBURN: Well, Part A was, in my opinion, very well drafted. The November 2020 Part A was very well drafted to accommodate all kinds of flexibility and change over time. Therefore, the changes actually will not be significant. There will be some, certainly, to clarify the risk-based approach in certain circumstances, and also to change certain binary obligations. However, by and large, Part A is a well drafted document that should serve the purpose of further change.

40 MS CAHILL: Go to page 1043 of your witness statement, please. This is the annexure of the different reviews that have been conducted in relation to the risk program?

45 MR BLACKBURN: Yes.

MS CAHILL: In the "Status" column, the first box talks in the second paragraph about "the final action item". The independent review of Part A will commence on or before 31 December?

MR BLACKBURN: Correct.

5 MS CAHILL: That might lead to material changes to Part A might it not?

MR BLACKBURN: It could, and I should hope that it would. My expectation out of any independent review is that it's a helpful instrument to ensure that you're managing risk effectively. So I will expect that the consultant we have engaged to conduct that work will identify issues and, as Part A of our ever ongoing evolution, we will be required to update our program following the independent review. I'm not sure I have ever seen an instance where a program has not been updated based on an independent review. Otherwise, it is not really worth the exercise.

10 MS CAHILL: Who is the independent reviewer that has been retained to conduct that assessment?

MR BLACKBURN: Exeger.

MS CAHILL: Therefore, presumably, the Part A is then updated, it will then need to go back to the board again for approval; is that right?

MR BLACKBURN: It sure will, yes.

MS CAHILL: What is the timeframe for that to occur?

MR BLACKBURN: Well, typically a review of that nature, a comprehensive review to understand whether or not the program is compliant and designed effectively to mitigate and manage the risk, will take up to four months. That's assuming that the control assessment is robust and complete. I would anticipate we are probably looking at June of 2022 as the next return to the board for approval of an updated Part A. It could be after that, depending on implementation time.

MS CAHILL: The enterprise-wide risk assessment that is being completed now, that will go to the board for noting next month; is that right?

MR BLACKBURN: Correct.

MS CAHILL: Might that EWRA also lead to changes to Part A?

MR BLACKBURN: I would expect that it will. Your Part A is something like a living, breathing instrument in the financial crime world. You should anticipate that you are changing your Part A relatively frequently to respond to new risks, new challenges, new control obstacles, things of that nature.

MS CAHILL: How is the EWRA that is to be completed by next month and to be noted by the board, going to integrate with the independent review?

MR BLACKBURN: I suspect we will probably approach the changes to Part A simultaneously, but it really depends on the outcomes of the EWRA. If there are any significant and material outcomes of the EWRA that we feel must be changed more urgently, then the approach will be to access the board earlier.

MS CAHILL: At paragraph 145 of your witness statement, page 1033, you are responding to a question there where you are asked to assess the sufficiency or effectiveness of the revised joint program to be presented in December 2021.

MR BLACKBURN: Yes.

MS CAHILL: You don't answer that question directly. Instead, you say the draft program will not be adopted until your team and you are satisfied as to its sufficiency and effectiveness.

My question is this, Mr Blackburn: are you presently satisfied as to the sufficiency and effectiveness of the draft program in the state it currently is in?

MR BLACKBURN: Of the draft program? I can't reach a conclusion until such time as the program is complete. We are continuing to work on that program and incorporate change as we progress. Even as we progress, much of the work for the EWRA, for example, is complete; the objective assessment, the objective review of controls, et cetera.

As that continues, we have further opportunities to alter Part A prior to presenting it to the board, and Part B, frankly, prior to noting for the board. So it's, sort of, a difficult one for me to answer without the context.

MS CAHILL: It will go to the board for approval next month?

MR BLACKBURN: For noting next month, and the Part A before the board for approval next month, yes, correct.

MS CAHILL: But it is not yet in a sufficient form that you can opine on its sufficiency or adequacy; is that the effect of your evidence?

MR BLACKBURN: That is accurate. I would suggest that is always the case with respect to a Part A of your program. You should always be aware of evolving threats, evolving changes and ensuring you incorporate those at every opportunity you have, which is precisely what we are doing right now.

MS CAHILL: There is a difference between a document being the subject of continuous improvement and alive to evolving threats, and an assessment of its current state, in terms of effectiveness?

MR BLACKBURN: Is there? Is there really, in the capacity of a financial crime program? I disagree with that comment and that conclusion, in fact. I think your

Part A needs to necessarily respond to evolving threats, it needs to respond to evolving information. As you know, we have had a number of external reviewers provide commentary on our program --- provide commentary on elements of our program. All of those are necessary inputs into determining whether or not Part A is satisfactory. We have most recently received Deloitte's Phase 2 results, which will invariably impact our Part A.

So, I feel that Part A must continue to evolve on an ongoing basis and until it is, sort of, presented to the board, it is not to be presented to the board until it is ready. And then it will continue to evolve after that. So there will also be a caveat that it will continue to evolve over time.

MS CAHILL: You are not suggesting that you cannot assess the sufficiency and effectiveness of the program at a point in time?

MR BLACKBURN: You can draw a line in the sand. However, I would say at this point in time we have too many inputs coming in to determine whether or not --- for me to assess it at this point in time. I need to ensure that all of those inputs are taken into consideration, including the results of the Victorian Royal Commission, including, frankly, the outcome of the PCRC as well.

MS CAHILL: So you wouldn't be prepared to opine on the sufficiency or effectiveness of the joint program until after this Commission's report is delivered, is that what you are saying?

MR BLACKBURN: No, I will. Oh, goodness no, no. I happily will be taking into account much of what comes out of the Perth Royal Commission, as it's incredibly relevant to the work we are doing in the financial crime space. So I am keen to ensure that everything that is addressed through the Perth Royal Commission finds its way into our program.

MS CAHILL: Can we go to page 1035 of your witness statement, paragraph 153. You were asked about specific steps or measures to be taken to implement the joint program, and you explain those are yet to be determined. Is that because the joint program itself is not in a sufficiently final state?

MR BLACKBURN: That would be one factor, yes.

MS CAHILL: What are the other factors?

MR BLACKBURN: We need to determine the outcome from the EWRA. That's relevant to determining how we proceed with the implementation of the program, amongst others.

MS CAHILL: A little bit later, Mr Blackburn, I want to ask you in a bit more detail about time frames for the change program.

MR BLACKBURN: Yes.

5 MS CAHILL: But can I just ask you this now: because you have not yet determined the steps or measures to be taken to implement the joint program, does that mean you are not able, as we sit here, to say how long it will take to implement the new joint program?

10 MR BLACKBURN: I think that's a fair conclusion. It's difficult for me to assess how long it will take to implement the program until we have the EWRA, in particular, completed and the new program finalised. However, I think, in response to that question as well, we have a framework for the approach and this is a, sort of, tried and tested framework that has been applied at other reporting entities, including in my experience, and that will be the framework we follow. The specifics of that
15 framework are yet to be determined.

MS CAHILL: I want to go to the last sentence of your witness statement at page 1036. You say that while there is no time line for implementation, at present, you don't anticipate the revisions will necessitate significant operational changes.
20 Whether it will or won't depends upon such things as what the independent reviewer has to say; you would agree?

MR BLACKBURN: I would agree and that's why there will be continued changes over time, once we receive the results from the independent review that we will then incorporate into the program and then incorporate and embed at the organisation. It's
25 an iterative process.

MS CAHILL: It will depend on what the EWRA throws up?

30 MR BLACKBURN: Well, the EWRA will certainly have relevance to what we implement. But I think, just in response to your question, question 41 was a question as to the implementation of the AML/CTF Program, so that's the implementation of Part A and Part B of the Program. That is where I would suggest that I don't anticipate significant operational changes in that. That program is, as I said,
35 relatively well drafted to allow for a flexible approach and, of course, allow for a risk-based approach, which is permitted under the AML/CTF Act and Rules.

MS CAHILL: The actual implementation of the new joint program will involve policy uplift, won't it?
40

MR BLACKBURN: Procedural uplift.

MS CAHILL: Yes.

45 MR BLACKBURN: Policy uplift --- so, one of the challenges in Australian AML/CTF legislation is that we call policy "program", so the two are often used interchangeably. To define between the two, "program" is a defined term under the AML/CTF Act and Rules. The program may change, as I said, but I don't anticipate

that it will change in material ways because it is fairly well drafted to begin with.

5 The procedures that flow from that program, so policy --- small p policy, if I may ---
may be impacted and may change and, yes, that will lead to further implementation
of changes in procedures.

10 MS CAHILL: You will need to understand how much training or change in
resourcing is required as a result of amendments to Part A and the joint program as a
whole; would you agree?

15 MR BLACKBURN: I would, but I am very pleased to advise that I anticipated this
change, which is why on 24 May I requested an additional 56 employees in the
financial crime and compliance space to supplement the existing 55, so we could
anticipate change. That is why I have built up the team in the manner that I have.

20 But it is also why, wherever I have identified any challenges in the context of
staffing --- and I have identified issues in the context of resources --- I have sought
approval and obtained approval from Steve McCann and from the board to retain
external support. So PwC has been providing us incredible support, frankly, and that
will continue until such time as I am satisfied that our existing resources can manage
the risk.

25 MS CAHILL: Has any of that additional resourcing that you have anticipated and
been provided been at the first line of defence level?

30 MR BLACKBURN: No, but that's the distinction between reporting entities that I
think is relatively important to make. The first line of defence --- so let me clarify.
Reporting entities, of course, depending on the nature of the designated services,
differ greatly. In the context of financial institutions, you will see considerable
resources in the first line dedicated solely to financial crime. That is a normal course
in a very, very large organisation with considerable revenue. That is typically how
the risk is managed.

35 In smaller organisations, smaller reporting entities, typically you have a spread of
where your resources reside. In coming into Crown, I made the choice --- this was a
distinction from my time at NAB --- of including operational functions in the second
line, so on my team.

40 By way of example, we are doing customer due diligence, we are doing enhanced
customer due diligence, we are doing investigative processes, all in the second line
on my team. That is something you would typically see in the first line of defence at
a very large organisation, but not typical at a smaller organisation.

45 So I think it's important to note that the uptick in first line resources, there may be
some requirement --- and I noted in my paper of 24 May that there would be some
expectation that in technology we may require additional resources and in
procurement we may require additional resources, and it could be that we require

additional resources in the sort of initial triage of CDD, customer due diligence, in the first line.

5 But I do not anticipate there will be material change required in the first line because I have taken on that task in the second line.

MS CAHILL: I want to change topics slightly now and ask you specifically about transaction monitoring, Mr Blackburn. Can we return to your PowerPoint
10 (inaudible) and look at the last text box on page 1802. You identify the introduction of an automated monitoring system called Sentinel in February 2021?

MR BLACKBURN: Yes.

15 MS CAHILL: A move to automation in transaction monitoring is desirable from a financial crime risk point of view, isn't it?

MR BLACKBURN: Yes. I think it's more than desirable; it's fundamentally
20 necessary in some circumstances. However, it must always be supplemented through manual review in some circumstances.

MS CAHILL: The choice of Sentinel as a system was made before your arrival at Crown, was it?

25 MR BLACKBURN: That's correct.

MS CAHILL: You perceive the Sentinel system has its limitations, don't you?

MR BLACKBURN: I do. I will say that I agree with Alex Carmichael from
30 Promontory when he suggested that our transactional monitoring system is fit for purpose. However, I think there are opportunities to improve it and, in fact, what I would like to be able to do over time is increase the sophistication of the application of rules, which is why I have created a transaction monitoring rules council, to assess the effectiveness of our rules and determining whether or not they are resulting in
35 false positives or positives, from a reporting perspective. So there will be change over time.

MS CAHILL: Can we go to page 1820. Here, you are discussing different systems. Obviously the first one is a manual system. Here, together with SYCO and CURA,
40 you identify a number of limitations of each of those systems and the Sentinel system; is that right?

MR BLACKBURN: That's correct. One of the challenges we face in the casino
45 industry for financial crime that is not common in the banking industry or, frankly, even in the MSB, money service business, industry is there are no off-the-shelf financial crime products. We can't simply go to a SAS or an Actimize and buy a product that works for financial crime mitigation, rules, case management, et cetera.

5 So what casinos typically have done is cobbled together a number of solutions that support your approach to financial crime. One thing that we are doing, however, and I am quite excited about, is we are introducing a case manager to replace our current approach to case management that will directly link into the Sentinel system, allowing the analysts and the investigators what is essentially the holy grail in our business, which is the one client view. So we are progressing with technology alternatives that will make it easier and more effective, our process for identifying and reporting.

10 MS CAHILL: You made the point a moment ago about there not being one single system off the shelf that is suitable for casinos. If we go over the next page, you have identified more of the current key systems down the left-hand side of the page, and you note they all have their limitations.

15 MR BLACKBURN: Correct.

MS CAHILL: On the following page, 1822 ---

20 MR BLACKBURN: I will say that --- just momentarily, I will say that even at the most sophisticated organisations, you typically have a suite of products you use. You will rarely find an instance where you have a single product. I can tell you from my past experience at National Australia Bank and also at the Canadian Imperial Bank of Commerce, the systems can be a great source of frustration, depending on how they interact.

25 One thing I was surprised by at Crown is, notwithstanding the limitations of our systems, they are more flexible in our ability to change them to suit our needs, should we determine they are the right solution.

30 MS CAHILL: Understanding that typically there are a number of systems that are deployed in an organisation, nevertheless, the point you make at 1822 is that Crown's systems need to be rationalised as well as updated?

35 MR BLACKBURN: I agree with that. I continue to hold that opinion.

MS CAHILL: Ideally, what you would like is a one-stop shop where customer information across all properties would be accessible in one place; is that right?

40 MR BLACKBURN: That's right. In aggregate, I want the ability to pull together data, analyse that data and present it in a single platform. That is, as I said, essentially the holy grail in the financial crime industry and it is something I aspire to, but I am not confident that --- certainly based on my experience, it is a difficult thing to achieve.

45 MS CAHILL: Can we go back to 1821, right down the bottom. That DAON/Datazoo system --- I hope I'm pronouncing that all correctly --- are you contemplating that that ought be rolled out across all the properties?

12:00PM

MR BLACKBURN: It is certainly a possibility. We are considering it, but we are also considering --- so any systems we currently have, my view is that each jurisdiction should benefit from the other jurisdictions and that, collectively, we are better for that collection of technology software, but also experience and skills.

I think in this instance, this is probably a system we could see applying in the context of Crown Perth as well. We would want to trial it. We will of course, as we do with all of our material change in the technology space, trial it in one jurisdiction and then roll it out to others if it is effective.

MS CAHILL: Going back to page 1802, the text box to do with "Transaction Monitoring", the fourth bullet point in that box says:

All banking transactions manually monitored by Financial Crime team

MR BLACKBURN: Yes.

MS CAHILL: Is that for the purpose of identifying deposits that are suspicious, in the sense of evidencing potential structuring, smurfing or deposits for non-gaming purposes?

MR BLACKBURN: That is correct.

MS CAHILL: Does the Cage in Perth still have the front line responsibility when processing transactions through the banks accounts to identify those suspicious transactions?

MR BLACKBURN: In consultation with the second line, so the responsibility extends to the second line. It starts with the first line and then it extends to the second line. So the second line will continue to review transactions of that nature to identify whether or not patterns exist on a less immediate basis.

MS CAHILL: Just to understand, the Cage still has the responsibility of identifying suspicious transactions and raising a UAR?

MR BLACKBURN: Well, technically, in accordance with the Act and the Rules, they are required to identify unusual activity. They wouldn't identify suspicious activity. Suspicious activity is a determination made solely by experts in the second line function.

MS CAHILL: So they identify ---

MR BLACKBURN: Based on a review of the unusual activity, but they are absolutely required to submit UARs, which is the unusual activity report.

MS CAHILL: So the review by the financial crime team that is noted here is a

backup or second check, is it?

5 MR BLACKBURN: It's, in effect, a deeper investigation. So whenever an unusual activity report is received from anyone in the front line, Cage or otherwise, the second line team, so the financial crime team, will then investigate/review that UAR in the context of what we know about the customer, so in the context of the Know Your Client, KYC, for that customer, together with their behavioural activity, and determine whether or not the activity actually constitutes something suspicious,
10 which then triggers our reporting requirement to AUSTRAC.

MS CAHILL: What this bullet point says, though, is that all banking transactions are manually monitored by the team, not just the ones for which a UAR has been raised.

15 MR BLACKBURN: That is correct. At that time --- I believe we have moved away from that, but I would need to confirm on that. But at that time, all banking transactions were reviewed by two individuals --- sorry, when I say "banking transactions" I'm talking about customer, obviously, banking transactions were reviewed by two individuals on the financial crime team; as I said, not in an
20 immediate fashion but in a subsequent fashion, to look for patterns and to look for indicators of potential money laundering.

MS CAHILL: Let me understand. Now, the financial crime team does not review all banking transactions?
25

MR BLACKBURN: I need to confirm that. My understanding is that with the introduction of multiple rules, automated transaction monitoring rules, we may have moved away from that, but I'd need to confirm. I apologise, it's not front of mind.

30 MS CAHILL: For Crown Perth and its banking transactions, the review by the financial crime team, to whatever extent that is, does that occur in Melbourne or with the financial crime team in Perth?

35 MR BLACKBURN: It occurs across Crown Resorts Limited, so it could occur in Sydney, it could occur in Perth and it could occur in Melbourne. It depends on where the actual resources are. But we don't distinguish between jurisdiction, we take a group approach. In that group approach, some transactional activity investigations will be allocated to members on the Perth team or members on the Melbourne team or members on the Sydney team.
40

MS CAHILL: What is the purpose of having financial crime team members located in Perth, as opposed to just having them all housed in one location?

45 MR BLACKBURN: Well, from my perspective, it's about expertise and it's about excellence, and I will employ excellence and expertise wherever I can. We have been able to identify some terrific candidates for our financial crime risk team in --- I think we have seven now and we are considering two others in Perth, that add incredible value to our overall financial crime program for Crown Resorts.

MS CAHILL: This Commission has heard some evidence about the way in which transactions were processed in the Cage in Perth in years gone by, including the telegraphic transfers and how they --- there was, essentially, a paper-based manual system with evidence of deposits for early release attached to the deposit transfer form. I take it from the way you are nodding your head, you are familiar with the evidence that has been heard in that regard?

MR BLACKBURN: I am indeed.

MS CAHILL: Does that process, that manual-based paper system, still occur in relation to the processing of telegraphic transfers?

MR BLACKBURN: There are manual elements to it. I should say that the financial crime process related to that, so the identification of unusual activity, has been fully digitised. We now receive digital UARs in a central repository. But in the case of IFTIs there are still manual components to it, yes.

MS CAHILL: Does the financial crime team have access to entirely the same information that is ---

MR BLACKBURN: It does, and there is a four-eye check on all of the documents.

MS CAHILL: I will just finish the question.

MR BLACKBURN: I'm sorry, there was a pause on the screen.

MS CAHILL: No, there was a pause here, too. Does the financial crime team have access to the identical information available to the Cage in terms of those transactions?

MR BLACKBURN: It does, yes. All the same systems are accessed by the financial crime team.

MS CAHILL: Is there an intention to phase out the manual processing of transactions by the Cage?

MR BLACKBURN: Yes, there is.

MS CAHILL: Will that occur through a new automated system or one of the existing systems?

MR BLACKBURN: We are not yet at the point where we can make that determination. I think we are considering all options but, ultimately, for the purpose of greater automation.

MS CAHILL: What is the timeframe for the transition from manual processing to

fully automated?

MR BLACKBURN: None has been set at this point.

5

MS CAHILL: In respect of transaction monitoring as a component of the financial crime risks and compliance program, you identified that as being at a foundational level in May. Does it remain at a foundational level, in your view?

10 MR BLACKBURN: We have introduced additional rules, we have created a transaction monitoring council. I would say we are edging towards Advanced, but we are certainly not there yet. Our ability to get to Advanced or to get to Optimal may depend on technology change.

15 As I mentioned, for example, we are introducing a new case manager which will be an incredible help to the investigative team in uplifting our approach to transactional monitoring. So I am encouraged that we are on the right path, but it will take some time.

20 MS CAHILL: Will there be a case manager at each property or will that be a centralised process as well?

MR BLACKBURN: Everything will be centralised, so we will be agnostic as to jurisdiction.

25

MS CAHILL: Coming back to the Sentinel system, despite the limitations you have identified in relation to that system, given the recency of its introduction to Crown, is it your intention to retain that system, assuming it is proved to be effective?

30 MR BLACKBURN: I am not yet convinced on that. I am still open to considering other options and I have had discussions with other providers that I have worked with in the past, but I have yet to make that determination.

35 MS CAHILL: Coming back to your PowerPoint presentation at page 1803, in the left-hand column the third component is "Employee due diligence". You are identifying here an AML/CTF risk, not from the point of view of training or competence of employees, but from the point of view of integrity; is that right?

MR BLACKBURN: That's correct.

40

MS CAHILL: This is where the current program rates most highly, doesn't it, through the State-based licensing systems which have been in place for some time?

MR BLACKBURN: That is correct.

45

MS CAHILL: Would you agree that resourcing, in terms of having competent staff properly trained, is also an important feature of managing ML/TF risk appropriately?

MR BLACKBURN: It's critical.

5 MS CAHILL: You have explained, I think, that you have been responsible for recruiting a large number of personnel into the second line of defence?

MR BLACKBURN: Correct.

10 MS CAHILL: But not so much the first line?

MR BLACKBURN: No, because, as I said, the operational elements that are typically found in the first line are found in the second line under my team.

15 MS CAHILL: You would agree that the General Manager of the Cage Operations at a property holds a particularly important role in terms of the first line of defence?

MR BLACKBURN: I would agree with that, yes.

20 MS CAHILL: That is because the Cage is, essentially, the casino's bank, where the majority of cash and other financial transactions are undertaken? You would agree?

MR BLACKBURN: I agree with that, yes.

25 MS CAHILL: You would agree that the general manager of the Cage at each property is, in effect, responsible for the operation and management of the casino's bank, if you will, at that property?

MR BLACKBURN: I think that's a fair conclusion. I would reach the same one.

30 MS CAHILL: Have you reviewed the evidence given to this Commission by Jarrod Campbell, the General Manager of the Cage at Crown Perth?

MR BLACKBURN: I have.

35 MS CAHILL: Do you have any concerns about his competence in respect of or approach to ML/TF risk identification and management?

40 MR BLACKBURN: I haven't assessed in a manner where I am comfortable concluding or drawing an opinion on that. Certainly, some of the evidence was concerning to me. However, I wonder whether or not --- and this is all speculation -- - there was inadequate training in the past to fully prepare the manager of the Cage for his responsibilities as a financial crime expert. Sorry, not as a financial crime expert, but in the financial crime space.

45 MS CAHILL: Do you think it is important, as an aspect of your role, for you to actually interrogate his competence and suitability for that role?

MR BLACKBURN: I sure do, which is precisely why I have established a second

line assurance team to conduct testing in that regard, to conduct testing to understand where our gaps may exist in the first line, to test whether or not there is compliance with program requirements, policy requirements, et cetera. That team, I think, will empower us to identify where there may be such gaps and then allow us to assist the first line with uplift.

MS CAHILL: But the second line that you have implemented has not yet thrown up any concerns about Mr Campbell as a gap or a weakness?

MR BLACKBURN: They haven't reviewed the Cage in Perth to this point, so they would be unable to assess.

MS CAHILL: Have you reviewed the evidence given to this Commission by David Brown, the General Manager of the Cage at Crown Sydney?

MR BLACKBURN: I have, yes.

MS CAHILL: Do you have any concerns about his competence in respect of or approach to ML/TF risk identification and management?

MR BLACKBURN: I am disappointed with the evidence provided by David in the context of his awareness or understanding of financial crime issues. Again, I cannot independently assess whether or not that is simply because he wasn't effectively trained. But it is clear to me that during all relevant times, particularly in relation to the aggregation issue, transactions should have been identified that weren't identified and that is problematic.

MS CAHILL: Is the position in relation to Mr Brown, as far as you are concerned, the same as Mr Campbell; you have a responsibility to interrogate his suitability, but you are awaiting feedback from the second line in that regard?

MR BLACKBURN: Yes, yes.

MS CAHILL: Separately from this issue of actually looking into the whys and wherefores of their suitability for the role, having regard to the fact that both gentlemen were involved in the Cage operations at Crown Perth over a period of many years, including that period of 2014 to 2017 when, according to the Bergin findings, money laundering was facilitated through the operation of the Riverbank Investments account, from an ML/TF risk management perspective, do you consider it, in any event, appropriate for either of them to hold a position as General Manager of Cage at a Crown property going forward?

MR BLACKBURN: I will say that I question their suitability. As I said, I am not able to conclude but I do question their suitability and I think interrogation is completely appropriate. If I may supplement that, to me and in my experience, the first line is often only as good as the second line. So if the second line is empowering the first line to perform their obligations and discharge their obligations

in the financial crime space, they should be empowered by the second line to do so.

5 Based on my understanding, both from David Brown's evidence and Jarrod's
evidence, but also from my review of what occurred in the past through the
Riverbank and Southbank accounts and also what was raised in the Bergin Inquiry
and the Victorian Royal Commission, et cetera, the second line was inadequate and
the advice provided by the second line was inadequate and the decisions made by the
10 second line were inadequate and the judgment of the second line was inadequate, and
what troubles me most is that I don't believe the board were put in a position to
discharge their obligations because they weren't informed appropriately of some of
the challenges that existed in the financial crime space.

15 MS CAHILL: The first line is called the first line for a reason though, isn't it,
because it owns ---

MR BLACKBURN: Yes.

20 MS CAHILL: It is the first point at which the risk is to be identified and managed?

MR BLACKBURN: It is the first point, but it should be taken in conjunction with
the second and third lines, because that's why you have three lines, essentially. Your
second line should support your first line, your third line should support both, and
that's why you have the three lines of defence. Frankly, if one of the functions is not
25 operating properly, then it is bound to impact the other two.

MS CAHILL: But the first line needs to be robust, doesn't it?

30 MR BLACKBURN: It does, yes.

MS CAHILL: The question I put to you in relation to Mr Campbell and Mr Brown
was, separately from their ability to robustly perform that first line of defence,
whether simply as a matter of perception or culture, given their history, you consider
it appropriate for them to hold those positions of General Manager, Cage of the
35 property going forward?

40 MR BLACKBURN: I'm afraid I don't consider it appropriate. I haven't yet made a
determination on whether or not it's appropriate, but my concern --- I have concerns
and I will pursue those concerns and have pursued those concerns.

MS CAHILL: Mr Blackburn, I now want to talk to you about the assurance
component. At 1804 of the PowerPoint presentation there is a text box where you
address the component of assurance. What you refer to here is the process by which
the implementation of the financial crime and compliance program is routinely tested
45 in order to ascertain to what extent it is working effectively in practice; is that the
gist of it?

MR BLACKBURN: That's it.

MS CAHILL: It is a fundamentally important part of any program, you would agree?

5 MR BLACKBURN: I would agree with that, yes.

MS CAHILL: The effectiveness of the program to mitigate risk is ultimately to be judged by whether, in practice and in fact, as implemented, it is effective in identifying and managing relevant risks; you would agree?

10

MR DHARMANANDA: I am sorry to interrupt, Commissioners, but (inaudible) was happening this morning, that was on the public screen. It has now been removed, I think.

15 COMMISSIONER OWEN: This particular document?

MR DHARMANANDA: Yes.

COMMISSIONER OWEN: Yes, all right.

20

MS CAHILL: Mr Blackburn, can we go back to page 1804, please. It is now in this area of assurance that you perceive the current program is least developed; is that right?

25 MR BLACKBURN: At that point in time, I believe it was. I'm happy to advise that I have hired some fantastic leaders in this space onto the financial crime risk team, or financial crime and compliance team, and we have developed an assurance plan. So my perspective is that that has shifted considerably since May.

30 MS CAHILL: You identify it as being at only an Initial stage in May. Where do you see it sitting now?

MR BLACKBURN: Close to Foundational, but not quite there yet until we get all of our staff members on board.

35

MS CAHILL: Can we go to your witness statement at page 1025, paragraph 109. It was the second line of defence, in particular, that you saw as a weak link in the program in May?

40 MR BLACKBURN: Correct. Let me explain why. In the program as at May, there were three people, and they were based in the compliance team, doing gaming assurance, so testing the front line against gaming policies, gaming requirements and procedures. That, to my mind, is inadequate for an operation the size of Crown, which is precisely why I proposed the considerable uplift.

45

MS CAHILL: Can I take you to paragraph 107 on this page. Here you are responding to a question about whether the joint program has been properly implemented in practice.

MR BLACKBURN: Yes.

5 MS CAHILL: The operator may be able to pop the question up for you. You cast your answer in a negative way in the sense that you say you have no reason to believe that the business units are not complying with their requirements. But isn't it the case that because the assurance function has not yet reached Foundational status, you can't be sure whether the business units are complying with the requirements of the program or not?

10 MR BLACKBURN: Correct, I can't be sure, but I have also --- I would expect in an organisation like this, based on my experience, that I would have had at least a handful of escalations suggesting that they aren't, by this point, if that was the case. So whilst I don't take full comfort from it, I do take some comfort from the fact that I have not had escalations of that nature.

MS CAHILL: There are some areas that just haven't been reviewed, for example the Cage operations?

20 MR BLACKBURN: Well, I believe Cage operations was reviewed by the third line, but second line has not reviewed the Cage operations at this point. That will be --- that is considered under our assurance plan.

25 MS CAHILL: So you may or may not be getting an accurate read on whether the existing joint program is being effectively implemented at an operational level, as we sit here today?

30 MR BLACKBURN: I can't say with absolute confidence that it is, but I also can't say that it isn't.

MS CAHILL: In paragraph 110 on this page of your witness statement, you talk about the broader testing and assurance plan that is being designed presently that will be rolled out in the course of the coming months and next financial year.

35 MR BLACKBURN: Yes.

MS CAHILL: What precisely is that timeframe?

40 MR BLACKBURN: Well, it has already started. We have already started the work. So we have a handful of people already, I believe we have three on that team now, and we are expanding quickly. It will be one of the largest second line assurance teams in the financial crime space in the country, and our work is already underway. So we are already doing second line assurance on a number of deliverables, both from the first line and the second line.

45 For example, the Deloitte Phase 1 review, we of course received a number of recommendations, I believe there were 29. 27 of those recommendations have been

implemented to date and assurance has been applied by the second line over those 27, regardless of where they reside, if they reside in the first or second line. So the work is underway.

5

MS CAHILL: When will the rollout be completed?

MR BLACKBURN: I anticipate we will have all roles filled by the end of December, which means the full program can be launched in January. However, as I said, work is already underway.

10

MS CAHILL: When will the rollout be completed?

MR BLACKBURN: I feel I've answered that question, but perhaps you can ---

15

MS CAHILL: So there's a plan that is being designed?

MR BLACKBURN: Yes.

MS CAHILL: It will be rolled out during the course of the coming months and next financial year?

20

MR BLACKBURN: Yes.

MS CAHILL: When will what occurs over the next financial year be completed?

25

MR BLACKBURN: Okay, understood. Sorry, I didn't realise it was just a point question. The rollout will be completed once all of the assurance efforts, once all of the assurance exercises, have been completed as per the plan. So the plan considers a number of assurance exercises over the course of the fiscal year. Each one will be completed in due course.

30

Collectively, when we complete all of those assurance exercises, it will be complete for that year. But at no point will it ever be fully complete because we will then construct a new plan for the following fiscal year and conduct additional exercises to create an ongoing program.

35

MS CAHILL: When will ---

MR BLACKBURN: Does that answer your question?

40

MS CAHILL: When will the plan that is currently being designed be rolled out for the current --- will be completed ---

MR BLACKBURN: Perhaps could I ask you to define "rollout", because I think we may be saying the same thing. Do you mean rollout as in publishing a plan that will then be pursued, or do you mean rollout as the plan will be complete?

45

MS CAHILL: Mr Blackburn, can you just please go to your words in paragraph 110 of your witness statement.

5 MR BLACKBURN: Sure.

MS CAHILL: What are you talking about there when you talk about a new plan being designed and rolled out during the course of the coming months and next financial year?

10

MR BLACKBURN: So what I mean by that is --- sorry, that's what I thought I was saying. What I mean by that is we create a plan that has a number of exercises in that plan. Those exercises are reviews or testing assurance programs in respect of specific areas of risk. We will conduct those on an ongoing basis over the course of the year. By the end of the year, the plan will be complete and a new plan will be developed for the following year. So the rollout is an ongoing exercise as the plan is conducted.

15

MS CAHILL: I want to ask you now about standard operating procedures. Is it correct to look at the implementation of the joint program as occurring not exclusively, but in important ways by way of written standard operating procedures supported by written policies?

20

MR BLACKBURN: Standard operating procedures, if I understand your question, yes, they are critical in the rollout --- sorry, I don't want to use that again. In the delivery of the AML/CTF program.

25

MS CAHILL: Do you consider that the current standard operating procedures at Perth Casino are effective to implement the existing joint program?

30

MR BLACKBURN: I'm afraid I can't answer that, but I have no reason to believe they aren't.

MS CAHILL: Again, without your second line assurance, is it the case, having been fully embedded, it's not possible to say one way or the other?

35

MR BLACKBURN: I think that's correct. However, I do take comfort in the fact that I've had no concerns raised to date. This is the kind of thing you would identify through day-to-day practice and then have escalated. I haven't had any escalations to date. However, I know in certain instances, the businesses have produced standard operating procedures based on the policy and the program, and the policy and the underlying procedures, that have not been embedded by my team.

40

MS CAHILL: Is it the intention, as part of the new change program, to completely rewrite the standard operating procedures for Perth Casino?

45

MR BLACKBURN: I think there's an opportunity to consolidate the standard operating procedures, but I would not say it's the intention to completely rewrite,

because in many cases, as I understand it, there are elements that are okay and that the Perth Casino staff understand and have operationalised. So I would be cautious about rewriting the entire set of procedures, but I think they need to be updated, obviously, to reflect the program as it evolves.

MS CAHILL: Can we go back to the PowerPoint presentation CRW.510.073.1797 at page 1813. This is the slide that is dealing primarily with the document uplift component of the change program; is that right?

MR BLACKBURN: That's correct. It has changed since that was produced. We have taken a more simplified approach, plus we'll continue to have the group policy and program at the second from top level. We are choosing to integrate the standards into Part A and Part B, so it will be comprehensive Part A and Part B rather than have an underlying policies and procedures document. Then of course, the procedures which belong to the first line will need to be amended and adjusted accordingly.

MS CAHILL: Can I just ask you to explain in that line to do with standards, the third column refers to "division standards", and ask you what you mean by "division" there?

MR BLACKBURN: So, regional. To the extent that standards may differ based on State law. So if there's nuance for jurisdiction, then we would introduce that nuance through the standards.

MS CAHILL: Is it envisaged that the new documentation will be bespoke for each property?

MR BLACKBURN: No. Under the joint AML --- well, under the AML Act and Rules, we are permitted to have a joint AML program that replies to all reporting entities within the DBG. So the designated business group is Crown Resorts Limited and the reporting entities will remain Crown Perth, Crown Melbourne and Crown Sydney. The same program will apply to all three. Where they differ is in the procedures, depending on systems and local requirements.

MS CAHILL: So there may be standard operating procedures that will be bespoke for each property?

MR BLACKBURN: It very likely will be, based on the current technology used in the different jurisdictions may differ. For example, the customer management system may differ jurisdiction to jurisdiction. In those instances, we will need to ensure that the procedures are technically appropriate for that jurisdiction.

MS CAHILL: Can we go back to your witness statement at paragraph 114, page 1026. Is it a correct understanding that the individual business units will prepare those specific standard operating procedures, not the financial crime team?

MR BLACKBURN: That is absolutely correct. It's a first line obligation. In fact, it helps with training and education for the first line to require the first line to compose and construct their standard operating procedures based on the policy and based on
5 the program, so they are required to consider the obligations of the program. They will, however, be reviewed by the second line to ensure consistency and to ensure that they are appropriate, yes.

COMMISSIONER OWEN: Ms Cahill, could I just interrupt. In that previous
10 document which was about the documents, I could not see a reference to the casino operations manual.

MR BLACKBURN: The casino --- yes.

COMMISSIONER OWEN: Where would the Casino Manual (operations) fit?
15 Given the context is still AML/CTF, where would the Casino Manual (Operations) fit?

MR BLACKBURN: So what I'd like to see, Commissioner, is further integration of
20 those standard operating procedures that relate to AML and CTF into the casino manual, into the casino manual, but at this point in time, many of them exist outside of that document. I'm keen for them to be consolidated into that document, basically for accessibility and simplicity.

COMMISSIONER OWEN: All right, thank you.
25

MS CAHILL: The standard operating procedures that are to be prepared at the individual property level, can I ask how that works in practice? For a standard operating procedure that relates to the operations of the Cage & Count in Perth, is
30 that actually prepared by the Cage or is it prepared by senior executives at Crown Perth?

MR BLACKBURN: I think it will depend on how each business chooses to approach it, but in my experience it's mid-level executives in the jurisdiction. So, for
35 example, I would expect the GM of the Cage in Perth to at least do the initial construction of the document.

MS CAHILL: You're aware that standard operating procedures have been amended since your arrival at Crown --- at the Crown Perth level?
40

MR BLACKBURN: Yes. I've become aware of that. Unfortunately, I think there are instances where we have identified where we have not been engaged, which is problematic, particularly considering that we have indicated widely that we intend to review all procedures before they are finalised. So disappointingly so, yes, but I
45 suspect that is a point in time issue before we were sufficiently --- had sufficient capacity to actually conduct that second line review.

MS CAHILL: Just to be clear, there are standard operating procedures that have

been amended in Perth this year, or in the latter part of last year, that have not been reviewed by a second line of defence?

5 MR BLACKBURN: That is correct. This is one of the challenges of an evolving team, is that until we have the capacity, we are not quite in a position to do everything we hope to do.

10 MS CAHILL: Can I just ask you about a notation on this standard operating procedure, which is to be shown just on the room screens, CRW.701.006.3741, page 3747.

15 Do you see at the bottom there of the text, it says "these SOP's" --- this is not a unique notation, from our research, Mr Blackburn:

These SOP's are to be read in conjunction with the Internal Controls. *The Cage Shift Manager or above has the right to override these SOP's but must not breach any of the Internal Controls.*

20 Do you know what the "internal controls" are that are being referred to there?

MR BLACKBURN: I don't, I'm afraid not.

25 MS CAHILL: Do you know what the rationale is for the Cage Shift Manager or above having the right to override the SOP's in the circumstances articulated there?

30 MR BLACKBURN: I'm afraid not. When this was included as a document that we would be reviewing, I did review it yesterday, I had a quick look at it yesterday, and it's not a document I'm familiar with.

MS CAHILL: Do you expect that this notation will likely survive in the document uplift?

35 MR BLACKBURN: I can assure you it will not.

MS CAHILL: Mr Campbell gave evidence to this Commission that there is a new role of Cage Financial Integrity Manager within the Cage at Crown Perth. Was that an initiative that you introduced?

40 MR BLACKBURN: It wasn't. As I understand it, it was an initiative introduced through the Cage in Perth, but also in consultation with John Salomone, the CFO for Crown Resorts here in Melbourne.

45 MS CAHILL: What is the purpose of the role?

MR BLACKBURN: I don't know. My suspicion, and I may have had a casual reference to this in a conversation, is to perform QA, quality assurance on reviews.

MS CAHILL: Does it have anything to do with identifying and managing AML/CTF risk?

5 MR BLACKBURN: I would expect that it would, as I would expect that it is one of those first line roles intended to supplement the first line's ability to at least initially identify risk.

10 MS CAHILL: Do you know how it intersects with --- that role intersects with the first line role that Cage staff have who are actually processing transactions?

MR BLACKBURN: I'm afraid I don't. It's not within my purview.

15 MS CAHILL: Do you have any idea of how the financial integrity manager role intersects with the financial crime team role?

MR BLACKBURN: With the second line, you mean?

20 MS CAHILL: Yes.

MR BLACKBURN: The financial crime team in the second line?

MS CAHILL: Yes.

25 MR BLACKBURN: Yes, in the same way the role of any first line employee would be, which is to identify risk and escalate it.

30 MS CAHILL: Do you envisage that the role of Cage Financial Integrity Manager is likely to remain a role within the Cage once your change program is introduced?

35 MR BLACKBURN: I wouldn't anticipate any reduction in first line staff aimed at integrity. In fact, I would support --- I would support that on all accounts. I don't know if it's the intention for that role to remain, of course, because it's not within my group but I would support it remaining to the extent that it assists with the integrity of the function.

40 MS CAHILL: Can I ask you about the current management structure in respect of managing AML/CTF risk within the Crown Group, specifically Crown Perth, by going to the latest --- I think it's the latest organisational chart for Crown Perth as at 20 October 2021, that's CRW.701.009.5021.

MR BLACKBURN: Yes.

45 MS CAHILL: If we go over to the next page, may we assume that this management structure, insofar as it relates to AML and financial crime generally, is the structure that will pertain when the change program is implemented?

MR BLACKBURN: Yes. So I will say this is the first --- yesterday was the first

time I'd seen this document, and there are roles missing from the financial crime and compliance team. I think the document is imperfect.

5 MS CAHILL: One feature of it appears to be that there is no general manager or higher role in respect of financial crime or AML/CTF located in Perth.

MR BLACKBURN: No, disappointingly so. I certainly advertised in Perth, as I advertised in Melbourne and Sydney, because as I said, I'm agnostic to location. I simply want the best experienced people I can bring in to manage the risk. Unfortunately, we had very, very few applicants in Perth, which didn't surprise me, given that the financial crime risk industry in Perth is not highly developed in the same way that it is in Sydney or Melbourne. So we did have some applicants, however, insufficient experience amongst those applicants.

15 MS CAHILL: What is the benefit that you perceived from having a general manager or higher located in Perth that led to you wanting to recruit?

MR BLACKBURN: I like --- frankly, the availability of somebody at the senior level on the ground. However, I do recognise that what I have built into my contracts with all of my general managers and EGMs in financial crime and compliance is that they spend at least a third of their time in the cities that they are not based in. So I do anticipate we will have many EGMs and GMs, including myself, on the ground in Perth often.

25 MS CAHILL: When we go to paragraph 124 of your witness statement, page 1028, you talk about the seven team members that are based in Perth?

MR BLACKBURN: Yes.

30 MS CAHILL: Obviously they are not at general manager level or higher. What level are they?

MR BLACKBURN: So the next level down is where at least one of them is at the sort of head of or director level. Then across the range for the remainder. So there are different levels but the most senior is a woman named Danielle Slattery, who I believe the PCRC has met with, and she is next to an executive level.

40 MS CAHILL: Do any of the personnel that you mention there have a dotted line reporting through to Crown Perth management such as Lonnie Bossi?

MR BLACKBURN: No. I am --- as a financial crime person and a compliance risk management person, I am resistant to the idea of dotted lines into the business for integrity functions. So my expectation is that they will be there available to Lonnie should he need them, and he does contact them frequently. However, I would not expect a dotted line into a non-integrity function.

MS CAHILL: So your point is to say that second line and third line need to be not

just independent of each other, but certainly independent of first line?

MR BLACKBURN: That's my perspective, yes.

5

MS CAHILL: Can we come back to the PowerPoint presentation, please, CRW.510.073.1797 at page 1815, you're discussing there governance in respect of oversight by the board and senior management in relation to financial crime and compliance, and you refer there, we can see from the shaded boxes, to the establishment of the Financial Crime Oversight Committee, let's call that FCOC for short, to replace the existing AML/CTF committee. That, I understand from your previous evidence, you intend to be within the second line of defence?

10

MR BLACKBURN: The FCOC will have membership from all lines of defence, but the point of the FCOC --- I will chair the FCOC, however, the expectation is that the businesses led --- in the FCOC, that's at the CEO level, will present their management of financial crime at every one of those FCOC committee meetings. So it reinforces that the obligations are owned by the first line and that the second line is there to assess and to apply oversight, but not to fulfil the obligations. So my expectation is that each of Lonnie and the CEOs of the other jurisdictions will present at the FCOC.

15

20

MS CAHILL: Well, present --- they are intended to be members, aren't they?

25

MR BLACKBURN: Yes, but it goes beyond membership. It goes to the point where they are actually presenting their approach to managing financial crime risk and they will be tasked with how they are meeting their obligations under the AML/CTF program.

30

MS CAHILL: Let me just understand. The FCOC is comprised of members from first line, second and third lines of defence; is that right?

MR BLACKBURN: Correct.

35

MS CAHILL: So what is the purpose of the committee?

40

MR BLACKBURN: To identify, manage and mitigate financial crime. So it is the top level committee. Beneath it is the Financial Crime Working Group, as you see. The expectation of the Financial Crime Working Group, which also has representation from all jurisdictions and all businesses, is to identify risk, identify gaps in approaches, but also to explain how each of those businesses is managing and mitigating financial crime risk. That is then fed into the FCOC so that the FCOC can take action, but also to then report to the board --- the business leaders to report to the board on how they are managing financial crime risk.

45

MS CAHILL: How does that concept intersect with the notion that the three lines of defence need to be independent of each other?

MR BLACKBURN: It's not a decision-making body, per se. The decisions will be made by the individual units, or the individual CEOs. However, in consultation, obviously with me, as I apply oversight, but it is not a determination committee.

5

MS CAHILL: Can we return to Part A of the current joint program, just on the hearing room screens, please, CRW.514.002.0110 at page 0120, section 7.4. It sets out the role and responsibility of the ERCC. There does not appear to be a role for the ERCC in the change program that you are developing; is that right?

10

MR BLACKBURN: Yes, that is correct. The ERCC will be confined to risk and compliance.

MS CAHILL: What does that --- so not related to money ---

15

MR BLACKBURN: Not related to financial crime. Financial crime will be dealt with through the FCWG and the FCOC as a separate risk entity.

MS CAHILL: So let me just make sure I understand ---

20

MR BLACKBURN: Of course.

MS CAHILL: --- clearly what you are saying. In relation to the identification and management of specifically money laundering and terrorism financing risk, or financial crime risk, the ERCC will have no jurisdiction in relation to that, but it will in relation to ---

25

MR BLACKBURN: That is correct. That is correct, because the FCOC and the FCWG will have responsibilities in respect of financial crime risk, so AML and CTF, and both the ERCC and the FCOC will also report to the board risk committees, so that matters are escalated concurrently.

30

MS CAHILL: Do you see the board of Burswood Limited having a role in relation to the identification and management of ML/TF risk in respect of Perth Casino operations?

35

MR BLACKBURN: I do for certain. My expectation is that the FCOC will also --- and Lonnie Bossi in particular --- present to the board of Burswood on managing financial crime risk, together with me. Of course, I will always be present at the board as well.

40

MS CAHILL: What will the role of the Burswood Limited board be in relation to the identification and management of ML/TF risk?

45

MR BLACKBURN: Well, let's be clear, the board, under no legislation, is required to identify financial crime risk. The boards are required to apply oversight so that the board members can discharge --- the directors of the board are required to discharge their obligation to apply oversight through a collection of reporting and advice from

senior management, and from management. That will continue to be the role --- that has been the role of Burswood and will continue to be the role of Burswood.

5 MS CAHILL: How do you see Burswood's oversight role that you've just explained intersecting with the role of CRL board's risk management committee?

MR BLACKBURN: In absolutely the same fashion. So, to date, every paper I have presented to the board of CRL, in respect of financial crime and compliance, is also
10 presented to the Burswood board.

MS CAHILL: Do you see the oversight functions of the CRL board risk management committee and the Burswood Limited board as basically being
15 duplicates of each other?

MR BLACKBURN: Yes. I think all boards of directors are required to fulfil the same obligations, in accordance with law and in accordance with AUSTRAC's expectations, which is to apply that effective oversight to understand the program and to direct management in how to address risk.
20

MS CAHILL: You identified in your May memo to the board, that's the CRL board, that a key action of the change program was to clarify roles and responsibilities around the first and second lines of defence.

25 MR BLACKBURN: Yes.

MS CAHILL: That's an important aspect of the remediation program going forward, isn't it?

30 MR BLACKBURN: It is indeed.

MS CAHILL: Do you agree that it will be of great importance to identify and define the role of the Burswood Limited board in overseeing ML/TF risk?

35 MR BLACKBURN: Yes, just as --- well, it's an extension of the role and responsibility of the CRL board, of the Crown Melbourne board, of the Crown Sydney board. All of those boards have the identical obligations in respect of --- in respect of their division, or their entity.

40 MS CAHILL: In particular, that clarification will need to be very specific about whether and to what extent the FCOC and FCWG are accountable to the Burswood Limited board; would you agree?

45 MR BLACKBURN: I would agree with that, yes.

MS CAHILL: If we go to paragraph 118, page 1027 of your witness statement, you refer back to the PowerPoint presentation with a target date of 31 December 2022 to chief advanced state for financial crime maturity. Are you presently of the view that

12:55PM

that target can be met?

5 MR BLACKBURN: I am. However, I am aware of and conscious of events that may occur in the interim which could challenge those delivery dates. However, as it stands now, I believe we can meet those delivery dates.

MS CAHILL: What are those events that you are aware of?

10 MR BLACKBURN: The outcome, of course, of the Perth Royal Commission could have bearing on our ability to deliver on time. The outcome of any AUSTRAC enforcement investigation --- and there are currently two, one in respect of Burswood and one in respect of Melbourne. The outcome of those and the enforcement of investigations could challenge our progress.

15

MS CAHILL: That's because ---

MR BLACKBURN: Or our path.

20 MS CAHILL: That's because those investigations effectively suck resources that might otherwise be devoted to developing and implementing the change program?

25 MR BLACKBURN: If you consider the past examples of enforcements by AUSTRAC, in each instance, Tabcorp, CBA and Westpac, those organisations were required to supplement their existing resources with externals --- a considerable number of externals to assist with managing the outcomes of those enforcement actions.

30 MS CAHILL: That's probably an appropriate point, Commissioner.

COMMISSIONER OWEN: Yes. Mr Blackburn, we break for lunch here now.

MR BLACKBURN: Okay.

35 COMMISSIONER OWEN: We will finish today, but I can't give you a finishing time. We are going into our afternoon/your evening. If you need a break, please just let us know.

40 MR BLACKBURN: No problem at all, thank you for that. That's very kind of you, but I'm good. Thanks.

COMMISSIONER OWEN: We will adjourn now until 2pm.

45 **ADJOURNED** **[12.57pm]**

RESUMED **[2.00pm]**

COMMISSIONER OWEN: Thank you, Mr Blackburn. Please be seated.

5 MS CAHILL: Mr Blackburn, just before the lunch break, I had asked you about paragraph 118 of your witness statement where you identify the December 2022 date as the target date for achieving advanced maturity on the financial crime and compliance program. You said that you remain of the view that you can achieve that target, subject to these resourcing issues you identified?

10 MR BLACKBURN: Yes, that is my aspiration and that would be in aggregate that we can reach that state. So there will be some elements that may not yet be advanced but there may be other elements that are well advanced.

15 MS CAHILL: Separately from your aspiration, can I ask you whether you expect, subject to the resourcing issues you have identified, to meet that target date?

MR BLACKBURN: Assuming there are no material changes such as an AUSTRAC enforcement investigation result, then, yes, I am confident we can meet those dates.

20 MS CAHILL: The Transformation Program Steering Committee status updated 6 October, to which I took you before lunch, CRW.700.100.1664, I will show that to you now on the screen now at page 1689.

25 MR BLACKBURN: Yes.

MS CAHILL: This is the commencement of the status report for that committee in respect of the financial crime and compliance change program component.

30 MR BLACKBURN: Yes.

MS CAHILL: The overall status there, do you see at the top or second from the top, is amber in the executive summary?

35 MR BLACKBURN: Yes.

MS CAHILL: It identifies a point you made before lunch in your evidence about resourcing pressures continuing in relation to the change program. We note here when we go down the page that resourcing is shaded red?

40 MR BLACKBURN: Yes.

MS CAHILL: Is it entirely due to the requirement to respond to regulatory and other inquiries that is driving the resourcing issues or are there other factors that are causing the resourcing constraint?

45 MR BLACKBURN: I would say the material impact on the resourcing constraint

relates to --- well, to Royal Commissions, as well as an independent monitorship in New South Wales, together with two AUSTRAC enforcement investigations and one ASIC investigation. Collectively, these put considerable pressure on the existing team. But that is precisely why I was growing the team in the first instance and why I have sought PwC support. The colour red there would be an accurate representation of my view at that point in time, yes.

MS CAHILL: The question was: are there additional matters operating to constrain resources at this point?

MR BLACKBURN: Sorry, did you hear the first part of my answer related to two Royal Commissions, one independent monitorship, two AUSTRAC enforcement investigations and one ASIC investigation? Collectively, these place strains on existing resources.

Collectively, how we have approached that is to, first of all, increase our existing FTE and then, beyond that, to supplement with externals. Does that answer your question?

MS CAHILL: Separately from those matters, are there circumstances operating to constrain resources at this point?

MR BLACKBURN: No, not to my knowledge.

MS CAHILL: You mention here --- we are in the middle column of the page, the last dot point. Effectively what you are saying here is you have identified the need for nine full-time equivalent positions to resource ---

MR BLACKBURN: Something like that, yes.

MS CAHILL: --- this response. Through a bit of internal juggling, you have been able to reduce that to an additional 4.5 full-time equivalent positions?

MR BLACKBURN: Exactly.

MS CAHILL: But do they remain unfulfilled?

MR BLACKBURN: No, we are in the process of filling those and we have also asked for supplementary resources from our friends at PwC.

MS CAHILL: Have any of those positions been filled?

MR BLACKBURN: As in instantly filled, no. There is a little bit of time that's required in order to bring in the consultants, particularly given the licensing requirements, and we also apply for AUSTRAC exemptions in the context of sharing SMR information. So there is a bit of a process to bring those on.

MS CAHILL: In addition to the resourcing issue you have identified there, is there separately a shortage of IT resourcing for the ---

5 MR BLACKBURN: The IT resources, I don't believe there is a shortage but I believe there are different priorities that the IT group is focused on. So happily, we have met with IT, in fact we've formed a committee that is a FCCCP IT committee, where we are rallying those priorities to ensure we have the right priorities. So technology will be --- it is a cornerstone to the project and it's critical that we
10 continue to work with technology. But, in my opinion, the technology resources, when we have asked for them, are made available.

MS CAHILL: Is it the case that in the frontline, particularly in Perth, the resources that are there are having difficulty keeping up with the processing of unusual activity
15 reports?

MR BLACKBURN: No, not really. I mean, there is --- because --- this is one of the great benefits of having a group approach. We don't simply require all UARs that arise in the context of the Perth Casino to go to people that are sitting in Perth. They
20 go to our friends in Melbourne and Sydney as well. So we do have a number of UARs that we are working through from the past and ones that arise out of the results from the external reviews. However, I am not particularly or acutely concerned with the turnaround time on Perth UARs.

25 MS CAHILL: Returning to the page in front of you on the screen, down the left-hand side you have "Scope", "Plan" and "Resourcing"?

MR BLACKBURN: Yes.

30 MS CAHILL: When we come to "Plan", is what is being identified there and encompassed within the category "Plan" the work to be done to actually roll out or implement the change program once it has been designed?

MR BLACKBURN: I'm sorry, I misunderstood your question, in part simply
35 because I was looking for the section on that page that you're referring to. So full left column, see it now, "Scope", "Plan", "Resourcing". Your question specifically was?

MS CAHILL: In relation to the "Plan", does that comprise rolling out or the plan for rolling out the change program once it has been designed?
40

MR BLACKBURN: Well, the change program has by and large been designed. The change program is at a relatively advanced stage now. There are components of it that remain to be designed but most of it has been designed. Much of it now goes to implementation of the program.
45

MS CAHILL: Has the implementation been planned?

MR BLACKBURN: Yes.

MS CAHILL: What does this amber reflect here against "Plan"?

5

MR BLACKBURN: The plan would be impacted by the resourcing and so wherever there is a roll-on effect from resourcing, I am cautious about the colours I use in representing status, because I am concerned at all points with ensuring that no one is under any false information that everything is running smoothly and perfectly. I take a cautious approach and identify it as amber.

10

In the context of the plan, it is mostly impacted through resourcing and getting those IT dedicated resources focused on the plan, on the implementation of the plan.

15 MS CAHILL: But what does "Plan" mean here? What does the plan mean?

MR BLACKBURN: It means the components of the program, of the overall plan. So the components of the program that relate to --- so this is the streamline status. For example, the plan in the context of the EWRA, which is one of the components of the overall plan, would be the development of the policy --- sorry, development of the report, based on objective reviews of the controls and of the evidence, inherent risk, et cetera. So it is the sort of meat of it, if you will.

20

MS CAHILL: Can we go to page 1697. We have what is called a "Risk Assessment Charter" here?

25

MR BLACKBURN: Yes.

MS CAHILL: In the right-hand column there are "Key Deliverables", from July 2021 through to the end of this year. We have discussed a couple of those this morning, the elements of it?

30

MR BLACKBURN: Yes.

35 MS CAHILL: Is it correct to understand it this way: Horizon 1 is the design of the change program, Horizon 2 is, broadly, its implementation?

MR BLACKBURN: I see Horizon 1 as the design and implementation, and then Phase 2 or Horizon 2 as the uplift, so further enhancement to each component of the plan.

40

MS CAHILL: So there are no planned due dates against Horizon 2?

MR BLACKBURN: No. It's important for us to complete Horizon 1 to understand the results of the EWRA and its constituent elements, including the JRA, CRA, CHRA and product risk assessment, in order to then determine what uplift is required.

45

Let me give you an example. In the context of a CRA, customer risk assessment, there are certain attributes we are building out right now, seven attributes to assess our customers against, together with behaviour. As our technology ability or as our
5 information on hand, so the KYC we collect, becomes broader, it will give us an increased ability to enhance the CRA to even, sort of, focus the results.

10 MS CAHILL: Let me understand, then. When you talk about the target for Advanced state maturity by 2022, does that involve any part of Horizon 2+?

MR BLACKBURN: I imagine it will, yes. There will be components of that that will take us to a further Advanced state, such as --- I'll give you another example in the context of the CRA. As we increase our ability to identify through electronic means and verify information about our customers, that will invariably lead us to the
15 greater purpose, which is an advanced ability to identify risk.

MS CAHILL: Is it possible to reach the Advanced state only by reference to the activities in Horizon 1?

20 MR BLACKBURN: No, not likely.

MS CAHILL: So you must have, I suggest, when you say "I am confident we will reach Advanced state by December 2022", in mind that one or more of these elements in Horizon 2 will be completed by December 2022?

25 MR BLACKBURN: It likely wouldn't be singular. Rather, what would happen is D3, D4, D5 and D6, if I'm saying that correctly, are all elements that will have further evolution over the course of the 2022 year, and that will allow us to reach a further advanced state. So as you add complexity and you add sophistication to your
30 methodologies and your models, invariably it leads to a more advanced state.

But it will be --- as I said, with the EWRA, it is never-ending process. This is evergreen and we will continue to enhance these over the course of many years. It may be that we stabilise at an Advanced stage, it may be that we move to optimise, but it is an ongoing evolution.
35

MS CAHILL: But you are confident you will reach an Advanced state of maturity by December 2022?

40 MR BLACKBURN: Assuming there are no intervening material matters, like I suggested, yes.

MS CAHILL: That is, at least in part, dependent upon elements of Horizon 2 being completed by then?

45 MR BLACKBURN: Yes.

MS CAHILL: But none of the activities in Horizon 2 have been planned yet; is that

right?

5 MR BLACKBURN: No, that's right, because in order to plan Horizon 2, you need to finalise Horizon 1. It's fairly simple; there's not a lot of complexity to this. What I'd suggest you do is break it down a little bit. Consider JRA, CHRA, CRA, all of these are fairly simple methodologies that are applied to determine the risk associated with a product or channel. By adding additional factors that go into the methodologies, we will get to an Advanced state. So it's as simple as adding additional fields. It isn't
10 something that necessarily will take many years to reach.

MS CAHILL: Well, you don't know when you will reach it until you plan it; is that right?

15 MR BLACKBURN: I do know what I expect of an Advanced state and, yes, I do know when I'll reach an Advanced state, based on my expectations of an Advanced state.

20 Again, by way of example, CRA, it's simple: we look at seven factors at this point in time. If we increase that to nine factors to include a couple of additional factors related to behaviour, I would see us at an Advanced state.

MS CAHILL: Will there be a plan produced for Horizon 2?

25 MR BLACKBURN: Of course.

MS CAHILL: When?

30 MR BLACKBURN: Again, once Horizon 1 is complete, so that I am in a position to then evaluate what is required for Horizon 2.

MS CAHILL: When will Horizon 1 be complete?

35 MR BLACKBURN: For all intents and purposes, by the end of 2021.

MS CAHILL: Although in D2 there is a date of June 2022?

40 MR BLACKBURN: Yes, but that's not necessarily required for the advancement of the next phase. Most of the other components are.

MS CAHILL: Would you agree that how well the change program is embedded once it is introduced depends to a large degree upon training and culture?

45 MR BLACKBURN: I'm sorry, you phased out a little bit at the end from a volume perspective. Could you repeat the end of the question?

MS CAHILL: Would you agree that how well the change program is embedded once it is introduced depends to a large degree upon training and culture?

MR BLACKBURN: Yes, I do.

5 MS CAHILL: Have you reviewed the cultural survey report prepared by Deloitte most recently that breaks down survey results for individual properties, including (inaudible) the Perth Casino?

MR BLACKBURN: Yes, I have.

10 MS CAHILL: Would you regard those results as indicating there may be impediments to embedding the change program at Perth Casino and, therefore, its ultimate effectiveness?

15 MR BLACKBURN: No. I have considered the cultural situation. Nothing in that report was a surprise to me, after joining Crown and having been here for nine months. There were no true surprises there, and I anticipated that sort of environment in developing my plan.

20 MS CAHILL: So ---

MR BLACKBURN: That is specifically what I do. When I was hired at NAB, it was the same; when I was hired at CIBC it was the same. It's to come into a situation where there may be culture issues, there may be other issues with respect to financial crime obstacles, and that's how I plan.

25 MS CAHILL: The assurance and testing of the new program, the change program, does it work this way, Mr Blackburn: you are confident you will reach an Advanced state of maturity with that program by December 2022, but then after that, the assurance function has to basically swing in to verify that?

30 MR BLACKBURN: No, it's not as rigid. It happens concurrently.

MS CAHILL: When do you expect the assurance function to be able to verify the effectiveness and maturity state of the program?

35 MR BLACKBURN: Pursuant to their path, it's not a singular objective. There are multiple components to that and that's what I was speaking of earlier, when we were talking about the rollout of the assurance plan. The assurance plan has several components where elements of the program will be tested by the assurance team over
40 the course of the year. Once each of those elements is tested, we will then be able to feed that back into the program for ongoing development.

MS CAHILL: Can I move to an entirely different topic now and talk to you about gambling related harm minimisation, Mr Blackburn. You are open in your witness
45 statement that you do not have any previous experience in this area?

MR BLACKBURN: That is correct.

MS CAHILL: You don't have any relevant qualifications such as a psychology degree?

5 MR BLACKBURN: I do not.

MS CAHILL: You don't consider it is necessary for you to have such qualifications or experience to lead the Responsible Gaming or RG function, as Crown calls it?

10 MR BLACKBURN: I do not. I feel I bring different attributes, but I also bring a certain level of seniority. Like any senior executive, I will staff my team with competent experts in the field. That allows me the ability to, frankly, advocate on behalf of the function, just as I advocate on behalf of other integrity functions, like financial crime or compliance.

15 MS CAHILL: Do you consider that same reasoning applies to the financial crime and compliance function in this sense, Mr Blackburn, that although you are in fact deeply experienced in that area, it is not in fact necessary for you to have any experience in financial crime and compliance to lead that function?

20 MR BLACKBURN: I wouldn't say that, but I would say this: if I were an RG expert --- and I'm not, but if I were an RG expert and I was put in the position I am currently in, I think I would have transferrable skills to apply in the context of fin crime or compliance, notwithstanding that I was not an expert in that field.

25 But I do think it is important to be a proven expert in an integrity function in order to run an integrity function and a risk management function, essentially.

30 MS CAHILL: But to be clear, if you had deep experience in gambling-related harm minimisation, your position is you would be well equipped because of that to lead the financial crime and compliance function, even though you had no experience in that area?

35 MR BLACKBURN: Well, based on my nine months of experience --- I appreciate that is not a great deal of experience in this space, but based on my nine months of experience, I think there are many transferrable skills that cross over. But, again, I go back to the point that in any role at this level in the organisation, as a group executive reporting to the CEO and also reporting to the board, my expectation is that I will bring in experts in every field.

40 Notwithstanding I may be a financial crime and compliance and risk management expert, I have introduced other really terrific experts in financial crime, I am about to in compliance, I have done so in operations as well, and as of today I issued an offer to a global expert in Responsible Gaming, not based in Australia but who I would see
45 introducing to our program. Assuming she accepts the offer, if we get to the position where the offer is accepted, this will be the most senior Responsible Gaming role at any major casino operator globally. So, if you will appreciate this, an EGM level,

fully dedicated Responsible Gaming employee is the most senior at any of the casino organisations globally. At the EGM, or AVP level, depending on your jurisdiction, almost all instances of Responsible Gaming are tucked into other roles, including
5 social responsibility and other functions. This is a unique global precedent we are about to set.

MS CAHILL: Coming back to you, Mr Blackburn, is your evidence that your role in relation to financial crime and compliance does not need to be filled by someone
10 who is an expert in financial crime and compliance?

MR BLACKBURN: I think my role needs to be filled by an expert in risk management. I would suggest that is the core function of what I do and that crosses both the compliance function and the financial crime function. However, I think it's
15 very helpful that I have a financial crime risk management and compliance background, both for those components and for the responsible gaming area.

MS CAHILL: Do you accept that, similarly, it would be helpful if you had a subject matter expertise in Responsible Gaming?
20

MR BLACKBURN: Absolutely, I accept that and that's why I'm quite encouraged and, frankly, excited about the prospect of deepening my knowledge in this space.

MS CAHILL: Coming back to Responsible Gaming, I want to ask you some
25 questions about the approach to your role.

MR BLACKBURN: Of course.

MS CAHILL: Would you agree there is significant division or differences of
30 opinion within the academic literature and research in respect of the causes of gambling-related harm?

MR BLACKBURN: Yes, I would from the research I have read.

MS CAHILL: And, also, significant divisions about which models or approaches to
35 gambling-related harm minimisation are most appropriate or effective?

MR BLACKBURN: Certainly.

MS CAHILL: Would you say that in the time you have occupied your role at
40 Crown, you have developed a clear view of your own about the causes of gambling-related harm at Crown casinos?

MR BLACKBURN: No, I wouldn't say I have a clear view. I have a clearer view
45 than when I started in the role, but I think more time is necessary, more exposure, more experience is necessary to fully understand that. I also think that's where I happily rely on my experts, happily introduce new experts into the team, but also on the Responsible Gaming advisory panel, I rely on the input from our experts as well

to ensure that I am across it.

5 I think you will probably also appreciate that at every senior level --- let me give you an example. A CRO, chief risk officer, in the context of a bank will never have experience in every one of the risks they are responsible for, but they run the function because they have transferrable skills.

10 MS CAHILL: In terms of the views you have been able to develop so far since you arrived at Crown about the causes of gambling-related harm at Crown Casinos, can you concisely articulate what those views are?

MR BLACKBURN: My views on, sorry, which component?

15 MS CAHILL: The causes of gambling-related harm at Crown Casinos.

20 MR BLACKBURN: My impression at this stage, my perspective on it, is that the causes are consistent with gambling-related harm at all casinos, all land-based casinos, which relate to the individual and a number of factors behind that individual. It could be their genetics, it could be their context, it could be their environment, it could be their social circles; there are a number of factors that could go into whether or not they experience harm.

25 MS CAHILL: Do you perceive any of the products that Crown offers as being causally related to gambling harm?

30 MR BLACKBURN: I'm not sure I would say causally but I do believe that certain products at Crown and other casinos and, frankly, at pubs and clubs in many jurisdictions --- not in Western Australia, but in other jurisdictions there are products, namely EGMs, that are consistently cited in the research as being problematic, depending on the settings of those devices.

35 MS CAHILL: Have you developed in your time at Crown a clear view of your own about the model of harm minimisation you consider to be most effective or appropriate for Crown Casinos?

40 MR BLACKBURN: It is my personal philosophy that the model needs to embrace, frankly, all elements. It needs to focus on harm prevention, harm minimisation and addressing the problem gaming, so the actual resolve or resolution of problem gaming. But I think it's a collection of all of the above, so informed choice, harm minimisation, harm prevention, consumer protection as well.

45 MS CAHILL: To your knowledge, is that a view shared by the Responsible Gaming Committee of the CRL board?

MR BLACKBURN: The Responsible Gaming Committee of the CRL board is informed by the advice provided to it by myself and by the RGAP and by the general managers in the Responsible Gaming space. But I think you would need to ask them

for their opinion.

5 MS CAHILL: Do you intend to advocate that your views about the appropriate model be accepted by the Responsible Gaming Committee?

10 MR BLACKBURN: That is my intention of the responsible gaming change program, to come forward with recommendations for the Responsible Gaming Committee to consider in the implementation.

MS CAHILL: Do you consider Crown has a responsibility to modify or restrict when or how it offers gambling services in order to minimise the risk of gambling-related harm to patrons?

15 MR BLACKBURN: Specifically, your question is when it operates, is that --- sorry, could you just repeat the question again? I want to make sure I get it all.

20 MS CAHILL: Do you consider Crown has a responsibility to modify or restrict when or how it offers gambling services in order to minimise the risk of gambling-related harm to patrons?

25 MR BLACKBURN: I believe "how" is absolutely a responsibility of Crown, but "when" I think is a bigger question, one I would need to consider research on. But "how" is certainly within the power of Crown to manage.

I do think that --- although I also feel there is a responsibility for governments, responsibility for regulators, responsibility for the industry such as Crown, but also for the communities and the individuals themselves. I think we --- it's a shared responsibility model.

30 MS CAHILL: You hesitated at the "when". Can you just explain that, please?

35 MR BLACKBURN: I think you can manage Responsible Gaming or you can manage the risk of harm differently at different times, so you can meet the requirements at different times. I don't think "when" is a factor, I think it's how you address it at particular times.

40 MS CAHILL: Do you consider Crown has a responsibility to modify or restrict how it offers electronic gaming machines to the public in order to minimise the risk of harm?

MR BLACKBURN: I do.

45 MS CAHILL: In that case, with electronic gaming machines specifically, might there be a justification for also modifying when those machines are offered to the public?

MR BLACKBURN: Not necessarily because, by way of example, if there is

heightened use of EGMs or a larger number of customers, so let's say a Saturday night between 1 and 2 am, if there is an increase in usage, then my response to that would be to increase our monitoring, increase our oversight, in order to ensure we are doing our best to prevent harm.

So it's not that it's a problem that the EGM is running at 1 to 2 am, it would be a problem if we weren't adequately staffed to address it, or using technology to address it.

MS CAHILL: So you don't perceive EGMs as being in any way analogous to something like alcohol, for example, where there are legal restrictions around when alcohol may be sold or served?

MR BLACKBURN: I don't, but that's a personal perspective and I would suggest that to come to a, sort of, Crown view, I think I would probably have to research it further.

MS CAHILL: Can we go to page 1013 of your witness statement, paragraphs 31 and 32. You refer there to regulatory compliance, compliance with laws and regulations. In paragraph 32 you refer separately to a moral obligation to work towards minimising potential harm from gambling at the Perth Casino that is a condition of Crown Perth's social licence. I want to ask you some questions about paragraph 32.

MR BLACKBURN: Of course.

MS CAHILL: You say:

Crown recognises it has a moral obligation to work towards minimising *potential harm*

Do you understand this to be a best endeavours obligation?

MR BLACKBURN: I understand this to be a social expectation and a community expectation and, therefore, a requirement for us.

MS CAHILL: Yes. I am asking for the content of the obligation, Mr Blackburn. I will put it this way: using this language of obligation "to work towards", are you trying to express a best endeavours obligation or are you saying, independently of any legal or regulatory requirements, Crown has a responsibility to take all reasonable steps to minimise potential gambling-related harm?

MR BLACKBURN: I would say the latter.

MS CAHILL: When you say minimising potential harm, I understand from an answer you gave a little while ago that you include with that preventing harm from occurring?

MR BLACKBURN: If we can, yes. There are opportunities, I think, in that space that we can further explore, and enhancements we can make to our program to work on prevention. I think we do have elements of it. This is one of the components of Professor Rockloff's report that I didn't quite agree with or I didn't quite understand.

Our approach at this point in time is not solely informed choice; it's informed choice, it's harm minimisation and it's harm prevention. We take steps to attempt to prevent through awareness, through internal training of employees but also through awareness with the public. I think we could do more, which is part of the reason I have considered this as a component of the responsible gaming change program.

MS CAHILL: Coming back to the moral obligation you identify in paragraph 32, that obligation to work towards minimising the potential harm from gambling, how do you define "harm"?

MR BLACKBURN: "Harm" --- simply put, I think "harm" means spending more money than one has or spending too much time or more time than one has. So it's a time and money consideration.

MS CAHILL: You make the point at paragraph 35 of your witness statement on this page that legislators and regulators have an important role in setting and enforcing policy. Would you open up paragraph 35, please.

MR BLACKBURN: Yes.

MS CAHILL: You say it is critical for organisations such as Crown to have that policy direction. You would, nevertheless, accept though, wouldn't you, that absent such policy direction and separate to it, it is necessary as a condition of Crown's social licence for Crown to formulate a coherent approach to harm minimisation and to effectively implement that approach?

MR BLACKBURN: I agree with that.

MS CAHILL: That would be, you would agree, as an aspect of its responsibility, the moral responsibility you have identified to take all reasonable steps to minimise potential gambling-related harm?

MR BLACKBURN: Yes, I agree with that.

MS CAHILL: At paragraph 19 of your witness statement, pages 1010 to 1011, you describe in the last sentence of that paragraph your substantial experience in implementing reform programs. You use the language:

..... for functions that operate as integrity-focused cost centres. *Do you see the Responsible Gaming function at Crown Group as an integrity-focused cost centre?*

MR BLACKBURN: I do.

5 MS CAHILL: Do you mean by that money has to be spent on that function for integrity reasons?

10 MR BLACKBURN: I believe for the social licence of an organisation, you need to focus on integrity and in order to do that, you need to spend money. So that's where the cost centre component comes in, but it is focused on functions that may be perceived by others to be obstacles to profit.

15 MS CAHILL: A cost centre such as this integrity-focused cost centre does not typically directly generate any revenue or, therefore, profits for the business; is that usually how it goes?

MR BLACKBURN: That's correct. So that is typically your compliance function, your risk management function, your financial crime function and also your responsible gaming function, in my view.

20 MS CAHILL: Do you see your role in heading the Crown Responsible Gaming function as requiring you to consider and balance the costs of the harm minimisation system and, hence, the effectiveness of that system?

25 MR BLACKBURN: I think that's a requirement in all functions in a risk management capacity, including Responsible Gaming. There needs to be a balance but you need to --- different people may perceive the parameters of that balance differently. My view is, and I have articulated this in the context of financial crime projects and risk management projects in the past, that you need to be able to not simply meet regulatory expectations or regulatory requirements, but to exceed them
30 and to ensure you are doing the right thing by vulnerable people.

35 MS CAHILL: On a related topic to the costs of integrity-focused cost centres, do you consider the question of whether a harm minimisation measure, if implemented, would put Crown at a competitive disadvantage to other casino operators informs whether or not Crown should take that step?

40 MR BLACKBURN: I think it's relevant to Crown but I don't think --- well, I think it's relevant to Crown in the context of we also are a business and we have shareholders that we are responsible to, and the government has an interest in ensuring the competitive playing field is fair.

45 So my perspective is that changes that are made to one organisation in the same space should apply to all organisations in this space, so there is consistency. There is a potential competitive impact, as we have seen in some of the research, and Professor Blaszczynski has produced papers on this as well, where arbitrarily applying draconian measures causes organisations to not survive.

5 In fact, I think in the UK something like 10 per cent of organisations in the casino sector were ultimately closed because of very strict, draconian measures that could not be equally borne by each of the organisations that were subject to them. So it strikes me that we have to be commercially reasonable but, at the same time, we need to do right by the vulnerable.

MS CAHILL: Putting aside draconian measures and just looking at reasonable ones ---

10

MR BLACKBURN: Yes.

MS CAHILL: --- would your approach be that if a step is reasonable to take to prevent harm minimisation, it matters not whether it puts Crown at a competitive disadvantage to other casino operators?

15

MR BLACKBURN: Well, to the extent that it impairs Crown's ability to continue to operate, I think it would. But in most cases that won't be the case, so I don't think it is --- it's not necessarily the conclusion that by virtue of taking steps to reduce harm will necessarily lead to competitive challenges as well.

20

I also think if Responsible Gaming is done right --- and, granted, I'm not an expert but based on my experience to date and also based on the research I have done, I don't think Responsible Gaming is inconsistent with profit. I think it can be done in a way, so long as it's done uniformly across an industry, that encourages responsible growth.

25

MS CAHILL: Can I take you to paragraphs 20 and 21 of your witness statement on page 1011. You explain there about the expertise you can draw upon in your Responsible Gaming role. You mention the RG team that reports to you, which you say has deep experience and exposure.

30

MR BLACKBURN: Yes.

MS CAHILL: But, of course, they are accountable to you, aren't they? Your lack of expert-specific --- sorry, subject matter specific expertise doesn't permit you to be able to assess whether what they are giving you by way of advice is the best advice or something that should be accepted or not; you would agree with that?

35

MR BLACKBURN: I wouldn't. I find it mildly insulting. I think I am a relatively intelligent person and I am able to apply critical analysis to what I am hearing and also to challenge questions where information is presented to me. I am also easily able to call upon the RGAP, the advice from the RGAP, to counter that advice, as I have done in the past, to seek additional advice to ensure I am acting in the best interests of the customer in this case.

40
45

MS CAHILL: You mention at paragraph 20 the new Group Executive General Manager for Responsible Gaming, that is a new position ---

MR BLACKBURN: Correct.

5 MS CAHILL: --- as someone whose expertise you can draw on. I assume this is the role you were speaking about previously that you have identified to us that you view with some excitement?

10 MR BLACKBURN: I do. I do. As I mentioned, I presented an offer earlier today -- - it was actually yesterday. It was well received and I am optimistic we may be able to fill the role in the near term and. Person would bring global expertise, is a renowned both academic and practitioner in this space, has clinical experience as well and would bring a wealth of experience.

15 MS CAHILL: Do they have a behavioural science or psychology background?

MR BLACKBURN: A doctorate, yes.

20 MS CAHILL: Can I come back to the job description for this role which you refer to at paragraph 84 of your witness statement, CRW.700.104.3138.

MR BLACKBURN: Yes.

25 MS CAHILL: On this page in the second dot point, it refers to what this role is responsible for. Relevantly, in the second dot point:

The design, development and implementation of a comprehensive RG *program*

MR BLACKBURN: Yes.

30 MS CAHILL: That is the objective of Crown, is it, to develop a comprehensive RG program?

MR BLACKBURN: Yes, it is.

35 MS CAHILL: What is meant by "comprehensive" there?

MR BLACKBURN: To cover harm minimisation, harm prevention and problem gaming management.

40 MS CAHILL: Given that this is the responsibility of this role, which is a new role and a person has not been recruited into it yet, has the design, development and implementation of a comprehensive RG program commenced yet?

45 MR BLACKBURN: It has, so elements of it have commenced. As you will be aware, Crown has made great strides towards addressing the recommendations from the Victorian Royal Commission in the casino Sixth Review. Subsequent to that, we

had 17 recommendations provided by the RGAP which we are also well along the implementation process. There are only a few that remain outstanding. Of course there are the RG enhancements that I proposed to the board at May, which are also well progressed.

All of these things in aggregate, taken together with the results of the Victorian Royal Commission and the recommendations of Commissioner Finkelstein, have been built into the RG Change Program that we will soon be finalising in terms of the program, and then that will launch.

I fully anticipate, based on my experience through the interview process, that the individual who I introduce will have a view and will want to take a perspective on what that RG Change Program looks like going forward. But notwithstanding that, we are progressing at pace.

MS CAHILL: The RG Change Program you say is about to launch, is that a comprehensive RG program?

MR BLACKBURN: In my opinion it is, although I will readily ask my new EGM whether or not she believes that's the case, assuming the offer is accepted. I will say it is informed by the RGAP, so happily we have had input from Drs Nower, Delfabbro and Blaszczyński on the components of that RG Change Program, several elements of the components of that change program. I feel it is as informed as it could be at this stage and I am encouraged to have the new individual consider it as well.

MS CAHILL: Would you go to the bottom of page 3140 of this job description, where the qualifications and experience are noted.

MR BLACKBURN: Yes.

MS CAHILL: I want to ask why a Bachelor Degree in Business Management, Law or an MBA is regarded as relevant to this Responsible Gaming role?

MR BLACKBURN: Yes, a good question. I think that was a hangover from another job description, so I apologise. That is not what we were looking for and, frankly, that is not what we got. In all of the applicants I have met with, there was an expectation and, happily, that expectation was met that they all had specific RG experience and clinical experience. That was a mistake in the position description.

MS CAHILL: What are the qualifications that are necessary to fill this role?

MR BLACKBURN: Significant Responsible Gaming experience, ideally a Degree in Clinical Psychology ---

MS CAHILL: Just to be clear, it is qualifications not experience I am interested in in this question.

MR BLACKBURN: Okay, understood. Clinical experience, ideally. Clinical psychology experience, at a minimum, but also an academic background in Responsible Gaming or that touches on Responsible Gaming.

5

MS CAHILL: What qualifications are minimum requirements --- not experience, academic qualifications --- for this role?

MR BLACKBURN: The ones I have just described.

10

MS CAHILL: Can you repeat them, please?

MR BLACKBURN: An undergraduate degree or at least a base level Degree in Psychology or Clinical Psychology and, ideally, academic experience in the RG space.

15

MS CAHILL: Under the "Experience" heading, and this goes over to page 3141, but it has all been popped out for you, in that first dot point the "indirection" should read "indirectly"; is that right?

20

MR BLACKBURN: Sorry, could you draw my attention to the specific bullet? Which one are we looking at?

MS CAHILL: The first dot point in the box for "Experience".

25

MR BLACKBURN: Yes, that should be. There are a few errors in this one.

MS CAHILL: It says "in responsible gaming or a related field". What do you envisage to be a related field?

30

MR BLACKBURN: Psychology.

MS CAHILL: What do you envisage to be indirect experience?

MR BLACKBURN: Well, I would say Responsible Gaming --- indirect experience could mean working for a foundation, working for a public entity, not necessarily working for --- direct experience, to my mind, would be in the industry; indirect experience would be in any ancillary area to the industry, so government regulator, community parties and foundations, such as the VRGF.

40

MS CAHILL: Can we go back to paragraph 21 of your witness statement. This is where you refer to the independent advisory panel.

MR BLACKBURN: Yes.

45

MS CAHILL: Page 1011, operator. You understand that that panel is independent of Crown?

MR BLACKBURN: I consider them independent in that they are not employees of Crown, although I recognise they are paid by Crown. But they are not employees of Crown.

5

MS CAHILL: You consider it important to take advice that is independent of Crown in relation to gambling-related harm issues?

MR BLACKBURN: I consider it's important to take advice from independent experts in respect of every area of risk, including responsible gaming, including financial crime compliance. I think that objective external advice is necessary to ensure your program meets and exceeds regulatory standards.

10

MS CAHILL: Are you satisfied with the operation and effectiveness of the independent panel?

15

MR BLACKBURN: I think the independent panel is --- I am incredibly impressed with the independent panel. I think they are two very eminent --- three very eminent responsible gaming experts. I think there is an opportunity to expand the RGAP to include other input, recognising, as you said at the beginning of this section, there are many views and there doesn't seem to be a singular view. There seems to be no agreement in academic research on elements of responsible gaming, so I am happy to introduce additional views to see if they differ.

20

However, I am very pleased with --- I am very pleased with the RGAP as it stands because I am yet to encounter an instance where they are at all influenced by Crown.

25

MS CAHILL: You are satisfied that it is sufficiently independent of Crown in its operation, that panel?

30

MR BLACKBURN: I have no reason to believe it isn't. They have never challenged --- they have only ever introduced concepts and recommendations that appear to have integrity.

MS CAHILL: How long have the members of the panel held that role?

35

MR BLACKBURN: I believe it was 2019 when the panel was created. Of course, this was before my time. I joined on 1 March, as you recall --- well, 24 February.

MS CAHILL: Have you formed any views about whether there should be a limited tenure as a member of that panel?

40

MR BLACKBURN: I think that's a useful concept in any panel, particularly external panels. I think it is also a useful concept in the context of boards. Steve McCann and I will be meeting with Dr Blaszczyński, Alex, I believe in the next couple of weeks to specifically talk about this, about the constitution and who comprises the panel and also about how we approach it going forward.

45

MS CAHILL: Have you reviewed the terms of retainer of each of the members of the panel?

5 MR BLACKBURN: I have.

MS CAHILL: You don't consider those terms affect or compromise the independence of the panel?

10 MR BLACKBURN: No. I rely on their professional integrity and I believe I have no reason to question that.

MS CAHILL: You don't think that having particular individuals on a long-term retainer, from whom advice is sought exclusively, has the potential to compromise the independence of the advice you are receiving?

15

MR BLACKBURN: I think it could and that's why I suggested to you that I am a proponent of the concept of terms for independent committees. However, I recognise that this field is fairly narrow and I am well versed in that, having run a recruitment process, a global recruitment process. It is a sufficiently narrow field that the individuals with eminent experience in this space are not plentiful.

20

MS CAHILL: Can we go to paragraph 38 of your witness statement, page 1013. You refer to the report of the independent panel dated August 2020. Just on the room screens, please, CRW.507.001.1078. Did you review this document when you commenced in your position heading RG?

25

MR BLACKBURN: Not long after.

30 MS CAHILL: Did you form a view about its sufficiency?

MR BLACKBURN: No.

MS CAHILL: At paragraph 39 of your witness statement, page 1014, you refer to the development of what you call, as a capitalised expression or defined expression, the "RG Enhancements"?

35

MR BLACKBURN: Yes.

MS CAHILL: Which were set of steps you took in and from May 2021 to improve Crown's responsible gaming system; is that right?

40

MR BLACKBURN: That's correct.

MS CAHILL: You emphasise, of course, that these were just initial steps, pending a full transformation program?

45

MR BLACKBURN: Correct.

5 MS CAHILL: That's the program you describe again as a defined term, the "RG Change Program"?

MR BLACKBURN: Correct, yes.

10 MS CAHILL: These initial steps, the RG Enhancements, you proposed those to the Crown board, didn't you?

MR BLACKBURN: I did, yes.

15 MS CAHILL: When you were giving evidence to the Victorian Royal Commission, you describe these RG Enhancements as something that was simply commonsense to you?

MR BLACKBURN: Yes, I did.

20 MS CAHILL: By commonsense, you mean you didn't need to take any advice from a subject matter expert about the likely effectiveness of these measures?

25 MR BLACKBURN: Not with these measures. But, however, I did, I did consult with an expert, just to be clear.

MS CAHILL: But you didn't need to because they were commonsense to you?

30 MR BLACKBURN: I felt they were commonsense, from my view. But notwithstanding my perception, I engaged with a number of experts, I engaged with my team, I also engaged with the business and I engaged with Professor Blaszczyński on a handful of occasions as well, just to ensure I wasn't acting solely on my commonsense.

35 MS CAHILL: Your commonsense also was this, wasn't it, that they were obvious changes to be made to the existing program, that needed to be made?

MR BLACKBURN: That's how I felt, yes.

40 MS CAHILL: We can identify what those enhancements were if we go to CRW.512.103.0440_R. This is a set of agenda papers for a CRL meeting on 24 May. You set out a memo to do with responsible gaming that begins at 0492 and there is an appendix to that memo that commences at 0496.

45 MR BLACKBURN: Yes.

MS CAHILL: Can we go to 0496. This goes over to the next page.

MR BLACKBURN: Yes.

MS CAHILL: You see there the time limits on play. You thought a reduction in time limits on play from 18 hours to 12 hours in a 24-hour period was commonsense; is that right?

5

MR BLACKBURN: I did feel that, and I do feel that.

MS CAHILL: Your understanding was that the 18 hours or 12 hours, whichever you are referring to, related to a patron being on site at the casino premises with short breaks from play?

10

MR BLACKBURN: Yes, concisely. Yes, precisely.

MS CAHILL: It doesn't connote them necessarily playing continuously for 12 hours or 18 hours, as the case may be?

15

MR BLACKBURN: No, and that's not how our alerting system works, of course. The alerting system works both in the context of time on machine or time in play, and time on site.

20

MS CAHILL: Just to be clear, you didn't have any evidence or research basis to reduce it from 18 to 12; it was just something you thought was obvious to you?

MR BLACKBURN: It is something that struck me as commonsense, in that I could not imagine someone spending 18 hours in a casino setting. That is a judgment call by me and one that perhaps should have been better researched. But the challenge is, at least subsequently to that in reviewing this, there is a dearth of research on this topic.

25

MS CAHILL: You understood that that 12-hour proposal, reducing it from 18 hours to 12, was something the CEOs at Perth, Melbourne and Sydney had recommended?

30

MR BLACKBURN: They agreed to it. It wasn't recommended by them, it was agreed to by them.

35

MS CAHILL: Did it occur to you at the time that 12 hours was still, from a commonsense and obvious perspective, too long and should be reduced further?

MR BLACKBURN: It did not, but I committed to ongoing consideration. I have not yet determined what is appropriate in this context but I think 12 is more appropriate than 18, which is why I proposed it.

40

MS CAHILL: I think that document your counsel produced today and asked you to identify is the policy that introduces that 12-hour maximum?

45

MR BLACKBURN: Yes, correct.

MS CAHILL: Can I just ---

MR BLACKBURN: It's important --- sorry, go ahead.

5

MS CAHILL: Finish your answer.

MR BLACKBURN: I was just about to say that it's important to say, in the context of the 12 hours, it's not simply 12 hours; of course there is the three and a half hour, there's the six, the eight, the 10 and 12 for interactions.

10

MS CAHILL: Now, can I just ask you quickly about the bus/red carpet program here?

15 MR BLACKBURN: Yes.

MS CAHILL: Why was it commonsense to you to cease this program for community groups organising transport to Crown Perth?

20 MR BLACKBURN: It struck me as potentially introducing --- well, people that could be at greater risk and incentivising them to attend and game.

MS CAHILL: Over the page where these enhancements continue, you'll see the first box is "Cashless"?

25

MR BLACKBURN: Yes.

MS CAHILL: There's a discussion about Crown Melbourne moving to cashless gaming?

30

MR BLACKBURN: Yes.

MS CAHILL: Why does it not also refer to Crown Perth?

35 MR BLACKBURN: At that point in time it was only raised in the context of Crown Melbourne. I had not heard it referenced in the context of Crown Perth.

MS CAHILL: But this was commonsense to you, a very obvious change that ought to be made to the RG program, yes?

40

MR BLACKBURN: Yes, it is, but I wouldn't read from that any sort of exclusion for Crown Perth. That is not the case.

45 MS CAHILL: There is a recommendation, you would be aware, of the Victorian Royal Commission in its report that a direction be given to Crown Melbourne under the local Casino Control Act to the effect that Crown Melbourne phase out the use of cash at the casino?

MR BLACKBURN: Yes.

MS CAHILL: Except for transactions of \$1,000 or less.

5

MR BLACKBURN: Correct.

MS CAHILL: Does Crown object to that recommendation?

10 MR BLACKBURN: In principle, no. However, it is something that will take considerable amount of time to implement. I frankly think, from my perspective, working in financial crime, working in responsible gaming and compliance, the concept of cashless above a certain minimum level is one that will greatly assist the reduction in harm, depending on how it is done.

15

MS CAHILL: What is the order of magnitude of the "considerable amount of time to implement" you just referred to?

20 MR BLACKBURN: Well, first of all, there is legislation that needs to change in certain states. There is also technology that needs to change. We need to operationalise a new approach and, frankly, it needs to be industry-wide.

MS CAHILL: Why so?

25 MR BLACKBURN: I don't want to be responsible for driving problem gamblers or people who commit financial crime to entities that are less capable of managing the risk.

30 MS CAHILL: What is the position in relation to Crown Perth? Does Crown intend to move to cashless gaming at Crown Perth?

35 MR BLACKBURN: We are considering cashless gaming for all jurisdictions, Sydney Crown, Melbourne and Perth. The tool we would likely use that we are considering, that is currently under development, that we are in contractual talks in respect of, would be deployed at all three jurisdictions.

MS CAHILL: What is that tool?

40 MR BLACKBURN: It is a digital wallet.

COMMISSIONER OWEN: Could I interrupt again, sorry. Mr Blackburn, you mentioned that you thought, if there is to be this change, it should be industry-wide.

45 MR BLACKBURN: Correct.

COMMISSIONER OWEN: Were you speaking there of the casino industry or the gaming industry generally?

MR BLACKBURN: My perspective, Commissioner, is that it should be the gaming industry generally. I think it creates a fair playing field, but it also protects --- I am quite concerned about the introduction of a measure that only applies to certain industry participants, that will then drive behaviour and dangerous behaviour to other organisations that are less capable of managing it. That arises in the context of both financial crime and responsible gaming. It is a concern.

10 COMMISSIONER OWEN: Thank you.

MS CAHILL: The enhancements you have on these two pages I have shown you, given that they were to you obvious, commonsense improvements to be made to Crown's RG system, have you gone back to consider whether or not the independent panel, in the three or so years it has been in place, has ever recommended those improvements?

MR BLACKBURN: They have recommended a number of these improvements, not all of them but a number of these improvements, in their August 2020 report.

20 MS CAHILL: Not all of them?

MR BLACKBURN: Not all of them, no.

MS CAHILL: To the extent they did not, does it raise serious questions in your mind about the competence, effectiveness or independence of that panel?

MR BLACKBURN: Not at all.

MS CAHILL: Can we come back to the August 2020 report. Just on the room screens, please, CRW.507.001.1078, at 1083. What the panel is doing here in the dot points is identifying strengths in the current frameworks and initiatives taken. In the third dot point it says that Crown has a well-trained and experienced staff cohort. It goes on to talk about its skills, and so forth. This is at August 2020.

35 MR BLACKBURN: Yes.

MS CAHILL: In your evidence to the Victorian Royal Commission, you mentioned you were at a Responsible Gaming Committee meeting in April 2021 and you heard Dr Blaszczyński say "I feel the group is under-funded and under-resourced". Do you recall that evidence?

MR BLACKBURN: Those weren't his words, but yes, that is accurate.

MS CAHILL: What were his words?

MR BLACKBURN: I don't recall but I would not --- those words would have remained in my mind, so he didn't use those words.

MS CAHILL: Let's go to COM.0004.0031.0367 at page 0494. This is page 3027 of the transcript, lines 13 to 20, please. This is your evidence, Mr Blackburn.

5 MR BLACKBURN: Yes. That would be my paraphrasing of what Dr Blaszczyński said. Those are my words.

MS CAHILL: You were stating the effect of what he was saying?

10 MR BLACKBURN: I think I was stating it perhaps bluntly. In effect, what I believed he was saying was that the team was under-resourced but potentially not under-funded but remuneration was inappropriate.

MS CAHILL: You say at paragraph 62 of your witness statement, page 1018:

15

I was not presented with the recommendations made by the General Managers for RG [Responsible Gaming], before the RG Enhancements were proposed to the Board in May 2021.

20 You did, however, discuss certain proposed enhancements with Ms Bauer, didn't you?

MR BLACKBURN: I did indeed. Ms Bauer presented to me the proposed Responsible Gaming enhancements.

25

MS CAHILL: Did she inform you where she got them from?

MR BLACKBURN: She said she had been working with the GMs, with the other group general managers.

30

MS CAHILL: At paragraph 64 of your witness statement, page 1018, you refer to two recommendations from the general managers in the first sentence, "mandatory carded play" and "mandatory gaming floor entry registration". You say:

35

I do not consider that either of these matters constitute inadequacies in Crown's existing framework.

MR BLACKBURN: Yes.

40 MS CAHILL: Do I understand, therefore, that the ones that you did include in the RG Enhancements, the common sense obvious ones, reflected existing inadequacies in the framework?

MR BLACKBURN: That is my perspective, yes.

45

MS CAHILL: Can I take you then to paragraph 57 of your witness statement, page 1018. You were asked to identify in the current framework what was an inadequacy versus something that just needs to be improved?

MR BLACKBURN: Yes.

5 MS CAHILL: You answered that it's difficult to distinguish "in the absence of legislative and regulatory requirements".

10 MR BLACKBURN: Yes, I confirm that statement. I think it is quite difficult to distinguish what constitutes an inadequacy versus an opportunity for enhancement. Inadequacies, to my mind, would be instances where we are not meeting regulatory requirements, and as I have mentioned also elsewhere in my statement, there isn't a great deal of prescription around Responsible Gaming in any legislation in Australia, let alone Western Australia.

15 MS CAHILL: With the RG Enhancements, you identified inadequacies in the program, didn't you?

MR BLACKBURN: I felt certain elements represented inadequacies, but it is my opinion as to the inadequacy.

20 MS CAHILL: Well, you can give your opinion and that's what I am asking you for now, Mr Blackburn.

MR BLACKBURN: Yes.

25 MS CAHILL: You can determine, and you have determined, haven't you, that to the extent there were things in the existing program that required the RG Enhancements to be introduced, they represented inadequacies in the program?

30 MR BLACKBURN: Not uniformly, no, and I apologise if I left you with that perception. I think in some circumstances I regarded elements as inadequacies; in others, I regarded them as opportunities and enhancements, which is why I titled the document "Enhancements".

35 MS CAHILL: So some of them were reflective of existing inadequacies and some were not reflecting inadequacies, but just areas for improvement?

40 MR BLACKBURN: Yes. I would say --- I mean, if you read it in conjunction with the paper that covered this document when it was presented at the board, the paper clearly indicates that I felt that resourcing was inadequate and that remuneration was inadequate. Those were two points I was focused on.

45 The absence of evaluation, sufficient evaluation, was also something I felt was an inadequacy. The enhancements, the remainder of those recommendations, were essentially opportunities for enhancements, but in some cases I considered them inadequacies.

MS CAHILL: Really, what I want to do is put the proposition to you and ask you

whether you agree with it or not, Mr Blackburn.

MR BLACKBURN: Happy to.

5

MS CAHILL: You recall earlier I was asking you about the social licence or moral obligation in relation to harm minimisation.

MR BLACKBURN: Yes.

10

MS CAHILL: You accepted that Crown has a responsibility to take all reasonable steps to minimise potential gambling-related harm.

MR BLACKBURN: Yes.

15

MS CAHILL: It would be possible, wouldn't it, to identify inadequacies in an RG system within Crown irrespective of the legislative or regulatory environment, if you could draw a conclusion that Crown hasn't taken all reasonable steps to minimise harm?

20

MR BLACKBURN: That was a very long question. I think I agree, but I'd love for you to repeat it, if you wouldn't mind.

MS CAHILL: So you agreed with me earlier that Crown has a social licence or moral obligation to take all reasonable steps to minimise potential gambling-related harm?

25

MR BLACKBURN: Yes.

30 MS CAHILL: Before, I took you to paragraph 57, which is on the screen ---

MR BLACKBURN: Yes.

35 MS CAHILL: --- where you are expressing a difficulty in being able to distinguish between an inadequacy in an existing program Crown has.

MR BLACKBURN: Yes.

40 MS CAHILL: If there is a need for improvement or a matter for improvement.

MR BLACKBURN: Yes.

MS CAHILL: Unless you have a regulatory or legislative context?

45 MR BLACKBURN: I don't think --- so in response to your question, I don't think you necessarily require a regulatory framework in order to identify an inadequacy, if that is your question. I think there are instances where you can identify inadequacies in the absence of regulatory requirements. However, I do think regulatory

requirements are helpful for the context of a casino that is in a position to --- or wanting to comply with all relevant legislation and also relevant expectations. It is, as we mentioned earlier, with the vast array of research positions and opinions, it is somewhat difficult for those of us in the industry to understand just what steps should be taken.

MS CAHILL: Can I ask you now about the change program that you have begun planning for and executing in relation to gambling-related harm minimisation.

MR BLACKBURN: Yes.

MS CAHILL: The first thing I want to ask you about is risk assessment.

MR BLACKBURN: Yes.

MS CAHILL: Coming back for a moment to financial crime and ML/TF risk, you explained earlier that an enterprise-wide risk assessment is a fundamental component of that change program, and any program, really, for financial crime and compliance. Is an enterprise-wide risk assessment of gambling-related harm risk a fundamental component of the Responsible Gaming change program?

MR BLACKBURN: I wouldn't say it's a fundamental requirement, but I would say it's an absolutely fantastic initiative and one that would be very helpful. I don't believe it's a fundamental requirement because in the context of financial crime and some other areas of risk management, there are legislative expectations or legislative requirements or regulatory expectations in the context of applying enterprise-wide risk assessments, or applying --- risk assessments to understand inherent risk. Nothing like that exists in my experience in the Responsible Gaming space. However, I think it would be a very useful tool.

MS CAHILL: Absent again that regulatory or legislative overlay, it is a point that's compelling, isn't it, that in order to ---

MR BLACKBURN: It is, that's why I'm encouraged by the prospect of introducing one, yes.

MS CAHILL: But to be clear, if you're going to take all reasonable steps to minimise gambling-related harm risk, you need to know what the risks are?

MR BLACKBURN: Yes, there is quite a difference in --- well, obviously there's a great deal of difference in financial crime and compliance and Responsible Gaming in this space, in that there is specific research in the context of Responsible Gaming that targets gaming harm and focuses on gaming harm and also on measures to address gaming harm, or prevention or minimisation, that is fairly unique. So there is a basis upon which to draw conclusions on what might be appropriate for a Responsible Gaming program that isn't necessarily obvious in other functions.

As you said, I also think it would be an excellent way of approaching the identification of risk, to the extent that you can sufficiently gather data and analyse that data for the purposes of the EWRA.

5

MS CAHILL: Has an enterprise-wide risk assessment methodology been designed for Responsible Gaming risks at Crown?

10 MR BLACKBURN: Not yet, but I would suggest that Dr Blaszczyński has, you may be aware, prepared a gaming risk matrix that is a helpful tool in the context of understanding what might be a component of that enterprise-wide risk assessment for responsible gaming. But it is a consideration under the Responsible Gaming change program.

15 MS CAHILL: You mention in paragraph 55, on page 1017, the second sentence, when you are talking about improvements and "a more robust customer risk assessment methodology", is that the one that Professor Blaszczyński has prepared that you just referred to?

20 MR BLACKBURN: No, but that was my idea, and it is very likely informed by some of the research that I have read, but it is my experience in financial crime around customer risk assessment models that they can be applied in the context of other areas. I think there is a possibility or a real prospect of building a CRA model not dissimilar to what we will apply in financial crime in the context of Responsible
25 Gaming to identify customers that may be exposed to harm.

MS CAHILL: You would also be able to deploy concepts such as a channels risk assessment and a products risk assessment, couldn't you?

30 MR BLACKBURN: Absolutely, absolutely. I think customer risk assessment is sort of the initial point, but I think product risk assessment is necessary and, frankly, every new product is already --- every new product in the context of Crown Perth is reviewed by the Responsible Gaming team so as to ensure that the risks are assessed. However, I think a comprehensive approach to risk assessment in this space would
35 be useful.

MS CAHILL: Jurisdiction risk assessment might also have some role to play here? You can see, for example, how Western Australia's regulatory overlay in relation to electronic gaming machines is different from other jurisdictions?

40

MR BLACKBURN: Yes. My understanding of the difference in Western Australia, and again I'm not an expert, my understanding of the difference in Western Australia relates to the usage of electronic gaming machines in the absence of pokies being available in pubs and clubs. So there is a higher rate of usage and potentially a higher
45 --- thus, a higher experience of harm in the context of EGMs because that's --- sorry, lower, because that is not as available as it is in other jurisdictions.

MS CAHILL: Well, it might also mean this, mightn't it, Mr Blackburn, that where

you have all of the EGM play occurring on your premises, it provides a greater opportunity to minimise the risk of harm?

5 MR BLACKBURN: I fully agree with that.

MS CAHILL: In relation to the RG Change Program, how is "harm" characterised or defined?

10 MR BLACKBURN: Would you mind if I referred to the RG Change Program PowerPoint?

MS CAHILL: Let me see if I can find that document for you, CRW.701.006.4437.

15 MR BLACKBURN: I think so. Bear with me, I apologise. It is CRW.701.006.4437.

MS CAHILL: Could we have that up on the screen, please?

20 MR BLACKBURN: I'm not entirely clear that we defined "harm" in the context of the program. I think we have assumed, and so we may not have defined it in this document. However, "harm", to me, is the same definition that I provided earlier, which relates to money and time, excessive money and excessive time, or both.

25 MS CAHILL: The change program has as its objectives not only harm minimisation, but also harm prevention?

MR BLACKBURN: Correct.

30 MS CAHILL: At paragraph 71, page 1019 of your witness statement, you say that:

The purpose and objective of the RG Change Program is to ensure Crown's RG practices and systems are consistent with best practice.

35 MR BLACKBURN: Correct.

MS CAHILL: Can I ask you a couple of questions about that. First, is Crown seeking to benchmark the change program by reference to RSG programs of other casino operators in Australia or in other jurisdictions?

40

MR BLACKBURN: Well, we certainly won't be benchmarking against other operators in Australia, because my understanding is we are already well advanced, versus our competitors in Australia. However, overseas, I think we will do a comparative analysis as part of our RG Change Program. It will not be

45 determinative, but it will inform.

MS CAHILL: Does the change program contemplate that access of the public generally to gambling services at Perth Casino may be modified or restricted in order

to minimise the risk of harm or prevent harm occurring?

5 MR BLACKBURN: I apologise, could you repeat the question?

MS CAHILL: What I am driving at here is I want to understand the change program in whole or part contemplates access of the public generally to Crown's gambling services, maybe modified or restricted in order to minimise the risk of harm occurring?

10 MR BLACKBURN: I think that is definitely a possibility and something that would be occurred under the RG Change Program. It is also obviously something that is one of the outcomes potentially of the Victorian Royal Commission.

15 MS CAHILL: Does the change program currently address that point?

MR BLACKBURN: It does, through the harm prevention minimisation actions or activities. If I could refer you back to the PowerPoint, we define key harm prevention and/or minimisation areas. That is on CRW.701.006.4443, starting there and continuing for the next several pages. Each of these points or components, these areas for prevention minimisation would consider that.

20 MS CAHILL: Does the change program have regard in any way to the potential impact upon Crown's revenue or profitability of certain harm minimisation strategies?

MR BLACKBURN: None at all.

30 MS CAHILL: Does it have regard in any way to whether any harm minimisation strategies might put Crown at a competitive disadvantage to other casino operators?

MR BLACKBURN: No, it doesn't.

35 MS CAHILL: Does the change program assume that the overall philosophy, approach and policy, in respect of harm minimisation, should be the same with respect to all Crown properties?

MR BLACKBURN: We haven't made that presumption. I wouldn't make that presumption based on the fact that there may be distinctions property to property. So, for example, Crown Sydney will operate a very different model than Crown Perth, which also operates in a slightly different model than Crown Melbourne.

45 MS CAHILL: Can I just then clarify what you say at paragraph 49, page 1016 of your witness statement.

MR BLACKBURN: Yes.

MS CAHILL: "The overall philosophy, approach and policy is the same", or is not

the same?

5 MR BLACKBURN: I think it will be the overall philosophy and approach on policy, frankly, will be the same for all jurisdictions but there will be nuances in how it is delivered. That nuance would allow for --- say, for example, the existence of greater usage of EGMs in Perth, as an example.

10 COMMISSIONER OWEN: Ms Cahill, whenever you get to a convenient point.

MS CAHILL: Two or three more questions and then we can break, Commissioner.

15 Did you consider the fact that Crown Perth effectively has a monopoly in Western Australia with respect to the offering of casino gambling to the public, as being a distinguishing feature in terms of the philosophy, approach and policy overall that should be implemented in Western Australia?

20 MR BLACKBURN: No, I don't. Gambling harm is gambling harm. It's more of a question of how you operationalise management of that harm. I think even Professor Rockloff recognised that in every jurisdiction in Australia, the harm is the same. It is how you address the harm and there are instances of greater use of certain products, but ultimately the harm is the same, so how you apply minimisation and mitigation strategies should be very, very similar.

25 MS CAHILL: Would you agree that with a monopoly situation at Crown Perth, Crown has the latitude to take a more robust approach to harm minimisation because it doesn't have to have regard to competitive disadvantage or profitability implications from its harm minimisation approach?

30 MR BLACKBURN: I'm not sure that's right, in that Crown Perth isn't only for Western Australians or Perth residents of Perth. I think the people that attend Crown Perth come from all across Australia. In fact, I think it's a bit of a tourist destination for Perth and for Western Australia, so it would seem to me that it should apply equally.

35 COMMISSIONER OWEN: We will take a break until 10 minutes to 4.00 pm our time. That will be 10 minutes to 7.00 pm your time. That will give you time to recoup.

40 MR BLACKBURN: Fantastic. I will grab a tea.

ADJOURNED **[3.30pm]**

45 **RESUMED** **[3.48pm]**

COMMISSIONER OWEN: Ms Cahill.

MS CAHILL: Thank you, Commissioner.

5 I want to go back to the PowerPoint presentation that you took us to, Mr Blackburn, CRW.701.006.4437. Just to be clear, is this intended to be --- it is only in draft form and it is still being reviewed, but is the intention that when it is completed, it will be the presentation document to explain the change program to the CRL board?

10 MR BLACKBURN: Correct.

MS CAHILL: At 4438, the "Uplift Program Objective" is described there:

15 To uplift our Responsible Gaming capability to make it world class in the view *of an independent assessor*.

Is the intention to have the change program reviewed by an independent assessor?

20 MR BLACKBURN: That is the intention, yes.

MS CAHILL: Before or after it is approved by the board?

25 MR BLACKBURN: I won't be seeking approval from the board; I will be seeking noting from the board. So I will present the program to the board as the plan, ask them to note it and then we will be seeking an assessment.

MS CAHILL: Who ---

30 MR BLACKBURN: That assessment will very likely be conducted through --- we will ask the members of the RGAP.

MS CAHILL: Will be the independent assessors?

35 MR BLACKBURN: Correct.

MS CAHILL: At 4440, you have the "Change Program Design Approach" here, and numbered paragraph 1, which interestingly comes after 2 ---

40 MR BLACKBURN: That's why it's a draft.

MS CAHILL: --- identifies the review inputs?

MR BLACKBURN: Yes.

45 MS CAHILL: That's inputs into the uplift program; is that right?

MR BLACKBURN: Correct.

MS CAHILL: Do I understand that the inputs are essentially these: you have your "RG Enhancements", that's one input?

5 MR BLACKBURN: That is one of the inputs, yes. There are multiple inputs, so ---

MS CAHILL: Sorry, Mr Blackburn. The "RG Enhancements" are one set of inputs?

10 MR BLACKBURN: Yes, they are.

MS CAHILL: And then issues that have been identified from the Royal Commission are another set of inputs?

15 MR BLACKBURN: Yes.

MS CAHILL: There is a "Research Review" that has been undertaken or is being undertaken, and that's another set of inputs or another input?

20 MR BLACKBURN: Correct. Correct.

MS CAHILL: Are there any others?

25 MR BLACKBURN: The recommendations associated with the Victorian Royal Commission's Sixth Review, the recommendations from the RGAP in their report of August 2020, and anything, of course, that arises out of the Perth Crown Royal Commission, Perth Casino Royal Commission. All of these things will continue to act as inputs into the program, and of course the Victoria --- I believe you said that, the Victoria report.

30 MS CAHILL: If you were to ultimately undertake an enterprise-wide risk assessment, there might be something coming out of that that would also potentially be an input?

35 MR BLACKBURN: Correct, yes. There is also a great deal of research that has been reviewed in the context of pulling this together. There are many, many inputs.

MS CAHILL: Well, have you identified the bulk of them?

40 MR BLACKBURN: Yes, and I just articulated them.

MS CAHILL: At page 4444, this is the beginning of the overview of the different initiatives. As I understand it, they follow sort of different subject matters on the succeeding pages. Here we have got for "Uncarded Play". I just wanted to
45 understand some of the terminology in this document. In the third column under "Category" in respect of the different initiatives, there's a category of "Big hitter"?

MR BLACKBURN: Yes. Our greatest impact --- perceived greatest impact. We brought together, as you will appreciate, a number of people through workshops, in addition to getting advice from the RGAP, and the RGAP was also present where we went through all of these various elements to determine whether or not we thought they would be --- what would be most effective in harm prevention, harm minimisation, and these were the items that we landed on. Where we have indicated "Big hitter", it is indicative of something which we think would make a material difference as a group.

MS CAHILL: A material difference in terms of minimising harm?

MR BLACKBURN: Correct.

MS CAHILL: The "Lower priority" category, what does that mean?

MR BLACKBURN: Those are ones where we are not certain yet of the overall impact or we regard them as being less impactful.

MS CAHILL: Can we go to page 4446. There is a reference to "quick win". What does that mean?

MR BLACKBURN: Things that we think we can do relatively quickly.

MS CAHILL: What about the ---

MR BLACKBURN: To make a difference.

MS CAHILL: What about the relative impact on minimising harm, how do we assess that in that context?

MR BLACKBURN: It would be categorised differently, but we haven't indicated there whether or not we feel it is a big hitter or a low priority, the impact, but we have identified it as a "quick potential" and something --- frankly, many of these we would like to do, in any event. So if there are opportunities to do things quickly that would help people and minimise harm, then we will consider them for sure.

MS CAHILL: And "small win", what does "small win" mean?

MR BLACKBURN: "Small win" necessarily means we aren't convinced it will be a material change, but we think there will be incremental change.

MS CAHILL: How does that compare to "Lower priority"?

MR BLACKBURN: Lower priority would be beneath the small win. So it is one that we are yet to fully assess or fully determine the impact, but we expect the impact may not be material.

MS CAHILL: At 4452, in relation to play periods, at the bottom, the row dealing with "Research and analytics to scope play periods" is described as "Lower priority". Why is that?

5

MR BLACKBURN: I think it's largely because in order to get to the point where research and analytics to scope play periods are effective, we need to have implemented the play periods for a period of time to actually understand their impact. So there's a collection of data required, ultimately, in order to determine whether or not they are effective. It's not an assessment of the effectiveness of play periods generally, it's an assessment of the effectiveness of play periods in use and in practice by Crown.

MS CAHILL: If you were to research the general position, as opposed to how it works at Crown, you could form a more confident view about whether the 12 hours is the right number; would you agree?

MR BLACKBURN: I will --- I do and I have.

MS CAHILL: So you have done research into whether ---

MR BLACKBURN: Of course. Of course. I think we provided you a list of the research materials we have gone through and many of those materials touch on play periods. There are none that are definitive in that regard, but there are several that touch on play periods.

MS CAHILL: You are satisfied on the basis of that research that the 12-hour time limit on the casino premises is appropriate?

MR BLACKBURN: No, and I didn't say that. I think it's more appropriate than 18 hours. You will recall I said, in fact, I am open to revisiting that number as time progresses and as further research develops and also as our data and analytics are applied in the context, so we can better understand how it is operating.

Ultimately, we require the data to actually understand, as opposed to doing a desk study. The study at the casino through observation and through analysis of the data available at the casino will provide us with a better platform upon which to determine whether or not play periods are actually effective in minimising harm.

MS CAHILL: The 12 hours is not based on anything, is it, it is just your commonsense reaction?

MR BLACKBURN: The 12 hours, in its original instance, was based on my commonsense reaction, but I think you'll also note that the Victorian Responsible Gaming Foundation CEO indicated at the Victorian Royal Commission that he thought that was an improvement as well. So the reaction I have had to the 12 hours from experts in the field has generally been that it is a positive step for Crown in minimising harm.

MS CAHILL: The question is whether it is a sufficient step, Mr Blackburn.

5 MR BLACKBURN: As I said, we are yet to determine that.

MS CAHILL: But you could do academic research that would inform that; would you agree?

10 MR BLACKBURN: We could, so long as that academic research isn't done from the lofty heights of academe. I think the academic research would need to be informed by presence on the gaming floor and clinical experience.

MS CAHILL: But can I just be clear, have you undertaken a review of the academic research?

15 MR BLACKBURN: We have reviewed many research articles in this regard but, as I said repeatedly, I have not yet come to a conclusion on whether or not it is suitable, and that will be considered as part of the Responsible Gaming Change Program.

20 MS CAHILL: Is it a priority for you to get to the bottom of that?

MR BLACKBURN: It's a priority for me to get to the bottom of every element of the Responsible Gaming Change Program.

25 MS CAHILL: But this no more so than any other aspect of the change program?

MR BLACKBURN: Well, this one, I am excited by the prospect of reviewing data from an operational perspective, as it is delivered. As you know, we implemented the Responsible Gaming --- the play period protocol, the new play period protocol in
30 Perth on 4 October and we are already receiving data, but further data is required.

MS CAHILL: You explain in paragraph 79 of your witness statement, page 1020, that there are two documents in the process of being prepared that relate to the development of the change program. The two documents you have nominated are on
35 the screen. One is an information and insights document?

MR BLACKBURN: Correct.

40 MS CAHILL: CRW.701.006.4410. Who actually prepared this document?

MR BLACKBURN: The aggregation was conducted by Nic Emery, the Chief Marketing Officer for Crown.

45 MS CAHILL: Marketing officer?

MR BLACKBURN: Yes. It was based on the aggregation from information from a number of employees at Crown and based on the reaction or the engagement with the

RGAP and also run through me before it was presented to the RGAP.

5 MS CAHILL: Is it not, though, a summary of key points from research?

MR BLACKBURN: Some of it is a summary of key points from research. Some of it --- which would have come through the GMs from Responsible Gaming in each of the jurisdictions, together with the panel.

10 MS CAHILL: The blue and red comments are the comments of Professor Delfabbro and Professor Blaszczynski, respectively, are they?

MR BLACKBURN: Correct.

15 MS CAHILL: Is the intention that the contents of this document will be fed into the change program?

MR BLACKBURN: They will help inform the change program, yes.

20 MS CAHILL: In relation to play periods on this first page, do you understand what is being advocated by the two professors is they are identifying a period of continuous playing on an EGM of between three to five hours as an indicator of a risk of harm that requires some response from Crown?

25 MR BLACKBURN: I do, which is why we have implemented a 3.5 hour intervention.

MS CAHILL: Can we go to page 4412 at point 9, down to the bottom text under the heading "Insights", the first bullet point, where it says:

30 There is current no adequate or realistic technology solution for

In effect, for monitoring uncarded play?

35 MR BLACKBURN: Correct.

MS CAHILL: Is that insight being taken into account in the change program?

40 MR BLACKBURN: It is, yes.

MS CAHILL: At the top of page 4413, is it your understanding in relation to the comments in red that Professor Blaszczynski is identifying material limitations in the ability of staff to manually observe uncarded players for signs of risk of harm?

45 MR BLACKBURN: That is my interpretation of his response as well.

MS CAHILL: Is that insight being taken into account in the change program?

MR BLACKBURN: Of course.

5 MS CAHILL: The other key document you refer to in paragraph 79 is CRW.701.006.4421. We have to get the right version of this for you.

MR BLACKBURN: No problem.

10 MS CAHILL: You have seen this document in an Excel spreadsheet format, have you?

MR BLACKBURN: I have.

15 MS CAHILL: Is this the most detailed and comprehensive expression of the contents of the change program in its current state?

20 MR BLACKBURN: No, this is an expression of responsible gaming controls that we have in place, either now or that we are considering enhancing or we are developing as part of the Responsible Gaming Change Program, but this is a focus on the controls element.

MS CAHILL: If we were to ask you, "Where do I go to find the current version of the change program?", where do we go?

25 MR BLACKBURN: The document you were previously reviewing, which covers at a high level all of the components we hope to address through the change program. Now, granted it is a draft and will be further developed.

30 MS CAHILL: Do you mean the Insights document or the PowerPoint presentation?

MR BLACKBURN: The PowerPoint presentation.

35 MS CAHILL: There will have to be a proper change program document that underpins that, won't there?

MR BLACKBURN: Of course, yes, not unlike what was presented to the board in the context of the financial crime and compliance change program.

40 MS CAHILL: Right. But has that document not even commenced preparation?

45 MR BLACKBURN: Well, the underlying documents have commenced preparation, so we are well on the way, and we will use components of the PowerPoint presentation, which is fairly comprehensive, although albeit high level, but it is fairly comprehensive on the strategies we will undertake.

MS CAHILL: I just have to pause, Commissioners, to see if I can find the native format. I will pause for a moment to get this document uploaded. I won't be able to ask questions on the basis of the PDF document.

COMMISSIONER JENKINS: I can ask a couple of questions whilst we are waiting.

5 **QUESTIONS BY THE COMMISSIONERS**

COMMISSIONER JENKINS: Mr Blackburn, in respect of the PowerPoint document that has been described, when was that prepared? I can't see a date on it.

10

MR BLACKBURN: It has been prepared and revised over the course of the last three months. The most recent iteration you would see before you is likely early October.

15 COMMISSIONER JENKINS: Thank you for that. Is that, at the moment, a document that is only being used by your RG management team, it hasn't gone beyond that team?

20 MR BLACKBURN: It is an internal document at this stage, other than we have engaged the RGAP in respect of it, so they have seen it, but otherwise it remains an internal document at this stage. It has been socialised with the CEO as well, with Steve McCann, but considerable further work is required before we more broadly socialise it.

25 COMMISSIONER JENKINS: The RG program you expect to come out of that will be a joint program for both Melbourne and Perth?

30 MR BLACKBURN: All jurisdictions. So we consider Responsible Gaming to be a group function, to ensure consistency and best practices across the organisation and also to ensure we learn from one another in each of our jurisdictions. So this will be a group program.

35 COMMISSIONER JENKINS: How do you see that fitting with the Victorian Royal Commission's recommendations about Melbourne management reporting only to the Melbourne board?

40 MR BLACKBURN: My personal perspective on that is it is, unfortunately, very shortsighted in that it doesn't appreciate the impact on the, sort of, national presence of this organisation. It concerns me that I will --- well, depending on --- I think Crown will take a position on it, but it concerns me as a leader in an integrity function that I will have less of an ability to acquire talent and, frankly, I will have to --- well, I'm not sure, frankly, how I will do it from a commercial perspective, how I will develop these teams in a regional way, because at this point in time the expertise is shared, the learning experiences are shared and the ability to attract top talent remains in place because we are a national organisation.

45

I understand that the recommendation from Commissioner Finkelstein applies to

special roles, in particular, and Responsible Gaming, happily, wasn't one of those roles. It was the CEO, the CFO, I believe the Chief Operating Officer and then there were a handful of other roles where the heads of were required to report into the
5 jurisdiction.

But my solemn hope is that that approach doesn't proliferate, in that it will be incredibly difficult for those of us on the integrity function side of the equation to effectively manage risk and effectively roll out consistent processes across
10 jurisdictions.

COMMISSIONER JENKINS: Thank you. Ms Cahill, would you like me to continue?

15 MS CAHILL: I have just been told, Commissioner, that it should be available to come up, but it hasn't actually hit the screen yet. So if you would like to continue, that might be appropriate.

COMMISSIONER JENKINS: In respect to the Victorian Royal Commission
20 recommendations around Responsible Gaming, there seem to me to be recommendations there that are not picked up in the Crown documents I have seen so far. I want to know what your approach to those are; for example, the mandatory pre-commitment in respect of loss and time limits?

25 MR BLACKBURN: Commissioner, with that recommendation and all of the other recommendations that came out of the Victorian Royal Commission in Responsible Gaming, they are being built into the program. That does not necessarily mean we will take a consistent approach, depending on the outcome of the Perth Royal
30 Commission as well. We are obviously sensitive to the results in the Perth Royal Commission and we will adjust accordingly as that happens.

However, the elements that apply to Melbourne through the Victorian Royal Commission report will be considered as part of the RG Change Program. Many of those elements will take time to implement. Obviously things like carded play,
35 consistently across the board, identification for all customers and predetermined limits are things that will take considerable time to implement.

I think, if I recall Commissioner Finkelstein's comment on the YourPlay Limits, it was an instruction to the government and the regulator to institute a YourPlay
40 program that was mandatory. So we presumably would be responsive to that. We will respond to that as soon as the government and the regulator have proposed the terms of that mandatory YourPlay arrangement.

45 MS CAHILL: Thank you, Commissioner.

CROSS-EXAMINATION BY MS CAHILL (continued)

MS CAHILL: Mr Blackburn, you should have the Excel spreadsheet in front of you now.

MR BLACKBURN: Yes.

5

MS CAHILL: You are familiar with that document?

MR BLACKBURN: I am.

10 MS CAHILL: It has a different document identifier, CRW.701.009.5656. What has been your contribution to the contents of this document?

MR BLACKBURN: I have been engaged throughout the development of this document and the articulation of the process to actually determine impacts and the consider-now versus consider-later components.

15

MS CAHILL: Does it apply equally to Crown Perth and Crown Melbourne?

MR BLACKBURN: At this stage it applies to Crown in all of its elements, but as it develops further, I would anticipate there will be further change, recognising the Commissioner's comments about the recommendations coming out of the Victorian Royal Commission, will invariably impact how we approach Melbourne in respect to some of these items.

20

MS CAHILL: To understand how we read this spreadsheet, in the column I, "Categorisation", the "Heavy hitter" is equivalent to the "Big hitter" from the slide deck, is it?

25

MR BLACKBURN: Yes.

30

MS CAHILL: It has the same meaning?

MR BLACKBURN: Yes. Apologies, baseball terminology.

MS CAHILL: Then, the "Small win" we see at row 9 has the same meaning as in the slide deck?

35

MR BLACKBURN: Yes.

MS CAHILL: And "Lower priority"?

40

MR BLACKBURN: Correct.

MS CAHILL: Then if we go to row 35, "Quick win" has the same meaning as it did in the slide deck?

45

MR BLACKBURN: Correct.

5 MS CAHILL: In column J, the "Treatment" column, what does "doing it" mean?

MR BLACKBURN: It means we are already undertaking efforts to implement at least a form of what the key activity is, or the task.

10 MS CAHILL: If we go back to row 4, you see that "doing it" is as to 86 per cent. What does that mean?

15 MR BLACKBURN: That was the response from the working group on the perception of whether or not we are actually doing the work at this point in time, or in some cases there's a perception that it may not yet be underway, so it is an aggregate view from the working group.

MS CAHILL: It is just derived in an impressionistic way, is it?

20 MR BLACKBURN: Correct.

MS CAHILL: As to 86 per cent?

MR BLACKBURN: Yes.

25 MS CAHILL: And then ---

30 MR BLACKBURN: So, impressionistic but it's based on inputs. So each participant in the working groups was required to rate and then those ratings were aggregated to the point where we could determine what the percentage was.

MS CAHILL: As for the remaining 14 per cent in this row 4, that is under a "Consider later" column?

35 MR BLACKBURN: Yes.

MS CAHILL: What does that mean?

40 MR BLACKBURN: That certain individuals in the group would have thought it was not necessary to do now, we should be focusing on other priorities, presumably within the change program, and so their advice was consider it later.

MS CAHILL: When the expression "Consider later" is used, how much later are we talking about?

45 MR BLACKBURN: We haven't determined.

MS CAHILL: When the weightings are flipped, as in row 5, or 6 it is, do you see there where "Consider later" is the overall treatment, there is 40 per cent "Doing it"

and 57 per cent "Consider later".

MR BLACKBURN: Yes.

5

MS CAHILL: Does that mean that less than half of it is being attended to now and the bulk is being deferred?

MR BLACKBURN: No, it means that in the working group, the perception was 57 per cent of those perspectives --- 57 per cent of those shared the perspective that this should be considered later, as opposed to doing it now.

10

MS CAHILL: If we go to row 18, there is a "Consider now" categorisation.

MR BLACKBURN: Yes.

15

MS CAHILL: How does one compare "Consider now" to "Doing it"?

MR BLACKBURN: Well, "Doing it" suggests that we have already commenced the work or are in the process of commencing the work. "Consider now" is an assessment that we potentially should consider doing this at this point as well.

20

MS CAHILL: Under columns G and H there are scores given for "Impact" and "Effort". "Impact", I apprehend, is in relation to the impact on harm minimisation?

25

MR BLACKBURN: Correct.

MS CAHILL: How is the score derived?

MR BLACKBURN: Each of the members of the working group were asked to assess the impact on a 1 to 5 scale, what they felt would be the impact for harm minimisation and then that was aggregated and the average was added to the table.

30

MS CAHILL: How is the "Effort" scale or score derived?

35

MR BLACKBURN: The same process. So the members of the working group would have come from across the organisation. They included people from security, from technology, from responsible gaming of course, from compliance, from financial crime, from the gaming business, et cetera. So each of these people would have an opinion on, first of all, impact but also on effort.

40

MS CAHILL: Does effort mean physical effort?

MR BLACKBURN: Effort means things like technology change.

45

MS CAHILL: What is the purpose of these "Impact" and "Effort" --- sorry, the "Effort" rating?

MR BLACKBURN: Ultimately to give us a sense of how difficult this would be to achieve. So that will help us plan in terms of timing.

5 MS CAHILL: I want to come back to this Excel spreadsheet in a moment, but can I show you CRW.701.006.2626. You will have seen this document before. This is a risk review undertaken by CURA in June of this year in relation to the risk of what is described as the irresponsible provision of gaming?

10 MR BLACKBURN: Yes.

MS CAHILL: On the front page in the table at the bottom of the page, it assesses various controls?

15 MR BLACKBURN: Yes.

MS CAHILL: In the fourth row, the control of the Responsible Gaming Crown Policy is assessed as ineffective?

20 MR BLACKBURN: Yes.

MS CAHILL: Is it an element of the change program to review and replace the Responsible Gaming Policy?

25 MR BLACKBURN: Yes, and the codes.

MS CAHILL: Is that presently documented anywhere?

MR BLACKBURN: Sorry, documented in the change program, you mean?

30

MS CAHILL: Yes.

MR BLACKBURN: I'm not sure if we have documented it in the change program, but it would be a component of governance, so as we go through the change
35 program, policy is a necessary component that will require change.

MS CAHILL: Would you go back to the Excel spreadsheet, please, and look at the first item, "Uncarded Play". Can I just understand, you see in the "Treatment" categorisation a number of "Doing it" and "Consider now" as well as "Consider
40 later". What is Crown's present intention in relation to uncarded play?

MR BLACKBURN: Well, Crown recognises the recommendation of the Royal Commission, Commissioner Finkelstein in Victoria, and will pursue steps towards uncarded play. As I mentioned earlier, I think, getting to a complete uncarded play
45 environment requires considerable operational and technological change, but it is possible. It just simply will take a considerable amount of time.

For example, many of the devices at Crown Melbourne and Crown Perth are not

capable of recording customer interaction. They don't have necessarily a link to a Crown Rewards card, for example. Considerable change is required in order to get us into a position where we can deliver on uncarded play.

5

The overall perspective on uncarded play, from my perspective, as the leader of financial crime and responsible gaming, is that it is helpful in the context of managing those risks and protecting the vulnerable. However, I recognise it is a bit of a blunt instrument. I think Professor Rockloff indicated in his paper that I believe it was 0.9 per cent of Western Australians who gamble are experiencing problem gaming. I recognise as well that the number of Australians who are potentially at risk, even low to moderate risk, or moderate to high risk, would be less than 10 per cent of the total. So in the introduction of uncarded play, we are taking --- or there is, essentially, a very sort of refined object when applied in a blunt manner.

10

15

MS CAHILL: If mandatory carded play is to be rolled out to Crown Melbourne it will necessarily follow that it will be rolled out to Crown Perth?

20

MR BLACKBURN: I anticipate that is the case. However, I will respect whatever the outcomes are from the Perth Royal Commission.

25

MS CAHILL: When you talk about the difficulties in time frames, the time it will take to roll out a mandatory carded play system, it is also true though, isn't it, in relation to uncarded play, that to ascertain and then roll out a system that effectively monitors uncarded players in an automated way for symptoms of risk is also an arduous task, because there is no current effective technology that is tried and true?

30

MR BLACKBURN: That is absolutely true. I think the impacts are slightly different but similar in that, in the context of uncarded play, building a monitoring program that is very effective, you need to consider, of course, expenditure, but you also need to look at duration and frequency, and those elements in an uncarded environment are difficult to monitor.

35

MS CAHILL: Can we go to rows 21 to 26 of the spreadsheet. It is looking at promotions and loyalty programs. Is it correct to say here, in summary, that essentially what is being considered is undertaking research to identify the implications in terms of risks of harm from the loyalty programs?

40

MR BLACKBURN: Yes, and that research has begun.

MS CAHILL: The review of those programs will only take place once that research has been analysed?

45

MR BLACKBURN: Yes, ultimately. We need to understand, in the context of the loyalty program, whether or not there is a causal effect. There is no research that suggests that loyalty programs have a causal effect on problem gaming. On the contrary, it appears the research suggests they are often associated with loyalty programs but it's not necessarily caused by loyalty programs. So that is, in part, the

angle of the research that we are trying to understand, so that it will better inform our approach in the future.

5 MS CAHILL: What is the time line for the completion of the research?

MR BLACKBURN: I would imagine March or April of 2022. The research is well underway. We will be distributing a survey to members of the public, people who have self-excluded in the past, amongst others, likely in late January. We are cognisant that the Christmas period is upon us and we are eager to get robust results and to do so, we are not sure that releasing the survey earlier will lead to that outcome.

15 MS CAHILL: Has a time line been set for the completion of the research?

MR BLACKBURN: It was set for March. However, I think we will very likely have to push it back.

20 MS CAHILL: What are the additional notations in column J under "Consider now"?

MR BLACKBURN: Sorry, the additional notations?

MS CAHILL: It says RSCH plus RCDEPDT.

25 MR BLACKBURN: I'm sorry, I don't see that. Yes, yes, I see it. Apologies. I don't recall.

30 MS CAHILL: Are there any interim or precautionary steps that are being taken in relation to promotions and loyalty programs, pending completion of the research?

MR BLACKBURN: Well, we have taken the step of ensuring there is no marketing for those who have self-excluded at any point, and that is a broader marketing initiative. But in the interim, on the loyalty program, no, there are no immediate steps that we will undertake. However, we will consider if immediate steps are appropriate under the Responsible Gaming Change Program.

MS CAHILL: In rows 41 to 45 there is a reference to research.

40 MR BLACKBURN: Yes.

MS CAHILL: What you are concerned with here, the focus is Crown conducting or commissioning its own research rather than just reviewing academic literature; is that right?

45 MR BLACKBURN: Correct.

MS CAHILL: If we look at what is being said here, in terms of column J, establishing the guiding principles for selection of research topics and partners, along

with the process to appropriately engage with the work, between rows 41 and 45 for research, it's all in a "Consider later" category?

5 MR BLACKBURN: Yes.

MS CAHILL: Why is that?

10 MR BLACKBURN: Simply because we have to prioritise certain items. There are many items that we are considering changing, as you will note from this document. At some point or another we have to prioritise when to address things, and "Consider later" would suggest that we feel the impact is not necessarily as great as the impact of some of the other priorities.

15 MS CAHILL: Can we go to rows 46 to 50. We have the play periods there.

MR BLACKBURN: Yes.

20 MS CAHILL: I want to ask you about column C, where the objective of the initiative is explained.

MR BLACKBURN: Yes.

25 MS CAHILL: It is described as deliver a play periods approach that maximises customer use of risk identification in an operationally efficient way?

MR BLACKBURN: Yes.

30 MS CAHILL: Why isn't there an objective there to determine play periods that minimise the risk of harm?

35 MR BLACKBURN: Well, as you correctly point out, that is the objective of the entire Responsible Gaming Change Program. That is the principal objective. All of these efforts fall into that category.

MS CAHILL: Row 47, the technology delivery, there is a reference in column F to WebEx and Splunk. Those are systems that monitor carded play periods; is that right?

40 MR BLACKBURN: That's correct.

MS CAHILL: What is the experience to date of being able to train staff to effectively utilise that technology?

45 MR BLACKBURN: Mixed, I would say. There has been --- well, the Responsible Gaming play periods have been effective in many cases but there are circumstances where the Splunk alerts were not necessarily responded to in a timely fashion. That was raised in the Victorian Royal Commission, so you'll be aware of that.

The exciting news we have afoot is that one of the components of the Responsible Gaming Change Program we are expediting is the introduction of new technology, which will empower not simply the RG staff but also the gaming employees and the security staff who are present on the floor at any given time to share information, to
5 aggregate information in respect of Responsible Gaming, to identify issues and to escalate those issues to the Responsible Gaming team in an effective way.

10 MS CAHILL: Can we go down to row 50, please. There is a reference to an initiative of research in analytics to scope play periods. This is to actually understand what an optimal play period ought be, if it's not 12 hours.

15 MR BLACKBURN: In part. It's to ultimately --- what I mentioned earlier is we will be using the data collected from operationalising the new 12-hour play period for both Crown Perth and Crown Melbourne in order to inform research, to provide that data to then inform research and analytics, to then determine whether or not they are effective.

20 MS CAHILL: It is categorised as a "Heavy hitter", yet apart from doing the analytics, the extent of research is a "Consider later".

MR BLACKBURN: Yes. That is simply because we need to have the data upon which to actually conduct the research, otherwise it's just a desk research task.

25 MS CAHILL: But shouldn't it be programmed with a definite timeframe within which the analytical information is to be gathered and the research completed?

30 MR BLACKBURN: Well, that is precisely what we are doing now. We are completing the data aggregation and that is in both --- well, Crown Melbourne, as you know or as you may know, has just returned to business on a limited fashion. Crown Perth, we have the data since 4 October, but we will continue to collect data. We need a sample period that is statistically sufficient in order to make determinations based on that data.

35 MS CAHILL: When have you planned to complete all of the work necessary to determine an appropriate play period in Perth?

MR BLACKBURN: It is undetermined at this stage.

40 MS CAHILL: Can we go to rows 51 to 56, the category of "Breaks in play". These are all "Consider later". Why is that?

45 MR BLACKBURN: Because the collective view of the working group was that the impact was not sufficiently high to prioritise over other priorities. As I mentioned, when you identify something as a "Consider later", that doesn't mean we won't do it, it simply means we think there are other items that can be managed or can be prioritised earlier.

MS CAHILL: At rows 84 to 89, it deals with the topic of product specification.

MR BLACKBURN: Yes.

5

MS CAHILL: The objective here is to ensure that the RG Change Program addresses product-specific risk. At row 86 in column F, it identifies a key activity, which is "Explore products that exist which assess product related risk". And GameGuard is given as an example there. It is rated as a lower priority to consider later with only a 1.9 score in terms of impact.

10

Is Crown's attitude here that because the gambling foundation in Victoria is involved in the recruitment process for products, that is a suitable proxy for determining whether or not there is any specific product risk attached to products that will be offered?

15

MR BLACKBURN: No.

MS CAHILL: So what is the rationale for the relatively small impact of 1.9 that is scored there?

20

MR BLACKBURN: Well, I would suggest that each individual member of the working group would have a perspective on that, but my perspective, which I'm happy to share, is that the ultimate impact of that work is better completed --- that work is better completed later for greater impact.

25

MS CAHILL: In relation to financial crime and compliance, you've set that target date for achieving financial crime risk maturity for the program maturity of December 2022, via an uplift program that you've developed and is to be implemented and you are tracking progress against that program. You do not have an analogous target date or program for the implementation of the Responsible Gaming Change Program, do you?

30

MR BLACKBURN: Not yet, but we of course will.

35

MS CAHILL: When?

MR BLACKBURN: Once we finalise the Responsible Gaming Change Program, once we have sought notification to the board, and then going forward on that basis.

40

MS CAHILL: And when will those things be completed that will enable you to prepare the program --- sorry, yes, the program with the time lines?

MR BLACKBURN: Over the coming months.

45

MS CAHILL: Is that one month, two months, or six months, or 12 months?

MR BLACKBURN: It's over the coming months.

5 MS CAHILL: You can't say. It might take a year to get to the point where you can develop a timetable?

10 MR BLACKBURN: No, there are elements of the program that we would be able to identify timetables much earlier, depending on the technology change, the operational change, but there are also elements that could be long-dated. I think you'll notice in the financial crime and compliance change program, the target date or the aspirational date in aggregate advanced program has components that also don't have dates, because we need further information before we prescribe dates.

15 MS CAHILL: You don't have any dates, though, do you, for the change program?

MR BLACKBURN: For the Responsible Gaming Change Program?

MS CAHILL: Yes.

20 MR BLACKBURN: We are in the process of determining those dates at this point.

MS CAHILL: When ---

25 MR BLACKBURN: This is a draft. As you will recall, this is a draft.

MS CAHILL: When will those dates be determined by?

30 MR BLACKBURN: Some of those dates will likely be determined by December, when this paper is taken to the board for notification.

MS CAHILL: And the rest?

MR BLACKBURN: Over time. That's how a change program works.

35 MS CAHILL: Can I just ask you then to clarify at 68 of your witness statement, page 1019. You were asked at question 14 about your plan to address all inadequacies or areas for improvement and how advanced the plan was, and by when and with what degree of confidence is it anticipated that your plan will have completed. You answer at 68:

40 It would be inappropriate to identify a completion date for the changes we are *making to Crown's RG framework*.

And you give an explanation as to why.

45 MR BLACKBURN: Yes.

MS CAHILL: The fact that Crown's RG program will continue to evolve does not

prevent you from identifying changes that are planned to be made now, does it?

5 MR BLACKBURN: No, and that's why we will be able to make certain dates available when we provide notification to the board in December.

10 MS CAHILL: It is quite possible for you to also identify a target date just as you have for the financial crime and compliance program, by which time the change program will have reached a certain stage of maturity?

15 MR BLACKBURN: I don't know that yet. I will be able to better determine that when we affix dates to certain elements of the program. And also there are many elements of the program that will, as you correctly identified, require research. I can't determine external factors such as the length of time it may take to obtain research back. I can certainly hope for expected time lines, but there are external factors that come into play that need to be considered.

20 MS CAHILL: Well, that's true for the financial crime and compliance program as well, isn't it, your reliance on external work?

MR BLACKBURN: It absolutely is, which is precisely why I haven't provided dates in respect of specific actions.

25 MS CAHILL: The change program for Responsible Gaming will need to proceed through the CRL Responsible Gaming Committee, will it?

MR BLACKBURN: It will, yes.

30 MS CAHILL: Will they need to approve it?

MR BLACKBURN: We will be seeking notification. My plan is not to seek approval, at least in the original instance.

35 MS CAHILL: What do you mean by that, might there be a point at which ultimately approval is sought?

40 MR BLACKBURN: There may be, for components of the responsible --- as any change program, for a sophisticated and complex project of this nature, you will necessarily revisit the governance structure in order to seek approval for elements of the program. There may be elements of the Responsible Gaming Change Program that change over time or that we introduce over time that I would seek board approval on.

45 MS CAHILL: Do I understand correctly you would need --- you perceive the need to seek approval for an amendment to the program, but not for the program itself?

MR BLACKBURN: No. What I said was we will seek approval from the board, where appropriate, for elements of the program that would not necessarily mean an

amendment. It could mean a development of a specific item.

5 MS CAHILL: Will you also take the same approach with the Burswood Limited board in respect of the program insofar as it applies to Crown Perth?

MR BLACKBURN: The approach I will take, as I always have, to every board is identical.

10 MS CAHILL: What updates have been provided to the Burswood Limited board in respect of the change program to date?

15 MR BLACKBURN: None, because the Burswood board at its last meeting, the RG program was not developed to the point where a presentation would have been meaningful.

20 MS CAHILL: Finally, can I ask you about paragraph 140 of your witness statement, page 1032. You give an explanation there about providing direct briefings to Ms Fewster prior to Burswood board meetings.

MR BLACKBURN: Correct.

25 MS CAHILL: Why do you single out Ms Fewster in this way from other Burswood Limited board directors in terms of the direct briefing?

MR BLACKBURN: Because all of the other board members are either members of senior management at Crown Perth or members of the directors of CRL.

30 MS CAHILL: Thank you.

MR BLACKBURN: So Ms Fewster doesn't sit on any of these boards.

MS CAHILL: Thank you.

35 COMMISSIONER OWEN: Thank you, Ms Cahill.

40 I think we are told we have counsel in a remote location. Are there any applications from outside this room for leave to ask questions of Mr Blackburn? I take the silence as no.

Are there any applications from in the room?

Mr Dharmananda.

45

CROSS-EXAMINATION BY MR DHARMANANDA

MR DHARMANANDA: I know it is late for you. I will try to be as brief as possible.

5 MR BLACKBURN: That's quite all right, thank you.

MR DHARMANANDA: You were asked certain questions in relation to the resources that were available with respect to the AML program and the aspirational date of 2022?

10

MR BLACKBURN: Yes.

MR DHARMANANDA: You gave some evidence about that. Can I ask you, please, to look at this document, CRW.701.011.1829. This was the response prepared in relation to the views of Ms Waldren. Are you familiar with this document, Mr Blackburn?

15

MR BLACKBURN: I am indeed.

20 MR DHARMANANDA: If we go, please, to paragraph 58, do you see that statement there, Mr Blackburn?

MR BLACKBURN: Yes.

25 MR DHARMANANDA: You mentioned that certain contingencies might affect your aspirational date and some of those related to AUSTRAC. Is that to be read subject to what you say there?

MR BLACKBURN: It is, and it should be. There are certain members of the team that would be allocated to --- well, would have as part of their responsibility, responding to the AUSTRAC investigations, but it is only a limited number of the team members.

30

MR DHARMANANDA: Can I show you please also paragraph 65.

35

MR BLACKBURN: Yes.

MR DHARMANANDA: Do you see that, Mr Blackburn, you are continuing to monitor the necessity to recruit or otherwise bring in people as required?

40

MR BLACKBURN: Absolutely. As the earlier report suggests, we are tracking that on a monthly basis or even more frequently, frankly, on a fortnightly basis to understand potential impacts, and to address those impacts as they arise. That's the effectiveness of the reporting process.

45

MR DHARMANANDA: Thank you. You were asked certain questions this afternoon in relation to the adoption of particular measures in relation to Responsible Gaming, including going cashless.

Can I direct your attention, please, to a letter written by Allens to the Solicitors Assisting the Commission, which is PCRC.0004.0001.0001. Do you see that letter which is dated 26 May 2021, which is after your arrival at Crown?

5

MR BLACKBURN: I do.

MS CAHILL: If we go, please, to the third page of that document and blow up the box "Cashless", this letter represented the measures that Crown was to adopt across all its casinos.

10

Thank you, you can remove that document.

You were taken this afternoon to an RG risk register, CRW.701.006.2626.

15

MR BLACKBURN: Yes.

MR DHARMANANDA: Are you aware of who prepared this document?

20

MR BLACKBURN: I believe it was prepared by internal audit, but I'm not convinced of that.

MR DHARMANANDA: Are you aware whether --- if you look at the risk owner identified, it's noted as Melanie Strelein Faulks. Do you see that at the top of the page?

25

MR BLACKBURN: Yes, correct. Melanie is the ---

MR DHARMANANDA: Go ahead.

30

MR BLACKBURN: All good. I think they know who Melanie is.

MR DHARMANANDA: Yes. Were you involved at all in the preparation of this document?

35

MR BLACKBURN: I was not, no.

MR DHARMANANDA: Are you familiar with how these type of risk registers generally work?

40

MR BLACKBURN: I am.

MR DHARMANANDA: If you go to the first page, the first identified risk is the "Irresponsible provision of gaming"; do you see that?

45

MR BLACKBURN: Yes, I do.

MR DHARMANANDA: If you go to the previous page --- the risk is identified as the "Irresponsible provision of gaming", and the controls in place for that risk are then set out at a table at the bottom of the page. Do you see that table?

5

MR BLACKBURN: I do.

MR DHARMANANDA: The author has given a rating as to how effective that control is in managing the relevant risk?

10

MR BLACKBURN: Yes.

MR DHARMANANDA: So taking the table --- if you see that the "workplace instructions" are rated as "effective" at managing the risk?

15

MR BLACKBURN: Yes.

MR DHARMANANDA: The "RG Crown Policy" is rated as "ineffective" at managing the risk.

20

MR BLACKBURN: Yes.

MR DHARMANANDA: Is that, recognising your awareness of how these documents operate, is that a reflection of the circumstance of the RG Crown Policy as a high level document, unlike the workplace instruction, and so does not provide the detailed instruction to employees on its own?

25

MR BLACKBURN: Of course, I'm not the author of this document, but if I were, if I were the independent auditor, the person that prepared the document, I would say that the RG Crown Policy is not actually a control.

30

MR DHARMANANDA: Thank you. You were also asked certain questions about the research that's to be undertaken concerning the loyalty program, the Crown Rewards program. Can I have on private screens, please, CRW.700.104.2200. Is this the Crown Rewards Program Responsible Gaming Study that you had commissioned?

35

MR BLACKBURN: Correct.

MR DHARMANANDA: Thank you, Commissioners. I will attend to the tender of some of those documents in due course.

40

While I am standing up, Commissioners, I can inform you that Crown has no objection to the publication Dr Philander's report, a matter that you raised with me yesterday.

45

COMMISSIONER OWEN: Thank you. The reports will go together.

MR DHARMANANDA: Yes.

COMMISSIONER OWEN: Thank you.

5

Mr Evans.

CROSS-EXAMINATION BY MR EVANS

10

MR EVANS: Thank you, Commissioners.

15 I appear for the Gaming and Wagering Commission. Could I invite you to look at paragraph 137 (e) of your witness statement, which is CRW.998.002.1008. Page 24, thank you.

20 Now, a number of present and former officers of Crown, in the course of this Royal Commission, have accepted that it is incumbent upon Crown Perth as a regulated entity to display absolute candour towards its regulator; is that a position which you -
--

MR BLACKBURN: Yes, it is, absolutely.

25 MR EVANS: You are aware of the history of engagement or some aspects of the history of engagement between Crown Perth and its regulator in the past in the way in which Crown Perth operated with its regulator?

30 MR BLACKBURN: I have no direct insight but I am aware of it generally through media and word of mouth.

35 MR EVANS: You are aware there was, for example, what I will call, colloquially, an operating committee which met periodically between Crown and its regulator to discuss regulatory issues?

MR BLACKBURN: I understand that to be the case.

40 MR EVANS: It wrote --- again, to use a colloquialism --- road-tested regulatory initiatives before they were put before the Gaming and Wagering Commission?

MR BLACKBURN: I'm afraid I don't have that much insight.

45 MR EVANS: I was wondering in the light of the history, and you may not have adequate knowledge of the history to be able to do so, but if you could actually put some content into what with respect appears to be rather a motherhood statement, that is that you would seek to build an informative and responsive relationship with the Gaming and Wagering Commission as a non-financial crime regulator?

MR BLACKBURN: Yes.

MR EVANS: Can you put some ---

5

MR BLACKBURN: Absolutely. So my approach to regulatory engagement has been consistent over the many years that I have been involved in financial crime, and happily I have had the opportunity to deal with regulators and engage with regulators globally. That has not changed since I came to Australia. My approach with respect to AUSTRAC has been to be open, frank and forthright and candid, and also to engage AUSTRAC in the financial crime context in the overall regime to manage financial crime as a state, as a country. That has come through in the context of Fintel Alliance and other engagements with AUSTRAC, joint opportunities.

15 I apply the same perspective on the state gaming regulators. I believe that the state gaming regulators are a critical part of the regime to manage and mitigate financial crime, and so my perspective is that I will work incredibly closely with them to the extent they want to work closely with me, which has been the case at least in New South Wales and to some extent in Victoria. But I am keen to work very closely with the regulators to ensure that we are managing this risk in a collective fashion.

MR EVANS: Just to understand, you put that almost entirely in the context of financial crime risk. Obviously the regulatory is far wider than financial crime risk in relation to ---

25

MR BLACKBURN: Absolutely.

MR EVANS: --- gaming and wagering regulations. Indeed, many of the questions Ms Cahill put to you earlier related to non-financial crime risks.

30

MR BLACKBURN: Absolutely. I would take the same approach, though, as you know, I'm new to the Responsible Gaming space, although I have been involved in this for the last nine months and I have made efforts in every instance where I have made a material change in the Responsible Gaming context to inform the GWC and also to offer opportunities for the GWC to engage with me to ask me about the change, including the RG enhancements. I shared those with Duncan Ord before he left the organisation and I have shared subsequently with Nicola Perry and Lanie Chopping in a number of updates in respect of all elements, financial crime Responsible Gaming as well.

40

MR EVANS: Thank you, Mr Blackburn.

MR BLACKBURN: Of course.

45 COMMISSIONER OWEN: Any other applications?

QUESTIONS BY THE COMMISSIONERS

5 COMMISSIONER JENKINS: One question I didn't manage to ask you previously, and that was in respect --- I think probably the Splunk alerts that you referred to with Ms Cahill.

MR BLACKBURN: Yes.

10 COMMISSIONER JENKINS: They are the alerts that go to RSG when someone has been --- a patron has been on an EGM, on carded play for greater than three hours?

MR BLACKBURN: 3.5, yes.

15 COMMISSIONER JENKINS: 3.5?
MR BLACKBURN: Yes.

20 COMMISSIONER JENKINS: I wanted to know whether you had any knowledge as to whether there was an issue currently at the Perth Casino with those alerts being responded to in a timely fashion?

25 MR BLACKBURN: The initial, no. Happily --- so operationalising this has introduced lots of opportunities, and also challenges in that it is a new process, as every new process we encounter opportunities and challenges. I would say in this context, the challenge has been typically at the later interaction stages not based on responsiveness because we have tasked a team of 20 members from the gaming business, together with the RGAs and the Responsible Gaming team, to conduct those interactions where we have encountered operational challenges is instances where customers may have been on site for extended periods of time, but not on
30 games, so not on the machines for extended periods of time. So they were frankly surprised by the tap on the shoulder in some cases. In many cases that was received very well by our customers, but in certain cases, our customers found it a bit of an invasion of their privacy.

35 So we had to explain the purpose of the interaction. But that is manageable through operationalising, through better scripting, better engagement models. But that has largely been the issue with operationalising as opposed to responsiveness to Splunk alerts.

40 COMMISSIONER JENKINS: So you don't know of any issue in respect of responsiveness or lack of responsiveness to Splunk alerts at the Perth Casino?

45 MR BLACKBURN: My understanding is that the responsiveness is working effectively. I think there may be individual instances where something may have happened but not in any way material.

COMMISSIONER JENKINS: Thank you, Mr Blackburn.

5 COMMISSIONER OWEN: Mr Blackburn, I have a few questions for you. The first is about the phrase "criminal infiltration". Early in your exchanges with Ms Cahill, you said that the financial crime focus was primarily, not entirely, on money laundering terrorism financing?

10 MR BLACKBURN: Correct.

COMMISSIONER OWEN: We speak broadly and our Terms of Reference talk about criminal infiltration in the casino industry.

15 MR BLACKBURN: Yes.

COMMISSIONER OWEN: I suppose it is relatively easy to understand the term criminal infiltration if you are going to apply it to money laundering.

20 MR BLACKBURN: Yes.

COMMISSIONER OWEN: It is also relatively easy if you are going to apply it to criminal activity --- criminal activities such as drug dealing within the confines.

25 MR BLACKBURN: Yes.

COMMISSIONER OWEN: Leaving those sorts of things to one side, what do you see in a practical sense as the meaning and import of criminal infiltration in the casino industry?

30 MR BLACKBURN: So my perspective is that there are components of criminal infiltration that are covered by AML/CTF, and by our management and mitigation of those risks, in that we are identifying, detecting, deterring and disrupting crime, and financial crime through our reporting mechanisms. However, to your point, and I fully agree with it, it extends beyond AML/CTF, it extends to activity that is actually
35 occurring on the Crown properties, wherever that may reside and activity that would typically be the subject of scrutiny and surveillance through our security and surveillance teams. Those are operational teams that exist in Crown Perth that are run by Brian Lee, our GM for security and surveillance that reports to Lonnie Bossi. But when I consider criminal infiltration, I consider it collectively. I consider it in
40 the context of AML/CTF and on site predicate offence activity. Recognising much of the activity that could be present through infiltration is the type of activity that leads to money laundering because it is the predicate offence for money laundering, but I recognise at the predicate offence stage, it is a different application.

45 COMMISSIONER OWEN: Thank you. I want to turn now to the concept of risk. If we look at risk in the vernacular, exposure to danger or the potential for harm, that's a common understanding of risk. But when we come to apply it in the casino context, and we have got some fundamental components which I think in terms of risk

assessment, channel risks, jurisdictional risks, product risk and customer risks, they seem to be the main ones, I think, aren't they? The main fundamental components of risk?

5

MR BLACKBURN: Yes. I think --- so risk, of course, is broader than that, and whilst I'm a risk professional, I apply risk in the context of financial crime in my operations, and also in the context of compliance, and arguably in the context of RG, and in Responsible Gaming but less so, it's very clear in the context of financial
10 crime there is a broader risk function at Crown that is run by an individual named Anne Siegers, who is the chief risk officer. She would have oversight of other risk categories that would go beyond what we just talked about. So they would include things like operational risk, technology risk, technology interruption risk, business
15 continuity risk, things of that nature. So it is broader, but for the purpose of fin crime and for the purpose of Responsible Gaming, it is precisely what you said, it goes down to the core elements of customer risk, product risk, channel risk and in some cases jurisdiction risk.

COMMISSIONER OWEN: Right. Let's just follow that through, because this is
20 where my thinking is far from complete. Where do the typologies fit into this? Let me just tell you why I'm asking this question. We have heard evidence that in a general sense of organised crime and money laundering, organised crime is generally one step ahead of the game and the typologies are changing. The way they use
25 entities and various industries changes from time to time. What you said in the exchange was that the typologies are an inherent risk, but where do they actually fit? Are they simply indicia of the fundamental components or are they what you are actually looking at in a risk assessment in terms of financial crime?

MR BLACKBURN: Commissioner, it's both. It is both points that you spoke of. It
30 starts as indicia. So, for example, in the Deloitte review, the forensic review of our patron accounts, they identified 10 criminal typologies. Those criminal typologies were assessed against our account activity and also against our controls. Those criminal typologies represent potential, not certain but potential, indication of money
35 laundering or terrorist financing. So that is the fundamental basis upon which we start our assessment of the activity.

In any of those instances, you would take the typology, you would apply it to the behaviour associated with that customer, the KYC associated with that customer, to
40 determine whether or not in fact that risk is manifest. So it starts as an indicator, but then it becomes part of the risk assessment process so that you can determine whether or not you actually have a suspicious matter that requires reporting.

COMMISSIONER OWEN: Thank you. Now, my last question is still on risk, but I'm now transferring attention to the role of the board.

45

MR BLACKBURN: Yes.

COMMISSIONER OWEN: This is going to be a fairly long lead-in to the end

question, and I'm not going to ask you for a legal interpretation of the AML legislation, but in an exchange with Ms Cahill about the identification of risk, you drew a distinction in the role of the board between identifying of the risk and oversight of the AML program, and you said the role of the board is oversight, not identifying the risk.

Then the focus turned to the financial crime operating committee --- is that what it's called?

MR BLACKBURN: Financial Crime Oversight Committee, yes.

COMMISSIONER OWEN: You said it would report to the board of Crown Resorts Limited probably through that board's risk committee and, additionally, that it would not report to but present to the board of Burswood Limited, probably through the CEO of Crown Perth.

MR BLACKBURN: That's correct, yes.

COMMISSIONER OWEN: Under the November 2020 joint AML program, it's the board of Crown Resorts Limited that has the oversight function.

MR BLACKBURN: That's correct.

COMMISSIONER OWEN: That's the only board that's mentioned in the joint program. Then we've got this concept of a designated business group.

MR BLACKBURN: Yes.

COMMISSIONER OWEN: As I understand it from the November 2021 draft money laundering enterprise-wide risk assessment, the designated business group for Crown are the three licensees, or potential licensees in the Sydney case, which is Crown Melbourne Limited, Burswood Nominees Limited and Crown Sydney Gaming Pty Ltd?

MR BLACKBURN: Correct, they are the reporting entities, yes.

COMMISSIONER OWEN: So here we come now to what I'm actually asking. Burswood Limited is neither a member of the designated business group, nor is it mentioned in the program, in the joint AML program. So if there's an oversight function that arises directly from the legislation and preserved as such, even though there's the oversight function mentioned in the joint program as residing in Crown Resorts Limited, if there is a residual oversight function, it would at Perth level reside with the board of Burswood Nominees Limited?

MR BLACKBURN: Yes.

COMMISSIONER OWEN: I just ask you so accept that for the moment. Yes, go

on.

5 MR BLACKBURN: Perhaps let me clarify. The designated business group has Crown Resorts Limited as the delegated authority to apply oversight. So the boards of Burswood Nominees, the board of Sydney Gaming and the board of Crown Melbourne have delegated their authority to apply oversight to the program to the designated business group owner, which is Crown Resorts Limited.

10 With that being said, and as I mentioned earlier, I take the approach of ensuring that every board, regardless of whether or not it's delegated its authority, is informed and aware of the risks associated and the --- not just the risks but also the progress on financial crime change and responsible gaming as well, and that includes Burswood.

15 COMMISSIONER OWEN: So here is the question: if all of that is correct, then the entitlement, to use a phrase, the entitlement of Burswood Limited to receive information about money laundering matters can't be found in the legislation, nor can it be found in the joint program. So, looked at from the point of view of a director of Burswood Limited, where would that director look to find some document, or some
20 other form of authority, for the board of Burswood Limited to insist that it be involved in this process?

MR BLACKBURN: So if I may, the Part A of the program --- can I give you the CRW number, Commissioner, or shall I just describe what I see?

25

COMMISSIONER OWEN: I think we know which one we are talking about.

MR BLACKBURN: Okay, that's Part A of the program, the last four digits are 0110. Of course, it introduces the concept of the designated business group, and that's at
30 section 2.3, and it identifies the Crown entities that join that business group. That can change over time obviously as we create new entities, but I think you will find that by virtue of being identified as a Crown entity, Crown Perth, through Burswood, is introduced as a member of the designated business group. Now, you are correct that there is no articulation of entitlement to a review. That is typically how it works
35 for reporting entities that form a component of the designated business group. As I said, that's not my approach to sharing information.

COMMISSIONER OWEN: You mentioned Crown Perth there. Are you saying that we should read Part A as meaning Burswood Limited as a Crown entity is part of the
40 designated business group?

MR BLACKBURN: Yes. The definition in Part A for a Crown entity means the casino reporting entity. It means, therefore, Crown Melbourne, Crown Perth and Crown Sydney. I want to now identify Crown Perth is then defined as Burswood
45 Nominees Limited as trustee for Burswood Property Trust, so it is by referencing incorporated.

COMMISSIONER OWEN: Burswood Nominees, though, not Burswood Limited?

MR BLACKBURN: Correct. Apologies, yes, Burswood Nominees.

5 COMMISSIONER OWEN: The reason I ask is this has been a live issue in the Commission, as to where the companies fit together and how they operate.

MR BLACKBURN: Yes.

10 COMMISSIONER OWEN: Thank you, that's sufficient for my purposes. Anything arising, Ms Cahill? Mr Shaw?

MR SHAW: I don't wish to re-examine, Commissioner.

15 COMMISSIONER OWEN: Thank you. Mr Blackburn, I know it is very late where you are. Thank you so much for your time. I know you are very busy and our gratitude to you is appreciated. We have been assisted by your evidence, thank you very much. You are now free to go. We have some housekeeping to attend to.

20 MR BLACKBURN: If I may, Commissioner, I very, very much appreciate the opportunity to present and to provide evidence. I think this is an extraordinary opportunity to help progress Crown Perth and all of the Crown entities. I thank you for the opportunity, much appreciated.

25 COMMISSIONER OWEN: Thank you, Mr Blackburn.

MR BLACKBURN: Congratulations on completing this phase of the inquiry.

30 **THE WITNESS WITHDREW**

35 COMMISSIONER OWEN: Just a couple of matters. We dealt with the reports. I'd just like to finish by saying so far as we are presently advised, and I say this with absolute and complete resolve, this is the last of the sessions for the gathering of evidence. I would like to just acknowledge the assistance that we have received from our technology and transcript contractors, and particularly Mr Jack Dilweg, who is in the room, who has very kindly delayed going on to a much more pleasurable existence in life, to see us out. Thank you very much.

40 I would also like to acknowledge the immense amount of work that's been put in by the lawyers and administrative staff of the Commission to get us to this stage, and also to say that the Commissioners recognised the good level of cooperation from the parties which has assisted. We are now on an extremely tight timeframe and there will be very little room for slippage, so we proceed in the full confidence that that
45 level of cooperation will continue.

I am sure that no one will hold the Commissioners responsible for the development

05:16PM

of either the Julian or the Gregorian calendar, or the designation of festivals within those calendars which does impact on our timetable.

- 5 Thank you very much. We will now adjourn to a date in time to be fixed.

HEARING ADJOURNED AT 5.16PM TO A DATE IN TIME TO BE FIXED

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