



The Hon. Victor Dominello MP
Minister for Customer Service, and
Minister for Digital

By email: matt.dawson@minister.nsw.gov.au

30 November 2021

Dear Minister

I write to advise you of some very troubling information that has been brought to my attention, in my capacity as Chairperson of the Independent Liquor & Gaming Authority (Authority).

The anti-money laundering project

As you are aware, following the publication of Commissioner Bergin's report in February this year into Crown Resorts Limited and Crown Sydney, and consistent with a number of recommendations made by Commissioner Bergin, the Authority established an inter-agency anti-money laundering project, bringing together Liquor & Gaming NSW, the NSW Crime Commission, the NSW Police Force and the Australian Criminal Intelligence Commission, to investigate whether there is evidence of money laundering activity through gaming machines in NSW hotels and clubs, and if so, the extent of that activity.

David Byrne, Director Investigations, Intervention & Review, Liquor & Gaming NSW, has provided me with a report on the results of this project. The report provides detailed evidence of money laundering activity in a select number of hotels and clubs during the first few weeks of operation after the reopening of hospitality venues on 11 October 2021, following the extended 2021 COVID-19 lockdown in Greater Sydney.

The contents of the report are deeply concerning. The report provides evidence that between 11 October and 29 November 2021, 4,308 suspicious transactions were identified across 178 venues located in Greater Sydney, exceeding in total more than \$5.5 million. 10 of these venues account for 41% of that total amount.

A number of individuals were identified during the investigation who are known to police as having links with organised crime syndicates, and these individuals have been identified operating across multiple venues referred to in the report.

The report is attached to this letter for your consideration. (Annexure A). In the Authority's view, it provides clear evidence that money laundering appears to be just as prevalent in hotels and clubs as it has been found to be in the casino industry, if not more so given that there are close to 2,500 venues in NSW authorised to operate gaming machines, and that this project focused on only a select number of venues.

The Authority's position

The Authority takes very seriously its responsibilities to maintain and promote the objects of the *Gaming Machines Act 2001* (GMA) which require it, amongst other things, "to minimise harm associated with the misuse and abuse of gambling activities" and to "ensure the integrity of the gaming industry". To uphold these objectives means that the Authority is compelled to take action in response to the information contained in the report.

Since it established the Bergin Inquiry in 2019, the Authority, together with Liquor & Gaming NSW, has positioned NSW as the leading Australian jurisdiction in casino regulation, working to establish a renewed, contemporary and sophisticated approach to mitigating the risk of criminal activity and problem gambling in casinos.

The Authority has developed significant knowledge and expertise in this area of regulation, and has every intention of applying this expertise to its oversight of the broader industry, including hotels and registered clubs.

However, the Authority is of the view that the current legislative framework does not adequately equip it with the regulatory powers required to properly investigate and deal with the infiltration of hotels and clubs by organised criminal groups, and the use of gaming machines to launder the proceeds of crime.

Since receiving the report, the Authority has obtained advice from senior counsel on the Authority's powers to investigate and take action in response to the matters referred to in the report. That advice confirms the Authority's concerns about the adequacy of the current legislative framework for the regulation of gaming machines.

Importantly, the GMA does not provide the Authority with the power to conduct an own motion inquiry into the operation of gaming machines under the GMA equivalent to the powers available to it in respect of casinos under sections 141 and 143 of the *Casino Control Act 1992*. While the GMA does empower you as the responsible Minister to direct the Authority to inquire into anything connected with the administration of the GMA, including the keeping and operation of gaming machines by hotels and clubs, there are significant limits on how such an inquiry could be conducted.

For example, such an inquiry by the Authority would not be empowered to compel witnesses to give evidence, and it is arguable that the provisions of the *Gaming and Liquor Administration Act 2007* that require the Authority to conduct its business informally would prevent the Authority from holding public hearings of the type necessary to properly investigate the issues at hand. Similar limitations apply to an inquiry directed by you as the responsible Minister under the *Registered Clubs Act 1976*. Given the seriousness and apparent prevalence of money laundering in hotels and clubs in NSW, and the clear public interest in having these matters thoroughly investigated, the Authority considers it necessary and desirable for the inquiry to hold public hearings and to be able to compel witnesses to give evidence.

Another significant concern is that the Authority's power to impose specific conditions on the use and operation of gaming machines in hotels and clubs, in so far as those conditions relate to the venue itself, are dealt with under the *Liquor Act 2007*. This requires consideration of matters not specifically related to the operation of gaming machines and which, in practice, significantly constrains the Authority in the proper regulation of gaming machines including in respect of risks stemming from the pursuit of gaming machine profit – namely, money laundering and the proliferation of problem gambling.

In NSW there is a significant legislative gap in the way we regulate gaming at The Star Casino, which has approximately 1,500 gaming machines, and the way we regulate gaming at hotels and registered clubs, which, together, are authorised to operate more than 94,000 gaming machines across the state. Our concern is that organised crime will take advantage of the spread of gaming machines across NSW, in the context of this regulatory gap, in pursuing its money laundering activities.

Request for a Special Commission of Inquiry

I am therefore writing to you to request that the NSW Government consider establishing a special commission of inquiry into money laundering in hotels and registered clubs pursuant to the *Special Commissions of Inquiry Act 1983*.

Suggested matters to be included in the terms of reference

The Authority proposes that the following issues be included in the terms of reference for this inquiry:

1. The adequacy of the legislation and current regulatory framework for the proper regulation of gaming machines in hotels and registered clubs, including the alignment of the various pieces of legislation the Authority administers
2. The adequacy and effectiveness of existing anti-money laundering procedures in hotels and registered clubs
3. The nature of and extent to which other measures could be implemented to minimise the risk of money laundering through gaming machines in hotels and clubs in NSW, such as the introduction of cashless gaming
4. The extent to which those measures could also assist in developing world's best practice harm minimisation measures for problem gamblers
5. An examination of the extent to which, if at all, some of the practices identified in the Bergin Inquiry around junket operators, loan sharking, proxy betting, inappropriate use of international credit/debit cards and high rollers are occurring in hotels or registered clubs in NSW
6. An assessment of the risks associated with the operation of loyalty schemes in hotels and registered clubs in NSW and what lessons from the Bergin Inquiry can be applied in minimising the risk of those schemes being infiltrated by organised crime gangs or used to exacerbate problem gambling
7. How to better regulate those hotels which operate gaming machines but which no longer meet the primary purpose test
8. How to better manage and regulate compliance by hotels and clubs with their reporting obligations to the Authority, AUSTRAC and other regulatory/law enforcement bodies

If you have any questions or wish to arrange a meeting to discuss, please do not hesitate to contact me on [REDACTED] or via Rochelle Hurst, Director ILGA Secretariat at rochelle.hurst@liquorandgaming.nsw.gov.au.

Yours sincerely



Philip Crawford
Chairperson

For and on behalf of the Independent Liquor & Gaming Authority



The Hon. Victor Dominello MP
Minister for Customer Service, and
Minister for Digital

By email: matt.dawson@minister.nsw.gov.au

10 December 2021

Dear Minister

Further to my letter of 30 November 2021 in which I relayed my concerns about evidence of significant money laundering activity in hotels and registered clubs, I write to you requesting that the NSW Government endorse the Department of Customer Service, in collaboration with the Independent Liquor & Gaming Authority, taking the following series of actions as soon as possible:

1. The introduction of compulsory cashless gaming by way of a card linked to identity and an Australian bank account, thereby immediately eradicating cash from hotels and registered clubs
2. The addition of further resources into the Investigations, Intervention & Review Unit in the Better Regulation Division, to enable more active and specialised investigation work into money laundering activity to be undertaken at venues, funded by an industry-wide levy
3. Investigations into money laundering activity on a venue-by-venue basis
4. Disciplinary complaints against any venues found to be in breach of the *Gaming Machines Act 2001* as a result of failures to ensure the integrity of the gaming industry and to minimise harms associated with the misuse of gambling activities
5. The imposition of restrictive conditions, on a venue-by-venue basis, that seek to enforce the establishment of better controls at venues to more effectively identify and prevent money laundering activity
6. The introduction of legislative provisions mandating CCTV cameras in all gaming rooms and anti-money laundering training by all staff.

If you have any questions please do not hesitate to contact me on 0417 646 300 or via Rochelle Hurst, Director ILGA Secretariat at rochelle.hurst@liquorandgaming.nsw.gov.au.

Yours sincerely

Philip Crawford
Chairperson

For and on behalf of the **Independent Liquor & Gaming Authority**

Overview of findings relating to COVID-reopening AML investigations at NSW pubs and clubs

Contents

Key Points.....	1
Background	2
Method	2
Findings – Venues.....	2
Findings – Organised Groups	3
Syndicate 1 – St Johns Park	4
Syndicate 2: Cabra Diggers.....	4
Syndicate 3: Merrylands	4
Findings – Individuals.....	5
Individual 1 – St Johns Park	5
Individual 2 – Mount Lewis	5
Interagency Response.....	6
Implications and Considerations	6
Future avenues.....	6
1. Targeting different methodologies [REDACTED]	6
2. Star and Crown data.....	6
3. Enhanced targeting profiles.....	6
4. Greater focus on regional NSW	7
5. Venue infiltration	7
6. Professional facilitators and jurisdictional crossover.....	7

Key Points

- Approximately \$5.5 Million in suspected money laundering activity detected at 178 venues between Oct 11th and Nov 29th 2021.
- The top 10 venues account for 41% of the total.
- Multiple organised groups (believed to be linked to organised crime) have been detected since reopening with over 132 connected and identified members.
- Individual suspects identified are generally linked to multiple venues.
- External agency feedback indicates NSW are leading the way in addressing this behaviour in EGM licensed venues.
- As the custodians of the data relating to these venues, the regulator has demonstrated the critical role played in analysing, investigating and disseminating this information.
- Without continued prioritization and resource allocation in this space, it is unlikely that any other agency could address the issue to the extent that the behaviour would decrease.
- With further resourcing, multiple further avenues of analysis and investigation exist in the AML space relating to varying laundering methodologies, regional NSW, the Casinos and cross-jurisdictional links.

Background

As part of the intelligence-led tripartisan Anti-Money Laundering Project between the Independent Liquor and Gaming Authority (ILGA) who are represented by NSW Liquor & gaming (L&G), The NSW Crime Commission (NSWCC) and the Australian Criminal Intelligence Commission (ACIC), money laundering behaviour has been analysed and investigated across NSW since late 2020. While evidence began to be compiled on two venues in May 2021, the recent COVID-19 lock-down in the Greater Sydney Region caused pubs and clubs to be closed to the public between June 2021 and October 11 2021. This lockdown also resulted in the assessment that money laundering opportunities would also be limited during this period. A hypothesis was then developed that the weeks following the reopening on October 11 would see a higher-than-normal amount of activity and substantial cash flow at venues across Greater Sydney. In preparation for this, the Investigations, Intervention and Review Unit dedicated multiple teams of investigators who would collect evidence of suspected money laundering based on an intelligence-led analytics and behaviour approach.

Method

Due to the enormous volume of data that is generated by gaming machines in NSW, for the purposes of the post-lockdown AML Investigations, transactions were prioritised based on proven behavioural indicators. These mainly consist of:



Each week (initially daily in the three weeks following reopening), transactions from the previous week were reviewed. Suspicious transactions were then prioritised into high, medium and low categories which represent the likelihood that that transaction was indicative of money laundering.

The teams of investigators then attended the venues, identified the machine(s) and relevant CCTV cameras and requested the footage.

A subsequent review of the footage allowed for the confirmation of suspected money laundering behaviour as well as the identification of a number of individuals.

This information was then passed to the NSWCC and the NSWPF.

Findings – Venues

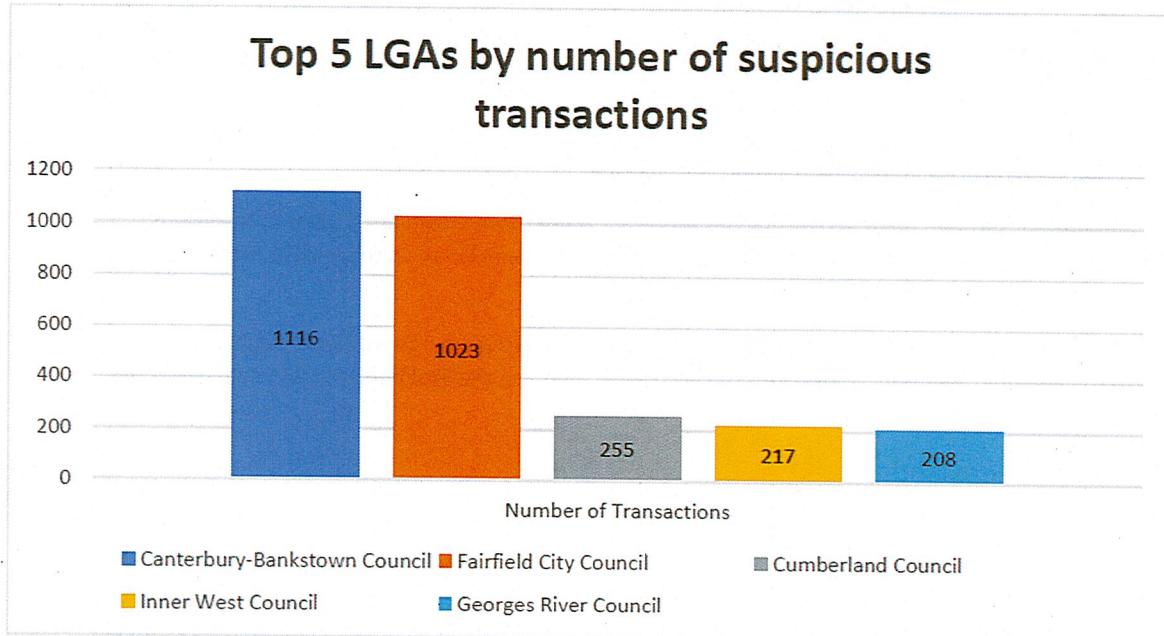
From the 11th to the 29th November, suspicious transactions have been identified (based on the method outlined above) at 178 venues across Greater Sydney for a total value of approximately \$5.5 Million.

The top 10 venues account for 41% of the total (see table below).

The turnover is minimal which demonstrates that this activity has little to no monetary benefit to the venues. Of the transactions analysed, turnover represents 1.1% of the funds in.

Venue Name	Number of Transactions	Sum of Funds In (\$)	Sum of Turnover (\$)
Canterbury League Club Ltd	344		
Bankstown Sports Club	273		
Mt Pritchard & Dist Community Club Ltd	183		
EBP RSL	147		
Mekong Mounties Group	133		
Canterbury Hurlstone Park RSL Club	149		
Royal Exchange Hotel	107		
Smithfield RSL	98		
St Johns Park Bowling Club Ltd	166		
Markets Hotel	90		

The top five LGAs by number of transactions are as follows:



In terms of funds in, the LGA's above are:

LGA	Total Funds In (\$)
Canterbury-Bankstown Council	1,424,297
Fairfield City Council	1,292,086
Cumberland Council	366,880
Inner West Council	333,605
Georges River Council	196,930

Findings – Organised Groups

Since reopening, the Project has identified multiple, distinct organised groups undertaking suspicious activities at venues across Metropolitan Sydney. The presence of these groups demonstrates a long-term, high volume rate of potential money laundering across NSW. The nature of the AUSTRAC and Police reports connected to some syndicate members and their associates suggests that the predicate offences may be linked to broader

organised crime activities. The following examples outline three of the syndicates identified and two individuals who have not (as of yet) been linked to an organised group.

Syndicate 1 – St Johns Park

Believed to be coordinated by three individuals (a man, his wife and their associate), this syndicate was detected via field work at St Johns Park Bowling Club after approximately \$45,000 worth of suspicious transactions were detected via CMS. CCTV reviewed reveals distinct hierarchical behaviour with defined lines between syndicate members who play the machines, feed the machines, handle cash and collect cash.

Based on AUSTRAC reports, NSWPF information and our own field work and analysis, there are currently over 20 people connected to this syndicate and at least 23 venues. Of interest, one syndicate member has a current L&G issued competency card. Records associated with members of this group indicate this activity has been ongoing since at least 2014. In a preliminary overview of syndicate members (no full AUSTRAC histories have been requested), the amount associated is over \$1 Million. Given the longevity of this syndicate and the number of members and venues, it is likely the real figure is at least in the tens of millions.

Syndicate 2: Cabra Diggers

Observed by field officers operating at Cabra-Vale Ex-Active Servicemen's Club, this group of seven also showed signs of a high level of organisation. One member hands the unwashed money to a group of females who are playing the machines. The females feed the machines and then hand the 'washed' money/tickets to a different member of the group who then hands the money to a male who appears to be coordinating this syndicate. This man is reported as being well known to the venue and is popular with other patrons. They noted that he rarely is seen playing the machines himself.

The amount put through the machines by this syndicate is unknown however \$47,890 in suspicious transactions have been flagged at this venue between the 11th and 21st of October 2021. Note: Syndicate 1 is also connected to this venue.

Both Syndicate 1 and 2 have shown a preference (though not exclusivity) for roulette machines. This is likely due to the ability to split bets across both red and black, reducing the likelihood of loss while giving the appearance of genuine play.

Syndicate 3: Merrylands

Initial enquiries have been conducted into a potential third organised crime related syndicate after \$5,500 in suspicious transactions were detected at Merrylands Bowling Club.

CCTV footage identified five people in total. The first POI was a male feeding \$50 notes into Vegas Star and withdrawing that money without gambling. He feeds a total of \$5,500 in 4 transactions into the machine withdrawing a payment ticket (Ecash) on each of the 4 occasions. His employment status is listed as unemployed. Whilst POI 1 is feeding the machines, he interacts with POI 2 and POI 3, who appear to act as lookouts. At the conclusion, POI1 meets another male: POI 4 in the gaming room. They enter the Vegas Star gaming area together. The POI also has his occupation listed as unemployed. POI1 then walks into the car park where CCTV captures him walking to his car, a Silver Toyota Camry bearing NSW Plates and retrieves a bag. He places the bag into a white Mazda 3 driven by POI5 before they both drive away. A short time later, POI5 drives POI1 back to his vehicle and then they both leave. POI5 is also listed as unemployed.

The playing history of POI1 was reviewed which shows in the past 12 months, he has entered \$96,000 into the machines and withdrawn \$122,000. Please note that this doesn't include the Ecash tickets which are not registered with his membership account and appears to form the majority of his spending (as stated by club officials).

This syndicate has been referred to the NSWPF and the NSWCC. The NSWCC has indicated links to organised crime.

Findings – Individuals

Individual 1 – St Johns Park

Individual 1 was identified after \$32,600 transactions were flagged at St John's Park Bowling Club. She attended the venue over two days and, like the groups mentioned above, sat at the roulette machines where she made zero bets and exhibited zero play. Individual 1 was seen to place a bag over the screen at the top of the machine, so her play information was not visible to passers-by. She was also observed to gamble legitimately on both days, outside of the suspicious behaviour sessions. Individual 1 operated alone and was not observed interacting with any other patron. Her behaviour, along with the delineation between her cash used for suspect transactions and her personal gambling, indicates she may be working on behalf of an organised syndicate.

A review of the Master Association Chart revealed that that this person had been flagged by Canterbury Hurlstone Park in September 2019 for cashing over \$5000 worth of tickets with no turnover (no money bet). This location has recorded similar suspicious matter reports for a person known to operate for Syndicate 1.

A referral to the NSWPF has recently resulted in their assessment that Individual 1 is simply a problem gambler. This assessment does not explain her play without turnover at multiple venues.

Individual 2 – Mount Lewis

The original SMR concerning Individual 2 was captured in a bulk AUSTRAC data request and was from Revesby Workers Club. A subsequent review of AUSTRAC history revealed an SMR from his bank flagging him for potential tax evasion though the Palm Hotel Chullora and Mount Lewis Bowling Club while also revealing millions associated with play at the Star Casino. He was referred to NSWPF who found no further avenues of investigation.

On the 21st October 2021, the below transactions were flagged as suspicious at Mount Lewis Bowling Club.

Date Time	GMID	Funds In	Funds Out	Turnover	Win	Stroke	Duration
21/10/2021 20:45		\$3,000.00	\$4,800.00	\$100.00	\$1,800.00	1	1 min
21/10/2021 20:46		\$3,400.00	\$3,300.00	\$200.00	\$0.00	2	1 min
21/10/2021 20:46		\$3,100.00	\$3,000.00	\$200.00	\$0.00	2	2 mins
21/10/2021 21:41		\$3,600.00	\$3,584.62	\$88.00	\$25.44	79	11 mins
21/10/2021 21:51		\$3,500.00	\$3,500.00	\$0.00	\$0.00	0	7 mins
21/10/2021 21:54		\$3,500.00	\$3,500.00	\$0.00	\$0.00	0	3 mins
21/10/2021 21:55		\$3,500.00	\$3,500.00	\$0.00	\$0.00	0	1 min
21/10/2021 22:07		\$3,600.00	\$3,600.00	\$0.00	\$0.00	0	8 mins
21/10/2021 22:17		\$3,600.00	\$3,600.00	\$0.00	\$0.00	0	2 mins
21/10/2021 22:34		\$3,900.00	\$3,500.00	\$500.00	\$0.00	5	4 mins
21/10/2021 22:34		\$3,900.00	\$3,500.00	\$500.00	\$0.00	5	4 mins
21/10/2021 22:35		\$4,000.00	\$3,500.00	\$600.00	\$0.00	6	5 mins
21/10/2021 22:35		\$3,600.00	\$3,500.00	\$100.00	\$0.00	1	1 min
21/10/2021 22:35		\$3,600.00	\$3,500.00	\$100.00	\$0.00	1	1 min
21/10/2021 22:36		\$3,600.00	\$3,500.00	\$100.00	\$0.00	1	1 min
21/10/2021 22:37		\$3,500.00	\$3,500.00	\$0.00	\$0.00	0	8 mins
21/10/2021 22:38		\$3,500.00	\$3,500.00	\$0.00	\$0.00	0	0 mins

CCTV footage was reviewed on the 22nd of the October and the patron was identified. The venue stated he is well known to them and that he also is known to boast about putting even more through Bankstown Sports.

They say he attends sometimes twice a day and puts through large amounts of cash. He often attends with other friends and family.

The footage revealed that Individual 2 was in the company of another man. They were found to have collected money using 4 separate visitor player cards even though they are both members. By cashing in using a visitor card, there is no record of receipt or remittance of monies.

While a second referral to police led to their assessment that Individual 2 is attempting to evade tax, further investigation has revealed that one of the coordinators of Syndicate 1 was present in the venue at the same time as Individual 2. Due to the amount of money involved and the presence of an organised criminal entity, his case warrants further investigation.

Interagency Response

As a result of findings, all identities have been passed on to the NSWPF Organised Crime Squad and the NSWCC. In addition, regular meetings between the regulator, the NSWCC, the ACIC and AUSTRAC demonstrated the ongoing interest and support in this work. AUSTRAC has flagged the need to re-educate EGM licensed premises in NSW on the reporting obligations. All agencies also flagged that NSW was significantly ahead of other states in our response and success relating to money laundering via Electronic Gaming Machines.

Implications and Considerations

- Evidence collected leaves little doubt that electronic gaming machines are being used for large scale money laundering by organised criminal groups in NSW.
- As the custodians of the data relating to these venues, the regulator has demonstrated the critical role played in analysing, investigating and disseminating this information.
- Without continued prioritization and resource allocation in this space, it is unlikely that any other agency could address the issue to the extent that the behaviour would decrease.
- The number of findings relating to both suspicious transactions and identified individuals is exceeding the amount of current resources available within the regulator to maintain the thorough investigative approach used thus far.

Future avenues

The below list indicates future avenues of analysis and investigations that may expand the AML success at EGM licensed premises in NSW (including the casinos). Note: these avenues are not feasible with current resources.

1. Targeting different methodologies

Current success has been limited to the narrow methodology described at the beginning of this brief. It is likely that there is substantially more money laundering occurring through a percentage loss method (as opposed to a zero-loss method) that has not yet been investigated due to insufficient resources.

We have requisitioned a new report from MAX that will allow this to be explored should this work continue within the regulator.

2. Star and Crown data

With the imminent integration of gaming machine data from both the Star and Crown casinos, opportunity exists to replicate at these venues the analytical processes used to identify suspect transactions at pubs and clubs.

3. Enhanced targeting profiles

As the regulator gains access to AUSTRAC directly, the ability to produce in-depth targeting profiles will dramatically increase. This will enhance our relationship with law enforcement agencies and allow for more focussed referrals.

4. Greater focus on regional NSW

While suspicious transactions have been monitored over the last two weeks in NSW, given the volume of work in the metropolitan areas, an in-depth analysis has not been able to be conducted. Future work in this area will allow for disseminations to regional law enforcement in order to ensure this behaviour is addressed across NSW and not only in Sydney.

5. Venue infiltration

A review of RSA and RCG holders who are linked to organised criminal groups identified as part of this AML work may lead to the successful detection of venue infiltration.

6. Professional facilitators and jurisdictional crossover

Analysis has shown the presence of professional facilitators linked to the organised crime groups including lawyers, real estate agents and accountants. Analysis has also shown multiple cross-jurisdictional links with the most pronounced being the NSW construction sector.

Both these areas offer opportunities for investigation and further relationship building with external agencies as well as other departments within DCS (e.g. Fair Trading).

Authorisation

Written By	Anne-Maree Quarmby Manager Money Laundering Intelligence & Analytics	29/11/2021
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Dissemination List

- ILGA Secretariat