

ENFORCEABLE UNDERTAKING
ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING
ACT 2006

UNDERTAKING TO THE CHIEF EXECUTIVE OFFICER OF AUSTRAC
FOR THE PURPOSES OF

SECTION 197 OF THE AML/CTF ACT

BY

ARGOS INVESTMENTS PTY LTD

ACN 000 926 063

Definitions

AML/CTF Act means the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)*.

AML/CTF program means an anti-money laundering and counter-terrorism financing program and has the same meaning given in section 83 of the AML/CTF Act.

AML/CTF Rules means the *Anti-Money Laundering and Counter-Terrorism Financing Rules Instrument 2007 (No. 1)* made under section 229 of the AML/CTF Act.

AUSTRAC's Concerns means the concerns referred to in paragraph 10 of this enforceable undertaking.

Date of this enforceable undertaking means the date on which it is accepted by AUSTRAC.

DBG means designated business group and has the same meaning given in section 5 of the AML/CTF Act.

ML/TF risk stands for money laundering/terrorism financing risk and has the meaning given in paragraph 1.2.1 of the AML/CTF Rules.

Introduction

1. Under section 3 the objects of the AML/CTF Act include fulfilling Australia's international obligations designed to combat the laundering of money and the financing of terrorism. Under section 212 of the AML/CTF Act the Chief Executive Officer of AUSTRAC (the **AUSTRAC CEO**) has the function, among other things, of promoting compliance with the Act.

Person giving the enforceable undertaking

2. This enforceable undertaking is given to the AUSTRAC CEO by **ARGOS INVESTMENTS PTY LTD ACN 000 926 063 (Argos)** of Level 29, 264-278 George Street, Sydney in the state of New South Wales, under section 197 of the AML/CTF Act.

Background

3. Argos is a provider of gambling services and is a reporting entity for the purposes of the AML/CTF Act.
4. Argos has elected to be a member of the Thomas Hotels DBG.
5. The AML/CTF Act and the AML/CTF Rules impose obligations on reporting entities to, inter alia, lodge reports with the AUSTRAC CEO and to implement risk-based systems and controls to identify, mitigate and manage the ML/TF risk posed by the provision of certain designated services.
6. Argos acknowledges that it has breached provisions of the AML/CTF Act and the AML/CTF Rules.
7. Argos has offered this enforceable undertaking to the AUSTRAC CEO for the purposes of section 197 of the AML/CTF Act and the AUSTRAC CEO accepts it to minimise the risk of future breaches by Argos of the AML/CTF Act and the AML/CTF Rules.

AUSTRAC's Concerns

8. AUSTRAC is concerned that Argos did not have an AML/CTF program until May 2010.
9. Additionally, Argos's current AML/CTF program does not comply with a number of requirements in the AML/CTF Act and AML/CTF Rules.
10. As a result of this, AUSTRAC is concerned that Argos has contravened the following provisions of the AML/CTF Act:
 - (1) subsection 32(1) – the requirement to carry out the applicable customer identification procedure before the commencement of a designated service;
 - (2) subsection 36(1) – the requirement for ongoing customer due diligence;

- (3) subsection 47(2) – the requirement to lodge a compliance report within the lodgement period;
- (4) subsection 81(1) – the requirement to adopt and maintain an AML/CTF program; and
- (5) subsection 112(2) – the requirement to make records of applicable customer identification procedure.

Acknowledgements by Argos of AUSTRAC's Concerns

11. Argos acknowledges AUSTRAC's Concerns, and voluntarily offers an enforceable undertaking in the terms of paragraphs 17 to 21 below.
12. Argos confirms that it has received legal advice in relation to its obligations under, and the effect of, this enforceable undertaking.

Acknowledgements – operation of enforceable undertaking

13. Argos acknowledges that:
 - (1) This enforceable undertaking has no operative force until accepted by the AUSTRAC CEO.
 - (2) The date of the enforceable undertaking is the date on which it is accepted by the AUSTRAC CEO.
 - (3) The AUSTRAC CEO's acceptance of this enforceable undertaking does not affect AUSTRAC's power to investigate, pursue a criminal prosecution, take administrative action or seek a civil penalty order in relation to:
 - (a) any contravention not the subject of AUSTRAC's Concerns; or
 - (b) arising from future conduct occurring after the date of this enforceable undertaking whether or not the future conduct arises from the conduct described in AUSTRAC's Concerns, but excluding conduct (including reporting obligations) which is being or will be addressed by this enforceable undertaking.
 - (4) This enforceable undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in AUSTRAC's Concerns or arising from future conduct.
 - (5) The AUSTRAC CEO may publish a copy of this enforceable undertaking on AUSTRAC's website in accordance with subsection 197(5) of the AML/CTF Act.
 - (6) AUSTRAC may issue a media release on execution of this enforceable undertaking referring to its terms and to AUSTRAC's Concerns that led

to its execution. AUSTRAC will give Argos prior notice of any media release it plans to issue.

- (7) AUSTRAC may from time to time publicly refer to this enforceable undertaking.
- (8) Argos has disclosed to the AUSTRAC CEO the material facts, matters and circumstances in relation to AUSTRAC's Concerns.
- (9) If any part of this enforceable undertaking is held invalid that part shall be severed from this enforceable undertaking and the remainder of this enforceable undertaking will continue to be valid and enforceable.

Commencement of the enforceable undertaking

14. This enforceable undertaking comes into effect when:
 - (1) the enforceable undertaking is executed by Argos; and
 - (2) the AUSTRAC CEO accepts the enforceable undertaking so executed.
15. Upon the commencement of this enforceable undertaking, Argos undertakes to assume the obligations set out in paragraphs 17 to 21 below.

Undertakings

16. Under subsection 197(1) of the AML/CTF Act, Argos has offered, and the AUSTRAC CEO has agreed to accept, as an alternative to pursuing civil action in relation to AUSTRAC's concerns, the undertaking as set out in paragraphs 17 to 21 inclusive.
17. Argos undertakes that it will pay the costs of its compliance with this enforceable undertaking including the remuneration and costs associated with the engagement of any independent expert.
18. Argos will, until the date on which this enforceable undertaking ends pursuant to paragraph 23 below and, within a reasonable period of time after receiving a request from AUSTRAC, provide all documents and information requested by AUSTRAC from time to time for the purpose of assessing Argos' compliance with the terms of this enforceable undertaking. For the avoidance of doubt, Argos is not required to provide AUSTRAC with any document or information that is the subject of legal professional privilege.
19. Argos will by the following dates undertake, and provide evidence of, the matters set out below:
 - (1) by 31 December 2010, undertake a revised ML/TF risk assessment in relation to Argos' business; and
 - (2) by 31 January 2011, adopt a joint AML/CTF program, as a reporting entity of the Thomas Hotels DBG, that:

- (a) complies with section 85 of the AML/CTF Act;
 - (b) complies with the requirements set out in the AML/CTF Rules; and
 - (c) complies with the undertakings given in paragraph 20.
- (3) by 31 January 2011, the joint AML/CTF program must be approved by the Argos' board and senior management.
- (4) by 30 June 2011, provide the written report referred to in paragraph 21.
- 20. Argos must, jointly with the other reporting entities in the Thomas Hotels DBG, include the following components in the Thomas Hotels DBG's joint AML/CTF program, referred to in paragraph 19(2) of this enforceable undertaking:
 - (1) document the relationship between the policies and procedures outlined in the Thomas Hotels DBG's joint AML/CTF program and the revised ML/TF risk assessment referred in paragraph 19(1).
 - (2) policies and procedures which outline how the Thomas Hotels DBG's joint AML/CTF program will be subject to ongoing oversight by Argos' board and senior management.
 - (3) an AML/CTF risk awareness training program that meets the requirements of paragraphs 9.2.2 to 9.2.3 of the AML/CTF Rules, and specifically incorporates the following components:
 - (a) topics that cover Argos' AML/CTF processes and procedures as set out in the Thomas Hotels DBG's joint AML/CTF program;
 - (b) the method by which Argos will assess the employees' knowledge of the ML/TF risk Argos may face, the consequences of such risk and the procedures in the Thomas Hotels DBG's joint AML/CTF program as they are relevant to the employee's role;
 - (c) set out policies for addressing the circumstances where staff fail to demonstrate an appropriate level of understanding of those matters.
 - (4) an employee due diligence program that meets the requirements of paragraphs 9.3.2 to 9.3.4 of the AML/CTF Rules, specifically incorporating the following matters:
 - (a) an outline of how Argos has determined the level of screening it needs to undertake for each position in Argos;
 - (b) processes and procedures for screening prospective, transferred or promoted employees in accordance with the level of risk that the person may facilitate ML/TF;

- (c) specify the level of screening that is required for all of the positions in the Argos;
 - (d) keep records of all information used in the course of screening employees in accordance with Argos' employee due diligence program; and
 - (e) have procedures and systems in place to ensure that records relating to the employee due diligence program are kept up to date.
- (5) processes on how independent reviews will be carried out in compliance with Part 9.6 of the AML/CTF Rules, specifically incorporating the following matters:
- (a) the necessary qualification of the person to carry out the review;
 - (b) how the independence of the person will be determined and maintained;
 - (c) how frequently the independent reviews will take place; and
 - (d) how Argos' board and senior management will be notified of the result of the independent review.
- (6) procedures for Argos to address any feedback provided by AUSTRAC, specifically incorporating the following matters:
- (a) a process by which feedback provided by AUSTRAC is addressed appropriately by the relevant employees in Argos, including its board and senior management; and
 - (b) specify the employees in Argos that will be responsible for responding to AUSTRAC feedback.
- (7) policies and procedures to ensure that Argos' employees collect and verify the customer identification information in compliance with Chapter 4 of the AML/CTF Rules. The policies and procedures must include the following:
- (a) the process employees must follow to determine whether the exemptions from applicable customer identification procedure in Part 10.3 of the AML/CTF Rules are applicable;
 - (b) the process employees should follow in the circumstance that they are unable to verify the identity of the customer; and
 - (c) the process for keeping records of all information and documents collected in the course of conducting Argos' applicable customer identification procedure.

- (8) policies and procedures outlining the circumstances in which Argos' employees will collect, update or verify further know your customer (KYC) information in respect of a customer for the purposes of Chapter 4 of the AML/CTF Rules.
- (9) an enhanced customer due diligence (ECDD) program that includes appropriate risk-based systems and controls. Specifically the ECDD must include the following:
 - (a) policy outlining how Argos will identify high risk customers, including setting out:
 - (i) behavioural indicators of high risk customers;
 - (ii) process for identifying politically exposed persons.
 - (b) procedures that outline in what circumstances, and in what manner, Argos' employees will undertake the activities set out in paragraphs 15.10(1) to (5) of the AML/CTF Rules.
 - (c) guidelines on how and when suspicious matter reports should be lodged in compliance with section 41 of the AML/CTF Act.
- (10) a transaction monitoring program (TMP) that includes appropriate risk-based systems and controls to monitor the transaction of customers, specifically including the following:
 - (a) a procedure which requires the regular review of payout registers and electronic gaming machine records in order to identify:
 - (i) having regard to ML/TF risk, any transaction that appears to be suspicious within the terms of section 41 of the AML/CTF Act; and
 - (ii) transactions that appear to be complex, unusual large transactions and unusual patterns of transactions which have no economic or visible lawful purpose.
 - (b) a policy that outlines indicators of the transactions referred to in (a)(i) and (a)(ii).
 - (c) a procedure outlining how Argos' employees will monitor customers on electronic gaming machines for suspicious activity. The procedure must outline indicators of suspicious activity and how the identification of such activity will be documented and escalated to the appropriate staff members.
- (11) policies and procedures outlining the process by which Argos' employees will make and maintain records in compliance with Part 10 of the AML/CTF Act.

21. by 30 June 2011, submit to the AUSTRAC CEO a written report of each of the matters set out in paragraphs 19 and 20 of this enforceable undertaking. The report must be prepared by a person independent of Argos, the Thomas Hotels DBG and its officers. The person's engagement must be approved in writing by AUSTRAC at least six weeks prior to the date the report is to be submitted to the AUSTRAC CEO.

(a) This report will set out the following:

- (i) confirmation that Argos has complied with each of the undertakings contained in paragraphs 19 and 20, of this enforceable undertaking;
- (ii) an assessment and conclusion as to the adequacy of the ML/TF risk assessment referred to in paragraph 19(1) of this enforceable undertaking; and
- (iii) an assessment of, and conclusion on, the extent of Argos' implementation of the joint AML/CTF program referred to in paragraph 19(2) of this enforceable undertaking.

Provision of documents to AUSTRAC

22. The address for providing AUSTRAC with any document which this enforceable undertaking requires to be provided to AUSTRAC is:

Australian Transaction Reports and Analysis Centre
PO Box 5516
WEST CHATSWOOD NSW 1515

End date

23. This enforceable undertaking ends on 31 December 2012.

EXECUTED BY

Argos Investments Pty Ltd pursuant to section 197 of the AML/CTF Act

This 8th day of DECEMBER 2010

ACCEPTED BY THE AUSTRAC CEO, JOHN LANCE SCHMIDT PURSUANT TO
SECTION 197 OF THE AML/CTF ACT.

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke.

John Lance Schmidt
Chief Executive Officer

This 9th day of DECEMBER 2010