

**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**

**GEORGE THOMAS HOTELS (MADISON) PTY LTD**

**ACN 106 665 801**

**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 **GEORGE THOMAS HOTELS (MADISON) PTY LTD ACN 106 665 801** 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. George Thomas Hotels (Madison) Pty Ltd is a provider of gambling services and is a reporting entity for the purposes of the AML/CTF Act.
4. George Thomas Hotels (Madison) Pty Ltd 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. George Thomas Hotels (Madison) Pty Ltd acknowledges that it has breached provisions of the AML/CTF Act and the AML/CTF Rules.
7. George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd of the AML/CTF Act and the AML/CTF Rules.

## AUSTRAC's Concerns

8. AUSTRAC is concerned that George Thomas Hotels (Madison) Pty Ltd did not have an AML/CTF program until May 2010.
9. Additionally, George Thomas Hotels (Madison) Pty Ltd'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 George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd of AUSTRAC's Concerns**

11. George Thomas Hotels (Madison) Pty Ltd acknowledges AUSTRAC's Concerns, and voluntarily offers an enforceable undertaking in the terms of paragraphs 17 to 21 below.
12. George Thomas Hotels (Madison) Pty Ltd 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. George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd prior notice of any media release it plans to issue.
- (7) AUSTRAC may from time to time publicly refer to this enforceable undertaking.
- (8) George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd; and
  - (2) the AUSTRAC CEO accepts the enforceable undertaking so executed.
15. Upon the commencement of this enforceable undertaking, George Thomas Hotels (Madison) Pty Ltd undertakes to assume the obligations set out in paragraphs 17 to 21 below.

#### **Undertakings**

16. Under subsection 197(1) of the AML/CTF Act, George Thomas Hotels (Madison) Pty Ltd 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. George Thomas Hotels (Madison) Pty Ltd 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. George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty

Ltd's compliance with the terms of this enforceable undertaking. For the avoidance of doubt, George Thomas Hotels (Madison) Pty Ltd is not required to provide AUSTRAC with any document or information that is the subject of legal professional privilege.

19. George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's board and senior management.
  - (4) by 30 June 2011, provide the written report referred to in paragraph 21.
20. George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's AML/CTF processes and procedures as set out in the Thomas Hotels DBG's joint AML/CTF program;
    - (b) the method by which George Thomas Hotels (Madison) Pty Ltd will assess the employees' knowledge of the ML/TF risk George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd has determined the level of screening it needs to undertake for each position in George Thomas Hotels (Madison) Pty Ltd;
  - (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 George Thomas Hotels (Madison) Pty Ltd;
  - (d) keep records of all information used in the course of screening employees in accordance with George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's board and senior management will be notified of the result of the independent review.
- (6) procedures for George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd, including its board and senior management; and
  - (b) specify the employees in George Thomas Hotels (Madison) Pty Ltd that will be responsible for responding to AUSTRAC feedback.
- (7) policies and procedures to ensure that George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's applicable customer identification procedure.
- (8) policies and procedures outlining the circumstances in which George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd 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, George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd's 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 George Thomas Hotels (Madison) Pty Ltd, 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 George Thomas Hotels (Madison) Pty Ltd 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 George Thomas Hotels (Madison) Pty Ltd's 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**

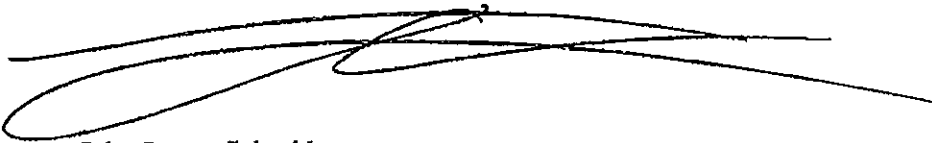
23. This enforceable undertaking ends on 31 December 2012.

**EXECUTED BY**

George Thomas Hotels (Madison) Pty Ltd pursuant to section 197 of the AML/CTF Act

This 8<sup>th</sup> 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 9<sup>th</sup> day of DECEMBER 2010