



**INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW**

**INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)**

**THE HONOURABLE PA BERGIN SC  
COMMISSIONER**

**PUBLIC HEARING  
SYDNEY**

**FRIDAY, 6 NOVEMBER 2020  
AT 10.01 AM**

**Continued from 5.11.20**

**DAY 51**

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992 (NSW)*

**MR A. BELL SC, MS N. SHARP SC, MR S. ASPINALL and MR N. CONDYLLIS appear as counsel assisting the Inquiry**  
**MR H.C. WHITWELL appears with MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited**  
5 **DR R. HIGGINS SC appears with MR N. HUTLEY SC, MR A. D'ARVILLE and MR T. O'BRIEN for CPH Crown Holdings Pty Ltd**  
**MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts & Entertainment Limited**

10 COMMISSIONER: Yes. Thank you, Ms Sharp. I think we've got a problem with  
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15 MS SHARP: Yes, we do.

COMMISSIONER: Yes. Yes. Mr Whitwell, you're for Crown this morning. And Ms Hillman, you're appearing this morning; is that right?

20 MS HILLMAN: Yes, for Melco, Commissioner.

COMMISSIONER: For Melco Resorts. Thank you.

MS HILLMAN: Yes, Commissioner.

25 COMMISSIONER: Do we have Mr Hutley in the jurisdiction? There he is. Yes. All right. Now I think the technology is working, Ms Sharp. Please proceed.

30 MS SHARP: Thank you, Commissioner. Crown Resorts partnered closely with Suncity. And it's already been mentioned that Suncity was one of Crown Resorts key platform junkets. Mr Packer – the evidence will show that Mr Packer monitored the relationship between Crown Resorts and Suncity and that Mr Ratnam updated Mr Packer on the progress of his meetings with Alvin Chau and the level of business that Alvin Chau was bringing into Suncity. Alvin Chau was also courted by senior  
35 members of the Crown Resorts executive, for example, Mr Barry Felstead met with Alvin Chau in 2014 and Mr Packer met with Alvin Chau in 2015, and he agreed that was in order to build a business relationship with Suncity. The evidence shows that, in fact, Mr Ratnam met Alvin Chau on a number of occasions and would report back on these meetings to Mr Packer.

40 As I've already mentioned, Commissioner, the Suncity junket had a dedicated Suncity Room at Crown Melbourne. As will be made clear in Mr Aspinall's submissions, it is clear that money laundering did occur within that room and that Crown Resorts was aware of many red flags for money laundering in that room. Notwithstanding those matters, it was in fact Suncity that unexpectedly terminated  
45 arrangements for the Suncity Room in August of 2019. The evidence shows that Suncity staff told Crown Resorts staff, on the night of 11 August 2019, that they

would be leaving immediately. Internal records of Crown Resorts confirm that Crown Resorts had received no pre-warning about this.

5 COMMISSIONER: You say it was unexpectedly, but it was – temporally, it was after the troubles in the press started.

MS SHARP: The most recent troubles in the press, yes, those from late – July 2019.

10 COMMISSIONER: Yes. And as I understand it, the same thing – and when I say “the same thing”, the evidence seems to be that the position of Suncity in the Star Casino also changed matters.

15 MS SHARP: That is so. That is so, Commissioner. The evidence also shows that Alvin Chau continued to conduct junket programs at Crown Resorts until at least November 2019. There is also evidence that Alvin Chau’s junket arrangements were intended to be renewed by Crown in the – this year. While it is the case that Suncity first started working with Crown Resorts in 2009, no reviews were conducted by Crown Resorts of its relationship with Alvin Chau until the 4th of January 2017. At that time, the relationship was reviewed as a part of Crown’s across the board review of junkets following on from the arrests in China in October of 2016. Thereafter, 20 annual reviews were conducted of the Suncity junket on 26 March 2018 and 4 March 2019, however, there is no documentation that records the rationale for continuing to deal with Alvin Chau as a junket operator. It is not known, Commissioner, whether an annual review was conducted at any time in 2020.

25 COMMISSIONER: I think the Suncity was bringing in so much turnover.

MS SHARP: It was the largest junket, Commissioner. Yes.

30 COMMISSIONER: And I think what has been said by some is that, well, Suncity was operating all around Australia and, therefore, there was some sort of comfort in continuing working with them.

35 MS SHARP: Yes. It’s anticipated that that submission will be made. It could be answered in this way: that it’s not a race to the bottom, Commissioner; that every casino operator is required to conduct sufficient due diligence to satisfy itself that junket operators with whom they are dealing with persons of good repute. And the proposition that another Australian casino elects to deal with a junket operator can really not go very far in establishing that that junket operator is of good repute.

40 COMMISSIONER: Except, they say, as I apprehend some of the evidence, not only do other casinos deal with this entity, but the regulators know they are dealing with them. That makes things a little more complex, but with this regime of internal controls, and the like, and looking at those, it seems that there has been a less 45 rigorous approach in this country to, say, Singapore or Massachusetts and the others where the clear and cogent evidence burden is on the junket operator.

MS SHARP: Well, that is so, Commissioner, and it might be recalled that the evidence is to the effect that the – one of the Hong Kong regulators, in fact, banned Suncity, that being the Hong Kong Jockey Club. So it's not the case that a consistent approach has been taken.

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COMMISSIONER: Yes.

MS SHARP: But, in relation to the proposition you put, Commissioner, about the regulator, two things may be said: first of all, for many years now there has been a risk-based system of regulation and one which requires the casino operator to conduct the due diligence, not the regulator to conduct the due diligence; the second proposition is that the – given that it is the casino operator that conducts the due diligence, the casino operator has more intelligence about the junket representative and, to that extent, the regulator is dependent upon the transparency of the regulator. That is all to say - - -

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COMMISSIONER: Of the operator.

MS SHARP: Sorry, of the operator. That is all to say that in the system in Victoria, as in the system in New South Wales, responsibility lies with the casino operator to satisfy itself of the good repute of the junket operator, and that responsibility cannot be shifted by waiting for the regulator to step in and wave the stop sign, Commissioner.

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COMMISSIONER: Yes. I'm sorry to deflect you, Ms Sharp.

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MS SHARP: Mr Preston did give evidence to the Inquiry that annual reviews conducted of – where annual reviews of existing junket operators were conducted, they were conducted by the credit control team. And it was where adverse material was discovered about a junket operator that the matter would be escalated to Mr Preston, Mr Felstead and Mr Johnston to continue whether a business relationship should continue with the junket operator. However, there is no evidence to suggest that the Alvin Chau junket, or the Suncity junket, was ever escalated to these gentlemen as part of an annual review process. Mr Preston said he could not recall being involved in any annual reviews for Mr Chau despite Suncity being the biggest junket operator at Crown Resorts. We submit that that tends to indicate that the annual review was not escalated to Mr Preston and his colleagues.

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In evidence before you, Commissioner, are a number of due diligence reports obtained by Crown Resorts on Alvin Chau. They are itemised in the written submissions that will be circulated earlier today. For present purposes what can be noted is that - - -

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COMMISSIONER: You mean later today?

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MS SHARP: Later today.

COMMISSIONER: Yes, that's all right.

MS SHARP: For present purposes, what can be noted is that all of those reports indicate that Alvin Chau was a former triad member and/or had continued his  
5 associations with triads. In particular, by 1 April 2016 Crown Resorts had on its books information that the US government thought that Alvin Chau was linked with organised crime, and I would like to take you to one of the due diligence reports, if I can. This one was a 26 May 2016 report which I will call up. It's CRL.579.019.4759. It's exhibit BJ129.

10 COMMISSIONER: Thank you.

MS SHARP: You will recall, Commissioner, I took a number of the witnesses to this - - -

15 COMMISSIONER: Yes.

MS SHARP: - - - dossier. Could I take you to the next page, please. And what you will see in the summary box halfway down the page is this: he appears to have been  
20 a former member of the 14K triad's Macau branch in the 1990s and was reportedly in charge of loan sharking and gambling under the leadership of Kuok-coi Wan. After Wan – and he's sometimes known as Broken Tooth Koi, I will interpolate. After Wan was sentenced to more than 14 years in 1999, Chau started his own gang and advanced in the Macau and Hong Kong society. Now, I will pause this. This was a  
25 due diligence report that Crown obtained to understand in more detail what adverse information may have been out there in relation to Mr Chau and there is nothing in this document that could give Crown Resorts any comfort that Mr Chau was a person of good repute. It very much pointed the other way.

30 Now, I mentioned that a number of witnesses were taken to this document, and I will remind you what those witnesses did say, Commissioner. Mr Barton accepted that this information would be very significant in an assessment of whether Crown should continue to deal with Alvin Chau and was enough to pause the relationship with Alvin Chau. Mr Johnston - - -

35 COMMISSIONER: I think the emphasis was on pause, wasn't it?

MS SHARP: Yes. Yes. Mr Johnston, Ms Halton and Ms Coonan agreed that this information was enough to rule out Alvin Chau as a junket operator, however, Mr  
40 Preston was not so sure that he was satisfied that Alvin Chau had a connection with triads on reading this report.

COMMISSIONER: It's an interesting phenomenon, the way that the evidence has developed in the Inquiry, though. I think Mr Preston was early on in August and I  
45 think when the documents became exposed and the – what might be seen as problems were layer upon layer, I think later witnesses may have found it a little easier to come to grips with it.

MS SHARP: Yes.

COMMISSIONER: To be fair to Mr Preston, I think he – he had a penchant for not being at least direct with you, but it does seem ultimately, even though he wasn't  
5 sure – what was his ultimate position in respect of Mr Chau? He still wasn't sure?

MS SHARP: He still wasn't sure, but he has recommended to Mr Felstead that Crown undertake a review of the relationship with Mr Chau.

10 COMMISSIONER: Yes. And I think – was that underway before mid-year this year?

MS SHARP: Yes, it was.

15 COMMISSIONER: And what happened? We don't know.

MS SHARP: We don't know.

COMMISSIONER: Yes, I see. Thank you.  
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MS SHARP: But we know that Mr Preston prepared a memorandum for Mr Felstead, copied to Mr Barton, now the CEO, that made that recommendation - - -

COMMISSIONER: Yes.  
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MS SHARP: - - - in March, but we still have not been informed of the outcome of that - - -

COMMISSIONER: I suppose events might have taken over when the board decided  
30 to suspend - - -

MS SHARP: Yes. Yes. But it's, with respect useful, at this point to consider the evidence given by Mr Preston because it shows what I would describe as the distinct change in tone that occurred between the time when this Inquiry commenced up until  
35 the point when the directors gave evidence, commencing in late September, and the tone of Mr Preston's evidence was certainly far more in line with the tone that you will see in the 31 July 2019 advertisement.

COMMISSIONER: Advertisement, yes.  
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MS SHARP: So to labour a tired expression, it's evidence of the journey that Ms Coonan said has taken place at Crown Resorts.

COMMISSIONER: I think it's a different sort of journey than the one that's been  
45 put to me. I think it's a different journey from the journey of improvement that a number of people have referred to.

MS SHARP: Yes.

COMMISSIONER: Maybe this was a journey of exposure.

5 MS SHARP: It may be a voyage of discovery, Commissioner.

COMMISSIONER: Yes, thank you, Ms Sharp.

10 MS SHARP: I did want to draw your attention to that due diligence report and also  
combine it with other information available to Crown at around the time, and that  
came on the 8<sup>th</sup> of July 2017 when AUSTRAC emailed Crown Resorts and said to  
them, Alvin Chau is a foreign politically exposed person, that is a PEP, and has a  
substantial criminal history. At that time, AUSTRAC requested Crown Resorts to  
15 provide documentation evidencing Crown's consideration of the appropriateness of  
continuing to deal with Alvin Chau in light of its obligations under the anti-money  
laundering act. So we have a very clear intervention from the money laundering  
regulator expressing its own concerns, and that may be combined with the  
information in these due diligence reports, and yet still Crown Resorts did not form  
the view that Mr Chau was not a person of good repute.

20 COMMISSIONER: So as I recollect the evidence that communication was the  
subject of evidence given by Ms Coonan, and what Ms Coonan said to me was that  
there was further communication and then a CEOs report, and the CEOs report was  
obviously an internal CEOs report as opposed to the AUSTRAC CEOs report.

25 MS SHARP: Yes.

COMMISSIONER: But Ms Coonan gave evidence that what happened was that so  
far as the board was concerned, it was informed via the CEOs report, presumably at  
30 that time being Mr Alexander, that no further action or everything had been  
effectively explained, I'm not sure, but I recall at this time AUSTRAC was  
conducting its own investigation into junkets.

35 MS SHARP: Yes, it was, Commissioner.

COMMISSIONER: And there was published a report by AUSTRAC in July 2017  
in a redacted form only - - -

40 MS SHARP: Yes.

COMMISSIONER: - - - so far as this Inquiry is concerned. Others have the full  
report, but we have been denied access to it.

45 MS SHARP: Yes.

COMMISSIONER: But it seems from what was reported recently of the Senate  
estimates committee meetings, that the content of that report has been exposed

publicly elsewhere and it does seem that AUSTRAC may have reported, perhaps, according to the new CEO, wrongly, that things were effectively all right within the casino operator so far as junkets were concerned except for some minor matters.

5 MS SHARP: Yes.

COMMISSIONER: That seems to be the case.

10 MS SHARP: Well, that seems to be the case. It's somewhat regrettable that we're left to speculate about that, because we haven't been provided access to the unredacted version of the report. But the evidence will show that report was disseminated to, I believe, 17 or 18 different law enforcement agencies and regulators in this country. So it wasn't a report that, it would appear, was made available to the casino operators at that time. But AUSTRAC – just to complete the picture, AUSTRAC seemed to be doing a few things in 2017: first of all, it seemed to be conducting a compliance review on Crown Resorts, and it became interested in the activities of the Suncity Room; secondly, it was conducting investigations into junkets more generally in Australia; and thirdly, it seems that in late 2017 it revived its interest in the Suncity Room, which may be because Mr Wilkie MP had made certain allegations against Crown Resorts. It's difficult to obtain the full picture of all of this, because of the secrecy provisions and - - -

COMMISSIONER: Well, it's the approach adopted rather than the provisions.

25 MS SHARP: Yes. Yes.

COMMISSIONER: But the important point, if I may say, is the one that you raise in respect of AUSTRAC actually writing to Crown, and that was on the 8th of which month, two thousand and - - -

30 MS SHARP: That was the 8th of June 2017.

COMMISSIONER: Yes. I see.

35 MS SHARP: But various directors have given evidence to you, Commissioner, that they were never made aware of this inquiry from AUSTRAC. And they believe they ought to have been made aware of that inquiry from AUSTRAC.

40 COMMISSIONER: Yes, yes. Yes, Ms Sharp.

MS SHARP: In any event, they were two strands of information that were available to Crown Resorts in – by 2017. Then, in late 2017, there was media coverage suggesting that Alvin Chau had received a large amount of cash that had been stolen from the Bangladesh Central Bank. Now, following receipt of that information, Crown Resorts did consider Mr Chau's risk rating, but that was for anti-money laundering purposes rather than for the purpose of conducting a review of the continuing junket operator relationship. There is an interesting money laundering



assessment that was conducted by Crown Resorts on the 20th of November 2018. And I will just quote from that document what Crown Resorts said. They said:

5           *Given the size and scope of the Suncity junket's operations, Crown Melbourne has assessed the due diligence materials available to it and has determined that it is appropriate to continue to do business with the ultimate beneficial owner, Alvin Chau.*

10          So they very much emphasised the size and scope of the junket in making that determination that it was appropriate to continue with him. And a little further down in that document it was stated, and I will quote:

15           *Moreover, Crown Melbourne is aware of negative press on Alvin Chau, including his potential links to triads, however, notes that this commentary remains media speculation and that, to date, Alvin Chau has not been charged with an offence.*

20          And it's our submission that this is a very good example of the approach that Crown Resorts decision-makers did apply to their due diligence holdings. So things would readily be dismissed as unsubstantiated allegations rather than asking the question, "What does this say about this particular individual's reputation and repute?"

25          In any event, following this assessment, it was decided to continue to deal with him and, during that time, or leading up to that time, further controls were placed on the way Suncity could operate in the Suncity Room. For example, Suncity was originally told that it could only deal in so much cash. Then it was told it was not allowed to deal in cash and all transactions had to go through the cage in the Suncity Room, then - - -

30          COMMISSIONER: The cage in the main floor or - - -

MS SHARP: No. But there is a cage in the Suncity Room.

35          COMMISSIONER: Yes, I see.

40          MS SHARP: Then Crown Resorts directed Crown not to keep cash over a certain limited amount, I think around \$100,000 in the room. Now, it was after that that \$5.6 million in cash was discovered in the room, Commissioner. This is prior to the November 2018 assessment where it was determined to continue the relationship with Suncity, but the controls went so far as to, in the end, direct Suncity that their staff members could only carry transparent bags into the Suncity Room. And one is left wondering, instead of all of these controls, would a better solution have been to consider whether there was too great a risk here. Clearly, with the imposition of all of these controls, Crown was very well aware that there were money laundering risks, but never got to that point of thinking it's time to pull up stumps and stop  
45          dealing with Alvin Chau.

COMMISSIONER: Yes. Well, once they started to breach the imposed controls, as I heard evidence of, that was a different layer of problems for them.

MS SHARP: Yes.

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COMMISSIONER: So they tried their best. Alvin Chau and his company, or whatever people were in there, just decided to, effectively, thumb their nose at Crown and do what they wanted.

10 MS SHARP: Yes.

COMMISSIONER: And that was known. I'm not quite sure – when you get to the August point and they inform Crown that they're going, or they're apparently reducing the number of staff, or whatever it was, there was no trigger linked back to any of this. It was merely the intervention of the press, I think; is that right?

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MS SHARP: That's the submission we make, yes, that it was the decision of Suncity to wind back the relationship rather than Crown Resorts. And there was evidence from Mr Preston that, after that point, a private gaming salon was still made available to Suncity on an as-requested basis in the Crown Towers

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COMMISSIONER: Yes.

MS SHARP: - - - building at Melbourne, but there was no longer a dedicated room in the nature of the old Suncity Room.

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COMMISSIONER: Yes. That was the same as Star.

MS SHARP: Yes. Now, as I earlier foreshadowed, it does seem that - - -

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COMMISSIONER: I withdraw that; that's not quite right. The Star position was that the room was moved; that it was a different room, but it wasn't a shared room, that is, when Suncity moved from Crown at the time in August, it then also was relocated, to use a neutral term, in the Star. But the difference between the Star and the Crown was, I think, that Crown had a non-exclusive area for Suncity available after August, whereas, I think, with Star, it was still exclusivity for them, but in a different place on level 17, or whatever it was.

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MS SHARP: Yes.

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COMMISSIONER: Yes, all right.

MS SHARP: I've previously indicated that there is evidence to suggest that, by March of this year, at least the senior executives, Mr Preston, Mr Felstead and Mr Barton, were having another look at the relationship with Mr Chau, but no final determination has been made at this stage. Also in evidence is a September 2020 report of the Berkeley Research Group, which Crown Resorts commissioned, and

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which contains numerous entries which are adverse to Mr Chau. I did take a number of the directors to this report, and Mr Alexander, Mr Poynton, Professor Horvath, Ms Halton and Ms Coonan gave evidence that they would not deal with Alvin Chau following this report. However, not all directors were of that view.

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On the other hand, Mr Jalland said that he thought Suncity remained an acceptable junket operator. And he said that what needed to be assessed was what weight is to be placed on allegations, unnamed sources, industry sources and whether there was any concrete material. And he would not wish to readily disqualify somebody on the basis of allegations. The point to make there is there still appear to be a range of views amongst the current directors. Mr Demetriou's evidence indicated he sat somewhere in the middle of those views. I should indicate that one of the media allegations was to the effect that Alvin Chau was banned from entering Australia. That allegation does not appear to be correct.

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COMMISSIONER: It had something to do with a hiccup in his papers.

MS SHARP: That's right, that he was given – he made an application for a tourist visa rather than another type of visa. The other allegation that was made that you cannot be satisfied of the veracity of was that Alvin Chau was in some way linked to The Company. There's no evidence before this Inquiry to make good that link, but otherwise we submit that you would be satisfied of the veracity of the media allegations, that is, that there was material linking Mr Chau to triads and past triad involvement, and that further, on the basis of the material that was available to Crown Resorts, it ought to have determined not to deal with him as a junket operator.

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COMMISSIONER: By reason of the – apart from the person being not of good repute on one view of it, the combination of the things that you've taken me to in respect of the money laundering.

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MS SHARP: Yes.

COMMISSIONER: Yes.

MS SHARP: And recalling, of course, the clear link that's been drawn by law enforcement officers, academics and so on as to junkets and money laundering.

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COMMISSIONER: I think that's been given – that is as a given. I think it was very difficult for any of the witnesses to resist your suggestion that it is the case, although there was some pushback from some to resist the suggestion that it's the vulnerability of the casino because of the 24/7 and the huge amounts of cash that go through these places.

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MS SHARP: Yes.

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COMMISSIONER: So once you have that you have a different environment in which to operate. It's a very special environment and it requires very special attention.

5 MS SHARP: Yes. And also, as Mr Vickers said, Commissioner, there will be – and I hope I'm encapsulating his evidence accurately, he said there will be continuing problems in terms of links between junkets and high rollers from mainland China so long as there are such restricted – or such restrictions on the ability to transfer money lawfully out of China.

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I will move on now, Commissioner, to deal with the media allegations about the Neptune Group and Cheung Chi Tai, C-h-e-u-n-g C-h-i T-a-i. Commissioner, there have been many allegations over a considerable period that Melco Crown, during the time it was in the joint venture with Crown Resorts, and Crown Resorts have had  
15 dealings with the Neptune Group as a junket operator, and that the Neptune Group is linked with organised crime. It's open to find that these allegations are correct and, further, on the due diligence that was available to Crown Resorts, that it could not have been satisfied that those junket operators connected to the Neptune Group were of good repute. I've already noted that the Neptune Group in one of its guises was a  
20 platform junket of Crown Resorts and that guise was the Guangdong Club or sometimes referred to as the Nicholas Niglio junket.

Now, just reviewing some of the history of the media reports here, they go a long way back. It was as far back as 2010 that Reuters reported that one of the owners of  
25 the Neptune Group, being Cheung Chi Tai, was a leader of a triad gang known as Wo Hop To. It was reported at that time that Cheung Chi Tai was named as a triad boss in a 2009 trial of five triads plotting to murder a dealer at the Sands Macao casino, however Cheung Chi Tai was not charged at that time.

30 COMMISSIONER: Did he give evidence?

MS SHARP: I beg your pardon?

35 COMMISSIONER: Do we know whether he gave evidence?

MS SHARP: I don't know.

COMMISSIONER: Yes, thank you.

40 MS SHARP: I don't know. A Reuters report in September 2014 stated that Cheung Chi Tai's wife had been detained in Hong Kong because of the question of her possession of \$25.8 million in cash. In June 2015 Reuters reported that Cheung Chi Tai had been accused by the Hong Kong police of laundering HK\$1.8 billion through accounts in Hong Kong and it was again noted that he was by that time a former  
45 shareholder of the Neptune Group, and it was also noted in that article that an application had been made by the Hong Kong police to freeze his assets.

COMMISSIONER: Did you million or billion?

MS SHARP: I said billion.

5 COMMISSIONER: Yes. Thank you.

MS SHARP: Then in Australia in March 2017, Four Corners broadcast Crown Confidential and more allegations were made about the Neptune junket which was again linked to – or it was again said that Crown Resorts dealt with the Neptune  
10 junket. I will now turn to what the evidence does show us about the Neptune junket. It is a company, or Neptune Group Limited is a company listed on the Hong Kong Stock Exchange. It was at one time known as Massive Resources International Corporation Limited and today is known as Rich Goldman Holdings Limited. I will just call it the Neptune Group.

15 The evidence shows that Crown Resorts was aware that certain of its junket operators were linked to the Neptune Group, and they were the following four – I beg your pardon, five junket operators: firstly, Cheung Chi Tai; then Lin Cheuk Chiu, L-i-n C-h-e-u-k C-h-i-u; thirdly, Nicholas Niglio; fourthly, Chi Hung Wang, C-h-i H-u-  
20 n-g W-a-n-g; and lastly, Yan To Chan, Y-a-n T-o C-h-a-n. Now, the evidence shows that Crown Resorts entered into a junket operator agreement with Cheung Chi Tai in 2005, but that in 2015 it put stop codes on his account, but there was a 10-year relationship there. The evidence shows that Lin Cheuk Chiu became a junket operator at Crown Melbourne in March 2003 – I beg your pardon July 2004. It was  
25 not until 16 July 2019 that his credit facility was cancelled and that was because of a lack of activity. Nicholas Niglio became a junket operator on the 30<sup>th</sup> of June 2015. The evidence shows that he at that time was an executive director of the Neptune Group.

30 COMMISSIONER: And his status as at August - - -

MS SHARP: He last played at the casino in 2016. In terms of Chi Hung Wang, it appears that he became a junket operator at the latest by July 2012 at Crown Melbourne and at Crown Perth. As at November 2019, records indicate that he  
35 remained an approved junket operator. And lastly, there is Yan To Chan. He became a junket operator at Crown Melbourne and Crown Perth in 2011 and he has continued to be a junket operator until the time of the suspensions in August of this year.

40 COMMISSIONER: So is it the case that Chi Hung Wang and Yan To Chan are both members of the Neptune Group?

MS SHARP: Both linked to the Neptune Group to Crown Resorts' knowledge.

45 COMMISSIONER: Yes. Thank you.

MS SHARP: Yes. We say for that reason alone, Crown could not be satisfied that they are good repute because of their associations with the Neptune Group, which is so clearly not of good repute. But in addition to that, with respect to some of the particular individual junket operators I've referred you to, Crown held due diligence  
5 about them personally which suggested that they were not of good repute. The first person, of course, is Cheung Chi Tai. He is the man who has been subject of the media allegations since 2010 and who is said to be the leader of the Wo Hop To triad gang. He is – he was formerly a shareholder in the Neptune Group, and many media articles say he is still a hidden shareholder in the group. He was arrested in July  
10 2015 and, at that time, Crown did put stop codes on his account. I would like to take you to a document now, if I can, an email passing between Mr O'Connor and Mr Felstead, dated 4 October 2015. If I could call up exhibit S15, which is CRL.527.001.1969.

15 COMMISSIONER: Thank you.

MS SHARP: Now, I will read this one backwards, because it's interesting to note Mr Felstead's comment. If you have a look at the top of the page, Commissioner, Mr Felstead comments:

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*Let's have a think about what we let them draw down.*

And Mr O'Connor had said:

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*This will relate to their listed vehicle. Nevertheless, these are concerning signals.*

Now, what Mr O'Connor had forwarded him was an article about the Neptune Group. And I'll go to that now. If I can take you a little further over the page,  
30 please, and what you will see is an article – I believe it's a Reuters - - -

COMMISSIONER: From the South China Morning Post.

MS SHARP: Yes. And you'll see that there's a report of the Neptune Group  
35 suffering a loss. And then there's some discussion about its financial ability as a junket operator. But then if we go over the page, you'll see, right at the end it says:

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*One of Neptune's former major shareholders, Cheung Chi Tai, is facing three charges of laundering HK\$1.8 billion through Hong Kong Bank accounts.*

And I'd just like to contrast that information with what Mr Felstead said to Mr O'Connor, which was merely to look at their credit limit and no remark at all was made about the fact that their junket operator had just been charged with a money laundering offence. And we – it's our submission that this is typical of the lack of  
45 care that the senior executives did give to questions of the probity of the junket operators with whom they dealt.

COMMISSIONER: Well, Mr O'Connor seemed appropriately concerned enough to take it to his direct report, Mr Felstead, but, as you rightly point out, there was a peculiar response.

5 MS SHARP: Yes. Moving on to another junket operator, this one is Lin Cheuk Chiu.

COMMISSIONER: Before you leave Cheung Chi Tai - - -

10 MS SHARP: Yes.

COMMISSIONER: - - - was he part of the Neptune Group or was he an individual junket operator? Do we know?

15 MS SHARP: He was formerly a shareholder of the Neptune Group.

COMMISSIONER: Yes.

MS SHARP: He was a junket operator at Crown.

20

COMMISSIONER: Individually.

MS SHARP: Yes. And during – individually, yes, because Crown only operates with individuals as junket operators. And there was a lot of media to the effect that

25

he remained a hidden owner of the Neptune Group.

COMMISSIONER: And so the upshot was that they put a stop on his account or - - -

30 MS SHARP: Yes.

COMMISSIONER: And that's all we know, so far as the status.

MS SHARP: Yes.

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COMMISSIONER: And when you say a "stop on his account", we don't have anything terminating the commercial agreement between Crown and the operator?

MS SHARP: Not that we've seen. No.

40

COMMISSIONER: Yes. Thank you. Yes. I'm sorry to interrupt.

MS SHARP: I was just moving to address you on another of the Neptune Group related junket operators, Lin Cheuk Chiu.

45

COMMISSIONER: Yes.

MS SHARP: And I'll take you to some information that Crown prepared about him. This is confidential. I will call this up on the confidential link. It's CRL.579.026.0422. It's exhibit BJ140.

5 COMMISSIONER: Yes. Thank you.

MS SHARP: Now, what this is – I should say a claim for confidentiality has been made over this. It hasn't been resolved as yet. But you'll see that he – what this is is an aggregation of information prepared by Crown, as at August 2019. And this  
10 gentleman is identified as a co-owner of the Neptune Group. And could I just direct your attention to the bottom of the page, Adverse Entries, and what's stated under there.

COMMISSIONER: Well, there's no – I don't think there's any confidentiality over  
15 this. I mean, he's a former gang member and he was known as "the king of gambling on the high seas" - - -

MS SHARP: Yes.

20 COMMISSIONER: - - - due to his extensive connections – what does it say – with - - -

MS SHARP: Underworld - - -

25 COMMISSIONER: Organisations.

MS SHARP: - - - organisations.

COMMISSIONER: Yes, I see.  
30

MS SHARP: Yes. And then further information is provided on the following page about suspicion of past involvement in money laundering offences. So this is an aggregation of information that Crown held about Lin Cheuk Chiu. Can I indicate that comes from a Wealth Insights search dated 20 November 2015 and a Wealth-X  
35 search on 10 June 2018.

COMMISSIONER: So, as it says at the top, "updated 2 August 2019". This is after the media allegations.

40 MS SHARP: Yes.

COMMISSIONER: But – so this is information that is gathered together in this form from other sources – source documents within Crown.

45 MS SHARP: That's right. And you can see, under heading 3, there's a record of when he first became a junket operator at Crown Perth, CP, and then an indication of when he last visited.



COMMISSIONER: Yes. And if I can just understand this, the credit facility was cancelled on the credit facility, but the - - -

MS SHARP: Yes, but not the junket operator relationship.

5

COMMISSIONER: Yes, yes.

MS SHARP: That's right.

10 COMMISSIONER: Yes.

MS SHARP: But what's become apparent from the evidence, if I can interpolate, is that any number of individuals will become junket operators, but may be associated with a larger organisation.

15

COMMISSIONER: Yes.

MS SHARP: Thus, it is the case that we have five different junket operators associated with the Neptune Group. We have a number, which I will come to in a moment – a number of different operators associated with the Chinatown junket. But, then, under that, we also have a situation where junket representatives, that is, the agents of the junket operators, move between the various junket operators as well. And I'll come to address you on that as well. But that makes it important to understand the larger organisations with whom the particular junket operators and the junket representatives are connected. And this, in our submission, has been one of the problems of Crown's lack of reach in the due diligence that it has obtained, because it will generally only focus on the operator to the exclusion of the larger corporate group or the financier who sits behind the junket - - -

30 COMMISSIONER: Yes.

MS SHARP: - - - or the junket representatives, who are the people on the ground operating the bank accounts on behalf of the junket operators and having access to the safety deposit boxes, and so on.

35

COMMISSIONER: Yes.

MS SHARP: And I might note at this point we've spoken of Suncity being a junket. In fact, for Crown it's Alvin Chau - - -

40

COMMISSIONER: Yes.

MS SHARP: - - - who is the junket operator for Suncity. But at the Star, it's not Alvin Chau, it's another gentleman. I've forgotten his name.

45

COMMISSIONER: Yes.

MS SHARP: I can inform you later. But there's a level of obfuscation there that really ought to have been understood by these casino operators. Now, I've – in the written submissions, I do go into more detail about the other junket operators associated with the Neptune Group. I won't say any more about it here, suffice to  
5 say that it appears that, by 2015 or '16, one of the key – or two of the key junket operators associated with the Neptune Group were Nicholas Niglio, who was an executive director of the Neptune Group company, and Yan To Chan, and he's a junket operator with whom Crown was continuing to deal until the suspensions. So that means, to the extent that Crown sought to assert in the 31 July 2019 media  
10 release that it wasn't dealing with any of the junket operators named in the media other than Suncity, that was wrong, because they were still connected to the Neptune junket.

COMMISSIONER: I'm very conscious of the distinction that's been drawn in  
15 relation to that statement in the advertisement. There's been focus on the words "in the program". So that what is said in the paragraph, relevantly, is that the only junket named in the program with whom Crown are still dealing is Suncity. So that if that is what you're putting to me, if there were other junkets that were referred to in the 60 Minutes program as opposed to the concurrent print media that was making  
20 allegations, then I'll need to discern that or decipher that in due course. But the Crown directors have said it's not wrong, because the only junket with whom Crown was dealing that was mentioned in the program that was put to air was Suncity.

MS SHARP: Yes. And my submission on that point is that the release – and it's an  
25 ASX release as well, Commissioner – needs to be read in the context of the whole of what is said. And, at the top of the document, it's clearly refuting all of the media allegations and not restricting itself to the 60 Minutes program. But if the directors are relying on these fine distinctions in making these assertions in order to justify them, then that in itself is somewhat of a problem. And it is - - -  
30

COMMISSIONER: Well, they say it's the correct language. They say, "We're being not misleading. We're saying that, in the program, the only junkets that were mentioned in the program that went to air on Channel 2, we're still dealing with is Suncity," and it doesn't mention the print media in that paragraph. So I do  
35 understand your point, though.

MS SHARP: Yes. Now can I move on to the Chinatown junket. And a number of allegations have been made in the media about the Chinatown junket. Some of the allegations are correct, some of them would not seem to be correct. It's asserted in  
40 the various media articles that Crown had dealings with Tom Zhou as a junket operator. And he was identified – sometimes described as Mr Chinatown and sometimes as the operator of the Chinatown junket. He has never been a junket operator at Crown. However, Crown has understood that he is a financier that stands behind the various operators that are associated with the Chinatown brand. Again,  
45 this shows the level of complexity in the relationships that need to be understood.

But what effect that has had is the question about the level of due diligence that's been done on Tom Zhou over the years. Now, there would have been some limited due diligence done on him, because he has been a player, and a premium player under various junkets. And the evidence shows that, for these premium players,  
5 World-Check reports, and so on, will be obtained in order to satisfy the know-your-customer obligations under the Anti-Money Laundering Act. But because he's not been named as a junket operator, it may be that that has diminished. And it can't be said for sure, but it may be that that has diminished the level of due diligence that Crown has done, because it has not treated him as a junket operator. The Chinatown  
10 junket has been identified as one of Crown's platform junkets.

COMMISSIONER: Just before you go ahead, that previous junket, the Neptune junket - - -

15 MS SHARP: Yes.

COMMISSIONER: - - - that was also a platform junket?

MS SHARP: Yes. Although, it was described as the Guangdong junket.  
20

COMMISSIONER: Club.

MS SHARP: But the link – and Mr Felstead and Mr O'Connor both agreed that the Guangdong junket was connected to Neptune, and the link seems to be Nicholas  
25 Niglio as the - - -

COMMISSIONER: Yes.

MS SHARP: - - - junket operator associated with the Guangdong Club. And, of  
30 course, the searches of the Neptune Group Limited annual reports will show that he is an executive director of the Neptune Group.

COMMISSIONER: But which one was the platform junket?

35 MS SHARP: What was described as the Guangdong Club.

COMMISSIONER: I see. Yes. Thank you.

MS SHARP: Although sometimes, in brackets, it was described as the “Guangdong  
40 Club (NN junket)”.

COMMISSIONER: Thank you.

MS SHARP: It would appear that the following junket operators are associated with  
45 Chinatown. And this was identified by Mr Preston in annexure A – sorry – it's annexure 3 to his March 2020 statement. Now, firstly Zhou, Z-h-o-u, Qiyun, Q-i-y-u-n; secondly, Liwen, L-i-w-e-n, Yuan, Y-u-a-n; thirdly, Hui Ouyang. Hui is H-u-i,

Ouyang is O-u-y-a-n-g; and, fourthly, Jiucheng Liang, which is J-i-u-c-h-e-n-g, new word Liang, L-i-a-n-g. In the written submissions, we've included the dates upon which they became junket operators and the dates upon which they ceased as junket operators. It was put by Mr Preston that, following the VIP business review after the  
5 China arrests, it was determined not to deal with any junket operators domiciled in mainland China. And he gave evidence that Crown had not dealt with them since that time. However, he did accept that that was not entirely correct when examined about it and this is for two reasons: first of all, one of those junket operators, Zhou Qiyun, was still operating an account at Crown Perth in early 2017. And you'll hear  
10 more from – about this from Mr Aspinall, when he addresses you on the media allegations made in respect of Mr Veng Anh; but, secondly, Zhou Qiyun has now become a junket representative for another junket operator, and this the Tim – the junket operator is Tim Fu, F-u, Chong, C-h-o-n-g. So again this shows the fluidity of the arrangements.

15 COMMISSIONER: So what happened when the China arrests occurred is that Crown ceased, or there was an intention to cease, dealing with any junkets from mainland China.

20 MS SHARP: That's right.

COMMISSIONER: And Mr Zhou Qiyun's account was still open but, ultimately, the operations on that account were – they ceased in early '17, as I understand it.

25 MS SHARP: Well, that's – we're told that the operation ceased in 2016 following the review, but what we see is - - -

COMMISSIONER: Yes, but they didn't.

30 MS SHARP: - - - yes, a transaction occurring - - -

COMMISSIONER: Yes, in February.

35 MS SHARP: - - - which was organised by either Mr Theiler or Ms Maguire in early 2017.

COMMISSIONER: Yes, I saw that.

40 MS SHARP: Now, as I've indicated, Mr Tom Zhou has never been an operator at Crown Resorts, but he has been a premium player at Crown Resorts playing under various junkets since 2006. Crown last dealt with him in February 2019 when it issued him with what's called a WOL, a withdrawal of licence. Relevantly, it appears that in January 2020, Tom Zhou was arrested and extradited to China on money laundering and corruption charges. There's little in the way of Crown records  
45 that have been made available to this Inquiry about due diligence conducted on Tom Zhou and that may be – it hasn't been explained, but that may be because he was not a junket operator and so the same level of due diligence was not conducted on him.

But World-Check searches were conducted on him by Crown in 2014 and did not reveal any adverse entries, and later Dow Jones Risk and Compliance and Factiva searches were conducted in August 2019 and did not produce any adverse results for him under that name or under some suggested aliases. I think that's all I need to say about the Chinatown junket.

COMMISSIONER: So what's the problem with the Chinatown junket?

MS SHARP: Well, that's not so much a problem that they didn't have adverse due diligence material on Tom Zhou.

COMMISSIONER: Mr Zhou.

MS SHARP: Yes. Now, that may be – we don't know – that may be because not a lot of due diligence was done because he wasn't treated as a junket operator, but while there's information that postdates the July 2019 media allegations that this has now been extradited, there was nothing in Crown records at the time that would have alerted Crown to propriety concerns in relation to him.

COMMISSIONER: So let me just understand; measuring Crown's conduct, as I must, against the veracity of the media allegations, what was alleged in the media allegations? This was one of the junkets with whom Crown dealt which had links to?

MS SHARP: To - - -

COMMISSIONER: Criminals?

MS SHARP: Yes, to give you some examples, it was alleged in the media as at July 2019 that Tom Zhou was an international criminal fugitive, the subject of an Interpol Red Notice for financial crime and is supposed to be arrested if he crosses a country border. So they were the allegations made at the time, but to the extent that we've had access to Crown Resorts' records about Tom Zhou, there was nothing at the time of the media allegations in those records that cast an adverse light on him.

COMMISSIONER: But he was never a junket operator.

MS SHARP: That's right.

COMMISSIONER: So if he played – whatever he played, that's different, but these are allegations about junkets. If Crown didn't have a relationship with Mr Zhou, there's nothing in it.

MS SHARP: Well, that's so.

COMMISSIONER: Yes.

MS SHARP: I think that must fairly be conceded that that is so.

COMMISSIONER: Yes.

MS SHARP: What this rather throws up is the proposition that it's not good enough to view junkets as isolated operators and look solely at them, rather it's necessary to  
5 conduct - - -

COMMISSIONER: Yes.

MS SHARP: Which I think a number of the directors conceded in evidence, and  
10 indeed it's a point – I think Ms Coonan said they need to reach further in the due diligence - - -

COMMISSIONER: Yes, she did.

MS SHARP: - - - they do, because what we do see, instead of four isolated junket  
15 operators we do see an understanding in Crown's records that it knew that Tom Zhou stood behind them all as the financier.

COMMISSIONER: So there was material within Crown's records to show that Mr  
20 Zhou was the financier of the junkets. Is that right?

MS SHARP: That is so.

COMMISSIONER: I see.  
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MS SHARP: And we don't know what that material is. We're relying on the statements that Mr Preston made to - - -

COMMISSIONER: I see.  
30

MS SHARP: - - - the board in the investigation report that was tabled at the 30 July 2019 meeting.

COMMISSIONER: Yes, I see. So he being connected in a different way, not as a  
35 junket operator, but as a financier of a junket, being the Chinatown junket which was made up of the individuals to whom you've referred.

MS SHARP: Yes.

COMMISSIONER: Yes, thank you for that clarification.  
40

MS SHARP: Can I now move on to the media allegations about the Kim Teng Jong  
junket – that's K-i-m T-e-n-g J-o-n-g junket – and Simon Pan. The allegations from  
45 late July 2019 were that Crown had dealings with Simon Pan as a junket operator and he was linked to organised crime. In fact, that's not correct to the extent it's suggested that Simon Pan is a junket operator. He has never been a junket operator at Crown, however, he has been a junket representative for at least three separate

junkets – junket operators at Crown, and I will come to that. And I should say at the outset that Crown Resorts issued Simon Pan with a WOL in August 2019, very soon after the allegations. Now, the - - -

5 COMMISSIONER: Just before you leave that point, the junket representative has to give to – I will withdraw that. The junket operator for whom the person is the representative can give to Crown, as I understand the internal control, an authorised certificate or letter showing that they have authorised the junket representative.

10 MS SHARP: That’s right.

COMMISSIONER: I see. Thank you.

15 MS SHARP: Yes, and that’s all that happens. So the evidence, if I recall correctly, was that Star conducts due diligence into junket representatives but Crown does not conduct due diligence into junket representatives. Now, the nub of the allegations about Simon Pan, as summarised in the 60 Minutes program, and I will just quote from that; I won’t take you to the transcript. It was said:

20 *Crown has also jumped into bed with the Melbourne brothel boss with links to alleged sex trafficking. As well as running his prostitution business, Simon Pan is also one of Crown’s junket operators. Court files reveal he runs a notorious prostitution business, repeatedly investigated by federal police and which has been implicated in organised crime and the suspected trafficking of women*  
25 *from Asia.*

Now, to understand these allegations, the first point is that Simon Pan is the sole director, shareholder and company secretary of Triple 8 International Proprietary Limited which has a principal place of business as 39 Tope Street in Melbourne, and that location is widely understood to be a brothel. However, as I said, he has never  
30 been a junket operator at Crown. He was the junket representative for the Kim Teng Jong junket, for the Ngok Hei Pang junket – that’s N-g-o-k H-e-i P-a-n-g junket. That’s often referred to as the Meg-Star junket. That’s another of the platform junkets. And thirdly the Song junket, which I will come to discuss in a moment, and  
35 then the Zou Jifeng junket – Z-o-u J-i-f-e-n-g.

COMMISSIONER: So those four junkets, he was the representative of.

40 MS SHARP: Yes.

COMMISSIONER: Thank you.

MS SHARP: Now, the Kim Teng Jong junket operator was approved by Crown Melbourne and Crown Perth in 2012 and 2013 respectively. By March of 2013,  
45 Simon Pan had been appointed as a junket representative for that junket. There were some events which gave rise to probity concerns in relation to the Kim Teng Jong junket. In this regard, on the 5<sup>th</sup> of September 2013 Crown received a request for

information from the AFP and Crown provided information in relation to that. It was in October 2015 that Crown decided no longer to do business with the Kim Teng Jong junket.

5 COMMISSIONER: Is that a WOL process?

MS SHARP: No, there was no WOL issued there, so far as the evidence available to this Inquiry shows us. Later, in – or, in fact, earlier, the police had requested some information from Crown in relation to Simon Pan, in particular, but we don't know  
10 what happened there, so I don't place weight on that. The Crown records show that, on the 14th of January 2013, the AFP notified it that Simon Pan was a person of interest. We see, from a patron information record of August 2019 prepared at Mr Preston's request, that these inquiries related to sex offences, but we don't know any more about that.

15 COMMISSIONER: Do you mean sex trafficking?

MS SHARP: Well, it just says "sex offences" there, so - - -

20 COMMISSIONER: I see.

MS SHARP: Then we know, from records that have been made available to the Inquiry, that, on the 25th of November 2014, the Victorian police made a request for information under the Sex Work Act and the Crimes Act, and they made that in the  
25 course of conducting an investigation into possible human trafficking and the operation of illegal brothels and using Crown Resorts for money laundering. It doesn't appear, from the records, that Crown made any investigations into Simon Pan at that time upon receiving that law enforcement agency request. As I've noted, it was in August 2019 that Crown decided to issue a WOL to Mr Pan.

30 COMMISSIONER: As a representative of those four junkets?

MS SHARP: It just says that it's issued to him.

35 COMMISSIONER: I see. And the Meg-Star junket, as at August '19, was still operative?

MS SHARP: Yes. And the Meg-Star junkets had a – until the suspensions, Meg-Star was one of Crown's key junkets – one of its top fives – and it had a dedicated  
40 gaming salon up in the Crown Melbourne Towers.

COMMISSIONER: And the Song junket as well?

MS SHARP: I will have to check.

45 COMMISSIONER: That's all right.



MS SHARP: I will have to check. I think that's right, but I will just have my instructor pull up that information.

COMMISSIONER: Thank you.

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MS SHARP: And I should just note, before I move on, that Simon Pan's cousin is Cheng Ken Pan.

COMMISSIONER: Yes.

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MS SHARP: And you may recall his name as being the person that the VCGLR has identified as being depicted in what we've been calling the blue cooler bag footage.

COMMISSIONER: Yes.

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MS SHARP: He was formerly a junket representative for the Kim Teng Jong junket and he has played under a number of junket operators, including Alvin Chau and Qin Si Xin.

20 COMMISSIONER: Yes. Thank you.

MS SHARP: I will now move on to the Song junket and - - -

COMMISSIONER: Thank you.

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MS SHARP: - - - allegations were made there. Crown, until the suspensions, continued to deal with the Song junket. The relevant individual there is Zezhai Song. It was alleged in the media that he was named in a Chinese court, in 2003, as running a large illegal syndicate in eastern China that engaged in extortion. And he was also allegedly named in a 2016 proceeds of crime case in the Victorian Supreme Court. The evidence establishes that Crown Resorts dealt with Zezhai Song from 2009, but it did not have any information until 2016 that there was an allegation that he had been charged with running an illegal gambling syndicate in China. So that was – in 2016, Crown came into possession of that information, but, nevertheless, continued to deal with him. I should also make it clear that there had not been media allegations about the Song junket until early August of 2019. That means that that issue was not in play at the time of the 31 July 2019 ASX media release.

Mr Johnston told you in evidence that the Song junket was a significant junket for Crown Resorts. And there's also evidence that Mr Packer met with Zezhai Song in Australia, he said, in order to strengthen the business relationship with Mr Song. One of Zezhai Song's junket representatives is Pei Liang Zhang. I'll spell that out, P-e-i, Liang, L-i-a-n-g, Zhang, Z-h-a-n-g. I will call him ZPL, because that is what he is generally referred to in Crown's records. There's also evidence that suggests that ZPL was a junket representative for one of the Chinatown junkets. So again there's evidence of movement between - - -

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COMMISSIONER: Yes.

MS SHARP: - - - the various junket operators by the representatives.

5 COMMISSIONER: So ZPL would have been authorised by Mr Song.

MS SHARP: Yes; that is right. Now, in September 2020, the Crown – Crown Resorts obtained a report of the Berkeley Research Group, which reported on what it had discovered, in terms of due diligence inquiries, for a number of people. That included ZPL and Zezhai Song. And that due diligence report said that ZPL serves as a liaison point for Alvin Chau, Zezhai Song and Ngok Hei Pang, that is, the Meg-Star junket.

15 COMMISSIONER: Yes.

MS SHARP: So, again, there's the interrelationships between the junket operators and the junket representatives.

20 COMMISSIONER: Representatives.

MS SHARP: Now, the evidence shows that, in June 2013, the AFP obtained a search warrant for the Song junket's deposit box at Crown Melbourne and, there, found about \$200,000 in cash. But the evidence shows that the police informed Crown Resorts that the person of interest was ZPL. In 2016, Crown Resorts obtained a due diligence report in relation to Zezhai Song, and that included – that report included an allegation that he'd sent around US\$750,000 from his junket account in Crown Melbourne to pay for a Lamborghini for one of his associates and that the car was suspected of being used as – being purchased using the proceeds of crime. In fact the AFP sought an examination order against ZPL in relation to that matter and they suspected that ZPL was the person who transferred the money on the Song junket's account to purchase that vehicle, however, no examination order was granted in that matter.

35 Crown obtained a C6 enhanced due diligence report dated 12 December 2016 in relation to Zezhai Song. It referred both to the Lamborghini matter that I've just referred to, as well as to an allegation that Mr Song had been engaged in an illegal gambling operation in China since 2001 and he was convicted of gambling crimes in China in 2003. Now, Crown continued to deal with him after coming into possession of that information.

40 COMMISSIONER: Just let me ask you a couple of questions here so I can follow.

MS SHARP: Yes.

45 COMMISSIONER: Mr Song, to whom you've just referred, Zezhai Song, the C6 due diligence report seems to have been part of the process that was adopted by Crown after the China arrests.

MS SHARP: The date would suggest that, yes.

COMMISSIONER: So that they could review all the things they had on their books at the time of these dreadful events in October.

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MS SHARP: Yes.

COMMISSIONER: So Zezhai Song is an Australian resident?

10 MS SHARP: None of the junket operators are Australian residents.

COMMISSIONER: I see.

15 MS SHARP: I can't tell you where he is a resident; I can find that information and perhaps come back to you after the adjournment about that.

COMMISSIONER: Yes, all right. That's all right. But Zezhai Song being the junket operator of the Song junket.

20 MS SHARP: Yes.

COMMISSIONER: I see. And so when they – in '16 when Crown, I'm sorry, finds in 2016 from the C6 due diligence document that he had been convicted in 2003, what was he doing in 2016? Allegedly engaged in illegal gambling, was he?  
25

MS SHARP: Well, it says that he had been engaged in an illegal gambling operation since September 2001 and that resulted in the conviction in China - - -

30 COMMISSIONER: I see.

MS SHARP: - - - in 2003.

COMMISSIONER: I see.

35 MS SHARP: The matter in 2016 related to a transaction that occurred on his account - - -

COMMISSIONER: The 750 for the Lamborghini.

40 MS SHARP: Yes, apparently at the instigation of ZPL.

COMMISSIONER: I understand now. Thank you. I'm sorry to hold you up.

45 MS SHARP: In any event, after coming into possession of the information in the C6 extended due diligence report, Crown continued to deal with Zezhai Song. Mr Preston wrote a memorandum to Mr Felstead in June of this year about - - -

COMMISSIONER: June 2020?

MS SHARP: Yes, June 2020, about continuing to deal with Zezhai Song and in that memorandum said that Crown Resorts had been aware since 2016 of:

5

*...historical allegations that he had been convicted and jailed for gambling crimes but by that time Crown Resorts had had a long-established relationship with him.*

10 Records show that Crown Resorts conducted World-Check searches and searches on Dow Jones but could not verify the accuracy of whether Mr Song had been convicted for gambling crimes and it continued to do business with him.

15 COMMISSIONER: I think this is the man that I suggested he should have been asked.

MS SHARP: Yes, that's right.

20 COMMISSIONER: So somebody should have said to him, "Mr Song, have you been convicted?" I don't know what he would have said, but there's no evidence that any communication between Crown and Song - - -

MS SHARP: There's nothing that has come to the attention of this Inquiry.

25 COMMISSIONER: It's just absurd.

30 MS SHARP: Yes. And there were annual reviews conducted on the 12<sup>th</sup> of June 2018 and 4<sup>th</sup> of March 2019 and Crown on each occasion determined to continue to deal with him and entered into a new promotion agreement with him in March of 2019. Mr Preston says that at that time Crown obtained a Macau government-issued police record certificate for Mr Song and that did not raise any concerns.

COMMISSIONER: Yes.

35 MS SHARP: But you've also heard evidence that convictions are extinguished - - -

COMMISSIONER: Yes.

40 MS SHARP: - - - from the record in Macau after a certain period of time. I should indicate for the sake of the completeness that the September 2020 Berkeley Research report that was commissioned by Crown has – well, it confirmed that Mr Song's case was heard in a particular court in July 2003. The sentencing is not a matter of public record, but the Berkeley Group had identified from a discrete source that the sentence he received did match that that had previously been reported. In any event,  
45 it's our submission that - - -

COMMISSIONER: Just before you get to that may I ask you what was the actual allegation against Song's junket in the press in August 2019?

5 MS SHARP: I think it was in fairly vague terms. It was described as gambling crimes.

COMMISSIONER: Gambling crimes.

10 MS SHARP: Gambling crimes.

COMMISSIONER: So that the allegation was that Crown was associated or had links to a junket operator who had been found guilty of gambling crimes. Is that it?

15 MS SHARP: Yes.

COMMISSIONER: Thank you.

MS SHARP: And of course, gambling is illegal - - -

20 COMMISSIONER: In China.

MS SHARP: - - - in mainland China.

25 COMMISSIONER: Certainly, we know that.

MS SHARP: But it wasn't stated, for example, that he was found guilty of a money laundering offence or being a triad. In any event, that's what the evidence shows about Mr Song. These are the junket operators and others associated with junkets that have been the subject of the media allegations.

30 COMMISSIONER: Yes.

35 MS SHARP: There are two other operators I wish to refer to, but I'm conscious of the time. Do you want me to do that now or after the adjournment?

COMMISSIONER: I might take just a 10-minute adjournment if you wouldn't mind. Yes, I will just adjourn for 10 minutes if you wouldn't mind. Thank you, Ms Sharp.

40 **ADJOURNED** [11.25 am]

45 **RESUMED** [11.38 am]

COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: I just wanted to go back to a question you'd asked before the adjournment, which was the question of where Song Zezhai was domiciled.

COMMISSIONER: Yes.

5

MS SHARP: According to a patron – Well, I'll bring the document up actually.

COMMISSIONER: Yes.

10 MS SHARP: Could I call up CRL.579.026.0382. I'll bring that up on the confidential link, please.

COMMISSIONER: Thank you.

15 MS SHARP: That's exhibit BB20.

COMMISSIONER: Thank you.

20 MS SHARP: And if you look to point 2, you'll see that his domicile is recorded as China.

COMMISSIONER: Yes. Thank you.

25 MS SHARP: I mean, the interesting point there is the evidence that was given that all the junket operator agreements with - - -

COMMISSIONER: Chinese - - -

30 MS SHARP: - - - China domiciled junkets ceased in 2016, '17 following the review.

COMMISSIONER: Yes. Well, that's the reference that certainly Crown has recorded in its own records for his domicile, isn't it?

35 MS SHARP: Yes.

COMMISSIONER: And that's as at 2019 – sorry, August '19.

40 MS SHARP: That is so. And what we understand, Commissioner, is these patron information reports were prepared by those acting under instruction from Mr Preston. If I recall correctly, the evidence shows that Louise Lane and Ms Jan Williamson were preparing these documents.

COMMISSIONER: Thank you, Ms Sharp.

45

MS SHARP: I said I wish, now, to refer to two junket operators who weren't named - - -

COMMISSIONER: Yes.

MS SHARP: - - - in the media allegations but that were still relevant. It hasn't been  
the purpose of this Inquiry to comprehensively review all of the junket operator  
5 relationships that Crown Resorts has. And those assisting this Inquiry have not  
conducted that review. But there are some other, what we would submit, are obvious  
due diligence fails that stand out. And I just wanted to take you, if I could, to two of  
those. The first of these relates to a junket operator Pun Chi Man, P-u-n, Chi, C-h-i,  
Man, M-a-n. I raise his case, because material held by Crown clearly indicates his  
10 association with a triad organisation. You may recall, Commissioner, that he was the  
other subject of the email - - -

COMMISSIONER: From EMP1.

15 MS SHARP: Yes, from EMP1 - - -

COMMISSIONER: Yes.

MS SHARP: - - - that related to Ng Chi Un - - -  
20

COMMISSIONER: Yes.

MS SHARP: - - - that said that these two, particularly Ng Chi Un, are influential  
members of the underground network.  
25

COMMISSIONER: Network. Yes, I recall it.

MS SHARP: So that's one piece of information that Crown held about Pun Chi  
Man. What I wanted to do was take you to a patron credit profile prepared by Crown  
30 Melbourne in respect of Pun Chi Man in 2013. If I could call up CRL.579.08 –  
sorry, 018.1525.

COMMISSIONER: That's an exhibit, is it?

35 MS SHARP: Yes, this is exhibit BK12.

COMMISSIONER: Thank you.

MS SHARP: And you'll see, right at the top, the date of the document is 20  
40 November 2013. And Mr Pun Chi Man is also identified as Billy and also as the  
Lucky Star junket, and that's a junket that also operates in Macau. Could I draw  
your attention to the very large turnover - - -

COMMISSIONER: Yes.  
45

MS SHARP: - - - in the total history by 2013. Mr O'Connor gave evidence that he was a large junket operator at that time. There is a document annexed to this document. If we can go over the page, please.

5 COMMISSIONER: 1526, yes.

MS SHARP: And then over the page again, please. And this is the due diligence report that it would appear to have been prepared by the 9th of September 2013. And you'll see - - -

10

COMMISSIONER: That's internal to Crown, is it?

MS SHARP: Yes.

15 COMMISSIONER: Yes. Thank you.

MS SHARP: You'll see that the last dot point says that:

20

*He is one of the central figures of the Macau Grand Palace VIP Club –*

which is located in Macau:

25

*From an unofficial website it stated the owner of the Grand Palace VIP Club is Vong Tat Hou –*

H-o-u –

30

*who was jailed for 10.5 years for being a senior triad gang member, 14K, loan sharking, money laundering and telephone tapping. He was released on the 17th of July 2009.*

And it's also stated that:

35

*Vong is the real owner of the Macau Lucky Star group.*

And remembering, Commissioner, that Pun Chi Man is defined by Crown in its records as the Lucky Star junket.

40

COMMISSIONER: Yes.

MS SHARP: So there's a very clear link in Crown's records about a criminal association here. Mr O'Connor was taken to this document in evidence, and he did agree that this showed a due diligence fail on the part of Crown Resorts.

45 COMMISSIONER: Not making the link?

MS SHARP: Yes. Or continuing to deal with him.



COMMISSIONER: Yes. But it looks as though the link that you've just referred to was not appreciated.

5 MS SHARP: Well, either not appreciated or not acted upon, and they may be different things, Commissioner.

COMMISSIONER: And Mr O'Connor would be accepting of the fact that it was not acted upon or appreciated?

10 MS SHARP: He couldn't say either way. But that, in itself, is interesting because, as at the time of this document, he was the ultimate decision-maker on whether Crown - - -

COMMISSIONER: Dealt with a junket.

15 MS SHARP: - - - ought deal with junkets. Bus as I'll go to submit a little later, at this time, that is, pre-September 2014, often the credit control team make the decision without escalating it to Mr O'Connor.

20 COMMISSIONER: Thank you.

MS SHARP: The other junket operator I wish to point to was Si Xin Qin. S-i-x-i-n, and then new word Qin, Q-i-n. In Crown Resorts December 2019 VIP strategy paper, Mr Qin is identified as one of Crown's five largest junkets. I just wanted to  
25 take you to a Crown Resorts profile on Mr Qin, dated 3 January 2017. And this is CRL.579.019.3788, exhibit AF44.

COMMISSIONER: Thank you.

30 MS SHARP: And I'll bring that up that on the confidential link if I can.

COMMISSIONER: Thank you.

MS SHARP: Yes. It is CRL.579.019.3755. And, here, you can see a summary of  
35 due diligence reports that have been obtained by Crown Resorts. And perhaps – I'm not – I must say I'm not sure of the status of this document, so I will proceed on the assumption it's confidential - - -

COMMISSIONER: Thank you.

40 MS SHARP: - - - at this point. But could I draw your attention, please, to the entries for World-Check.

COMMISSIONER: Yes, yes. I've read them.

45 MS SHARP: - - - Wealth Insight and Wealth-X.

COMMISSIONER: So this is the man that is detained for illegal banking activities and money laundering - - -

MS SHARP: Yes.

5

COMMISSIONER: - - - but wasn't verified for official sources.

MS SHARP: Yes.

10 COMMISSIONER: Yes. I see.

MS SHARP: Although I expect that – and let me address the submission here: I expect that it will often be put that things are not verified - - -

15 COMMISSIONER: Yes.

MS SHARP: - - - by official sources. So – but this is a point that needs to be grappled with - - -

20 COMMISSIONER: Yes.

MS SHARP: - - - because it's unlikely that people who are convicted of money laundering or convicted of gang-related offences or, indeed, convicted of any particularly serious charge, are going to put themselves forward to be the junket operator. And we've seen evidence that it's – that one needs to take a more sophisticated approach to understanding what the junket actually is and who are the people who sit behind the junket. But a more sophisticated approach, we submit, needs to be taken than simply saying, "Well, it's just a media allegation. It's not substantiated. So it's okay for us to deal with this person." In a sense, that almost reverses the onus of what we submit a casino operator in Victoria or New South Wales need to do, because it's our submission that it follows, as a necessary implication from the statutory framework, that the casino operator must deal only with those that it is satisfied are of good repute.

35 And the onus is on the operator to satisfy itself of that. If the operator cannot satisfy itself of that matter it should not deal with those persons. So when you have a number of different due diligence providers singing from the same song book, if you like, about an alleged criminal history of somebody, or allegations or arrests, then once that information comes to the operator's attention it becomes a matter for the casino operator to actively exclude the veracity of that information and not simply to dismiss it on the basis that it is an unsubstantiated allegation, because reputation, integrity, honesty are the things that matter here. That's what we're told in this jurisdiction by section 13A(2)(g).

45 COMMISSIONER: Yes.

MS SHARP: In any event, I wish to draw your attention to those matters, and now I will come away from specific junket operators and junket representatives. I noted at the outset in relation to allegation 2 in the media that one of the subset of those allegations was the allegation that Crown Resorts failed to conduct appropriate due diligence on its junkets. Now, at the time these allegations were first made that was an assertion which Crown Resorts vigorously refuted, including in the 31 July 2019 ASX media release, and in fact in that release Crown said:

*Crown itself has a robust process for vetting junket operators, including a combination of probity, integrity and police checks and Crown Resorts undertakes regular reviews of these operators in light of new and additional information.*

So that's what the position was back then. Since that time, and more particularly since oral evidence was given to this Inquiry in July of 2020, there has been a distinct change in Crown Resorts' tone on this point. We submit that significant admissions have been made in relation to this allegation. Firstly, Commissioner, a number of directors accepted that the due diligence and review processes applied to junkets had deficiencies, were not sufficiently robust, or could be improved. And Mr Alexander, who was the chair and CEO for much of the relevant period, said that the board had a false sense of comfort in relation to the processes for reviewing junkets. Ms Coonan identified that one of the deficiencies lay in not casting the net widely enough to people associated with the junkets.

Secondly, the Crown Resorts board papers of August and September of this year did acknowledge some shortcomings in the junket procedures. For example, the 10 August 2020 paper said:

*Due diligence carried out on some junket operators either did not identify all necessary information or was not analysed sufficiently to accurately assess risk.*

And we submit both of those conclusions are open on the evidence and, indeed, those conclusions ought be drawn. We say there are further admissions. First of all, we submit that the very act of the board deciding in August 2020 to suspend junket operations should be treated as an admission. We say this follows simply as a matter of logic. The board would not have suspended all the relationships unless it did have serious concerns about the due diligence process that had been applied in the past. Mr Alexander did accept that one of the reasons for the suspension of the junkets was because of a recognition of failures in the due diligence process. Mr Jalland did not accept that proposition and Mr Poynton and Ms Halton were reluctant to accept that proposition. Ms Coonan didn't accept that the suspensions were made in recognition of there being past failings in due diligence, but because it was recognised that until a complete review was conducted Crown should not be dealing with junkets.

Now, further material we rely on, while it's not an admission, is the Deloitte review on junkets that was conducted earlier this year and where a report was produced in

August of 2020. That report acknowledged that a number of improvements were required to the due diligence process in terms of better defining the risks, defining what probity meant, and ensuring there was a clearer pathway for decision-making as well as gathering more robust information and data.

5

COMMISSIONER: Well, there was a cynical approach in some respects to the fact that the closure of the borders made it so much easier because the international travellers are not coming in, therefore it provided the appropriate opportunity to look at the junkets, but one wouldn't have had to have suspended them, one could just  
10 look at them if they weren't coming in.

MS SHARP: Yes. Well, we respectfully adopt that characterisation of that step because, firstly, it didn't have a practical effect because the junket operators weren't coming anyway, but further it emerged when I was examining Mr Barton, which was  
15 approximately one month after this decision was taken, that Crown had not in fact notified any of the junket operators that it had suspended relations with them. However, I do wish to emphasise that after he gave that evidence, evidence emerged that Crown had notified the majority of junket operators.

20 COMMISSIONER: Yes. Yes.

MS SHARP: After that evidence was given. So I will turn now to make some observations about the due diligence processes used by or adopted by Crown Resorts over time. I will just provide a summary here. It's dealt with more fully in the  
25 written submissions that will be circulated this afternoon. The key submission we make is that at no point has Crown Resorts had a robust procedure, although it is a procedure that has exhibited some improvements over time, but it was never a procedure that could have equipped Crown Resorts to satisfy itself that the junket operators were of good repute.

30

There are really four separate stages that due diligence has moved through, and there's first of all the period prior to September 2014. What changed in September 2014 was that Four Corners aired High Rollers – High Risk? And Crown did make some changes to its due diligence procedure after that time. So the second period  
35 was October 2014 till October 2016, and that, of course, was the time at which the 19 Crown staff members were arrested in China. That precipitated an across the board review of many parts of the VIP international business, including relationships with junkets, and the evidence establishes that that review was conducted over the period November 2016 until mid-2017. So I will describe that as the third period of due  
40 diligence.

Following from that review further improvements were made to the due diligence procedure, and I will identify the last period as being that from around mid-2017 until August 2020 when all junket operations were suspended. As I say, the written  
45 submissions go into more detail about this, but the key point of the period prior to September 2014 was that decisions were often made solely by the credit control team which sat within the VIP international business as to whether to continue to deal with

junket operators and – or deal with them at all. There were no annual reviews at that time, and to the extent due diligence was conducted, we submit it focused more on the creditworthiness of the junket operators than on questions of probity.

5 It seems that – well, we say it's open to find that the only due diligence that was done was obtaining World-Check checks and looking at whether the junket operator held a visa. We say that's well illustrated in an email that was sent from Mr Theiler to Mr O'Connor which updated him on the due diligence procedure. Noting, of course, that Mr O'Connor was the decision-maker if the matter had to be escalated at that  
10 time. If I could just take you to that email, it's CRL.651.001.0004, which is exhibit BL. Now, what you will - - -

COMMISSIONER: Just BL, is it?

15 MS SHARP: I'm sorry. It's exhibit BL2.

COMMISSIONER: Thank you.

MS SHARP: So what you'll see here is some internal email traffic within Crown  
20 commenting on some more media reports that followed from the initial Four Corners broadcast:

*Another media report here.*

25 Now, if I can take your attention, please, to the email in the middle of the page from Mary Gioros. She was one of the credit control staff members. And what she records is there's been discussion of junkets since the ABC news report – that was the Four Corners report – and that Roland and Jason, that is, Mr Theiler and Mr O'Connor, have asked that:

30 *...we improve our due diligence when completing credit profiles on junkets.*

And you'll note that it's in the language of credit profile rather than in the language of due diligence. And then she states:

35 *We need to ensure that we obtain a World-Check for new junkets and review any links on the World-Check report.*

And then:

40 *Junket applications must be forwarded to Tammy for review prior to being taken to the executive for approval.*

So they were the proposed improvements. It's also suggested that additional  
45 searches be completed and that Wealth-X reports be obtained. Then if I could take you to pinpoint 0006. Now, I'll have this enlarged. What you'll see is an email from Roland Theiler, of the 16th of September, which we submit is a

contemporaneous record summarising what the then-procedures were; that was prior to the Four Corners broadcast, so - - -

COMMISSIONER: That's on the 16th of September?

5

MS SHARP: Yes, the – yes. I'm not quite sure what date the.

COMMISSIONER: I thought it was the 14th.

10 MS SHARP: Yes, that's right, it was the 14th. So this was summarising the procedures that were in place prior to the Four Corners broadcast - - -

COMMISSIONER: Yes.

15 MS SHARP: - - - because there was an identified need to improve them. But what he says there is that:

*We rely on World-Check and the junket operator ability to obtain the visa.*

20 Then he distinguishes between the commercial viewpoint, that is, credit worthiness and due diligence viewpoint and, there, he suggests that some further due diligence can be requested. But the central point is there wasn't all that much going on in the way of due diligence prior to the Four Corners broadcast.

25 The next period of due diligence was from October 2014 to October 2016. Mr O'Connor told us in evidence that improvements were made from the Four Corners broadcast, and that the key improvement was obtaining extra due diligence reports. He couldn't identify any other improvement that was made. Again, bearing in mind that he – if a decision was escalated, it was escalated to him at that time. Then we  
30 have the period of the across-the-board review following on from the China arrests, which we say ran from November 2016 until mid-2017. This review was conducted by what was sometimes described as the VIP committee or the VIP operations team. The minutes, such as they were, of these meetings show that this team consisted of  
35 Mr Johnston, who, of course, was a director; Mr Felstead; Mr Neilson; Ms Tegoni; Mr Theiler; and, on some occasions, Mr Craigie; and, later in the piece, Mr Preston.

Now, one thing that Mr Preston told us was that Crown, during this review, decided to stop dealing with junket operators domiciled in China. Obviously, Mr Song is one exception to that. I did want to take you to the minutes of this meeting, because we  
40 submit that they accurately record the due diligence being done at that time. Could I call up the operation meeting notes. They are CRL. – and I'll call them up confidentially – CRL.613.001.0018. This is exhibit BJ164.

COMMISSIONER: Thank you.

45

MS SHARP: And if I could go to pinpoint 0065, please. And what you will see is a note of a meeting which occurred on 20 December 2016 and, under point 3, you will see that – well, firstly, I will take you to point 2, where it reports that:

5           *Profiles have been prepared for two junket operators.*

It's then said:

10           *A profile is being prepared for all junkets as we become aware of a visit.*

This rather suggests that profiles weren't prepared by Crown prior to that time; that would seem to be the obvious inference that follows. Under the heading, Junkets DIVJ Links Verification, you'll see, under the second arrow, there's a summary of what the verification procedures are at that time, and they involve seeing if there's a  
15           DICJ licence, that is, if the junket is licensed by the Macau regulator; a company search; a comparison to a collaborator list; and speaking to personnel at other casinos.

COMMISSIONER: The collaboration is with Melco Crown.  
20

MS SHARP: It would appear to be, yes. We say that's what the "MCE" stands for. No reference is made here to obtaining third party due diligence reports, which would rather suggest that that was still the exception rather than the rule at that time. Now, it's the final due diligence period, that is, the period from mid-2017 to August  
25           2020, that Mr Preston summarised in his February 2020 statement to this Inquiry. And he explained he distinguished between the applications for new junket operators and the review of existing junket operator relationships. Can I say this: it appears from the evidence that, prior to this last period, it wasn't a routine matter to conduct annual reviews, and that's certainly what, if one has regard to Mr Preston's annex 3  
30           to his March statement, that serves to make that point, that there didn't seem to be annual reviews conducted prior to 2017. So it seems that the general rule was, once a junket operator, always a junket operator until 2017.

In any event, in this latest due diligence period, for a new junket operator application,  
35           the credit control team, within the VIP international business, undertook the due diligence procedure and gathered together the information, and that included information from third party due diligence providers. And Mr Preston summarises the kind of information those providers provide in an annex to one of his statements. He said that:

40           *At this time, the credit control team are focusing both on credit worthiness and on probity.*

And:  
45

*If the credit control team decides that an applicant passes the test, it will prepare a due diligence profile and it forwards –*

and the credit control team forwards the due diligence profile to Mr Johnston, Mr Felstead and Mr Preston to make the final decision about whether to do – or enter a relationship with a new junket operator. Now, Mr Preston said that all three of them need to agree to approve a new junket operator. What we have seen in the evidence  
5 is that they did not document their rationale for their decisions in dealing with particular junket operators.

Mr Preston also told us that annual reviews are conducted on existing junket operators. And what the evidence establishes is that, generally, those annual reviews  
10 are conducted only by the credit control team. Mr Preston said, if there is material new information, the review will be escalated to himself, Mr Felstead and Mr Johnston for review. However, subsequent investigations by those assisting this Inquiry elicited from the solicitors for Crown Resorts the statement that on, only five occasions since 2017, have these annual reviews been escalated to that team of three  
15 for review.

Mr Preston gave evidence about what he considered to be important information when he was making decisions about whether to deal with junket operators. Ad he told us that key considerations for him were whether the junket operator had been  
20 granted a visa. And the reason for that is he assumed that that meant that the person had passed a character test. He also placed weight on a junket operator being licensed by the DICJ in Macau. And that Macau licensing was something that was also emphasised on the 31 July - - -

25 COMMISSIONER: Yes.

MS SHARP: - - - 2019 release.

30 COMMISSIONER: Advertisement.

MS SHARP: However, Commissioner, it emerged in evidence that licensing by the DICJ offers, we say, little in the way of comfort in terms of assessing the probity of a junket operator. Evidence was heard that the DICJ probity checks were, in the words of Mr Bromberg, very light on, and, in fact, if the junket licence applicant was an  
35 individual, the only requirement was they not have a criminal record. But there was also evidence that criminal records were expunged after a 10 year period in Macau. Mr Bromberg also said that the decision to licence junkets in Macau was made in about 2004. And, at that time, the existing junket operators were grandfathered, so they didn't have to go through the probity process. I should say there are a number  
40 of other documents in the gaming publications that are in evidence that also point to a conclusion that, in the words of Mr Bromberg, the licensing regime in Macau is "light on".

45 COMMISSIONER: Yes.

MS SHARP: Although it has strengthened in more recent times, in the last two or so years.



COMMISSIONER: I think the status of the new rules are still not known, but some of the evidence suggests that they were going to change their rules and application processes, but that still hasn't been implemented.

5 MS SHARP: Yes.

COMMISSIONER: Yes.

10 MS SHARP: I will now move on to making some submissions on the question of suitability arising from what has been discovered in relation to the media allegations. And it's our submission that Crown Resorts' dealings with junket operators have rendered it and the licensee unsuitable, and that the limited suite of proposals that Crown Resorts has to date put forward to address the junket problems do not convert it into a position of suitability. We say that the specific failings that have been  
15 identified with respect to junket due diligence and junket decision-making are manifestations of more fundamental problems, and we submit that Crown Resorts has not addressed these more fundamental problems.

20 COMMISSIONER: That in itself is of concern.

MS SHARP: Yes. Yes. Indeed. Indeed. Mr Bell already – Mr Bell senior counsel has already noted in his closing address that given that the licensee is controlled by Crown Resorts, the conclusions as to suitability for Crown Resorts carry over to  
25 conclusions for suitability of the licensee.

COMMISSIONER: The licensee seems to be – I mean, the licensee is effectively controlled and from the view that's been given to me so far – and I will hear from Crown and others on this – but when I asked Ms Halton whether there was any  
30 discussion about the opening of the casino she said there hadn't been, but Ms Coonan was able to say what the position was. So you have the Crown Resorts board chairman being able to put us in a position of giving some information, whereas the chairman – chairperson of the licensee, Ms Halton, was not able to. So once again there is a significant aspect of the way the company runs to – I know that the  
35 company has said that they wanted to create an independent chair of Sydney, but I'm just not sure at the moment, and I will hear from Crown on this, how the operations of the licensee vis-à-vis Crown Resorts, its holding company, are happening.

40 MS SHARP: Yes. And Commissioner, you would also note the fairly detailed observations that the Victorian regulator made about this bifurcation of decision-making power in the Sixth Review - - -

COMMISSIONER: Yes.

45 MS SHARP: - - - report where it put into question how independent the Crown Melbourne company was - - -

COMMISSIONER: Yes.

MS SHARP: - - - and remarked upon things like the length of time between Crown Melbourne director meetings, the length that those meetings were conducted during and so on so - - -

5 COMMISSIONER: We have been told though, haven't we, that there is some move towards trying to adjust the structure across the whole of the Crown Perth, Crown Melbourne, Crown Resorts and Crown Sydney to see whether there can't be some response to what the VCGLR said.

10 MS SHARP: Yes, and what we were told was there was a move to a group structure.

COMMISSIONER: Yes, I see. Whatever that might mean.

15 MS SHARP: Yes. Well, that would tend to suggest that Crown Resorts was the controller of the group, we submit.

COMMISSIONER: Yes.

20 MS SHARP: We submit that it follows from the submissions that we have already made that Crown Resorts' conduct has allowed or facilitated individuals of questionable repute with probable links to organised crime entering into business relationships with it, and we say this has also heightened the risks of Crown Resorts casinos being drawn into money laundering through these business relationships.  
25 We also emphasise that these are not just any business relationships. The relations, at least between Crown and its platform junkets, were one of collaboration and working very much together for mutual benefit.

We say that it's available to find that Crown Resorts had business relationships with  
30 persons who were not of good repute and in respect of whom Crown could not have been satisfied they were of good repute, and this means that Crown Resorts has breached a core obligation under the regulatory regime. We say that in turn this has compromised the objective of the regulatory regime relating to ensuring that the management and operation of a casino remain free from criminal influence or  
35 exploitation. We say that Crown Resorts has failed to satisfy the first of the three requirements identified by Sir Laurence Street QC in his report that I took you to yesterday, Commissioner.

COMMISSIONER: Yes.

40

MS SHARP: Being that to guard against the risks posed by junkets, the casino operator has to be of integrity and have a commitment to preserving a crime-free environment.

45 COMMISSIONER: So there's a difference between wilful failure to recognise these problems and a bumbling sort of system that continued for years, on one view of it, without having a process for communication with the appropriate parties. I've been

told both publicly and during the course of the Inquiry that Crown is very conscious of its obligations and it's very conscious that it's in the most regulated industry, so if I were to accept that, if I were to accept that Crown at its core wanted to be a good corporate licensee rather than thumbing its nose at the regulator, what is the cause of the problem?

MS SHARP: And that's what we say the more fundamental problems point to. We say the causes of the specific failings – and I'll come back to the specific failings, the causes – more fundamental causes are failures in risk management, failures in governance and failures of culture, and these are not areas where there can be a quick fix, and the evidence does not disclose that Crown Resorts has to date successfully remediated these deeper problems. If I can, firstly, move to the specific failings in respect of junkets. We say, of course, that it had the result that on some occasions Crown dealt with people who were not of good repute and who it could not be satisfied were of good repute, but the reasons for this included that the information gathered in respect of the junkets that it considered, was insufficiently broad, that matters of concern identified in the information collected were not properly escalated or acted upon, that information in third party due diligence did not trigger further analysis or investigations.

There was a failure to conduct due diligence on other important actors within a junket, including financiers, hidden shareholders and junket representatives. People with a decision-making role were too ready to dismiss adverse information as unsubstantiated allegations. Crown Resorts did not create a good audit trail in the sense that it didn't document its rationale for deciding to deal with these people notwithstanding that there was adverse information about them, and that often there was a failure – no, I shouldn't say often – sometimes there was a failure to escalate new information to decision makers.

Now, I say that these specific failings are manifestations of broader problems. Let me turn to that now. Can I make this first point that it's only really since August of this year that there has been explicit recognition by Crown Resorts that there have been shortcomings in its junket relationships. Ms Halton gave evidence that she only realised in the first half of this year that some very serious reforms were needed in relation to junkets. Mr Barton and Ms Coonan agreed that there had been a very distinct change in tone from the time of the media release in July 2019 to the time of the board strategy papers in August and September this year.

Even as recently as 12 December 2019 it does not appear that Crown Resorts was seriously contemplating revising its relations with junkets, and I want to take you to a document to make good that submission. This is a confidential document. I will call it up; it's CPH.001.658.0001 at 0067. What I'm showing you – this is exhibit AC1. This is a strategic review of the VIP business which was tabled and discussed at the December 2019 board meeting. If I can take you to .0094, you will see there's discussion of junket operations and, indeed, Crown's top five junkets at that time are noted. There is nothing anywhere in this document that refers to probity concerns about junket operators or the need to check on the probity of these junket operators

which, in our submission, is really quite remarkable given that this Inquiry had by that stage been on foot for some – let me do my maths – five months by this time.

5 But it does tend to suggest that it was not something that was occupying too much concern to the board at this period. However, by August the board was clearly very concerned about this and has put forward some proposals to address what it now acknowledges as shortcomings of the junket processes, and I wanted to point out to you what these suggested improvements are – we can take this document down now – suggest to you what these improved processes were, but also point out why these  
10 don't go far enough, we say. Now, we understand that five specific matters have been proposed by Crown Resorts. One of them is an attempt to enhance intelligence gathering and information sharing through the appointment of Mr Nick Kaldas.

15 The second was the engagement of Deloitte to undertake a review of Crown Resorts' junket approval processes, and we are told that the recommendations by Deloitte have all been accepted by Crown Resorts. Thirdly, Crown Resorts engaged Berkeley Research Group to undertake detailed due diligence investigations on certain of its junket operators, and, I think in one respect, a junket representative. Fourthly, Crown suspended its relations with junket operators from 25 August. And fifthly,  
20 Crown proposes to develop a specific financial crime department within Crown Resorts. I should add, while not specifically identified as such, Crown has moved to make improvements to its risk management system and that's a matter I expect to address you on further on Monday.

25 But what we say about these proposed reforms is it's a case of too little, too late. We say the gestures are largely tokenistic and cannot be expected to address the more fundamental problems of risk management, governance and culture that have been thrown up by the junket example, and in a sense, Commissioner, the junkets are but one case study which points to conclusions about risk management, governance and  
30 culture. Other case studies are money laundering, the China arrests and risk management, and the Melco transaction, and common themes emerge from those specific case studies which point to these more fundamental problems that remain to be addressed. But let me turn now to address you on these specific proposals put forward by Crown.

35 Firstly, in relation to Mr Kaldas, the evidence shows that he was retained in January this year to facilitate what was described as a "connectivity between Crown Resorts and law enforcement agencies to gather further intelligence". The aim here was for Crown Resorts to be able to access adequate information in order to make decisions  
40 about whether to deal with people or not.

Mr Kaldas gave evidence to this Inquiry and said that, since starting engagement at Crown Resorts, he has been facilitating connectivity between Crown and law enforcement agencies. But he has not done any – or, at least, at the time he gave  
45 evidence – he had not done any work on optimising the work with casino regulatory agencies. And he said that had been delayed due to COVID-19. He's also proposed a project whereby Crown Resorts may be able to carry out due diligence in China,

but he said, at that stage, it was just a proposal. So we don't know more about this.  
Mr Kaldas identified - - -

COMMISSIONER: That becomes more complex by the day.

5

MS SHARP: Yes. Yes. Mr Kaldas, in evidence, identified a number of limitations that could apply to what he was trying to achieve. And they are, firstly, that the relevant intelligence information agencies might not share their intelligence; and, secondly, it might be that if a structured information-sharing forum is established,  
10 it's one that falls into abeyance over time; and, thirdly, insofar as it was proposed to establish the Australian casino integrity group to bring together casinos from around Australia, the casino regulators, and so on, there may be issues in terms of turf protection, privacy principles and the like.

15 COMMISSIONER: But that idea was Mr Preston's.

MS SHARP: Yes. And these were limitations that Mr Kaldas identified with respect to those.

20 COMMISSIONER: Yes.

MS SHARP:

COMMISSIONER: Mr Preston's proposal predated – I think Mr Preston's  
25 proposal, in respect of establishing that group, was quite some time ago, wasn't it?

MS SHARP: Yes.

COMMISSIONER: Yes.

30

MS SHARP: Yes. In relation to Deloitte, Deloitte reviewed the decision-making processes around new junket operators and the review of existing junket operators, and it focused on the information that was provided to inform those decisions. It also considered the people involved in making those decisions and the role of the board  
35 with respect to the making of those decisions. As I previously indicated, Deloitte reported on 26 August 2020, and made a number of recommendations. The board has accepted the recommendations and, we are told, is in the process of implementing them, but we don't know where in that process Crown Resorts is up to.

40 We submit there are a number of limitations to the scope of the review by Deloitte. And they are, firstly, that Deloitte did not conduct a root cause analysis or comprehensive review of what had occurred in the past in relation to junket operations. Further, Deloitte did not review Crown Resorts decisions relating to any of the junkets named in the media. In fact, what Crown Resorts did was request  
45 Deloitte to review three junket operators who were not the subject of media allegations, but it wasn't to review the merit of the decision to enter relationships with those junket operators, but, rather, to look at what information was collected in

relation to those junket operators. So Deloitte hasn't conducted that lookback. And I should interpolate here that neither has Ann Siegers, who was the group general manager of risk and audit. You may recall, Commissioner, that she questioned the value of conducting a lookback.

5

COMMISSIONER: I do recall that.

MS SHARP: Yes. We will be submitting that, in fact, it is very important to do that lookback and undertake that root cause analysis. In any event, the second limitation we submit exists in relation to the Deloitte review is that Ms Whittaker, one of the principals, said that Deloitte had not been asked to comment on how Crown Resorts could create a risk culture around junket operators. And Deloitte – the focus of Deloitte's recommendation was really on information gathering. It was – it's for Crown to determine how to escalate that information. Thirdly, Deloitte did not make a recommendation in relation to the standard of proof that is required when making the decision as to whether to engage with a junket operator. And Deloitte – Ms Whittaker said that it was for Crown to make that decision.

We say that this is a crucial decision that needs to be made, because what emerged from the directors' evidence is there's no clear consensus as yet as to what that standard of proof ought be, although all directors accepted that that standard of proof was part and parcel of setting the risk appetite with respect to junkets. Another – well, we submit one shortcoming of Deloitte's recommendations are that it didn't look at the bigger picture of – well, I withdraw that – it focused only on the probity of the junket operator and didn't look at the bigger question of the financiers, and so on - - -

COMMISSIONER: Yes.

MS SHARP: - - - who stood behind the junkets. As I've already indicated, we don't have any indication as yet as to when the recommendations by Deloitte will be implemented, although, accepting that COVID-19 does complicate that somewhat. Now, another step that Crown Resorts took was to engage the Berkeley Research Group to conduct due diligence on a number of operators and one representative. Crown did obtain a report in September 2020. However, it remains unclear how Crown Resorts will deploy this report and what weight will be given to this report. And we submit that a wide range of views were provided by the directors in evidence as to what use they would make of this report.

COMMISSIONER: Well, it's all a bit uncertain, I think. Everybody's going through this process. And they've decided to stop everything in respect of junkets. So nobody knows what will happen, because I'm told, for instance, by a couple of the directors that one just has to wait to see what's going to happen. They're going to take the next six months to work it out. That's as good as it gets, I think, Ms Sharp.

45

MS SHARP: Well that, with respect, is precisely the point that we will make, that – or we do make, that you can have no certainty about Crown Resorts’ future intentions in relation to junkets. We don’t even know if Crown Resorts will continue to have relations with junkets – that’s one decision that needs to be made by Crown  
5 Resorts – but there’s no evidence as to timelines for making these decisions, there’s no evidence as to what risk appetite - - -

COMMISSIONER: It doesn’t appear in that Gantt chart; you’re quite right.

10 MS SHARP: Yes, that’s right, the Gantt chart that runs to 14 December; there’s nothing about that there. While – and I will address you more on this on Monday – while there is an attempt at identifying a risk appetite in the June 2020 risk management strategy, we say it’s clear that more work needs to be done in terms of identifying risk appetite and providing guidance to the rest of the organisation about  
15 that. But the immediate challenge is that there is simply no certainty about Crown Resorts’ intentions.

We’ve made the submission that the specific failings with respect to junket operations are manifestations of more fundamental problems. And I want to  
20 summarise what we see as those more fundamental problems now. Firstly, we’d say that there were failures of the risk management process, and they include failing to record and monitor risks; failing to escalate risks; and the failure of the board and its delegate, the risk management committee, to inquire as to the risks. We say there were leadership and governance failings on behalf of the board, including failing to  
25 set a risk appetite for junkets and defining the probity level required of junket operators and the standard of proof to be applied in assessing propriety.

There were failings in terms of not making sufficient inquiries about junket operations despite the known risks that are associated with junkets, and we say there  
30 was a failing in not addressing the structural tension in the junket decision-making process by reason that the decision-makers remained within the operational part of the business and in a sense had a conflict. The conflict lay between wanting to take a decision to maximise the turnover available to Crown versus the need to ensure that Crown only deals with people of good repute.  
35

We also say that there are serious cultural problems at Crown which these case studies, if I can call them that, throw up. It’s demonstrated a culture that pursues profit at all cost, a culture of disregard or some may say arrogance to regulatory compliance, and a culture of denial. To turn and make some more remarks now  
40 about the risk management failings, we submit that in the very area where Crown Resorts was most at risk of infiltration by organised crime and money laundering, Crown Resorts wholly failed to design and implement a risk management system that was commensurate with the level of risk that presented.

45 Almost all senior executives and current Crown directors who gave evidence acknowledged that they were at all relevant times aware of the following risks: firstly, that by their very nature casinos are vulnerable to infiltration by crime.

Secondly, that there are significant potential risks of money laundering through casinos, and thirdly, that junkets present an opportunity for the introduction of tainted funds at casinos. A number of the witnesses also acknowledged that they were aware that junkets could have links with organised crime.

5

In addition to those general acknowledgements, though, Commissioner, Crown has long been on notice of allegations that Melco Crown and Crown Resorts have been dealing with junket operators who are not of good repute, and many of these allegations were put to the directors during their evidence, but these allegations stretch back to 2009, Commissioner, then we see another round of allegations with Four Corners in 2014, another round of allegations in 2017 and so on. We say that the risk management failures with respect to junkets have both a bottom-up and a top-down problem.

10

15 Executives with responsibility for making decisions about whether to deal with junkets did not identify the risks associated with them and escalate them, and by the same token the directors, who say they were all aware of the risks, never inquired and did not challenge management on the decisions that were made with junket operators, and this is notwithstanding the media allegations that have been made over the years.

20

COMMISSIONER: There's an element – the bringing of these junkets and the establishment of something different in the way that things were done had, on one view of it, a rather exotic flavour to it. They brought in junket operators who were very experienced in Macau, junket operators from mainland China, and as you've so rightly pointed out, aspects of the arrangements were impenetrable. So one just saw this huge amount of cash coming through the casino with something that was quite different to the arrangements of having a mass market of operations. Once the junkets were brought in from the Far East, it was far more exotic and far more attractive.

25

30

The problems that have arisen, sad as they are for those young ones and not so young that were arrested in China, are still not understand why it happened, but the problem that Crown faces, as you rightly pointed out, is the assessment of the true nature of the people. And if you can't assess it comfortably, as a licensee you have a very big obligation just not to deal with them. That seems to be the test.

35

MS SHARP: Well, it's our submission, if I can put it in a pithy way, Commissioner, when in doubt, rule it out, because that's what follows from the privilege of being granted a licence, when a known risk of casinos is infiltration by organised crime and where a feature of the regulatory requirement is that the casino operator must only deal with people of good repute. So it does appear that precisely the opposite approach was adopted, that if there was doubt, rule them in until the allegations could be substantiated in some way that's never been articulated.

45



COMMISSIONER: Yes, it's a good reality test, though, Ms Sharp, is to think that every person that's in a casino is a person of high repute on the main floor, but in any event it's not free from complexity.

5 MS SHARP: No, it's not a simple problem, Commissioner. Could I introduce you now on matters of governance.

COMMISSIONER: Yes.

10 MS SHARP: What the evidence did establish, we say, is despite the risks of junkets, the board had little familiarity with junkets and their operations, and this was despite the fact that the junkets brought massive amounts of turnover into the casinos. There was no active inquiring on the part of the directors and no, what in the literature would be described as, active stewardship of the organisation, and I will come back  
15 to that on Monday. But for now we say that there just wasn't that level of pushback and interrogation and questioning that one would expect to see from a properly engaged board.

Can I last make some submissions about the culture of this organisation. We say that  
20 the failure of Crown Resorts to meaningfully act on these longstanding allegations about the junket operators bespeaks both a culture of denial and a culture of arrogant indifference to regulatory compliance. We say this culture permeated the organisation. In part A of our closing submissions, Mr Bell of senior counsel made some submissions regarding Mr Packer's influence on the operations of Crown  
25 Resorts. That influence was also apparent in relation to junkets. We submit that Mr Packer set a dubious tone from the top in relation to junkets.

It should be found that he monitored the VIP international business closely, understood the role of junkets within that process, but drove a culture that put the  
30 pursuit of profits above all else. It should be found that, at least since 2013, Crown Resorts has increasingly relied upon junkets to generate turnover in the VIP international segment. That is made clear if one has regard to the 12 December 2019 strategic review of the VIP business, which notes the percentages of premium direct versus junket turnover at various times.

35 Mr Packer agreed in evidence that he was one of the key driving forces in bringing Macau junkets into Crown Resorts' casinos in Australia. Prior to entering into the joint venture with Mr Lawrence Ho in 2004, Mr Packer travelled to Macau on at least six occasions to conduct his own due diligence and form an understanding of  
40 how the casino industry operated in Macau. He told this Inquiry that it was during this period that he became familiar with junkets in the promotion of VIP gaming in casinos and he formed the view that junkets were very important in the VIP side of the business. Mr Packer understood that, from a casino operator's perspective, an advantage of dealing with junkets was to transfer the credit risk to those junkets.

45 COMMISSIONER: Junket operator.

MS SHARP: Yes, to the junket operators, and away from the casino. The evidence establishes that, when Melco Crown opened Altira in Macau in 2007, it struggled. Mr Packer said he viewed one of the mistakes in Altira's operation as having too much of the casino dedicated to mass market as opposed to VIP. Altira subsequently  
5 pivoted towards the VIP market and Melco Crown entered into an arrangement with a gaming promoter, that is, a junket, called AMA, A-M-A, to bring VIP patrons to Altira. Crown Melbourne – not – sorry. Melco Crown paid AMA above-market commissions. Melco Crown's annual report from 2008 states, and I quote:

10 *We created a unique operating structure at Altira Macau that delivers working capital, the life blood of this business, to gaming promoters in a way that insulates us from credit risk.*

Mr Packer acknowledged that Melco Crown's relationships with junket operators  
15 were the key to its success at Altira. In 2002, it was Mr Packer's intention to bring the junket operator model to Crown Resorts Australian resorts, subject to regulatory approvals. In 2012, he sought to take some of the share of the Macau VIP market. It's submitted that Mr Packer's vision for Crown Sydney also depended on junkets. The VIP gaming facilities at Crown Sydney were necessary to make the project  
20 commercially available; that much was stated by Mr Packer in his initial letter to Dr Chris Eccles at the time of making the unsolicited proposal.

COMMISSIONER: Yes. I think you said 2002 – I think you meant 2012 – a little earlier.

25 MS SHARP: Yes. I did mean 2012.

COMMISSIONER: That's all right.

30 MS SHARP: Thank you.

COMMISSIONER: That's all right.

MS SHARP: Also in that unsolicited proposal, Mr Packer explained that there was  
35 an aim to treble Australia's current share of the international VIP gaming market and that, to do so, Crown Resorts would leverage its joint venture arrangement with Melco Crown. In evidence, Mr Packer confirmed, that in 2012/2013, he understood that the junket operator model had worked well in Macau and he wished to bring that model to Crown Sydney. As Mr Bell of senior counsel has already submitted, it  
40 should be found that Mr Packer was a strong influence on Crown Resorts VIP international business. Mr Packer conceded that he was a key stakeholder in that business.

COMMISSIONER: He was the chairman of Crown at the time.

45 MS SHARP: Yes.

COMMISSIONER: So he was the chairman all the way through to August '15 and he was driving the company. And Mr Bell's submissions in relation to his de facto arrangements were later on, but there can't be any doubt that Mr Packer, as chairman of Crown, drove this company profitably - - -

5

MS SHARP: Yes.

COMMISSIONER: Yes.

10 MS SHARP: Yes. And he asked Mr Johnston to participate in the VIP working group at Crown Resorts in around March 2013. And he attended the various CEO meetings up until at least 2013 at which the VIP business, or international business, was considered. He did agree in evidence that he wanted to drill down into the VIP business.

15

COMMISSIONER: You mean Mr Johnston?

MS SHARP: Mr Packer.

20 COMMISSIONER: Right.

MS SHARP: Mr Packer agreed that Mr Packer wanted to drill down - - -

COMMISSIONER: Yes.

25

MS SHARP: - - - into that business.

COMMISSIONER: But the VIP working group was not attended by Mr Packer?

30 MS SHARP: No, it was - - -

COMMISSIONER: Just Mr Johnston.

MS SHARP: Yes. We submit it was attended by Mr Johnston - - -

35

COMMISSIONER: Yes.

MS SHARP: - - - at his behest.

40 COMMISSIONER: Yes, of course. And I think Mr Johnston accepted that.

MS SHARP: Yes. He said as much in his second written statement – second or third written statement. The evidence shows that Mr Packer played a role in building relationships with particular junket operators through, for example, courtesy calls.  
45 He had calls with Alvin Chau and Zezhai Song that had been organised by his assistant, Mr Ishan Ratnam, and through arrangements made by Mr Ratnam, Mr Packer would meet with junket operators or Mr Ratnam would meet them on his

behalf. Mr Ratnam acknowledged the aggressive risk appetite of VIP international, and attributed VIP leadership to Mr Felstead and Mr Packer in an email that he sent to Mr Packer on 24 November 2016. And I'd like to take you to that email. It's CPH.001.700.0796. That's exhibit AF7.

5

COMMISSIONER: Thank you.

MS SHARP: Now, I'll just - - -

10 COMMISSIONER: Yes. Thank you.

MS SHARP: Just to put it in context, this is shortly after the arrests in China.

COMMISSIONER: Yes.

15

MS SHARP: And you'll see at the bottom that Mr Ratnam writes, because Mr Packer has made an inquiry, what's happened to the business?

COMMISSIONER:

20

*How worried should I be?*

MS SHARP: And Mr Ratnam responds:

25

*The bottom has fallen out of our whole VIP market, but reparable. Small steps. We need to be able to reach back and build through South-East Asia with Hong Kong and Macau. It will take about 12 months to get traction back. You will find, when you start again, we will not be as aggressive in our margins as in the past, but your return will be strong, as we will be cautious on credit and choice of players. Need a new strategy to build confidence with remaining staff and customers. As always, remain positive under yours and Barry's management. It's a shame about our staff in custody, but we need to keep going.*

30

35 The evidence shows that Mr Packer regularly emailed Mr Ratnam seeking updates about the VIP international business. And Mr Ratnam regularly emailed Mr Packer about junket meetings and the performance of particular junkets, even at times when Mr Packer was not a director of Crown Resorts. Mr Ratnam also kept Mr Packer appraised of his dealings with junket operators, including Mr Alvin Chau and Mr Si  
40 Xin Qin. The importance of junkets was often acknowledged in these emails. For example, there's an email of 29 July 2017, where Mr Ratnam advised that he was trying to organise a fixed room for a Malaysian junket at Crown Perth and was trying to – and I will quote:

45

*...hijack more trips from junkets out of Sydney and Gold Coast.*

On 20 August 2017, Mr Packer emailed Mr Ratnam and said:

*Be great if we could build a new relationship with Suncity.*

On 28 August 2017, Mr Packer emailed Mr Ratnam and said:

5 *Be great if we could find a junket for Perth.*

Commissioner, Mr Packer made a number of important concessions in his evidence to this Inquiry. First, he acknowledged that during his entire time at Melco Crown he had been made aware of rumours that a number of Macau junkets have links to  
10 organised crime. Secondly, he said:

*I thought we had better compliance than we did.*

Thirdly, while Mr Packer agreed that it was important for a casino operator to only  
15 have business associations with those of good repute, he said that with the benefit of hindsight he did not place appropriate weight on that matter. Fourthly, Mr Packer said he was assured that Crown Resorts' junkets were of good rapport, but - - -

20 COMMISSIONER: Good repute.

MS SHARP: - - - sorry, good repute, but otherwise had no understanding of the due diligence that Crown Resorts had undertaken. He also said that during the time he was the executive chairman of Crown he did not turn his mind to setting a risk appetite for junkets. And finally, and most significantly, he agreed that the VIP  
25 international team had run on an aggressive sales culture with a higher risk appetite than the rest of the business and he said that he accepted some responsibility for that. The final part of my submission relates to the visa allegations made in the media, Commissioner. I could do that now; it would take about another 15 minutes, or I could do that after lunch, whatever is most convenient.

30 COMMISSIONER: Will it inconvenience anyone if I sit on until quarter past 1?

MR WHITWELL: No, Commissioner.

35 COMMISSIONER: That's all right.

MS SHARP: I will firstly deal with what we've described as allegation 3 which was that Crown Resorts helped bring criminals through Australia's borders in ways that raised serious national security concerns. We say that there is insufficient evidence  
40 to establish that Crown Resorts did this. There is some evidence that Crown Resorts did support visa applications of applicants with previous criminal offences, but there is no evidence to suggest that these applicants presented national security concerns. The allegation which we have designated as allegation 6 was that Crown staff lobbied Federal Government officials, including Australian consulate officials in  
45 China, to expedite visas for members of junkets and shopped around for the consular officials perceived to have the most ineffective vetting processes.

There is evidence to support the correctness of this allegation, we submit, however it does not appear that there is anything improper in the special arrangement that Crown negotiated with the – I will call it the Department of Immigration. This special arrangement was in place between 2003 and 2016. It does appear,

5 Commissioner, that certain companies do negotiate special arrangements with the department in relation to visa applications. The arrangements involved Crown having a single point of contact for liaison on visa application matters and being able to lodge applications directly at the Australian Consulate in Guangzhou.

10 As part of these arrangements Crown included a standard form document which endorsed the visa applicant. There was some quibbling about whether it was endorsing or supporting or vouching, that's – it is quibbling. It was simply supporting, that is, putting its weight behind, these applicants, and that's clear on the face of the documents which use the word "support", I might say. Now, in October  
15 of 2016 Crown notified the department that it would cease supporting visa applications through this special arrangement. Of course, that was the time of the China arrests.

Now, there is, we submit, some evidence that there were certain improprieties on  
20 Crown Resorts' part in supporting visa applications such as supporting the application of a person convicted of insider trading. There was also some suggestion in the evidence that on some occasions, applications would have false documentation  
- - -

25 COMMISSIONER: This is way back.

MS SHARP: Yes, this is - - -

30 COMMISSIONER: This is so far back, it looks like it was, what, 2012?

MS SHARP: Yes, all the way back then, and that's precisely the point we make. It's not indicative of any kind of systemic problem - - -

35 COMMISSIONER: I cannot see anything in this allegation.

MS SHARP: Yes.

40 COMMISSIONER: I really can't. I've sat here for days and I just don't see how it can be made out. What happened was – I mean the department seemed to be of the view that they could get Crown to do their work for them and, as Ms Coonan said, it wouldn't happen today. And I fear that spending time on this might highlight a significance that it does not deserve other than to say that there's nothing that I have seen in this Inquiry after 2012 that would lead to the result as I read it at this time, Ms Sharp, unless you convince me otherwise, that Crown did anything wrong after it  
45 was pulled up by the department - - -

MS SHARP: And that is precisely - - -

COMMISSIONER: - - - in 2012.

MS SHARP: That is precisely the submission we make, Commissioner.

5 COMMISSIONER: Yes. And that wasn't made clear in the press.

MS SHARP: No, that's right, Commissioner. The historic nature of these allegations, or the fact that Crown Resorts did amend its procedure once the query had been made by the department, and that's consistent – the last point I wanted to  
10 make is that is consistent with the recent Inquiry report published in August 2020 by the Australian Commission for Law Enforcement Integrity.

COMMISSIONER: Yes.

15 MS SHARP: In view of what you have said - - -

COMMISSIONER: There was some allegation floating around of somebody's cousin on a plane on a tarmac in Coolangatta, if you recall that, and it all became blurred in terms of whether that person had a fast track through immigration, but  
20 nothing that I've seen in the evidence suggests that this particular media allegation has any force to it at all. Is that a reasonable conclusion?

MS SHARP: That is an absolutely reasonable course, so we don't make any submissions as to questions of suitability arising from these allegations. While the  
25 media was quite correct to say that Crown Resorts had a special arrangement, there is nothing that we have been able to see that is inappropriate about that arrangement and the evidence quite to the contrary suggested that those arrangements were in place with other companies.

30 COMMISSIONER: Yes.

MS SHARP: And that point was made by ACLEI.

COMMISSIONER: Yes, and the I think the fact that departmental officers might  
35 have, effectively, listened too much to Crown or too much to another big company is a matter for the departmental people to effectively increase their good sense in the way they deal with various companies, but those arrangements are now at an end, as I understand it.

40 MS SHARP: Yes, they ended at the time of the China arrests.

COMMISSIONER: Yes.

MS SHARP: Those are my submissions.

45 COMMISSIONER: Thank you, Ms Sharp. I will adjourn until about 10 past 2 and I think Mr Aspinall is going to make some submissions.

MS SHARP: That is so.

COMMISSIONER: Yes, thank you, Ms Sharp. I will adjourn until then. Thank you.

5

**ADJOURNED**

**[1.08 pm]**

10 **RESUMED**

**[2.10 pm]**

COMMISSIONER: Thank you. Yes, Mr Aspinall.

15 MR ASPINALL: Thank you, Commissioner. At the core of part A lies the question of suitability. Mr Bell has addressed you already on that concept. And it falls to me to address that part of the Inquiry which looked at the question of money laundering.

COMMISSIONER: Yes.

20

MR ASPINALL: Before I wanted to do that, I wanted to explore and perhaps encroach a little on what Ms Sharp will address on Monday, as to how the question of suitability is reflected in what we find occurred with respect to money laundering within Australian casinos. It's not in dispute – and I think Ms Coonan accepted – that to be the recipient of a casino licence is a privilege. There are at least two parts to that privilege. The first is that, under section 5 of the Casino Control Act, the holder of a licence is able to do something that nobody else is able to do without committing an offence.

25

30 The second part is more nuanced: the introduction of casinos into this nation and into this State was protracted and difficult process. It came at the end of decades, really, of reports and investigations into whether it was a good idea. That was because, as Professor Cabot explored early in the Inquiry, it was always acknowledged that bringing casinos into the State, in addition to bringing all of the good things which they bring, the revenue, the employment, the tourism, the recreational amenities, brought with it the prospect of crime, in particular, organised crime. And Mr Cabot spoke to what had happened in Nevada in the 1940s and to the pernicious nature of the way in which organised crime, firstly, tried to take ownership of the casinos; when that was denied to them, how they then tried to infiltrate the operation of junkets, and so on. And so the introduction of casinos into New South Wales and the other states was always viewed as a risk benefit analysis. There was a lot of work done before the Casino Control Act in this State was enacted and, Commissioner, you would have seen the very detailed work by Sir Laurence Street - - -

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COMMISSIONER: I did.



MR ASPINALL: - - - and by Justice Connor. Ultimately, it was determined that the good things about casinos could be had so long as the risks that they brought could be managed. And Sir Laurence was of the view that that could occur based upon two planks: the first was that there needed to be a rigorous, draconian set of regulations  
5 which controlled them. Sir Laurence said that this was not intended to be a burden or an unfairness to the casino, but to protect them, because it was well-known that they were vulnerable. The rigorous, draconian regulation of them, it was thought, prevented them from wavering or giving way in any way to organised crime, because organised crime and the casino operator would know that any attempt to do so would  
10 be immediately detected and deferred; that was plank one.

The second plank was that the person chosen to operate the licence was to be carefully selected, honest, a person of integrity, a person with business skills. That is what we find reflected in section 12 of the Act, and it's no coincidence that it's also  
15 in the Victorian Act, I think, in the following section, because those two Acts effectively were an act of cooperation or collaboration between the two states. And so this question of having the holder of the licence be an upstanding, integral person, was always fundamental to facing the risks which everybody knew casino operators would face, based upon the history of what had occurred internationally.

20 Now, Mr Cohen gave evidence of what occurred to the regulatory structure over time: the vigour, perhaps the zeal, and the draconian nature of that structure, over time, faded, perhaps, just with the passage of time, but one telling remark in Mr Cohen's report – and this is at INQ.080.050.32.99, which is exhibit A76.

25 COMMISSIONER: Thank you.

MR ASPINALL: At 3318, Mr Cohen made this remark:

30 *A further comment needs to be explicitly made: modernisation of the regulatory system from a prescriptive to a risk-based model reduces the regulatory burden on the operators. However, it comes at a potential but wholly avoidable cost. Should an operator under this model breach an Act, regulation or any other requirement, it should anticipate the possibility of a*  
35 *higher level of disciplinary action. Whereas the older style of regulation sees the regulator intervening upfront and, therefore, preventing some regulatory errors from occurring, the modern risk-based model leaves it to the operators to work out for themselves how to comply. In essence, 20 years after introducing a casino regulatory system to New South Wales, the training*  
40 *wheels will be removed and operators will take on the responsibility of not falling.*

Now, Commissioner, pausing there, I asked Mr Cohen about that model, at page 1018 of the transcript. I asked him about what submissions Crown made in respect  
45 of the movement to that model and, at that page, 1018, are his responses. The submissions themselves have been kept confidential, but, in effect, the submissions of Crown was that the movement to a risk-based model was appropriate, and that

modern regulation should concentrate on risks to government and the community, leaving each operator to manage its own commercial risk.

5 Pausing there, Commissioner, one might take issue with Mr Cohen's view that the regulatory system consisted of a bicycle with removable training wheels. It had never been the intention that the draconian regulation system was a removable option. It was always intended to be an integral part of the bicycle or whatever vehicle was going to manage the system, because it had two prongs: the quality of the operator; and the rigour of the regulatory system working together to fight what  
10 was known to be a vulnerability to organised crime.

And stopping there, Commissioner, it must be acknowledged – and the evidence shows, including that which relates to junkets – is that organised crime is not to be regarded as a static thing. Organised crime is clever, wily, sophisticated. It seeks out  
15 and finds defects as they emerge and exploits them until it's no longer possible to exploit them and then moves on to another exploitation. It is not, and you would not infer, that organised crime is any less present, sophisticated than it ever was. And it's in those circumstances that casinos within Australia and the world operate.

20 Moving, then, to this question of the suitability of the person chosen. Once the regulatory system moved from the prescriptive or draconian system to the risk-based model, the culture of the licensee became even more important than it had been. Justice Hayne, in his report in relation to the banks, referred to culture as being what is done when no-one is watching and, within a risk-based system, the regulator does  
25 not look in the same way it did in a prescriptive model. We explored with Mr Cohen that until such time as risks emerge, the light touch or risk-based model is content to leave the operator to carry on their commercial duties relatively uninterfered with. The issue with that is that when we proceed, and as I now will, to look at what happened in respect of money laundering, we're looking at an operator who was  
30 placed in a position of trust, a privileged position, by the State, given this special right, but also a special trust that it would protect the community from the evils, such as money laundering, which were always known to be a risk.

35 Moving on from there, I wanted to say something, not much, but something about money laundering itself. We will see, as I move through these submissions, video footage of large amounts of cash in bags, people handing them over in VIP rooms, transactions of hundreds of thousands of dollars in cash and so on moving through bank accounts. Perhaps to the person in the street those transactions may seem relatively innocuous. What the evidence of Professor Langdale and the information  
40 available to the Inquiry tells us is that they are in no way that. They are the other side. They complete the circuit of quite evil and heinous crimes, and that was well known for a long time.

45 Can I bring up, please, exhibit A246 which is INQ.220.001.0416, which is called Money Laundering in Australia 2011.

COMMISSIONER: Is that an exhibit, Mr Aspinall?

MR ASPINALL: Yes, exhibit A246, Commissioner.

COMMISSIONER: Thank you.

5 MR ASPINALL: This was published by AUSTRAC on the date it bears, and it talks a little about what money laundering is and why it's malicious. If we turn over to the next page, which is 0417, at the bottom of that page it describes money laundering as a critical risk to Australia. If we turn to the following page, it provides:

10 *Money laundering is one of the three critical organised crime risks to the Australian community.*

The next paragraph says:

15 *Money laundering is considered a critical risk because it enables serious and organised criminal activity. It can undermine our financial system and economy and it can corrupt individuals and businesses.*

20 Turning to the gaming sector, which is addressed in this paper at 0427, the paper says:

*Gambling in Australian venues, casinos and so on is a traditional channel for the placement of money and layering phases of the money laundering cycle.*

25 Turning over the page:

*What are the links between money laundering and gaming sector?*

AUSTRAC said:

30 *Money laundering cases in the gaming sector generally involve cash proceeds from drug trafficking and fraud committed by domestic and international crime groups.*

35 It then points out in the section below the various methods which are available to use to launder money through the gaming sector. The paper sets out the ways in which AUSTRAC and the framework generally in Australia attempt to address those things. I will return to those things in due course as they come up, Commissioner.

40 COMMISSIONER: Thank you.

45 MR ASPINALL: What I wanted to do was turn back to the first page of this document and point to the date. It was published by AUSTRAC in 2011. All the things that we will look at in my submissions happened after that. The fact that casinos were vulnerable to money laundering was no secret, and the significance which money laundering had to do damage to the community and to facilitate serious crime was no secret either. If you put that together with the trust that the community

places in a licensee of a vulnerable business such as a casino, and the examples that we will look at have to be seen in quite a different light than they might be without that background.

5 What I will submit, ultimately, is that what we will see shows a culture within Crown during the period that we look at which either facilitates money laundering or is recklessly indifferent to whether or not it occurs, and that, in my submission, is wholly unsuitable for a person who holds the privileged position of a licensee in this State. Having said those things, Commissioner, I wanted to address the Terms of Reference and the allegations made more specifically. Paragraph 15(a) of the amended Terms of Reference require the Inquiry to consider, amongst other things, 10 the media allegations that Crown Resorts and its agents, affiliates or subsidiaries engaged in money laundering.

15 You will notice, Commissioner, within that definition it's not only Crown Resorts, but its subsidiaries which are caught. The Inquiry was also asked to investigate a number of media allegations made in and after the Channel 9 60 Minutes program Crown Unmasked in July last year. Ms Sharp has already identified counsel assisting's breakdown of those allegations into the six allegations, and my section of 20 these submissions will consider allegation 4(a) which was that money was laundered in Crown Resorts' Australian casinos, and the second part of that allegation which is that Crown Resorts failed to rigorously enforce anti-money laundering controls.

The second allegation, which is number 5, was that two private companies set up by 25 Crown Resorts which were called Southbank Investments Pty Limited, which I will from now on call Southbank, and Riverbank Pty Limited, which I will call Riverbank, had been used to launder the proceeds of crime. In addition to these allegations, Commissioner, for the purpose of considering suitability, the Terms of Reference at paragraph 16, subparagraph (g) require the Inquiry to consider any 30 matters reasonably incidental to those allegations, and in making these submissions I will endeavour to do that.

COMMISSIONER: One of the points that was raised, Mr Aspinall, in the evidence by some was that whilst it might be accepted that there was evidence to show that 35 more probably than not money laundering might have happened, the process of putting money through an account, for instance, belonging to a subsidiary of Crown was not so much an engagement as an enabling process. So I suppose in respect of that it is a combination of 15(a) and 16(g). Is that right?

40 MR ASPINALL: That's correct.

COMMISSIONER: Yes.

45 MR ASPINALL: And it also depends on how you define "engage", because in one sense of the word, to engage is to facilitate or allow to occur, be part of the mechanism that allows something to occur, and on another definition it might be thought to mean do it for your own purposes.

COMMISSIONER: Yes.

MR ASPINALL: Within the evidence that we will look at in due course there's an  
uneasy balance between those two definitions, because what we'll see is the payment  
5 into either the casino or various accounts of money in circumstances where the  
deposit or the exchange for chips was highly suspicious, that the transaction was  
dealing with the proceeds of crime. Now, that's one thing, how to facilitated it, but  
what we will also see, particularly in respect of the transactions that go into the  
Southbank and Riverbank accounts, is then a transfer of those funds into the casino  
10 itself.

What happens to them after that is not known, but at least, on a prima facie basis, the  
benefit of those deposits go, at least in the first instance, to the casino themselves.  
What motivated what occurred within Southbank and Riverbank may never be  
15 known, but at least, on one view, the idea that the flow of funds into Crown Casino  
for its benefits overrode the responsibility of the entity to guard against and protect  
against money laundering occurring through their or organs - - -

COMMISSIONER: Yes. Thank you.  
20

MR ASPINALL: - - - wasn't followed in the way one would expect from a licensed  
operator. I should, in addressing the general issue, raise that paragraph 15(a) say that  
an available finding is that Crown Resorts or its agents, affiliates or subsidiaries did  
engage in money laundering in the sense that they became involved in and facilitated  
25 or enabled money laundering to occur within the casinos or through the accounts of  
their subsidiaries.

In relation to allegation 4(a) that money was laundered in Crown Resorts Australian  
casinos, an available finding is that allegation is made out. With respect to the  
30 allegation that Crown Resorts failed to rigorously enforce anti-money laundering  
controls, an available finding is that that allegation is also made out. With respect to  
the allegation that Southbank and Riverbank were used to launder the proceeds of  
crime, as made in allegation 5, an available finding is that that allegation is also made  
out. I turn, first, to allegation 4(a) if I may.  
35

COMMISSIONER: Yes, of course.

MR ASPINALL: That allegation was that money was laundered at Crown Resorts  
Australian casinos. And there were various pieces of evidence which were gone  
40 through during the Inquiry, perhaps the most famous, if that's the right word, was the  
blue cooler bag footage, which has already been referred to by Ms Sharp. But that  
was only one of the instances that were looked at by the Inquiry. And I've  
attempted, or I will attempt to address, them in chronological order, just for ease of  
reference.  
45

First was the allegation that Roy Moo had laundered money through the casino. That  
allegation was made, and footage of Mr Moo at a fruit and vegetable store was

shown on the Crown Unmasked program on the 29th of July. And the allegation made was that Mr Moo was a licensed junket operator at Crown Resorts and a member of The Company, which Ms Sharp has already dealt with. Publicly-available information, as Ms Sharp has mentioned, alleged The Company is a multi-national drug trafficking syndicate. In an article published in The Age on the 27th of July 2019 Mr MacKenzie, Mr Toscano and Ms Tobin wrote:

*A federal police interview with one junket representative secretly working for The Company, Roy Moo, reveals he told investigators he was hired by The Company's Australian network because of his contacts at Crown Casino, mutual trust, and because laundering money through the casino was easier than using a bank.*

Mr Moo denied that he had said those things, but it would be open to find, as a matter of fact or inference, that, in fact, money laundering through a casino was as easy or easier than through a bank. In fact, the evidence established that Roy Moo was a junket representative for the Madam Ang junket. Mr Moo was convicted of money laundering at Crown Melbourne in 2013. More specifically, he was convicted of making four separate transfers of funds totalling over \$600,000 from Crown Casino's ANZ account to two different accounts of the Bank of China in Hong Kong in March and May 2012. A Victorian court subsequently found that the funds used in the transfer in question were derived from drug importation and trafficking activities of a Melbourne resident named Suky Lieu, who, it was agreed by Mr Moo and the Crown prosecutor, was a principal Australian operative in the international criminal syndicate involved in importing and trafficking significant quantities of narcotics in Australia.

In fairness to Crown, the evidence also established that Crown ceased dealing with Mr Moo following his arrest. He tried, on various occasions, to be reinstated to be allowed to enter the premises, but Crown consistently denied him the right to do so. Accordingly, in respect of the allegation that money had been laundered by Mr Moo, it's open to find that that did occur, although, in that regard, what Crown did in respect of Moo must also be recognised.

One important side issue that arises from what occurred in Mr Moo's case is that it could not be said that Crown could have known that the money which Mr Moo was bringing to the casino had come from Suky Lieu and had been used for the importing and trafficking of significant quantities of narcotics. It would rarely be the case the casino would have such detailed information on the exact source of the money. That is why it's particularly important that entities such as casinos have a high level of suspicion when money, such as large volumes of cash and other suspicious transactions, come to them, because it is unknown whether those funds do originate from sources such as Mr Lieu.

A casino, as many witnesses have said, is not a law enforcement agency, and no-one would expect it to be so. With respect to money laundering, however, what a casino is expected to do is to maintain a sufficient and reasonable level of vigilance and

suspicion with respect to transactions which are potentially money laundering and potentially proceeds of crime. To say, as might be suggested, that because, “I did not know definitively that the money was from such source,” is well beside the point, because it is not expected that a casino ordinarily would have that knowledge. What  
5 is important is to recognise and act upon red flags that this transaction could be money laundering, and that, as we shall see, Commissioner, was sorely lacking at Crown Resorts over many years.

The next transaction which was looked at was the allegation Ms Sharp referred to  
10 regarding Veng Anh. That allegation was made in the second instalment of Crown Unmasked, which aired on 23 February 2020 where Mr MacKenzie stated:

*In January 2017, a Crown manager called Veng Anh directed casino staff to send half a million dollars to a Melbourne man called Nan Hu. Nan Hu isn't a  
15 high roller and he hadn't won the money. He is actually a convicted drug trafficker. Veng Anh also directed half a million be sent to Nan Hu from a Crown controlled account.*

In respect of that allegation, the evidence established something slightly different. In  
20 July 2017, Mr Anh, who was a vice-president of international customer service, did request his supervisor's permission to close a patron account in the name of Mr Qiyun and to telegraphically transfer the balance standing to that account to Mr Hu. Mr Anh agreed before the Inquiry that he did know Mr Hu as an acquaintance. As part of that transfer request, Mr Anh communicated to Ms Maguire, his supervisor  
25 and the group general manager of international business operations, that Mr Nan Hu was a friend of Mr Qiyun, the junket operator. The evidence which Mr Anh gave ultimately before the Inquiry was that he had no basis for that assertion other than what he had been told by the junket representative for Mr Qiyun. His evidence which was not challenged was that he told Ms Maguire that he obtained the  
30 information regarding the alleged friendship from the junket representative. He did not recall Ms Maguire asking any further questions of him.

The evidence does establish that Mr Anh's supervisor, Mr Roland Theiler, who at that time was the vice president of business international, and Ms Maguire approved  
35 the payment which then was eventually made to Mr Hu's CBA account in Australia. In the circumstances, given that Mr Hu was not a patron of the casino and he had not won the money, the transfer of funds to Mr Hu had the indicia of money laundering whether or not Mr Hu was in fact a convicted drug trafficker. This comes back to the point I made earlier that it was not ultimately established whether or not Mr Hu was  
40 a convicted drug trafficker and, ultimately, from Crown's point of view it is irrelevant to whether or not it did its duty and what the community expect of it in preventing money laundering potentially occurring.

More chillingly, perhaps, ultimately the digression into the question of whether or  
45 not Mr Hu was a friend of Mr Qiyun or not was ultimately irrelevant, in my submission, because whether Mr Hu was a friend of Mr Qiyun was of itself a potential red flag for money laundering. Indeed, if anything, the fact that Mr Hu was

alleged to be a friend of Mr Qiyun should have raised concerns with Mr Theiler and Ms Maguire that the transaction was potentially money laundering because friendship between the two men raised the possibility that they were working together to achieve that effect.

5

Moreover, it is inexplicable that Crown would permit the transfer of money in a casino account to somebody who was not a player and who had not won the money without making further investigations beyond the untested assertion which Mr Anh made to Ms Maguire, to her knowledge an unquestioned allegation.

10

COMMISSIONER: This was a circumstance that was a little different, I think, not to what you've put, but this was at the time, is this right, when the amount of money standing in the account had to be cleared because it was going to be closed.

15 MR ASPINALL: Correct.

COMMISSIONER: So there was – that money had been in a gambling account of the patron and presumably had been the subject of use by the patron for gaming activities within Crown. And I don't know the credit and debit side of that account as yet, but it is a situation, really, that goes to the third party transaction, that is, an example of that, but it is not similar to the ones that you've been speaking of otherwise where people come in with large dollops of cash. This was a working account that had been the subject of gaming and the patron then removed or transferred it or asked for it to be transferred to a person who wasn't involved in gaming who then closed – and the account was then closed. Is that right?

20  
25

MR ASPINALL: Correct.

COMMISSIONER: Thank you.

30

MR ASPINALL: And so from the point of view of money laundering the money received into Mr Hu's account came from the casino.

COMMISSIONER: Yes.

35

MR ASPINALL: And would show that way on the transfer.

COMMISSIONER: Yes.

40 MR ASPINALL: The money in that sense, if it was money laundering, which is probable, in our submission, was laundered by that effect because there was a transfer, apparently legitimate, from Crown Casino to Mr Hu.

COMMISSIONER: Thank you.

45

MR ASPINALL: That is the evil and the error in what Crown did in enabling that transfer to be made. The submission that I make, whether or not Mr Hu was a



convicted criminal or not is not relevant to that question. What goes to the question of suitability is that Crown Perth enabled the payment to be made to Mr Hu in circumstances where they did not make sufficient inquiry as to why that was occurring and they should not have done so, and they did so either out of ignorance  
5 or from a reckless disregard to the risks that that posed in terms of money laundering. I will move now to the Suncity Room if I may, Commissioner.

COMMISSIONER: Yes. Thank you.

10 MR ASPINALL: You've already something about the Suncity Room from Ms Sharp. It was a room which was located in Crown Melbourne in two locations. Originally, it was in what was called pit 86, later moved to a different pit for reasons which we will discuss in due course. The evidence before the Inquiry is that the  
15 arrangement in which Suncity took the Suncity Room occurred pursuant to an agreement which was entered into in January 2014 between Mr Chau and Crown, and from that time at least he had the ongoing use of a room at Crown Melbourne that could accommodate up to three gaming tables. We're going to look, I hope in a moment, at some footage which shows the Suncity Room and some transactions  
20 going on there, but before we do that I should remind you, Commissioner, of how this footage came to be public and then in our possession.

In October of 2019 the ABC reported that in 2017, that is, two years before, a VCGLR whistleblower had leaked video footage of an individual taking a large amount of cash into Crown Melbourne in a cooler bag and exchanging it for chips.  
25 The Honourable Mr Andrew Wilkie MP subsequently released this footage on his website and in due course it was tendered before the Inquiry. There are two transactions shown on this footage and it is instructive, in my submission, to look at them. They are silent footage, but information can be obtained for them which is relevant not only to the transactions in question, but to some of the further  
30 transactions which we will be looking to in due course. If I might call up that footage to be played to the live feed.

COMMISSIONER: Yes.

35 MR ASPINALL: And if I can, to give some commentary over the top of it.

COMMISSIONER: Yes.

40 **VIDEO SHOWN**

MR ASPINALL: Commissioner, what you will see here – and I might, firstly, direct your attention to the carpet. The pattern there is quite distinctive and it's the  
45 same pattern we shall see in the next footage which indicates that this is the Suncity Room. Mr Preston agreed with that in respect of the blue cooler bag footage. What is also important in this footage that we've just seen is the man there in the spotted

jumper brought in large bricks of cash in an opaque bag. This one is a shopping bag. Another important factor is what you can see there to the right of the man stacking the bricks of cash is a cash-counting machine.

5 One other thing you might note, Commissioner, is that this footage has a reflection in the top right-hand corner of the screen, if you can pause right now, go back a little bit – go back a few seconds. Pause there.

COMMISSIONER: Yes.

10

MR ASPINALL: You see, Commissioner, in the top right-hand corner is a reflection. And the evidence will emerge later that this camera was a camera of Crown Melbourne in the Suncity Room, but that that camera did not record what of itself what was occurring in view of this camera. The evidence of Mr Preston was  
15 that in order for anyone to see what was actually happening on this camera they had to be sitting in front of it and watching it in real time.

COMMISSIONER: I see.

20 MR ASPINALL: The way in which this footage came to be is that someone, the whistleblower, took this footage on a second camera of the display and that's what we're seeing here.

COMMISSIONER: I see. Thank you.

25

MR ASPINALL: If you could continue, please, operator, with this. You will now see the gist of the transaction, Commissioner, that all of this cash is converted into chips.

30 COMMISSIONER: Yes.

MR ASPINALL: And the man at the – is pulling from a drawer their various casino chips and laying it on the table.

35 COMMISSIONER: And those bigger ones are plaques.

MR ASPINALL: Correct.

COMMISSIONER: Yes.

40

MR ASPINALL: If we could just go back a few seconds, please, operator, and pause it.

45 **VIDEO SHOWN**

MR ASPINALL: Perhaps we can keep going on. Now it's panning around the Suncity Room, and we can see there the tables. Stop it. Stop there, please. I've missed it again. If you could go back a few seconds. What you can see, or what you might have been able to see before the – the camera – is this camera is entitled, or at  
5 least the part of it we can see is "ity buy-in". And you can infer, Commissioner, that it says actually "Suncity buy-in".

COMMISSIONER: Yes, I see.

10 MR ASPINALL: What is remarkable is that someone in Crown – and this is a Crown camera – has thought to label this camera "Suncity buy-in". It is an implicit recognition that this camera is looking at a desk where buy-ins occur. But what is all the more remarkable is Mr Preston's statement that the feed from this camera is not  
15 recorded by Crown. Accordingly, someone in Crown knows that this camera is trained upon a desk where buy-ins occur, where cash is exchanged for chips. Someone else at Crown considers it is not necessary or desirable for that to be recorded for posterity. Hence, we see what has occurred here is that, ultimately, a whistle blower has to record from the screen to make a permanent record of what has occurred. What we just saw as well, Commissioner, as the camera panned, is a  
20 Christmas tree and you can see there, in the frozen picture, the year 2017, and the time is 1.30 am in the morning. If we can carry on, please, operator. We might skip now to time mark two minutes and 31 seconds. What we see here is cash on the desk, this time hundred dollar bills in elastic bands, being put through the cash counting machine. It seems, although not entirely clear footage, that each of those  
25 bricks of cash contains \$20,000, because if you look at the counter they all end up being 20,000.

COMMISSIONER: Yes, I see.

30 MR ASPINALL: You can see there that there are numerous .....

COMMISSIONER: Yes.

MR ASPINALL: Mr Aub Chapman was shown that – what we will see is the blue  
35 cooler bag footage, and estimate it – and again not challenged – that the money within that bag would be hundreds of thousands of dollars.

COMMISSIONER: Yes, it looks that way.

40 MR ASPINALL: Here, if each of those slim parcels of cash is \$20,000 we are looking at huge sums of cash.

COMMISSIONER: Yes. But we don't know how this deposit was brought in?

45 MR ASPINALL: We – this is the deposit that was brought in in the black shopping bag.

COMMISSIONER: This is the same one.

MR ASPINALL: Yes.

5 COMMISSIONER: Yes.

MR ASPINALL: We skipped through some panning around the room.

COMMISSIONER: Yes. Thank you.

10

MR ASPINALL: We can now skip to – keep playing. This person here is shown cashing in some chips rather than purchasing chips.

COMMISSIONER: Yes, I see.

15

MR ASPINALL: See the fellow there in the left smoking a cigar. What is interesting about this footage is that that man has presented chips in the reverse order. And if you follow the hands of the man standing on the right you will see that, in due course, he reaches down into a drawer and extracts cash back out. There is the  
20 drawer. Could we now skip to the blue cooler bag footage, which is at 8 minutes and 16 seconds, please, operator. The blue cooler bag footage.

**VIDEO SHOWN**

25

MR ASPINALL: And, Commissioner, you can see there again the special carpet, the pattern, the same room, the same desk.

30 COMMISSIONER: Thank you.

MR ASPINALL: And this time the money is in blocks or bricks of \$50. They are slightly thicker than the hundred thousand dollar bricks, but as - - -

35 COMMISSIONER: It's a hundred – it's a hundred note bricks.

MR ASPINALL: Yes, the hundred note bricks. Mr Chapman – this – this was the bag that he estimated contained several hundred thousand dollars.

40 COMMISSIONER: Yes.

MR ASPINALL: And, again, the cash machine is there. And, again, the bag is nondescript and opaque. As you saw at the beginning of the footage the man put it on the desk and unzipped it.

45

COMMISSIONER: I don't think there's any issue that this was just brought in off the street.

MR ASPINALL: No. Correct. And I don't think there would be any issue that, in walking through the casino, this gentleman would have passed numerous cameras which showed his actions, because it's generally accepted that Crown had hundreds if not thousands of cameras trained on all areas, as one would expect.

5

COMMISSIONER: Yes.

MR ASPINALL: Can you see, Commissioner, that there is no particular urgency to this transaction. This gentleman is, in a leisurely way, taking out bricks, looking at them and piling them on the counter.

10

COMMISSIONER: Is this in 2017?

MR ASPINALL: Thought to be.

15

COMMISSIONER: Yes. I remember Mr Preston saying he wasn't sure if it was 2017.

MR ASPINALL: There was some dispute between both Crown and the VCGLR as to when it actually occurred.

20

COMMISSIONER: But it would appear, on the evidence, that it's more probably than not that it was May 2017.

MR ASPINALL: Correct. In any event, Commissioner, it's in relative temporal  
- - -

25

COMMISSIONER: Location.

MR ASPINALL: - - - congruence to the earlier one which we saw was in December 2017 because the configuration of the desk and the room is the same.

30

COMMISSIONER: Yes.

MR ASPINALL: Now, with respect to that which was what I will call the black shopping bag and the blue cooler bag footage, most of the evidence of the witnesses focused on the blue cooler bag footage, and the chairman of Crown Resorts agreed that the blue cooler bag footage had red flags for money laundering. Mr Preston conceded that money being taken from a cooler bag wrapped in elastic bands was an indicia of funds being laundered. Of course, the earlier – the antecedent transaction is of the same nature. The concessions that were given in relation to the cooler bag would apply to the other.

35

40

COMMISSIONER: Yes.

45

MR ASPINALL: In respect of the transfer of large amounts of cash, while there might be a legitimate or explicable reason why a person would bring large amounts

of cash into a casino in an opaque bag, witnesses who gave oral evidence conceded that the activity was suspicious and potentially indicative of money laundering. The footage reveals no attempts being made to verify the identity of the person who handed over the cash, and no documentation passing between those two persons in  
5 respect of the transaction. In circumstances the probability is that the blue cooler bag footage and the black shopping bag footage are instances of money laundering occurring within the casino.

10 There was more than that footage, Commissioner. Separate evidence before the Inquiry were stills, still images from CCTV footage taken in the Suncity Room indicating that large deposits of cash were made at the Suncity desk on at least two other occasions, being the 5<sup>th</sup> of January 2018, and the 9<sup>th</sup> of February 2018. If I could bring up those stills to the live feed, they are at – they're exhibit BE93.

15 COMMISSIONER: Thank you.

MR ASPINALL: CRL.611.001.0056. That can be put on the live stream, please, operator. Is it possible to enlarge that? Apparently, there are pages within this document rather than the main one, so if we go now to 0057. The Suncity desk again  
20 with the cash-counting machine and the calculators and the now famous carpet pattern. Turn to the next still which is 0058 we see, again, bricks of cash.

COMMISSIONER: They seem to be coming out of a suitcase; is that right?

25 MR ASPINALL: The suitcase, think – if we move to the next – well, in that – in the one we were just looking at it seems that the staff member of Suncity is assisting the person to take it out of the suitcase.

30 COMMISSIONER: Yes, from the carpet, down on the carpet.

MR ASPINALL: Exactly. Then if we move to the next one, you see the cash volume is now extraordinary.

35 COMMISSIONER: Yes.

MR ASPINALL: If we turn to the next one, it seems to be 50s this time. The next one, please. And on it goes; 0062, this transaction now, the gentleman is looking at his phone, so there's obviously, again, no urgency to this transaction, and 0066, he's still standing there. 0067, the operator is starting to move the cash away. 0072, the  
40 man has now gone, and the cash is just sitting on the desk. 0073, the staff member is starting to make his way through it, and so on. 0079, there's another shopping bag with a lot of cash in it. This time the person behind the desk is the lady we see there. The next – that's one of the CCTV footage and stills, and that's the 5<sup>th</sup> of January 2018, Commissioner.

45 COMMISSIONER: Thank you.

MR ASPINALL: You would have no difficulty finding, Commissioner, that that transaction has all the indicia of money laundering, and that that's an example of money laundering occurring within the casino in Suncity Room. The next CCTV stills are exhibit BE98 which are at CRL.611.001.0108. If we could move to the next  
5 page, please, we see there the desk. And this time, if we look at 0110, we can see that gentleman there with the hair cut looks remarkably similar to the gentleman in the earlier still, although this time it's hard to make out the denomination of funds being placed. They don't readily appear to be Australian dollars, or perhaps they are. If we go to 0112, and that's enlarged; you can see, Commissioner, in respect of the  
10 money sitting in the cash counter that looks to be an Australian hundred dollar bill, but it's rather hard to see what the other bills are because they're wrapped in cellophane.

Again, if we go to 0115, we see the money being counted by the staff member there,  
15 going to 0117, the gentleman with the hair cut which appears to be the same fellow we saw earlier is there, again, this time holding what looks to be a block of cash wrapped in cellophane. Those CCTV stills go on in that way, Commissioner; at 0142, a somewhat better view of the notes this time which seem to be a mixture of hundreds and other notes.

20 COMMISSIONER: Perhaps international notes. Is that the 9<sup>th</sup> of February transaction, is it?

MR ASPINALL: This is the 9<sup>th</sup> of February transaction, Commissioner.

25 COMMISSIONER: Yes.

MR ASPINALL: This footage was shown, or these stills were shown to Professor  
30 Horvath who perhaps not surprisingly considered they were a red flag for money laundering. The chairman stated the stills from 5 January 2018 were indicative of a suspicious transaction, but in our submission they were in all probability further instances of money laundering within the casino.

35 COMMISSIONER: It's very difficult to see that it would be anything other than that, Mr Aspinall - - -

MR ASPINALL: Well - - -

40 COMMISSIONER: - - - but perhaps – whatever it might be, certainly at this time in February '18 – was this after the 5.6 million had been found in the cupboard?

MR ASPINALL: The 5.6 million was found in April 2018, so it was - - -

45 COMMISSIONER: So after this. Yes, I see.

MR ASPINALL: But Commissioner, ultimately, in terms of suitability, going back to the point I made earlier, it makes no difference whether it was in fact the proceeds

of crime. What was important was that it was suspicious, and that no responsible casino operator would allow it to happen in their casinos, especially in a room which was not staffed by officers of Crown itself. What happened, as you've pre-empted, Commissioner, is that an internal memorandum prepared by Mr Preston in March  
5 2020 indicated – and this is a memo he gave this year in respect of what occurred – he wrote:

*Since Suncity was given access to the Suncity at Crown Melbourne in early 2014, Crown has monitored the activities in that room.*

10 Now, that's a somewhat - - -

COMMISSIONER: That's worrying.

15 MR ASPINALL: - - - difficult proposition - - -

COMMISSIONER: Well, it's worrying. If they've been monitoring this, it's just absurd.

20 MR ASPINALL: Correct. Well, this is what Mr Preston was telling his colleagues.

COMMISSIONER: I see.

25 MR ASPINALL: Ultimately, the evidence that Mr Preston gave was that there was some difficulty identifying when those transactions had occurred because, as I said, the camera didn't record what was occurring and so the statement made that they were monitoring the activities in the room may have been tolerable, but, anyway, the memo continues:

30 *After I took on oversight of the AML/CTF for Crown Melbourne –*

and, because, you remember, Commissioner, he was, prior to that time, the AML officer for Perth.

35 COMMISSIONER: Yes.

MR ASPINALL: And then, on Ms Tegoni's departure, took over those responsibilities for both casinos

40 *...Crown's monitoring of the activities in the Suncity Room increased and I subsequently instituted a number of increased controls to address identified AML/CTF risks arising from activities in the Suncity Room.*

Now, the memo continued that:

45 *In April 2018, Crown Resorts received a report that there appeared to be an excessive amount of cash held in the Suncity Room.*



And that was – that’s in exhibit BF119, which is CRL.606.001.0084 at .0088. The memorandum indicates that:

5        *Crown Resorts advised Suncity that they were not permitted to engage in cash transactions at the Suncity desk beyond petty cash transactions, and the note counting machine was removed, and they were issued with a direction that all gaming cash transactions must occur at the Crown Melbourne cage. Suncity were also advised that the maximum amount of cash permitted in –*

10       they were permitted to hold in the Suncity Room was AU\$100,000.

COMMISSIONER: When was that?

15       MR ASPINALL: April 2018. Later that same month, the memo records that:

*Crown Resorts conducted an audit of the Suncity Room.*

20       This was carried out by Crown Resorts VIP international department and, at the time of the audit the evidence indicates that Suncity had \$5.6 million in cash in the Suncity Room. Meaning they had not complied with the advice of Crown Resorts earlier that month at least with regard to the amount of cash to be held within the room. In his oral evidence to the Inquiry, Mr Preston indicated that he was not comfortable at all when he was informed of the amount of money still at the Suncity desk, despite Crown Resorts direction to limit the amount of cash to \$100,000. Mr  
25       Preston further conceded that money laundering alarm bells were ringing for him in a personal capacity as Crown’s AML officer, and as a result of Crown Resorts audit of the Suncity Room.

30       With regard to the discovery of \$5.6 million in cash after the direction had been given to Suncity not to hold more than \$100,000, Professor Horvath and Ms Halton agreed it was a red flag for money laundering. The very fact that a note counting machine was visible in plain sight on the Suncity desk, as we saw in the CCTV stills and in the Wilkie footage that we just saw, is of itself astonishing. The fact that  
35       Crown Resorts either ignored or tolerated this cash counting machine being in the Suncity Room again speaks to a culture which was not sufficiently alive to what was either occurring in the Suncity Room or the potential of it occurring, or they simply didn’t care about it.

40       Other evidence received by the Inquiry indicates that, in December 2018, a male in a black suit retrieved a backpack containing approximately a quarter of a million dollars in cash from behind a curtain in the Suncity Room which, by then, had been relocated to pit 38. The person in the black suit then took the backpack of cash and gave it to two other men waiting in a car outside the casino. The police subsequently arrested the two men in the car at a Westpac branch in Melbourne depositing the  
45       cash. From the Wilkie footage and the CCTV stills, Commissioner, it’s open to find that the man in the black suit was an officer of the staff of Suncity, since that’s the uniform that they wore. In any event, what it shows is that, at that time, which was

December 2018, Suncity was still not complying with the direction to keep less than \$100,000 in cash in the Suncity Room because the backpack itself had a quarter of a million dollars in cash in it.

5 COMMISSIONER: Was that September or December?

MR ASPINALL: December, on my - - -

COMMISSIONER: Yes.

10

MR ASPINALL: - - - information. Commissioner, in terms of allegation 4(a), it's open to find, on the basis of the examples I've shown you, that money laundering occurred in and through the Suncity Room on multiple occasions between 2017 and 2018. But what I need to do now is address the second part of the question is that  
15 whether or not Crown rigorously enforced anti-money laundering controls and, based upon what I've just said, the answer to that is fairly clearly open to find no, because, in circumstances where, despite directions in April 2018, \$5.6 million in cash had been found later that month and a quarter of a million in cash had emerged from the room in December that year, the control which Mr Preston referred to was obviously  
20 not being enforced, let alone rigorously.

COMMISSIONER: Just pardon me, Ms Hamilton-Jewell. I think you're commuted.

25 MS HAMILTON-JEWELL: Yes, Commissioner. Can you hear me now?

COMMISSIONER: Yes, I can. Thank you very much. Is there any real issue about the first matter that Mr Aspinall has raised?

30 MS HAMILTON-JEWELL: Sorry. What was that, Commissioner? You just cut out for a second.

COMMISSIONER: Is there any real issue, in respect of the first matter that Mr Aspinall has raised, that, more probably than not, what we viewed is money  
35 laundering?

MS HAMILTON-JEWELL: Commissioner, I need to reflect on that and come back, but I'll certainly ensure that it's addressed in our submissions.

40 COMMISSIONER: I mean, from the point of view of being in a position to be assisted by Crown, we've been here for months and we've looked at these films for months. I would very much appreciate knowing what the position is. I understand your position, Ms Hamilton-Jewell, and I will not embarrass you, but it is just not good enough that I am left in a position at submissions, and I still don't know  
45 whether Crown accepts this issue. So I would appreciate some assistance on Monday. Thank you.

MS HAMILTON-JEWELL: Yes, Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

5 MR ASPINALL: Now, we've discussed already, in terms of 4(b), the failure to enforce the control in respect of the amount of cash - - -

COMMISSIONER: Yes.

10 MR ASPINALL: - - - in the Suncity Room, but there is a different issue in terms of control, and that is the internal control statement in respect of cage operations. Now, what we have just witnessed, in terms of the Wilkie footage and the stills is, in my submission, an informal cage being run within the Suncity Room. Now, before that  
15 evidence had been ever shown to the Inquiry, the Inquiry heard evidence from Mr Bromberg in February, and Mr Bromberg said this about the situation which exists in Macau, that:

*Right now, most of those junket operators, they may not – I mean, it may not be  
20 a cage in the strict sense of how you might view a cage in a casino, but they would certainly have a desk, which is their own desk, where all financial transactions are tallied and, certainly, they would have one person, probably the head of the junket operator's cage, who liaises with the casino operator's cage for all transactions. So, essentially, they are almost like having their own cage within the casino.*

25 It's terribly prescient, I mean, for what we now see was actually occurring in the Suncity Room and it reinforces Ms Sharp's point that in effect what was happening in the Suncity Room was that a little part of the Macau model had been transported right into Crown Casino in Melbourne. Now, in terms of the controls, at all relevant  
30 times Crown's Melbourne operation was subject to an internal control statement in respect of cage operations which was approved by the VCGLR under sections 121 and 122 of their Casino Control Act, and the internal control statement in respect of cage operations approved on the 2<sup>nd</sup> of March 2015, and as far as the Inquiry is aware, which has been in force since that time, relevantly provided that a core  
35 principle of that internal control statement was:

*The objectives and outcome of this internal control statement are to ensure the integrity and continuity of cage operations through processes and procedures which ensure all transactions related to the conduct of gaming at the  
40 Melbourne casino are accounted for and correctly reported via the operations of the cage.*

Commissioner, what in my submission the ICS is clearly aimed at is ensuring that  
45 within the casino, dealings in casino chips should occur at Crown Melbourne's cage and be subject to the standard operating procedures known to the VCGLR in respect of the operation of that cage. My submission is open to find the exchange of large amounts of cash for casino chips at the Suncity desk was, in effect, the operation of

an informal cage in breach of that core principle of the internal control statement. Further, section 4 of the internal control statement indicates that:

5           *Crown is responsible for audit processes which demonstrate compliance with the core principles and outcomes of this internal control statement.*

The section continues:

10           *Internal audits and procedural reviews will be undertaken to ensure that all transactions relating to the conduct of gaming are reflected in the standard operating procedures, are accounted for and correctly reported via the operation of the cage.*

15           Commissioner, the evidence given by Mr Preston in respect of the blue cooler bag footage was that there was “no technical obligation” for information to be recorded by Crown Melbourne’s surveillance in respect of the blue cooler bag footage. Moreover, Mr Preston was of the view that Crown Melbourne was not required to report threshold transactions to AUSTRAC as this was not a provision of a designated service by Crown Melbourne itself.

20           Further, there is no evidence before the Inquiry that Suncity was registered as a reporting entity even if it should have been.

25           In my submission, the inference available and it’s open to find that the Suncity Room operated on what Ms Sharp described as an island of immunity where neither Crown Melbourne nor Suncity were reporting the large volumes of cash being dealt with, and in contravention of the internal control statements Crown itself was not keeping accurate records or, indeed, any records which enabled the conduct of gaming to be accounted for in accordance with the standard operating procedure and reported via the operation of the cage.

30           Returning to the question of visibility in the Suncity Room, Mr Barton’s evidence was that Crown Melbourne had:

35           *...very little visibility over transactions that were occurring at the Suncity desk and that it created a risk of money laundering.*

40           That was at page 2759 of the transcript. Commissioner, this evidence was curious because as we saw, the Wilkie footage showed one of Crown’s cameras was trained upon the very desk where these transactions were occurring. Perhaps the visibility being referred to by Mr Barton was metaphorical, but it cannot be said that, in fact, Crown Melbourne could not see what was occurring had it wanted to. This point is reinforced when considering that Mr Preston indicated that the camera that took the Wilkie footage, for reasons not explained, was not connected to a recording device and that what occurred on it could not be seen other than on a live feed basis.

45           COMMISSIONER: That may be why Mr Preston was having so much difficulty identifying the date of the transaction.

MR ASPINALL: Correct. It also calls into question the evidence of Mr Preston which stated in his written statement of February 2020 that:

5           *All VIP gaming areas, including private salons, are subject to the same level of oversight as any other gaming area at Crown from a gaming integrity, surveillance and regulatory perspective.*

10           Commissioner, that may have been true in February 2020, but it's inconsistent with the evidence that we had from Mr Preston in respect of what was being undertaken at the buy-in camera in the Suncity Room. Commissioner, in short, the evidence indicates or strongly infers, and it's open to you to find, that Crown Melbourne itself did not record the transactions at the Suncity desk whereby cash was exchanged for chips. This led to a situation where Suncity operated an informal cage which conducted transactions relating to the conduct of gaming outside Crown's own cage.

15           In the circumstances where there was no recording by Crown Melbourne of the transactions taking place within the Suncity Room, an available finding is that Crown Melbourne failed to comply with the regulatory obligations required of being able to audit transactions at the Suncity desk for the purpose of compliance with the core principles of the internal control statement.

20           COMMISSIONER: Do I know what happened after they discovered that Crown – I withdraw that. Do I know what happened after they discovered that Suncity was breaching its directions that had been given to it by Crown?

25           MR ASPINALL: Yes. We know to a certain extent that they were moved from pit 86 to another pit called pit 38.

30           COMMISSIONER: For more visibility.

            MR ASPINALL: Well, the entrance to pit 38 was via the Mahogany Room.

            COMMISSIONER: Yes.

35           MR ASPINALL: So presumably it was thought that that gave more visibility as to who was coming and going from the Suncity Room.

40           COMMISSIONER: And what about the compliance with the directions in relation to the level of cash, etcetera?

            MR ASPINALL: Ultimately, the direction was that money could not be brought into the room other than in clear plastic bags.

45           COMMISSIONER: I see.

            MR ASPINALL: The problem, as you have seen, is the opaque capacity of the bags which had been brought in and the backpack that had been taken out.

COMMISSIONER: Yes.

MR ASPINALL: That was a control that was ultimately instituted.

5 COMMISSIONER: I see. Thank you.

MR ASPINALL: Ultimately, as you heard, Suncity was not allowed to operate its own desk at all.

10 COMMISSIONER: Yes.

MR ASPINALL: Moving from that point to paragraph 16(g) of the Terms of Reference which are matters reasonably incidental to the allegation made in allegation 4. Beyond the casino itself, there is evidence that Crown Resorts failed to appreciate the risks of money laundering or it did not care about them. The Inquiry obtained a Crown Resorts document which indicated that in the years prior to 2016 Crown Resorts had entered into an arrangement with the City of Dreams casino in Manila and Macau under which Crown Resorts customers could use the City of Dreams to deposit cash or casino chips from other casinos to facilitate debt repayment and front money deposits for Crown Melbourne, Crown Perth and Aspinall's casino in London.

Importantly at this time there was publicly available information that casinos in the Philippines were exempt from the requirement to verify the identity of customers. This remained the case until 2017. It was also publicly available information that Macau was a jurisdiction where money laundering was believed to be prevalent, which even if it were not common knowledge to a casino – to a person in the street, should have been known to a competent and careful casino operator.

What this arrangement did, in my submission, was create a situation where Crown Resorts itself had no capacity to satisfy itself as to the source of the cash being deposited at the City of Dreams in Macau or the Philippines, or to satisfy itself as to the identity of the person or persons who were making the deposits, posing an obvious risk that this arrangement would be exploited for the purpose of money laundering. Mr Barton accepted that under this arrangement Crown Resorts would not be able to satisfy itself of the identity of the persons making the deposits, or the source of the funds being deposited. That information, Commissioner, is of course key to the ability to be able to protect and prevent against money laundering.

COMMISSIONER: Well, you gave me two choices. You said that they failed to appreciate the risks or they did not care about the risks. I suppose there's the alternative, which is not in there, and that is they did appreciate the risks, as a board, they did care about compliance, but their systems were so shocking that this is what happened.

MR ASPINALL: Yes.

COMMISSIONER: So I think, to be fair to Crown, in circumstances where I have been – evidence has been given that they do care – whether that’s a finding ultimately is another matter – but there is the alternative that they do care, that they did try to comply, but things were just so poor on the ground that there was the  
5 capacity to take these hundreds and thousands of dollars in your shopping bag to the casino. I mean, it’s quite extraordinary that you can just go into the casino with these huge shopping bags full of hundreds of thousands of dollars, and this is only recent. This is in the last two years.

10 So if that’s what happens when you do care and you do understand the risks, then there is, I presume, a need to look to how to try and make sure that Crown does understand how to stop it. And I need to be told how to stop it, particularly, if you have the capacity for people with a large volumes of cash that are not money  
15 laundering. So there would be a lot of people who like to have a lot of cash when they go to the casino, as I understand what I’ve been told about the way things happen there. So if you’re going to have a system that allows for people to use their cash in a way that’s legitimate, that is, legitimate cash, then I’m not sure that I have been given the benefit, at least from Crown’s point of view, of how they intend to manage it; is that right?

20

MR ASPINALL: That’s correct. But as you pointed out, Commissioner, if you do, as a responsible casino operator, decide to accept cash - - -

COMMISSIONER: Yes.

25

MR ASPINALL: - - - what you do have to do is take reasonable precautions to ensure that what you are not doing is facilitating money laundering, and that requires you, firstly, to know who your customer is in terms of who is depositing this money, and why do they have large volumes of cash? Where did it come from? Can I  
30 satisfy myself that the source of this cash is legitimate? And that is why this arrangement I’m talking about with the City of Dreams is so incomprehensible, because Crown or any competent casino operator should have known that both those locations were hotspots for money laundering and yet they enter into an arrangement where cash can be deposited into another casino’s account for ultimate conveyance  
35 to Crown in circumstances where, as Mr Barton said, they themselves cannot know who is depositing the funds or the source of those funds.

COMMISSIONER: Yes. In British Columbia, in 2016, they introduced a declaration of source of funds. And what, apparently, happened was there was a  
40 marked decline in the amount of large transactions of cash in the casino. So that you have a very large volume of cash transactions and then the system was you had to sign declaratory statements as to the source of your cash, or the actual cash, that you wanted to bring in. So those transactions stopped, and you can see the graph fall away. But what happened, in British Columbia’s experience, is that the smaller  
45 amounts were then brought in by numerous other people so that they converted those large, obvious transactions into smaller ones with people coming into the main floor.

So that's, now, the problem that they've, not created, but they're trying to deal with in the casinos in British Columbia.

5 But the source of how you stop this – and if you have a board that does care then they need to tell me how they're going to do it – there are things that have been floated across New South Wales about having a card tracking people, but that's not very popular with the clubs and pubs, I understand. But in the circumstances of these transactions and the ones that you're speaking about, I do – although we haven't heard what Crown's true position is at this stage – it does seem that more, probably  
10 than not, that these were money laundering transactions.

MR ASPINALL: To address the two issues that you spoke to, Commissioner, what the conversion in British Columbia from large chunks of cash to small chunks of cash shows is an example of the way in which organised crime reacts to the controls  
15 as you put them into place.

COMMISSIONER: Quite.

MR ASPINALL: And it knows and recognises and responds to what you're doing.  
20

COMMISSIONER: Yes.

MR ASPINALL: You cannot ultimately probably prevent everything, but what you can do is take reasonable and sensible precautions to make it as difficult as you can  
25 for them.

COMMISSIONER: Yes.

MR ASPINALL: And coming back to the City of Dreams arrangement, on the  
30 presumption that someone at Crown does care, the only explanation for what has happened in this arrangement is that they did not know that what they were doing was facilitating a conduit for money laundering.

COMMISSIONER: Yes.

35 MR ASPINALL: Which, of itself, speaks to unsuitability, because one of the circumstances for suitability in section 12 is the ability to successfully run a casino. And to run a casino involves compliance with your obligations to prevent money laundering. Even if they're not legal obligations, your obligation to society is to do  
40 what you can not to facilitate that from occurring. So even on the basis that you care, there's still a failing. And my submission is because there was publicly-available information that these places were hotspots for money laundering, that the inference that there was a caring attitude but an ignorance that what they were setting up was a portal for money laundering would be difficult to accept. I should return to this  
45 instance in the case of the Southbank and Riverbank accounts, but to wrap up that submission, it either comes down to what Ms Coonan described as ineptitude - - -



COMMISSIONER: Yes.

MR ASPINALL: - - - which is my way of putting ignorance, because you didn't know that what you were doing was creating that possibility, or indifference, reckless  
5 indifference; they simply turned their mind – didn't turn their minds to it or, if they did, it wasn't a concern.

COMMISSIONER: Yes.

10 MR ASPINALL: None of those three options, in my submission, is compatible with suitability.

COMMISSIONER: Yes. Thank you.

15 MR ASPINALL: Just to finish off the City of Dreams arrangement, it may be telling that, ultimately, that arrangement wasn't terminated by Crown. It was terminated by the City of Dreams on the basis of advice they had received from their own legal and compliance team. And so you have no indication within Crown itself that it perceived or cared, either/or, about what was occurring in that and, in that  
20 regard, I make the submission that the fact that Crown saw fit to enter into such an obviously risky arrangement and continued with it for a period of years is of great concern. It speaks of a culture of reckless indifference to what would appear to be an obvious risk that it would be used for the purpose of laundering cash.

25 In my submission, within an appropriately managed casino, such an arrangement would not have been contemplated let alone implemented and left in place for years. The risk management apparatus within Crown if properly operating, would have detected and prevented the entry into such an arrangement in the first place or, if it failed to do that, would have promptly detected its existence and terminated it. The  
30 fact that it was ultimately terminated by the other party in Macau and Manila speaks very poorly of Crown's own risk detection mechanisms and its culture of compliance. It reflects poorly on Crown's ability to identify, manage and mitigate the risks of money laundering through its casinos and processes.

35 Finally, even now, after this was raised before the Inquiry, there's been no recognition by Crown of the seriousness of what that arrangement said about its culture, controls and processes. There's no evidence that Crown has done any investigation into how this arrangement came to be in existence, who instigated it, who was aware of it, what, if any, tainted funds flowed through Crown's casinos  
40 pursuant to it. This too takes up the point which Ms Sharp raised with you, Commissioner, about the do not look back attitude at Crown. Finding out, in circumstances where there is such a, what I would submit, glaring red flag that there's been a failure of the money laundering processes, speaks to a culture which cannot be trusted to make sure that they do not recur, and that is what is critical to  
45 suitability.

And I make that point in respect of money laundering generally. It may be that, inevitably, in the running of a casino, money laundering does inadvertently occur through your processes from time to time. What we see within Crown is not that. It's examples over time, processes which are incompatible with sensible procedures to prevent money laundering or, when we turn to Riverbank and Southbank, what appears to be a general either denial or reckless indifference as to what was going on. Those are cultures and processes which go back to this question of suitability in terms of what happens when no-one is watching. Can you say this person is suitable, in a risky business such as a casino, to be trusted?

10 Along similar lines to the City of Dreams arrangement, there was evidence before the Inquiry that, in April 2017, Crown Resorts took various steps with the intention of opening a bank account in Macau for the purposes of receiving cash deposits in Macau. Consideration was given over time by legal officers of Crown Resorts, including Ms Williamson and Mr Preston, as to which entity within the Crown Resorts corporate group should be the vehicle to hold these accounts. Ultimately, Riverbank was the entity chosen, but that was on the basis that the regulatory system in Western Australia meant that the account could be opened more quickly. This was, of course, because the accounts of Crown – of casinos, under the Western Australian regulatory system, did not require approval from the Western Australian regulator, as Mr Preston told you. Simply, they used an account for gaming purposes whether it was held by Crown itself or a subsidiary of it when it was deemed to be authorised. Whilst, ultimately, this Riverbank Macau account was never opened, the minutes of the board of Riverbank indicate the board had resolved to do it. It wasn't explained why it didn't occur. There was certainly an intention, right up to the board of Riverbank, to do so.

COMMISSIONER: I don't think that was a functional board, really.

30 MR ASPINALL: Right.

COMMISSIONER: It looked like just a titular situation - - -

MR ASPINALL: Correct.

35 COMMISSIONER: - - - unfortunately. Yes.

MR ASPINALL: And, in my submission – and this is similar to the submission in respect of City of Dreams, the very fact that opening of an account in Macau to receive cash deposit was even contemplated again speaks to a lack of appropriate understanding or a lack of concern by Crown over the obvious risks of doing that. The fact that legal officers of Crown, including its AML compliance officer, were even considering which entity within the group to use to achieve the most expedient outcome, speaks very poorly of the culture of compliance within it, because what it, in effect, means, is that they are engaging in a form of regulatory arbitrage between the States under which Crown operates to find the most expedient method of achieving the aims that they had.

COMMISSIONER: I think also the fact that it's 16 weeks after the arrest of the people in China is a little breathtaking, but it was obvious that, as Mr Kunaratnam said to Mr Packer, they had to keep going and manage the business and it happened that, in fact, shut down a great deal of the capacity to recover debts in China and, I  
5 presume, that a bank account was necessary to try and either facilitate the repayments of debts or, alternatively, to facilitate money coming to Australia. I don't know. But as you so rightly point out, thankfully it didn't go ahead.

MR ASPINALL: Mr Barton, in his evidence, conceded that Crown Resorts should  
10 not operate patron deposit accounts overseas due to the significant risk they pose, and while that concession is entirely appropriate, in my submission, it should have been obvious to Crown Resorts all along. What we see in the comments that you made, Commissioner, is this interplay between the desire to have funds no matter what The potential risk of doing that by the method of setting up a bank account  
15 where money could be laundered, as opposed to its obligation, as a suitable holder of a license, to the community to do what it can to reasonably prevent money laundering occurring through its processes.

COMMISSIONER: Yes.  
20

MR ASPINALL: Before I – I will move next, after one small topic, to the next allegation which involves Riverbank and Southbank, which is a big topic which I might defer until Monday.

COMMISSIONER: Yes.  
25

MR ASPINALL: But before I do, I just also would like to note that on 19<sup>th</sup> of October 2020 Crown Resorts announced to the ASX that Crown Melbourne had been  
30 issued with a notice by AUSTRAC's regulatory operations branch that it had identified potential non-compliance by Crown Melbourne. Now, that of itself is concerning, Commissioner, but the fact that a regulator has issued a notice does not prima facie mean that the enforcement would be successful. What I do say it indicates is that there is an extant indication from the money laundering regulator that it proposes to pursue potential enforcement action and that that cannot give the  
35 New South Wales regulator any confidence that Crown Resorts has the ability to operate, suitably, a casino with sufficient resistance to exploitation to money laundering in this State, and unless you have anything further, Commissioner, that might be a convenient time.

COMMISSIONER: Yes, all right then. Yes, what I will do is I will adjourn until  
40 Monday at 10. Now, Ms Hamilton-Jewell it's really the first question only – I know that there's been a lot of evidence given about flags that are the colour of red. Everyone has spoken about these red flags throughout the months. What I'm interested in is trying to refine the issues, and one thing that I feel that really it would  
45 be a possibly further turgid exercise would be have to go back to those films and tell me that they're not transactions upon which I could reach a probable outcome of

money laundering. So if that's not in issue it would be very helpful to know so that I don't need to do anything other than to report that this is not in issue.

5 But if it is, of course, I will deal with it, but I'm just finding it a little difficult to apprehend why I would have to sort out the difference between the probability of money laundering when you bring all that cash in a shopping bag into the casino.

10 MS HAMILTON-JEWELL: I understand, Commissioner. Crown certainly doesn't wish to waste the Commissioner's time, so matters that are not in issue we will certainly seek to address those, Commissioner.

15 COMMISSIONER: Yes. And it's more importantly, I think, from Crown's point of view, assuming that a probable finding that this was money laundering, assume that this went on for some time as we've seen, and those steps that were taken to which Mr Aspinall referred were taken, but ultimately if it is the case that this was happening right up until recent years, what is it that I could report upon to assume that this is an unsuitable thing for a casino operator to have happening, how does one ensure suitability of a casino operator that has had this happen in their casinos. So that's, it seems to me, a far more important aspect of what I could be assisted with.

20 And in terms of, effectively, the steps that Ms Sharp took me to earlier today, Mr Kaldas, Deloitte, the Berkeley report and the various other steps, I would be very much helped by some real things – real things. How does one make a regulator comfortable in the light of what has happened, that things will happen at the company, and that's really not a task for my counsel assisting, although they are going to – Mr Bell has already proffered some suggestions, but it really does mean that Crown, and CPH for that matter, needs to put something to the Inquiry as to what a reformation might look like. How does one remediate.

25 And it's all very well for me as an inquirer, or those assisting me, to tell you that this might be a good idea, but it has to be that Crown must put something to say, in recognition of all these problems, it's not just the appointment of a few people, it's much deeper, I think. So I would be most grateful if some work could be done in this regard. We haven't got very long, and we need to get to the point, I think, and I would be grateful for your assistance, Ms Hamilton-Jewell.

30 MS HAMILTON-JEWELL: Yes, Commissioner. I've certainly taken on board your comments.

35 COMMISSIONER: Thank you very much. Anything further, Mr Aspinall?

MR ASPINALL: No, Commissioner.

40 COMMISSIONER: Yes, I will adjourn until 10 on Monday. Thank you.

**MATTER ADJOURNED at 3.51 pm UNTIL MONDAY, 9 NOVEMBER 2020**