



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

**INDEPENDENT REVIEW OF THE STAR PTY LTD BY ADAM BELL SC
UNDER THE CASINO CONTROL ACT 1992**

**PUBLIC HEARING
SYDNEY**

**FRIDAY, 1 APRIL 2022
AT 10:00 AM**

DAY 12

**MS N. SHARP SC appears with MR C. CONDE, MS P. ABDIEL
and MR N. CONDYLLIS as counsel assisting the Review
MS K. RICHARDSON SC appears with MR H. ATKIN and MR D. WONG
as counsel for The Star Pty Ltd**

**Star Witnesses
MR KEVIN JOHN HOULIHAN
MS SKYE EDWINA RENDLE ARNOTT**

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

<THE HEARING RESUMED AT 10.00 AM

<KEVIN JOHN HOULIHAN, ON FORMER OATH

5 **<EXAMINATION BY MR CONDE**

MR BELL SC: Mr Houlihan, you remain bound by the oath you took on Wednesday thank you sir.

10 **MR CONDE:** The ongoing questions I have are in private mode, please, because they relate to law enforcement matters.

MR BELL SC: We will return to private mode, please.

15 **OPERATOR:** I can confirm we are now in private mode.

<THE PRIVATE SESSION RESUMED AT 10.01 AM

<THE PUBLIC SESSION RESUMED AT 12.22 PM

20

MR BELL SC: Yes, Ms Sharp.

<EXAMINATION BY MS SHARP SC

25 **MS SHARP SC:** Mr Houlihan, one of the questions or some of the questions you addressed in your statement were directed to the Star Entertainment patron Phillip Dong Fang Lee.

30 **MR HOULIHAN:** Yes, Ms Sharp, can I just raise one thing, Ms Sharp. I still have a document on my screen.

MS SHARP SC: Yes, that can't be seen by the public. But operator, take that down, please.

35 **MR HOULIHAN:** Thank you, apologies. Yes, can you ask the question again, please?

MS SHARP SC: Yes, sorry. Is it the position that the casino - that is, Star Casino - prohibits patrons from taking chips out of the casino?

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MR HOULIHAN: We prohibit them?

MS SHARP SC: Yes.

45 **MR HOULIHAN:** No.

MS SHARP SC: Have you heard of the concept of chip-walking?

MR HOULIHAN: Yes, I have.

MS SHARP SC: What's that concept?

5 **MR HOULIHAN:** My understanding of chip-walking is if a customer buys in with - do easy maths, \$100, they get a chip for \$100 and they walk off property with those chips.

10 **MS SHARP SC:** Is chip-walking a problem?

MR HOULIHAN: No.

15 **MS SHARP SC:** Is there any risk that if customers go off property with chips, they might give them to somebody else?

MR HOULIHAN: It's a possibility, yes.

MS SHARP SC: But it's not something that the casino prohibits from happening?

20 **MR HOULIHAN:** Not to my knowledge, no.

MS SHARP SC: So there's no problem if somebody, say, walks out of the casino with hundreds of thousands of dollars' worth of chips?

25 **MR HOULIHAN:** No.

MS SHARP SC: And never returns to the casino with - to the casino with those chips?

30 **MR HOULIHAN:** Is that a concern?

MS SHARP SC: Yes.

35 **MR HOULIHAN:** Yes.

MS SHARP SC: And what's the concern there?

40 **MR HOULIHAN:** That we would have a number of chips in circulation that we may not be aware of where those chips actively are.

MS SHARP SC: And are there any money laundering concerns that arise in such circumstances?

45 **MR HOULIHAN:** There are concerns it could be suspicious or could be deemed to be suspicious for a money laundering thing, yes.

MS SHARP SC: Well, isn't one of the concerns that somebody may return to the casino with chips and you have no idea where the chips have come from?

MR HOULIHAN: Yes.

5 **MS SHARP SC:** So that's a source of funds concern, isn't it?

MR HOULIHAN: A source of funds? No, I would - no, I don't think that's a source of funds concern, no.

10 **MS SHARP SC:** You don't think it's a source of funds concern that somebody that the casino has not given chips to turns up with chips and plays them at the casino?

15 **MR HOULIHAN:** Correct. I would like to know where the chips have come from but not the source of funds. I would like to know where the chips are from, yes.

MS SHARP SC: All right. But you do understand source of funds concerns are a money laundering concern; right?

20 **MR HOULIHAN:** Yes.

MS SHARP SC: All right. I'm just asking you with this hypothetical example that patron A walks out of the casino with 300,000 worth of chips, hands them to somebody else, person B walks back into the casino and plays those chips. Now, do you agree that you would not know what the source of funds of those chips were, assuming you did not know of the transaction that took place between patron A and patron B?

MR HOULIHAN: Yes, I would not know the origin of those chips, correct.

30 **MS SHARP SC:** So that raises a source of funds issue, doesn't it?

MR HOULIHAN: An ownership to the chips would raise my concerns. Not a source of funds.

35 **MS SHARP SC:** Well, you don't know, do you, how the patron got the money to acquire those chips, that patron being patron B?

MR HOULIHAN: Correct.

40 **MS SHARP SC:** Are plaques allowed to leave the casino?

MR HOULIHAN: As in our gaming plaques?

45 **MS SHARP SC:** Yes.

MR HOULIHAN: Yes.

MS SHARP SC: And plaques are essentially high value chips, aren't they?

MR HOULIHAN: Yes.

5 **MS SHARP SC:** Are non-negotiable chips allowed to leave the casino?

MR HOULIHAN: Yes, they would be allowed to leave, yes.

MS SHARP SC: And what about non-negotiable plaques?

10 **MR HOULIHAN:** Yes.

MS SHARP SC: All right. Here I'm talking about the rebate chips, you understand?

15 **MR HOULIHAN:** Yes. Thank you.

MS SHARP SC: All right. So you're sure there are no rules imposed by the casino about chips and plaques leaving casino premises?

20 **MR HOULIHAN:** Not to my knowledge.

MS SHARP SC: Now, it's correct, isn't it, that to your understanding Phillip Dong Fang Lee has been one of Star's largest patrons by turnover?

25 **MR HOULIHAN:** Yes, I'm aware of that.

MS SHARP SC: And you've personally been aware of Phillip Dong Fang Lee for many, many years.

30 **MR HOULIHAN:** I have.

MS SHARP SC: Can I take you, please, to your statement at paragraph 33, and that's exhibit A67.

35 **MR HOULIHAN:** I have a hard copy in front of me, Ms Sharp.

MS SHARP SC: Do you see at paragraph 33 you refer to a patron wager transaction history for Mr Dong Fang Lee?

40 **MR HOULIHAN:** Yes, that is correct.

MS SHARP SC: What I would like to do is take you to that document, please. This is STA.3009.0008.0536.

45 **MR HOULIHAN:** I have that. Thank you.

MS SHARP SC: And this is exhibit B3492. Now, am I correct in understanding that the date column records all the days of play by Mr Dong Fang Lee?

MR HOULIHAN: Not just play but also activity.

5 **MS SHARP SC:** Activity. And the wager column records the wagers he made on particular - at particular times on particular days?

MR HOULIHAN: If the record relates to play, yes.

10 **MS SHARP SC:** And it's a very lengthy document, but let me take you to pinpoint 0598 which is the last page of the document.

MR HOULIHAN: I have that. Thank you.

15 **MS SHARP SC:** You will see there are some totals in that final row.

MR HOULIHAN: Yes.

MS SHARP SC: And one of those, the wager total is roughly \$2.275 billion.

20 **MR HOULIHAN:** Sorry, Ms Sharp, can I have it increased, please? I can hardly see it.

MS SHARP SC: Yes.

25 **MR HOULIHAN:** That's better. Thank you. Sorry, I see the number? Yes.

MS SHARP SC: It's about \$2.27 billion?

30 **MR HOULIHAN:** Yes. I will accept that.

MS SHARP SC: Is that the turnover?

MR HOULIHAN: In my understanding of these records, yes.

35 **MS SHARP SC:** And if we move further along the page, we see in the second column from the right, Patron Net Win.

MR HOULIHAN: Patron Net Win. Is that what you're referring to, sorry?

40 **MS SHARP SC:** Yes.

MR HOULIHAN: Yes, I see that.

45 **MS SHARP SC:** Okay and that's minus about \$57 million.

MR HOULIHAN: Correct.

MS SHARP SC: So that's how much money the casino has made from Mr Phillip Dong Fang Lee over time.

5 **MR HOULIHAN:** My understanding as a theoretical, yes.

MS SHARP SC: Well no I'm not asking you about the theoretical, you will see there's a column right at the end that says Casino Theoretical Win.

10 **MR HOULIHAN:** Correct I beg your pardon.

MS SHARP SC: The column Patron Net Win doesn't have anything to do with the Theoretical Win; do you agree?

15 **MR HOULIHAN:** I agree.

MS SHARP SC: All right. So am I right in looking at this document and taking away the conclusion, in the time that Mr Lee has gambled at the Star he's lost \$57 million?

20 **MR HOULIHAN:** Not 100 per cent accurate, Ms Sharp.

MS SHARP SC: You want to qualify that?

25 **MR HOULIHAN:** Yes, if I can with my understanding of the record. So as I look at your - the timing of these records where it starts in 2007, and I don't recall the first date on the first page, so apologies.

MS SHARP SC: But it's right in front of you.

30 **MR HOULIHAN:** The very first, sorry, the very first date.

MS SHARP SC: Yes, 1 July 2007.

35 **MR HOULIHAN:** I beg your pardon, the last date of play.

MS SHARP SC: You can take it from me it's 25 June 2021.

40 **MR HOULIHAN:** Thank you. So with respect to someone like Mr Phillip Lee or any other patrons who attends at the casino when they wage on a table pre our smart tables, a lot of the play was automatically generated through an algorithm in our machine which would average bet per average hand per average play. So it's not a 100 per cent accurate record, is my understanding.

45 **MS SHARP SC:** But you're not able to say why it's not a 100 per cent accurate record?

MR HOULIHAN: Because it was designed to be a gaming record which would identify the average bet over an average period of time by the average amount of hands dealt during that period of time.

5 **MS SHARP SC:** But this column just says patron net win, doesn't it?

MR HOULIHAN: It does.

10 **MS SHARP SC:** Right. Well, isn't it right that he lost about \$57 million at the casino from 1 July 2007 to June 2021?

MR HOULIHAN: And my understanding of this record is, again, you have to take into consideration with what the average wage and the average bet is as it was interpreted by the algorithms in our system.

15 **MS SHARP SC:** In any event, I will take you to the very first page of the document. Do you see the last entry is 25 June 2021?

20 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: Now, this is a 63-page document. Do you agree that in the period 2007 to 25 June 2021, Mr Lee was a regular patron the entire time?

25 **MR HOULIHAN:** A regular patron, yes.

MS SHARP SC: And it's right, isn't it, that he was the biggest user of the China UnionPay card?

30 **MR HOULIHAN:** I'm not aware of who was the biggest user, Ms Sharp.

MS SHARP SC: You didn't know it was Mr Lee?

MR HOULIHAN: No.

35 **MS SHARP SC:** Can I have the exhibit F tab 136 brought up, please, STA.3412.0009.1518. Operator, that is exhibit F tab 136. Sorry, the document. I think I might be at cross-purposes with the operator. Here we go. Have you ever seen this document before?

40 **MR HOULIHAN:** Not to my recollection, Ms Sharp. No.

MS SHARP SC: You can take it from me that it's a document produced by Star and what it's doing is setting out the customers - the 10 customers who have withdrawn the most money from their CUP cards. Do you see that Mr Lee sits at the top?

45 **MR HOULIHAN:** Apologies. Could you, please, increase it. Sorry. I've got a very small screen.

MS SHARP SC: I can have it increased for you.

MR HOULIHAN: Thank you, I can see that now. Thank you.

5

MS SHARP SC: And you see that Mr Lee has ranked number 1.

MR HOULIHAN: In the top reference, yes.

10 **MS SHARP SC:** Yes. And do you agree with me that that's almost \$100 million?

MR HOULIHAN: Sorry, something changed. Yes. I see that. Thank you.

15 **MS SHARP SC:** Does it sound about right to you that Mr Lee withdrew around \$100 million on his CUP card during the course of his gaming at the Star?

MR HOULIHAN: With assistance of this document, yes.

20 **MS SHARP SC:** How long have you had a personal familiarity with Mr Lee? And, operator, you can take down that document, please.

MR HOULIHAN: How long have I had knowledge of Mr Lee? An extensive period of time. I don't know exactly when, but certainly for an extensive period of time.

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MS SHARP SC: Now, you say in your statement that he was issued with a withdrawal of licence in July 2021?

MR HOULIHAN: Sorry, Ms Sharp, could you --

30

MS SHARP SC: Yes, I can take you to your statement. It will probably assist you to look at paragraphs 32 to 37.

MR HOULIHAN: Thank you.

35

MS SHARP SC: And, in particular, paragraph 35.

MR HOULIHAN: Yes. Thank you. Yes, I see that.

40 **MS SHARP SC:** Yes. Now, you don't say in your statement why it was that Mr Lee was issued with a withdrawal of licence, do you?

MR HOULIHAN: No, I do not.

45 **MS SHARP SC:** Do you know why he was issued with a withdrawal of licence?

MR HOULIHAN: Yes.

MS SHARP SC: And why is that?

MR HOULIHAN: My understanding is that Mr Lee was issued or The Star was served with a garnishing order from the ATO with respect to Mr Lee.

5

MS SHARP SC: Now, at paragraph 33 of your statement, you explain that certain records do not appear - well, I will read it out to you:

10 "The records of Mr Lee's rate of play at the Star between 1999 and 2007 do not appear on the lifetime report because that data was not migrated onto Synkros."

MR HOULIHAN: Yes, I see that.

15 **MS SHARP SC:** So the document I previously took you to, which was exhibit B3492, only had records from 2007 to June 2021. Is it correct that, in fact, Mr Lee gambled at the Star in the period 1999 until 2006, but The Star simply does not have records any more of how much he gambled during that period?

20 **MR HOULIHAN:** That is my understanding, yes.

MS SHARP SC: And when you use the expression "rated play", what does that mean?

25 **MR HOULIHAN:** Again, in my understanding of the system, is similar to what I tried to explain before, where if Mr Lee is at a table and actively participating in a game, the system is automatically calculating the average wager for the average bet for the average duration of a (indistinct) game that has been played.

30 **MS SHARP SC:** Now, you give us some more information for Mr Lee from paragraph 111 of your statement. And I would like to ask you about paragraph 112 if we can go to that, please, operator.

35 **MR HOULIHAN:** 112, sorry, Ms Sharp?

MS SHARP SC: Yes.

MR HOULIHAN: Thank you.

40 **MS SHARP SC:** Do you say - do you see that you there state:

 "The AML patron register report contains the risk register information stored in TrackVia relating to Mr Lee for the period since April 2021."

45 **MR HOULIHAN:** Yes, I do.

MS SHARP SC: Now, why does it only - why does TrackVia only store information about his risk rating since April 2021?

MR HOULIHAN: Because the information was migrated across from Protecht, and, as of the date we went live from TrackVia in April of 2021, that data is migrated to tell me that, at that point in time, that was Mr Lee's AML risk rating.

5

MS SHARP SC: Okay. What if we want to know about his risk rating prior to April 2021? Do you have those records?

MR HOULIHAN: Yes, we do.

10

MS SHARP SC: And where will we find those?

MR HOULIHAN: The Protecht data has been migrated across into TrackVia as well. The Protecht data would have that information. If not, there is a report out of Synkros that the business has the ability to run which will identify Mr Lee's or anybody else's - thank you - for that AML risk rating.

15

MS SHARP SC: Does that mean that TrackVia is not presently a one-stop shop for understanding the AML risk ratings of patrons?

20

MR HOULIHAN: No.

MS SHARP SC: So people can access from TrackVia all historical information about a patron's risk rating?

25

MR HOULIHAN: Yes, is my understanding.

MS SHARP SC: You say they can do that on TrackVia?

30

MR HOULIHAN: Correct.

MS SHARP SC: Can you go to paragraph 114. All right. One of the questions you were asked is what enhanced customer due diligence was conducted on Mr Lee. And here at paragraph 114 you say:

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"The enhanced customer due diligence conducted on Mr Lee is recorded in the documents referred to in paragraph 12."

MR HOULIHAN: Yes.

40

MS SHARP SC: Okay. Now you refer to two documents in paragraph 12. I will just take you to the first of those documents if I can. This is the document STA.3009.0008.4110.

45

MR BELL SC: Sorry, Ms Sharp, do you mean paragraph 112?

MS SHARP SC: Yes, I did. I'm sorry, Mr Bell. This is exhibit B, tab 3513.

MR HOULIHAN: I have two documents.

MS SHARP SC: You've got those documents? Okay. I'm going to - is this a report that's generated from TrackVia?

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MR HOULIHAN: Yes. Could I see the first one again, sorry?

MS SHARP SC: Yes. Well, this is the first one. This is what was appended to your statement.

10

MR HOULIHAN: Apologies, there was another one on the screen a moment ago.

MS SHARP SC: So this is the document you referred to in your statement. Is there anything here that tells us what Mr Lee's AML risk rating was?

15

MR HOULIHAN: Not on this document, no.

MS SHARP SC: We might just go to the next document, or the last one you referred to in paragraph 112 of your statement. This is STA.3009.0008.4662. This is B3546. Now, where in this document do we find Mr Lee's risk ratings, please, Mr Houlihan?

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MR HOULIHAN: Could I, please, ask for it to be scrolled, if I could?

25 **MS SHARP SC:** Yes.

MR HOULIHAN: Sorry, too far. And apologies, it just says if you will assume, Ms Sharp, you see what I can see, no, and also above that where you've highlighted if you were to go up to the left a bit more, sorry, it says AML - yes, thank you.

30

MS SHARP SC: So we see his risk rating there. Can we understand from this document when he was given that risk rating?

35 **MR HOULIHAN:** On this document?

MS SHARP SC: Yes. And, please, take your time to look through it.

MR HOULIHAN: Could I, please, ask the operator to scroll left and right and up and down. Is that okay? Because I can - thank you. And it's a terrible image on my screen.

40

MS SHARP SC: Yes, well, this is the image that was made available to us as the annexure to your statement.

45

MR HOULIHAN: Yes, apologies. And could I, please, ask for it to be scrolled, please.

MS SHARP SC: Yes.

5 **MR HOULIHAN:** Thank you. And a little to the right, please. Keep scrolling, please. Thank you. Again, please. Could I trouble you to go to the left of the screen - left. Thank you. And scroll a bit more, please. So can you pause there, sorry. I do apologise. It is - thank you. Scroll down a bit more, please, and then a little bit to the left if you don't mind. Just stop there for a moment. I take it from that - I believe it says he remains at a medium risk there.

10 **MS SHARP SC:** So where are you referring to?

MR HOULIHAN: Sorry, the operator has highlight that. Can you see that, Ms Sharp?

15 **MS SHARP SC:** Yes, and, operator, just to be clear for the transcript --

MR HOULIHAN: Sorry. Apologies.

20 **MS SHARP SC:** -- we're referring to what appears to be the seventh column from the right for an entry on 12 February 2021; is that right?

MR HOULIHAN: Sorry, Ms Sharp, was that for me or for the operator?

25 **MS SHARP SC:** No, that was for the transcript. Is there anywhere else in this document that refers to his risk rating?

30 **MR HOULIHAN:** I would need to continue to review the document as we have been, but, for the purposes of what I've just identified here, this is where it would be referenced and the date in the form as highlighted.

35 **MS SHARP SC:** Well, what I suggest to you is that aside from that entry you've just taken us to, which says that his risk rating remains at medium risk, there's nothing else in this document which tells us either when his risk ratings were assessed or when they were reviewed? And there was nothing in the other document you attached which told us these things either. Does that mean that The Star systems are not able to provide a record of when Mr Lee's risks were, or his risks were rated and when those ratings were reviewed?

40 **MR HOULIHAN:** No.

MS SHARP SC: You disagree with that?

MR HOULIHAN: Yes.

45 **MS SHARP SC:** Do you think that you would be able to prepare a document for this review that tells us when his risk was rated and when it was reviewed?

MR HOULIHAN: Yes.

MS SHARP SC: And do you agree that that would - well, I withdraw that. And do you think you would be able to indicate in that document, where you drew your information from?

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MR HOULIHAN: Yes.

MS SHARP SC: Now, could I return you, please, to your statement which is exhibit A627, and you say at paragraph 115 that:

10

"Mr Lee was considered at the Sydney PAMM on 1 - I beg your pardon - 12 February 2015."

MR HOULIHAN: Yes, I see that.

15

MS SHARP SC: Could you just tell us what a PAMM is?

MR HOULIHAN: A PAMM meeting it is the patron activity monitoring meeting that is held monthly by The Star to identify and review, as it says in the title, activities of patrons within The Star that come to our interest.

20

MS SHARP SC: Could I take you to the minutes that you refer to in your paragraph 15. That's STA.3008.0014.0297, which is exhibit B64.

25

MR HOULIHAN: I have that, Ms Sharp, and could I have it enlarged, please?

MS SHARP SC: Yes, and you can have it enlarged. First of all, you see that these are minutes of 12 February 2015, and the attendees are recorded, and you are one of them?

30

MR HOULIHAN: Yes. Thank you.

MS SHARP SC: And could I refer you to the entry related to Mr Lee which is also on the first page, pinpoint 0297.

35

MR HOULIHAN: Excuse me. Sorry. Sorry. Excuse me. I see that. Thank you.

MS SHARP SC: Do you see it says "KH to investigate"?

40

MR HOULIHAN: Yes, I do. Thank you.

MS SHARP SC: That's a reference to you, is it?

MR HOULIHAN: Yes. I believe so, yes.

45

MS SHARP SC: Do you see that there's nothing at all in these minutes that indicates what it is you were required to investigate?

MR HOULIHAN: Yes, I agree.

5 **MS SHARP SC:** So do you agree that no one viewing these minutes would have any understanding at all of what issue may have been identified at that time with respect to Mr Lee?

MR HOULIHAN: There are a number of dot points within that document.

10 **MS SHARP SC:** Yes, but returning to my question: do you agree that anyone viewing these minutes would have no understanding at all of what issue had been identified at the time with respect to Mr Lee?

15 **MR HOULIHAN:** No, I take the last dot point to be a reference to what the issue would be.

MS SHARP SC: And that's query re occupation.

MR HOULIHAN: Yes.

20 **MS SHARP SC:** Is that the matter you were asked to investigate?

MR HOULIHAN: I don't recall, Ms Sharp.

25 **MS SHARP SC:** Well, you were asked to provide information to this review in relation to Mr Lee. Given you were asked that question, did you take any steps to refresh your memory as to what role you had with Mr Lee?

MR HOULIHAN: Yes, I did.

30 **MS SHARP SC:** Now, you've only referred to one - if we go back to your statement, you said at paragraph 115 that Mr Lee was considered at the Sydney PAMM on 12 February 2015. Now, you don't refer to any other PAMM meetings, do you?

35 **MR HOULIHAN:** No, I do not.

40 **MS SHARP SC:** Does that mean that if you did conduct any investigation in relation to Mr Lee, you did not report the results of that investigation back to the PAMM?

MR HOULIHAN: No, it does not mean that.

45 **MS SHARP SC:** Wouldn't it be - I withdraw that. You see at paragraph 117 it says:

"The investigations team has not conducted any investigations into Mr Lee."

MR HOULIHAN: I see that.

MS SHARP SC: Is that somewhat inconsistent with the fact that the minutes I've just taken you to record that you were going to investigate something?

5 **MR HOULIHAN:** Make inquiries about something, yes.

MS SHARP SC: Is that different from an investigation?

MR HOULIHAN: Yes.

10

MS SHARP SC: Because the words used were, "KH to investigate".

MR HOULIHAN: That was -

15 **MS SHARP SC:** Does that mean we should not understand the PAMM to have asked you to investigate?

MR HOULIHAN: Correct.

20 **MS SHARP SC:** So the wrong words were used in the PAMM minutes?

MR HOULIHAN: Correct.

25 **MS SHARP SC:** Yes. Are you sure no investigation was conducted by your team in relation to Mr Lee?

MR HOULIHAN: Yes.

30 **MS SHARP SC:** Can I take you, please, to document STA.3008.0014.0203. Do you see there's an email from Mr Arnott to you and Mr Power dated 8 May 2015 in relation to Mr Dong Fang Lee and it's entitled Information Report.

MR HOULIHAN: Yes, I see that.

35 **MS SHARP SC:** And do you agree that an information report was attached to this?

MR HOULIHAN: It doesn't show me - I beg your pardon, yes, it does. It says there's an attachment, yes.

40

MS SHARP SC: All right. Now, is it your position that Ms Arnott is not in your investigation team, so your investigation did not - your team did not conduct any investigation of Mr Lee?

45 **MR HOULIHAN:** Ms Arnott at that time, 2015, I believe, did work for investigations.

MS SHARP SC: If she's giving you an information report, does it not follow that she conducted an investigation?

5 **MR HOULIHAN:** No, she did not.

MS SHARP SC: Well, her heading - her job title or her sign-off in the email is Skye Arnott, Investigations.

10 **MR HOULIHAN:** Correct.

MS SHARP SC: Do you remember receiving this report from Ms Arnott?

MR HOULIHAN: I would have, yes.

15 **MS SHARP SC:** Right. Can I take you to this report - I'm sorry, this is not in evidence yet, Mr Bell. Could I have this document marked, please.

MR BELL SC: Yes, this document will be MFI31.

20 **MS SHARP SC:** I will take you now to the attachment which is STA.3008.0 - well, Mr Bell, in fact, I note the time. Would it be convenient if I did this after lunch?

25 **MR BELL SC:** Yes, I will adjourn until 2 pm.

MR HOULIHAN: Thank you.

**<THE HEARING ADJOURNED AT 12.58 PM
<THE HEARING RESUMED AT 2.00 PM**

30 **MR BELL SC:** Yes, Ms Sharp.

MS SHARP SC: Could I, please, ask that document STA.3008.0014.0204 be brought up. This is the attachment to Ms Arnott's email to you. Now, you see this is an information note relating to Phillip Dong Fang Lee.

MR HOULIHAN: Yes, I do. Thank you.

40 **MS SHARP SC:** Mr Bell, I can't remember if I saw a marking on that document. If I haven't, could I have it marked, please.

MR BELL SC: I think you marked the email but not this document.

45 **MS SHARP SC:** I think that's right.

MR BELL SC: This document will be MFI 32.

MS SHARP SC: Now, it would be right that you read this information note when Ms Skye Arnott emailed it to you on 8 May 2015.

MR HOULIHAN: Yes, I would have.

5

MS SHARP SC: And if I could just take your attention to what appears in the box, it states:

10 "Phillip Lee is believed to hold approximately \$20 million worth of 500,000 plaques."

MR HOULIHAN: Yes, I see that.

15 **MS SHARP SC:** Okay. And a little bit further down it just leaves - well, you can read that to yourself.

MR HOULIHAN: The second paragraph, sorry?

20 **MS SHARP SC:** Yes.

MR HOULIHAN: Thank you.

25 **MS RICHARDSON SC:** Could I just indicate, my version of this document has a number of sentences in blue, but the version on the screen doesn't have that.

MR BELL SC: Nor does mine.

30 **MS SHARP SC:** Nor does mine. Is it possible that Ms Richardson could just indicate where that blue appears?

MS RICHARDSON SC: So, for example, in the box up the top, the second sentence starts, "Lee's".

35 **MS SHARP SC:** Yes.

40 **MS RICHARDSON SC:** That, up until before "as per" and then the last sentence in that second paragraph which notes, "No." And then a word starting with n, that sentence is in blue in my version. And then if the operator could scroll down, please, the second full paragraph other box starts, "Lee has" and the second sentence, where it says, "Lee" and then something, something, "Prior as per" which reflects what's in the box and then the next paragraph which starts, "Lee and Chaoxia Xiong who negotiated two plaques", and there is a fragment of a section, but the remainder of that sentence is in blue in mine.

45 **MR BELL SC:** It seems to me that all those matters should be treated as confidential if you wouldn't mind.

MS SHARP SC: Yes. And I'm indebted to Ms Richardson for drawing that to my attention. I will take some instructions on what markings they've been given in the court book, but, for now, I will proceed on the assumption of confidentiality. Now, it's right that what is reported here, underneath the box, is that Mr Lee came to notice in early April after he withdrew 22.8 million in CUP transactions?

MR HOULIHAN: Sorry Ms Sharp, could I, please, have it increased. It has been decreased again.

MS SHARP SC: Operator, could you, please, highlight the paragraph appearing underneath the box.

MR HOULIHAN: Thank you. I've read that sentence. Thank you.

MS SHARP SC: Now, you would agree that that's information that was made known to you on 8 May 2015?

MR HOULIHAN: Having reviewed that, yes.

MS SHARP SC: And you will agree that you were aware that his play had been monitored since those large transactions?

MR HOULIHAN: Yes.

MS SHARP SC: Now, it also says that:

"The current chip liability report shows that \$20.5 million worth of \$500,000 plaques are outstanding. It is believed that Lee holds all, or at least the majority, of these plaques."

Is it concerning in any way that Mr Lee appears to be holding on to \$20 million in plaques?

MR HOULIHAN: I will just read that. Thank you. Yes.

MS SHARP SC: And what's the concern there?

MR HOULIHAN: The financial liability that one person had that many chips in his possession.

MS SHARP SC: Aren't there other concerns that he may be - well, is it a legitimate concern that he may be passing on those plaques to others?

MR HOULIHAN: It can be one of the concerns, yes.

MS SHARP SC: All right. But how concerning is it if a patron is found to be holding on to \$20.5 million in plaques?

MR HOULIHAN: That is concerning.

MS SHARP SC: Well, how concerning?

5 **MR HOULIHAN:** I don't know how to answer that question, Ms Sharp. It's concerning.

MS SHARP SC: Well, is it not really concerning or extremely concerning?

10 **MR HOULIHAN:** I would say moving more towards extremely concerning.

MS SHARP SC: Then, do you see if we go to the second last paragraph, it refers to another person, and in the second sentence it says:

15 "It is likely that Lee provided that second person with two \$500,000 plaques that she has since negotiated."

MR HOULIHAN: Thank you. Sorry, Ms Sharp, I have just read that. Can you ask the question again, please.

20

MS SHARP SC: Yes, I was just asking if you saw that?

MR HOULIHAN: Sorry, yes, I've read that.

25 **MS SHARP SC:** When it says that the second patron has negotiated, does that mean that that patron has since played with?

MR HOULIHAN: Either played with or returned the chips.

30 **MS SHARP SC:** Is it in accordance with Star's rules for one patron to provide plaques to another patron to negotiate?

MR HOULIHAN: Sorry, I don't understand the question.

35 **MS SHARP SC:** Is it within Star's rules for or - I will withdraw that. Is it permissible within Star's rules for one patron to provide plaques to another patron to negotiate?

40 **MR HOULIHAN:** I don't think there's a defined rule with respect to that, Ms Sharp.

MS SHARP SC: So you're not able to say one way or the other?

MR HOULIHAN: Correct.

45

MS SHARP SC: Now, in fairness, do you see what that last paragraph says?

MR HOULIHAN: The two liner?

MS SHARP SC: Yes.

MR HOULIHAN: Yes, I do.

5

MS SHARP SC: Now, having regard to this information note that Ms Arnott, then, in investigations sent to you, is it right that there was some sort of investigation in relation to Mr Lee at that time?

10 **MR HOULIHAN:** No, I don't interpret this as an investigation, no.

MS SHARP SC: Were you aware that on 4 January 2015 the head of credit and collections, Adrian Hornsby, emailed his staff to say that China Union Pay is not to be used as Phillip Dong Fang Lee's personal money changer?

15

MR HOULIHAN: Not without the document, no.

MS SHARP SC: Well, I will show you the document. If we bring up if we can bring up B2471, which is STA.3014.0006.2471. That's the wrong document. I may have given the wrong exhibit number. The document number is STA.3014.0006.2471, and I'm not suggesting that this email was sent to you. It's exhibit B, tab 54. Do you see that's an email from Mr Hornsby saying:

25

"CUP is not to be used as his personal money changer."

MR HOULIHAN: I've read that. Yes. I see that. Thank you.

30

MS SHARP SC: And my question is, were you ever made aware that Mr Hornsby was concerned that Mr Lee was using CUP as his personal money changer?

MR HOULIHAN: Not to my recollection, no.

MS SHARP SC: All right. Now, were you aware that on 4 April 2015, Mr Hornsby directed his staff if Mr Lee doesn't play sufficiently to warrant his CUP withdrawals, he will be banned from future CUPs?

MR HOULIHAN: Not to my recollection, no.

MS SHARP SC: Now, could I take you, please, to exhibit B74, STA.3014.0006.2604, and again I'm not suggesting you ever saw this document, but I'm going to ask whether you were aware of the matter. Could I take you, please, to the second half of this document which is an email from Jared Tasker dated 11 April 2015, and do you see it relates to Mr Lee? Now, do you see the sentence, and I will ask it to be blown up for you.

45

MR HOULIHAN: Thank you.

MS SHARP SC: :

"See below, he's taken 5.15 million worth of 'winnings' cheques over the last week after originally buying in on the 3rd. In the same, period ratings show he's only winning \$3,481,650."

5

MR HOULIHAN: Yes, I see that.

MS SHARP SC: Right, what does that suggest to you.

10 **MR HOULIHAN:** And again I will use my understanding and knowledge of cheques from the casino. So with reference to worth of winnings cheques in the quotes to me says that Mr Lee has received winnings cheques on behalf of - from The Star to that value as you've said, albeit that we had - I believe you said it was Jared that sent this - albeit with Jared's interpretation for that period of time he
15 only had winnings to the value of 3.4.

MS SHARP SC: And thank you. We can all read what it said. What does this suggest to you?

20 **MR HOULIHAN:** Thank you. And a winner's cheque is what was issued to Mr -

MS SHARP SC: Mr Houlihan, I'm asking you, and I will put it in a different way. I'm not asking you to read the document. What does it suggest to you is taking
25 place here?

MR HOULIHAN: And I'll try to answer that, thank you, Ms Sharp. What it's suggesting to me is that Mr Lee received winning cheques from the casino to that value.

30 **MS SHARP SC:** Is that all, as an experienced investigator and with your many long years at Star, it suggests to you?

MR HOULIHAN: Suggests to me that he received winning cheques from Star to that value.

35

MS SHARP SC: Do you see it's suggested that he's taking out more in winning cheques than he has won?

MR HOULIHAN: Yes, it can be said that, yes.

40

MS SHARP SC: Well, that's exactly what it says, isn't it?

MR HOULIHAN: It says his ratings show he's only winning 3.4.

45 **MS SHARP SC:** Let's move away from that. Hypothetically speaking, if a patron was taking out more in winnings cheques than they had actually won, does that raise any concerns for you?

MR HOULIHAN: Without seeing the actual cheques and if I was to take it from that email that they were winnings cheques, yes.

MS SHARP SC: Okay. What concern does that raise for you?

5

MR HOULIHAN: That there is the suggestion that Mr Lee had received winnings cheques more - to the value of more than what he has actively won.

MS SHARP SC: And why is that a concern, Mr Houlihan?

10

MR HOULIHAN: Because a winnings cheque indicates or would suggest that Mr Lee had actively won that amount of money as reference to the title of a winner's cheque rather than a cheque provided by the casino.

MS SHARP SC: Does it suggest to you that The Star is handing over a document showing a source of funds for money that does not represent the correct position?

MR HOULIHAN: Again, without seeing the document, and I take it on the value of what's there, yes, it could suggest that.

20

MS SHARP SC: Now, could I show you another document, please, Mr Houlihan. This time exhibit B79. STA.3014.0006.2584. Again, I'm not suggesting this is your document, but I do wish to know whether you were made aware of it, given that you were a team of one of three investigators at this time. Could I direct your attention, please, to the bottom of page 1 and you will see there's an email from Adrian Hornsby dated 26 May 2015 to Mr David Alois.

25

MR HOULIHAN: Yes, I see that.

MS SHARP SC: All right. And, of course, at that time Mr Hornsby was the general manager of VIP Credit and Collection?

30

MR HOULIHAN: That's my recollection, yes.

MS SHARP SC: So he was a very senior manager within Star at that time?

35

MR HOULIHAN: Yes.

MS SHARP SC: Right. Could I take you to the next page, please. Operator, could we go to the next page and have the second full paragraph highlighted so Mr Houlihan can read it?

40

MR HOULIHAN: I have that. Thank you.

MS SHARP SC: Right. Operator, if we can go to the second full paragraph, which is the one above that, please.

45

MR HOULIHAN: Thank you.

MS SHARP SC: Right. Now, what it says here, or what Mr Hornsby says is:

5 "Phillip Lee has been allowed to swipe 30 million plus in China UnionPay over the last few months. He constantly tries to use proxy players to swipe on his behalf claiming they are real players."

Were you made aware of this at the time.

10 **MR HOULIHAN:** Not that I recall, no.

MS SHARP SC: What does that mean to you that he's using proxy players to swipe on his behalf, claiming they are real players?

15 **MR HOULIHAN:** My interpretation of that is a proxy player may be somebody who is not actively there playing.

MS SHARP SC: So does it suggest some kind of deception is going on?

20 **MR HOULIHAN:** It could be perceived that, yes.

MS SHARP SC: Well, is there any other way of perceiving it?

25 **MR HOULIHAN:** It says he's trying. Doesn't mean that he was effective in it.

MS SHARP SC: Are you trying to be objective and truthful in your evidence to this review, or are you acting as an advocate for Star Entertainment?

30 **MR HOULIHAN:** I'm trying to be as forthcoming and assisting. You've shown me a document that I haven't seen before. You've given me components of this document and asking for my opinion, so I'm just trying to respond to that as effectively and honestly as I can, Ms Sharp.

35 **MS SHARP SC:** Well, is there any - if somebody's using somebody else as a proxy player, that's deceptive, isn't it?

MR HOULIHAN: Yes.

40 **MS SHARP SC:** All right. Now, the email goes on to say:

"His loss during this period is no more than five million and his so-called player friends simply transfer their CUP swipes in chips back to Lee."

45 Does this suggest to you that something untoward is going on with these CUP swipes?

MR HOULIHAN: I'm just going to read that again, if that's okay? Sorry, Ms Sharp, could you ask the question again, please?

MS SHARP SC: Does this suggest to you that something untoward is going on with CUP swipes involving Mr Lee?

5 **MR HOULIHAN:** Yes.

MS SHARP SC: But this was not made known to you at the time?

10 **MR HOULIHAN:** Not to my recollection, no.

MS SHARP SC: Now, if we go to the next paragraph, and I will have that highlighted for you:

15 "As per chip liability, Lee had approximately 14 million in plaques at home and always requesting me to grant approval to swipe 500k CUP to clear his cheque cashing facility balance, then immediately redraw without using his plaques."

20 Now, assuming this is correct, do you see any sort of problem with this?

MR HOULIHAN: Yes.

MS SHARP SC: And what is that problem?

25 **MR HOULIHAN:** That Mr Lee has the ability to obtain approximately \$14 million in casino plaques and not actively using them for the purposes of gaming.

MS SHARP SC: So we can all read what it says, but what's the problem?

30 **MR HOULIHAN:** Exactly. That he's got \$14 million worth of gaming plaques, and he hasn't obtained them for the purposes of gaming.

35 **MS SHARP SC:** And is there a problem in the fact that it appears he has money that he could be using to clear his CCF balance in the form of the 14 million in plaques, but, nevertheless, he's swiping a further half a million dollars on his CUP card?

MR HOULIHAN: Yes. It can be seen that way.

40 **MS SHARP SC:** Well, that's the only way it can be seen, isn't it?

MR HOULIHAN: Yes.

45 **MS SHARP SC:** What it's suggesting is that Mr Lee is using the CUP card as an ATM. Do you agree?

MR HOULIHAN: Yes.

MS SHARP SC: And was that made aware to you at all in 2015?

MR HOULIHAN: Not that I recall, Ms Sharp, no.

5 **MS SHARP SC:** Then if we go to the paragraph underneath that, and have that blown up for you:

10 "The problem last night was the multitudes of requests such as the cash-outs, 80,000K and 90K, then a casino cheque for two million non-winning, then a cheque to a nonrated friend. Then another 25 cash to a nonrated individual on Lee's behalf."

Now, assuming that's true, do you see a problem here?

15 **MR HOULIHAN:** Sorry, excuse me. Yes.

MS SHARP SC: And what's the problem here? And assume I can read this.

20 **MR HOULIHAN:** Thank you. The problem would appear to be that Mr Lee is giving money to unrated players and utilising his CCF and China UnionPay to access funds for other people.

25 **MS SHARP SC:** And for purposes that are not the purpose of wagering in the casino?

MR HOULIHAN: Yes.

MS SHARP SC: And then can you see in the paragraph commencing:

30 "Lee went home."

If I can have that blown up.

35 **MR HOULIHAN:** Scroll up too, please. Thank you.

MS SHARP SC: It says:

40 "Lee went home and took another 12 million non-winning cheques in plaques, then spat his dummy over our decision not to let him do as he pleases."

MR HOULIHAN: Yes, I see that.

45 **MS SHARP SC:** Now again, does that suggest to you that he's using the CUP card simply to get cash or cheques?

MR HOULIHAN: Yes.

MS SHARP SC: And do you see that very last paragraph - second last paragraph, I will have it blown up:

5 "Lee has been playing games for a number of weeks now with his CUP requests far exceeding his play losses."

MR HOULIHAN: Yes, I see that.

10 **MS SHARP SC:** Now, again, it's right that this suggests that he's using his CUP card just to get cash?

MR HOULIHAN: Yes.

15 **MS SHARP SC:** You see, what all of these point to is the suggestion that Mr Lee is basically using his China UnionPay card to withdraw cash and winning cheques, rather than for gaming. Do you agree?

MR HOULIHAN: I agree, yes.

20 **MS SHARP SC:** And is it your evidence that, despite the fact you were the investigations manager, the general manager of VIP credit and collections never made this concern known to you?

25 **MR HOULIHAN:** I don't recall ever seeing this or being made aware of this, no.

MS SHARP SC: And no one else made you aware of this?

MR HOULIHAN: Not to my recollection, no.

30 **MS SHARP SC:** You see, that would provide a much fuller account of The Star's dealings with Phillip Dong Fang Lee in your statement at paragraphs 111 to 117, don't you agree?

35 **MR HOULIHAN:** Sorry, I will just go back to my statement. 111 to 117; is that correct? Thank you. And sorry Ms Sharp, could you ask the question again, please.

40 **MS SHARP SC:** Had reference been made to these matters I've just canvassed with you about the concern that Mr Dong Fang Lee was using the CUP card to withdraw cash and winnings cheques, that would provide a much fuller account of The Star's dealings with Phillip Lee?

MR HOULIHAN: Yes.

45 **MS SHARP SC:** Can I, while you've got your statement to hand, Mr Houlihan, could I take you to - bear with me a moment - could I take you, please, to question 5 which appears above paragraph 177, and this, operator, we're back at the

statement at exhibit A627. And do you see that in question 5 you were relevantly asked:

5 "In relation to Mark Walker, Senior Vice-President Premium Services Operations, please, specify any adverse allegations against him and what steps, if any, have been taken by The Star or Star Entertainment to investigate those allegations, the outcome of those investigations, and any steps taken in consequence of those investigations."

10 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: And then you provide some information in relation to Mr Walker at paragraphs 177 to 180 of your statement?

15 **MR HOULIHAN:** Yes.

MS SHARP SC: And if I can refer you, please, to paragraph 180, you say in the third line:

20 "I concluded that the allegation related to a human resources issue concerning the circumstances in which Mr Walker left his previous position at Crown. I determined that these allegations did not warrant further investigations because they concerned Mr Walker's previous employment."

25 Can you just tell us how you reached your conclusion that the allegation related to a human resources issue?

MR HOULIHAN: I relied upon the information as it was suggested in the media.

30 **MS SHARP SC:** Well, didn't the information in the media suggest that Mr Walker had departed from Crown Resorts because he had engaged in misconduct?

MR HOULIHAN: Internal misconduct is my recollection.

35 **MS SHARP SC:** Well, does it make any difference whether it's internal or external misconduct?

MR HOULIHAN: Well, it would if it was a HR-related matter, yes.

40 **MS SHARP SC:** Well, the media allegations suggested that he left Crown because he had been accused of misconduct, and, that, is Crown had accused him of misconduct. Do you agree?

MR HOULIHAN: That's what the media said, yes.

45

MS SHARP SC: All right. Now, if the media had said that one of your - and Mr Walker is a senior employee at The Star, is he not?

MR HOULIHAN: Correct.

5 **MS SHARP SC:** Now, if the media had said that somebody that you have now - that Star now has as a senior employee departed employment from another casino because of an allegation of misconduct, isn't that the kind of issue you should investigate?

MR HOULIHAN: I wouldn't be privy to that information, Ms Sharp.

10 **MS SHARP SC:** Well, no, not if you haven't investigated it. But isn't this the very kind of matter you ought to be investigating?

15 **MR HOULIHAN:** I would suggest that the regulator would have had the information if it was relevant and during his suitability to obtain a license.

MS SHARP SC: Well, I'm just asking you, in your capacity as the manager of investigations, isn't this the very kind of allegation you ought to be investigating?

20 **MR HOULIHAN:** If there was any evidence or information provided to me for this allegation, yes.

MS SHARP SC: Did you ever seek any evidence or information in relation to this allegation?

25 **MR HOULIHAN:** From Crown, no.

MS SHARP SC: No, from anyone?

30 **MR HOULIHAN:** The media or Crown, no, they're the only two sources that this allegation was made from.

MS SHARP SC: Did you seek any information from anyone?

35 **MR HOULIHAN:** No.

MS SHARP SC: Do you consider that you were remiss in failing to investigate this media allegation in relation to Mr Walker?

40 **MR HOULIHAN:** I do not.

MS SHARP SC: So - but you're not in the position to assist this inquiry with whether that allegation is correct or incorrect?

45 **MR HOULIHAN:** Correct. I cannot.

MS SHARP SC: I will move to a different topic now. Is it correct that in relation to the allegation that misleading information was provided to the Bank of China in

Macau, Mr Bekier asked Ms Martin, and the investigations team, to undertake a full review of the matter?

5 **MR HOULIHAN:** With respect to - sorry, Ms Sharp, with respect to what part of Bank of China, sorry?

10 **MS SHARP SC:** I will break it down. You are aware there is an allegation that employees of The Star provided misleading statements to bank of China in Macau?

MR HOULIHAN: I'm aware of that, yes.

15 **MS SHARP SC:** Is it correct that Mr Bekier tasked Ms Martin and the investigation team to undertake a full review of those allegations?

MR HOULIHAN: I have received instructions from Ms Martin, yes.

20 **MS SHARP SC:** And is it right that you received those instructions sometime around 7 November 2021?

MR HOULIHAN: I will take that date as being close to the date. I don't know the date exactly, Ms Sharp, counsel.

25 **MS SHARP SC:** It's not that long ago, so could you search your recollection, please?

MR HOULIHAN: Well, the specific events of the 7th of November are not clear to me, but I will take it from you that it would have been around that time, yes.

30 **MS SHARP SC:** Do you accept it was some time around the end of last year?

MR HOULIHAN: Yes.

35 **MS SHARP SC:** So certainly not this year?

MR HOULIHAN: Correct.

MS SHARP SC: Now, who gave you your instructions in relation to this matter?

40 **MR HOULIHAN:** Ms Martin.

MS SHARP SC: And what did she tell you to do, Mr Houlihan?

45 **MR HOULIHAN:** I conducted a number of interviews.

MS SHARP SC: No, no, what did Ms Martin tell you to do?

MR HOULIHAN: I'm just trying to recall, if I can have a moment to recall my memory, please? Okay. Without an exact document in front of me or the specific instructions, my recollection was, or is, I beg your pardon, is to review documents and speak to a number of staff to confirm if there was any concerns around documents provided to the Bank of China in Macau, Bank of China Macau.

MS SHARP SC: And did Ms Martin provide you with instructions as to which officers you should speak with?

MR HOULIHAN: You mean staff members, sorry?

MS SHARP SC: Yes.

MR HOULIHAN: No, I think I suggested them.

MS SHARP SC: And who did you suggest be spoken to?

MR HOULIHAN: I suggested Mr Jacker Chou, Gabriela Soares and in my list eventually would have been to get to Mr Adrian Hornsby as well.

MS SHARP SC: Now, was there anyone else?

MR HOULIHAN: Not that I recall, no.

MS SHARP SC: It's correct that you've spoken to Jacker Chou about this matter?

MR HOULIHAN: I have.

MS SHARP SC: Have you spoken to Gabriela Soares about this matter?

MR HOULIHAN: I have.

MS SHARP SC: Have you spoken to Adrian Hornsby about this matter?

MR HOULIHAN: Not at this time.

MS SHARP SC: Adrian Hornsby lives and works in Sydney, doesn't he?

MR HOULIHAN: I haven't confirmed that but I believe that is the case.

MS SHARP SC: Well have you checked his LinkedIn profile?

MR HOULIHAN: That doesn't suggest where he's living.

MS SHARP SC: It suggests where he's working, doesn't it?

MR HOULIHAN: Correct.

MS SHARP SC: And that suggests he's working in Sydney doesn't it?

MR HOULIHAN: It suggests that. Yes.

5 **MS SHARP SC:** All right. So you were asked to conduct this investigation last year, but you still haven't spoken to Mr Hornsby?

MR HOULIHAN: No, I have not.

10 **MS SHARP SC:** Is there any reason why not?

MR HOULIHAN: Because I'm still speaking to both Jacker and Ms Gabriela.

MS SHARP SC: But you've already spoken to them, haven't you.

15 **MR HOULIHAN:** Yes, but I continue to speak to them.

MS SHARP SC: Well is there some reason why you can't speak to everybody at around the same time?

20 **MR HOULIHAN:** Yes, because I'd like to be able to get independent recollection before I go to the next person to be interviewed.

MS SHARP SC: Are you proceeding with utmost diligence and speed in your investigation, Mr Houlihan?

25 **MR HOULIHAN:** Yes, I am.

MS SHARP SC: And you say you've reviewed documents?

30 **MR HOULIHAN:** I beg your pardon?

MS SHARP SC: You say you've reviewed documents?

MR HOULIHAN: I have.

35 **MS SHARP SC:** And what documents have you reviewed?

MR HOULIHAN: The documents I've reviewed include a number of emails and some documents that are - one is unsigned and others are - sorry - a few are unsigned and some are signed documents of letters supplied to or suggested to be supplied to the Bank of China Macau.

MS SHARP SC: And is it right that you've viewed a number of template documents that you are aware have been supplied to Bank of China?

45 **MR HOULIHAN:** Have been supplied to, was that the question, sorry?

MS SHARP SC: Well, I put it badly. Is it correct that you have reviewed a number of template documents with the understanding that they formed the basis of actual documents that were provided to the Bank of China by staff of The Star?

5 **MR HOULIHAN:** Yes.

MS SHARP SC: And there are at least four different templates, are there?

MR HOULIHAN: Four different documents?

10

MS SHARP SC: Four different template documents?

MR HOULIHAN: No, my recollection isn't there's four different templates.

15 **MS SHARP SC:** How many ones are there?

MR HOULIHAN: I believe there's two, possibly three. Not four.

MS SHARP SC: And whose computer did they come from?

20

MR HOULIHAN: They were emailed to me. I don't know the origin of those documents.

MS SHARP SC: So no one has told you whose computer these were found on?

25

MR HOULIHAN: No.

MS SHARP SC: Isn't that an important matter for you to know about?

30 **MR HOULIHAN:** No, my important matter is to speak to the witnesses that I've spoken to.

MS SHARP SC: Have you reported back the results of your investigation so far to Ms Martin?

35

MR HOULIHAN: Through one of our legal team, yes.

MS SHARP SC: And which member of the legal team was that?

40 **MR HOULIHAN:** Mr James Johnston.

MS SHARP SC: But you haven't reported to Ms Martin directly about your investigation so far?

45 **MR HOULIHAN:** No, I have not.

MS SHARP SC: And that's despite the fact that you report directly to her?

MR HOULIHAN: Correct.

MS SHARP SC: Has she asked you how the investigation's going?

5 **MR HOULIHAN:** Directly, no.

MS SHARP SC: Not once?

10 **MR HOULIHAN:** No.

MS SHARP SC: Is it right that you travelled overseas to interview Jacker Chou for the purpose of your investigation?

15 **MR HOULIHAN:** For this most recent one?

MS SHARP SC: Yes.

MR HOULIHAN: No, I haven't been overseas recently, no.

20 **MS SHARP SC:** So sometimes you are prepared to interview - well, I withdraw that. At the time you spoke to Jacker Chou, was he overseas?

MR HOULIHAN: He was.

25 **MS SHARP SC:** So sometimes you are comfortable to interview witnesses who are located overseas when you are in Australia?

MR HOULIHAN: Given the advances in technology since COVID, yes.

30 **MS SHARP SC:** Could I show you a document, please. This is STA.3025.0002.0001. And I will need to have this - my instructions are this is dated on 20 January 2022. Could I have this marked for identification, please, Mr Bell?

35 **MR BELL SC:** Yes, that document will be MFI33.

MS SHARP SC: Did you prepare this document, Mr Houlihan?

40 **MR HOULIHAN:** No, I did not.

MS SHARP SC: Have you seen this document before?

MR HOULIHAN: I have, yes.

45 **MS SHARP SC:** Is this document prepared by Mr Oliver White?

MR HOULIHAN: Components of it are. If I could trouble the operator to scroll, if I could do that, please? My understanding is components of this was completed

by Mr White, yes, but some of the content that has been added to it was done by others.

5 **MS SHARP SC:** And who were those others?

MR HOULIHAN: I believe that to be James Johnston or our external lawyer.

MS SHARP SC: And who's your external lawyer?

10 **MR HOULIHAN:** HWE.

MS SHARP SC: Is that Anthony Seyfort?

15 **MR HOULIHAN:** His team, yes.

MS SHARP SC: And so his team is investigating the issue of letters being provided to Bank of China?

20 **MR HOULIHAN:** They're assisting, yes.

MS SHARP SC: Was any one of those lawyers present when you spoke with Jacker Chou?

25 **MR HOULIHAN:** Yes.

MS SHARP SC: And which lawyer was that.

MR HOULIHAN: Miss Vesa.

30 **MS SHARP SC:** And was Mr White present with you when you spoke to Jacker Chou?

MR HOULIHAN: No.

35 **MS SHARP SC:** So was it just the two of you speaking to Jacker Chou?

MR HOULIHAN: Yes.

40 **MS SHARP SC:** And may we take it that you kept notes when you spoke with Jacker Chou?

MR HOULIHAN: Vesa did, yes.

45 **MS SHARP SC:** Yes, and that's because this investigation is ongoing?

MR HOULIHAN: Correct.

MS SHARP SC: So we may take it that you still have a copy of your notes?

MR HOULIHAN: I didn't make notes. Vesa made notes.

5 **MS SHARP SC:** Okay but... So you didn't make any notes of your investigation.

MR HOULIHAN: No.

MS SHARP SC: But you saw Ms Vesa make notes.

10 **MR HOULIHAN:** Yes.

MS SHARP SC: I call for those notes.

15 **MS RICHARDSON SC:** Well, I will check whether they are in our possession, but they weren't notes taken by an employee of The Star, so I query whether we can fulfil that call, but I will make inquiries.

MS SHARP SC: Now, when was this document provided to you?

20 **MR HOULIHAN:** Would have been a few days prior to me speaking to Jacker.

MS SHARP SC: So is this an agenda for your discussion with Jacker Chou?

25 **MR HOULIHAN:** I don't know if agenda is the correct word. It would certainly be a template to find areas of clarification.

MS SHARP SC: So is it correct that this document does not record the contents of your discussion with Jacker Chou?

30 **MR HOULIHAN:** Correct.

MS SHARP SC: And when did you speak with Jacker Chou?

35 **MR HOULIHAN:** April now - March this year is my recollection. Are we still in March? Beg your pardon, just in April now. March this year is my recollection.

MS SHARP SC: And is it right that you reviewed this document before you spoke with Jacker Chou?

40 **MR HOULIHAN:** Yes.

45 **MS SHARP SC:** And did this form the basis of instructions that you were - I withdraw this. Did this form the basis of questions you were going to ask of Mr Chou?

MR HOULIHAN: I used this document to prepare myself for the questions that I would ask of Jacker, but I didn't refer to each and every one of the questions in the document.

MS SHARP SC: And, you see, I'm just going to suggest to you that this document, in fact, records the discussion that you did have with Jacker Chou, and I will give you some time to read through it, but - and please take all the time you need.

MR HOULIHAN: Can we start at the beginning of the document. Thank you. I'm sorry, Ms Sharp, what was the date of this document?

MS SHARP SC: Well, the metadata available to us suggests 20 January '22, but if you can assist us any further with the date, please, do.

MR HOULIHAN: There has - I have had a second conversation with Jacker, so I just wanted to confirm that this was that document. Could I ask the operator to scroll a bit, please. And continue to scroll, please. Excuse me. Pardon me. And scroll some more, please. Scroll some more, please. Scroll some more, please. And scroll some more, please. Or is that the end? Thank you.

MS SHARP SC: Have you read enough to -

MR HOULIHAN: Sorry, Ms Sharp.

MS SHARP SC: - to answer my question.

MR HOULIHAN: Yes. Sorry, I thought you wanted me to read the whole document.

MS SHARP SC: Well, what - let me say this: It appears that this document records you asking questions of Jacker Chou, and then Jacker Chou providing answers. So what I'm asking you is whether this document was created at or after the time you spoke with Jacker Chou?

MR HOULIHAN: First time I spoke with Jacker, yes.

MS SHARP SC: So you agree this document was created at or after your interview with Jacker rather than before your interview with Jacker?

MR HOULIHAN: It would be a combination of both, Ms Sharp.

MS SHARP SC: Do you agree that this document records information that Jacker Chou provided to you when you asked him questions?

MR HOULIHAN: Yes.

MS SHARP SC: Now, when - you've said you had two meetings with Jacker Chou, when did you have those - well, I withdraw that. You said you had spoken with Jacker Chou twice about this matter; on what dates did you speak with Jacker Chou?

MR HOULIHAN: And if I take that to be the metadata as you have rightly pointed out to me, would have been around the January date as recorded there, and I've had a supplementary interview with Jacker - would have been February then, considering that we've only just entered into April. Would have been February.

MS SHARP SC: All right, but your - it's consistent with your recollection, is it, that you spoke with Mr Chou in January?

MR HOULIHAN: Correct.

MS SHARP SC: Now, on either of the occasions you spoke with Mr Chou, did you make a note of your discussions?

MR HOULIHAN: No.

MS SHARP SC: Was the same lawyer with you for those interviews?

MR HOULIHAN: Yes.

MS SHARP SC: Did you observe that lawyer taking notes at the time?

MR HOULIHAN: Yes.

MS SHARP SC: Well, I call for all documents of the lawyer at the two - made by the lawyer of the two consultations that occurred with Mr Chou.

MS RICHARDSON SC: Again, I will make inquiries, but, given that they were not made by a Star employee, I query how we will fulfil that unless they've been provided to us previously.

MS SHARP SC: Now, did you speak with Ms Soares as before or after you spoke with Mr Jacker Chou?

MR HOULIHAN: After.

MS SHARP SC: And on how many occasions have you spoken with her?

MR HOULIHAN: Twice, I believe.

MS SHARP SC: And when did you speak with her?

MR HOULIHAN: I have to confirm my - I had trouble contacting her and it would have - in February this year is my recollection. February/March this year.

MS SHARP SC: And was she based overseas when you consulted with her?

MR HOULIHAN: Yes.

MS SHARP SC: So this was another occasion where you were able to interview a witness remotely, was it?

5

MR HOULIHAN: A witness, yes.

MS SHARP SC: Who was present with you when you inter - when you conducted your interview with Ms Soares?

10

MR HOULIHAN: The same lawyer.

MS SHARP SC: Anyone else?

15

MR HOULIHAN: No.

MS SHARP SC: Did you make notes of those interviews?

MR HOULIHAN: No.

20

MS SHARP SC: Is it consistent with your ordinary practice not to make any notes of the people you interview?

MR HOULIHAN: If I have a scribe with me, correct.

25

MS SHARP SC: Did you observe the lawyer make notes while you were interviewing Ms Soares?

MR HOULIHAN: I did.

30

MS SHARP SC: I call for the notes of those two meetings.

MS RICHARDSON SC: I will make inquiries.

35

MS SHARP SC: May we take it that by the time you had completed two interviews with each of these witnesses, you had a good understanding of the veracity or otherwise of the allegations?

MR HOULIHAN: Yes.

40

MS SHARP SC: Could you tell us what views you have come to as at this date?

45

MR HOULIHAN: As at this date, the documents that have been suggested to be utilised by Star for the Bank of China Macau, have been developed and produced in consultation with managers of the Bank of China Macau. The advice that The Star had received from the employees of the Bank of China Macau, that there was a number of circumstances where, if cash was to be deposited into the Bank of

China Macau, that there is a number of criteria where they would accept that money on behalf of The Star.

5 The employees, being Mr Jacker or Ms Gabriela, would attend on behalf of The Star and go with that customer to the Bank of China and represent us. It is my recollection with Ms Gabriela's response, this has happened two per cent of the time where the cash that was deposited was not from a bank account of the customer or from the Macau casino cage from a customer in the Macau district. And they would then supply these letters for two per cent of the time.

10 **MS SHARP SC:** Sorry, is it your evidence that Ms Soares - I'm sorry, I don't know how to pronounce it - had said that this only happened on two per cent of the time they attended with the patron to deposit cash at the Bank of China?

15 **MR HOULIHAN:** Correct.

MS SHARP SC: Well, have you been given any indication by anyone else that this witness said that this happened on almost every occasion?

20 **MR HOULIHAN:** When I pressed Ms Soares on that, yes.

MS SHARP SC: And she said in fact two per cent of the time?

25 **MR HOULIHAN:** Correct.

MS SHARP SC: Is that consistent with the information that Jacker Chou provided to you?

30 **MR HOULIHAN:** Yes.

MS SHARP SC: Can I take you, please, to pinpoint 0003 in the document. Do you see there's a dot point in that document, and these are the notes you say were created following your first meeting with Mr Chou. Do you see there's a dot point that says:

35 "KH, how many times do you think you've gone there with cash?"

And it says:

40 "More than 20, more than that."

MR HOULIHAN: I see that.

45 **MS SHARP SC:** And:

"More than 100, around that."

MR HOULIHAN: I see that.

MS SHARP SC: Well, isn't that the number of occasions you were told this had occurred on?

5 **MR HOULIHAN:** That Mr Chou attended the casino - the Bank of China Macau with customers with cash, more than 100 times.

MS SHARP SC: But you're saying that it was only in two per cent of cases that these template - these letters, based on the templates, were handed over.

10

MR HOULIHAN: Correct.

MS SHARP SC: And you would regard that to be critically important information, wouldn't you?

15

MR HOULIHAN: Yes.

MS SHARP SC: So we would expect that if notes were taken of your interviews with these witnesses, we would see a note of that statement as to two per cent?

20

MR HOULIHAN: Yes.

MS SHARP SC: Has it been suggested to you by either Ms Soares or Mr Chou that Adrian Hornsby knew that these letters were being provided to the Bank of China?

25

MR HOULIHAN: Sorry, Ms Sharp, I only heard half of that question. There's some noise in the background.

30 **MS SHARP SC:** Has it been suggested to you by either Ms Soares or Mr Chou that Adrian Hornsby was aware these letters were being provided to the Bank of China?

MR HOULIHAN: Yes.

35

MS SHARP SC: Have both of them said that to you?

MR HOULIHAN: In both times (indistinct), yes.

40 **MS SHARP SC:** Is it your intention to seek to interview Mr Hornsby about this matter?

MR HOULIHAN: Yes.

45 **MS SHARP SC:** But, at this stage, you have made no attempt at all to locate his whereabouts?

MR HOULIHAN: My understanding Mr Hornsby is currently travelling overseas.

5 **MS SHARP SC:** When did you reach that understanding?

MR HOULIHAN: About three weeks ago - three or four weeks ago.

10 **MS SHARP SC:** Was that the first time you endeavoured to locate some contact details for him?

MR HOULIHAN: Yes.

MS SHARP SC: And who made you aware that he was travelling overseas?

15 **MR HOULIHAN:** Friends of his who had access to his Facebook account.

MS SHARP SC: Now, could I return you to your statement, please.

20 **MR HOULIHAN:** Thank you.

MS SHARP SC: And I will take to you page 25 of your statement.

MR HOULIHAN: 25?

25 **MS SHARP SC:** Yes.

MR HOULIHAN: Thank you. Right.

30 **MS SHARP SC:** Now, do you see - I just want to read you through part of question 7. Do you see it says:

35 "Question 7: Please identify all investigations and their outcomes conducted by The Star and/or Star Entertainment in the relevant period relating to ... (d) misleading statements made in relation to the bank account maintained at the Bank of China Macau branch, regarding the provenance of patrons' funds."

MR HOULIHAN: Yes, I see that.

40 **MS SHARP SC:** And did you well understand that was the question you were asked to address in your statement?

MR HOULIHAN: Yes.

45 **MS SHARP SC:** Can I take you to page 26, and to the heading question 7(d).

MR HOULIHAN: Yes.

MS SHARP SC: And do you see that at paragraph 219 to 221 you provide your answer in relation to question 7(d)?

5 **MR HOULIHAN:** Yes. I see that.

MS SHARP SC: All right. Now, haven't I just taken you to a record of your meeting with Mr Chou on 20 January 2022?

10 **MR HOULIHAN:** Yes.

MS SHARP SC: All right. It's right, isn't it, that you were able to progress the matter in a substantial way, isn't it?

15 **MR HOULIHAN:** Not at that time, no.

MS SHARP SC: Well, this document I've taken you to contains eight pages recording questions that you asked of Jacker Chou and Jacker's responses to you, doesn't it?

20 **MR HOULIHAN:** It does.

MS SHARP SC: And it's right, isn't it, that you don't set out any of the information that Mr Chou provided to you during that meeting, do you?

25 **MR HOULIHAN:** No, I do not.

MS SHARP SC: Right. You didn't advise this review of any of the outcomes of your investigation as at the time you prepared this statement, did you?

30 **MR HOULIHAN:** I believe paragraph 220 indicates a briefing note that I supplied.

MS SHARP SC: Yes, but that's a briefing note from Ms Martin to you.

35 **MR HOULIHAN:** I beg your pardon, thank you. At that time, the investigation was still ongoing.

40 **MS SHARP SC:** Yes, but you haven't provided any information at all to this review about what you had learned during the course of your investigation, did you?

MR HOULIHAN: No, I have not.

45 **MS SHARP SC:** Right. Well, I suggest that your statement is not a candid and forthright statement of the knowledge you held in respect of these questions asked of you.

MR HOULIHAN: Sorry, Ms Sharp, what's the question?

MS SHARP SC: I suggest that your statement was not a candid and forthright statement of all knowledge that was held by you in respect of the questions you were asked to address.

5

MR HOULIHAN: And I would like to go back to the actual - confirm the date the document of - which has been provided to the inquiry because I recall that when I spoke to Jacker, we could not download any of the documents as referenced in my statement, and we were unable to show Mr Chou the documents in question, hence why we had a second meeting with Mr Chou after the completion of this statement.

10

MS SHARP SC: Please, let me know whether you agree or disagree with the following statement: your statement to this review was not a candid and forthright statement of all the knowledge that you held in respect of the investigations you had conducted in relation to question 7(d)?

15

MR HOULIHAN: No, I disagree.

20

MS SHARP SC: And, in fact, your statement is not a candid and forthright statement of all your knowledge generally speaking, is it?

MR HOULIHAN: I disagree.

25

MS SHARP SC: I will move to another matter now, if I may. Is it correct or incorrect that when The Star comes to determine whether it will continue dealing with a junket, the process it follows is the enhanced due diligence standard process?

30

MR HOULIHAN: To deal with the junkets?

MS SHARP SC: Yes.

MR HOULIHAN: That is not the only process, no.

35

MS SHARP SC: What's the other process?

MR HOULIHAN: It can be a business decision to cease to deal with. Could be a business decision that they haven't been an active junket operator for a period of time. Could be a number of decisions to cease.

40

MS SHARP SC: Is the business process - is the process that is followed recorded in any process or policy document, to your knowledge?

45

MR HOULIHAN: Not that I'm aware of, no.

MS SHARP SC: So is there some ad hoc decision-making process?

MR HOULIHAN: To my knowledge, yes.

MS SHARP SC: And what do you say this ad hoc decision-making process is?

5 **MR HOULIHAN:** I'm aware of a period of time where the business made a review of inactive junkets and then removed those junket operators from the business.

MS SHARP SC: Is that the only ad hoc process you are referring to?

10

MR HOULIHAN: To my recollection, yes.

MS SHARP SC: Now, when I spoke with you yesterday about the various memoranda that Mr Buchanan prepared relating to Mr Chou, was that part of an enhanced customer due diligence process?

15

MR HOULIHAN: For Mr Chou?

MS SHARP SC: Yes.

20

MR HOULIHAN: Yes.

MS SHARP SC: Now, it's correct, isn't it, that from - I think May 2020 until November 2021, you were, in conjunction with Mr Power, the AML/CTF compliance officer?

25

MR HOULIHAN: Correct.

MS SHARP SC: And what did you understand the duties of the compliance officer to be?

30

MR HOULIHAN: The duties of the compliance officer was to ensure the implementation and upkeep of the AML program. Our obligations as to reporting under the AUSTRAC requirements, to assess and undertake any information referred to the AML Compliance Officer to decide whether to continue or cease to deal with a customer, to manage and maintain the meetings such as PAMMs and JRAMs were conducted effectively, and to deal with anybody identified as a PEP or high-risk customer.

35

MS SHARP SC: Do you accept that one of the duties of the compliance officer is to report regularly to the board and senior management about how the business is meeting its obligations under the AML/CTF Compliance Act and alerting them if it is not?

40

MR HOULIHAN: Yes.

45

MS SHARP SC: Do you accept that another of the duties of the compliance officer is to help create, implement and maintain internal policy and procedures and systems for AML and CTF compliance?

5 **MR HOULIHAN:** Yes.

MS SHARP SC: And do you also accept that one of the duties of the compliance officer is to take day-to-day responsibility for the AML/CTF program?

10 **MR HOULIHAN:** Yes.

MS SHARP SC: And you do agree, don't you, that it is important that the AML/CTF Compliance Officer has a degree of independence from the business?

15 **MR HOULIHAN:** Yes.

MS SHARP SC: Now, Ms Skye Arnott was the Group Compliance Manager of AML/CTF and Financial Crime in the period January 2019 to 31 October 2021, wasn't she?

20

MR HOULIHAN: I think those dates might be wrong, Ms Sharp. Can you give me those dates again?

MS SHARP SC: I will come to her period of maternity leave, but, in the period January 2019 to 31 October 2021, Ms Arnott held the position of Group Compliance Manager, AML/CTF and Financial Crime; is that right?

25

MR HOULIHAN: Yes.

30 **MS SHARP SC:** And it's right that she went on maternity leave from 16 May 2020 to 31 May 2021?

MR HOULIHAN: Yes, I believe so.

35 **MS SHARP SC:** And then she returned to the business in June 2021?

MR HOULIHAN: Correct.

MS SHARP SC: And she continued performing the position of Group Compliance Manager, AML/CTF and Financial Crime?

40

MR HOULIHAN: Correct.

MS SHARP SC: And was she working on a full-time basis?

45

MR HOULIHAN: Part-time, four days a week.

MS SHARP SC: And does she now work five times a week?

MR HOULIHAN: I believe she's still working four days a week.

5 **MS SHARP SC:** So nothing has changed in the days that she is employed in the period since she has returned to maternity - since she's returned from maternity leave.

MR HOULIHAN: Correct.

10 **MS SHARP SC:** And it's right, isn't it, that she is presently the AML/CTF compliance officer?

MR HOULIHAN: Correct.

15 **MS SHARP SC:** And when did she resume that position? I withdraw that. She had held that position as the AML/CTF Compliance Officer before she went on maternity leave?

20 **MR HOULIHAN:** That's my understanding, yes.

MS SHARP SC: And she has held that position for a number of years, hasn't she?

25 **MR HOULIHAN:** I don't know the exact date when she received the position as compliance officer.

MS SHARP SC: But, in any event, she's the compliance officer again now?

MR HOULIHAN: Yes.

30 **MS SHARP SC:** And when was she reappointed to that position?

MR HOULIHAN: If memory serves me correctly, 1 December 2021.

35 **MS SHARP SC:** And are you able to indicate who it was within the business who appointed her the compliance officer at that point in time?

MR HOULIHAN: That would be Mr Bekier.

40 **MS SHARP SC:** And are you able to explain why she was not reappointed at - as the compliance officer at the time she returned to the business in June 2021?

MR HOULIHAN: My recollection is that Ms Arnott then undertook some project work prior to returning to the duties of the AML Compliance Officer.

45 **MS SHARP SC:** Are you able to indicate who assigned the project work to her?

MR HOULIHAN: I don't recall who exactly assigned her the projects, no.

MS SHARP SC: Who do you think it would have been?

MR HOULIHAN: Would have either been Mr Power or Ms Martin.

5 **MS SHARP SC:** Can I show you a document, please, which is pinpoint STA.3428.0005.1401. This is exhibit C256.

MR HOULIHAN: I have that, thank you.

10 **MS SHARP SC:** And you've seen this document before?

MR HOULIHAN: Yes, I have.

15 **MS SHARP SC:** This is a memorandum from Mr Buchanan to you and Mr Power dated 16 August 2021?

MR HOULIHAN: It is.

20 **MS SHARP SC:** And the - it says at paragraph 1:

"The purpose of this report is to provide the findings of a holistic review undertaken on patrons considered to be high risk."

25 **MR HOULIHAN:** I see that, yes.

MS SHARP SC: And if we can scroll down, I will take you to paragraph 2, and it says:

30 "The review's findings and recommendations detailed in the accompanying Project Congo spreadsheet are designed to assist the business in assessing the suitability of The Star to continue or establish customer relationships with these individuals."

35 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: And do you see paragraph 3 says:

40 "The persons of interest were subjected to enhanced customer due diligence screening."

MR HOULIHAN: Yes, I see that.

MS SHARP SC: And that:

45 "Using the revised ECDD methodology."

MR HOULIHAN: Yes.

MS SHARP SC: And that's the process, at least so far as Mr Chou is concerned, that Mr Buchanan was pursuing in those memoranda I took you to yesterday dated October 2020, November 2020 and January 2021?

5 **MR HOULIHAN:** Yes.

MS SHARP SC: And do you see at the bottom of paragraph 3, the last sentence is:

10 "As a matter of course, ECDD review forms were completed and saved in TrackVia."

MR HOULIHAN: Paragraph 3. Sorry. Yes, I see that.

15 **MS SHARP SC:** What's an ECDD review form?

MR HOULIHAN: That would be the process that Mr Buchanan undertook which has the databases that they have searched, the results of those databases as it is indicated there as well. It's the holding inside of TrackVia that shows the outcomes
20 of inquiries conducted and recorded inside of TrackVia.

MS SHARP SC: And that - that document is called an ECDD review form.

MR HOULIHAN: That is my understanding, yes.

25 **MS SHARP SC:** And given that it says that:

"The ECDD review forms were completed and saved in TrackVia."

30 We can take it, can we, that that was done prior to the date of this memo, which is 16 August 2021?

MR HOULIHAN: Yes, I would accept that.

35 **MS SHARP SC:** I call for all ECDD review forms completed and saved in TrackVia for Mr Alvin Chau in the period 2020 to 2021.

MS RICHARDSON SC: I will make inquiries.

40 **MS SHARP SC:** Now, if I can take you down to paragraph 5 of this memorandum, Mr Buchanan, do you see it says:

"These recommendations will be discussed at a proposed out-of-cycle joint risk assessment meeting on 17 August 2021."

45 **MR HOULIHAN:** Sorry, Ms Sharp, for myself?

MS SHARP SC: Can you see that paragraph 5 of this document says:

"These recommendations will be discussed at a proposed out-of-cycle joint risk assessment meeting on 17 August 2021."

5 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: And that meeting occurred, didn't it?

MR HOULIHAN: To my recollection, yes.

10

MS SHARP SC: And could I take you further to - is it right that this memorandum was one of the documents considered at that meeting?

MR HOULIHAN: I believe so, yes.

15

MS SHARP SC: Could I take you to pinpoint 1403. Now, you will agree that what I'm showing you is some information in relation to Alvin Chau?

MR HOULIHAN: Sorry, could I be a pain and have it increased.

20

MS SHARP SC: Yes. Please, have it enlarged.

MR HOULIHAN: Yes.

25 **MS SHARP SC:** Do you agree that this is in relation to Mr Alvin Chau?

MR HOULIHAN: I do.

MS SHARP SC: And do you see that he has a very high risk rating?

30

MR HOULIHAN: He does.

MS SHARP SC: And do you agree that the first paragraph says:

35 "There appear to be two feasible options the business can consider taking."

MR HOULIHAN: I do see that.

40 **MS SHARP SC:** And do you see that the two options are then set out? I will take you to the first option first.

MR HOULIHAN: Thank you.

45 **MS SHARP SC:** Now, you see that the first option is referred to in that first paragraph?

MR HOULIHAN: Correct.

MS SHARP SC: Now, could I take your attention, please, to the paragraph that says:

5 "A number of internal factors support the option to cease the business relationship following the internal investigation into suspicious activities at Salon 95, two warning letters provided to Mr Iek as a result of repeated noncompliance. There are legitimate concerns as to Suncity's ability to operate a compliant junket program."

10 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: And do you see that it also says:

15 "Also of concern is the fact that Chen Ting Kong, an Australian enforcement person of interest, remains the patron's Suncity business partner."

MR HOULIHAN: Yes, I see that.

20 **MS SHARP SC:** But you agree that no reference at all there is made to the fact that The Star holds information that, in fact, Mr Chen Ting Kong is involved in money laundering and drug trafficking?

MR HOULIHAN: Yes, I accept that.

25 **MS SHARP SC:** All right. So it's - you agree that's an important piece of information that's not provided in that paragraph?

MR HOULIHAN: Yes.

30 **MS SHARP SC:** Now, can I take you to - you see that goes on - that's all that's said in relation to the first option and then it goes on to the second option? Do you agree?

35 **MR HOULIHAN:** I agree with that, yes.

MS SHARP SC: All right. Can we look at the second option. That is to continue engaging with the patron. Do you agree?

40 **MR HOULIHAN:** Correct.

MS SHARP SC: Do you see in the second paragraph down from there it says:

45 "The group compliance officer's audit report completed in May 2019 found that Suncity were adhering to the mandatory Salon 95 service desk processes."

MR HOULIHAN: Yes, I see that.

MS SHARP SC: And do you see it then states:

"The report provides some comfort that Suncity are capable of operating compliant junket programs."

5

MR HOULIHAN: Yes, I see that.

MS SHARP SC: Do you agree that there is no reference there anywhere to the myriad of suspicious events that occurred in Salon 95 in late May, or sorry, any time in May 2019 and June 2019?

10

MS RICHARDSON SC: I object to that question. The witness should be, in fairness, taken to paragraph 4 of this document, and I'm happy to raise this objection in the absence of the witness if that's considered fairer.

15

MR BELL SC: Ms Sharp.

MS SHARP SC: Well, I'm entitled to examine on this document. Ms Richardson has ample opportunity to re-examine if Ms Richardson considers there's another piece of information that ought be put.

20

MS RICHARDSON SC: I press the objection. I seek to do it in the absence of the witness, please.

MR BELL SC: Yes, I will allow you to develop in the absence of the witness. We will move into the private mode, please.

25

OPERATOR: This is the operator, removing Mr Houlihan now.

MR BELL SC: Are we also in private mode, Mr Operator.

30

<THE PRIVATE SESSION RESUMED AT 3.20 PM

<THE PUBLIC SESSION RESUMED AT 3.43 PM

MS SHARP SC: Could the witness be shown exhibit C257 which is STA.3428.0005.1407. Perhaps the first page of that document, please, operator. Now, is this the spreadsheet that was attached to the memorandum from Mr Buchanan?

35

MR HOULIHAN: Yes, I believe so.

40

MS SHARP SC: Could I take you, please, to pinpoint 1423. Do you see this is an entry for Iek Kit Lon, Alan.

MR HOULIHAN: Yes, I do.

45

MS SHARP SC: Do you understand that he is one of the junket operators for the Suncity junket?

MR HOULIHAN: I do.

5

MS SHARP SC: And can I draw your attention, please, to the recommendation column which is the last column.

MR HOULIHAN: Yes, I see that. Thank you.

10

MS SHARP SC: Now, can I also take you, please, to pinpoint 1418. Now, can I - you would agree that this is a - an entry which relates to Alvin Chau.

MR HOULIHAN: Correct.

15

MS SHARP SC: And do you see the last column is entitled Recommendation.

MR HOULIHAN: Yes, I do.

20

MS SHARP SC: And operator, could you just quickly scroll through the next two or three pages. You see the recommendation continues?

MR HOULIHAN: Yes, thank you.

25

MS SHARP SC: All right. Can I now take the witness to exhibit C256, and this was the document I was referring you to earlier, Mr Buchanan.

MR HOULIHAN: Houlihan.

30

MS SHARP SC: I mean Mr Houlihan.

MR HOULIHAN: Thank you. Could I - sorry to be a pain, can I have it enlarged, please.

35

MS SHARP SC: Yes. Can I take you to pinpoint 403, and do you see it relates to Mr Chau.

MR HOULIHAN: Yes, I see that.

40

MS SHARP SC: And do you see it's called Recommendation.

MR HOULIHAN: Yes, I see that.

45

MS SHARP SC: You can take it from me this recommendation is word for word with the recommendation I took you to in the spreadsheet.

MR HOULIHAN: Thank you.

MS SHARP SC: Now, could I return you, please, to the second option, which is discussed on pinpoint 1403. If I can highlight that portion of the page to the bottom, please, operator. Now, do you see there is reference to this:

5 "The group compliance officer's audit report completed in May 2019 found that Suncity were adhering to the mandatory Salon 95 service desk processes. The report provides some comfort that Suncity are capable of operating compliant junket programs."

10 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: And do you see that there is no reference there, or anywhere else in this recommendation, to the fact that there were a myriad of suspicious events occurring within Salon 95 in May and June 2019?

15 **MR HOULIHAN:** In that paragraph, correct.

MS SHARP SC: Yes. Would you like to read through the rest of the recommendation on Mr Chau and see if you can find them anywhere?

20 **MR HOULIHAN:** If that's - if you don't mind. Can I also see a bit of above the - can you scroll up a little bit too, please? Thank you. And I note that the paragraph commencing:

25 "A number of internal factors supporting the option."

In the first option one or are you referring to only beneath the second option?

30 **MS SHARP SC:** The whole recommendation.

MR HOULIHAN: And could I ask for it to be scrolled, please? Thank you. Yes. I've read that. Thank you, Ms Sharp.

35 **MS SHARP SC:** Now, do you agree with me that there is no mention in the paragraph I took you to, or anywhere else in this recommendation, to the myriad of suspicious events that had occurred in Salon 95 in May 2019 and in June 2019?

MR HOULIHAN: There is reference to internal investigations.

40 **MS SHARP SC:** Mr Houlihan, could you just answer my question, and we will get through this so ever much more quickly. Do you agree that there is no reference in this document, and in this paragraph in particular, to the myriad of suspicious events that occurred in Salon 95 in May 2019 and June 2019?

45 **MR HOULIHAN:** Using your words, yes, I agree.

MS SHARP SC: Because the fact is that the group compliance officer's audit report completed in May 2019 could provide no comfort that Suncity was capable

of operating compliant junket programs because in May and June 2019 Star found a myriad of suspicious transactions had occurred in Salon 95. That's right, isn't it?

5 **MR HOULIHAN:** I haven't seen the compliance report as referenced here, Ms Sharp.

10 **MS SHARP SC:** Again, if you could answer my question. The fact that the group compliance officer's audit report - the fact of that report could provide no comfort that the Suncity junket was capable of operating compliant junket programs because a myriad of suspicious transactions were found by Star staff to have occurred in May and June of 2019?

MR HOULIHAN: I disagree.

15 **MS SHARP SC:** And I suggest to you that this paragraph:

20 "The group compliance officer's audit report completed in May 2019 found that Suncity was adhering to the mandatory Salon 95 service desk processes. The report provides some comfort that Suncity are capable of operating a compliant junket program."

Creates an entirely misleading impression as to whether Suncity was complying with the service desk processes in May and June of 2019?

25 **MR HOULIHAN:** I disagree.

MS SHARP SC: And I further suggest you were well aware that this paragraph created that misleading impression?

30 **MR HOULIHAN:** No, I disagree.

MR BELL SC: Ms Sharp, could the operator take us back to the paragraph that you're focusing Mr Houlihan's attention on, please.

35 **MS SHARP SC:** Operator, that's the paragraph beginning with "group compliance officer's audit report."

40 **MR BELL SC:** Mr Houlihan, did you understand counsel assisting's questions to relate to this paragraph?

MR HOULIHAN: Yes, Mr Bell.

MR BELL SC: Thank you.

45 **MS SHARP SC:** Now, could I take you to a further paragraph, the bottom paragraph here. And ask that that be blown up:

"The Star could ..."

This is what the recommendation says:

5 "The Star could reasonably argue that evidence led during the inquiry did not substantiate the patron has ever been a member of a triad group, nor that he has or has had any involvement in organised crime. As such, other than rumours and innuendo regarding his antecedents, there is no irrefutable evidence which may prevent The Star from continuing to engage with the patron.

10

The patron is generally perceived as being a respected, astute business figure who does not have any criminal convictions and who can be regarded as being of good repute. Of note, the patron has successfully completed numerous due diligence screening processes conducted by US owned operators in Macau and, indeed, Macau's regulatory body."

15

Now, these assertions are completely inconsistent with the information in the Hong Kong Jockey Club report that was known to you, to Ms Martin and Mr Power as at June 2019; correct?

20

MR HOULIHAN: As contained in the Hong - sorry, let me try that again. As contained in the Hong Kong Jockey Club report, yes.

MS SHARP SC: And this paragraph is completely inconsistent with the information that Mr Buchanan provided to you in both the October and November 2020 due diligence reports he prepared on Mr Chau?

25

MR HOULIHAN: Sorry, Ms Sharp, did you say "inconsistent"?

MS SHARP SC: Yes.

30

MR HOULIHAN: Correct.

MS SHARP SC: And you knew fully well, at the time of reading this document, that this information in this paragraph was entirely inconsistent with the information available to you, both from the Hong Kong Jockey Club report and the October and November 2020 versions of Mr Buchanan's memorandum to you; correct?

35

MR HOULIHAN: Inconsistent? Correct.

40

MS SHARP SC: And the very point of this paragraph to your understanding was to create a misleading impression of the due diligence information available to The Star relating to Mr Chau at this time?

45

MR HOULIHAN: I disagree.

MS SHARP SC: And you conspired and participated in creating this misleading impression, didn't you?

5 **MS RICHARDSON SC:** I object to this question. I object. This document is authored by a different witness. I object. What is the basis of that question put to this witness?

10 **MS SHARP SC:** The basis of this question is the January 2021 version of this report, Mr Bell.

MR BELL SC: Perhaps you could establish that this witness read this report at the time and took it into account in forming a decision that he made with others at that time.

15 **MS SHARP SC:** Mr Bell, I've already established that the witness read this document at the time, and, at the time, the witness's evidence is he had not made a decision. I will come to the decision-making process.

20 **MR BELL SC:** Right. In that case, I will allow the question.

MR HOULIHAN: Sorry, Ms Sharp, could I ask for the question again, please?

25 **MS SHARP SC:** You knew fully well, at the time of reading this document, that this information in this paragraph was entirely inconsistent with information available to you, both from the Hong Kong Jockey Club report and the October and November 2020 versions of Mr Buchanan's memorandum to you?

MR HOULIHAN: I believe that was the question before, Ms Sharp.

30 **MR BELL SC:** Can you answer it anyway, please, just so we've got it on the record.

35 **MR HOULIHAN:** Yes. Sorry, Mr Bell. I agree that the context of it is inconsistent with the report, yes.

MR BELL SC: Yes, Ms Sharp.

40 **MS SHARP SC:** The transcript doesn't appear to have recorded the last question I put to Mr Houlihan that was objected to. Could I ask that the transcript record that last question. At the very point in this paragraph of the recommendation, it was your understanding that this paragraph was there to create a misleading impression of the due diligence available to the Star relating to Mr Alvin Chau at this time.

45 **MR HOULIHAN:** I disagree.

MS SHARP SC: And you conspired and participated in creating the misleading impression set out in this memorandum, didn't you?

MR HOULIHAN: I disagree.

MS SHARP SC: And I will take you to one further aspect of this document. If we go to pinpoint one four.

5

MR BELL SC: Sorry, can we just go back to that paragraph again, please, operator. Mr Houlihan, do you regard it as satisfactory to deal with patrons who are rumoured or believed to have associations with triads unless and until there's irrefutable evidence that that's the case?

10

MR HOULIHAN: On suspicion alone? If it's irrefutable, yes, it's unacceptable.

MR BELL SC: But is it, so far as you're aware, is it acceptable to continue to deal with patrons who are believed to have associations with triads unless and until there's irrefutable evidence that they are engaged with triads?

15

MR HOULIHAN: Yes.

MR BELL SC: So there has to be irrefutable evidence of engagement with triads before you would consider that would be a situation where it would be inappropriate to continue to deal with that patron; is that right?

20

MR HOULIHAN: Irrefutable? No, sir.

MR BELL SC: Well, would you care to explain what your position is on this?

25

MR HOULIHAN: My position on this is relying on people like Mr Buchanan who have this expertise and available information to test the information in front of me that is both that of a media allegation or other information that would suggest that a person is currently linked to a triad. And to test that information with the available things - information that is readily available to me, it is my duty to test that and to qualify and satisfy myself that that person is not connected to triads or organised crime.

30

MR BELL SC: So you used the word "currently" in your answer. Does that mean that you wouldn't be concerned if a person had a known association with triads in the past?

35

MR HOULIHAN: Historically, no.

40

MR BELL SC: That's not a concern to you?

MR HOULIHAN: It's a consideration, but not a concern.

MR BELL SC: So a link to organised crime in their youth, that wouldn't be a concern to you of itself?

45

MR HOULIHAN: It would be a consideration, not a concern.

MR BELL SC: Yes, Ms Sharp.

5 **MS SHARP SC:** I will take to you pinpoint 1404. Do you see there's an entry that says:

10 "The instances of noncompliance which occurred at Salon 95 during 2018 and 2019 could be attributed to Suncity's poor internal management and governance systems as opposed to criminal intent."

MR HOULIHAN: Sorry, Ms Sharp, I need it to be increased. Sorry. And if you could reference me back to that point, please.

15 **MS SHARP SC:** Increase that:

"The instances of noncompliance which occurred at Salon 95 during 2018 and 2019 could be attributed to Suncity's poor internal management and governance systems as opposed to criminal intent."

20 Now, at the time of this document, you were well aware that The Star held information that was completely contrary to that supposition, did you not?

MR HOULIHAN: Yes.

25 **MS SHARP SC:** And do you agree that this paragraph presents a misleading statement of information as to what was going on in Salon 95 during 2018 and 2019?

30 **MR HOULIHAN:** No.

MS SHARP SC: And you knew at the time, didn't you, that this statement as to the supposition that - that these instances of noncompliance were due to Suncity's poor internal management and governance systems, as opposed to criminal intent, was quite incorrect?

35

MR HOULIHAN: No.

MS SHARP SC: And yet, you stood by and took no steps at all to have this document corrected, did you?

40

MR HOULIHAN: I believe the document to be correct.

45 **MS SHARP SC:** Now, I want to take you to the spreadsheet that was attached to this memorandum from Mr Buchanan. It is exhibit C257. And if we can return, please, to pinpoint 1418. Do you see there is a reference to ECDD measures and synopsis of August 2021 screening?

MR HOULIHAN: I can see that. Thank you.

MS SHARP SC: Right. And do you agree that in that column, there is absolutely no reference at all to the fact that there had been repeated instances of suspicious transactions occurring in Salon 95 in May and June 2019?

5

MR HOULIHAN: So sorry, Ms Sharp, could you have it increased, please?

MS SHARP SC: Sure.

10 **MR HOULIHAN:** Thank you. That's better. Thank you. Thank you. Yes, I agree.

MS SHARP SC: Now, I will take you to pinpoint 1419 and, operator, could you, please, increase the risk mitigants column. And do you agree that there is absolutely no reference at all in that column to the myriad of suspicious transactions that had occurred in salon 19 in May and June of 2019?

15

MR HOULIHAN: I agree.

MS SHARP SC: Now, could I show you a different document, please, Mr Houlihan. This is STA.3427.006.17 - I beg your pardon, 1676.

20

MR BELL SC: Did that spreadsheet have an exhibit?

MS SHARP SC: I don't think - yes, it did, Mr Bell. It's exhibit C257.

25

MR BELL SC: Thank you.

MS SHARP SC: Now, I'm showing you an email from Marcela Willoughby that's sent to you and Mr Buchanan on 24 August 2021.

30

MR HOULIHAN: I can see that, thank you.

MS SHARP SC: Do you recall receiving this email?

35

MR HOULIHAN: Yes.

MS SHARP SC: Can I have this marked for identification, please, Mr Bell.

40

MR BELL SC: Yes, that document will be MFI34.

MS SHARP SC: Marcela Willoughby is one of the internal lawyers at Star, is she?

45

MR HOULIHAN: No, she's not.

MS SHARP SC: Who is she?

MR HOULIHAN: Currently -

MS SHARP SC: It's quite apparent from the face of the document. She is the AML/CTF and Financial Crime program Manager?

5 **MR HOULIHAN:** Correct.

MS SHARP SC: Now, you see that she states:

10 "Find attached draft minutes of the out-of-cycle minutes of meeting for your review."

MR HOULIHAN: Yes.

15 **MS SHARP SC:** Are you able to indicate - I withdraw that. Do you agree that what she did was attach the minutes of a JRAM meeting that occurred on 16 August 2021?

MR HOULIHAN: Yes, I agree.

20 **MS SHARP SC:** Are you able to indicate why it is that Ms Willoughby was sending the minutes - the draft minutes - only to you and Mr Buchanan?

MR HOULIHAN: No, I don't know why.

25 **MS SHARP SC:** Can I take you to the minutes, exhibit C277, STA.3412.0042.5891. Now, these minutes bear a meeting date of 17 August 2021. What day did the meeting occur?

30 **MR HOULIHAN:** I would reference the date was actually on that document of 17 August.

MS SHARP SC: Now, this was the out-of-cycle JRAM meeting that had been foreshadowed in the 16 August 2021 recommendation paper from Mr Buchanan?

35 **MR HOULIHAN:** Yes.

MS SHARP SC: And the attendees at that meeting were Paula Martin, Greg Hawkins, Chris Peasley, Andrew Power, yourself, Angus Buchanan and Marcela Willoughby.

40 **MR HOULIHAN:** Marcela, yes.

MS SHARP SC: We can take it you have seen these meetings before today?

45 **MR HOULIHAN:** The minutes, yes.

MS SHARP SC: Are you able to indicate why Ms Skye Arnott did not attend this meeting?

MR HOULIHAN: No, I'm not.

5 **MS SHARP SC:** And just to be clear, at this time she was the group compliance manager, AML/CTF?

MR HOULIHAN: Yes.

10 **MS SHARP SC:** Surely it would have been important to have her input?

MR HOULIHAN: If the timeline reminds me that Ms Arnott was on a project at that time.

15 **MS SHARP SC:** Now, if I can have the document minimised so that Mr Houlihan can see the whole of that page, please. Do you see in row 1, it says:

"GH and CP only required to join for the first half of the meeting."

20 **MR HOULIHAN:** Yes. I do see that. Thank you.

MS SHARP SC: And that's a reference to Greg Hawkins and Chris Peasley, isn't it?

25 **MR HOULIHAN:** Correct.

MS SHARP SC: Does it accord with your recollection that they only attended half of the meeting?

30 **MR HOULIHAN:** Yes.

MS SHARP SC: And does it accord with your recollection that while they were at the meeting Mr Buchanan went through the result of the due diligence conducted on the relevant persons of interest?

35 **MR HOULIHAN:** Yes.

MS SHARP SC: And I think you said before that his 16 August 2021 document was discussed at this meeting?

40 **MR HOULIHAN:** I believe so, yes.

MS SHARP SC: At this meeting, was there any discussion at all as to how much money Alvin Chau brought into the casino?

45 **MR HOULIHAN:** No.

MS SHARP SC: Was there any discussion at all as to how much money the Suncity junket brought into the casino?

MR HOULIHAN: No.

5 **MS SHARP SC:** Are you sure about that?

MR HOULIHAN: Yes.

10 **MS SHARP SC:** Was the Hong Kong Jockey Club report in the possession of you at that time discussed in any way at that meeting?

MR HOULIHAN: No.

15 **MS SHARP SC:** And there's no reference to it being discussed in the minutes, is there?

MR HOULIHAN: No.

20 **MS SHARP SC:** At item 7 on pinpoint 5893 - I will have that enlarged, please - do you see it says:

"KH, AB and MW to include risk mitigation strategies when providing recommendations on how to deal with the non-excluded patrons which The Star will continue the relationship with."

25 **MR HOULIHAN:** Yes, I see that.

MS SHARP SC: Now, that's a reference to you, Andrew Buchanan and Marcela Willoughby, is it?

30 **MR HOULIHAN:** Angus, yes.

35 **MS SHARP SC:** And the action was that the three of you were to develop and incorporate an ML/TF risk mitigation strategies to be included in the recommendations.

MR HOULIHAN: Yes.

MS SHARP SC: And you see there's a column that says Who?

40 **MR HOULIHAN:** Yes.

MS SHARP SC: And PM, is that a reference to Paula Martin?

45 **MR HOULIHAN:** Yes, I believe so.

MS SHARP SC: And why is it that she's designated there in relation to the inclusion of risk management strategies?

MR HOULIHAN: I would take that to be that she owns the action to be completed - an ownership of the action.

5 **MS SHARP SC:** Now, do you agree that there is nothing anywhere that sets out in the minutes of this meeting that a decision had been made that it was appropriate to continue dealing with Alvin Chau?

MR HOULIHAN: Correct.

10 **MS SHARP SC:** Did Paula Martin, Greg Hawkins, Chris Peasley have any role at all in the decision to continue dealing with Mr Chau?

MR HOULIHAN: No.

15 **MS SHARP SC:** Did they give you any directions in relation to making a decision about whether to continue dealing with Mr Chau?

MR HOULIHAN: No.

20 **MS SHARP SC:** Do you see at item 5 - I withdraw that. Is it the case that it was at some point after this JRAM meeting that you and Mr Power made a decision to continue dealing with Alvin Chau?

MR HOULIHAN: Yes.

25 **MS SHARP SC:** Now, were you aware that in July 2021 Ms Martin told the board of Star Entertainment that advice was being sought from external lawyers about the standard to be applied to determine whether a person with whom Star Entertainment had a business relationship was suitable?

30 **MR HOULIHAN:** Not aware of that memo, no.

MS SHARP SC: Well, are you aware that she told that to the board?

35 **MR HOULIHAN:** No, I'm not aware of that.

MS SHARP SC: Are you aware as to whether external advice was being sought?

MR HOULIHAN: I am aware, yes.

40 **MS SHARP SC:** Who was that external advice sought from, please?

MR HOULIHAN: My recollection is KWM.

45 **MS SHARP SC:** And did you read that external advice?

MR HOULIHAN: Yes, I have read that advice.

MS SHARP SC: And when did you read that?

MR HOULIHAN: Just recently.

5 **MS SHARP SC:** When?

MR HOULIHAN: In preparation for this inquiry so -

10 **MS SHARP SC:** When was that?

MR HOULIHAN: About a month ago.

MS SHARP SC: And you haven't seen it before that time?

15 **MR HOULIHAN:** Not to my recollection, no.

MS SHARP SC: I call for the production of that advice.

20 **MS RICHARDSON SC:** I will make inquiries.

MS SHARP SC: So you're quite sure that advice was not made available to you prior to making a decision about whether to continue to have dealings with Alvin Chau?

25 **MR HOULIHAN:** I don't recall it being provided prior to that, no.

MS SHARP SC: And you're quite sure that it is you and Mr Power who made the decision to continue dealing with Mr Chau following this JRAM meeting?

30 **MR HOULIHAN:** Yes.

MS SHARP SC: Given that you were a decision-maker in relation to dealing with Mr Chau, why was it necessary for Mr Buchanan to provide drafts to you of his extended due - of his enhanced due diligence of Alvin Chau in October and
35 November 2020?

MR HOULIHAN: Because I asked him to undertake the process.

40 **MS SHARP SC:** But why, since you were the decision-maker, was it necessary for him to provide drafts of his report to you?

MR HOULIHAN: To continue to update us where he was at with his review.

45 **MS SHARP SC:** Is it your position that Mr Buchanan provided you with independent advice?

MR HOULIHAN: Yes, he provided independent advice.

MS SHARP SC: Is it, in fact, the case that you and Mr Power interfered with the independence of his advice?

MR HOULIHAN: No.

5

MS SHARP SC: But it is your knowledge that he changed his advice substantially between the October 2020 - sorry, 2020 version of his advice and his recommendation in his 16 August 2021 document, isn't it?

10 **MR HOULIHAN:** It was more succinct, yes.

MS SHARP SC: He changed his position, didn't he?

MR HOULIHAN: I don't think he had a position in his first one.

15

MS SHARP SC: In substance, he changed his position, didn't he?

MR HOULIHAN: He supplied a recommendation.

20 **MS SHARP SC:** Did you compromise the independence of Mr Buchanan in this matter?

MR HOULIHAN: No.

25 **MR BELL SC:** It wasn't just more succinct, Mr Houlihan, was it? It was quite different in its emphasis. Would you agree?

MR HOULIHAN: No, I disagree, Mr Bell.

30 **MR BELL SC:** So you just say it was more concise?

MR HOULIHAN: Yes.

35 **MS SHARP SC:** That's a completely unreasonable view, isn't it, Mr Buchanan - I mean, Mr Houlihan?

MR HOULIHAN: No, I do not agree.

40 **MS SHARP SC:** Was the 16 August 2021 memorandum from Mr Buchanan stored on TrackVia?

MR HOULIHAN: 16 August 2021?

MS SHARP SC: Do you want me to take you to it again?

45

MR HOULIHAN: No, no. I was trying to recall if it's inside TrackVia. I would have to confirm.

MS SHARP SC: Would you be able to confirm that to us and make your answer known to those assisting this inquiry.

MR HOULIHAN: Yes, of course.

5

MS SHARP SC: Do you think it's most likely that it was stored in TrackVia?

MR HOULIHAN: Most likely at that time? No.

10 **MS SHARP SC:** Was anything stored in TrackVia in relation to the decision of you and Mr Power to continue dealing with Mr Chau?

MR HOULIHAN: Yes.

15 **MS SHARP SC:** What?

MR HOULIHAN: A decision - Mr Buchanan, through the due diligence process stored within TrackVia, put his recommendations to myself through the process, identifying how he understood it to be that we could continue a relationship with
20 Mr Chau, identifying those six mitigations I spoke about previously, and sought my recommendation to continue to maintain a relationship with Mr Chau.

MS SHARP SC: And -

25 **MR HOULIHAN:** (Indistinct).

MS SHARP SC: - did you cause that document to be put into TrackVia?

MR HOULIHAN: The document or the commentary?

30

MS SHARP SC: The document with the commentary, Mr Houlihan?

MR HOULIHAN: I would have to confirm if the document is still inside TrackVia, but that record of what I just discussed is stored inside TrackVia.

35

MS SHARP SC: I call for that record to be produced.

MS RICHARDSON SC: This has been produced. I will give the Ringtail number, STA.3023.0003.0050. It's entitled AML DD Review Report, printed on 2
40 March 2022 in relation to Alvin Chau.

MS SHARP SC: Now, it's correct, isn't it, that Mr Buchanan's chronology was not stored in TrackVia?

45 **MR HOULIHAN:** That's my understanding, yes.

MS SHARP SC: And it's correct that the October 2020 version of his report was not stored in TrackVia?

MR HOULIHAN: That is my understanding, yes.

MS SHARP SC: Nor was the November 2020 version of his report?

5

MR HOULIHAN: That is my understanding, yes.

MS SHARP SC: It's right, isn't it, that what you did, in conjunction with Mr Buchanan and Mr Power, was consistently bury the bad news about Alvin Chau, isn't it?

10

MR HOULIHAN: No.

MS SHARP SC: And isn't it right that you participated in creating a chain of documentation that did not provide a fair view of the information that was known to you about Mr Chau's probity?

15

MR HOULIHAN: No.

MS SHARP SC: And is it right that you participated in creating that chain of documentation so that if any audit was conducted of the holdings of the information, all that would be available was a very much more anodyne report as to the due diligence holdings available than was, in fact, the case?

20

MR HOULIHAN: No.

25

MS SHARP SC: Now, the casino in New South Wales was closed between March and May of 2020 due to COVID.

MR HOULIHAN: Thank you.

30

MS SHARP SC: Is that right?

MR HOULIHAN: That's my recollection, yes.

35

MS SHARP SC: And what was the situation in Queensland?

MR HOULIHAN: I believe it was still operating in Queensland.

MS SHARP SC: So it didn't close in Queensland?

40

MR HOULIHAN: I don't recall. I don't believe so.

MS SHARP SC: Did Mr Alvin Chau attend any of The Star's casinos in the period on or after March 2020?

45

MR HOULIHAN: No.

MS SHARP SC: To your knowledge, after the COVID closure in March 2020, did Alvin Chau or any entity associated with Alvin Chau maintain a cheque-cashing facility with Star?

5 **MR HOULIHAN:** Yes.

MS SHARP SC: Was that cheque-cashing facility utilised in the period from March 2020 onwards?

10 **MR HOULIHAN:** I would have to check the records, Ms Sharp.

MS SHARP SC: Do you think you could do that and let this inquiry know - this review the outcome of your investigation?

15 **MR HOULIHAN:** Yes.

MS SHARP SC: I have no further questions for this witness, Mr Bell.

20 **MR BELL SC:** Yes, Ms Richardson, anything arising.

<EXAMINATION BY MS RICHARDSON SC:

25 **MS RICHARDSON SC:** Mr Houlihan, just one moment. Ms Sharp was just recently asking you some questions about the closure of the casino in Sydney due to the pandemic. I just want to ask you some questions about the Suncity - not Alvin Chau but the Suncity junket. Do you understand the focus of my question?

MR HOULIHAN: I do.

30 **MS RICHARDSON SC:** When, to your knowledge, was the point after which The Star ceased to have junkets at the casino?

35 **MR HOULIHAN:** My recollection is when Mr Bekier made the announcement publicly. The date, I can't recall.

MS RICHARDSON SC: Are you referring to a public announcement he made to that effect?

40 **MR HOULIHAN:** Yes.

MS RICHARDSON SC: I want you to assume that was in early October of 2020. Does that refresh your memory as to when that was?

45 **MR HOULIHAN:** Thank you.

MS RICHARDSON SC: Does that accord with your general recollection as to when that announcement was made?

MR HOULIHAN: Yes. Thank you.

MS RICHARDSON SC: To your knowledge, were any junkets of any type conducted at The Star casino after that point?

5

MR HOULIHAN: Not to my knowledge, no.

MS RICHARDSON SC: And does that include any junkets in relation to Suncity?

10

MR HOULIHAN: Correct.

MS RICHARDSON SC: So is it the case that there have been no junkets connected to Suncity that have taken place at The Star after the point at which Mr Bekier made the announcement in that respect?

15

MR HOULIHAN: That is my understanding, yes.

MS RICHARDSON SC: Yesterday, Ms Sharp asked you some questions in relation to Suncity and Alvin Chau together, and a question was put by Ms Sharp to you as to why it was - why it took until 2021 to make a decision about whether to deal with Alvin Chau. And then the question was put:

20

25 "And all that time Suncity and Alvin Chau were permitted to operate their junket in Star Entertainment's casinos."

And you answered, "Correct." I wanted to ask you whether you wanted to explain your evidence to Mr Bell as to whether, given your evidence as to the cessation of junkets, whether, in fact, Suncity continued to operate a junket after November 2020?

30

MR HOULIHAN: Thank you. Now that my memory has been refreshed on the date of our announcement of no longer to continuing to deal with junkets, I would recall that there was no activity after that date, to my knowledge.

35

MS RICHARDSON SC: And so Ms Sharp has taken to you questions in relation to due diligence and the operation Project Congo in 2021. Do you recall those documents and questions put to you today?

40

MR HOULIHAN: I do.

MS RICHARDSON SC: As part of any of that analysis, was there - was there ever consideration of dealing with Suncity as a junket?

45

MR HOULIHAN: No, there was not.

MS RICHARDSON SC: Those are my questions, thank you.

MR BELL SC: Yes. Thank you, Mr Houlihan. The direction I will make is that your examination will be adjourned, but you won't be required to attend again unless you hear from those assisting the review.

5 **MR HOULIHAN:** Thank you, Mr Bell. Will somebody send me instructions on what I need to supply?

MR BELL SC: I'm sure that somebody will be in touch with you about it.

10 **MR HOULIHAN:** Thank you.

MR BELL SC: Yes, Ms Sharp. Who's the next witness?

15 **MS SHARP SC:** The next witness is Skye Arnott. I wonder if I may have a five-minute adjournment just to rearrange my table and give Ms Arnott the opportunity to get organised.

MR BELL SC: Yes, I will adjourn for five minutes. Thank you.

20 **<THE HEARING ADJOURNED AT 4.30 PM**

<THE HEARING RESUMED AT 4.35 PM

25 **OPERATOR:** All participants are present. We are now live.

MR BELL SC: Ms Arnott would you prefer to take an oath or an affirmation.

MS ARNOTT: An oath, please.

30 **<SKYE EDWINA RENDLE ARNOTT, SWORN**

<EXAMINATION BY MS SHARP SC:

35 **MR BELL SC:** Do you swear by almighty God that the evidence you shall give will be the truth, the whole truth and nothing but the truth?

MS ARNOTT: I do.

40 **MS SHARP SC:** Could you state your full name, please?

MS ARNOTT: Skye Edwina Rendle Arnott.

MS SHARP SC: And your address is known to those assisting this review?

45 **MS ARNOTT:** Yes, it is.

MS SHARP SC: You have prepared two statements for the purpose of this review?

MS ARNOTT: Correct.

5 **MS SHARP SC:** The first of those statements is dated 8 February 2022?

MS ARNOTT: Yes, that's correct.

MS SHARP SC: And the contents of that statement are true and correct?

10 **MS ARNOTT:** Yes.

MS SHARP SC: You prepared a second statement dated 28 March 2022?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Are the contents of that statement true and correct?

MS ARNOTT: Yes, they are.

20 **MS SHARP SC:** You currently, and have been since 1 November 2021, the Chief Financial Officer for The Star Entertainment Group Limited.

MS ARNOTT: The Chief Financial Crime Officer, yes.

25 **MS SHARP SC:** And you report to Kevin Houlihan?

MS ARNOTT: Yes, I do.

30 **MS SHARP SC:** You have, in fact, worked at Star Entertainment Group for about 10 years?

MS ARNOTT: Yes, that's correct.

35 **MS SHARP SC:** And it's right, isn't it, that from 2012 to 2015 you were an investigations analyst.

MS ARNOTT: Yes, that's correct.

40 **MS SHARP SC:** And from 2016 to 2019 you were the group compliance manager?

MS ARNOTT: Not the group compliance manager. I was a compliance manager.

45 **MS SHARP SC:** How many other compliance managers were there during that period.

MS ARNOTT: I was the only one, I'm sorry. The reason for my difference is that in The Star's organisational charts, the designation of Group Manager is the level above what I held at that time.

5 **MS SHARP SC:** So I'm confused. In your statement at paragraph 5(b) you say at 2016 to 2019 you were the group compliance manager.

MS ARNOTT: I'm sorry, that is my error. I should delete the word "group". That was (indistinct).

10

MS SHARP SC: Thank you, Ms Arnott. It is correct, isn't it, that from January 2019 to 31 October 2021 you were the Group Manager AML/CTF and Financial Crime Officer?

15 **MS ARNOTT:** I was the Group Manager for AML/CTF and Financial Crime for that time, yes, but not the compliance officer for that time.

MS SHARP SC: And during that period, you had maternity or parental leave from 16 May 2020 until 31 May 2021?

20

MS ARNOTT: Yes, that's correct.

MS SHARP SC: So you returned to work in early June 2021?

25 **MS ARNOTT:** Yes. I think it might have been right at the end of May, yes.

MS SHARP SC: And how many days did you work or have you worked since you returned?

30 **MS ARNOTT:** Originally I started back and did three days a week for a period of several months while I organised care arrangements, and then I increased that to four days a week.

MS SHARP SC: And when did you increase back to four days a week?

35

MS ARNOTT: I can't remember the date. I believe it was the beginning of term 4 for school, but other than - I can't -

40 **MS SHARP SC:** And you returned to the same position which was Group Manager AML/CTF and Financial Crime?

MS ARNOTT: Yes, but I wasn't in an operational role at that time. I was doing more project-related work.

45 **MS SHARP SC:** And why was that?

MS ARNOTT: Because we were looking to restructure the team and, at that time, it was easier to leave the existing structures in place, rather than moving staff around between different reporting lines whilst we settled the final structure.

5 **MS SHARP SC:** Now, before you went on parental leave, you were the AML/CTF compliance officer?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And that was a position you assumed from 14 August 2019?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And you are, in fact, the AML/CTF compliance officer now, aren't you?

MS ARNOTT: Yes, that's correct.

20 **MS SHARP SC:** And it's right that you only assumed that role again on 1 December, 2021?

MS ARNOTT: Yes, I think it was actually lodged with AUSTRAC on the 4th, but yes.

25 **MS SHARP SC:** Are you able to explain why it was you returned to work in June 2021, but you did not assume your previous role as the AML/CTF compliance officer at that time?

30 **MS ARNOTT:** Because I was engaged in project work and the AML compliance officer stayed with the person who was involved in operations.

MS SHARP SC: And who was the AML/CTF compliance officer while you were not?

35 **MS ARNOTT:** That was a dually held role between Andrew Power and Kevin Houlihan.

40 **MS SHARP SC:** Do you agree that it is important for the compliance officer to have a measure of independence from the business?

MS ARNOTT: Yes, I do.

MS SHARP SC: And why is that independence important?

45 **MS ARNOTT:** So that they can make decisions without having to be concerned about the - the operations of - of the business.

MS SHARP SC: And just to drill down, does that mean that sometimes the compliance officer has to make decisions which will have an adverse financial impact on the business?

5 **MS ARNOTT:** Yes, it does.

MS SHARP SC: Because it may involve the compliance officer deciding to put an end to relationships with patrons who are really fairly lucrative for the casino?

10 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: Do you accept that one of the duties of the AML/CTF compliance officer is to report regularly to the board and senior management about how business is meeting its obligations under the AML/CTF Act and alerting them if it is not?
15

MS ARNOTT: Yes, I do.

MS SHARP SC: And when you were the AML/CTF compliance officer before you went on maternity leave, did you report to the board about your role from time to time?
20

MS ARNOTT: Yes, I did.

25 **MS SHARP SC:** How frequently?

MS ARNOTT: I attended the board risk and compliance meetings at all of their regular catch-ups, which I believe is quarterly.

30 **MS SHARP SC:** Do you accept that one of the duties of the AML/CTF compliance officer is to help create, implement and maintain internal policy and procedures and systems for AML and CTF compliance?

MS ARNOTT: Yes, I do.
35

MS SHARP SC: And do you accept that one of the duties of the compliance officer is taking day-to-day responsibility for the AML/CTF program?

MS ARNOTT: Yes.
40

MS SHARP SC: Do you recall that in 2016, Dr Jonathan Horton QC conducted a periodic suitability review of The Star continuing to hold a casino licence?

MS ARNOTT: Yes.
45

MS SHARP SC: Did you read Mr Horton's, or Dr Horton's, report at the time it was rendered?

MS ARNOTT: I may have done. It seems very likely.

MS SHARP SC: Can I take to you something that he said in his report. Can I can call up exhibit B, tab 146, at IMQ.016.001.0050, and you see this is the front page of the report, Ms Arnott? Could I take to you pinpoint 0132. Can I just have blown up for your attention paragraphs 254 and 255. Do you see it is there stated that:

10 "Junkets present a risk to the integrity of the casino by virtue of the very large amounts of money involved, the potential illicit sources of those funds, and issues relating to junket promoters and the nature of their business."

MS ARNOTT: Yes.

MS SHARP SC: Do you agree with that sentiment?
15

MS ARNOTT: Yes.

MS SHARP SC: Is that a sentiment that you have agreed with since the time you first assumed the role of the AML/CTF compliance officer?
20

MS ARNOTT: Yes.

MS SHARP SC: Can you, please, indicate to Mr Bell what training you have had in AML and CTF?
25

MS ARNOTT: I have had - I have recently done the ACAMS course, although I haven't yet taken the exam to become ACAMS certified. I have not otherwise done formal training in AML/CTF, but I have a background in law enforcement, where I was involved in, among other things, money laundering investigations and identity crime-related matters, and some time working in counter-terrorism. And I've also spent time at the casino in more junior roles working and understanding our AML/CTF rules and obligations.
30

MS SHARP SC: Have you undertaken any online training at the casino in relation to AML and CTF matters?
35

MS ARNOTT: Yes. I have taken and I have written some of the online training that is done at the casino.

MS SHARP SC: And when did you first - is it right that you wrote the course?
40

MS ARNOTT: The current course. I - we got a stock package from a provider and made it more relevant to the casino environment, yes.

MS SHARP SC: And when did you do that?
45

MS ARNOTT: I believe we first did it - or I first did it in 2016, and there have been a number of reviews of that pack since.

MS SHARP SC: And you also engaged in your own study to familiarise yourself with the Australian anti-money laundering and counter terrorism financing framework?

5

MS ARNOTT: Yes.

MS SHARP SC: And how would you describe your level of understanding of that framework?

10

MS ARNOTT: I think I have quite a good understanding of the framework. There - it is a large and very complicated piece of legislation. So I think I have a very good working knowledge in the way that the casino interacts with - with the legislation, but I will admit to there being areas where getting expert legal advice is often useful.

15

MS SHARP SC: And have you taken steps to familiarise yourself with the particular money laundering and counter-terrorising - sorry - counter-terrorism financing risks that present themselves in a casino context?

20

MS ARNOTT: Yes, I have.

MS SHARP SC: For example, you've read publications of the financial action task force which address this matter.

25

MS ARNOTT: Correct.

MS SHARP SC: And you've read other publications which specifically refer to the risks of money laundering and counter-terrorism financing in a casino context.

30

MS ARNOTT: Yes, I have. Not for some time.

MS SHARP SC: Right. But you're familiar with publications published in the UK in the last few years which have identified particular risks in a casino context?

35

MS ARNOTT: Yes. I know that the UK Gambling Commission has - has done reports in relation to casinos, yes.

MS SHARP SC: And you've read those reports?

40

MS ARNOTT: I may not have read them in full, but I have read at least excerpts from them.

MS SHARP SC: And you understand, don't you, that Australia's money laundering - anti-money laundering and counter-terrorism financing framework is a risk-based framework?

45

MS ARNOTT: Yes, correct.

MS SHARP SC: And that means that it is essential to identify risks and then accurately evaluate those risks?

5 **MS ARNOTT:** Yes, that is correct.

MS SHARP SC: And then the idea is that you tailor controls to the level of risk presented?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And do you agree that if a risk is not correctly identified or evaluated in the first place, it is not possible to effectively tailor controls to manage that risk?

15

MS ARNOTT: Yes. It would certainly make that more difficult.

MS SHARP SC: Now, it's right, isn't it, that Star provides a series of financial services that facilitate the movement of money into and out of the casino?

20

MS ARNOTT: Yes.

MS SHARP SC: Including across international borders?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And the financial services are both high value and high volume?

MS ARNOTT: They can be, yes.

30

MS SHARP SC: And cash is used extensively for gaming services at the casino?

MS ARNOTT: Yes. We do accept cash, although I believe that there's a lot of - there's an awful lot of low-volume cash, but I believe that in the high-volume areas they're - it's a much smaller proportion of - of the casino's total intake would be cash compared to other electronic sources.

35

MS SHARP SC: And cash can be transferred both into and out of the casino?

40 **MS ARNOTT:** Yes, correct.

MS SHARP SC: Do you agree that the ownership of cash is less transparent than other forms of money?

45 **MS ARNOTT:** I'm sorry, I don't understand the question.

MS SHARP SC: Do you agree that the ownership of cash is less transparent than the ownership of other forms of money?

MS ARNOTT: Well, what do you mean by "transparent"? To the person who comes in is the owner of the cash?

5 **MS SHARP SC:** Well, I will put it another way: is it more difficult or less difficult to understand source of funds when somebody is presenting cash than when somebody is engaging in a telegraphic transfer or writing a cheque?

10 **MS ARNOTT:** That can depend on the nature of the telegraphic transfer sometimes, but, yes, it can be more difficult to establish the source of funds if there is no receipt or other information available?

15 **MS SHARP SC:** And do you agree that casinos are exposed to significant money laundering and counter-terrorism financing vulnerabilities?

MS ARNOTT: I agree that there are vulnerabilities in the casino and that we take steps to - to mitigate those risks, yes.

20 **MS SHARP SC:** All right. My question is slightly different. Do you agree that casinos are exposed to significant money laundering and counterterrorism financing vulnerabilities?

MS ARNOTT: Yes, there are some significant risks.

25 **MS SHARP SC:** And have you been aware of these vulnerabilities at all times while you have been the AML/CTF Compliance Officer at The Star?

MS ARNOTT: Yes, I believe so.

30 **MS SHARP SC:** And do you agree that a person bringing in hundreds and thousands of dollars of cash in any one go is a red flag for money laundering?

35 **MS ARNOTT:** Yes, it's a - it's a - a transaction like that would certainly be something that we would want to consider for its AML/CTF risk.

MS SHARP SC: So it's a red flag?

MS ARNOTT: Yes. (Indistinct).

40 **MS SHARP SC:** But particularly if the money is brought in in different denominations?

45 **MS ARNOTT:** Yes, the risk increases if the denominations are - are smaller, or there's some evidence that it's not from the kind of transaction you would expect someone to undertake to have that kind of level of cash, yes.

MS SHARP SC: And the risk increases if, for example, the cash smells mouldy?

MS ARNOTT: Yes, that's correct.

MS SHARP SC: And the risk increases if the cash is bundled in elastic bands?

5 **MS ARNOTT:** Yes, it can do.

MS SHARP SC: And the risk increases if somebody brings that money into a casino in shopping bags?

10 **MS ARNOTT:** It's not necessarily that the risk is increasing for every piece of this - of these types of transactions. The risk should be considered if the cash is being presented in an unusual manner. So as any one of these things is something that should be considered to be brought to attention of the AML team, should the cash be presented in those ways. But it's not necessarily an increasing level of risk
15 per item that - that comes off that list. But, yes, they are the red flags that we train the staff in to consider when they are conducting cash transactions with staff.

MS SHARP SC: So is it right that a red flag for money laundering would be somebody bringing in, say, \$100,000 in cash in a shopping bag?

20 **MS ARNOTT:** Yes, that would be a red flag.

MS SHARP SC: Or a shoebox?

25 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that holding a casino licence is a privilege?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And do you agree that with that privilege comes commensurate responsibility?

35 **MS ARNOTT:** Yes.

MS SHARP SC: May we take it that you have familiarity with the objects of the Casino Control Act in New South Wales?

40 **MS ARNOTT:** Yes, I do, but I don't - my knowledge of the Casino Control Act is far less significant than it would be of the AML/CTF Act, for example.

MS SHARP SC: Are you aware that one of the primary objects of the Act is to ensure that the management and operation of the casino remain free from criminal influence or exploitation?
45

MS ARNOTT: Yes.

MS SHARP SC: Do you agree that the reason why one of the primary objects of the Act is that is because there is a real risk that the management and operation of the casino may be exposed to criminal influence or exploitation?

5 **MS ARNOTT:** Yes, I think that would be the - that's the reason for the - I'm sorry. Can you repeat that question? I'm sorry.

MS SHARP SC: Certainly. Do you agree that the reason why that is one of the primary objects of the Act is because there is a real risk that the management and
10 operation of the casino may be exposed to criminal influence or exploitation?

MS ARNOTT: I think - I think that it is there - in part, I believe. So I think that it is there because if that risk were to, in fact, eventuate, then that would be very concerning. But the - I don't know that - when you say "real risk", I don't know
15 that the likelihood of that risk is significant.

MS SHARP SC: Do you agree that the fact that there is a risk means that at all times the casino licensee must be vigilant to ensure the risk is not realised?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And are you aware that the casino licensee may only obtain and then continue to hold the casino licence as long as it remains a suitable person to do so?
25

MS ARNOTT: Yes.

MS SHARP SC: Do you understand that for a casino licensee to remain a suitable person, it must be a person of good repute, having regard to character, honesty and integrity?
30

MS ARNOTT: Yes.

MS SHARP SC: And do you understand that this is a requirement, both at the time of the grant of the licence and at all times thereafter?
35

MS ARNOTT: Yes.

MS SHARP SC: Do you also understand that for a casino licensee to remain a suitable person, it must take care to ensure that it only has business associations with those of good repute?
40

MS ARNOTT: I don't - I - I know that there is a clause in the Casino Control Act in relation to good repute, but I will take your word for it that that is - that is what
45 that clause relates to.

MS SHARP SC: I'm not asking you about the terms of legislation; I'm just asking you about what your understanding is at the moment.

MS RICHARDSON SC: Well, no, sorry, I object. The question was not put on the basis of understanding. It was put on the basis that, in effect, a legal requirement of what a licensee must do to remain a suitable person.

5

MR BELL SC: Perhaps you can ask the question again, Ms Sharp, taking Ms Richardson's objection into account.

MS SHARP SC: Yes. Do you understand that for a casino licensee to remain a suitable person, it must take care to ensure that it only has business associations with those of good repute?

10

MS ARNOTT: I'm sorry, I don't know that that's a substantially different question, but if you're asking me do I understand that we should make sure that we do business with people of good repute, then - then yes, I suppose that - that we should do that.

15

MS SHARP SC: All right. And do you understand that if you can't satisfy yourself that a person is of good repute, the casino should not deal with them?

20

MS ARNOTT: Yes. I - as I said, I don't have a strong understanding of what the legal requirements are in that -

MS SHARP SC: I'm not asking you about whether you understand what the precise terms of the legislation are; I'm asking you about your general understanding of organising principles, really. Do you organise - do you understand that there is an organising principle that the casino should only have dealings with those who are not of bad repute?

25

MS ARNOTT: Yes. Yes. I - I suppose so. Yes.

30

MS SHARP SC: Well, does it mean you don't have that understanding?

MS ARNOTT: Well I - I don't know what - I understand that we should do business with people that - that we should consider what the risks are in relation to our - our customers and our people, and I understand that there are clauses in the CCF Act that talk about good repute, but having never turned my mind necessarily to - to the questions that you're asking in this way, it's difficult to necessarily give you the answer that you want. But - but yes, we should do - we should do business with people who are of good repute.

35

40

MS SHARP SC: Has that - when you say we should do business with people of good repute, has that always been your understanding while you've worked as the AML/CTF Compliance Officer?

45

MS ARNOTT: In my role as the AML/CTF Compliance Officer, the - we had - the - I suppose I look at them in a slightly different way. But, yes,

where - where the AML/CTF risks and controls about considering doing business with people and good reputes overlap, yes, that is the case.

5 **MS SHARP SC:** Now, given that the casino provides credit to patrons and junkets via cheque-cashing facilities, do you agree it's also important that the casino ensures that those persons are credit worthy.

MS ARNOTT: Yes.

10 **MS SHARP SC:** And it's necessary to undertake some measure of due diligence to understand the capacity of a patron or junket to satisfy any debts?

MS ARNOTT: Yes.

15 **MS SHARP SC:** I might call that a credit concern, and you will understand what I mean; yes? Now, I will go directly to - I just have - I know it's over time, Mr Bell. I have about three more minutes of questions on this topic if I could be permitted to continue?

20 **MR BELL SC:** Yes.

MS SHARP SC: Just from an AML perspective, that's a risk-based system; right?

MS ARNOTT: Right.

25 **MS SHARP SC:** And the first step is to accurately identify the risk that a patron or a junket presents?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And the second step is to accurately evaluate that risk?

MS ARNOTT: Yes, so to - yes.

35 **MS SHARP SC:** And that is because it is then necessary to consider whether and what controls can be imposed to manage that risk?

40 **MS ARNOTT:** Yes. That is - that is the case. But sometimes the decisions and discussions around controls and the decisions and discussions around the risk-rating go hand in hand and aren't necessarily one following the other, but yes.

MS SHARP SC: But, just so we understand, the idea of imposing the control is that we eliminate the risk from eventuating?

45 **MS ARNOTT:** No. I don't think that - you can ever eliminate risks. It is to mitigate and control, rather than necessarily eliminate, although --

MS SHARP SC: Do you agree that one way of eliminating the risk of a patron engaging in money laundering at the casino is to exclude that patron?

5 **MS ARNOTT:** Yes, in some - yes.

MS SHARP SC: Yes. And do you agree that sometimes the risk of money laundering is so great that the only effective control is to exclude that patron from the casino?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And that has always been your understanding?

15 **MS ARNOTT:** Yes. Sometimes they do present too great a risk to continue to - to attempt with other mitigating strategies.

MS SHARP SC: Now, that I will call an AML risk; do you understand?

20 **MS ARNOTT:** Yes.

MS SHARP SC: Now, when I was asking you about whether you understood that the casino must only deal with people of good repute, do you understand what I mean if I call that an integrity risk?

25 **MS ARNOTT:** Yes.

MS SHARP SC: So what I'm trying to tease out here, Ms Arnott, is even if you can manage a risk of money laundering, by a client, there may be circumstances where the casino should still not deal with that client because of the integrity risk that client presents? Do you agree or disagree?

30 **MS ARNOTT:** That may well be the case, yes.

MS SHARP SC: Well, do you agree or disagree?

35

MS ARNOTT: I agree.

MS SHARP SC: What I'm going to suggest to you is that there are three distinct matters that the casino operator ought keep firmly in mind in its dealings with patrons and junkets, and they are, firstly, a credit risk; secondly an AML risk; and thirdly an integrity risk. Do you agree?

40 **MS ARNOTT:** Yes.

45 **MS SHARP SC:** All right. Now sometimes those considerations will overlap, won't they?

MS ARNOTT: Yes, they may do.

MS SHARP SC: All right. But sometimes they raise different considerations, don't they?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Because, to give an example, it may prove possible to control a patron's risk of money laundering, but not be possible to satisfy yourself that that patron is of good repute. Do you agree?

10

MS ARNOTT: That may well be the case, yes.

MS SHARP SC: Is that a convenient time, Mr Bell?

15 **MR BELL SC:** Yes. I can indicate that whatever stage the public hearings have reached by Easter, there will be no public hearings between Good Friday, 15 April and Anzac Day, Monday, 25 April inclusive. And I will now adjourn until 10 am on Monday.

20 **MS SHARP SC:** Thank you, Mr Bell.

<THE HEARING ADJOURNED AT 5.05 PM TO MONDAY, 4 APRIL 2022 AT 10.00 AM