



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**

**MONDAY, 4 APRIL 2022
AT 10:00 AM**

DAY 13

**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 MRT. BOYLE as counsel for The Star Pty Ltd**

**Star Witness
MS SKYE EDWINA RENDLE ARNOTT**

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to a direction against publication commits an offence against section 143B of the Casino
Control Act 1992 (NSW)*

<THE HEARING RESUMED AT 10:01 AM

MR BELL SC: Ms Arnott, you remain bound by the oath you took last Friday.
Yes, Ms Sharp.

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<SKYE EDWINA RENDLE ARNOTT, ON FORMER OATH

<EXAMINATION BY MS SHARP SC

10 **MS SHARP SC:** Ms Arnott, what was your experience prior to joining Star Entertainment?

MS ARNOTT: My work experience?

15 **MS SHARP SC:** Yes.

MS ARNOTT: I spent nearly 10 years working at the New South Wales Crime Commission.

20 **MS SHARP SC:** And did you work on issues associated with money laundering while you were at the New South Wales Crime Commission for 10 years?

MS ARNOTT: At times, yes.

25 **MS SHARP SC:** And did you work on international drug trafficking while you were at the New South Wales Crime Commission?

MS ARNOTT: We were a New South Wales based organisation so we did tend to look at more state-based drug-related matters.

30

MS SHARP SC: But you did also work on occasion in relation to international drug trafficking organisations?

35 **MS ARNOTT:** Yes, there may have been elements of the investigations I did that had international components.

MS SHARP SC: And how senior were you in the New South Wales Crime Commission by the time you left?

40 **MS ARNOTT:** The Crime Commission had, particularly at that time, a very flat structure. So I was an intelligence analyst at that time.

45 **MS SHARP SC:** Do you agree that the role of the AML/CTF compliance officer is to report to the board's risk committee any concerns about compliance with the effectiveness of The Star AML/CTF program?

MS ARNOTT: Yes.

MS SHARP SC: Now, I would like to ask you about some money laundering risks, if I may. Do you agree that remitters can be involved in laundering money either by performing relevant transactions without knowledge of the illegal origin or destination of the funds or by direct involvement or complicity in a criminal organisation?

MS ARNOTT: Yes.

MS SHARP SC: So that's a specific risk associated with money remitters, isn't it?

MS ARNOTT: Yes.

MS SHARP SC: And you have been aware of that at all times?

MS ARNOTT: Yes.

MS SHARP SC: Do you agree that a money laundering risk of third-party remitters is that they may accept large cash transactions with a limited Know Your Customer or due diligence procedure?

MS ARNOTT: Yes.

MS SHARP SC: And the very nature of remitters is to provide only remittance or currency exchange services which limits interaction and knowledge of their customers?

MS ARNOTT: Yes, that tends to be the case.

MS SHARP SC: And this makes dealings with third-party remitters a particular money laundering risk, doesn't it?

MS ARNOTT: Yes, it can do.

MS SHARP SC: And how do you rate that risk?

MS ARNOTT: It depends a little bit on the remitter and the jurisdiction where they come from. Some of those risks can be lowered by having dealings with remitters in jurisdictions where they are also covered by like acts, in which case they would probably present at least a medium risk because we don't have a face-to-face interaction with the customer. So I think that all of our TT-related AML risks have been rated as medium.

MS SHARP SC: And how about remitters who make their deposits in Macau?

MS ARNOTT: The remitters that - well, if they're - we would - sorry. Remitters that accept deposits in Macau may have a higher money laundering risk where they're not subject to like money laundering regime.

MS SHARP SC: Well, what's your starting premise when you are considering the risk that remitters in Macau present?

5 **MS ARNOTT:** So the starting premise of the remitters that I know that we had dealings with from Macau were that they were licensed money remitters in Hong Kong and they were bound by the Hong Kong money laundering ordinance and --

10 **MS SHARP SC:** That doesn't answer my question, Ms Arnott. I was asking you about the position of risk, vis-a-vis remitters making deposits in Macau.

MS ARNOTT: I'm sorry, that - I was attempting to answer your question, Ms Sharp. So, yes, there may be an additional risk associated with the Macau-based transaction because they weren't necessarily licensed money remitters in Macau.

15 **MS SHARP SC:** Could you tell us, is it right that cheque cashing facility debts could be repaid by third parties?

20 **MS ARNOTT:** That was certainly not the policy position. The debts were supposed to be repaid by the customer who incurred the debt. Yes. Sorry, yes, they were supposed to be repaid by people who had incurred that debt.

MS SHARP SC: And you've told me about the policy position. What was the practice, to the best of your knowledge?

25 **MS ARNOTT:** The practice, to the best of my knowledge, is we would accept money from third-party remitters with the understanding that that was, in fact, coming from the person who had incurred the debt.

30 **MS SHARP SC:** What about third parties that were not remitters?

MS ARNOTT: My understanding was that was not the case. If - there may have been companies which a customer had some kind of link to, but, in general, my understanding is that we took - that those repayments were not made by third parties.

35 **MS SHARP SC:** Based on your experience in money laundering and counter-terrorism financing, is there a risk that front money accounts and safekeeping accounts can be used to store illicit money outside the banking system?

40 **MS ARNOTT:** Yes.

MS SHARP SC: At The Star, are patrons permitted to take chips out of the casino?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Are there any limits on the value of the chips they can take out of the casino?

MS ARNOTT: No.

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MS SHARP SC: Are they permitted to take non-negotiable chips out of the casino?

MS ARNOTT: I believe so.

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MS SHARP SC: Are they permitted to take plaques out of the casino?

MS ARNOTT: Yes, I believe so.

15 **MS SHARP SC:** Are there any money laundering risks associated with permitting patrons to take chips out of the casino?

MS ARNOTT: Yes, there are.

20 **MS SHARP SC:** And what are they?

MS ARNOTT: The plaque - chips, particularly where they are cash chips, are a good way to transfer value between people because they act as cash but are easy to transport.

25

MS SHARP SC: And is it right that you can lose track of the source of funds?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And why, in view of that risk, does Star permit people to take chips and plaques out of the casino?

MS ARNOTT: My understanding is that once they have purchased the chips, they are the customer's to negotiate. It would be very - other than asking people to turn in all their chips at the door, it's a challenging thing to manage.

35

MS SHARP SC: Did you participate in the preparation of the most recent iteration of the transaction monitoring program?

40 **MS ARNOTT:** There have been a number of changes whilst I'm on maternity leave. I'm sorry, I'm not sure if the most recent iteration was something that I directly had involvement in. You will have to remind me of when it was approved.

MS SHARP SC: Have you seen the current transaction monitoring program?

45

MS ARNOTT: Yes.

MS SHARP SC: And do you agree with the statement of risks set out in that program?

5 **MS ARNOTT:** I'm sorry, I can't recall it off the top of my head.

MS SHARP SC: Well, do you think it would have stuck in your mind if a risk was stated there that you did not agree with?

10 **MS ARNOTT:** Yes.

MS SHARP SC: Now, it's right that you started at Star Entertainment as an investigation analyst?

15 **MS ARNOTT:** Yes, that's right.

MS SHARP SC: And then, from 2016 to 2019, you were the group compliance manager?

20 **MS ARNOTT:** I was the compliance manager. My apologies, I made an error in my statement with the inclusion of the word "group".

MS SHARP SC: So you were the compliance manager at The Star, were you?

25 **MS ARNOTT:** Yes.

MS SHARP SC: In Sydney?

30 **MS ARNOTT:** It was a group - well, group role, part of The Star Entertainment Group.

MS SHARP SC: Right. So, in effect, you were the compliance manager for the group, but you did not have the designation "group compliance manager"?

35 **MS ARNOTT:** Correct.

MS SHARP SC: To whom did you report during that period?

40 **MS ARNOTT:** For a period of time, I reported directly to Paul McWilliams until Micheil Brodie was employed as the general manager of compliance.

MS SHARP SC: Was this an AML/CTF-specific job?

MS ARNOTT: No, it was not.

45 **MS SHARP SC:** So what other matters of compliance were you concerned with?

MS ARNOTT: We looked at a number of different compliance-related areas, including privacy, incident reporting, payment card, data security standards,

marketing-related compliance. There were lots of different compliance trends that were part of my remit at that time.

5 **MS SHARP SC:** At this time, was there an AML team at The Star or Star Entertainment?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And who was in - and I'm talking about the period 2016 to 2019. Who was in that team?

15 **MS ARNOTT:** So Wayne Willett was the AML administrator for New South Wales. Amanda Hanmer was the AML administrator for the South-East Queensland properties, and at some point during that period we employed Sabrina Yi as an international AML administrator, and they reported to Micheil Brodie.

MS SHARP SC: Was there any reporting line through you?

20 **MS ARNOTT:** No.

MS SHARP SC: And what was the interaction between you as compliance manager and the investigation team? And this is in the period 2016 to 2019.

25 **MS ARNOTT:** The investigations team would always come to our monthly meetings. So the PAMM and JRAM meetings. And whenever there was something that - where we had joint interests, if you like, we would - we would discuss those matters as they came up.

30 **MS SHARP SC:** And how would you - when you had a matter of joint interest, how would those discussions take place? Would there be a formal meeting?

35 **MS ARNOTT:** Sometimes. Sometimes there would be a formal meeting. Sometimes it would be just a catch-up over coffee. There's lots of different ways to communicate with the investigators.

MS SHARP SC: And in that period, 2016 to 2019, how many people were there in the investigations team?

40 **MS ARNOTT:** I'm not sure. There was certainly Mr Houlihan and two investigations managers, one in Sydney and one in Queensland. And at least one or two other staff members in each state. But I am not sure how many they had specifically.

45 **MS SHARP SC:** Was one of them Andrew McGregor?

MS ARNOTT: Yes.

MS SHARP SC: Was another of them Ian Tomkins?

MS ARNOTT: No.

MS SHARP SC: No? What was Ian Tomkins's role?

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MS ARNOTT: Ian Tomkins was part of the regulatory affairs team.

MS SHARP SC: Is it correct that there was a weekly AML meeting in the period 2016 to 2019?

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MS ARNOTT: Yes, we would have weekly meetings.

MS SHARP SC: And who attended these meetings?

15 **MS ARNOTT:** Micheil Brodie, the two administrators, myself - or the three administrators, when they came on. We also hired a contract role through that period and she would come at that time, once she came on board too. Yes, so just the AML team.

20 **MS SHARP SC:** Did the investigators team attend those meetings?

MS ARNOTT: Not routinely, no.

MS SHARP SC: Did Kevin Houlihan attend those meetings?

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MS ARNOTT: No, I don't believe so.

MS SHARP SC: Now, when you became the group manager of AML/CTF and financial crime, did those weekly meetings continue?

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MS ARNOTT: Yes, they did.

MS SHARP SC: And you continued to participate in them?

35 **MS ARNOTT:** Yes.

MS SHARP SC: And thereafter you had direct responsibility for AML?

MS ARNOTT: Yes.

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MS SHARP SC: And that was your sole responsibility, was it?

MS ARNOTT: Yes, it was.

45 **MS SHARP SC:** And who did you report to at that time?

MS ARNOTT: In the beginning, I reported directly to Paul McWilliams, and after he retired, I reported to Andrew Power.

MS SHARP SC: And would Andrew Power come to the weekly AML meetings?

MS ARNOTT: No, he didn't.

5

MS SHARP SC: Did - during that period - and, to be clear, you were the group manager in January 2019 to 31 October 2021, weren't you?

MS ARNOTT: Yes, that's correct, excepting a period of leave.

10

MS SHARP SC: And that was your parental leave from May 2020 to May 2021?

MS ARNOTT: Yes, that's correct.

15

MS SHARP SC: Now, how many people were in the AML/CTF team at that time?

MS ARNOTT: So we had the three administrators that I had previously described. The contractor that we had to help us to write the program, we offered a manager of - program manager role, and we had seconded an additional person in New South Wales to assist us.

20

MS SHARP SC: Are you looking at notes while you're --

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MS ARNOTT: No, I'm sorry, I'm counting on my fingers. And we - I'm sorry, I've been thrown. And there was an international resource in the Hong Kong office. Or she technically reported through to Michael Whytcross. She assisted us as a resource and came to all of our weekly --

30

MS SHARP SC: Who was that?

MS ARNOTT: Her name was Michelle Chiu. She was the international compliance officer.

35

MS SHARP SC: And you mentioned the contractor rewriting the program. Was that Howard Steiner?

MS ARNOTT: No, that wasn't. That was Marcela Willoughby. And Howard came in at that time too, as a project director. Thank you for reminding me.

40

MS SHARP SC: And was Angus Buchanan in your team?

MS ARNOTT: No, he was not.

45

MS SHARP SC: What was his role at that time?

MS ARNOTT: He had an enhanced customer due diligence role of some kind. I'm not exactly sure what his position was. He sat with Kevin. He may have even reported directly to Paula.

5 **MS SHARP SC:** Isn't enhanced customer due diligence something that the AML team is responsible for?

10 **MS ARNOTT:** It is, and so I knew he had a background in that and he was looking into our - ways to improve our enhanced customer due diligence program at the time. And I spoke to him in relation to that. But he was doing other things with the investigators. I don't know what his primary role was in that space.

15 **MS SHARP SC:** Given that he had a role in enhanced customer due diligence, while you were group manager of the AML/CTF and financial group - financial crime group, can we take it you liaised reasonably closely with him?

20 **MS ARNOTT:** Yes, at times. I spoke to him quite a lot about that particular space but I think he was doing other things for the majority of the time that he was there in 2019. So it wasn't a day-to-day contact, if you like. He wasn't doing - for most of the period he wasn't doing specific enhanced customer due diligence work.

MS SHARP SC: Did he come to the AML weekly meetings?

25 **MS ARNOTT:** No, he didn't.

MS SHARP SC: Now, from 1 November 2021, you've been the Chief Financial Crime Officer. Who do you report to now?

30 **MS ARNOTT:** I report to Kevin Houlihan.

MS SHARP SC: Is this an AML-specific job?

MS ARNOTT: Yes, it is.

35 **MS SHARP SC:** Is this a position of senior management?

MS ARNOTT: Yes, it is.

40 **MS SHARP SC:** And was your position as the group manager of AML/CTF and financial crime a position of senior management within the organisation?

MS ARNOTT: Yes, it was.

45 **MS SHARP SC:** Can I go to your statement, please, Ms Arnott. Do you have a copy of that with you.

MS ARNOTT: I do.

MS SHARP SC: It's INQ.002.004.0241. Do you see at paragraph 8, you outline your current role as Chief Financial Crime Officer and the AML/CTF compliance officer?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, those various subparagraphs. Were they also part of your role in your previous position as the group manager AML/CTF and financial crime?

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MS ARNOTT: Yes, to a point. A number of them are specifically - sorry, I'm just reminding myself of them - specifically relating to the compliance officer role. And a number of them are expanded because of the changing focus and the expanded team compared to the role that I had as the group manager of financial crime.

15

MS SHARP SC: When was it that you first became the AML/CTF compliance officer?

20 **MS ARNOTT:** Would have been August 2019.

MS SHARP SC: And who was the compliance officer before that?

MS ARNOTT: Paul McWilliams.

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MS SHARP SC: For how long - it's right, isn't it, that you report to The Star Entertainment board's risk and compliance committee?

MS ARNOTT: Yes.

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MS SHARP SC: For how long have you engaged in that reporting?

MS ARNOTT: I think I would have started attending board and committee meetings in 2019 at least. I may have attended some but less routinely prior to that.

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MS SHARP SC: And it's right that that committee generally meets quarterly?

MS ARNOTT: Generally, yes.

40

MS SHARP SC: And what was it your responsibility to report on?

MS ARNOTT: We would report on the program and changes and enhancements we were making to it. If we had any specific breaches or concerns to the program, they would be reported. Interaction with AUSTRAC. And I think, from memory, they were the key primary points.

45

MS SHARP SC: Do you agree that in order to keep the board informed of AML risks, it was important that you did report to the risk committee specific breaches or concerns?

5 **MS ARNOTT:** Yes, where they were - yes.

MS SHARP SC: Was AML and CTF a standing item on the risk committee's agenda?

10 **MS ARNOTT:** Yes, it was.

MS SHARP SC: Did you prepare written reports to this committee?

MS ARNOTT: Yes, I did.

15

MS SHARP SC: Is it correct that you attended both PAMMs and JRAMs?

MS ARNOTT: Yes, I did for most of the relevant period.

20 **MS SHARP SC:** And, sorry, what's the "relevant period"?

MS ARNOTT: Sorry, the relevant period of the inquiry.

MS SHARP SC: So that's from November 2016 onwards, is it?

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MS ARNOTT: Yes.

MS SHARP SC: Okay. And PAMM is the patron activity monitoring meeting?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And the JRAM is the joint patron activity monitoring meeting?

35 **MS ARNOTT:** I think we call it the joint risk assessment meeting. I will point out there was a period in time where the compliance officer was listed as optional for some of those meetings. But I attended most of them anyway, and I think it's gone back to being a permanent member of - of those meetings.

40 **MS SHARP SC:** If you, today, wish to go to internal databases to understand the AML risks that patrons present or what due diligence has been conducted on those patrons, what databases do you go to?

45 **MS ARNOTT:** The primary database I would go to is TrackVia, which is relatively new database that holds all of the AML risk information. Previously, that was held in Protecht. There's also risk information and KYC information held in Synkros which is the casino management system.

MS SHARP SC: If you wanted to examine third-party due diligence reports on patrons, where would you find them?

5 **MS ARNOTT:** They're held or were previously held by Oliver White.

MS SHARP SC: And when did you first become aware of that?

10 **MS ARNOTT:** I'm not sure. I - I can't recall. It would have been some time in - I genuinely don't know. I would be guessing.

MS SHARP SC: Have you ever asked Oliver White to provide you with a third-party due diligence report?

15 **MS ARNOTT:** Yes.

MS SHARP SC: On how many occasions?

20 **MS ARNOTT:** I can't recall. There have been some occasions where I have asked Oliver to commission due diligence reports. I think there have been three or four of those. But I can't recall. Maybe a dozen times.

MS SHARP SC: Do you have an exhaustive understanding of how many third-party due diligence reports Oliver White currently has?

25 **MS ARNOTT:** No, I don't.

30 **MS SHARP SC:** Can I take you to a document, please? It's KPMG.001.001.7550. Now, I'm not suggesting that you have seen this document before, but this is a - this is exhibit C33. I'm showing you this to you because it's a file note of a meeting that you apparently attended. First of all, do you recall attending a meeting with KPMG representatives on or about 14 February 2018?

35 **MS ARNOTT:** I recall meetings with KPMG executives, but I don't know the date, and I can't see the document as yet.

MS SHARP SC: Have you got - has the document not come up on your screen, Ms Arnott?

40 **MS ARNOTT:** No.

MR BELL SC: It's on my screen, Ms Sharp.

45 **MS SHARP SC:** Yes, it's on my screen too. I'm just a little concerned that it's not on Ms Arnott's screen, Mr Bell. I wonder whether the operator can assist us and tell us whether there's any difficulty showing this to Ms Arnott?

OPERATOR: Hi, Ms Sharp. This is the operator. Just to confirm, we are seeing the evidence currently. We will try and address that issue with Ms Arnott.

MS SHARP SC: I wonder, Mr Bell, I do need to take Ms Arnott to some documents this morning. I wonder if we might need to have an adjournment so this technical issue can be addressed?

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MR BELL SC: Yes, I will adjourn momentarily.

<THE HEARING ADJOURNED AT 10:26 AM

10 **<THE HEARING RESUMED AT 10:32 AM**

MS SHARP SC: Ms Arnott, do you now have --

15 **OPERATOR:** My apologies, Ms Sharp. Mr Bell, all participants are present. We are now live.

MR BELL SC: Yes, Ms Sharp.

20 **MS SHARP SC:** Ms Arnott, do you now have on your screen a file note from KPMG dated 14 February 2018?

MS ARNOTT: Yes, I do.

25 **MS SHARP SC:** Could I take you, please, to pinpoint 7552. Do you see there's a heading Junket Risk Assessment Methodology?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And what is recorded in this file note is, as follows:

"There is no formal risk assessment methodology for junkets. It is only the due diligence process junkets go through, which is done by AML administrators, credit, legal and investigations teams."

35 Now, that statement was correct at the time, wasn't it?

MS ARNOTT: Yes.

40 **MS SHARP SC:** Now, at that time - that is, February 2018 - did you understand that even if the casino considered that a money laundering risk could be controlled, it nevertheless had to ensure itself that the junket was of good repute?

45 **MS ARNOTT:** That was not something that we - that I necessarily considered in - in that role, no. We were looking specifically at money laundering risks at this time.

MS SHARP SC: Okay. But my question was slightly different. Did you understand that in addition to money laundering risks, the casino also needed to consider the question of whether the junket was of good repute?

5 **MS ARNOTT:** At that time, no, I didn't turn my mind to that.

MS SHARP SC: Now, in the time after this file note, did The Star create a formal risk assessment methodology for junkets?

10 **MS ARNOTT:** A formal risk assessment methodology was created that junkets could be assessed using. But it wasn't specific to junkets.

MS SHARP SC: And when was that methodology created?

15 **MS ARNOTT:** It was at some time in 2018. And, apologies, I can't remember the exact date.

MS SHARP SC: Did you have any role in creating that methodology?

20 **MS ARNOTT:** I put together a draft, but Paul McWilliams did the - wrote the primary - the methodology himself.

MS SHARP SC: And did you understand at any time while assisting Mr McWilliams put together that draft that one of the matters the casino needed to consider was whether the junkets with which it dealt were of good repute?

25 **MS ARNOTT:** No. As I said earlier, that's not something that we necessarily considered. We were looking at the immediately risk associated with the junket.

30 **MS SHARPE SC:** And this is even when a risk assessment methodology for junkets was formulated?

MS ARNOTT: As I said, it is a generalised risk methodology, not one specifically related to junkets.

35 **MS SHARP SC:** But insofar as that risk assessment methodology, applies to junkets, is it right that at the time you assisted developing it, you did not understand that one of the issues the casino needed to concern itself with was whether the junket or the patron was of good repute?

40 **MS ARNOTT:** Not within this risk methodology, no.

MS SHARP SC: Do you understand that is the case now?

45 **MS ARNOTT:** Yes, I understand that that is - yes.

MS SHARP SC: All right. And just to be clear, you now understand that a question the casino must concern itself with is whether the people with whom it deals are of good repute?

5 **MS ARNOTT:** Yes.

MS SHARP SC: When did you first have that understanding?

10 **MS ARNOTT:** Ms Sharp, I believe I've always known that there was an element of that in the Casino Control Act but I - prior to speaking with you, it's not something that I necessarily thought through particularly, because in an AML-specific role, I was specifically looking at AML related risks.

15 **MS SHARP SC:** So but - when I raised it with you on Friday, is that the first time you have really thought about it?

MS ARNOTT: That's the first time I've - yes.

20 **MS SHARP SC:** Now, you're aware, aren't you, that one of The Star's core values is "do the right thing"?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And when did that become a core value of The Star?

MS ARNOTT: I'm not aware of - it's been a number of years, I imagine.

MS SHARP SC: What does it mean?

30 **MS ARNOTT:** It means that you should act with integrity.

MS SHARP SC: Does it mean that you need to adhere to the spirit as well as the letter of the law?

35 **MS ARNOTT:** Look, I suppose so. It means that you should act with integrity and try to make sure that the things that you do are done well and for the right reasons.

40 **MS SHARP SC:** As an employee of Star Entertainment, have you at all times been aware of the code of conduct?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Do you agree that one of the rules of the code of conduct is, "We comply with the law"?

MS ARNOTT: Yes.

MS SHARP SC: And that's a matter of which you've always been aware during your employment?

MS ARNOTT: Yes.

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MS SHARP SC: And do you agree that another rule of the code of conduct is that "We are ethical"?

MS ARNOTT: Yes.

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MS SHARP SC: You've always been aware of that requirement while you've worked at Star?

MS ARNOTT: I believe so, yes.

15

MS SHARP SC: And do you agree that one component of being ethical is being honest?

MS ARNOTT: Yes.

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MS SHARP SC: And do you agree another component of being ethical is complying with the spirit as well as the letter of the law?

MS ARNOTT: Yes.

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MS SHARP SC: And do you agree that the code of conduct requires employees to refrain from behaviours that could bring Star Entertainment into disrepute?

MS ARNOTT: Yes.

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MS SHARP SC: And have you been aware of that requirement at all times?

MS ARNOTT: Yes.

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MS SHARP SC: And do you agree that the code of conduct states that:

"Employees are expected to challenge and report unethical behaviours or practices."

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MS ARNOTT: Yes.

MS SHARP SC: And have you at all times been aware of that requirement while you have worked at Star Entertainment?

45

MS ARNOTT: Yes.

MS SHARP SC: Are you aware that the code of conduct states that employees are expected to provide complete, honest and accurate information to any regulator who lawfully requests the information.

5 **MS ARNOTT:** Yes.

MS SHARP SC: Have you at all times been aware of that requirement while you've worked at The Star?

10 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that holding a casino licence is a special privilege?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that with that special privilege come commensurate responsibilities?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And do you agree that one of those responsibilities is ensuring the integrity of casino operations?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And have you at all times been aware, while you have worked at Star Entertainment, that that is one of the responsibilities of a casino operator?

30 **MS ARNOTT:** Yes.

MS SHARP SC: What does it mean that the casino has to ensure the integrity of its casino operations?

35 **MS ARNOTT:** It means that it has to make sure that the casino complies with all relevant legislation, and that we act to make sure that the casino isn't unduly influenced by third party factors that it shouldn't be. And that we make sure we continue to operate in a good and legal fashion.

40 **MS SHARP SC:** Okay. Do you agree that one aspect of ensuring the integrity of casino operations is that - ensuring that the casino does not become vulnerable to criminal influence or exploitation?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And you've at all times been aware of that while you've worked at The Star?

MS ARNOTT: Yes.

MS SHARP SC: And do you agree that an important aspect of the compliance with the casino licence is ensuring the honesty, integrity and transparency of casino's dealings with others?

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MS ARNOTT: Yes, that seems sensible. I have not turned my mind to it previously, but yes.

MS SHARP SC: Have you at all times tried to be transparent in your dealings with others in relation to casino operations?

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MS ARNOTT: Yes, I believe so.

MS SHARP SC: Can I go to your statement, please. You've got that in front of you?

15

MS ARNOTT: I do.

MS SHARP SC: Now, if I could take you to paragraph 24.

20

MS ARNOTT: Yes.

MS SHARP SC: Do you see that paragraph 24 answers question 2?

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MS ARNOTT: Yes.

MS SHARP SC: And do you see it says:

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"Were you made aware of money laundering concerns in Salon 95 which resulted in warning letters to Iek Kit Lon in May and June 2018."

MS ARNOTT: Yes.

MS SHARP SC: And at 24 you answer "yes" to that question, don't you.

35

MS ARNOTT: Yes.

MS SHARP SC: And it's right, isn't it, that on numerous occasions in both 2018 and 2019, you were made aware of money laundering concerns in Salon 95?

40

MS ARNOTT: Yes, I was made aware of suspicious activity in that salon, yes.

MS SHARP SC: And you were made aware of that on numerous occasions in both 2018 and 2019?

45

MS ARNOTT: Yes.

MS SHARP SC: Now, Salon 95 was opened for the exclusive use of the Suncity junket in around January or February 2018; is that correct?

5 **MS ARNOTT:** I believe that's accurate, yes.

MS SHARP SC: And it had Suncity branding?

MS ARNOTT: Yes.

10 **MS SHARP SC:** At that time, did you understand that the financial backer of that junket was Alvin Chau?

MS ARNOTT: Yes.

15 **MS SHARP SC:** At that time, did you understand that Alvin Chau had a cheque cashing facility with Star Entertainment?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Have you ever personally met Alvin Chau?

MS ARNOTT: No, I have not.

25 **MS SHARP SC:** Did you understand that Suncity was not supposed to open its own cage or cash desk in Salon 95?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Can I take you, please, to exhibit B at tab 705, which is STA.3412.0019.5757. Now, I will take you, please, to pinpoint 5758. Do you see there's an email from Oliver White dated 13 March and you're copied into it?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Do you expect you would have read this email at the time?

MS ARNOTT: Yes, probably.

40 **MS SHARP SC:** Do you see that it's entitled Suncity Cash Deposit?

MS ARNOTT: Yes.

MS SHARP SC: And do you see that Mr White says in the second paragraph:

45 "Suncity has a service desk in Salon 95. They do not operate a cage and have no authority to operate a cage."

MS ARNOTT: Yes.

MS SHARP SC: And you understood that at the time?

MS ARNOTT: Yes.

5

MS SHARP SC: And do you see that Mr White says in the next paragraph:

"Any transactions involving cash must only take place at The Star Sydney's cage."

10

MS ARNOTT: Yes.

MS SHARP SC: And you understood that at the time of this email?

15 **MS ARNOTT:** Yes, I - yes.

MS SHARP SC: And do you see Mr White says in that fourth paragraph:

"On the basis that Suncity's service desk does not and will not in future handle any cash transactions, you should not need to worry about AML/CTF requirements."

20

MS ARNOTT: Yes.

25 **MS SHARP SC:** And did you share that view at the time?

MS ARNOTT: Look, this was the first iteration of proposed controls in relation to the - to the cash desk. And, yes, that - that is one way of making sure they didn't have to worry about AML/CTF requirements. But there was a later proposal that allowed them to accept cash at that desk in a slightly different manner. So this was not implemented, if you like.

30

MS SHARP SC: And we'll come to what later happened. But do you see that this email is dated 13 March 2018?

35

MS ARNOTT: Yes.

MS SHARP SC: Is it the case that the Salon 95 was already operating without any controls having been imposed from a money laundering perspective?

40

MS ARNOTT: I am - I'm not sure of that. I don't know the exact date that it started operating.

MS SHARP SC: If I could return your attention, please, to the paragraph beginning "On the basis". Do you see Mr White says that:

45

"If you become aware that Suncity are handling cash, please send an email to me including 'Privileged and confidential' in the title."

MS ARNOTT: Yes.

5 **MS SHARP SC:** Did you ever seek legal advice from Mr White in relation to the goings on in Salon 95?

MS ARNOTT: Not that I recall, no.

10 **MS SHARP SC:** No. And, certainly, you hadn't by the time you received this email?

MS ARNOTT: No. Others may have, though.

15 **MS SHARP SC:** But you really don't know, do you?

MS ARNOTT: No, I don't know.

20 **MS SHARP SC:** Now, could I take you, please, to pinpoint 5757. And you will see there's an email from Saro Mugnaini? Now, you're not a party to that email, but if I take you to the email at the top of the page, do you accept that it was forwarded to you?

MS ARNOTT: Yes, I'm a cc on that - on that email, yes.

25 **MS SHARP SC:** And you expect you would have read that email at the time?

MS ARNOTT: It's likely.

30 **MS SHARP SC:** So if we return to Saro's email, do you see that what he relays is that he met with Suncity's representatives and they asked for a review of the decision "to see if we allow them to operate as in Crown". So number 1, Suncity reps to accept cash from their players.

35 **MS ARNOTT:** Yes.

MS SHARP SC: Suncity will collect the Know Your Customer, and Suncity makes a deposit to The Star cage every 24 hours?

40 **MS ARNOTT:** Yes.

MS SHARP SC: So did you understand, when Mr White forwarded the email to you, that Suncity was pushing back on the proposal that it not operate a cage or cash desk?

45 **MS ARNOTT:** It was pushing back on certain aspects of it. I don't know that this would necessarily make it operate as a cage but, yes, it was pushing back on certain aspects of the requirements.

MS SHARP SC: And could I take you, please, to paragraph 25 of your statement.

MS ARNOTT: Yes.

5 **MS SHARP SC:** It's correct, isn't it, that in early April 2018, Micheil Brodie asked you to conduct an AML risk assessment to evaluate The Star's risk exposure with regards to the operation of Salon 95?

MS ARNOTT: Yes, that's correct.

10

MS SHARP SC: Now, could I take you, please, to STA.3415.0014.0710. This is exhibit B, tab 721.

MS ARNOTT: Yes.

15

MS SHARP SC: And you can see this is an email from Mr White to Mr Brodie and Ms Martin into which you are copied?

MS ARNOTT: Yes.

20

MS SHARP SC: It's entitled Sun City Service Desk - risk assessment - point for discussion - call following EEIS Steerco.

MS ARNOTT: Yes.

25

MS SHARP SC: And Mr White there is asking you and others if you would discuss the Suncity risk assessment.

MS ARNOTT: Yes.

30

MS SHARP SC: And he asked whether you would do that following the EEIS Steerco meeting?

MS ARNOTT: Yes.

35

MS SHARP SC: Were you involved in the EEIS Steerco meetings?

MS ARNOTT: No.

40 **MS SHARP SC:** Did you know what they were about at that time?

MS ARNOTT: It was about setting up the EEIS entity.

45 **MS SHARP SC:** Do you recall what you discussed with - I withdraw that. Did, following his request, Mr White have a discussion with you and others regarding your risk assessment for Suncity?

MS ARNOTT: I don't recall.

MS SHARP SC: Can I take you, please, to STA.3410.0053.0147. This is exhibit B, tab 722, Mr Bell. Now, if I can take you, perhaps, to the email from Marcus Lim of 6 April. I will just highlight or have enlarged for you, so you can read. You
5 see this is an email from Marcus Lim dated 6 April 2018 to Mr Brodie and copied to you?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And is it right that what happened was that you had a meeting with Suncity representatives?

MS ARNOTT: I certainly didn't, no.

15 **MS SHARP SC:** Do you see that Mr Lim refers to two representatives of Suncity attending a call with Mr Brodie?

MS ARNOTT: I'm not sure that they attended the call with -- I don't know. I don't
20 know that they attended the call with Mr Brodie or whether it was a call with just Marcus.

MS SHARP SC: And do you see that Mr Lim was asking that full questions be sent prior to the meeting?

25 **MS ARNOTT:** Yes.

MS SHARP SC: So did you play any role in preparing questions to go to a meeting?

30 **MS ARNOTT:** I didn't.

MS SHARP SC: And you say you didn't attend it?

MS ARNOTT: No.

35 **MS SHARP SC:** Did Mr Brodie tell you anything about having a meeting with Suncity representatives?

MS ARNOTT: No.

40 **MS SHARP SC:** Right. Do you see at the bottom, it states:

"Alvin Chau (CEO of Suncity) has a direct influence with our partners CTF
45 and FEC."

MS ARNOTT: Yes.

MS SHARP SC: That's Chow Tai Fook and Far East Consortium?

MS ARNOTT: That's correct.

5 **MS SHARP SC:** And Star Entertainment was in business dealings with CTF and FEC at that time?

MS ARNOTT: That's correct.

10 **MS SHARP SC:** Did you take note of that information that Mr Lim provided you at the time?

MS ARNOTT: I possibly would have read it but --

15 **MS SHARP SC:** And if I can take you to the top email. This is from Mr Brodie to Mr Lim, and do you see you're copied?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And do you think it most likely you read this email at the time?

MS ARNOTT: Yes, most likely.

25 **MS SHARP SC:** And do you agree that Micheil Brodie was assuring Marcus Lim that the risk assessment would not slow down the implementation of the arrangement?

MS ARNOTT: Yes, that's correct.

30 **MS SHARP SC:** Did Mr Brodie have any conversation with you about the risk assessment not slowing down the implementation of the arrangement?

MS ARNOTT: No, he didn't.

35 **MS SHARP SC:** Did you ask him when you read that email?

MS ARNOTT: I don't recall.

40 **MS SHARP SC:** Could I take you, please, to STA.3410.0051.8577. This is exhibit B372 - 732. Now, could I take you, please, to the bottom of that first page to an email from Michael Whytcross dated 13 April 2018.

MS ARNOTT: Yes.

45 **MS SHARP SC:** Do you see you're the recipient of that email?

MS ARNOTT: Yes.

MS SHARP SC: And it's called Risk Assessment - Suncity Service Desk?

MS ARNOTT: Yes.

5 **MS SHARP SC:** And do you agree that you read this at the time it was sent to you?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And you see Mr Whytcross says:

"Hi Skye, as discussed just now, understand the risk assessment document was for internal purposes."

15 **MS ARNOTT:** Yes.

MS SHARP SC: Is it right that you spoke with Mr Whytcross at around that time about the risk assessment?

20 **MS ARNOTT:** It seems likely.

MS SHARP SC: Do you have any recollection of that discussion?

MS ARNOTT: No, I don't.

25 **MS SHARP SC:** Now, what he says is:

"As we ran through and in terms of feeding this information back with Suncity - would recommend we proceed on the following approach."

30 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see one of those, or two of those dot points is dot point:

35 "Customer cannot receive cash in exchange for chips in the same transaction."

Dot point:

40 "Cash received at the sun service desk cannot be used to settle with patrons. Any settlement must be at the cage.

MS ARNOTT: Yes.

45 **MS SHARP SC:** So is it right Mr Whytcross was telling you what controls were to be imposed in the Suncity Salon 95?

MS ARNOTT: No. I believe he's clarifying the information that would have been communicated to him around controls, making sure he understood it appropriately before relaying it to Suncity.

5 **MS SHARP SC:** And could I take you to the top email in that chain. Do you see that this is an email from you to Mr Whytcross dated 13 April?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And you say that you've discussed it with Micheil - that must be Micheil Brodie, is it?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And you say:

"Can this please, read, 'Cash received at the Suncity Service Desk to be deposited into The Star cage at least on a daily basis.'"

20 **MS ARNOTT:** Yes.

MS SHARP SC: And what you say - and you thought that was an effective control at that time?

25 **MS ARNOTT:** It was an effective control for stopping them from acting as a cage, the idea that the money flows through to The Star cage and isn't held for a long period of time.

30 **MS SHARP SC:** And do you see at the bottom of that second paragraph of the email, you say:

"I agree that testing the adequacy of this control via surveillance and the cage in the first instance is the right approach."

35 **MS ARNOTT:** Yes.

MS SHARP SC: So you did think it was important to conduct some surveillance to see if this control on cash taking was being complied with by Suncity?

40 **MS ARNOTT:** Yes.

MS SHARP SC: And it's right that surveillance was undertaken, isn't it?

45 **MS ARNOTT:** I believe so, yes.

MS SHARP SC: Can I take you, please, to STA.3435.0146.6688. This is exhibit B735. Now, do you see I'm taking you to an email from you to Angela Huang dated 16 April 2018?

MS ARNOTT: Yes.

5 **MS SHARP SC:** And you are referring to controls to be imposed in the Salon 95 room; is that correct?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And it's right, isn't it, that you're referring to the controls in those four dot points?

MS ARNOTT: Yes.

15 **MS SHARP SC:** So that's:

"That Suncity staff do not exchange cash for chips (or vice versa)."

Why was that important?

20 **MS ARNOTT:** Because that would be offering a designated service for the exchange of cash for chips.

MS SHARP SC: And then:

25 "All cash to be taken to the cage as soon as practicable as soon as it was received. "

Why was that important?

30 **MS ARNOTT:** Because the control should be that the money is banked with the cage so it can be allocated to the junket.

MS SHARP SC: And then:

35 "Cash received cannot be given to the patrons as winnings. It must be banked."

Why was that important?

40 **MS ARNOTT:** Well, that's the reverse of the original designated service, which is that you - they should not be exchanging chips for cash. So the money had to all flow to the cage and then back out again (indistinct) winnings.

MS SHARP SC: And then:

45 "Settlement and partial settlements must occur at the cage."

MS ARNOTT: Correct.

MS SHARP SC: Why was that important?

MS ARNOTT: Because that is a casino cage function.

5 **MS SHARP SC:** So is it right that these were the controls you imposed as at 16 April 2018?

MS ARNOTT: Yes, they were the - they were the controls we were proposing.

10 **MS SHARP SC:** And it's right, isn't it, that you thought it would be necessary to conduct surveillance in order to see if there were compliance with controls?

MS ARNOTT: Yes.

15 **MS SHARP SC:** Now, could I take you to some CCTV footage, please. What I will do is call it up, first of all. It's - well, I withdraw that. It's exhibit F at tab 87, which is INQ.020.001.0001. Operator, if I could just stop this at this point, please. I will just have you look at this. Do you see there's a date stamp that says 18 April 2018, Ms Arnott?

20

MS ARNOTT: Yes.

MS SHARP SC: Do you agree that the image before you depicts the balcony off Salon 95?

25

MS ARNOTT: Yes.

MS SHARP SC: What I'm going to do is just play this piece of footage for you in total and then I will come back and ask you some questions about it as we review it more slowly. Operator, could you play the footage, please.

30

<THE RECORDING PLAYED AT 11:03 am.

<THE RECORDING CONCLUDED 11:04 am.

35

MS SHARP SC: The footage has stopped there. I need to tell you, Ms Arnott that what's - I'm sorry, there is still some to play.

<THE RECORDING PLAYED AT 11:05 am.

40

<THE RECORDING CONCLUDED 11:05 am.

MS SHARP SC: Now, what I've just shown you is a compilation of longer CCTV footage that was date-stamped 18 April 2018. Is it correct that you viewed this footage at around the time it was taken?

45

MS ARNOTT: I viewed some footage at around the time - around this April 2018 time, but I can't recall exactly which clips of footage I - I viewed.

MS SHARP SC: Well, if we go back and review this a little more slowly now. In that first - if I play the first part to you, if you could just watch carefully.

5 <**THE RECORDING PLAYED AT 11:06 am.**

<**THE RECORDING PAUSED AT 11:06 am.**

10 **MS SHARP SC:** I will stop it there, Operator. Do you agree that what you've just seen is a Suncity representative in a black suit walk out on to the balcony, check through a black bag with a blue trim and pick it up and bring it back inside Salon 95?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Play the footage again, please, Operator.

<**THE RECORDING PLAYED AT 11:06 am.**

20 <**THE RECORDING PAUSED AT 11:07 am.**

25 **MS SHARP SC:** I will stop the footage there, please. Do you agree that what you've just seen is a Suncity-uniformed gentleman walk the bag around to the open window of the enclosed office and then walk back around to the side door, put the bag down and somebody picks up the bag and takes it inside the office area?

MS ARNOTT: Yes.

30 **MS SHARP SC:** I will play the footage again.

<**THE RECORDING PLAYED AT 11:07 am.**

<**THE RECORDING PAUSED AT 11:08 am.**

35 **MS SHARP SC:** I will stop the footage there. Do you agree the black bag with the blue trim has been opened and a Suncity representative is pulling bundles of cash out of that bag?

40 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree there are many bundles of cash?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Do you agree that those bundles are fastened with rubber bands?

MS ARNOTT: They appear to be so.

MS SHARP SC: Do you agree that there's a cash counter on the front desk?

MS ARNOTT: Yes.

5

MS SHARP SC: Can I please continue playing the footage, operator.

<THE RECORDING PLAYED AT 11:08 am.

10 **<THE RECORDING PAUSED AT 11:09 am.**

MS SHARP SC: I will stop the footage there. Do you agree that a Suncity representative is taking the money out of the black bag with the blue trim, and feeding it through a cash counter and then piling bundles of cash on the desk?

15

MS ARNOTT: Yes.

MS SHARP SC: Play the footage again, please, Operator.

20 **<THE RECORDING PLAYED AT 11:10 am.**

<THE RECORDING PAUSED AT 11:10 am.

25 **MS SHARP SC:** And I will stop the footage there. Do you agree that a Suncity representative is taking those bundles of cash that are on the desk and putting them underneath the desk?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Now, do you expect that since you were conducting an AML risk assessment on Salon 95 in April 2018, it is most likely that footage from 21 April 2018 would have been shown to you?

35 **MS ARNOTT:** Sorry, this is 18 April footage?

MS SHARP SC: I'm sorry, 18 April.

MS ARNOTT: Yes, it is likely I would have seen it.

40 **MS SHARP SC:** Most likely?

MS ARNOTT: I didn't watch a huge amount of footage at this time, but I did review some. So, yes.

45 **MS SHARP SC:** Is there anything in that footage I've just taken you to that concerns you?

MS ARNOTT: Yes.

MS SHARP SC: And what's that, please?

5 **MS ARNOTT:** It's large sums of cash that's coming into the room that's not associated with a customer directly, or at least not that we can see.

MS SHARP SC: Anything else?

10 **MS ARNOTT:** Well, yes, the large sums of cash being brought in is a higher-risk behaviour, and in terms of the - the controls that we put in place, it was supposed to be that that was associated with a particular customer.

15 **MS SHARP SC:** So is it right that this footage we see on the 18 April depicts events that are not consistent with the controls you suggested be imposed in earlier April 2018?

20 **MS ARNOTT:** I can't recall whether or not the specified customer control was imposed prior to this footage or afterwards. But we did expect that there would be some cash transactions coming in - into the desk and so long as they took this - this cash to the cage afterwards, then there was some compliance with the controls, yes.

25 **MS SHARP SC:** Do you agree the footage I'm showing to you suggests a non-compliance with the controls?

MS ARNOTT: Not necessarily, no.

30 **MS SHARP SC:** But you are concerned that there are large volumes of cash in a bag?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And you are concerned that the cash does not appear to have come from a junket participant?

MS ARNOTT: Correct.

MS SHARP SC: Those are large concerns, are they not?

40 **MS ARNOTT:** They are things that I would consider suspicious, yes.

MS SHARP SC: Operator, can I now show Ms Arnott exhibit F at tab 88. This is --

45 **MR BELL SC:** Ms Sharp, is exhibit F87 also MFI6?

MS SHARP SC: I will have to take instructions on that and I will come back to you momentarily, Mr Bell. Can I now show you exhibit F at tab 88, which is INQ.020.001.0003.

5 <**THE RECORDING PLAYED AT 11:13 AM.**

<**THE RECORDING PAUSED AT 11:13 AM.**

10 **MS SHARP SC:** And I will stop that for the moment, please, Operator. Do you see, Ms Arnott, that this footage is also date-stamped 18 April 2018?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And just so we understand, the CCTV footage is, to your understanding, date-stamped the time it is taken?

MS ARNOTT: Yes.

20 **MS SHARP SC:** So we can be quite confident, can't we, that this footage depicts an event happening on 18 April 2018?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And do you see this is at a different time to the piece of footage I took you to a moment ago?

MS ARNOTT: I didn't pay attention, but I will take your word for it that it is a different time.

30 **MS SHARP SC:** Can you see there's a - we're again looking at the balcony that comes off Salon 95?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And can you see that there is a gentleman in a black suit holding or touching a black bag?

MS ARNOTT: Yes.

40 **MS SHARP SC:** But do you agree it's a different bag than the black bag with the blue trim that I took you to in the previous piece of footage?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Right. Well, now what I will do is have this played to you and then I will ask you some questions.

<**THE RECORDING PLAYED AT 11:14 am.**

<THE RECORDING PAUSED AT 11:16 am.

5 **MS SHARP SC:** I will take that back and we will go through it more slowly and I will ask you some questions about it. Before I do, Mr Bell exhibit F87 was MFI6, and exhibit F, tab 88 was MFI7.

MR BELL SC: Yes, thank you.

10 **MS SHARP SC:** Operator, could you play the footage, please.

<THE RECORDING PLAYED AT 11:16 am.

<THE RECORDING PAUSED AT 11:17 am.

15 **MS SHARP SC:** And I will stop it there, thank you. Do you agree that what the footage depicts is somebody in a black suit picking up a black backpack from the balcony, walking it into Salon 95, taking it around to the window of the office and then walking it back around to the door, and somebody opens the door and picks
20 up that black backpack and brings it into the enclosed room?

MS ARNOTT: Yes.

25 **MS SHARP SC:** I will play the footage again, please.

<THE RECORDING PLAYED AT 11:18 am.

<THE RECORDING PAUSED AT 11:18 a.m.

30 **MS SHARP SC:** Well, I'll stop it there. Do you agree the footage depicts a Suncity staff member opening the black backpack, pulling the bundles of cash out and placing them on a seat in the Suncity Room?

35 **MS ARNOTT:** Yes.

MS SHARP SC: I will play the footage again.

<THE RECORDING PLAYED AT 11:18 am.

40 **<THE RECORDING PAUSED AT 11:19 am.**

MS SHARP SC: And do you agree that what we saw was a Suncity staff member feeding the cash taken out of the black backpack into a cash counter in that room?

45 **MS ARNOTT:** Yes.

MS SHARP SC: And do you agree that you could see somebody reaching in through the window and touching the cash and touching the cash counter?

MS ARNOTT: Yes.

5 **MS SHARP SC:** Now, given you were conducting an AML risk assessment at that very time, do you expect it is most likely that you viewed this footage at that time?

MS ARNOTT: I may have viewed it at that time, or close to that time.

10 **MS SHARP SC:** Was there anything in that footage that concerned you?

MS ARNOTT: Yes, much the same things as concerned me about the previous footage.

15 **MS SHARP SC:** Could I then take you to tab - exhibit B, tab 745. This is STA.3419.003.6082. Could I have you just look at the third page, please. Do you see this is signed by Paul McWilliams and dated 27/4/2018?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Could I take you to the top of that document and you will see it is headed Risk Assessment regarding the Suncity Service Desk?

MS ARNOTT: Yes.

25 **MS SHARP SC:** Is this a document that you prepared?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Given that it is dated 27 April 2018, do you think it is most likely that you saw either or both of those pieces of CCTV footage dated 18 April 2018 prior to preparing this document?

MS ARNOTT: Not necessarily.

35 **MS SHARP SC:** Really?

MS ARNOTT: Yes, really.

40 **MS SHARP SC:** Do you think it is - there's a possibility that you did not see that footage at or about the time it was captured?

45 **MS ARNOTT:** I recall speaking to surveillance and asking them to help me find the origins of some - some money that we were tracking back to see if we could see where it had come from, who had brought it in and that - that does take some time. So I genuinely don't recall. I may have done. I'm not saying I didn't. But I don't recall whether or not I saw it before or after having completed the risk assessment.

MS SHARP SC: Now, you understand, don't you, that CCTV footage captured in the Salon 95 room was overwritten every couple of days?

5 **MS ARNOTT:** I think it lasted for 90 days.

MS SHARP SC: 90 days - was it 90 days before it was overwritten?

MS ARNOTT: I believe so.

10

MS SHARP SC: Are you sure about that?

MS ARNOTT: My understanding is that the digital cameras lasted for that long. I don't remember when we moved to digital. Prior to that, I think it was seven days.

15

MS SHARP SC: Now, if I could take you to this risk assessment that I'm showing you here. It's - if we look at the first page of it, do you see that you've identified three particular risks?

20 **MS ARNOTT:** Yes.

MS SHARP SC: The first one being the accidental provision of a designated service by Suncity?

25 **MS ARNOTT:** Yes.

MS SHARP SC: You would agree that these are fairly substantial risks in view of the casino operator's licence?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And under the heading Proposal, it's right, isn't it, that you're suggesting in paragraph 2 that the Suncity desk not be able to exchange cash for chips or chips for cash or pay out winnings or provide account facilities?

35

MS ARNOTT: Yes.

MS SHARP SC: And then if I take you down to pinpoint 6803, under the heading Controls, it's right that you've suggested five separate controls?

40

MS ARNOTT: Yes.

MS SHARP SC: And one of those controls is to stop cash being exchanged for chips and vice versa?

45

MS ARNOTT: Correct.

MS SHARP SC: And do you see under the heading Conclusion it says:

"The group compliance team will conduct additional compliance activities in relation to Suncity Service Desk."

5 **MS ARNOTT:** I cannot see that, but it does ring bells.

MS SHARP SC: I'll take - Operator, could you please scroll down that page to the heading Conclusion. Do you see right at the bottom there it says:

10 "The group compliance team will conduct additional compliance activities."

MS ARNOTT: Yes.

MS SHARP SC: Now, that was your team, wasn't it?

15

MS ARNOTT: It was Micheil Brodie's team, yes.

MS SHARP SC: Well, that was your team, wasn't it?

20 **MS ARNOTT:** I was - yes, but headed by Micheil.

MS SHARP SC: All right. But directed by you; is that correct?

MS ARNOTT: No, directed by Micheil.

25

MS SHARP SC: All right. And what role did you play in the group compliance team?

MS ARNOTT: I was the compliance manager.

30

MS SHARP SC: So you managed the team?

MS ARNOTT: No. No, it was - I didn't have any direct reports.

35 **MS SHARP SC:** So what was the relationship of the group compliance team vis-a-vis you?

MS ARNOTT: I was a member of the team.

40 **MS SHARP SC:** So was it your proposal that you and other members of that team would conduct additional compliance assurance activities?

MS ARNOTT: Not necessarily me but, yes, that that would be done.

45 **MS SHARP SC:** All right. And why did you suggest that the group compliance team do that?

MS ARNOTT: To make sure that we were comfortable that the controls were being appropriately implemented.

5 **MS SHARP SC:** Now, could I take you to paragraph 27 of your statement, please. Now, it's correct, isn't it, that in late April or early May 2018, Wayne Willett, the AML/CTF administrator, informed you of unusual activities and cash transactions of concern occurring in Salon 95?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And the concerns related to the level of cash being brought in by patrons, as well as the fact that cash wrapped in plastic bags was being brought to The Star cage by customers who appeared to have received the money in Salon 95 despite not necessarily having a clear link with the Suncity junket?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Now, at 28, you say that you requested the CCTV footage.

20 **MS ARNOTT:** Yes.

MS SHARP SC: In relation to those transactions that Mr Willett informed you of?

25 **MS ARNOTT:** Yes.

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

30 **MS ARNOTT:** Yes.

MS SHARP SC: I'm just having the exhibit number obtained. Mr Bell, it's INQ.002.004.0272. It's exhibit F147. Could I direct your attention, please, to paragraphs 9 all the way through to 19. Now, you wrote this fairly recently, didn't you?

35 **MS ARNOTT:** I did.

MS SHARP SC: Just in a nutshell, what are you trying to tell Mr Bell here?

40 **MS ARNOTT:** What I'm trying to tell Mr Bell is that I recalled seeing CCTV footage in relation to the Suncity service desk. There is a piece of footage that I recall seeing some time in the past that I have not subsequently been able to find, and I described that footage in my original statement and ascribed it to the 2018 time period. When I - when we received a request from the inquiry to
45 subsequently provide information about when we had seen CCTV footage, I requested access to the footage that I had seen in the past, to try to identify which pieces of footage I had seen and when so I could accurately answer that summons. And then having reviewed that 2018 footage and the subsequent 2019 footage that

I had seen, I realised that my recollection or my attributing of that footage to the time period of 2018 was likely to be incorrect, and I wanted to correct that.

5 **MS SHARP SC:** So if I can return you to paragraph 28 of your first statement, please.

MS ARNOTT: Yes.

10 **MS SHARP SC:** You're there referring to viewing footage on about 4 May 2018; is that correct or incorrect?

MS ARNOTT: It is likely that I did view footage at around 4 May 2018, just not the footage that is subsequently described.

15 **MS SHARP SC:** So you don't think you did review the footage you describe in paragraph 28 on or about 4 May 2018?

MS ARNOTT: Yes, that is correct.

20 **MS SHARP SC:** So is it your evidence that you don't think you reviewed that until 2019?

MS ARNOTT: I think it is more likely that it related to the 2019 timeframe, yes.

25 **MS SHARP SC:** Now, at paragraph 29, you say that you sent Kevin Houlihan an email in relation to the CCTV footage.

MS ARNOTT: Yes.

30 **MS SHARP SC:** Now, given that you're sending him an email about CCTV footage in around 4 May 2018, doesn't that make it likely that you were viewing that footage at the time?

35 **MS ARNOTT:** Yes, but it may have been - I can't remember the dates of the email that I got from surveillance saying the footage is ready or, "We're still looking for the information that you're after" and whether or not that predates this email to Kevin, but I was aware he was conducting an investigation. And, as you have previously mentioned, the footage does expire. So I thought he might be interested that I had also held out footage that he may be interested in. I don't
40 recall whether I had seen it prior to or after sending that email to him.

MS SHARP SC: Do you think, given you took the trouble to tell Mr Houlihan about the footage, it is most likely that you viewed the footage at around that time?

45 **MS ARNOTT:** Yes, I did view footage at around that time.

MS SHARP SC: And what, to your understanding, was Mr Houlihan's investigation at that time?

MS ARNOTT: He was investigating the unusual cash transactions into the room, and - and trying to identify if there was any illegal activity occurring.

5 **MS SHARP SC:** And just to be clear: this is an investigation occurring after the time of the 27 April 2018 risk assessment that you undertook?

MS ARNOTT: Yes.

10 **MS SHARP SC:** So is it right to say that after you undertook that risk assessment, you became aware of the fact that the controls that were imposed were not being complied with by Suncity?

MS ARNOTT: Yes.

15

MS SHARP SC: Could I take you, please, to STA.3008.0006.4452. This is exhibit B764. Could I take you, please, to pinpoint 4453. Do you see this is an email to you?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And she is referring to money that you were trying to track at that time?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And she is referring - what she says is:

30 "If you want to have a look at the [REDACTED] footage ..."
To give further direction to her.

MS ARNOTT: Yes.

35 **MS RICHARDSON SC:** I apologise - sorry, I apologise, Mr Bell, I may need to raise a matter in private session in relation to a phrase my learned friend just used.

MR BELL SC: Yes. Well, let's do that. Let's go to private session, please.

40 **<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11:33 AM**

<THE HEARING IN PUBLIC SESSION RESUMED AT 11:34 AM

45 **MR BELL SC:** Please delete the words [REDACTED] from Ms Sharp's question in the live feed. And we will now take the morning adjournment for 15 minutes.

<THE HEARING ADJOURNED AT 11:34 AM

<THE HEARING RESUMED AT 11:50 AM

MR BELL SC: Yes, Ms Sharp.

5 **MS SHARP SC:** Ms Arnott, could I take you to pinpoint 4452 on that page, to the email that appears at the bottom of that page. You will see that Leonie Augustus sent you an email on 5 May 2018?

MS ARNOTT: Yes.

10

MS SHARP SC: Entitled Pit 95 - Suncity activity?

MS ARNOTT: Yes.

15 **MS SHARP SC:** Do you expect that you read that at about the time it was sent.

MS ARNOTT: Yes.

MS SHARP SC: It says:

20

"We have exported footage for a number of bags with large sums of cash. The footage is for different days from 14 April to 21 April. Also, 1 May and 4 May."

25 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that there were at least four separate incidents notified to you by this time where bags with large sums of cash had been taken into Salon 95?

30

MS ARNOTT: I don't recall how many instances had been notified but that I - from recollection, I can remember two, but there may have been others.

35 **MS SHARP SC:** Well, is there any reason why you wouldn't agree with that proposition based on this email?

MS ARNOTT: Sorry, no. Yes.

40 **MS SHARP SC:** And then if I take you up to the first email, that's one from Ryan Patterson to Leonie Augustus copied to you on 6 May 2018. Do you think it's most likely you read that at the time?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And do you see it says:

"I have only reviewed the red suitcase from April 17."

MS ARNOTT: Yes.

MS SHARP SC: Now, the two pieces of footage I just showed to you involved a black backpack and then a black bag with a blue trim, didn't they?

5

MS ARNOTT: Yes.

MS SHARP SC: So this would appear to be another incident, wouldn't it?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see it says:

"We will start to lose footage in Pit 95 in about 36 hours from now."

15

MS ARNOTT: Yes.

MS SHARP SC: Does that remind you for how long it took for footage to be overwritten at that time?

20

MS ARNOTT: Well, that's back to 17 April so it is, to 6 May, a few weeks.

MS SHARP SC: And then it would be overwritten?

25 **MS ARNOTT:** Yes.

MS SHARP SC: So does it mean that unless the footage was specifically captured within a particular time of a couple of weeks, the footage would be lost to Star Entertainment?

30

MS ARNOTT: Yes.

MS SHARP SC: I would like to show you another piece of footage, if I could. This one is exhibit F at tab 98, INQ.020.001.0002. And this was MFI8, Mr Bell. Now, once again, I will play the piece of footage to you. Can I indicate that what you will expect to see is somebody moving from the baccarat table to the enclosed room in Salon 95. Do you agree with me that the date stamp of this footage is 8 May 2018?

35

40 **MS ARNOTT:** Yes.

MS SHARP SC: So we have no doubt that the footage depicts events occurring on 8 May 2018?

45 **MS ARNOTT:** Yes.

MS SHARP SC: I will just play the footage to you.

<THE RECORDING PLAYED AT 11:54 am.

<THE RECORDING CONCLUDED 11:56 am.

5 **MS SHARP SC:** Now, do you agree that what this footage depicts are chips or plaques being exchanged for cash at the enclosed office in Salon 95?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Does this concern you in any way?

MS ARNOTT: Yes, it does.

MS SHARP SC: And why is that?

15

MS ARNOTT: Because it's an exchange of chips for cash, which is not supposed to occur one-for-one at that desk.

20 **MS SHARP SC:** Do you expect it is most likely that you viewed this footage from 8 May 2018 at around that date?

MS ARNOTT: No.

MS SHARP SC: Why do you say that?

25

MS ARNOTT: I don't recall ever having seen this footage before.

MS SHARP SC: But you do agree it depicts something that is in direct breach of the controls that were imposed on the Salon 95 room at that time?

30

MS ARNOTT: Yes, I do.

MR BELL SC: Does it indicate a designated service being conducted by Suncity at this time, Ms Arnott?

35

MS ARNOTT: That is certainly something we were trying to control for and, not being a lawyer, I don't want to offer a definitive - definitive answer on whether or not that's a designated service.

40 **MR BELL SC:** Well, my note of what you said earlier was that one of the controls that you proposed was no cash for chips because that would be offering a designated service?

MS ARNOTT: That is what we're concerned about.

45

MR BELL SC: So does this not show - as you would understand it, at least - Suncity operating a designated service?

MS ARNOTT: Yes, it may well do.

MS SHARP SC: Well, it does, doesn't it?

5 **MS ARNOTT:** Well, as I said, that would be my take on it but - but I'm not - the AML/CTF Act is - is quite complex and I would want to get definitive legal advice before giving a definitive answer.

10 **MS SHARP SC:** Well, isn't one of the designated services in a - exchanging cash for chips?

MS ARNOTT: Yes.

15 **MS SHARP SC:** All right. That's not complicated, is it?

MS ARNOTT: No, on the face of its form, but there's often more to it than - than that.

20 **MS SHARP SC:** In any event, it's right, isn't it that you were called to attend a meeting with Kevin Houlihan, Andrew Power and others in around mid-May 2018 about the events in the Salon 95 room?

25 **MS ARNOTT:** I may well have been. I don't recall the specific meeting that you're speaking about but it seems like a likely event.

MS SHARP SC: Well, isn't it right that, at about that time, you were investigating certain transactions occurring in the Salon 95 room and so was Kevin Houlihan?

30 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: And isn't it right that Kevin Houlihan called a meeting of all interested parties to discuss what had been occurring in Salon 95?

35 **MS ARNOTT:** That seems very likely, yes.

40 **MS SHARP SC:** Well, can I take you to a document. It's not yours, but I want to see if it's consistent with your recollection. Could I bring up, please, STA.3412.0004.6632. It's exhibit B787. Now, could you just observe at the top of this document that this appears to be an email that Mr Power sends to himself on 15 May 2018?

MS ARNOTT: Correct.

45 **MS SHARP SC:** All right. Could I then take you down to the bottom of that first page, to pinpoint 6632. Now, I'm going to suggest to you that this is a note that Mr Power took of a meeting that you attended.

MS ARNOTT: Correct.

MS SHARP SC: You see it says:

"Cash transactions at the desk."

5

MS ARNOTT: Yes.

MS SHARP SC: Do you see it says:

10 "Kevin Houlihan called it to get everyone in the room to understand who controlled what part."

MS ARNOTT: Yes.

15 **MS SHARP SC:** And that's right, isn't it, that he called a meeting at around mid-May 2018 to discuss Salon 95?

MS ARNOTT: I don't have a direct recollection of it but I have no reason to say that's not correct. It certainly seems to be.

20

MS SHARP SC: Well, what it says here is:

"Skye believed Suncity to be in breach of the agreement."

25 That's what you believed at the time, wasn't it?

MS ARNOTT: Yes.

MS SHARP SC: And I won't read the next part of that out, but do you see there's a reference to an investigation?

30

MS ARNOTT: Yes.

MS SHARP SC: You were aware of that investigation at the time, weren't you?

35

MS ARNOTT: I was aware that Kevin was conducting an investigation, yes.

MS SHARP SC: All right. Do you see a reference to a particular sort of investigation at the second from last paragraph there?

40

MS ARNOTT: Yes.

MS SHARP SC: Were you aware of that investigation at the time?

45 **MS ARNOTT:** I don't recall. It's not an unusual - not an unusual type of investigation to have occurred. But I don't - I don't have a specific memory of whether or not I was aware that this was one of those types of investigations.

MS SHARP SC: Well, I will take you to the following page of this note, if I can, to pinpoint 6633. Now, can I ask you to read that page to yourself, please.

MS ARNOTT: From the top or from the line?

5

MS SHARP SC: From the line.

MS ARNOTT: Yes.

10 **MS SHARP SC:** Does this refresh your memory as to the fact that there were particular types of investigations concerning the Suncity room as at mid-May 2018?

15 **MS ARNOTT:** Not necessarily. It refreshes my memory. I had discussions with Kevin and Micheil about the compliance team and the AML team continuing to look at compliance-related activities in the room and not necessarily going further than that into investigations.

20 **MS SHARP SC:** Do you agree that it was important for the compliance team to share information with the investigations team in relation to events occurring in Salon 95?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And given that that was important, is it most likely that the compliance team, of which you were a member, and the investigations team did, in fact, exchange information about their respective investigations into Salon 95 at this point in time?

30 **MS ARNOTT:** Yes, certainly.

MS SHARP SC: Okay. Wasn't it quite apparent to you by mid-May 2018 that Suncity was not complying with the controls you had suggested be imposed vis-a-vis Salon 95?

35

MS ARNOTT: Yes, there were concerns that they weren't complying with those controls.

40 **MS SHARP SC:** And that they had not complied with those controls on a number of different occasions?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Did that cause you to think that the controls that you had imposed were not effectively managing the risk that this operation presented?

MS ARNOTT: There was concerns that those controls weren't appropriately implemented, which is slightly different from not effectively managing the risk.

MS SHARP SC: How is that different?

5 **MS ARNOTT:** Because if the controls were appropriately implemented and being followed, then it may flow that the risk is then mitigated. But whilst the controls weren't being followed, then the risk continued.

10 **MS SHARP SC:** So the controls were not appropriately managing the risk; is that right or wrong?

MS ARNOTT: Look, in - yes, because they weren't appropriately implemented, they weren't managing the risk.

15 **MS SHARP SC:** Well, do you agree there's no point in having a control unless it's implemented?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Now, you were aware, weren't you, that on about 10 May 2018, Mr Hawkins sent a warning letter to Suncity about its operation of Salon 95?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And you're aware, aren't you, that after that warning letter was sent, further matters of concern occurred in Salon 95?

MS ARNOTT: Yes.

30 **MS SHARP SC:** So do you agree that the warning letter was not effective to prevent the matters of concern occurring in Salon 95?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Could I take you, please, to STA.3427.0018.3096. This is exhibit B2496 - 93, I'm sorry. Now, can I take you, please, to the bottom of this document. You're not a recipient to this email, but I want to ask you whether you were made aware of it at the time. Do you see there's an email from Andrew McGregor to Mr Power and Mr Houlihan and Ms Judd in relation to a Suncity \$45,000 cash withdrawal?

40

MS ARNOTT: Yes.

45 **MS SHARP SC:** Now, do you - I withdraw that. Was it likely that the investigations team was passing on information to you at around this time about occurrences in Salon 95?

MS ARNOTT: I don't recall having any discussions specifically with the investigations team in relation to this matter. We did have a number of

conversations about some of the transactions in that room. But I note that I may not have been the primary contact for the investigators through this period.

5 **MS SHARP SC:** Well, good practice would suggest that the investigation team ought to have shared information with the compliance team at this time; do you agree?

MS ARNOTT: Yes, that's correct.

10 **MS SHARP SC:** So, on that basis, do you think it most likely that the investigations team was sharing with you information about what was occurring in Salon 95?

15 **MS ARNOTT:** I don't remember getting anything specifically, but they may have been sharing it with other members of my team.

MS SHARP SC: Well, you were interested in what was going on in Salon 95, weren't you?

20 **MS ARNOTT:** Yes.

MS SHARP SC: Because you had suggested the controls to be imposed in Salon 95?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And you, indeed, had suggested that there be ongoing surveillance to check whether or not those controls were effective?

30 **MS ARNOTT:** Yes.

MS SHARP SC: So, on that basis, isn't it most likely you were kept abreast of developments in Salon 95?

35 **MS ARNOTT:** As I said, I don't personally have any recollection of this. It may well have gone to other members of my team.

40 **MS SHARP SC:** Is it most likely that you were personally taking steps to keep yourself apprised of what was happening in Salon 95?

MS ARNOTT: Not necessarily. Not necessarily.

MS SHARP SC: Why is that?

45 **MS ARNOTT:** Because there were matters that I know that the investigators were speaking with an AML administrator in relation to things that may need to be reported, and we had had discussions with Mr Houlihan where he was running his

investigation and he may not have necessarily shared information with me and he was keeping that in a more confidential manner.

5 **MS SHARP SC:** Why would he be keeping information confidential from you?

MS ARNOTT: Because it may not have related to AML-related matters or - or compliance with the controls.

10 **MS SHARP SC:** Is this just complete speculation on your part, Ms Arnott?

MS ARNOTT: Look, I don't - I don't have a huge amount of recollection of what happened in terms of specifics at this time. I remember speaking to Mr Houlihan and asking for some things and not being necessarily given them. But it - and I have an email from Mr Brodie which says that he's spoken with Mr Houlihan and suggested that we focus on the compliance-related matters whilst the investigators deal with the investigations.

20 **MS SHARP SC:** Could you just expand on what you just said about discussions with Mr Houlihan and not necessarily being given what you were asking for?

MS ARNOTT: I think at some point I asked for a copy of the investigations report in relation to this matter and wasn't necessarily provided one.

25 **MS SHARP SC:** Well, were you not provided with it?

MS ARNOTT: No, I didn't get - no, I haven't seen one.

MS SHARP SC: So you asked to be provided with it?

30 **MS ARNOTT:** I - yes, that is my recollection.

MS SHARP SC: And Mr Houlihan declined to provide it to you?

35 **MS ARNOTT:** Yes.

MS SHARP SC: Wasn't that a matter of extreme concern to you?

MS ARNOTT: I raised that with Mr Brodie.

40 **MS SHARP SC:** Wasn't that a matter of extreme concern to you?

MS ARNOTT: Yes, it was a matter of concern and I raised it with my manager.

45 **MS SHARP SC:** And why was it a matter of concern to you?

MS ARNOTT: Because I thought that it would be useful information to help us with the compliance in that room.

MS SHARP SC: And what did Mr Brodie say when you raised this concern with him?

5 **MS ARNOTT:** I believe he spoke to Kevin separately.

MS SHARP SC: And your evidence is that despite him speaking with Mr Houlihan, you were not provided with a copy of the investigation report?

10 **MS ARNOTT:** No.

MS SHARP SC: That's troubling, isn't it?

15 **MS ARNOTT:** Look, I - that was a matter that - that Mr Brodie and Mr Houlihan managed at that time. And I - I don't - I'm not aware of the discussions that occurred between them.

MR BELL SC: Did Mr Brodie explain to you why Mr Houlihan was declining to provide his investigation report?

20 **MS ARNOTT:** No.

MR BELL SC: Did you ask for an explanation from Mr Brodie?

25 **MS ARNOTT:** My recollection is - well I have an email from Mr Brodie that just says that we will focus on the compliance-related matters, and the investigations will continue to deal with the investigations related matters.

MR BELL SC: Yes, thank you.

30 **MS SHARP SC:** Was the outcome of Mr Houlihan's investigation notified to you?

35 **MS ARNOTT:** Not in writing, but we may well have had discussions in relation to it.

MS SHARP SC: Well, is it most likely you did have discussions in relation to it?

MS ARNOTT: I - I don't recall.

40 **MS SHARP SC:** Well, I mean, there aren't too many other operations like Salon 95 occurring at The Star, are there?

MS ARNOTT: No.

45 **MS SHARP SC:** All right. Do you think it's most likely you were informed of the outcome of the investigation, in that case?

MS ARNOTT: I'm sorry, I genuinely don't recall. But it is likely, but I don't recall the specific discussions.

5 **MS SHARP SC:** Were you aware that Mr McGregor held the view in - as at 14 May 2018 that Suncity was totally non-compliant with reasonable requests for basic information?

MS ARNOTT: No.

10 **MS SHARP SC:** Did you have any understanding that Suncity representatives were not complying with requests for information in relation to the investigations?

MS ARNOTT: No.

15 **MS SHARP SC:** Did you know that at this time, that is, 14 May 2018, Mr McGregor, the senior investigator with The Star, held the view that:

"Suncity is operating a business model under our noses which is problematic for Star Entertainment with regards to AML/CTF laws"?

20

MS ARNOTT: No.

MS SHARP SC: That was never made known to you at that time?

25 **MS ARNOTT:** No.

MS SHARP SC: Do you find that odd, that the senior investigator did not make his concern known to you at about that time?

30 **MS ARNOTT:** As I said previously, it - it may have been that he made that - made other people in my team aware. I was not the manager of that space at that time, and it - it would have been reasonable for him to make others in my team aware rather than me.

35 **MS SHARP SC:** Could you just remind us of who was in your team at that time?

MS ARNOTT: The general manager was Micheil Brodie. He was the general manager of compliance. The two AML administrators reported directly to him, and he reported to Paul McWilliams.

40

MS SHARP SC: So the - one of the AML administrators was responsible for Queensland; right?

MS ARNOTT: Correct.

45

MS SHARP SC: And the other AML administrator was Wayne Willett?

MS ARNOTT: Yes.

MS SHARP SC: And he was responsible for Star?

MS ARNOTT: Yes.

5

MS SHARP SC: So when you're referring to other members of your team who may have been aware - made aware of these matters, it's really just Mr McWilliams, Mr Brodie or yourself?

10 **MS ARNOTT:** Or Mr Willett.

MS SHARP SC: Yes, Mr McWilliams, Mr Brodie or Mr Willett?

15 **MS ARNOTT:** Yes. There was also another member of the compliance team who was assisting in managing the controls and controls assurance process at that time.

MS SHARP SC: Now, did you have any role in preparing a services desk protocol for Suncity at around this time?

20 **MS ARNOTT:** Is that the SOP?

MS SHARP SC: Yes.

25 **MS ARNOTT:** Yes, I had a limited peripheral role that was done by the colleague that I previously referred to.

MS SHARP SC: All right. I will just show this document to you, to see if it's the one you're referring to. It's exhibit B at tab 818 STA.3008.0004.0359.

30 **MS ARNOTT:** Yes.

MS SHARP SC: Is this the document you were talking about?

MS ARNOTT: Yes.

35

MS SHARP SC: And so you had some role in this?

MS ARNOTT: Yes.

40 **MS SHARP SC:** And what was that role?

MS ARNOTT: We had a number of meetings to discuss what should be included in it and to put forward - to put forward controls and ways to document them.

45 **MS SHARP SC:** And I will now take you to exhibit B at tab 824. This is STA.3009.006.4459.

MS ARNOTT: Yes.

MS SHARP SC: Do you agree this is an email that Mr Willett is sending to you on 29 May 2018?

5 **MS ARNOTT:** Yes, it's sent to Mr Brodie but I am cc'd in, yes

MS SHARP SC: Yes. And do you agree it's most likely that you read this at the time?

10 **MS ARNOTT:** Yes.

MS SHARP SC: Can you see the forwarded email is dated 29 May 2018?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that it notifies a concern as to occurrence relating to the Suncity junket?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And do you agree it suggests that an activity had occurred that was not in compliance with the service desk protocol dated 23 May 2018?

25 **MS ARNOTT:** Yes.

MS SHARP SC: So do you agree that very soon after that service desk protocol was finalised, it appeared that it was breached by Suncity?

30 **MS ARNOTT:** Yes, but it was finalised by us. I'm not sure when it was communicated to Suncity and if it had been communicated in the - between 23 and 29 May.

35 **MS SHARP SC:** Now, you are aware, aren't you, that Mr Hawkins sent a further warning letter to Suncity on 5 June 2018?

MS ARNOTT: Yes.

MS SHARP SC: Did you see that at the time?

40 **MS ARNOTT:** No.

MS SHARP SC: When did you first see that?

45 **MS ARNOTT:** I believe in preparing for this inquiry.

MS SHARP SC: Now, if I can take you, please, back to your statement at paragraph 32.

MS ARNOTT: Yes.

MS SHARP SC: Do you see in the statement right at the bottom of page 6, you say:

5

"I was also involved in the development of the plan for The Star's monitoring of Salon 95."

MS ARNOTT: Yes.

10

MS SHARP SC: Was this a monitoring plan subsequent to the service desk protocol dated 23 May 2018?

MS ARNOTT: Yes.

15

MS SHARP SC: And it's correct, isn't it, that when monitoring Suncity after this time, the staff were unhelpful and evasive about transactions that had occurred in Salon 95?

20

MS ARNOTT: That was not my understanding. I didn't do the monitoring after that protocol, but my information - that was - that I got told was that the - they hadn't found any breaches of that control at that time.

25

MS SHARP SC: When you say that "I wasn't involved" are you suggesting that the compliance team was not involved in the ongoing monitoring of Salon 95?

MS ARNOTT: No, I'm just suggesting that I wasn't personally.

30

MS SHARP SC: All right. So who in your compliance team do you say was responsible for that?

MS ARNOTT: It was Suzanne Mawer and Micheil Brodie.

35

MS SHARP SC: Did you keep generally abreast of the outcomes of the monitoring of Salon 95?

MS ARNOTT: Generally, yes.

40

MS SHARP SC: Was that particularly the case once you assumed responsibility as The Star Entertainment Group's AML and CTF compliance officer in August of 2019?

45

MS ARNOTT: Yes. There were other issues occurring in late - in mid-2019. But yes. And I note that the Suncity Service Desk was closed not long after I became the compliance officer.

MS SHARP SC: Well, we'll come to that. Were you aware that the junket agreement between Star Entertainment and Suncity was renewed on 21 June 2018?

5 **MS ARNOTT:** No.

MS SHARP SC: Did anyone consult you about that?

MS ARNOTT: No.

10

MS SHARP SC: Are you surprised, given what you knew as at April and May 2018, that the junket agreement was renewed at that time?

15 **MS ARNOTT:** No, not necessarily. In April and May at that time, we were still trying to make sure we could appropriately implement controls.

MS SHARP SC: Well, there was nothing to suggest that you could appropriately implement controls at that time, was there?

20 **MS ARNOTT:** Look, my understanding is that once we wrote that SOP and had it translated into simplified Chinese that that was a relatively successful control.

MS SHARP SC: Is that at all times from May 2018 until the closure of Salon 95?

25 **MS ARNOTT:** No, not necessarily, but certainly at that time that we're talking about where the - the control was implemented and that junket agreement was renewed.

30 **MS SHARP SC:** Okay. Because that control was not effective in mitigating the money laundering risk posed by Suncity in Salon 95, was it?

MS ARNOTT: There were other matters that were of concern, yes. But I don't know whether or not they were specific breaches of the control.

35 **MS SHARP SC:** Well, the other concerns encompassed fact that there was a concern that money laundering was going on in there; correct?

MS ARNOTT: There were concerns about - about transactions, yes.

40 **MS SHARP SC:** Involving Suncity staff members?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And, in fact, a number of Suncity staff members, to your knowledge, were investigated by the police at about that time, weren't they?

MS ARNOTT: In 2019?

MS SHARP SC: Yes.

MS ARNOTT: Yes.

5 **MS SHARP SC:** Now, can I return you, please, to paragraph 37 of your statement. You refer there to engaging consulting firms to provide certain reports.

MS ARNOTT: That's correct.

10 **MS SHARP SC:** These were not reports about the probity of the Suncity junket, were they?

MS ARNOTT: They were about people associated with the Suncity junket.

15 **MS SHARP SC:** And these were not reports about the probity of Alvin Chau, were they?

MS ARNOTT: No, they were not.

20 **MS SHARP SC:** Were you aware that in May of 2019, Graeme Stevens conducted an audit of Salon 95?

MS ARNOTT: I - I don't know if I was aware in May but I did subsequently become aware of that, yes.

25

MS SHARP SC: When did you become aware of that?

MS ARNOTT: I - when we were talking about the risks posed by the Suncity room in maybe July 2019.

30

MS SHARP SC: So is it correct that you had no involvement in the preparation by Mr Stevens of his audit report?

MS ARNOTT: Yes, I think that's correct.

35

MS SHARP SC: Can I take you, please, to exhibit B at part 1396. Do you see there's an email from you to Sherry Lin of 3 June 2019?

MS ARNOTT: Yes.

40

MS SHARP SC: Who is Sherry Lin?

MS ARNOTT: She's one of our internal auditors.

45 **MS SHARP SC:** And you're forwarding an email you received from Sabrina Yi.

MS ARNOTT: Yes.

MS SHARP SC: And you will note the matter in blue shade that's confidential?

MS ARNOTT: Yes.

5 **MS SHARP SC:** So you were aware of an incident in Salon 95 occurring on around 30 May 2019?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Could I take you to the second page of that document. And you were aware of that matter at about that time?

MS ARNOTT: Yes.

15 **MS SHARP SC:** That suggests to you a non-compliance with the control - the SOP?

MS ARNOTT: Not necessarily, no.

20 **MS SHARP SC:** Now, can I draw your attention, please - if we go back to the page, previous one, do you see there's a sentence about six lines from the bottom that commences "It seemed to me".

MS ARNOTT: Yes.

25 **MS SHARP SC:** That suggests a non-compliance with the SOP, doesn't it?

MS ARNOTT: No.

30 **MS SHARP SC:** Wasn't there a rule about cash deposits needing to be made with the cage within particular intervals of time?

MS ARNOTT: Yes, that's correct.

35 **MS SHARP SC:** Well, does this suggest a non-compliance?

MS ARNOTT: No. I would suggest that this - that the issue with it being stored does not necessarily relate to it having been stored by Suncity at that desk.

40 **MR BELL SC:** Ms Sharp, I need to understand a lot more about this transaction. At some point, I think this should be explored in private mode.

MS SHARP SC: Yes, thank you, Mr Bell. I will make a note to do that. Can I take you, please - I withdraw that. Were you aware in 2019 that your
45 investigations team was conducting an investigation into Salon 95?

MS ARNOTT: Yes.

MS SHARP SC: And were you aware it was called Operation Lunar 2019?

MS ARNOTT: No, I wasn't.

5 **MS SHARP SC:** How were you made aware that the investigations team was conducting an investigation?

MS ARNOTT: I think in conversations with Mr Houlihan.

10 **MS SHARP SC:** Did you discuss the investigations with Mr McGregor?

MS ARNOTT: No, I did not.

MS SHARP SC: Was Mr --

15

MS ARNOTT: (Indistinct) anyway.

MS SHARP SC: Was Mr Houlihan generally keeping you abreast of the investigation?

20

MS ARNOTT: No, not in any detail.

MS SHARP SC: Can I show you a document, please. This is STA.3427.0018.3537. Now, you're not a party to this email, but do you see it attaches an information report on Salon 95?

25

MS ARNOTT: Yes.

MS SHARP SC: Were you made aware of an information note or did you see an information note on investigations in Salon 95 at this time?

30

MS ARNOTT: No, I did not.

MS SHARP SC: Could I have this marked for identification, please, Mr Bell?

35

MR BELL SC: Yes. That will be MFI35.

MS SHARP SC: I am told it already is MFI29.

40 **MR BELL SC:** In that case, I won't mark it again.

MS SHARP SC: Thank you, Mr Bell. Could I take you to pinpoint STA.3412.0042.8585? This is MFI30, Mr Bell. And, again, that is STA.3412.0042.8585, and it's MFI30. Now, I'm showing you an information note dated 5 June 2019 prepared by Andrew McGregor in relation to Suncity.

45

MS ARNOTT: Yes.

MS SHARP SC: Did you ever see this document?

MS ARNOTT: No, I don't believe so.

5 **MS SHARP SC:** Can you have a look at the very last sentence on this page, please.

MS ARNOTT: Sorry.

10 **MS SHARP SC:** Do you see that Mr McGregor says:

"It is clear that Suncity is not currently complying with the agreed key processes for provision of service and buy-in drawer operations."

15 **MS ARNOTT:** Yes, I do.

MS SHARP SC: Were you made aware of this sentiment around early June 2019?

MS ARNOTT: I may have been, but I don't recall specifically.

20

MS SHARP SC: Can I take you to pinpoint 8587. Do you see there's a heading Postscript?

MS ARNOTT: Yes.

25

MS SHARP SC: Do you see it states:

"It appears that Suncity associates bring cash into Salon 95, concealing it in a few ways, and that this concealment has thwarted casino surveillance efforts to track its source or arrival time."

30

MS ARNOTT: Yes.

MS SHARP SC: Were you made aware of that in around early June 2019?

35

MS ARNOTT: No, I don't recall so.

MR BELL SC: Would you agree, from an AML/CTF perspective, Ms Arnott, that this is a matter of grave concern?

40

MS ARNOTT: It is a matter of concern, yes.

MR BELL SC: Grave concern, it is not?

45 **MS ARNOTT:** Yes, if they're trying to conceal it, then it certainly would raise source of funds questions.

MS SHARP SC: You were involved in investigations into Salon 95 in June 2019, weren't you?

5 **MS ARNOTT:** I'm sorry, no, not necessarily. We were looking - we had been alerted to transactions of concern that we were looking into from an AML perspective. And we certainly wanted to understand the risks in relation to that - to that room.

10 **MS SHARP SC:** Well, that's an investigation, isn't it?

MS ARNOTT: It's somewhat different to the investigators' investigations but, yes, in an AML sense we were investigating transactions of interest.

15 **MS SHARP SC:** All right. So from an AML perspective, in June 2019, it's correct that you were investigating transactions in Salon 95, isn't it?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Can I take you, please, to STA.3428.0023.3312. This is exhibit B, tab 1407.

MS ARNOTT: Yes.

25 **MS SHARP SC:** Now, this is an email from you to Mr Houlihan dated 14 June 2019?

MS ARNOTT: That's correct.

30 **MS SHARP SC:** And what you say is:

"I wonder if it would be possible to get Angus to assist us with reviewing the month of Suncity footage that has been held out."

35 **MS ARNOTT:** Yes.

MS SHARP SC: And that's a reference to Angus Buchanan, isn't it?

MS ARNOTT: It is, yes.

40 **MS SHARP SC:** And is it right that you were involved in reviewing the month of Suncity footage that had been held out?

MS ARNOTT: I believe I saw some of it, but I wouldn't have reviewed the whole month, no.

45 **MS SHARP SC:** And what you say is:

"I just spoke to Graeme, and I am not sure that Ian has been looking for the things that we would necessarily find interesting."

Who is Ian?

5

MS ARNOTT: That is Ian Tomkins. He's --

MS SHARP SC: Who is he?

10 **MS ARNOTT:** He was in the regulatory affairs - sorry, I can't remember. It may have been a compliance-related role at that time, so in the compliance - reporting to Graeme as the group compliance manager.

15 **MS SHARP SC:** And you understood, didn't you, that Mr Tomkins was reviewing footage from incidents in Salon 95 at this time?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And he was reporting to you about that matter, was he not?

MS ARNOTT: Yes, he - yes.

MS SHARP SC: And you say in this email:

25 "I think Angus, with his joint enhanced customer due diligence and investigations background, might think a bit differently about what is being seen."

What did you mean there?

30

MS ARNOTT: I just meant that I felt that Angus would be a good person to be able to review the footage and assist to identify matters that were of concern from an AML perspective. Whereas Ian was looking at it more from a compliance perspective.

35

MS SHARP SC: What did you think it was about Angus Buchanan that meant that he would be useful?

40 **MS ARNOTT:** Because he had a background in enhanced consumer due diligence and investigations.

MS SHARP SC: And how did you know that?

45 **MS ARNOTT:** I had had a number of meetings with Angus prior to this, and because when he joined the team we were given information about his background from Kevin and Paula.

MS SHARP SC: And did he assist you?

MS ARNOTT: I think he did, but I don't recall specifically.

5 **MS SHARP SC:** Well, did you keep any notes of what was going on at this time?

MS ARNOTT: I may have done, yes.

MS SHARP SC: Well, did you or not?

10 **MS ARNOTT:** I do have notebooks in relation - at this time but I - I have flicked back through them and I didn't see anything specifically relating to this.

MS SHARP SC: I take it you check your notebooks for the purpose of preparing your statement, didn't you?
15

MS ARNOTT: Yes, I did.

MS SHARP SC: And do you still have your notebooks available to you?

20 **MS ARNOTT:** I do.

MS SHARP SC: I will call for the production of those notebooks.

MS RICHARDSON SC: I will make inquiries.
25

MR BELL SC: For what period of time you were seeking production?

MS SHARP SC: In the period April 2018 to August 2019.

30 **MR BELL SC:** Yes.

MS SHARP SC: Can I take you, please, to exhibit B at tab 1437. This is STA.3418.0011.0621. And can you see this is an email from Ian Tomkins to you dated 24 June 2019?
35

MS ARNOTT: Yes.

MS SHARP SC: And do you see - I withdraw that. Do you expect it most likely that you read this email at about the time it was sent to you?
40

MS ARNOTT: Yes.

MS SHARP SC: And do you agree that he's notifying you that footage of incidents in Salon 95 have been saved in case you wish to review them?
45

MS ARNOTT: Yes.

MS SHARP SC: Did you review that footage?

MS ARNOTT: I may have reviewed some of it but not all of it.

5 **MS SHARP SC:** Is it most likely you did review at least some of it?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Now, do you - please understand that the words in blue shade are confidential and we will not use those words. Do you see it refers to events occurring on four different occasions in those four dot points?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And do you see the description of those events given by Mr Tomkins?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And you had no reason at the time to doubt the accuracy of his description, did you?

MS ARNOTT: No.

25 **MS SHARP SC:** And do you see he regarded something occurring on 20 May 2019 as being proof?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And that certainly was not something that was permitted under the service desk protocol, was it?

MS ARNOTT: No, it was not.

35 **MS SHARP SC:** And do you see the paragraph, "Others I have had saved worthy of reviewing" refers to three other incidents?

MS ARNOTT: Yes.

40 **MS SHARP SC:** So do you agree at 24 June 2019, Mr Tomkins is advising you of incidents of concern on at least seven different occasions in the period May 2019?

MS ARNOTT: Yes.

45 **MS SHARP SC:** This suggests to you that there is a very serious problem in the operation of the Suncity room, doesn't it?

MS ARNOTT: It suggested to me that we did need to review the risk in relation to this room, yes.

MS SHARP SC: I will put the question to you again. This suggests to you that there was a very serious problem in the Suncity Salon 95 room by then, didn't it?

5 **MS ARNOTT:** Yes, there was a problem. I --

MS SHARP SC: It was a very serious one, wasn't it?

MS ARNOTT: There were - yes.

10

MS SHARP SC: Now, it's right, isn't it, that on 28 July 2019, 60 Minutes broadcast very serious allegations against Crown Resorts. Do you remember that?

MS ARNOTT: Yes.

15

MS SHARP SC: May we take it that you reviewed that footage?

MS ARNOTT: Did I watch the 60 Minutes show?

20

MS SHARP SC: Yes.

MS ARNOTT: At the time, yes.

MS SHARP SC: And you reviewed it at about the time it was broadcast?

25

MS ARNOTT: Yes.

MS SHARP SC: And may we take it you reviewed it carefully, given it referred to junkets that Star dealt with?

30

MS ARNOTT: Yes.

MS SHARP SC: And you're aware, aren't you, that one of the junkets in respect of which allegations were made was the Suncity junket?

35

MS ARNOTT: Yes.

MS SHARP SC: Can I take you to a transcript of the 60 Minute footage, please? It's exhibited B at tab 1475, INQ.016.001.0590. And could I take you, please, to pinpoint 0599? Now, if I could direct your attention, please, Ms Arnott, to number 185 and what the transcript there records is the broadcast stating:

40

45

"In a secret report obtained by us, one of the world's largest bookmakers, the Hong Kong Jockey Club reveals its own deep mistrust of Suncity, which has always denied any wrongdoing."

MS ARNOTT: Yes.

MS SHARP SC: And do you see at line 187 it says:

"For these reasons, the Hong Kong Jockey Club has black banned Suncity."

5 **MS ARNOTT:** Yes.

MS SHARP SC: I take it that was information of particular interest to you at the time you viewed 60 Minutes?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And you're aware, aren't you, that that matter was also reported on in the press in late July 2019?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Now, can I take you to - were you made aware - I withdraw that. Were you made aware at about that time how much revenue the Suncity junket brought into Star Entertainment?

20

MS ARNOTT: No.

MS SHARP SC: Were you aware at that time how much revenue Suncity brought into Star Entertainment?

25

MS ARNOTT: No.

MS SHARP SC: Were you aware that Suncity was the largest junket by revenue with which Star Entertainment dealt at that time?

30

MS ARNOTT: Yes.

MS SHARP SC: Were you aware at that time that the board had approved a cheque cashing facility to Alvin Chau of \$80 million?

35

MS ARNOTT: No.

MS SHARP SC: When did you first become aware of that?

40 **MS ARNOTT:** I think - I knew that they had a large cheque cashing facility for Alvin Chau but I wasn't aware of the exact figure until more recently.

MS SHARP SC: Now, can I take you to exhibit B at tab 1504. Do you see that you're - and I will address your attention to the bottom half of that email. That's an email from you to Ms Martin on 30 July 2019?

45

MS ARNOTT: That's correct, yes.

MS SHARP SC: I take it you recall sending that email?

MS ARNOTT: Yes, I do.

5 **MS SHARP SC:** And what you say is:

"During yesterday's joint risk assessment meeting, we discussed the possibility of conducting a risk assessment on Suncity and Salon 95."

10 **MS ARNOTT:** Yes.

MS SHARP SC: And you recommend that consideration be given to (1) conducting a risk assessment of the Suncity arrangements.

15 **MS ARNOTT:** Yes.

MS SHARP SC: And that Kevin and you have agreed to work together.

MS ARNOTT: Yes.

20

MS SHARP SC: And you suggest that Angus may be a useful resource to complete it.

MS ARNOTT: Yes.

25

MS SHARP SC: It – is it fair to say that you were sufficiently concerned by reason of the email that Mr Tomkins had sent to you and the media attention on Suncity that you were appraised of, that you thought that a risk assessment should be conducted?

30

MS ARNOTT: Yes.

MS SHARP SC: And you had spoken with Mr Houlihan about that matter by that time?

35

MS ARNOTT: Yes, we would have spoken in this meeting, yes.

MS SHARP SC: Was that risk assessment conducted?

40 **MS ARNOTT:** No, it was not.

MS SHARP SC: And why was that?

45 **MS ARNOTT:** Because this is late July - the room was shut down not long after this email was - this email was contemplated. And we were discussing the specific arrangements in that room.

MS SHARP SC: You didn't cease dealing - I withdraw that. Star did not cease dealing with Suncity at that time, did it?

MS ARNOTT: No.

5

MS SHARP SC: Shouldn't a risk assessment have been conducted at this time?

MS ARNOTT: Yes, it would have been good to have conducted a risk assessment at that time, but we understood that Suncity was moving back to operating as any other junket would, and so we changed our attention to looking at junkets more generally.

10

MS SHARP SC: But by this time, you thought, didn't you, that there was a very significant risk that Suncity had been involved in money laundering in Salon 95, didn't you?

15

MS ARNOTT: I believed that there were some transactions of concern in relation to Salon 95.

MS SHARP SC: I'm asking you about your personal opinion, Ms Arnott and I'm asking you that based upon the fact that in August 2019 you became the AML/CTF compliance officer for The Star. Did you hold the opinion, in July of 2019, that there was a very significant risk that money laundering had occurred in Salon 95 involving Suncity staff?

20

MS ARNOTT: I believed that there was a risk but I - I don't know that I believed that it was very - well, I can't remember the words that you used particularly. I believed that there was a risk that needed to be assessed, yes.

MS SHARP SC: Could you quantify the risk?

25

MS ARNOTT: No, I can't, I'm sorry, without having done the risk assessment. It was - there was a risk it was - we were - yes. No.

MS SHARP SC: Well, Ms Arnott, what was your view? You've recommended to Ms Martin that a risk assessment be conducted.

30

MS ARNOTT: Yes.

MS SHARP SC: On 30 July 2019. At that time, what was your personal opinion of the level of risk?

35

MS ARNOTT: My personal opinion was that we could see transactions that were of concern, and all transactions of concern may indicate some involvement in money laundering. And in conjunction with the information from the media, I - I considered that there was a risk significant enough to look at specifically.

40

45

MS SHARP SC: Does that mean you thought there was a significant risk that money laundering had occurred at that point in time?

5 **MS ARNOTT:** Yes - I believed that there was - yes, there was a risk that it had and it needed to be investigated, yes.

MS SHARP SC: I would like you to quantify what you thought the level of risk was at that time?

10 **MS ARNOTT:** No, I'm happy to accept the significant risk.

MS SHARP SC: Now, is there some reason in your statement that you do not indicate what level of risk you considered attended the Salon 95 room at that point in time?

15 **MS ARNOTT:** No, not necessarily.

MS SHARP SC: Well, why didn't you say that you thought there was a significant risk of money laundering in this statement?

20 **MS RICHARDSON SC:** In fairness, I object. In fairness to the witness, she should be taken to questions that were posed to her by the review and the proposition put that particular information warranted inclusion. It's unfair to put it globally, in my submission.

25 **MR BELL SC:** Ms Sharp.

MS SHARP SC: Did you not think this review would be interested in how you assessed the level of risk that money laundering was in Salon 95 in your statement?

30 **MS ARNOTT:** To be honest, I felt like in my statement I was answering the questions that were put to me by the inquiry. It wasn't something that we had measured in relation to a specific risk rating that I could have provided to you.

35 **MS SHARP SC:** Did you not think that would be a matter that this review would be interested in, Ms Arnott?

40 **MS RICHARDSON SC:** I object to this questioning. I have made an objection that the witness statement which contains specific questions should be put to the witness. She has given an answer. My learned friend is pressing this line of questioning.

45 **MR BELL SC:** Well, I think Ms Arnott has indicated that she believed she was answering the questions which were posed, and I think Ms Sharp is entitled to explore her state of mind at the time she prepared the statement, given Ms Arnott's approach to providing it. So I will allow the question.

MS SHARP SC: Did you not think this review would be interested in your personal opinion about the level of risk of money laundering in the Suncity Salon 95 at this time?

5 **MS ARNOTT:** It didn't occur to me in writing my statement, no.

MS SHARP SC: Is that a genuine answer?

MS ARNOTT: Yes.

10

MS SHARP SC: Is your statement of your involvement in Salon 95 a complete and candid statement, Ms Arnott?

MS ARNOTT: I believe so.

15

MS RICHARDSON SC: Just - I object to this again. The witness statement is structured as a series of questions posed and answers given. In my submission, it is unfair to impeach this witness on the basis that there are matters that should have been put in it without taking her to questions and, with the level of specificity, putting the question as to which part of the witness statement it ought to have been included in.

20

MR BELL SC: Yes, Ms Sharp, I must say my understanding is that the witnesses were asked to answer specific questions. So that's the approach which I propose to take to this, unless you would like to take this any further.

25

MS SHARP SC: If it pleases, Mr Bell. Could I take you, please, to exhibit C, tab 94 which is STA.3427.0037.6309. Now, this is in blue shade, as you will see. So it's confidential.

30

MS ARNOTT: Yes.

MS SHARP SC: You'll see that you're not a party to this email exchange, but can you tell us whether you were made aware of this matter in around mid-August 2019?

35

MS ARNOTT: Sorry, I'm just reading the email. I don't recall whether or not I was made aware of this specific incident.

40 **MS SHARP SC:** At this time, you were the AML/CTF compliance officer for Star Entertainment, weren't you?

MS ARNOTT: On the date of the original email, no. And on the date of the subsequent email, I think that that is the exact day on which I became the AML compliance officer.

45

MS SHARP SC: Would it have been appropriate to make you aware of this matter, given that on that date you became the AML/CTF compliance officer?

MS ARNOTT: Yes, it would have - it wouldn't have been unreasonable to - to make me aware of that. And it certainly should have come through to AML administrators at that time.

5

MS SHARP SC: Can I take you, please, to exhibit B, tab 2193. This is STA.3009.0003.0026. In fact, I need to take you to, firstly, STA.3009.0003.0025. Now, what I am showing you is a chronology of an engagement with Suncity which Mr Buchanan sent to Mr White, Mr Power and Mr Houlihan on 13 February 2020.

10

MS ARNOTT: Yes.

MS SHARP SC: Have you seen this document before?

15

MS ARNOTT: No, I haven't.

MS SHARP SC: Have you been made aware that Mr Buchanan prepared a detailed chronology on Suncity?

20

MS ARNOTT: No, I haven't.

MS SHARP SC: It's right that as at 13 February 2020 you were the AML/CTF compliance officer?

25

MS ARNOTT: Yes, that's correct.

MS SHARP SC: And you were working full time at that point.

30

MS ARNOTT: I was four days a week.

MS SHARP SC: Yes. Does it surprise you that, in that capacity, you were not made aware of the chronology regarding The Star's engagement with Suncity?

35

MS ARNOTT: Yes, a little.

MS SHARP SC: Yes, how much does it surprise you.

MS ARNOTT: Yes, it does surprise me.

40

MS SHARP SC: Does it surprise you quite a bit?

MS ARNOTT: Yes.

45

MS SHARP SC: Can I take you, please, to pinpoint 0034. Now, I want to take you to the entry for July to August 2019, but do you see it's in blue shade?

MS ARNOTT: Yes.

MS SHARP SC: So it's confidential. Can I please have that enlarged for you, that entry for July to August 2019.

5 **MS ARNOTT:** Hang on one second. I just need to move my - so I can read it.

MS SHARP SC: Now there's a reference to an investigation?

MS ARNOTT: Yes, correct.

10

MS SHARP SC: There's a reference to the date it was instigated?

MS ARNOTT: Yes.

15 **MS SHARP SC:** Were you aware of that at that time?

MS ARNOTT: Yes. I - I think I was - I think this is the same investigation we spoke about earlier and I said I was aware that the investigators were conducting an investigation but I don't recall whether or not I was aware that there were other parties involved.

20

MS SHARP SC: What, you don't recall that there may have been other parties involved?

25 **MS ARNOTT:** In that investigation in 2018, yes.

MS SHARP SC: Do you see the second sentence?

MS ARNOTT: Yes.

30

MS SHARP SC: Do you think there's a reference to the word "evident"?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Do you agree with the observation made in that sentence?

MS ARNOTT: Not necessarily. I believe that there was some suspicion but I don't know that "evident" is an appropriate level of wording, unless there is more information held by the investigators than I was aware of.

40

MS SHARP SC: Who brought the Suncity Salon 95 arrangement to an end?

MS ARNOTT: It was done by the business.

45 **MS SHARP SC:** Well, are you aware as to whether it was Suncity or Star Entertainment which terminated that arrangement?

MS ARNOTT: I believe it was by mutual understanding.

MS SHARP SC: Well, is it, in fact, the case that it was Suncity that terminated that arrangement?

5 **MS ARNOTT:** I was always - my information is that it was a mutual understanding.

MS SHARP SC: Can I take you, please, to ILGA.005.001.0256. Now, did you say you had some dealings with Silvia Mui, M-u-i?

10

MS ARNOTT: No, I didn't. I'm sorry, is the question did I say I did or did I?

MS SHARP SC: Well, did you have any dealings with Silvia Mui?

15 **MS ARNOTT:** Very, very few.

MS SHARP SC: And can I take your attention to the bottom part of that email.

MS ARNOTT: I'm sorry, is that the email from Wallace or the --

20

MS SHARP SC: Yes, sorry, I will take you to the top half of that email. Do you see that Ms Mui is making a recommendation that Suncity move to Salon 82?

MS ARNOTT: Yes.

25

MS SHARP SC: And do you see that she states:

"I will need to organise a meeting with Suncity in order to come out with the final decision."

30

MS ARNOTT: Yes.

MS SHARP SC: Were you aware of that position as at August 2019?

35 **MS ARNOTT:** No.

MS SHARP SC: So no one made you aware of that?

40 **MS ARNOTT:** No. I - my understanding was that they were going to be operating as a normal - as any standard junket.

MS SHARP SC: Okay. Can I take you, please, to ILGA.005.001.0259. This is exhibit B, tab 1664. Can you see Mr Whytcross has sent an email to various people dated 30 August 2019?

45

MS ARNOTT: Yes.

MS SHARP SC: And you're not a party to that email, are you?

MS ARNOTT: No.

MS SHARP SC: All right. Do you see that Mr Whytcross advises:

5

"Following various discussions, wanted to confirm: Suncity will shift from Salon 95 to Salon 82. However, there will be no signage, with tables opened as required."

10 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see it says, the dot point a bit further down:

15

"Following Suncity shifting (which is expected to occur next week), Beata to coordinate removal of Suncity signage/dedicated joinery."

MS ARNOTT: Yes.

20 **MS SHARP SC:** So were you made aware that - are you saying you weren't made aware in any way, shape or form that Suncity was moving its operations to Salon 82 at this point in time?

25 **MS ARNOTT:** Not at this point in time. At some point, I did learn that salon - that Suncity was predominantly using a different salon. But my understanding of that was that there were no special arrangements in relation to that, other than that was the key - the main salon that they were allocated.

MS SHARP SC: Isn't it right that in 2019, the operations of Salon 95 were extremely high risk, from a money laundering perspective?

30

MS ARNOTT: They were certainly high risk. I - having not done the risk assessment in relation to that, I - yes, they are - they were high risk.

35 **MS SHARP SC:** And isn't it right that on the information available to you in 2019, you could have no confidence at all that Suncity was complying with the controls that had been imposed by Star Entertainment?

MS ARNOTT: No, but when - no.

40 **MS SHARP SC:** So you agree with me?

MS ARNOTT: I agree that they weren't complying with the controls in 2019. No.

45 **MS SHARP SC:** And you could have no confidence that they were capable of complying?

MS ARNOTT: With those controls? No.

MR BELL SC: Is that a convenient time, Ms Sharp?

MS SHARP SC: Yes.

5 **MR BELL SC:** Or did you want to continue a little longer?

MS SHARP SC: No, no, that's a convenient time. Thank you.

10 **MR BELL SC:** I will adjourn now until 2 pm.

<THE HEARING ADJOURNED AT 1:03 PM

<THE HEARING RESUMED AT 2:01 PM

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

MS SHARP SC: It's correct, isn't it, that in May 2019, Angus Buchanan was appointed a due diligence project manager at Star Entertainment?

20 **MS ARNOTT:** I believe so, yes.

MS SHARP SC: How regularly did you liaise with him after that appointment?

25 **MS ARNOTT:** Sorry, when did you say it was, March 2019?

MS SHARP SC: May 2019.

30 **MS ARNOTT:** May 2019. We didn't have a regular cadence of meetings, but he certainly came to speak to me about what our due diligence processes looked like currently so he could get an understanding of - of what we did in relation to due diligence and make recommendations for improvement. And then I spoke to him again towards the end of 2019, particularly in relation to conducting some enhanced customer due diligence.

35 **MS SHARP SC:** And do you recall before lunch I took you to an email that you authored on 14 June 2019 to Mr Houlihan where you suggested it might be useful to get Mr Buchanan involved in a review of the Suncity footage?

40 **MS ARNOTT:** Yes.

MS SHARP SC: Did that happen?

45 **MS ARNOTT:** I don't recall. We did have a meeting subsequent to that with Kevin, Micheil Brodie, Graeme Stevens and I think perhaps Ian Tomkins in relation to the review of the footage, but I can't recall whether or not Angus was involved.

MS SHARP SC: Did you know that Mr Buchanan had previously worked at the Hong Kong Jockey Club?

MS ARNOTT: Yes, I did.

5

MS SHARP SC: When were you made aware of that?

MS ARNOTT: I think probably when he came to work with us initially, or perhaps when he came to speak to me in the first instance about the way that we conducted enhanced customer due diligence.

10

MS SHARP SC: Did you know that Mr Buchanan had worked on a due diligence assessment of Suncity and Alvin Chau when he worked at the Hong Kong Jockey Club?

15

MS ARNOTT: Yes, I did.

MS SHARP SC: And when were you made aware of that?

MS ARNOTT: Again, I'm not sure of the exact date. Some time after he started working at The Star.

20

MS SHARP SC: Was it during the period where you were conducting your own inquiries into Salon 95?

25

MS ARNOTT: It may well have been.

MS SHARP SC: And what did he tell you was his involvement at the Hong Kong Jockey Club in relation to Suncity and Alvin Chau due diligence?

30

MS ARNOTT: He told me that he was the manager of the due diligence team at the time that they had done that due diligence.

MS SHARP SC: Did he tell you the outcome of that due diligence?

35

MS ARNOTT: I don't know if he told me directly, but I'm aware that - that the Hong Kong Jockey Club decided to cease doing business with Alvin Chau.

MS SHARP SC: Did you see - I withdraw that. Did he provide you with a copy of the Hong Kong Jockey Club due diligence report that he did?

40

MS ARNOTT: No, he didn't.

MS SHARP SC: Have you ever seen a copy of that report?

45

MS ARNOTT: Yes, I have.

MS SHARP SC: When did you first see that?

MS ARNOTT: It would have been - I don't recall. I was given a paper copy so it's hard to - to recollect the exact timing. Probably some time in 2019.

5 **MS SHARP SC:** Well, would it sound about right to you that you were provided a copy of that document in June of 2019?

MS ARNOTT: I have nothing that would say it would be inconsistent with that.

10 **MS SHARP SC:** And how did you come to be in possession of a copy of that report in 2019?

MS ARNOTT: I was given a paper copy, I believe, by Andrew Power, but it may have been by Kevin.

15

MS SHARP SC: And what did they, either of them, say to you when they provided you with the copy of that report?

20 **MS ARNOTT:** They told me that it was a copy of the Hong Kong Jockey Club due diligence report and - yes, and that it was - had been provided for - that the due diligence was related to Suncity.

MS SHARP SC: What did you understand precisely was Angus Buchanan's role with respect to that report?

25

MS ARNOTT: I - he was either the author or the leader of the team who authored the report, I'm not sure which.

30 **MS SHARP SC:** Is it right you came into possession of this report at about the same time you were concerned with unusual transactions occurring in Salon 95?

MS ARNOTT: Yes, it may well have been consistent with that.

35 **MS SHARP SC:** Well, you've said "may". Is that most likely?

MS ARNOTT: I can't recall. As I said, it's very hard to pinpoint when I was handed a paper-based copy of the report. It may have been then. It may have been - may have been later. I'm sorry, I just don't recall.

40 **MS SHARP SC:** May we take it you reviewed it at the time it was provided to you?

MS ARNOTT: Yes, I did.

45 **MS SHARP SC:** And you carefully reviewed it at that time?

MS ARNOTT: Yes.

MS SHARP SC: Can I take you to that report, please. Can I take you to part C, tab 79, which is STA.3427.0037.3870. Now, you can see this is - if I go to the bottom of the page, do you see this is signed by Martin Purbrick?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Did you understand him to be the director of security and integrity at the Hong Kong Jockey Club?

10 **MS ARNOTT:** No, I didn't know who Martin Purbrick was.

MS SHARP SC: If I can take you to the top half of this document, did you see this at the time you saw the Hong Kong Jockey Club report?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see it says:

20 "Dear all, the attached report from Angus Buchanan's team is an update of our monitoring of the Suncity Group."

MS ARNOTT: Yes.

MS SHARP SC: And did you see it says:

25

"We have considered Suncity Group a threat to our club."

MS ARNOTT: Yes.

30 **MS SHARP SC:** And do you see the blue shade there?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Do you agree you were made aware - I withdraw that. Do you agree, when you were - when you viewed this that you were made aware of Australian Federal Law Enforcement interest?

MS ARNOTT: Yes.

40 **MS SHARP SC:** So you were aware some time in 2019 that Australian law enforcement was aware - I beg your pardon - was interested in the Suncity Group?

45 **MS ARNOTT:** I'm sorry, I was aware that - as far as this report had clarified, that there was some interest in Suncity from law enforcement. Not from other sources.

MS SHARP SC: And just to be clear: you understood that your colleague, Mr Buchanan, was involved in the preparation of this report?

MS ARNOTT: Yes.

MS SHARP SC: Did you have any reason to doubt the veracity of what was contained in this report?

5

MS ARNOTT: I felt that there were some issues with the report, yes.

MS SHARP SC: Did you have confidence in your colleague, Mr Buchanan, at the time?

10

MS ARNOTT: I didn't know Mr Buchanan very well at this time.

MS SHARP SC: Did you understand he had been employed by Star Entertainment based on his long history of investigatory matters?

15

MS ARNOTT: Yes.

MS SHARP SC: Now, do you see the part of the report that says:

20

"Suncity clearly involves a number of criminal enterprises ..."

MS ARNOTT: Yes.

MS SHARP SC:

25

"... although the business lines are so diverse that these are well hidden in more obscure legitimate businesses."

MS ARNOTT: Yes.

30

MS SHARP SC: That's a fairly unqualified assertion, isn't it?

MS ARNOTT: It is.

35

MS SHARP SC: And that's an assertion from the director of security and integrity at the Hong Kong Jockey Club?

MS ARNOTT: Yes.

40

MS SHARP SC: Surely, you placed some weight on that assertion, did you not?

MS ARNOTT: Yes, I did, but - yes, I did.

MS SHARP SC: That assertion is not qualified in any way there, is it?

45

MS ARNOTT: No, it's not.

MS SHARP SC: All right. And do you see that Mr Purbrick states:

"I recommend continuing monitoring to ensure we excluded related persons from membership, horse ownership and race sponsorship."

5 **MS ARNOTT:** Yes, I do.

MS SHARP SC: And if I take you down a little further, do you see it says:

10 "We will share redacted versions of this report with other stakeholders such as the Hong Kong Police, ICAC and bank financial crime teams."

MS ARNOTT: Yes.

15 **MS SHARP SC:** So you understood, didn't you, that the Hong Kong Jockey Club considered the information in its report so serious that it thought it would be relevant to law enforcement authorities?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Now, you don't refer in any way to receiving a copy of this report in your statement, do you?

MS ARNOTT: No.

25 **MS SHARP SC:** And why is that?

MS ARNOTT: Again, I believed I was answering the questions that were put to me at the time when answering my statement.

30 **MS SHARP SC:** Did you not think it would be highly relevant to Mr Bell to understand that you had been provided with a copy of the Hong Kong Jockey Club report in mid-2019?

35 **MS RICHARDSON SC:** I object to that question on the basis this morning, that I submit my learned friend is continuing with this line of questioning, which is unfair, given that the witness was asked to answer specific questions in her witness statement.

40 **MS SHARP SC:** Mr Bell, if I may respond. There is absolutely nothing unfair with asking this witness whether or not she thought it would be relevant to let you know about the fact that she was in possession of the Hong Kong Jockey Club report.

45 **MS RICHARDSON SC:** Well, I maintain my, sorry --

MR BELL SC: Yes, Ms Richardson, is there something else you wanted to say?

MS RICHARDSON SC: I maintain - sorry, Mr Bell. I maintain my objection. There was no question put to the witness in the witness statement, "Please set forth any other matter you think is of relevance." To the contrary, she was asked a number of very specific questions, and it's unfair, in my submission, to continue this line of questioning given the structure that the review sought to take by posing specific questions to witnesses in witness statements.

MR BELL SC: Ms Sharp, I will only permit you to do this if you first direct the witness to a particular question and ask whether it was relevant to answering that question.

MS SHARP SC: Well, I will take you, please, Ms Arnott to question 2, which is above paragraph 24.

MS ARNOTT: Yes.

MS SHARP SC: Of your first statement. It states:

"Were you made aware of money laundering concerns in Salon 95 which resulted in warning letters? If so, please outline your involvement in detail and provide relevant supporting documentation."

MS ARNOTT: Yes.

MS SHARP SC: Now, in answer to that question, you did not disclose the fact that you came into possession of the Hong Kong Jockey Club report?

MS RICHARDSON SC: I object to that. The question is directed to Salon 95 in Sydney in relation to two warning letters sent in 2018.

MR BELL SC: Ms Richardson, the question is consistent with the ruling I made, and I think the witness is well able to deal with it. Yes, Ms Sharp.

MS SHARP SC: In answer to that question, you did not disclose the fact that you came into possession of the Hong Kong Jockey Club report in mid-2019, did you?

MS ARNOTT: No, I didn't.

MS SHARP SC: Did you consider that the information contained in the Hong Kong Jockey Club report had absolutely no bearing whatsoever on money laundering concerns in Salon 95 in in (indistinct) 2019.

MS RICHARDSON SC: I object to that. I object to that question.

MS SHARP SC: I press it.

MR BELL SC: What's the objection?

MS RICHARDSON SC: I object on the basis it's premised that the scope of question 2 is asking this witness to set forward any concerns she had about money laundering, whether they had absolutely no bearing, which bears no resemblance to question 2 that was put by the review to this witness.

5

MR BELL SC: In my view, the question asked is consistent with the ruling I've made, and I am also of the view that Ms Arnott is well able to deal with it. I will allow it.

10 **MS SHARP SC:** I will put the question again. Did you consider that the information contained in the Hong Kong Jockey Club report that you had access to in mid-2019 had absolutely no bearing on the question you were asked to address in question 2?

15 **MS ARNOTT:** The question that I was asked to address in question 2 did relate to matters in May and June 2018 specifically. So I outlined my involvement in those matters as a series of transactions. And where there were like transactions in 2019, I also outlined my involvement in those transactions. The Hong Kong Jockey Club report is not necessarily related to those specific transactions which I was focused
20 on answering for the inquiry. It wasn't an attempt to be evasive.

MS SHARP SC: Do you suggest that the information available to you in the Hong Kong Jockey Club report had absolutely no bearing on money laundering concerns in Salon 95 as at May and June 2018?

25

MS ARNOTT: In 2018, we - I didn't have a copy of that report.

MS SHARP SC: Well, you were asked to outline your involvement in the money laundering concerns in Salon 95 in detail, weren't you?

30

MS ARNOTT: Yes.

MS SHARP SC: And you were asked to provide relevant supporting documentation, weren't you?

35

MS ARNOTT: Yes.

MS SHARP SC: Wasn't the Hong Kong Jockey Club report some relevant documentation?

40

MS ARNOTT: Not in relation to those 2018 transactions, no.

MS SHARP SC: Is it right that you didn't take a fully candid approach when you prepared your statement to this review?

45

MS ARNOTT: No, that's not correct.

MS SHARP SC: Do you accept that a more fulsome explanation would have involved you making it known to this review that you did have access to the Hong Kong Jockey Club report?

5 **MS ARNOTT:** I didn't put it into this statement because I was attempting to answer the questions.

MS SHARP SC: Did you, in fact, go out of your way not to mention the fact that you had access to the Hong Kong Jockey Club report in your statement?

10

MS ARNOTT: No.

MS SHARP SC: Do you agree it does have a bearing on suspected money laundering occurring in Salon 95 in 2018 and 2019 in Salon 95?

15

MS ARNOTT: I agree that it is a piece of risk information that is to be considered in relation to looking at the risks of these transactions, yes.

MS SHARP SC: To be clear: it is an important piece of information to be considered in assessing the risks, is it not?

20

MS ARNOTT: Yes.

MS SHARP SC: And that is because the Hong Kong Jockey Club is a well-respected institution?

25

MS ARNOTT: I don't know much about the background of the Hong Kong Jockey Club, but yes.

30 **MS SHARP SC:** And Mr Buchanan was your colleague.

MS ARNOTT: Yes.

MS SHARP SC: Could I take you, please, to the report. If could I have you shown exhibit C at tab 79. I beg your pardon it's exhibit C - I'm not sure what the tab number is. It's STA.3427.0037.3870. It's tab 79 of exhibit C. Operator, I may use a different version of this, if I may. It's exhibit B710. Now, could I take you, please, to pinpoint 0003. Do you see there's a heading Executive Summary?

35

40 **MS ARNOTT:** Yes.

MS SHARP SC: In accordance with the usual practice with executive summaries, do you expect that important information is to be highlighted in an executive summary?

45

MS ARNOTT: Yes.

MS SHARP SC: And is that how you understood the executive summary was functioning in the context of this report?

MS ARNOTT: Yes.

5

MS SHARP SC: Do you see in paragraph 2, about midway down it says:

10 "Alvin Chau is alleged to be a member of the Macau faction of the 14K triad society and a follower of the former 14K leader Wan Kuok Koi (aka 'Broken Tooth Koi')."

MS ARNOTT: Yes.

MS SHARP SC: And do you see it says:

15

"It is suspected the Suncity Group also has connections to Charles Heung Wah Keung, a senior office bearer of the Sun Yee On triad society.

MS ARNOTT: Yes.

20

MS SHARP SC: Do you agree the substance of what is alleged there is that Alvin Chau has a connection to triads?

MS ARNOTT: I believe that's what the allegation is stating, yes.

25

MS SHARP SC: Right. Do you see at paragraph 3 it says:

"Cheng Ting Kong is Alvin Chau's major business partner"?

30 **MS ARNOTT:** Yes.

MS SHARP SC: Now, did you understand, at the time, that assertion to be qualified or tentative in any way?

35 **MS ARNOTT:** No.

MS SHARP SC: Did you see it is stated that Cheng and Alvin Chau have 11 common directorships in Hong Kong?

40 **MS ARNOTT:** Yes.

MS SHARP SC: Did you understand that that assertion was qualified in any way?

MS ARNOTT: No.

45

MS SHARP SC: Do you see it says:

"Cheng is believed to be a member of the 14K triad society in Hong Kong."

MS ARNOTT: Yes.

5 **MS SHARP SC:** So you understand that was the allegation put against Cheng in this report?

MS ARNOTT: Yes.

10 **MS SHARP SC:** The one in which your colleague, Mr Buchanan, was - assisted in putting out?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And do you see it says:

"Intelligence sources report that Cheng is involved in illegal bookmaking, drug trafficking and large-scale money laundering activities."

20 **MS ARNOTT:** Yes.

MS SHARP SC: You understood that the import of this paragraph was that Alvin Chau was in a business relationship with a drug trafficker and large-scale money launder?

25 **MS ARNOTT:** That's what the allegation is stating, yes

MS SHARP SC: Yes, well, is there any other way of reading that paragraph?

30 **MS ARNOTT:** No.

MS SHARP SC: And you understood that at the time, did you?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Surely, in your position, that information was of considerable concern at the time you read it, vis-a-vis the fact that Star Entertainment was dealing with Alvin Chau and Suncity?

40 **MS ARNOTT:** Yes.

MS SHARP SC: It was of considerable concern to you, was it not?

45 **MS ARNOTT:** Yes, but as I stated earlier, there were some concerns that I had with the report.

MS SHARP SC: All right. But not with that bit, was there?

MS ARNOTT: Not with the executive summary, no.

MS SHARP SC: All right. So you had no cause to doubt the assertion that Cheng was believed to be a triad; correct?

5 **MS ARNOTT:** I'm sorry, I - I don't recall specifically if there was issues relating to Cheng being a triad. It would - if there was, it would be more (indistinct) deeper into the report.

10 **MS SHARP SC:** Well, you understand that the assertion here in the executive summary is that Alvin Chau is in a business partnership with a drug trafficker and a money launderer. Now, if I could take you to pinpoint 0008, do you see paragraph 26, it states that Alvin Chau:

15 "... became a member of the Guangdong Provincial Committee in January 2013."

MS ARNOTT: Yes.

20 **MS SHARP SC:** And that makes him a politically exposed person, doesn't it?

MS ARNOTT: It may do. It - depending on the level of seniority of that political posting.

25 **MS SHARP SC:** Well, did it cause you to think that Mr Chau may be a politically exposed person?

30 **MS ARNOTT:** I can't remember the exact timings but at this time in 2019 it - World-Check didn't show him to be a politically exposed person. So, no, I didn't think him to be one at that time. As I said, it may have been that the post was too junior for it to have been classified as politically exposed person.

MS SHARP SC: So are you saying you preferred information available in World-Check to the report of the Hong Kong Jockey Club?

35 **MS ARNOTT:** No, I'm saying that I'd - that the difference may be that he may have held a political post that may not have been at a high enough level for it to have been determined to be politically exposed and, that, yes, World-Check did have - did run that kind of due diligence to make that its information was correct in relation to politically exposed persons.

40 **MS SHARP SC:** Could I take you to paragraph 37, please. Do you see there's a heading Links to Organised Crime.

45 **MS ARNOTT:** Yes, I do.

MS SHARP SC: And when you read this report at the time, you understood that information was being reported on Alvin Chau's links to organised crime?

MS ARNOTT: Yes.

MS SHARP SC: And do you see that at paragraph 37 it says:

5 "Alvin Chau was reported to be a 14K triad member..."

MS ARNOTT: Yes, I do.

MS SHARP SC:

10 "...and follower of Wan Kuok Koi..."

MS ARNOTT: Yes.

15 **MS SHARP SC:**

"...who was jailed for triad-related crimes in 1999."

MS ARNOTT: Yes.

20 **MS SHARP SC:** And do you see that in addition to that association it is stated here that:

25 "Alvin Chau is also reported to have associations with Cheung Chi Tai, Lin Cheuk Chiu and Herbert Liu Kee Chan, all of whom are known to have triad-related associations. "

MS ARNOTT: Yes, that's what is written there.

30 **MS SHARP SC:** All right. Well, did you place any weight on those assertions.

MS ARNOTT: Well, so the first assertion that Alvin Chau was reported to be a member of the 14K triad is reference to the Next Magazine in Hong Kong, which, my understanding, is an entertainment and news magazine, rather than an
35 authoritative journalistic source. So I didn't necessarily place as much weight on that as you otherwise might expect.

MS SHARP SC: Could I stop you there. When you read this, did you go and have a look at what Next Magazine was?

40 **MS ARNOTT:** Yes.

MS SHARP SC: So you read it that carefully that you traced down to the source of each of these assertions, did you?

45 **MS ARNOTT:** Not all of them, but this is a particularly important assertion, given that Alvin Chau is a member of the 14K triad and, as you rightly point out, Alvin Chau was one of our customers.

MS SHARP SC: And what about - did you track down the footnote for paragraph 43?

5 **MS ARNOTT:** I tried to and I wasn't able to access that when I typed in the - typed in the reference.

MR BELL SC: Ms Arnott, you have said twice now that you had concerns with the Hong Kong Jockey Club report. What were your concerns about?

10 **MS ARNOTT:** Exactly this, Mr Bell. So the 14K triad membership is linked to Next Magazine, which is not necessarily a particularly authoritative source. And the next sentence reads as if to say that the next reference indicates that Alvin
15 Chau was a follower of Broken Tooth Koi, who was jailed in 1999. But that next reference is a BBC article which states that - it is an article about Broken Tooth being arrested in 1999 but doesn't have any reference to Alvin Chau being related to him at that point. And there were numerous points through this report where I found that there were things that were opinion being placed very close to things that were fact in an effort to make them look like they were - should be read
20 together. And I found that to be concerning at the time.

MR BELL SC: Yes, thank you.

25 **MS SHARP SC:** Could I take you to pinpoint 0010. Now, you can take it from me that paragraph 39 is confidential.

MS ARNOTT: Okay.

30 **MS SHARP SC:** So I don't want you to repeat any of that now, but do you see there's a heading Money Laundering?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And do you see that there's a reference to the interest of certain authorities?

MS ARNOTT: I'm sorry, let me just read the paragraph. Just 39?

40 **MS SHARP SC:** Yes.

MS ARNOTT: Yes.

MS SHARP SC: And do you see there's a reference to where the activity had taken place?

45

MS ARNOTT: Yes.

MS SHARP SC: And do you see that there's a reference to the person to whom the activity related?

MS ARNOTT: Yes.

5

MS SHARP SC: Now, did you place any weight on the information in that paragraph when you read this report?

MS ARNOTT: I don't remember this paragraph specifically, but I may well have done, yes.

10

MS SHARP SC: Well, it's most likely you would have, isn't it?

MS ARNOTT: Yes.

15

MS SHARP SC: Particularly in the context of the concerns that you were presently dealing with in Salon 95?

MS ARNOTT: Yes.

20

MS SHARP SC: Now, do you see the information at paragraph 40?

MR BELL SC: Is paragraph 40 confidential, Ms Sharp?

MS SHARP SC: No. Do you see it's stated that the FBI is continuing with its investigation?

25

MS ARNOTT: I'm sorry, I hadn't finished reading the paragraph but, yes, I can see that.

30

MS SHARP SC: Did you place weight on that matter?

MS ARNOTT: I don't recall and I - having not looked at the referencing either in this paragraph, it's - I don't recall whether or not I placed weight on this paragraph.

35

MR BELL SC: This would be a particularly concerning matter, though, to you, if you had read this paragraph.

MS ARNOTT: Sorry, I haven't properly finished reading the paragraph, if I may.

40

MR BELL SC: Okay. If you would read it and digest it and let me know when you've done so.

MS ARNOTT: Thank you. Yes, thank you, sorry.

45

MR BELL SC: This paragraph is suggesting that Mr Chau was involved in a cyber-attack made against the Federal Reserve bank of New York during which USD\$101 million was stolen. Is that the way you would read it?

MS ARNOTT: Yes, that is what it is - that is what it is saying.

5 **MR BELL SC:** And I take it you were extremely concerned when you read this?

MS ARNOTT: Well, again, Mr Bell, the problem I have with this report is I don't know whether or not - how much of a link Alvin Chau had to it because, as we've previously stated, there were a number of occasions where there - I'm certain that there was \$101 million stolen from banks in Bangladesh, and it has been stated here that Alvin Chau was reported to be a recipient of it. But with no charges laid by the FBI and no referencing to give information about how you can see Alvin Chau linked to it or what report it was that links him to it, it's difficult to assess the validity of - of the statement.

15 **MR BELL SC:** So just so I am clear, was your reaction when you read this to reject it because you weren't satisfied with the source material? Or was it a matter which you regarded needed to be investigated further?

20 **MS ARNOTT:** It was - some of it was I didn't - I didn't consider the source material to - to be relevant or helpful. And there are some elements of it that I probably should have investigated further. But - but it was - there were - yes, I did have concerns about it, but - for that reason.

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

MS SHARP SC: Because by this time in the report there are a number of different strands of information suggesting that Mr Chau is not of good repute; do you agree?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And there are a number of separate strands of information suggesting that he is involved in money laundering; do you agree?

35 **MS ARNOTT:** Yes.

MS SHARP SC: And isn't the fact that there are separate strands of information suggesting the same thing a matter that gives you cause to think there may be a serious issue here?

40 **MS ARNOTT:** Look, as I said, I was concerned by a number of parts of this report, including the referencing. My understanding is this had also gone to the investigations team and they were trying to ascertain parts - whether parts of the report were correct - sorry, I'm choosing my words carefully so as to not to tread on areas that shouldn't be discussed in public.

45 **MS SHARP SC:** Wasn't it open to ask Mr Buchanan whether it was correct?

MS ARNOTT: Look, as I said, I didn't - I didn't know Mr Buchanan very well at this time. So I didn't reach out to him directly, no.

5 **MS SHARP SC:** Well, even though you didn't reach out to him directly - I withdraw that. Even though you didn't know him very well, wasn't this precisely the area where you ought to have reached out to him and asked him for his view of the veracity of the allegations recorded in the report he was involved in preparing?

10 **MS ARNOTT:** Yes, perhaps I should have done that.

MS SHARP SC: Can I take you to pinpoint 0012. I beg your pardon - yes, 0012. Now, this is in the context of Mr Cheng Ting Kong. Do you see there's a heading Links to Organised Crime?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see it says:

20 "According to intelligence in October 2013, Cheng is a member of the 14K triad in Hong Kong"?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And do you see at 55, it said:

"The intelligence also suggests that Cheng is involved in a number of criminal activities such as illegal bookmaking, money laundering and other criminal activities"?

30 **MS ARNOTT:** Yes.

MS SHARP SC: Surely this was of significant concern to you?

35 **MS ARNOTT:** Yes. It - yes.

MS SHARP SC: And then if we go to pinpoint 0013, do you see it says that:

40 "Intelligence in May 2017 advised that the Suncity Group is of interest to Australian law enforcement authorities in relation to suspected large-scale money laundering activities"?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Surely that was of considerable concern to you, was it not?

MS ARNOTT: Yes, but I believe that the investigations team were liaising with law enforcement to try to work out what that was and if we could get further information in relation to it.

MS SHARP SC: All right. But at the time you first read this, was that of considerable concern to you?

5 **MS ARNOTT:** Yes.

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

10 "During 2013 and 2015, the group was believed to be laundering up to AUD\$2 million a day through various money laundering methodologies"?

MS ARNOTT: Yes.

MS SHARP SC: Do you see it said:

15

"It was suspected that a significant amount of this cash was the proceeds of drug trafficking activities"?

MS ARNOTT: Yes.

20

MS SHARP SC: Surely that was of very considerable concern to you at the time you read this report?

MS ARNOTT: Yes.

25

MS SHARP SC: There was nothing in here whatsoever that could give you any confidence that Alvin Chau was of good repute?

MS ARNOTT: No, the report doesn't - doesn't give information about Alvin Chau being of good repute.

30

MS SHARP SC: Well, it suggests completely to the contrary, doesn't it, that he is not of good repute?

35 **MS ARNOTT:** Yes.

MS SHARP SC: That's the only reasonable reading of that report, isn't it?

40 **MS ARNOTT:** Yes. As I said, if all of the aspects of the report are true, then, yes, absolutely.

MS SHARP SC: Do you ordinarily - I withdraw that. Could I take you please to pinpoint 0023. Do you see there's a heading Conclusion at the top?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Do you see at paragraph 111 it says:

"Due to the reasons detailed above, it is assessed that Suncity Group's controlling entities, Cheng and Alvin Chau, would pose tangible criminal as well as reputational risk to the club."

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, did you understand that was the opinion of Angus Buchanan as at the time he provided that report to you?

10 **MS ARNOTT:** I believe, yes, of Angus Buchanan or his team in Hong Kong.

MS SHARP SC: Well, surely that was a matter of very considerable concern to you, that The Star's due diligence officer considered that Alvin Chau and his business partner, Cheng, pose tangible criminal as well as reputational risk to the club?
15

MS ARNOTT: Yes.

MS SHARP SC: Wasn't there every reason by this time to consider that it was inappropriate for Star Entertainment to deal with Alvin Chau?
20

MS ARNOTT: Look, as I said, my decisions were based on the fact that I had concerns with the report and I hadn't been able to verify key assertions made by the report, especially in relation to Alvin. So that was my decision-making process at the time.
25

MS SHARP SC: Well, by the time of 14 August 2019, you were the AML/CTF compliance officer at Star Entertainment?

30 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: And by that time, you had access to this report?

MS ARNOTT: Yes, I can't - as I said, I can't remember exactly when I got given it, but it would have been at some time either prior to or after becoming compliance officer.
35

MS SHARP SC: Well, didn't the decision about whether to continue to deal with patrons and junkets lie with you in your capacity as the compliance officer?
40

MS ARNOTT: Yes, it did.

MS SHARP SC: Shouldn't this information have triggered an enhanced customer due diligence process?
45

MS ARNOTT: Yes, and we did do an enhanced customer due diligence process of the Suncity Group.

MS SHARP SC: And when did you do that?

MS ARNOTT: I believe we asked for it in early 2020.

5 **MS SHARP SC:** But you - this information was available to you some time in between June to August 2019, wasn't it?

MS ARNOTT: I genuinely don't recall. It was - it may have been after August 2019 that I had a - had a copy of this report.

10

MS SHARP SC: But, to be clear: in June, July, August, indeed for the balance of the year, Star Entertainment continued to do business with Alvin Chau and Suncity?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Shouldn't steps have been taken immediately upon you becoming aware of this document and in light of the suspicious activities occurring in Salon 95?

20

MS ARNOTT: I'm sorry, can you repeat that question?

MS SHARP SC: I'm sorry, I don't think I put the question properly. Shouldn't steps have been taken immediately to conduct enhanced customer due diligence upon becoming aware of this report and in light of the unusual transactions that had been occurring in Salon 95?

25

MS ARNOTT: Yes, we - we should have done it more quickly.

30 **MS SHARP SC:** And it was completely remiss to fail to do it more quickly, wasn't it?

MS ARNOTT: I don't think it was completely remiss, as we were trying to mitigate the risks of Suncity and other junkets in other ways at - at that time.

35

MS SHARP SC: And that's your position from the perspective of the AML/CTF compliance officer at that time, is it?

MS ARNOTT: Yes.

40

MS SHARP SC: Now can I take you --

MR BELL SC: Sorry, can I just understand, Ms - how could you - in light of this report and all the information which by August 2019 you had at your disposal, how could you have sensibly mitigated the risk of dealing with Suncity?

45

MS ARNOTT: Well, when the Suncity room closed and they moved back to operating in the way of a normal junket, we were in the process of creating a

different approvals process for junkets, where they would undergo - or apply with a much different form that would provide additional information for the AML team more generally. And we were looking at creating that report and giving it to all junkets, not just Suncity, to provide us with better information on which to make determinations in relation to lots of different activities.

We were also introducing source of funds questions at that time. And source of funds is one of the key erns we had in relation to the Suncity transactions. So then for all transactions for \$100,000 and above, we would be asking for information about where the money that was being transacted had come from. And so a number of those controls that were being implemented for the first time, I felt would go a long way to helping to mitigate the risks that we were seeing in the Suncity room.

MR BELL SC: Had you formed the view by that time, August 2019, that Suncity was not of good repute?

MS ARNOTT: I think as I discussed earlier, it was not necessarily a term that I turned my mind to. I certainly had concerns with Suncity and with the Suncity junket, and was looking to make sure that we could put controls in place that did manage those risks. But - yes, it wasn't something that I - that I necessarily thought of in - in that way.

MR BELL SC: So in fashioning risk mitigation strategies, you didn't consider the question of whether Suncity was of good repute; is that right?

MS ARNOTT: No, I was looking at the AML risks associated with Suncity.

MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: Wasn't the only appropriate way to manage the risk that Alvin Chau and Suncity presented at this time to stop dealing with them?

MS ARNOTT: Look, that is one way to manage the risk. At that time, I was very new to the compliance officer role, and I felt that I wanted to implement the controls that we had been working on to try to mitigate the risk, and to conduct that enhanced customer due diligence process of Suncity prior to making a final determination on that.

MS SHARP SC: Wasn't the only appropriate control at this point in time to stop dealing with Suncity and Alvin Chau?

MS ARNOTT: Well, as I said, that wasn't my decision at the time. I - I was putting in different controls in place to try to mitigate those risks and requesting that enhanced customer due diligence was done with a new and improved enhanced customer due diligence methodology to provide us with more information than would have been available in previous iterations of that kind of - of project.

MS SHARP SC: Ms Arnott, from the time you became the AML/CTF compliance officer in August 2019, it was within your control to cease dealing with Suncity and Alvin Chau, wasn't it?

5

MS ARNOTT: Yes.

MS SHARP SC: Now, could I take you, please, to your statement at paragraph 48. And do you see that the question is:

10

"In relation to your April 2020 request that an ECDD review of selected Suncity entities be undertaken, why did you request this?"

MS ARNOTT: Yes.

15

MS SHARP SC: Wasn't one of the reasons why you requested this because you were in possession of the Hong Kong Jockey Club report?

MS ARNOTT: Look --

20

MS SHARP SC: Just answer yes or no.

MS ARNOTT: In part, I - sorry.

25 **MS SHARP SC:** Why didn't you disclose the existence of the Hong Kong Jockey Club report in answer to this question?

MS ARNOTT: Because I genuinely didn't think to.

30 **MS SHARP SC:** What, you didn't think to disclose the fact that you were in possession of a report of the Hong Kong Jockey Club that said that Alvin Chau's business partner was a triad and was involved in money laundering?

MS ARNOTT: No, I didn't.

35

MS SHARP SC: Well, I suggest that, on the contrary, this is a cagey response to the question you were asked and you did not reveal all that was relevant to providing this answer.

40 **MS ARNOTT:** I disagree.

MS SHARP SC: Now, at paragraph 50, you say that you emailed Angus Buchanan with an extended due diligence proposal on 21 August 2019?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Do you accept that you were in possession of the Hong Kong Jockey Club report at that time?

MS ARNOTT: As I said, I don't recall when I got access to that report.

5 **MS SHARP SC:** At paragraph 51, you refer to some extended customer due diligence on patrons who were high-value EEIS customers.

MS ARNOTT: Yes, that's correct.

10 **MS SHARP SC:** And you say:

"Those reports included information regarding potentially illegal gambling activity but no conclusive evidence of illegal or money laundering activity was found."

15 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: What does "conclusive evidence" mean?

20 **MS ARNOTT:** There was no information about arrests or charges, and there was not much information on - on methodologies or things that we could try to verify in relation to - in relation to those allegations.

25 **MS SHARP SC:** I'm just wondering, though, what you mean by "conclusive evidence". What does it involve?

MS ARNOTT: Perhaps I can answer by saying what the evidence was that I found not to be conclusive. Is that helpful?

30 **MS SHARP SC:** No, if you could answer my question. What was the conclusive evidence you were looking for?

35 **MS ARNOTT:** I was looking for information such as methodologies that they used that we might have been able to identify occurring at The Star; information about arrests or charges or involvement in criminal activities that - where we could have some point of verification, or if there were multiple sources that were saying the same thing. But, from recollection, we didn't get different - we didn't get multiple sources of the same information. It was source information that came from a third-party provider, which is not necessarily conclusive.

40 **MS SHARP SC:** So if you do get the information from multiple sources, that makes it more conclusive, does it?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Now, when was it that Star Entertainment determined to no longer do business with junkets?

MS ARNOTT: It was some time during 2020.

MS SHARP SC: And how were you made aware of that?

MS ARNOTT: I don't recall. I may have even found out through the press.

5

MS SHARP SC: Wouldn't that be a matter that would be fairly vital to your role?

MS ARNOTT: I was on maternity leave at the time.

10 **MS SHARP SC:** What about when you came back from maternity leave?

MS ARNOTT: I was aware that they had ceased doing business with junkets.

15 **MS SHARP SC:** Can I ask you now about paragraph 54 of your statement. You were asked here about what the results of the enhanced customer due diligence review were in relation to Alvin Chau and Suncity. And you say that you handed the role over to Kevin Houlihan, the compliance officer role?

MS ARNOTT: Yes, that's correct.

20

MS SHARP SC: And at paragraph 55 you say the only communication you have had regarding the enhanced customer due diligence review in relation to Suncity since going on parental leave was in July 2021?

25 **MS ARNOTT:** Yes.

MS SHARP SC: Is that still the case?

30 **MS ARNOTT:** Yes. I haven't spoken to - to Kevin or anyone about the enhanced customer due diligence review in relation to Suncity.

MS SHARP SC: But aren't you the AML/CTF compliance officer now?

35 **MS ARNOTT:** Yes, I am, but by the time I took that role, we didn't - we no longer did business with junkets and Alvin Chau had been excluded. So it's not something that I have discussed at length.

MS SHARP SC: Well, did you ask them about it?

40 **MS ARNOTT:** About the report?

MS SHARP SC: Yes.

45 **MS ARNOTT:** I may have done when I came back. I don't - I haven't seen the report. And I certainly haven't had an in-depth conversation in relation to it, no.

MS SHARP SC: Well, have you had no interest in the outcome.

MS ARNOTT: Well, Alvin Chau is excluded and we no longer do business with junkets.

5 **MS SHARP SC:** Was he excluded at the time you returned from maternity leave?

MS ARNOTT: No, but as I said, I was I was doing other projects at that time and I wasn't in an operational role.

10 **MS SHARP SC:** So is it your evidence that you weren't curious about that and didn't ask when you returned from maternity leave?

MS ARNOTT: No, it's my evidence that I was busy doing other things and allowing the compliance officer to do his job at the time.

15 **MS SHARP SC:** And you never asked the compliance officer what was going on?

MS ARNOTT: I knew that Alvin Chau hadn't been excluded, and that he had reviewed the report and that there wasn't anything that he found particularly concerning in it. So he didn't exclude Alvin - or there wasn't enough in it for him to decide to exclude Alvin Chau at that time.

MS SHARP SC: What, and Mr Houlihan told you this, did he?

25 **MS ARNOTT:** Yes, I believe so.

MS SHARP SC: When did he tell you this?

MS ARNOTT: I don't recall. It's - I don't remember.

30 **MS SHARP SC:** Now, you gave evidence to the Bergin Inquiry, didn't you?

MS ARNOTT: Yes, I did.

35 **MS SHARP SC:** And that was in around July of 2020?

MS ARNOTT: I think it may have been early August, but yes.

MS SHARP SC: And you anticipated before you gave evidence to the Bergin Inquiry that you would be asked about Suncity, did you?

40 **MS ARNOTT:** I thought it might have been of interest to the inquiry, yes.

MS SHARP SC: So what steps did you take to understand what - well, first of all, I withdraw that. You were on maternity leave at the time?

45 **MS ARNOTT:** Yes, I was.

MS SHARP SC: Now, bearing in mind that you were going to give evidence to the Bergin Inquiry while you were on maternity leave and you anticipated you would be asked about Alvin Chau and Suncity, what steps did you take to understand what had been done about Alvin Chau and Suncity?

5

MS ARNOTT: As I said in my statement, I spoke to Mr Houlihan and asked him if the report had been finalised and if there was anything that I needed to know in the report prior to giving evidence.

10 **MS SHARP SC:** And what did he tell you?

MS ARNOTT: He said that the report hadn't been finalised and it was in draft format, but there was nothing particularly concerning in the report that I needed to be aware of.

15

MS SHARP SC: Did that surprise you in any way?

MS ARNOTT: Not necessarily, no.

20 **MS SHARP SC:** Even after reading the Hong Kong Jockey Club report?

MS ARNOTT: Look, I - as I said, I asked Mr Houlihan, and I took his answer as being truthful, yes.

25 **MS SHARP SC:** And it didn't surprise you in view of the transactions of which you had been made aware in relation to Salon 95?

MS ARNOTT: No.

30 **MS SHARP SC:** Can I show you a document which is exhibit B, tab 2603. Do you see this is a report dated 1 October 2020, authored by Angus Buchanan?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And you'll note it's addressed to Mr Power and copied to Mr White and Mr Houlihan?

MS ARNOTT: That's correct, yes.

40 **MS SHARP SC:** Have you seen this document before?

MS ARNOTT: No, I haven't.

MS SHARP SC: Could I take you to paragraph 3 of this document.

45

MS ARNOTT: Sorry, it just flicked to the next page.

MS SHARP SC: Now, at paragraph 3, do you see it says:

"Taking recognisance of all available information, it is assessed Mr Chau, as alleged, was indeed a member of the 14K triad group in his youth."

5 **MS ARNOTT:** Yes.

MS SHARP SC: Did you know, or have you been made aware that Mr Buchanan was asserting that matter in October 2020?

10 **MS ARNOTT:** No. I haven't --

MS SHARP SC: No. Does it surprise you that Mr Buchanan is asserting that matter in October 2020?

15 **MS ARNOTT:** No, not necessarily, no.

MS SHARP SC: Well, it doesn't surprise you to learn that Mr Buchanan assessed that Mr Chau was indeed a member of the 14K triad group in his youth?

20 **MS ARNOTT:** No, not - well, no, it's written down. I don't really understand whether or not - how I should be surprised. I agree that it is written here and that's what he was alleging.

MS SHARP SC: If - well, he's not just alleging it. He is saying "was indeed a member of the 14K triad group in his youth."

25 **MS ARNOTT:** Yes.

MS SHARP SC: Now, once you become aware that a junket operator or a junket financier or, indeed, a patron was a member of a triad group in their youth, isn't that enough to stop the casino from dealing with them?

MS ARNOTT: Look, I - clearly it wasn't at this time. I can only imagine that that was because if Mr Chau was, in fact, a member of it as a young person, that perhaps his adulthood was - was not spent associating with the 14K triad and that might have been the distinction.

MR BELL SC: I'm sorry, I think Counsel Assisting is asking you about your opinion as an experienced AML/CTF compliance officer.

40 **MS ARNOTT:** I'm sorry. Yes. Certainly, it's something that you would take into consideration. But, as I said, if it's something that happened when he was very young and that it wasn't associated with his adulthood, then perhaps that's something that may not be entirely material.

45 **MS SHARP SC:** Well, if you were making - well, if you are making the decision today about whether to deal with a patron, isn't that a trigger for saying, "We are not dealing with you, if you were a triad member in the past"?

MS ARNOTT: Yes, it's certainly something that we would - we would include in our considerations. I don't know what the rest of the report says, and, as I said, I would like to understand how young he was when he was involved in this and whether or not there's any indication that he continued it as an adult.

MS SHARP SC: Well, let me continue to take you through paragraph 3. Do you see it's stated:

10 "It is suspected Mr Chau and/or his subordinates retain close links with triad entities who assist with certain aspects of the VIP junket business."

MS ARNOTT: Yes.

15 **MS SHARP SC:** Now, were you aware that Mr Buchanan held that view in October 2020?

MS ARNOTT: No, I was not.

20 **MS SHARP SC:** Now, if somebody made you aware - well, if your due diligence officer made you aware of this suspicion today, would that automatically rule out this person as somebody with whom Star Entertainment should deal?

25 **MS ARNOTT:** Again, it depends on the evidence behind the suspicion, but it certainly is getting closer to a decision to - to cease to deal.

MS SHARP SC: Well, I'm suggesting this should be a trigger for automatically deciding not to deal with somebody at this stage. Do you agree or disagree?

30 **MS ARNOTT:** No, I disagree. As I said, the word "suspected" without understanding what the suspicions are or how they're generated would - I just would like a little bit more information in regards to the rest of the report or an opportunity to read it before making a firm decision. As a compliance officer, I wouldn't - I wouldn't make a decision on a single sentence like that.

35 **MS SHARP SC:** Well, this is in the executive summary of a report prepared by the due diligence officer who was undertaking the updated enhanced customer due diligence assessment. Does that change your opinion?

40 **MS ARNOTT:** It - it - look, it certainly - as I said, it is - it would make me get to the point where I would be leaning towards making a cease to deal decision. But, again, as I said, I would like to have an opportunity to read the whole report before having to make a determination like that.

45 **MS SHARP SC:** And that's because this report has never been made available to you?

MS ARNOTT: No, I've not seen it.

MS SHARP SC: And what about if I take you to paragraph 32, which is at pinpoint 0005. Now, do you see it says at paragraph 32:

5 "Given the important role triad groups play in assisting certain elements of
the junket business, i.e., recovery of gambling debts and the illicit movement
of cash out of China, it is assessed that either Mr Chau and/or his Suncity
subordinates retain a business relationship with individuals who are either
10 members of, or are closely associated with, triad groups. Experience in
investigating Chinese organised crime for over 30 years suggests that triad
members may well become criminally inactive, but they very seldom leave or
cease contact with their triad group unless relocated overseas."

MS ARNOTT: Yes.

15

MS SHARP SC: Now, bearing in mind that information, would that change your views?

MS ARNOTT: It may well do, yes.

20

MS SHARP SC: And can you tell me, is it relevant, do you think, that:

25 "Experience in investigating Chinese organised crime for over 30 years
suggests triad members may well become criminally inactive but seldom
leave or cease contact with their triad group"?

MS ARNOTT: Yes, if that - yes.

30 **MS SHARP SC:** Well, that's important information to be aware of when assessing
allegations that patrons or junkets are associated with triads, isn't it?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And can I take you, please, to paragraph 78 of this report. It's at
pinpoint 0012. At paragraph 78, Mr Buchanan states:

40 "It is suggested Mr Chau would most likely have been conversant with the
money laundering activities his Suncity staff engaged in at both The Star and
Crown properties."

MS ARNOTT: Yes.

MS SHARP SC: Now, did you ever become aware that that's what Mr Buchanan
thought at that time?

45

MS ARNOTT: No, I didn't.

MS SHARP SC: That's important information, though, isn't it?

MS ARNOTT: Yes.

MS SHARP SC: And do you see he says:

5

"Given Mr Chau's status in Macau and his triad antecedents, it is thought highly unlikely Mr Iek would permit his junket representatives to engage in such activity in Suncity's Australian-based VIP rooms without Mr Chau's knowledge and/or acquiescence."

10

MS ARNOTT: Yes.

MS SHARP SC: Now, that's important information, isn't it?

15

MS ARNOTT: Yes.

MS SHARP SC: Do you understand, reading that paragraph, that Mr Buchanan is bringing his longstanding investigatory experience into play in expressing that opinion?

20

MS ARNOTT: Yes.

MS SHARP SC: But none of this is ever made known to you?

25

MS ARNOTT: No.

MS SHARP SC: But do you agree this is very relevant information to anybody who is called upon to undertake a decision of whether or not to exclude Mr Chau and Suncity from The Star?

30

MS ARNOTT: Yes.

MS SHARP SC: It's information of vital importance, isn't it?

35

MS ARNOTT: Yes.

MS SHARP SC: And is it correct that you never saw any reports or recommendations from Mr Angus Buchanan about the extended - sorry, the enhanced customer due diligence he did on Alvin Chau?

40

MS ARNOTT: I may have been given a report in the process of preparing for this inquiry. But not - but not in relation to operational work, because by the time I returned to an operational team, Mr Chau had been excluded.

45

MS SHARP SC: So which report were you given from Mr Chau?

MS ARNOTT: I genuinely can't recall.

MS SHARP SC: I beg your pardon, I withdraw that. Which report were you given from Mr Buchanan?

5 **MS ARNOTT:** I don't know the title of it. It was - I don't know if it was sent to me in error or not. But it was in the - in the course of preparing for the inquiry.

MS SHARP SC: Now, could I take you to your statement at paragraph 59, please.

10 **MS ARNOTT:** Yes.

MS SHARP SC: And what you do underneath this paragraph is list the information you're aware of in relation to a number of bank accounts that Star Entertainment or its subsidiaries hold?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Could I take you, please, to pinpoint 0253, and at the top of that do you see the account holder is EEI Services (Hong Kong) Limited?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And you can take it from me that the account is - well, the accounts are NAB accounts.

25 **MS ARNOTT:** Thank you.

MS SHARP SC: And you say that you became aware of these accounts when the EEIS program was set up in April 2018?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And it's right, isn't it, that you weren't aware of the separate currency accounts?

35 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: And that's because you never dealt with the bank accounts at that level of detail?

40 **MS ARNOTT:** That's correct.

MS SHARP SC: And you then refer to a bank account held at the United Overseas Bank Limited in Singapore?

45 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: Have you ever reviewed the bank account statements for that bank account?

MS ARNOTT: For - no.

5 **MS SHARP SC:** And you then refer to Bank of China accounts held in Hong Kong for EEI Services (Hong Kong).

MS ARNOTT: Yes.

10 **MS SHARP SC:** Is it right - you indicate that you had a general knowledge of these accounts from around 2018?

MS ARNOTT: Yes.

15 **MS SHARP SC:** Does that mean you knew the accounts were in existence?

MS ARNOTT: Yes, I knew that EEIS had bank accounts in, with the Bank of China (Hong Kong).

20 **MS SHARP SC:** But is it right that you never reviewed the bank account statements?

MS ARNOTT: Yes, that's right.

25 **MS SHARP SC:** And then you see there's a reference to EEI Services (Macau) Limited holding some bank accounts with Banco Well Link in Macau?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And it's right that you weren't aware that The Star had opened those bank accounts?

MS ARNOTT: No, I remember discussions in relation to Banco Well Link, but I didn't recall that we had actually opened those accounts.

35 **MS SHARP SC:** And can I take you, please, to pinpoint 0254 and you will see there's a reference to The Star Entertainment Group Queensland company having a Bank of China Macau Branch account?

40 **MS ARNOTT:** Yes.

MS SHARP SC: And you say you were generally aware of those bank accounts in 2015 and 2016?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Did you ever review the - sorry, that's a yes, it is?

MS ARNOTT: Yes.

MS SHARP SC: Did you ever review the bank account statements for that bank account or those bank accounts?

5 **MS ARNOTT:** No, I did not.

MS SHARP SC: Now, at all times that were you the compliance officer at Star Entertainment, were you aware that the Chinese Government restricted the flow of capital outside of mainland China.

10

MS ARNOTT: I'm not sure if I was aware the whole time but I am aware the Chinese Government does restrict the flow of capital, yes.

15 **MS SHARP SC:** And is it right that, at least for some period of time, you've been aware that one restriction is that individuals are limited to exchanging the equivalent of USD\$50,000 in foreign currency each year?

MS ARNOTT: That sounds about right, yes.

20 **MS SHARP SC:** How long have you been aware of that restriction?

MS ARNOTT: Well, I'm not sure. For - since maybe 2018, 2019.

25 **MS SHARP SC:** And have you been aware that mainland China limits the amount of cash withdrawals that Chinese citizens can take out of ATM machines when they're outside of China?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And have you been aware that, given the restrictions on currency outflows from mainland China, certain underground banking systems have emerged?

MS ARNOTT: Yes.

35

MS SHARP SC: And how long have been aware of those underground banking systems?

40 **MS ARNOTT:** Since - so underground banking systems is something generally that I would have been aware of since my time working in law enforcement.

MS SHARP SC: And that includes hawala - am I pronouncing it correctly?

MS ARNOTT: Hawala, yes.

45

MS SHARP SC: Hawala. And do you agree that these underground channels give rise to money laundering risks?

MS ARNOTT: Yes, they can do.

MS SHARP SC: And that's because the money is not legally permitted to move out of mainland China?

5

MS ARNOTT: Yes. That is a risk in mainland China specifically. Although the hawala-based remittance systems can have other risks associated with them as well.

10 **MS SHARP SC:** Are you aware that in December 2017, the Bank of China closed down its accounts with Star?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And is it right that this created considerable concern at Star?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And is it right that this is because it became more difficult to collect front money deposits from patrons in the international rebate business?

MS ARNOTT: I believe it made the repayment of debts or CCF debts and the remittance of front money both more difficult, yes.

25 **MS SHARP SC:** And why was it more difficult once those Bank of China accounts in Macau had closed down?

30 **MS ARNOTT:** Because the Bank of China Macau accounts would accept cash payments from customers and remit them to - and we were able to use that to remit it to The Star.

MS SHARP SC: So you were aware that prior to December 2017, the Bank of China in Macau was accepting large cash deposits from patrons at The Star?

35 **MS ARNOTT:** Yes.

MS SHARP SC: Now, were you also aware in 2017 that the Macau government was cracking down on payments being made in Macau to settle gambling debts at foreign casinos?

40

MS ARNOTT: Yes. We had certainly heard information in relation to that.

MS SHARP SC: And it is right that it was making things difficult for The Star to open bank accounts in Macau?

45

MS ARNOTT: Yes, I believe so.

MS SHARP SC: And it's right, isn't it, that a number of top-tier financial institutions were not willing to facilitate transactions on behalf of EEIS in Macau?

MS ARNOTT: Yes, that's correct.

5

MS SHARP SC: And why was that?

MS ARNOTT: My understanding was it was because of the restrictions on the banking sector to not do business with casinos or the related entities.

10

MS SHARP SC: So is it right that The Star tried to find workarounds for that restriction?

MS ARNOTT: We understood it to be related specifically to the banking sector. So, yes, we looked for alternatives.

15

MS SHARP SC: Because - I withdraw that. Could I take you, please, to paragraph 76 of your statement. Now, you there say that you became aware of payments to Kuan, K-u-a-n, Koi - that's K-o-i - in around January 2018?

20

MS ARNOTT: Yes, that's correct.

MS SHARP SC: Was this one of the workarounds?

MS ARNOTT: Yes.

25

MS SHARP SC: And what was the arrangement in January 2018, as you understood it?

MS ARNOTT: As I understood it, we were entering into a designated remittance agreement with Mr Kuan Koi where he would be available to accept cash from customers in Macau, and he would have a store of money here in Australia for which he would - when he received cash in Macau, then - then he would make that money available by moving it out of his front money account into the relevant customer's front money account.

30
35

MS SHARP SC: So is it right that he was transmitting money to The Star using his front money account?

MS ARNOTT: So he had - he had money in - in his front money account, and when a customer was - paid him in Macau, then an equivalent amount of money was moved from his front money account into the front money account of the relevant customer, either to pay a debt or for front money payments.

40

MS SHARP SC: So there were ledger transactions rather than electronic transactions taking place?

45

MS ARNOTT: Correct.

MS SHARP SC: So the - obviously, at some point, it was necessary for Kuan Koi to electronically transfer money into Star accounts?

5 **MS ARNOTT:** Yes.

MS SHARP SC: But that would not correspond with when ledger entries were made moving money from his front money account in Australia to other patrons' front money accounts?

10

MS ARNOTT: Yes, that's correct.

MS SHARP SC: So could you just explain to us what the flow of cash was through the bank accounts? We understand that Mr Koi collected cash from patrons in Macau. Then how did the money move through the accounts? And that is the bank accounts?

15

MS ARNOTT: It - it may not have moved through the bank accounts. There was a - there was a - there may - there were large cash - large movements of money from Mr Koi into his front money account but there may not have - there were no corresponding individual transactions for each of the customer - customer (indistinct).

20

MS SHARP SC: How did money come to be in Mr Koi's front money account?

25

MS ARNOTT: Through - I believe he either did it - deposited some in bank cheques or foreign bank cheques and there may have been remittances as well at that time.

MS SHARP SC: So I'm trying to understand what bank accounts were used by Mr Koi and Star to give effect to this arrangement.

30

MS ARNOTT: I believe Mr Koi sent them mainly from his Bank of China Macau account to The Star's bank accounts, or he deposited cheques into The Star's bank accounts.

35

MS SHARP SC: And were those deposits made into The Star's bank accounts in Australia or overseas?

40 **MS ARNOTT:** In Australia.

MS SHARP SC: And were those bank accounts held in the name of Star Entertainment or in the name of some other entity?

45 **MS ARNOTT:** I believe they were Star Entertainment.

MS SHARP SC: And who was Kuan Koi?

MS ARNOTT: He was a junket operator and customer of The Star.

MS SHARP SC: And is it right that this arrangement was originally only for the repayment of cheque cashing facility debts?

5

MS ARNOTT: I believe so, yes.

MS SHARP SC: You were involved in conducting a risk assessment for this arrangement, weren't you?

10

MS ARNOTT: Yes, I was.

MS SHARP SC: Are you able to indicate who approved this arrangement?

15

MS ARNOTT: Micheil Brodie and Paul McWilliams were the senior managers involved in it at the time.

MS SHARP SC: Is it right that Kuan Koi was essentially acting as a remitter of funds?

20

MS ARNOTT: Not in Australia.

MS SHARP SC: How is it that he was not acting as a remitter of funds in Australia?

25

MS ARNOTT: He didn't have a permanent business establishment in Australia. So he didn't qualify to be a remitter here.

MS SHARP SC: But wasn't that, in substance, what he was doing?

30

MS ARNOTT: Yes. So it was - we took it that we were entering into a designated remittance agreement with Kuan Koi.

MS SHARP SC: So you do agree that, in substance, he was remitting money to be used for the purpose of repaying cheque cashing facilities?

35

MS ARNOTT: Yes.

MS SHARP SC: It's right that at a point in time this arrangement was extended so that Mr Koi could also collect front money payments?

40

MS ARNOTT: Yes, that's correct.

MS SHARP SC: Could I just go to paragraph 77 of your statement. What you say is that:

45

"Prior to any such transfer being made by The Star, Kuan Koi would meet with and be paid by relevant patrons of The Star in Macau. A Star staff

member was present at those transactions to identify the customer who was making the payment to complete the required AML reporting."

MS ARNOTT: Yes.

5

MS SHARP SC: How do you know that?

MS ARNOTT: How do I know that they were there?

10 **MS SHARP SC:** Yes.

MS ARNOTT: Because we were getting international depositor forms provided to us from the staff members who were - who were present at the transactions.

15 **MS SHARP SC:** And are you aware as to whether staff members were always present at the time that Mr Koi took payment from patrons?

MS ARNOTT: I believe they were.

20 **MS SHARP SC:** Well, can you say one way or the other, or you just don't know?

MS ARNOTT: I - I just don't know. I received international depositor forms for all of those transactions that were completed by our staff members so I had no reason to believe that they weren't present.

25

MS SHARP SC: Well, did you receive an international depositor form for each and every transaction that Mr Koi was associated with?

30 **MS ARNOTT:** In the beginning, I believe I received - I received forms for - for those transactions, yes.

MS SHARP SC: You say "in the beginning".

MS ARNOTT: Yes.

35

MS SHARP SC: What happened?

40 **MS ARNOTT:** Because originally the process was that I would have those forms and forward them to our AML/CTF administrator for the purposes of creating IFTI reports to AUSTRAC. At some point, he informed me that he was getting access to the transaction detail in another way and that I no longer needed to forward him the forms. So I said they didn't need to continue to send them to me. But it was - there was a significant period where I was getting them.

45 **MS SHARP SC:** When did you stop receiving those international depositor forms?

MS ARNOTT: I'm sorry, I can't remember the exact date.

MS SHARP SC: Well, if you take it from me that the arrangement with Kuan Koi continued from January 2018 to September in 2019, when do you say that you ceased receiving the international depositor forms?

5

MS ARNOTT: They ceased coming to me probably in February - I'm sorry, in March or April of 2018.

MS SHARP SC: So, in fact, you only received them for a very short period of time while these arrangements with Kuan Koi continued?

10

MS ARNOTT: Yes.

MS SHARP SC: And the reason you instituted this international depositor form process was to understand who the customer was, that is, Know Your Customer?

15

MS ARNOTT: Yes.

MS SHARP SC: Could I show you one of these, what I understand to be one of these forms, and you can tell us whether that accords with your understanding. Could I take you, please, to STA.3008.0023.5406. This is exhibit B, tab 577. And I'll have this enlarged so you can actually read it, Ms Arnott. Do you see this is an email from you to Mr Whytcross dated 1 February 2018?

20

MS ARNOTT: Yes.

25

MS SHARP SC: And do you agree that what you are there doing is attaching a blank copy of an international depositor identity form?

MS ARNOTT: Yes.

30

MS SHARP SC: I will take you to that attachment. If I could call up STA - well, as you can see, it's exhibit B, tab 578, STA.3008.0023.5408.

MS ARNOTT: Yes.

35

MS SHARP SC: International depositor identity form?

MS ARNOTT: Yes.

40

MS SHARP SC: Now, was it your expectation that a member of - well, I withdraw that. It is your expectation that a Star employee would complete these details?

MS ARNOTT: Yes, it is.

45

MS SHARP SC: And was it your expectation that if a passport identification was shown to the Star staff member, they would provide you with a copy of the identification?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, you say you received these forms for a period up to around May, was it - sorry, March 2018?

10 **MS ARNOTT:** Something like - something around that time, yes.

MS SHARP SC: Did you receive copies of the passports as well as these forms completed?

15 **MS ARNOTT:** No, because in most cases they were able to fill out just the casino member details, which provided information in relation to the customer, the KYC documentation, for those customers already held on the casino management system. So we didn't need them to re-provide it.

20 **MS SHARP SC:** Well, so if we assume that no passport was provided, how do you say the staff member confirmed the identity of the casino member?

MS ARNOTT: Through a casino identity card.

25 **MS SHARP SC:** And where do you say the information is recorded that they confirmed they had sighted a casino identity card?

MS ARNOTT: In the first line with the name of the debtor and the casino member number.

30

MS SHARP SC: And does this - where does it say that they had to sight a casino identity card?

35 **MS ARNOTT:** I believe that was communicated to them in - in an email or on the telephone at the time that we were explaining how to use these forms. The second one is - the second section is for an agent. So if the person who was not the casino member was involved in the transaction, then that person would be identified.

40 **MS SHARP SC:** So you were not provided with a copy of the casino identity card that was apparently sighted by the Star representative who filled in this form?

MS ARNOTT: No.

45 **MS SHARP SC:** Wouldn't that have been the prudent thing to call for?

MS ARNOTT: Well, we asked for the casino member number, which gives us the details, including photographs, of the KYC identification and that's the way that we conduct a lot of our KYC in the casino. So if you provide a member number,

it's got a photograph of it - of you on that and you can check it against - against the casino management system.

5 **MS SHARP SC:** Would it surprise you to learn that members of the Star staff in Macau said they did not perform any Know Your Customer identification checks?

MS ARNOTT: Yes, it would surprise me.

10 **MS SHARP SC:** That would mean this control was not working properly?

MS ARNOTT: Either that or they didn't understand what they were doing when they were completing the forms.

15 **MS SHARP SC:** Mr Bell, would it be convenient to take the mid-afternoon adjournment?

MR BELL SC: Yes. I will adjourn now for 15 minutes.

20 <THE HEARING ADJOURNED AT 3:28 PM

<THE HEARING RESUMED AT 3:43 PM

MR BELL SC: Yes, Ms Sharp.

25 **MS SHARP SC:** Did you see the customer management services agreement that was signed in January 2018 with Mr Koi?

30 **MS ARNOTT:** I don't recall seeing it at the time. I believe I've attached it to my statement.

MS SHARP SC: When did you first see it?

35 **MS ARNOTT:** It may even have been when I - when I was preparing for this inquiry.

MS SHARP SC: And did you ever see the supplementary client management agreement?

40 **MS ARNOTT:** I don't recall.

MS SHARP SC: Can I take you to that one, please. It's exhibit B at tab 650, which is STA.3417.0017.3065. So this is the agreement that was entered once the decision was made that Mr Koi would also collect front money deposits.

45 **MS ARNOTT:** Yes.

MS SHARP SC: Does that assist you in recalling whether you may have seen that agreement?

MS ARNOTT: Yes, I have seen it. I just - I'm sorry, I can't remember whether or not I saw it at the time or more latterly, but, yes, I certainly have seen it.

5 **MS SHARP SC:** Could I take you, please, to pinpoint 3068. Do you see there's a heading Record Keeping?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And do you see that Mr Koi, the service provider, agrees to "keep due and proper records of transactions"?

MS ARNOTT: Yes.

15 **MS SHARP SC:** Did you ever see any of the records of transactions maintained by Mr Koi?

MS ARNOTT: No.

20 **MS SHARP SC:** Did you ever ask for them?

MS ARNOTT: No.

25 **MS SHARP SC:** And it is right that you don't know whether or not he kept any records?

MS ARNOTT: No, I don't know.

30 **MS SHARP SC:** Could I take you, please, to exhibit B, tab 582. This is STA.3423.002.5770. And I want to take you pinpoint 5771. Now, if I could take you to the email sent by you at 10.24 on 1 February 2018.

MS ARNOTT: Yes.

35 **MS SHARP SC:** You refer there to:

"I sent an email this morning with some more information regarding what to include on the identity forms."

40 **MS ARNOTT:** Yes.

MS SHARP SC: Now, does that mean it's correct that the identity forms were not in use as at 1 February 2018?

45 **MS ARNOTT:** I'm not sure if they weren't in use or if there were some errors in their completion. So we may have sent some clarifying emails just to make sure that the documents were being filled out correctly.

MS SHARP SC: Did you understand that this arrangement had commenced in January of 2018?

5 **MS ARNOTT:** I think that that is earlier than I anticipated. So, yes, certainly, it was around that time.

MS SHARP SC: Could I take you, please, to the email on pinpoint 5770, which is an email you sent on 1 February 2018 at 12.08 pm. Now, if I can take you to the third paragraph, you say:

10 "My understanding of the transactions so far is that part of the money has come as foreign counter cheques."

15 **MS ARNOTT:** Yes.

MS SHARP SC:

"And that these have been deposited into our NAB account on-shore?"

20 **MS ARNOTT:** Yes.

MS SHARP SC: What was your understanding that the money being collected by Kuan Koi was in the nature of foreign counter cheques?

25 **MS ARNOTT:** No, this is the matter that we were discussing earlier, where the - the deposits being made into Kuan - into The Star's bank accounts were in relation to - to this.

30 **MS SHARP SC:** So it was your understanding at this time - well, hang on a minute. I withdraw that. Where did you think foreign counter cheques were being used in this process?

35 **MS ARNOTT:** So it says here that the foreign counter cheques have been deposited into our NAB bank account on-shore "with the funds made available in Kuan Koi's front money account." So my understanding was that is how Kuan Koi was funding the Australian side of the remittance agreement.

40 **MS SHARP SC:** So did you understand that he was being provided by other patrons with copies of counter cheques?

MS ARNOTT: No, my understanding was that they were his foreign bank cheques that were being deposited into our NAB accounts and clearing and then being put into his front money account.

45 **MS SHARP SC:** Is it right that you understood that he was, in fact, collecting cash from patrons?

MS ARNOTT: Yes.

MS SHARP SC: And was he also collecting other forms of value from patrons?

MS ARNOTT: I don't know, but I believed it was predominantly cash.

5

MS SHARP SC: Now, can I take you, please, to paragraph 90 of your statement. You say that you conducted a risk assessment in January 2018 and produced a written report in February 2018.

10 **MS ARNOTT:** Yes.

MS SHARP SC: Did your risk assessment pre-date committing it to writing in February 2018?

15 **MS ARNOTT:** It may just have been that it took me across that period of time. The risk assessment was the documented one from - from February, but the research may have been in - in January.

20 **MS SHARP SC:** Could I take you, please, to exhibit B at tab 625. This is STA.3415.0002.6737.

MS ARNOTT: Yes.

25 **MS SHARP SC:** Do you see there's an email from you to Mr Brodie on 8 February 2018. It's called Risk Assessment regarding Interim Customer Liquidity and Credit Management Arrangement.

MS ARNOTT: Yes.

30 **MS SHARP SC:** Why did you describe it that way as the interim customer liquidity and credit management arrangement?

MS ARNOTT: That was the suggestion of - of Mr Brodie at the time, to - to give it a title that we could use other than calling it the Kuan Koi arrangement.

35

MS SHARP SC: Why was that necessary?

MS ARNOTT: Because we included it into the program and it - we had to call it something. So this was the suggestion of what we should call it.

40

MS SHARP SC: You say in that email:

"Please see attached my updated risk assessment. I did not change much from the previous draft."

45

MS ARNOTT: Yes.

MS SHARP SC: Is it correct that you performed one risk assessment when the proposal was limited to the redemption of cheque cashing facility debts, and then a further risk assessment once the arrangement was extended to receive front money deposits?

5

MS ARNOTT: I don't recall what the change was that I made at this time and whether that was, in fact - in fact, the change. Although, having reviewed the document, I note that the front money payments are included in - in the final draft of the risk assessment.

10

MS SHARP SC: Well, does that - what I've put to you seem the most likely scenario?

MS ARNOTT: It does, yes.

15

MS SHARP SC: Could I take you now to your risk assessment which is exhibit B at tab 626, STA.3415.0002.6738. And just to confirm, this is the Risk Assessment, is it?

20

MS ARNOTT: Yes.

MS SHARP SC: And you will see in the third line you referred to the payments "being for repaying cheque cashing facilities or making funds available for cash buy-ins"?

25

MS ARNOTT: Yes.

MS SHARP SC: And that was an extension, wasn't it, making the funds available for cash buy-ins?

30

MS ARNOTT: I believe so, yes.

MS SHARP SC: Now, in the fourth paragraph down, beginning "The proposed structure", you refer to remittance services being provided by a service provider or providers. Did this relate to anyone other than Kuan Koi?

35

MS ARNOTT: No, it didn't.

MS SHARP SC: Is there any reason that you don't just refer to Kuan Koi?

40

MS ARNOTT: With the understanding that it may - there may have been some proposal to extend it later and the risk assessment would stand whether it was Kuan Koi or another provider.

45

MS SHARP SC: And what was your understanding about the possibility of it being extended in the future?

MS ARNOTT: I - I genuinely don't recall what - whether or not we thought that that was likely. It was only meant to be an interim arrangement. So, yes, I don't recall whether or not we considered it to be likely. But it was clearly enough for me to have included those words in this risk assessment.

5

MS SHARP SC: And under the heading Typology, you there refer to some of the money laundering risks identified by the financial action taskforce and AUSTRAC?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And those risks can be grouped into three broad risk areas which are source of funds risk, lack of transparency, and criminal infiltration?

15 **MS ARNOTT:** Yes.

MS SHARP SC: To be clear, these are the risks presented by money remittance service providers?

20 **MS ARNOTT:** Yes.

MS SHARP SC: I'm just wondering, doesn't a risk assessment need to be based on the risk associated with the actual provider?

25 **MS ARNOTT:** Well, this was a typology-based risk assessment so we were looking at the specific issues in relation to those kinds of - of methodologies, rather than the specific risks in relation to Mr Koi.

MS SHARP SC: So Mr Koi was not a licensed remitter, to your understanding?

30

MS ARNOTT: No, he wasn't.

MS SHARP SC: So he presented a greater risk from a money laundering perspective than a licensed remitter, didn't he?

35

MS ARNOTT: He - he represented a hawala-style remittance service provider. That's exactly the type of typology that I was assessing at that time.

MS SHARP SC: Do you agree that there is nothing in your source of funds assessment which refers to the fact that deposits will be made for the - or that Mr Koi will be collecting funds for the purpose of front money?

40

MS ARNOTT: I'm sorry. I can't see that section in the report. I will take it from you that that's correct.

45

MS SHARP SC: I will just have the Operator show Ms Arnott the Source of Funds section, which goes from pinpoint 6738 to 6739.

MS ARNOTT: No, it doesn't specifically relate to front money payments.

5 **MS SHARP SC:** It is right that where there was a repayment of a cheque cashing facility, you were relying on the fact that The Star had conducted some measure of due diligence in assessing the patron for the provision of the cheque cashing facility?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Now, in the situation where a patron does not have a cheque cashing facility, is there a scenario where The Star will not have conducted the same level of due diligence as if - as when there was a cheque cashing facility?

15 **MS ARNOTT:** The due diligence can be less, but some due diligence would have always been done.

MS SHARP SC: All right. But it will be less than when there has been a cheque cashing facility granted?

20 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: My question is, didn't this become a riskier proposition once it was intended to include payments for the purpose of front money?

25 **MS ARNOTT:** Yes, the source of wealth for those customers may have been more limited.

MS SHARP SC: Wasn't that a matter that ought to have been specifically addressed in your risk management assessment?

30 **MS ARNOTT:** Yes, perhaps it should have been.

35 **MR BELL SC:** Is it correct that one of the reasons why there's an enhanced risk in accepting front money is because, whereas with the CCF you are receiving money which is effectively The Star's own money repaying a debt to it, with receipt of front moneys, you are effectively acting a little bit like a bank and receiving moneys that belong to somebody else?

40 **MS ARNOTT:** Yes, but the source of wealth questions that we asked and the way that that should - the risk associated with the money itself is somewhat consistent, but, yes, there is an additional risk with front money payments.

45 **MR BELL SC:** Yes, and part of that additional risk is because it's more difficult, perhaps, to identify the source of wealth when it's not the casino's own money?

MS ARNOTT: Not necessarily, because the customer that's paying it in both instances, you need to understand their source of wealth as it - as it comes through so that you can be sure that the money is paid for the debt in a legitimate way too.

MR BELL SC: Right. Yes, thank you.

5 **MS SHARP SC:** Didn't this arrangement involve outsourcing Know Your Customer checks to Mr Koi?

MS ARNOTT: No.

10 **MS SHARP SC:** Well, is your answer there premised entirely on your assumption that The Star's staff in Macau were accompanying Mr Koi at the time he collected deposits from patrons?

15 **MS ARNOTT:** Yes, but it's not just an assumption. I spoke to the staff and received copies of those forms being collected.

MS SHARP SC: And which staff did you speak to about that?

MS ARNOTT: I spoke to Adrian Hornsby and Gabriela Soares in Macau.

20 **MS SHARP SC:** Would it surprise you to learn that Gabriela Soares has said that no Know Your Customer checks were performed during that process?

MS ARNOTT: Yes. Yes, it does surprise me.

25 **MS SHARP SC:** Now, can I take you to pinpoint, 6741, and do you see the risk assessment is that:

30 "Based on the above typologies and when viewed from the perspective of AML/CTF law and Star Entertainment's risk framework, the assessment of AML/CTF risk associated with the interim arrangement is low."

MS ARNOTT: Yes, that's correct.

35 **MS SHARP SC:** Surely that is a completely untenable assessment?

MS ARNOTT: In retrospect, it probably should have been higher than low. I would put it in the medium category.

40 **MS SHARP SC:** So it was a completely untenable assessment that it was low risk, wasn't it?

MS ARNOTT: It's certainly what I believed at the time, although with retrospect I'm happy to concede that it was not quite right.

45 **MS SHARP SC:** And - I withdraw that. Now, it's right that, at a certain point, this arrangement morphed so that third-party remitters were sending funds through on behalf of Kuan Koi, isn't it?

MS ARNOTT: Yes, I believe so.

MS SHARP SC: Didn't that make the arrangement even more risky from a money laundering perspective?

5

MS ARNOTT: Yes, although where they were licensed remitters, some of that risk is mitigated by the fact that they're licensed and need to comply with relevant money laundering laws.

10 **MS SHARP SC:** But that notwithstanding, you would agree it became a more risky proposition at this point?

15 **MS ARNOTT:** Yes, it may have been, particularly if our staff didn't continue to attend to make sure that it was our customers who were providing the funds for transfer.

MS SHARP SC: You've said "may" but the reality is, it did become a more risky proposition, to your knowledge, at this point, didn't it?

20 **MS ARNOTT:** We didn't re-risk assess it and think through all of the - all of the issues in relation to that. Yes, it may have been more risky in relation to that. But, as I noted, there are some mitigants such as the fact that they were licensed remitters who were being used.

25 **MS SHARP SC:** You keep answering my question in terms of "may". I want to understand what your view as the AML compliance officer was. It did become a more risky proposition at this point, didn't it?

30 **MS ARNOTT:** Yes, it did. I will also note that I was not the AML compliance officer at this time.

35 **MS SHARP SC:** Now, can I take you, please, to exhibit B at tab 707. I withdraw that. I won't take you to that document; it's not your document. Can I take you to exhibit B at tab 825, which is STA.3014.0002.0084. I think I've got the wrong document here as well. I will take that one down, apologies. Can I take you to exhibit B, tab 825, STA.3009.0012.0002. I think I've got the wrong exhibit number here, Mr Bell. I might refer to it by its document ID instead, and we will see if we can get the right document. It's STA.3009.0012.0002. This is exhibit B, tab 826.

40

MS ARNOTT: Yes.

MS SHARP SC: Now, what I'm showing you is an email from Micheil Brodie to you, dated 31 May 2018.

45

MS ARNOTT: Yes.

MS SHARP SC: And it forwards an email from Adrian Hornsby of the same date?

MS ARNOTT: Yes.

5

MS SHARP SC: And it's most likely you read that at the time?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Now, can I take you to Mr Brodie's affidavit that appears - I'm sorry, Mr Hornsby's affidavit, which - email which, in turn, forwards an email from Micheil Brodie at the bottom of that page, and you will see there's some black text and some red text?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see reference is made to a change occurring in the kinds of transactions coming through the NAB accounts for EEIS related to the Kuan Koi arrangement?

20

MS ARNOTT: Yes.

MS SHARP SC: Now, do you see it's stated that an associate of Kuan Koi has continued his contract?

25

MS ARNOTT: Yes.

MS SHARP SC: Do you agree that this increases the risks associated with this arrangement?

30

MS ARNOTT: Yes.

MS SHARP SC: And you were aware of that at the time?

35 **MS ARNOTT:** I was peripherally aware, as Micheil forwarded the email to me, yes.

MS SHARP SC: But were you aware that it was still Mr Kuan Koi who was collecting the cash?

40

MS ARNOTT: I'm not aware of - no, I'm not aware if it was Kuan Koi that was accepting the cash or if there was a move to an associate and whether or not that change was, in fact, approved or continued.

45 **MS SHARP SC:** Are you aware that Star continued to provide a service fee to Kuan Koi until around August of 2019?

MS ARNOTT: Yes. But I wasn't necessarily aware of that at the time.

MS SHARP SC: Well, what do you mean there, Ms Arnott?

5 **MS ARNOTT:** I thought, at some point prior to that, that the Kuan Koi arrangement had ceased, and - but I'm not - I - I don't know what - I knew that in terms of its original format, it had ceased and Micheil Brodie was the person who was involved in the negotiations with the credit and collections team around any changes in the process. And I believed at some point prior to August 2019 that that arrangement had, in fact, stopped entirely.

10 **MS SHARP SC:** Is it right that you thought, at the time, that the arrangement had come to an end in about May of 2018?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And it's only much later in time that you became aware that it continued until August 2019?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And is it right that, at the time, you were not aware that third-party remitters were putting money into Star's accounts on behalf of Kuan Koi?

25 **MS ARNOTT:** I was aware of - of this email, and that's what that states, but I'm not aware of whether or not that was - and I remember we were talking about third-party remitters at that time, but I think I was not aware of the Kuan Koi involvement in that third-party remittance.

30 **MS SHARP SC:** Now, I just want to talk to you about the risks from a money laundering perspective. Do you agree that there is a lack of transparency in people reviewing the statements of the casino to understand where the money is coming from, because they will see that it is coming, at least in the first iteration of this arrangement, from Kuan Koi when, in fact, the money has been sourced from patrons?

35 **MS ARNOTT:** That's correct but that's why we reported all of those transactions to AUSTRAC as IFTIs.

40 **MS SHARP SC:** But do you agree that there is a lack of transparency to that extent for others viewing those bank accounts?

45 **MS ARNOTT:** I - I don't know what others would have access to those bank accounts. So, no, I don't.

MS SHARP SC: Well, how about the banks?

MS ARNOTT: Yes, the banks may not have been aware of that arrangement.

MS SHARP SC: So the banks, into whose deposits the accounts were made, may not have been aware of that arrangement?

5 **MS ARNOTT:** That's correct.

MS SHARP SC: So do you agree there's a lack of transparency to that extent?

10 **MS ARNOTT:** Yes, to that extent I do.

MR BELL SC: And, Ms Arnott, I may be mistaken but I thought you told me earlier that the arrangement, as you understood it, involved Mr Koi paying the money directly into The Star's bank accounts; is that right?

15 **MS ARNOTT:** Yes, that's correct.

MR BELL SC: This email tends to suggest that it was, in fact, going to an account in the name of EEIS with the NAB?

20 **MS ARNOTT:** Yes. That's - that is correct. I'm not sure when that change transpired.

MR BELL SC: Presumably, you became aware of that when you read this email, did you?
25

MS ARNOTT: Yes.

MS SHARP SC: You don't seem to have kept a particularly careful eye on how this arrangement was evolving over time; is that fair?
30

MS ARNOTT: That's fair. It was being managed by my manager, Mr Brodie.

MS SHARP SC: But you were still being copied into the relevant - I withdraw that. Can I take you to pinpoint - I beg your pardon, exhibit B, tab 1022 which is exhibit - pinpoint STA.3401.0005.4467. Do you see there's an email from Richard Booth to Mr White and you're copied into it, dated 3 August 2018?
35

MS ARNOTT: Yes.

40 **MS SHARP SC:** Do you see that it's called Re: Payments - mapping potential ways forward?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And you understood, didn't you, that Richard Booth was the project manager for the EEIS project?

MS ARNOTT: Yes.

MS SHARP SC: Do you think it's most likely you read this email at about the time it was sent?

5 **MS ARNOTT:** Seems likely.

MS SHARP SC: Can I take you to the attachment. If I could call up exhibit B at tab 1023, which is pinpoint STA.3401.0005.4468. Have you seen this document before?

10

MS ARNOTT: Yes, I believe I have.

MS SHARP SC: Did you see that document in about August of 2018?

15 **MS ARNOTT:** I believe so.

MS SHARP SC: Did you understand that this document was explaining the way in which money was flowing into the casino pursuant to the international rebate business?

20

MS ARNOTT: I don't think it - I think it is suggestions of ways that money could flow in, from memory, rather than - rather than actual pathways that were enacted, but I may be wrong. My memory may not be accurate on that point.

25 **MS SHARP SC:** Could you go to pinpoint 4472. Now, if you need this enlarged, please let me know, but do you see there's a heading Payment Paths 1/2?

MS ARNOTT: Yes, and if you would like me to read the finer text, I would need it enlarged.

30

MS SHARP SC: Do you see that that first column is headed Status?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And there are three different kinds of status - and I will scroll down so you can see this. There is Live, Work in Progress or Outlier?

MS ARNOTT: Yes.

40 **MS SHARP SC:** Now, can I take you to the fourth row down, to an entry Live which is:

"Cash C2B, (customer pays cash to partner who sends to Star)."

45 **MS ARNOTT:** Yes.

MS SHARP SC: Now, you understood that was a form of - a payment channel that was being practised at this point in time, that is, August 2018?

MS ARNOTT: Yes, I suppose so, yes.

5 **MS SHARP SC:** Well, that was a reference to the Kuan Koi arrangement, wasn't it?

MS ARNOTT: Yes.

10 **MS SHARP SC:** So does it follow that you were aware that in August 2018, the arrangement continued with Kuan Koi?

15 **MS ARNOTT:** As I said, I don't have specific memories of when we became aware of - of individual pieces of this transaction. I'm aware that there was some discussion about the changing of the arrangement with Kuan Koi. I had understood that at some point in time it did cease. This indicates that that point in time was after August 2018. But the process was being managed by my manager.

20 **MS SHARP SC:** Are you able to shed any light on why, under the column Rank, it's shaded red?

MS ARNOTT: No, I'm not.

MS SHARP SC: Well, what do you think that means?

25 **MS ARNOTT:** I think it's likely to be a risk rating of some description.

MS SHARP SC: And what does the red risk rating suggest?

30 **MS ARNOTT:** It suggests it's high.

MS SHARP SC: Was that consistent with your understanding of the risk that this arrangement with Kuan Koi presented at this time?

35 **MS ARNOTT:** I'm not quite sure what risk it is describing, whether it's describing the money laundering risk or the risk that it may not be able to continue or some other operational risk.

40 **MS SHARP SC:** Can I take you, please, to exhibit C, tab 93 which is STA.3009.0012.0009. Do you see that's an email from Adrian Hornsby to Mr Whytcross, Oliver White and yourself of 13 August 2019?

MS ARNOTT: Yes.

45 **MS SHARP SC:** He says:

"I just personally met Mr Kuan at Star who has requested to cease business with us in regards to the fee processing and void his contract."

MS ARNOTT: Yes.

MS SHARP SC: It follows, doesn't it, that you were on notice in August 2019 that the arrangement to that point in time was continuing with Mr Koi?

5

MS ARNOTT: Yes, and I remember being surprised by this email at the time.

MS SHARP SC: Would it surprise you to learn that in the period September 2018 to August 2019, at least AUD\$86 million moved through this channel?

10

MS ARNOTT: Yes.

MS SHARP SC: Now, this was at a time when The Star was experiencing difficulties collecting front money deposits and repayments of cheque cashing facilities from Macau?

15

MS ARNOTT: Yes.

MS SHARP SC: And it's right at this time that consideration was being given to developing EEIS as a vehicle to solve this problem?

20

MS ARNOTT: My understanding was that EEIS was not developed as a vehicle to solve that problem, although it did later become used in that way.

MS SHARP SC: Well, were you kept abreast of developments with the EEIS proposals in 2018?

25

MS ARNOTT: Yes.

MS SHARP SC: And how were you kept abreast of that?

30

MS ARNOTT: I was a member of the working group.

MS SHARP SC: So you were a member of the EEIS steering committee, were you?

35

MS ARNOTT: No, I was a member of the working group. They're two separate - there's two separate bodies.

MS SHARP SC: Could you explain the difference between them?

40

MS ARNOTT: The working group is more junior level staff who are working through issues at the time, and the steering committee sets the parameters, approves things and is generally kept abreast of what - the activities of the working group and the progress.

45

MS SHARP SC: So who was on the working group with you?

5 **MS ARNOTT:** It was myself, Richard Booth, the cage - I think David Sharp. There were members from HR because it related to - EEIS was becoming the employing entity in Hong Kong, Singapore and Macau. Micheil Brodie, regulatory affairs team - I may have left people - credit and collections - I may have left people off but - and Michael Whytcross was there too, I think. It's a fairly - I think that that's everyone.

10 **MS SHARP SC:** Can you just attend to your statement, please, at paragraph 64. Do you see just above that it says question 7:

"When, if at all, and in what circumstances did you first become aware of the following matters and what steps did you take upon gaining this awareness?"

15 **MS ARNOTT:** Yes.

MS SHARP SC:

20 "(A)patrons making deposits of funds into an NAB account of EEIS Services (Hong Kong) Limited?"

MS ARNOTT: Yes.

25 **MS SHARP SC:** And you set out your answer there at paragraph 64 through to 73?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Is it right that you don't mention anywhere there that you were a member of the EEIS working group?

MS ARNOTT: That's right.

35 **MS SHARP SC:** Would that have been a matter that properly ought to have been set out in that part of your statement?

MS ARNOTT: Sorry, let me just read the question again. No, because the EEIS working group had finalised before patrons started making deposits into the EEIS NAB accounts. They're two separate issues.

40 **MS SHARP SC:** Now, the EEI Services (Hong Kong) Limited was a company incorporated in Hong Kong?

MS ARNOTT: Yes, that's correct.

45 **MS SHARP SC:** Is it correct that you were the AML/CTF compliance officer of EEIS?

MS ARNOTT: For a period, I was the joint compliance officer.

MS SHARP SC: And when was that period?

5 **MS ARNOTT:** I can't recollect when it actually - when it started. It was when Michael Whytcross relocated from Hong Kong to Australia.

MS SHARP SC: Well, weren't you the compliance officer in 2018?

10 **MS ARNOTT:** Yes, I may have been.

MS SHARP SC: Well, weren't you the joint compliance officer with Michael Whytcross in 2018?

15 **MS ARNOTT:** It would have been at some point in 2018, although, as I said, I can't remember the exact date.

20 **MS SHARP SC:** Well, weren't you the compliance officer from the time that EEIS (Hong Kong) Limited had its own AML/CTF financing program in May of 2018?

MS ARNOTT: No.

MS SHARP SC: When do you say you first became the compliance officer?

25 **MS ARNOTT:** I - when Michael Whytcross relocated to Australia, which was some time after that. It may not have been until 2019, when I started in the group AML/CTF role.

30 **MS SHARP SC:** Are you saying that at no time you shared compliance officer responsibilities with Mr Whytcross?

MS ARNOTT: No, that's not what I'm saying.

35 **MS SHARP SC:** Well, what are you saying?

MS ARNOTT: That I think that I took that position up with him at some point in 2019 rather than at the beginning of the entity in 2018.

40 **MS SHARP SC:** Now, I'm going to ask you some initial questions, and then I will take you to some documents. Is it correct that in the period 2018 to mid-2019, there was no transaction monitoring for AML purposes of the EEIS bank accounts in Hong Kong?

45 **MS ARNOTT:** In Hong Kong?

MS SHARP SC: Yes.

MS ARNOTT: No, my understanding is that they weren't being used.

MS SHARP SC: So it follows from that, there was no transaction monitoring.

MS ARNOTT: No.

5

MS SHARP SC: And is it correct that in the period 2018 to mid-2019, there was no transaction monitoring for AML purposes of the EEIS NAB bank accounts?

MS ARNOTT: There may have been some, although limited.

10

MS SHARP SC: Well, what's the correct position, please, Ms Arnott?

MS ARNOTT: The correct position is that the cage teams, when they were accessing those accounts, would identify some transactions or may have identified some transactions that were suspicious for AML purposes and reported them, although, as I said, I believe that was quite limited.

15

MS SHARP SC: So is it right that you just don't know what the extent of any monitoring was?

20

MS ARNOTT: That's correct.

MS SHARP SC: And, certainly, you were not monitoring the bank accounts of NAB held by EEIS in the period 2018 to mid-2019?

25

MS ARNOTT: That's correct.

MS SHARP SC: And, to your knowledge, no one in the AML team was monitoring the bank accounts in that period?

30

MS ARNOTT: That's correct.

MS SHARP SC: Is it right that, at all times in 2018 and 2019, the intention was that EEIS would comply with the Australian AML/CTF framework?

35

MS ARNOTT: Yes.

MS SHARP SC: And is it correct that they - I withdraw that. Is it right that there has been no - I withdraw that. It's correct that BDO were engaged as the independent auditor of the Star Entertainment joint AML/CTF program in 2020/21?

40

MS ARNOTT: Yes, they were.

MS SHARP SC: It's correct that they were not tasked with reviewing the EEIS anti-money laundering and counter-terrorism financing program?

45

MS ARNOTT: That's correct.

MS SHARP SC: Can I take you, please, to - pardon me, Mr Bell. Can I take you, please, to exhibit B at tab 1399. This is STA.3002.0005.0156. Do you see there's an email from Ms Arthur dated 23 May 2019 and it's copied to you?

5

MS ARNOTT: Yes.

MS SHARP SC: And Ms Arthur was a representative of NAB bank?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And it's right that in that email that was copied to you, she is requesting information about EEIS Services (Hong Kong)?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And one of the matters she inquired about was the completion of a questionnaire?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see - I withdraw that. It is right that you completed that questionnaire?

25 **MS ARNOTT:** Yes.

MS SHARP SC: Can I take you to that completed questionnaire, which is STA.3002.0005.0158. And this is the questionnaire you provided?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And, Mr Bell, this is exhibit B at 1400.

MR BELL SC: Thank you.

35

MS SHARP SC: And do you see that the first page asks the question:

"Provide a brief description of your business."

40 **MS ARNOTT:** Yes.

MS SHARP SC: And you stated:

45

"EEIS is extending its business offering to include the provision of remittance services to individual clients. The clients can use the remittance services of the EEIS to send funds from Hong Kong to The Star to fund their playing accounts at the casino or settle amounts owing to the casino."

MS ARNOTT: Yes.

MS SHARP SC: Was that remittance part of the business ever activated?

5 **MS ARNOTT:** No, it was not.

MS SHARP SC: So is it right that the only function of EEIS was to make loans to patrons or extend cheque cashing facilities to them?

10 **MS ARNOTT:** It didn't extend to cheque cashing facilities, but it did provide loans.

MS SHARP SC: Are you sure it never provided cash chequing facilities to customers?

15

MS ARNOTT: I don't think so. I know that there was an arrangement between the Star entity and the EEIS entity that related to cheque cashing facilities but I don't believe that EEIS ever provided cheque cashing facilities to customers - individual customers.

20

MS SHARP SC: Okay. Now, can I take you over the page to pinpoint 0159. You will see there's a heading AML/CTF Program Part A, and there's a question:

25 "Have you implemented an AML/CTF program? If so, provide NAB with a copy."

MS ARNOTT: Yes.

MS SHARP SC: And you said:

30

"Yes. We cannot provide a copy of the program."

Why was that?

35 **MS ARNOTT:** Because it was commercial-in-confidence.

MS SHARP SC: Well, why couldn't you provide it to your bank?

40 **MS ARNOTT:** Because the position that we took at that time that - was that it contained lots of confidential information and - and that we didn't want to provide it.

MS SHARP SC: Is that usual, not to provide the program to the bank that you're banking with?

45

MS ARNOTT: Look, I would have thought so, yes. They certainly never pushed back on it when we said we couldn't provide a copy.

MS SHARP SC: Are you sure about that?

5 **MS ARNOTT:** Well, in 2019 when it changed, but in the - we did get to a point where we provided them with the program under an NDA but until such a point, no. This had been an answer for the AML program for The Star (indistinct) for a number of years, and until 2019 there had never been an issue with that.

10 **MS SHARP SC:** Could I take you, please, to pinpoint 0160. Do you see there's a question:

"Please detail qualifications and experience of the Money Laundering Reporting Officer."

15 **MS ARNOTT:** Yes.

MS SHARP SC: Do you see it states:

"There are joint AML/CTF compliance officers for EEIS."

20 **MS ARNOTT:** Yes.

MS SHARP SC: Do you accept by the time you completed this questionnaire, you were the compliance officer together with Mr Michael Whytcross?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And it says one of those officers is:

30 "... to provide commercial insights and assist in effecting relevant change in operations."

Was that Mr Whytcross?

35 **MS ARNOTT:** Yes, it was.

MS SHARP SC: And it says:

40 "The second as AML/CTF specialist and provides the relevant subject matter expertise to manage AML/CTF specific risk and develop appropriate policies and procedures."

Was that you?

45 **MS ARNOTT:** Yes.

MS SHARP SC: And can you see at pinpoint 0161, do you see there's a question:

"Do you have transaction monitoring process in place?"

And you answered yes.

MS ARNOTT: Yes.

5

MS SHARP SC: It is right that at the time you completed this questionnaire, you were, in fact, not aware of what the transaction monitoring process was for EEIS?

MS ARNOTT: No, that's not the case.

10

MS SHARP SC: But you did not know at that stage whether anybody was monitoring the bank accounts of EEIS for AML/CTF purposes?

MS ARNOTT: That's correct. But we had a transaction monitoring program that was managed by the compliance manager in the Hong Kong office.

15

MS SHARP SC: But you didn't know if anybody was actually undertaking the transaction monitoring process?

MS ARNOTT: No, they - those transaction monitoring processes are broader than - than just the bank accounts. So I'm not sure what the bank-account-specific transaction monitoring was but they were broader - broader processes in place.

20

MS SHARP SC: At the time you completed this questionnaire, did you have any idea as to whether anybody was monitoring the bank accounts of EEIS for AML purposes?

25

MS ARNOTT: No.

MS SHARP SC: And can you see at pinpoint 0163 it says:

30

"What is the frequency of IFTI report submissions to your applicable regulator?"

MS ARNOTT: And you answered:

35

"Quarterly in Hong Kong. Within 10 days in Australia."

MS ARNOTT: Yes.

40

MS SHARP SC: Is it right that at the time you filled this in, you had no idea if EEIS was lodging IFTIs to AUSTRAC in Australia?

MS ARNOTT: No, that's not the case. I knew that we were not lodging IFTIs because we hadn't conducted those remittance services that we were discussing previously.

45

MS SHARP SC: So when you answered what's the frequency of IFTI report submission to your applicable regulator, is there any reason why you didn't say we're not lodging them yet in Australia?

5 **MS ARNOTT:** I believe there's somewhere else on this form that I say it hasn't started, or those remittance services haven't yet been initiated. But --

MS SHARP SC: Well, the answer that you've given here is not related to - or not limited by reference to remittance services, is it?

10

MS ARNOTT: Yes, that's why you would submit an IFTI.

MS SHARP SC: Well, here, you're suggesting that the frequency of IFTI report is 10 days in Australia?

15

MS ARNOTT: Yes, that's the legal requirement for submitting an IFTI.

MS SHARP SC: Well, aren't you suggesting here that EEIS is lodging IFTIs in Australia?

20

MS ARNOTT: That wasn't my intention. I felt I was answering the question.

MS SHARP SC: And you say over at pinpoint 0164 in answer to the question "Do you have an enhanced customer due diligence process for higher-risk customers including PEPs?", "Yes."

25

MS ARNOTT: Yes.

MS SHARP SC: Were you aware at the time you filled this in as to whether the ECDD process was, in fact, being followed?

30

MS ARNOTT: Yes, I believe it was.

MR BELL SC: So, Ms Arnott, just so I'm clear, at this point in time, all the EEIS was doing was making loans; is that right?

35

MS ARNOTT: That's right.

MR BELL SC: Thank you.

40

MS SHARP SC: And was it also collecting repayments of cheque cashing facilities?

MS ARNOTT: Yes, on behalf of The Star into the EEIS bank accounts.

45

MS SHARP SC: And is it your position that IFTIs did not need to be filed, so far as those two matters were concerned?

MS ARNOTT: Yes.

MS SHARP SC: Can I take you, please, to exhibit B, tab 1508. This is STA.3105.0012.2953. You see there's an email from Ms Arthur to Ms Scopel,
5 dated 9 August 2019, and you're copied?

MS ARNOTT: Yes.

MS SHARP SC: And Ms Arthur says that she would like to arrange a follow-up
10 call to discuss the responses?

MS ARNOTT: Yes.

MS SHARP SC: Did you participate in that follow-up call?
15

MS ARNOTT: It's very likely that I did.

MS SHARP SC: Can I take you, please, to exhibit C, tab 95. Now, this isn't your
20 document but it's, in fact, a file note prepared by NAB. Do you see it refers to a meeting occurring on 2 September 2019?

MS ARNOTT: Yes.

MS SHARP SC: Do you accept that you did attend a meeting with NAB on 2
25 September 2019?

MS ARNOTT: Yes.

MS SHARP SC: And reference was made to one loan only being provided by
30 EEIS at that time; is that right?

MS ARNOTT: Yes, it seems accurate for that time.

MS SHARP SC: Did you tell the NAB that EEIS was also collecting repayment
35 of cheque cashing facilities?

MS ARNOTT: Yes, I believe we did.

MS SHARP SC: Can I take you, please, to exhibit C, tab 96, which is
40 STA.3009.0012.0180. This is an email from you to Mr White, dated 5 September 2019?

MS ARNOTT: Yes.

MS SHARP SC: And you were discussing with Mr White seeking some guidance
45 from Anthony, the following day?

MS ARNOTT: Yes.

MS SHARP SC: Was that Anthony Seyfort?

MS ARNOTT: Yes, it was.

5

MS SHARP SC: And is it right you were seeking that guidance because you were not sure at that time when EEIS needed to lodge IFTIs?

MS ARNOTT: We were seeking this guidance at the time because we wanted to seek clarification about the lodgement of IFTIs for front money before play transactions.

MS SHARP SC: So, at this time, is it correct that EEIS was also receiving deposits for front money?

15

MS ARNOTT: We did find some deposits for front money into that account at around this time that we had not been anticipating.

MS SHARP SC: And so is that right that EEIS was being used for three purposes at this time, which was, firstly, to advance loans to Star customers; secondly, to collect repayments for cheque cashing facilities; and, thirdly, to advance front money?

20

MS ARNOTT: Yes, on some occasions.

25

MS SHARP SC: Is it correct that you had only just discovered, in around 5 September 2009 that EEIS was collecting front money deposits?

MS ARNOTT: Yes, because my understanding is we had stated that those accounts couldn't be used for that purpose.

30

MS SHARP SC: And this is the case even though you are the EEIS AML/CTF compliance officer?

MS ARNOTT: Yes.

35

MS SHARP SC: Should that matter have been brought to your attention at an earlier point in time than September of 2019?

MS ARNOTT: That account should not have been used for the acceptance of front money deposits but, yes, it should have been if it was - those - those transactions should have been raised earlier, yes.

40

MR BELL SC: And what was the concern with it being used to receive front money deposits?

45

MS ARNOTT: We hadn't settled whether or not those payments required an IFTI to be submitted to AUSTRAC. And where that IFTI was required, we were in danger of not - of not properly acquitting ourselves of those reporting obligations.

5 **MS SHARP SC:** And it is the case that you only discovered that the EEIS accounts were being used for the deposit of front money because NAB was asking you for some answers in relation to certain transactions in the bank accounts?

MS ARNOTT: Yes, that's correct.

10

MS SHARP SC: Did you end up obtaining advice from Mr Seyfort in relation to the lodgement of IFTIs?

MS ARNOTT: Yes, I did.

15

MS SHARP SC: Was that advice in writing or was it oral?

MS ARNOTT: A bit of both.

20 **MS SHARP SC:** And is it right that you still have access to that record of advice?

MS ARNOTT: Yes.

MS SHARP SC: I call for production of that advice.

25

MS RICHARDSON SC: I will make inquiries.

MS SHARP SC: Could I take you, please, to exhibit B, tab 1651, which is STA.3105.002.2288. Now, do you see there's a query being made in relation to some transactions occurring in the EEIS accounts?

30

MS ARNOTT: Yes.

MS SHARP SC: Now, were these the queries that caused you to ascertain that the accounts were being used for the deposit of front money?

35

MS ARNOTT: I can't remember if these were the specific queries, but it was queries around this time. I think that the actual queries that might have sparked that were in an oral phone call, rather than - than these ones - these ones followed up with in an email.

40

MS SHARP SC: I will take you to the attachment to this email. If I can call up exhibit B at tab 1650. Now, you've seen this document before, haven't you?

45 **MS ARNOTT:** Yes.

MS SHARP SC: All right. If I could minimise that, please, so we can see the whole document, Operator. Do you understand that the red text here was text added by NAB to the EEIS service accounts for January 2019?

5 **MS ARNOTT:** Yes, that's correct.

MS SHARP SC: And do you understand that one of those queries was in relation to an 11 January 2019 transaction involving Silver Express Investment?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And you followed up on these queries, didn't you?

MS ARNOTT: Yes.

15

MS SHARP SC: And you understand, don't you, that Silver Express International is a money service business.

MS ARNOTT: Yes, the licenced remitter in Hong Kong.

20

MS SHARP SC: Yes. And did it surprise you to see that remitters had been depositing money into the EEIS bank accounts of NAB?

MS ARNOTT: No, it didn't.

25

MS SHARP SC: And why was it that it did not surprise you?

MS ARNOTT: Because we were aware that customers were using remitters to send money, given the constraints on the banking system in Hong Kong and Macau.

30

MS SHARP SC: And were you also aware that Services Centre was a Hong Kong money service business?

35 **MS ARNOTT:** Yes, I think we checked that at the time and it was a Hong Kong licensed remitter.

MS SHARP SC: So you say that you were aware, in January 2019, that remitters were depositing money into the EEIS bank accounts of NAB?

40

MS ARNOTT: Yes.

MS SHARP SC: Can I take you, please, to exhibit B at tab 1701, which is STA.3002.001.3366. Now, this is an email from you to Tanya Arthur at NAB dated 18 September dated 2019.

45

MS ARNOTT: Yes.

MS SHARP SC: It's right that what you're doing here is responding to the queries in relation to the bank account statement I've just shown you?

MS ARNOTT: Yes, that's correct.

5

MS SHARP SC: And your position is that none of this came as any surprise to you, that third-party remitters were making deposits into EEIS bank accounts?

10 **MS ARNOTT:** No, I don't think so. It - I don't think so. I'm sorry, you've just made me question my memory. No, we - as I recall, we knew that that was happening because of the concerns and the difficulties around the transactions from the banking system.

15 **MS SHARP SC:** Did the fact that deposits were being made by third-party remitters into these bank accounts increase the money laundering risks associated with these bank accounts?

20 **MS ARNOTT:** To some extent. But where there were licensed remitters, we were comfortable with the acceptance of those transactions.

MS SHARP SC: Was it your understanding that The Star was comfortable with, say, Regal Crown as a remitter?

25 **MS ARNOTT:** I believe that Regal Crown was licensed money remitter in Hong Kong.

MS SHARP SC: Was it your understanding that The Star was comfortable with Regal Crown?

30 **MS ARNOTT:** I think we were comfortable with it to an extent, although I do believe we had some concerns about some of the aspects of Regal Crown's transactions.

35 **MS SHARP SC:** Are you doing your best to provide frank answers to me at the moment?

MS ARNOTT: Yes.

40 **MS SHARP SC:** Now, it's right that one of the problems with remitters depositing funds into these accounts is that you cannot be sure of where the money is really coming from?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And that increases the source of funds risks with these accounts, doesn't it?

MS ARNOTT: It does.

MS SHARP SC: And you understood that at the time, did you?

MS ARNOTT: Yes.

5

MS SHARP SC: Can I take you to exhibit B, tab 1720. Now, can I direct your attention to the email from you to Ms Dudek dated 26 September 2019?

MS ARNOTT: Yes.

10

MS SHARP SC: What you're seeking to do there is allow people from the AML team, being Michelle Chiu and Wayne Willett to access the EEIS bank accounts?

MS ARNOTT: Yes.

15

MS SHARP SC: And do you agree that, prior to this email, no one from the AML team could access the EEIS bank accounts?

MS ARNOTT: Yes.

20

MS SHARP SC: So it's right, isn't it, that prior to this time, nobody from the AML team was monitoring transactions in the EEIS bank accounts?

MS ARNOTT: That's correct.

25

MS SHARP SC: Can I take you, please, to - well, I withdraw that. If no-one was monitoring the bank accounts at that time, how could anyone lodge IFTIs at that time?

30

MS ARNOTT: The transactions that were coming into those accounts were - we understood that the CCF-related repayments were not - had created no IFTI requirement because they were a payment of debt to us, rather than making money available in Australia.

35

MS SHARP SC: Stopping you there: isn't an IFTI simply if there has been an international transfer instruction?

MS ARNOTT: There are a number of components in relation to IFTI transactions that have to be satisfied for an IFTI to be required.

40

MS SHARP SC: But it was your understanding, was it, that no IFTI was required to be lodged if somebody was simply repaying a cheque cashing facility?

MS ARNOTT: That's correct.

45

MS SHARP SC: Did your understanding change?

MS ARNOTT: No.

MS SHARP SC: So, to your knowledge, have IFTI reports ever been made in relation to the EEIS NAB bank accounts when cheque cashing facilities were repaid?

5

MS ARNOTT: No.

MS SHARP SC: Can I take now to exhibit B, tab 1722. This is STA.3105.0012.2555. Now, were you aware that in late September 2019, NAB was requesting a meeting with Harry Theodore and Paula Martin?

10

MS ARNOTT: Yes.

MS SHARP SC: And that was to discuss The Star's approach to financial crime and money laundering and Know Your Customer?

15

MS ARNOTT: Yes.

MS SHARP SC: And, in particular, the NAB wanted more information about money laundering and transaction monitoring undertaken by EEIS Services?

20

MS ARNOTT: Yes.

MS SHARP SC: And you participated in those discussions, didn't you?

25

MS ARNOTT: Yes, I did.

MS SHARP SC: Can I take you to exhibit B at tab 1738, STA.3105.0012.2971. This is exhibit B, tab 1738. Now, do you see this is an email, into which you are copied, from Ms Sarah Scopel, dated 14 October 2019?

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MS ARNOTT: Yes.

MS SHARP SC: And do you agree that the people identified in this email - and you might need this scrolled a bit more - were its people who attended that meeting?

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MS ARNOTT: Yes.

MS SHARP SC: And, in fact, the meeting took place on 16 October 2019. Does that sound right to you?

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MS ARNOTT: It sounds about right.

MS SHARP SC: Can I take you just down to the agenda, and if we can scroll up that agenda please, Operator. Do you see that one of the topics is Transaction Monitoring - EEIS and The Star's transaction monitoring and processes?

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MS ARNOTT: Yes.

MS SHARP SC: Now, was that one of the things discussed at the meeting, to your recollection?

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MS ARNOTT: I certainly recollect speaking about The Star's transaction monitoring processes, but I don't have any recollection of them asking us about the EEIS ones.

10 **MS SHARP SC:** Is it the case that, at this meeting, somebody from Star told NAB that there was no transaction monitoring occurring of the EEIS bank accounts held by NAB or maintained by NAB?

MS ARNOTT: I - I don't know. I don't have a recollection of that being said, no.

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MS SHARP SC: Is it right that there were some short keeping - I beg your pardon shortcomings in the EEIS transaction monitoring at that point in time?

MS ARNOTT: Yes, there were.

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MS SHARP SC: And what were those shortcomings?

MS ARNOTT: We weren't looking at the bank accounts in enough detail. And there may not have been as much monitoring of repayments of loans as there should have been.

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MS SHARP SC: Now, can I take you, please, to exhibit B at tab 1784, which is NAB.002.004.2634. Do you see at the bottom half of this email, Ms Arthur has sent an email to you on 24 October 2019?

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MS ARNOTT: Yes.

MS SHARP SC: And that's an email that was sent after the meeting had occurred?

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MS ARNOTT: Yes.

MS SHARP SC: And what she was seeking to do was confirm what had been stated at that meeting about dealings with Suncity and Alvin Chau?

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MS ARNOTT: Yes.

MS SHARP SC: And do you see the note that she's checking is:

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"Suncity's VIP room with The Star has been closed and a direct relationship with Suncity chief executive Alvin Chau no longer exists. However, Suncity is one of the biggest junket operators globally and has multiple junket businesses operating under them. The Star maintains a business relationship

with Suncity and some of their junket operators. The closure of Suncity VIP room was a commercial decision driven by slower demand."

MS ARNOTT: Yes.

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MS SHARP SC: And you were asked to confirm whether that was accurate?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And you did that, did you?

MS ARNOTT: I did.

15 **MS SHARP SC:** Can I take you to exhibit B, at tab 1789, which is NAB.002.003.3682. And this is an email from you to Ms Arthur dated 31 October 2019?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And what you are doing is trying to explain what, in fact, had been conveyed to NAB at that meeting on 16 October 2019?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And you see you say:

"The Star has withdrawn exclusive access to one of its VIP rooms previously provided to a junket operator associated with the Suncity Group."

30 **MS ARNOTT:** Yes.

MS SHARP SC: Now, it wasn't right, was it, that it was The Star that review access. Isn't it the case that Suncity decided it was no longer going to participate in that arrangement?

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MS ARNOTT: That wasn't my understanding. I think we just spoke earlier and I said my understanding was it was a mutually agreed decision to remove access.

MS SHARP SC: And you will see that it says:

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"The withdrawal of exclusive access to the VIP room was a commercial decision driven by slower demand."

MS ARNOTT: Yes.

45

MS SHARP SC: It doesn't say anything about the Suncity junket moving to salon 82, does it?

MS ARNOTT: No, it doesn't.

MS SHARP SC: Is that because it simply wasn't discussed at that meeting, that is, Suncity moving to Salon 82?

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MS ARNOTT: I don't recall. I don't think it was discussed.

MS SHARP SC: Well, that would be an important detail for the NAB to understand in the context of its inquiries about the continuing relationship with Suncity and Star Entertainment, wouldn't it?

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MS ARNOTT: Well, not necessarily. My understanding is that the Salon 82, there was no special agreements in relation to the Suncity's use of that room. It was just that that was the room that they were allocated for their junkets and that there was no special agreement in place for - for that use.

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MS SHARP SC: Well, there was still an agreement that Suncity could use a room at Star, wasn't there?

MS ARNOTT: Yes, as with any junket. When they come, they get allocated a room.

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MS SHARP SC: But that wasn't s matter that was made known to NAB, to the best of your recollection?

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MS ARNOTT: No.

MS SHARP SC: Because if it had been, you would have recorded it here?

MS ARNOTT: Yes, perhaps.

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MS SHARP SC: Well, wasn't that an important piece of information for NAB to know in the context of its inquiries about the continuing relationship between Star Entertainment and Suncity?

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MS ARNOTT: No, because we say that we maintain a business relationship with Alvin Chau and an individual junket operator associated with the Suncity group. It's an accurate description of what - of what our relationship was with them at the time.

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MS SHARP SC: Well, wouldn't it have been more accurate to say "And by the way, Suncity has access to different VIP room, which is Salon 82"?

MS ARNOTT: By its nature, it would have had to have access to some kind of salon to be able to operate a junket, because all junkets are operated in salons. So, yes, it may have been, but I didn't consider it as part of this process for that reason.

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MS SHARP SC: I see the time, Mr Bell. Is that a convenient time?

MR BELL SC: I just wanted to clarify a couple of things. Did you understand at the time of this email that Suncity had exclusive access to Salon 82?

5 **MS ARNOTT:** I believe that they were the only ones allocated into that room, but that it was - it wasn't like the previous room where it was open all the time. It was, when a group came in, that room would be staffed and they would have access to it, and then they would leave, as an ordinary junket would.

10 **MR BELL SC:** Yes. But they were the only junket that had access to Salon 82, as you understood it?

MS ARNOTT: Yes, they were the only junket that was using in that room.

15 **MR BELL SC:** And I just wanted to clarify something you said earlier. I understand you to tell me that the arrangement with Kuan Koi went from January 2018 until September 2019, although you hadn't appreciated at the time that it extended that long. Is that correct?

20 **MS ARNOTT:** Yes. That's correct.

MS SHARP SC: And I think you also - my note is you told Counsel Assisting that the international depositor forms that you had prepared were only received until about March or April 2018. Is that correct?

25 **MS ARNOTT:** Yes. They were received by me until then, and I had cause to ask for a few of them later than that, and I - I think that they were provided in relation to those inquiries. But, yes, once the IFTI process was cemented in another way, I didn't - I didn't ask for them all to be forwarded to me. That's true.

30 **MR BELL SC:** And my note of what you told Counsel Assisting was that at this time, that is, March or April 2018, someone told you that, "We are getting information in another way".

35 **MS ARNOTT:** Yes.

MR BELL SC: Is that correct?

40 **MS ARNOTT:** That's correct.

MR BELL SC: Who told you that?

MS ARNOTT: That was Wayne Willett, the administrator who was responsible for submitting the IFTIs.

45 **MR BELL SC:** And did he you tell you how the information was being provided in another way?

MS ARNOTT: He was getting it through the cage team.

MR BELL SC: Yes. Yes. Thank you.

5 **MS RICHARDSON SC:** Sorry, could I raise one matter. Sorry to interrupt. There
was a call at transcript 1538.36 for an advice from Mr Seyfort in September 2019.
That's already in evidence at exhibit B, tab 1049. And the other matter is could we
have permission to speak to Ms Arnott overnight for the purpose of working out
the - where her notebooks are kept which was the subject of a call made today.

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MR BELL SC: Ms Sharp, I assume there's no difficulty with that?

MS SHARP SC: No, Mr Bell.

15 **MR BELL SC:** Yes. All right. That should be okay. I will now adjourn until 10
am tomorrow.

<THE HEARING ADJOURNED AT 5:02 PM