



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**

**TUESDAY, 5 APRIL 2022
AT 10:00 AM**

DAY 14

**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, MR P. HOLMES
and MR D. WONG as counsel for The Star Pty Ltd**

**Star Witnesses
MS SKYE EDWINA RENDLE ARNOTT
MR OLIVER JOHN WHITE**

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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.

5 **MS ARNOTT:** Yes.

<SKYE EDWINA RENDLE ARNOTT, ON FORMER OATH

<EXAMINATION BY MS SHARP SC

10

MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: Operator could I please call up exhibit B, tab 2077, which is STA.3105.0012.2775. Now, what I'm showing you is an email that you sent to Ms Arthur on 19 December 2019.

15

MS ARNOTT: Yes.

MS SHARP SC: And do you recall that NAB had been making some inquiries about transactions it had observed occurring in the NAB accounts for EEIS?

20

MS ARNOTT: Yes.

MS SHARP SC: I just wanted to review your answers with you. I take it you did your best to state the situation as you understood it to be at the time you answered NAB?

25

MS ARNOTT: Yes.

30 **MS SHARP SC:** So here, you're saying:

"Here are my responses in purple."

35 So do we understand that the NAB questions are depicted in black in this document and your answers are depicted in purple?

MS ARNOTT: Yes.

40 **MS SHARP SC:** So the first question is:

"Do EEIS have any customers that are physically present in a prescribed foreign country."

45 And you say "no". And then NAB says:

"Could EEIS please provide an explanation as to why most funds transfers to its accounts with NAB originate from overseas MSBs."

Now, I will stop there. MSB means money service business, does it not?

MS ARNOTT: Yes, it does.

5 **MS SHARP SC:** Now, at the time you were asked this question, and before you had the opportunity to go and find the answer, were you aware that most of the funds transfers into the EEIS accounts maintained by NAB in Australia were from money service businesses?

10 **MS ARNOTT:** I think at the time of this email, yes, I was aware of that.

MS SHARP SC: Is that how it had originally been intended the EEIS accounts would operate?

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

MS SHARP SC: So when did things change?

20 **MS ARNOTT:** Sorry, I'm just trying to - to think back through to when it was likely to have changed. It's likely to have changed when we started to accept payments into these accounts for CCF repayment, because the original intention of the account was for EEIS loans.

25 **MS SHARP SC:** Wasn't it always intended that EEIS would either provide loans or facilitate the repayment of cheque cashing facilities?

30 **MS ARNOTT:** In my understanding, the original intention was just that it would be used for EEIS loans. And then - and then later it was used for CCF repayments, although I think that that was still quite early in its - in its use.

MS SHARP SC: And are you able to shed any light at all on why it was that EEIS was making loans in the first place?

35 **MS ARNOTT:** My understanding is that there was a desire to be able to offer a direct-credit-style arrangement with international customers that weren't constrained by the repayment timelines that are associated with cheque cashing facilities.

40 **MS SHARP SC:** And there are you referring to the requirement that cheque cashing facilities be repaid within 30 days or the cheque is banked?

MS ARNOTT: Yes.

45 **MS SHARP SC:** And it's right, isn't it, that these loans were only ever made to the customers of either Star Casino in Sydney or The Star Casinos in Brisbane?

MS ARNOTT: Yes, that's correct.

MS SHARP SC: And any creditworthiness assessments done on these loans was done by the representatives of the casinos?

5 **MS ARNOTT:** Yes. The credit and collections team, yes.

MS SHARP SC: And the contractual work that supported the loans was prepared by the credit and collection team of the casinos?

10 **MS ARNOTT:** I'm sorry, do I understand the --

MS SHARP SC: Do you understand that to be the case, that is, that the loan documentation was prepared by the credit and collection teams at the casinos?

15 **MS ARNOTT:** When you say "prepared" do you mean filled out with the customer or do you mean prepared --

MS SHARP SC: The documentation itself was prepared by the credit and collections teams at the casinos?

20 **MS ARNOTT:** I believe it was created by the legal teams, but was completed with the customers by either credit and collections or the sales team.

MS SHARP SC: And is it correct that it was the credit and sales teams of the casinos that made the decisions as to whether to grant a loan from EEIS?

25 **MS ARNOTT:** Yes, the commercials around who would be offered a loan and the values of those were decided by the credit and sales teams.

30 **MS SHARP SC:** All right. And EEIS could not make a decision by itself to grant a loan to any particular patron?

MS ARNOTT: So the sales team's members were staffed by EEIS. They were employed by that entity. But, no, not necessarily. It wouldn't have been able to make the decisions on its own.

35 **MS SHARP SC:** Yes. Okay. And it's right, isn't it, that EEIS had no function other than to make loans and accept repayments of cheque cashing facilities?

MS ARNOTT: That's correct.

40 **MS SHARP SC:** That were - they were the only functions it had.

MS ARNOTT: Yes, we had intended to use it for remittance, but I think we've discussed earlier that that didn't - it didn't ever get turned on.

45 **MS SHARP SC:** How --

MR BELL SC: What staff were employed by EEIS (Hong Kong) Limited?

5 **MS ARNOTT:** The sales staff in the Hong Kong office were employed by EEIS (Hong Kong), including the international compliance officer who worked out of Hong Kong, and I believe all of our Hong Kong-based staff were employed by EEIS (Hong Kong).

MS SHARP SC: Are you aware of how many loans were, in fact, made by EEIS?

10 **MS ARNOTT:** Very few. I think there were about six.

MS SHARP SC: But you are aware, aren't you, that there are many hundreds of transactions in the EEIS accounts?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Right. So what do those hundreds of transactions relate to, in the main?

20 **MS ARNOTT:** They predominantly relate to the repayment of CCF on behalf of The Star Entertainment Group entities and, on a few occasions, the payment of front moneys.

25 **MS SHARP SC:** So it is correct, isn't it, that, from time to time, front moneys were paid into these NAB bank accounts of EEIS?

MS ARNOTT: Yes, there was a period when some - some payments of that type were made.

30 **MS SHARP SC:** But that, in fact, was not permitted under the rules, as you understood them to be?

MS ARNOTT: No.

35 **MS SHARP SC:** And as you understood the matter at the time, you did not even understand that the EEIS accounts were to be used to accept repayments of cheque cashing facilities?

40 **MS ARNOTT:** No, I did know that. At this time, I did know that. I - just that the initial set-up of the EEIS accounts was not necessarily for that purpose. As I said, it came in quite early after the set-up of those accounts.

MS SHARP SC: So when in time did you become aware that EEIS was now being used to accept the repayment of cheque cashing facilities?

45 **MS ARNOTT:** It would have been some time probably towards the end of 2018, from memory.

MS SHARP SC: And when did you become aware that the majority of funds that were being transferred into EEIS NAB accounts were from money service businesses?

5 **MS ARNOTT:** That would have been in September of 2019, when we reviewed these accounts in relation to the initial inquiries made by NAB.

MS SHARP SC: Were any further risk assessments conducted by you at the time that EEIS commenced accepting repayments or - I shouldn't say
10 "repayments" - payments from money service businesses?

MS ARNOTT: No, I don't - I don't recall that there were.

MS SHARP SC: But didn't the fact that money service businesses were now
15 making the majority of payments heighten the money laundering risks associated with this arrangement?

MS ARNOTT: Yes, there is associated money laundering risks with that
20 arrangement.

MS SHARP SC: Well, it heightened the risk, did it not?

MS ARNOTT: Yes.

25 **MS SHARP SC:** Well, wouldn't the prudent course have been to conduct a further risk assessment once this became apparent?

MS ARNOTT: Yes, we possibly should have done a risk assessment in - in that
30 case.

MS SHARP SC: Well, that was the prudent course to take, wasn't it, and you didn't take it?

MS ARNOTT: No, we didn't, because - because we thought that the use of
35 licensed money remitters was a useful control in that space.

MS SHARP SC: Did you really?

MS ARNOTT: Yes.
40

MS SHARP SC: So you genuinely thought the fact that the remitters you were aware of depositing money into these accounts was a protective feature, did you?

MS ARNOTT: Well, the fact that they are governed by the money - the money
45 ordinance in Hong Kong. Sorry, I've lost the term of that ordinance. Yes, they would be required to do KYC of their customers and - and have monitoring of transactions and the like.

MS SHARP SC: And you genuinely considered that to be a protective factor, did you?

5 **MS ARNOTT:** Yes, it was - it was a protective factor.

MS SHARP SC: And that means that you genuinely considered it to be a protective factor?

10 **MS ARNOTT:** Yes.

MS SHARP SC: Are you sure about that?

15 **MS ARNOTT:** Yes. Yes. They are required to do things just like a bank is and, yes, there are still heightened risks and yes, we should have done a money laundering risk assessment but yes, it was a protective (indistinct).

MS SHARP SC: Money service businesses are not required to do things just like a bank, are they?

20 **MS ARNOTT:** The money - the money ordinance in Hong Kong, there is quite - there are KYC requirements in place for money lending - money services businesses in Hong Kong.

25 **MS SHARP SC:** Yes, but it's not right to suggest that money service businesses conduct KYC just like banks, is it?

MS ARNOTT: The rules and regulations would be very similar.

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

MS ARNOTT: Yes, I believe so.

35 **MS SHARP SC:** So let's return to your email with Ms Arthur on 19 December 2019. You state, in purple:

40 "The majority of funds that are transferred into the EEIS account relate to the payment of debts for The Star. The payments come from countries where The Star's customers reside rather than countries where The Star has a formal business presence. These do not represent remittances conducted by EEIS. The Star conducts due diligence on the customer who is responsible for repaying the debt but does rely on the money service business to conduct the required due diligence on the payee."

45 Now, isn't that outsourcing The Star's due diligence obligation to the money service business?

MS ARNOTT: No.

MS SHARP SC: Well, how - you've just stated there that The Star relies on the money service business to conduct the required due diligence on the payee.

5 **MS ARNOTT:** But it's the - the money services business is the other side of - of the transaction. The same way if we were to have a remittance sent through the bank, we would rely on the bank to do the KYC of the customer depositing - depositing the funds.

10 **MS SHARP SC:** Well, doesn't this mean that you are outsourcing that due diligence obligation to the money service business?

MS ARNOTT: No, because our customer is - we conduct due diligence and KYC on our - on our customer, who is the customer that is the person that has the debt.

15 **MS SHARP SC:** So you don't accept what I'm putting to you?

MS ARNOTT: No, that we're outsourcing our due diligence work, no.

20 **MS SHARP SC:** And could I take you to the other matter you state in answer to this question. You say:

"The Star (and EEIS by proxy) request -"

25 and why do you say "EEIS by proxy", because while EEIS is nominally doing it, in fact, it's The Star; is that what you mean?

MS ARNOTT: Yes.

30 **MS SHARP SC:** All right. So:

"The Star (and EEIS by proxy) request that our customers only deal with licensed remitters so that we are able to rely on the due diligence conducted by the money service business."

35 Aren't you expressly telling NAB that you're relying on due diligence conducted by the money service business?

40 **MS ARNOTT:** No, I'm just expressing what I was expressing to you earlier, which we believed that it was a control in place on money - on licensed money service operators, that they would conduct appropriate KYC checks in their home jurisdiction.

45 **MS SHARP SC:** So the control upon which you were relying was the assumption that the money service business would conduct some due diligence. Is that correct or incorrect?

MS ARNOTT: Yes, that they would do their due diligence in relation to their home jurisdiction requirements.

MS SHARP SC: All right. So weren't you outsourcing the due diligence, to that extent?

5 **MS ARNOTT:** No, because we did due diligence on customers, who were customers of The Star.

MS SHARP SC: And is it correct that what you are trying to convey to NAB, when you say you only deal with licensed remitters, is that you had confidence in
10 these remitters that they would conduct due diligence and Know Your Customer requirements?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And that's why you specifically emphasised that they were licensed remitters?

MS ARNOTT: Yes.

20 **MS SHARP SC:** Can we have this email scrolled up, please, Operator. That can be taken down now, thank you, Operator. Could I move to a different topic now, Ms Arnott, which is transaction monitoring in the period 2015 to 2018. Is it correct or incorrect that there was an AML administrator in the cage at The Star in Sydney in the period 2015 onwards?
25

MS ARNOTT: Yes, he was physically located in the cage, yes.

MS SHARP SC: And was that Wayne Willett?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And he did not work 24 hours a day, did he?

MS ARNOTT: No, he did not.

35 **MS SHARP SC:** So there were times when there was no AML administrator in the cage?

MS ARNOTT: Yes, that's correct.

40 **MS SHARP SC:** And was that the same in the entire period 2015 to 2018?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Now, did that AML administrator have access to every single bank account held by The Star or EEIS during the period into which deposits could be made on behalf of patrons?

MS ARNOTT: No.

MS SHARP SC: And which bank accounts did the AML administrator not have access to during that period?

5

MS ARNOTT: For the majority of the period, the AML administrator wouldn't have had access to bank accounts.

MS SHARP SC: Right. So it's right, is it, that the - during that period, 2015 to 2018, the AML administrator did not have access to the EEIS Bank of China Hong Kong accounts?

10

MS ARNOTT: That's correct.

MS SHARP SC: And the EEIS NAB accounts?

15

MS ARNOTT: Till 2018, no, that's correct too.

MS SHARP SC: And the EEIS Macau - that's a different entity - Bank of China accounts in Macau?

20

MS ARNOTT: Yes.

MS SHARP SC: And The Star bank accounts in the Bank of China in Macau?

25

MS ARNOTT: Yes.

MS SHARP SC: Did there come a point, to your knowledge, when the AML team was granted access to any of these bank account statements?

30

MS ARNOTT: There was a point in September 2019 when they were granted access to the EEIS accounts.

MS SHARP SC: And they were the NAB accounts, weren't they?

35

MS ARNOTT: Yes.

MS SHARP SC: And they were the only accounts to which the AML team were granted access at that point in time?

40

MS ARNOTT: Yes.

MS SHARP SC: So is it correct that from 2019 onwards, the AML team still have not had access to the bank account statements other than those of EEIS NAB?

45

MS ARNOTT: I believe that is the case, yes.

MS SHARP SC: Can I take you to a document which is exhibit B at tab 673. This is KPMG.001.001.2556. Now, I don't understand that any claim - any order for confidentiality has been made over this document. This is the Joint Program for Star Entertainment as it was in February 2018. Do you see that?

5

MS ARNOTT: Yes.

MS SHARP SC: And you know that program has now been substantially revised?

10 **MS ARNOTT:** Yes.

MS SHARP SC: This was the program that was in existence as at February 2018 and which was subject to the independent review of KPMG in 2018?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And it's correct, isn't it, that prior to July 2019, there was no separate transaction monitoring program?

20 **MS ARNOTT:** No, there was a separate transaction monitoring program for that period.

MS SHARP SC: In - is that prior to July 2019?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And when did that first come into existence?

30 **MS ARNOTT:** I believe it came into existence in 2015 or '16.

MS SHARP SC: And what form did that take?

35 **MS ARNOTT:** I - the Word document listing the things that we - the transactions that were monitored.

MS SHARP SC: Do you still have a copy of that available to you?

MS ARNOTT: I believe so. I will have to check.

40 **MS SHARP SC:** And you would be able to provide that to this review?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Well, I call for that document. Now, turning now to this program, is it right that there was an AML/CTF standard operating procedure that sat underneath it?

MS ARNOTT: Yes, I believe so.

MS SHARP SC: And that - may we expect that the standard operating procedure for AML/CTF set out the further details of what the AML/CTF functions were at The Star?

5

MS ARNOTT: Yes. It was specific for the AML administrators, from memory.

MS SHARP SC: And was - is it fair to say that it was a detailed prescription of exactly what it was that the AML/CTF functions were?

10

MS ARNOTT: Yes. I can't remember how much detail it went into but, yes, it did have more information about how they went about their jobs.

MS SHARP SC: And we'll come back to that. At this stage, can I take you to pinpoint 2563 of this Star Entertainment AML/CTF program. And do you see there's a heading Transaction Monitoring?

15

MS ARNOTT: Yes.

20 **MS SHARP SC:** It says:

"Each casino will monitor transactions in accordance with the requirements of transaction monitoring obligations of the AML/CTF Act. This will include monitoring by relevant identified departments or officers to seek to detect materially abnormal transaction values, unusually complex transactions or unusual transactions or behaviour that have no apparent economic or other lawful purpose and which suggest than usual AML/CTF risks."

25

MS ARNOTT: Yes.

30

MS SHARP SC: And can I take you over the page, and you will see there's a table of the activities to be monitored?

MS ARNOTT: Yes.

35

MS SHARP SC: And is it right that this is all the AML/CTF program as at February 2018 had to say about transaction monitoring?

MS ARNOTT: That's all that was in the program. But as I said earlier, there is another document that supports this.

40

MS SHARP SC: And you say you can make that available to this review?

MS ARNOTT: Yes.

45

MS SHARP SC: Now, in terms of what is in this - I will call this the February joint program, and you will understand what I mean - do you agree that it contains no definition of what constitutes an unusual or abnormal transaction?

MS ARNOTT: Yes, that's the case.

MS SHARP SC: And it contains no definition or indicia of money laundering?

5

MS ARNOTT: Sorry, I'm just trying to remember what's in the rest of the document. There is a clause in there in relation to suspicious matter - suspicious matter reporting, and at some point we put in information, but I don't know if it's in this program.

10

MS SHARP SC: So it might not be in the February 2018 --

MS ARNOTT: No, it might be in a different version, but it may be in this one. Sorry, I just don't recall.

15

MS SHARP SC: Because if anybody was to monitor bank account statements, do you agree that no guidance is provided to them as to what they should be looking for, other than to say unusual or abnormal transactions?

20

MS ARNOTT: Yes. Not in the program document.

MS SHARP SC: But you say there's another document?

25

MS ARNOTT: Yes, there is another document. I don't know that it specifically goes to bank accounts either. Although, the training and - and general knowledge from the cage teams meant that we did see some matters being referred to them from those bank accounts. So you're right, there was - we may not have any formal written processes.

30

MS SHARP SC: At this time?

MS ARNOTT: No.

35

MS SHARP SC: And do you mean there might not be a document sitting under this, a word document that you previously described?

MS ARNOTT: No, no. That does exist.

40

MS SHARP SC: Right. That exists. Okay. So, if we look at this table, it says:

"Activity attribute monitored: Cash transactions."

45

So are you able to indicate what report is made from - or was made from the IT system?

MS ARNOTT: I believe that's the cash drop report.

MS SHARP SC: And what's that?

5 **MS ARNOTT:** It is a list of all the cash drops across the casino at all the tables and cages. So it can be monitored for things like multiple cash transactions of \$9,000 or around the transaction monitoring limit, and it also helps to identify any very large cash transactions that might need to be reviewed.

MS SHARP SC: So these are cash transactions that occur within the four walls of the casinos?

10 **MS ARNOTT:** That's correct, yes.

MS SHARP SC: So is it right that there's no activity of monitoring cash transactions in bank accounts set out in this table?

15 **MS ARNOTT:** No, not set out in this table.

20 **MS SHARP SC:** So is there - there's nothing in this table at all that indicates whose responsibility it is to monitor transactions, including cash transactions, in bank accounts?

MS ARNOTT: No.

25 **MS SHARP SC:** Do you accept that is a shortcoming of this program at this point in time?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Can I take you to pinpoint 2580. And do you see there's a flowchart on customer risk review and ongoing review?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And what it does is show transaction monitoring of a flagged customer? Do you need that enlarged a little?

MS ARNOTT: That would be helpful, thank you. Yes, it shows the process through which a flagged customer would flow.

40 **MS SHARP SC:** And the transaction monitoring was across the front money or safekeeping accounts of the patrons, was it?

MS ARNOTT: I'm sorry, I don't understand - in relation to this document?

45 **MS SHARP SC:** Yes. Do you - was this a flowchart showing how transaction monitoring occurred with respect to dealings in the front money and safekeeping accounts of the patrons?

MS ARNOTT: No. This is a flowchart showing what would happen when a flagged customer came to notice. So the flagged customer would appear, they would flow down to that next box where they would have their information entered into the risk register, and then the process would be followed for that individual customer.

MS SHARP SC: And is it right that transaction monitoring at this time was a largely manual process?

MS ARNOTT: Yes.

MS SHARP SC: And that was something that KPMG was critical of in its 2018 assessment of the AML/CTF joint program?

MS ARNOTT: Yes. It was something we were aware was - was a deficiency.

MS SHARP SC: And is it right that, at this time, transaction monitoring was only automated in the case of customers rated medium risk and above?

MS ARNOTT: Oh, sorry, that's a slightly separate issue in terms of - that's an ongoing customer due diligence measure. But, yes, there was automation in relation to review of medium risk and above customers.

MS SHARP SC: And only where there were cash transactions of greater than \$300,000?

MS ARNOTT: No, that's not the case - oh, sorry, yes, in terms of those transactions. I - to be honest, I can't remember the exact flags that we had in relation to those automated alerts. But, yes, there was some cash transactions of that - that flag is familiar, yes.

MS SHARP SC: And is it correct that as at February 2018, it was only the AML administrators who conducted transaction monitoring?

MS ARNOTT: So the - we did enlist the help of the cage team as well. So (indistinct).

MS SHARP SC: And how did you do that?

MS ARNOTT: I'm sorry, they - through training and involvement with the AML administrators, they would look for transactions that were of concern and flag them with the AML team.

MS SHARP SC: And was that process documented in any way, shape or form?

MS ARNOTT: No, I don't think so, other than in the - in the transaction monitoring program which sits below this document.

MS SHARP SC: So your evidence is that if there is any documentation of the monitoring that the cage conducted, we would expect to find it in this Word document that you have referred to?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, could I take you to the AML/CTF standard operating procedure as at 1 August 2015. This is exhibit B at tab 81, STA.3008.0021.0520. Now, this was the standard operating procedure in place at the time of the KPMG
10 review in 2018, wasn't it?

MS ARNOTT: I believe so, yes.

MS SHARP SC: And has this been updated since that time?
15

MS ARNOTT: Yes.

MS SHARP SC: Now, could I take you to the first page of that document. And, sorry, Operator, I just need to go back to the table of contents there, if I can. At
20 point 7, do you see there's a heading Transaction Monitoring?

MS ARNOTT: Yes.

MS SHARP SC: Can I take you to page 13 of that document, which deals with
25 transaction monitoring. And if I can have this blown up. You see the heading 7. I will have that section blown up on pinpoint 0532, please. And what it states is:

30 "Echo Casinos will complete transaction monitoring in accordance with the requirements of the AML/CTF Act and Rules. This will include monitoring materially abnormal transaction values, unusually complex transactions or other unusual transaction patterns or behaviours that have no apparent economic or other lawful purpose and which suggest higher than usual money laundering terrorism financing risk."

35 **MS ARNOTT:** Yes.

MS SHARP SC: Now, that statement is in precisely the same terms as the words used in the joint program I just took you to, in relation to transaction monitoring?

40 **MS ARNOTT:** Yes.

MS SHARP SC: Do you agree that there is no guidance in this document as to what constitutes an unusual or abnormal transaction?

45 **MS ARNOTT:** Yes.

MS SHARP SC: And there's no reference, for example, to looking out for structuring?

MS ARNOTT: No, not in this document.

5 **MS SHARP SC:** There's no reference in here to looking out for the possibility of the parking of funds in front money or safekeeping accounts?

MS ARNOTT: No.

10 **MS SHARP SC:** So there's not really very much guidance provided here at all as to what is an unusually complex transaction, an unusual transaction or something that suggests higher than usual ML/TF risks?

15 **MS ARNOTT:** No, that's correct. But the administrators at the time were very experienced and had helped to prepare the broader transaction monitoring program document that related to other - other matters. So they would have been well aware of what those matters were in the casino environment.

20 **MS SHARP SC:** And it was only the administrators who were conducting transaction monitoring at that time, was it?

MS ARNOTT: No, this is - but this is the administrator's SOP. So this document was specifically for them.

25 **MS SHARP SC:** Right. But they were the only people conducting transaction monitoring at that time, were they?

MS ARNOTT: As I said previously, the cage team did assist in some matters in relation to transaction monitoring.

30 **MS SHARP SC:** So the - none of the matters which might alert somebody to unusual transactions are documented here for the benefit of the AML administrators, and nothing is documented for the benefit of the cage team at that time; is that correct?

35 **MS ARNOTT:** Not in these documents, no. But there is more detail in the other transaction monitoring program.

MS SHARP SC: And that's the Word document that you're referring to?

40 **MS ARNOTT:** Yes.

MS SHARP SC: And just to be clear, as at 2018, the AML administrator had no access to the bank accounts of the various entities that accepted deposits of patron funds.

45

MS ARNOTT: No, not into the bank accounts directly, no.

MS SHARP SC: So you would accept that, as night follows day, that the AML administrators were not monitoring bank account statements for the indicia of money laundering, were they?

5 **MS ARNOTT:** No, they were not.

MS SHARP SC: Now, is there anything in this AML document which applied to the AML administrators that gave any responsibility to the AML team to match the narrative on bank statements to the number and name of patron front money
10 accounts?

MS ARNOTT: No. No, because that would have been done in the - that was available through the bank accounts.

15 **MS SHARP SC:** And, of course, the AML administrators did not have access to those bank account statements?

MS ARNOTT: No.

20 **MS SHARP SC:** And because the AML administrators did not have access to the bank accounts, they were not in a position to - or the bank account statements, they were not in a position to understand who it was who was depositing money on behalf of a patron, were they?

25 **MS ARNOTT:** Not unless that information was made available to them by the cage.

MS SHARP SC: So they were entirely reliant on the cage making that information known?
30

MS ARNOTT: Yes.

MS SHARP SC: And if the cage did not make that information known, the AML administrator had no way of knowing whether the deposit on behalf of the patron
35 had been made by, say, a company or a money service business?

MS ARNOTT: No.

40 **MS SHARP SC:** And the AML team had no way of knowing, in the event of cash deposits, whether there were patterns of cash deposits suggesting that structuring was taking place in the bank accounts?

MS ARNOTT: Not unless that was made available to them by the cage.

45 **MS SHARP SC:** And there's - you would agree that there's nothing at all in the AML/CTF standard operating procedure, or in the joint program, which tells the cage team that they need to make such matters known to the AML team?

MS ARNOTT: No, but there is training and other material that speaks about structuring. So they - I believe they would have been aware of those matters to - that they should have been raised to AML team, had they been seen either at cage windows or through the bank accounts.

5

MS SHARP SC: But none of that was documented in the AML/CTF standard operating procedure?

MS ARNOTT: No.

10

MS SHARP SC: And at that time, none of it was documented in the cage standard operating procedure?

MS ARNOTT: I don't believe so.

15

MS SHARP SC: Can I take you, Ms Arnott, to the AML/CTF standard operating procedure which was effective at June 2018. This is exhibit B, tab 832 at STA.3008.0021.0177. And you will see there's a heading Transaction Monitoring at point 6.

20

MS ARNOTT: Yes.

MS SHARP SC: Operator, could we turn to page 12. And you will see, if I direct your attention, to the bottom of pinpoint 0022, and then the table, the task table, in pinpoint 0023. This is essentially in the same terms as the 2015 version of the standard I just took you to.

25

MS ARNOTT: Yes, it is.

MR BELL SC: Ms Sharp, the pinpoint references you identified aren't the same as those appearing on the document, on my screen.

30

MS SHARP SC: Mr Bell, there seem to be two document numbers on the screen. I was talking about the pinpoint - well, I hope I was talking about the pinpoint references in the top numbers. I had intended to refer to pinpoint 0188 and pinpoint 0189. Do you have those references, Mr Bell?

35

MR BELL SC: Yes, there's two sets of doc IDs. You were taking the witness to doc IDs ending in point 0188 and point 0189; is that correct?

40

MS SHARP SC: Yes.

MR BELL SC: Yes. Thank you.

MS SHARP SC: Thank you. Could you just pardon me for a moment, just regarding a technical issue.

45

MR BELL SC: Yes.

5 **MS SHARP SC:** Ms Arnott, I do need to ask you some more questions about transaction monitoring, but that will move to current procedures, so I will need to do that in a private mode. I will now move to a different topic, if I can. Could I show you, please, exhibit B at tab 626, which is STA.3415.0002.6738. And do you recognise this as the risk assessment you conducted on the Kuan Koi arrangement in February, or January or February 2019?

10 **MS ARNOTT:** '18 but, yes, I do.

MS SHARP SC: Sorry, 2018. Now, I suggest that this risk assessment was not a thorough one. Do you agree?

15 **MS ARNOTT:** No.

MS SHARP SC: I suggest to you that you incorrectly assessed the risk of the arrangement as low.

20 **MS ARNOTT:** With hindsight, I think that perhaps that was an error, but it was a genuine assessment at the time with the assistance of my managers to help me work through that.

25 **MS SHARP SC:** And it's right, isn't it, that this arrangement became riskier once it was extended beyond collecting repayments to cheque cashing facilities to collecting front money deposits, because often The Star had not done the same level of due diligence on patrons if they did not have a cheque cashing facility?

30 **MS ARNOTT:** There may have been an additional source of wealth gap in - that would have made those transactions riskier.

MS SHARP SC: So you agree the arrangement became riskier, do you?

MS ARNOTT: Yes.

35 **MS SHARP SC:** But that is not highlighted anywhere in this document, is it?

MS ARNOTT: No, it is not.

40 **MS SHARP SC:** Now, it's right, isn't it, that the only controls you implemented to manage the risks identified were to ask for a staff member to be present at the time the cash was provided to Kuan Koi and to complete an international depositor form?

45 **MS ARNOTT:** Yes, that is correct.

MS SHARP SC: And you only received international depositor forms for a period of some two to three months, despite this arrangement continuing in one form or another until September of 2019?

MS ARNOTT: I personally only received them for that period of time, yes.

5 **MS SHARP SC:** And you are not in a position to indicate whether anybody else at The Star did receive those international depositor forms after that period of time, that is, after the first two to three months, are you?

10 **MS ARNOTT:** My recollection is I did ask for some maybe in June, so I believe that they are likely to have gone to the cage and credit and collections teams following my removal from the process.

MS SHARP SC: But you have no way of knowing whether this did happen, do you?

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

MS SHARP SC: So you don't actually know whether the controls you suggested be implemented were in place during the duration of this arrangement with Kuan Koi, do you?

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

MS SHARP SC: And it's right, isn't it, that the international depositor forms were not ordinarily accompanied by copies of the casino identification documents that the staff had apparently viewed at the time of completing the international depositor forms?

MS ARNOTT: That's correct.

30 **MS SHARP SC:** So you had no way of verifying whether the staff who completed these forms had, in fact, viewed the documentation for themselves?

MS ARNOTT: No, that's correct.

35 **MS SHARP SC:** And it's correct, isn't it, that at no time did you ever view, for yourself, any documentation that Kuan Koi may have maintained in relation to these arrangements?

40 **MS ARNOTT:** No, I didn't. But others may have.

MS SHARP SC: But you have no idea whether or not they did, do you?

MS ARNOTT: No, I don't but it wouldn't --

45 **MS SHARP SC:** That last answer is pure speculation on your part, isn't it?

MS ARNOTT: Yes, but it wouldn't have been my responsibility at the time. So it's not unusual that I wouldn't have looked at - at that.

MS SHARP SC: And you did not ever ask for any documentation that Mr Kuan Koi created, did you?

5 **MS ARNOTT:** No, I did not.

MS SHARP SC: And despite the fact that the arrangement with Kuan Koi morphed into a situation where he procured remitters to deposit the cash, no further risk assessment was conducted by you at that time?

10

MS ARNOTT: No, it wasn't. But as I said, I was only peripherally involved in the discussions in relation to the - to the changing of that agreement.

15 **MS SHARP SC:** Well, this was despite the fact, wasn't it, that the risks had once again increased?

20 **MS ARNOTT:** Yes, but if - as I said, I'm not aware of what the understanding or agreement was in relation to the way that that - that transaction morphed or what - what was - the approved process was. So it's difficult for me to make a firm judgment on the increase of risks in relation to that without having a firm understanding of what the approved process would have been at the time.

25 **MS SHARP SC:** And, to be clear, you did not have a firm understanding of what the approved process was at the time, did you?

25

MS ARNOTT: No.

MS SHARP SC: And this was despite the fact that you were the person who conducted the risk assessment on the initial version of the arrangement?

30

MS ARNOTT: Yes, I conducted it on the initial version of the arrangement.

35 **MS SHARP SC:** It's right, isn't it, that the controls you suggested following your assessment of risk on the initial arrangement were completely inadequate to manage the money laundering and counter-terrorism financing risks as they were?

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

40 **MS SHARP SC:** Can I take you, please, to exhibit B826. This is STA.3009.0012.0002. I'm sorry, I think I've given the wrong - I'm in the wrong bundle here. Operator, that is exhibit B826. Do you see there's an email from Mr Brodie to you dated 31 May 2018?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Do you see that what he's doing is forwarding an email chain between himself and Mr Hornsby?

MS ARNOTT: Yes.

MS SHARP SC: It's dated 31 May 2018?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, this is at the same time as the arrangement morphed and became a situation where third-party remitters were involved. Do you understand that?

10

MS ARNOTT: Yes.

MS SHARP SC: So you agree, don't you, that you were being kept abreast of changes that were occurring in this relationship at that time?

15

MS ARNOTT: Yes, I'm aware that - that questions were being asked. But as I said, I don't know what the final agreement between Mr Brodie and Mr Hornsby was and what the approved process was at that time.

20 **MS SHARP SC:** Well, could I ask you to have a look at the bottom half of that first page, and perhaps I can have that enlarged for you, Ms Arnott. Now, do you see that Mr Brodie is advising that a change has occurred in the - in the kinds of transactions coming through the NAB accounts from EEIS related to the Kuan Koi arrangement?

25

MS ARNOTT: Yes.

MS SHARP SC: Right. Well, you understand from that, don't you, that this meant that EEIS bank accounts were collecting front money deposits, don't you?

30

MS ARNOTT: No, I don't believe so. Cash is collected on behalf of Star clients that owe us money in Macau. So, no.

35 **MS SHARP SC:** But you knew - you knew the arrangement at this time with Kuan Koi was that he would do one of two things. Firstly, he would collect repayments of cheque cashing facility debts and, secondly, he would collect front money payments; right?

40

MS ARNOTT: Yes, there was that arrangement with - with Mr Koi.

MS SHARP SC: Well, didn't you understand that if Mr Koi was making deposits into EEIS, he was depositing both repayments of cheque cashing facilities and depositing money for front money?

45 **MS ARNOTT:** No, from this, I didn't understand that. Because we had specifically said to Mr Hornsby that that account wasn't to be used for front-money-related transactions. So I assumed, as is written here, that it is in relation to clients who owe us money from Macau.

MS SHARP SC: All right. So you did - once you read this email, you understood, didn't you, that Mr Kuan himself was experiencing increased scrutiny of his own bank account in Macau?

5

MS ARNOTT: Yes.

MS SHARP SC: So an associate of Mr Koi had taken over the arrangements?

10 **MS ARNOTT:** That is what is - that's, yes, what's provided by Mr Hornsby.

MS SHARP SC: And now a partner of Kuan Koi was explaining that they had to use a company to remit money to EEIS?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And:

20 "... cannot send direct to Star entities as EEIS is a licensed money lender in Hong Kong"?

MS ARNOTT: Yes.

25 **MS SHARP SC:** So cash is being collected on behalf of Star clients that owe Star money in Macau and is being put into the NAB accounts for EEIS?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And having been sent this email at the time, it follows, doesn't it, that you were aware of this development at the time?

35 **MS ARNOTT:** I was aware that this change had happened and that there were discussions going on between Mr Hornsby and Mr Brodie about whether - what the process should be and whether or not it was appropriate.

MS SHARP SC: And you were aware at this time, weren't you, that a company called ONEPIP HK and ONEPIP Singapore were both depositing money into the EEIS NAB accounts?

40 **MS ARNOTT:** Yes.

MS SHARP SC: And apparently they were doing so as a result of an arrangement of some kind with Kuan Koi?

45 **MS ARNOTT:** Yes.

MR BELL SC: Ms Arnott, my note of what you said yesterday afternoon was that you became aware at some point that the arrangement with Mr Kuan Koi was extended to permit front money payments. Is that correct?

5 **MS ARNOTT:** Yes, I believe it was in 2018. But that was the initial arrangement where he was acting as a - the other side of our remittance agreement.

MR BELL SC: So just to be precise, when did you become aware that the arrangement with Kuan Koi was extended to permit front money payments?

10

MS ARNOTT: I believe that was in 2018. Early 2018.

MR BELL SC: Yes, thank you.

15 **MS SHARP SC:** And do you see that Mr Brodie advises Mr Hornsby on pinpoint 003 in answer to the question, "What is the relationship between us and the payee":

"We have been treating these payments as on behalf of Kuan Koi."

20

MS ARNOTT: Yes.

MS SHARP SC: Do you see that? So you understood, didn't you, that this arrangement where companies called ONEPIP HK and ONEPIP (Singapore) was involved and still involved with Kuan Koi.

25

MS ARNOTT: I'm sorry, I'm just reading the rest of this email. Yes. So it appears that these transactions would have been - the discussion in relation to these transactions is for the sending of the money for the front money account held by Kuan Koi, which is - that would - is what would make sense in context of - of that relationship between us and the payee.

30

MS SHARP SC: But it's right, isn't it, that at this point in time, even though ONEPIP (Hong Kong) and ONEPIP (Singapore) were making these deposits into EEIS bank accounts, nobody at The Star had any idea of the source of funds of those depositors, did they?

35

MS ARNOTT: So the source of funds for this deposit is likely to have been Kuan Koi - from my reading of this email, is that that's his money that's being brought through to top up his front money account, if you like.

40

MS SHARP SC: Well, can I direct your attention, please, to the third - sorry, the second sentence down on the top of that second page. It says:

45 "The source of funds from these companies remitting us funds I will need to research and get back to you."

Now, the only explanation consistent with that is that no one from Star understood what the source of funds was at that stage. Do you agree?

5 **MS ARNOTT:** Yes, for those particular transactions, it may be that the source of funds was not - was not known, other than that they came from the remitters.

MS SHARP SC: All right. Now, at this time you were the group compliance manager, weren't you?

10 **MS ARNOTT:** I was the compliance manager, yes.

MS SHARP SC: You were the - and you had - you were the compliance manager across the group, weren't you?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And you had responsibility for AML and CTF compliance?

20 **MS ARNOTT:** It was part of my - my remit, yes.

MS SHARP SC: Yes. Wasn't this raising big red flags for you in terms of money laundering and counter-terrorism financing risks?

25 **MS ARNOTT:** Yes, there were red flags in this, absolutely.

MS SHARP SC: Well, what did you do about it?

30 **MS ARNOTT:** At this time, I am aware that it was being managed by my manager, which was - so he - he informed me of some of the discussions, but he was the primary person involved in - in this process.

MR BELL SC: And who was that, Ms Arnott?

35 **MS ARNOTT:** That's Micheil Brodie, Mr Bell.

MR BELL SC: Thank you.

40 **MS SHARP SC:** And do you say he had specific responsibility for AML or CTF compliance?

MS ARNOTT: Absolutely.

45 **MS SHARP SC:** So it's right that at the time you received this email, you had no understanding of where the funds were coming from that were being placed into, or deposited into the EEIS NAB accounts?

MS ARNOTT: Not no understanding. They were coming from - from Kuan Koi through licensed money remitters in Hong Kong and Singapore.

MS SHARP SC: And were you making an assumption that Kuan Koi was providing money to these remitters, were you?

5 **MS ARNOTT:** Based on the email that's provided here, yes.

MS SHARP SC: Is that the assumption you did make?

10 **MS ARNOTT:** I don't recall what assumption I made at the time that this email was received.

15 **MS SHARP SC:** Could I take you to the EEIS AML program, which is STA.3006.0003.0162. This is exhibit B at tab 1924. Now, when is it that you say you became the joint compliance officer under this program?

MS ARNOTT: It would have been some time in 2019, commensurate with Mr Michael Whytcross returning from Hong Kong to live in Australia, but I can't recall the exact date.

20 **MS SHARP SC:** Was it about June of 2019, given you submitted the on-boarding questionnaire to NAB at that time?

MS ARNOTT: Yes, it may have been consistent.

25 **MS SHARP SC:** Well, it is consistent, isn't it?

MS ARNOTT: Yes (indistinct) yes.

30 **MS SHARP SC:** We can be certain from that, can't we, that you were the AML/CTF compliance officer by that time?

MS ARNOTT: I am not certain, but I can - I can certainly make inquiries as to when that date was, if that would be helpful to the inquiry.

35 **MS SHARP SC:** Well, you referred to the fact - I can take you back to the document. Would that assist?

40 **MS ARNOTT:** No, that's fine. I filled in those forms. It's very likely I was the compliance officer at that time.

MS SHARP SC: And you referred to there being two compliance officers at that time?

45 **MS ARNOTT:** Yes. Okay. Then yes I was the compliance officer.

MS SHARP SC: It has only ever been you and Mr Whytcross, hasn't it?

MS ARNOTT: Yes. Yes, correct.

MS SHARP SC: Did you take your responsibilities seriously as the compliance officer of EEIS?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Did you have any role in preparing the anti-money laundering and counter-terrorism financing program of EEIS that I'm showing you on the screen?

10

MS ARNOTT: Yes, I had some involvement in its review, yes.

MS SHARP SC: Well, in its preparation in the first place?

15 **MS ARNOTT:** Yes, sorry, that's what I meant, in reviewing it when it was in - when we were preparing it.

MS SHARP SC: Can I take you, please to pinpoint 0166. Do you see there's a heading at the bottom that says AML/CTF Commitment?

20

MS ARNOTT: Yes.

MS SHARP SC: And it says:

25 "The Lender is committed to meeting its AML/CTF obligations under the laws of Hong Kong and Australia."

MS ARNOTT: Yes.

30 **MS SHARP SC:** So is it your evidence that it was sought to comply with Australian money laundering laws in addition to those of Hong Kong?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And do you see over at pinpoint 0167 under the heading AML/CTF Compliance Officer - if we can enlarge that, please, Operator. You see it says, third line from the end:

40

"The AML/CTF compliance officer will play an active role in identifying and reporting suspicious transactions and will act as the main point of contact with regulatory authorities and law enforcement in relation to prevention, detection and investigation of money laundering."

45 Did you play that active role from the time that you were the AML/CTF compliance officer for EEIS?

MS ARNOTT: Yes, I believe I did.

MS SHARP SC: Well, you didn't have access to the actual bank account statements of EEIS for many months after you were the compliance officer, did you?

5 **MS ARNOTT:** No, that's correct.

MS SHARP SC: Well, how could you play an active role in identifying and reporting suspicious transactions if you did not even have access to the bank accounts of that entity?

10

MS ARNOTT: I had close contact with the international compliance officer who was responsible for the transaction monitoring program for EEIS. And we had a transaction monitoring program that is based for EEIS-related customers. And she was responsible for conducting that transaction monitoring and raising any concerns that she had with me.

15

MS SHARP SC: Who do you say was responsible for transaction monitoring in that period?

20 **MS ARNOTT:** The compliance officer - the - I can't remember her exact title, the - in - Michelle Chiu in Hong Kong.

MS SHARP SC: And do you say she had access to the bank account statements?

25 **MS ARNOTT:** Not until later in 2019.

MS SHARP SC: Well, how could she be monitoring for what was going on in the bank account statements if she didn't have access to them?

30 **MS ARNOTT:** She wasn't, but she was monitoring the customers of EEIS and the loans that they were being made.

MS SHARP SC: Well, how could she properly perform that role without actually having access to the records of the actual transactions as disclosed in the bank account statements?

35

MS ARNOTT: She was looking more specifically at the - at the EEIS-related customers rather than those transaction that were taken - on behalf of The Star.

40 **MS SHARP SC:** Well, there's no possible way she could be monitoring transactions in the EEIS bank account statements if she did not have access to those accounts. Do you agree or disagree?

MS ARNOTT: I agree.

45

MS SHARP SC: Now, do you see at pinpoint 0169 at heading 4, it refers to:

"The AML/CTF compliance officer will convene meetings of the EEIS AML/CTF Working Party, which consists of, at a minimum, of the AML/CTF Compliance Officer and AML/CTF compliance officers or other members of the Group."

5 Did that ever happen?

10 **MS ARNOTT:** In terms of the - the working party meetings often took the place of - in our - in our regular weekly meetings and, yes, Michelle did - did come to those.

MS SHARP SC: Now, could I take you, please, to pinpoint 0168. Do you see that the key duties of the AML/CTF compliance officer are set out there?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see that the third dot point is:

20 "Report any systemic concerns to the Board of Directors and Star Entertainment Compliance Officer and/or Star Entertainment Chief Risk Officer."

MS ARNOTT: Yes.

25 **MS SHARP SC:** Did you ever report any concerns about the EEIS accounts to the board of directors of EEIS?

MS ARNOTT: No, I did not.

30 **MS SHARP SC:** Did you ever report them to the Star Entertainment compliance officer?

35 **MS ARNOTT:** Well, for some period of time the Star Entertainment Group compliance officer was me, so not - not necessarily, unless - given that I was the same person.

MS SHARP SC: And did you ever report any concerns to the Star Entertainment chief risk officer in relation to transactions occurring in the EEIS accounts?

40 **MS ARNOTT:** I believe that Oliver White and myself might have raised these - some of the concerns with - with Paula Martin when she was the chief legal and risk officer, yes.

45 **MS SHARP SC:** Is it right that for a significant period of time you, in fact, had very little understanding of what transactions were occurring in the EEIS NAB bank accounts?

MS ARNOTT: Yes, because we took them to be CCF payments relating to The Star entities rather than EEIS-related transactions.

5 **MS SHARP SC:** When you say "we took them", do you mean you assumed that they were?

MS ARNOTT: Yes.

10 **MS SHARP SC:** All right. So it follows, doesn't it, that you undertook very little - I withdraw that - that you did have very little understanding of what transactions were, in fact, occurring in those bank accounts for a significant amount of time?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Can I take you, please, to pinpoint 0181. Do you see there's a heading Transaction Monitoring?

20 **MS ARNOTT:** Yes.

MS SHARP SC: Do you see the second paragraph says:

25 "The AML/CTF Compliance Officer will be responsible for overseeing the ongoing operation and effectiveness of the transaction monitoring program."

MS ARNOTT: Yes.

30 **MS SHARP SC:** That was not an obligation you diligently performed at all times you were the compliance officer, was it?

MS ARNOTT: When I was a compliance officer, I took this to - to be in relation to EEIS customers and the EEIS transaction monitoring program. I agree that there was a gap in relation to the - to the bank accounts.

35 **MS SHARP SC:** No one was monitoring what was going on in the bank accounts at that time, were they?

MS ARNOTT: No. The cage was in some very limited manner.

40 **MS SHARP SC:** And do you see that it says at pinpoint 0182 under the table:

45 "To enable compliance with applicable AML law requirements, the AML/CTF Compliance Officer will also review transactional activities personally or through a nominated delegate with a view to cross-matching data and generally looking for a rational basis to lodge a suspicious transaction report, add information to the risk register and assess ML/TF risk and record those findings."

And it's right, isn't it, that you did not personally do that?

MS ARNOTT: I did not - excuse me - did not.

5 **MS SHARP SC:** Why isn't it that you did not specifically nominate a delegate to do that?

MS ARNOTT: No, Michelle Chiu in Hong Kong was the nominated delegate for transaction monitoring.

10

MS SHARP SC: All right. But she did not have access to the actual bank account statements?

MS ARNOTT: No, but she would monitor the EEIS customers.

15

MS SHARP SC: All right. But you must accept, mustn't you, that without access to the actual bank account statements, she could not conduct a full transaction monitoring process?

20 **MS ARNOTT:** No, there is a gap in relation to the bank accounts.

MS SHARP SC: Now, I want to return, for a minute, to ask you about the loans that you understood EEIS was providing to patrons.

25 **MS ARNOTT:** Yes.

MS SHARP SC: And you understood that there were no interest payments, or there were no - I withdraw that. You understood, didn't you, that no interest was payable on these loans?

30

MS ARNOTT: That's correct.

MS SHARP SC: And you understood that other than a cheque being provided by the patron to EEIS, no collateral was provided to support these loans?

35

MS ARNOTT: That's correct, yes.

MS SHARP SC: And you were involved in the working group for EEIS that set up the structures to establish these loans?

40

MS ARNOTT: Yes.

MS SHARP SC: Is it right that the loan arrangement was simply an elaborate artifice to obscure the fact that patrons were shifting funds to The Star to gamble?

45

MS ARNOTT: I don't believe so.

MS SHARP SC: That never occurred to you?

MS ARNOTT: No. I was always under the impression that the reason for the EEIS loans was, as I said, to provide the customer the opportunity to have a loan that wasn't constrained by the requirements of the - the repayment for cheque cashing facilities.

MR BELL SC: Ms Arnott, were the loans by EEIS to patrons supported by back-to-back loans from Star to EEIS?

MS ARNOTT: Yes, I believe there was a CCF arrangement between The Star and EEIS in order to comply with relevant Casino Control Act functions. I don't have a great understanding of that because it's more of a regulatory structure that was put in place at the time.

MS SHARP SC: Ms Arnott, are you aware, in respect of The Star's Bank of China accounts in Macau, that Star staff members were providing letters to the Bank of China which gave a false explanation as to the source of funds being deposited?

MS ARNOTT: Yes, I have recently been made aware of that.

MS SHARP SC: When were you made aware of that?

MS ARNOTT: It would have been, I think, November 2021 or maybe slightly before that.

MS SHARP SC: And can you tell us precisely what you have been made aware of?

MS ARNOTT: I am aware that there were letters that staff were creating to help customers to support the source of the funds in accordance with a Bank of China requirement - the source of funds for deposits. Those letters appear to make out that The Star was, in fact, the source of the funds for those transactions, which is - is not necessarily accurate. I am aware that The Star, when we found out about this, has started an investigation into it and that there are - that investigation is ongoing.

MS SHARP SC: Have the results of that ongoing investigation been reported to you?

MS ARNOTT: No, not as yet.

MS SHARP SC: Given that you are currently the AML/CTF compliance officer for The Star, is there some reason why you have not asked for updates on the progress of those investigations?

MS ARNOTT: No, I believe that they are being progressed. I think that there's an issue with seeking access to staff members who are not - who are no longer

employed by The Star. The - the actions are continuing, but my understanding is it just hasn't - hasn't finally closed out yet.

5 **MS SHARP SC:** Are you aware that Mr Houlihan has interviewed Jacker Chou about these allegations?

10 **MS ARNOTT:** Yes, and I believe Jacker gave a slightly different, explanation although, Mr Houlihan, to my understanding, hasn't been able to get back in touch with him to get a fuller description and of (indistinct).

15 **MS SHARP SC:** Who else are you aware has been interviewed?

20 **MS ARNOTT:** I think he's spoken to - to Gabriela Soares and maybe some other people that were previously employed by the credit and collections team.

25 **MS SHARP SC:** And do you have an understanding of the period of time in which this arrangement was being pursued?

30 **MS ARNOTT:** It would have been from when the Bank of China instituted that arrangement until the end of 2017 when those bank accounts were shut.

35 **MS SHARP SC:** And can you, wearing your compliance officer hat, see any AML and CTF problems with this arrangement?

40 **MS ARNOTT:** Well, it's obscuring the source of funds and preventing another bank from doing their due diligence properly. So, yes, there are - there are some concerns in relation to that - those --

45 **MS SHARP SC:** Well, how significant are those concerns?

50 **MS ARNOTT:** They're very significant.

55 **MS SHARP SC:** And is it right that providing a fake source of funds letter to a bank facilitates the integration and layering components of money laundering?

60 **MS ARNOTT:** It could do, if - if they were seeking to do - seeking to launder money through those transactions.

65 **MS SHARP SC:** Well, if they were seeking to launder money, that would, indeed, constitute the integration and layering of those funds, wouldn't it?

70 **MS ARNOTT:** It's more placement, but yes.

75 **MS SHARP SC:** Now, it's right, isn't it, that in 2019, you understood that the Hong Kong Jockey Club was one of the world's largest and oldest bookmakers?

80 **MS ARNOTT:** No. I knew that the Hong Kong Jockey Club was a large racing organisation in Hong Kong but, no, I did not know that.

MS SHARP SC: You're currently doing the ACAMS course, aren't you?

MS ARNOTT: Yes, that's correct.

5

MS SHARP SC: It is right that the board of ACAMS includes a number of security and integrity officers from the Hong Kong Jockey Club?

MS ARNOTT: I don't know.

10

MS SHARP SC: Are you aware - I withdraw that - that two members of security and integrity officers from the Hong Kong Jockey Club?

MS ARNOTT: I said I was not aware.

15

MS SHARP SC: Is it right that the Hong Kong Jockey Club is an extremely well respected institution in the anti-money laundering and counter-terrorism financing space?

20

MS ARNOTT: I'm not aware. I haven't - I haven't been made aware of that.

MS SHARP SC: You were aware at all times in 2018 and 2019 that Alvin Chau was the financial backer of the Suncity junket?

25

MS ARNOTT: Yes.

MS SHARP SC: And it was in around March 2018 that specific controls were introduced to attempt to ensure that money laundering did not occur in Salon 95?

30

MS ARNOTT: Yes.

MS SHARP SC: And it was in April 2018 that a control was imposed that cash received at the desk could not be exchanged for chips?

35

MS ARNOTT: Yes.

MS SHARP SC: And you were sufficiently concerned to see whether these controls were effective that you recommended that surveillance be conducted?

40

MS ARNOTT: Yes.

MS SHARP SC: And by May 2018, it had been reported to you that large sums of cash had been taken into Salon 95 in bags?

45

MS ARNOTT: Yes.

MS SHARP SC: And you had been made aware that this had occurred on a number of occasions in May 2018?

MS ARNOTT: Yes.

5 **MS SHARP SC:** So you were aware, weren't you, that the controls that had been imposed were not working by May of 2018?

MS ARNOTT: Yes.

10 **MS SHARP SC:** Because the controls were not working, do you accept that the risks of money laundering were not being effectively managed at that time?

MS ARNOTT: Yes, which is why the detailed SOP was written at about that time, to make - to assist in making sure those controls begun to work.

15 **MS SHARP SC:** And even when that detailed SOP was introduced in 2018, a further seven incidents of concern in Salon 95 were brought to your direct attention in May 2019, weren't they?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And you accepted yesterday that this was a very serious problem, didn't you?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And that it presented a high risk of money laundering at that time?

30 **MS ARNOTT:** Yes.

MS SHARP SC: It was also some time in the period June, July or August 2019 that you received a copy of the Hong Kong Jockey Club report?

35 **MS ARNOTT:** I have genuinely no recollection of the date of when I received that report.

MS SHARP SC: But that sounds completely right to you in terms of timing, doesn't it?

40 **MS ARNOTT:** No, I'm sorry, I have no recollection of when I received that report.

45 **MS SHARP SC:** Well, you were in possession of that report by the time the salon closed down, weren't you?

MS ARNOTT: I genuinely don't know. I can't recall the date of when I received that report.

MS SHARP SC: Well, you accepted yesterday, didn't you, that - I withdraw that. The report made very serious allegations that Suncity was involved in a number of criminal enterprises.

5 **MS ARNOTT:** Yes.

MS SHARP SC: And, for the first time, you were made aware that Mr Chau's business partner was involved in money laundering and drug trafficking?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And was connected with triads?

15 **MS ARNOTT:** According to that report, yes.

MS SHARP SC: So, according to that report, you were made aware for the very first time that Mr Chau had some very unsavoury business associations. Do you agree?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And the fact is, isn't it, that despite the information contained in that report that was not known to you prior to that time, you paid very little heed to that report?

25 **MS ARNOTT:** As I said yesterday, I had some concerns about the report, and, yes, I - there are some areas that I perhaps should have investigated more fully. But there were areas where I felt that it was - that some of the issues were perhaps overstated or not.

30 **MS SHARP SC:** And you paid very little heed to this report at the very time you had been made aware that, despite the detailed standard operating procedure given to Suncity for the operation of Salon 95, seven further incidents of concern had happened?

35 **MS ARNOTT:** As I said, there were --

40 **MS RICHARDSON SC:** I object. Sorry, I object to that question. The witness said multiple times she doesn't recall when she received the report, and this question is premised on the fact she had it at the time those incidents occurred in 2019.

MR BELL SC: Yes, I reject that question.

45 **MS SHARP SC:** Well, Ms Arnott, you were asking Mr Houlihan in June of 2019 to get Angus Buchanan involved in looking at the incidents of concern in Salon 95, weren't you?

MS ARNOTT: Yes.

MS SHARP SC: And you liaised with Mr Buchanan closely in relation to events in Salon 95 in June of 2019, didn't you?

5

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

MS SHARP SC: Well, you did get him involved to assist, didn't you?

10 **MS ARNOTT:** Yes, I did.

MS SHARP SC: Well, I suggest to you it is most likely that Mr Buchanan made you aware of the Hong Kong Jockey Club report in June of 2019 at the same time as he made several of his other colleagues aware of that matter.

15

MS ARNOTT: Mr Buchanan never made me aware of that report.

MS SHARP SC: How do you say you became aware of that report?

20 **MS ARNOTT:** I was handed a paper-based copy of that report by either Andrew Power or Kevin Houlihan. It was not provided to me by Mr Buchanan.

MS SHARP SC: And when is your best recollection as to when they handed you a copy of that report?

25

MS ARNOTT: I'm sorry, Ms Sharp, but I don't have a recollection of when I was handed a paper-based copy of that report.

30 **MS SHARP SC:** So you're saying to this review you're not even in a position to indicate whether you got this very significant report in 2019 or 2020?

35 **MS ARNOTT:** Not with complete certainty, no. I - I am happy to concede it may have - it is probably more likely to have been in 2019. But I would be very surprised if it was as early as June, and I don't have a recollection. It's - it's very difficult when it's been handed to me in paper. I have nothing to - to be able to support my memory on that.

MR BELL SC: Do you still have the copy of the report that was provided to you?

40 **MS ARNOTT:** No.

MR BELL SC: Why not?

45 **MS ARNOTT:** I believe I either handed it back to the person who gave it to me or I probably would have put it in the shredder.

MR BELL SC: In the shredder?

MS ARNOTT: Well, it wasn't my - I was given a paper-based copy. I had no way of securing that. I was told this was incredibly secure. It's very likely I gave it back to the person who gave it to me. Or - I - I didn't keep a copy of that report because it was - it was given to me in paper with the understanding that I wasn't - that
5 it - like, I had no way to store it or secure it.

MS SHARP SC: What understanding was it given to you on?

MS ARNOTT: Just as a for information, here is a copy of the report for you to
10 have a read of.

MS SHARP SC: In what context did Mr Power or Mr Houlihan made it available - make it available to you?

MS ARNOTT: I can't remember. I think they just said, "We've got a copy of the Hong Kong Jockey Club report, if you would like to read it. Here's the copy."
15

MS SHARP SC: And --

MR BELL SC: I'm sorry. Do you recall that there were serious media allegations made in relation to Crown Resorts in July and August of 2019?
20

MS ARNOTT: Yes.

MR BELL SC: And do you recall that those allegations included reference to the Hong Kong Jockey Club report?
25

MS ARNOTT: Yes.

MR BELL SC: Did you have the report at the time that you became aware of those allegations?
30

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

MS SHARP SC: Did you have the report by the time you suggested that an enhanced due diligence be conducted of Mr Chau?
35

MS ARNOTT: Yes, it is likely I would have had it by then.

MS SHARP SC: Would this be a convenient time, Mr Bell, for the mid-morning adjournment?
40

MR BELL SC: Yes, I will now take a 15-minute adjournment.

<THE HEARING ADJOURNED AT 11:30 AM
45

<THE HEARING RESUMED AT 11:46 AM

MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: Ms Arnott, could we go to your statement at paragraph 43, please. Operator, could you take the - thank you. So paragraph 43 should appear
5 before you now?

MS ARNOTT: Yes.

MS SHARP SC: And there you say that on 19 July 2019, you emailed Wayne
10 Willett to suggest a risk assessment in relation to Suncity be undertaken and that this be tabled for discussion at the JRAM meeting scheduled in late July. Can I take you to the document you attach, please, which is STA.3009.0012.0010. And do you see there's an email from you to Mr Willett and you're saying:

15 "Can you please invite Andrew Power and Graeme Stevens to the next JRAM? I want to discuss a Suncity risk assessment and it would be good to have them there for that discussion."

MS ARNOTT: Yes.
20

MS SHARP SC: Did Andrew Power ordinarily come to the JRAMs?

MS ARNOTT: No.

25 **MS SHARP SC:** Did Graeme Stevens ordinarily come to the JRAMs?

MS ARNOTT: No.

MS SHARP SC: Now, can I take you, please, to - back to your statement. And if
30 we go back to paragraph 43 of your statement, further in that paragraph you say:

"On 30 July 2019, I sent an email to Paula Martin summarising the proposal from the meeting."

35 Now, I take it that is the JRAM meeting?

MS ARNOTT: Yes.

MS SHARP SC:
40 "To conduct a risk assessment of Suncity."

MS ARNOTT: Yes.

45 **MS SHARP SC:** And to:

"Ask Suncity to participate in a due diligence process."

MS ARNOTT: Yes.

MS SHARP SC: And:

5 "Put in place a regular process for checking the activities in Salon 95"?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And you refer to your email to Ms Martin which is - I will take you to it. It's STA.3008.0006.4437. And do you see at the bottom half of that page, you have an - there's an email from you to Ms Martin dated 30 July 2019?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And it refers to a joint risk assessment meeting?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And you, at that meeting:

"... discussed the possibility of conducting a risk assessment on Suncity and Salon 95."

25 And you have agreed with Kevin Houlihan to work together to build a scope for this work. And you suggest that Angus may be a useful resource to complete it?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Now, before the morning adjournment, you said it was most likely you'd received the Hong Kong Jockey Club report before you called for an enhanced due diligence process for Alvin Chau. Is it right that you received that Hong Kong Jockey Club report at the time of this JRAM meeting?

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

MS SHARP SC: And why is that?

40 **MS ARNOTT:** Well, I - I don't recall the date, but I - I genuinely don't know when I received that report (indistinct).

MS SHARP SC: But before the luncheon adjournment, you said it was most likely you received that report prior to calling for an enhanced customer due diligence on Mr Chau. Do you remember giving that evidence?

45 **MS ARNOTT:** Yes. But I thought that we were speaking about the enhanced customer due diligence process that was undertaken in early 2020. My apologies for that cross-purposes.

5 **MS SHARP SC:** Well, given that all of - well, I withdraw that. Given that Mr Power, Mr Houlihan, Ms Martin and Mr Buchanan all had possession of the Hong Kong Jockey Club report by June of 2019, isn't it most likely that somebody gave it to you by the time you were all discussing a risk assessment of Mr Chau in July of 2019?

MS ARNOTT: It is possible. But, as I said, I genuinely don't recall when I was given the report.

10 **MS SHARP SC:** Well, that's the most likely situation, isn't it?

MS ARNOTT: Look, it is - it is possible. I - I genuinely don't recall when I was handed that report, and I'm sorry, I don't recall.

15 **MS SHARP SC:** But you're not suggesting that all four of those colleagues would withheld a report that was of direct relevance to a risk assessment at that time from you, do you?

20 **MS ARNOTT:** It - I don't - I don't know. I don't know how to answer that question.

MS SHARP SC: Well, I'll put it --

25 **MS ARNOTT:** (Indistinct) to me at that time, then, yes, but --

MS SHARP SC: It is most unlikely, isn't it, that all four of your colleagues would have withheld from you, in your position, the Hong Kong Jockey Club report given that all four of you, or five of you together, were discussing a risk assessment of Alvin Chau at that time. Do you agree or disagree?

30 **MS ARNOTT:** I agree.

MS SHARP SC: Now, could I take you, please, to paragraph 24 of your statement. And I will direct your attention, please, to question 2:

35 "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? If so, please outline your involvement in detail and provide relevant supporting documentation."

40 What did you understand this question to mean?

MS ARNOTT: It's asking me about my involvement in the May and June 2018 transactions that occurred in the Salon 95 room.

45 **MS SHARP SC:** So are you saying you understood this question only to relate to your involvement up to May and June 2018?

MS ARNOTT: That's what the question asks for, yes.

MS SHARP SC: And is that how you understood it?

5 **MS ARNOTT:** Yes.

MS SHARP SC: Is that - are you sure about that?

10 **MS ARNOTT:** That's what the question asks for.

MS SHARP SC: So you considered you only had to give information up to May and June 2018, did you?

15 **MS ARNOTT:** It was a very specific question, yes. That is what the question asks:

"Please outline your involvement in detail in relation to the money laundering concerns which resulted in warning letters in May and June 2018."

20 I don't think that's (indistinct).

MS SHARP SC: And so you thought you could stop giving an account after June 2018, did you?

25 **MS ARNOTT:** Well, I didn't. I went on to give information in relation to similar transactions that occurred in 2019.

30 **MS SHARP SC:** Well, that's right, isn't it, because from paragraph 36 onwards, all the way down to 45, you give information which post-dates June 2018, don't you?

MS ARNOTT: Yes, I do.

35 **MS SHARP SC:** Because you understood the review to be interested in all of your involvement in relation to Salon 95?

MS ARNOTT: Yes, I was trying to be helpful to the inquiry.

40 **MS SHARP SC:** But you weren't so helpful that you disclosed that, "By the way, I came into possession of the Hong Kong Jockey Club report", did you?

45 **MS ARNOTT:** Well, as I think we've established, in my memory, there is no link between these transactions and this review and that Hong Kong Jockey Club report and receiving it. I - you may be right that the timing is around that June time, but I have no recollection of that. Yes, it may be likely. But I just don't remember and so, in my memory, it was not linked to this particular stream of transactions and topics. And so, I'm sorry, I didn't recall to put it in. It was not an attempt to disclose - not disclose information to the inquiry.

MS SHARP SC: You were asked, weren't you, to provide relevant supporting documentation?

5 **MS ARNOTT:** Yes.

MS SHARP SC: And you must have understood the clear link, being that it was suggested that Alvin Chau was a triad, that Alvin Chau had a business partner who was involved in money laundering, and Alvin Chau's junket in Salon 95 appeared
10 to be facilitating money laundering. That was a clear link, wasn't it?

MS ARNOTT: When I was writing my statement, I didn't make that link to provide that documentation. As I said, it wasn't an attempt to be deceitful. It was a genuine misunderstanding of the scope of the question.
15

MS SHARP SC: Well, isn't it right that your answer in relation to question 2 lacks candour and did not outline all of your involvement in this matter and did not provide all supporting documentation?

20 **MS RICHARDSON SC:** I object to that question. It is very uncertain as to its scope. The question as put is: you did not outline all of your involvement in this matter. What is "this matter"? And question 2 did not ask Ms Arnett to outline all of her involvement in relation to Salon 95 over a number of years. And I have refrained from objecting but, in my submission, this matter was dealt with
25 yesterday extensively.

The same territory is being covered today. The witness is being repeatedly put with the same question and, I must submit, in a tone of voice and demeanour, that, in my submission, is - should be tempered. Given the public nature of this inquiry,
30 the repetitive questioning in the tone of voice, in my submission, is not appropriate.

MR BELL SC: Well, I am going to reject that question. But, Ms Sharp, I will permit you to explore this a little further, if you wish, but you will have to be more
35 precise in the questions that you ask if you wish to proceed with this.

MS SHARP SC: Yes, thank you, Mr Bell. You did offer an account of events in which you were involved in the Suncity room in 2019; correct?

40 **MS ARNOTT:** Yes.

MS SHARP SC: But you omitted to provide the detail that you were provided with a copy of the Hong Kong Jockey Club report; correct?

45 **MS ARNOTT:** Yes.

MS SHARP SC: And you well understood that the Hong Kong Jockey Club report had a direct connection with the transactions of concern occurring within Salon 95; correct?

5 **MS ARNOTT:** No, not at the time that we were involved in these - in these discussions. As I said, I - my understanding and my memory of it is that it is later than - than this piece. But - so, no, it wasn't - in my mind and in my memory, it didn't link.

10 **MS SHARP SC:** Well, I suggest to you that a more candid approach to addressing this part of your statement outlining your involvement in Salon 95 in 2018 and 2019 and in providing all relevant supporting documentation would have necessitated that you make mention of the fact that you received the Hong Kong Jockey Club report and annexed it to your statement.

15 **MS RICHARDSON SC:** I object to that question. The referencing to outlining relevant supporting documentation is plainly, in question 2, supporting documentation to the question that was posed, which is involvement in warning letters sent in two months of 2018. The question cannot be put at that level of
20 breadth, that this witness was asked to provide all supporting documentation in relation to a much broader topic. That is not what question 2 asked for.

MR BELL SC: Well, I think we can all read it, Ms Richardson, and so can Ms Arnott, and it is consistent with what I have permitted Counsel Assisting to do. So
25 I will allow the question. But I think it's probably time, after that, to move on, Ms Sharp.

MS SHARP SC: Do you need the question put again?

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

MS SHARP SC: I suggest to you that a more candid approach to addressing this part of your statement outlining your involvement in Salon 95 in 2018 and 2019 and in providing all relevant supporting documentation would have necessitated
35 that you make mention of the fact that you received the Hong Kong Jockey Club report and annexed it to your statement?

MS ARNOTT: I disagree. I was attempting to answer the question that was asked.

40 **MS SHARP SC:** And isn't it right that the approach that you adopted in your statement was to take a technical and narrow construction of the questions asked of you and provide the minimum amount of information to answer those questions and leave it to this review to work out what the real situation was instead of
45 providing meaningful assistance?

MS ARNOTT: No, I disagree. I think it's - demonstrably disagree because I, in fact, included transactions in 2019 which aren't in the narrow scope of this question.

5 **MS SHARP SC:** Now, could I take you to exhibit B at tab 1466. Now, you will see here that there was a newspaper report in The Age on 27 July 2019 which may fairly be described as an exposé on Crown Resorts?

MS ARNOTT: Yes.

10

MS SHARP SC: And this pre-dated by one day the broadcast of the 60 Minutes program.

MS ARNOTT: Yes, I will take your word for that that's the case.

15

MS SHARP SC: And you watched that program at the time?

MS ARNOTT: Yes, I did.

20 **MS SHARP SC:** And did you follow the media fairly carefully after that time that made allegations against Crown Resorts?

MS ARNOTT: Yes.

25 **MS SHARP SC:** Because that would have been of direct relevance to you discharging your own duties; do you agree?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Because allegations were being made that junkets with which Star also dealt were involved in criminal activity?

MS ARNOTT: I'm sorry, can you re-put that question?

35 **MS SHARP SC:** You monitored the media at this time carefully, didn't you, because some of the allegations related to junkets with which The Star also dealt?

MS ARNOTT: Yes.

40 **MS SHARP SC:** And you're aware, aren't you, that some of those reports specifically referred to the Hong Kong Jockey Club and the findings made in relation to Suncity and Alvin Chau?

MS ARNOTT: Yes.

45

MS SHARP SC: Now, were you aware at that time - I withdraw that. Did you discuss at that time with any of your colleagues the fact that the media contained

allegations that the Hong Kong Jockey Club had made adverse findings about Mr Chau?

5 **MS ARNOTT:** It's likely that I did, yes.

MS SHARP SC: Well, it's most likely you did, didn't you, because you understood that Mr Buchanan had worked with the Hong Kong Jockey Club immediately prior to taking up employment with The Star?

10 **MS ARNOTT:** Yes.

MS SHARP SC: And you agree it would be most improper, would it not, for your colleagues to fail to disclose to you that they, in fact, were in possession of the Hong Kong Jockey Club report if you discussed that report with any of them?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Now, this all points to the fact, doesn't it, that one of your colleagues provided you with the Hong Kong Jockey Club report at around the time of the media allegations which referred specifically to the Hong Kong Jockey Club report?

MS ARNOTT: Yes, they may have at that time.

25 **MS SHARP SC:** Well, it's most likely that they did, isn't it?

MS ARNOTT: It is likely - Ms Sharp, I'm sorry, I cannot remember when I was given that report. Yes, that would make sense, but I genuinely can't remember when I was handed that report.

30 **MS SHARP SC:** And could I take you, please, to another article. This is at part B, at tab 1490. This is INQ.014.001.0130. Now, you can see this is an article dated 5 August 2019. It's titled:

35 "Crown investment companies were used to launder drug funds."

MS ARNOTT: Yes.

MS SHARP SC: Did you read this article at the time?

40 **MS ARNOTT:** I may have done. I don't have a specific recollection of it, though.

MS SHARP SC: Well, I'll take you through aspects of it and see if this refreshes your memory. Can you see that the first paragraph is this:

45 "Drug traffickers have used two private companies which were set up by Crown Resorts with Crown executives as directors to bank suspected proceeds of crime, federal investigations have alleged."

MS ARNOTT: Yes.

MS SHARP SC: That's a pretty spectacular allegation, isn't it?

5

MS ARNOTT: Yes.

MS SHARP SC: Do you expect you would have recalled that, had you read it at the time?

10

MS ARNOTT: Yes, I may have done, but there were lots of allegations of this type in various media articles.

MS SHARP SC: And do you see the second paragraph is that:

15

"Investigators traced money from a number of suspected or convicted drug traffickers and money launderers flowing into the banks of two companies, Southbank and River bank."

MS ARNOTT: That's not currently on my screen but I will take it that that is what it says, yes.

MS SHARP SC: I will just have that highlighted for Ms Arnott, please. It's the second paragraph.

25

MS ARNOTT: Yes.

MS SHARP SC: And if I can take you to pinpoint 0131, you will see that it states in the third paragraph:

30

"The revelations have raised a question in the minds of ex-investigators as to why AUSTRAC has failed to dedicate resources to investigate potential breaches of money laundering laws by Crown."

MS ARNOTT: Yes.

MS SHARP SC: And if I take you a little further down to the bottom of that page, it says in the third last paragraph:

40

"The AFP and AUSTRAC have also identified money-remitting agents who are engaged in money laundering, including certain sub-agents of a money agency called Everforex, depositing funds into Riverbank and Southbank for Chinese high rollers."

MS ARNOTT: Yes.

45

MS SHARP SC: Now, having shown you those aspects of the article, does it prompt in you any recollection as to whether you came across this article at the time you were reviewing the media about --

5 **MS ARNOTT:** No, not this specific article necessarily, no.

MS SHARP SC: Now, it's right, isn't it, that you were involved in the preparation of a board paper about the allegations made against Crown?

10 **MS ARNOTT:** Yes, I put some - a background information together with some other people for the board.

MS SHARP SC: All right. So you were aware that a paper was being presented to the board which briefed the board about the allegations?

15 **MS ARNOTT:** Yes.

MS SHARP SC: Can I show you, please, STA.3402.0002.835. This is exhibit B at tab 1528. And do you see this is an email from Ms Martin to Mr Hawkins, copied to yourself on 14 August 2019?

MS ARNOTT: Yes.

MS SHARP SC: And do you see there are some attachments?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see that Ms Martin is saying:

30 "Here is a proposed draft of the board paper."

MS ARNOTT: Yes.

MS SHARP SC:

35 "The initial draft was prepared by Micheil B and Michael W, and I have added to the background and streamlined some of the content. Please let me know if you have any comments or concerns on the draft."

40 **MS ARNOTT:** Yes.

MS SHARP SC: And you understood that one of the people she was inviting to make comments was you?

45 **MS ARNOTT:** No, that's to Greg.

MS SHARP SC: Well, you're copied into it, aren't you?

MS ARNOTT: Yes, for information. That's not - that - that would be an invitation to Greg to make comments.

5 **MS SHARP SC:** But you didn't understand this as an invitation to you to make comments?

MS ARNOTT: No, not specifically.

10 **MS SHARP SC:** But you agree that you reviewed a draft at this time?

MS ARNOTT: It's very likely I would have done.

15 **MS SHARP SC:** Can I take you to the board paper that went to the board, which is exhibit B, tab 1538. This is STA.5002.0005.2241. And you can see a document dated the very day after that email?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And you will see that the stated purpose of the document is to provide an update in relation to the media allegations?

MS ARNOTT: Yes.

25 **MS SHARP SC:** And can I take you, please, to the summary on pinpoint 2242. And do you see reference is made to attachment 1, listing the main allegations, and attachment 2, which lists the key personalities?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And can I take you, please, to pinpoint 2244. Do you see there's a heading Key Junkets Adversely Named.

MS ARNOTT: Yes.

35 **MS SHARP SC:** And it states:

"The Crown allegations name a number of individuals, some of whom are associated with currently active junket operators (ie, Suncity and Simon Pan)."

40 **MS ARNOTT:** Yes.

MS SHARP SC: And additional detail is provided in the table at attachment 2?

45 **MS ARNOTT:** Yes.

MS SHARP SC: Now, all of that was in the draft document you reviewed, wasn't it?

MS ARNOTT: I don't have a specific recollection, but that seems very likely.

5 **MS SHARP SC:** And I will take you now to the attachments. And we can go to attachment 1, which is pinpoint 2245. And do you see this attachment sets out allegations that were made against Crown?

MS ARNOTT: Yes.

10 **MS SHARP SC:** And it does that in the left-hand column. And then in the right-hand column, it sets out what Star's existing process is?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And do you see that in the second-last row on that page, there is some information recorded in blue shade?

MS ARNOTT: Second-last row, yes.

20 **MS SHARP SC:** So there's a dot point, and it's in blue shade.

MS ARNOTT: Yes.

25 **MS SHARP SC:** I won't read that out because it's in blue shade. And then do you see the last allegation on that page is that - and I might need it read together with the page that follows it. Now, do you see it says:

30 "Crown was wilfully blind to the criminal activity of key business partners, particularly junket operators. This included claims related to the Hong Kong Jockey Club ban on Suncity."

MS ARNOTT: Yes.

35 **MS SHARP SC:** Now, it's most likely that by the time this document was being prepared for the board, you were in possession with the Hong Kong Jockey Club report, isn't it?

MS ARNOTT: As has previously said, yes, it is likely.

40 **MS SHARP SC:** Well, that's the most likely situation?

MS ARNOTT: It is likely, yes.

45 **MS SHARP SC:** Now, do you see that what is stated in relation to that allegation in the Key Risk/Vulnerability section, is that the issue can be difficult if the information about criminal activity is solely contained in law enforcement intelligence systems.

MS ARNOTT: Yes.

5 **MS SHARP SC:** And do you agree that there is no reference at all to the fact that many officers of The Star, in fact, have a copy of the Hong Kong Jockey Club report?

MS ARNOTT: Yes.

10 **MS SHARP SC:** So at the very point, do you agree, where the board should be made aware of that matter, it is not?

MS ARNOTT: Yes.

15 **MS SHARP SC:** And do you see that in that same row of that allegation, in the column The Star's Existing Process, it says:

20 "The Star has detailed cease to trade policies embedded in the AML/CTF program. These protocols see The Star considering banning people on a monthly basis."

MS ARNOTT: Yes.

25 **MS SHARP SC:** So it's right, isn't it, that what this part of the board paper is doing is assuring the board that The Star does not wilfully turn a blind eye to criminal activity of key business partners?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And if I take you to pinpoint 2246, do you see there's a heading The Star - Specific Allegations in Media on 10 August?

MS ARNOTT: Yes.

35 **MS SHARP SC:** Now, do you see there's an allegation - I won't read it out. I assume it's confidential for the moment. But it relates to a May allegation?

MS ARNOTT: Yes.

40 **MS SHARP SC:** Now, I suggest to you that that allegation is found in the Hong Kong Jockey Club report.

MS ARNOTT: Yes.

45 **MS SHARP SC:** That's where that information came from?

MS ARNOTT: Yes, it may be.

MS SHARP SC: And you agree, don't you, that there's no reference here to members of Star management being in possession of the Hong Kong Jockey Club report?

5 **MS ARNOTT:** That's correct.

MS SHARP SC: So do you agree that the board is not, in fact, provided with all information that is relevant to assessing the probity of Mr Chau and Suncity?

10 **MS ARNOTT:** Not in this report, no.

MS SHARP SC: Yes. Well, this is the report that goes to the board at that time, isn't it?

15 **MS ARNOTT:** Yes. But there are subsequent board meetings and calls which I wasn't a part of as well.

MS SHARP SC: All right. So because you weren't a part of them, you have no idea what was discussed or was in them; right?

20

MS ARNOTT: No, but that's the process. You write a paper, and then it goes to a meeting.

25 **MS SHARP SC:** Okay. Now, you saw a draft of this document; that's correct, isn't it?

MS ARNOTT: Yes.

MS SHARP SC: And you had an opportunity to comment on that draft?

30

MS ARNOTT: Yes.

MS SHARP SC: But you did not comment to the effect, "Maybe we should mention that we have the Hong Kong Jockey Club report"?

35

MS ARNOTT: Ms Sharp, as I have mentioned multiple times, I don't recall when I received that report. Yes, we have asserted that it is likely that it is at this time, but I don't recall. You are right if I had have had it, then, yes, that is something that I should have pointed out. But I just don't remember, I'm sorry.

40

MS SHARP SC: So it's right, isn't it, that at the very same time these allegations are exploding in the media about Crown Resorts and money laundering through its accounts and its association with junkets with criminal connections, the NAB is continuing to press The Star for more information about what is happening in the bank accounts of EEIS.

45

MS ARNOTT: At that time, they asked a number of questions about the bank accounts in EEIS, yes.

MS SHARP SC: Can I take you, please, to exhibit B at tab 1508, and this is STA.3105.0012.2953.

5 **MS ARNOTT:** Yes.

MS SHARP SC: And I think I took you to this yesterday.

MS ARNOTT: Yes, I believe so.

10

MS SHARP SC: And you will agree that by 9 August 2019, NAB is seeking to arrange a follow-up call to discuss EEIS?

MS ARNOTT: Yes.

15

MS SHARP SC: And you were made aware of that at the time because you were copied into that email?

MS ARNOTT: Yes.

20

MS SHARP SC: Now could I please show you STA.3415.0001.9441. That's exhibit B at tab 1569, Mr Bell.

MR BELL SC: Thank you.

25

MS SHARP SC: And you will agree that's an email from Oliver White to yourself and Mr Brodie of 20 August 2019?

MS ARNOTT: Yes.

30

MS SHARP SC: By the way, had you asked for any legal advice from him about overseas payment channels at this time?

MS ARNOTT: I don't recall.

35

MS SHARP SC: It was not ordinarily your place to request legal advice from Mr White, was it?

MS ARNOTT: I did ask him for legal advice at times, particularly at around this time. He was the general counsel for corporate. So it wouldn't have been unusual for me to have a discussion with him asking for legal advice.

40

MS SHARP SC: But you can't remember in the circumstances of this case?

45 **MS ARNOTT:** No, not particularly. I remember we had some discussions about this that might have pre-dated the email, but I don't have a specific recollection.

MS SHARP SC: Now, at this time, on 20 August 2019, is it correct that you're the AML/CTF compliance officer for EEIS and Star Entertainment?

MS ARNOTT: Yes.

5

MS SHARP SC: Now, could you please take your attention to the first paragraph which says:

10 "Please find attached a draft memo of advice to go to Greg and Paula regarding overseas payment channels, in particular highlighting current arrangements that we have only recently become aware of."

MS ARNOTT: Yes.

15 **MS SHARP SC:** And is it right that, at this point in time, you had only become aware of certain arrangements relating to the overseas payment channels?

MS ARNOTT: If this email relates to what I think it does, then, yes, I remember.

20 **MS SHARP SC:** And what was that?

MS ARNOTT: In relation to the continued use of the Kuan Koi front money account to pay a 3 per cent fee to remitters.

25 **MS SHARP SC:** Now, you can see Mr White states:

"The business are extremely keen to get this decided as quickly as possible."

Why was that?

30

MS ARNOTT: Because they wanted to be sure that they could continue to receive payment for CCFs that were coming due, particularly if there - there were CCF repayments that had due dates in the near future. It's always a concern of the business to make sure that, where possible, we can have them paid on time.

35

MS SHARP SC: And you see he says:

40 "Whilst I appreciate that some of your feedback will likely be coloured by the meeting with AUSTRAC tomorrow, please could I ask for your feedback on the attached by close of business tomorrow."

MS ARNOTT: Yes.

45 **MS SHARP SC:** So you understood you that were to review that memorandum and provide your comments to Mr White?

MS ARNOTT: Yes.

MS SHARP SC: And may we take it you did carefully review that memorandum?

MS ARNOTT: I think I did, yes.

5 **MS SHARP SC:** And that you did provide your comments to Mr White?

MS ARNOTT: From memory, yes, I did.

10 **MS SHARP SC:** What was that meeting to be had with AUSTRAC tomorrow about?

MS ARNOTT: August 2019 - it may have been a risk assessment meeting. Or it may have been in relation to an ongoing compliance assessment. I - I can't recall. I would have to - I can't recall what exactly that meeting was.

15 **MS SHARP SC:** Could I take you now, please, to STA.3415.0001.9442. Now, this is the - you can take it from me this is the draft that was attached to this email. It's exhibit B1570.

20 **MS ARNOTT:** Yes.

MS SHARP SC: Now, it references in the Background section that it was in December 2017 that the Bank of China Macau accounts in the name of Star and Star Entertainment Queensland were closed?

25 **MS ARNOTT:** Yes.

MS SHARP SC: And it references in the second paragraph that in January 2018, an agreement was entered with Kuan Koi?

30 **MS ARNOTT:** Yes.

MS SHARP SC: And in the third paragraph, it references that:

35 "The processes outlined in the agreement were subject to an AML/CTF risk assessment and controls were put in place to manage the risk."

MS ARNOTT: Yes.

40 **MS SHARP SC:** And that was the risk assessment that you performed?

MS ARNOTT: Yes.

MS SHARP SC: It's also stated in this paragraph:

45 "It was also intended to be a short-term solution while the EEIS process was put in place."

MS ARNOTT: It was always intended to be a short-term solution, yes.

MS SHARP SC: And then it says that Kuan Koi:

5 "... informed The Star that he was encountering difficulties with the arrangement in [May] 2018, at which stage it was understood that the arrangement had come to an end."

And was that your understanding too?

10

MS ARNOTT: At that time, yes, that - that is what I - well, that is what I recalled.

MS SHARP SC: And then can you see there's a heading Current Arrangements?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And there it states:

20 "Although EEIS has been established and has provided its initial loans to patrons, the remittance services that EEIS can offer have not been utilised to date."

MS ARNOTT: Yes.

25 **MS SHARP SC:** And that was consistent with your understanding at the time?

MS ARNOTT: Yes.

MS SHARP SC: And then the memo, the draft memo, goes on to state:

30

"In the absence of this, patrons generally use the following methods (a) electronic transfer of funds from a bank account to The Star's bank account (or, if repaying a CCF, to the Australian bank account of EEIS)."

35 Now, you understood by this time that the EEIS bank accounts were accepting the repayment of cheque cashing facilities, didn't you?

MS ARNOTT: Yes, that's correct.

40 **MS SHARP SC:** And then (b):

"Using a licensed remitter provider in their home jurisdiction to make the transfer from their home jurisdiction to The Star's bank account (or, if repaying a CCF, to the Australian bank account of EEIS)."

45

MS ARNOTT: Yes.

MS SHARP SC: Now, you understood by that time that licensed remitters were making payments into the EEIS bank accounts, didn't you?

MS ARNOTT: Yes.

5

MS SHARP SC: And then let's look at subparagraph (c) --

MR BELL SC: Sorry, just before you do, Ms Sharp, Operator, can you show paragraphs (b) and (c). Thank you.

10

MS SHARP SC: And, Operator, it would be useful if you could blow up the beginning of the next page and put it underneath so that Ms Arnott has the whole context. Now, subparagraph (c) says that:

15 "In some instances, in particular for patrons based in Macau, who can only pay The Star with cash, The Star provides an introduction to one of the following channels."

20 And do you see there are two subparagraphs: One says Regal Crown and the other says KK/Silver Express?

MS ARNOTT: Yes.

MS SHARP SC: And you understood that at the time, didn't you?

25

MS ARNOTT: I think that at - this is - I think that some of this is we were questioning that we understood at the time. Do you mean we understood it at the time we wrote this memo or that we had understood it --

30 **MS SHARP SC:** Well, you definitely understood it at the time you were involved in the preparation of this memo?

MS ARNOTT: Yes.

35 **MS SHARP SC:** So if we look at what's said about Regal Crown, it says:

 "Regal Crown is a licensed money service operator in Hong Kong. It also offers services in relation to remittance and FX."

40 Is that currency exchange?

MS ARNOTT: Yes.

MS SHARP SC:

45

 "... for cash payments in Macau."

And do you see it says:

"We have not been able to verify the lawfulness of the process used by Regal Crown in Macau"?

5 **MS ARNOTT:** Yes.

MS SHARP SC: And that was your understanding at the time, wasn't it?

10 **MS ARNOTT:** Yes, my understanding is that we had asked for quite a significant amount of information and they - whilst they had assured us that it was lawful, they didn't want to provide their commercial processes to us.

15 **MS SHARP SC:** So the fact that Regal Crown was a licensed money service business couldn't really give you any comfort, could it?

MS ARNOTT: It still gave us comfort, and they did say that they had - that they were involved in lawful processes in Macau. They just didn't want to go into detail providing the level of commercial information that we would have wanted to enter into a service agreement with them.

20 **MS SHARP SC:** Right. So you set out to verify the lawfulness of the process used by Regal Crown in Macau and you had not been able to; is that correct?

25 **MS ARNOTT:** Not to a - to a satisfactory degree to enter into a services agreement or contract with them, no.

MS SHARP SC: So at paragraph - the second paragraph on pinpoint 9443, it says:

30 "We have advised the business that The Star should not recommend Regal Crown to patrons."

MS ARNOTT: Yes.

35 **MS SHARP SC:** That was because you had some measure of reservation about Regal Crown, was it?

MS ARNOTT: Yes.

40 **MS SHARP SC:** And despite that fact of advice, this memo continues:

"However, VIP Credit & Collections have informed us that the current process is as follows."

45 And then it says - then it outlines what the process is for having a remittance conducted by Regal Crown. Do you agree?

MS ARNOTT: Yes.

MS SHARP SC: And do you see at (C) it says:

5 "VIP Credit & Collections team member sometimes attends as an observer,
but is not always present."

MS ARNOTT: Yes.

10 **MS SHARP SC:** So you were notified by this time, weren't you, that a staff
member did not always attend when a remittance took place?

MS ARNOTT: No, but I would have only expected them to have attended for the
Kuan Koi-related remittance.

15 **MS SHARP SC:** Well, you understood by this time, didn't you, that Kuan Koi had
some connection with some of the remittances made by Regal Crown into the
EEIS bank accounts, didn't you?

20 **MS ARNOTT:** There was an email in 2018 in relation to that but, as I said, I - my
understanding - I was surprised that that - that that had continued into 2019.

MS SHARP SC: And then, Ms Arnott, if we look at the heading KK/Silver
Express it states:

25 "After (May) 2018, the arrangement with Kuan Koi appears to have
continued in an amended form with the assistance of licensed Money Service
Operators in Hong Kong."

And it states:

30 "This process has not been subject to review by the Legal or Compliance
teams."

MS ARNOTT: That's correct.

35 **MS SHARP SC:** And that was your understanding at the time?

MS ARNOTT: Yes.

40 **MS SHARP SC:** And the compliance team was your team, wasn't it?

MS ARNOTT: Yes, myself with Micheil Brodie.

45 **MS SHARP SC:** Yes, so certainly you and Mr Brodie had not assessed or
reviewed that arrangement?

MS ARNOTT: No.

MS SHARP SC: Now, it's then stated that:

5 "The current process would appear to involve the use of a Hong Kong
licensed Money Service Operator, Silver Express, providing a similar service
to Regal Crown. At the date of this memo, the Legal team have not had any
contact with Silver Express to understand their business process in Macau."

10 So it's right, isn't it, that no risk assessment had been conducted of these
remittances by Silver Express into EEIS or other Star accounts at this time?

MS ARNOTT: That's correct.

MS SHARP SC: And no risk assessment had taken place?

15 **MS ARNOTT:** No.

MS SHARP SC: But the money was flowing into accounts operated by EEIS or
The Star nevertheless?

20 **MS ARNOTT:** Yes.

MS SHARP SC: And you'd agree that there are money laundering risks with that,
wouldn't you?

25 **MS ARNOTT:** Yes, there are money laundering risks associated with that.

MS SHARP SC: And they are, at this time, risks that are wholly unquantified by
you?

30 **MS ARNOTT:** Yes, they were not - yes, we hadn't conducted a risk assessment.

MS SHARP SC: And, of course, it would follow necessarily from that, that there
were no controls imposed to manage those risks?

35 **MS ARNOTT:** Correct.

MS SHARP SC: Now, do you see that under the heading Associated Risks it
states:

40 "A formal risk assessment of the processes in subsection (c)..."

Now, they are the ones referring to Silver Express and Regal Crown:

45 "... have not been undertaken, but the following and other legal risks should
be considered."

MS ARNOTT: I'm sorry, I can't see where --

MS SHARP SC: Yes, Operator, if we could now go to pinpoint 9443 and highlight the second half of that page, appearing under the heading Associated Risks. And the first paragraph is what I just read out to you, Ms Arnott.

5 **MS ARNOTT:** Yes.

MS SHARP SC: Now, do you see that it then goes on to state that:

10 "(A) the arrangements outlined above intrinsically carry a higher AML/CTF risk, as the funds being used to repay the amounts owing to The Star are originating from our patrons as cash."

Now, you agree with that, don't you?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And it then states:

20 "Whilst this cash is being transferred to The Star through the banking system electronically through licensed remittance channels, any involvement by The Star in the process in relation to the cash increases the level of risk for The Star, which will need to be addressed through the introduction of appropriate controls."

25 You agree with that, do you?

MS ARNOTT: Yes.

MS SHARP SC: And at (b) it says:

30 "The arrangements outlined in subsection (c) (ii) ..."

and that's the reference to Silver Express:

35 "... have further risk incorporated because (i) we have no visibility of where the payments to KK are going, including whether these are paid to Silver Express."

Now, you agree with that, don't you?

40 **MS ARNOTT:** Yes.

MS SHARP SC: And:

45 "(Ii) there is an increased commercial risk as Star has no visibility of costs actually incurred by the patrons using Silver Express."

MS ARNOTT: Yes.

MS SHARP SC: And if we go to (c), it says:

5 "There is increased reputational and operational risk associated with The
Star's active participation in arrangements between our patrons and Regal
Crown and possibly Silver Express. Whilst we know that Regal Crown and
Silver Express hold appropriate licences in Hong Kong to carry out foreign
10 exchange and remittance transactions, based on our limited knowledge of
Regal Crown's operations, we cannot be certain that their cash operations in
Macau are in accordance with local laws."

Now, that was correct to your understanding, wasn't it?

MS ARNOTT: Yes.
15

MS SHARP SC: And at (d) --

MR BELL SC: Sorry, Ms Sharp but we can't see (d) on the screen.

20 **MS SHARP SC:** I'm sorry. I was hoping the Operator could follow along. If I
could just have that - this is - if the Operator could please show from the bottom of
pinpoint 9443, that is, at paragraph (c), right at the bottom, and then the first half
of pinpoint 9444. And could the Operator also highlight paragraph (d). And I don't
25 want to rush you. So did you want to just read through paragraph (c)?

MS ARNOTT: Thank you.

MS SHARP SC: Now, Ms Arnott, can I direct your attention to paragraph (d)
30 where it states:

"If not appropriately handled, there is a risk that accepting a net repayment of
debts to The Star (ie, less remittance service provider's fees) may result in a
breach of the Casino Control Acts in New South Wales and Queensland."

35 **MS ARNOTT:** Yes.

MS SHARP SC: Why was that?

40 **MS ARNOTT:** Because there is a prohibition on providing credit, particularly in
New South Wales, and if it's not - if the process is not managed properly, there
may be a portion of the payment that could be viewed as credit if it's discounted.

45 **MS SHARP SC:** And that is all to say that if the patron's front moneys are
advanced to them at the casino prior to The Star confirming that that patron had, in
fact, deposited front moneys, that would be a breach of section 74 of the Act,
which generally prohibits credit being provided to patrons?

5 **MS ARNOTT:** No, I don't think so. I think this is more in relation to the repayment of a CCF. So where the - for the money to clear a CCF debt, it has to hit The Star bank account, The Star entity in Sydney bank accounts, and where that debt is being paid at a rate less 3 per cent, there is a possibility that that less 3 per cent portion could be deemed to be provided in credit or not - or a discount on the debt.

10 **MS SHARP SC:** Thank you for clarifying that. Is there not also a risk that if it is not correctly understood when a front money deposit has been made into The Star's accounts with respect to a patron, there is a risk that that patron will have gambling chips made available to them before The Star has, in fact, received the funds from the patron?

15 **MS ARNOTT:** That may be, but my understanding is that that - these would have related to all cleared funds, and this specific issue was relating to the 3 per cent discount. So - yes.

20 **MS SHARP SC:** So it's right by this time that Mr White and you and Mr Brodie had identified some significant risks of non-compliance with the Casino Control Act?

MS ARNOTT: Yes, there were risks of non-compliance with the Casino Control Act, yes.

25 **MS SHARP SC:** And it's right, isn't it, that by this time you had identified that there were some significant money laundering risks that had not been controlled by The Star or by EEIS?

30 **MS ARNOTT:** Yes, there were risks in - yes.

MS SHARP SC: Now, if I can take you, please, to the bottom of pinpoint 9444, do you see there's a heading Options Going Forward?

35 **MS ARNOTT:** Yes.

MS SHARP SC: And do you see that options are suggested such as SE, Silver Express, or (b) Continue Existing Process, and it's then recommended that if the processes are continued, there should be a proper AML/CTF risk assessment and suitable controls introduced?

40 **MS ARNOTT:** Yes.

MS SHARP SC: So what happened?

45 **MS ARNOTT:** I genuinely don't recall. I - I don't recall doing a risk assessment on this process. We may have also sought legal advice in relation to it. I'm sorry, I didn't - I haven't reviewed this specifically in preparation for the inquiry, and my memory is faulty on this matter.

MS SHARP SC: Did money continue to flow into the EEIS and Star accounts from Regal Crown and Silver Express?

5 **MS ARNOTT:** Certainly Silver Express was continued to be used, but I don't - I don't know if Regal Crown was also a continued remitter.

MS SHARP SC: And you have no recollection of conducting an AML/CTF risk assessment after the date of this advice?

10

MS ARNOTT: No, I don't.

MS SHARP SC: And you expect that if anyone at around that time were to do the AML/CTF risk assessment, it would be you?

15

MS ARNOTT: It would have been myself or my program manager, Marcela Willoughby.

20 **MR BELL SC:** Ms Arnott, I just want to try and understand the flow of funds in relation to circumstances where Silver Express was being used in relation to Kuan Koi. Is it right that the first step that's being referred to in this document is for Silver Express to remit funds to Kuan Koi's bank account in Macau?

25 **MS ARNOTT:** No, I don't think so. I'm sorry, can we - can I have the highlighting removed so I can see the whole document again?

MR BELL SC: You might need to go back to the previous page, Operator. So who was Silver Express remitting the funds to?

30 **MS ARNOTT:** Sorry, Mr Bell, can I just read this paragraph to refresh my memory? Thank you.

MS SHARP SC: Yes, please do.

35 **MS ARNOTT:** My understanding of the process at this stage was that Regal Crown was - or Silver Express, I'm sorry, was remitting the funds directly to The Star for - or to EEIS for the individual customers, and that the use of the Kuan Koi arrangement was only for the payment of the fee back to Silver Express rather than it flowing through his - rather than it being remitted for him at that time.

40

MR BELL SC: So Regal - sorry, Silver Express were remitting funds to the NAB bank account of the EEIS?

MS ARNOTT: Yes.

45

MR BELL SC: Less a 3 per cent fee?

MS ARNOTT: Yes.

MR BELL SC: And what happened in relation to the 3 per cent fee?

5 **MS ARNOTT:** I think it got - there was a sum of money in Kuan Koi's bank account and the 3 per cent fee was processed in some way through that account.

MR BELL SC: And that's his account in Macau, is it?

10 **MS ARNOTT:** No, his front money account in Australia.

MR BELL SC: Right. Okay. So it goes to EEIS bank account. EEIS pays it to The Star's bank account?

15 **MS ARNOTT:** Yes.

MR BELL SC: It gets credited to Kuan Koi's front money account?

20 **MS ARNOTT:** I'm not sure of that step in the process, whether or not it gets credited to Kuan Koi's front money account or whether or not it goes directly to The Star to clear those funds, because it is for CCF repayments in these instances.

MR BELL SC: Yes, thank you.

25 **MS SHARP SC:** Now, it's right, isn't it, by September 2019, AUSTRAC had commenced a compliance assessment in relation to Star which was focusing on The Star's management of high-risk patrons and politically exposed persons?

MS ARNOTT: Yes, that's correct.

30 **MS SHARP SC:** And this would have had some bearing, wouldn't it, on the various patron bank account issues that have been identified by this stage?

MS ARNOTT: I'm sorry. I don't understand the - the question.

35 **MS SHARP SC:** Well, is it right that you connected in some way the AUSTRAC compliance assessment of high-risk patrons and politically exposed persons with the channels that such people were using to get their funds to the casinos?

40 **MS ARNOTT:** Not specifically. The - the focus of the AUSTRAC notices were very specific, and we were answering them in due course. And there seemed to be two different issues, in my opinion. But I'm not quite sure that I'm understanding the question that you're asking.

45 **MS SHARP SC:** Well, I will move on. The board's risk and compliance committee meets generally four times a year, doesn't it?

MS ARNOTT: Yes, that's correct.

MS SHARP SC: Now, the next meeting of that committee following this advice I've just taken you to and following the events of which we've spoken in the Suncity room, Salon 95, occurred on 24 September 2019. Do you remember attending that meeting?

5

MS ARNOTT: When - can you give me the date of the meeting?

MS SHARP SC: 24 September 2019.

10 **MS ARNOTT:** Yes, I would have attended that meeting.

MS SHARP SC: And, at that time, you were the AML/CTF compliance officer for EEIS?

15 **MS ARNOTT:** Yes.

MS SHARP SC: And is it right that you were also the AML/CTF compliance officer for Star Entertainment?

20 **MS ARNOTT:** Yes, that was my first meeting as the compliance officer for The Star.

MS SHARP SC: And it's right, isn't it, that you presented a paper to that risk committee?

25

MS ARNOTT: Yes.

MS SHARP SC: And you understood that the purpose of the risk committee was to identify significant risks so that the board would become aware of them?

30

MS ARNOTT: It - yes, it was to give updates in relation to the AML program and - and risks, yes.

35 **MS SHARP SC:** Well, it was also to update them on risks to the business, wasn't it?

MS ARNOTT: Yes.

40 **MS SHARP SC:** Can I take you to the paper you presented, please, which is exhibit B at tab 1714. This is STA.3003.0004.1529. And do you see that there's a risk and compliance committee paper dated 24 September 2019 which is said to be from Paula Martin and yourself?

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

MS SHARP SC: Did you draft this or did Paula Martin draft this?

MS ARNOTT: I would have drafted it and sent it to Paula for review.

MS SHARP SC: And did Ms Martin approve this?

5

MS ARNOTT: She would have reviewed it prior to it going to the board, yes.

MS SHARP SC: But did she approve it?

10

MS ARNOTT: I don't know that there's a specific approval process in place but she - she would have reviewed it prior to it going to the board.

MS SHARP SC: And can I take you through the - the report. You note that the purpose of the report is to update the committee on implementing the joint AML/CTF program?

15

MS ARNOTT: Yes.

20

MS SHARP SC: And that the paper provides the committee with an update regarding ongoing engagement with AUSTRAC and an update regarding action items from an internal audit in May 2018?

MS ARNOTT: Yes.

25

MS SHARP SC: And you refer, do you see, to Crown media coverage at pinpoint 1530?

MS ARNOTT: I can't see that on the screen.

30

MS SHARP SC: I will have that - and perhaps the Operator could highlight the bit under Crown Media Coverage. Now, there, you state:

"In late July, a series of media reports alleged that Crown Resorts was wilfully blind to AML/CTF related risk associated with some junket customers."

35

MS ARNOTT: Yes.

MS SHARP SC: And:

40

"A separate paper outlining The Star's response was provided to the Board at the meeting on 15 August. "

MS ARNOTT: Yes.

45

MS SHARP SC: Now, you agree that that's the board paper I took you to a little earlier in this examination?

MS ARNOTT: Yes, I believe so.

MS SHARP SC: And what you state here is:

"The Star has reviewed the junket operators and customers referenced in the media for relevance."

5

MS ARNOTT:

MS SHARP SC: And that:

10 "Action has been taken where necessary to manage risks associated with the individual customers."

MS ARNOTT: Yes.

15 **MS SHARP SC:** And:

"The Star has not received any queries in relation to this media coverage from AUSTRAC"?

20 **MS ARNOTT:** Yes.

MS SHARP SC: You'll agree that this document makes no mention whatsoever of the series of concerning transactions made known to you in May and June of 2019 in Salon 95?

25

MS ARNOTT: That's correct.

MS SHARP SC: And that was despite the fact that you thought these were indicative of money laundering taking place in Salon 95?

30

MS ARNOTT: I - I don't know that I ever said that, but I said that they were transactions of concern that were suspicious.

35 **MS SHARP SC:** Yes, well, you considered, didn't you, they were indicative of money laundering, didn't you?

MS ARNOTT: I considered them to be red flags, yes, but not necessarily of confirmed money laundering.

40 **MS SHARP SC:** All right. But you considered them to be indicative of money laundering, didn't you?

MS ARNOTT: Yes.

45 **MS SHARP SC:** Right. Now, you haven't mentioned any of those incidents in this risk paper to the risk committee, have you?

MS ARNOTT: No.

MS SHARP SC: Despite the fact there was a risk that money laundering was taking place within the four corners of casino?

5 **MS ARNOTT:** The Suncity room had been closed by the time this paper was prepared.

10 **MS SHARP SC:** Well, it still is a risk worth mentioning to the board, isn't it, that there was a risk that up until a month or two before this paper, there were indications that money laundering was occurring within the four walls of the casino?

15 **MS ARNOTT:** There was an indication that there was - that there were transactions of concern in the casino, yes.

MS SHARP SC: Well, shouldn't you have made this aware to the board's risk committee in this paper?

20 **MS ARNOTT:** So it's my understanding that information in relation to Salon 95 and Suncity was being sent through other channels and there were a number of board calls in relation to the media coverage at around this time that I wasn't necessarily a part of. So --

25 **MS SHARP SC:** But what you were part of, Ms Arnott, was a formal reporting process to the board's risk committee, weren't you?

MS ARNOTT: Yes.

30 **MS SHARP SC:** Well, why didn't you mention this problem here?

MS ARNOTT: Because I believed it had been reported through other channels.

35 **MS SHARP SC:** What, you believed it was reported to members of the board, do you?

MS ARNOTT: Yes. There were a number of board calls in relation to the media coverage, and I believed they covered the issues in relation to the closure of Salon 95.

40 **MS SHARP SC:** Were you involved in any of these conversations with board members?

MS ARNOTT: No.

45 **MS SHARP SC:** Well, so you actually don't know one way or the other whether the board was made aware of the incidents of concern in Salon 95, do you?

MS ARNOTT: Not definitely, no.

MS SHARP SC: And isn't the obvious place to make these risks known to the board to report in the context of your official reporting function to the board's risk committee?

5

MS ARNOTT: Yes.

MS SHARP SC: And you failed to do that, didn't you?

10 **MS ARNOTT:** No, I didn't put it into this paper.

MS SHARP SC: And there is nothing at all in this report, is there, about the various money laundering risks that you had identified together with Oliver White in relation to the patron bank accounts, is there?

15

MS ARNOTT: That was something that we were still looking into this at this time, and it wouldn't be normal to speak to the board in relation to things like that, that were - that were ongoing at that time.

20 **MS SHARP SC:** So are you saying that notwithstanding that you had reviewed an advice that said those risks existed, you did not consider it necessary to make the board aware of these risks in your formal reporting to the board's risk committee?

MS ARNOTT: No, not at that time, I didn't.

25

MS SHARP SC: Well, that was completely remiss of you, was it not?

MS ARNOTT: I believed I had taken the appropriate steps by raising it with senior management at that time and continuing to look into it. It may be that I should have reported it to the board at this time, and - but that was the reason for my decision at that time.

30

MS SHARP SC: And, certainly, there is absolutely nothing in this board risk paper which discloses the fact that many members of senior management are in possession of the Hong Kong Jockey Club report?

35

MS ARNOTT: That's correct.

MS SHARP SC: Now, I will take you to the minutes of the meeting. All right. These are exhibit B, tab 1716. STA.5002.0005.1191. I've given you the wrong document ID, I'm sorry. The document ID is STA.5003.0004.0784. And you will see that In Attendance, you're included as being there for part of the time?

40

MS ARNOTT: Yes.

45

MS SHARP SC: And this meeting occurred on 24 September 2019?

MS ARNOTT: Yes.

MS SHARP SC: And do you see on the second page of the minutes there is an entry for the AML Program Report?

5 **MS ARNOTT:** I'm just waiting for the Operator to move the paper. Yes.

MS SHARP SC: And you will agree that there's no reference to the Hong Kong Jockey Club report in this document?

10 **MS ARNOTT:** It is unlikely that there is, although I note I haven't read this paper previously.

MS SHARP SC: All right. Well, you don't recall anybody raising the existence of that report while you were in the meeting, do you?

15

MS ARNOTT: No.

MS SHARP SC: And there's no reference in these minutes, is there, to the various transactions of concern occurring in Salon 95 in May and June of 2019, is there?

20

MS ARNOTT: No.

MS SHARP SC: And you certainly did not raise those matters when you addressed the board's risk committee, did you?

25

MS ARNOTT: No.

MS SHARP SC: And there is no mention anywhere in these minutes, is there, of the various risks of money laundering that had been identified with respect to the patron bank accounts, is there?

30

MS ARNOTT: No.

MS SHARP SC: And that's because you did not mention any of those risks in your oral report to this risk committee, did you?

35

MS ARNOTT: No, I think we were focused on the implementation of the program at that time.

40 **MS SHARP SC:** And this is despite the fact that you agreed with me in evidence previously that one of the jobs of the AML/CTF compliance officer is to alert the board to whether there - if there are non-compliances with the AML/CTF program?

45 **MS ARNOTT:** Yes. But we would - the things that we have reported in the past have been specific breaches of - of the Act by us rather than transactions of concern.

MS SHARP SC: Is this a convenient time, Mr Bell?

MR BELL SC: Yes. I will adjourn now until 2 pm.

5 <**THE HEARING ADJOURNED AT 1:01 PM**

<**THE HEARING RESUMED AT 2:01 PM**

MR BELL SC: Yes, Ms Sharp.

10

MS SHARP SC: Ms Arnott, I will move to a different topic now, which is China UnionPay. Could I show you document STA.3008.0014.0204 - I beg your pardon - 03. I understand this was marked MFI31. I'm just making inquiries as to whether there was an exhibit, Mr Bell. Again it's STA.3008.0014.0203. And, Operator, could I just take the witness to the previous page, which is 0203, and, Ms Arnott, I'm showing you an email from you to Mr Houlihan and Mr Power dated 8 May 2015.

15

MS ARNOTT: Yes.

20

MS SHARP SC: And do you see you're attaching an information report to Mr Houlihan and Mr Power?

MS ARNOTT: Yes.

25

MS SHARP SC: Why were you sending this information report to Mr Power?

MS ARNOTT: I don't recall, I'm sorry. It was in 2015.

30

MS SHARP SC: Are you able to assist us - when you did send information reports while you were in the investigations team, did you send them to Mr Power as a matter of course?

35

MS ARNOTT: Not necessarily, but I believe at this time Mr Power may have been Mr Houlihan's direct superior, but I don't recall when that - when the change occurred for them to not be in a direct reporting line. Not necessarily as a matter of course, but it wouldn't have been particularly unusual.

40

MS SHARP SC: Could I just take you to the attached information report, and this commences at pinpoint 0204. Now, it says there - or what you say here is:

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

45

MS ARNOTT: Yes.

MS SHARP SC: Is there anything of concern in a patron holding that amount of plaques?

MS ARNOTT: It's - it is a little bit unusual because it's a large value, which is why it came to our notice and would have been why I was looking into the report.

5 **MS SHARP SC:** And did you find anything unusual when you - I know that you've got this in front of you, but can you recollect whether you found anything unusual in the fact that he was holding \$20 million worth of \$500,000 plaques?

10 **MS ARNOTT:** As I said, it was an unusual occurrence. It was the first time I had been made aware of someone holding that - that amount of money as chips. But I don't have - noting it was in 2015, I don't have a specific recollection of this - this information.

15 **MS SHARP SC:** Did you understand that he had taken all of those plaques outside of the casino?

MS ARNOTT: Yes, I believe so.

20 **MS SHARP SC:** And I think you said previously that there's no rule, so far as you're aware, that a patron cannot take chips or plaques out of the casino?

MS ARNOTT: Yes, that's correct.

25 **MS SHARP SC:** Do you see that in this report, you refer to the fact that Mr Dong Fang Lee withdrew \$22.8 million in early April - that would have been 2015 - using CUP?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And you were aware at that time of the fact that patrons were using their CUP cards to withdraw funds for the use of purchasing chips?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And there - you refer to this in your statement at paragraph 97, don't you?

MS ARNOTT: Yes, I think so.

40 **MS SHARP SC:** And I just wanted to ask you to expand upon what you say in your statement at paragraph 97. You there say that had you some concerns in 2013 about the use of CUP cards because you had an understanding that CUP transfers were not supposed to be used for gaming purposes?

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

MS SHARP SC: And how did you know that in 2013?

MS ARNOTT: I don't recall specifically. It may have been from conversations with - with colleagues or something has clearly come to my notice that sparked - sparked that concern. But I can't remember specifically what that was.

5 **MS SHARP SC:** And did you raise that concern with Mr Power at the time?

MS ARNOTT: Yes, I did. I remember speaking to Mr Power about it.

MS SHARP SC: And what did you say to him?

10

MS ARNOTT: I - I remember something along the lines of saying "Are we sure that this is okay? Someone -" sorry, I'm speculating a little bit, but something in relation to the fact that there had been a concern about the use of the cards and are they okay for gambling purposes, or something like that. It was very - it was a very long time ago.

15

MS SHARP SC: And, to the best of your recollection, what did he say to you in response?

20 **MS ARNOTT:** To the best of my recollection, he said, "I'm happy for you to have a look at it and would be - let me know if you have any concerns" and gave me a copy of the - of the merchant agreement.

MS SHARP SC: And did you read it at that time?

25

MS ARNOTT: Yes, I think I did.

MS SHARP SC: And did you come back to him with any feedback.

30 **MS ARNOTT:** I don't know whether I came back to him or Mr Houlihan, who was my manager at the time, but I remember seeing parts of that agreement where it said they weren't relating to - to gaming purposes, and I was led to believe that it had been reviewed by legal at that time and - and that there was - that it was okay.

35 **MS SHARP SC:** And is it right that you relied on what the people from legal told you about the propriety of using CUP cards?

MS ARNOTT: Yes, that's correct.

40 **MS SHARP SC:** And at paragraph 98, you recount a conversation you had in late 2019 with Adrian Hornsby and Oliver White.

MS ARNOTT: Yes.

45 **MS SHARP SC:** About the means by which customers could bring funds from overseas for the purpose of repaying cheque cashing facilities and playing in the casino?

MS ARNOTT: Yes.

MS SHARP SC: And, at that point, there was some mention of CUP cards?

5 **MS ARNOTT:** Yes.

MS SHARP SC: And you said words to the effect, "It's not necessarily a good method for us".

10 **MS ARNOTT:** Yes.

MS SHARP SC: But is it right that you did not elaborate on why?

15 **MS ARNOTT:** Yes, that's right. It was right at the end of the meeting, and he was on his way out the door. So, yes, it was a very brief conversation.

MS SHARP SC: And why did you think it was not a good method "for us"?

20 **MS ARNOTT:** I think in late 2019 there had been some additional inquiries by the NAB in relation to the - to the use of these cards, and it was my understanding that it was a process that - that wasn't necessarily going to be around for very much longer, and I had some concerns about expanding its use.

25 **MS SHARP SC:** And it's right that you tried to draw these concerns to the attention of Adrian Hornsby and Oliver White?

MS ARNOTT: Yes, they were both in the meeting.

30 **MS SHARP SC:** And you say in your statement that Mr Hornsby then replied to you in words to the effect, "It's really big. You would be responsible for closing down" a particular amount of money?

MS ARNOTT: Yes, that's correct.

35 **MS SHARP SC:** May we take it that was a very large amount of money?

MS ARNOTT: Yes, it was.

40 **MS SHARP SC:** And what was your sense here? Did you apprehend that he was trying to shut down your inquiry?

45 **MS ARNOTT:** Yes. He clearly wanted to continue to - to use the cards and I didn't necessarily think that that was a good idea, certainly not to expand it. And, yes, he was making it clear that - that he thought it was a valuable channel for us to use.

MS SHARP SC: So did you perceive that he was encouraging you not to follow up your concerns any further?

MS ARNOTT: Not necessarily, but he was certainly putting his case forward for why it would be valuable for that to continue.

5 **MS SHARP SC:** Now, I asked you some questions before lunch about transaction monitoring programs at The Star, and I just wanted to check with you as to whether you were familiar with particular documents. I'm going to take you what - to what I understand is a draft document and then a finalised document. First of all, could I ask the Operator to bring up KPMG.001.001.6128. This is not
10 an exhibit but I'll have it marked for identification.

MS ARNOTT: Yes.

15 **MS SHARP SC:** And I'm showing you the Transaction Monitoring Program, Version 1, dated [month] 2016?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And, Mr Bell, could I have this marked for identification?

MR BELL SC: Yes, that will be MFI35.

MS SHARP SC: It is - now, this is just a draft document. I will take you to what I understand to be the final version in a moment. But is this the document you were
25 referring to when you spoke of a word document?

MS ARNOTT: Yes.

30 **MS SHARP SC:** And let me show you what I understand to be the final version of the document, and you can correct me if I am wrong. This one is KPMG.001.001.6059. And you will see this one now has a Version 2, dated November 2017.

35 **MS ARNOTT:** Yes. It may have been that that was - so that's version 2 in 2017. I believe that Version 1 may have been active at some point in 2016 but we neglected to insert the date appropriately.

MS SHARP SC: Can I, Mr Bell, please have Version 2 marked for identification?

40 **MR BELL SC:** Yes, that will be MFI36.

MS RICHARDSON SC: Sorry, could I raise one matter in the absence of the witness, please?

45 **MR BELL SC:** Yes. We will go into private mode please, Operator.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 2:13 PM

<THE HEARING IN PUBLIC SESSION RESUMED AT 2:17 PM

MR BELL SC: Yes, Ms Sharp.

5

MS SHARP SC: Thank you, Mr Bell. Could I just have you look at the Transaction Monitoring Program which says "Version 1, dated [month] 2016".

MS ARNOTT: Yes.

10

MS SHARP SC: Now, do you think there was a final version of this document in 2016?

MS ARNOTT: This may have been the final version and I just neglected to insert the month in it. Or there may have been a finalised version separate to this. But - but if it was, it is likely to be quite close, but I don't recall.

MS SHARP SC: Did you prepare this document?

20 **MS ARNOTT:** Yes, I did, in conjunction with the AML/CTF administrators.

MS SHARP SC: And this - is this the Word document that you were referring to in your evidence this morning?

25 **MS ARNOTT:** It is.

MS SHARP SC: Okay. I just wanted to take you to this document, if I could. So just to be clear, this is KPMG.001.001.62 - I beg your pardon, 6128. And is it right that what you did there in relation to cash transactions was indicate who was responsible for monitoring them?

30

MS ARNOTT: Yes, that's correct.

MS SHARP SC: And then if we go to pinpoint 6129, you will see there's a row that says:

35

"Cash drop report Queensland only by patron."

MS ARNOTT: Yes.

40

MS SHARP SC: And then if we continue over the page, it does say:

"Identify possible structuring if money is added to original buy-in."

45 And that was a response - if I take you back to the previous page, that was a responsibility of the AML administrator?

MS ARNOTT: Yes.

MS SHARP SC: So it was not a responsibility of the cage?

MS ARNOTT: Not in the cash drop report, no.

5

MS SHARP SC: And then in relation to pinpoint 6131, that's a - you see there's a heading Funds on Deposit.

MS ARNOTT: Yes.

10

MS SHARP SC: Is that the front money account?

MS ARNOTT: Yes, it is.

15 **MS SHARP SC:** And you will see one of the transaction types there is "monitor large cash deposits"?

MS ARNOTT: Yes.

20 **MS SHARP SC:** And that responsibility is given to the AML administrator rather than the cage; is that correct?

MS ARNOTT: Yes, that's correct.

25 **MS SHARP SC:** And that's who you expected would be monitoring for large cash transactions?

MS ARNOTT: Yes, that's correct.

30 **MS SHARP SC:** And then can I take you to pinpoint 6133, and has got a heading Telegraphic Transfers?

MS ARNOTT: Yes.

35 **MS SHARP SC:** And there the transaction type is telegraphic transfers?

MS ARNOTT: Yes.

MS SHARP SC: And there's an indication of what should be monitored for?

40

MS ARNOTT: Yes.

MS SHARP SC: And it's indicated that the AML administrator and cage staff are responsible for that.

45

MS ARNOTT: Yes.

MS SHARP SC: Mr Bell, those are my questions in public. I do have some questions for Ms Arnott in private mode.

5 **MR BELL SC:** Yes. Well, Ms Richardson, do you have any questions for Ms Arnott in public mode?

MS RICHARDSON SC: No, I do not.

10 **MR BELL SC:** In that case, Operator, we will now go into private mode, please.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 2:21 PM

<THE HEARING IN PUBLIC SESSION RESUMED AT 3:07 PM

15 **MR BELL SC:** Yes, Ms Sharp who is the next witness?

MS SHARP SC: I call Oliver White.

20 **MR BELL SC:** Mr White, would you prefer to take an oath or affirmation?

MR WHITE: An affirmation, please.

<OLIVER JOHN WHITE, AFFIRMED

25 **<EXAMINATION BY MS SHARP SC:**

MS SHARPE SC: Could you tell the Review your full name, please, Mr White.

30 **MR WHITE:** Oliver John White.

MS SHARP SC: And your work address is known to those assisting this Review?

MR WHITE: Yes.

35 **MS SHARP SC:** What is your position at work?

MR WHITE: My position is general counsel, corporate of the Star Entertainment Group currently, although I resigned in early January and I'm currently working out my notice period.

40 **MS SHARP SC:** And what has your - well, I withdraw that. When did - are you employed by - or were you employed by Star Entertainment or by Star?

45 **MR WHITE:** By The Star Entertainment Group Limited.

MS SHARP SC: And when did you commence your employment with Star Entertainment?

MR WHITE: In September - early September 2011.

MS SHARP SC: And what has your career progression been since you have been employed at Star Entertainment?

5

MR WHITE: I've been in the same role for the whole time.

MS SHARP SC: And what are your post-secondary qualifications?

10 **MR WHITE:** I have a Bachelor of Arts in History with study in German, and a Diploma in Law and a Diploma in Legal Practice, I think is the correct name for it.

MS SHARP SC: Could you outline your career history to us prior to joining Star Entertainment?

15

MR WHITE: I started work as a trainee solicitor in London in January 1998. I qualified as a solicitor in the UK in January 2000 and worked in private practice in London, Hong Kong and then in Sydney through to September 2011, and then since then I've been at The Star.

20

MS SHARP SC: And who did you work with when you were in Sydney?

MR WHITE: With MinterEllison.

25 **MS SHARP SC:** And why did you resign?

MR WHITE: I've been at The Star for 10 years. It was always my intention to sort of leave this year, but I had - wasn't getting sufficient time to spend looking for the next stage of my career, so I resigned so that I could give myself the breathing space and the time to look at that.

30

MS SHARP SC: And when do you finish up with your duties with Star Entertainment?

35 **MR WHITE:** The exact date hasn't been agreed as yet, but in the next week or so.

MS SHARP SC: Would you please describe to us in detail what your responsibilities have been as general counsel, corporate?

40 **MR WHITE:** I've provided legal support on corporate transactions in relation to joint venture - The Star's various joint ventures. Provided legal support to the corporate treasury team on debt facilities and related matters. And I've provided legal support to the credit and collections team and also to the international rebate business team. And also sort of associated with that as well, the sort of planes and
45 boats over the years. Sorry, I should say as well, that with my team, we support the procurement and IT spaces and also privacy as well.

MS SHARP SC: And who have you reported to during your time as general counsel, corporate?

5 **MR WHITE:** So, initially, I was reporting to - sorry, let me rephrase that. Throughout, I've reported to the group general counsel, and that was initially Michael Anderson. Then from sort of middle of 2012 to the middle of 2019, that was Paula Martin. And then since then it's been Andrew Power.

10 **MS SHARP SC:** And, sorry, from 2019, it's been Mr Power, has it?

MR WHITE: Correct.

MS SHARP SC: And what's his position?

15 **MR WHITE:** I believe he's group general counsel is his current title.

MS SHARP SC: And he is more senior than you in the organisation?

20 **MR WHITE:** Yes.

MS SHARP SC: And how many people are presently in the legal team?

25 **MR WHITE:** I need to work that out, sorry. I may have forgotten, but I think it's 11 or 12 qualified lawyers.

MS SHARP SC: And what exactly is the difference between the roles that you perform and those performed by Mr Power?

30 **MR WHITE:** So - I would sort of - I would say generally - well, sorry. For the period when Andrew was - before he became general counsel corporate, so for the period from 2011 to 2019, Mr Power's main focus was on New South Wales matters and The Star Sydney. Whereas I would have said that my main focus was on corporate or group matters, maybe, is the better way of putting it. Although, again, it wasn't necessarily clear-cut because there were sort of pockets which
35 went both ways. But that would be how I would generally describe the distinction.

MS SHARP SC: You said that you provided legal support to credit and collections and also to the international rebate business. Did Mr Power also provide legal support to credit and collections and the international rebate
40 business?

45 **MR WHITE:** I'm sure he had interactions with them as well. And, yes, it's a little tricky to maybe distinguish because the international rebate business also - also intersected largely with The Star Sydney. So he would have a lot to do with the international rebate business as well, in that sense. Probably a little less to do with credit and collections on a day-to-day basis, but I'm sure he also provided input on credit and collections from time to time as well.

MS SHARP SC: Is it fair to say that your role and responsibilities at Star Entertainment required you to have a very detailed understanding of the legal framework in which the casinos operate?

5 **MR WHITE:** Yes.

MS SHARP SC: And, in particular, a detailed understanding of the way the New South Wales Casino Control Act operates?

10 **MR WHITE:** Yes.

MS SHARP SC: And a detailed understanding of the way the Anti-Money Laundering and Counter-Terrorism Financing Act and the Rules after it - under it, operate?

15

MR WHITE: To an extent. Whilst I had quite a lot to do with that area was that - that wasn't a key area within my responsibilities, certainly for a long period of time. I agree that the legislation is relevant but, in terms of my - my actual role, I didn't provide a great deal of advice in that space - sorry, on that legislation, myself.

20

MS SHARP SC: And there you are referring to the AML legislation, are you?

MR WHITE: Correct.

25

MS SHARP SC: All right. But you did provide advice from time to time on various provisions of the Casino Control Act?

MR WHITE: Yes.

30

MS SHARP SC: And, in particular, you are well-versed in section 74 and section 75 of the Casino Control Act, are you?

MR WHITE: Yes.

35

MS SHARP SC: Now, you recall, don't you, that Dr Jonathan Horton QC conducted a periodic suitability of The Star Pty Ltd's casino licence which culminated in a report in 2016?

40

MR WHITE: I - sorry, I am generally aware, yes.

MS SHARP SC: Well, have you read Dr Horton's 2016 report before?

MR WHITE: I don't believe I have, no.

45

MS SHARP SC: You're aware that one of The Star's core values is "Do the Right Thing"?

MR WHITE: I am.

MS SHARP SC: When did that become a core value of The Star?

5 **MR WHITE:** I'm afraid I don't remember.

MS SHARP SC: Is it many years ago or fairly recently, or what?

10 **MR WHITE:** I would say more recently, probably in the last three to four years, maybe. I can't remember.

MS SHARP SC: What does it mean, Mr White?

15 **MR WHITE:** Sorry, what --

MS SHARP SC: What does the value "Do the Right Thing" mean?

MR WHITE: I take that to mean that you should do what is right or appropriate.

20 **MS SHARP SC:** Have you reflected on what that value requires of the conduct of its staff?

MR WHITE: I have.

25 **MS SHARP SC:** Do you think you've acted consistently with that value at all times?

MR WHITE: I'm aware that I have probably failed to live up to that at times.

30 **MS SHARP SC:** It means, doesn't it, that you need to comply with the spirit as well as the letter of the law?

MR WHITE: I - yes, I guess so.

35 **MS SHARP SC:** Is it right that you've at all times been aware of the Star Entertainment code of conduct during your employment with Star Entertainment?

MR WHITE: Yes.

40 **MS SHARP SC:** And have you been aware that the code of conduct sets out the guiding principles which shape the way decisions are made by staff members who perform duties at Star Entertainment?

45 **MR WHITE:** I'm not particularly familiar with the detailed provisions of the code of conduct.

MS SHARP SC: I might - it's not a guessing game. So I will show you the code of conduct. What I will do is show you the version that was applicable as at March

2018. If I could call up part D, tab 7, which is STA.3008.0023.8145. And, Mr White, can you see the issue date for this is 1 March 2018?

MR WHITE: Yes - sorry.

5

MS SHARP SC: Do you think you saw this version of the code of conduct at about the time it was issued?

MR WHITE: I don't - I'm not sure. I don't remember.

10

MS SHARP SC: Well, I will take you to some provisions to see if you are familiar with them. Could I start, please, with pinpoint 0186. I'm sorry, Operator. I might be working with the wrong numbers. Can we see the next page of this document, please. Right. Do you see, Mr White, one of the headings is 4.3, We Comply with the Law?

15

MR WHITE: Yes.

MS SHARP SC: And did you, at all times while you've been working with Star Entertainment, understand that was a requirement of employees who worked at Star?

20

MR WHITE: Yes.

25

MS SHARP SC: And if I take you to the heading 4.4, do you see it states We are Ethical?

MR WHITE: I do.

30

MS SHARP SC: Do you agree that you were at all times aware that the code of conduct required you to conduct yourself in an ethical manner?

MR WHITE: Yes, I think so.

35

MS SHARP SC: And it's right, isn't it, that one component of being ethical is being honest?

MR WHITE: Yes.

40

MS SHARP SC: And can I take you to pinpoint 8150 and there's a heading Our Employees are Expected to. And do you see there's a dot point there that says, about midway down:

45

"Not engage in activities -

I withdraw that. There's a heading:

"Refrain from behaviours which could bring Star Entertainment into disrepute."

5 **MR WHITE:** Yes.

MS SHARP SC: Did you understand that to be a rule of the code of conduct which applied to you from March 2018 onwards?

10 **MR WHITE:** I'm not - I don't recall being aware of this specific bullet point within the code of conduct.

MS SHARP SC: And if I can take you to another point two dot points down:

15 "Challenge and report unethical behaviours and practices."

MR WHITE: Yes.

20 **MS SHARP SC:** Were you aware that from March 2018 this was a requirement of the code of conduct?

MR WHITE: I don't recall being aware of this as a specific item.

MS SHARP SC: And if I could take you to the last dot point, do you see it says:

25 "Provide complete, honest and accurate information to any regulator who lawfully requests information."

MR WHITE: I do.

30 **MS SHARP SC:** Were you aware that that was a requirement of the code of conduct from March 2018?

MR WHITE: I don't recall being aware of the specific elements of the - these specific elements of the code of conduct, I'm afraid.

35 **MS SHARP SC:** Is it right that you weren't aware of the code of conduct?

40 **MR WHITE:** I was, but - sorry, I was aware there was a code of conduct. I don't recall being sort of knowledgeable of the specific bullet points within the intro to the code of conduct.

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

45 **MR WHITE:** Yes.

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

MR WHITE: I do.

MS SHARP SC: And that one of those responsibilities lies in ensuring the integrity of casino operations?

5

MR WHITE: I do.

MS SHARP SC: And another of those responsibilities is ensuring that casino operations are not infiltrated by crime?

10

MR WHITE: Yes.

MS SHARP SC: And did you understand at all times that it was necessary to ensure honesty, integrity and transparency in dealings with others?

15

MR WHITE: Sorry, could you repeat that again, please, sorry.

MS SHARP SC: Do you understand that one of the responsibilities of holding the casino licence was that Star Pty Ltd had to ensure it maintained honesty, integrity and transparency in dealing with others?

20

MR WHITE: I'm not sure I was aware of that specific provision, or specific wording.

MS SHARP SC: Well, did you understand that it was important to be honest, have integrity and be transparent in dealings with others so far as the casino operator was concerned?

25

MR WHITE: I - I think I would have been aware of the - trying to think of the word - the generics of that as opposed to necessarily the specific - that specific wording. But with the gist of it, yes.

30

MS SHARP SC: And did you understand that at all times while you've held the role of general counsel, corporate, that it is necessary to be honest, transparent and clear in dealings with the casino regulator?

35

MR WHITE: Yes.

MS SHARP SC: Do you hold a current practising certificate?

40

MR WHITE: I do.

MS SHARP SC: And how many years have you held a practising certificate for?

MR WHITE: In Australia - I can't remember exactly but at least - I was admitted in Australia in 2006, so probably since then at least, yes.

45

MS SHARP SC: Have you - do you understand that as a lawyer, you have particular ethical obligations?

MR WHITE: I do.

5

MS SHARP SC: And, for example, you must comply with the Uniform Rules applicable to solicitors?

MR WHITE: I do. I am aware of that.

10

MR BELL SC: Do you hold a practising certificate in New South Wales, Mr White?

MR WHITE: I do.

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MS SHARP SC: During the course of your employment with Star Entertainment, what steps, if any, have you taken to familiarise yourself with the anti-money laundering and counter-terrorism financing framework applicable in Australia?

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MR WHITE: I think, as I mentioned previously, is that I had a relatively sort of high-level or not especially deep understanding, but I knew that if there was an issue with that, I would speak to the AML team who were the subject matter experts, or I would seek external legal advice on those matters.

25

MS SHARP SC: And who, during the time that you have worked at Star Entertainment, have you understood are the AML subject matter experts within Star Entertainment?

30

MR WHITE: So, initially, I would have said that - certainly within the legal team that Paula Martin was the subject matter expert on things AML/CTF. But also I would have, for AML/CTF matters, generally would have referred things to - or sorry, would have sought the input from David Kelley, who was the initial - I can't remember his title, I'm sorry - but sort of covered risk. And AML was one of his areas. And then after David Kelley, it would have been Paul McWilliams. And then I can't remember exactly when, but Paul then brought in Micheil Brodie and Skye Arnott, and then I would have dealt more with them than necessarily with Paul McWilliams directly.

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40

MS SHARP SC: And as between Micheil Brodie and Skye Arnott, who did you understand to be the AML subject matter expert?

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MR WHITE: I think that - sorry, my - my recollection is that sort of changed over time and that initially it was Micheil Brodie and then latterly it would have been Skye Arnott. I can't remember the exact date when that would have shifted, but maybe - maybe it was 2019. I can't remember exactly, I'm afraid.

MS SHARP SC: Do you agree that all casinos present money laundering risks?

MR WHITE: I do.

MS SHARP SC: And one of the reasons why that is, is because they are cash intensive?

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MR WHITE: That's my understanding.

MS SHARP SC: And another reason is because casinos are party to complex financial transactions?

10

MR WHITE: I'm afraid I - I - I'm not sure I have a view on that but that - that sounds generally right, yes.

MS SHARP SC: Have you undertaken any training in anti-money laundering and counter-terrorism financing while you've been employed at Star Entertainment?

15

MR WHITE: Yes, there's mandatory training, I believe, every two years.

MS SHARP SC: And it is right that you've had that mandatory training every two years since you commenced your employment with Star Entertainment in 2011?

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MR WHITE: I - I can't be certain, but I believe so.

MS SHARP SC: Have you done any specialist courses other than the ones that you've referred to with Star Entertainment?

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MR WHITE: Not that I can recall.

MS SHARP SC: Have you read the AML/CTF Act from time to time?

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MR WHITE: I've certainly referred to parts of it that may be relevant to The Star.

MS SHARP SC: And are you familiar with the concept of reporting entities?

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MR WHITE: Only in a general sense.

MS SHARP SC: What about with the concept of designated services?

MR WHITE: I'm aware of that concept, yes.

40

MS SHARP SC: Are you aware of the concept of Know Your Customer?

MR WHITE: I am.

MS SHARP SC: Are you aware it's important to establish the source of funds of patrons?

45

MR WHITE: That's something I've become aware of probably only latterly. I would say that that's been something that certainly has been part of the - sort of in the conversation, as it were, or certainly what I've - sorry, I'm not putting this very well. Sorry, could you repeat the question, I'm sorry.

5

MS SHARP SC: Yes, I was just asking you if you were familiar with the concept of source of funds.

MR WHITE: I am aware of the concept, yes.

10

MS SHARP SC: And you said that you'd only latterly become aware of that; is that right?

MR WHITE: I - sorry. In that more detailed sense of how it would be applicable, I think that's probably something I've been aware of, or has been something on which I have been involved in getting advice or involved in from I think maybe 2017, 2018, probably.

15

MS SHARP SC: And are you familiar with the concept of IFTIs?

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MR WHITE: I - I'm aware of that concept, yes.

MS SHARP SC: And how long have you been aware of that concept?

MR WHITE: I think probably 2018.

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MS SHARP SC: And are you familiar with the concept of transaction monitoring?

MR WHITE: I am.

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MS SHARP SC: And how long have you been familiar with that concept?

MR WHITE: I - that - sorry, I should say at a high-level sense I've also been aware of IFTIs from the periodic training, but in terms of actual detailed knowledge, that's only been since 2018. Sorry, I misspoke previously. And I guess the same with transaction monitoring. I'm pretty sure that's referenced in the mandatory training. But in a more detailed sense, probably from about 2018/2019 onwards.

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MS SHARP SC: Are you aware that the AML/CTF system in Australia is a risk-based system?

MR WHITE: I've heard that, yes.

45

MS SHARP SC: And does that mean that it is necessary to identify risks in order to develop controls that can manage those risks?

MR WHITE: Yes.

MS SHARP SC: And does it mean that you need to accurately identify those risks if you are to effectively manage them?

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MR WHITE: I - I don't know, I'm afraid.

MS SHARP SC: Do you agree that the ownership of cash is less transparent than the ownership of other forms of money?

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MR WHITE: I - I don't know, I'm afraid.

MS SHARP SC: Were you aware that casinos are vulnerable to money laundering of their very nature?

15

MR WHITE: I - I have heard that, yes.

MS SHARP SC: Well, is this a matter that you have at all times been aware of while you've been general counsel, corporate at Star Entertainment?

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MR WHITE: I think so. I think that's - I'm pretty sure that's covered off in the mandatory training.

MS SHARP SC: Now, it's right, isn't it - well, I won't put that that affirmatively. Are you aware of the objects of the Casino Control Act?

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MR WHITE: I - I can't recall them at this moment in time.

MS SHARP SC: Are you aware that one of the objects of the Act is to ensure that the management and operation of the casino remain free from criminal influence or exploitation?

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MR WHITE: Yes, I am aware of that.

MS SHARP SC: Do you agree the reason why that is one of the primary objects of the Act is because there is a real risk of the management and operation of the casino being exposed to criminal influence or exploitation?

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MR WHITE: Sorry, could you say that again? Sorry, I got a little muddled.

40

MS SHARP SC: Sure. Do you agree that the reason why one of the primary objects of the Act is to ensure that the management and operation of the casino remain free from criminal influence or exploitation, is because there is a risk that they will be exposed to criminal influence or exploitation?

45

MR WHITE: Yes.

MS SHARP SC: And do you agree that that fact of that risk means the casino operator must be vigilant to ensure that risk is not realised?

MR WHITE: Yes.

5

MS SHARP SC: And have you always understood that the casino licensee may only continue to hold the licence so far as it remains a suitable person to do so?

MR WHITE: Yes.

10

MS SHARP SC: And are you aware that, for the casino licensee to remain a suitable person, it must be a person of good repute, having regard to character, honesty and integrity?

15 **MR WHITE:** Yes.

MS SHARP SC: You seemed to have some hesitation in answering that. Is that --

20 **MR WHITE:** Sorry, in - it was the precise wording of that, sorry. I was - yes and, sorry. I'm just getting myself a bit confused, sorry.

MS SHARP SC: Do you want a break for a minute?

25 **MR WHITE:** No, I'm sorry. I'm good. I'm good.

MS SHARP SC: Okay. Have you been aware at all times while you've been the general manager, corporate, that for the casino licensee to remain a suitable person, it must take care to ensure that it only has business associations with people or entities of good repute?

30

MR WHITE: I'm - I don't - I don't know that that has been a key focus. I think, obviously, the reputational position has - has been something I've been aware of, but I'm not sure that the specific wording around business associations is something that's always been a focus.

35

MS SHARP SC: Is it - have you come to understand that over the process of time?

MR WHITE: I have.

40

MS SHARP SC: And when did you obtain a more fulsome understanding of that?

MR WHITE: I - I think relatively recently, I would say, in terms of the specific provisions around sort of, for want of a better phrase, business associations.

45

MS SHARP SC: It's right that a casino, when it's providing what's effectively credit to a patron via a cheque cashing facility, needs to ensure that the patrons to which it's providing credit are creditworthy?

MR WHITE: Sorry, was - do --

5 **MS SHARP SC:** I will put the question again. The casino can provide credit to patrons - well, what's effectively credit via a cheque cashing facility; do you agree?

MR WHITE: Yes.

10 **MS SHARP SC:** And in order to determine whether to grant a patron a cheque cashing facility, it's right, isn't it, that an assessment is made of the creditworthiness of that patron?

MR WHITE: Yes.

15 **MS SHARP SC:** And for that purpose, it's right, isn't it, that the credit and collections team conducts some due diligence on that patron?

MR WHITE: That's correct.

20 **MS SHARP SC:** And it does so for the purpose of ascertaining the ability of that patron to repay any debt?

MR WHITE: I believe so.

25 **MS SHARP SC:** And if I can turn to money laundering for a moment: it's important under the Australian anti-money laundering system that the casino accurately understand the money laundering risks that patrons and junkets present. Do you agree?

30 **MR WHITE:** Yes.

MS SHARP SC: And the reason for that is so the casino can determine whether it can impose controls which effectively manage that risk?

35 **MR WHITE:** That sounds correct, yes.

MS SHARP SC: And one of those controls is what's sometimes described as Know Your Customer?

40 **MR WHITE:** Yes.

MS SHARP SC: And another one of those controls is to understand the source of funds?

45 **MR WHITE:** Yes.

MS SHARP SC: And another of those controls is for due diligence of the patron?

MR WHITE: I believe so, yes.

5 **MS SHARP SC:** And another is the enhanced customer due diligence for particular patrons?

MR WHITE: Yes, I believe so.

10 **MS SHARP SC:** And also ongoing customer due diligence?

MR WHITE: I believe so, yes.

15 **MS SHARP SC:** So one thing the casino must always be vigilant about is conducting due diligence on its patrons or junkets for the purpose of determining whether they pose a money laundering or counter-terrorism financing risk?

MR WHITE: That sounds correct, yes.

20 **MS SHARP SC:** And that's a - do you agree that's a slightly different concern as compared with the concern of creditworthiness?

MR WHITE: Yes.

25 **MS SHARP SC:** And do you agree that, in fact, there are three things of which the casino operator at all times needs to be mindful of, and they are the creditworthiness of a patron, the money laundering and counter-terrorism financing risk the patron may present, and the question of whether the patron or other entity with which the casino operator is dealing is of good repute?

30 **MR WHITE:** Yes, I think that's probably what we've just been discussing, yes.

MS SHARP SC: And do you agree that asking the question of the money laundering risk a patron presents, does not necessarily fully answer the question as to whether a patron is of good repute?

35

MR WHITE: I would have thought that they largely intersected, but I get - it is - I suppose it is possible that they could be different, yes.

40 **MS SHARP SC:** All right. Well, I will give you an example. Somebody could be a drug trafficker but not pose any money laundering risk. Do you see?

MR WHITE: Sure.

45 **MS SHARP SC:** Yes, and then even though they don't pose a money laundering risk, they're really not the sort of person that the casino operator should be having business relationships with; do you agree?

MR WHITE: Yes.

5 **MS SHARP SC:** So you can see there's a difference between conducting due diligence for the purpose of understanding the money laundering risk a person presents and separately understanding their character and whether they're of good repute?

MR WHITE: I - I can see that would - that is possible, although practically that may be quite hard to distinguish.

10 **MS SHARP SC:** It is really just a matter that you haven't turned your mind to?

MR WHITE: That would be correct, yes.

15 **MS SHARP SC:** Is now a convenient time for the midafternoon adjournment, Mr Bell?

MR BELL SC: Yes, in view of the delays we have had, I will adjourn for 10 minutes.

20 **<THE HEARING ADJOURNED AT 3:47 PM**

<THE HEARING RESUMED AT 3:58 PM

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

MS SHARP SC: Are you familiar with the laws relating to legal professional privilege?

30 **MR WHITE:** Yes.

MS SHARP SC: Have you been familiar with the laws relating to legal professional privilege the whole time you have held a practising certificate in New South Wales?

35 **MR WHITE:** Yes.

MS SHARP SC: And do you understand there are two limbs to legal professional privilege and one of them is for litigation privilege and the other is the advice privilege?

40 **MR WHITE:** Yes.

MS SHARP SC: Can you tell us what your understanding is as to when the advice privilege can be claimed?

45 **MS ARNOTT:** When the primary purpose is for the provision of legal advice.

MS SHARP SC: When you say the "primary purpose" do you mean the dominant purpose?

MR WHITE: That's what I meant, yes, sorry.

5

MS SHARP SC: And is that the only requirement of which you are aware?

MR WHITE: And that it's - that it's - I'm not expressing this very well. That it - I guess that it's the dominant purpose that it's being provided to the people who need the advice.

10

MS SHARP SC: And you understand, do you, that there needs to be a confidential communication?

MR WHITE: That's what I mean, yes.

15

MS SHARP SC: Or a document prepared in confidential circumstances?

MR WHITE: Yes.

20

MS SHARP SC: And that document is being prepared for the purpose, the dominant purpose, of a lawyer providing legal advice?

MR WHITE: Yes.

25

MS SHARP SC: And do you agree that for there to be legal advice, the advice must, in some way or another, relate to a question of law?

MR WHITE: Yes.

30

MS SHARP SC: And do you agree that advice provided by a person who is a lawyer might not always be legal advice?

MR WHITE: Yes.

35

MS SHARP SC: And this is particularly the case, isn't it, for in-house counsel?

MR WHITE: Yes.

MS SHARP SC: Because in-house counsel often perform a range of functions, not all of which are the provision of legal advice?

40

MR WHITE: That - that is possible, yes.

MS SHARP SC: And doesn't that make it important for in-house legal counsel to reflect upon the capacity in which they are providing advice before they take the position that it is legally privileged advice?

45

MR WHITE: Yes.

5 **MS SHARP SC:** Do you also agree that in order for there to be a relationship between a lawyer and a client which would enable legal professional privilege to be claimed, that the lawyer must have a degree of independence from the business?

MR WHITE: Yes.

10 **MS SHARP SC:** What do you understand the dominant purpose test to mean?

MR WHITE: That the dominant purpose is the provision of the legal advice, so that's the - the main - main reason.

15 **MS SHARP SC:** And do I take it you understand that if advice is provided for two purposes and they have equal weight, then it cannot be said that advice is provided for the dominant purpose of giving legal advice?

20 **MR WHITE:** That sounds correct, yes.

MS SHARP SC: And do you accept that if a document would have been brought into existence irrespective of any intention to obtain legal advice, then the purpose of obtaining legal advice cannot be the dominant purpose for the making of the document?

25 **MR WHITE:** Sorry, I got a little bit confused in that one, sorry. Do you mind restating it, sorry?

30 **MS SHARP SC:** Yes. Do you accept that if a document would have been brought into existence irrespective of any purpose of obtaining legal advice, then a purpose of obtaining legal advice cannot be the dominant purpose for the making of the document?

35 **MR WHITE:** I'm sorry. I'm - I'm not quite getting that, I'm sorry. It's --

MS SHARP SC: All right. I will put it another way.

MR WHITE: Sorry. Sorry.

40 **MS SHARP SC:** If a document is brought into existence other than for being used to give legal advice --

MR WHITE: Right, yes.

45 **MS SHARP SC:** -- do you understand that subsequently providing legal advice on that document doesn't mean you can claim that the dominant purpose for making the document is to obtain legal advice?

MR WHITE: Sorry, right. Yes, I - sorry, I get where we're getting to - sorry, yes. I - I'm - I'm not sure. It's something I would probably need to seek advice on myself to clarify that.

5 **MS SHARP SC:** Do you accept that if a copy of a document is provided to a lawyer for the dominant purpose of providing legal advice, then that copy of the document is privileged, but the original is not privileged?

MR WHITE: I'm not sure that I was aware of that.

10

MS SHARP SC: Well, if I - if I put the matter another way. Do you agree that a non-privileged document cannot become privileged simply because a copy of it was provided to a lawyer for the dominant purpose of providing legal advice?

15 **MR WHITE:** I - I think so. I'm sorry. I'm - I'm not quite sure.

MS SHARP SC: Do you agree that it is important for a lawyer to be familiar with the laws of legal professional privilege?

20 **MR WHITE:** Yes.

MS SHARP SC: And do you agree it would be unethical for a lawyer to claim legal professional privilege when the lawyer knows that he or she is not entitled to claim that privilege?

25

MR WHITE: Yes.

MS SHARP SC: Mr White, while you worked at Star Entertainment, did you have a practice of marking your documents and communications with others within The Star with the words "confidential and privileged" even where you did not understand that you were being called upon to provide legal advice?

30

MR WHITE: No, I would say my - so, as I recall, is that I would generally only do it if I thought I was providing legal advice, not - not on all communication.

35

MS SHARP SC: Did you, on some occasions, mark documents which you created "confidential and privileged" even if - or even when you had not satisfied yourself that you were creating the document for the dominant purpose of providing legal advice to somebody in the business?

40

MR WHITE: Sorry, do you mind stating that question again, sorry. I'm just not getting the --

MS SHARP SC: Certainly. Did you have a practice of marking documents you created "confidential and privileged" even where you had not satisfied yourself that you were bringing the document into existence for the dominant purpose of providing legal advice?

45

MR WHITE: I think - sorry, my recollection is that I would have thought that it was for the provision of legal advice but, on reflection, there - I'm sure there are a number of occasions where my analysis of that was very high level and potentially incorrect.

5

MS SHARP SC: Has anybody at Star Entertainment ever directed you to mark your communications as confidential and privileged?

MR WHITE: Not that I recall. Not - not on a sort of group-wide, generic basis.

10

MS SHARP SC: Did you have a practice of inviting your colleagues at Star to preface their written communications with you with words to the effect that they were seeking legal advice even where you did not understand you were being called upon to provide legal advice to them?

15

MR WHITE: I don't believe so. I - my recollection is that I would have only directed people to do that if they were going to be seeking legal advice or, I guess, potentially also in an instance where there might be a claim and so, therefore, it would be sort of more likely it could potentially in time go towards the litigation privilege. But I don't think I would have, as a general rule, said, "Send everything to me being legal - marked as privileged and confidential". Only if it was going to be seeking my advice on something.

20

MS SHARP SC: Well, you understand, don't you, that you can't mark a document privileged for the purpose of the litigation privilege if there are not expected or pending or current legal proceedings, don't you?

25

MR WHITE: I do, but I think, in those situations, I was - if that was the case, then it would be expected or anticipated, or - yes.

30

MS SHARP SC: So you understand that litigation must be expected or pending or actual before you can mark a document subject to legal professional privilege on the basis of the litigation privilege?

35

MR WHITE: It's possible - well it's likely that I was not fully across that and that I was mistaken in some instances.

MS SHARP SC: Is it possible that you marked your own documents as confidential and privileged in order to shield them from the production to the regulator?

40

MR WHITE: I don't - that's not my recollection, no.

MS SHARP SC: Is it possible that you encouraged others who were communicating to you in writing to have them state that they were seeking legal advice from you in order to shield those communications from production to the regulators?

45

MR WHITE: No.

5 **MS SHARP SC:** Can I ask you, please, to go to exhibit STA.3402.0003.8649. I'm just getting the exhibit for this. Now, do you recall asking for [redacted] to obtain some due diligence for you on Marcus Lim in December 2019?

MR WHITE: I can see the email, yes.

10 **MS SHARP SC:** And you see you've marked it privileged and confidential?

MR WHITE: Yes.

15 **MS SHARP SC:** Had anyone requested to you provide legal advice on anything to do with Mr Lim at that time?

MR WHITE: I - I can't recall. I think, though, that in my mind this was because we might be about to take action against Mr Lim, depending on the content of the report.

20 **MS SHARP SC:** Well, is that your speculation now, or is that your understanding at the time?

MR WHITE: I - I must admit I can't - I can't be sure, I'm sorry.

25 **MS SHARP SC:** Right. Well, what was your dominant purpose for seeking a due diligence report on Mr Lim in December 2019?

30 **MR WHITE:** I think I was asked for - in the context - yes, look, I must admit I can't fully remember unless it's in the email below that.

MS SHARP SC: Do you want to see the email below that?

MR WHITE: Is there an email below that? Sorry.

35 **MS SHARP SC:** Operator, can you show us if there is?

MR WHITE: Right.

40 **MS SHARP SC:** Now, do you see Mr Kevin Houlihan sends an email to you dated 9 December that says:

"Request for external assistance."

45 **MR WHITE:** Yes.

MS SHARP SC: And do you see he asks you to engage the services of [redacted] to conduct a full profile on Mr Marcus Lim?

MR WHITE: I do.

MS SHARP SC: And do you see anything in there where he's requesting you to provide legal advice to him?

5

MR WHITE: No. You're correct.

MS SHARP SC: Did you have a proper basis for writing in your communication with [Redacted] that it was a privileged communication?

10

MR WHITE: No, that would have - that would appear incorrect.

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

15

MR BELL SC: That will be MFI37.

MS SHARP SC: Can I take you now, please, Mr White, to STA.3412.0019.5757. And if you will just give me a moment please, Mr White. If I could take you, please, to an email - we'll start at the back of the email. This is exhibit B, tab 705. Could I take you to the back of the chain, which is at pinpoint 5759. And do you see there's an email from David Aloï to you dated 12 March 2018?

20

MR WHITE: Yes.

25

MS SHARP SC: And I'll show you what he is forwarding so that you've got the full context here. If we go to pinpoint 5760, do you see that Saro Mugnaini has emailed David Aloï and said:

30

"As Suncity is using Salon 95 as a junket salon, their manager TK inquire what amount of cash limit from patrons they can deposit into Suncity cage without AML requirement?"

Okay:

35

"Junket doesn't want to cause any AML issue. However this is a very import ..."

I think that's "important":

40

"...part of their business. Can you advise who I can check with if you are not sure."

MR WHITE: Yes.

45

MS SHARP SC: Now, Mr Aloï forwards that query to you and he says:

"I would assume Suncity would have an AML program in place prior to setting up a cash desk in the Rivers salon. Wouldn't that be one of the requirements for The Star allowing them to transact on property?"

5 **MR BELL SC:** Mr White isn't able to see that, Ms Sharp.

MS SHARP SC: I'm sorry. Operator, could you please bring up pinpoint 5761 - I beg your pardon, 5759.

10 **MR WHITE:** Sorry, I think I can see that on the --

MS SHARP SC: Now, he wasn't asking you to provide legal advice, was he?

15 **MR WHITE:** I - I take that - that - I - I would interpret that as him asking for my advice on the AML program and whether that's required, and providing legal advice on that.

MS SHARP SC: Did you understand he was asking you for legal advice?

20 **MR WHITE:** I believe so, yes.

MS SHARP SC: Because it's right, isn't it, that you get requests for advice which are in the nature of business advice, rather than legal advice, from time to time?

25 **MR WHITE:** Yes, although I think sometimes it's pretty hard to distinguish between the two. And I - I have to say I thought that, here, I would have been providing legal advice because it was asking around the requirements for an AML program, and I think that would be legal advice.

30 **MS SHARP SC:** All right. Well, if I could take you, please, to pinpoint 5758, to your response. Do you see there's an email from you dated 13 March 2018?

MR WHITE: Sorry - yes, I do.

35 **MS SHARP SC:** And do you see that your email is marked "privileged and confidential"?

MR WHITE: I do.

40 **MS SHARP SC:** But do you agree that Mr Alois's email to you was not marked confidential?

MR WHITE: Yes, I do.

45 **MS SHARP SC:** And you're sending your email to a number of people besides Mr Alois?

MR WHITE: Yes.

MS SHARP SC: And you're saying:

5 "Many thanks for the email below seeking my advice."

MR WHITE: Yes.

MS SHARP SC: And then do you see there's a heading Next Steps?

10 **MR WHITE:** Yes.

MS SHARP SC: And do you see, if we go back to pinpoint 5759, there's a dot point that says:

15 "If any team member becomes aware of cash transactions at the service desk, they should inform Oliver White by email, copying in Micheil Brodie and Saro Mugnaini using 'Privileged and confidential' in the title and seeking my advice on the relevant circumstances."

20 **MR WHITE:** Correct. Yes.

MS SHARP SC: So aren't you inviting these members of staff to mark their communications to you "privileged and confidential" irrespective of whether or not they were actually seeking legal advice from you?

25 **MR WHITE:** No, I think I was saying to them that they - if there were circumstances where this was happening is that there would need to be legal advice provided. I admit it's quite clumsy and it is - I totally accept that actually, you know, I may have been mistaken as to the uses - but I think I was thinking that
30 they would need my legal advice on such matters.

MS SHARP SC: Well, what you're asking them to do is let you know if cash transactions are occurring at the desk?

35 **MR WHITE:** That's right, because I think I just directed that no cash transactions should be taking place, or that was my legal advice, was that that shouldn't happen, and I think that's above maybe.

MS SHARP SC: Is it possible you were inviting these colleagues to mark their
40 communications with you "privileged and confidential" to shield the production of their communications from the regulator?

MR WHITE: No, that wasn't my intention.

45 **MS SHARP SC:** Could I take you, please, to the next to the email in the chain, which is pinpoint 5757, the bottom half. Do you see there's an email from Saro Mugnaini dated 28 March 2018?

MR WHITE: Sorry, yes, I'm just reading it.

MS SHARP SC: Do you see he states:

5 "Legal advice required."

MR WHITE: Yes.

10 **MS SHARP SC:** He wasn't actually setting out anything where he did require advice from you, be it legal or otherwise, was he?

15 **MR WHITE:** I think what he was - or I can see what he was doing was I had said not - not acceptable to accept cash payments because of potential - the legal issues, I think, in my email below. I must admit I can't see it just now. But I believe that was the gist of it. And here he's setting out what they're proposing to do and see if I could review that and see whether it was legally possible to - for them to accept these payments. So I - I think he was actually seeking or potentially seeking legal advice here. Although, again, I'm - sort of whether it was the dominant purpose, I agree maybe that was incorrect.

20

MS SHARP SC: Can I take you to another document now, please, Mr White. This is exhibit B at tab 805, and this is STA.3412.0018.7211.

MR WHITE: Yes.

25

MS SHARP SC: Do you see this is a report from Andrew McGregor dated 15 May 2018, marked to your attention?

MR WHITE: Yes.

30

MS SHARP SC: And it's called Operation Money Bags - Legal Summary.

MR WHITE: Yes.

35 **MS SHARP SC:** And it's marked privileged and confidential?

MR WHITE: Yes.

40 **MS SHARP SC:** Had you been requested by anyone to provide legal advice in relation to the Suncity Pit 95 in May of 2018?

45 **MR WHITE:** I - I believe I was asked to provide legal advice in the context, but whether it was specific here, I don't recall. I know that I sought, around this time - and I can't be sure of the exact timing so I may have this slightly out, but that I was seeking external legal advice on the - [redacted]. So I recall providing legal advice in - or certainly seeking external legal advice and then providing that at around this time. But I can't remember the exact timing and whether that related to this period of time or not, sorry.

MS RICHARDSON SC: I'm sorry to interrupt. Sorry, I'm just concerned about a matter that I may need to raise in private session, I apologise.

5 **MR BELL SC:** Yes. Operator, we will move into private mode without Mr White present, please.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 4:25 PM

10 **<THE HEARING IN PUBLIC SESSION RESUMED AT 4:29 PM**

MR BELL SC: Operator, would you please delete the last question and answer from the live feed, please. Yes, Ms Sharp.

15 **MS SHARP SC:** Mr White, could I turn now to ask you some questions about sections 74 and 75 of the Casino Control Act.

MR WHITE: Yes.

20 **MS SHARP SC:** Now, you do have familiarity with those provisions?

MR WHITE: Yes.

MS SHARP SC: And it's right, isn't it, that they have changed over time?

25

MR WHITE: Yes.

MS SHARP SC: I just need to ask you some questions about how they have changed over time. Now, you probably do not remember the precise dates on which they changed, but what I would like to do is show you a version of section 74 as it existed prior to 21 December 2018. So if I could bring up part B at tab 1215, which is INQ.012.001.0001. And you understand, don't you, that, generally speaking, section 74 imposes limits on the provision by a casino operator of credit to patrons?

30

35

MR WHITE: Yes.

MS SHARP SC: And you understood, didn't you, that the prohibition in section 71 - beg your pardon, 74(1) operated both on the casino operator and an agent of the operator?

40

MR WHITE: Yes.

MS SHARP SC: And the prohibition operated when certain things were done in connection with any gaming in the casino?

45

MR WHITE: Yes.

MS SHARP SC: And one of those prohibitions prior to 21 December 2018 was that set out in section 71(1)(c) which was providing money or chips as part of a transaction involving a credit card or a debit card?

5 **MR WHITE:** Yes.

MS SHARP SC: And that provision did change over time; do you recall that?

MR WHITE: I - yes.

10

MS SHARP SC: Okay. And I'll take you to the change in a minute, but do you also see that section 74(4) says:

"This section does not limit the operation of section 75."

15

MR WHITE: I do.

MS SHARP SC: Now, that was an important provision in the context of the use of China UnionPay cards at The Star, wasn't it?

20

MR WHITE: I - that's my understanding, yes.

MS SHARP SC: All right. Well, now, let's - and just while we're here, let me also take you to section 74, subsection (5). Do you see that says:

25

"Despite any other provision of this section, the holder of the restricted gaming licence may extend any form of credit."

And so on.

30

MR WHITE: Yes.

MS SHARP SC: Now, you understand, don't you, that the restricted gaming licence is that for the restricted gaming facility at Barangaroo?

35

MR WHITE: That's my understanding, yes.

MS SHARP SC: And that's currently held by Crown Sydney?

40

MR WHITE: I - I believe so, yes.

MS SHARP SC: Now, do you understand that, at some point, section 74, subsection (5) was amended so that those words "restricting gaming licence" were taken out and instead it provided "the holder of a casino licence"?

45

MR WHITE: I believe so, yes.

MS SHARP SC: And that meant that from the time of that amendment, both The Star and Crown Sydney could, in the case of a person who was not ordinarily resident in Australia, extend any form of credit to a person to enable them to participate in a premium player arrangement or a junket?

5

MR WHITE: Yes.

MS SHARP SC: So after that amendment, it's right, isn't it, that The Star could extend - well, The Star and an agent of The Star could extend any form of credit to a person to participate in a premium player arrangement or a junket?

10

MR WHITE: Yes.

MS SHARP SC: And you can take it from me that that change occurred on 1 July 2020.

15

MR WHITE: Thank you.

MS SHARP SC: And I won't deal with you further in relation to that change. I will, however, show you the way in which section 74, subsection (1)(c) changed on 21 December 2018. So can I show you a version of the provision once this change takes place. If can I call up part B, tab 1219, which is INQ.012.001.0006. And, Mr White, can you now see that section 74, subsection (1)(c) has changed a little bit?

20

25

MR WHITE: I can.

MS SHARP SC: Because a little exception has been placed into the exception, and it now says that:

30

"The casino operator must not, and an agent of the operator must not, in connection with any gaming in the casino: (C) provide money or chips as part of a transaction involving a credit card or a debit card other than a debit card transaction with a person who is a participant in a premium player arrangement or junket."

35

MR WHITE: Yes.

MS SHARP SC: And that amendment had a particular significance for The Star, didn't it?

40

MR WHITE: I'm - I'm not sure what you mean by that question, sorry.

MS SHARP SC: Well, I withdraw the question. It doesn't need to be pursued. Now, can I also take you to section 75 for a moment. Again, certain changes have been made to section 75. What I'll do is show you a version of section 75 prior to 31 August 2018. Operator, could I call up part B at tab 1080, please. This is

45

INQ.012.001.0002. And, firstly, do you see, Mr White, that section 75(2) provides that:

5 "A casino operator may establish for a person a deposit account."

MR WHITE: Yes.

MS SHARP SC: Could I just ask that to be enlarged for Mr White. And it continues - so:
10

"... a deposit account to which is to be credited the amount of any deposit to the account comprising (a) money, (b) a cheque payable to the operator, or (c) a traveller's cheque."

15 **MR WHITE:** Yes.

MS SHARP SC: And this is the provision, isn't it, that allows the casino to establish a front money account?

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

MS SHARP SC: Or a safekeeping account?

MR WHITE: Yes.
25

MS SHARP SC: And then could I take you, please, to subsection (3). If I could have that enlarged. And you see this says that:

30 "A casino operator may issue to a person who establishes a deposit account and debit to the account chip purchase vouchers, money or cheque made payable to the person, not exceeding in total value the amount standing to the credit of the account at the time of the issue of the vouchers, money or cheque."

35 **MR WHITE:** Yes.

MS SHARP SC: And what that meant is that the deposit account must always be in credit before any chips or chip purchase vouchers are given to the patron?

40 **MR WHITE:** That's my understanding, yes.

MS SHARP SC: So there always had to be cleared funds in the deposit account before chips or chip vouchers or money could be dispensed to the patron; do you agree?
45

MR WHITE: Yes.

MS SHARP SC: Now, that provision has changed slightly over time, but it has always remained the case that the deposit account must always stand in credit when chips or chip purchase vouchers are given to a patron?

5 **MR WHITE:** Yes. I think so.

MS SHARP SC: Because if it wasn't, the casino would be providing credit to the patron?

10 **MR WHITE:** Right. Yes. Yes. I understand. Yes.

MS SHARP SC: Now, can I take you to subsection (4), if I can have this enlarged. This provision - and I should say this has changed slightly over time, but not in a material way. It provides that:

15

"A casino operator may, in exchange for a cheque payable to the operator or a traveller's cheque, issue to a person chip purchase vouchers of a value equivalent to the amount of the cheque or the traveller's cheque."

20 **MR WHITE:** Yes.

MS SHARP SC: And do you agree that this is the provision which permits a cheque cashing facility to be created?

25 **MR WHITE:** That's my understanding, yes.

MS SHARP SC: And do you agree that in order for this cheque cashing facility to operate, a cheque or a traveller's cheque must be provided to the operator that is payable to the operator?

30

MR WHITE: Yes.

MS SHARP SC: And then you can see in subsection (1) that the word "cheque" is defined?

35

MR WHITE: Sorry, do you mind if I --

MS SHARP SC: Operator, if we can bring that up for Mr White, please. This is subsection (1), thank you, Operator. Do you see there's a definition of "cheque"?

40

MR WHITE: I do.

MS SHARP SC: It says that a:

45 "Cheque has the same meaning as the Cheques and Payment Orders Act of 1986 of the Commonwealth."

MR WHITE: Yes.

MS SHARP SC: But it doesn't:

5 "...include a traveller's cheque or a cheque that is undated or post-dated"?

MR WHITE: Yes.

MS SHARP SC: And do you know that the Cheques and Payment Orders Act of
10 1986 is now the Cheques Act of 1986?

MR WHITE: I'm not sure that I was aware of that, but I will take your word for
it, thank you.

MS SHARP SC: All right. But you did understand at all times, didn't you, that in
15 order for there to be a cheque cashing facility created for a customer, it was
important that the customer provided the operator with a cheque payable to the
operator?

MR WHITE: Yes.
20

MS SHARP SC: And it had to be a cheque within the meaning of the Cheque
Act?

MR WHITE: Yes, that's my understanding.
25

MS SHARP SC: Now, are you familiar with the concept of a counter cheque, Mr
White?

MR WHITE: Yes.
30

MS SHARP SC: Is that sometimes referred to as a marker?

MR WHITE: Yes, colloquially, yes.

MS SHARP SC: And what is the difference between a counter cheque and a - a
35 cheque that is issued by the bank?

MR WHITE: The counter cheque is a cheque within the meaning of the Cheques
and Payment Orders Act, but it's a cheque that's created by the casino.
40

MS SHARP SC: And it's correct, isn't it, that an overseas bank will not honour a
counter cheque drawn on The Star?

MR WHITE: I - I - I don't know that for certain, but I believe that is the case.
45

MR BELL SC: Mr White, what do you understand are the legal requirements for
a cheque within the meaning of the Cheques Act?

MR WHITE: It's - and I'm - I may not get this right, Mr Bell. Apologies if I - if I don't quite get it right. But that it's, from a person drawn on a bank, being a bank in Australia or overseas. It is for a fixed amount of money. And - I - I know there's three or four requirements. It's signed by the person or their authorised - basically
5 an authorised person to sign it. And I must admit, sorry, I'm - I - the rest eludes me, sorry, right now.

MR BELL SC: Have you understood at all times since 2013 that in order for a cheque to be a cheque within the meaning of the Cheques Act it must be an
10 unconditional order in writing that requires the financial institution to pay on demand a sum certain in money?

MR WHITE: Yes.

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

MS SHARP SC: Now, is it right that a - the way that a counter cheque ordinarily works at The Star is that when the patron hands over their personal cheque to create the cheque cashing facility, the cage writes a counter cheque which
20 represents an amount drawn down under the cheque cashing facility?

MR WHITE: Sorry, the counter cheque is the cheque for the purposes of section 75 of the Act. If that's what you're asking, then, yes, that's correct.

25 **MS SHARP SC:** I think I was asking a slightly different question.

MR WHITE: Okay, sorry.

MS SHARP SC: First of all, it's right, isn't it, that for a cheque cashing facility to be created, the patron does have to hand over a cheque to the cage which is made
30 out to The Star?

MR WHITE: That's correct, but, in practice, the cheque is the counter cheque.

35 **MS SHARP SC:** All right. But, first of all, it is a requirement, isn't it, that the patron hands over a cheque and the cage keeps that cheque?

MR WHITE: Yes.

40 **MS SHARP SC:** All right. But so the cage doesn't give the cheque back to the patron?

MR WHITE: I believe they can, once the cheque cashing facility is redeemed.

45 **MS SHARP SC:** What, you mean paid off?

MR WHITE: Yes.

MS SHARP SC: All right. So once the cheque is no longer operating as a form of collateral?

MR WHITE: Yes.

5

MS SHARP SC: Right. So the counter cheque can only be written once the patron has handed over the cheque from the bank and the operator has stored that cheque?

10 **MR WHITE:** Not necessarily. Because the cheque I believe you're referring to is actually a replacement cheque, which is the - referred to, I believe, in section 75(5), just off - just below off screen.

MS SHARP SC: Operator, could we have that provision enlarged for Mr White.

15 **MR WHITE:** Sorry, wrong one.

MS SHARP SC: Do you mean --

20 **MR WHITE:** (5)(b), sorry.

MS SHARP SC: (5)(b).

25 **MR WHITE:** Section 75(5)(b), sorry. And, sorry, we refer - sort of in practice refer to it as the replacement cheque.

MS SHARP SC: All right. So your evidence is that under subsection (5), a cheque accepted by a casino operator may be redeemed for a cheque payable to the operator?

30 **MR WHITE:** Correct.

MS SHARP SC: But don't you agree that, first of all, the patron has to hand over a cheque?

35 **MR WHITE:** No, no. The - what I'm saying is that the cheque - the counter cheque is the cheque. So in terms of operating the CCF, the counter cheque is the cheque.

40 **MS SHARP SC:** I see. But that's - is that because the cheque that is accepted by the casino operator may be redeemed for a cheque payable to the operator? So there's a - there's a replacement cheque?

MR WHITE: Yes, that's correct.

45 **MS SHARP SC:** And so the counter cheque replaces the first cheque?

MR WHITE: No, no. No, the - sorry, the counter cheque is the cheque. The replacement cheque is the cheque after the event. So the - in terms of compliance

with the Act, the counter cheque is the point at which there's compliance with the Act, because that's when you have a valid cheque under the Cheques and Payment Orders Act for a certain sum that's and not post-dated, payable to the operator and signed by the account holder or their authorised representative. So that
5 represents - that is the cheque in compliance of the Act in respect of which the chip purchase voucher is then issued.

MR BELL SC: Mr White, I would be assisted if you could tell me precisely what
10 your understanding of a counter cheque is?

MR WHITE: Sorry, a - the counter cheque is the name that's - or is a name that is given to the system-generated cheque that - I believe it's the cage that generates it. And that has the amount that the - sorry, the cheque cashing facility holder has nominated to draw down. So that's why you have - that - it's the cheque because it
15 has the sum certain on it and meets all the requirements of the Cheques and Payment Orders Act. Then - and, again, I - I know that for - in instances where you have someone providing a cheque on an overseas bank, you would have a replacement cheque which has the amount and the date and potentially the payee, I believe, in some instances, blank but signed - but with a signature.

20 So that's not a valid cheque because it's not - it doesn't have the other requirements of a cheque. So the actual cheque for the purposes of the compliance with the Casino Control Act is the counter - is what we're calling the counter cheque. The counter - the counter cheque is a cheque.

25 **MR BELL SC:** And that's a document which is generated by the casino?

MR WHITE: That's correct.

30 **MR BELL SC:** And it's signed by the customer?

MR WHITE: Yes, or their authorised representative.

MR BELL SC: Right. And who is it an unconditional order on to pay?
35

MR WHITE: It - so the counter cheque is a cheque. It's drawn on the relevant financial institution. So --

40 **MR BELL SC:** What is the relevant financial institution?

MR WHITE: Sorry?

MR BELL SC: What is the relevant financial institution?

45 **MR WHITE:** I - that varies, depending on the customer. So it could be a domestic bank or it could be an overseas bank.

MR BELL SC: And how does one determine the relevant financial institution?

MR WHITE: I'm afraid I'm - that's probably an operational issue that I'm not necessarily aware of.

5 **MR BELL SC:** And so it's a document that's generated which the financial institution may know nothing about; is that correct?

MR WHITE: That is correct.

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

MS SHARP SC: Have you ever taken external legal advice to understand when counter cheques may be issued?

15 **MR WHITE:** I - I know I - well, I recall having had external legal advice on the Cheques and Payment Orders Act and the requirements of that. I don't recall if there's - or I don't remember specifically having advice on counter cheques. If I could, sorry, just say as well, though, that counter cheques - that was - when I started in 2011, that - that had been in operation, I believe, since the casino had
20 started. So that's my understanding.

MS SHARP SC: So when did you obtain the external legal advice on cheques?

25 **MR WHITE:** I think it was in 2011.

MS SHARP SC: Is this a convenient time, Mr Bell?

MR BELL SC: Yes, it is. And I should indicate that we won't be commencing tomorrow until 2 pm. So I will now adjourn until 2 pm tomorrow.
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MS SHARP SC: Thank you, Mr Bell.

<THE HEARING ADJOURNED AT 4:53 PM