



**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**

**WEDNESDAY, 11 MAY 2022  
AT 2:00 PM**

**DAY 31**

**MR C. CONDE appears with MS P. ABDIEL  
and MR N. CONDYLLIS as counsel assisting the Review  
MS K. RICHARDSON SC appears as counsel for The Star Pty Ltd  
MR M. HENRY SC appears with MS M. CAIRNS and MS L. RICH  
as counsel for Mr Benjamin Heap and Gerard Bradley**

**Witnesses**

**MR BENJAMIN ANDREW HEAP  
MR GERARD PATRICK BRADLEY**

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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 2:01 PM**

**MR BELL SC:** Mr Heap, you remain bound by the oath you took yesterday.

5 **<BENJAMIN ANDREW HEAP, ON FORMER OATH**

**MR BELL SC:** Yes, Mr Conde.

**<EXAMINATION BY MR CONDE:**

10

**MR CONDE:** Mr Heap, can you hear me?

**MR HEAP:** I can, yes, Mr Conde.

15

**MR CONDE:** Mr Heap, you mentioned yesterday that you first became aware of China UnionPay in July 2021 during a board meeting and then an independent review was presented at a later meeting. I want to show you a board paper - it's dated 22 September 2021 - which may assist your recollection. It's exhibit B3110. That's STA.5002.0007.1447. Do you see it says Board Paper, and it's dated 22  
20 September 2021?

**MR HEAP:** Yes.

25

**MR CONDE:** Do you recall receiving this document?

**MR HEAP:** Yes.

30

**MR CONDE:** And if we go to pinpoint 1448, please. Do you see the heading 3, "Risk Assessment Methodology (Project Zurich)"?

**MR HEAP:** Yes.

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**MR CONDE:** And that refers to a document in appendix B. Just pausing there, though, what is or was Project Zurich?

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**MR HEAP:** Project Zurich was something that, by my recollection, the board had asked for in about February or March of that year of 2021, i.e., a piece of work to consider the findings that had come out of the Bergin Inquiry and subsequently the findings that - or the matters arising in the Finkelstein Inquiry that may be relevant to The Star. And what the board was looking for was assurance that the matters that arose were not matters relevant to The Star. I think management then engaged HWL Ebsworth to do that piece of work, which was framed as - or I - I think titled Project Zurich. If I recall correctly, in May, we - we had received a notification of a project plan in relation to Project Zurich that identified a series of independent  
45 piece of work that would be done over the coming months.

**MR CONDE:** If we can go to pinpoint 1457, please. Is this the analysis you had in mind in your evidence yesterday?

**MR HEAP:** Yes.

5 **MR CONDE:** And may I take you, then, to pinpoint 1461. And if I could ask that the section Lessons From This Review be enlarged for Mr Heap. Do you see it says:

10 "The historical use of CUP would not conform to The Star's current corporate culture and risk appetite for at least four reasons."

And then they're listed there. The first bullet point:

15 "The Star did not adhere to the rules of a major card scheme in which it participated."

Second bullet point:

20 "The Star attracted financial and reputational risk in its use of CUP and its dealings with NAB."

Third:

25 "The Star appeared to have less regard for foreign legal issues than Australian ones."

And fourth:

"Some parts of management felt unconstrained by the spirit of controls."

30 **MR HEAP:** Yes.

**MR CONDE:** Would it be correct from your evidence yesterday that you had a very strong view that Star Entertainment should not have been using China UnionPay cards at hotel terminals to fund gambling at all?

35

**MR HEAP:** Yes.

**MR CONDE:** And was that your view, as best you can recall, pretty much straightaway from reading this material on or around 22 September 2021?

40

**MR HEAP:** Yes.

45 **MR CONDE:** Do you agree from your recollection of the materials I took you to yesterday that, in fact, a fifth bullet point could be added here, namely, that the cheque cashing facility workaround ran a risk for each and every transaction The Star had provided credit in breach of the Casino Control Act?

**MR HEAP:** I'm not sure I was aware of that when I read this paper, but I would agree based on what we discussed yesterday.

5 **MR CONDE:** Yes. I'm not suggesting that you had that at the time, Mr Heap, but based on your - the materials I showed you yesterday and, in particular, I think it was some analysis by Mr White who used the word "workaround"; do you recall that?

10 **MR HEAP:** Yes. Yes, I was uncomfortable with - with the use of "workarounds" generally and certainly in this case.

15 **MR CONDE:** And would you agree that perhaps even a sixth matter should be added to the list, again, not a matter that you would have been aware of at this time. But knowing now just the sheer scale of this, of some \$900 million coming through this channel, meant that the other risks were more significant as a result?

20 **MR HEAP:** I - I understand the point. I guess what I would say is that inappropriate behaviour, no matter the scale, would be of concern to me. So it's not so much the scale that increases the concern as the behaviour itself.

25 **MR CONDE:** I see. Mr Heap, are you aware of an allegation that Star staff members in Macau provided letters to representatives of the Bank of China in Macau which provided a false explanation as to the source of funds which were being deposited by patrons at the Bank of China?

**MR HEAP:** No, I don't think I am.

30 **MR CONDE:** Would you agree that an allegation of fake source of funds letters being provided to a bank is an extremely serious allegation and warrants urgent attention?

**MR HEAP:** Yes.

35 **MR CONDE:** Do you agree that among other issues, if fake source of funds letters are provided to a bank, that is going to inhibit anti-money laundering and counter-terrorism financing processes?

40 **MR HEAP:** That may depend on the circumstances. It certainly wouldn't assist in those processes. Any of that type of action can complicate your AML and, for that matter, your KYC processes.

45 **MR CONDE:** If you just excuse me for a moment, Mr Heap and Mr Bell. Mr Heap, I'm just going to have turned up a response dated 8 November 2021 from The Star to this review which set out the detail of this allegation that I've just summarised. And I will come to that presently. I take it, then, that you're not aware that The Star possesses documents to suggest that the conduct was occurring in at least 2017?

**MR HEAP:** No, I'm not aware of that.

**MR CONDE:** And I take it you're not, then, aware of Mr Bekier's evidence to Mr Bell on Day 28 that he first became aware of this in about October 2021?

5

**MR HEAP:** No, I'm aware.

**MR CONDE:** The reference is - it's exhibit B331. Sorry, that's the wrong exhibit. It's - sorry - exhibit B3331. The pinpoint reference is CORRO.001.001.0190, and I believe it's pinpoint 0220. I'm sorry, 0221. There we go. It's at the bottom there. Do you see:

10

"Bank of China ('BOC') account, Macau."

15 **MR HEAP:** Yes.

**MR CONDE:** Perhaps if I could just ask that to be enlarged for Mr Heap, please, as well as - there's text over the page. Can you see that, Mr Heap?

20 **MR HEAP:** I can, yes. Yes.

**MR CONDE:** So may I take it, Mr Heap, that you've first become aware of this now?

25 **MR HEAP:** Yes.

**MR CONDE:** And do you agree that it's an extremely serious allegation?

**MR HEAP:** Yes.

30

**MR CONDE:** Are you aware that this response was provided on or about 8 November 2021 to the solicitors assisting Mr Bell's review?

**MR HEAP:** I wasn't, until I've - I've seen that in the top corner of the document.

35

**MR CONDE:** What, if any, comment do you have, as a member of the board, not having been told of this matter and learning about it today?

**MR HEAP:** Well, this is - this is highly concerning. This is - this is clearly - you know, clearly behaviour that was unacceptable.

40

**MR CONDE:** And would you agree that it warrants an urgent investigation?

**MR HEAP:** Yes, I would. I - I would - I would anticipate clearly it's - it's part of this process that's going on - underway at present, but as with a number of matters, also matters that - that the board and the company itself will have to look at.

45

**MR CONDE:** Is it correct that, so far as you can recall, this issue has never been raised with the Star Entertainment board?

**MR HEAP:** Not that I can recall.

5

**MR CONDE:** Do you think that this is an issue that would warrant being raised with Star Entertainment's board?

**MR HEAP:** Yes.

10

**MR CONDE:** Are you aware - well, perhaps a better question is, are you - you perhaps will be - would it be correct to say that you're pleased to know of Mr Bekier's evidence to Mr Bell that around the time that he became aware of this in October 2021, he says he caused a full investigation to be undertaken into the circumstances surrounding the alleged provision of fake source of funds documents?

15

**MR HEAP:** Yes.

20

**MR CONDE:** I was going to ask you what, if any, knowledge you have of the status of that investigation. I take it that, not knowing about this, you wouldn't know about any investigation either; is that correct?

25

**MR HEAP:** No. And I would make the additional comment that as chair of the risk compliance and regulatory performance committee, it's the sort of matter that I would expect to have been brought immediately to my attention at a minimum.

**MR CONDE:** And do you feel that it is an unsatisfactory state of affairs that that has not been brought to your attention before today?

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**MR HEAP:** Yes.

**MR CONDE:** Do you agree that it is important for Star to get to the bottom of this very quickly?

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**MR HEAP:** Yes. I would make the observation as - as to - as I understand it at present, this is a closed matter. And that's the first priority, is to make sure, if you will, an open matters of concern is closed. Clearly, it's important for us to understand what has happened here and the causes in order to be able to respond. I think the fact that it's a closed matter gives us a little bit of time to make sure we understand all of the details and get that right.

40

**MR CONDE:** What do you mean by "a closed matter", Mr Heap?

45

**MR HEAP:** Well, we no longer have accounts in - in Hong Kong - in Hong Kong or - or in Macau. And so my understanding of how this is explained is it - it - it can't be an ongoing matter of concern, at least this direct matter.

**MR CONDE:** Are you not concerned by the reference to staff members that, so far as you're aware reading this, might still be employed within the Star Entertainment group?

5 **MR HEAP:** Well, my immediate response is that it's referencing staff members in the Macau office, which we closed about 16 months ago in - in August 2020. And so my - my immediate instinct is that those staff members will no longer be with the organisation, but that would be something that I would seek to understand.

10 **MR CONDE:** Is it correct that, so far as you're aware, the people who were in that Macau office were made redundant?

**MR HEAP:** That's the best of my understanding. Either redundant or resignations. I'm not sure exactly.

15

**MR CONDE:** Is it possible that there were staff members who were transferred to other parts of the business?

**MR HEAP:** It's possible. I'm not sure.

20

**MR CONDE:** And in light of that possibility, would you agree that it's - this is an urgent matter?

**MR HEAP:** Yes.

25

**MR CONDE:** Is this likely to be added - sorry. Is this something that could be added to the work of the renewal steering committee, or would this be looked at by another committee or indeed the board itself?

30 **MR HEAP:** This would be a matter that would either be dealt with - probably not within the remit of the renewal steering committee, either within the investigations team and/or within the people and performance team in relation to individuals and investigations into individuals.

35 **MR CONDE:** On the subject, then - well, do you agree that it is a matter of high priority for this investigation to be progress and finalised?

**MR HEAP:** Yes. You mentioned a moment ago, Mr Conde, that Mr Bekier's evidence was that an investigation had commenced, I think you said November.

40

So I think my first port of call would be to understand exactly how that has progressed and - and whether there have been outcomes. I would like to think there might have been sensible outcomes reached, but clearly I'd like to know what they are.

45 **MR CONDE:** And would it be correct, Mr Heap, to understand that you will progress that irrespective of the progress of this review?

**MR HEAP:** Yes.

**MR CONDE:** On the subject of investigations, it's correct, isn't it, that the board was told at a meeting on 10 February 2022 that management had initiated an investigation by Gadens into allegations that staff had encouraged patrons to register as rebate players, thus attracting a lower amount of duty?  
5

**MR HEAP:** Yes, I believe that's correct. I have a recollection of that, but not a lot of detail.

10 **MR CONDE:** Do you understand that the question - well, sorry, the issue is really whether a given patron is ordinarily resident in New South Wales?

**MR HEAP:** Yes, in the context of a domestic rebate patron. Yes, I understand that issue.  
15

**MR CONDE:** And is it your understanding that if a patron is ordinarily resident in New South Wales, then duty is payable at a higher rate than if the person were to be on a rebate program?

20 **MR HEAP:** Yes. I might frame it the other way around, that - that - that duty is - is at the higher rate as a normal course. But if someone is not resident in New South Wales, there is a - there's a lower rebate payable.

**MR CONDE:** I understand. So far as you're aware, Mr Heap, what is the status of that investigation by Gadens?  
25

**MR HEAP:** I - I don't have an update on that - on that at present.

**MR CONDE:** Do you recall when the board was last given an update since the meeting of 10 February 2022?  
30

**MR HEAP:** I don't, no.

**MR CONDE:** So as far as you're aware, in any subsequent meetings, that issue has not been raised?  
35

**MR HEAP:** It - it may have been. I know it was a point of focus. I just don't have a recollection of it, Mr Conde.

40 **MR CONDE:** I see. Are you aware of - there was evidence from Mr Hawkins to this review on Day 23 that it looked like a mistake had been made in respect of the characterisation of a particular patron, Mr Su, and the implication of that mistake was a \$2.1 million difference in the duty payable?

45 **MS RICHARDSON SC:** I object to that objection.

**MR BELL SC:** Why?



**MS RICHARDSON SC:** Well, it has been put that - it's a question of fact that there was, in effect, an error - or a \$2.1 million difference in duty payable, which, in my submission, has not been established on the evidence.

5 **MR CONDE:** I thought counsel assisting's question was that there may have been a mistake - was Mr Hawkins's evidence - the consequence of which would be an additional duty of \$2.1 million if it was established. Is that the purport of your question, Mr Conde?

10 **MR CONDE:** Yes, Mr Bell. I used the word "looked like", which was consistent with the evidence used on Day 3 - the page is 2608.

**MR BELL SC:** I will allow the question.

15 **MR HEAP:** Mr Conde, I wasn't aware of that evidence.

**MR CONDE:** I take it as a general rule, you would accept, Mr Heap, it's important for The Star to pay whatever taxes it owes?

20 **MR HEAP:** Entirely.

**MR CONDE:** And at least from that example, the evidence about which I quoted or summarised to you, you would agree that it's important for The Star to get that characterisation right?

25

**MR HEAP:** Absolutely.

**MR CONDE:** And that question about getting it right - in the board meeting of 10 February 2022, as best you can recall, did Mr Hawkins mention that he and  
30 Mr Power and Mr White had given the topic of correctly characterising patrons some quite detailed consideration in around September and October 2020?

**MR HEAP:** I have a recollection of that, but - but not more than that.

35 **MR CONDE:** If I can take you to exhibit B3277. Sorry. That's STA.3412.0084.5940. Have you seen this email before, Mr Heap?

**MR HEAP:** No.

40 **MR CONDE:** I'm not going to take you through the fine detail of Mr Power's analysis, save to ask you first just to observe, please, do you see at the bottom of this email - the bottom of this page, there's an email from Mr Power dated 4 September 2020 which proceeds over the following pages. And - thank you, operator. If I could just ask for those pages to be scrolled through. So do you  
45 see - Mr Heap, I'm not asking you yet about the content, but that Mr Power has sent a relatively lengthy analysis?

**MR HEAP:** Yes.

**MR CONDE:** And without wanting to oversimplify that analysis, what I would ask you to assume is that Mr Power, quite appropriately, advised Mr Hawkins to undertake a detailed analysis of patrons' residency. And if we can then go back to  
5 Mr Hawkins's email of 8 October 2020, which is at pinpoint 5940. And we can enlarge that. Do you see in the second line of that paragraph, Mr Heap - if the operator could just scroll down, please. It's in Mr Hawkins's email. And do you see in the second line towards the end, Mr Hawkins refers to:

10 "Some administrative confusion regarding the status of a number of rebate classified players."

And then in the next sentence, he says:

15 "As per your guidance, when this was identified we immediately transitioned any rebate player who had been in New South Wales for greater than 183 days onto a non-rebate play profile."

**MR HEAP:** Yes.

20 **MR CONDE:** And then if we can look to Mr Power's response. Do you see in the first paragraph - yes, at the top of that page - he says:

25 "Thank you -"

He writes:

"Thank you for your email."

30 And:

"Now that you have made the assessment of The Star's rebate players and confirmed their residential status based on the available information, I will leave it to you to liaise with the finance team to ensure that the monthly  
35 rebate duty reports and weekly non-rebate duty reports provided to Liquor and Gaming are in order and any necessary adjustments have been (or will be) made."

40 Do you see that?

**MR HEAP:** Yes.

**MR CONDE:** And so would you agree at this point, Mr Heap, the correspondence as between Mr Power and Mr Hawkins appears to be the sort of interactions you  
45 would expect where an issue is identified, there's considered analysis and then a proper way forward is identified?

**MR HEAP:** Yes.

**MR CONDE:** On Day 23 of these hearings, Mr Hawkins was asked whether he proceeded to liaise with the finance team and cause any adjustments to be made, and his answer was ultimately, "No." And, sorry, the quote of his answer was:

5

"Ultimately, no."

What, if any, comment do you have on that evidence?

10 **MR HEAP:** Well, that's disappointing. As you point out, in reading these emails, I - I would like to take comfort that the appropriate decision processes were underway and that the appropriate action had been identified. So I'm disappointed that Mr Hawkins' answer - or that his decision was ultimately not - not to have actioned this.

15

**MR CONDE:** And do you agree that there are separate issues here: one is a question that was alleged in the media allegations, and it was the subject of consideration by the board, that staff might have encouraged patrons to move residency - so that's one issue. But irrespective of that conduct, there's also a question about whether patrons have been correctly characterised?

20

**MR HEAP:** Yes.

**MR CONDE:** And do you agree that it would be entirely unsatisfactory if it's the case that this has not been followed up with the finance team since October 2020 in the manner Mr Power had anticipated?

25

**MR HEAP:** Yes.

30 **MR CONDE:** Mr Bekier gave evidence to Mr Bell that - he said that if there was a mistake, then the normal course of events would be to reclassify players and pay additional duty and notify the regulator. Does Mr Bekier's evidence accord with your expectation as well?

35

**MR HEAP:** Yes.

**MR CONDE:** And so far as you're aware, Mr Heap, do you understand that Gadens' investigation will be covering this question, or is Gadens only looking at any evidence of staff encouraging local players to move?

40

**MR HEAP:** I'm not - I'm not aware, Mr Conde.

**MR CONDE:** Do you anticipate confirming that both of those questions, whether it's by Gadens or whoever else, will be confirmed?

45

**MR HEAP:** Yes.

**MR CONDE:** Is it correct, then, that the general question of whether The Star has paid the duty that it needs to pay is something which you anticipate the board, or a committee of the board, is actively going to push to have resolved?

5 **MR HEAP:** Yes.

**MR CONDE:** So far as you're aware, Mr Heap, did any question about paying duty inform the board's decision to suspend rebate programs?

10 **MR HEAP:** No. The decision around rebates didn't relate to tax payable.  
The - the - the view of the board, I think, was very consistent - entirely  
consistent - that we have to be paying our appropriate duty with respect to rebate  
programs. I think part of the consideration of the board with respect to rebate  
15 programs was to be entirely sure as to our processes in regard to - to know your  
client.

**MR CONDE:** Do you agree, Mr Heap, that if and when rebate play is to be resumed, this question needs to be well and truly sorted out beforehand?

20 **MR HEAP:** Absolutely. And I think - I would say, Mr Conde, I think that should be captured in our - if we are really on top of our know your client process, which obviously includes understanding residency.

**MR CONDE:** If we can go now to the minutes of the board's 22 March 2018  
25 meeting. Now, these are exhibit C37, STA.5002.0004.1022. I appreciate this was before you were a director, but do you see you attended this meeting as an observer?

**MR HEAP:** Yes.  
30

**MR CONDE:** And if we go to pinpoint 1026, do you see the entry - sorry. There should be an entry - yes, just a little down the first page - EEIS Project Report?

**MR HEAP:** Yes.  
35

**MR CONDE:** And there was a paper IRB-EEIS/MMS Status Report which was taken as read?

**MR HEAP:** Yes.  
40

**MR CONDE:** Do you recall receiving this report in connection with attending this meeting as an observer?

**MR HEAP:** Yes. I recall it being part of the board papers.  
45

**MR CONDE:** And you received those board papers?

**MR HEAP:** Yes.

**MR CONDE:** If we can go, then, to that document. It's exhibit B699, and that's STA.5002.0004.0764. And do you see there's a board paper with the subject IRB-EEIS/MMS Project Status Report dated 22 March 2018?

5

**MR HEAP:** Yes.

**MR CONDE:** And the purpose of this document, as recorded as being in the first paragraph there, is to provide a status update to the board?

10

**MR HEAP:** Yes.

**MR CONDE:** If we can go, please, to pinpoint 0770. Do you have a slide in front of you which says up the top Legal and Operational Structure?

15

**MR HEAP:** Yes.

**MR CONDE:** And do you see, in the second bullet point, it identifies some key components?

20

**MR HEAP:** Yes.

**MR CONDE:** And then there's a list which refers to "EEIS money lender", "EEIS junket" and "MMS"?

25

**MR HEAP:** Yes.

**MR CONDE:** And under "EEIS money lender", do you see it's contemplated that it would:

30

"Provide loans to players in exchange for a personal cheque or prepaid collateral. These loans will be granted in place of a cheque cashing facility under current creditworthiness criteria and delegated authority approval matrix."

35

**MR HEAP:** Yes.

**MR CONDE:** And in the second sub-bullet point there, do you see it's contemplated that EEIS would:

40

"Hold a master CCF -"

Cheque cashing facility:

45

"With each casino licence holder from which players will draw down into their own front money accounts."

**MR HEAP:** Yes.

**MR CONDE:** And, Mr Heap, would it be correct for Mr Bell to understand this structure, in general terms, as involving a cheque cashing facility with an intermediary imposed - EEIS - such that EEIS is the entity, not the casino licence holder, which faces the relevant patron or junket?  
5

**MR HEAP:** I believe that is how the structure worked, yes.

**MR CONDE:** And do you agree that interposing an intermediary between the casino licence holder and the relevant patron or junket, just in and of itself, raises an additional complication from an AML/CTF perspective?  
10

**MR HEAP:** Yes.

**MR CONDE:** And would you agree that from the patron's side, it allows money to be paid to an entity - EEIS - whose name does not identify it as a casino-related business?  
15

**MR HEAP:** Yes.

**MR CONDE:** If I can take you now to some email correspondence in July 2021. It's exhibit B2972, and that's STA.3402.0007.1612. Now, if we can go please to pinpoint 1613. It's the next page. And do you see, at the bottom, there is an email from Mr Oliver White dated 7 July 2021 at 12.17 pm to Mr Power, copied Ms Martin and Mr Houlihan?  
20  
25

**MR HEAP:** Yes.

**MR CONDE:** And he provides some answers to questions. Do you see he says:  
30

"In response -"

And then there's (1). If we can go over the page, please, to pinpoint 1614. I just ask that number 3 be emphasised. Do you see Mr White refers to:  
35

"The fact that the accepting repayments of CCF on behalf of The Star Pty Ltd and The Star Entertainment Queensland Limited is not called out as a designated service covered by the EEIS AML/CTF program and therefore most likely would fall outside of that program."  
40

**MR HEAP:** Yes.

**MR CONDE:** And that question, I take it you would agree, whether a Star group entity is within or outside an AML/CTF program is a serious concern warranting inquiry?  
45

**MR HEAP:** Yes.

**MR CONDE:** Are you aware of a paper dated 7 July 2021 from HWL Ebsworth which advised on this?

**MR HEAP:** You might have to show me the paper.

5

**MR CONDE:** I will. It's exhibit B3377, and that's STA.3412.0008.7300. I think that the date of it is, in fact, on the last page.

**MR HEAP:** Yes, I am aware of this. This was another one of the papers provided under the Project Zurich banner.

10

**MR CONDE:** And do you see the date there of 7 July 2021?

**MR HEAP:** Yes.

15

**MR CONDE:** So - and do you recall receiving and reading this document?

**MR HEAP:** Yes. It was part of the board papers either in July or August of 2021, the - the first two of the Zurich issues papers were - were brought to the board.

20

**MR CONDE:** If we could go back, please, to the first page of this document. It's pinpoint 7300. And if we can just enlarge, under "Conclusions", that sort of section through to the bottom of the page, please. Do you see - there are a series of recommendations in bullet point form. First of all, for Star or Star Entertainment Group International Operations Limited to - sorry. There's a recommendation for Star, or some variant thereof, to be included in the name of EEI Services (Hong Kong)?

25

**MR HEAP:** Yes.

30

**MR CONDE:** And the second and fourth bullet points I would refer you to. They make recommendations about the board being kept informed about EEIS's activities and incorporating it in the AML/CTF program. Do you see those?

35

**MR HEAP:** Yes.

**MR CONDE:** And do you have any recollection of receiving briefings along these lines as contemplated in this document in relation to EEIS?

40

**MR HEAP:** I don't have a recollection on actions in relation to these dot points. I do recall that some time soon after this, the decision had been taken to close down these bank accounts.

45

**MR CONDE:** Right. So in a sense, the closing of these accounts was sufficiently soon after this advice, as best you can recall, that, as a practical matter, there just wasn't that opportunity for the board to be advised in that way?

**MR HEAP:** Yes.

**MR CONDE:** Still on this page, do you see the final paragraph where it notes in the first line:

5            "While outside the scope of this paper, we have a broader concern that there may have been insufficient management oversight of EEIS operations prior to its pause in operations in early 2020."

**MR HEAP:** Yes.

10

**MR CONDE:** And do you recall any action arising in response to that concern as articulated in this paper?

**MR HEAP:** Not in response to that concern, no.

15

**MR CONDE:** Just in terms of the scale of money moving through this payment channel, do you have any knowledge or understanding about the value of loans and/or payments that appear to have come through EEIS?

20 **MR HEAP:** No - well, I have - I've read some documents in preparation for today that relate on EEIS, and - and I have a vague recollection of - of hundreds of payments. But - but that's all I recall.

25 **MR CONDE:** And the value of those payments, do you have any recollection of that, Mr Heap?

**MR HEAP:** No.

30 **MR CONDE:** Would it surprise you that, based on documents produced to this review, the value of the loans issued by EEIS appears to be over \$100 million?

**MR HEAP:** Well, that - that's a significant number. I'm not sure it would necessarily surprise me. But - but that's a significant number.

35 **MR CONDE:** Do you have - I think, though, in an earlier answer, Mr Heap, you said that you wouldn't distinguish necessarily between - sorry. If there's conduct about which there are concerns, it doesn't really matter, the scale of it. Do you recall that evidence?

40 **MR HEAP:** Correct.

**MR CONDE:** So in a sense, when it mentions:

45            "We have a broader concern that there may have been insufficient management."

And in terms of that earlier matter I took you to from Mr White where he referred to conduct potentially outside the AML/CTF program, is it correct that those are



matters that would concern you regardless of the amount of money flowing through the channel?

**MR HEAP:** Correct.

5

**MR CONDE:** Are you aware of Ms Skye Arnott's evidence on day 13 of these hearings that a number of top-tier financial institutions were not willing to facilitate transactions on behalf of EEIS in Macau because of restrictions on the banking sector there to not do business with casinos or their related entities?

10

**MR HEAP:** Yes, I - I recall that evidence. I didn't recall it was Ms Arnott who said that.

**MR CONDE:** Are you aware of Ms Arnott's evidence, or evidence generally, that, as a result, The Star tried to find workarounds for that restriction, which included entering into third-party remittance agent agreements, such as with a Mr Kuan Koi?

15

**MR HEAP:** Yes.

20

**MR CONDE:** And what, if any, comment do you have on the use of workarounds in that context?

**MR HEAP:** I think as I've said before, the use of workarounds has become a euphemism that makes me very uncomfortable. With respect to - in this context, with respect to a workaround, it raises a heightened threshold for matters such as AML/CTF obligations, which we have discussed previously.

25

**MR CONDE:** And so far as you are aware, does The Star have any existing relationships with third-party remittance agents?

30

**MR HEAP:** Not as far as I'm aware.

**MR CONDE:** And if there - is correct that you would not wish for The Star to be in any such arrangements?

35

**MR HEAP:** Yes.

**MR CONDE:** Now, do you recall, Mr Heap - yesterday I asked you some questions about an ASX release issued on 11 October 2021. Do you recall giving that evidence?

40

**MR HEAP:** Yes.

**MR CONDE:** Do you also recall approving an ASX release on 12 October 2021 which provided further information to the market?

45

**MR HEAP:** I believe so. I believe that related to the KPMG report, if I'm - if I'm remembering the correct one.

5 **MR CONDE:** If we go to that document, the ASX release. I believe it's exhibit B3176, and that's STA.3411.0001.7109. Has that come up for you, Mr Heap?

**MR HEAP:** It has, yes.

10 **MR CONDE:** And do you see under the first heading Summary, the first paragraph reads:

"Recent media reports have asserted that reports prepared by KPMG in 2018 were kept secret and not adequately acted on. These assertions are incorrect."

15 **MR HEAP:** Yes.

**MR CONDE:** Now, if we deal with the "not adequately acted on" part first. Would you agree with the evidence to Mr Bell's review from the KPMG partners to the effect that, so far as they're aware, Star Entertainment did go on ultimately to implement all of their recommendations?

**MR HEAP:** Yes.

25 **MR CONDE:** So in that regard, would you say that that part of the ASX release of 12 October 2021 is fair, in that any assertion that the KPMG reports were not adequately acted on was incorrect?

**MR HEAP:** Yes.

30 **MR CONDE:** But if I can ask you to focus now on that expression "kept secret". Were you told at this time of the 12 October 2021 ASX release that AUSTRAC had first requested a copy of KPMG's part A report on 14 September 2018, and on 5 October 2018, Star Entertainment replied and refused to provide a copy asserting legal professional privilege?

35

**MR HEAP:** No.

**MR CONDE:** Were you told at this time of the 12 October 2021 ASX release that there had been back and forth between AUSTRAC and Star Entertainment between September 2018 and late January 2020 on the question whether legal professional privilege applied?

40

**MR HEAP:** No.

45 **MR CONDE:** Were you told at this time of the 12 October 2021 ASX release that it was only on 20 January 2020 that Star Entertainment provided a copy of KPMG's report to AUSTRAC?

**MR HEAP:** No.

**MR CONDE:** Do you recall asking if the KPMG report had been withheld from AUSTRAC?

5

**MR HEAP:** No. I recall assuming it had been provided to AUSTRAC. I thought that was - yes, I - that's what I thought had happened.

**MR CONDE:** And do you agree that an assumption is not a proper basis for approving a statement in an ASX release that reports were kept secret?

10

**MS RICHARDSON SC:** I object to that question.

**MR BELL SC:** What's the objection, Ms Richardson?

15

**MS RICHARDSON SC:** Mr Conde should, in fairness, set out what assumption he is referring to because the witness has said he assumed the report had been provided to AUSTRAC.

**MR BELL SC:** Mr Conde, what do you say?

20

**MR CONDE:** I can ask a question which I think addresses that. Mr Heap, would you agree that if a regulator, and in particular AUSTRAC, is lawfully requesting a document and - that The Star should respond and only invoke legal professional privilege if it is entitled to do so?

25

**MR HEAP:** Yes.

**MR CONDE:** And I take it that - well - sorry. In accordance with your earlier answers, you weren't aware of there having been a process for more than a year where Star Entertainment and AUSTRAC had correspondence with one another whereby Star Entertainment was asserting legal professional privilege and AUSTRAC was denying that such privilege applied?

30

**MR HEAP:** I wasn't aware of that.

35

**MR CONDE:** And so - and I think you then said that you had assumed that the KPMG report had been provided to AUSTRAC?

**MR HEAP:** I did say that. A discussion that had happened several times in the board was how important it was that we have transparent relationships with each of our regulators, which - which I always thought of in particular as the New South Wales and Queensland casino regulators and AUSTRAC. And the board had regularly expressed a view that we should be entirely transparent with each of those regulators. I think that position had been made very clear.

40  
45

**MR CONDE:** Do you know if the KPMG report was ever provided by Star Entertainment to the New South Wales regulator?

**MR HEAP:** No, I don't. I presume it was.

5 **MR CONDE:** And do you - well, when you say you presume, is it correct that you don't recall asking about that?

10 **MR HEAP:** I do remember, in relation to providing it to the New South Wales regulator, there had been a discussion. I couldn't tell you which meeting - it must have been in the 2019 timeframe - in relation to providing the same information to both ILGA and to AUSTRAC. And it was in that discussion the board had expressed a view that we should be providing it to both regulators. In our - in the minds of the board, there was no debate as to who had responsibility, be it ILGA or - or AUSTRAC. They - they both had a remit in relation to this, and they should both see these reports. And all reports, for that matter.

15 **MR CONDE:** And so would you agree, then, that at least for the period 14 September 2018 through to 20 January 2020, being the period between when AUSTRAC had first requested a copy of KPMG's report - throughout which Star Entertainment resisted providing it, citing legal professional privilege - and ending 20 at the time that Star Entertainment did provide it, that the report was kept secret during that time?

**MS RICHARDSON SC:** Well, I object to that. Well --

25 **MR BELL SC:** I will allow it.

30 **MR HEAP:** Well, from - from - as I understand what you've explained, is that there was a debate going on between Star's management team and AUSTRAC as to whether legal professional privilege applied. My view, as a director, is somewhat irrelevant, whether it applied. We should have been providing it to them in any event. We ultimately did, and far too late, and - and quite likely damaged our relationship with AUSTRAC as a result, which is why I take the view that we should provide this information to regulators. So I'm not sure I would - I would draw the conclusion that it had been kept secret.

35 **MR CONDE:** Well, if - isn't it correct that it was kept secret, in the sense that a regulator had requested it and Star Entertainment had kept it - kept that report to itself and not provided it to AUSTRAC?

40 **MR HENRY SC:** I object this time. And it may be it's better to deal with this in the absence of the witness.

45 **MR BELL SC:** Yes. Operator, if we can go into private mode for a moment, please, in the absence of Mr Heap.

**<THE HEARING IN PUBLIC SESSION ADJOURNED AT 2:52 PM**

**<THE HEARING IN PRIVATE SESSION RESUMED AT 2:52 PM**

**<THE HEARING IN PRIVATE SESSION ADJOURNED AT 2:59 PM**

**<THE HEARING IN PUBLIC SESSION RESUMED AT 2:59 PM**

5

**MR BELL SC:** Yes, Mr Conde.

10 **MR CONDE:** Mr Heap, I appreciate - I think you gave evidence earlier that - sorry. You did give evidence earlier that you had not received confirmation of communications between AUSTRAC and Star Entertainment in the period between 14 September 2018 and 20 January 2020. So what I want you to assume is that on 14 September 2018, AUSTRAC wrote to Star Entertainment seeking a copy of KPMG's part A report; that on 5 October 2018, Star Entertainment replied and refused to provide a copy and asserted legal professional privilege; and then 15 through the period ending 20 January 2020, Star Entertainment maintained that legal professional privilege applied and refused to provide a copy of the KPMG report to AUSTRAC. Do you understand what I'm asking you to assume, Mr Heap?

20 **MR HEAP:** Yes.

**MR CONDE:** And it's correct that you were not told that at or around the time of the 12 October ASX release being approved?

25 **MR HEAP:** Yes.

**MR CONDE:** And so would you agree that during that period - 14 September 2018 to 20 January 2020 - making the assumptions I've asked you to make, that the KPMG report was, in fact, kept secret?

30

**MR HEAP:** Well, my interpretation was there was a - a legal debate going on between AUSTRAC and The Star during that period. I'm not sure I would - I would describe it as being kept secret.

35 **MR CONDE:** Would you agree that "secret" means something that is done, made or conducted without the knowledge of others?

**MR HEAP:** I suspect that's an accurate description, yes.

40 **MR BELL SC:** Mr Heap, are you aware of evidence given to this review by Ms Martin that she has recently come to realise that the claim which she caused to be made of legal professional privilege over the KPMG reports was wrong?

45 **MR HEAP:** I - I wasn't aware she gave that evidence, but that was my view from the start.

**MR BELL SC:** Yes.

**MR CONDE:** And so with those assumptions and that evidence that Mr Bell has just referred to in mind, would you not agree that what - that the KPMG reports were kept within the knowledge only of Star Entertainment at that time?

5 **MS RICHARDSON SC:** I object to that question. And the basis of this objection I've referred to in private session, and I don't want to delay the inquiry by going back into closed session again.

10 **MR CONDE:** I will put the question a different way. Mr Heap, would you agree - well, in circumstances where Star Entertainment has not provided the report - the KPMG report to AUSTRAC in the period 14 September 2018 to 20 January 2020, how would you describe the nature of that document?

15 **MS RICHARDSON SC:** I object to that question.

**MR BELL SC:** I allow it.

20 **MS RICHARDSON SC:** Well, could I be heard on that. It's an erroneous assumption. I've referred in private session to the recommendations issue. It is an erroneous assumption that is being put to this witness.

**MR BELL SC:** The KPMG reports were not provided to AUSTRAC for over 16 months. That's the fact, is it not?

25 **MS RICHARDSON SC:** There is an element of that which I would seek to address you on in private hearing.

30 **MR BELL SC:** Is it not the case, and do you not accept - does Star Entertainment as an entity not accept that these reports were not provided to AUSTRAC for 16 months despite ongoing requests by AUSTRAC?

35 **MS RICHARDSON SC:** I accept that the reports as a whole were not provided, but I refer to the evidence before the inquiry that the recommendations were provided to AUSTRAC from an early point.

40 **MR BELL SC:** And does Star Entertainment accept that AUSTRAC were asking for these reports to be provided in their entirety for 16 months, and for the whole of that period, Star Entertainment refused to provide them? Is that accepted or not by the entity?

45 **MS RICHARDSON SC:** It is accepted, on the basis that privilege claims were put. In fairness to my client, Mr Bell, the repeated questioning is being put to this witness on the basis that the reports in their entirety were withheld from the AUSTRAC, which is inconsistent with the evidence before the inquiry.

**MR BELL SC:** Well, regrettably, we will have to go back into private mode to resolve this, Mr Heap. I'm sorry. But we will have to ask you to - we will have to detain you for a little while - while we go into private mode.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 3:05 PM

<THE HEARING IN PRIVATE SESSION RESUMED AT 3:05 PM

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<THE HEARING IN PRIVATE SESSION ADJOURNED AT 3:14 PM

<THE HEARING IN PUBLIC SESSION RESUMED AT 3:14 PM

10 **MR BELL SC:** Yes, Mr Conde.

**MR CONDE:** Mr Heap, I've asked you a few times to assume, but in fairness to you, I will just ask you again, and I'm giving these dates to you: that AUSTRAC requested a copy of KPMG's part A report on 14 September 2018, and on 5  
15 October, Star Entertainment replied and refused to provide a copy, asserting legal professional privilege. It was then - there were then interactions between AUSTRAC and Star Entertainment. And then on 20 January 2020 - so more than a year later - Star Entertainment provided the reports to AUSTRAC and has not - has walked away from the claims of privilege. Now, it's correct, isn't it, that  
20 you were not aware of that information at the time that you approved the ASX release on 12 October 2021?

**MR HEAP:** Yes.

25 **MR CONDE:** And so if I can ask that that report - that ASX release be brought up again, please. It's exhibit B3176. Now, I just ask you first of all to read the sentence under Summary that says:

30 "Recent media reports have asserted that reports prepared by KPMG in 2018 were kept secret and not adequately acted on. These assertions are incorrect."

And then if you - I would also ask you to read the third paragraph of that section that says:

35 "Details of the review and resulting reports were shared with the AML/CTF regulator, AUSTRAC."

40 Now, those are the two statements I wish to draw your attention to. In light of the information that I've now referred you to, namely, that AUSTRAC had requested a copy of the part A report in September - I'm sorry. I just want to get the dates right. AUSTRAC had requested a copy of the report - part A report on 14 September 2018, and the reports were not provided to AUSTRAC until 20 January 2020. What, if any, comment do you have on the accuracy of those statements that I've drawn your attention to, being in the second paragraph there in relation to  
45 those reports being kept secret and then the further one that details of the review and resulting reports were shared with the AML/CTF regulator, AUSTRAC?

5 **MR HEAP:** In light of what you've shared, had I been aware of that at the time, I would have, I suspect, sought that this be phrased differently. I - I - I don't - I don't believe this is inaccurate, but it's - but it should - in light of that knowledge, it would have been phrased differently to be clear to the point you've made about the delay in providing the report to AUSTRAC.

10 **MR CONDE:** And is that because - do you agree that these statements I've taken you to seek to portray Star Entertainment's conduct as being open and transparent with AUSTRAC?

**MR HEAP:** Yes.

15 **MR CONDE:** And do you agree that if Star Entertainment is going to advance that proposition, then, in fairness, it also needs to mention matters that might tell against it?

20 **MR HEAP:** Well, as I said yesterday, I think a sensible rule of thumb with respect to ASX releases is to seek to be concise. And so often you're seeking to find the simplest way to explain a matter. I - I think it wouldn't have, therefore, been appropriate to have - to have got into a debate about the question of what does or doesn't need to be provided, i.e., the - the broader question about legal professional privilege. To - to the points I've made earlier, we - we should have been providing this information in any event.

25 **MR CONDE:** So far as you can recall, did you or anyone at the board - anyone from the board, test with management that the reports had been provided to AUSTRAC promptly?

30 **MR HEAP:** Not that I recall.

**MR CONDE:** And is that - is it correct that you had assumed that it had occurred?

**MR HEAP:** Yes.

35 **MR CONDE:** Do you agree that - if I could ask the operator to zoom out, please, still on this document. And then if we can go - it's a two-page document. If we could ask that we go over to pinpoint 7110. Okay. We can enlarge as necessary, Mr Heap, but would you agree that what this document - this ASX release focuses on is the KPMG reports?

40 **MR HEAP:** Well, it addresses the KPMG report initially. The - the reference at the top of the second page relates to the BDO report.

45 **MR CONDE:** I'm sorry, Mr Heap. I've - the - there's a BDO report reference? I'm sorry --



**MR HEAP:** No. My apologies. I think I've - I think I've got that wrong. I think those four points - would you give me a moment just to read it and familiarise myself?

5 **MR CONDE:** Could you bring those up for Mr Heap, please.

**MR HEAP:** Yes. So, Mr Conde, the - the - the paragraph at the bottom of the first page references the most recent regular independent review, which was the review conducted by BDO in 2020, and the - the points at the top of the second page were  
10 the - were the - the key findings from that review.

**MR CONDE:** I see. So is it correct, then, that this document focuses on the KPMG reports and then the questions arising from those going to Star Entertainment's AML/CTF program?  
15

**MR HEAP:** Yes. So - so that second section of the - of the - the document - it - it was seeking to provide a context to the original review that had been done - I think it references that reviews had been done prior to that as well - and then seeks to reference the most recent review. Mr Conde, it's - it's worth saying that this - this  
20 release, as I recall, was because there had been communication to The Star from shareholders who had a concern to understand, particularly in relation to the AML/CTF program. And so it was that particular allegation that had caused particular concern with investors. Investors were seeking clarity on the current status of The Star's program, and that was the reason this - this subsequent  
25 response was - was released to the market.

**MR BELL SC:** Mr Heap, I understand you to be telling me that at the time you approved this release, first, you did so in a meeting in which senior members of management were present; is that correct?  
30

**MR HEAP:** Yes.

**MR BELL SC:** Including Ms Martin?

35 **MR HEAP:** I believe so, yes.

**MR BELL SC:** And I understand you to be telling me that Ms Martin didn't draw to your attention at the time that you approved this media release that she had caused the company to withhold the KPMG reports from AUSTRAC for a period  
40 of 16 months from September 2018 to January 2020?

**MR HEAP:** No.

**MR BELL SC:** And I take it that if she had told you those things, you would not  
45 have approved a release which simply said:

"The resulting reports were shared with AUSTRAC."

As is said in the fourth paragraph?

**MR HEAP:** Yes, I expect we would have had a different form of words.

5 **MR BELL SC:** Because, to put it in that form, in light of the facts of which we're now telling you, would be misleading; correct?

**MR HEAP:** Yes, it would not be clear. We would not be providing, you know, a full and clear answer.

10

**MR BELL SC:** Yes. Yes, Mr Conde.

**MR CONDE:** As best you can recall, Mr Heap, why was the ASX release focused on the KPMG reports and AML issues and not other matters the subject of the media allegations?

15

**MR HEAP:** As I - I said, Mr Conde, the - the feedback we had - as I recall, the feedback we had been receiving from investors, particularly larger institutional investors, was particularly focused on the questions around AML/CTF. I believe that those large investors had a particular concern to understand - as - as - as the speculation - or the - the media assertions related to an earlier period, and they wanted to understand the status of the AML/CTF program today - or at this date. We were seeking to be able to provide clarity to those investors. But in order to be able to speak to individual investors, it was important to put into the market that position we would be sharing with them. And so that's why this release went out and why it focused on that particular issue.

20

25

**MR CONDE:** If I might ask that a document be brought up. It's INQ.025.001.0001. Mr Heap, do you recall preparing a contribution to this publication from the Australian Institute of Company Directors?

30

**MR HEAP:** Not immediately. But if you show it to me, I may recall it.

**MR CONDE:** If we go to pinpoint 0008. Do you recall this article?

35

**MR HEAP:** Yes.

**MR CONDE:** And just if we can go, please, to pinpoint 0009. If the operator, please, could enlarge Fostering Culture - that section - do you see it says:

40

"Culture is a curious thing, difficult to define but unequivocally impactful in defining an individual or an organisation. While a conversation about culture could traverse many issues, directors ought to be particularly interested in fostering a culture that supports ethical behaviour within an organisation. The board of a company clearly has the responsibility to set the culture of a company. They are the guardians of ethical behaviour. If this is not the responsibility of the board, then whose responsibility is it?"

45

**MR HEAP:** Yes.

**MR CONDE:** Do you agree with what you've written there?

5 **MR HEAP:** Yes.

10 **MR CONDE:** Do you have any comment to Mr Bell, in light of that question you finish with there - that they're the guardians of ethical behaviour, if this is not the responsibility of the board, then whose responsibility is it - on the matters that have come out in these public hearings, to your observation?

15 **MR HEAP:** Well, I hold to this view. As I've said, I think earlier in the day yesterday, Mr Conde, I believe the board does have ultimate accountability - responsibility for culture within an organisation. I think that has to be in parallel with particularly senior management because the board is - is only able to run the company with senior management and then with the entire organisation. It - it is ultimately for the board to set expectations with respect to all matters in relation to culture, but - but including ethical behaviour.

20 **MR CONDE:** Mr Bell, I have no further questions.

**MR BELL SC:** Mr Heap, I think you agree that there have been some significant cultural failings at Star Entertainment disclosed by the evidence to this review?

25 **MR HEAP:** Yes.

**MR BELL SC:** And I think you agree that the board must accept significant responsibility for those failings?

30 **MR HEAP:** Yes.

35 **MR BELL SC:** And I think you agree that the evidence discloses respects in which material information which the board of Star Entertainment needed to know was withheld from it?

**MR HEAP:** Yes.

40 **MR BELL SC:** And do you agree that the Star Entertainment board had to ensure that the organisation had systems and processes in place to get the board the information it needed?

**MR HEAP:** Yes.

45 **MR BELL SC:** So would you agree that the Star Entertainment board must bear some responsibility for the fact that information it needed was not being provided to it?

**MR HEAP:** Yes.

**MR BELL SC:** Now, you described the business of Star Entertainment yesterday as - you described the organisation as a large and complex organisation. Do you recall that?

5

**MR HEAP:** Yes.

**MR BELL SC:** And obviously the board of Star Entertainment is managing two casinos in Queensland, in addition to the casino in New South Wales, and, no doubt, other significant matters as well?

10

**MR HEAP:** Yes.

**MR BELL SC:** And the current arrangement is that the directors of the casino licensee in New South Wales are executives of Star Entertainment? I appreciate you've told me about some interim arrangements that are proposed in the short term --

15

**MR HEAP:** Yes.

20

**MR BELL SC:** -- but that's what has been in place for some time?

**MR HEAP:** That's correct.

25

**MR BELL SC:** Do you think it might have made a positive difference, in terms of the problems which have emerged in this review, if a majority of the directors of the casino licensee of New South Wales were independent?

**MR HEAP:** I'm - I'm not sure, Mr Bell. I - I would say that all of the matters that I have seen should have come to the board of Star Entertainment Group Limited, of which I am a director. I think those subsidiary boards are - the - the - the design of the company means that the - the - both the risk and the audit responsibilities and so on flow to the ultimate parent. I think there are certain benefits of that arrangement, particularly in owning three casinos and - and having very similar responsibilities across all three. And I - I might be concerned in - in a construct where we were seeking to have a - sort of a different, if you will, sort of governance structure for - for each of three different entities. So my view is the fact that there were executives on those boards shouldn't have been any impediment to the information coming to the main board.

30

35

40

**MR BELL SC:** Do you agree that at least some of the problems that have emerged in this review can't be reduced to individual misbehaviour but ought to be seen in terms of systemic problems?

45

**MR HEAP:** I agree.

**MR BELL SC:** Might it not assist if there were independent eyes at the level of the casino licensee board who were focused exclusively on ensuring that that entity was operating as it ought?

5 **MR HEAP:** I - I - obviously, there are - there are six independent directors at - at the Star Entertainment Group level and feel acute responsibility - I'm sure they all feel, like me, an acute responsibility to both of our licensed entities. And so, in that sense, I think independent directors at the - at the - the level of the licensee, I'm not sure that would change that dimension. I think that would be my view, Mr  
10 Bell.

**MR BELL SC:** There is some analogy with the regime of managed investment schemes and responsible entities having independent members of their boards notwithstanding that they're subsidiaries of a holding company. I think the  
15 Corporations Act - are you familiar with that regime?

**MR HEAP:** I'm - I'm acutely familiar, Mr Bell. I'm right at the moment working through exactly that separation in the context of Colonial First State, which was one of the findings Mr Hayne put forward and has been introduced into law,  
20 which - which is to separate a superannuation trustee then from the responsible entity. We are working our way through that in - in that entity. Having - having put an enormous amount of effort into that process, I would suggest there are downsides as well as upsides, and the disadvantage of sort of that separation of responsibilities, which - which may lead to unintended consequences, would be  
25 something that would - would need to be considered.

**MR BELL SC:** There certainly are - I can see that there might be advantages in having all casinos under a common directorship, but it has occurred to me that some of the problems that have occurred apparently here are due to the fact that  
30 the executives who are reporting to the board of Star Entertainment are the executives who are the members of the board of the subsidiary. And plainly, it hasn't worked.

**MR HEAP:** Yes. I would agree. But - but I'm not - I'm not sure that that is the reason it hasn't worked. But there was a requirement for all of the issues we've  
35 discussed over the past two days to have come either to the risk committee, the audit committee or to the board of Star Entertainment Group Limited. And whether or not they were otherwise dealt with at The Star Pty Ltd is unclear to me. It - it doesn't seem they were, from - from what I have seen to date. And so I'm not  
40 sure that that step - certainly that step alone would - would have the desired effect.

**MR BELL SC:** You're also aware, I take it, that Commissioner Bergin recommended there be compliance auditors involved in checking compliance. I imagine you regard that as a positive step?  
45

**MR HEAP:** Yes, one - one of the things that we have considered in the context of the renewal steering committee, which we've discussed, is - is some organisational change. And one of those ideas, which is an idea of - appropriated from - from the

5 superannuation world, is what I will describe as an office of the board, is having a stronger group, which would include the company secretarial function. It would include the internal audit function expanded to have a probity audit responsibility or an integrity responsibility, and it may also include the regulatory relationship function. And to have that - that body then having a direct line to the board so there's no ambiguity as to that reporting on these key issues.

10 **MR BELL SC:** And just going back to the management investment scheme analogy, you would be aware that there's a provision in the Corporations Act that provides that if a responsible entity doesn't have independent directors, it's required to have a compliance committee?

**MR HEAP:** Correct.

15 **MR BELL SC:** What do you think about that arrangement operating in relation to the specific licensee in New South Wales?

20 **MR HEAP:** Well, that - that's an arrangement that - that I've seen worked effectively in - in the financial services sector. That - that, for example, Mr Bell was the arrangement we had in place at - at UBS Asset Management.

**MR BELL SC:** Right.

25 **MR HEAP:** In that - that example, I, as the CEO of the - of the Australian business, chaired that compliance committee, but then had two independent members on it. And so it was a majority independent compliance committee. And - and - and that did work well in that context. That provided, to your earlier point, a couple of sets of eyes who were just making sure that - you know, that matters specific to that company were - you know, were properly seen.

30 **MR BELL SC:** Without necessarily having the other responsibilities of directorship?

35 **MR HEAP:** Yes. And - and - and that then avoided the complexity of - of who's responsible for strategy, or who's responsible for governance structure, because they clearly sat with - in - using our example, would clearly sit, and should in my view, sit with the main board.

40 **MR BELL SC:** Yes. Yes. Thank you, Mr Heap. Ms Richardson, do you have any questions?

**MS RICHARDSON SC:** No.

45 **MR BELL SC:** Yes. Mr Henry, do you have any questions?

**MR HENRY SC:** No. Thank you.

**MR BELL SC:** Yes. Thanks, Mr Heap. The direction I will make is that your examination is adjourned, but you won't be required again unless you hear from those assisting the review.

5 **MR HEAP:** Thank you.

**<THE WITNESS WAS RELEASED**

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

10

**<THE HEARING ADJOURNED AT 3:40 PM**

**<THE HEARING RESUMED AT 3:57 PM**

15 **MR BELL SC:** Yes, Mr Conde.

**MR CONDE:** Mr Bell, the next witness is Mr Gerard Bradley.

**MR BELL SC:** Mr Bradley, would you prefer to take an oath or an affirmation?

20

**MR BRADLEY:** Affirmation.

**<GERARD PATRICK BRADLEY, AFFIRMED**

25 **MR BELL SC:** Yes, Mr Conde.

**<EXAMINATION BY MR CONDE:**

**MR CONDE:** Mr Bradley, are you able to hear me?

30

**MR BRADLEY:** Yes.

**MR CONDE:** May I ask you, please, to state your full name.

35 **MR BRADLEY:** Gerard Patrick Bradley.

**MR CONDE:** Are you aware that your address has been made known on your behalf to the solicitors assisting Mr Bell's review?

40 **MR BRADLEY:** Yes.

**MR CONDE:** Have you been a director of The Star Entertainment Group Limited since 30 May 2013?

45 **MR BRADLEY:** Yes.

**MR CONDE:** And is it correct that you have a Bachelor of Commerce degree and a diploma of Advanced Accounting?

**MR BRADLEY:** Yes.

5 **MR CONDE:** Are you the chairman of the Queensland Treasury Corporation or QTC?

**MR BRADLEY:** Yes.

10 **MR CONDE:** And is it correct that QTC is the central financing authority for the Queensland Government?

**MR BRADLEY:** Yes.

15 **MR CONDE:** So far as you're aware, and apart from Commonwealth funding, is it correct that QTC finances all of the Queensland Government's funding needs?

**MR BRADLEY:** Yes. All - all of its borrowing requirements, yes.

20 **MR CONDE:** Does QTC operate in global capital markets?

**MR BRADLEY:** Yes.

**MR CONDE:** Do those markets include China?

25 **MR BRADLEY:** There would be investors from China from time to time, yes.

**MR CONDE:** Would you say that you have a degree of familiarity with finance in China?

30 **MR BRADLEY:** No. All of our dealings with investors are done through a distribution group. They - they manage any investor relations at that level.

35 **MR CONDE:** Is it correct, then, that - so QTC issues notes using banks as arrangers and dealers?

**MR BRADLEY:** Yes. We have a distribution group of major Australian and international banks.

40 **MR CONDE:** And in that regard, QTC would have regular interactions with those Australian and international banks?

**MR BRADLEY:** Yes.

45 **MR CONDE:** Do those interactions include yourself as the chairman of QTC?

**MR BRADLEY:** On occasions, yes.

**MR CONDE:** And may I ask you, please, to tell Mr Bell about those occasions.



**MR BRADLEY:** QTC undertakes regular domestic and international roadshows, and that involves working with our - members of our distribution group to - to brief bond investors in major financial markets around the world, and in the case of Australia, usually Sydney and Melbourne and Brisbane.

**MR CONDE:** And those interactions involve you personally?

**MR BRADLEY:** On occasions. But - but more regularly, they - they're managed by the - the senior officers within QTC.

**MR CONDE:** In any such interactions, whether they involve you personally or others from QTC, do you agree that it is crucially important at all times to be candid and not misleading?

**MR BRADLEY:** Yes.

**MR CONDE:** Are you also a director of Pinnacle Investment Management Group?

**MR BRADLEY:** Yes.

**MR CONDE:** What does Pinnacle Investment Management Group do?

**MR BRADLEY:** Pinnacle Investment Management Group is a funds management company that has a number of affiliates who are involved in investment in a range of asset classes, and Pinnacle holds shareholding interests in each of those affiliates and provides a range of support services, including distribution of their - of their funds management activities.

**MR CONDE:** Does it hold those investments as principal, so far as you're aware?

**MR BRADLEY:** There would be a variety that - it would be held in the name of the relevant affiliate, but there are investors in those - in those funds who would invest in a range of products and different asset classes.

**MR CONDE:** So far as you're aware, does Pinnacle have operations in China?

**MR HEAP:** I'm not aware of any particular dealings in China through Pinnacle, no.

**MR CONDE:** Are you aware of restrictions applying in China which prevent people from taking capital out of that country?

**MR BRADLEY:** I'm aware at a general level there are - there are restrictions, yes.

**MR CONDE:** And may I trouble you, please, to tell Mr Bell about that awareness at a general level that you've just mentioned.

**MR BRADLEY:** It's just a general knowledge that the - that the Chinese Government has been looking to manage capital outflows from - from China and, I believe, has imposed various restrictions on the level of those investments out of China, as I understand it.

**MR CONDE:** And do you understand whether those restrictions might have increased and/or relaxed over time?

**MR BRADLEY:** My understanding is they have generally increased over time.

**MR CONDE:** Have you had any training in relation to anti-money laundering and counter-terrorism financing?

**MR BRADLEY:** Yes. I've undertaken training with - with Star, in terms of its various online training modules, as well as board education that's occurred over recent years. I've also done a little training with Queensland Treasury Corporation and - and more generally with professional organisations around matters relevant to that.

**MR CONDE:** And what is the form of that training, as best you recall?

**MR BRADLEY:** In relation to Star or --

**MR CONDE:** If we can do all of it, but starting with Star.

**MR BRADLEY:** In relation to Star, there have been online training modules; there have been board education sessions where a - an AML/CF expert would - would take us through relevant legal frameworks and requirements in relation to AML and CF requirements; and more - more generally within - within Star, of course, with my involvement through committees and others, I've - I've had quite a deal of exposure to the development of - of appropriate AML programs and standards.

**MR CONDE:** Is it correct, Mr Bradley, that you're a member of the risk and compliance committee, the audit committee and the remuneration committee at Star Entertainment?

**MR BRADLEY:** Yes.

**MR CONDE:** Would you agree, Mr Bradley, that a director, depending on the particular company and its business, may need to have extra sensitivity to particular issues?

**MR BRADLEY:** Yes.

**MR CONDE:** And what, to your mind, are the particular issues that arise for a casino business?

5 **MR BRADLEY:** Well, clearly, there are - there are significant risk issues associated with its activities which need to be managed. Certainly money laundering is a very important one of those, as well as a range of other risks which it needs to deal with in terms of dealing ethically and honestly with - with customers who - who use the services of Star Entertainment, and relevant stakeholders and regulators.

10 **MR CONDE:** Sorry. I'm just checking the transcript, Mr Bradley. I didn't mean to cut across you. Is it correct that your last answer - you said dealing ethically and honestly with customers, and then you added relevant stakeholders and regulators?

**MR BRADLEY:** Yes.

15 **MR CONDE:** Yes. At the time, Mr Bradley, that were you invited to become a director of what is now Star Entertainment, what of your skills and/or experience did you consider equipped you to take on that role?

20 **MR BRADLEY:** At the time, I had a great deal of experience as a senior executive within the Queensland Government, including a long period as head of Treasury in Queensland, and also a brief period in South Australia. I - in my role with Queensland Treasury, I - I was a member of various corporation boards, including - I spent 10 years as chair of QSuper for example. So I had a level of  
25 experience in corporate governance. I had some understanding of the casino industry, that - given that the Office of Gaming Regulation, for a period, had been a portfolio office within - within Treasury in Queensland. So a range of different skills and experience were relevant to the - the Star Entertainment role.

30 **MR CONDE:** Mr Bradley, I'm sorry, I should have asked you. How long were you head of Treasury in Queensland and before that South Australia?

**MR BRADLEY:** I think, in a combined way, around - it would have been some 16 years.

35 **MR CONDE:** And was it roughly half-half or --

**MR BRADLEY:** No, it would have around 14 years in Queensland Treasury and two years in South Australia.

40 **MR CONDE:** And do you feel that you have a good sense of what the right thing is in given situations?

45 **MR BRADLEY:** Yes. I think I have a good understanding of ethical behaviour and as - in terms of the right thing to do, yes.

**MR CONDE:** Do you understand that, as a director of Star Entertainment, you owe a duty of care and diligence to the company?

**MR BRADLEY:** Yes.

5 **MR CONDE:** Do you understand that you owe a duty, as a director of Star Entertainment, to exercise your powers in good faith in the best interests of the company?

**MR BRADLEY:** Yes.

10 **MR CONDE:** And do you agree that Star Entertainment needs to ensure that the people it deals with are of good repute?

**MR BRADLEY:** Yes.

15 **MR CONDE:** Do you agree that the casino industry is highly regulated in Australia?

**MR BRADLEY:** Yes.

20 **MR CONDE:** And what, if any, other business or organisations that you've been involved with, do you think raises any similar issues to those raised by a casino business?

25 **MR BRADLEY:** I'm sorry. Could you repeat the question, please? I'm just trying to understand it.

**MR CONDE:** Yes.

**MR BRADLEY:** Yes.

30 **MR CONDE:** What, if any, other business or organisation that you've been involved with, do you think raises any similar issues to those raised by a casino business?

35 **MR BRADLEY:** I'm not sure if they're similar issues, but clearly the other entities I've been involved with do have - do have to operate within regulatory environments, which require, obviously, ASX in particular, and corporate governance requirements in the case of a listed company, in the case of Pinnacle. And there are requirements in relation to debt management as well, which involve  
40 discussions and relationships with investors. But I think the casino industry has particular features which are - which are reasonably unique to that industry.

**MR CONDE:** And if I could ask you, please, to elaborate on that, Mr Bradley, to Mr Bell.

45 **MR BRADLEY:** Well, the way in which - in a way - in terms of the previous question, it relates also similarly to financial services, that they have significant responsibilities in relation to AUSTRAC and the relevant requirements around anti-money laundering and counter-terrorism financing, which need to be

embedded in processes and the way in which it operates in all of its activities, as well as the requirements in - under casino legislation for it to operate in a manner which demonstrates it's of good repute and acts with honesty and integrity.

5 **MR CONDE:** Do you agree - would you also agree that criminal influence is a particular issue which arises for casino businesses?

**MR BRADLEY:** Yes.

10 **MR CONDE:** And in that regard, do you agree that a director of Star Entertainment, when discharging his or her functions, receiving board materials, presentations and so forth, must be especially concerned in the context of the casino business to look out for any suggestion of money laundering and/or criminal influence?

15

**MR BRADLEY:** Yes.

**MR CONDE:** Have you had occasion to read Star Entertainment's constitution?

20 **MR BRADLEY:** Yes. Not for some time, but yes.

**MR CONDE:** Do you agree that Star Entertainment's directors are in charge of, and ultimately responsible for, the business of the company?

25 **MR BRADLEY:** Yes.

**MR CONDE:** And do you agree that the business of Star Entertainment is managed by the board which may exercise all powers of the company that are not required to be exercised by shareholders?

30

**MR BRADLEY:** Yes.

**MR CONDE:** And do you agree that the board can delegate powers to a managing director and withdraw or suspend any such delegation as the board sees fit?

35

**MR BRADLEY:** Yes.

40 **MR CONDE:** Do you accept that although directors are entitled to delegate from time to time to management, and in particular to a managing director, directors must not defer to management?

**MR BRADLEY:** Yes.

45 **MR CONDE:** Do you agree that directors should be challenging management and holding management to account as required?

**MR BRADLEY:** Yes.

**MR CONDE:** Would you agree that with this proposition: active stewardship requires the board to hold management to account when a company operates outside the board's stated risk appetite?

5

**MR BRADLEY:** Yes.

**MR CONDE:** And do you agree with this further proposition: the board cannot simply express its disappointment at a risk staying outside appetite for a stated period; the board must do more to quickly return the company to being within appetite?

10

**MR BRADLEY:** Yes.

**MR CONDE:** Do you agree that it is incumbent on directors not to allow themselves to be overwhelmed by dense, voluminous board packs?

15

**MR BRADLEY:** Yes.

**MR CONDE:** And in that regard, do you agree that boards should not have to search through substantial amounts of information to seek out references to material risks?

20

**MR BRADLEY:** Yes.

25

**MR CONDE:** Would you agree that if a board does not challenge management, that may be a sign of the board not operating effectively?

**MR BRADLEY:** Yes.

30

**MR CONDE:** Would you agree that if a management team were to become accustomed to not being challenged on important matters, that could create a problem for the company's culture?

35

**MR BRADLEY:** Yes.

**MR CONDE:** Would you agree that, depending on the seriousness of a given issue or situation at Star Entertainment, the board's role could involve withdrawing or limiting in some way a delegation to the managing director and the executive team and taking control of a particular matter?

40

**MR BRADLEY:** Yes.

**MR CONDE:** Do you agree that it is the role of the board of Star Entertainment to set the risk appetite for the company?

45

**MR BRADLEY:** Yes.

**MR CONDE:** And do you understand, on the question of culture, that it's for the board to identify the desired culture for the company and to set the tone in relation to the company's organisational culture and values?

5 **MR BRADLEY:** Yes.

**MR CONDE:** Would you agree that directors should be curious?

**MR BRADLEY:** Yes.

10

**MR CONDE:** Have you been aware of Star Entertainment's code of conduct at all times while you've been a director of Star Entertainment?

**MR BRADLEY:** Yes.

15

**MR CONDE:** And do you agree that two particular core guiding principles in the code are extremely important, namely, "we comply with the law" and "we are ethical"?

20 **MR BRADLEY:** Yes.

**MR CONDE:** If I might just show you a part of that code. It's exhibit D7, STA.3008.0023.8145. Has that come up for you, Mr Bradley?

25 **MR BRADLEY:** Yes.

**MR CONDE:** If we could go, please, to pinpoint 8150. I'm sorry. Yes. Do you see, in terms of what the operator has kindly enlarged, it says:

30 "Our employees are expected to."

And then there's a series of bullet points?

**MR BRADLEY:** Yes.

35

**MR CONDE:** Do you see the last bullet point:

"Provide complete, honest and accurate information to any regulator who lawfully requests information."

40

**MR BRADLEY:** Yes.

**MR CONDE:** And is it correct that this, so far as you're aware, is an important expectation of The Star's board?

45

**MR BRADLEY:** Yes.

**MR CONDE:** Do you agree that "do the right thing" forms an important part of The Star Entertainment's values?

**MR BRADLEY:** Yes.

5

**MR CONDE:** And what does that expression, "do the right thing", mean to you, Mr Bradley?

**MR BRADLEY:** It means to behave honestly and ethically and to undertake their duties in an appropriate way and to raise any issues of concern that might - might occur from time to time with senior management and - and ensure that if there are any concerns in the workplace that they're raised at an appropriate level.

**MR CONDE:** Are you aware that, as a listed company, Star Entertainment has an obligation of continuous disclosure under the Corporations Act and ASX Listing Rules?

15

**MR BRADLEY:** Yes.

**MR CONDE:** What, to your understanding, is Star Entertainment required to do under that obligation of continuous disclosure?

20

**MR BRADLEY:** It's required to regularly provide information to investors, which is - which - where - where it becomes aware of any matter which is price sensitive in particular. Yes.

25

**MR CONDE:** Do you agree that releases to the ASX are important documents?

**MR BRADLEY:** Yes.

30

**MR CONDE:** And do you agree that directors of a listed company must take care to ensure that the company's ASX releases are accurate and not misleading?

**MR BRADLEY:** Yes.

35

**MR CONDE:** Similarly, would you agree that board and board committee minutes are important documents?

**MR BRADLEY:** Yes.

40

**MR CONDE:** Are you aware of that there is a legal requirement under the Corporations Act for minutes, including committee meeting minutes of the board, to be kept?

**MR BRADLEY:** Yes.

45



**MR CONDE:** And do you agree that it is important for board and committee minutes to provide a full and true account of the relevant meeting to which they relate?

5 **MR BRADLEY:** Yes.

**MR CONDE:** As a member of Star Entertainment's audit committee, is it correct that independent audits commissioned by or on behalf of the audit committee should report without fear or favour and without interference from management?

10

**MR BRADLEY:** Sorry. Could you just repeat the question? Are you referring to internal audit reports, sorry?

**MR CONDE:** Yes.

15

**MR BRADLEY:** Yes.

**MR CONDE:** I will repeat the question with that clarification, Mr Bradley. As a member of Star Entertainment's audit committee, is it correct that internal audits commissioned by or on behalf of the audit committee should report without fear or favour and without interference from management?

20

**MR BRADLEY:** Yes.

25 **MR CONDE:** Is it correct that such audits should report directly to the audit committee?

**MR BRADLEY:** Yes.

30 **MR CONDE:** Do you understand, Mr Bradley, that to operate a casino in both New South Wales and Queensland, it is necessary to hold a casino licence?

**MR BRADLEY:** Yes.

35 **MR CONDE:** And you're aware, I take it, that Star Entertainment holds licences for its properties in New South Wales and Queensland?

**MR BRADLEY:** Yes.

40 **MR CONDE:** And do you understand that you are a close associate of the licensee in Sydney, The Star Pty Ltd, as someone who exercises control over that entity as a director of its ultimate holding company, Star Entertainment?

**MR BRADLEY:** Yes.

45

**MR CONDE:** Do you understand that to be a close associate, you need to be of good repute having regard to character, honesty and integrity?

**MR BRADLEY:** Yes.

**MR CONDE:** And would you agree that part of having good character, honesty and integrity involves avoiding engaging in sharp business practices?

5

**MR BRADLEY:** Yes.

**MR CONDE:** Are you aware that The Star must only have business associations with people of good repute having regard to character, honesty and integrity?

10

**MR BRADLEY:** Yes.

**MR CONDE:** Are you aware that The Star must not have dealings with people who have undesirable or unsatisfactory financial sources?

15

**MR BRADLEY:** Yes.

**MR CONDE:** Are you aware that, generally, The Star mustn't lend money to patrons save for cheque cashing facilities or CCFs?

20

**MR BRADLEY:** Yes.

**MR CONDE:** And would you agree that Star Entertainment's casino licences underpin Star Entertainment's business?

25

**MR BRADLEY:** Yes.

**MR CONDE:** So would you agree, then, that in terms of Star Entertainment's existing business, one of, if not the most, important priorities for Star Entertainment and its subsidiaries is to be suitable for the purposes of holding its casino licences for its Sydney, Brisbane and Gold Coast properties?

30

**MR BRADLEY:** Yes.

**MR CONDE:** And just to link that back to the relationship between the board and management that we discussed earlier, would you agree that if there are serious issues which might reasonably raise a doubt about the suitability of Star Entertainment or its subsidiaries to hold a casino licence, then those serious issues would require the board to take a very active role to intervene and seek to understand and fix such issues?

35

40

**MR BRADLEY:** Yes.

**MR CONDE:** Is it correct that you and your colleagues on the Star Entertainment board have been closely following developments from these public hearings of Mr Bell's review?

45

**MR BRADLEY:** Yes.

**MR CONDE:** Are those - have you had regular meetings with fellow directors to receive briefings?

5 **MR BRADLEY:** Yes. Teleconferences, yes.

**MR CONDE:** And how often would you say that those meetings are taking place?

10 **MR BRADLEY:** During the - the hearings, we've been getting daily briefings from our legal advisors late - late in the day. Yes.

**MR CONDE:** And if I might ask you a general question: what has been your reaction to the evidence that has been presented to Mr Bell in these public hearings?

15 **MR BRADLEY:** I have been very concerned by the - by the matters which have been disclosed in evidence, which have raised, you know, in my view, quite serious matters.

20 **MR CONDE:** And are there any particular matters that have concerned you more than others, or --

25 **MR BRADLEY:** I think they've all concerned me. There are - obviously the China UnionPay issues and the way ethical behaviour occurred around that is a - is a grave concern. But there are - there are a number of other quite significant matters as well.

30 **MR CONDE:** Well, perhaps if we begin with that one. Is it - do you understand that by late 2013, there were - there was an issue with China UnionPay cards where the time taken for funds to clear once a patron had swiped his or her China UnionPay card was too long?

**MR BRADLEY:** I'm aware of that issue now; I wasn't aware of it at the time.

35 **MR CONDE:** Are you aware that, on 22 November 2013, Star sought regulatory approval to release chips to patrons straightaway before funds had cleared?

**MR BRADLEY:** I understand that was the case, yes.

40 **MR CONDE:** And are you aware that no such approval was granted?

**MR BRADLEY:** I believe that's correct, yes.

45 **MR CONDE:** And are you aware that by 3 February 2014, a workaround was put together and recorded in a memorandum to address ILGA's view that a patron using a CUP card can only have access - can only access the funds for which they have transacted once those funds have cleared in The Star's bank account?

**MR BRADLEY:** I'm aware of it now, yes.

**MR CONDE:** The workaround I'm referring to involves using a cheque cashing facility. Does that accord with your understanding?

5

**MR BRADLEY:** Yes.

**MR CONDE:** And are you aware that right from the beginning of this workaround in 2014, senior executives - including Mr Bekier, who at that time was the CFO, and Ms Martin - knew of a concern expressed by Mr Oliver White that in light of the Independent Liquor and Gaming Authority view's on Star only accessing funds once cleared, they may form the view that the use of cheque cashing facilities in this circumstances is a prohibited provision of credit?

10  
15 **MR BRADLEY:** I - I understand from reading papers that that - that matter - that matter arose. I don't know all the detail of it. Yes.

**MR CONDE:** It's correct, is it, you weren't aware of this in or around 2014?

20 **MR BRADLEY:** No.

**MR CONDE:** So far as you're aware, when did you become aware of that issue, the workaround?

25 **MR BRADLEY:** Well, I only became aware of the China UnionPay issues once the - an independent report had been presented to the board in - in - I think it was late last year, '21.

**MR CONDE:** I will come to that in a moment, Mr Bradley, to check the document that I think you're referring to. But are you aware that despite a concern around the workaround, Star Entertainment went ahead and ran that risk?

**MR BRADLEY:** They certainly put in place that arrangement. I'm - yes, I'm not sure about that or issues surrounding it. Yes.

35

**MR CONDE:** And are you aware that Mr Bekier told Mr Bell in his evidence to this review that what should have happened way back then in or about 2014 is to have had this practice cleared with the regulator?

40 **MR BRADLEY:** Yes, that should have occurred. I haven't heard Mr Bekier's evidence on that, but I - but I would agree that it should have been made known and - and cleared with the regulator. Yes.

**MR CONDE:** And why is that your view, Mr Bradley?

45

**MR BRADLEY:** Well, clearly if - if there were concerns that it wasn't in accordance with the regulator's requirements, then that was a matter that should - should have been disclosed and - and - to the regulator and - and

considered appropriately at the time. If indeed it could not meet their requirements, it should not have been put in place.

5 **MR CONDE:** Would you agree, Mr Bradley, that if the Authority at that time had not approved a proposal, then The Star should not have used it, at least at its Sydney property?

**MR BRADLEY:** Yes, I think that's right.

10 **MR CONDE:** And is it your understanding that instead what happened between 2014 through to March 2020 was that The Star ran a risk of contravening the Casino Control Act each and every time there was a China UnionPay swipe and a patron was given chips prior to the funds clearing?

15 **MR BRADLEY:** I'm not across the legal issue around that matter, but I agree that there was a regulatory risk that was - it appeared to be taking, yes.

**MR CONDE:** And when, doing your best, do you recall becoming aware of that risk?

20 **MR BRADLEY:** It's only during the process of these - these hearings.

**MR CONDE:** As a director of Star Entertainment, would it have been your expectation that if such a risk was being run by the business, that it would have been known to the board?

**MR BRADLEY:** Yes.

30 **MR CONDE:** I asked you earlier, Mr Bradley, about any awareness of fund flows out of China. But if I might just ask in particular about whether - do you have any understanding of a prohibition applying in China on money being taken out to be used for gambling?

35 **MR BRADLEY:** I'm generally aware that that is something that the Chinese Government has sought to discourage. I'm not sure of the exact legal situation with that.

40 **MR CONDE:** Are you aware of Mr Graeme Stevens's evidence to this view on day 6 that it was his understanding in June 2013 that UnionPay International prohibited the use of China UnionPay cards to purchase gambling chips?

**MR BRADLEY:** I'm aware that was a provision of their card, I believe, yes. Now - I'm aware of it now, yes.

45 **MR CONDE:** And --

**MR BRADLEY:** I'm not aware of his particular evidence on the matter.

**MR CONDE:** And are you aware that Mr Bekier and Mr Theodore gave similar evidence on days 27 and 25, respectively?

5 **MR BRADLEY:** I'm not aware of the exact evidence that they provided, but I'm aware of - of the issue, yes.

10 **MR CONDE:** Perhaps, then, if I can go to - you mentioned a paper in late 2021. If I could ask that exhibit B3110 be brought up, please. Has it come up for you, Mr Bradley? It's a board paper from Ms Martin and Mr Power.

**MR BRADLEY:** Yes.

15 **MR CONDE:** And the subject is Gaming Inquiries Update, and it's dated 22 September 2021?

**MR BRADLEY:** Yes.

**MR CONDE:** And do you see the purpose stated there is:

20 "To provide the board with an update on matters arising out of the Bergin Inquiry and the associated Crown inquiries."

**MR BRADLEY:** Yes.

25 **MR CONDE:** If we could go, please, to pinpoint 1448. Do you see, about halfway down the page, there's a point 3 - and if part 3 could be enlarged for Mr Bradley, please. Do you see, Mr Bradley, there's a mention there of Risk Assessment Methodology and then it says:

30 "A copy of the assessment of CUP is provided in appendix B."

**MR BRADLEY:** Yes.

35 **MR CONDE:** Now, if we go to appendix B, pinpoint 1457. In fact - I'm sorry. In fairness to Mr Bradley, could we go to 1456, just to show him that this is appendix B, and then if we can go forward to 1457. Is this the review paper that you were referring to earlier, Mr Bradley?

40 **MR BRADLEY:** Yes.

**MR CONDE:** May I take you to pinpoint 1461. And if the section Lessons From This Review could be raised. Do you see that it says that:

45 "The historical use of CUP would not conform to The Star's current corporate culture and risk appetite for at least four reasons."

Namely, first bullet point:

"The Star did not adhere to the rules of major card scheme in which it participated."

Second bullet point:

5

"The Star attracted financial and reputational risks in its use of CUP and its dealings with NAB."

Third:

10

"The Star appeared to have less regard for foreign legal issues than Australian ones."

And fourth:

15

"Some parts of management felt unconstrained by the spirit of controls."

**MR BRADLEY:** Yes.

20 **MR CONDE:** And do you agree with that opinion as expressed in that document?

**MR BRADLEY:** Yes.

25 **MR CONDE:** Is it your understanding, Mr Bradley, that China UnionPay cards were used at terminals at Star Entertainment's hotels, with money then being transferred to front money accounts for gambling?

**MR BRADLEY:** Yes.

30 **MR CONDE:** And what, if any, opinion do you have on whether Star Entertainment should have allowed that practice?

35 **MR BRADLEY:** Well, clearly, it was - it shouldn't have been allowed. It was - it could only be interpreted as an approach which was seeking to disguise the - the purposes for which the China UnionPay transaction was meant to - meant to relate to.

40 **MR CONDE:** And, Mr Bradley, are you aware of evidence that some \$900 million came through this payment channel?

**MR BRADLEY:** Yes.

45 **MR CONDE:** Does that amount of money bear upon your assessment of the other risks?

**MR BRADLEY:** Yes, certainly with a substantial amount of money and - which occurred in situations where there were serious questions around ethical judgment and honesty.

5 **MR CONDE:** Are you aware, Mr Bradley, of Mr Andrew Power's evidence that there was a practice of dummy rooms being assigned to patrons using China UnionPay cards and that this was fake in that it was not a true reflection of what had occurred?

**MR BRADLEY:** Yes.

10 **MR CONDE:** And do - I should have asked, Mr Bradley, before: in terms of the amount of money coming through - the \$900 million figure - when did you first become aware of that?

15 **MR BRADLEY:** When the - when this report was discussed at a - at that relevant Star board meeting.

**MR CONDE:** And are you aware of evidence given to this review that on one day in 2015, a patron debited \$11 million from his China UnionPay card?

20 **MR BRADLEY:** I wasn't aware of that detail, but --

**MR CONDE:** Patrons - the patron was Mr Dong Fang Lee.

**MR BRADLEY:** Yes, I don't know that - that detail personally. Yes.

25 **MR CONDE:** Mr Bradley, are you aware of a matter, which was explored in - over days of evidence before Mr Bell in this review, involving queries from UnionPay to NAB about certain transactions, NAB passing on those queries to Star Entertainment and Star Entertainment giving responses to NAB in the knowledge that those responses, or the substance of them, would go back to the Chinese bank?  
30

**MR BRADLEY:** Yes.

35 **MR CONDE:** And if I can just take you to two particular responses. The first is exhibit B1430, and this is STA.3002.0010.0096. If we can go about halfway down the page, there's a request from Joel Avenell, which is within an email from John Ventura. It's the text that begins, "Hi JC," and then there are three requests. If that could be enlarged for Mr Bradley, please. Mr Bradley, do you see it says:

40 "UnionPay's risk team have flagged transactions. Please request The Star to confirm."

And then there are three questions:

45 "Explain the business scope of the relevant merchants; explain what type of goods or services did the cardholder purchase; (3) provide the supporting documents for the attached transactions."



**MR BRADLEY:** Yes.

5 **MR CONDE:** And if we can then scroll up, please, to the answers. Just before I ask you about those, Mr Bradley, would you agree that whatever view executives within Star might have had about what was and wasn't known by UnionPay and/or NAB at that time, those were straightforward questions which warranted straightforward answers?

10 **MR BRADLEY:** Yes.

**MR CONDE:** And going, then, to those answers - if we can just enlarge the points 1 to 3. Do you see number 1 is:

15 "The merchant operates integrated resorts in Australia, consisting of hotels, restaurants and other entertainment facilities; the cardholder purchased hotel accommodation services with the transactions in question."

And then (3):

20 "Invoices are attached."

Now, Mr Bradley, noting that the question to which number 2 was responding to was:

25 "Explain what types of goods or services did the cardholder purchase."

Do you see that the answer given there is:

30 "The cardholder purchased hotel accommodation services with the transactions in question."

**MR BRADLEY:** Yes.

35 **MR CONDE:** And there's a similar exchange dated 28 August 2019, which is exhibit B1594. If we could bring that up, please. That's STA.3002.0010.0004. And if I can just show you the - at the top, there's the same form of responses. If we can just enlarge at the top, please, the part that begins, "Hi Marty," and then goes 1 through 3. Do you see, Mr Bradley, there's the same form of answer given, and in particular at point 2:

40 "The cardholder purchased hotel accommodation services with the transactions in question."

45 **MR BRADLEY:** Yes.

**MR CONDE:** Now, are you aware that Ms Dudek told Mr Bell that at the time of sending this response, she knew the CUP cards had been used to fund gambling?

**MR BRADLEY:** I think that was the case, yes.

**MR CONDE:** And that being the case, what, if any, comment do you have on that response?

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**MR BRADLEY:** Well, my comment is clearly the response is totally misleading and inappropriate.

**MR CONDE:** Would you agree that it's unethical?

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**MR BRADLEY:** Yes.

**MR CONDE:** Are you aware that Ms Dudek told Mr Bell that this form of language, which I've taken you to across two emails, had been provided to her by Mr Oliver White and that she did not feel she was able to challenge her superiors in that regard?

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**MR BRADLEY:** I believe that was the case, yes.

**MR CONDE:** What, if any, comment do you have on Ms Dudek's evidence of feeling unable to challenge her superiors?

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**MR BRADLEY:** That's - that is a - that is a grave concern, given our - our code of conduct and - and - and culture is meant to provide a basis for people to report any - any concerns such as that. I'm not sure why in this case, if there were concerns held, which there obviously were, why that wasn't - why the person didn't use the whistleblower services. But it's disappointing that it occurred.

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**MR CONDE:** Another document I wish to show you is exhibit B1828. This is STA.3105.0011.5300. If we can go to the second page first, please. It's pinpoint 5301. And if we could enlarge that, please, for Mr Bradley. Do you see, Mr Bradley, there's an email here from Ms Tanya Arthur dated 6 November 2019, noting that UnionPay was considering issuing NAB a directive to cease provision of UnionPay card acceptance at Star, and then the third sentence:

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"From our conversation with local UnionPay representatives, China's central bank (that is, the People's Bank of China, similar to our RBA) is not satisfied with UnionPay's explanations received from The Star (via NAB) for previous irregular transaction investigation requests."

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**MR BRADLEY:** Yes.

**MR CONDE:** And then there's a request below for additional information. May I take you back, please, to the first page. That's point 5300. I just ask to focus, please, on the second-last paragraph in this response from Ms Scopel, the one beginning, "We confirm." Do you see it says:

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"We confirm the terminal is located in The Star Grand Hotel, outside of gaming related areas and gaming transactions are not conducted at the hotel."

**MR BRADLEY:** Yes.

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**MR CONDE:** And are you aware that Ms Scopel told Mr Bell that, by this time, she was aware that money would be transferred ultimately to patrons' front money accounts, in other words, for gambling?

10 **MR BRADLEY:** I understand that's the case, yes.

**MR CONDE:** And that being the case, what, if any, comment do you have on this response?

15 **MR BRADLEY:** Again, it's - it's totally misleading, just - it was simply a - a facade for disguising the true purpose of the transaction.

**MR CONDE:** And would you agree that this was unethical as well?

20 **MR BRADLEY:** Yes.

**MR CONDE:** Are you aware that Mr Theodore told Mr Bell that this sentence in particular was false and deceptive?

25 **MR BRADLEY:** That's certainly the case, yes.

**MR CONDE:** Are you aware of evidence from Ms Scopel that her response was prepared in a context of receiving guidance from both Mr Oliver White and Mr Harry Theodore?

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**MR BRADLEY:** I believe that was the case, yes.

**MR CONDE:** And are you aware that Ms Scopel gave evidence to Mr Bell that she did not feel she was in a position to challenge Mr White or Mr Theodore because she was concerned that if she did, it could impact her employment?

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**MR BRADLEY:** I wasn't aware of the evidence. But, yes, I - that may be - that - I assume that was correct in her evidence, yes.

40 **MR CONDE:** And what, if any, comment do you have on that evidence?

**MR BRADLEY:** Well, it's - it's of extreme concern that a person would feel they - they had to act unethically simply to maintain their employment.

45 **MR CONDE:** Do you agree that these responses simply should not have been given?

**MR BRADLEY:** Yes.

5 **MR CONDE:** Mr Bradley, are you aware of an allegation that Star staff members in Macau were providing letters to representatives of the Bank of China in Macau which provided a false explanation as to the source of funds which were being deposited by patrons at the Bank of China in Macau?

**MR BRADLEY:** Yes, I - I've become aware of that. Yes.

10 **MR CONDE:** And when did you first become aware of that issue?

**MR BRADLEY:** I believe it was identified in - in preparing for this review, and it was discovered by management at The Star in reviewing various correspondence, I believe. I'm not sure of the exact detail of it, but I understand that was the case.

15 **MR CONDE:** And, Mr Bradley, when you mentioned preparing for this review, was it preparing for the public hearings or preparing at an earlier time, as best you can recall?

20 **MR BRADLEY:** I think it was at a slightly earlier time, but - yes.

**MR CONDE:** Is it correct that whenever that time was, if it's some time in the last six months or so, but before that time, you had no idea about that issue?

25 **MR BRADLEY:** That's correct. Yes.

**MR CONDE:** And are you aware of Mr Bekier's evidence to Mr Bell on day 28 that he first became aware of this issue in about October 2021?

30 **MR BRADLEY:** That sounds correct, yes.

**MR CONDE:** Are you aware that Mr Bekier gave evidence that at that time, in or around October 2021, he caused a full investigation to be undertaken into the circumstances surrounding the alleged provision of fake source of funds documents?

35 **MR BRADLEY:** I understand the matter was investigated, yes, and I thought had been disclosed to - to the review.

40 **MR CONDE:** Is it your understanding that the investigation has completed?

**MR BRADLEY:** I'm not certain where - if that investigation was complete, no.

45 **MR CONDE:** So if I might ask you, please, to tell Mr Bell what your understanding is of the status of that investigation.

**MR BRADLEY:** I'm not - I'm not aware of the status of the investigation. I believe there - there was some difficulty in that the staff involved are no longer

employed by The Star. I'm not sure if - if the actual investigation itself had - had concluded.

5 **MR CONDE:** Do you agree that it's a very serious suggestion that staff members provided fake source of funds documents to a bank?

**MR BRADLEY:** Yes.

10 **MR CONDE:** Is it your expectation that management would be investigating this issue very promptly?

**MR BRADLEY:** Yes.

15 **MR CONDE:** In the time available, I think I can quickly do one more topic, Mr Bradley. Is it your recollection that in a board meeting on 10 February 2022, management informed the board that it had initiated an investigation by Gadens into allegations that staff might have encouraged patrons to register as rebate players, thus attracting a lower amount of duty?

20 **MR BRADLEY:** I believe there - an investigations along those lines was commenced by management. I wasn't sure of the exact timing of the date, but yes.

25 **MR CONDE:** Perhaps if I could ask that the minutes be brought up. That's STA.3029.0002.0029. Now, just as an administrative matter before I ask that this be given an MFI because I believe it hasn't been exhibited, Mr Bell, I need to ask that an earlier document be marked for identification, the one I took Mr Heap to, which was INQ.025.021.0001. May I ask that that be marked for identification?

30 **MR BELL SC:** Could you repeat the document ID, please?

**MR CONDE:** INQ.025.001.0001.

**MR BELL SC:** Yes. That will be MFI67.

35 **MR CONDE:** And I'm grateful to have indicated to me that this document is exhibit H545. So I don't need to make any request in that regard. Do you see - if I could ask that you be shown, Mr Bradley, the section that's entitled SMH Article. If that could be enlarged. Do you see the final bullet point:

40 "Investigation process will be conducted by the company's external legal advisers (Gadens) and the general manager internal audit and assurance working with the internal legal team on the Bell Review."

45 **MR BRADLEY:** Yes.

**MR CONDE:** And if we could just scroll to the top of this document, please. Do you see this was mentioned in minutes of meeting dated 10 February 2022?

**MR BRADLEY:** Yes.

**MR CONDE:** So far as you're aware, has there been any update in relation to that investigation since the time of this meeting?

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**MR BRADLEY:** I haven't seen an update, no, since that time, I don't believe.

**MR CONDE:** Do you understand, Mr Bradley, that the question is whether a given patron is ordinarily resident in New South Wales?

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**MR BRADLEY:** Yes.

**MR CONDE:** And is it your understanding that if a patron is not ordinarily resident in New South Wales, then duty is payable at a lower rate on the rebate program?

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**MR BRADLEY:** Yes.

**MR CONDE:** And I take it, as a general principle, Mr Bradley, you accept that it's important for Star to be paying the correct amount of tax?

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**MR BRADLEY:** Certainly. Yes.

**MR CONDE:** Are you aware of evidence that Mr Hawkins gave to this review on Day 23, that in respect of a - it looked like a mistake had been made in respect of a particular patron's characterisation, and the implication of that apparent mistake was a \$2.1 million difference in the duty payable?

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**MR BRADLEY:** I'm aware that there's an amount of that order involved in - I'm not sure whether that's one patron or - or a group of patrons, but yes.

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**MR CONDE:** Would you agree that - with this proposition, Mr Bradley; that characterisation might have an effect of a large amount of tax being payable or not payable?

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**MR BRADLEY:** Yes, I understand. Of that order, yes.

**MR CONDE:** And as far as you can recall, in the board meeting of 10 February 2022, which - the minutes for which are up on the screen, do you recall whether Mr Hawkins mentioned that he and Mr Power and Mr White had given the topic of correctly characterising patrons some quite detailed consideration in around September and October 2020?

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**MR BRADLEY:** I don't recall that being mentioned at that meeting, no.

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**MR CONDE:** Mr Bell, I see the time. Is that a convenient point?

**MR BELL SC:** Yes. I will now adjourn until 10 am tomorrow morning.

**<THE HEARING ADJOURNED AT 5:00 PM**