



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

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

**PUBLIC HEARING
SYDNEY**

**MONDAY, 23 MAY 2022
AT 10:00 AM**

DAY 34

**MS N. SHARP SC appears with MR C. CONDE, MS P. ABDIEL
and MR N. CONDYLIS as counsel assisting the Review
MS K. RICHARDSON SC appears as counsel for The Star Pty Ltd
MR A. DI STEFANO appears as counsel for Mr Andrew Bowen
MR G. O'MAHONEY appears as counsel for Mr Harry Theodore
MR M. HENRY SC appears with MS M. CAIRNS and MS L. RICH
as counsel for Mr Richard Sheppard**

Witnesses

**ANDREW JOHN CHARLES BOWEN
RICHARD WALLACE SHEPPARD
JOHN ANTHONY O'NEILL**

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

<THE HEARING RESUMED AT 10:06 AM

MR BELL SC: Yes, Ms Sharp.

5 **MS SHARP SC:** I call Andrew Bowen.

MR BELL SC: Yes.

10 **MR BOWEN:** Yes.

MR BELL SC: Mr Di Stefano, you appear for Mr Bowen; is that correct?

MR DI STEFANO: Yes, I do, Mr Bell.

15 **MR BELL SC:** Right. And is there a counsel representing Mr Theodore attending the virtual hearing? Mr O'Mahoney, you're representing Mr Theodore, are you?

20 **MR O'MAHONEY:** There is, Mr Bell. I appear for Mr Theodore, with leave of the inquiry.

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

MR BOWEN: An affirmation.

25 **<ANDREW JOHN CHARLES BOWEN, AFFIRMED**

MR BELL SC: Yes, Ms Sharp.

30 **<EXAMINATION BY MS SHARP SC:**

MS SHARP SC: Mr Bowen, could you tell the review your full name, please.

MR BOWEN: Andrew John Charles Bowen.

35 **MS SHARP SC:** And your address is known to those assisting this review?

MR BOWEN: Yes, it is.

40 **MS SHARP SC:** You have prepared a statement dated 17 May 2022?

MR BOWEN: Correct.

MS SHARP SC: Are the contents of that statement true and correct?

45 **MR BOWEN:** Yes, they are.

MS SHARP SC: Now, it's correct, isn't it, Mr Bowen, that by letter dated 9 May 2022 from the solicitors assisting this review, you were given the opportunity to put on a statement?

5 **MR BOWEN:** Correct.

MS SHARP SC: And --

10 **MR BELL SC:** Mr Bowen, are you able to move your camera closer so we can see you a bit more clearly, please?

MR BOWEN: I'll have to ask IT, I'm sorry, Mr Bell. I'm in a meeting room with a set camera. The - hopefully the IT gentleman will come and help - come in.

15 **OPERATOR:** Mr Bell, we have someone attempting to assist with that.

MR BELL SC: Yes. I might adjourn for a moment until that can be fixed up, Mr Bowen. I will just adjourn briefly.

20 **<THE HEARING ADJOURNED AT 10:08 AM**

<THE HEARING RESUMED AT 10:16 AM

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

MS SHARP SC: Operator, could you please bring up a letter to Mr Bowen from the solicitors assisting the review dated 9 May 2022. Mr Bowen, I'm showing you a letter from Maddocks dated 9 May 2022. Did you receive that on about the date it bears?

30 **MR BOWEN:** Yes.

MS SHARP SC: And you agree with me that by this letter, you were afforded the opportunity to provide a statement to this review; is that right?

35 **MR BOWEN:** Yes.

MS SHARP SC: Mr Bell, could I mark that for identification, please?

40 **MR BELL SC:** MFI69.

MS SHARP SC: And it's correct, isn't it, that the solicitors assisting the review provided you with a copy of a transcript of Mr Harry Theodore's oral evidence to this review?

45 **MR BOWEN:** Yes, they did.

MS SHARP SC: And you were also provided with a copy of Mr Theodore's statement dated 8 February 2022?

MR BOWEN: Yes, I was.

5

MS SHARP SC: And you were provided with a number of documents, weren't you?

MR BOWEN: Yes, I was.

10

MS SHARP SC: And it's correct, isn't it, that at the back of your statement dated 17 May 2022, you identify in schedule A the documents that the solicitors assisting the review provided you with?

15 **MR BOWEN:** Correct.

MS SHARP SC: Now, Mr Bowen, it's correct, isn't it, that between June 2008 and October 2011, you were an associate director, institutional banking, at NAB?

20 **MR BOWEN:** Yes.

MS SHARP SC: And in the period 2012 to 2019, were you a director, institutional banking, industrial sector, with NAB?

25 **MR BOWEN:** Correct.

MS SHARP SC: And in both of those roles, part of your duty was to be a relationship manager for various institutional clients?

30 **MR BOWEN:** Correct.

MS SHARP SC: And one of those institutional clients was The Star; is that correct?

35 **MR BOWEN:** Correct.

MS SHARP SC: And, in fact, during that period, you were the relationship manager for 14 clients?

40 **MR BOWEN:** In particular, from the - to when I became a director to when I became - from a director onwards, before that period, I probably looked after more than 14. I'd have some overview. So when I was an associate director, I had a greater number of clients, and as a director, I had 14.

45 **MS SHARP SC:** And what, in general terms, were your responsibilities as a relationship manager?

MR BOWEN: My responsibility as a relationship manager is to connect - you know, you have oversight of the entire client. You are to connect various parts of the banks and specialist areas and products and services into the client and create opportunities for the discussions to occur and products and services to be
5 provided. I was also responsible - or my primary responsibility from my side comes down to the credit aspect of the - of the relationship, i.e., all the clients we - or the majority of the clients I manage, we provide them a syndicated loan or participate in a syndicated loan, and that function of the credit (indistinct) that would sit with my team. But the primary responsibility is really connecting
10 various parts of the banks together into the client.

MS SHARP SC: So it was a role of facilitation, was it?

MR BOWEN: Yes.
15

MS SHARP SC: Now, during the time you were the relationship manager for The Star, were you aware of the UnionPay International operating regulations?

MR BOWEN: Not in significant detail. I was aware at a high level.
20

MS SHARP SC: Were you aware that those regulations prohibited CUP cards being used to purchase gaming chips?

MR BOWEN: Yes, I was.
25

MS SHARP SC: And when did you reach that awareness?

MR BOWEN: I couldn't specifically recall, but it has always been my understanding. So when that - but I couldn't tell you an exact date.
30

MS SHARP SC: When did you first meet Harry Theodore?

MR BOWEN: Harry has been with The Star since it first commenced operations as a standalone entity. I looked after them since they first operated as a standalone
35 entity in 2011. I would have met him somewhere between 2011 and probably - pardon if my dates are slightly wrong, 2016. I would have met him somewhere, I'm sure. But he became, I guess, more involved - I think it would be further on around 2016 - or Harry used to do - I might be wrong. Apologies if I am. I think he was head of investor relations and other areas. So he wasn't directly
40 involved with the banking side, but he might be present at a - at a function. I don't know. But some time during that period. I'm sorry, Ms Sharp. I can't be more exact.

MS SHARP SC: Now, you became aware at a particular point in time that The Star held terminals which were provided by NAB which could accept CUP cards; correct?
45

MR BOWEN: Yes.

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

5 **MR BOWEN:** I can't exactly recall, but I think it was maybe 2014 - I - I don't know - I can't - sorry, I cannot give an exact date when they would have been installed - when they were installed.

10 **MS SHARP SC:** And what role, if any, did you have in relation to those terminals?

MR BOWEN: I had no role as far as the installation or the set-up of those terminals. The terminals, the documentation, the signing, the installation is all run through the transactional banking team, which is one of the teams that would - with specialist area - with specialist product knowledge, and they would
15 set up and run the terminals, including the documentation. That didn't form part of my team's role.

MS SHARP SC: And when did you become involved in discussions with representatives from The Star about the use of CUP terminals?
20

MR BOWEN: I cannot specifically recall. Based on the evidence that has been provided to me, there's certainly reference - I think it's from 2016 might be the first piece of evidence which was provided. I - that's the first I could recall.

25 **MS SHARP SC:** Now, if I can focus your attention on 2016 for a moment. What was your understanding of the way in which the NAB-provided terminals were being used for CUP swipes?

30 **MR BOWEN:** My understanding was the terminals at that stage were only at The Star in Sydney. The terminal or terminals were located in the hotel, and the terminals were used - were not to be used for gaming or gambling-related purposes. They were to be used for hotel and other expenses. But specifically we highlight again, they were not to be used for gaming or gambling-related purposes.

35 **MS SHARP SC:** And how did you form the understanding they were not to be used for gaming purposes?

MR BOWEN: That was - would have been pointed out to me by my transactional banking or merchant risk operations team and has always been my understanding.
40

MS SHARP SC: And did you have any understanding at all in either 2016 or 2017 that, in fact, CUP cards were swiped at this terminal for the ultimate purpose of purchasing gaming chips?

45 **MR BOWEN:** I had no knowledge of that.

MS SHARP SC: Now, I'd like to discuss some of your dealings with Mr Theodore in 2016. Could I take you, please, to Mr Theodore's first statement to

5 this inquiry and seek your comment on something that he says. Operator, could we please call up Mr Theodore's statement dated 8 February 2022, which is exhibit A1339, INQ.002.004.0145. And could we go to paragraph 89. Now, Mr Bowen, could I take your attention, please, to paragraph 89(b) of Mr Theodore's statement and ask you to read that to yourself.

MR BOWEN: I have read that.

10 **MS SHARP SC:** And you see that Mr Theodore refers to having a discussion with you in September of 2016?

MR BOWEN: Yes, I do.

15 **MS SHARP SC:** And he says that you outlined to him your understanding of how the terminals would be used and said words to the effect:

20 "That the terminals were for VIP customers based on the level of gaming spend, that the transactions would take place as 'hotel transactions' with terminals located outside the casino area, and that once cleared, the funds would primarily be used by the patrons for gaming."

Is that what you said?

25 **MR BOWEN:** I did not say that.

MS SHARP SC: What – What did you say?

30 **MR BOWEN:** I certainly would not have said that it could be used for gaming. That is contrary to the rules and to my understanding, which has always been the case. I couldn't exactly recall what I would state, but I will be very clear that I would never have stated such a thing because that was outside the rules. The - in relation to setting up the terminals, I would be – would mention - would have that arranged by the transactional banking team. So I wouldn't have gone into that - I would be surprised if I had gone into that level of detail because I don't have that level of knowledge, other - other than they cannot be used for gaming or gambling-related transactions.

40 **MS SHARP SC:** Now, could I take you, please, to paragraph 89(d), which I will have the operator bring up for you. And could I just ask you to read that to yourself, please, Mr Bowen.

MR BOWEN: Yes.

45 **MS SHARP SC:** Now, Mr Theodore says that you attended an in-person meeting with him on 22 March 2017 by way of general catch-up, and that at that meeting, you discussed:

"The fact that NAB had received a number of queries from CUP which NAB had replied to."

Did you have that discussion with him?

5

MR BOWEN: I remember catching up with Mr Theodore in Melbourne. The diary note - diary notes that have been submitted indicate that. I certainly remember the meeting - meeting Mr Theodore in Melbourne. It was - I think that's the only time I met him in Melbourne. I'm based in Melbourne. He is based in Sydney. So I certainly remember the meeting. My recollection of the meeting - we had a coffee at a café, so in an open environment, in the coffee shop out the back of 101 Collins Street in Melbourne. Given a public setting and public place, the discussions would be - would be very general at a high level. I don't have a habit of talking about confidential or in-depth client related matters in a public forum, and I - so I - but I don't have any notes from that meeting.

MS SHARP SC: Well, Mr Bowen, what Mr Theodore says is that at that meeting, you discussed whether The Star should continue to use the CUP service in light of queries from UnionPay. And he says you confirmed the position that at that time, NAB were still comfortable to provide the service to The Star on the basis that the terminals were located outside the casino and that gaming transactions were not conducted at the terminals. Did that conversation occur, Mr Bowen?

MR BOWEN: I could not recall that specifically. However, providing gaming transactions were not to occur or any gambling related, then NAB, the entire time I was there, was comfortable in providing the services to The Star on the basis that they abide by the scheme rules. There's no reason not to provide the terminals to them.

MS SHARP SC: To be clear, as at the time of this meeting on 22 March 2017, did you have any understanding at all that the CUP cards were being swiped and the debits were then transferred across to a front money account so that the patrons could purchase gaming chips?

MR BOWEN: I had no idea of that. The first I have heard of such is during this inquiry being raised. I have never - never heard of that previously.

MS SHARP SC: Now, could I take you to an email, please, on - dated 30 March 2017. Could I please call up exhibit B at 254, which is STA.3103.0001.0285. Now, I'm showing you an email that you sent to Mr Theodore eight days after that in-person meeting. You've reviewed this email in recent times, have you?

MR BOWEN: Yes, I have.

MS SHARP SC: And in this email, you say that you:

"Have been asked to forward the following to remind Star Entertainment of China UnionPay's terms and conditions."

And you say:

5 "As Star Entertainment Group's acquiring bank, NAB are committed to
protecting our customers' reputation. NAB would like to ensure that all
transactions through Star Entertainment Group merchant facilities restrict
gambling. Gambling applies a separate merchant category code to what is
10 currently applied to The Star Entertainment Group's Astral VIP merchant
terminal. Thereby, we must ensure that no proceeds or deposits for gambling
are placed through this terminal. Please ensure strict controls are in place to
avoid any gambling credits being placed through the terminals."

Why did you send this email at this time to Mr Theodore?

15 **MR BOWEN:** As I stated in the - in my email, I was asked to forward that email,
in particular I note the blue section which would have been provided to me by my
transactional banking or merchant risk operations area. So they have asked me
directly to forward that to The Star, so I would do so.

20 **MS SHARP SC:** And did you see that anything you were writing in that
email - and I'm asking you for your view back when you wrote this. Did you
understand that anything you wrote in that email was inconsistent with what you
had discussed with Mr Theodore on 22 March 2017 in relation to the purpose of
the CUP transactions at the NAB terminal in Astral, the Astral hotel?
25

MR BOWEN: The email that I've sent, the wording asked - reminding them what
they have to do and what can and cannot occur is consistent with my
understanding, is consistent with any discussions I've had with The Star, in that no
gaming, gambling, etcetera, in that regard can be put through the terminals. That
30 has always been my understanding.

MS SHARP SC: Now, you were aware, were you, that from time to time,
UnionPay queried CUP transactions that were put through this terminal?

35 **MR BOWEN:** Yes.

MS SHARP SC: And were you aware of the value of those transactions?

40 **MR BOWEN:** In some of the occasions, I - I was aware. I think as the evidence
will show, the majority of the time I was asked - sorry, to be confirmed. In some
of the email chains, I've been made aware or asked certain dates - sorry, amounts,
transactions, yes.

45 **MS SHARP SC:** And would it be fair to characterise the transactions as
high-value transactions?

MR BOWEN: They are high value, as in, they're VIPs. So they're not levels that I
would be able to transact, but I'm not a VIP client.

MS SHARP SC: So are you able to tell us what your recollection was as to the value of these transactions that were being queried?

5 **MR BOWEN:** The value - some were \$20,000, up to maybe a couple of hundred thousand dollars with individual transactions. That was my understanding of what - I think - I believe lower level transactions went through the accounts, but the ones that have been shown to me range, I think, from about \$10,000 up to maybe \$200,000.

10

MS SHARP SC: And at the time these queries were - or these transactions were queried, what was your understanding of what was purchased on these CUP cards?

15 **MR BOWEN:** It was, as I've always said, non-gaming related. So my understanding is that patrons who attended The Star, they could pay for anything outside of gaming through the terminals. So hotel, entertainment, flights, tours, shopping, meals, alcohol - things such as that, as well as themselves individually and their families that might be travelling with them.

20 **MS SHARP SC:** Did you, at the time, reflect on the value of these transactions and consider whether the value of these transactions was consistent with what you understood to be the purpose of these transactions?

25 **MR BOWEN:** The values that were shown to me, those amounts could - could easily be spent by VIP customers on things such as first class tickets. They were also able to - if they wanted, I understand you can actually charter the private plane of The Star to fly. So that would be captured. So that would cost a lot. So I don't - had no reason to be alarmed by the amount. And those values of the transactions and individual transactions were monitored by the merchant and merchant risk operations area, which is primarily tasked to do that within the bank.

30

MS SHARP SC: At the time that you had dealings with Mr Theodore in 2016 and 2017, did you have any awareness that CUP cards were being used in certain casinos around the world to purchase gaming chips?

35

MR BOWEN: Not that I can recall.

MS SHARP SC: I have no further questions, Mr Bell.

40 **MR BELL SC:** Ms Richardson and Mr O'Mahoney, I will, of course, permit you both to ask Mr Bowen questions, but I won't permit you both to ask Mr Bowen the same questions or to otherwise cover the same ground. Ms Richardson, would you like to go first?

45 **MS RICHARDSON SC:** I don't have any questions. Thank you.

MR BELL SC: Yes. Mr O'Mahoney.

MR O'MAHONEY: I don't have any questions. Thank you, Mr Bell.

5 **MR BELL SC:** I see. Well, Mr Bowen, thank you for attending to give evidence. The formal direction I will make is that your examination is adjourned, but it's highly unlikely that you will be required to attend again.

<WITNESS RELEASED

10 **MR BELL SC:** Yes, Ms Sharp. Who is the next witness?

MS SHARP SC: I recall Mr Sheppard. I wonder whether we could have a five-minute adjournment to change arrangements?

15 **MR BELL SC:** Yes. I will now adjourn for five minutes.

<THE HEARING ADJOURNED AT 10:39 AM

<THE HEARING RESUMED AT 10:44 AM

20 **MR BELL SC:** Mr Henry, you're continuing to represent Mr Sheppard, are you?

MR HENRY SC: Yes. Thank you.

25 **MR BELL SC:** Yes. And, Mr Sheppard, you remain bound by the oath you took on 9 May.

<WALLACE RICHARD SHEPPARD, ON FORMER OATH

30 **MR SHEPPARD:** Yes. Thank you.

MR BELL SC: Yes, Ms Sharp.

<EXAMINATION BY MS SHARP SC:

35 **MS SHARP SC:** Mr Sheppard, do you know who Angus Buchanan is?

MR SHEPPARD: Yes, I do.

40 **MS SHARP SC:** And it's right, isn't it, that from May 2019 through to 1 November 2021, he was the due diligence program manager?

MR SHEPPARD: I believe he was. I'm not sure if that was his exact title, but I believe he was, yes.

45 **MS SHARP SC:** And it's correct, isn't it, that he was promoted in November 2021?

MR SHEPPARD: I don't know.

MS SHARP SC: Are you aware that since that time, he has been the group manager of due diligence and intelligence at Star Entertainment?

5 **MR SHEPPARD:** I'm not aware of his exact title, but that sounds correct.

MS SHARP SC: Were you aware that he previously worked as an intelligence officer at the Hong Kong Jockey Club?

10 **MR SHEPPARD:** I am aware of that, yes.

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

15 **MR SHEPPARD:** Relatively recently, when I read papers provided to me for this commission.

MS SHARP SC: Do you agree that he is a senior member of the management of Star Entertainment?

20 **MR SHEPPARD:** A senior member?

MS SHARP SC: Yes.

25 **MR SHEPPARD:** Yes.

MS SHARP SC: And are you familiar with Kevin Houlihan?

MR SHEPPARD: Yes, I am.

30 **MS SHARP SC:** It's right, isn't it, that he is presently the general manager of financial crimes and investigations?

MR SHEPPARD: Yes.

35 **MS SHARP SC:** Do you agree that he is a senior member of management?

MR SHEPPARD: Yes, I do.

40 **MS SHARP SC:** You're aware now, aren't you, that in - well, on 12 June 2019, Mr Buchanan provided a copy of the Hong Kong Jockey Club report to Mr Houlihan, as well as Mr White and Ms Martin?

MR SHEPPARD: I'm aware of that now, yes.

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

MR SHEPPARD: I think it was as a result of evidence given to this commission, and possibly the - some of the papers that I received ahead of the commission.

MS SHARP SC: Have you read the Hong Kong Jockey Club report?

MR SHEPPARD: Yes, I have.

5

MS SHARP SC: When did you read that?

MR SHEPPARD: In - in the last month or two, in preparation for this commission.

10

MS SHARP SC: Do you have any observations on the content of that report?

MR SHEPPARD: Yes. They raise serious questions and allegations, particularly about Suncity.

15

MS SHARP SC: And Alvin Chau; do you agree?

MR SHEPPARD: Yes.

20 **MS SHARP SC:** Would you - is it fair to say that the Hong Kong Jockey Club report raised very serious questions about the integrity of Alvin Chau?

MR SHEPPARD: Yes, it did raise questions of that nature. Yes.

25 **MS SHARP SC:** Do you agree with the way I just characterised it?

MR SHEPPARD: Yes.

30 **MS SHARP SC:** Now, are you aware that in July of 2019, Mr Houlihan and Mr Buchanan visited the Hong Kong Jockey Club?

MR SHEPPARD: I am now, yes.

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

35

MR SHEPPARD: When I saw the papers provided to me, in preparation for the commission.

40 **MS SHARP SC:** Can I take you, please, to exhibit G at tab 689, which is STA.3427.0017.3604.

MR SHEPPARD: Yes, I see that.

45 **MS SHARP SC:** Right. I'm showing you a file note that was prepared by Mr Buchanan following the trip that he and Mr Houlihan took in July 2019. Have you seen this file note before?

MR SHEPPARD: No, I don't recall seeing this before.

5 **MS SHARP SC:** Can I take you, please, to pinpoint 3605. Can I draw your attention, please, to a heading - please don't repeat the name of that heading. I will ask you to treat that information confidentially. But can you see that Mr Buchanan refers to the relationship with that due diligence provider and says that that due diligence provider is:

10 "Well placed to provide credible reporting on criminality, junket groups and source of wealth."

MR SHEPPARD: I'm trying to find that on the page. The print is quite small.

15 **MS SHARP SC:** I will have it highlighted for you, Mr Sheppard. Could I direct your attention to the second paragraph from the top, please.

MR SHEPPARD: Yes, I can see that.

20 **MS SHARP SC:** And I don't want you to name the due diligence provider being referred to here because that's confidential, but can you - do you agree with me that Mr Buchanan speaks in a positive light in relation to the competence of that due diligence provider?

25 **MR SHEPPARD:** Well, he makes a number of factual statements about the due diligence provider. They appear to be factual statements.

MS SHARP SC: And can you see he says:

30 "They are well placed to provide credible reporting on criminality, junket groups and source of wealth."

MR SHEPPARD: Yes, I can see that.

35 **MS SHARP SC:** Now, can I take you, please, a little further down that page, to a heading Australian Federal Police. I'm sorry. It's pinpoint 3606, operator.

MR SHEPPARD: Yes, I can see that.

40 **MS SHARP SC:** And could I ask you, please - you will see that that's in blue shade, so can I ask you to not repeat that information. Could I ask you to read those few paragraphs under that heading, over to pinpoint 3607.

MR SHEPPARD: Yes, I've read the first page.

45 **MS SHARP SC:** And could I ask you in particular to read the paragraph beginning, "During the meeting."

MR SHEPPARD: Yes.

MS SHARP SC: Now, Mr Houlihan squarely told this review in his oral evidence that he was advised by the AFP in July of 2019 that Suncity was not of current interest to the AFP. Does that evidence concern you in any way, on the basis of what you've just read?

5

MR SHEPPARD: Well, it appears to be contradictory to what I just read.

MS SHARP SC: Were you aware of that matter before I just pointed it out to you?

10

MR SHEPPARD: No.

MS SHARP SC: Could I take you, please, to exhibit G at tab 702, which is STA.3428.0022.6748.

15

MR SHEPPARD: Yes, I can see that.

MS SHARP SC: And you will agree that that's an email exchange between Mr Houlihan and Ms Martin on 6 September 2018?

20

MR SHEPPARD: Yes, I do.

MS SHARP SC: And do you see there's a subject heading in the second email called:

25

"Kevin's thoughts on a page."

MR SHEPPARD: This is in the second email?

MS SHARP SC: The second email. And can I take your attention, please, to pinpoint 6749. Could I direct your attention to the heading Operation China Wall?

30

MR SHEPPARD: Yes.

MS SHARP SC: Now, in 2019, did you have any awareness at all that Mr Houlihan was conducting an investigation called Operation China Wall?

35

MR SHEPPARD: No, I don't - I don't believe that I've ever heard that term.

MS SHARP SC: So you don't know that that was an investigation into Marcus Lim?

40

MR SHEPPARD: No, I'm not familiar with that term.

MS SHARP SC: Now, are you familiar with who Skye Arnott is?

45

MR SHEPPARD: Yes, I am.

MS SHARP SC: And what position does she presently occupy at Star Entertainment?

5 **MR SHEPPARD:** I believe she's the AML compliance officer or possibly the financial crimes officer.

MS SHARP SC: Well, in fact, since 1 November 2021, she has been the chief financial crime officer at Star Entertainment; do you agree?

10 **MR SHEPPARD:** Yes, that sounds correct.

MS SHARP SC: And she's also - well, she was the AML/CTF compliance officer from 14 August 2019 up until 15 May 2020, and she resumed holding that position from 1 December 2021; do you agree?

15 **MR SHEPPARD:** That sounds correct, yes.

MS SHARP SC: And do you agree that she is a senior member of management?

20 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: And are you aware that she told this review that she was provided with a copy of the Hong Kong Jockey Club report?

25 **MR SHEPPARD:** Yes, I am - I am aware of that.

MS SHARP SC: Now, what the evidence establishes, Mr Sheppard, is that from June of 2019, Ms Paula Martin was aware of that report, Mr Houlihan was, Mr White was, and Ms Arnott was. Mr Sheppard, not a single one of those people referred in their statements to this review about coming into possession of the Hong Kong Jockey Club report. What comment do you make about that?

MS RICHARDSON SC: Well, I object to that question.

35 **MR BELL SC:** Yes, I reject that question.

MS SHARP SC: Do you agree that the failure of any one of those members of senior management to refer to the fact they possessed that report exhibits a lack of transparency in their dealings with this review?

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

MR BELL SC: Yes.

45 **MS RICHARDSON SC:** I'm happy to deal with it in the absence of --

MR BELL SC: Yes. Operator, could you take us into private mode, please, in the absence of Mr Sheppard.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 10:58 AM

<THE HEARING IN PRIVATE SESSION RESUMED AT 10:58 AM

5

<THE HEARING IN PRIVATE SESSION ADJOURNED AT 10:59 AM

<THE HEARING IN PUBLIC SESSION RESUMED AT 10:59 AM

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

MS SHARP SC: Mr Sheppard, as a director, I take it you were made aware that this review had requested statements be provided by various officers of Star Entertainment?

15

MR SHEPPARD: Yes, I'm aware of that.

MS SHARP SC: And you're aware that those assisting the review requested various witnesses to address various topics in those statements?

20

MR SHEPPARD: Yes, I'm broadly aware of that. Yes.

MS SHARP SC: By that time, that is, the time statements were requested, did you have any concerns at all that Star Entertainment had not been transparent with the regulator in relation to Suncity?

25

MR SHEPPARD: What - what time are you referring to, Ms Sharp? At the time of preparation of statements --

30 **MS SHARP SC:** So from the time of December 2021.

MR SHEPPARD: And the question is, did I have any concerns whether the executives had been transparent with the regulator about Suncity? Is that the question?

35

MS SHARP SC: That's correct.

MR SHEPPARD: No, I don't think I had specific knowledge or concerns about that.

40

MS SHARP SC: Did the directors provide any instructions at all to the officers who were preparing statements about the approach they should adopt in those statements?

45 **MR SHEPPARD:** Not to my knowledge.

MS SHARP SC: Can I take you, please, to exhibit B at tab 1538. This is STA.5002.0005.2241.

MR SHEPPARD: Yes.

5 **MS SHARP SC:** Now, I'm showing you a board paper prepared by Greg Hawkins and Paula Martin dated 15 August 2019.

MR SHEPPARD: Yes.

10 **MS SHARP SC:** And you've seen - you saw this board report at about the time, didn't you?

MR SHEPPARD: I did, yes.

15 **MS SHARP SC:** And it was your understanding, was it, that the purpose of this report was to brief the board on the recent allegations that had been made in July and August 2019 about Crown Resorts?

MR SHEPPARD: That's correct.

20 **MS SHARP SC:** And it's right, isn't it, that the board requested this paper be prepared?

MR SHEPPARD: It did.

25 **MS SHARP SC:** And we may take it that you read it quite carefully at the time?

MR SHEPPARD: I did.

30 **MS SHARP SC:** Have you had cause to review this board paper in recent times?

MR SHEPPARD: Yes, I have.

35 **MS SHARP SC:** Could I take you, please, to pinpoint 2245. And you will see I'm showing you attachment 1, a summary of allegations made against Crown and The Star.

MR SHEPPARD: Yes.

40 **MS SHARP SC:** And can I draw your attention to the bottom row there that says:

"Crown was wilfully blind to criminal activity of key business partners. Particularly -"

45 And, operator, could you go over the page, please. And you will see that entry continues:

"Particularly junket operators. This included claims related to Hong Kong Jockey Club ban on Suncity."

MR SHEPPARD: Yes.

5 **MS SHARP SC:** So this report referred to that ban on Suncity. Was it your expectation that if Paula Martin held a copy of the Hong Kong Jockey Club report by this time, she should have made you, as a director, and the other directors, aware of that fact?

10 **MR SHEPPARD:** Yes, I agree with that.

MS SHARP SC: What comment do you have on the fact that she did not make the directors aware of that fact in this board paper?

15 **MR SHEPPARD:** I think it was a material - omission of material information.

MS SHARP SC: And have you reflected on why it is that the chief legal officer did not make the board aware of this document at the time of briefing the board on the media allegations?

20 **MR SHEPPARD:** Well, I have reflected on that and I actually don't know the answer.

MS SHARP SC: Well, where have your reflections led you?

25 **MR SHEPPARD:** Well, there's a number of possible explanations. But for some reason, a number of senior executives who were aware of that information did not provide it to the board during that discussion.

30 **MS SHARP SC:** And you agree that it was a material piece of information in the context of the media allegations?

MR SHEPPARD: I do agree with that.

35 **MS SHARP SC:** Do you agree that it demonstrates a failure of the risk management framework at Star Entertainment?

MR SHEPPARD: Yes, I do.

40 **MS SHARP SC:** Do you agree that this board paper prepared by Greg Hawkins and Paula Martin failed to adequately equip the board to deal with the media allegations?

MR SHEPPARD: Yes, I do. There is material information missing.

45 **MS SHARP SC:** And do you agree that this board paper failed to equip the board to understand whether there were problems at The Star that bore similarity to the problems at Crown Resorts at that time?

MR SHEPPARD: Yes, I do.

MS SHARP SC: Now, are you aware that the Salon 95 room was closed down in August of 2019?

5

MR SHEPPARD: I am now.

MS SHARP SC: You weren't made aware of that at the time?

10 **MR SHEPPARD:** No.

MS SHARP SC: At the time of these media allegations, do you agree that the board had been informed that Suncity was operating a room at The Star in Sydney?

15

MR SHEPPARD: To the best of my recollection - I'm not sure. I - I was - I had become aware at some point that - that Suncity had a special - an allocated room. Whether I was aware at that point or a bit later, I can't recall.

20 **MS SHARP SC:** Now, when you last gave evidence in this matter, I took you to a number of documents in relation to activities occurring in Salon 95 during 2018 and 2019. I want to take you now to a newspaper article where Mr Bekier referred to some of these matters. Could I please bring up exhibit H at tab 238, which is INQ.014.001.0221.

25

MR SHEPPARD: Yes, I can see that.

MS SHARP SC: And I'm showing you a media article of 8 August 2019. And do you agree that the media article is referring to Star Entertainment's arrangements with Suncity?

30

MR SHEPPARD: Yes.

MS SHARP SC: And in the fourth paragraph, the article states:

35

"When asked why The Star was still using the alleged crime associated junket group Suncity, Bekier counter-asked, 'Why not?'"

MR SHEPPARD: Yes, I can see that.

40

MS SHARP SC: And do you have any comments on that approach taken by the CEO at this point in time in answer to that question?

45

MR SHEPPARD: Do I have any comment on the approach? Well, I think this was a serious matter, and it was about - and the board had been asking questions about this. It was a very summarised way to deal with what was a more complex and serious matter.

MS SHARP SC: Well, you're aware now, at least, that during 2018 and 2019, there were a number of cash transactions of concern happening in Salon 95?

MR SHEPPARD: Yes, I am.

5

MS SHARP SC: And you agree now, don't you, that these transactions raised a very serious prospect that money laundering had occurred in that room during that period?

10 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: And you're aware now, aren't you, that Mr Power had, in fact, drawn to Mr Hawkins' attention, at least, in mid-2018, his concern that the occurrences in Salon 95 placed Star Entertainment in a position of unacceptable risk?

15

MR SHEPPARD: I've seen internal emails from Mr Power. I - I - whether he said those words or not, I can't remember. But I'm certainly - I agree with you that Mr Power had raised serious issues with Mr Hawkins. What words he used, I can't recall.

20

MS SHARP SC: And you agree with me, don't you, that the documents show that Mr Bekier was kept informed of these occurrences in Salon 95 in mid-2018 and mid-2019?

25

MS RICHARDSON SC: Well, I object to that question.

MR BELL SC: Yes. Operator, can you take us into private mode, please, in the absence of Mr Sheppard.

30

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 11:11 AM

<THE HEARING IN PRIVATE SESSION RESUMED AT 11:11 AM

35 **<THE HEARING IN PRIVATE SESSION ADJOURNED AT 11:13 AM**

<THE HEARING IN PUBLIC SESSION RESUMED AT 11:14 AM

MR BELL SC: Mr Sheppard, could I take you, please, to exhibit H at tab 226. This is - it should be appearing on your screen at the moment. Can you see this is an email from Mr Hawkins to Mr Bekier dated 22 July 2019?

40

MR SHEPPARD: Yes.

45 **MS SHARP SC:** Now, could I take your attention, please, to halfway down the page, the heading Sydney Suncity Personnel Exclusions. And I will have that part highlighted for you. And do you see that Mr Hawkins advises Mr Bekier:

"We recently received correspondence from the Police Commissioner in New South Wales advising of a number of exclusions. This in itself is not abnormal but in this instance six of the people were associated with Suncity."

5 **MR SHEPPARD:** Yes.

MS SHARP SC: Now, in light of that information being known to Mr Bekier at that time, what comment do you have on the fact that in answer to whether Star Entertainment should be dealing with Suncity, Mr Bekier asked, "Why not?"

10

MR SHEPPARD: What was the date of this email, Ms Sharp?

MS SHARP SC: 22 July 2019.

15 **MR SHEPPARD:** Okay. And can you just repeat the question?

MS SHARP SC: What comment do you have, in light of this knowledge on the part of Mr Bekier, that when he was asked whether Star Entertainment should be dealing with Suncity, he replied, "Why not?"

20

MR SHEPPARD: My comment is, with that knowledge, there are reasons why not.

MS SHARP SC: That comment reflects quite a degree of arrogance, doesn't it?

25

MR SHEPPARD: Well, I think it certainly reflects carelessness.

MS SHARP SC: And it reflects a complete lack of concern about whether Star Entertainment should be dealing with business associates who are of good repute having regard to character, honesty and integrity; do you agree?

30

MR SHEPPARD: A lack of concern - it certainly reflects lack of taking into account all of the facts.

35 **MS SHARP SC:** And it reflects a lack of concern about the question of whether business associates of Star Entertainment are of good repute, doesn't it?

MR SHEPPARD: Well, I think you're asking me to put myself in Mr Bekier's head. I - I agree that the comment is inappropriate having regard to the information. Whether what follows from that, that Mr Bekier had no concern, I'm not in a position to say.

40

MS SHARP SC: Now, are you familiar with the fact that the Independent Liquor and Gaming Authority asked Star Entertainment to provide it with information about Suncity and Alvin Chau in light of the media allegations in July and August of 2019?

45

MR SHEPPARD: My understanding is that ILGA asked - asked for commentary from The Star, not only on that but on many - the other media allegations as well.

5 **MS SHARP SC:** And that was a matter that was notified to you and other directors in this board paper of 15 August 2019, wasn't it?

MR SHEPPARD: I believe it was. Yes.

10 **MS SHARP SC:** Have you, in recent times, looked at the requests that ILGA made of The Star at that time and Star Entertainment's response to those requests?

MR SHEPPARD: Yes, I have.

15 **MS SHARP SC:** And do you consider that Star Entertainment provided a candid and transparent response to the regulator?

20 **MR SHEPPARD:** No, in the sense that it - the response, from my recollection, omitted the factual information that you have asked me about in the last few minutes.

MS SHARP SC: So do you agree that the response of Star Entertainment lacked transparency?

25 **MR SHEPPARD:** Lacked transparency in the sense that it did not refer to the matters you've just referred me to. It did not refer to the - to my memory, to the warning letters that had occurred in 2018, and potentially one or two other things.

30 **MS SHARP SC:** Well, it didn't refer to a single instance of concern in relation to Salon 95 in the period 2018 to 2019, did it?

MR SHEPPARD: I'd have to check, but I - that's probably correct.

35 **MS SHARP SC:** Well, I'll take you to the responses to make sure we're on the same page about that. First of all, could I take you to exhibit - I will return you to the board briefing paper, so exhibit B at tab 1538. And, operator, could we please go to pinpoint 2250. I'm showing you a letter from Natasha Mann at the authority dated 29 July 2019 to Star; do you agree?

40 **MR SHEPPARD:** Yes.

MS SHARP SC: And you will see that she requests, in the second last - I beg your pardon, the third-last paragraph:

45 "I am writing to request that The Star undertakes a risk assessment of its practices and procedures which mitigate against the types of issues raised in the media reports, and reports the findings to Liquor and Gaming New South Wales. Specifically, I request that The Star details what steps it takes to

ensure that only suitable operators and representatives operate junkets in its casinos."

5 **MR SHEPPARD:** Yes, I can see that.

MS SHARP SC: Now, it couldn't be clearer, could it, that ILGA was concerned to have The Star confirm that it was only dealing with suitable junket operators?

10 **MR SHEPPARD:** I agree. It's clear.

MS SHARP SC: And now could I take you to Mr Power's first response to ILGA dated 31 July 2019. If we can go to exhibit B at tab 1672, which is STA.3008.0004.0667. Now, I'm showing you an email chain here. If we could go over the page to pinpoint 0668. Can you see there's an email from Andrew Power dated 31 July 2019?

15 **MR SHEPPARD:** I'm looking at an email from Andrew Power dated 10 September and then --

20 **MS SHARP SC:** I'm sorry. I will direct your attention. If you could go to pinpoint --

MR SHEPPARD: Yes, I see it. I'm sorry. Yes.

25 **MS SHARP SC:** Thank you. It's on pinpoint 0668. Could you see that - and I will have it highlighted for you - the second-last paragraph on that page is where Mr Power states:

30 "As for allegations relating that Crown was wilfully blind to the criminal activity of key business partners, we remain comfortable that The Star's processes are robust and that the findings of the review conducted by Dr Horton QC in November 2006 hold true today."

MR SHEPPARD: Yes.

35 **MS SHARP SC:** And if I take you over the page to pinpoint 0669. You will agree - and please take all the time you need - that there's no mention whatsoever to any of the cash transactions of concern in Salon 95?

40 **MR SHEPPARD:** I - I agree with that.

MS SHARP SC: And then could I take you to Mr Power's second letter to the authority, which is dated 10 September 2019, which is exhibit B at tab 1669, STA.3002.0009.0298. And in particular, Mr Sheppard, could I please take you to pinpoint 0302. Now, here, Mr Power is responding to a specific question, which is question 1:

"Whether any of the entities or individuals listed at annexure A are or have been authorised as junket operators, promoters or representatives with The Star."

5 Do you see he refers to Suncity and Alvin Chau?

MR SHEPPARD: Yes, I do.

10 **MS SHARP SC:** And then could I take you, please, to pinpoint 0304. And do you see Mr Power is here responding to a question 2:

"What, if any, steps have been taken to mitigate ongoing risks relating to the individuals or entities listed that are authorised as junket operators and junket representatives."

15

MR SHEPPARD: Yes.

20 **MS SHARP SC:** Now, you will agree that Mr Alvin Chau was neither a junket operator or a junket representative?

MR SHEPPARD: Sorry. Are these words in the --

25 **MS SHARP SC:** I'm just asking for your understanding now, Mr Sheppard. Did you understand that Mr Chau was neither a junket operator or a junket representative?

30 **MR SHEPPARD:** At the time, I don't think I would have been aware of the precise status of - of Mr Chau in relation to - to the junket. My understanding, maybe then but certainly since, is that there was a Mr Iek who was the actual junket promoter or representative at the time and that he had a close association with Suncity. But everybody seemed to call it the Suncity junket.

35 **MS SHARP SC:** So just to be clear, you understood at the time, didn't you, that Mr Chau was the financial backer of the Suncity junket?

MR SHEPPARD: Yes. Yes, I did. Yes.

40 **MS SHARP SC:** And you will agree that on this page, Mr Power makes no reference at all to Suncity or Alvin Chau?

MS RICHARDSON SC: I object to that question.

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

45 **MS RICHARDSON SC:** I'm happy to do it in the absence of the witness, but I can indicate there is a matter on pinpoint 0302 which, if this line of questioning is to be pursued, in my submission, in fairness, should be put to Mr Sheppard. It's in heading paragraph 2 on pinpoint 0302.

MS SHARP SC: I just took Mr Sheppard to that page.

5 **MR BELL SC:** Well, can I see it, please? Yes. All right. Ms Richardson, it does seem to have been drawn to Mr Sheppard's attention. There doesn't appear to be any unfairness, does there?

10 **MS RICHARDSON SC:** I'm just checking the transcript as to whether it was drawn to Mr Sheppard's attention that it's specifically revealed there that Alvin Chau holds a CCF used to fund junket groups funded by Mr Iek.

MR BELL SC: Yes. Well, I'm keen to move forward, Ms Sharp. Perhaps you could ask a slightly different question to deal with Ms Richardson's objection.

15 **MS SHARP SC:** I will return you now, please, to pinpoint 0304. And you will agree, won't you, that it was clear from that question that the authority wished to know what steps had been taken to mitigate risks presented by junkets operating at Star Entertainment?

20 **MR SHEPPARD:** Yes.

MS SHARP SC: And you agree, don't you, that there's no reference on this page to Alvin Chau or Suncity?

25 **MR SHEPPARD:** Not on this page - let me just check. No, not on this page, I don't believe.

30 **MS SHARP SC:** In fact, there's no reference anywhere in this entire letter to the fact that there were numerous cash transactions of concern in 2018 and 2019 in Salon 95, and no reference anywhere to the fact that the New South Wales Police Commissioner had excluded from the casino six people who were associated with the operation of Salon 95?

35 **MR HENRY SC:** I object. Mr Bell, in order to be fair to the witness, in order for him to answer that question, he would have to go through the document. I'm not suggesting that should happen. It's a total waste of time. The document says what it says. But it's a lengthy document.

40 **MR BELL SC:** What I propose to do now is take the morning adjournment, and I will let Ms Sharp consider that objection over that period. I will now adjourn for 15 minutes.

<THE HEARING ADJOURNED AT 11:30 AM

45 **<THE HEARING RESUMED AT 11:44 AM**

MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: Based upon what you know today, Mr Sheppard, I take it you agree that there were very serious problems in Salon 95 in 2018 and 2019?

5 **MR SHEPPARD:** Yes, certainly 2018 when the warning letters were occurring.

MS SHARP SC: And also in 2019?

10 **MR SHEPPARD:** My - my knowledge is mainly around about the 2018 incidents, but maybe 2019 as well - maybe - is that what you were alluding to in the police exclusions?

MS SHARP SC: Well, I might approach it a different way. You were briefed with some certain documents for the purpose of getting ready to give evidence?

15 **MR SHEPPARD:** Yes.

MS SHARP SC: Is it right that you were briefed with the inquiries made by the authority in 2019 and Mr Power's responses to those inquiries?

20 **MR SHEPPARD:** These documents, yes. Yes.

MS SHARP SC: So you've reviewed them in recent times?

25 **MR SHEPPARD:** Yes, I have.

MS SHARP SC: And may I take it that you thought it important to assess for yourself whether Star Entertainment had appropriately responded to the authority in relation to its inquiries about Suncity?

30 **MR SHEPPARD:** Yes.

MS SHARP SC: Do you think that Star Entertainment did appropriately respond to the regulator's inquiries?

35 **MR SHEPPARD:** I - I've already agreed that there were material omissions.

MS SHARP SC: And do you agree that the response of Mr Power completely lacked transparency and candour?

40 **MR SHEPPARD:** It certainly had material omissions, yes.

MS SHARP SC: Well, do you agree with my characterisation, that is, that it completely lacked transparency and candour?

45 **MR SHEPPARD:** Yes, I think to the extent that it had those omissions. I agree.

MS SHARP SC: And do you agree that it was quite inappropriate for the general counsel, Mr Power, to provide the regulator with that response?

MR SHEPPARD: Yes, I think it was inappropriate to provide this response without those material facts, in the same way that it was inappropriate to brief the board by omitting those - that material information.

5

MS SHARP SC: And do you agree that in providing the response in the manner in which he did, Mr Power did not comply with Star Entertainment's code of conduct?

10 **MR SHEPPARD:** Yes. The code of conduct requires people to be transparent.

MS SHARP SC: Transparent with regulators, doesn't it?

MR SHEPPARD: Yes.

15

MS SHARP SC: And he manifestly failed to do that, didn't he?

MR SHEPPARD: In the sense - yes, by omitting some material information.

20 **MS SHARP SC:** And do you agree that Mr Power's approach was, in fact, quite unethical?

MR SHEPPARD: Whether it was careless or unethical - but it - it is unethical when you know of material information and you fail to disclose it.

25

MS SHARP SC: And do you have continuing confidence in Andrew Power as a very senior lawyer at Star Entertainment?

30 **MR SHEPPARD:** Based on everything that I've seen and evidence to this inquiry, no.

MS SHARP SC: Mr Sheppard, who is it from Star Entertainment who has been giving instructions to KWM for the purpose of this inquiry?

35 **MR SHEPPARD:** I think it's a number of people. I - I don't know the precise answer to that. I haven't been involved in giving instructions to KWM.

MS SHARP SC: Can you give us any indication of who's been involved?

40 **MR SHEPPARD:** Well, I think up until the time that Ms Martin resigned, she would have certainly been involved. So it would be primarily her and her legal team.

45 **MS SHARP SC:** Are you aware as to whether there has been any change in the people giving instructions to KWM for the purpose of this inquiry?

MR SHEPPARD: Well, there would have been because Ms Martin has resigned.

MS SHARP SC: Now, you recall that on the last occasion I asked you some questions about Anthony Seyfort's report on China UnionPay dated September 2021?

5 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: And that report was provided to the board in September of 2021?

10 **MR SHEPPARD:** Yes, it was.

MS SHARP SC: Did you accept the findings in Mr Seyfort's report?

15 **MR SHEPPARD:** Did I accept them? Initially, yes.

MS SHARP SC: Can I take you to that report, please. If we can go to exhibit B at tab 3103, which is STA.3002.0009.0292.

20 **MR SHEPPARD:** Yes.

MS SHARP SC: And you will agree that I'm showing you a copy of that report?

MR SHEPPARD: Yes, I do.

25 **MS SHARP SC:** Could I take you to the heading Conclusions and have highlighted for you the fourth paragraph beginning, "Use of CUP."

MR SHEPPARD: Yes.

30 **MS SHARP SC:** Do you see it says:

"Use of CUP to fund gambling expenditure was a breach of the CUP card scheme rules of UnionPay International."

35 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: Do you accept that finding?

40 **MR SHEPPARD:** Yes.

MS SHARP SC: Are you aware that senior counsel for Star Entertainment has been repeatedly taking objection to the proposition that the use of the CUP card was a breach of the CUP card scheme rules?

45 **MR SHEPPARD:** No.

MS SHARP SC: What is the correct position?

MS RICHARDSON SC: I object to that. Asking --

5 **MS SHARP SC:** I withdraw that. What is the position of Star Entertainment on whether the use of the CUP card was a breach of the UnionPay International operating regulations?

10 **MR SHEPPARD:** Well, I - I accepted the advice that Mr Seyfort has given here. I am not - personally not - have not read the rules of the UnionPay scheme, so I'm relying upon his advice. And I, at the time, accepted his advice.

MS SHARP SC: Well, you're ultimately responsible for the instructions given by dint of being a director of Star Entertainment, aren't you?

15 **MR SHEPPARD:** In - in most cases, not - not all briefs of legal advisors.

MS SHARP SC: But you yourself accept, do you, that based on Mr Seyfort's report, the use of the CUP card was a breach of the UnionPay International regulations?

20 **MR SHEPPARD:** I accept --

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

25 **MR BELL SC:** I think it's already been answered a couple of times, hasn't it, Ms Richardson?

30 **MS RICHARDSON SC:** The answer that has been given is that he accepted the view that had been put forward by Mr Seyfort. This appears to be a different view, which is a standalone view being put to a non-lawyer who hasn't read the scheme rules, as to whether or not there's a breach of the scheme rules by reason of the arrangements at The Star.

MR BELL SC: What was the precise question, Ms Sharp?

35 **MS SHARP SC:**

"You yourself accept that based on Mr Seyfort's report, the use of the CUP card was a breach of UnionPay International's regulations?"

40 **MR BELL SC:** Yes, I reject that question.

MS SHARP SC: Well, what's the correct position, Mr Sheppard?

45 **MS RICHARDSON SC:** I object to that question, on the same basis.

MR BELL SC: Well, can I ask you this question - I reject the question. Can I ask you this, Mr Sheppard: do you know who it is, on behalf of The Star Pty Ltd and

Star Entertainment Limited, who is instructing its lawyers to contend that the use of the CUP cards by The Star was not in breach of the UnionPay scheme rules?

MR SHEPPARD: No.

5

MR BELL SC: Yes, Ms Sharp. Let's move on.

MS SHARP SC: Now, can you tell us what TrackVia is, Mr Sheppard?

10 **MR SHEPPARD:** Yes. TrackVia is - is a software system which has been implemented by The Star over the past few years to provide automatic - automated transmission - transaction monitoring for the purposes of AML compliance.

15 **MS SHARP SC:** And is it correct that it is a database that is intended to store all relevant information in relation to money laundering and counter-terrorism financing assessments?

20 **MR SHEPPARD:** Certainly the bulk of - of relevant information. No system can - can cover that - 100 per cent of that. It has got to be backed up by judgments and so on. But broadly, I agree with your proposition.

25 **MS SHARP SC:** Have you been made aware, in the course of being briefed to give evidence for this review, that there is information contained in TrackVia about Alvin Chau which is quite inconsistent with due diligence reports prepared by Mr Buchanan?

30 **MR HENRY SC:** Well, I object. That's just too general. In order to assist the witness, he has to be given some degree of specificity about what's being referred to.

MR BELL SC: Well, I'm sure we are all trying to avoid wasting time, Ms Sharp, but perhaps you could ask a little more detailed questions, at least beginning with, to establish Mr Sheppard's familiarity with this topic.

35 **MS SHARP SC:** I'm happy to do it that way. Could I please take you, Mr Sheppard, to exhibit G, tab 932, which is STA.3023.0003.0050.

MR SHEPPARD: Yes, I can see that.

40 **MS SHARP SC:** Now, have you seen a - you will see that this is an AML due diligence review report for Alvin Chau?

MR SHEPPARD: Yes.

45 **MS SHARP SC:** Is this a document that was provided to you in the course of briefing you to give evidence in this matter?

MR SHEPPARD: I - I don't - I don't recall seeing this document.

MS SHARP SC: Could I take you, please, to pinpoint 0058. Can you see this is an entry by Angus Buchanan? Can you see there's a little "AB"?

5 **MR SHEPPARD:** I can see 1, 2, 3, 4, 5, 6. You will have to direct me, Ms Sharp. I - I can't see the "AB".

MS SHARP SC: Can you see - if I can - operator, if you could scroll --

10 **MR SHEPPARD:** Yes. Yes, I can see it. Thank you.

MS SHARP SC: Thank you. And, operator, could you scroll down to the second entry for AB at the bottom of the page.

15 **MR SHEPPARD:** Yes.

MS SHARP SC: Now, can you see there is a reference here to:

20 "Over the past 18 months, a number of comprehensive due diligence reports/profiles have been prepared with respect to this patron."

MR SHEPPARD: Yes.

25 **MS SHARP SC:**

"Which were forwarded for your attention."

And then at the bottom of that page, do you see Mr Buchanan said:

30 "I recommend that should comprehensive and patron specific risk mitigation measures be put in place, The Star could, moving forward, safely maintain a customer relationship with this patron."

35 **MR SHEPPARD:** Yes, I can see that.

MS SHARP SC: Based upon what you know now, does that entry surprise you in any way?

40 **MR SHEPPARD:** Well, based on what I know now, there were serious incidents in 2018, there were police exclusions, there was interest from the police - well, there's two-way communication - my understanding is reporting to the police and from the police. So, yes, there is a degree of surprise in that recommendation.

45 **MS SHARP SC:** And you will see that that recommendation is approved by Mr Houlihan on 18 August 2021?

MR SHEPPARD: Yes.

MS SHARP SC: Now, you will agree, if you look at this page, there's no reference at all to holding the report of the Hong Kong Jockey Club?

MR SHEPPARD: I agree.

5

MS SHARP SC: And you will agree that there's no reference anywhere here to the Hong Kong Jockey Club report suggesting that Alvin Chau was business partners with a triad?

10 **MR SHEPPARD:** No, there's no reference to that.

MS SHARP SC: And there's no reference anywhere here to the position outlined in the Hong Kong Jockey Club report that there was intelligence suggesting that Suncity was involved in money laundering?

15

MR SHEPPARD: I agree there's no reference to that.

MS SHARP SC: Does it concern you that this does not appear to be a very full record of the information available to Star Entertainment for the purpose of making an assessment of whether to continue doing business with Alvin Chau?

20

MR SHEPPARD: Yes, but I'd make two comments about that: firstly, I'm - I'm puzzled by the recommendation for another reason, which is that The Star had actually ceased dealing with junket operations in or around October of 2020, so almost a year before this recommendation; and secondly, I have seen in the papers - briefing papers provided to me for this commission, much longer assessments than this relatively short summary, which I think does - did go into some of those matters.

25

MS SHARP SC: Well, I might take you to one of those, if I can. Are you familiar with the fact that Mr Buchanan prepared an assessment on Alvin Chau during the period of late 2020 to early 2021?

30

MR SHEPPARD: Yes. And I've - I've seen that longer assessment in - in the papers that were provided to me.

35

MS SHARP SC: Are you aware that that assessment went through a number of drafts?

MR SHEPPARD: Yes, in the sense that I have - in the - in the briefing pack that was provided to me, I think I actually saw two or three drafts.

40

MS SHARP SC: And are you aware that the content and the tenor of that report changed considerably as the drafts progressed?

45

MR SHEPPARD: Not directly, but I've seen reports - newspaper reports of evidence given to the inquiry which alluded to that. But I'm not aware directly.

MS SHARP SC: Sorry to talk across you. Are you aware that the conclusions set out by Mr Buchanan in the final version of his report are very much watered down from the conclusions he initially expressed in the first draft of his report?

5 **MR SHEPPARD:** Well, I'm trying to remember the reports. The reports that I saw, Mr Buchanan had given two options: one was to cease dealing with Alvin Chau and Suncity; and the other one was to - to - to continue dealing with them with very stringent monitoring arrangements. They're the reports that I recall seeing.

10

MS SHARP SC: I will take you, if I can, to exhibit B at 2603, which is STA.3002.0005.0001. And what I'm showing you is the 1 October 2020 version of Mr Buchanan's report. Can I direct your attention, please, to paragraph 3. I will have that enlarged for you.

15

MR SHEPPARD: Yes, I can see that.

MS SHARP SC: And do you accept that this is the opinion that Mr Buchanan held as at October 2020?

20

MR SHEPPARD: Well, if he wrote it, I absolutely accept it.

MS SHARP SC: Can you reconcile this view in any way with the material recorded in the TrackVia entry recommending that it was appropriate to continue the relationship with Alvin Chau?

25

MR SHEPPARD: Is that the material you took me to before with the entry from the TrackVia?

30 **MS SHARP SC:** Yes, Mr Sheppard.

MR SHEPPARD: Well, I'm sorry, I didn't have a chance to read that. But if - if that was the recommendation to continue dealing, well, yes, it is hard to reconcile.

35 **MS SHARP SC:** And does this give you any cause to - I withdraw that. Do you have continuing confidence in Mr Buchanan as the due diligence manager at Star Entertainment?

40 **MR SHEPPARD:** I'd have to review the matters that you just drew my attention to, to draw a conclusion on that.

MS SHARP SC: You would agree, though, that it is very important that TrackVia entries accurately record the information available relevant to the suitability of The Star's business associates?

45

MR SHEPPARD: Yes. I agree with that statement.

MS SHARP SC: And if there is information to suggest that reports have not been accurately detailed in TrackVia, I take it that would be a considerable concern for you as a director?

5 **MR SHEPPARD:** It would certainly be a concern if it was misleading. But I would make the point that I think there's lots of other information that the AML team should properly take into account, in addition to just what's on TrackVia.

10 **MS SHARP SC:** But isn't TrackVia supposed to be the official record, if you like, of what due diligence is available to The Star in relation to particular business associates and patrons?

15 **MR SHEPPARD:** I believe so, but not - not the only source of factual information.

MS SHARP SC: Can I take you to another - well, I withdraw that. Can I take you now to exhibit C at tab 747. This is STA.3023.0005.0045. I'm sorry. It's exhibit G at tab 747. Now, I ask you to not name the provider of this due diligence report, but you can see it is a due diligence report in relation to Sixin Qin. And do you know who Sixin Qin is, Mr Sheppard?

MR SHEPPARD: Broadly, he's - he's a junket operator, I believe.

25 **MS SHARP SC:** And a very high-value one to Star Entertainment; do you agree?

MR SHEPPARD: I - I believe so. I'm not familiar with the exact numbers.

30 **MS SHARP SC:** And a little earlier, do you recall I showed you a file note of Mr Buchanan regarding his trip with Mr Houlihan to the Hong Kong Jockey Club and the statements he made about this due diligence provider?

MR SHEPPARD: Yes, I do.

35 **MS SHARP SC:** And they were positive statements, weren't they?

MR SHEPPARD: I believe so, yes.

MS SHARP SC: Now, you will note that this report is dated January 2020?

40 **MR SHEPPARD:** Yes.

MS SHARP SC: Could I take you, please, to pinpoint 0051. And could I direct your attention, please, to the heading Source of Wealth.

45 **MR SHEPPARD:** Yes.

MS SHARP SC: Now, I will ask you to assume that this due diligence report was held by Star Entertainment as at around January 2020. Can you see what it says?

MR SHEPPARD: Yes, I can.

5 **MS SHARP SC:** Do you agree that that is very concerning information casting doubt on the integrity of Mr Qin?

MR SHEPPARD: I agree with that.

10 **MS SHARP SC:** And could I take you, please, to pinpoint 0053. Could I take you to point 8 and have you read that for yourself.

MR SHEPPARD: Yes.

15 **MS SHARP SC:** And then could you read point 9, please, Mr Sheppard.

MR SHEPPARD: Yes, I can - yes, I've read that.

20 **MS SHARP SC:** And do you agree that that information also casts doubt upon the integrity of Mr Qin?

MR SHEPPARD: Yes, I do.

25 **MS SHARP SC:** Can I take you now to a TrackVia entry in respect of Mr Qin. If I can take you, please, to exhibit H at tab 554, which is STA.3023.0003.0155. And can you see this is an AML Patron Register Report in relation to Mr Qin?

MR SHEPPARD: Yes.

30 **MS SHARP SC:** Can I take you, please, to pinpoint 0158. Can you see there is an entry dated 1 February 2022?

MR SHEPPARD: What date did you mention, Ms Sharp?

35 **MS SHARP SC:** 1 February 2022. In fact, I will take you to - just to shortcut this a little bit, could I take you to pinpoint 0159, please. Do you see right at the bottom of that page, it says:

"Escalate to AML compliance officer, 1 February 2022."

40 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: And could I take you over the page, please, to the heading Brief Facts. And could I draw your attention, please, to the first substantive paragraph there that says:

45

"This due diligence review was compiled as a result of our conversation last week which referenced both this patron and some adverse information (uncorroborated) which was previously provided by a third party provider. Of

note, external reports, from two separate providers did not detail the adverse information."

MR SHEPPARD: Yes.

5

MS SHARP SC: Now, if you read that entry for yourself, do you agree that there's no reference there anywhere to the adverse information that I took you to in the January 2020 report?

10 **MR SHEPPARD:** It - it says - in the first paragraph, it says:

"Conversation last week which referenced both this patron and some adverse information (uncorroborated) which was previously provided by a third-party provider."

15

That potentially could refer to the report you alluded to before.

MS SHARP SC: Indeed. But do you agree it makes no reference to the content of that information?

20

MR SHEPPARD: Well, other than saying it's adverse information, uncorroborated.

MS SHARP SC: Right. So you do agree that it makes no reference to the content of that information?

25

MR SHEPPARD: Well, other - other than it uses the words "adverse information".

30 **MS SHARP SC:** All right. But you agree with me that the concerns that were identified in the January 2020 report cast significant doubt upon the integrity of Mr Qin?

MR SHEPPARD: Well, I agree with that, yes.

35

MS SHARP SC: And you don't see those doubts referred to anywhere in this entry, do you?

MR SHEPPARD: Well, other than the words "adverse information". I'm sorry, Ms Sharp. I'm - I'm reading this report for the - I've never seen these reports before, and I'm reading them as you're putting them to me. So my answer to you is I don't see specific references to that, other than the words "adverse information".

40

MS SHARP SC: Do you agree with me, then, that this would appear to be a very sanitised version of the due diligence information that was, in fact, available to Star Entertainment?

45

MR SHEPPARD: Well, I'm just reading - I'm reading four paragraphs here. I don't know whether there's more to this report or not. If - if - if this summary is the only part of the report, then it could certainly use stronger words than "adverse information". So your description is plausible, but I - I - it's a bit hard for me because I'm reading all of these things for the first time. So, you know, I take your point.

MS SHARP SC: Has it been drawn to your attention before now that entries in TrackVia are not accurately reflecting the due diligence that is available to Star Entertainment?

MR SHEPPARD: No, it hasn't. We have had a - we've had an independent report on the AML system, which is the BDO report. And part 2 of that report, which I haven't read recently, not in the last - last few weeks, specifically covers the TrackVia system. And my recollection is that that report is complimentary about the integrity of the TrackVia system. That's a general comment. The other general comment is that as part of the work the board is doing, we do have independent - other independent advisors reviewing all of these matters at the moment as part of a - a comprehensive view of these matters.

MS SHARP SC: And, sorry, is that the Gadens' review or another review?

MR SHEPPARD: No. This is a group called Risk-e Business, and that review is undertaking a very comprehensive assessment of high-risk patrons and how we should be making decisions about those types of people.

MS SHARP SC: Do you agree that the new TrackVia AML system is only as good as the information that is entered into it?

MR SHEPPARD: As a general comment, subject to the comment I made before that you can't just rely on a system. You have to rely on - on other information in considering these matters. So it would be wrong just to rely on - purely on a system-generated report.

MS SHARP SC: And you need to be able to rely on the officers conducting the due diligence to fairly and accurately report the results of their due diligence investigations, don't you?

MR SHEPPARD: I agree with that.

MS SHARP SC: Now, what decision has been made in relation to The Star dealing with junkets in the future?

MR SHEPPARD: A decision was made in around about October of 2020 to cease dealing with junkets, pending - and that, of course, was before the Bergin report was published - pending the outcome of the Bergin report and pending clarification of the regulator's views on - on junkets. My view - well, you haven't asked me for my view, but - so junkets remain suspended.

MS SHARP SC: And who - so you characterised the decision made in October 2020 as a suspension?

5 **MR SHEPPARD:** That's the word I've - I've seen, yes. But it - it's - in my view, it should be a permanent suspension.

MS SHARP SC: And who made that decision in October 2020?

10 **MR SHEPPARD:** I don't recall. It was discussed with the board, but I don't recall it being a board resolution. I - I - I think it was probably a board endorsed management decision.

MS SHARP SC: And you're quite sure it was discussed with the board, are you?

15

MR SHEPPARD: I - I'd have to check minutes. I mean, I - I was aware of it around about that time or - whether it was through a formal board discussion or - or being told that management had made that decision, I don't know. There were lots of discussions about junkets going on at the time.

20

MS SHARP SC: And what's the position today, Mr Sheppard?

MR SHEPPARD: The position today is that we are not dealing with junkets.

25 **MS SHARP SC:** And has the board officially made that decision, Mr Sheppard?

MR SHEPPARD: Well, it's certainly endorsed that position.

MS SHARP SC: And how has it done that?

30

MR SHEPPARD: It's - it's discussed it on a number of occasions and endorsed it.

MS SHARP SC: And isn't it the case the board recently announced that it was suspending its international rebate business?

35

MR SHEPPARD: Well, the board announced it was suspending all rebate business.

MS SHARP SC: And why was that decision taken?

40

MR SHEPPARD: Effectively to - as part of the - there's - there's a body of work being done at the moment to address all of the issues that have come out of the inquiry and - and prior to the inquiry. And while - while the company is going through that process, we wanted to de-risk the business by eliminating entirely one of the sources of risk.

45

MS SHARP SC: Now, I want to ask you some questions about the international rebate business. It's your understanding, isn't it, that until April 2018, the international rebate business reported directly to Matt Bekier?

5 **MR SHEPPARD:** Prior to early 2018?

MS SHARP SC: Yes. April 2018.

10 **MR SHEPPARD:** I can't recall, Ms Sharp.

MS SHARP SC: Were you aware that the business initially reported directly to Mr Bekier and then from a time in 2018 the business commenced reporting to Mr Hawkins?

15 **MR SHEPPARD:** Yes, I - I believe so. I - I can't recall the specifics of the exact reporting lines, but that sounds correct.

MS SHARP SC: And you were aware that, until recently, there were a number of overseas employees in the international rebate business?

20 **MR SHEPPARD:** Yes.

MS SHARP SC: And you were aware that they engaged in marketing operations?

25 **MR SHEPPARD:** Yes.

MS SHARP SC: And also in credit collection processes?

30 **MR SHEPPARD:** Yes.

MS SHARP SC: And you were, of course, aware that there was a very large flow of funds from the international rebate business into the casino?

35 **MR SHEPPARD:** Yes, I was.

MS SHARP SC: Are you aware that Mr John Chong, who was the head of the international rebate business, was terminated by The Star - or Star Entertainment?

40 **MR SHEPPARD:** I - I believe he was, yes.

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

MR SHEPPARD: I don't recall.

45 **MS SHARP SC:** Were you aware of it at the time it happened or only in recent months?

MR SHEPPARD: I was certainly aware that he left the business. Whether I was aware that he was terminated, I don't recall.

5 **MS SHARP SC:** Well, it's a pretty serious thing to terminate the head of the international rebate business, isn't it?

MR SHEPPARD: Well, it's a serious things to terminate any senior employee, yes.

10 **MS SHARP SC:** Can I take you, please, to STA.3402.007.3858. Now - this is exhibit J21, Mr Bell. I'm showing you a document that was prepared by Ms Kim Lee. Do you know who that is?

15 **MR SHEPPARD:** Yes, I do.

MS SHARP SC: And do you see the document is dated 9 March 2018?

MR SHEPPARD: Yes, I do.

20 **MS SHARP SC:** And do you see there's a reference to "JC"?

MR SHEPPARD: Yes, I do.

25 **MS SHARP SC:** And you can take it from me that's a reference to John Chong.

MR SHEPPARD: Yes.

30 **MS SHARP SC:** Could I take you, please, to the entry at pinpoint 3860. Do you see up the top in red it says:

"Observation: John Chong driving poor behaviour that further alienates sales from service/operations, could lead to toxic culture."

35 **MR SHEPPARD:** Yes.

MS SHARP SC: Were you, as a director, made aware at any time in 2008 that Ms Lee held the view that John Chong was driving a toxic culture in the international rebate business?

40 **MR SHEPPARD:** Not that I can recall.

MS SHARP SC: Were you aware that Ms Lee held concerns that he had allowed a number of employees in the international rebate business to resign rather than terminating them for gross misconduct?
45

MR SHEPPARD: No, I wasn't aware of that.

MS SHARP SC: Is that something you ought to have been made aware of as a director?

5 **MR SHEPPARD:** I - I - yes, I think so. Yes. And I'm not saying I wasn't; I'm just saying I don't recall. I recall Mr Chong leaving the company, but I don't recall being involved in discussions as to why he left the company.

10 **MS SHARP SC:** And are you able to indicate whether the board did, in fact, discuss why Mr Chong left the company?

MR SHEPPARD: I - I don't recall such a discussion.

15 **MS SHARP SC:** Could I take you, please, to pinpoint 3861 in this document. And I will have that last row enlarged for you. Do you see that it's a quote of an email from Greg Hawkins dated 19 January 2018 to Matt Bekier?

MR SHEPPARD: Is this the last paragraph on the page?

20 **MS SHARP SC:** Yes.

MR SHEPPARD: Yes, I can see that.

25 **MS SHARP SC:** And do you see that Mr Hawkins says:
"Some feedback from my interactions with international rebate business over the last couple of days. The numbers are so strong it is implausible to castigate John Chong."

30 **MR SHEPPARD:** I can see that.

MS SHARP SC: Are you able to reflect on what attitude that indicates on the part of Mr Hawkins?

35 **MR SHEPPARD:** Well, he's obviously placing a high weighting on Mr Chong's ability to - to earn money.

40 **MS SHARP SC:** And is this, in fact, what was happening in the international rebate business at this time, Mr Sheppard, that weight was only being placed on the amount of money or revenue that the international rebate business was bringing in to Star Entertainment and there were insufficient - there was insufficient weight placed upon the consideration that the international rebate business should comply with the code of conduct and take steps to prevent money laundering?

45 **MR SHEPPARD:** No, I - I don't agree that - with that statement.

MS SHARP SC: Have you reflected on the culture of the international rebate business since November 2016?

MR SHEPPARD: Since November 2016?

5

MS SHARP SC: That's the period of this review?

MR SHEPPARD: Well, yes.

10

MS SHARP SC: And what observations do you have about the culture of the international rebate business?

MR SHEPPARD: Well, I'd say in the early part of that period, I had confidence in the culture and the people managing the culture. But much less so with what I know now.

15

MS SHARP SC: And when was it that you had cause to revise your observations about the culture of that part of the business?

20

MR SHEPPARD: I would say late 2021 in particular, when the board had commissioned a number of reports arising from the Bergin Inquiry and we started to uncover some of the activities, particularly related to China UnionPay and - and other activities.

25

MS SHARP SC: Now, it's correct, isn't it, that Marcus Lim took over from John Chong as the head of the international rebate business?

MR SHEPPARD: I believe so, yes.

30

MS SHARP SC: And in the period up until 24 January 2021, he was the president of international rebate business?

MR SHEPPARD: I believe so.

35

MS SHARP SC: And that was a very senior position within the organisation; do you agree?

MR SHEPPARD: Yes.

40

MS SHARP SC: And you're aware, aren't you, that he reported directly to Greg Hawkins?

MR SHEPPARD: Yes.

45

MS SHARP SC: Now, could I take you to Mr Houlihan's statement to this inquiry, which is exhibit A at 627. And I will take you to paragraph 183 of that statement. And just to give you the context, Mr Sheppard, can you see at the top of pinpoint 0194, there's a box that says:

"Question 5: in relation to each of, (b) Marcus Lim, please specify any adverse allegations against them."

5 **MR SHEPPARD:** Yes, I can see that.

MS SHARP SC: And then can I draw your attention to the heading Marcus Lim, about two-thirds of the way down that page.

10 **MR SHEPPARD:** Yes.

MS SHARP SC: And tell me if you need this enlarged, but do you see at paragraph 183, Mr Houlihan says:

15 "I am aware that allegations were made in respect of Mr Lim. In summary, those allegations were as follows."

MR SHEPPARD: Yes.

20 **MS SHARP SC:** Now, were you at any time made aware of all of these allegations against the head of the international rebate business?

MR SHEPPARD: No.

25 **MS SHARP SC:** Should you, as a director, have been made aware of these allegations?

MR SHEPPARD: I would say yes.

30 **MS SHARP SC:** Are you aware that, in fact, allegations were made in 2018 and then further allegations were made in 2019?

MR SHEPPARD: No.

35 **MS SHARP SC:** Can I take you, please, to exhibit G690, STA.3004.0006.0003. And what I'm showing you, Mr Sheppard, is an information note dated 19 July 2019, prepared by Mr Houlihan.

MR SHEPPARD: Yes.

40 **MS SHARP SC:** And can you see it's marked to the attention of Paula Martin?

MR SHEPPARD: Yes, I can.

45 **MS SHARP SC:** And can you see the objective is stated as:

"To undertake a risk assessment of Star Entertainment Group's international rebate operation with a focus on the suitability of international rebate business management."

MR SHEPPARD: Yes, I can see that.

5 **MS SHARP SC:** And do you see immediately underneath that, it refers to allegations against Marcus Lim?

MR SHEPPARD: Yes, I can.

10 **MS SHARP SC:** And I will ask you - can you just read those three dot points to yourself. I will have it enlarged for you.

MR SHEPPARD: Yes, I can see that.

15 **MS SHARP SC:** And then could I take you over the page, Mr Sheppard, and ask you to read the rest of those allegations. Operator, if I could have those dot points enlarged, please.

MR SHEPPARD: Yes, I can see that.

20 **MS SHARP SC:** Now, do you agree that these are very serious allegations?

MR SHEPPARD: They certainly appear to be, yes.

25 **MS SHARP SC:** And they're allegations made against a very senior member of Star Entertainment?

MR SHEPPARD: Yes.

30 **MS SHARP SC:** Were these allegations made known to you at any time in 2019?

MR SHEPPARD: Not to my recollection, no.

35 **MS SHARP SC:** Should they have been made - I withdraw that. Should you have been made aware of these allegations as a director of Star Entertainment?

MR SHEPPARD: Yes, I think either the board or the risk committee should have been aware of those.

40 **MS SHARP SC:** And you can take it from me that Ms Martin was provided with a copy of this document, and at that time she was the chief risk officer. Do you have any comment about her failure to make these allegations known to the board's risk and compliance committee or to the board more generally?

45 **MR SHEPPARD:** Well, it - whether it was her or Mr Bekier, I don't know. She may well have raised the issue with Mr Bekier, in which case it would have been Mr Bekier's responsibility to raise it with the board. But she should have raised it, yes.

MS SHARP SC: And are you aware that an external due diligence provider was retained by Mr Houlihan and Mr White in late 2019 and provided a report to them that Mr Marcus Lim had a serious conflict of interest?

5 **MR SHEPPARD:** No.

MS SHARP SC: Again, do you agree that's a matter that ought to have been made known to the board?

10 **MR SHEPPARD:** Well, I think all of these matters should have been known - made known, in one way or the other, to the board.

MS SHARP SC: Are you aware that the investigation into Mr Lim that was commenced in 2019 was never finalised?

15

MR SHEPPARD: I think I read some reference to Mr Bekier's evidence to that effect.

20 **MS SHARP SC:** Does it concern you in any way that an investigation that was commenced in 2019 was not finalised?

25 **MR SHEPPARD:** Yes. Yes, it does. I'm not aware of the circumstances under which Mr Lim left the business. I - the report's available - well, what I was told was that he'd been made redundant as a result of the wind-down of the overseas business associated with the pandemic.

MS SHARP SC: And do you consider it was appropriate that he was made redundant when there were all of these outstanding allegations against him where Star had not formed a view one way or the other as to their correctness?

30

MR SHEPPARD: I - I - in terms of the appropriateness of that, I'd - I would want more information on the - on the whole matter before I expressed a view.

35 **MS SHARP SC:** Have you reflected on why information about Mr Lim was not provided to the board?

MR SHEPPARD: Well, I've reflected on why information on a number of important matters wasn't provided to the board.

40 **MS SHARP SC:** And what are your reflections in that regard?

45 **MR SHEPPARD:** I think it was a combination, in some cases, of management trying to hide things from the board, which would - was the case with CUP. And in other cases, it could have been management trying to deal with the issues itself and making an inappropriate call that that was the appropriate way to deal with the issues without escalating to the board. I don't agree with it, but I'm just - you've asked me to - for reflections on what might have happened. They're my reflections.

MS SHARP SC: And, Mr Sheppard, the fact that you take the view that management were hiding things from the board, what does this say about the culture of the organisation?

5

MR SHEPPARD: It says that there were - there were shortcomings in the culture of the organisation. The board and myself have always made it very clear to management, in numerous ways, that matters should be escalated if there's any doubt whatsoever.

10

MR BELL SC: Mr Sheppard, do you agree that the board had to have systems and processes in place to ensure that it was getting the right information to perform its oversight functions?

15 **MR SHEPPARD:** Yes. And - and I - I do agree with that, Mr Bell, and the board did have systems and processes in - in place. For - well, you know, we've talked about the code of conduct, and we've talked about the risk appetite statement. I don't think the board could have been clearer in those statements as to what it expected from management in terms of, you know, compliance with ethical
20 behaviour and compliance with appropriate laws.

In terms of systems and procedures to have those matters elevated, every single meeting of the risk committee required a - a report and an undertaking from the chief risk officer that the company was operating within its - its risk appetite. And
25 the risk appetite makes it crystal clear that there's no appetite for unethical conduct, that there's no appetite for non-compliance with applicable laws. And the code of conduct, then, as we've talked about before, was amended in early 2020, I think, to add, you know, the "do the right thing". And I know there's some debate as to whether that's sufficiently clear. But, to me, the words "do the right thing",
30 there is just zero ambiguity in those words.

MR BELL SC: And yet despite all of those documents which made the board's position clear, I think you agree that the failure of management to provide vital information to the board in a number of respects is indicative of a cultural
35 problem?

MR SHEPPARD: Yes, I do.

40 **MR BELL SC:** And so you would agree that the board must accept some responsibility for that problem?

MR SHEPPARD: Yes, I do.

45 **MR BELL SC:** You're a very experienced company director. I would be interested to understand what your insights are as to how this failure of management to provide vital information to the board occurred over what appears to be a long period of time.

MR SHEPPARD: Yes. When I - when I reflect back on that, I think this management team had been together for - for a long period of time. And I think when I was giving evidence previously, I said that we'd made some bad decisions on - on appointments and that, in retrospect, it would have been better to bring
5 some fresh eyes into the process. I think from a - from a board perspective, in retrospect, we possibly didn't ask enough questions. But - but I can absolutely assure you that the board asked lots of questions at all its meetings.

10 So I think there was - there was just something going on here, that the management had been doing things a certain way, that there wasn't fresh eyes and a fresh approach, and that the way of doing things, including non-escalation - and in terms of non-escalation, I can assure you that in addition to the formal
15 procedures, when I chaired various committees, it was my practice to sit down with management and say, "If there's anything you think I need to know, I want to know it. And if I'm not listening, I want you to bang the table and tell me I'm not listening enough." So all those conversations took place. In most of the
20 organisations that - well, in fact, all of the organisations that I've been involved with, except this one, there was - the whole system worked on a - it was reinforced by a trust between the board and management. And in this case, that - that trust was misplaced.

MR BELL SC: Yes, Ms Sharp.

25 **MS SHARP SC:** And, Mr Sheppard, you agree, don't you, that it wasn't just one member of senior management hiding important information from the board?

MR SHEPPARD: I do.

30 **MS SHARP SC:** It was a large number of members of senior management hiding information from the board?

MR SHEPPARD: Yes. Yes, I do.

35 **MS SHARP SC:** And you'd agree that the information that was being hidden, in the main, related to performance of the international rebate business?

MR SHEPPARD: Yes, I'd agree with that.

40 **MS SHARP SC:** And have you reflected upon whether the amounts of money involved had some relationship with the preparedness of so many members of senior management not to adequately brief the board?

45 **MR SHEPPARD:** The amount of money was significant in absolute terms, but not as an overall percentage of the total business. And decisions in relation to that business by management, which you've alluded to, which is non-escalation, basically reflected very poor judgments by the people concerned on the - on the risk/reward balance between the profitability of the business and the risks.

MS SHARP SC: Mr Bekier gave evidence that he considered that a problematic subculture had emerged relating to the international rebate business. What's your view about that?

5 **MR SHEPPARD:** I think I agree with the view that you just expressed, that - that most of the problems were associated with the international rebate business. Whether you call that a subculture or not, they're the facts. Because some of these problems were not - not evident across the organisation in other parts of the
10 business, where there is - you know, there's eight and a half thousand staff in the organisation. I don't think there's a cultural problem, you know, across the organisation, but it does - we have had a cultural problem in this part of the business, and it's - and into the senior management group and into the legal team, which were part of the problem - and the legal team are not focused on just the international business.

15 **MS SHARP SC:** And do you agree that it is the international rebate business where the risks of money laundering and criminal infiltration and associations with unsuitable characters is the most acute?

20 **MR SHEPPARD:** I think it is the most acute. It's not - but that doesn't mean that those risks are not evident elsewhere in the business.

MS SHARP SC: Are you able to reflect upon why, in the area where the risks that I've just discussed were most acute, the board was so let down by senior
25 management?

MR SHEPPARD: I - I have given a lot of thought to that. I don't think there's an obvious answer, other than the ones that I gave to Mr Bell, which - which was that you had a management team that had been together for a long period of time.
30 They'd done things a certain way. And when you do things a certain way for a long period of time without new people coming in to - to question, that they - they just get ingrained. That's my reflection. I've obviously reflected on what the board could have done differently, what - what other questions we could have asked, whether there's issues with the composition of - of - of the board.

35 And - and, you know, we are looking at a new board. And for example, one of the things I've suggested is that it would be useful to have more diverse backgrounds on the board. And in saying that, I'm thinking that - well, one - one suggestion I've put into the process is that it would be useful to have somebody on the board not
40 from a business background but from a legal enforcement background. And I'm not saying that's a solution, but I'm - I'm - I'm commenting that they are - they're the sort of things that we're reflecting upon as we go through the current process of - we do have a process of addressing a whole lot of issues at the present time, and board composition is just one of them.

45 **MS SHARP SC:** Mr Sheppard, can I ask you this: when did you form - when did you first form the view that there was a problem with senior management in this organisation, in terms of not disclosing material to the board?

5 **MR SHEPPARD:** My suspicions started to be alerted in late September of 2021 when we got the Seyfort report on the CUP, which was a surprise to me because certainly for most of my period on the board I have had confidence in the senior management.

MS SHARP SC: Would this be a convenient time to take the lunch adjournment, Mr Bell?

10 **MR BELL SC:** Yes. I will adjourn now for one hour.

<THE HEARING ADJOURNED AT 12:49 PM

<THE HEARING RESUMED AT 1:51 PM

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

MS SHARP SC: Mr Sheppard, were you aware that Mr Simon Kim was a senior vice president of international marketing until 13 June 2020?

20 **MR SHEPPARD:** I don't think I had a lot of awareness of his role at the time. I know who he is now.

25 **MS SHARP SC:** Were you aware at the time that there were various allegations that Simon Kim misappropriated funds while working at Star Entertainment?

MR SHEPPARD: Not at the time.

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

MR SHEPPARD: When I read the file of papers that were provided to me for this review.

35 **MS SHARP SC:** So does it follow that you weren't aware on around 13 July 2020 that he was terminated by Star Entertainment?

MR SHEPPARD: I don't believe so, no.

40 **MS SHARP SC:** Is that a matter that should have been made known to you as a director at the time?

45 **MR SHEPPARD:** It would depend on the circumstances. I don't think he was that - so - so sufficiently senior that it would necessarily have to have been advised to the board.

MS SHARP SC: Well, he was the senior vice president of international marketing until June 2020. Isn't that a senior position?

MR SHEPPARD: I don't think he was the - in charge of the business.

MS SHARP SC: Well, he reported - he was second in charge under Marcus Lim, wasn't he?

5

MR SHEPPARD: I think so, yes.

MS SHARP SC: Well, isn't it a matter that should have been reported to the board that he was accused of misappropriating funds and was subsequently terminated because he disappeared?

10

MR SHEPPARD: I agree with that.

MS SHARP SC: So you do agree that the board should have been notified of that at the time?

15

MR SHEPPARD: Misappropriation, yes.

MS SHARP SC: And the board was not notified of that at the time?

20

MR SHEPPARD: Not to my recollection, no.

MS SHARP SC: So that's another example of where the board was not informed about allegations of serious misconduct on the part of members of the international rebate business?

25

MR SHEPPARD: Yes. I agree with that.

MS SHARP SC: Now, are you aware of the allegation that employees of Star Entertainment provided fake source of fund letters to the Bank of China in Macau?

30

MR SHEPPARD: Yes, I am.

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

35

MR SHEPPARD: Again, when I saw the papers for this commission.

MS SHARP SC: Does that mean only in - I withdraw that. Does that mean you only became aware of that allegation a few months ago?

40

MR SHEPPARD: Yes.

MS SHARP SC: Are you aware now that it would appear that at least five separate fake source of funds letters were provided to the Bank of China?

45

MR SHEPPARD: I don't know the exact number, no.

MS SHARP SC: But you're aware that a number of different fake source of funds letters have been unearthed, are you?

5 **MR SHEPPARD:** Yes, I've read that. Yes.

MS SHARP SC: And are you aware that this was identified as a problem by Mr White by 29 November 2021?

10 **MR SHEPPARD:** No, not specifically of that. No.

MS SHARP SC: Well, I will just show you a document, if I can. Could I go to exhibit B at tab 3402, which is STA.3008.0002.2830. You will see this is a file note from - that Mr White has prepared dated 29 November 2021?

15 **MR SHEPPARD:** Yes.

MS SHARP SC: So we can take it from this that Mr White was aware of the matter by the date of this document. Now, this memorandum was sent to Ms Martin on that date; are you aware of that?

20 **MR SHEPPARD:** Well, certainly not at the time, no.

MS SHARP SC: I will just show you that document. It's exhibit B at 3393, which is STA.3008.0002.2801. And can you see that's an email from Oliver White to Ms Martin, Mr Power and others?

25 **MR SHEPPARD:** Yes, I can.

MS SHARP SC: Copied to Ms Arnott?

30 **MR SHEPPARD:** Yes.

MS SHARP SC: You'd agree, wouldn't you, that a casino providing fake source of funds letters to a bank is an extremely serious matter?

35 **MR SHEPPARD:** I totally agree.

MS SHARP SC: Shouldn't the lawyers have notified this to the board immediately, that is, in November of 2021?

40 **MR SHEPPARD:** Yes. It's a significant non-compliance matter.

MS SHARP SC: And you agree that it should have been notified immediately to the board?

45 **MR SHEPPARD:** Yes. Either immediately, or certainly if there was a risk committee or something around at the time, as part of the compliance report to the risk committee.

MS SHARP SC: Are you aware that Mr Houlihan commenced an investigation into this matter in late 2021?

5 **MR SHEPPARD:** I am now, yes.

MS SHARP SC: So you weren't aware of that at the time?

MR SHEPPARD: No.

10

MS SHARP SC: And Mr Houlihan gave evidence to this review a couple of weeks ago now that that investigation is yet to be finalised. Do you accept that's an unacceptable period of time to have an investigation into these serious allegations remaining outstanding?

15

MR SHEPPARD: My understanding is that the delays are because the staff involved at the time left the organisation quite a long time ago, and that's delayed the response. But I agree it's a long time.

20 **MS SHARP SC:** Has the investigation been finalised now?

MR SHEPPARD: I don't know, Ms Sharp.

25 **MS SHARP SC:** So you haven't made any inquiries to understand where the status of the investigation is up to?

MR SHEPPARD: Well, for the last two weeks, I've been asked not to discuss matters that might arise in my witness - in my - appearing as a witness to the inquiry until my - that - until I've completed my period as a witness.

30

MS SHARP SC: Prior to that time at which that request was made of you, were you aware that there was an allegation that fake source of funds letters had been provided to a bank by Star Entertainment employees?

35 **MR SHEPPARD:** Yes, in the documents I read.

MS SHARP SC: And at that point in time, did you take any steps to understand where the investigations were up to?

40 **MR SHEPPARD:** Yes. I've - I've asked for an update to be provided, probably the next audit committee meeting.

MS SHARP SC: Now, I'm going to move to a different topic. You're familiar, I take it, with EEI Services (Hong Kong) Limited?

45

MR SHEPPARD: Yes, I am.

MS SHARP SC: And you're aware that that's a company that is ultimately 100 per cent owned by Star Entertainment?

MR SHEPPARD: Yes.

5

MS SHARP SC: Now, is it correct that the current directors of that company remain as Harry Theodore and Matt Bekier?

MR SHEPPARD: My understanding is that's being changed, but I don't know the exact status at the moment.

10

MS SHARP SC: Is there an intention to wind up that company, are you able to tell us?

MR SHEPPARD: Certainly there's an intention to wind up the bank accounts, and I understand there's a technical difficulty with that, that they can only be done by people visiting Hong Kong. In terms of winding up the company, I'm not aware of the status of that.

15

MS SHARP SC: Can I take you to a document, please, being exhibit B at tab 540, which is STA.3423.0001.5513. Now, this is a document dated - could you just pardon me for one moment, Mr Bell? Are you able to tell the review whether you've seen this document before?

20

MR SHEPPARD: Yes, I - yes, I - again, this wasn't a board document, I don't think. But it was an internal document which I've seen, again, in some of the papers that have been provided to me for the inquiry.

25

MS SHARP SC: Was that the first time you saw this document, Mr Sheppard, or did you see it at the time it was brought into existence?

30

MR SHEPPARD: No, I didn't see it at the time, to the best of my recollection. There was a - there was a board paper which had a similar heading to this.

MS SHARP SC: Can I take you, please, to exhibit B at 701, which is STA.5002.0004.1094. I'm showing you some minutes of the Star Entertainment board meeting dated 22 March 2018.

35

MR SHEPPARD: Yes.

40

MS SHARP SC: Do you agree you're recorded as being presented?

MR SHEPPARD: Yes.

MS SHARP SC: And we may take it that you were present that day?

45

MR SHEPPARD: Yes.

MS SHARP SC: Could I take you, please, to pinpoint 1098. And could I just have you look at the top half of that document. Do you see there's an entry:

"EEIS project report."

5

MR SHEPPARD: Yes.

MS SHARP SC: And do you see it says:

10 "The paper titled 'IRB-EEIS/MMS Project Status Report' was taken as read."

MR SHEPPARD: Yes, there was a board paper presented to the board that day.

15 **MS SHARP SC:** And do you have any recollection of what was discussed at this particular meeting in relation to EEIS?

20 **MR SHEPPARD:** Yes. There was a - a paper which - which talked about - EEIS was a - some companies which had been set up before. And this paper was to, I guess, renew those arrangements to set up - not to set up, but to make operational some companies based in Hong Kong, with a view to both money lending arrangements and also, I guess, debt collection arrangements based in Hong Kong.

25 **MS SHARP SC:** With those minutes, you will agree that a report was circulated to directors, including yourself, entitled IRB-EEIS Project Status Report?

MR SHEPPARD: Yes, there was a board paper. Yes.

30 **MS SHARP SC:** Could I take you to that board paper, please. If we can turn up exhibit B699, which is STA.5002.0004.0764. Do you see this is a memorandum from John Chong dated 22 March 2018 (indistinct)?

MR SHEPPARD: Yes.

35 **MS SHARP SC:** May we take it that you read that at about the time?

MR SHEPPARD: Yes.

40 **MS SHARP SC:** Could I take you, please, to pinpoint 0785. Do you see there's a heading there, Interim Client Management Agreement?

MR SHEPPARD: Yes.

MS SHARP SC: Now, it says there in the first dot point that the:

45 "Bank of China closed all Star Entertainment bank accounts in Macau as of 31 December 2017."

MR SHEPPARD: Yes, it does.

MS SHARP SC: Now, that presented certain problems to Star Entertainment, didn't it?

5 **MR SHEPPARD:** Yes. Yes, it did. It meant that we didn't have bank accounts operating in that part of the world.

MS SHARP SC: And you agree that the board was briefed on an interim arrangement that would be instituted so that Star Entertainment could continue to
10 collect money in Macau?

MR SHEPPARD: Yes, that's the reference in this - this part of the board paper.

MS SHARP SC: Yes. And in fact, it's correct, isn't it, that the board was briefed
15 that there would be an arrangement with a junket operator who would collect funds on behalf of Star Entertainment and transfer them through his own front money account to The Star in Sydney?

MR SHEPPARD: Yes, I believe that's true.

20 **MS SHARP SC:** And in return for that, The Star would pay him a service fee?

MR SHEPPARD: Yes.

25 **MS SHARP SC:** When you were briefed on this arrangement, did you give any consideration at all to the potential money laundering and counter-terrorism financing implications of this arrangement?

MR SHEPPARD: Yes.

30 **MS SHARP SC:** And what consideration did you give that?

MR SHEPPARD: The - we were briefed that there were consultations with the regulator and with AUSTRAC, and that in relation to the re-establishment of these
35 companies, there would be an anti-money laundering program in both Australia and Hong Kong covering those arrangements.

MS SHARP SC: I understand your last answer relates to EEIS. However, I'd asked you about the interim arrangement with the junket operator rather than the
40 arrangement with EEIS. In relation to the interim arrangement with the junket operator, what consideration, if any, did you give to money laundering and counter-terrorism financing implications of that arrangement?

MR SHEPPARD: That - that the - that arrangement would be covered by things
45 like know your client arrangements and due diligence arrangements and so on.

MS SHARP SC: And how did you assure yourself of that?

MR SHEPPARD: Management briefings.

MS SHARP SC: And who, in management, briefed you on that?

5 **MR SHEPPARD:** It was - the main person who briefed in relation to those
arrangements was Paul McWilliams, who was the chief risk officer at the time,
and he said that there would be - that there would be consultations with
AUSTRAC on the arrangements, that there would be - that the - as it says in this
page:

10

"AML/CTF procedures have been updated to ensure The Star continues to
meet compliance arrangements in all jurisdictions."

So that was the nature of the briefing.

15

MS SHARP SC: When you were briefed on this matter, did you give any
consideration to the flow of funds, in the sense that cash would be collected by a
junket operator who would then place those funds into his own bank account and
then transfer those funds through to The Star account, and whether those
20 arrangements would, if viewed by a third party, tend to suggest that the transaction
was different in substance?

MR SHEPPARD: I believe that was covered in the discussion.

25 **MS SHARP SC:** Can I take you now back to the cover memorandum from
Mr Chong at pinpoint 0764. Can I draw your attention to the paragraph - and I will
have it enlarged for you - that commences:

30 "The new structure will respond to these issues by."

30

Do you see the second dot point - and here we're talking in the context of
EEIS - is:

35 "Establishing EEI Services as a licensed money lender and licensed
remittance agent thus changing the nature of the payments from customers to
be repayment of loans in Hong Kong to repayment of gambling debts in
Australia."

40 **MR SHEPPARD:** Yes.

40

MS SHARP SC: Did you have any concern about this arrangement obfuscating
the nature of the transaction?

45 **MR SHEPPARD:** No, I don't recall having any concerns about that.

45

MS SHARP SC: Well, as you read this now, do you have any concerns about that
matter?

MR SHEPPARD: [Redacted]

MS SHARP SC: Mr Bell, is it possible we can move into private session for a moment?

5

MR BELL SC: Yes. Yes. Operator, I will now move into private mode, please, with Mr Sheppard present.

<THE HEARING IN PUBLIC SESSION ADJOURNED AT 2:11 PM

10

<THE HEARING IN PRIVATE SESSION RESUMED AT 2:11 PM

<THE HEARING IN PRIVATE SESSION ADJOURNED AT 2:14 PM

15

<THE HEARING IN PUBLIC SESSION RESUMED AT 2:14 PM

MR BELL SC: Yes, Ms Sharp.

20

MS SHARP SC: Now, Mr Sheppard, I just wish to return to what Mr Chong said on the front page of this board paper when he said that:

"Establishing EEI Services as a licensed money lender thus changing the nature of the payments from customers to being repayment of loans to Hong Kong from repayment of gambling debts in Australia."

25

At this time, were you aware that there was a concern on behalf of patrons that their bank accounts not indicate that they were paying gambling debts to casinos?

MR SHEPPARD: No, I wasn't aware of that.

30

MS SHARP SC: Were you made aware at about this time that Macau was cracking down on transactions occurring in that jurisdiction which involved people repaying debts to casinos in other jurisdictions?

35

MR SHEPPARD: I was certainly - there is certainly media reports of - of cracking down on gaming generally by the Chinese Government, yes.

MS SHARP SC: But was that a matter that was made known to you by anyone in management at about this time?

40

MR SHEPPARD: Probably. I don't recall specifically.

MS SHARP SC: Was it of any concern to you that an arrangement was being structured which might tend to undermine the crackdown in Macau?

45

MR SHEPPARD: Well, if - if I thought this arrangement had been - was going to undermine that, yes. But I don't recall being concerned about that at the time.

MS SHARP SC: You're aware, aren't you, that a situation was set up where EEIS would provide loans to certain patrons rather than the casino grant cheque cashing facilities to patrons?

5 **MR SHEPPARD:** I think there was a cheque cashing facility involved with the arrangement.

MS SHARP SC: Yes. I'll ask my question again. Were you aware that what was being proposed was setting up EEIS to give loans to patrons in lieu of the casino granting cheque cashing facilities to those patrons?
10

MR SHEPPARD: Yes. To the extent that it was set out in this board paper, yes, I would have been aware of that.

15 **MS SHARP SC:** Did you give any consideration to why another entity, being EEIS, was being interposed into these credit arrangements in the first place?

MR SHEPPARD: The - the general proposition was that we had clients in that part of the world, so it made sense to have a subsidiary operating in that part of the world dealing with the clients.
20

MS SHARP SC: But did you give any consideration to why it was necessary to have a subsidiary operating in that part of the world rather than having the casino directly grant cheque cashing facilities to that patron?
25

MR SHEPPARD: As I recall the general proposition from - that management were putting was that the clients preferred to - or at least some of the clients preferred to deal with a locally based company rather than the casino in Australia.

30 **MS SHARP SC:** And did you give any consideration to why that was the case?

MR SHEPPARD: I thought it was a relatively normal arrangement that - that people in that part of the world were more comfortable with dealing with a local-based subsidiary.
35

MS SHARP SC: Did you give any consideration to the possibility that the reason why EEIS was being interposed into these arrangements was to obfuscate the fact that, ultimately, Star Entertainment was providing credit to a patron in order to gamble?
40

MR SHEPPARD: No, I don't recall that being a consideration in the discussion.

MS SHARP SC: And are you saying that that did not cross your mind at all?

45 **MR SHEPPARD:** The main things that crossed my mind were that the regulators were fully informed and that there were - that the anti-money laundering procedures would work effectively.

MS SHARP SC: And what did you understand the anti-money laundering procedures to be that were to apply to EEIS?

5 **MR SHEPPARD:** That EEIS would have its own AML program, both in Australia and in Hong Kong.

10 **MS SHARP SC:** Can I take you to Ms Robyn McKern's report, please. You indicated on the last occasion that you read her first report. Operator, could you call up exhibit C at tab 330. And I'm showing you Ms McKern's 12 March 2022 report. Just to confirm, this is the one you read, Mr Sheppard?

MR SHEPPARD: Yes, I have.

15 **MS SHARP SC:** Could I take you, please, to page 16 of the report. Could I have enlarged for you the second row on that page. And there, if I can draw your attention, please, to the second dot point in the second column, Ms McKern says:

20 "Both the CUP process and the EEIS loan arrangements involved complex, but precise, processes and documentation which obscured the simple underlying transaction of shifting funds offshore to the casino."

25 Now, in the context of the EEIS loan arrangements that the board was briefed on in 2018, at the time did you give any consideration to whether those loan arrangements obscured the simple underlying transaction of shifting funds from offshore to the casino?

MR SHEPPARD: No, there is certainly no discussion indicating that that was the intention at all.

30 **MS SHARP SC:** And that was not a matter which you personally considered when you were being briefed on the EEIS arrangements?

MR SHEPPARD: No.

35 **MS SHARP SC:** Do you see that - do you understand that is a problem now, as you review Ms McKern's report today?

MR SHEPPARD: Yes, I understand the point that's being made in the report.

40 **MS SHARP SC:** Now, as originally briefed to the board, it's right, isn't it, that the board was told that EEIS would be used, firstly, to make loans and, secondly, to collect outstanding cheque cashing facility debts; is that right?

45 **MR SHEPPARD:** Yes, I believe that's correct.

MS SHARP SC: Do you now accept that somewhere along the line the role of EEIS morphed and, in fact, it collected many front money deposits?

MR SHEPPARD: Yes, I have read that more recently.

MS SHARP SC: Was that a matter that was made known to you at the time, as a director of the board?

5

MR SHEPPARD: Not specifically, no.

MS SHARP SC: Do you agree that that changes the money laundering risk profile of the EEIS arrangements?

10

MR SHEPPARD: Collect - that is, collecting deposits to - to be deposited into front money accounts?

MS SHARP SC: Yes.

15

MR SHEPPARD: Yes. It would - would require new arrangements - not new arrangements, but it would require execution of the AML program to address that issue.

MS SHARP SC: And you're aware now, I take it, that, in fact, many deposits of front money were made by third party remitters, sometimes known as money service businesses, on behalf of particular patrons?

20

MR SHEPPARD: Yes, I believe so.

25

MS SHARP SC: And do you agree that that increases the AML/CTF risk profile of those transactions?

MR SHEPPARD: It would increase the AML risk profile and, therefore, require a response through the AML program.

30

MS SHARP SC: Was that a matter that the board was notified of at any time?

MR SHEPPARD: Not specifically.

35

MS SHARP SC: Well, was it notified at all?

MR SHEPPARD: Not to my recollection.

MS SHARP SC: Should it have been?

40

MR SHEPPARD: Yes, it would have - there should have probably been an update as to the changing nature of the transactions.

MS SHARP SC: Well, they became much more risky, didn't they?

45

MR SHEPPARD: Well, more - more risky in the sense of requiring an elevated AML program response.

MS SHARP SC: What's your view now as to the arrangements with EEIS?

5 **MR SHEPPARD:** Well, as you've said, the - the risk profile elevated beyond the initial structure that was put to the board in - in March of 2018.

MS SHARP SC: And so what's your view of the propriety of Star Entertainment permitting those transactions to occur?

10 **MR SHEPPARD:** I don't think it's a matter of propriety; it's a matter of risk management.

MS SHARP SC: Was it a matter that was beyond Star Entertainment's risk appetite, or was it within Star Entertainment's risk appetite?
15

MR SHEPPARD: With - with an appropriate AML program in place, I think it would have been within the risk appetite.

MS SHARP SC: Was there an appropriate AML program in place, Mr Sheppard?
20

MR SHEPPARD: To my knowledge, there was, yes.

MS SHARP SC: Could I take you, please, to exhibit B1579, which is STA.3004.0008.0001.
25

MR SHEPPARD: Yes.

MS SHARP SC: Now, I'm showing you a memorandum that Oliver White sent to Greg Hawkins and Paula Martin dated 26 August 2019. And what he does in this memorandum is describe the then current arrangements with Kuan Koi, the junket operator who was collecting front money payments and with EEIS. Could I take your attention, please, to paragraph (c) at the bottom of that first page and have it enlarged. Now, I have to take you to a few parts of this document and then I will ask you a question, Mr Sheppard. Do you see it is stated that:
30
35

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

40 And sub (i) is Regal Crown Trading Limited?

MR SHEPPARD: Yes.

MS SHARP SC: And then if I take you over the page, please. Do you see Mr White says:
45

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

MR SHEPPARD: Yes.

5 **MS SHARP SC:** And then if I could take you a little bit further down the page to (ii) with the heading KK/Silver Express. And it's there stated:

"After May 2018, the arrangement with KK -"

10 That's Kuan Koi:

"Appears to have continued in an amended form, with the assistance of licensed money service operators in Hong Kong. This process has not been subject to review by the legal or compliance teams."

15 **MR SHEPPARD:** Yes.

MS SHARP SC: Does it concern you that at this time, Silver Express was depositing money into EEIS accounts without there being any review by the legal or compliance teams?
20

MR SHEPPARD: Yes. If that's what's happening, it would concern me.

MS SHARP SC: And just to be clear, that wasn't a matter that was made known to the board at the time?
25

MR SHEPPARD: Not to my recollection, no.

MS SHARP SC: Can I take you a little bit further down the page, please, Mr Sheppard, to the heading Associated Risks. And then if I have that enlarged for you, it says:
30

"A formal risk assessment of the processes in subsection (c) of the current arrangements has not been undertaken."

35 Now, you can take it from me the processes in subsection (c) are the ones I've just taken you to, which are the deposits by Regal Crown and Silver Express. Now, do you see in relation to those processes, Mr White says:

40 "The following legal and other risks should be considered."
And one of them is (a):

45 "The arrangements outlined above intrinsically carry a higher AML/CTF risk."

MR SHEPPARD: Yes.

MS SHARP SC: And (b):

"The arrangements outlined in subsection (c)(ii) have further risk because (1) we have no visibility of where payments to Kuan Koi are going."

5 And then (c):

"There is increased reputational and operational risk associated with The Star's active participation in arrangements between our patrons and Regal Crown (and possibly Silver Express)."

10

MR SHEPPARD: Yes.

MS SHARP SC:

15 "While we know that Regal Crown (and Silver Express) hold appropriate licences, in Hong Kong to carry out foreign exchange and remittance transactions, based on our limited knowledge of Regal Crown's operations, we cannot be certain that the cash operations in Macau are in accordance with local laws."

20

Now, I take it that none of these risks were made known to the board at this time?

MR SHEPPARD: Yes. Who is Mr White writing this memorandum to?

25 **MS SHARP SC:** He is writing this memorandum to Mr Hawkins and Ms Martin.

MR SHEPPARD: Okay.

30 **MS SHARP SC:** Does it concern you that none of these people made these risks known to the board?

MR SHEPPARD: Well, yes. I don't know what the outcome of this memorandum was.

35 **MS SHARP SC:** And, of course, Ms Martin was the chief risk officer at this time, wasn't she?

MR SHEPPARD: Yes, she was. When was this? This was --

40 **MS SHARP SC:** August 2019.

MR SHEPPARD: I'm not entirely sure of the - the answer is probably. I'm not totally sure when Mr McWilliams left and - and Ms Martin took over as chief risk officer. But I accept that she probably was chief risk officer at this time.

45

MS SHARP SC: Are you aware now that transactions involving EEIS extended beyond Star Entertainment's risk appetite?

MR SHEPPARD: Well, I - this - this memorandum would indicate that it did. I don't know what the response was to this memorandum in terms of - I mean, there was certainly anti-money laundering programs in place which were supposed to cover KYC - know your client and due diligence. If they weren't elevated, this would certainly have increased the risk.

MS SHARP SC: So as a director of Star Entertainment, do you have a view now on the propriety - I withdraw that - on the appropriateness of the transactions involving EEIS from an anti-money laundering and counter-terrorism financing perspective?

MR SHEPPARD: Well, if - if this memorandum wasn't responded to by appropriate AML measures, then it would have been inappropriate to elevate the risk without a full discussion with the board.

MS SHARP SC: And you don't know, today, whether or not steps were taken in light of this memorandum?

MR SHEPPARD: My understanding is that there was an AML program in place for all of EEIS's transactions. It was a separate AML program, and it was both an Australian and a Hong Kong program. And my understanding is that there were - the AML team was responsible for administering that program, and my understanding is that they did.

MS SHARP SC: Sorry. Do you - I'm just trying to understand your evidence. Are you saying that steps were taken in relation to the risks identified in this memorandum?

MR SHEPPARD: No. No, I'm saying I - I - there was no elevation of that to me or to the board. What I'm saying is that there was an AML program in place and - I mean, there should have been a response to this memorandum, which is pointing out that the risks are increasing. Now, I don't know whether there was a response to that memorandum or not in terms of action.

MS SHARP SC: Were you aware of the risks I've just taken you to prior to me showing you this document?

MR SHEPPARD: In the sense that I've read the McGrathNichol report and other documents involved in the inquiry, but not at the time.

MS SHARP SC: Would you just pardon me for a moment, please, Mr Bell. Now, I'd like to ask you a few questions, if could, about the KPMG reports --

MR SHEPPARD: Yes.

MS SHARP SC: -- that were brought into existence in May of 2018. Do you agree that the part A report identified some important shortcomings in Star Entertainment's then AML/CTF program?

MR SHEPPARD: Yes, I do.

5 **MS SHARP SC:** And did that come as a surprise to you at the time, Mr Sheppard?

10 **MR SHEPPARD:** Yes, because we had at a previous AML compliance - independent compliance report some, I think, two years earlier from Mr Brown, I think it was, whereby he had given a positive review of the AML program, subject to a number of improvements, which there was a management action plan which had been actioned. And, secondly, there had been a recent, prior to the KPMG report - I'm not sure whether I can mention the name of the organisation, but an organisation in charge of money laundering which had raised no major issues.

15 **MS SHARP SC:** And what was your response when you saw a copy of the KPMG report?

20 **MR SHEPPARD:** That there needed to be a management action plan to address it, and in some cases, where the findings had a high importance attached to them, that - that needed to be done as a matter of urgency.

25 **MS SHARP SC:** Now, as it turns out, the KPMG report was provided to Star Entertainment at the very time a number of cash transactions of concern were occurring in Salon 95. Have you reflected on the fact that at the very time these cash transactions of concern were occurring, the independent assurance of KPMG was indicating there were serious deficiencies in Star Entertainment's AML/CTF program?

30 **MR SHEPPARD:** I - I think they're unrelated issues.

MS SHARP SC: You say they're unrelated?

35 **MR SHEPPARD:** Well, they both relate to - to money laundering. But I think it's more of a coincidence, timing.

MS SHARP SC: And you're now aware, aren't you, that, in fact, Star Entertainment initially refused to provide the KPMG reports to AUSTRAC?

40 **MR SHEPPARD:** Yes, I am, which was a surprise to me.

MS SHARP SC: And you're aware now that that's because Star Entertainment claimed legal professional privilege over those reports?

45 **MR SHEPPARD:** I am.

MS SHARP SC: And is it your view that it was inappropriate for legal professional privilege to be claimed over those reports?

MR SHEPPARD: My view is there should be total transparency with regulators and that they should have got that report immediately.

5 **MS SHARP SC:** Could I show you, please, exhibit B at 2841. Now, I'm showing you the BDO part A report on Star's AML/CTF program dated May 2021.

MR SHEPPARD: Yes.

10 **MS SHARP SC:** Do you see it's marked "privileged and confidential"?

MR SHEPPARD: I do.

15 **MS SHARP SC:** Do you have any comment on it being marked "privileged and confidential"?

MR SHEPPARD: Other - other than that's what it says.

20 **MS SHARP SC:** Is that something you noticed at the time when it was first provided to you?

MR SHEPPARD: No, I didn't turn my mind to it.

25 **MS SHARP SC:** Did you turn your mind to whether anyone within Star had sought legal advice in relation to this interim report?

MR SHEPPARD: No. My focus on - was on what the report said.

30 **MS SHARP SC:** Could you pardon me for a moment, Mr Bell?

MR BELL SC: Yes.

35 **MS SHARP SC:** Could I show you a document, please, Mr Sheppard, which is exhibit H117. And I'm showing you a paper prepared by Mr McWilliams dated 16 August 2018 for the risk and compliance committee.

MR SHEPPARD: Yes.

40 **MS SHARP SC:** Is this the report you were referring to a little earlier in the context of EEIS? And before I ask that, can I take you, please, to pinpoint 0596.

MR SHEPPARD: Yes. Yes.

45 **MS SHARP SC:** And can you see any reference in that - and I will direct your attention to Anti-Money Laundering Compliance and the text that appears under there. There's no reference there, is there, to arrangements with Kuan Koi?

MR SHEPPARD: No, but the proposed EEIS arrangements approved in May 2018 - that's when the board approved it - included that interim arrangement with - that you referred to.

5 **MS SHARP SC:** Well, how did an arrangement with EEIS have any relationship with Kuan Koi collecting front money and then depositing it in his own bank account and then transferring it to The Star?

MR SHEPPARD: Well, it was all part of the arrangements approved by the board
10 earlier in the year.

MS SHARP SC: But there's no reference here to anyone at The Star making AUSTRAC aware of the arrangement with Kuan Koi, is there?

15 **MR SHEPPARD:** Not specifically. I mean, I read that at the time as - as the totality of the proposals put to the board earlier in the year.

MS SHARP SC: Might you have been mistaken in your conclusion that Star
20 Entertainment alerted any regulator to the arrangement with Kuan Koi?

MR SHEPPARD: Well, I wasn't part of the discussion with - with AUSTRAC. I - I would have imagined that they would have been given a copy of the board paper.

25 **MS SHARP SC:** When you gave your evidence that you thought there had been notification about the Kuan Koi arrangement, were you basing it solely on this document that I'm showing you now?

MR SHEPPARD: And also the assurances that Mr McWilliams gave the board
30 earlier in the year, when the papers came to the board, that there would be full consultation with the regulators in New South Wales and Queensland and with AUSTRAC.

MS SHARP SC: So did you make an assumption about what that full consultation
35 would involve?

MR SHEPPARD: Yes. I assumed that the full consultation would be all of the arrangements discussed with the board in early 2018.

40 **MS SHARP SC:** So that wasn't a matter that was positively confirmed to you in writing, was it?

MR SHEPPARD: No. No, other than what was in the board paper of early 2018.

45 **MS SHARP SC:** Now, are you aware that a question has emerged in this review about whether local patrons were incorrectly classified as international rebate patrons and, therefore, a lower level of duty was paid?

MR SHEPPARD: Yes, I am.

MS SHARP SC: Are any steps being taken in relation to that matter by the board at present?

5

MR SHEPPARD: Yes. The whole database is being reviewed by Gadens, I believe, to - to check all of those arrangements.

MS SHARP SC: And are you in a position to update this review about whether any conclusions have been drawn at this stage?

10

MR SHEPPARD: My understanding is that the inquiry is incomplete because it requires an enormous amount of data. I have been told that the conclusion at this stage is that there's no systematic, if you like, transfer of people from rebate to - from non-rebate to rebate businesses. But the - the Gadens review is not yet completed.

15

MS SHARP SC: Now, it's correct, isn't it, that John O'Neill resigned as chairman of the board on Friday just gone past?

20

MR SHEPPARD: Yes, he did.

MS SHARP SC: Were you given any advance notice of his intention to resign?

MR SHEPPARD: No. He resigned at a board meeting on Friday afternoon.

25

MS SHARP SC: Did he consult with you about the resignation prior to resigning?

MR SHEPPARD: No, he didn't.

30

MS SHARP SC: Did he tell you at the board meeting why he was resigning at this particular time?

MR SHEPPARD: Yes, he did.

35

MS SHARP SC: And what did he say?

MR SHEPPARD: He said he felt that it was in the company's best interests.

MS SHARP SC: Is that all that he said?

40

MR SHEPPARD: He also said that he wasn't sure that he had the support of the regulator.

MS SHARP SC: And is that all that he said?

45

MR SHEPPARD: Well, he made a number of general comments about his tenure on the board over a long period of time. And he said it was a very sad day for him. But in terms of the reasons for his resignation, they're the two that come to mind.

5 **MS SHARP SC:** Had anybody on the board of directors asked him to resign, to your knowledge?

MR SHEPPARD: No.

10 **MS SHARP SC:** Can I show you a document, please, which is CORRO.001.001.0884. I'm showing you a letter from KWM to the solicitors assisting this inquiry dated 23 May 2022. That's today, of course. In this letter, advice is given that Mr Andrew Power, Mr Graeme Stevens, Mr David Aloï, Mr Micheil Brodie and Ms Skye Arnott have resigned.

15

MR SHEPPARD: Yes.

MS SHARP SC: Were you aware of that?

20 **MR SHEPPARD:** I was aware of some of them, but I don't think I was aware of Skye Arnott. But, yes, some days ago, I think it was Mr O'Neill sent an email notifying of some, if not all, of these resignations.

MS SHARP SC: Are these resignations that the board requested?

25

MR SHEPPARD: I - in most cases - I'm not totally sure of all cases, but in most cases, yes.

MS SHARP SC: And who were you aware the board asked to resign?

30

MR SHEPPARD: Andrew Power. Graeme Stevens. I think David Aloï. I'm a bit unclear on the process with Micheil Brodie and Skye Arnott.

MS SHARP SC: And why did the board ask these people to resign?

35

MR SHEPPARD: Because the board had asked for a review of the evidence to this inquiry to be done by legal advisers and to advise on options available to the board and to provide the board with some independent findings as to whether people in their evidence had indicated that they had breached the company's code of conduct or acted otherwise inappropriately.

40

MS SHARP SC: And do you agree that a large number of members of senior management have breached the code of conduct or otherwise acted inappropriately in relation to matters canvassed in this review?

45

MR SHEPPARD: Yes, I do.

MS SHARP SC: Do you personally - I withdraw that. Did you fail to provide active stewardship in terms of being a director of Star Entertainment?

5 **MR SHEPPARD:** No, I don't believe so.

MS SHARP SC: Do you accept any shortcomings in that regard, in terms of supervising senior management?

10 **MR SHEPPARD:** Yes. I accept that, in retrospect, the board should have asked more questions and that we could have put in place, I think, better structures for reporting rather than rely to the extent that we did on management to themselves comply with reporting obligations and the code of conduct.

15 **MS SHARP SC:** Do you accept that you failed to bring the quality of curiosity to your role as a director of Star Entertainment?

MR SHEPPARD: No, I don't accept that.

20 **MS SHARP SC:** Do you accept any personal shortcomings in relation to your directorship at Star Entertainment?

25 **MR SHEPPARD:** Well, in the sense that things have gone badly wrong, there's always things the board could have done to prevent that in - in hindsight. So, therefore, these things occurred and, therefore, yes, I do accept some personal responsibility.

MS SHARP SC: And how about in relation to the cultural settings of this organisation? Do you accept any personal responsibility?

30 **MR SHEPPARD:** In relation to the cultural settings, I don't think the board could have been clearer in terms of setting the tone for the culture, which is a required responsibility under the terms of reference. The tone was clear in the code of conduct. There's no tolerance for breaching laws. There's no tolerance for acting unethically. And that's also reflected in the risk appetite statement. So I think
35 setting the cultural tone, the board has been very clear. But it has failed in terms of the execution. So the board does need to take some responsibility for that.

40 **MS SHARP SC:** And could I just cycle back to some questions I asked you about the KPMG reports in May of 2018.

MR SHEPPARD: Yes.

45 **MS SHARP SC:** Were you aware as to whether senior management requested any part of these reports to be amended by KPMG?

MR SHEPPARD: No.

MS SHARP SC: Mr Bell, I have no further questions.

MR BELL SC: Mr Sheppard, do you recall the audit committee meeting in May 2018 at which the KPMG reports were discussed?

5 **MR SHEPPARD:** Yes, I do.

MR BELL SC: And what was the tone of the meeting in relation to that agenda item?

10 **MR SHEPPARD:** I think, as I've said before, a little bit of surprise having regard to the previous advice we had got on the AML program. I know the - the chairman at the time was - was a little critical of management, that - that the report had been presented with very short notice and he hadn't had an opportunity to discuss it. But
15 apart from that, the discussion, from my recollection, was professional. It was - we had been told this, we need to get on with it. Now, having said that, there was also - it was also evident that Mr Bekier, the managing director, had not had - in his opinion, had an adequate chance or opportunity to fully understand the report. So at the meeting, it was resolved that we'd give him the opportunity to do that, which, in my view, was entirely appropriate. He's the managing director; he's
20 perfectly entitled to go and talk to the authors of - of the report.

But the general thrust of the committee was, well, yes, he should have the opportunity to do that, but these - these are legitimate issues which has been raised and we need to get on with it. And either at that meeting or the next meeting, there
25 was - I think 35, 40 or something like that management actions and a timetable to address the issues. And those actions were monitored at every single meeting of the risk committee thereafter through to - I think it was about 2021. Most of them were completed in a relatively short - well, some of the - the urgent ones were completed in a relatively short frame. The TrackVia system took some - a couple
30 of years - and something like eight or nine million dollars, I think, of expenditure to - to - to get completed. But - but that process was - was very much put in place with the full endorsement and - and backing of the committee and, indeed, the board.

35 **MR BELL SC:** I don't have the transcript at my fingertips, but at least one person present at the audit committee meeting told me that you had said something to - or you had asked to the effect whether the reports were final and/or whether they could be modified. Do you have any recollection of saying anything to that effect?

40 **MR SHEPPARD:** I certainly didn't ask whether they could be modified. And in fact, I never met or communicated in any way with the authors of the report. It's entirely possible that I asked whether it was a final report, in the context that it actually had been delivered at relatively short notice in the board papers, and we actually did not have a full copy of the report in the papers. We only had a
45 summary and conclusions. So I don't recall words that I said but I think it's entirely possible they would have said, "Can I just clarify: is this a final report, or is it still subject to discussions with management?" And the answer turned out, to some extent, to be both.

5 **MR BELL SC:** I see. We've discussed information flows between the board and management. Do you agree that a distinct and very grave problem raised by the evidence to this review is unethical conduct towards the New South Wales regulator and towards banks with which The Star was dealing?

10 **MR SHEPPARD:** Certainly towards banks. I mean, it's just completely and utterly unacceptable for a senior executive, and particularly a chief financial officer, to provide any misleading statements to a bank. So I accept that. So far as the regulator is concerned, I believe that's right, but I don't - the interaction with the regulator was partly in written form, partly in verbal forms. There were lots of meetings, and I - I don't have total visibility of - of, you know, what occurred in that total process. But I do accept that, particularly if the board wasn't given the full story, it's almost certain that the regulator wasn't given the full story.

15 **MR BELL SC:** I take it you're aware of evidence from Mr Stevens that he knowingly misled the New South Wales regulator in relation to the activities which he understood were to take place in Salon 95?

20 **MR SHEPPARD:** I haven't - I haven't read his direct evidence, but I've heard reports of it. Yes.

25 **MR BELL SC:** And you would certainly accept that that was unethical conduct, if it took place?

30 **MR SHEPPARD:** I totally agree. As I've said before in my - as a witness, my philosophy is that there should be total transparency with - with regulators. And one thing that I would - I think would be very useful going forward, based on my experience in the banking industry where our regulator was APRA, was the board would meet with APRA at least once a year so that the regulator could - could, in a very frank sort of way, express any concerns or tell the board what was on their mind or make positive statements. And that hasn't happened, really, in my experience in the casino industry, and it would just be very useful for a direct board interaction with regulators on a - some sort of regular basis. It doesn't have to be all the time; once a year might be enough, twice a year, something like that. But I do think that would be very useful because then as a director, you could say to the regulator, "Do you have any concerns?"

40 **MR BELL SC:** This unethical conduct has occurred notwithstanding that the board, it would appear, made its expectations clear in writing through the code of conduct, through its compliance policy and framework and so forth. Have you got any reflections on how these ethical problems occurred notwithstanding those communications from the board?

45 **MR SHEPPARD:** I think there was an element of one of these things were done widely in the industry, so if everyone else is doing it, why don't we do it? There's always the issue of weighing up whether it's a conspiracy or a stuff-up, if I could use that word. I think it's more likely to be mistakes rather than a widespread

conspiracy. But they're very serious breaches. The CUP thing went for a long period of time. And some of the other matters that Ms Sharp has taken me to today are serious breaches which should not have happened.

5 **MR BELL SC:** You've been a member of the Star Entertainment board for a bit over nine years. What are your personal intentions in relation to your continued membership of the board?

10 **MR SHEPPARD:** I think the best thing that I can do at the moment, Mr Bell, is that the board's diminished numbers. There's a large body of work going on to address the issues that have arisen out of this inquiry and, in some cases, prior to the inquiry. And I will be working as hard as I can to assist the board to address those concerns. My term on the board would finish at the AGM, and I think it will probably take pretty much all of that time to fully address the issues, which
15 includes putting a new board in place; management changes; changes in structural arrangements and decision-making; putting in place structures to ensure that issues are elevated, which in some cases might require the board to directly make some of the decisions, particularly in terms of substantial matters of dealing with people of good repute - that - that type of a thing. So that's not a wholesale summary of
20 the issues that the board's working on, but the board is using consultants. We are - there's a major review of culture going on. But the structural arrangements - really, what lessons have been learnt from this exercise and what needs to be done to address them, and I'm going to be working as hard as I can to assist in that process.

25 **MR BELL SC:** So your present expectation is that you won't remain on the board after the AGM?

MR SHEPPARD: That is correct.

30 **MR BELL SC:** Ms Richardson, any questions of Mr Sheppard?

MS RICHARDSON SC: No. Thank you.

35 **MR BELL SC:** Mr Henry, anything arising?

MR HENRY SC: No. Thank you.

40 **MR BELL SC:** Yes. Thank you very much for your evidence, Mr Sheppard. The direction I will make is that your examination is adjourned, but it's most unlikely you will be asked to attend again. Thank you.

MR SHEPPARD: All right. Thank you.

45 **<THE WITNESS WAS RELEASED**

MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: I'm sorry. I should have done this earlier, Mr Bell. Could I have that letter from King & Wood Mallesons dated 23 May 2022 marked for identification?

5 **MR BELL SC:** Yes. That will be MFI70. Yes. Who is the next witness?

MS SHARP SC: Yes. It's Mr John O'Neill. Could I request an adjournment, please, Mr Bell?

10 **MR BELL SC:** Yes. What I might do is actually take the afternoon adjournment now for 15 minutes, and we'll resume in 15 minutes. Thank you.

<THE HEARING ADJOURNED AT 3:02 PM

15 **<THE HEARING RESUMED AT 3:20 PM**

MR BELL SC: Yes, Ms Sharp.

20 **MS SHARP SC:** I call Mr O'Neill .

MR BELL SC: Mr O'Neill, would you prefer to take an oath or an affirmation?

MR O'NEILL: Oath, Mr Bell.

25 **<JOHN ANTHONY O'NEILL, SWORN**

MR BELL SC: Yes, Ms Sharp.

<EXAMINATION BY MS SHARP SC:

30 **MS SHARP SC:** Mr O'Neill, what is your full name, please?

MR O'NEILL: John Anthony O'Neill.

35 **MS SHARP SC:** You have prepared two statements for the purpose of this review?

MR O'NEILL: Yes, I have.

40 **MS SHARP SC:** The first of those is dated 4 February 2022?

MR O'NEILL: Correct.

45 **MS SHARP SC:** Are the contents of that statement true and correct?

MR O'NEILL: Yes.

MS SHARP SC: You prepared a second statement on 16 May 2022?

MR O'NEILL: Yes.

MS SHARP SC: Are the contents of that statement true and correct?

5

MR O'NEILL: Yes.

MS SHARP SC: And it's correct that your work address is known to those assisting this inquiry?

10

MR O'NEILL: Yes.

MS SHARP SC: Until last Friday, you were the chair of the board of directors of Star Entertainment Group?

15

MR O'NEILL: I'm still the - I'm still the executive chairman of The Star Entertainment Group until 31 May.

MS SHARP SC: And you have been the chair since 8 June 2012?

20

MR O'NEILL: As the non-executive chairman from that date until 1 April when I became - 1 April this year, when I became the executive chairman.

MS SHARP SC: And at the time you became executive chairman, did you also take interim responsibility as the chief executive officer?

25

MR O'NEILL: Yes.

MS SHARP SC: Now, you first joined the board of Star Entertainment on 28 March 2011?

30

MR O'NEILL: I joined the board of Echo Entertainment, which was the original name of Star Entertainment at the time of the demerger from Tabcorp.

MS SHARP SC: And are you - or have you been a member of any of the subcommittees of the board, for example, the audit committee, the risk and compliance committee and so on?

35

MR O'NEILL: Yes. Throughout that time, I've been an ex officio member of all board subcommittees.

40

MS SHARP SC: Now, I just want to ask for your experience prior to joining the board of then Echo and now Star Entertainment. Could you outline what that experience was in general terms?

45

MR O'NEILL: I was with the State Bank of New South Wales for 24 years, from 1971 until 1995. And between 1987 and 1995, I was the managing director and CEO of the State Bank of New South Wales. Following that, I moved into the

business of sport and, in total, I had 14 years as managing director and CEO of the Australian Rugby Union. That was two stints between '95 and '04 and then from '07 to 2012. And in between, I had three years as the CEO of Football Federation of Australia. And - and then in the last 10 years, I've been chairman of Star Entertainment. But over that period, I have also had a number of other directorships, chairman of the Australian Wool Exchange at one stage, and quite a lot of not-for-profit involvement, school councils, hospital boards, Australian Island Fund and - yes, quite a - quite a mixed bag.

5
10 **MS SHARP SC:** And presently, you are a member of some other boards, aren't you?

MR O'NEILL: I think it's in my second witness statement, that I have resigned as chairman of Queensland Airports on the - I think it was on 5 or 6 April.

15
MS SHARP SC: And what are the other boards that you are presently a member of, Mr O'Neill?

MR O'NEILL: Well, I also chair the joint venture companies that Star has with our joint venture partners. One is called Destination Brisbane, which is the Queen's Wharf development in Brisbane. Destination Gold Coast, which are development projects on the Gold Coast, at Star Gold Coast. I will just refer to my witness statement. I resigned as a member of the Advisory Council of China Matters on 4 March. I was involved with the Brisbane bid for the Olympics, which was successful. So that bid committee has been dissolved. And I have a chairmanship of an architectural firm, Bates Smart advisory board - it's only an advisory board. But the - due to COVID, the board has not met for approximately two years.

20
25
30 **MS SHARP SC:** Now, why is it that you resigned last Friday, Mr O'Neill?

MR O'NEILL: I felt it was time to do so in the best interests of the company.

MS SHARP SC: And that was midway through the directors giving evidence to this review. Why at that point in time?

MR O'NEILL: Simply it reflected my view that the - my appointment as the interim executive chairman on 1 April by - at the request of the board, and at the approval of the board, was to provide some stability where, in a very short space of time, we had lost our managing director. And there were other vacancies, the chief legal officer, the chief risk officer, the chief financial officer. And that literally almost two months provided me with the opportunity to fill some gaps - or fill all the gaps on an interim basis and to settle the management team down.

40
45 We have a live casino business to run at Star Sydney, and the business continuity objective was why I was appointed. I felt that the - enough stability had been provided for, and I felt that it was in the company's best interests for me to step away. I had intended to resign at the earliest opportunity when we had found a

new CEO and managing director, but our circumstances were such that that search was well underway. And as you can see from today's announcement, Mr Ben Heap has been appointed interim chairman and Mr Geoff Hogg has been appointed the acting CEO, which is an arrangement which I think will stand the company in good stead.

MS SHARP SC: Now, since the public hearings of this inquiry commenced, Mr Bekier has resigned; Mr Oliver White has resigned; Ms Martin - Ms Paula Martin has resigned; Mr Greg Hawkins has resigned; Mr Harry Theodore has resigned; Mr Andrew Power has resigned; Mr Graeme Stevens has resigned; Mr David Alois has resigned; Mr Micheil Brodie has resigned; and Ms Skye Arnott has resigned. This is an extraordinary situation, isn't it?

MR O'NEILL: Well, the company finds itself in - well, the licensee, Star Sydney, finds itself in extraordinary circumstances, as does Star Entertainment, and extraordinary circumstances require extraordinary action.

MS SHARP SC: And what comment do you have on the fact that so many members of the senior management team have resigned since the public hearings in this review commenced?

MR O'NEILL: Well, Ms Sharp, it is a somewhat of an understatement to say that this is a cathartic moment for the company and for the licensee. And the - the evidence that has been given, and the board and my own consideration of the evidence, is such that that cathartic moment requires as much cleansing as possible, and that's what we've attempted to do.

MS SHARP SC: And you agree, don't you, that something has gone seriously wrong in this company?

MR O'NEILL: In one particular part of the business, it has gone very badly wrong.

MS SHARP SC: Well, just to be clear, these are senior managers in the entirety of the business, aren't they?

MR O'NEILL: They run the entire business - well, they run - Mr Bekier runs the entire business; Mr Harry Theodore is the chief finance officer of the entire business; Mr - Ms Paula Martin was the group chief legal and risk officer; and Greg Hawkins was the chief casino officer for Sydney and New South Wales; and Andrew Power was group general - general counsel. So, yes, they did have company-wide - company-wide responsibilities. But the specifics of this - of Mr Bell's review are to the suitability of - of Star Sydney and its close associates.

MS SHARP SC: When did you first realise there was something very seriously wrong in this company?

MR O'NEILL: It was more or less during the course of Finkelstein's - Mr Justice Finkelstein's Royal Commission in Victoria that louder alarm bells started ringing in terms of what potentially did we have under our roof that we didn't know about.

5 **MS SHARP SC:** And at what point in time was that, Mr O'Neill?

MR O'NEILL: At whatever point the Finkelstein Review touched on the subject of CUP.

10 **MS SHARP SC:** Now, did you have serious concerns about this company at the time the public hearings of this review were announced?

MR O'NEILL: Well, Mr Bell's appointment was announced by ILGA on 14 September. And at that point, at the time leading into Mr Bell's appointment,
15 ILGA - the regulator - explained to me that this was a business-as-usual five-year review. That - since the casino opened in Sydney 30-plus years ago, I think this is the eighth suitability review. And it was described as being a business-as-usual five-year review as to our suitability, and - and there would be no public hearings. It would be done as previous section 31 reviews have been done. And I was
20 around for the 2011 review and the 2016 review, conducted by Gail Furness SC in 2011 and Jonathan Horton QC in 2016.

The turning point, Ms Sharp, was - in terms of elevation - elevation of seriousness was the - really leading into the 60 Minutes program, which I think was on 8 or 9
25 October - I can't remember the exact date. And that exposure investigative reporting episode understandably, in the lead-in to it, with the questions that started to come through the reporter and - and Mr - the chairman of ILGA informed me, after he had been interviewed by the program, and, really, thereafter - around about a week to 10 days after, there was an announcement that
30 Mr Bell had decided that two parts of the terms of reference, as released on 14 September, would be elevated into the public arena, namely, systems and processes to support AML and CTF obligations, and the second one, in broad terms, was allegations of infiltration by organised crime. So the seriousness certainly was not lost on me or the board.

35

MS SHARP SC: And may we take it that at the time the public hearings of this review were announced, you welcomed that opportunity to have the issues ventilated in public?

40 **MR O'NEILL:** Yes.

MS SHARP SC: Now, what steps have you taken, Mr O'Neill, to familiarise yourself with the evidence that has been given to this review in the public hearings?

45

MR O'NEILL: Well, Ms Sharp, I - as you - as you mentioned at the outset, I - it was in December - I can't remember the exact date - that I received a list of 21 questions from the Bell Review and was requested to provide a witness statement,

which, with the help of our legal advisers, I prepared and signed on 4 February. And - and then I have - since 17 March, I have followed some of the - of the oral evidence. Obviously I haven't been privy to those private sessions. I truthfully haven't been able to, you know, view a lot of the evidence, as I've had, you know, a bit on my plate. But I've been provided with daily updates and transcripts of the evidence from 17 March until now.

5
10 **MS SHARP SC:** Have you taken the opportunity to read the first report of Ms Robyn McKern prepared for the purposes of this review?

MR O'NEILL: Yes.

MS SHARP SC: And have you considered that report closely?

15 **MR O'NEILL:** Yes. Well, I have read it.

MS SHARP SC: And have you read the supplementary report that Ms McKern prepared?

20 **MR O'NEILL:** Yes.

MS SHARP SC: Now, we may take it that you accept that as a director of Star Entertainment, you owe a duty of care and diligence to Star Entertainment?

25 **MR O'NEILL:** Yes.

MS SHARP SC: And that you have a duty to exercise your power in good faith and for the best interests of Star Entertainment?

30 **MR O'NEILL:** Yes.

MS SHARP SC: And it's correct, isn't it, that the business - Star Entertainment - is managed by the board, and the board may delegate those powers to management?

35

MR O'NEILL: Yes.

MS SHARP SC: Do you agree that, ultimately, the directors are in charge of, and are responsible for, the business of Star Entertainment?

40

MR O'NEILL: The board is - the - the board of Star Entertainment, as with every publicly listed company, for that matter, is the supreme governing body of - of the company, its affairs. It owes its duties to all its shareholders, large and small, and to a broad range of stakeholders. And it's very a clear-cut responsibility, and we are, under delegated authority, able to charge the management with the day-to-day running of the business.

45

MS SHARP SC: And it's correct, isn't it, that while the directors may delegate responsibility to management, they must not defer to management?

MR O'NEILL: That's correct.

5

MS SHARP SC: Now, I take it you're aware that as a listed company, Star Entertainment has continuous disclosure obligations?

MR O'NEILL: Yes, we do.

10

MS SHARP SC: And could you tell us what you understand those continuous disclosure obligations to be?

MR O'NEILL: We must - we are required to keep the market informed of all price sensitive information to ensure all shareholders - all shareholders have - have and receive identical information such that it's a fair and even marketplace.

15

MS SHARP SC: And do you agree that the directors of a publicly listed company must ensure that the company's releases to the ASX are accurate?

20

MR O'NEILL: Yes.

MS SHARP SC: And do you agree that listed companies must take care to avoid the selective disclosure of market sensitive information to some investors or analysts to the exclusion of the wider market?

25

MR O'NEILL: Yes.

MS SHARP SC: Could I take you to a document, please, Mr O'Neill, which is exhibit I340, which is INQ.012.004.0001.

30

MR O'NEILL: Could that be blown up a bit, please?

MS SHARP SC: What I'm showing you, Mr O'Neill, are the ASX Listing Rules, Guidance Note 8. Are you familiar in general terms with this document?

35

MR O'NEILL: Yes.

MS SHARP SC: Could I take you to page 62 of this document, which is pinpoint 0062.

40

MR O'NEILL: If you could blow that up.

MS SHARP SC: I will have it highlighted for you. If I could have the section under 7.7, Analyst and Investor Briefings, highlighted. Do you see it says:

45

"An entity should not be disclosing at an analyst or investor briefing any market sensitive information, unless and until it has first been disclosed to the ASX under listing rules 3.1 and 15.7."

5 **MR O'NEILL:** Yes.

MS SHARP SC: And that statement there is consistent with your own understanding, is it?

10 **MR O'NEILL:** Yes, it is.

MS SHARP SC: And could I just draw your attention, please, Mr O'Neill, to the bottom paragraph there. It states:

15 "ASX recognises that entities may give a series of presentations to analysts
and investors over a short period that contain materially the same information
but have been tailored for each presentation. ASX would not regard any
second and subsequent presentations in such a series as 'new' presentations
20 for these purposes and, provided they do not contain any new market
sensitive information, would not expect them to be published on MAP."

MR O'NEILL: Yes.

25 **MS SHARP SC:** Do you agree with that statement?

MR O'NEILL: Yes.

30 **MS SHARP SC:** So just to summarise, Mr O'Neill, would you agree that if a
listed company is to make disclosures to analysts and investors, then the
information needs to have already been disclosed to the ASX or be materially the
same information that has already been disclosed to the ASX?

MR O'NEILL: That's the intent, yes.

35 **MS SHARP SC:** Do you agree, Mr O'Neill, that culture is the set of shared norms
in an organisation and a consensus about what things mean and how to get things
done?

40 **MR O'NEILL:** Well, my own view about culture, which we probably have the
opportunity to expand on later, is that culture is the way we do things around here.

MS SHARP SC: And do you agree that culture is the way things are done when
people are not looking?

45 **MR O'NEILL:** Culture has to be consistent no matter what, whether people are
looking or not looking.

MS SHARP SC: Do you agree that directors cannot leave the issue of organisational culture entirely to management?

5 **MR O'NEILL:** No. The board has a - the board has a vital role in setting the tone.

MS SHARP SC: So do you agree that the tone must be set from the top, and by that I mean by the board of directors?

10 **MR O'NEILL:** Yes. The board - the board has to set the tone from the top, and the day-to-day custodial role of the implementation of culture sits with the leadership of the company, namely, the managing director and his executive committee.

15 **MS SHARP SC:** Do you agree that active stewardship requires the board to hold management to account?

MR O'NEILL: Yes.

20 **MS SHARP SC:** And that is particularly so if a company is acting outside its stated risk appetite?

MR O'NEILL: Yes.

25 **MS SHARP SC:** Do you agree that it is important that directors not allow themselves to be overwhelmed by dense, voluminous board packs and instead need to be proactive in requiring management to deliver information in a form that will help them fulfil their oversight mandate?

30 **MR O'NEILL:** Yes.

MS SHARP SC: And do you agree that directors should not need to search through substantial amounts of information to seek out references to material risks?

35 **MR O'NEILL:** Correct.

MS SHARP SC: Rather, those material risks should be expressly drawn to directors' attention?

40 **MR O'NEILL:** They must be elevated.

MS SHARP SC: And do you agree that it is important that a board challenges management and holds it to account?

45 **MR O'NEILL:** Yes.

MS SHARP SC: And do you agree that if the board does not challenge management, that may be a sign that the board is not operating effectively?

MR O'NEILL: Yes.

5 **MS SHARP SC:** What steps has the board taken under your chairmanship to promote a culture that does the right thing?

10 **MR O'NEILL:** Well, as you said at the outset, Ms Sharp, I have been chairman, you know, for 10 years. So are we talking in recent times? Of course, "do the right thing" as a cultural initiative only happened in more recent times.

MS SHARP SC: Well, if I can take a step back: this review is relating to the period November 2016 to the present; do you agree?

15 **MR O'NEILL:** Yes, from when Dr Horton handed down his section 31 review.

MS SHARP SC: And at all relevant times since then, there has been a code of conduct; do you agree?

20 **MR O'NEILL:** Yes.

MS SHARP SC: And that code of conduct has provided that officers and employees of Star Entertainment should act ethically?

25 **MR O'NEILL:** Yes.

MS SHARP SC: And they should comply with the law?

MR O'NEILL: Yes.

30 **MS SHARP SC:** And they should be transparent in their dealings with regulators?

MR O'NEILL: Yes.

35 **MS SHARP SC:** In the period from November 2016 to date, what steps has the board taken to ensure that those are lived values within Star Entertainment?

40 **MR O'NEILL:** Well, to the greatest extent possible, Ms Sharp, across the - the - the larger business of nine and a half thousand people working in three properties, the messaging from the board, which I've led, has been openness, honesty, transparency, you know, elevate and - you know, in a time - particularly in a timely manner. And, you know, if you look at the construct of the board, the construct of the various subcommittees, the composition of the board that has been in place for some years, there was a - I think a visible leadership by the board as to, "This is the way we do things around here."
45

And we attempted, to the best of our ability, to get the message down the line as to what's acceptable and what's unacceptable. And the "do the right thing" initiative, which Mr Bekier launched - and I actually was asked to speak at the launch as the

chairman, and he asked me to provide some insights to, I think, the top 100 or more senior executives. He asked me to provide examples of where in my career, you know, "do the right thing" was - could be challenging but was never to be avoided.

5

MS SHARP SC: And what does "do the right thing" mean, Mr O'Neill?

MR O'NEILL: Well, you can put it another way, I guess, Ms Sharp: don't do the wrong thing.

10

MS SHARP SC: And why was it necessary for Star Entertainment to specifically implement this value at Star Entertainment?

MR O'NEILL: And, look, I know you and Mr Bell are abundantly aware of what has been going on in corporate Australia for the last several years. The CBA APRA report was a - quite a seminal prudential report by APRA into the CBA. You know, we brought that to the board of Star and said, "Okay, what are the learnings out of this?" So we - we did the same with the Hayne Royal Commission. We did the same with the Bergin Royal Commission. That - as a - as a discipline, you know, the board would say to management, "Okay, what learnings are there out of all this for us?"

15

And particularly with 2018, with CBA APRA and then - and the spotlight being put on - on the banks' behaviour and what we expected in terms of proper behaviour, we felt needed reinforcement. And personally, in places I've been, I had, you know, 25 years as a chief executive. So, you know, in - in quite different organisations, from quite a large bank to sporting bodies where culture - culture is not about the theory of culture; it's about the practice of culture. And I've always been a big fan of giving the people who work for you a unified sense of purpose. You know, what's the purpose of working for Star Entertainment? Or what's the purpose of working for Australian Rugby Union or whatever.

25

30

And I felt "do the right thing" was properly explained, properly implemented, for a less than homogenous 9000 people. We needed to keep it relatively simple and able to be understood because this is a - you know, we've got a suitability review looking at our suitability to hold a casino licence. But the integrated resort model that most of us operate under today, you know, is bigger than - bigger than the casino. I mean, the casino is still - is where most of the money is made, but "do the right thing" is - I had hoped would be a significant, you know, banner under which people would gather to understand the dos and don'ts of behaviour.

35

40

MS SHARP SC: Now, in light of the resignations that I referred to earlier in my examination of you, do you agree that very important aspects of the code of conduct did not penetrate to many members of senior management?

45

MR O'NEILL: Correct.

MS SHARP SC: And why do you think that was?

5 **MR O'NEILL:** It's not - it's not a straightforward answer, Ms Sharp. It's - in some cases, it was a lack of recognition or of - that there was a problem that needed to be elevated to the higher level, whether that higher level was within management or - or eventually the board. But it was - you know, the - as you look through the issues that have come out of the public hearings, many of them fall under the heading of failure to recognise the seriousness of the issue and the imperative of elevating it so solutions could be found.

10 **MS SHARP SC:** So is your evidence that important risks were not escalated to the board?

15 **MR O'NEILL:** Look, sitting here today, Ms Sharp, I think our risk and compliance function, and indeed our legal function, did not meet the required standards needed for a business of our nature, particularly in the IRB AML/CTF space.

20 **MS SHARP SC:** And isn't it the case that there have been serious ethical failings on the part of many members of senior management?

MR O'NEILL: There has been examples of untruthfulness, errors of judgment, lack of oversight. And it may be in some cases that under the heading of an error of judgment, it involved not enough consideration of the ethics.

25 **MS SHARP SC:** Well, do you accept there has been a misleading of banks by a number of senior members of the management team?

30 **MR O'NEILL:** Ms Sharp, as I said, I signed my witness statement on 4 February, unaware of what had occurred with the NAB, and that's - I was - I was very taken back that we would have correspondence leaving our doors that was untruthful.

MS SHARP SC: You accept now, though, do you, that a number of members of senior management misled the banks in relation to CUP transactions?

35 **MR O'NEILL:** Yes.

MS SHARP SC: So you accept, don't you, that a number of members of senior management behaved unethically?

40 **MR O'NEILL:** You cannot condone lying to your bank. So that is unethical.

MS SHARP SC: And do you agree that there has been an absence of transparency and candour on the part of Star Entertainment in relation to dealings with regulators?

45 **MR O'NEILL:** That's regulators in the plural?

MS SHARP SC: Yes. I'm referring there to the authority and to AUSTRAC.

MR O'NEILL: In respect of AUSTRAC, I think we have not been historically anywhere near as attentive to our AML and CTF obligations under the AUSTRAC legislation as we should have been. And that circumstance is being remediated and an investment, both in dollar terms and in the upgrading of our capability, is happening. And I have, on behalf of the board, given the leadership of AUSTRAC a commitment that Star Entertainment would not - not just remediate its problems, but it would strive to build its risk and compliance capability to a gold standard in that space.

And the same applies: there is a bit of ambiguity, of no one's fault, between ILGA, OLGR and AUSTRAC as to which - which of the regulators is ultimately responsible for the oversight of AML and CTF. But that's perhaps for others to opine on. But, you know, the relationship with ILGA, you know, could and should have been much better and more transparent. We should not have stuck just to the letter of the law. The intent of the law is also incredibly important. And again, with the benefit of hindsight, it would have been preferable if we had adhered to the intent as much as - as much as the black-letter law.

MS SHARP SC: Do you accept, Mr O'Neill, that evidence before this review has established that senior members of management lacked transparency and candour with ILGA at various points?

MR O'NEILL: Yes.

MS SHARP SC: So as I understand your evidence correctly, you do accept that senior members of management have behaved unethically and that senior members of management have lacked transparency and candour with ILGA. How is it that this kind of behaviour has occurred at Star Entertainment?

MR O'NEILL: Well, again, with the benefit of hindsight, Ms Sharp, unfortunately, the relationship between, you know, certain parts of our business with an interface to - we have a bifurcated arrangement where ILGA - Independent Liquor and Gaming Authority, which comprises a board of people - and that is ILGA. And they outsource or delegate to Liquor and Gaming the arms and legs of their responsibilities. So it is a bifurcated model. But the relationship between Star and ILGA, at times, has been more adversarial than it should have been.

MS SHARP SC: I'm not sure you answered my question, so I might ask you again, Mr O'Neill. How is it that a culture has emerged at Star Entertainment where senior managers have behaved unethically and have misled the regulator?

MR O'NEILL: Well, I think it goes, Ms Sharp, to the - to the lack of importance that the company gave to risk, compliance and legal, that it was - there were errors made, Ms Sharp, that should not have been made.

MS SHARP SC: So when you referred to "the company" in that last answer, who exactly are you referring to?

5 **MR O'NEILL:** Well, risk - risk management is - is - is owned by the company and, you know, we all know about the three lines of defence. But I - I think the - we're not in a business - and I don't think there's any business where you put in risk management systems and processes where you think you can eliminate the risk. No one can eliminate the risk. You need to put in safeguards and best practice that you've, firstly, identified the risk and then you've done something about
10 managing those risks and mitigating against them.

And, you know, I think, you know, we, as a board and as the company, should have - earlier in the last six years - earlier in the last five years, we should have invested more heavily in systems and processes, and we should have paid more
15 attention to the competencies and skills and resources in the risk, compliance and legal function. And - and I - I now, sitting here today with the benefit of hindsight, see that we promoted some - some people into positions that was beyond their level of competence.

20 **MS SHARP SC:** And it's right, isn't it, that this goes beyond competence to a more fundamental question of ethical behaviour, doesn't it?

MR O'NEILL: Yes, it does.

25 **MS SHARP SC:** How is it that unethical behaviour flourished in this organisation?

MR O'NEILL: Well, I don't think it flourished in the organisation, Ms Sharp. That's a very broad statement. I think we're talking about a particular subculture
30 of, you know, IRB, VIP business and the corporate functions that supported it. In the - in the - you know, we had a PwC risk and compliance review done, which, amongst other things, found that - so particularly in the mass market space, our compliance obligations were, you know, quite good. But less good in the - in the high-roller space. And - and we - and we are, as a company - you know, to throw a
35 blanket over 9000 people and say that the culture is unethical is unfair.

I'm the first to admit that in terms of what has come out of this suitability review in terms of, you know, CUP, junkets, you know, offshore bank accounts and - and I could go on, is unacceptable and, in some cases, unethical practice. But, you
40 know, I think we need to recognise that the IRB, VIP business - which over the six years, you know, accounted for not that great a profit, somewhere between 10 and 12 per cent contribution to the bottom line. I think closer analysis might show it was less than that. And yet for that 12 - 10 to 12 per cent of profit, we have 95
45 per cent of our problems.

MS SHARP SC: And why do you think it is that the problems have emerged with respect to the international rebate business?

MR O'NEILL: I think bad - bad habits went undetected, and I think it was an industry-wide problem. We're not - we're not that big an industry, essentially a duopoly, and - and it - you know, we can all look at the standards of today and apply them five years ago or six years ago and say, "Well, why weren't you
5 complying then?" Well, there might have been different standards then. I'm not saying they were acceptable standards. But there was, you know, a lot of interchange of people between Crown and Star. And, you know, we talk about, "This is the way we do things around here." You know, I sense now, with the benefit of hindsight and a lot of self-reflection, that there are a lot of bad habits in
10 both organisations that have been perpetuated.

MS SHARP SC: And what standards do you say changed over the relevant period?

15 **MR O'NEILL:** Sorry, Ms Sharp. Could you repeat that question?

MS SHARP SC: You said that standards changed over the relevant period. What standards were they?

20 **MR O'NEILL:** No, what I'm saying - we sit here today in 2022 with a lot of remediation work that was started, you know, last October - you know, the work of the renewal steering committee and - and a lot of concessions and - that the company has made in terms of extracting itself from businesses. But when - when you're in - when - so it - when you look at, you know, closed down CUP, out of
25 junket business altogether, suspended - suspended rebate business, closed down overseas branches and overseas bank accounts, there's - there's - the behaviour patterns five years ago were - with the benefit of hindsight, were taken as the norm. But when you look at them with a spotlight and you shine the light into the darkness now, you - you sit back and say, "That shouldn't have been the case."

30 **MS SHARP SC:** I just want to understand: you're not suggesting that standards have changed, are you?

35 **MR O'NEILL:** Well --

MS SHARP SC: And I will give you an example to make that clearer. It's always been the case under the Casino Control Act that The Star Pty Ltd should only have business associations with those of good repute.

40 **MR O'NEILL:** Correct. But I - we were using the wrong standard.

MS SHARP SC: And I take it your evidence is that there had been a - or there was a failure in the risk management framework at Star Entertainment in that important risks were not escalated to the board?
45

MR O'NEILL: Correct.

MS SHARP SC: But do you agree that that is but one component of a larger problem, that larger problem involving unethical behaviour on the part of a number of members of senior management and a lack of transparency of those members of senior management towards the casino regulator?

5

MR O'NEILL: Yes.

MS SHARP SC: And why - why has that happened, in your reflection?

10 **MR O'NEILL:** Well, unfortunately, Ms Sharp, I'm - I wish I had a definitive answer to that.

MS SHARP SC: Well, surely you've reflected on that question.

15 **MR O'NEILL:** And I have, and - and I think the - I refer to the statement I already made about, you know, bad habits being perpetuated in - in an industry that was, you know, fairly narrow and fairly shallow.

MS SHARP SC: Is that the only reflection you have?

20

MR O'NEILL: I have significant reflections around the risk and compliance function and how, with the benefit of hindsight, we - we needed to inculcate into the organisation better qualified people, a risk champion, avoid complacency, don't be reactive, be proactive. So there's an abundance of lessons going forward, Ms Sharp, which will have to be incorporated into the new board and management's thinking.

25

MS SHARP SC: And, Mr O'Neill, do you think the board was complacent?

30 **MR O'NEILL:** No.

MS SHARP SC: Do you think the board was reactive?

MR O'NEILL: The board relied on information flows from the management team. And - and, you know, for my part, I - I trusted the management team, and I - as the chairman, I - I met with the managing director every week. And I met with Paula Martin, initially as general counsel and company secretary and then as chief legal and risk officer. So it's - you're only as good as the people who work for you, and they need - you know, you rely on people to elevate, you know, problems in a way that makes it possible for the board to determine what action should be taken.

40

MS SHARP SC: Were there - when you look back on it now, Mr O'Neill, were there warning signs there where, if you had your time over again, you would have interrogated the matter further?

45

MR O'NEILL: Well, the information on - on - information on a number of issues that are being examined by Mr Bell, you know, came - came to light well after the event.

5 **MS SHARP SC:** Would you just pardon me for one moment, please, Mr Bell. Do you agree, Mr O'Neill, that the casino licence does underpin the business of Star Entertainment?

MR O'NEILL: Yes.

10

MS SHARP SC: And do you agree that there are particular responsibilities that come with holding a casino licence?

MR O'NEILL: Yes.

15

MS SHARP SC: Because it is a great privilege to hold that casino licence, is it not?

MR O'NEILL: Yes.

20

MS SHARP SC: And do you agree that it was the responsibility of the board at all times to ensure that the company was acting consistently with the responsibilities of a casino licence holder?

25 **MR O'NEILL:** Yes.

MS SHARP SC: Now, do you agree that junkets present a risk to casinos in relation to money laundering and counter-terrorism financing?

30 **MR O'NEILL:** Yes.

MS SHARP SC: Has that always been your understanding while you have been the chair of Star Entertainment?

35 **MR O'NEILL:** Yes.

MS SHARP SC: Have you understood that there were particular risks associated with doing business with Macau-based junkets?

40 **MR O'NEILL:** Yes.

MS SHARP SC: And that is - why is that your understanding?

45 **MR O'NEILL:** It's - the junket world is a - you know, known to be a high-risk business for a number of reasons, including AML and CTF risk, that the - you know, from afar, it's sometimes difficult to explain how junkets, you know, work. But it's - you know, it's the movement of money from, you know, one jurisdiction into another. So there are, you know, attendant AML/CTF risks.

MS SHARP SC: And do you agree that in view of those risks, the board at all times had to be vigilant about the company's dealings with junkets?

5 **MR O'NEILL:** Yes.

MS SHARP SC: And vigilant to ensure that money laundering and counter-terrorism financing risks were not realised?

10 **MR O'NEILL:** Yes.

MS SHARP: Now, you earlier in your evidence mentioned the suitability review of Dr Jonathan Horton QC. May we take it you read his report at the time?

15 **MR O'NEILL:** Yes.

MS SHARP SC: And you read it fairly closely, did you?

20 **MR O'NEILL:** Well, it's six years ago, but I did read it at the time. So it's six years ago.

MS SHARP SC: Could I just take you to something he said in his report. If I can go to exhibit B at tab 146, which is INQ.016.001.0050. And you will see I'm showing you his 28 November 2016 report.

25

MR O'NEILL: Yes.

MS SHARP SC: Could I go to pinpoint 0132, please.

30 **MR O'NEILL:** Could you blow that up, please?

MS SHARP SC: Yes. What I will do is blow up actually the second half of that page, please, operator, from paragraph 254. And you see that Mr Horton said in his report:

35

"Junkets present a risk to the integrity of the casino, by virtue of the very large amounts of money involved, the potential illicit sources of those funds, and issues relating to junket promoters and the nature of their business."

40 **MR O'NEILL:** Yes.

MS SHARP SC: And you agreed with that observation back in November 2016, did you?

45 **MR O'NEILL:** Yes, I did.

MS SHARP SC: And if I can take you over the page, please. Do you see at paragraph 257, Dr Horton said:

"One of the most obvious risks that attend junkets is money laundering."

MR O'NEILL: Yes.

5

MS SHARP SC: And that was a risk of which you were aware when you read his report?

MR O'NEILL: Yes.

10

MS SHARP SC: And you agreed with that statement of risk?

MR O'NEILL: Yes.

15

MS SHARP SC: And is it your assessment that since that time, the board of directors has been aware of that risk?

MR O'NEILL: Yes.

20

MS SHARP SC: And in addition to that risk, do you accept that casinos, of their very nature, are vulnerable to money laundering?

MR O'NEILL: Yes.

25

MS SHARP SC: And that is because cash is used very frequently in casinos?

MR O'NEILL: Yes.

30

MS SHARP SC: And cash is less transparent than other forms of ownership of money?

MR O'NEILL: Yes.

35

MS SHARP SC: It's also because there are very high-value transactions that move through the casino?

MR O'NEILL: Yes.

40

MS SHARP SC: And high-value transactions which move across borders?

MR O'NEILL: Yes.

MS SHARP SC: And sometimes those transaction chains can be complex?

45

MR O'NEILL: Yes.

MS SHARP SC: And those are matters of which you've been aware the entire period that you have been the chair of Star Entertainment?

MR O'NEILL: Yes, I have.

5 **MS SHARP SC:** And have you also been aware while you've been the chair that the casino operator in New South Wales should ensure that it only has business associations with those of good repute having regard to character, honesty and integrity?

10 **MR O'NEILL:** Yes.

MS SHARP SC: And that standard has not changed over the relevant period, has it?

15 **MR O'NEILL:** No, it hasn't. But as I think I mentioned before, Ms Sharp, with the benefit of hindsight, we were using the wrong standard.

MS SHARP SC: And what do you mean you were using the wrong standard?

20 **MR O'NEILL:** Instead of the good repute, being honesty, integrity - we - it was - at the - in some cases, with the business associates, I - I think the management team were applying the test of lack of - no evidence of criminal activity.

25 **MS SHARP SC:** And are you aware that that standard has at all times been expressly set out in section 13 of the Casino Control Act?

MR O'NEILL: Yes. But I wasn't aware it wasn't being applied, Ms Sharp.

30 **MS SHARP SC:** When did you first become aware it was not being applied?

MR O'NEILL: In the course of preparation for this hearing.

35 **MS SHARP SC:** I take it you agree that it is of utmost importance that a casino operator be frank and transparent in its dealings with the regulator?

MR O'NEILL: Absolutely utterly important.

40 **MS SHARP SC:** And that a casino operator must be prepared to disclose to the regulator when things have gone wrong?

MR O'NEILL: Yes.

45 **MS SHARP SC:** And that it is never appropriate for a casino operator to take a technical or evasive approach in answering the regulator's questions?

MR O'NEILL: Yes.

MS SHARP SC: And, in fact, that's something you would agree is reflected in the code of conduct in the requirement that employees give complete, honest and accurate information to any regulator who lawfully asks for it?

5 **MR O'NEILL:** Correct.

MS SHARP SC: Can I ask you now what, if any, training you have had in relation to money laundering and counter-terrorism financing?

10 **MR O'NEILL:** I've done the online training that has been provided to the board, as well as presentations to the board on our obligations under AML/CTF.

MS SHARP SC: And do you understand that the Australian money laundering framework is a risk-based system?

15

MR O'NEILL: Yes, it is.

MS SHARP SC: And one important implication is that controls on risks must be commensurate with the level of risk presented?

20

MR O'NEILL: Yes.

MS SHARP SC: Do you agree that, in some instances, the only appropriate control is not to deal with a person where there is a money laundering risk?

25

MR O'NEILL: Yes.

MS SHARP SC: Do you agree that the international rebate segment of the business exposed Star Entertainment to the highest money laundering and counter-terrorism financing risk?

30

MR O'NEILL: Yes.

MS SHARP SC: And do you agree this was a business segment where utmost vigilance was required because of that fact?

35

MR O'NEILL: Yes.

MS SHARP SC: Now, I take it you were familiar at the time with the fact that 19 Crown Resorts employees were arrested in mainland China in October 2016?

40

MR O'NEILL: Yes.

MS SHARP SC: And at that time, you were aware that Star Entertainment also had employees operating in one way or another in mainland China?

45

MR O'NEILL: We had employees who visited China. We did not have - we did not have any presence or office in China.

MS SHARP SC: Is it correct that the arrests in October 2016 served to alert you to the fact that the international rebate business was a risky business?

5 **MR O'NEILL:** Most certainly.

MS SHARP SC: Now, may we take it you were familiar with the media allegations made against Crown Resorts in July and August of 2019?

10 **MR O'NEILL:** Yes.

MS SHARP SC: And those media allegations, in the main, related to Crown's international rebate business?

15 **MR O'NEILL:** Yes.

MS SHARP SC: And some of those media allegations related to junkets with which Star Entertainment also dealt?

20 **MR O'NEILL:** Yes.

MS SHARP SC: And you were aware of that in July and August of 2019?

25 **MR O'NEILL:** Yes.

MS SHARP SC: And you were also aware, were you, that it was alleged in July and August of 2019 that Crown Resorts had turned a blind eye to money laundering within its casinos?

30 **MR O'NEILL:** Yes.

MS SHARP SC: And you were aware, I take it, that the Bergin Inquiry explored these issues throughout 2020?

35 **MR O'NEILL:** Yes.

MS SHARP SC: And is it correct that you were briefed from time to time on the evidence emerging in the Bergin Inquiry?

40 **MR O'NEILL:** Yes, we were.

MS SHARP SC: Did you stop to ask the question, "Is that kind of conduct happening here at Star Entertainment?"

45 **MR O'NEILL:** Well, Ms Sharp, I just step back to the Crown arrests because the - the board of Star did ask for a full investigation of the causes of the arrests in China, and was there anything - any implications for the way Star was conducting its business. And, yes, during the course of Patricia Bergin's Royal Commission,

we asked that very question all the way through, including to the end of Ms Bergin's findings. And the board was presented - and I think you have in evidence the reports that came to the board giving us the implications of Patricia Bergin's recommendations and where did we stand and what - what gaps, if any, were in our repertoire.

MS SHARP SC: And, sorry, in answer to my question, did you ask, "Is any of that happening here?", what is your answer?

10 **MR O'NEILL:** We did.

MS SHARP SC: And that was in 2020, was it, or sometime later than that?

15 **MR O'NEILL:** It was throughout the - at various - I can't recollect the precise dates, but there were times during the course of Bergin that we did ask questions, and then Patricia Bergin handed down her final report in February 2021. And I don't recall the exact date that the paper came to the board reporting on our position. We did - the board did accept all 19 recommendations from the Bergin Review.

20 **MS SHARP SC:** And when you asked, "Is any of that happening here?", what were you told?

25 **MR O'NEILL:** Can you name something specific, Ms Sharp?

30 **MS SHARP SC:** Well, I've just taken you through the media allegations made against Crown Resorts and drawn your attention to the fact that some of the allegations related to the same junkets with which Star Entertainment dealt and that one of the allegations was that Crown Resorts turned a blind eye to money laundering. Did you ask the question, "Is any of that happening here?"

MR O'NEILL: Yes, we did.

35 **MS SHARP SC:** And when was that question answered?

MR O'NEILL: I can't recollect exactly when.

MS SHARP SC: Can you specify which year?

40 **MR O'NEILL:** It would have been in the course - the back end of 2020.

MS SHARP SC: And what were you told?

45 **MR O'NEILL:** To the best of my recollection, Ms Sharp, that our practices were not the same as Crown's.

MS SHARP SC: Now, it's correct, isn't it, that the board was provided with a report relating to China UnionPay by Mr Anthony Seyfort in September of 2021?

MR O'NEILL: Yes.

MS SHARP SC: And what was your reaction when you read that report?

5

MR O'NEILL: Exceptionally surprised and disappointed.

MS SHARP SC: Did that come as news to you, Mr O'Neill?

10 **MR O'NEILL:** Yes, it did.

MS SHARP SC: Were you aware, prior to that time, that the CUP card was used at Star Entertainment in order for patrons to purchase gaming chips?

15 **MR O'NEILL:** No.

MS SHARP SC: But is it your evidence that you were not aware in any way that these cards were used in this way?

20 **MR O'NEILL:** Correct.

MS SHARP SC: Can I take you to that report, please. If we go to exhibit B3103, which is STA.3002.0009.0292. Can I take you firstly to that first page. Do you see there's a heading Conclusions?

25

MR O'NEILL: You will have to blow it up.

MS SHARP SC: Yes. I will have that enlarged. Can I draw your attention, please, to the paragraph that says:

30

"Use of CUP to fund gambling expenditure was a breach of the CUP card scheme rules of UnionPay International."

MR O'NEILL: Yes.

35

MS SHARP SC: Is that a finding you accepted at the time?

MR O'NEILL: Well, that was the advice from Anthony Seyfort. That was his conclusion.

40

MS SHARP SC: Can I take you to - just pardon me for one moment.

MR BELL SC: In the period up to March 2020, Mr O'Neill, were you aware at all that China UnionPay cards were being used at The Star Sydney?

45

MR O'NEILL: No. No, Mr Bell. I only asked the question for the first time when CUP received an airing during the Finkelstein Royal Commission.

MR BELL SC: That was the first you had heard of the use of China UnionPay cards, was it, during the Finkelstein Inquiry?

MR O'NEILL: Yes, it was.

5

MS SHARP SC: Can I take you, please, Mr O'Neill, to pinpoint 0296. Do you see there's a heading Who Was Misled?

MR O'NEILL: Yes.

10

MS SHARP SC: Do you see there's a paragraph there that says:

"UPI -"

15 That's UnionPay International:

"And NAB might have been misled, but whether they were depends on what each actually knew or perceived about the use of CUP cards at The Star."

20 **MR O'NEILL:** Yes.

MS SHARP SC: Now, that must have been a proposition of considerable concern to you, that it's suggested that UnionPay International and NAB might have been misled?

25

MR O'NEILL: Well, that was the view of Mr Seyfort, that UPI and NAB might have been misled. That's not something that The Star has conceded.

MS SHARP SC: Well, I'm asking you now for your view, Mr O'Neill. This must have been a matter of considerable concern to you, as chairman, that it was suggested that two banks might have been misled?

30

MR O'NEILL: Of course I have some concerns, Ms Sharp, but we were - we were not - we had no contractual engagement with UPI, and I don't know the answer to that question.

35

MS SHARP SC: Were you concerned when you read this that UnionPay and NAB might have been misled?

40 **MR O'NEILL:** Yes, but I didn't know whether they were.

MS SHARP SC: Well, did you take any steps to ascertain that upon reading this report?

45 **MR O'NEILL:** No.

MS SHARP SC: Why not?

MR O'NEILL: Well, there was enough else in the report to occupy our minds, Ms Sharp.

5 **MS SHARP SC:** Wasn't this a fairly significant piece of information?

MR O'NEILL: Well, the entire review by Mr Seyfort was a very, very serious matter for the board to consider in its totality. I just didn't turn my mind to that particular point.

10 **MS SHARP SC:** Would this be a convenient time to adjourn for the day, Mr Bell?

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

15 **MR O'NEILL:** Thank you.

<THE HEARING ADJOURNED AT 4:38 PM