



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, 21 MARCH 2022
AT 10AM**

DAY 3

**MS N. SHARP SC appears with MR C. CONDE, MR N. CONDYLLIS
and MS P. ABDIEL as counsel assisting the Review
MS K. RICHARDSON SC appears with MR P. HOLMES
and MR D. WONG as counsel for The Star Pty Ltd
MR P. BRAHAM SC appears as counsel for Sarah Emily Scopel
MR B. WALKER SC appears with MR B. JONES as counsel for
Mr Phillip Dong Fang Lee
MR K. LOXLEY appears as counsel for Ms Tanya Arthur
MR K. SCHURGOTT appears as counsel for Mr Paul McWilliams**

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

<THE HEARING RESUMED AT 11:40 am

MR BELL SC: Is Ms Arthur in the virtual hearing room?

5 **MS ARTHUR:** Yes, I am.

MR BELL SC: All right. Ms Arthur, you remain bound by the affirmation which you made on Friday. I think, Ms Richardson, I should ask you first if you have any questions of Ms Arthur.

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MR BRAHAM SC: Well, Mr Bell, I was hoping I might cross-examine first so that I can get out of the way. I have a more specific interests than Ms Richardson, but it's a matter for the inquiry.

15 **MR BELL SC:** No, that's perfectly fine, Mr Braham. You proceed.

<TANYA ARTHUR, ON FORMER AFFIRMATION

<EXAMINATION BY MR BRAHAM SC:

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MR BRAHAM SC: All right. Thank you. Ms Arthur, my name is Peter Braham. I appear for Sarah Scopel. Do you understand that?

MS ARTHUR: Yes.

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MR BRAHAM SC: All right. Thank you. Now, during 2019, you did a tour of the gaming floor at The Star, didn't you?

MS ARTHUR: I believe it was early 2020.

30

MR BRAHAM SC: I'm sorry, could you say that again?

MS ARTHUR: I believe it was early 2020.

35 **MR BRAHAM SC:** All right. And Ms Paulinka and Ms Scopel were both there during that tour; is that right?

MS ARTHUR: Yes, that's correct.

40 **MR BRAHAM SC:** In any event, there was never any confusion in your mind that the principal part of the business of The Star was to operate a casino; that's right, isn't it?

MS ARTHUR: Yes.

45

MR BELL SC: I couldn't hear your answer, Ms Arthur.

MS ARTHUR: Yes, is my answer.

MR BRAHAM SC: And you knew that from the moment they started to be your internal client; that's right, isn't it?

5 **MS ARTHUR:** Yes.

MR BRAHAM SC: And did you become aware that the tendency of The Star was to use euphemisms for gaming and gambling, such as describing it as entertainment?

10

MS ARTHUR: The business publicly is described in that manner, and I believe it encompasses a number of different areas and facilities and services provided by the resort. Entertainment, as I understood it, included all sorts of different things, such as theatres, concert venues, restaurants, bars and nightclubs, in addition to gaming.

15

MR BRAHAM SC: Thank you. And you became familiar, didn't you, that in the lexicon of The Star, describing itself as an entertainment venue encompasses all of those activities that you've just mentioned?

20

MS ARTHUR: Yes.

MR BRAHAM SC: You said in your evidence to Ms Sharp that your counterpart at The Star was Ms Scopel. What you meant to convey was that she was the - she was your liaison person at The Star; is that right?

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MS ARTHUR: She was the main contact, yes.

MR BRAHAM SC: She was your main contact, yes. She worked in the - to your understanding, worked in the treasury function at Star, didn't she?

30

MS ARTHUR: Yes.

MR BRAHAM SC: And you didn't work in the treasury function at the bank, of course, did you?

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MS ARTHUR: No.

MR BRAHAM SC: So what you were intending to convey was that she was the - for the purpose of the client relationship which you owed, Ms Scopel was your principal contact at The Star; that's right, isn't it? I didn't hear an answer, but did you answer that question?

40

MS ARTHUR: Yes.

45

MR BRAHAM SC: Thank you. And you had an understanding, didn't you, of what the treasury function comprised; is that right?

MS ARTHUR: For The Star?

MR BRAHAM SC: Of The Star, yes.

5 **MS ARTHUR:** Yes.

MR BRAHAM SC: And insofar as it involved conveying operational information to the bank, you understood, didn't you, that Ms Scopel would have to go to people in the operations section of the bank to get that information?

10

MS ARTHUR: Yes.

MR BRAHAM SC: And you understood, didn't you, that insofar as she was communicating with you about operational matters, she was doing that as a conduit of information provided by others?

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MS ARTHUR: I would have expected she had a level of understanding of what she was conveying and communicating to NAB.

20 **MR BRAHAM SC:** But you understood, didn't you, that insofar as she was conveying to you information about operational matters, she was doing that as a conduit of information provided by others at The Star?

MS ARTHUR: Yes.

25

MR BRAHAM SC: Now, you gave some evidence to Ms Sharp about patron accounts. Do you remember discussing patron accounts?

MS ARTHUR: Yes.

30

MR BRAHAM SC: And you were shown some documents that evidenced money being put into patron accounts from another customer account and documents showing money moving between customer accounts, weren't you?

35 **MS ARTHUR:** The explanation provided to me by The Star was that --

MR BRAHAM SC: I'm not asking you that question yet, Ms Arthur. You were shown documents, weren't you, that evidenced movement between various customer accounts at The Star, weren't you?

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MR BELL SC: Yes, Ms Sharp.

MS SHARP SC: Could I suggest that Mr Braham needs to be a little bit clearer about the documents he says were shown to the witness. It was just quite ambiguous.

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MR BELL SC: Mr Braham, perhaps you could call up the documents that you are referring to.

MR BRAHAM SC: Yes. All right. I will. But I will come at it this way. Could the operator please bring up exhibit B, tab 1594. It's an email dated 28 August. Its alphanumeric indicator is STA.3002.0010.0004, and I can see it's already there.
5 So, Ms Arthur, you are familiar now with this email, aren't you, the 28 August email?

MS ARTHUR: Yes.

10 **MR BRAHAM SC:** And if the operator could scroll down to the bottom of that page, you can see the three questions that were asked by Mr Meldrum at the bank, can't you?

MS RICHARDSON SC: Yes.

15 **MR BRAHAM SC:** And we won't go through them again. By now, you are very familiar with the three questions, aren't you?

MS ARTHUR: Yes.

20 **MR BRAHAM SC:** They are repeated in all of these emails between June and December from someone at the bank to The Star, and they are answered by The Star repeatedly, aren't they? Is that right?

25 **MS ARTHUR:** I don't believe that the same three questions were asked on numerous occasions.

MR BRAHAM SC: All right. Well, we might check that. But in any event, you can see these three questions and you can see the answers at the top of the page. If
30 the operator could go back to the top of the page, please. And the answer to the first question, which was as to the business scope of the merchants, you can see was:

35 "The merchant operates integrated resorts."

Well, you can read it. You were under no doubt when you received that email that that was a reference to, amongst other things, gaming; that's right, isn't it?

40 **MS ARTHUR:** Please repeat the question.

MR BRAHAM SC: You were under no doubt when you received this email that the answer to that first question, which refers to hotels, restaurants and other entertainment facilities, was a reference to, amongst other things, gaming?

45 **MS ARTHUR:** It says:

"The merchant operates integrated resorts in Australia, consisting of hotels, restaurants and other entertainment facilities."

So a description of the merchant being Star, then your answer is yes.

5 **MR BRAHAM SC:** And - yes. Well, that's how you understood it, isn't it, that this was an answer from The Star as to the nature of its business; is that right?

MS ARTHUR: Yes.

10 **MR BRAHAM SC:** All right. Now, the second question was:

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

And the answer you can see there was:

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

20 Now, did you understand "hotel accommodation services" to be just paying for accommodation in a hotel?

MS ARTHUR: That was not how it was described to me by The Star.

25 **MR BRAHAM SC:** No. So when you say "described to you by The Star", do you mean before or after getting this email on 28 August 2019?

MS ARTHUR: I can't specifically recall, but it would have been when I've gone to follow up Paulinka following the receipt of this information.

30 **MR BRAHAM SC:** All right. When you received this email, you read it, didn't you?

MS ARTHUR: Yes.

35 **MR BRAHAM SC:** And the answer to number 2 did not cause you to believe that all the cardholder had purchased was accommodation in a hotel; that's right, isn't it?

MS ARTHUR: Sorry, can you please repeat the question.

40 **MR BRAHAM SC:** When you received this email and you read it, the answer to question number 2 did not cause you to believe that all the cardholder had purchased was accommodation in a hotel; is that right?

45 **MS ARTHUR:** Can you please reframe the question a different way. I'm sorry, I --

MR BRAHAM SC: Well, what difficulty are you having with the question I asked? I will ask it a different way. You knew, didn't you, when you saw the

answer to question 2 that the cardholders being referred to had purchased something other than just accommodation in a hotel?

5 **MS ARTHUR:** I don't believe so, because this was the first set of inquiries that went to the client, which I was cc'd, and I do believe that my understanding of "hotel accommodation services", being as explained by the client, was fully understood after this email exchange.

10 **MR BRAHAM SC:** Just wait a minute there. You haven't, at this point had a discussion with anyone, have you, on your evidence? You give evidence of having a discussion with Ms Dudek in September, but I'm asking you about the receipt of this email. Now, does that cause you to alter your answer?

15 **MS ARTHUR:** No, I'm not altering my answer.

MR BRAHAM SC: And then you can see in the answer to question 3 - or point 3 is that there are invoices for the transactions attached. Do you see that?

20 **MS ARTHUR:** Yes, I do.

MR BRAHAM SC: Do you now remember whether or not you looked at the invoices?

25 **MS ARTHUR:** Yes, I do.

MR BRAHAM SC: Did you look at the invoices?

MS ARTHUR: Yes, I did.

30 **MR BRAHAM SC:** Okay. And you looked at the invoices at about the time you received the email; is that right?

MS ARTHUR: Yes, I did.

35 **MR BRAHAM SC:** All right. Could the operator please bring up - it's in the same document, but the last four letters are 0008. It might be tab 1597. This is one of the invoices - or so-called invoices attached to the email, Ms Arthur. Just a few things about this. Is it, do you think, an invoice?

40 **MS ARTHUR:** I understood it to be an invoice that was provided to me by the client, yes.

MR BRAHAM SC: Well, it was described as an invoice. That's true. But look at it now. Does it have - does it impose charges for goods or services, on its face?
45

MS ARTHUR: "Transfer to customer's account".

MR BRAHAM SC: Does it impose charges for goods or services on its face?

MS ARTHUR: No.

5 **MR BRAHAM SC:** And does it have the word "invoice" on it anywhere?

MS ARTHUR: No.

10 **MR BRAHAM SC:** And if you look down the bottom in the narrative that's partly obscured in the photocopying, you can see it is described as a "statement", can't you? And although it's obscured here, it's not obscured on some others. And the words I will read out say:

"I agree that I am liable for the following statement."

15 And then there are the rest of the words you can see. Do you see it's described itself as a "statement"?

MS ARTHUR: The start of it is blocked out. It says --

20 **MR BRAHAM SC:** Fair enough. I can show you the words later, but I can read them out to you. They read:

"I agree that I am liable for the following statement and if the person, company or association indicated by me as being responsible does not do so."

25 Then you can see the rest of the words. But the document itself described itself as a statement, didn't it?

30 **MS ARTHUR:** It's not fully represented there. It's half blocked out.

MR BRAHAM SC: I have read you the blocked out words, Ms Arthur. You have just heard me read them out.

35 **MS ARTHUR:** You are asking me to confirm something that I cannot see.

MR BRAHAM SC: Could the operator bring up point reference 0011, please. It might be tab 1590. And focus on the words at the bottom, please, above the signature. There you go, Ms Arthur. It's plainly a statement, isn't it?

40 **MS ARTHUR:** I can see that.

MR BRAHAM SC: And if we scroll out and look at the whole document, you can see it's a statement in any event because it has debits and credits and a balance due, doesn't it?

45 **MS ARTHUR:** It was described to me as an invoice in the --

MR BRAHAM SC: Just answer my question, Ms Arthur. You can see it's a

statement, can't you, because it has debits and credits and a balance due?

MS ARTHUR: Yes.

5 **MR BRAHAM SC:** And anyone who had any remote association with, for example, a bank would recognise that as a statement, wouldn't they?

MS ARTHUR: I believe that's unfair.

10 **MR BRAHAM SC:** Did you identify that this was not an invoice but a statement?

MS ARTHUR: No.

15 **MR BELL SC:** Mr Braham, where are you going with this? The bank asked for invoices and The Star said, "Invoices attached".

20 **MR BRAHAM SC:** The criticism made of my client, in terms, was that the email that she said was deceptive or misleading - "utterly misleading", I think, is the term. And I am addressing the proposition that this witness was in fact misled by anything that my client did or that the conduct was misleading. And part of the criticism and part of the response is it is perfectly apparent, notwithstanding the covering email, that no invoices were provided - attached to this email.

25 **MR BELL SC:** Yes. I will let you go on, Mr Braham.

MR LOXLEY: Mr Bell, before Mr Braham continues, the "utterly misleading" evidence was given not only in respect to the NAB but also in respect of UnionPay. And so in my respectful submission --

30 **MR BRAHAM SC:** Well, that is just argument. It was put - the covering email was put as utterly misleading, and the misleading conduct was put as against the bank. I don't propose to address what happened with China UnionPay as a separate --

35 **MR LOXLEY:** In my respectful submission, Mr Bell, there is limited utility to this line of questioning from the inquiry's perspective.

40 **MR BELL SC:** Well, the answers will be as useful as the questions, Mr Loxley, but I will let Mr Braham go on with this.

MR BRAHAM SC: Now, Ms Arthur, let's just have another look at this email. That's point reference 0008. Could the operator go back to 0008, please. Now, you looked at this document, didn't you, when you got the email?

45 **MS ARTHUR:** Yes.

MR BRAHAM SC: And you saw that there's a customer name there, Mr Linong Ma, L-i-n-o-n-g M-a, from Hong Kong, presumably. Is that right?

MS ARTHUR: I can see that.

5 **MR BRAHAM SC:** And there's an arrival and a departure date, isn't there, from 3 July to 5 July?

MS ARTHUR: I can see that.

10 **MR BRAHAM SC:** So this is a person who was apparently going to stay in the hotel for two nights; is that right?

MS ARTHUR: That's what's described on the invoice.

15 **MR BRAHAM SC:** Yes. And if we look at the other information on this document, you can see that the three transactions are all dated 3 July, aren't they?

MS ARTHUR: I can see that.

20 **MR BRAHAM SC:** And two of them you understood as being cash into the customer's account from China UnionPay cards; is that right? In the debit amounts?

25 **MS ARTHUR:** I didn't understand it to be cash, but it's described as "transfers to customer's account".

MR BRAHAM SC: All right. So it was money debited from a China UnionPay card on to a customer account, wasn't it?

30 **MS ARTHUR:** Yes

MR BRAHAM SC: Wasn't it?

MS ARTHUR: I said yes.

35 **MR BRAHAM SC:** Thank you. And in fact, you can see the merchant receipts on the front of the invoice, can't you?

MS ARTHUR: Yes, I can.

40 **MR BRAHAM SC:** And then you can see that also on 3 July, \$150,000 was transferred to a customer account. Do you see that?

MS ARTHUR: Yes, I can.

45 **MR BRAHAM SC:** And your understanding was - I think you said this to Ms Sharp - that the third entry, the transfer to a customer account, was a transfer to a patron account?

MS ARTHUR: That's my understanding.

MR BRAHAM SC: And that the first customer account referred to in the first two entries was a hotel accommodation account; is that right?

5

MS ARTHUR: I couldn't - I wouldn't line it up to exactly each particular transaction here, but that was the general description of how the process worked to me.

10 **MR BRAHAM SC:** And so your understanding when you got the email was, wasn't it, that the customer had put \$150,000 on a hotel account and that had been transferred to a patron account?

MS ARTHUR: That is my understanding.

15

MR BRAHAM SC: And your understanding of the patron account is that the patron account was an account for VIPs or a high-end players visiting The Star; is that right?

20 **MS ARTHUR:** That is correct.

MR BRAHAM SC: And if they were using China UnionPay cards, they were probably from China; is that your understanding?

25 **MS ARTHUR:** Yes.

MR BRAHAM SC: So the VIPs or high-end players were, to your knowledge, people who had come to The Star principally for the purpose of gaming or gambling?

30

MS ARTHUR: Yes.

MR BRAHAM SC: Thank you. And you can see that Mr Ma - if the operator could go over to 0009, you can see that Mr Ma was again the subject of the next document, invoice or statement with which you were provided. Do you see that?

35

MS RICHARDSON SC: I see that.

MR BELL SC: Mr Braham, it's probably best if you could avoid using the customer's name.

40

MR BRAHAM SC: Of course. I apologise. So I will refer to this individual by the last two digits of his membership number, which you can see are 37, and I will try and do that in future with other people. Thank you, Mr Bell. I apologise. You can see that customer 37 is also the subject of this document, can't you?

45

MS ARTHUR: Yes.

MR BRAHAM SC: And the transactions again are on 3 July, aren't they?

MS ARTHUR: Yes.

5 **MR BRAHAM SC:** And another \$350,000 has gone into his patron account, hasn't it?

MS ARTHUR: Yes.

10 **MR BRAHAM SC:** And again he's only, it seems, going to stay at the hotel for two nights; is that right?

MS ARTHUR: Yes.

15 **MR BRAHAM SC:** And if we go over - if the operator could go over to point reference 0011, please. Here, again, we have customer 37, don't we?

MS ARTHUR: Yes.

20 **MR BRAHAM SC:** And again the transactions are on 3 July, aren't they?

MS ARTHUR: Yes.

25 **MR BRAHAM SC:** And again, the customer is only planning to stay between 3 and 5 July; is that right? So what you have there, Ms Arthur, was three documents all in relation to the same customer, all in relation to the same two days and a total, if we add them up, just from those entries, of a million dollars put into a patron account. Do you accept that?

30 **MS ARTHUR:** Yes.

MR BRAHAM SC: Ms Arthur?

MS ARTHUR: I said yes.

35

MR BRAHAM SC: And you didn't for a minute think that was the price of accommodation or related services for two nights, did you?

40 **MS ARTHUR:** I - I did not look at these invoices in a lot of detail at the time as the correspondence was directly between Mr Martin and Ms Dudek. I was only cc'd on the email. So I looked at them very briefly, and I did not realise that it was the same patron for the three invoices.

45 **MR BRAHAM SC:** Now, if we go over, please - if the operator could go over to point reference 12 - 0012. You can see there that is also customer 37, isn't it? Just from the name, do you agree?

MS ARTHUR: Yes. Yes.

MR BRAHAM SC: And this time it's on 4 July, isn't it?

MS ARTHUR: Yes.

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MR BRAHAM SC: And another half a million dollars has gone on to the customer account; do you agree?

MS ARTHUR: Yes.

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MR BRAHAM SC: Then if the operator could please go to the point reference 13. Here is a document dated 5 July, also in respect of customer 37, isn't it?

MS ARTHUR: Yes.

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MR BRAHAM SC: And there's another half a million dollars gone on to the customer's account, isn't there?

MS ARTHUR: Yes.

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MR BRAHAM SC: And on this occasion, you will see that the arrival and departure dates take this customer through to 7 July, don't they?

MS ARTHUR: Yes.

25

MR BRAHAM SC: So it's another two nights' accommodation, isn't it?

MS ARTHUR: Yes.

30

MR BRAHAM SC: And we have another million dollars going on to the patron account over 4 and 5 July, don't we?

MS ARTHUR: Yes.

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MR BRAHAM SC: And then if the operator could go over to point reference 0015. Again, you can see this is another one of the attachments to the email. Again, it's customer 37, isn't it?

MS ARTHUR: Yes.

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MR BRAHAM SC: And this transaction is 6 July, isn't it?

MS ARTHUR: Yes.

45

MR BRAHAM SC: Thank you. And it's another half a million dollars, isn't it?

MS ARTHUR: Yes.

MR BRAHAM SC: And so anyone who did look at these documents with any degree of care would have seen, wouldn't they, that between 3 and 6 July, customer 37 put two and a half million dollars on his patron account. Do you agree?

5

MS ARTHUR: As I said at the time, I was not primarily handling these inquiries with the client. This was before I became involved in questioning the client in relation to the invoices.

10 **MR BRAHAM SC:** You did say that before, but you also said you looked at the documents, didn't you? I asked you whether you looked at them, and you said you did?

MS ARTHUR: Yes, I - yes.

15

MR BRAHAM SC: And do you agree that, had you looked at them carefully enough to observe the matters I've just pointed out to you, it would have been perfectly apparent that customer 37, over three days, put two and a half million dollars on his patron account; that's right, isn't it?

20

MS ARTHUR: Yes.

MR BRAHAM SC: And it would have been perfectly apparent that he was paying for something other than hotel accommodation services, wouldn't it?

25

MS ARTHUR: No.

MR BRAHAM SC: Well, you certainly could not have formed the view, could you, that he was paying for nothing more than the price of accommodation in a hotel; do you agree?

30

MS ARTHUR: Accommodation services was described to me as broader than simply accommodation.

35 **MR BRAHAM SC:** When did that description occur?

MS ARTHUR: I believe it was explained to me after the initial inquiries were made with the client, when I followed up with the client.

40 **MR BRAHAM SC:** And is this the conversation you recall with Ms Dudek?

MS ARTHUR: I don't specifically recall it being with Ms Dudek.

45 **MR BRAHAM SC:** Do you recall making a phone call after receiving this email on 28 August in relation to this email?

MS ARTHUR: Sorry, can you repeat the question?

MR BRAHAM SC: Are you giving - are you suggesting that you made a phone call to the client on or soon after receiving this email?

5 **MS ARTHUR:** I followed up - once we had received these invoices, internally at NAB, we were asked to ask the client for additional information in relation to the invoices because they had just put the description as "transfer to the customer's account". It was at that stage that I called the client to ask for additional information.

10 **MR BRAHAM SC:** Okay. And that's when you say that accommodation services were described to you as involving more than just paying for hotel accommodation; is that right?

15 **MS ARTHUR:** That's my understanding, yes.

MR BRAHAM SC: Well, is that your recollection?

MS ARTHUR: Yes.

20 **MR BRAHAM SC:** And so - but when you got the email - when you got this email, had you looked at it carefully, you accept, don't you, it would have been apparent to you, just from looking at the email and the attachments, that the charges to the China UnionPay cards covered more than just accommodation services at the hotel; do you agree?

25

MS ARTHUR: Yes.

MR BRAHAM SC: All right. So - and it would have been apparent to you that they were charges being levied on a high roller from China who had come to The Star principally for the purposes of gambling, as you understood it; is that right?

30

MS ARTHUR: Yes.

MR BRAHAM SC: And it's the case, isn't it, that upon receiving the email, before you were prompted by someone else at the bank, you did not go back to the author of the email to query the substance of what was contained in the email; that's right, isn't it?

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MS ARTHUR: I was not asked to be - I had not been asked to be involved at this point in time. At this point in time, the correspondence between NAB and The Star was being undertaken by my colleague.

40

MR BRAHAM SC: All right. So the answer to my question is, yes, you agree, but you have an explanation? Is that right? Yes, you agree you didn't query it with the author of the email, and the reason is the reason you've given?

45

MS ARTHUR: Yes.

MR BRAHAM SC: Thank you. Could the operator please bring up exhibit B, tab 1670. It's document reference NAB.001.001.0694, but it's exhibit B, tab 1670. And when we are there, could the operator bring up point reference 95, please - 695. If we go down to the bottom of the page, you can see, Ms Arthur,
5 that there's Mr Meldrum emailing a Mr Salim at the bank, copying you. Do you see that?

MS ARTHUR: Yes.

10 **MR BRAHAM SC:** And he's saying:

"Hello, Sudono, please see attached response from The Star. Hope this will suffice."

15 Now, the question I have for you is, what was Mr Meldrum's role in this particular transactional inquiry?

MS ARTHUR: Mr Meldrum worked as a system account manager within the transactional banking team. He's a product partner and liaised with the client in
20 relation to the product.

MR BRAHAM SC: Well, was it Mr Meldrum who was liaising with the client, or was it Mr Salim, to your understanding?

25 **MS ARTHUR:** It was Mr Meldrum.

MR BRAHAM SC: Well, what was Mr Salim's role in the transaction?

MS ARTHUR: I understood he worked within the merchant - merchant banking
30 team.

MR BRAHAM SC: If we scroll up a little bit to the email that's timestamped 4.33 pm, please, operator. Thank you. And you can see Mr Salim has responded, thanking Mr Meldrum for the quick turnaround, and saying:
35

"We require the actual tax invoices for these transactions. What were the payments for? We need to be sure that these were not for gambling purposes."

40 Now, you eventually - or you were copied in on this email, weren't you?

MS ARTHUR: Yes.

MR BRAHAM SC: And at that point - at least by this point, you must have
45 understood that notwithstanding the covering email on the last occasion, there were officers in the bank who were aware of the fact that what had been provided was not invoices; do you agree?

MS ARTHUR: From this email, yes.

MR BRAHAM SC: And you also understood that the material that had been provided had been understood by people in the bank as not being inconsistent with the money being used for gambling purposes; do you agree?
5

MS ARTHUR: Sorry, can you please repeat the question?

MR BRAHAM SC: If you look at Mr Salim's email to Mr Meldrum copied to you, timestamped 4.33, you can see, can't you, and you could see at the time you received it, that at least Mr Salim had formed the view that the material provided in the email of 28 August was not inconsistent with the money having been used for gambling purposes?
10

MS SHARP SC: I object. There are two separate questions there and, as a matter of fairness, they should be put separately.
15

MR BELL SC: I reject the question.

MR BRAHAM SC: You can see, can't you, from Mr Salim's response to Mr Meldrum, he says:
20

"We need to be sure that these were not for gambling purposes."

Do you see that?
25

MS ARTHUR: Yes.

MR BRAHAM SC: He had been given the email of 28 August, to your knowledge, hadn't he?
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MS ARTHUR: Yes.

MR BRAHAM SC: He had formed a view, it seems, hadn't he, that that email did not exclude the possibility that the money was used for gambling purposes?
35

MS ARTHUR: Yes.

MR BRAHAM SC: And when you saw this email, you - maybe not when you saw this email, but as it was forwarded to you, you understood that what you had to do, in going back to the client, was exclude the possibility that the money had been used for gambling purposes; do you agree?
40

MS ARTHUR: And at this point in time, I was not primarily exchanging with the client in relation to this inquiry. It was still with Mr Martin at that time.
45

MR BRAHAM SC: All right. Could the operator scroll up, please, to the next email which covers two pages, and it's timestamped 8.22 am on 3 September.

So - yes. Thank you. That email at the bottom of page 94, you can see - you can see that Mr Avenell is asking Mr Meldrum to make a further inquiry. Do you see that?

5 **MS ARTHUR:** So I understand at this point Mr Martin had gone back to Paulinka and asked for additional information. Paulinka had responded saying that they were the actual invoices and they were consistent with what has been provided to NAB previously, and Mr Avenell was responding to that.

10 **MR BRAHAM SC:** All right. And what was Mr Avenell's role?

MS ARTHUR: Mr Avenell also worked within the merchants team, and he was the primary conduit with China UnionPay.

15 **MR BRAHAM SC:** Thank you. And you can see Mr Avenell holds the view, doesn't he, that The Star has not been explicit on this occasion as to whether or not there is any gambling component, eg, casino chips or other credit for gambling, in the identified transactions?

20 **MR BELL SC:** Mr Braham, I don't think you can fairly ask the witness what her understanding was of Mr Avenell's view.

MR BRAHAM SC: Yes. All right. Did you understand, Ms Arthur, what was happening at this moment? Was it Mr Avenell was asking for further inquiries to be made of The Star?

25

MS ARTHUR: Yes.

MR BRAHAM SC: And that was because he was not yet convinced on the material that had already been provided --

30

MS ARTHUR: Yes.

MR BRAHAM SC: -- that there was no gambling component in what had been provided; do you agree?

35

MS ARTHUR: Yes.

MR BRAHAM SC: So the view of at least Mr Avenell on 3 September is that The Star had not yet communicated clearly that no part of the funds that were put on CUP cards had not been used for gambling purposes; do you agree?

40

MR BELL SC: Ms Arthur, just to be clear, I understand you to be asked about your understanding of Mr Avenell's views at the time.

45

MS ARTHUR: Can you please --

MR BRAHAM SC: You understood, didn't you, that there was still a live

question within the NAB, as at 3 September, whether or not the funds that had been charged to the CUP cards had been used for gambling purposes?

5 **MS ARTHUR:** Yes.

MR BRAHAM SC: And following that email, you had a conversation with Ms Dudek, didn't you?

10 **MS ARTHUR:** Yes.

MR BRAHAM SC: And that was the conversation - if the operator could go to the email timestamped 3.44 pm, that's the conversation that you report to others within the bank in that email, isn't it?

15 **MS ARTHUR:** That's correct.

MR BRAHAM SC: It's a conversation that must have happened at about or just before 3.44 pm on 4 September; do you agree?

20 **MS ARTHUR:** That's correct.

MR BRAHAM SC: And what you got from Ms Dudek was confirmation of the transactions were used for hotel accommodation services only; is that right?

25 **MS ARTHUR:** That's what's written in that email.

MR BRAHAM SC: Well, what does that mean? Is it right or wrong?

30 **MS ARTHUR:** It is correct as described in that email, but the conversation confirmed that there was no gambling component as per the emails after that.

MR BRAHAM SC: Well, I know that has been your evidence. But on the 4 September when you reported to others in the bank about the content of your conversation with Ms Dudek, you did so in terms that had her confirm that the transactions were used for hotel accommodation services only, didn't you?

35 **MS ARTHUR:** As per the email, yes.

MR BRAHAM SC: And at the time you wrote the email, you were trying to convey, weren't you, to Mr Avenell and others in the bank, a degree of - or an accurate summary on the topic relevant to their inquiry as to what Ms Dudek had said; that's right, isn't it?

45 **MS ARTHUR:** Yes.

MR BRAHAM SC: And the phrase "hotel accommodation services" was exactly the same phrase that had been put in the email, wasn't it? The original email said "hotel accommodation services"; correct?

MS ARTHUR: Yes.

5 **MR BRAHAM SC:** So you were relaying to other people in the bank no more information than had been contained on this topic in the email of 28 August, were you?

10 **MS ARTHUR:** It was confirmed. So I asked her again, and she confirmed that the transactions were used for hotel accommodation services only.

MR BRAHAM SC: That's right. You asked her to confirm what was in the email of 28 August, and she confirmed what was in the email of 28 August; that's right, isn't it?

15 **MS ARTHUR:** At that point in time, that is what I conveyed internally, yes.

MR BRAHAM SC: Well, at that point in time, that's all that had happened, isn't it?

20 **MS ARTHUR:** When I was asked internally to confirm that hotel accommodation services did not include a gambling component, that is when I clarified to my colleagues that that is exactly what Paulinka had said.

25 **MR BRAHAM SC:** Well, are you talking about in a subsequent week? When you say clarified with your colleagues, you're not talking about this communication; you are talking about a subsequent one?

MS ARTHUR: It's in the emails in - above this chain.

30 **MR BRAHAM SC:** I know you've seen all the emails, Ms Arthur, and you've been asked to explain them. But I am focused on this email and how you responded on this occasion. On 4 September at 3.44, what you conveyed to your colleagues is that Ms Dudek had confirmed the contents of the 28 August email, didn't you?

35 **MR LOXLEY:** Mr Bell, I object to this line of questioning continuing in the manner it is. Mr Braham appeared for Ms Scopel. He has, as he described it himself, a confined interest. Ms Scopel's own evidence on Friday was very clear that the responses the staff provided to the NAB were misleading. They were
40 misleading because they sought to convey that UnionPay cards were being used for purposes other than gambling. In my respectful submission, a limit should be placed on this line of questioning because it is of very limited utility.

45 **MR BELL SC:** Mr Braham, would you like to respond to that?

MR BRAHAM SC: Well, this is plainly right in the middle of the interest my client has in this inquiry. This is an email for which she is criticised and in respect of which I am briefed to put her case. I don't think that's a reasonable objection,

with respect.

MR BELL SC: Ms Sharp, do you want to make a submission about this?

5 **MS SHARP SC:** My only submission is related to the question of the fairness of this questioning, because it is - it would appear that there was more to the conversation than was suggested by Mr Braham to the witness when one looks at the balance of the emails towards the top of --

10 **MR BRAHAM SC:** I am going to get to the balance of the emails, and Ms Arthur has given evidence about that, and she keeps inserting it into her answers. I don't think she is at all confused about where we're going or what additional documentary support she has from the balance of this email chain.

15 **MR BELL SC:** Well, Mr Loxley, we have received evidence from Ms Arthur about her knowledge of the use to which the CUP cards were being put and the communications that she had with The Star about that. There's an issue being raised about that with Ms Scopel, and Ms Arthur has the right and should be afforded the right to respond to that. I understand Mr Braham's questions to be
20 addressing the issue of Ms Arthur's knowledge of the use to which the cards were being put and, to some extent, the communications that she had with The Star. And in my view, they are appropriate questions in terms of the subject matter. Mr Braham, it would be helpful, in terms of the fairness, if you would go on now to address the further communications on this topic.

25 **MR BRAHAM SC:** Yes.

MR BELL SC: I'm allowing you to explore this issue.

30 **MR BRAHAM SC:** Thank you. So what I think I was putting to you, Ms Arthur, is that in the email of 4 September, 3.44 pm, when you relayed to your colleagues at the bank a conversation you had had with Ms Dudek, what you told them about that conversation was that Ms Dudek had confirmed the accuracy of the content of the email of 28 August; that's right, isn't it?

35 **MS ARTHUR:** Yes.

MR BRAHAM SC: And that's because that was an accurate and comprehensive description of the content of your conversation with Ms Dudek; that's right, isn't it?
40 it? That's right, isn't it?

MS ARTHUR: Yes.

45 **MR BRAHAM SC:** You don't actually now, sitting here in the witness box, remember that conversation that happened two and a half years ago, do you?

MS ARTHUR: It's two and a half years ago. I am referring to the email correspondence at the time.

MR BRAHAM SC: That's right. So the answer to my question is, yes, you don't remember the conversation, but you have seen email evidence of the content of it and you're relying on that email evidence of the content; is that right?

5

MS ARTHUR: Yes.

MR BRAHAM SC: If the operator could scroll up, please, to the email timestamped 3.48 pm, please. Now, Mr Avenell got back to you four minutes after your email:

10

"Thanks for the update. I understand that casino chips or gambling credits could fall under the definition of 'hotel accommodation services'."

15 Do you see that?

MS ARTHUR: Yes.

MR BRAHAM SC: Ms Arthur?

20

MS ARTHUR: Yes.

MR BRAHAM SC: And you no doubt read this email when it arrived from Mr Avenell, didn't you? Didn't you?

25

MS ARTHUR: I assume so.

MR BRAHAM SC: And at this point, it was just maybe a matter of minutes or hours since you had actually spoken to Ms Dudek; do you agree?

30

MS ARTHUR: Yes.

MR BRAHAM SC: And what Mr Avenell was pointing out to you was that the phrase "hotel accommodation services", in his understanding, did not exclude the purchase of casino chips or gambling credits. Do you see that?

35

MS ARTHUR: Yes.

MR BRAHAM SC: And so you understood at that point, didn't you, that at least in Mr Avenell's view of the world, the content in the email that referred to "hotel accommodation services" was not inconsistent with the money having been used for gambling; do you agree?

40

MS ARTHUR: Yes. There was a query.

45

MR BRAHAM SC: There was a query as to the fundamental issue that was of most interest to China UnionPay, wasn't there?

MS ARTHUR: Yes.

MR BRAHAM SC: And following receiving Mr Avenell's email, you did nothing by way of responding to him, did you, before being prompted?

5

MS ARTHUR: I did not respond until later.

MR BRAHAM SC: Well, you didn't respond at all until six days later. Mr Avenell sent you another email saying:

10

"UnionPay is pressing for a reply."

That's right, isn't it?

15

MS ARTHUR: Yes.

MR BRAHAM SC: You did nothing for six days, did you, by way of communicating with Mr Avenell?

20

MS ARTHUR: The emails would suggest that, yes.

MR BRAHAM SC: And you certainly didn't go back to Ms Dudek, did you?

25

MS ARTHUR: No.

MR BRAHAM SC: So having received a query from Mr Avenell that squarely suggested that the information you had up to that point from The Star did not exclude gambling, you communicated with neither The Star nor anyone internally at the NAB; is that right?

30

MS ARTHUR: At that point, I realised I had not been clear in my original email, and that is why I responded to say she confirmed that it wasn't for gambling.

35

MR BRAHAM SC: Well we are going to get to that, Ms Arthur. But four minutes - on 4 September, four minutes after you emailed Mr Avenell to say "hotel accommodation services", he emailed you back to say, "Well, that doesn't exclude casino chips." Why didn't you email him straight back and say, "I forgot to mention. Paulinka also excluded gambling chips. We had a further conversation. I asked her the right question. She gave me the right answer. All cleared up"? If you had just had that conversation, why didn't you respond immediately?

40

MS ARTHUR: I can't answer that question. I could have been doing a number of things on that day at that time, so I can't answer why I didn't reply straightaway. I could have gone into a meeting. I could have taken another call. I could have been speaking to other colleagues. I don't know. I can't recall back that far as to why I did not respond immediately.

45

MR BRAHAM SC: Is it possible, Ms Arthur, that the way you were thinking to yourself was, "People like customer 37 have spent two and a half million dollars in this hotel in three days. Of course it's for gambling"? Weren't you thinking that to yourself?

5

MS ARTHUR: No.

MR BRAHAM SC: Weren't you thinking to yourself, "It's obvious it's for gambling, and really what we're trying to do here is get China UnionPay off the case"? Wasn't that what was going through your mind?

10

MS ARTHUR: No.

MR BRAHAM SC: Isn't that right?

15

MS ARTHUR: No.

MR BRAHAM SC: And isn't that why you made no response at all to Mr Avenell's email of 4 September until he prompted you six days later?

20

MS ARTHUR: No, that is not correct.

MR BRAHAM SC: And then when he did prompt you - if we go to the top of this page at 694:

25

"Is there any response from Paulinka? UnionPay is pressing for a reply."

Do you see that?

30 **MS ARTHUR:** Yes, I can see that.

MR BRAHAM SC: He was assuming, wasn't he, that you had reverted to Ms Dudek for further clarification; that's right, isn't it?

35 **MS SHARP SC:** I object. Ms Arthur cannot know what was in his mind.

MR BRAHAM SC: The email he sent you, it appeared to you, didn't it, that he was working under the impression you had reverted to Ms Dudek?

40 **MS ARTHUR:** I can't confirm that.

MR BRAHAM SC: Well, how did you understand the words, "Is there any response from Paulinka?" And do you see, Ms Arthur - if the operator scrolls down, I didn't point out to you, but I will now, that in Mr Avenell's email of 4 September at 3.48 pm, he ended with:

45

"Appreciate confirmation that there's no gambling component in the 'hotel accommodation services'."

Do you see that?

MS ARTHUR: Yes.

5

MR BRAHAM SC: He was asking you to confirm that hotel accommodation services could not include a gambling component, wasn't he?

10 **MS ARTHUR:** I didn't feel the need - yes, but I did not confirm with the client again because she had already said to me that it did not include a gambling component.

MR BRAHAM SC: Your evidence to this inquiry is that you already had that confirmation; that's right, isn't it?

15

MS ARTHUR: Yes.

20 **MR BRAHAM SC:** And that for reasons you now can't explain, you didn't convey that information to Mr Avenell immediately upon receiving his email or at any time during the next six days; that's right, isn't it?

MS ARTHUR: I agree I could have been clearer in my original email.

25 **MR BRAHAM SC:** And then Mr Avenell follows you up on 10 September at 11.01, and he says:

"Is there any response from Paulinka?"

30 Now, when you got that email, you understood he was saying, wasn't he, on the assumption you had sought confirmation, "Has Paulinka responded?" Is that right?

MS ARTHUR: Yes.

35 **MR BRAHAM SC:** And when you answered him, which you did six minutes later, at 11.07, you said:

"Hi Joel."

40 And you can read there what you say. Now, your evidence to this inquiry is that that refers to a conversation that had happened six days earlier; is that right?

MS ARTHUR: Can we scroll down the email.

45 **MR BRAHAM SC:** You can take it the email is 4 September, and this one is 10 September.

MS ARTHUR: I cannot recall the exact date that I spoke to her. It would assume that it would be around that time.

5 **MR BRAHAM SC:** Yes. But you didn't say to Mr Avenell, "I haven't followed her up. In fact, she told me a week ago that there was no gambling component." You didn't make it clear, did you, when you spoke to Ms Dudek, to get this additional information?

MS ARTHUR: No, because she had confirmed there was no gambling component in the original phone call.

10 **MR BRAHAM SC:** Well, you say that now, but that was an aspect of the original phone call you didn't think fit to record when you relayed the content of that phone call back on 4 September; that's right, isn't it?

15 **MS ARTHUR:** I have agreed that I could have been clearer in my original email.

MR BRAHAM SC: Isn't the truth of the matter, Ms Arthur, that you are the source, and the only source, of the confirmation to Mr Avenell that there was no gambling component to the CUP payments?

20 **MS ARTHUR:** In this exchange, yes.

MR BRAHAM SC: And you've sought to attribute that to Ms Dudek, but in fact it wasn't Ms Dudek at all; she had said nothing like that to you?

25 **MS ARTHUR:** I do not agree with that statement.

MR BRAHAM SC: All Ms Dudek said to you was, in accordance with the email of 28 August, "The transactions were used for hotel accommodation services"; that's right, isn't it?

30 **MS ARTHUR:** I do not agree with that statement.

MR BRAHAM SC: So on your version of events, then, the critical confirmation on the critical issue behind this investigation came in a phone call between you and Ms Dudek on or about 4 September 2019; is that right?

MS ARTHUR: Sorry, can you repeat the question?

40 **MR BRAHAM SC:** From your perspective, the critical confirmation on the critical question of whether or not the CUP cards were used for gambling purposes - the critical confirmation that they weren't came from a conversation between you and Ms Dudek on 4 September 2019; is that right?

45 **MS ARTHUR:** Yes.

MR BRAHAM SC: And it was that conversation that caused you to give Mr Avenell the confirmation you gave him on 10 September; correct?

MS ARTHUR: Yes.

MR BRAHAM SC: It was not the email of 28 August which, by then, you understood to be ambiguous on the question; is that right?

5

MS ARTHUR: I agree, upon reflection, I could have been clearer in my original email.

MR BRAHAM SC: Well, I'm putting to you is that it is your evidence that in giving Mr Avenell that confirmation, which you do on 10 September, you were relying on a conversation with Ms Dudek and not on the email which you, by then, understood to be ambiguous on the question; that's right, isn't it?

10

MS ARTHUR: Sorry, can you repeat the question?

15

MR BRAHAM SC: When you wrote the email to Mr Avenell, which you can see on the screen at the very top, "Hi Joel" - that email --

MS ARTHUR: Yes.

20

MR BRAHAM SC: You were giving him the confirmation he had been seeking that the China UnionPay card charges did not include a gambling component; that's right, isn't it?

25

MS ARTHUR: Yes.

MR BRAHAM SC: That was, as you understood it, the first time you had given him that confirmation; correct?

30

MS ARTHUR: Yes.

MR BRAHAM SC: And you understood, didn't you, that up until that point, nothing he had seen had comforted him that the CUP charges did not have a gambling component; do you agree?

35

MS ARTHUR: Yes.

MR BRAHAM SC: The email of 28 August was ambiguous on the question; do you agree?

40

MS ARTHUR: The email received from Paulinka; is that what you are referring to?

MR BRAHAM SC: Yes. I'm sorry if that is confusing. The email we started with of 28 August that has the three answers to the three questions.

45

MS ARTHUR: Yes

MR BRAHAM SC: By 10 September, you understood that that email was ambiguous to answer the question; do you agree?

MS ARTHUR: Yes.

5

MR BRAHAM SC: Now, I'm going to move on.

MR BELL SC: Could I ask, Mr Braham, how much longer you expect to be. You told me on Friday that you would be about 45 minutes.

10

MR BRAHAM SC: Yes. And I don't know how long I've been, but I apologise if my estimate is out. Are you planning to break at 1? I will try and finish by 1, if I can have 15 minutes now.

15

MR BELL SC: Well, I understand Mr Loxley has another engagement, so I will sit on until 1.30. But I would hope Ms Arthur's evidence has been finished by that time.

MR BRAHAM SC: All right.

20

MR BELL SC: And of course, that will mean that Ms Richardson will need the opportunity to ask questions as well.

MR BRAHAM SC: Yes. I understand. Could the operator bring up tab 1802, please.

25

MS RICHARDSON SC: If I could just indicate for Mr Loxley's benefit, it is very unlikely I will be finished by 1.30. If he has another arrangement on a day when his witness is giving evidence, I will not be finished by 1.30.

30

MR LOXLEY: With respect to Ms Richardson, it was very clear that Ms Arthur's evidence was to be finished by Friday, Mr Bell. I've sought to rearrange a commitment I have today to commence at 2 pm rather than 12 pm. The indications given on Friday from Mr Braham and Ms Richardson were clear, and they should comply with those estimates.

35

MR BRAHAM SC: I'm not sure what is being referred to, but I'm in the same position, that I thought this would all be finished on Friday, but it wasn't. And there was an interposed witness. I'm not sure what we can do about this. This witness is - my client has been criticised publicly and in this inquiry for misleading this witness.

40

MR BELL SC: Do you think you could finish by 1 o'clock, do you, Mr Braham?

45

MR BRAHAM SC: Yes, I do.

MR BELL SC: Well, I think you should press on.

MR BRAHAM SC: Thank you. Could the operator bring up tab 1802, please. Thank you. Now, Ms Arthur, you remember getting this email - or at least you've been reminded of it since - don't you?

5 **MS ARTHUR:** Yes.

MR BRAHAM SC: And you can see that in point 2, "new transaction requests" - the same three bullet points were given as on the last occasion in August; do you agree?

10

MS ARTHUR: Yes.

MR BRAHAM SC: And as to the point 1, this is additional information that CUP is asking for in relation to the transactions that had been previously discussed; do you agree?

15

MS ARTHUR: Yes. We had asked them for additional information.

MR BRAHAM SC: And including you had asked them for the tax invoices, hadn't you? If you don't remember, we will move on. Ms Arthur?

20

MS ARTHUR: Yes. I'm sorry. I'm just reading the email. I - I don't recall. The email trail there is (indistinct) clear.

MR BRAHAM SC: That's all right. If you have a look at this answer in point 1 that starts:

25

"Certain very high end premium guests."

30 Have you read that to yourself just now?

MS ARTHUR: Yes.

MR BRAHAM SC: You understood "certain high end premium guests" to be a reference to high rollers from China, didn't you?

35

MS ARTHUR: Yes.

MR BRAHAM SC: And you understood the reference to "a range of entertainment venues within the resort" as including gaming at the casino, didn't you?

40

MS ARTHUR: No.

MR BRAHAM SC: As including gaming at the casino, as well as other things?

45

MS ARTHUR: It's clearly explained there that the expenses incurred were for - what was advised to us is that they were for everything else, and no gaming is

listed on that email.

5 **MR BRAHAM SC:** All right. Let's have a look at this email. You understood it referred to expenses at the hotel across a range of entertainment venues within the resort, didn't you?

MS ARTHUR: I can read that, yes.

10 **MR BRAHAM SC:** And you knew that one of the entertainment venues within the resort was the casino, didn't you?

MS ARTHUR: Yes.

15 **MR BRAHAM SC:** And as we - you and I started this examination, you confirmed to me that you understood "entertainment venue" was one of the euphemisms that The Star used to describe the casino. Do you remember that?

MS ARTHUR: Amongst other venues that they have at their premises, yes.

20 **MR BRAHAM SC:** That's right, but including the casino; do you agree?

MS ARTHUR: Yes, I do.

25 **MR BRAHAM SC:** And then the sentence goes on to refer to travel expenses and external expenses. And then the next sentence says:

"Such expenses are consolidated within the guest's personal account, which is linked to the hotel accommodation account."

30 And you understood, didn't you, that was a reference back to the transfers you saw between a hotel accommodation account and a personal account in the various documents described as invoices that we have looked at?

35 **MS ARTHUR:** Yes.

MR BRAHAM SC: Nothing within that sentence or that paragraph said anything one way or the other about whether the transactions were used for gambling; do you agree?

40 **MS ARTHUR:** It is not described there as being used for gambling.

MR BRAHAM SC: That's right. Or any other particular entertainment expense. But gambling is neither explicitly included nor excluded, is it?

45 **MS ARTHUR:** It is not referenced there.

MR BRAHAM SC: All right. And when you received the email, did it occur to you that, in writing, Ms Dudek had failed to give the confirmation about gambling

that you say she had given orally in September?

MS ARTHUR: I didn't consider it at the time.

5 **MR BRAHAM SC:** Did you not think to say to Ms Dudek by return email or in some other way, "Come on, Paulinka. You told me in terms this wasn't for gambling. Just put it in an email"? Did you do anything like that?

10 **MS ARTHUR:** No. Again, this email exchange is directly between Mr Martin and Paulinka.

MR BRAHAM SC: Yes. But were you the one, you say, who had a conversation with Paulinka in which she gave the confirmation that CUP was so keen to get in writing and which, to your knowledge, had not yet been given in writing by The Star; that's right, isn't it?
15

MS ARTHUR: We understood that the front money account was separate to the personal account.

20 **MR BRAHAM SC:** I'm not asking you about that at the moment. You understood, didn't you, when you got this email, that the confirmation that CUP wanted in writing had not yet been given by The Star in writing; do you agree?

25 **MS ARTHUR:** I don't agree.

MR BRAHAM SC: Where was that confirmation given in writing up until this point?

30 **MS ARTHUR:** That it didn't include gaming; is that the question?

MR BRAHAM SC: Yes. The very thing that you had said to Mr Avenell that Ms Dudek had told you on the phone, where does that ever appear in writing up until this point?

35 **MS ARTHUR:** It is not there in writing.

MR BRAHAM SC: No. So you did understand at this moment, on 4 November, that the very matter that CUP wanted confirmed in writing had not yet been confirmed by The Star in writing; that's right, isn't it?
40

MS ARTHUR: I don't agree with that.

MR BRAHAM SC: Well, you did say you don't agree with it, but you can't point to any confirmation in writing, can you?
45

MS ARTHUR: I didn't consider it at the time, so I can't agree with your allegation as to what my - I was thinking at the time.

MR BRAHAM SC: All right. Now, could the operator please bring up exhibit B, tab 1818. This is an email - this is when you did become involved directly, isn't it, on 6 November?

5 **MS ARTHUR:** Yes

MR BRAHAM SC: Dealing in writing with Ms Scopel, weren't you? Yes?

MS ARTHUR: Yes.

10

MR BRAHAM SC: And you have asked for additional information. You've said:

15 "Could you please provide additional information as suggested below. An example of a breakdown of typical expenditure of about \$20 million spent at The Star."

And then bullet point 2:

20 "Copy of supplier invoices."

And bullet point 3:

"Written confirmation that no transactions includes a gambling component."

25 Do you see that?

MS ARTHUR: Yes.

30 **MR BRAHAM SC:** You knew it was important to get the confirmation in writing, didn't you?

MS ARTHUR: Yes.

35 **MR BRAHAM SC:** And at this point - I withdraw that. Why were you asking for a breakdown of typical expenditure of about \$20 million spent at The Star?

40 **MS ARTHUR:** So this email is a transfer of an email that was sent to me by Joel Avenell of our merchant team, and I have copied and pasted that section specifically from his email.

MR BRAHAM SC: Did you think about it at all?

45 **MS ARTHUR:** At the time, this particular request came through citing that the PBOC had observed cardholder spending 20 - in excess of 20 million, but they had not indicated details as to who that person was or persons were. And so the request was different in that they wanted to understand how a patron could spend that amount at The Star without being used for gambling.

MR BRAHAM SC: All right. And again, it was critical of you, as I understood it, to get written confirmation of what you say Ms Dudek had told you in a conversation on 4 September or thereabouts; is that right?

5 **MS ARTHUR:** That's what I was asked to obtain from the client in this exchange, yes.

MR BRAHAM SC: All right. And then you got an answer, which we can see at tab 1828, and a reference STA.3105.0011.5300. And this is the email of 7
10 November. If I - we have got it. You've looked at this email a few times, haven't you, in the course of preparing to give evidence and giving evidence?

MS ARTHUR: Yes.

15 **MR BRAHAM SC:** And we can see that it's an email - if we go down the email, first paragraph is just a thank you. The second paragraph we don't need to pause on. The third paragraph is exactly the same as what you had received on 4 November, wasn't it? Word for word the same?

20 **MS ARTHUR:** I can't confirm it's word for word.

MR BRAHAM SC: All right. Never mind about the word for word, I withdraw that. But you understood, didn't you, that what was contained in this third
25 paragraph, beginning, "As previously mentioned," was substantively identical to what you had been sent on 4 November?

MS ARTHUR: It is similar, yes.

MR BRAHAM SC: And as with 4 November, it didn't say anything one way or
30 the other about whether or not the money had been used on gambling, did it?

MS ARTHUR: No, it does not.

MR BRAHAM SC: And then the next part of the email, starting with, "These
35 services may include," and going all the way down to the comment about 24-hour butler services and dinners or lunches, that was all, as you understood it, what you had requested as by way of examples as to how someone could spend a lot of money at The Star; that's right, isn't it?

40 **MS ARTHUR:** Yes.

MR BRAHAM SC: And then the next sentence attached an overview of the sorts
45 of luxury offerings. And we then have the sentence that says that the terminal is located in The Star Grand Hotel outside of gaming related areas. Had you seen that terminal on your visit to The Star, ever?

MS ARTHUR: I had not visited the premises at that time, no.

MR BRAHAM SC: All right. And then the next paragraph contains a suggestion of restricting the transaction size to \$50,000, doesn't it?

MS ARTHUR: Yes.

5

MR BRAHAM SC: That's something you discussed already with Ms Scopel and Mr Theodore, hadn't you?

MS ARTHUR: Not with Mr Theodore. I discussed it on the phone with Sarah.

10

MR BRAHAM SC: All right. And you generally indicated you thought it might be a good idea, hadn't you?

MS ARTHUR: I thought it was a good suggestion.

15

MR BRAHAM SC: Why did you think it was a good suggestion?

MS ARTHUR: Because the - Sarah had suggested that it would help to provide additional comfort, and I agreed.

20

MR BRAHAM SC: Why would it provide additional comfort?

MS ARTHUR: Because the transactions were large and, in this instance, they were being asked to substantiate how someone could spend in excess of \$20 million at The Star.

25

MR BRAHAM SC: Yes. But why would it help to restrict the transaction size to \$50,000? How would that help one way or the other to prevent someone spending their money on gambling at The Star?

30

MS ARTHUR: It would restrict the transaction size.

MR BRAHAM SC: All right. So a person could – it wouldn't make a difference one way or the other as to whether the lower amount of money could be spent on gambling, would it? Ms Arthur?

35

MS ARTHUR: It was – my understanding was that it was intended to reduce the transaction size per customer per day on the terminal.

MR BRAHAM SC: And wasn't that really just about flying under the radar? A smaller number might not get the attention of the larger number? Isn't that what you understood?

40

MS ARTHUR: No.

45

MR BRAHAM SC: It was about getting less attention from China UnionPay; it was not about making sure money wasn't being spent on gambling. Wasn't that your understanding?

MS ARTHUR: No, that's not my understanding.

5 **MR BRAHAM SC:** You understood, though, when you received this email of 7
November, that nowhere in it was there a confirmation in writing of what you had
specifically requested, that is, a confirmation in writing that none of the funds
were used for gambling. You understood that, didn't you?

10 **MS ARTHUR:** Not at the time.

MR BRAHAM SC: You had specifically asked for written confirmation that no
transactions included a gambling component, hadn't you?

15 **MS ARTHUR:** Yes.

MR BRAHAM SC: And you received this email and there was no written
confirmation in it that none of the transactions included a gambling component,
was there?

20 **MS ARTHUR:** I – I interpreted, “We confirm the terminal,” sentence to be
confirmation. That was the confirmation that was provided.

MR BRAHAM SC: No, Ms Arthur. That says nothing at all about what the funds
were used for, does it? That tells you where the terminal is located; do you agree?
25 Do you agree, Ms Arthur?

MS ARTHUR: The sentence, please.

30 **MR BRAHAM SC:** Could the operator expand the sentence so that Ms Arthur
can read it, please. Down the bottom, further down. It says nothing about what the
money was spent on, does it, Ms Arthur?

MS ARTHUR: It says:

35 “Gaming transactions are not conducted at the hotel.”

MR BRAHAM SC: And you knew that was true, didn't you? No gaming
transactions conducted at the hotel; you knew they were conducted at the casino,
didn't you? In the cage?
40

MS ARTHUR: I don't agree with the “in the cage” comment, what you're saying.

MR BRAHAM SC: You knew when you got this email that you had not received
the written confirmation you had asked for specifically, didn't you?
45

MS ARTHUR: I don't agree with that. I interpreted the email –

MR BRAHAM SC: Well, you cannot point to the – sorry, I interrupted you.

MS ARTHUR: I interpreted the email as providing confirmation.

5 **MR BRAHAM SC:** No, you didn't, Ms Arthur. No reasonable reader of this email could have formed the view that there was an explicit written confirmation of the fact you had asked to be confirmed. What do you say to that?

MR LOXLEY: I object to that, Mr Bell.

10 **MR BELL SC:** I reject that question.

MR BRAHAM SC: You did not form the view when you read this email that you had received a written confirmation that you had sought, did you, Ms Arthur?

15 **MS ARTHUR:** I disagree.

20 **MR BRAHAM SC:** And the reason why we don't see any complaint by you of that fact, either within the NAB or back to Star, is because at the time you got the email, you knew it wouldn't contain the written confirmation you had asked for, didn't you?

MS ARTHUR: I disagree.

25 **MR BRAHAM SC:** And you knew that because you had a discussion with Ms Scopel and Mr Theodore on the phone in which Mr Theodore had told you that The Star could not confirm that none of the money had a gambling component and you had said, "I know."

30 **MS ARTHUR:** I disagree with that allegation around a phone call with Mr Theodore. My correspondence with Ms Scopel and Ms Dudek, up until the time of March 2020, for which the warning letter was provided to The Star. Only at that time do I believe that I had a conversation with Mr Theodore.

35 **MR BRAHAM SC:** You can see that this email is copied to Mr Theodore, can't you?

MS ARTHUR: Can you scroll up, please? Yes, I can see that.

40 **MR BRAHAM SC:** And you never responded by way of complaint, did you, as to the content of this email?

MS ARTHUR: I did not complain, no.

45 **MR BRAHAM SC:** If the operator could bring up please, 1873 - tab 1873, which is reference NAB.004.001.1999. So if you could just emphasise the middle of that - the middle email, please. You can see, can't you, that on 12 November - so five days later - you conveyed to Ms Scopel that the CUP - the Bank of China seemed satisfied with the response?

MS ARTHUR: Yes. An update was provided by my merchant team, and I forwarded that on to Sarah.

5 **MR BRAHAM SC:** Isn't the reality of what was happening here is that you, Ms Arthur, were well aware of the possibility that some of the money from the CUP had been used for gambling because you had been told that by Mr Theodore; that's right, isn't it?

10 **MS ARTHUR:** No.

MR BRAHAM SC: And your evidence of having been said to you to the contrary by Ms Dudek, that is false, isn't it?

15 **MS ARTHUR:** That is incorrect.

MR BRAHAM SC: And that is why we don't see a single skerrick of written evidence in amongst all these emails in which you confirm Ms Dudek's comment to you about no gambling component; that's right, isn't it?

20

MR LOXLEY: Two emails are being referred to, Mr Bell.

MR BELL SC: I think you can make it a bit clearer, Mr Braham.

25 **MR BRAHAM SC:** None of the emails you have seen, in the context of preparing to give evidence and giving evidence, confirm you in writing what you say Ms Dudek said to you on 10 September - on 4 September 2019, apart from the ones internal to the bank. There's no confirmation back to The Star, is there?

30 **MS ARTHUR:** No, I have not said that to The Star.

MR BRAHAM SC: I'm about to finish, but would the operator bring up, please, tab 2026. Tab 2026. It's STA.3002.0010.0115. Thank you. You can see in December you got another confirmation email, didn't you, with the same three
35 points in it as you had received on previous occasions?

MS ARTHUR: Yes.

40 **MR BRAHAM SC:** And the specific written confirmation about no gambling component again was absent, wasn't it?

MS ARTHUR: It's not listed there.

45 **MR BRAHAM SC:** And there's no complaint by you - no email back to The Star asking Ms Dudek to provide the specific confirmation that you say she had given you verbally on 4 September, is there?

MS ARTHUR: No.

MR BRAHAM SC: And that's because that conversation didn't occur in the way you've described it; that's the reason, isn't it?

5 **MS ARTHUR:** I disagree.

MR BRAHAM SC: All right. The last document. Could the operator bring up 2069. You remember getting this email on 16 December 2019, Ms Arthur?

10 **MS ARTHUR:** Yes.

MR BRAHAM SC: You understood when you received it that it was almost identical to the - with some deletions, almost identical to the email you had received in November, didn't you?

15

MS ARTHUR: I can see that.

MR BRAHAM SC: And you understood that at the time, didn't you? Didn't you?

20 **MS ARTHUR:** I can't confirm that, but it is similar.

MR BRAHAM SC: Yes. And you remember, don't you, that Ms Scopel had told you - I'm sorry, I withdraw that. Ms Dudek had told you that they would send another response, but it would be exactly the same as the November response. Do you remember that?

25

MS ARTHUR: No, I do not.

MR BRAHAM SC: And the reason you were willing to accept yet another response that didn't contain confirmation that the CUP payments were not used for gambling purposes is because you knew that The Star could not give you that confirmation; that's right, isn't it?

30

MS ARTHUR: I disagree.

35

MR BRAHAM SC: And you were aware, weren't you, that some component of those payments were being used for gambling purposes, weren't you?

MS ARTHUR: I was not aware.

40

MR BRAHAM SC: And you were assisting people at The Star to get CUP off their back, notwithstanding the probability that some of the money was being used for gambling; isn't that what was going on?

45 **MS ARTHUR:** I strongly disagree with that allegation.

MR BRAHAM SC: You were helping one of your three customers - one of your clients, weren't you?

MS ARTHUR: I disagree with that allegation.

5 **MR BRAHAM SC:** I want to suggest to you, Ms Arthur, that the only place in these documents in which there is a written confirmation that none of the CUP money was used for gambling purposes - the only place in the documents to which I've been privy in the inquiry that contains that written confirmation in the second half of 2019 is your email to Mr Avenell. What do you say to that possibility?

10 **MS ARTHUR:** I think there is a number of exchanges here where the client has clearly avoided using those words, and they have intentionally misled.

MR BRAHAM SC: You think it's apparent from the face of the documents that they have clearly avoided using the words, do you?

15

MS ARTHUR: It is - they have admitted to that in their witness statements.

MR BRAHAM SC: All right. Thank you for that observation, Ms Arthur. There's no further questions.

20

MR BELL SC: Ms Richardson, I'm not sure how relevant the issue of Ms Arthur's knowledge of the use of CUP cards at the start and her communications with The Star are ultimately going to be. However, Ms Scopel made allegations against Ms Arthur, and Ms Arthur was entitled to the opportunity to respond to them. And the corollary to that is that you are entitled to a reasonable opportunity to test - to test Ms Arthur's evidence. A reasonable opportunity, however, is not an unlimited opportunity, and I would expect your examination of Ms Arthur to not traverse the exact same ground as Mr Braham. With that indication, can you give me your best estimate of how long you will be, please.

25

MS RICHARDSON SC: I think half an hour to 45 minutes.

MR BELL SC: All right. Ms Arthur, are you okay to continue for another half-hour to 45 minutes, or do you need a break?

35

MS ARTHUR: Could I have a five-minute break, please.

MR BELL SC: We will adjourn for five minutes and then we will resume so that Ms Arthur can finish her evidence. I will now adjourn for five minutes.

40

<THE HEARING ADJOURNED AT 1:09 pm

<THE HEARING RESUMED AT 1:15 pm

45 **MR BELL SC:** Ms Arthur, are you okay to continue?

MS ARTHUR: Yes, I am.

MR BELL SC: Yes, Ms Richardson.

<EXAMINATION BY MS RICHARDSON SC:

5 **MS RICHARDSON SC:** Thank you. Ms Arthur, you would have seen in documents that were produced to the review that there's a practice of the NAB to take file notes of significant phone calls that happen with clients; is that correct?

10 **MS ARTHUR:** Meetings and significant phone calls, yes.

MS RICHARDSON SC: And you agree with me that there is no phone call of the conversation you say you had with Paulinka Dudek on about 4 September 2019?

15 **MR BELL SC:** Do you mean file note, Ms Richardson?

MS RICHARDSON SC: Sorry, I will say that again. Correct. I will start again. Do you agree with me that there's no file note that has been produced to the review of the phone call that you say you had with Paulinka Dudek on 4 September? Do you agree with that?

20 **MS ARTHUR:** Not a call report, no.

MS RICHARDSON SC: Well, you agree with me that on your version of events, that would amount to a significant phone call with a client; correct?

25 **MS ARTHUR:** I didn't see it as a significant phone call at the time.

MS RICHARDSON SC: Well, you have agreed with Mr Braham that you were specifically asked for confirmation by Mr Avenell about a particular matter as to the use of hotel accommodation services - sorry, I will start again. On 3
30 September, you were asked to work out and get a confirmation as to whether there was any gambling component in relation to the identified transactions, and you say you called Paulinka Dudek in relation to that. I want to suggest to you that that is a significant phone call that, in accordance with NAB protocols, ought to be
35 file-noted; correct?

MS ARTHUR: That is not how I interpreted it at the time.

40 **MS RICHARDSON SC:** Well, you agree that you didn't take a file note of this phone conversation you had with Ms Dudek; correct?

MS ARTHUR: Yes.

45 **MS RICHARDSON SC:** And it's the case, isn't it, at this time you've given evidence that the primary liaison point between the NAB and The Star in relation to these inquiries was Mr Meldrum liaising with Ms Dudek; correct?

MS ARTHUR: Mr Martin had asked for assistance from myself, but he was

primarily liaising with her prior to this phone call, yes.

5 **MS RICHARDSON SC:** Well, my question is, you've given evidence that Mr Meldrum was the primary person dealing with these inquiries with Ms Dudek; correct?

MS ARTHUR: Yes.

10 **MS RICHARDSON SC:** And you see in the email - well, the email from 3 September - if tab 1670 could be brought up, please. If we could go to the email at the bottom of the page. It was not the case that you were asked to provide assistance; in fact, Mr Meldrum was - Mr Avenell was writing to Mr Meldrum; correct?

15 **MS ARTHUR:** Mr Martin had asked for my assistance for - in - in following up, and it - that --

20 **MS RICHARDSON SC:** I'll stop you. Look at the email. You agree with me, Mr Avenell is asking Mr Meldrum and raising queries about response from The Star. Do you agree with that?

MS ARTHUR: Yes, I do.

25 **MS RICHARDSON SC:** And Mr Meldrum was the person that you have given evidence today was the primary liaison point with Ms Dudek in relation to these inquiries; correct?

MS ARTHUR: Up until this point in time, yes.

30 **MS RICHARDSON SC:** Well, I want to suggest to you you did not have a phone call with Ms Dudek at the time, either in the form suggested to you by Mr Braham or in any other form.

35 **MS ARTHUR:** I disagree.

MS RICHARDSON SC: And that's why we don't see a file note of what would otherwise be a significant phone call; do you agree with that?

40 **MS ARTHUR:** No, I disagree.

MS RICHARDSON SC: Well, do you agree that on 10 September - if you look further up the emails, please, to the email from 11.01 am, that Mr Avenell is pressing for a reply.

45 **MS ARTHUR:** Yes, I agree.

MS RICHARDSON SC: Isn't it apparent that this was considered to be a very significant matter to be confirmed; correct?

MS ARTHUR: I disagree.

5 **MS RICHARDSON SC:** And yet, you have no file note of the conversation you say you had with Ms Dudek on that day. I want to suggest to you is because it never took place.

MS ARTHUR: I disagree with that question.

10 **MS RICHARDSON SC:** And I want to suggest to you that the reason why that didn't take place - if you recall the answers you gave to Mr Braham this morning about the 28 August email - if that could be brought up please, tab 1594 - sorry, tab 1594. If you could just look at the answers up the top there, you agreed with Mr Braham this morning that you knew that the reference - firstly, you knew that
15 the primary business of The Star was a casino; correct? Sorry, do you recall that evidence?

MS ARTHUR: I - I don't recall saying "primary", but it is a significant inquiry, yes.
20

MS RICHARDSON SC: You gave evidence that the principal business of The Star was to operate a casino. Do you recall that evidence?

MS ARTHUR: Yes, yes, yes.
25

MS RICHARDSON SC: And you gave evidence that you understood that when The Star referred to "entertainment facilities", you knew that that covered, among other venues, gaming facilities; correct?

30 **MS ARTHUR:** Entertainment facilities, yes, is used - yes.

MS RICHARDSON SC: It's an umbrella term, isn't it?

35 **MR LOXLEY:** Mr Bell, with respect, this is re-traversing the cross-examination of Mr Braham.

MR BELL SC: Yes. Where are we going with this, Ms Richardson?

40 **MS RICHARDSON SC:** I have about two more questions on this topic on this particular email, if I may. You knew --

MR BELL SC: Mr Loxley, I will permit Ms Richardson to continue.

45 **MS RICHARDSON SC:** You knew that the reference to "entertainment facilities" that you had read in the email on 28 August was an umbrella term that The Star used to include various entertainment facilities, including casino and gaming; correct?

MS ARTHUR: Yes.

5 **MS RICHARDSON SC:** And you knew when you saw the answer to question 2 with the reference to "hotel accommodation services" that that included things well beyond paying for accommodation at a hotel; correct?

MS ARTHUR: I understood - yes.

10 **MS RICHARDSON SC:** And you knew that the primary purpose of the CUP transactions was for VIPs or high-end players of The Star - correct - that that was the primary group of people that were using these cards, VIPs or high-end players of The Star; correct? Sorry, I missed that answer.

MS ARTHUR: Yes.

15

MS RICHARDSON SC: And you knew the way the account worked was that the CUP card would be swiped and then there would be a transfer to the patron account of the VIP or high-end player; correct?

20 **MS ARTHUR:** Yes, but I understood that to be separate to the front money account.

25 **MS RICHARDSON SC:** Well, you have given evidence that you understood the way that patron accounts could be used by VIPs or high-end players was that they could spend that money on things both inside the resort and outside the resort; correct?

MS ARTHUR: Yes. It was explained to me as expenses that were from within and outside of the resort.

30

MS RICHARDSON SC: And within the resort included the casino; correct?

MS ARTHUR: The account was described as separate to the front money account.

35

MS ARTHUR: I'm asking a different question. You agree with me that the resort, and the way The Star used the concept of the resort, included the casino among other venues; correct?

40 **MS ARTHUR:** Yes, I agree.

45 **MS RICHARDSON SC:** What I want to suggest to you - and Mr Braham has taken you through some of the emails attached to the 28 August email, including invoices showing a player accessing two and a half million dollars over three days. Given the matters I've just taken you to, that you knew these accounts were for high-end players, that "entertainment facilities" included the casino and you knew the hotel accommodation services was not limited to paying for accommodation, that you knew on and from at least 28 August 2019 that funds used - funds

accessed through the CUP cards could ultimately be put towards gaming. Do you agree with that?

5 **MS SHARP SC:** I object. That question is too convoluted and contains about three questions in it.

10 **MS RICHARDSON SC:** I will ask a narrower question. I want to suggest to you that the matters I have just been putting to you make it obvious that you - it was obvious to you from 28 August 2019 onwards that the CUP cards could be used in a way that might ultimately be used to fund gambling. Do you agree with that?

15 **MS ARTHUR:** No, I disagree. The front money account was described to me as being separate. The - the - card usage was to the patron account, which was separate to the front money account.

20 **MS RICHARDSON SC:** Do you agree, Ms Arthur, that you are unable to point to a single piece of paper that you have been taken to where The Star has given a confirmation that no part of CUP funds would be put towards gambling? Do you agree you are unable to point to a single piece of paper to that effect?

MR LOXLEY: I object, Mr Bell. It's not entirely clear what material my learned friend is referring to when she says --

25 **MS RICHARDSON SC:** Well, perhaps this can be done in the absence of the witness. I was very specific. The question is, of the material that she has been taken to in this review, she cannot point to a single piece of paper where The Star has confirmed that there is no - that CUP cards cannot be used to fund gambling.

30 **MR BELL SC:** Ms Richardson, Mr Braham asked this question, but I will allow you to ask it as well, as long as it's limited to the documents to which the witness has been shown in the course of her evidence.

35 **MS RICHARDSON SC:** Thank you. Ms Arthur, I want to focus on the documents which you have been shown during your evidence. Do you agree you cannot point to a single piece of paper where The Star has confirmed in writing to the NAB that CUP funds cannot be used to provide funds for gambling? Do you agree with that?

40 **MS ARTHUR:** I agree. But isn't that the crux of the issue here, in that they misled --

MS RICHARDSON SC: No. Just wait for my next question. The answer to my question is yes?

45 **MR BELL SC:** Well, I think you did cut Ms Arthur off, and I think she should be permitted to - it is an important question. I think she should be permitted to answer it.

MS RICHARDSON SC: Well, I do object, Mr Bell, because I'm asking questions on a very sensitive issue. And Ms Arthur has given a series of answers - it's not fair to my client, in my submission, that she is allowed to give discursive evidence, non-responsive to my questions, when I am highly constrained in the time I have.

MR BELL SC: Why don't you ask the question again.

MS RICHARDSON SC: Thank you. Well, I have had an answer to it, because the answer is, yes, she can't point to a single piece of paper she has been taken to where that confirmation was given. I will move on. Ms Arthur, I want to take you forward in time to November. You recall the evidence you gave on Friday, that it was your practice, if there was a particular email that you would be sending through to the client, to call the client in advance to foreshadow that. Do you recall that?

MS ARTHUR: Yes. A professional courtesy that I personally conduct.

MS RICHARDSON SC: And it's the case, isn't it, that you knew in early November that inquiries coming from the CUP were escalating and that there would be a significant request for information coming from the CUP; you recall that?

MS ARTHUR: They were escalating, yes.

MS RICHARDSON SC: And so you called Sarah Scopel at The Star beforehand to foreshadow that a particular request would be coming; correct?

MS ARTHUR: Which request are you referring to, sorry?

MS RICHARDSON SC: Well, it's the request that you ultimately sent on 6 November.

MS ARTHUR: Yes. Yes.

MS RICHARDSON SC: But you agree with me that you called Ms Scopel prior to actually sending that email on the 6th; correct?

MS ARTHUR: Yes.

MS RICHARDSON SC: And when you had the phone call with Ms Scopel, you had a discussion with her about whether the suggestion of reducing transaction limits would be - would go a long way or would be a good idea. Do you agree with that?

MS ARTHUR: I agreed that it would be a good idea, yes.

MS RICHARDSON SC: And I will ask a question that Mr Braham put to you but

there was no answer. This is the question: do you agree with me that transaction limits to CUP cards do not affect the answer as to whether funds are ultimately used for gambling or not? Do you agree --

5 **MR LOXLEY:** It is a confusing question, Mr Bell. I object to it.

MR BELL SC: I allow it.

10 **MS RICHARDSON SC:** I will ask it a different way - I will put it again. Do you agree with me that transaction limits on CUP cards, whether they are higher or lower, does not affect the answer to the question as to whether the funds are ultimately used for gambling; agree? Sorry, do you agree?

15 **MS ARTHUR:** (Indistinct).

MR BELL SC: I'm sorry. There's some problem with the audio.

MS RICHARDSON SC: Sorry, the evidence is dropping out.

20 **MR BELL SC:** Yes. What was your answer, Ms Arthur?

MS ARTHUR: I said yes.

25 **MR BELL SC:** Thank you.

MS RICHARDSON SC: So given you agree that transaction limits do not affect the answer as to whether CUP funds are ultimately used for gambling, I want to suggest to you that the reason why you had a conversation with Ms Scopel on about 6 November where you suggest that transaction limits would be helpful or a good idea was because you understood that that was the way to try and ensure that CUP would not make these queries going forward. Do you agree with that?

30 **MS ARTHUR:** No, I disagree. At the time, the context was in relation to the suggested spendage on the card being quite large.

35 **MS RICHARDSON SC:** Well, it's the case, isn't it, that the types of transactions that the CUP would query were the larger transactions; correct?

40 **MS ARTHUR:** No.

MS RICHARDSON SC: Well, is it your evidence that - is it your evidence to this review that the CUP would generally query small transactions?

45 **MS ARTHUR:** No.

MS RICHARDSON SC: You're not suggesting that, are you?

MS ARTHUR: A mixture of large and small --

MS RICHARDSON SC: Well, I will put my - well, I want to suggest to you that the pattern of transactions they would query were higher transactions. Do you agree with that?

5

MS ARTHUR: No, I disagree.

MS RICHARDSON SC: Well, I want to suggest to you is that that is what the queries show, and the reason why you thought it would be a good idea or helpful for The Star to reduce the transaction limits was to try and increase the chances that CUP would stop querying these transactions. Do you agree with that?

10

MS ARTHUR: I disagree. We were asked to - we were asked to inquire with The Star on numerous occasions - and there were spreadsheets with various different amounts, they were not all large.

15

MS RICHARDSON SC: And I want to suggest to you that in the phone call you had with Sarah Scopel where you said you thought it would be helpful or a good idea to reduce the transaction limits, that Ms Scopel conveyed to you that what The Star was asking the NAB was should they just pre-empt what the CUP was doing and to cease the CUP service now. Do you agree that that was said?

20

MS ARTHUR: I disagree.

MS RICHARDSON SC: Sorry?

25

MS ARTHUR: I disagree.

MS RICHARDSON SC: So I want to suggest to you that it was said to you in a phone call on about 5 or 6 November where The Star raised with you - sorry, Sarah Scopel, raised with you "Should we just pre-empt these inquiries that are escalating from the CUP and just stop the service now?" And that your response was, "Just respond to the CUP's queries and we'll see what their response is." Do you accept that happened?

30

35

MS ARTHUR: I don't recall that happened.

MS RICHARDSON SC: Well, I want to suggest to you that it did happen.

MS ARTHUR: I disagree.

40

MS RICHARDSON SC: Well, you just don't recall it one way or the other; is that correct?

MS ARTHUR: I don't recall that conversation saying that, no.

45

MS RICHARDSON SC: Well, I want to suggest to you that a conversation to that effect is consistent with the correspondence and your interactions with The

Star thereafter, which was engaging with The Star as to what type of information would be provided and just seeing what CUP's response was. Do you accept that?

MS ARTHUR: No.

5

MS RICHARDSON SC: And I want to suggest to you that in the call on about 5 or 6 November with Sarah Scopel, after you had been asked whether or not The Star should just stop the CUP service to pre-empt a directive, you said that The Star should provide a response of high value non-gaming transactions - that that's what they should do. Do you agree with that?

10

MS ARTHUR: No, I don't. The email requested --

MS RICHARDSON SC: Well, I want --

15

MS ARTHUR: Sorry, I'm still going. The email requested examples of expenditure, and that's what was asked.

MS RICHARDSON SC: Well - so do you accept that in the phone call, you - similarly to what was in the email, you suggested to an employee of The Star that they should provide examples of high value non-gaming transactions - that that information should be provided. Do you agree with that?

20

MS ARTHUR: Examples of expenditure that were consistent with what the VIPs were spending on the card.

25

MS RICHARDSON SC: Well, I want to suggest to you that what you said to The Star was that they should provide examples of high value non-gaming transactions.

30

MS ARTHUR: I disagree.

MS RICHARDSON SC: It's the case, isn't it, that up to this point --

35

MR BELL SC: Sorry. I didn't hear your answer, Ms Arthur.

MS ARTHUR: I disagree with that statement.

MR BELL SC: Thank you.

40

MS RICHARDSON SC: It is the case, isn't it, that up to this point with all the information requests that had been sent through to The Star on which you were copied, that The Star had only ever attached statements from a hotel showing transfers to a customer account; correct?

45

MS ARTHUR: Yes.

MS RICHARDSON SC: At no point had The Star provided you or the NAB with

information showing that what actual goods and services had been purchased; correct?

5 **MS ARTHUR:** That is correct, but it was explained to me that they were unable to because of their notional accounts internally. That was the reason that was explained to me.

10 **MS RICHARDSON SC:** And can - on the morning of 7 November, you had a phone call - and you recall that your email request was sent on 6 November. And on 7 November, I want to suggest to you that you had a phone call with Sarah Scopel where you discussed what response The Star might give later that morning. Do you recall that?

15 **MS ARTHUR:** Not specifically, no.

MS RICHARDSON SC: Sorry, not particularly?

MS ARTHUR: I don't recall.

20 **MS RICHARDSON SC:** Well, you accept it could have happened? That's not correct?

MS ARTHUR: I'm not saying it did, though.

25 **MS RICHARDSON SC:** Well, what I want to suggest to you --

MS ARTHUR: (Indistinct).

30 **MS RICHARDSON SC:** Sorry. The audio is bad. I'm waiting for the transcript to see what that answer was.

MR BELL SC: What was the last thing you said, Ms Arthur?

35 **MS ARTHUR:** I said words to the effect that you're suggesting that it did, and I can't confirm because I don't know what she is going to say afterwards in terms of the contents of the call.

MR BELL SC: Thank you.

40 **MS RICHARDSON SC:** My question was a straightforward one. You agree it could have happened; correct?

MS ARTHUR: It could have happened, but it could not have.

45 **MS RICHARDSON SC:** And what I want to suggest to you is that what transpired on that call is that you were told by an employee of The Star that the email request seeking written confirmation that no transactions included a gambling component was not a confirmation The Star could give and you said,

"Yes, yes, I know." Do you agree with that?

MS ARTHUR: No, I disagree.

5 **MS RICHARDSON SC:** And it's the case, isn't it, that when you received the email on 7 November 2019, that in fact The Star did not give written confirmation that had been sought in the email of the 6th that there was no gambling component. Do you agree that that does not appear in the email of 7 November in express terms?

10

MS ARTHUR: My interpretation at the time was that it did.

MS RICHARDSON SC: Well, I'm asking you about the terms that are written on the page. Do you agree with me that nowhere do we see a confirmation that there is no gambling component in relation to the use of CUP funds? Do you agree with that?

15

MR LOXLEY: Well, in fairness, Ms Arthur should be shown the email again on the screen, given the specific question asked.

20

MS RICHARDSON SC: Certainly. It's document 1828.

MR BELL SC: Exhibit B1818.

25 **MS ARTHUR:** I agree that there is no reference to gambling on this email. But again, I go back to the point --

MS RICHARDSON SC: Sorry. No. You are not making points; you are answering questions, Ms Arthur. Now, you agree with me that you gave evidence - you have given evidence that you were well aware at this point that the CUP wanted the NAB to confirm whether or not the transactions involved a gambling component. Do you recall that evidence?

30

MS ARTHUR: Yes, I do.

35

MS RICHARDSON SC: And do you agree with me that that is not contained - that confirmation is not contained within the 7 November 2019 email; correct?

40 **MS ARTHUR:** It would appear, yes, it's not there.

MS RICHARDSON SC: And do we take it from the fact that you did not follow up with The Star after 7 November to say, "Where is the written confirmation?" is because you knew that that was a confirmation that they neither would nor could give; you agree with that?

45

MS ARTHUR: I disagree.

MS RICHARDSON SC: And you had been told that at least on the morning of 7 November; correct?

MS ARTHUR: I - I disagree.

5

MS RICHARDSON SC: Could we go down to the bottom of that email, please. You will see the second last paragraph starts:

"We confirm the terminal is located."

10

Do you see that?

MS ARTHUR: Yes.

15

MS RICHARDSON SC: Now, you agree with me that the confirmation that is given is - in that sentence includes that gaming transactions are not conducted at the hotel; correct?

MS ARTHUR: Yes. It says that, yes.

20

MS RICHARDSON SC: You knew that gaming transactions were conducted in the resort, of which the hotel was a part; correct?

MS ARTHUR: It's in the same building, yes.

25

MS RICHARDSON SC: Well, it's part of the same resort; correct?

MS ARTHUR: Yes.

30

MS RICHARDSON SC: What I want to suggest to you is that you accepted the confirmation that had been given in this email about the location of the terminal being at the hotel because the NAB well knew that what was happening at The Star was the NAB was relying on the fact that its CUP terminal was located in the VIP lobby of the hotel and so it was not being used directly for gambling, that there was a second transaction that happened afterwards. Do you accept --

35

MS ARTHUR: Sorry, can you repeat that?

MS RICHARDSON SC: I will ask again. What I want to suggest to you is that the reason why you accepted the confirmation that had been given in this email is because you knew that the arrangements for CUP at The Star were that - you knew that what was happening was the terminal for CUP was located in the VIP lobby and so it was not being used directly for gambling; rather, there had to be a second transaction that happened after the CUP swipe. Do you agree that you understood that?

40

45

MS ARTHUR: I'm - I'm sorry, but I find that question really long and laborious. Are you able to break it up, please?

MS RICHARDSON SC: Yes, I can.

MR BELL SC: I think that would be helpful, Ms Richardson.

5

MS RICHARDSON SC: I will do that. What I'm putting to you is that the - you understood - I will break it down - you understood that the CUP terminal that the NAB was providing to The Star was in the VIP lobby of the hotel; correct?

10 **MS ARTHUR:** No. I wasn't aware it was in the VIP lobby, but I understood it to be at the hotel.

MS RICHARDSON SC: Well, you knew that CUP cards were used by VIPs or high-end players of The Star; correct?

15

MS ARTHUR: Yes.

20 **MS RICHARDSON SC:** And that the purpose of the CUP transactions was so that VIPs or high-end players of The Star could swipe their cards and, once they had swiped it, there would be a transfer to their patron account; correct?

MS ARTHUR: Yes.

25 **MS RICHARDSON SC:** And you knew that once it had been transferred to the VIP or high-end player's account that they could spend it on money - on things within the resort and outside the resort; correct?

30 **MS ARTHUR:** I understood it to be used to repay expenses for inside and outside the resort, yes.

MS RICHARDSON SC: And I want to suggest to you that you understood that what was happening at The Star was that the NAB's CUP terminal was located in the hotel and so it was not being directly used for gaming, but funds would be transferred into an account and, as a secondary step, might be used for gaming. You knew that, didn't you?

35

MS ARTHUR: No, I disagree.

40 **MS RICHARDSON SC:** And I want to suggest that you knew that and that is why, looking at the email, when the NAB said, "We confirm the terminal is located," that they were giving you the confirmation that was consistent with what you already knew, is that both the NAB and The Star were relying on the fact that the terminal was located outside the actual - outside the casino and it was at the hotel, and you understood what confirmation was being given to you.

45

MS ARTHUR: No, I disagree with that statement.

MS RICHARDSON SC: And the reason why you didn't chase up the fact that

this email response did not give the express confirmation that you had sought in terms is you knew, from your phone calls with The Star, that The Star had given you the highest level of confirmation they could give, and you knew that from the phone calls you had had.

5

MS ARTHUR: Sorry, can you break that down?

MS RICHARDSON SC: The reason why you didn't chase up after this 7 November email as to why you had not been given a confirmation that there was no gambling component was because you knew that the terms of the email that had been sent were the limit of the confirmation that The Star was prepared to give you.

10

MS ARTHUR: No, I - I disagree.

15

MS RICHARDSON SC: And you knew that they had said - you had been told in the phone that, "We cannot give you the information you require," and you said "Yes, yes, I know ."

20

MS ARTHUR: I disagree that the phone call occurred.

MS RICHARDSON SC: Well, your evidence earlier is it may have occurred, or it may not have; correct?

25

MS ARTHUR: Those were your words.

MS RICHARDSON SC: No, I will take you back to your words. You are saying you don't recall - it might have happened, it might not have; correct?

30

MS ARTHUR: You were trying to suggest that it had, and I was trying to suggest that it may not have.

MS RICHARDSON SC: And I put to you you're not suggesting that there's no chance it could have happened, and you said, "Agreed." So do you agree with me that the phone call could have happened - you are not denying it didn't happen; correct?

35

MS ARTHUR: I deny saying, "Yes, yes, I know." I don't recall the phone call. I don't believe it happened.

40

MS RICHARDSON SC: Could the following document be brought up, please, document 2059 - sorry, exhibit B2059. Do you see there at the top of the second page it says:

45

"We spoke to Tanya this morning and advised that we would send through the same response that was provided to the NAB/CUP back in November, providing examples of typical customer expenses, as well as re-offering to reduce the transaction limit."

Do you see that?

MS ARTHUR: Yes, I can see that.

5

MS RICHARDSON SC: So do you agree that you had a call with employees of The Star on about 12 December to that effect?

MS ARTHUR: I don't personally recall. The email would suggest that it occurred.

10

MS RICHARDSON SC: But reading the top part of the email now, it seems consistent with a phone call you might have had; correct?

MS ARTHUR: I don't recall the phone call.

15

MS RICHARDSON SC: Well, do you agree that the response that The Star ultimately did send after this - this is 6 December 2019. If that could be brought up, exhibit B2069. Do you agree with me that that is, in fact, in very similar form to what was sent to the NAB on 7 November?

20

MS ARTHUR: Yes. Yes, I do.

MS RICHARDSON SC: And we see down the bottom - again, we've got a proffering of further comfort about transaction limits. Do you see that?

25

MS ARTHUR: Yes, I do.

MS RICHARDSON SC: So you've agreed that in the response that The Star sent on 7 November, it did not, in express terms, provide the written confirmation that had been sought that there was no gambling component to what CUP funds were put for. Do you agree with that?

30

MS ARTHUR: At the time, I interpreted that particular sentence as confirmation.

MS RICHARDSON SC: Well, you have agreed with me that the email does not, in fact, contain that confirmation; correct?

35

MS ARTHUR: Upon reflection, yes.

MS RICHARDSON SC: And it's apparent that after that, the CUP has raised additional queries and they were not satisfied with what had been given. Do you agree with that?

40

MS ARTHUR: Yes.

45

MS RICHARDSON SC: Sorry, yes?

MS ARTHUR: Yes was my answer, sorry.

MS RICHARDSON SC: Yes. And then the response that's sent on 16 December 2019, you've agreed, is in very similar form to what was sent on 7 November; do you agree?

5

MS ARTHUR: Yes.

MS RICHARDSON SC: So even though the CUP was raising queries and saying they were not satisfied with what had been provided, the response that comes through on 16 December is effectively the same approach. Do you agree with that?

10

MS ARTHUR: Yes, it's similar. Yes.

MS RICHARDSON SC: Why do we not see in any of the correspondence from you in this process a single email saying, "Could you please answer the critical question in writing: is there a gambling component or not?" Why do we not see a single instance where you are raising the critical question?

15

MS ARTHUR: Because I believed the explanation that was provided to me by the client.

20

MS RICHARDSON SC: Well, if we go back to the email of 7 November, which is exhibit B1828, you've given evidence that you agreed that what the client was seeking - if we go to the second page, please - was written confirmation that no transactions via the merchant facility includes a gambling component. Do you see that?

25

MS ARTHUR: Yes, I can see that.

30

MS RICHARDSON SC: Do you agree with me that that was never provided?

MS ARTHUR: Upon reflection, that sentence is ambiguous, yes.

MS RICHARDSON SC: Well, no, I'm asking you a different question. Written confirmation was asked for. Do you agree with me that it was not provided? Correct?

35

MS ARTHUR: Yes.

40

MS RICHARDSON SC: And you agree with me that nowhere in the documents do we see you querying it and saying, "Hang on, you have not provided the key written confirmation that has been sought." Do you agree with that?

MS ARTHUR: I agree with that, but that is because I believed (indistinct) --

45

MS RICHARDSON SC: No. Just wait for my next question. And you agree --

MR BELL SC: I think you really should let her finish the question, please, Ms Richardson. Take your time.

MS RICHARDSON SC: Well, I'm trying to --

5

MR BELL SC: Take your time, but I do think you should let her finish the answer. Is there anything else you wanted to say that answers the question and isn't discursive?

10 **MS ARTHUR:** No. The question was whether - why I hadn't asked the client, and it's because I believed what they were telling me.

15 **MR BELL SC:** Ms Richardson, it's almost 2 o'clock. I'm not going to cut you off. I do think Ms Arthur has been going for two and a half hours and, if nothing else, she deserves a break. Mr Loxley, I understand this puts you in difficulties, but I feel I have to take the luncheon adjournment now and resume at 3 o'clock.

MR LOXLEY: I understand, Mr Bell.

20 **MR BELL SC:** So I will now adjourn until 3 o'clock.

<THE HEARING ADJOURNED AT 1:55 pm

<THE HEARING RESUMED AT 2:59 pm

25

MR BELL SC: Yes, Ms Richardson.

30 **MS RICHARDSON SC:** Thank you. Ms Arthur, do you recall your evidence you gave before lunch when you had been taken through a series of communications from The Star by Mr Braham, and you said that you think there is a number of exchanges here where the client has clearly avoided using those words, and the words from the context of the question were, "That none of the CUP money was used for gambling purposes"? Do you recall that evidence?

35 **MS ARTHUR:** Yes. Yes.

40 **MS RICHARDSON SC:** And that's the case, isn't it, that the correspondence from The Star - that you were aware that it had clearly avoided using the words to the effect that none of the CUP money was used for gambling purposes or had a gambling component; correct?

MS ARTHUR: The emails provided do not mention gambling.

45 **MS RICHARDSON SC:** Yes, but I'm taking you to the evidence you gave this morning, which is that, looking at the correspondence, it's apparent that The Star has clearly avoided using those words; correct?

MS ARTHUR: Yes.

MS RICHARDSON SC: And you have agreed that you are unable to point to any document to which you've been taken to today where The Star did those use express words; correct?

5

MS ARTHUR: Yes.

MS RICHARDSON SC: Could document exhibit B2232 be brought up, please. If that could be enlarged slightly. This is a warning letter that you received from China UnionPay on about 28 February 2020?

10

MS ARTHUR: It was received by my colleague from China UnionPay and then subsequently sent to me.

15 **MS RICHARDSON SC:** Was it sent to you on about 28 February?

MS ARTHUR: Yes, by my colleague. Yes.

MS RICHARDSON SC: Your colleague at the NAB; correct?

20

MS ARTHUR: Yes, that's correct.

MS RICHARDSON SC: And you read this letter when you received it?

25 **MS ARTHUR:** Yes, I did.

MS RICHARDSON SC: Could I direct your attention to the second paragraph, which starts:

30 "As per your responses."

MS ARTHUR: Yes.

MS RICHARDSON SC:

35

"The transactions were for 'accommodation services' and 'do not include any component for the purpose of gambling'."

Do you see that?

40

MS ARTHUR: Yes, I can see that.

MS RICHARDSON SC: And it was apparent to you when you read this in the CUP letter that those words in quote "do not include any component for the purpose of gambling" was words that the NAB had told the CUP; correct?

45

MS ARTHUR: It would suggest so. I was not the conduit to CUP, and I didn't sight the communication directly to CUP. But the letter using quotation terms

would suggest that that was used - those terms were used.

MS RICHARDSON SC: And you also have not sighted any document from The Star where words to that effect were expressly used in a document; correct?

5

MS ARTHUR: Yes.

MS RICHARDSON SC: And in fact, your evidence is The Star had clearly avoided using those words; correct?

10

MS ARTHUR: Yes.

MS RICHARDSON SC: Sorry?

15

MS ARTHUR: Yes.

MS RICHARDSON SC: Now, when you received this warning letter on about 28 February, it's the case, isn't it, that you - well, was - on your version of events, you knew at this point that The Star had not expressly used the words that there was - did not include a component for the purpose of gambling --

20

MR LOXLEY: Mr Bell - sorry, I will just get you to ensure that clarity is - or there is clarity with respect to the form of the communication here. So Ms Richardson is putting, as I understand it, that there was no such use of that phrase in writing from The Star, but that clarity is important and should be included in the question.

25

MS RICHARDSON SC: I'm happy to do that.

30

MR BELL SC: Thank you, Ms Richardson.

MS RICHARDSON SC: You agree with me, Ms Arthur, at the point you read this warning letter, you knew that you had not seen any written communication from The Star which used words - the words "do not include any component for the purpose of gambling". Do you agree with that?

35

MS ARTHUR: Yes.

MS RICHARDSON SC: And in fact, you understood at this time that The Star had clearly avoided using those words in its correspondence with the NAB; correct?

40

MS ARTHUR: Yes.

45

MS RICHARDSON SC: And before you sent this warning letter through to The Star on 3 March, you say you contacted Sarah Scopel to foreshadow to her that the letter would be coming; correct?

MS ARTHUR: Yes.

5 **MS RICHARDSON SC:** And it's your evidence - is this your evidence to the review, that when you rang her to say, "I'm about to send you a warning letter from CUP which raises as a central part of it" - I will go back a step. Do you agree with me that a central part of what this CUP letter is raising is the proposition that China UnionPay has been told in a direct quote that the transactions "do not include any component for the purpose of gambling"? Do you agree that that's a central aspect of what this warning letter is setting out?

10

MS ARTHUR: Yes.

15 **MS RICHARDSON SC:** And when you read that part of the warning letter, you were aware, weren't you, that you were unable to point to a single written communication where those express words had been used by The Star; correct?

MS ARTHUR: I would - I say that, yes, now, but at the time I wasn't - that wasn't contemplated.

20 **MS RICHARDSON SC:** Well, you agree with me that a key part of what this warning letter was raising was the issue of are the CUP cards used for gambling; correct?

MS ARTHUR: Yes.

25

MS RICHARDSON SC: And your evidence to this review is that when you called Sarah Scopel to tell her you would be sending the letter, that you had no discussion with her about whether CUP cards were used for gambling. Do you recall that evidence?

30

MS ARTHUR: Sorry, can you repeat the question?

35 **MS RICHARDSON SC:** Your evidence in answer to Ms Sharp on Friday was that when you called Ms Scopel to foreshadow the fact that you would be sending through this warning letter to her --

MS ARTHUR: Yes.

40 **MS RICHARDSON SC:** -- that you had no discussion with her about whether or not, in fact, CUP cards were used for gambling. Do you recall that evidence?

MS ARTHUR: I'm sorry, I don't recall the evidence.

45 **MS RICHARDSON SC:** Well, could the transcript be brought up, please. It's transcript 223. Actually, if we could start at the bottom of 222, please. Do you see from - sorry, we have been given - my transcript numbers don't match what is on this page.

MR BELL SC: Is what I am seeing on the page the real-time transcript or the final authorised transcript?

5 **MS SHARP SC:** Mr Bell, I'm just trying to get some instructions on what this transcript is - if this is the status of the formal transcript. I believe a formal transcript has now been posted to the ILGA website. I'm just trying to obtain instructions as to whether that's it.

10 **MR BELL SC:** Ms Richardson, I think Ms Scopel said she doesn't recall the evidence she gave on Friday. Do you want to just ask her the question again now?

15 **MS RICHARDSON SC:** I'm hoping this is fair to the witness. I will read out what the evidence was, and someone might be able to search the version of the transcript and we can match it up. Question:

"Did you have any conversations with Ms Scopel about that warning notice at about the time you sent it to her?"

20 Answer:

"Yes, I called her in advance of sending the email."

Question:

25 "Did you have any discussions at all with her about whether those suspicions of CUP were correct."

Answer:

30 "No."

Question:

35 "Did you have any discussions whatsoever about whether the CUP cards had been used to fund gambling?"

"Sorry, can you repeat the question?"

40 Question:

"Did you have any discussions with her at around that time about whether the CUP cards had been used to fund gambling?"

45 Answer:

"No."

So, Ms Arthur, I'm reading from the transcript of last Friday. Do you now recall

giving that evidence?

MS ARTHUR: Yes.

5 **MS RICHARDSON SC:** So it's the case, isn't it, that your evidence is that when you called Ms Scopel in advance of sending the warning letter to her on the 3rd, you had - is this the case, that you had no discussions with her about whether, in fact, the CUP cards had been used for the purpose of gambling? Do you stand by that evidence?

10

MS ARTHUR: The phone call was to let her know that I was sending her the letter and --

15 **MS RICHARDSON SC:** Ms Arthur - no, Ms Arthur. I've asked you a very specific question. I've read the evidence that you gave on oath on Friday. Do you stand by that evidence, that when you called in advance of sending the warning letter, you had no discussions about whether CUP cards had been used to fund gambling? Do you stand by that evidence?

20 **MS ARTHUR:** Yes.

MS RICHARDSON SC: Now, when you called Ms Arthur on 3 March to foreshadow this warning letter, you've given evidence that you agree that the key issue the warning letter was raising was whether, in fact, the CUP cards were being used to fund gambling; correct?

25

MS ARTHUR: Yes.

30 **MS RICHARDSON SC:** And you knew at this point that The Star had clearly avoided using those words in its correspondence with the NAB to date; correct?

MS ARTHUR: Yes.

35 **MS RICHARDSON SC:** So I want to suggest to you is the reason why, on 3 March, when you called Sarah Scopel to foreshadow sending this letter, that you did not discuss whether CUP cards had been used to fund gambling, because that is something you already knew to be true; correct?

40

MS ARTHUR: Disagree.

MS RICHARDSON SC: Well, I want to suggest to you that it beggars belief that in response to a warning letter of this seriousness, that you would ring one of only three clients you had in your portfolio and you would not discuss the central issue it was raising.

45

MS ARTHUR: I disagree with that statement.

MS RICHARDSON SC: And it's the case, isn't it, that after you sent the warning

letter to The Star, a Skype call was arranged for the afternoon of 3 March where you participated in a Skype call with employees of The Star; correct?

MS ARTHUR: That's correct.

5

MS RICHARDSON SC: And it's the case, isn't it - your evidence is that during that Skype call, again, no discussion about whether the CUP cards had been used for gambling. Do you agree that's your evidence?

10 **MS ARTHUR:** I didn't ask that question, no.

MS RICHARDSON SC: Sorry. The transcript has not picked up that - sorry, what was that answer?

15 **MS ARTHUR:** I did not expressly ask that question.

MS RICHARDSON SC: So is it your evidence that after a warning letter from CUP - and you accept that a key part of what the warning letter was raising was whether or not CUP cards were being used for gambling - that you organised a Skype call and attended it with The Star, and there was no discussion during that Skype call about whether, in fact, CUP cards were used for gambling. Is that your evidence?

25 **MS ARTHUR:** So I was not the organiser of the call; Ms Scopel was the organiser of the call.

MS RICHARDSON SC: Ms Arthur, I'm not asking you who organised the call. I'm trying to confirm your evidence --

30 **MR LOXLEY:** With respect, that was part of the question, Mr Bell, with respect.

MR BELL SC: I think Ms Arthur should be allowed to answer. What's your answer, Ms Arthur?

35 **MS ARTHUR:** Sorry, I was just making the point that I was not the organiser of the call. And I'm sorry, can you please repeat the question. I'm sorry, it's been --

MS RICHARDSON SC: I will ask a narrower question. You agree with me that there was a Skype call between the NAB and The Star at about 4.30 on the afternoon of 3 March to discuss the CUP warning letter; correct?

40

MS ARTHUR: Yes.

MS RICHARDSON SC: And you participated in that Skype call?

45

MS ARTHUR: Yes.

MS RICHARDSON SC: And at that point, The Star was one of only three clients

in your portfolio; correct?

MS ARTHUR: No. At the time, I had five. But I only had three --

5 **MS RICHARDSON SC:** Well, you agree - well, you agree that you have a small portfolio of clients, of which The Star is one; correct?

MS ARTHUR: Correct.

10 **MS RICHARDSON SC:** And you participated in the Skype call; correct?

MS ARTHUR: Yes.

15 **MS RICHARDSON SC:** You were the relationship manager for The Star at the time; correct?

MS ARTHUR: Yes.

20 **MS RICHARDSON SC:** And you were the primary interface between The Star and the NAB at the time; correct?

MS ARTHUR: Yes.

25 **MS RICHARDSON SC:** And I will read out the question that you - the answer you gave on Friday. Question - this is at the Skype call at 4.30:

"Was there any discussion about whether these cards had been used to fund gambling?"

30 Answer:

"No."

35 Do you stand by that evidence?

MS ARTHUR: Yes.

40 **MS RICHARDSON SC:** So is it your evidence to this review that in response to a warning letter, the key aspect of which was raising whether or not these funds were being used for gambling, that a Skype call was organised between the NAB and Star, and there was no discussion about whether CUP cards were used for gambling? Is that your evidence?

45 **MS ARTHUR:** Yes, but I had no reason to suspect otherwise. I believed what I was being told by The Star.

MS RICHARDSON SC: Well, Ms Arthur - could tab B2232 be brought up, please. If that could be expanded please. You agree with me that - I want to

5 suggest to you you did have a reason to question matters at this point, on your version of events, because the CUP had written to you in the warning letter a direct quote of a proposition that The Star do not include any component for the purpose of gambling with these transactions, and you knew that The Star had clearly avoided using those words; correct?

MS ARTHUR: Yes.

10 **MS RICHARDSON SC:** And it was apparent to you when you received this letter that the central issue it was raising was whether or not CUP cards were, in fact, being used for gambling; correct?

MS ARTHUR: Yes.

15 **MS RICHARDSON SC:** What I want to suggest to you is the reason why there was no discussion between you and Ms Scopel in the morning of the 3rd about whether that was true or not or at the Skype call in the afternoon was because you already knew the answer to that question, and that is why there was no discussion. Do you agree with that?

20

MS ARTHUR: I disagree.

25 **MS RICHARDSON SC:** Do you agree with me that in response to the warning letter you did not, in an email, write to The Star, "You never confirmed in writing whether or not there's a component for the purpose of gambling. Could that please be done"? Do you agree with me that you did not respond in that way?

30 **MR LOXLEY:** It's a rolled-up question, Mr Bell. I think it initially was directed to 3 March and then expanded in the course of it being asked.

30

MR BELL SC: Perhaps you could break it down.

35 **MS RICHARDSON SC:** I will ask a narrow - yes, I will. Do you agree with me that after you received the warning letter of 28 February, at no point did you write in an email to anyone at The Star, "Could somebody please give written confirmation about whether there's any component of these transactions for gambling." Do you agree that you did not do that?

40 **MR BELL SC:** I'm sorry. I can't hear your answer, Ms Arthur. The audio is not very good.

MS ARTHUR: I said yes.

45 **MS RICHARDSON SC:** And then you had a call with Ms Scopel where the issue was not discussed and a Skype meeting where the issue was not discussed; correct?

MS ARTHUR: No, I don't think - on the phone call, I asked them if there was any

other evidence or supporting documentation that they could provide and they said no.

5 **MS RICHARDSON SC:** Which phone call are you talking about?

MS ARTHUR: The Skype call.

MS RICHARDSON SC: Well, your evidence on Friday - question:

10 "Was there any discussion about whether these cards had been used to fund gambling?"

Answer:

15 "No."

Do you stand by that evidence that there was no discussion about whether the cards had been used to fund going?

20 **MS ARTHUR:** No, I did not directly ask them that question. No.

MS RICHARDSON SC: Ms Arthur, your evidence on Friday was not whether you asked a question. You were asked about what was discussed by anybody at the Skype meeting, and the question was:

25 "Was there any discussion about whether these cards had been used to fund gambling?"

And your answer was:

30 "No."

MS ARTHUR: Yes, but I --

35 **MS RICHARDSON SC:** I want to suggest - is it the case --

MR BELL SC: Just pause a minute. I think - you have asked the question. You must let Ms Arthur answer it. Ms Arthur, what is your answer?

40 **MS ARTHUR:** I agree with what you're saying with my response to that particular question, but on Friday I also provided details as to what was included on that Skype call. And I believe that that is important for the context of what you're asking me now.

45 **MS RICHARDSON SC:** In relation to the evidence I've taken you to, was there any discussion about whether these cards had been used to fund gambling, do you stand by that evidence or wish to depart from it?

MR LOXLEY: Mr Bell, that question - before you answer, Ms Arthur. That question has now been put, on my count, four times and answered consistently by the witness. There has to be limited if no utility in it continuing to be asked.

5 **MR BELL SC:** Yes. I think that is right, Ms Richardson. I think you should move on now.

10 **MS RICHARDSON SC:** And I want to suggest to you the reason why there was no discussion in the morning of 3 March in the phone call or in the Skype call about whether the CUP cards were used for gambling is because you had known, since at least August of 2019, that CUP cards were used by VIPs and high-end players to allow transfers to accounts, and you understood that that might involve use for gambling. Do you accept that?

15 **MS ARTHUR:** I strongly disagree.

20 **MS RICHARDSON SC:** And the only explanation we have through all of the correspondence that has been put as to why you have never raised any issue to the contrary is because you understood exactly how those CUP cards were being used?

MS ARTHUR: I strongly disagree.

25 **MS RICHARDSON SC:** Those are my questions. Thank you.

MR BELL SC: Yes. Thank you, Ms Richardson. Now, before I invite Mr Loxley to ask any questions, Ms Sharp, is there anything arising that you wanted to ask Ms Arthur?

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

35 **MS SHARP SC:** Yes. There are a few matters. Thank you, Mr Bell. Can I take you, please, to document STA.3002.0011.0004. This was a document that Mr Braham on behalf of Ms Scopel asked you about.

MR BELL SC: Has it got an exhibit number, Ms Sharp?

MS SHARP SC: Pardon me, I will just --

40 **MS RICHARDSON SC:** It's 2232.

MR BELL SC: Thank you.

45 **MS SHARP SC:** Now, Mr Braham asked you a question, and in that question he put to you that the merchant offered gaming. Is that your understanding of what the merchant, that is, the person who operated the - or the entity that operated the terminal, did?

MS ARTHUR: I understand that the merchant was at the hotel so that the - the people that were using the terminal were at the hotel. The contractual arrangement is with The Star.

5 **MS SHARP SC:** And so if we look to the - sorry, I don't seem to have the document coming up on the screen that I asked for. It's document STA.3002.0010.0004.

MR BELL SC: Ms Richardson thinks it's exhibit B3223.

10

MS SHARP SC: Thank you. Do you see at the bottom of the email there are merchant names identified?

MS ARTHUR: Yes.

15

MS SHARP SC: Was that a part of the email that you looked at at the time you were reviewing this email?

MS ARTHUR: Yes, the descriptions used for the different terminals.

20

MS SHARP SC: And that - in the row next to the merchant name, there's the MCC. Did you understand what that was? I'm sorry, you will have to speak up, Ms Arthur.

25 **MS ARTHUR:** MCC is Merchant Category Code.

MS SHARP SC: And you see it's 7011. Did you understand what that Merchant Category Code stood for?

30 **MS ARTHUR:** Not at the time.

MS SHARP SC: Now, at one point during your answers to Ms Richardson, you said in answer to a question of why you did not further ask for the invoices:

35 "The reason that was explained to me in the notional accounts internally was they were not available."

What are you referring to there?

40 **MS ARTHUR:** We were asking for itemised invoices, and it was stated to me by The Star that itemised invoices were not available.

MS SHARP SC: And who stated that to you from The Star?

45 **MS ARTHUR:** It would have been Sarah and Paulinka.

MS SHARP SC: Did you ask for this by way of email or by way of telephone call?

MS ARTHUR: I believe it was via telephone call.

5 **MS SHARP SC:** Are you able to indicate when in time this telephone call occurred?

MS ARTHUR: No, I'm sorry, I can't recall that.

10 **MS SHARP SC:** At any time in your interactions with Ms Scopel or Mr Theodore, were you told that The Star could not provide confirmation that there was a non-gambling component to the expenses?

MS ARTHUR: Not that I recall.

15 **MS SHARP SC:** In answer to a question to Ms Richardson, you said that:

"The front money account was described to me as being separate to the patron accounts."

20 Who described that to you?

MS ARTHUR: I don't specifically recall. It was my general understanding based on how the client has explained their notional accounts that were set up to me, but I don't specifically recall when that conversation occurred.

25 **MS SHARP SC:** Did that conversation occur in relation to these queries from UnionPay International or in some other context?

MS ARTHUR: It would have been in this context.

30 **MS SHARP SC:** Ms Richardson asked you some questions about the telephone call you made to Ms Scopel foreshadowing that a warning letter from UnionPay International would be sent, and you were explaining the purpose of that call when you were cut off. Could you explain the purpose of that call, please.

35 **MS ARTHUR:** The purpose of the call was to let Sarah know that I was sending her - that - that we had received a warning letter and I was sending her a copy of that. We had also received a request from China UnionPay for additional explanation for some more transactions. So I was letting her know in relation to that, and that we needed to obtain additional information to provide to UnionPay.

40 **MS SHARP SC:** In the course of your dealings with the portfolio of clients you hold at NAB, is it your ordinary expectation that the people you deal with from your clients will provide you with truthful answers to the questions you submit to them?

MS ARTHUR: Yes.

MS SHARP SC: You were asked a number of questions about a series of emails - internal NAB emails, and I'll bring the document up again for you. It is NAB.001.001.0694. This is exhibit 1670 - exhibit B1670. Now, Ms Arthur, you will recall that you sent an email on 4 September 2019 imparting some
5 information provided to you from Ms Dudek, and then on 10 September 2019 you emailed imparting some other information provided by Ms Dudek. In that period of time, from 4 to 10 September 2019, is it possible that you may have had more than one telephone call with Ms Dudek?

10 **MS ARTHUR:** Potentially.

MS RICHARDSON SC: This line is inconsistent with the evidence --

15 **MR BELL SC:** Sorry. Can I just ask this: how many telephone calls with Ms Dudek in this period do you actually recall?

20 **MS ARTHUR:** Sorry, Mr Bell. I don't mean to be difficult here. If I can re-answer the question, I didn't - I didn't speak to Ms Dudek again during that period of time on this particular matter, but I would have spoken to her about other things. I'm sorry, I don't mean to be difficult.

MR BELL SC: Thank you.

25 **MS SHARP SC:** I have no further questions.

MR BELL SC: Yes, Mr Loxley.

<EXAMINATION-IN-CHIEF BY MR LOXLEY:

30 **MR LOXLEY:** Thank you, Mr Bell. I will be brief. Could the operator please pull up exhibit B1828, which is STA.3105.0011.5300. Thank you. Ms Arthur, you recall you have been asked a number of questions about this email from Ms Scopel on 7 November 2019?

35 **MS ARTHUR:** Yes.

40 **MR LOXLEY:** If the operator please could enlarge the second bottom paragraph that commences, "We confirm." Ms Arthur, you've been asked a number of questions about your understanding as to what that statement meant, and it was put to you that it meant a certain thing. I would like to give you the opportunity to explain what you understood that statement meant at the time that you read it.

45 **MS ARTHUR:** That there was no - the terminal was not being used for the purpose of gaming.

MR LOXLEY: Moving on to the Skype call that you had on 3 March 2020, in your evidence on Friday, in answer to questions from Ms Sharp, you said that you recall in that conversation discussing NAB facilitating a meeting between

UnionPay and The Star directly so that The Star could provide an explanation to UnionPay. Do you recall that?

MS ARTHUR: Yes.

5

MR LOXLEY: What do you recall about that particular part of the 3 March 2020 discussion?

MS ARTHUR: I - I offered that - or suggested that to the clients as a way for them to speak directly with China UnionPay to help them explain - or offer more detailed explanation to China UnionPay, and the client declined that offer.

10

MR LOXLEY: Thank you. I have no further questions, Mr Bell.

MR BELL SC: Yes. Thank you for your evidence, Ms Arthur. The direction I will make is that your hearing is adjourned, but you won't be required again unless you hear from the lawyers assisting the inquiry. So thank you very much for your evidence.

15

20 **<THE WITNESS WAS RELEASED**

MR BELL SC: Ms Sharp, who is the next witness?

MS SHARP SC: The next witness I call is Paul McWilliams.

25

MR BELL SC: Yes. Is Mr McWilliams in the virtual hearing room?

MR McWILLIAMS: Yes, I am.

30 **MR BELL SC:** And are you legally represented?

MR McWILLIAMS: Yes. Mr Ken Schurgott should be also online or in the waiting room.

35 **MR BELL SC:** Mr Schurgott, are you in the virtual hearing room? I can neither hear you or see you, Mr Schurgott, at the moment.

MR McWILLIAMS: I think you're on mute, Ken.

40 **OPERATOR:** Hi, this is the operator. Unfortunately, he has been - he seems to have returned.

MR BELL SC: Mr Schurgott, you are appearing to represent Mr McWilliams; is that correct?

45

MR SCHURGOTT: That's correct, sir.

MR BELL SC: Yes. Mr McWilliams, would you prefer to take an oath or

affirmation?

MR McWILLIAMS: I will take an oath. Thank you.

5 <**MICHAEL PAUL MCWILLIAMS, SWORN**

<**EXAMINATION BY MS SHARP SC:**

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

MS SHARP SC: Mr McWilliams, could you tell us your full name please.

MR McWILLIAMS: Michael Paul McWilliams.

15 **MS SHARP SC:** And your address is known to those assisting Mr Bell?

MR McWILLIAMS: I - well, I believe it is, yes.

20 **MS SHARP SC:** You formerly were employed by Star Entertainment Group?

MR McWILLIAMS: Yes.

MS SHARP SC: When did you commence employment there?

25 **MR McWILLIAMS:** 7 February 2016.

MS SHARP SC: Could you describe your position at the time you were employed?

30 **MR McWILLIAMS:** I was employed as chief risk officer.

MR SCHURGOTT: Mr Commissioner, sir, could I interrupt for one moment.

35 **MR BELL SC:** Yes.

MR SCHURGOTT: Before the examination gets too far down the track, would it be possible for the Commission to confirm that Mr McWilliams has the protections of section 17 of the Royal Commissions Act?

40 **MR BELL SC:** Yes, he does. He has been summonsed to appear. He doesn't appear voluntarily, and those protections are available to him.

MR SCHURGOTT: Thank you, sir.

45 **MS SHARP SC:** Did you remain chief risk officer for the entire time you were employed by Star Entertainment Group?

MR McWILLIAMS: Yes, I did.

MS SHARP SC: And when did you leave that position?

MR McWILLIAMS: 31 July 2019.

5

MS SHARP SC: Could you please outline your post-secondary qualifications?

MR McWILLIAMS: So I am a chartered accountant by qualification, so I have a Bachelor of Arts specialising in accountancy. I have a Masters of Applied Finance. I have a Graduate Diploma in Applied Corporate Governance.

10

MS SHARP SC: Could you please outline for us your employment history prior to joining the Star Entertainment Group?

MR McWILLIAMS: Okay. Working backwards and how far back? Sorry. Do you want me to work backwards from The Star, and then how far back do you want me to go?

15

MS SHARP SC: If you could work backwards from The Star, that would be good. And perhaps outline your previous four positions.

20

MR McWILLIAMS: Okay. So from 2004, I think it was, to 2016 - late 2015, I was at AGL. So it started at the Australian Gas Light Company. After a demerger transaction, the bit that I stayed with was AGL Energy Limited. For the last few years there, I was the executive general manager for corporate support services and company secretary. That EGM role was effectively a chief risk officer, so I had the risk function, compliance function, legal function, internal audit, property and facilities and procurement all reporting in to me. Before that - before 2004, I was at Southcorp Limited. That was for a period of 10 years, so from 1995 through until late 2004, where I was general manager, tax and treasury at the end. But for most of my time at Southcorp, my primary responsibility was to manage the tax function. And before that, I was at KPMG for seven years as a senior manager in their tax consulting division. That goes back to the late 1980s.

25

30

MS SHARP SC: That's probably far enough, Mr McWilliams.

35

MR McWILLIAMS: Thank you.

MS SHARP SC: We will move now to your time at the Star Entertainment Group. As the chief risk officer, who did you report to?

40

MR McWILLIAMS: To the CEO, Matt Bekier.

MS SHARP SC: And who reported to you?

45

MR McWILLIAMS: At the time I joined, I only had one direct report, who was acting head of audit. But I built a team structure that then, over my tenure at The Star, comprised five general managers and an administrative assistant. So I had - if

we look at those five roles, I had the head of internal audit, Tarnya O'Neil; general manager of business resilience, Marie Patane; general manager for risk and insurance, Alison Crosby; general manager for compliance and responsible gambling was Micheil Brodie; and the general manager for workplace health and safety was Kerry Hurd.

MS SHARP SC: What were your key responsibilities as chief risk officer?

MR McWILLIAMS: They did change over time. So perhaps I can take you through the chronology of what it was when I started and how they changed, if that's okay. So when I started, I describe it as five key functions. So the first one was to establish, develop and maintain a framework to effectively identify and manage risks across the company; to establish, develop and maintain a framework to effectively identify and comply with legal obligations across the company; to oversee the internal audit function; to manage the company's insurance program; and to manage the company's responsible gambling program. So that was February 2016. At the end of that year or 1 January 2017, that list continued and I added to that oversight of the company's AML program - so the anti-money laundering counter-terrorism financing program. And then from 1 July 2017, I also added a responsibility for the company's workplace health and safety function.

MS SHARP SC: When you assumed oversight for the AML function, who reported to you?

MR McWILLIAMS: I took on - so I put that under the responsibility of my general manager compliance, Micheil Brodie, although at the time I took that on, he hadn't yet joined, but that was the intention. The only direct report that I had at that time, as I recall, was Skye Arnott and she had been working for Paula Martin making some amendments to the AML program on the back of the previous review of it. And once that work was done, she then transferred across into my team from under Paula Martin.

MS SHARP SC: And at the time she transferred across to your team, what was her position?

MR McWILLIAMS: I can't remember the job title. It would have been - I don't think she was at manager level. It would have been a risk analyst or a compliance analyst - senior analyst, something like that.

MS SHARP SC: Now, is there a difference between the group risk units and the internal audit units?

MR McWILLIAMS: Yes. So I don't know how familiar you are with the concept of a three lines of defence model for risk management. And so - so the first line is the actual business units. So they are actually own the risks and are responsible for the day-to-day oversight of the risks and making sure that they have in place an effective internal control system to mitigate the prospect of a risk occurring or occurring in any material way. The risk function had the responsibility for setting

the framework by which they assess the risk, training the business on that risk, providing advice from time-to-time on how to assess risk, but also how to design effective internal controls. The internal audit function is the third line of defence. That's an assurance function designed to look at internal processes and controls in place in respect of those processes and form a view as to whether they are effectively designed controls and then whether they are operating effectively.

5
10 **MS SHARP SC:** So in relation to the risk function, does that fall within the second line of defence?

MR McWILLIAMS: Yes, it does.

MS SHARP SC: And in relation to the internal audit function, was that the function that was performed by Tarnya O'Neil who reported to you?

15
20 **MR McWILLIAMS:** Yes, that's correct. Functionally reported to me, sorry. She functionally reported to me. Internal audit typically reports directly to the audit committee, and that was the case here. But for the sake of day-to-day management and oversight, I was her line manager.

MS SHARP SC: Why did you leave the employment of The Star Entertainment Group in July 2019?

25 **MR McWILLIAMS:** I had given Matt Bekier notice that I was retiring from full-time executive life to pursue other interests.

MS SHARP SC: And did you work right up until the time you left Star Entertainment Group in July 2019?

30 **MR McWILLIAMS:** Yes, I did. I was on gardening leave for the last few weeks of that, but I still had some involvement, as I recall, in helping Paula Martin prepare for the August audit committee. But also because Tarnya O'Neil had resigned and left the company, I also supported the recruitment process down to short-listing stage for her successor, but that was sporadic involvement rather than
35 full time for the last couple of months.

MS SHARP SC: Now, at the time you were employed at Star Entertainment, is it correct that there was a board subcommittee which was known as the audit committee?

40 **MR McWILLIAMS:** Correct.

MS SHARP SC: And is it correct there was another board subcommittee known as the board risk and compliance committee?

45 **MR McWILLIAMS:** Correct.

MS SHARP SC: And each of those committees would ordinarily meet four times

a year?

MR McWILLIAMS: Four or five. I think the audit committee might have been five times a year.

5

MS SHARP SC: Were all of the members of the Star Entertainment Group board members of these two subcommittees?

MR McWILLIAMS: No. They had a subgroup, but because - that's on each committee. But because they tended to run committee meetings at board meetings on consecutive days, it was common for all of the directors or the vast majority of the directors to be at all committee meetings as well as the board meeting.

10

MS SHARP SC: Did you ordinarily attend each of the audit committee meetings?

15

MR McWILLIAMS: Yes.

MS SHARP SC: Did you ordinarily attend each of the risk and compliance committee meetings?

20

MR McWILLIAMS: Yes.

MS SHARP SC: Which of those committees was concerned with risk identification?

25

MR McWILLIAMS: The risk and compliance committee.

MS SHARP SC: Would it be right to say the risk and compliance committee was concerned with the second line of defence?

30

MR McWILLIAMS: Yes.

MS SHARP SC: Would it be right to say that the audit committee was concerned with the third line of defence?

35

MR McWILLIAMS: Yes.

MS SHARP SC: Which one of those committees, if either, dealt with the risks associated with the international rebate program?

40

MR McWILLIAMS: It was - it would be more likely to be the risk committee.

MS SHARP SC: Which one of those committees, if either, dealt with the - any risks associated with anti-money laundering and counter-terrorism financing?

45

MR McWILLIAMS: That would be the risk and compliance committee, except to the extent there was an internal audit report that would come up through the audit committee.

MS SHARP SC: Now, is it right that there was also a management risk and compliance committee?

5 **MR McWILLIAMS:** There was. It didn't operate quite as well as I would have liked. But yes, there was a management risk and compliance committee.

MS SHARP SC: Who was on the management risk and compliance committee?

10 **MR McWILLIAMS:** That was the executive team.

MS SHARP SC: And can you just name some of the executives you remember who were on that team.

15 **MR McWILLIAMS:** Well, the executive committee for most of my time there, you would have had Greg Hawkins; Geoff Hogg; Paula Martin; Kim Lee; John De Angelis; Geoff Parmenter is part of that; John Chong, who was in charge of the international rebate business; Matt Bekier; myself.

20 **MS SHARP SC:** Were you a member of that committee?

MR McWILLIAMS: Yes.

MS SHARP SC: How frequently did that committee meet?

25 **MR McWILLIAMS:** Well, there was a long period of time where it really didn't meet. It was instituted or reinstated towards the end of my tenure there. And then the plan was that it would meet, I think, on a quarterly basis, but I - I can't swear to that. I'm guessing.

30 **MS SHARP SC:** You said earlier it didn't operate as well as you would have liked. Could you explain why?

35 **MR McWILLIAMS:** Well, it didn't meet, and part of that was because it - to my way of thinking, it was a largely disinterested in forming as a risk committee. We would have regular meetings of the executive team and general issues would be discussed, but to meet separately as an executive risk committee, it is something that I - I think it's fair to say to some degree it fell between the cracks too.

40 **MS SHARP SC:** Could I take you to a document, please. This is the risk management framework. It's document STA.3402.0002.8123. Mr Bell, this has not yet been tendered and I will need to have it marked for identification. I think we are up to MFI2. I understand it has been circulated to the interested parties.

45 **MR BELL SC:** For the moment I will mark it MFI-2.

MS SHARP SC: Mr McWilliams, it's right, isn't it, that the risk management framework in existence while you worked at Star Entertainment dated from

December 2017?

MR McWILLIAMS: Yes, I'm the author of this document.

5 **MS SHARP SC:** Could I take you, please, to pinpoint 8129. Do you see midway down the heading MRCC?

MR McWILLIAMS: Yes.

10 **MS SHARP SC:** And that's, of course, the management risk and compliance committee?

MR McWILLIAMS: Yes.

15 **MS SHARP SC:** And it's there stated that:

"The role of the MRCC is to - "

And then there are a number of dot points.

20

MR McWILLIAMS: Yes, I see that.

MS SHARP SC: Is it your view that that committee actually performed those functions while you were the chief risk officer?

25

MR McWILLIAMS: Only for some of the time.

MS SHARP SC: And, sorry, when do you say that occurred from?

30 **MR McWILLIAMS:** I would be guessing, but I would say at best mid to late 2018.

MS SHARP SC: Did you ever raise with anybody your concern that this committee should meet more frequently?

35

MR McWILLIAMS: No.

MS SHARP SC: Why was that?

40 **MR McWILLIAMS:** Because I was focusing on other aspects of my role. I was satisfied that the board risk and compliance committee was getting the right and timely information about risks, and there were a number of the executives who would be involved in reviewing what went up to the BRCC. So the MRCC didn't formulate as a separate committee, and it didn't review papers in the way that's
45 required in that risk framework.

MS SHARP SC: Is it right that it was for the board of Star Entertainment Group to set the risk appetite for the group?

MR McWILLIAMS: Yes.

5 **MS SHARP SC:** Is it right that under the risk management framework which you authored, different business units within Star Entertainment were supposed to identify the risks of that particular unit?

MR McWILLIAMS: Yes

10 **MS SHARP SC:** Are you able to tell us, was there a separate VIP unit to the credit and collections unit?

MR McWILLIAMS: Not that I'm aware of. I haven't heard of that in those terms.

15 **MS SHARP SC:** Was there a credit and collections unit?

MR McWILLIAMS: Yes, I believe that was Adrian Hornsby.

20 **MS SHARP SC:** Which - "unit" may not be the right word, but which sector of Star Entertainment Group was responsible for managing the risks associated with the international rebate program?

25 **MR McWILLIAMS:** Well, the executive in charge of the international rebate program. The responsibility for managing the risks lies with the risk owner, which would be the business. If you're talking about credit and collection, that may well be in finance, but the responsibility follows the business. Our role is oversight and support.

30 **MS SHARP SC:** I'm just wondering, if I try to look at who the risk owner is for the international rebate business, where should I have looked?

35 **MR McWILLIAMS:** I don't know if it was articulated in a document like this. It would be - can you scan down to look at the business units on this page, so the risk monitoring and review responsibilities?

MS SHARP SC: I will just try and have the relevant page pulled up for you.

MR McWILLIAMS: Thank you.

40 **MS SHARP SC:** I'm not sure you will find it in this document, but I will show you.

45 **MR McWILLIAMS:** No. Okay. Well, you've had the benefit of reading it more recently than I have.

MS SHARP SC: Who, to your understanding, was responsible for the overall management of the international rebate business?

MR McWILLIAMS: At the time I joined, that was John Chong. John, I believe, left the business in March 2018, and I think his successor was Marcus Lim.

MS SHARP SC: And are you able to say who they reported to?

5

MR McWILLIAMS: Sorry. John Chong was on the executive team, and he reported in to Matt Bekier. When John left, Marcus Lim then reported in to Greg Hawkins. So at an executive level, Greg Hawkins would have had overall responsibility for it subsequent to that date.

10

MS SHARP SC: Now, at the time you were the chief risk officer, was there an anti-money laundering and counter-terrorism financing unit?

MR McWILLIAMS: There were people who had responsibility for elements of it. I wouldn't describe it as a unit.

15

MS SHARP SC: Which part of the business was responsible for identifying risks associated with money laundering and terrorism financing?

MR McWILLIAMS: Well, that would be me.

20

MS SHARP SC: Is it --

MR McWILLIAMS: In conjunction with the business.

25

MS SHARP SC: Is it fair to say that the central purpose of the risk management framework was to guide Star Entertainment Group in how it should apply risk management?

MR McWILLIAMS: Yes.

30

MS SHARP SC: Do you accept, based on your experience, that one can only properly manage a risk if it is correctly identified and evaluated in the first place?

MR McWILLIAMS: Yes.

35

MS SHARP SC: Can I take you to the risk appetite statement, which is STA.3402.002.8138. Mr Bell, I will need to have this marked for identification 3 as it has not yet been tendered. It has, however, been circulated.

40

MR BELL SC: Risk appetite statement dated March 2017 for now will be MFI-3.

MS SHARP SC: Thank you, Mr Bell. You will see this document is dated March 2017, Mr McWilliams?

45

MR McWILLIAMS: Yes.

MS SHARP SC: Is it correct that the board of Star Entertainment approved the

risk appetite statement?

MR McWILLIAMS: Yes.

5 **MS SHARP SC:** And in fact, this was one of the appendices to the risk management framework?

MR McWILLIAMS: I believe so. I mean, I would need to go back and check the document. It's been some time ago, but I believe so.

10

MS SHARP SC: Did you have any role in preparing this document?

MR McWILLIAMS: I authored this document.

15 **MS SHARP SC:** Could I take you to pinpoint 1995. And you will see there's a heading SGR's Risk Context.

MR McWILLIAMS: Yes.

20 **MS SHARP SC:** And underneath that there's a heading, 2.1 Strategic Objectives.

MR McWILLIAMS: Yes.

MS SHARP SC: The third dot point is:

25

"Continued growth from international visitors, particularly through Star Entertainment Group's international VIP rebate business."

MR McWILLIAMS: Yes.

30

MS SHARP SC: Given that this was a strategic objective, does that mean that it was important to manage effectively the risks from that aspect of the business?

MR McWILLIAMS: Yes.

35

MS SHARP SC: Can I take you to the last dot point:

"Retaining its social licence to operate."

40 What does that mean?

MR McWILLIAMS: It means being a good corporate citizen. So being seen to be doing the right thing, compliance with the law and behaving in a way that would be expected of an organisation operating the business that the Star Entertainment Group was operating in.

45

MS SHARP SC: Could I take you over the page please, Mr McWilliams, to pinpoint 1996. There's a heading here 3, Risk Appetite.

MR BELL SC: Sorry to interrupt you, Ms Sharp, but on the version I am seeing, it's pinpoint point 8410.

5 **MS RICHARDSON SC:** That's also the version we are looking at.

MS SHARP SC: Yes. Thank you for that indication, Mr Bell. It appears I'm working from a different version of the document. I might have to have somebody tell me the correct pagination. At the moment, we're all on the same page.

10

MR BELL SC: Are you looking at paragraph 3.1, Ms Sharp?

MS SHARP SC: Yes, I am, Mr Bell. The second dot point:

15

"Star Entertainment Group has no appetite for -"

Second dot point:

20

"Any illegal activity undertaken in the course of performing Star Entertainment's business operations. This includes any acts of dishonesty, bribery, corruption or fraud."

Now, how was it made known to the business that Star Entertainment Group had no risk appetite for these matters?

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MR McWILLIAMS: So some of this I'm going to be vague on because it's been some time ago, but we had a Code of Conduct which would have picked up some of the same themes, from memory, and this appetite statement would have been on our intranet site as well. But the main vehicle for any of this kind of stuff - because this is a bigger issue than just a risk management. This is a core element of behaviours that are expected. And so I'm - I believe it was also covered by the Code of Conduct.

30

MS SHARP SC: And another - it is right, then, if we look at the fourth dot point here, that says there's no appetite for knowingly, deliberately or recklessly breaching any of Star Entertainment's regulatory compliance obligations, that that is a matter that ought to have been known throughout the organisation?

35

MR McWILLIAMS: Yes.

40

MS SHARP SC: Right at the bottom of that page, the statement appears:

45

"The risk appetite is based on residual risk. This is the level of risk remaining having regard to the nature and effectiveness of controls and risk treatments in place to mitigate the risk."

What does this mean, Mr McWilliams?

MR McWILLIAMS: It is really making the point of the importance of having controls in place to control the risk, because if you had no controls in place, the risk would be higher. And so directors are to assume that a company has in place reasonable internal controls to bring the risk down to a level that is acceptable.

5

MS SHARP SC: If I can go over the page, please. I believe it's pinpoint 8141. You will see that there's a box which is a qualitative risk appetite statement, and there are six different risk categories. Is it the case that every risk presented throughout the business could be placed within one of these six categories of risk?

10

MR McWILLIAMS: I believe so.

MS SHARP SC: Where would any risks associated with junkets fall within this matrix?

15

MR McWILLIAMS: You would have financial risks, if it came to credit collection; you would have strategic risk because of the importance of that business to the earnings forecast of the company; you would have compliance risks because of the obligation to comply with laws around money laundering or capital flows in other countries; you would have operational risks because you are moving people and money; and you would have reputational risks if something went wrong and things ended up on the front page of the Sydney Morning Herald.

20

MS SHARP SC: And where would risks associated with anti-money laundering and counter-terrorism financing fit into this matrix?

25

MR McWILLIAMS: They would be predominantly compliance and reputation.

MS SHARP SC: Could I just ask you about some of the words in the row headed Strategic. It's stated that:

30

"Uncertain political and regulatory environments in China and elsewhere will also keep these residual risks at moderate to high levels."

35 Are you able to explain what this means, please?

MR McWILLIAMS: At the time I wrote this, I believe it was when employees had been detained - Crown employees had been detained in China, and there was also speculation about China clamping down on money movements out of China. And recognition that because projections around how the international rebate business was going to go, we formed part of the corporate strategic plan. It was clearly going to be influenced by whatever might happen in that environment.

40

MS SHARP SC: You mentioned there was a clamping down of money moving out of China. What was your understanding in that regard?

45

MR McWILLIAMS: My memory is vague on this, but it was - I think the Chinese government was reducing the amount that could be move out of the

country. They certainly had concerns about money leaving the country to go to gambling activities. That's the main things that I can remember.

5 **MS SHARP SC:** Now, I'm going to call up a document. I hope I've got the number right, and those instructing me will tell me if I don't. It's STA.3402.0002.8136. Again, Mr Bell, this has not yet been tendered, so can I please have it marked for identification 4.

10 **MR BELL SC:** This is document entitled Appendix 6, Risk Approvals by Risk Category will for the moment be MFI4.

15 **MS SHARP SC:** Mr McWilliams, you will see that it has Appendix 6 listed up the top. Does this refresh your memory as to whether this was an appendix of the risk management framework I took you to earlier?

MR McWILLIAMS: Yes, it was.

20 **MS SHARP SC:** I just wanted to clarify some of the matters referred to here. Is it right that this - what this matrix does is indicate who a project needs to be approved by, depending upon the risk category involved?

MR McWILLIAMS: Yes.

25 **MS SHARP SC:** Can I take you down to the heading about three-quarters of the way down the page - we might need to scroll - Property/IRB Level Risks.

MR McWILLIAMS: Yes.

30 **MS SHARP SC:** What does IRB stand for?

MR McWILLIAMS: International rebate business.

35 **MS SHARP SC:** Am I right to understand this document as meaning that if an extreme level of risk in the international rebate business is identified, it requires the immediate attention of the managing director and the chief risk officer?

MR McWILLIAMS: Yes.

40 **MS SHARP SC:** And equally, if it is a very high risk in the international rebate business, it also requires the immediate attention of the managing director and the chief risk officer?

MR McWILLIAMS: Yes.

45 **MS SHARP SC:** Does it mean that when the risk is identified, it needs the immediate attention of the managing director and the chief risk officer?

MR McWILLIAMS: No. It means that when the rate is identified and assessed

for its level of materiality and then it falls into one of those categories in accordance with other parts of the risk framework, then it would be elevated in that way.

5 **MS SHARP SC:** So I'm just trying to understand what exactly is "elevated". Just the identification of the risk or the ongoing management of that risk?

10 **MR McWILLIAMS:** Well, both. I mean, to me, it's implicit that if it is an extreme risk, then you would certainly alert the managing director to it to decide firstly whether to accept that risk. But then if you are going to accept it, what are we doing to make sure that it is as low a risk as possible and (indistinct) management of it.

15 **MS SHARP SC:** And if there is a very high risk in the international rebate business and the managing director is not aware of that risk, does that mean there has been a failure in the risk management framework?

MR McWILLIAMS: It would seem so.

20 **MS SHARP SC:** Were you aware, while you were the chief risk officer, that China UnionPay cards were being used to fund gambling at The Star?

25 **MR McWILLIAMS:** There was an anecdotal mention made to me, which I noted and raised with the commercial manager in the IRB business. But it was raised with me in a way that indicated that it might be a once-off. There was certainly nothing to cause me to believe that there was a systemic approach to trying to apply the funds in that way.

30 **MS SHARP SC:** Who raised it with you?

MR McWILLIAMS: I can't recall.

MS SHARP SC: Who was the manager of the international rebate business?

35 **MR McWILLIAMS:** That I raised with it?

MS SHARP SC: Yes.

40 **MR McWILLIAMS:** It would have been the commercial manager, Michael Whytcross. And it would have been raised in an informal way because it had come to me in a way that just said, "I think this might be happening." And I would have, when I next caught up with Michael, just said, "This is what I have heard. Can you have a look and let me know if there's something I should be worried about, please."

45 **MS SHARP SC:** And what did he tell you?

MR McWILLIAMS: Well, to the best of my recollection, I never heard back

from him. It was, "I told you this. If there's something that I need to know, you will let me know."

5 **MS SHARP SC:** Was this a communication you had by email, by telephone or in person?

10 **MR McWILLIAMS:** My recollection is that that it was at a meeting in my office or a room adjacent to my office in the building when Michael was down from Hong Kong, and it was in the context of him taking me - and I believe Tarnya O'Neil was in the room as well - through elements of how the IRB business worked. And so it would have been in the course of that meeting.

15 **MS SHARP SC:** Are you able to remember whether this was early in your time at Star Entertainment or towards the end of your time at Star Entertainment?

MR McWILLIAMS: I think it was probably somewhere in the middle, to be honest, but I can't recall specifically.

20 **MS SHARP SC:** Are you aware of how the CUP arrangement worked?

25 **MR McWILLIAMS:** Not really. It's not something - when I came in, it was mentioned to me in a way that it was part of the ordinary operation of the business, that China UnionPay was part of how customers bought money into the country, in the same way that other customers would have done it by a bank-to-bank transfer. But there was nothing in that conversation that suggested that it was an untoward mechanism or that it was being used in an untoward way. So there was nothing to alert me to a suspicion around it, and I never dug into finding out the details of how it worked.

30 **MS SHARP SC:** To be perfectly clear, Mr McWilliams, is it right that nobody within Star Entertainment Group at any time raised for your consideration that there may be risks associated with the use of the China UnionPay card?

35 **MR McWILLIAMS:** Not to the best of my recollection.

MS SHARP SC: And is it fair to say that as chief risk officer, you were reliant on members of the various business units to raise risks with you if you were to become aware of them?

40 **MR McWILLIAMS:** Yes. And we put in place frameworks to try and facilitate that. I'm happy to run through those when you are ready.

MS SHARP SC: Yes. Could you run through those, please.

45 **MR McWILLIAMS:** Okay. So I mentioned the Code of Conduct earlier. So I rewrote that and, as part of that, introduced this notion of an ethics panel which comprised myself; the group general counsel, that's Paula Martin; the head of HR, Kim Lee; the head of investigations, Kevin Houlihan; and my general manager

compliance, Micheil Brodie. And the reason I did that was because that was the sort of group of people that were likely to hear whispers of things going around the business of complaints that were perhaps being raised either as whistleblower or whistleblower-like issues. So that was one.

5

We also had, as part of the half year and full year accounts, a sign-off process - an attestation process that was run out of Micheil Brodie's responsibility as GM compliance where we would send to each of the executive team a questionnaire that included yes/no type responses, but also capacity for narrative response to questions around any issues that arisen in your business in the course of the six-month period. And that included a requirement that the executive team member engage with his or her direct reports in putting that together so that if there was anything of concern, it should be raised in that document.

10

15

And the third part of the framework - and I'm sure Tarnya O'Neil will cover this - was in putting together the internal audit plan that she and her team would make a point of talking - interviewing each of the general managers across the business, all of the executive team, the managing director and all of the non-executive directors, and ask them if there were particular issues that had come to their attention or were concerning them. And at no stage through any of that process - or any of those processes did anybody raise any concern about China UnionPay.

20

25

MS SHARP SC: How frequently did these interviews that you've mentioned were conducted by Ms O'Neil take place?

MR McWILLIAMS: It was an annual plan, so it would be - it would happen once a year.

30

MS SHARP SC: And were the results of her interviews recorded in some kind of risk management matrix or other document?

MR McWILLIAMS: I do not know.

35

MS SHARP SC: Tell me, while you were the chief risk officer, did anyone in Star Entertainment make you aware that dummy invoices had been issued in association with the use of China UnionPay cards?

40

MR McWILLIAMS: That was the anecdotal reference I was alluding to earlier, that it had been mentioned to me. Just can't be sure - I hear this might be happening, that somebody might have put an amount - withdrawn through China UnionPay through the system as accommodation or hospitality charges. But it was raised with me in a manner that suggested it might have been a once-off or it's only happening occasionally, hence why I took the approach of raising it in the way that I did with the commercial manager for the IRB business.

45

MS SHARP SC: And that was Mr Whytcross?

MR McWILLIAMS: Yes, Whytcross.

MS SHARP SC: And you asked him if there was any issue you needed to be concerned with?

5

MR McWILLIAMS: Yes.

MS SHARP SC: Is that right?

10 **MR McWILLIAMS:** Yes. That's my recollection of the conversation that I had.

MS SHARP SC: And he never got back to you about that?

15 **MR McWILLIAMS:** That's correct. But I left it with him on the basis of, "If there's something that I need to be made aware of, then you will let me know."

MS SHARP SC: What role, if any, did you have with respect to the international rebate business?

20 **MR McWILLIAMS:** Initially, it was one of trying to build relationships because, to be brutally honest, it's a group that was driven by sales and operating a long way away from home base. And so it was how do we actually build the relationships with the likes of John Chong in particular and then any of the Australian teams, so people like Saro Mugnaini, to establish confidence so that
25 they could reach out to me on a confidential basis if there was matters concerning them, particularly about individual customers that might be looking to come in under a junket program or directly.

30 I also held two training sessions with the teams in - when they were gathered for their annual conference. The first time was in Hong Kong, I think it was, and the second time was in Seoul, South Korea, where I would get a slot for about an hour or so on the agenda and take that team through compliance matters that they needed to be aware of. And then I also had ad hoc visits up to Hong Kong and Macau and would meet with individuals in those teams and just touch base on
35 what were they seeing, what were they doing and reminding them of their obligations.

MS SHARP SC: Were you ever made aware during your term of office with Star Entertainment Group that overseas officers of The Star had been providing
40 fabricated documents to the Bank of China in Macau in relation to the source of funds for deposit?

MR McWILLIAMS: No, I was never made aware of that fact.

45 **MS SHARP SC:** Is that a matter, if it had occurred, that you ought to have been made aware of?

MR McWILLIAMS: I would expect so, yes.

MS SHARP SC: Assuming that it had happened, and knowing that you were not made aware, does that indicate to you that there had been a failure of the risk management framework?

5

MR McWILLIAMS: I haven't thought of it in those terms. The risk framework document is exactly that; it's just a document. It does rely on people doing the right thing. It follows, I guess, as a matter of logic, that if they are not doing the right thing, then the risk management has failed.

10

MR BELL SC: Mr McWilliams, I imagine that all business groups, to some extent, are driven by sales. Why did you emphasise that the international rebate group was driven by sales?

15 **MR McWILLIAMS:** Well, because the individuals in the team were motivated by sales and rewarded - remunerated on the basis of sales.

MR BELL SC: You mean in terms of bonuses and things like that?

20 **MR McWILLIAMS:** In terms of bonuses.

MS SHARP SC: Mr McWilliams, when you were the chief risk officer, were you aware of the existence of bank accounts maintained in both Australia and overseas into which patrons, or those acting on their behalves, could deposit funds to settle debts or make available front money?

25

MR McWILLIAMS: Yes.

MS SHARP SC: Did you have any visibility over those accounts?

30

MR McWILLIAMS: No, I did not. And I didn't seek to obtain any visibility either.

MS SHARP SC: And why was that?

35

MR McWILLIAMS: Because it was, again, part of the ordinary operating platform of the business, that you've got high roller customers. And if you're going to gamble, they need to transfer funds of some magnitude.

40 **MS SHARP SC:** In your view, was it the credit and collections business unit who was responsible for identifying risks associated with those accounts?

MR McWILLIAMS: Yes.

45 **MS SHARP SC:** Were there any other units within the business responsible for identifying risks within those accounts?

MR McWILLIAMS: I don't know.

MS SHARP SC: Well, you were the chief risk officer?

MR McWILLIAMS: Yes.

5

MS SHARP SC: So as chief risk officer, did you expect that any other business unit, in addition to the credit and collections unit, would make risks about the patron accounts known to you that they existed?

10 **MR McWILLIAMS:** I'm not sure I'm entirely following you, Ms Sharp, but my assumption would be that the credit and collections team would be the primary owner of the risk. They were part of the finance team. I would have assumed also that the international business team would have responsibility for making sure that what they are doing was in compliance with any relevant laws.

15

MS SHARP SC: To a different topic entirely, Mr McWilliams. Are you able to explain what a counter cheque is at The Star?

MR McWILLIAMS: Am I able to explain what what is, please?

20

MS SHARP SC: What a counter cheque is?

MR McWILLIAMS: No, I'm not. I don't know.

25 **MS SHARP SC:** Are you familiar with Salon 95?

MR McWILLIAMS: I have heard of it, yes.

30 **MS SHARP SC:** Do you understand that it was Salon 95 which was the room where the Suncity junket had an arrangement with Star Entertainment for exclusive use?

MR McWILLIAMS: Yes.

35 **MS SHARP SC:** Did you understand that that room carried Suncity branding?

MR McWILLIAMS: Yes, from memory.

40 **MS SHARP SC:** Can I show you a document. It is STA.3415.0007.1411. Again - pardon me, Mr Bell. This is exhibit B, tab 3362. Could I take you to the second page of this document. Do you see that you appear to be the author of this document?

MR McWILLIAMS: Yes.

45

MS SHARP SC: Could I take you back - can I - well, I will first of all take you to the conclusion. If you will read that to yourself, please.

MR McWILLIAMS: The conclusion?

MS SHARP SC: Yes.

5 **MR McWILLIAMS:** Yes. Yes.

MS SHARP SC: Could I take you back to the first page, please. Could I just ask you to read the first half of the document down to the word "proposal".

10 **MR McWILLIAMS:** Yes.

MS SHARP SC: Now, I know this document bears your name at the bottom of it, but are you able to say what role you had in preparing this document?

15 **MR McWILLIAMS:** I reviewed it. I have no recollection of actually preparing this document, so - but it has got my name on it, so I'm assuming that I saw it and approved it. But that's an assumption. But I certainly didn't author it.

20 **MS SHARP SC:** Are you able to indicate why a risk assessment was prepared with respect to the Suncity service desk?

MR McWILLIAMS: Well, I'm guessing, but this, I believe, was the first time that we had done this at The Star Casino. So that would seem to be a sound enough reason to do it.

25 **MS SHARP SC:** Do you know what a cage is?

MR McWILLIAMS: The cage is the place where they - effectively, the money and the chips are stored.

30 **MS SHARP SC:** Were there any concerns while you were the chief risk officer that Suncity was basically operating its own cage in Salon 95?

35 **MR McWILLIAMS:** I can't recall. Yes, I'm not going to be able to help you with that. I don't know.

MS SHARP SC: Do you recall Mr Hawkins issuing a warning letter to the Suncity junket about certain cash transactions occurring at Salon 95?

40 **MR McWILLIAMS:** Yes. My recollection is that somebody came to me and indicated that they had seen evidence that they were not - that Suncity were not complying with the agreed arrangements. I have a memory that I spoke with Greg Hawkins and that we agreed that the appropriate action was to give them a written warning, including to the effect that if they didn't amend their practices, that we would suspend the operation of the room. That's my recollection.

45 **MS SHARP SC:** Are you aware that, in fact, two separate warnings were issued by Mr Hawkins to the Suncity junket in relation to activities in Salon 95?

MR McWILLIAMS: I wasn't aware of that whilst I was there. I only became aware of that as part of this inquiry process.

5 **MS SHARP SC:** Is it surprising to you, given that you were the chief risk officer, that you weren't aware that, in fact, Mr Hawkins had issued two separate warning letters to Suncity in relation to activity occurring within Salon 95?

MR McWILLIAMS: Yes, I would be surprised by that.

10

MS SHARP SC: Is that because it was your expectation that if there were activities meriting a warning letter from Greg Hawkins, they would be made known to you?

15 **MR McWILLIAMS:** Yes. With the mindset that says what's the next step before we actually pull the pin on the arrangement.

MS SHARP SC: And would it be important that such warning letters be made known to you so you could make accurate reports to the board
20 subcommittees - the risk committee and the audit committee?

MR McWILLIAMS: Well, particularly the BRCC, yes, that would be - I would have regarded that as a key reportable matter to the BRCC.

25 **MS SHARP SC:** During the time that you were the chief risk officer, and during the period at which the Salon 95 operated, were you made aware that controls imposed by The Star on the operation of the room had not been complied with by the junket?

30 **MR McWILLIAMS:** Well, yes, to the extent that that then led to the issue of the first warning letter.

MS SHARP SC: But only to that extent?

35 **MR McWILLIAMS:** Yes.

MS SHARP SC: Could I take you, please, to a document which is STA.5001.0003.3063, which is exhibit B at tab 1056. Now, I am showing you an audit committee paper, which appears to be from you, dated 16 August 2018.

40

MR McWILLIAMS: Yes.

MS SHARP SC: Is it right that for the purpose of each audit committee, you would prepare and submit a paper to that committee?

45

MR McWILLIAMS: No, not - not to each audit committee. This was one of those processes that I referred to earlier, with the semi-annual attestation or assurance, where the questionnaires went out to the executives. So this would have

been presented to the August and February meetings of the audit committee.

5 **MS SHARP SC:** And just on that point, if I could have you look at the paragraph under the heading Overview of Assurance Processes, are these the questionnaires that you were referring to earlier in your evidence today?

MR McWILLIAMS: Yes.

10 **MS SHARP SC:** And one of the things you state here in the second paragraph is that:

"Broadly, the assurance questionnaires sought to obtain the following information."

15 And then the first dot point is:

"A narrative summary of material operational issues affecting the area of business."

20 **MR McWILLIAMS:** Yes.

MS SHARP SC: And it was your expectation at all times that those questionnaires ought pick up the material operational issues?

25 **MR McWILLIAMS:** Yes.

MS SHARP SC: Pardon me for one moment please, Mr Bell. Could I now take you to the minutes of the audit committee meeting of 16 August 2018. These are at STA - I'm having a little trouble reading this number, I'm afraid.
30 STA.5001.0003.0810. And it's exhibit B1057. You will see these are the minutes dated 16 August 2018?

MR McWILLIAMS: The minutes of the meeting of that date, yes.

35 **MS SHARP SC:** And you will see that you are noted as being in attendance at that meeting?

MR McWILLIAMS: Yes.

40 **MS SHARP SC:** Can I take you to pinpoint 0816. And halfway down the page, do you see there's a heading Compliance and Assurance Process?

MR McWILLIAMS: Yes.

45 **MS SHARP SC:** And it says:

"The paper titled Compliance Assurance Process was taken as read."

MR McWILLIAMS: Yes.

MS SHARP SC: So is it right that the compliance assurance process paper I previously took you to is the one that was read at this meeting?

5

MR McWILLIAMS: I have no reason to believe otherwise.

MS SHARP SC: And is it right that you spoke to that paper at the meeting?

10 **MR McWILLIAMS:** My recollection is consistent with the minutes, yes.

MS SHARP SC: And you can read the first three paragraphs of the minutes to yourself, but is that consistent with what you said at the meeting?

15 **MR McWILLIAMS:** I believe so.

MS SHARP SC: Can I now take you to the audit committee paper once more. And if we go back to STA.5001.0003.3063. Could I take you, please, to pinpoint 3065. And you've got a - this Attachment A has a summary of potential issues. And in that first row, it's the word "international". And then the operational issue is identified as being:

20

"Closure of Macau bank account (with Bank of China). Inability to receive cash front money and redemptions."

25

Now, you created this document, didn't you?

MR McWILLIAMS: Yes.

30 **MS SHARP SC:** Can you tell us a bit more about why the closure of the Macau bank accounts with Bank of China was an issue.

MR McWILLIAMS: Well, this would have been derived from the questionnaires that came back from the business. My recollection of the circumstance and the issue is that that bank account was being used for funds to come from the high rollers who had an outstanding debt and then they would pay that money when they settled the debt into the Bank of China account in Macau. And my recollection of the circumstance of the closure was that laws had changed in Macau that made it problematic for the bank to retain accounts with a company like The Star Entertainment Group. And so it was a bank-driven closure of the account because of changes in law in Macau.

35

40

MS SHARP SC: Are you able to indicate what those changes of law were that caused the accounts to be closed?

45

MR McWILLIAMS: No, I - I can't. I assume it had something to do with the Chinese clampdown on funds being transferred offshore to support gambling activities, but this is some time ago now.

MS SHARP SC: Are you able to indicate why the closure of those accounts gave rise to an inability to receive cash front money and redemptions?

5 **MR McWILLIAMS:** Because there was, at the time, no ready alternative as to where that money would be sent once it came from the high roller who owed us the money. So we would have a debt but no cash.

10 **MS SHARP SC:** Did anybody explain to you why another bank account could not be opened to accept cash front money and redemptions?

15 **MR McWILLIAMS:** I believe all banks were affected by these changes in law, and my understanding and my recollection is that it was easier to transfer money to Macau from mainland China than it would be from mainland China to, say, Australia. And so if you had other banks in Macau who were unable to give you a bank account and accept the cash and there were restrictions on transferring money from China to other countries, well then, you are stuck with the debt but not the cash.

20 **MS SHARP SC:** Now, is it correct that in the period from at least 2014 onwards, Star Entertainment Group or its subsidiaries had staff who operated in mainland China?

25 **MR McWILLIAMS:** I can't confirm the date 2014, but certainly at the time I joined and at the time the Crown employees were detained, I certainly became aware of the fact that we had employees who operated in mainland China. I don't know if that was their ordinary place of residence, but they were certainly going into China as part of their employment duties.

30 **MS SHARP SC:** And you can take it from me that the arrest of Crown staff occurred in October of 2016. Using that as a marker, did the Star Entertainment Group or its subsidiaries have staff who performed duties in mainland China before that date?

35 **MR McWILLIAMS:** Before that date, yes.

MS SHARP SC: And also after that date?

40 **MR McWILLIAMS:** Not to my recollection. My recollection is that we immediately suspended activity of people going into China. There was quite a lot of discussions about that, and that was the decision that was made, including up to CEO level, is my recollection.

45 **MS SHARP SC:** So your evidence is that the CEO was aware that staff were operating in mainland China?

MR McWILLIAMS: No. My evidence is that the CEO was aware that we had suspended the operation of staff in China. I'm sure he was aware of it before that

date in 2016. But subsequent to that, my recollection is - and he was party to the decision - or at least informed of the decision - was that after that date, we no longer had staff going into China to operate.

5 **MS SHARP SC:** And before that decision was made, what were the staff doing in mainland China?

10 **MR McWILLIAMS:** Well, my understanding is that they were approaching high wealth individuals directly and discussing with them the attractiveness of coming to Australia to stay at our properties, with the implied expectation that they would bring with them a lot of money to gamble with.

MS SHARP SC: And how many staff were there in mainland China?

15 **MR McWILLIAMS:** I don't know. I would be guessing, but I don't think it was any more than, say, 10.

MS SHARP SC: Was there a representative office anywhere in mainland China?

20 **MR McWILLIAMS:** Not to the best of my knowledge and recollection.

MS SHARP SC: Who was responsible for supervising the staff in mainland China?

25 **MR McWILLIAMS:** Well, that would have been through the IRB business. So that would - the ultimate responsibility at the time would have been with John Chong.

30 **MS SHARP SC:** Did you ever visit mainland China to oversee the operations there or ascertain the risks for yourself?

35 **MR McWILLIAMS:** No, I did not. But those people operating in China would attend the conferences that I referred to earlier and would have been part of the briefing that I gave on compliance obligations.

MS SHARP SC: Did you discuss the operations of the staff in mainland China with Mr Bekier from time to time?

40 **MR McWILLIAMS:** Well, not from time to time. I - I can't recall specifically having a conversation with him. He may well have been party to conversations that were had in response to the detention of the Crown employees.

45 **MS SHARP SC:** Can I show you a document, which is - I withdraw that. Is it correct that you and Ms Paula Martin put a paper to the board in around March 2017 which considered the options for the activities of staff in mainland China?

MR McWILLIAMS: I can't recall. I'm not denying it, but I would need to see the paper to refresh my memory.

MS SHARP SC: Could I show you, please, STA.5002.0003.1520. This is exhibit B, tab 250.

5 **MR McWILLIAMS:** Yes. If I just scan through the first page.

MS SHARP SC: Take your time.

MR McWILLIAMS: Yes.

10

MS SHARP SC: Now, could I take you to the second page and ask you to read to yourself the paragraphs under the heading Next Steps.

MR McWILLIAMS: Yes.

15

MS SHARP SC: Is it correct that what your paper was doing was setting out options for the board to consider a resumption of activities in mainland China?

20

MR McWILLIAMS: It was setting out an intention to continue to monitor the circumstance to see whether that would be feasible. The primary thing here that is we were mindful that some of our employees had family in China. We didn't want to expose those individuals to be detained just for a family visit. So we were very careful to limit the travel so that they didn't decide to also go and approach potential customers or actual customers and resume the activities. That was the main focus, but it didn't shut the door on never ever again because at that stage we didn't know what the outlook was for the Crown employees and further activity in China.

25

MS SHARP SC: This was a point - this being in March 2017, this was a point at which 16 employees of Crown Resorts were still in detention in mainland China?

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MR McWILLIAMS: Yes. Yes.

MS SHARP SC: It's right that you - when I say "you", that Star Entertainment Group took some advice from law firm King & Wood Mallesons about continuing activities in mainland China?

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MR McWILLIAMS: The potential to continue activities, yes, we sought advice on that because we didn't understand, is my recollection, all of the details of why the Crown employees were detained. There were plenty of rumours around about how far they were pushing the envelope in terms of blatant activity, and whether it was that which, as a matter of administration of the law, was what was causing offence, as opposed to something more general and widespread.

40

MS SHARP SC: Are you in a position to tell us whether staff did resume their marketing activities in mainland China?

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MR McWILLIAMS: To the best of my knowledge and recollection, no, they

never resumed. We then moved to a solely junket-based model.

MS SHARP SC: And are you able to tell us for how many years staff had been marketing in mainland China?

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MR McWILLIAMS: No. I mean, at the time this happened, I would have been with the company for a year. I think you mentioned a date earlier of 2014, but I have no knowledge of when it began or for how long it had been going.

10 **MS SHARP SC:** Mr Bell, I am now, with your leave, going to hand over to my learned junior, Mr Conde, to continue the questions.

MR BELL SC: Yes. Thank you.

15 **MR CONDE:** Mr McWilliams, can you hear me?

MR McWILLIAMS: Yes, I can. Thank you.

20 **MR CONDE:** Is it correct, Mr McWilliams, that from January 2017 your role as chief risk officer at Star Entertainment, included - it was from that time, January 2017, that it included working to manage risks associated with anti-money laundering and counter-terrorism financing?

MR McWILLIAMS: Correct

25

MR CONDE: And before January 2017, who, so far as you were aware, was responsible for AML/CTF at Star Entertainment?

30 **MR McWILLIAMS:** It was - in the period immediately before I took it on, it was Paula Martin. She had taken it on following the departure of David Kelly, who was the executive general manager for risk and compliance, somewhere in mid-2015. So she had the responsibility for giving effect to various recommendations that came out of a review of part A of the AML program.

35 **MR CONDE:** And who was the author of that part A program review that you have just mentioned?

MR McWILLIAMS: I believe it was Bill Brown - William Brown.

40 **MR CONDE:** Did you ever read a copy of Mr Brown's review?

MR McWILLIAMS: Yes, I did.

45 **MR CONDE:** What, if anything, do you recall Mr Brown said?

MR McWILLIAMS: My recollection is that on the front page of his report, he said that the program complied with the AML law, but that - on page 2 or page 3, that it was caveated in a very heavy way that said his - his conclusions very - were

very much predicated on the assumption that his recommendations on remediation were implemented.

5 **MR CONDE:** So was your impression of the upshot of Mr Brown's report that everything is okay provided these things are implemented?

MR McWILLIAMS: My read of that report was that he actually found it was a non-compliant program and we needed to put in place the remedial actions.

10 **MR CONDE:** And so just to - I suppose inherent in the fact that Mr Brown is undertaking this analysis, I should clarify some other things with you, Mr McWilliams, first. Is it correct that, to your understanding, Star Entertainment was a reporting entity as a provider of designated services under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006?

15 **MR McWILLIAMS:** Yes. Yes.

20 **MR CONDE:** And is it correct that, to your understanding, Star Entertainment was obliged to have what's called, under that Act, an anti-money laundering and counter-terrorism financing program?

MR McWILLIAMS: Yes.

25 **MR CONDE:** And that program must have a part A and a part B?

MR McWILLIAMS: Yes.

30 **MR CONDE:** And is it your understanding that part 9.6 of the Rules require the part A program to be reviewed regularly?

MR McWILLIAMS: Yes.

35 **MR CONDE:** So I need to come back to when you assumed responsibility for AML and CTF from about January 2017, I think it was.

MR McWILLIAMS: Yes.

40 **MR CONDE:** You had the Brown report in hand. You had the views about that Brown report that you've just mentioned. What if anything - what steps, if any, did you take to address Mr Brown's analysis?

45 **MR McWILLIAMS:** Well, it was handed over to me on the basis that the board had approved amendments to the program, consistent with Mr Brown's recommendations, but - and I'm not going to profess to be an AML expert, and certainly at the time I took it on, I had relatively limited knowledge of AML obligations. But it seemed to me, from reading the program, that it wasn't that well written. The Brown review was limited in its scope, that it was part A only, and didn't really delve that much into the operationalisation of the program. And that

because of the requirement that you referred to, to have the program regularly reviewed, that it would be appropriate to have another review in the not too distant future, as much for my own benefit so I knew what all of the issues were and could fix it so that I set it up for success.

5

MR CONDE: Mr McWilliams, are you aware that on 27 November 2017 Star Entertainment engaged KPMG to provide an independent review of Star's AML/CTF program?

10 **MR McWILLIAMS:** Yes.

MR CONDE: If I can show you a document. It's exhibit B, 488. The reference is KPMG.001.001.1047. Has that come up on your screen?

15 **MR McWILLIAMS:** Yes, it has.

MR CONDE: And do you recall seeing this document in November 2017?

20 **MR McWILLIAMS:** I recall seeing it. I don't recall reading it in great detail.

MR CONDE: And you will see it's addressed to Ms Tarnya O'Neil?

MR McWILLIAMS: Correct.

25 **MR CONDE:** When you mention you recall seeing it and not reading it in great detail, is that because you assumed Ms O'Neil would do so?

30 **MR McWILLIAMS:** Yes. Largely that, but also because they were an accounting firm's terms and conditions. I had been involved in discussions with the partner as part of this process, and I was largely familiar with the Ts and Cs. And I had had conversations with Tarnya and with Jeff O'Sullivan about the scope of the audit.

35 **MR CONDE:** If I could just ask you, then, please, to look on that page 1 under the heading 1, Scope. Do you see it says:

"The purpose of the engagement is to assist you with."

MR McWILLIAMS: Yes.

40 **MR CONDE:** And then there's a bullet point list.

MR McWILLIAMS: Yes.

45 **MR CONDE:** And is it correct that, to your understanding, when KPMG says in that first bullet point:

"Assist with meeting the requirements of an independent review as required by the Anti-Money Laundering and Counter-Terrorism Financing Rules part

9.6."

That is a reference to KPMG conducting a review of the part A program?

5 **MR McWILLIAMS:** Correct.

MR CONDE: And then the second bullet point refers to consideration of the design and operating effectiveness of the part B program. Do you see that?

10 **MR McWILLIAMS:** Yes.

MR CONDE: And then there are some specific issues which are identified in the third and following bullet points. Do you see those?

15 **MR McWILLIAMS:** Yes.

MR CONDE: So would it be correct to say, as far as you are aware, this letter correctly recorded the purpose of KPMG's engagement on and from 27 November 2017?

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MR McWILLIAMS: Yes.

MR CONDE: If I could ask you, please, to be taken to page 8 of this letter. It's KPMG.001.001.1054. Do you see, Mr McWilliams, about two-thirds of the way down the page, just on top of the heading 9. Terms?

25

MR McWILLIAMS: Yes.

MR CONDE: Do you see it says:

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"It should be noted that this internal audit does not constitute legal advice, we cannot provide assurance that our findings will accord with those of the regulator (AUSTRAC)."

35 **MR McWILLIAMS:** Yes.

MR CONDE: Does that accord with your understanding of KPMG's role?

MR McWILLIAMS: Yes.

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MR CONDE: Similarly, if I could ask you to be taken, please, to - it's the first page of the attachment to this letter. It's KPMG's terms and conditions. It's KPMG.001.001.1058. I'm sorry, it's 1058. On the left hand side, clause 1.3, do you see that? It says:

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"Our services exclude the provision of legal advice or services."

MR McWILLIAMS: Yes.

MR CONDE: And again, does that accord with your understanding of KPMG's role?

5 **MR McWILLIAMS:** Yes.

MR CONDE: And, Mr McWilliams, would it be correct to say that, so far as you can recall, the purpose of KPMG's engagement did not involve legal advice being provided to Star Entertainment whether by KPMG or anyone else?

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MR McWILLIAMS: Correct.

MR CONDE: Mr Bell, I see the time, but there are - perhaps to round off this issue, I could ask a few more questions.

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MR BELL SC: Yes.

MR CONDE: Yes. Mr McWilliams, do you recall receiving two reports from KPMG dated 16 May 2018?

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MR McWILLIAMS: Yes. Not directly from KPMG, but from Ms O'Neil.

MR CONDE: And as best you can recall, was that on or about 16 May 2018?

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MR McWILLIAMS: Yes. I remember they were dated 16 May 2018.

MR CONDE: And just before I ask about those reports, Mr McWilliams, is it correct that you had received drafts of those reports on or about 3 May 2018 before they were finalised?

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MR McWILLIAMS: We certainly received a draft. I can't confirm the date.

MR CONDE: And is it correct that you and other executives at Star had an opportunity to meet and discuss the draft reports with KPMG on about 14 May 2018?

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MR McWILLIAMS: Yes.

MR CONDE: So if I can take you, please, to page 2 of a letter. The reference is KPMG.001.001.1780. And if I could ask you, please, to look at the bottom at footnote 2.

40

MR McWILLIAMS: You are going to have to roll that up for me, please.

45

MR CONDE: Do you see it says:

"On 3 May 2018, KPMG issued the draft reports for the independent review of the part A and part B programs to confirm the factual accuracy and to

obtain management actions from the general manager compliance and responsible gambling, the chief risk officer and the compliance manager."

MR McWILLIAMS: Correct.

5

MR CONDE: And - so first of all, can I just confirm, who do you understand those references to be - obviously chief risk officer is yourself, but the general manager, compliance and responsible gambling?

10 **MR McWILLIAMS:** Micheil Brodie.

MR CONDE: And the compliance manager?

MR McWILLIAMS: Skye Arnott.

15

MR CONDE: And do you see the - so does that first sentence accord with your recollection?

MR McWILLIAMS: Yes.

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MR CONDE: And if I can then go to the second sentence of this footnote:

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"On 14 May 2018, KPMG met with the general manager compliance and responsible gambling, the chief risk officer and the compliance manager. The findings in both reports were validated for factual accuracy and agreed."

MR McWILLIAMS: Yes.

MR CONDE:

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"No issues were raised at that meeting as to the factual accuracy of the reports."

Do you see that?

35

MR McWILLIAMS: Yes.

MR CONDE: And as far as you can recall, Mr McWilliams, is that footnote accurate in its summary of interactions involving KPMG and Star Entertainment?

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MR McWILLIAMS: Yes, it is consistent with my recollection. I was happy with the reports.

MR CONDE: Mr Bell, that's the end of a topic.

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MR BELL SC: Yes. I will adjourn until 10 am tomorrow morning. Thank you.

<THE HEARING ADJOURNED AT 5:03 pm