



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**MONDAY, 12 OCTOBER 2020
AT 9.58 AM**

Continued from 9.10.20

DAY 41

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**MR S. ASPINALL as counsel assisting the Inquiry
MR N. YOUNG QC appears with MS C. HAMILTON-JEWELL, MR E.
BATROUNEY, MR K. LOXLEY and MR R. CRAIG SC for Crown Resorts
Limited & Crown Sydney Gaming Proprietary Limited**

5 **MR A. D'ARVILLE appears for CPH Crown Holdings Pty Ltd and Mr Packer
MS N. CASE appears for Melco Resorts & Entertainment Limited**

10 COMMISSIONER: Yes, thank you. Yes, Mr Aspinall.

MR ASPINALL: Thank you, Commissioner. The next witness will be Mr
Demetriou.

15 COMMISSIONER: Yes. Thank you.

MR ASPINALL: Before I call him, I would like to tender some more documents.

COMMISSIONER: Yes.

20 MR ASPINALL: The first is in a list entitled Proposed Additions to Exhibit AG,
and those are the two documents I showed Mr Mitchell on Friday.

25 COMMISSIONER: Yes. Thank you. They'll become AG52 and AG53. Thank
you.

EXHIBIT #AG52 & AG53 PROPOSED ADDITIONS TO EXHIBIT AG

30 MR ASPINALL: Next is proposed exhibit list AH which comprises documents
AH1 to AH32.

COMMISSIONER: Yes. They will be so marked, AH1 to AH32. Yes.

35 **EXHIBIT #AH1 TO AH32 PROPOSED EXHIBIT LIST AH**

40 MR ASPINALL: Thirdly, there is a proposed exhibit AJ which runs from AJ1 to
AJ39.

COMMISSIONER: Yes. Thank you. They will become exhibit AJ1 to 39. Yes.

45 **EXHIBIT #AJ1 TO AJ39 PROPOSED EXHIBIT AJ**

COMMISSIONER: Yes.

MR ASPINALL: I call Mr Demetriou.

5 COMMISSIONER: Mr Demetriou, would you prefer to take an affirmation or an oath to give your evidence?

MR DEMETRIOU: I prefer to take an oath, Madam Commissioner.

10 COMMISSIONER: Do you have a Bible nearby?

MR DEMETRIOU: No, I don't.

15 COMMISSIONER: Well, I'll show you the Bible and - - -

MR DEMETRIOU: Thank you.

20 COMMISSIONER: Just pardon me for a moment. I just have to adjourn for a second. Sorry.

ADJOURNED **[9.59 am]**

25 **RESUMED** **[10.01 am]**

30 COMMISSIONER: If you assume that that is the Bible upon which you will take your oath, do you understand that?

MR DEMETRIOU: Yes, I do.

COMMISSIONER: I can't hear you, Mr Demetriou. Just try again.

35 MR DEMETRIOU: Yes, I can. I can hear you Madam Commissioner.

<ANDREW DEMETRIOU, SWORN **[10.01 am]**

40 **<EXAMINATION BY MR ASPINALL**

45 COMMISSIONER: Yes, thank you, Mr Demetriou. Yes, Mr Aspinall.

MR ASPINALL: Would you tell us your full name please, Mr Demetriou?

MR DEMETRIOU: Andrew Demetriou.

MR ASPINALL: And what is your occupation?

5 MR DEMETRIOU: I'm a company director.

MR ASPINALL: And what qualifications do you have in terms of education?

10 MR DEMETRIOU: I have a Bachelor of Arts degree and a Diploma of Education.

MR ASPINALL: And can you give us a precis of your work history, please, including the times over the years.

15 MR DEMETRIOU: Yes. I began as a schoolteacher at Trinity Grammar in Melbourne around about 1983/84 for a couple of years and went to RMIT to work in distance learning. And then went into private enterprise in a dental importing business which then became a dental manufacturing business; we purchased the parent company out of Italy. I was managing director of that company for many years until around about 1998 at which time I then became chief executive officer of
20 the AFL Players Association. And in the year 2000 I became general manager of football operations at the AFL. In 2003 I became the chief executive officer of the Australian Football League. And during that time I also was chairman of a public company, Baxter, which was a waste management company which was listed on the Australian Stock Exchange which we later sold for a considerable profit.

25

MR ASPINALL: Since then, where have you worked?

30 MR DEMETRIOU: I am the chairman of a public listed company called Capitol Health, which is involved in owning radiology practices throughout the company. I'm chairman of the board of management of Cox Architecture and sit on the Crown Resorts board and chairman Crown Melbourne.

MR ASPINALL: Nothing else?

35 MR DEMETRIOU: I am – I sit on an advisory board at Bastion, which is a sports marketing group. I served at a time during the 2015 onwards as the chairman of the advisory board for Acquire Learning for three years. I was a director and chairman of Purebaby which was manufacturing organic for a number of years, a clothing line. A few of the diverse things I've been involved in.

40

MR ASPINALL: And can you tell me how you came to be appointed to the board of Crown Resorts?

45 MR DEMETRIOU: Yes, I can. I met Mr Packer's father, Kerry Packer, in my role as chief executive officer of the Australian Football League when we began some broadcast rights negotiations with PBL. And through that time, I was introduced to Mr James Packer and had several dealings with him over the years, particularly on

broadcast rights. PBL was, through Channel Nine, acquiring those rights in 2001 to 2006 and then in the renegotiation of 2006 onwards, Mr James Packer was involved. When I – in about 2012 I was approached by Mr Packer to see whether I was interested in joining the Crown board. I told him at that time that I couldn't, given
5 my role at the Australian Football League. And when I finished at the Australian Football League in around about June of 2014, he then approached me again to see whether I would be interested in joining the Crown board, to which I replied that I would. And I then set about going through the process of probity and so forth and joined in 2015 – in January 2015.

10 MR ASPINALL: And you came to the board of Crown, I assume, without any prior background in casino management?

15 MR DEMETRIOU: No, I've never worked in casino management.

MR ASPINALL: What understanding did you have at the time you joined the board of the nature of casino regulation?

20 MR DEMETRIOU: Would you repeat the question please, Mr Aspinall?

MR ASPINALL: At the time you joined the board - - -

MR DEMETRIOU: You're just breaking up.

25 MR ASPINALL: - - - what was your understanding of the nature of casino regulation for Crown?

MR DEMETRIOU: It was very broad. I knew that Crown had a licence to operate in Victoria. I knew that it had to have a licence to operate in Western Australia .
30 And probity with New South Wales which was an extensive process; I knew that there had to be a licence to operate in New South Wales.

COMMISSIONER: Just pause there for a moment. I understand that Mr Young has disappeared from view. I am not sure that Mr Young is still with us. Someone else
35 is appearing, I think; is that right?

MR BATROUNEY: Yes, good morning, Madam Commissioner. Can you hear me?

40 COMMISSIONER: I can, indeed.

MR BATROUNEY: Yes, Madam Commissioner, it's Mr Batrouney. I appear as a junior to Mr Young this morning. He has had technical difficulties, and I wonder if I could – if we could just have a moment to rectify that, if we may?
45

COMMISSIONER: Of course. Of course.

MR BATROUNEY: Thank you.

COMMISSIONER: Would you like me to take a short adjournment so that can be rectified?

5

MR BATROUNEY: Yes, please.

COMMISSIONER: Yes, I understand Mr Young is appearing for Mr Demetriou; is that right?

10

MR BATROUNEY: Mr Young appears for Crown Resorts.

COMMISSIONER: But not for Mr Demetriou. Mr d'Arville is appearing, is that right? What is the position?

15

MR BATROUNEY: I don't understand Mr Demetriou to have representation in his own right this morning, Madam Commissioner.

COMMISSIONER: So Mr Young is looking after Mr Demetriou's interests, being a director of Crown but Mr Demetriou does not have separate representation?

20

MR BATROUNEY: Precisely, Madam Commissioner.

COMMISSIONER: Mr Demetriou, I'm sorry to be discussing you in this way but the problem is that the senior counsel for Crown has technical difficulties so I will accommodate that to see if we can fix those and I will return as soon as they are fixed, Mr Demetriou.

25

MR DEMETRIOU: Thank you, Madam Commissioner.

30

COMMISSIONER: Yes. I'll adjourn for a short time. Thank you.

ADJOURNED

35

[10.08 am]

RESUMED

[10.10 am]

40 MR DEMETRIOU: Yes, I can, Madam Commissioner.

COMMISSIONER: Yes, thank you, Mr Demetriou. Yes. Mr Aspinall, please proceed.

45 MR ASPINALL: Before we were interrupted, Mr Demetriou, I was asking you about your understanding of the regulation of casinos when you joined the board of Crown Resorts, and you started to answer that question.

MR DEMETRIOU: Yes. I said I had a broad knowledge of the licence requirements, given that I knew that Victoria – that Crown Melbourne had to operate under a licence in Victoria, that it was operating under a licence in Western Australia and, as I went through the probity in New South Wales, I was made aware that there
5 was a licence arrangement in New South Wales.

MR ASPINALL: And were you aware, or have any understanding, of the concept of suitability for a casino operator.

10 MR DEMETRIOU: Yes, a very broad awareness.

MR ASPINALL: And what was your understanding?

MR DEMETRIOU: That – I wasn't au fait with the specific definition, but Crown
15 had, at all times, operate in a manner that would be – that would comply with all regulatory requirements, operate in good faith under the licence and not deal with any people of ill repute.

MR ASPINALL: Have you had any subsequent training in casino regulation since
20 you've been on the board?

MR DEMETRIOU: Not formal training, Mr Aspinall, other than the – the, you know, the papers that have been presented to the board from time to time.

25 MR ASPINALL: And have you ever looked at the Casino Control Act in Victoria?

MR DEMETRIOU: No, I have not.

MR ASPINALL: What about money laundering or anti-money laundering, did you
30 have any experience in that area before you joined the board?

MR DEMETRIOU: No. I've never undertaken any – any money laundering myself, but I didn't have any experience in anti-money laundering. No.

35 MR ASPINALL: Have you received any training in it since you've been on the board?

MR DEMETRIOU: Yes, I have. I recently conducted and finished the AML
40 training that was – that was provided to every board member and have, you know, been privy to many, many briefings on the AML joint program that Crown has in place, being a member of the risk committee.

MR ASPINALL: Now, in terms of AML, generally, what's your understanding of
45 the obligations of a casino?

MR DEMETRIOU: That it is to report any cash transactions of up to \$10,000 or more, any foreign currency trading that's equivalent to \$1,000 Australian or more;

that it is to report all matters to AUSTRAC of any suspicious matters; that it operates under an Act and that, at all times, cooperate with and comply with that Act.

5 MR ASPINALL: One issue that's come up in this inquiry is that Crown may have been reporting things – and we've assumed that they have reported things when they've needed to – but do you understand that the obligations under the Act are to do more than just report; they're to take steps to manage and mitigate risks when you find them?

10 MR DEMETRIOU: Yes, I do.

MR ASPINALL: Is that something that you think has been disseminated amongst Crown directors, and did you get that from the training that you received recently?

15 COMMISSIONER: Well, just pause there. Could we just have that broken up for me, please.

MR ASPINALL: Is this notion of the casino needing to do more than simply report to AUSTRAC mentioned or in the training that you did?
20

MR DEMETRIOU: The training program that I was part of didn't go into extensive detail about the obligations over and above the reporting that Crown had to undertake. But I do accept that you shouldn't just put measures in place to be preventative. You should also be proactive in your reporting requirements.
25

MR ASPINALL: And is that notion, that idea that reporting not enough, formed part of the briefings, and so forth, that you said you'd attended in addition to the training – online training – you did?

30 MR DEMETRIOU: There's no doubt that the board has recognised, particularly in the past couple of years and also since Anne Siegers joined the board, that we have obligations that go above and beyond the reporting requirements.

COMMISSIONER: Did you say Ms Siegers had joined the board?
35

MR DEMETRIOU: Sorry. Ms Siegers had joined the company. I apologise, Madam Commissioner.

COMMISSIONER: That's all right. Yes. That's all right.
40

MR ASPINALL: And in terms of when you joined Crown as a director – I think that was in 2015 – did you receive any induction training?

45 MR DEMETRIOU: Yes. Induction training in the sense that Mr Neilson, who was the company secretary, then provided me with several packs and reading materials to familiarise myself, including some board papers. But all the policy statements, how Crown operated, it was – I got a delivery of – of many, many folders.

MR ASPINALL: I see. But those things did not go to the manner or the way in which casinos are regulated or money laundering issues?

MR DEMETRIOU: Not to my recollection, Mr Aspinall. No.

5

MR ASPINALL: Now, you're on the people - - -

COMMISSIONER: Just before you leave that.

10 MR ASPINALL: Sorry.

COMMISSIONER: Did that include the detail of the casino licence in Sydney?

15 MR DEMETRIOU: Only broadly, Madam Commissioner. To the best of my recollection, only in the sense that we had to operate under a licence. It was a restricted licence because of the nature of the approval process of Barangaroo.

COMMISSIONER: And, so far as the approval process of Barangaroo, what do you mean?

20

MR DEMETRIOU: Well, I understood at the time – and still do – that the licence required we had tables and not gaming machines.

25 COMMISSIONER: I see what you're saying. Yes. And were you made aware of the detail of the undertakings that had been given to the New South Wales Government by the Crown board or - - -

MR DEMETRIOU: Not specifically, Madam Commissioner.

30 COMMISSIONER: I see. So what about generally?

MR DEMETRIOU: Not – not to my recollection, Madam Commissioner.

COMMISSIONER: So not at all; is that right?

35

MR DEMETRIOU: Only in the very, very, very broad sense, as to what I answered before.

COMMISSIONER: I see. Yes, Mr Aspinall.

40

MR ASPINALL: Other than in the board pack that you got at induction, were you given any other information on that agreement or those conditions at a later time on the board?

45 MR DEMETRIOU: Not that I can recall.

MR ASPINALL: Now, I understand that you're now on the people remuneration and nomination committee; is that right?

5 MR DEMETRIOU: No, that's not correct. I was – I'm the people – I was chairman of the remuneration committee when Mr Dixon stepped down and was – served on that for a short period until Ms Coonan became chairman, at which time we rearranged the committees. And I left that committee and joined the – joined the risk management committee and the responsible gaming committee.

10 MR ASPINALL: We were looking yesterday, or the day before, at the charter for the audit and corporate governance committee; did you see that evidence?

MR DEMETRIOU: Yes, I did.

15 MR ASPINALL: And with Mr Brazil, we were looking at the responsibilities of that committee in terms of audit but also what comprised the corporate governance strand of that committee.

MR DEMETRIOU: Yes, Mr Aspinall.

20

MR ASPINALL: When you were on that board, what did you see as its responsibilities in terms of the corporate governance strand?

25 MR DEMETRIOU: Well, I only attended one board meeting because, again, it was at a time where, I think, Mr Brazil had stepped down and I was put in there as an interim measure while we were on the lookout for a new board member, which ultimately became Ms Korsanos who had an accounting background. But I understood that the audit and governance committee was there to provide a framework, adopt policies, review policies of corporate governance and audit requirements that would then be fed up to the board.

30

MR ASPINALL: Just in terms of the induction training, do you consider that it would be important that going forward new directors, and maybe even directors who have been there for a while, should receive some education and training in casino regulation?

35

MR DEMETRIOU: It could only be helpful, Mr Aspinall.

MR ASPINALL: And what about money laundering?

40

MR DEMETRIOU: Again, any aspects of the operation of our business that board members can educate themselves can only be advantageous.

MR ASPINALL: Going back to the induction issue and the packs you received, did the packs give you any information as to what the company was doing in China?

45

MR DEMETRIOU: No.

MR ASPINALL: And when did you find out that the company had some operations in China?

5 MR DEMETRIOU: Probably during the course of my first one or two board meetings that I attended and they were probably in the CEOs report to the board, which reported on a number of matters but there was always a mention of, you know, something to do with the China operations.

10 MR ASPINALL: And did you glean from that what was happening there or what was your understanding of what was happening there?

15 MR DEMETRIOU: My understanding was that we were assisting our clients or potential clients in China with their visa processing, so they could come to Crown. That was probably the most limited of my knowledge of how the Crown China operation was working.

MR ASPINALL: Did you understand there were employees there?

20 MR DEMETRIOU: No, not specifically.

MR ASPINALL: Who did you think was doing the work?

25 MR DEMETRIOU: Well, I knew that there were people in Australia who were travelling extensively. I knew that we had an office in Hong Kong. And my assumption was that they were carrying out a lot of the work. But I wouldn't have been surprised if there were employees based in China but I wasn't aware of how – how many or what their roles were.

30 MR ASPINALL: And I presume from that, you wouldn't have known whether there was an office there either?

MR DEMETRIOU: No, I did not.

35 MR ASPINALL: And you wouldn't have had any understanding of the legal framework in China in which those operations were taking place?

MR DEMETRIOU: No, I did not, Mr Aspinall.

40 MR ASPINALL: Now, you are currently the chair of the Crown Melbourne licensee?

MR DEMETRIOU: Yes, I am.

45 MR ASPINALL: What do you see as the role of that company?

MR DEMETRIOU: To make sure we adhere to the licence requirements in Melbourne, to at all times uphold the regulatory requirements of that licence, to work

closely with our stakeholders and in particular the VCGLR on our licensing requirements, and to work with other stakeholders which include the obviously very significant stakeholder of the Victorian Government.

5 MR ASPINALL: Mr Poynton gave evidence to the Inquiry; did you see that?

MR DEMETRIOU: I only saw bits and pieces of it, Mr Aspinall.

10 MR ASPINALL: He seemed to think that he regarded his role as the chair of that licensee company as ambassadorial; do you remember that?

MR YOUNG: Commissioner, there is a confusion of corporate entities behind that question.

15 COMMISSIONER: Yes, it's Crown Perth.

MR YOUNG: Yes.

20 COMMISSIONER: Is that what you are saying – yes, quite.

MR YOUNG: Yes.

25 COMMISSIONER: Mr Aspinall, if you could ask that again in respect of the ambassadorial role for Crown Perth. Mr Aspinall.

MR ASPINALL: Are you there, Mr Demetriou?

COMMISSIONER: Yes.

30 MR DEMETRIOU: Yes, I can hear you.

35 MR ASPINALL: My question is Mr Poynton described his role as the chair of the licensee for the Perth casino, Crown Perth, as being ambassadorial. Do you remember him giving that evidence?

MR DEMETRIOU: Yes, I do.

40 MR ASPINALL: Do you see your role as the chair of the Melbourne licensee company as being ambassadorial?

45 MR DEMETRIOU: I – I agree that it's a component of the role of chair, and I understand that when I was asked to be chairman of Crown Melbourne I think part of the thinking there was that given that I was – I'm a Melbournian and I had a prominent role as a public figure in Melbourne for a number of years, that I had established relationships with – with governments – State governments, both – of either side of the political persuasion, and had established a network of people who

are quite prominent in Melbourne. So yes, I would agree that it's ambassadorial in part.

5 MR ASPINALL: But I think you also said that you regarded it as an important part of that company's directorship being to ensure that it complied with the conditions of the licence and so on?

MR DEMETRIOU: Absolutely.

10 MR ASPINALL: Now, when we've looked at the length of the board minutes for Crown Melbourne over recent years, it seems that they are relatively short, of about an hour or so a month. Have you reviewed those minutes?

15 MR DEMETRIOU: I haven't reviewed them extensively. I can only talk to the minutes that I've been involved in. They don't normally take an hour. I can't speak to why Crown board meetings in Melbourne were taking the length of time and I don't place much credence on the length of time of a board meeting. I mean, it's the quality of what goes on in the board meeting, not the length or the duration of the board meeting.

20 MR ASPINALL: One inference you might draw from that is that the board of Crown Melbourne to date has thought that its role was just simply to hold the licence and that decisions regarding the management and governance of the casino were made at the next level up at the Crown Resorts board; do you agree with that?

25 MR DEMETRIOU: I don't accept that, Mr Aspinall. I mean, I can only speak for my current time on the Crown Melbourne board and we spend a lot of time on dealing with the VCGLR and the issues that they raise and making sure we respond accordingly, and in a time and a framework that is conducive to having a good
30 relationship with the VCGLR.

MR ASPINALL: And you understand, as I would expect, that Crown Melbourne carries under its arm the VIP international business?

35 MR DEMETRIOU: Yes, it does.

MR ASPINALL: And have you received any training in the management or governance of that aspect of the business?

40 MR DEMETRIOU: Not formal training, Mr Aspinall, only from what I have read in board papers and the like.

MR ASPINALL: And do you propose to do any further investigation or training in that area of the business?

45 MR DEMETRIOU: Well, I think once we're through COVID-19 in Melbourne and lockdowns, there's a lot of work we need to be doing at Crown Melbourne and that is

one aspect, but also, you know, the reopening of Crown Melbourne, getting our 12 and a half thousand people back in employment, opening up safely and in accordance with the regulations of the government.

5 MR ASPINALL: When you joined the board of Crown Resorts, were you familiar with what a junket was?

MR DEMETRIOU: Not really. I understood a junket was something I used to get accused of when I went travelling with the AFL overseas, but I quickly familiarised
10 myself with the junket definition in – at Crown Resorts.

MR ASPINALL: Right. And what did you understand a junket to be, once you came to that knowledge?

15 MR DEMETRIOU: It was basically – there was a representative or someone who would bring – and take the risk on bringing clients to Crown Melbourne and they would be normally large clients, as I understood it, who, in some cases, would have a dedicated room. And they would be dealing normally in very large quantities.

20 MR ASPINALL: Did you understand how they operated contractually with the casino?

MR DEMETRIOU: Not specifically, Mr Aspinall.

25 MR ASPINALL: Were you aware that in addition to the junket operator, there might be people called junket agents?

MR DEMETRIOU: Not specifically, no.

30 MR ASPINALL: What about the financial arrangements for the giving of credit to junkets; did you have any understanding of how that happened?

MR DEMETRIOU: Not at the time specifically, only a broad – broad notion.

35 MR ASPINALL: And have you subsequently learned about those things?

MR DEMETRIOU: I – I've learnt more throughout this Inquiry and through board papers, so I've got a broader understanding now, yes.

40 MR ASPINALL: And so sitting now as the chair of the board of Crown Melbourne, the licensee, what do you see as the risks that junkets pose?

MR DEMETRIOU: Well, I think the risks are attached to making sure that when
45 you do your due diligence on junket operators, that you delve deeper and more comprehensively and more extensively into their backgrounds and put the onus back on the junket operators to prove to Crown that they are reputable, that the issues around any litigation they may have, any probity issues. I think from our

perspective, we've suspended junket operators until the end of 2021, of the financial year 2021 – June 2021 and during that time between now and then we propose to do a thorough review of how we deal with junket operators, if in fact, we are to deal with junket operators going forward.

5

MR ASPINALL: Yes. And in terms of the parties associated with the junkets, are you aware that you may need to look further afield than just the junket operator him or herself?

10 MR DEMETRIOU: Yes, I am, Mr Aspinall. And that has been something that has been recommended in an external review that has been conducted by Deloitte and that includes retaining people abroad – overseas who can conduct investigations into any links that people may have with other parties, other businesses, use them also to use – whatever means they need, in particular, the language of the country that they
15 operate in.

MR ASPINALL: And in terms of who would ultimately take responsibility for the decision whether or not to allow a junket operator or financier to operate with Crown or to deal with Crown Melbourne, who would you see that person as being under the
20 framework now or the framework going forward?

MR DEMETRIOU: Well, that remains a discussion for the board, but my assumption is that it would have to be a channel to the risk management committee that would then be in turn a channel to the board, for ultimately the board to approve.
25

MR ASPINALL: The board of Crown Melbourne?

MR DEMETRIOU: The board of Crown Melbourne but the board of Crown Resorts.
30

MR ASPINALL: What if there was some disagreement between the view of the board of Crown Melbourne as the licensee and the view of someone working for Crown Resorts as to whether or not a junket operator should be allowed; how do you think that should be resolved?
35

COMMISSIONER: Well, just pause there. I'm not quite sure – when you say "someone working for Crown Resorts" - - -

MR ASPINALL: Yes.
40

COMMISSIONER: - - - I will just ask you to ask that again with more clarity.

MR ASPINALL: One of the models that has been proposed, Mr Demetriou, is that a compliance officer or a risk officer within Crown Resorts, the head company, have
45 final say upon whether or not a junket operator can deal with one of the licensee companies. Can you assume that?

MR DEMETRIOU: No, it's not a model that I've seen. And one of the models that we are looking at is that we have a new head of compliance and crimes put in place and an AML compliance officer in each of the jurisdictions in which we work – of which we're licensed – and that they would have a direct reporting line to the board.
5 Ultimately, the board will be responsible for deciding who are the approved junket operators, not a single person.

MR ASPINALL: I see. Well, in the event that that person recommends to the board of Crown Resorts that someone be approved, but the board of, say, the licensee itself,
10 did not consider that should happen, how do you think that should be resolved?

MR DEMETRIOU: With discussions. And there's nothing wrong with disagreements. They will get resolved one way or the other. But I would suspect that, ultimately, the Crown Resorts board, which should establish the risk appetite for
15 Crown as a whole, will have the ultimate say.

MR ASPINALL: You've told me what you knew about China, the operations, in the early stages of joining the board of Crown Resorts. By the time of the China arrests, what did you know was occurring in China – had been occurring in China?
20

MR YOUNG: Commissioner, that's a very broad question.

COMMISSIONER: Yes, that's rejected. If we're asking Mr Demetriou around the detail of what was happening with the staff, that's one thing. Or are you asking
25 about the political environment?

MR ASPINALL: I'll ask the question again.

COMMISSIONER: Thank you.
30

MR ASPINALL: Mr Demetriou, just before the China arrests were you aware that Crown had employees working in China?

MR DEMETRIOU: No, not specifically, Mr Aspinall.
35

MR ASPINALL: When you say "not specifically", what do you mean?

MR DEMETRIOU: Well, as I answered earlier, to your earlier question, I knew we had an office in Hong Kong. And I knew that there were people from Australia who were travelling to China. My assumption was that there were probably people in
40 China, but I didn't know specifically that there were people working in China. No.

MR ASPINALL: And you didn't know they had an office there?

45 MR DEMETRIOU: No. As I answered that earlier, no.

MR ASPINALL: And you didn't know the nature of the activities they were undertaking other than that they were processing visas; is that right?

MR DEMETRIOU: That's correct, Mr Aspinall.

5

MR ASPINALL: And you didn't know that they were promoting gambling within China to Chinese nationals?

MR DEMETRIOU: No. I didn't know that, Mr Aspinall.

10

MR ASPINALL: You knew, did you, that Chinese nationals were travelling to Crown Melbourne or Crown Perth to gamble?

MR DEMETRIOU: Yes, I did.

15

MR ASPINALL: Did you turn your mind to how that might be happening?

MR DEMETRIOU: Not – not – I didn't spend much time thinking about it, Mr Aspinall, I assumed that they were also travelling to Perth and Melbourne to enjoy the facilities that Crown has to offer. A lot of them were bringing families. You know, I'd walk through the lobby and see Chinese nationals with their families. I assumed they were here to gamble as well, but they were also playing golf and they were going out to restaurants, and they were staying in hotels.

20

MR ASPINALL: So, as far as you were concerned, there may or may not have been some employees in China, but they were doing visas processing; is that about right?

MR DEMETRIOU: That's correct, Mr Aspinall.

MR ASPINALL: And so when the China arrests took place, you must have been surprised?

30

MR DEMETRIOU: I was shocked, Mr Aspinall.

MR ASPINALL: And what did you do about that?

35

MR DEMETRIOU: Well, I was informed by – I think I heard it in the media. And I was informed of it by a memo by Mr Neilson, if memory serves me correctly. And we quickly convened a board meeting to – so the board could get a better understanding of what had taken place, because we were pretty much in the dark.

40

MR ASPINALL: And, presumably, you were shocked because, number one, you didn't know that the company – well, you didn't know for sure that the company had employees there; correct?

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MR DEMETRIOU: Correct.

MR ASPINALL: And you didn't know that they were attempting to promote gambling to Chinese nationals?

MR DEMETRIOU: That is correct, Mr Aspinall.

5

MR ASPINALL: What about the background? Were you aware that there had been the arrests of some Korean casino employees prior to the arrests of the Crown employees?

10 MR DEMETRIOU: Yes, I was.

MR ASPINALL: What did you know about that?

15 MR DEMETRIOU: I remember sitting in the chairman's office at Crown Resorts in Melbourne prior to a board meeting where we normally would gather prior to the board meeting. I remember Mr Johnston mentioning it to myself and whoever else was in the room. It wasn't all the board members, but I remember that conversation.

20 MR ASPINALL: And what can you remember Mr Johnston said?

MR DEMETRIOU: Only words to the effect that, "Has anyone seen the arrests, recently, of the South Koreans over gambling in China?" or words to that effect. It was a pretty quick conversation.

25 MR ASPINALL: Did he say anything about what effect that might have on Crown?

MR DEMETRIOU: No, he did not, Mr Aspinall.

30 MR ASPINALL: And what did you say to him when he said that?

MR DEMETRIOU: Normally – well, I can't recall exactly, but I would have said something like, "That's interesting," but nothing more, nothing less, I wouldn't have thought.

35 MR ASPINALL: Did you think about that again?

MR DEMETRIOU: Not really, Mr Aspinall.

40 MR ASPINALL: Did you ask anyone whether those arrests might have any impact upon Crown?

MR DEMETRIOU: No, I did not, Mr Aspinall.

45 MR ASPINALL: Can you explain to us why that is?

MR DEMETRIOU: Well, it wasn't because I didn't think it was an important issue, but I'm sure that there were a number of things going on, at that particular point in

time, when Mr Johnston had conveyed that message to the few of us who were in the chairman's office. But it wasn't because I purposely ignored, it's because I would have had many other things that I was dealing with or discussing.

5 MR ASPINALL: No. Well, I was just wondering if it was because, at that time, you thought anybody who was working in Crown was only doing visa processing, and so it might not have affected Crown?

10 MR DEMETRIOU: That could probably be – that could have entered into my mind as to why. But I can't recall, to be honest, Mr Aspinall.

COMMISSIONER: Who was the chairman at the time of this conversation?

15 MR DEMETRIOU: I think it might have been Mr Rankin, Madam Commissioner.

COMMISSIONER: And Mr Packer wasn't present?

20 MR DEMETRIOU: He wasn't in the chairman's office at that time. I don't think so. I don't believe so. No.

25 MR ASPINALL: In terms of any further news you heard about what was happening in China, did you become aware, at any time, that there was subsequently an announcement by a government spokesman that the Chinese Government was going to crack down on foreign casinos trying to lure Chinese nationals to gamble overseas?

MR DEMETRIOU: No, I was not.

30 COMMISSIONER: So no one raised that, in your presence; is that right, Mr Demetriou?

MR DEMETRIOU: That's correct, Madam Commissioner.

35 COMMISSIONER: Thank you. Yes, Mr Aspinall.

MR ASPINALL: Mr Demetriou, the evidence seems to indicate that Mr Rankin became aware of the arrests in Korea. Did he ever discuss those with you?

40 MR DEMETRIOU: No, he did not, Mr Aspinall.

MR ASPINALL: Were you on friendly terms with Mr Rankin?

45 MR DEMETRIOU: I wouldn't say friendly. He was the chairman. I was on the board. I didn't know Mr Rankin prior to him becoming chairman. He was – he was stationed abroad, so he was a very hard man to catch. He wasn't – he wasn't very easy to find. So, no, I wasn't friendly with him, I couldn't say that. But I respected him, particularly, in the role that he had.

MR ASPINALL: Mr Packer gave evidence that you might have seen that he regarded Mr Rankin as a China expert, did you see that?

MR DEMETRIOU: Yes, I did.

5

MR ASPINALL: Did you have any understanding of Mr Rankin's expertise in China – Chinese issues?

MR DEMETRIOU: No, I did not.

10

MR ASPINALL: The next thing of importance that seems to have happened is that one of the employees in China was, "Invited in to be asked some questions by the Chinese police." I assume that you were not made aware of that?

MR DEMETRIOU: No, I was not. I've only been made aware of that throughout this inquiry, Mr Aspinall.

MR ASPINALL: I see. So, even in the aftermath of the arrests, were the fact that there had been - - -

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COMMISSIONER: Just pardon me. The China arrests or the Korean arrests?

MR ASPINALL: Sorry. In the aftermath of the arrest of the Chinese employees, is it correct to say that you didn't find out that one of the Chinese employees had been called in for questioning until this Inquiry raised that?

25

MR DEMETRIOU: That is correct, Mr Aspinall.

COMMISSIONER: Just on the matter of timing, Mr Demetriou, Mr Rankin was a director or working at CPH, I think, and did not become the chairman of Crown until August 2015. The Inquiry has been informed that the Korean arrests occurred around about June, May/June of 2015, prior to Mr Rankin's appointment as chairman. Does that assist you, at all, to recall who it was that may have been present in the room – the chairman's room, as you've called it – at the time the Korean arrests were discussed?

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MR DEMETRIOU: Madam Commissioner, I can't recall whether Mr Johnston had – what is the exact timing of that conversation, because I don't know whether there was a board meeting in June or July – I'd have to check – in that year. It may have been that the conversation transpired in the chairman's office, you know, prior to the August board meeting, but - - -

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COMMISSIONER: I see.

MR DEMETRIOU: - - - if my memory would that. I do remember Ms Danziger was in the chairman's office at the time. I remember that.

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COMMISSIONER: Yes. And Mr Johnston, presumably.

MR DEMETRIOU: Yes. Mr Johnston was there. Yes.

5 COMMISSIONER: And you have a recollection that Mr Rankin was there; is that right?

MR DEMETRIOU: No. No, I don't have a recollection. I was asked the question whether Mr Rankin was the chairman.

10

COMMISSIONER: Right.

MR DEMETRIOU: Who was the chairman at the time, and I said it was Mr Rankin.

15 COMMISSIONER: So, do you have a recollection of anybody else being present in the room at the time that Mr Johnston spoke about the Korean arrests?

MR DEMETRIOU: I don't, unfortunately, Madam Commissioner. I mean, normally, it's a different array of people who get there early. I tend to get to the meetings earlier, before the board meeting, to get a cup of coffee – and it differs.

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COMMISSIONER: Thank you. Yes, Mr Aspinall.

MR ASPINALL: Mr Demetriou, you may recall that Ms Danziger gave evidence about the meeting that you seem to be referring to. Did you see that?

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MR DEMETRIOU: No, I did not, Mr Aspinall.

MR ASPINALL: Well, I just wanted to raise with you that Ms Danziger, her memory was to the effect that not only had Mr Johnston raised the fact of the arrest of the casino employees – the South Koreans – but she'd also said that Mr Johnston said, "We're okay. It doesn't affect us," or words to those effect. Do you have any recollection of him saying words like that?

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35 MR DEMETRIOU: No, I don't, Mr Aspinall. Sorry.

MR ASPINALL: Mr Brazil gave evidence that, after the Chinese arrests – the arrests in China – that, at the board, meeting he metaphorically banged the table and called for an investigation to find out – I'm sorry – culpability. Do you recall him doing that?

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MR DEMETRIOU: Yes, I do.

MR ASPINALL: Mr Brazil said that he experienced some "pushback" on that. Do you recall that occurring?

45

MR DEMETRIOU: I don't recall pushback. I think – I certainly remember Mr Brazil being very forceful in his views about the arrests, and I certainly remember every board member expressing concern about the arrests and also concern for the welfare of our staff, both the Chinese nationals that had been arrested and the
5 Australian staff. But I don't remember any pushback; I think everyone agreed with Mr Brazil's position.

MR ASPINALL: And certainly you agreed with it?

10 MR DEMETRIOU: Yes, I did.

MR ASPINALL: And in the wake of the China arrests, it must have occurred to you that there was so much you hadn't known about what was happening in China; is that right?

15 MR DEMETRIOU: Absolutely.

MR ASPINALL: And did you ask yourself any questions as to how that situation could have arisen?

20 MR DEMETRIOU: Look, I think at the time, because of the – of the surprise and the speed at which this had all happened, my immediate concerns turned to the welfare of our staff. And you know, we had been briefed by our legal advisers and management as to what process we would go through to undertake to get as much
25 information as possible and gather as much information as possible, retain people overseas, retain people on the ground, find out what we could about, you know, about the legal process of what was going to happen with our staff. And over time I started to ask myself the questions that you have just put to me, you know, how did this happen, yes.

30 MR ASPINALL: And having thought about those questions, what conclusions, if any, have you come to as to how that state of affairs existed for so long?

35 MR DEMETRIOU: I think it would be fair to say that – and this has been highlighted throughout this inquiry – that there's absolutely no doubt that issues that were ongoing, including the questioning of one of the people in China, the South Korean arrests and so forth should have been escalated to the board for the board to have knowledge of.

40 MR ASPINALL: In terms of the board itself, do you think there might have been some failure on the board to be inquisitive enough about what was happening?

MR DEMETRIOU: No, I do not.

45 MR ASPINALL: From your own point of view, looking back now, do you think you should have asked more questions about what was actually happening in China and whether you had employees there and what they were doing?

MR DEMETRIOU: Look, I'm probably guilty, Mr Aspinall, of asking lots of questions at board meetings. And I do. And I'm not wishing to give any insignificance to the China arrests but, you know, at board meetings we deal with a myriad of issues, including our hotel, entertainment, our financials, our regulatory requirements, etcetera. The board is a very inquisitive board, as am I. Should we
5 have asked more questions about China; in hindsight, the short answer is yes. At the time, I think we were probably asking sufficient questions to keep us informed as board members.

10 MR ASPINALL: You were asking specific questions based upon the information that you had at the time; is that what you think you were doing?

MR DEMETRIOU: Yes, I would agree with that proposition; yes, Mr Aspinall.

15 MR ASPINALL: And to your understanding, the problem was that you weren't getting enough information to pique your interest in asking more questions; is that a fair assumption?

MR DEMETRIOU: That is a fair summation, Mr Aspinall, yes.
20

MR ASPINALL: So from your point of view, the problem here probably lies with a failure of management to escalate problems to the risk management committee; is that right?

25 MR DEMETRIOU: Yes, I would agree that in this instance, on this matter, these matters should have been escalated to the board through the risk management committee, yes.

MR ASPINALL: You sit now on the risk management committee. How would you
30 propose to stop that sort of thing happening again?

MR DEMETRIOU: Well, we've already undertaken significant steps in the last few years on our risk management committee, particularly in the area of risk with the appointment of Anne Siegers. I was appointed to the risk committee at a time when
35 Mr Dixon was chairman and now we have Ms Jane Halton as chair. There's a lot of time spent on our risk matrix and our risk appetite and in the area of – and in money laundering, junkets, we've gone to extensive lengths now to put much better measures in place, much better reporting lines, the new – for example, in AML the new general manager – or the new head of compliance and crimes, we have a direct
40 reporting line to the board through the risk management committee and that wasn't the case before.

COMMISSIONER: Who is that?

45 MR DEMETRIOU: That's a person who is now being sought – we're going through the recruitment process - - -

COMMISSIONER: I see.

MR DEMETRIOU: - - - and we haven't identified that person yet, Madam Commissioner, no.

5

COMMISSIONER: You spoke about Ms Siegers coming into the company a couple of times. Are you aware that Mrs Seeing has informed the Inquiry that her review of things, including the review of the junket arrangements that Crown had with its junket operators, was one that did not look back. Did you understand that?

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MR DEMETRIOU: I didn't see her – her before the Inquiry, Madam Commissioner, but I'll take your word for it.

COMMISSIONER: See one of the things that I presume with which you would agree, a proposition that you do take some wisdom from things that have happened in the past and learn from it. Isn't that right?

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MR DEMETRIOU: Absolutely it is.

COMMISSIONER: And so I am trying to come to grips with why it was that Ms Siegers' brief was not to review the past. Do you have any knowledge of that, Mr Demetriou?

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MR DEMETRIOU: No, I don't. I would have – I would have assumed, Madam Commissioner, that a starting point is to see how you have been practising in the past, then you can learn from your mistakes and if you are – if you have a desire to get better, then the past is a great starting point. I mean, we did have risk management processes in place. They might have had deficiencies, as it turned out, in the past. And we've sought to improve them and certainly Ms Siegers' appointment has seen a much more stringent – much more attention to detail and much more documentation around our risk – our risk processes.

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COMMISSIONER: Thank you. Yes, Mr Aspinall.

MR ASPINALL: Just in terms of that looking back process and learning from it, are you aware of any proposals to actually do that for the organisation as a whole?

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MR DEMETRIOU: In what area, Mr Aspinall?

MR ASPINALL: Well, in all areas, Mr Demetriou.

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MR DEMETRIOU: Well, I could only speak from my experience. We're constantly reviewing what we do as an organisation, and we are a very good organisation. We – we run a very large and complex business, employing 18 and a half thousand people. You don't win the Australian employment program of the year three times unless you are running a fine business. But in some aspects, we have proven to be deficient, particularly in the areas that this Inquiry has looked at. But

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it's not to say that we don't run a very fine business in other areas. We run a wonderful hotel business. We run an excellent security and surveillance part of our business. We run an excellent entertainment complex. A lot of people derive enjoyment from attending Crown Resorts. We are constantly reviewing our practices
5 in all areas.

MR ASPINALL: But isn't the problem with that line of argument that if you are constantly reviewing your practices and yet you didn't become aware of many of the issues that this Inquiry has thrown up, that there's something wrong with your
10 constant reviewing processes?

MR DEMETRIOU: I don't accept that proposition. And I mean, in an area that has been identified in this Inquiry, which I accept, the areas of risk associated with China should have been escalated to the board. Absolutely. There has been proven to be
15 deficiencies in our AML program. But on balance, we constantly review our business and we are an infinitely better business today than we were yesterday, and than we were a year ago and than we were three years ago.

MR ASPINALL: Well, you see, this Inquiry's only been asked to look at three
20 areas: China, junkets and money laundering. Do you understand that?

COMMISSIONER: Well, I'm not quite sure if that is fair.

MR ASPINALL: It's focused on those three areas.
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MR DEMETRIOU: Yes.

MR ASPINALL: And you accept that it's uncovered problems in each of those areas; do you agree?
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MR DEMETRIOU: It's – it's established that there's been some deficiencies in those areas. Yes, I accept that.

MR ASPINALL: And so if, in the areas that this Inquiry is focused on, it's found
35 problems in all of them, wouldn't it be the prudent course for the board of, say, Crown Melbourne to look at all areas of its business – to do a review of all areas of business to make sure it's not happening in other areas as well?

COMMISSIONER: You mean as a licensee?
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MR ASPINALL: Yes.

COMMISSIONER: Yes.

MR DEMETRIOU: Well, I repeat what I said earlier. We are constantly reviewing what we do. We are subject to, for example, the VCGLR review. We are currently preparing our response to the VCGLR. We're reviewing areas of the robustness of
45

our risk appetite, our harm minimisation program, better signage. We are constantly looking at how our business operates, Mr Aspinall.

5 MR ASPINALL: And so is it right that you resist the proposition that it would be a good idea to look at all aspects of the licensee's business in the wake of what has emerged at this Inquiry?

10 MR DEMETRIOU: Well, that's the way you've put the question, but your premise is that we haven't been reviewing what's been going on in the past, and I reject that. Sorry, Mr Aspinall.

15 MR ASPINALL: Well, I put to you that your constant reviewing process had not picked up some of the problems that this Inquiry has uncovered. I think you agreed with that?

MR DEMETRIOU: In some aspects, yes. I accept that, Mr Aspinall.

20 MR ASPINALL: And so why would you assume that the constant reviewing process has identified all problems in other areas of the casino's operation?

25 MR DEMETRIOU: Because we are constantly – as I said, we are constantly reviewing how we operate. And if I use the example of the Melbourne licence, we are – we have an obligation to the VCGLR to conduct a review. There are things that have been identified by the VCGLR, in the past and currently, that we are addressing. And that's an example of how we're constantly reviewing how our business operates.

MR ASPINALL: We spoke a little earlier about junkets.

30 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And prior to this Inquiry, were you familiar with the names of any junkets?

35 MR DEMETRIOU: Only the Suncity junket, Mr Aspinall.

MR ASPINALL: And were you aware that Suncity had a dedicated room in the casino at Melbourne?

40 MR DEMETRIOU: Yes, I was. That was the only one I knew of.

MR ASPINALL: And did you know that there were other junkets, but you just didn't know their names, or you thought Suncity was the only one?

45 MR DEMETRIOU: No. I knew there were other junkets, but I only knew Suncity by name because it had been mentioned, you know, very sparingly, and I remember the name.

MR ASPINALL: Now, in terms of the evidence that has come out of this Inquiry, do you accept now that there are significant problems with the vetting procedure for junkets?

5 MR DEMETRIOU: It's a very complex area. I think we've conducted vetting, but as it's been – or as we've seen, there obviously have been some deficiencies in the vetting. And we are undertaking a much more extensive vetting, going forward. But it's very complex area. Yes, I accept that.

10 MR ASPINALL: Can I show you a document, which is AG7, which is CRL.579.019.3755, on the confidential link, please. Do you see that, Mr Demetriou?

MR DEMETRIOU: It's just loading, Mr Aspinall. Yes, I can see it now.

15 MR ASPINALL: You see that's a Crown document which reviews the history and due diligence of Mr Si Xin Qin?

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

20 MR ASPINALL: Were you watching when you took Mr Mitchell through this document?

MR DEMETRIOU: No, I didn't see that, Mr Aspinall.

25 MR ASPINALL: Well, if you look up in the top right-hand corner you see it's updated 3 January 2017?

MR DEMETRIOU: Yes, I can see that.

30 MR ASPINALL: If you look in the first line of the table, you can see there's a Crown history going back to 2008 with this person.

MR DEMETRIOU: Yes, I can.

35 MR ASPINALL: And if you look at the box underneath, you can see the turnover, which is listed in millions, is substantial at Melbourne and Perth?

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

40 MR ASPINALL: But, then, when we look down to the fourth line - - -

COMMISSIONER: The fourth box or the fourth line?

45 MR ASPINALL: The fourth box – fourth row, I suppose – you see there's a World-Check reference?

MR DEMETRIOU: Yes, I can see that, Mr Aspinall. Yes.

MR ASPINALL: And do you see the World-Check reference says that:

Mr Qin was reportedly detained in 2012 in China for alleged involvement in money laundering.

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MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And when we go to the bit down two lines to the Wealth Insight report. You see that?

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MR DEMETRIOU: Yes, I can see that now, Mr Aspinall.

MR ASPINALL: Do you see Wealth Insight reported that he was:

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...detained in 2012 at Wynn Macau allegedly found in illegal underground banking activities. He was brought back and detained in China, where it is alleged the arrests were possibly in relation to money laundering.

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

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MR ASPINALL: And the one below, says – which is Wealth-X says:

Detained in China on suspicion of money laundering in 2012. Employees from various junkets were arrested.

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MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And do you see the C6 group beneath that, more of the same thing:

30

Detained by Chinese authorities on suspicion of illegal banking activities and money laundering in 2012, not verified by official sources.

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

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MR ASPINALL: And if we go over the page, you see it was reported, in December 2012, that he had been amongst those detained in China for alleged underground banking activities.

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MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Do you accept that this is not the sort of person that Crown should have been dealing with?

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MR DEMETRIOU: Well, on balance, probably not. But, I mean, there's a lot of allegations in there. It doesn't say that he's been convicted or jailed. I understand that people who are looking at that information would find that a challenging

process. But, on balance, it's probably preferable not to be dealing with a person who's got so many allegations against him. You also have to ask the question is he approved to play elsewhere? Is he – is he playing at Star? Is he playing – is he licensed to operate in other jurisdictions? But, on balance, it raises red flags. Yes.

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MR ASPINALL: Well, as a chairman of the licensee, now, do you think the fact that he might be licensed to play at other casinos bears, one way or the other, on your decision as to whether or not he should be allowed to deal with your casino?

10 MR DEMETRIOU: Well, it's a factor to consider as part of our review. How – how, for example, is he getting through Border Force? What information do – what information can we glean from other law enforcement agencies to help us ascertain, you know, the veracity and the – and the validity of these allegations? But, on balance, I still agree with your proposition.

15

MR ASPINALL: Well, in terms of what test you think should be applied, what do you think is the test that should exclude someone from being allowed to deal with the casino?

20 MR DEMETRIOU: I – I'm sure this is a matter that's going to be brought before the board, Mr Aspinall, when we doing the review of the junkets, so I don't want to pre-empt what the board may discuss. But I would dare say that that – what – well, the position you've just put to me will ultimately be one of those decisions – one of those factors we take into account in our decision-making if, in fact, we are to
25 continue with junkets.

MR ASPINALL: But you seem to focus, in several answers, on the fact that these were just allegations, rather than convictions.

30 MR DEMETRIOU: Well, as I've said, this is a very difficult and complex area because – and having read the Berkeley report, where various junket operators are mentioned and allegations and the tensions, and so forth, it makes you wonder how these people are being – are licensed to operate anywhere. But having said that - - -

35 MR ASPINALL: Yes.

MR DEMETRIOU: - - - I'm sure all those factors will be discussed at our board over several months before the end of June 2021 as we determine whether we should, in fact, continue with junket operators. And if we are to continue with junket
40 operators, what stringent processing and vetting will be put in place and what tests we ultimately use to approve the use of junket operators.

MR ASPINALL: Well, the answer you gave me earlier in respect of Mr Qin, I think, was that it was a difficult decision, but, on balance, you thought he shouldn't
45 be allowed to deal with the casino; is that right?

MR DEMETRIOU: That's just a personal view. But, again, I defer to a broader and more extensive discussion with my fellow board members.

5 MR ASPINALL: Yes. But to you – and you're the chair of the licensee company – this is not a clear-cut case; is that right?

MR DEMETRIOU: Well, it's not clear-cut, because if it were clear-cut, then he wouldn't be operating in any other jurisdiction or operating at Star Casino, if, in fact, he does operate at Star Casino. But I accept your proposition.

10 MR ASPINALL: Well, it could just be that all those other casinos are applying the wrong standard, couldn't it?

MR DEMETRIOU: Could very well be. But, I mean, it may also – you may also ask the question of why are they being approved entry into the country if they've got any convictions against them. There are a number of tests. But, again, all the more reason why the industry, the law enforcement agencies, need to collaborate. And the regulators need to be – work in a collaborative fashion to determine what should be the appropriate standard, what should be the appropriate test.

20 MR ASPINALL: I move to a new document, which is CRL.579.018.5541, which is exhibit BA45, Commissioner.

COMMISSIONER: Thank you.

25 MR DEMETRIOU: Yes, I have that, Mr Aspinall.

MR ASPINALL: Have you seen that one before, Mr Demetriou?

30 MR DEMETRIOU: No, I have not, Mr Aspinall.

MR ASPINALL: We have discussed it several times at this Inquiry. I most recently discussed it with Mr Mitchell on Friday. But it's an email from a person who was one of the staff in China, EMP1. Do you see at the bottom of the page?

35 COMMISSIONER: He seems to be in Hong Kong.

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

40 MR ASPINALL: And he is writing to his superiors, Mr Chen and Mr Theiler.

MR DEMETRIOU: Yes, I can see that.

MR ASPINALL: And do you see that's why he says:

45 *Hi MC and Roland.*

At the start of his message?

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

5 MR ASPINALL: And EMP1 has requested an extension on banking personal checks of the two person named at the top of the email, who are Ng Chi Un and Pun Chi Man.

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

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MR ASPINALL: And if you look at the third paragraph of his email it says:

For background, these two, particularly Ng, are very influential characters in Macau –

15

I'm sorry –

particularly the underground network.

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MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: But when you go to the two emails above - - -

MR DEMETRIOU: Yes, Mr Aspinall.

25

MR ASPINALL: - - - you see that neither of his superiors questioned him about what he means when he says that Mr Ng and Pun Chi Man are influential characters in the underground network; do you see that?

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MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And I want you to assume that, if they had asked EMP1 what he meant by that, he would have told them that they were associated with unsavoury characters. And that the problem he was referring to in this email is that, if he
35 banked the cheque and it bounced, that he might be subjected to physical violence. Can you make that assumption?

MR DEMETRIOU: Well, you're making the assumption. I can't read that into that. But I – for the purpose of this discussion, I will assume your proposition.

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MR ASPINALL: Does it concern you that in the light of what EMP1 had told his superiors that neither Mr Theiler nor Mr Chen seemed to have any concern about the fact that Crown was dealing with people connected to the underground network?

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MR DEMETRIOU: Well, they should have, Mr Aspinall. I mean those very words
- - -

MR ASPINALL: Yes.

MR DEMETRIOU: Those very words are concerning and there's no place for –
there's no place or there's no excuse, there's no – there's no justification for dealing
5 with people of so-called underground network. I accept that.

MR ASPINALL: Yes, and it would also concern you, I assume, that what Mr Chen
and Theiler are potentially doing is exposing EMP1 to a situation in his work where
he might be subjected to physical violence; do you agree with that?
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MR DEMETRIOU: Well, I can't draw that conclusion from the words that are on
this paper, sorry. But – but I - - -

MR ASPINALL: You can make the assumption I told you to.
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COMMISSIONER: I think you asked him to.

MR DEMETRIOU: Well, I can't draw that conclusion from what's on this piece of
paper, I'm sorry.
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COMMISSIONER: Mr Demetriou, there's evidence before the Inquiry that that is
exactly the position. So if you would be kind enough to just go along with that - - -

MR DEMETRIOU:
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COMMISSIONER: - - - for the purpose of making the assumption, I would be
grateful. Yes, Mr Aspinall.

MR DEMETRIOU: Yes, Madam Commissioner, thank you.
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COMMISSIONER: Thank you.

MR ASPINALL: Based upon those assumptions, Mr Demetriou, can I ask you to
make another assumption: was that this issue was never raised at the risk
35 management committee or the board. Can you make that assumption?

MR DEMETRIOU: I don't have to make an assumption; I can tell you definitively
it never was raised. It's not an assumption.

MR ASPINALL: Yes. So do you agree what we have here is a problem of
information which is known to people lower down in the organisation, important
information, not making it to the risk management committee; do you agree with
that?

MR DEMETRIOU: Yes, I do, Mr Aspinall.
45

MR ASPINALL: Now, I wanted to talk to you about the two sides of that coin. One side might be that Mr Theiler and Mr Chen should have reported it up, but they didn't do so; do you agree with that?

5 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: The other side of the coin might be that the risk management committee wasn't taking a proactive enough or inquisitive enough role in finding out what was going on within the organisation that it sat in; do you agree with that?

10

MR DEMETRIOU: I don't accept that, Mr Aspinall. But was - - -

MR ASPINALL: Why?

15 MR DEMETRIOU: I'm just trying – I wasn't on the risk committee in 2015. I've only joined in 2017 but I don't accept that in its totality, no. I don't know what questions were being asked. I wasn't on the risk committee.

MR ASPINALL: No, I'm not saying you were. I'm saying that one of the potential
20 problems here is the risk committee may not have been inquisitive enough or proactive enough in working out what the risks within its organisation was. You reject that, do you?

MR DEMETRIOU: I do reject that, because I know we – we had a risk framework
25 in place. It just had deficiencies.

MR ASPINALL: Well, Mr Demetriou, what good does a risk framework in a book
somewhere do if the risk management committee as a matter of practice doesn't get
out into the organisation, and find out what's actually happening?

30

MR DEMETRIOU: I don't accept your proposition that it doesn't get out and find
out what's happening. If information flow isn't forthcoming, for whatever reason,
you can only deal with what is before you. I have got no doubt – in my experience
on the risk management committee, it does make a point of finding and asking
35 questions and adhering to the risk management framework.

MR ASPINALL: So how does it do that?

MR DEMETRIOU: It asks a lot of questions. It gets papers. It seeks papers. It has
40 lots of discussion. It asked Anne Siegers to test the risk matrix and elevate things from time to time, in so far as if they are – if they are high risk, medium risk or low risk. It reviews those risk matrixes. It adopts new risk policies. It's a very inquisitive committee.

45 MR ASPINALL: Who has it been talking to this year?

MR DEMETRIOU: Who, the risk committee?

MR ASPINALL: Yes.

MR DEMETRIOU: Gosh, we would have spoken to Mr Preston on several occasions, Mr Stokes, Mr Neil Jeans from Initialism to get his report that he did on
5 anti-money laundering, our company secretary, Ms Manos, who would have provided the risk committee framework – its policy document. It would have spoken to Ms Siegers on several occasions, and the other people that attend those meetings.

MR ASPINALL: So it's speaking to senior executives within the organisation?
10

MR DEMETRIOU: Yes, they attend the meetings from time to time, correct.

MR ASPINALL: But where you have got a risk escalation problem that this email tends to indicate, wouldn't it be important for the risk committee to delve a bit
15 deeper and go below the senior executives to find out what might actually be happening in the organisation?

MR DEMETRIOU: Look, I think – I think we can overanalyse these things from time to time. I mean, the risk committee that I sit on does a lot of preparation and a
20 lot of work, particularly under the chairmanship of Jane Halton, to understand our risk framework and the practices we have in place to mitigate risk. It's constantly reviewing what we do, constantly prepared to recommend to the board an increase in resources in particular areas, external third parties that conduct reviews, and to do whatever we can to improve our risk framework. I don't think it needs to go any
25 lower or deeper or I'm not quite sure what you're suggesting but I think it does a very extensive job in its risk framework and its risk responsibilities.

MR ASPINALL: Well, can I suggest to you that in each of the areas that this Inquiry has been focused on, which is China junkets and money laundering, in none
30 of those areas did the problems which have been uncovered get reported to the risk management committee. Do you accept that?

MR DEMETRIOU: Yes, I do.

MR ASPINALL: So there was this risk management structure that was sitting there but it was never activated, although there were significant problems occurring within the organisation; do you agree with that?
35

MR DEMETRIOU: No, I don't. To say that they weren't activated b
40

MR ASPINALL: I'm asking - - -

MR DEMETRIOU: - - - is unfair. Sorry, Mr Aspinall, if you could let me finish. To say that there was no risk framework in place and never activated is unfair. We
45 had risk – we had a risk management process in place. We – we were working closely with AUSTRAC in the area of anti-money laundering. We were vetting VIPs, we were vetting junket operators, but as it has turned out there were

deficiencies in that process. And as you quite rightly point out, the matters weren't being escalated to the risk committee and in turn to the board. That is a failure not of our processes, but it speaks to more of a failure of culture.

5 COMMISSIONER: And so that's more serious.

MR DEMETRIOU: In this area it is, because I mean, Madam Commissioner, I come from a world where you give the good news and you give the bad news. And you need to inform boards and be very transparent in your communication to make
10 sure you can deal with what is before you. And if the information flow is not forthcoming, it makes it very, very challenging for a board to operate.

COMMISSIONER: But you were in a jurisdiction that needed sensitivity, obviously, you agree with that, going into the east and China and the various
15 countries that are different to us; do you agree with that?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: And I think what you see in that email, on reflection now, knowing what we know, it appears that it wasn't picked up. It was a message, perhaps, that was startling but not appreciated from one view of it; would you agree
20 with that?

MR DEMETRIOU: Yes, I do, Madam Commissioner.
25

COMMISSIONER: And once you see the date which is, of course, only 10 months prior to the arrest of your staff, you have indications there that you've got two people who are allegedly – allegedly, I say – particularly influential characters in the underground network. And so once that went through, it appears to the keeper, there
30 were real problems not to recognise that; would you agree?

MR DEMETRIOU: Yes, I would, Madam Commissioner.

COMMISSIONER: And so I suppose, when you are discussing this with Mr Aspinall from the point of view of the layer upon layer in the organisation such as yours, and how you actually ensure that this information is (1) appreciated and (2) elevated, it is not an easy task, is it?
35

MR DEMETRIOU: No, it's challenging. But again, as I said earlier, Madam Commissioner, it speaks to the culture of the organisation and to shift culture takes time and you have to have everyone buying into the same culture, the same culture, the same values proposition that you need to operate under.
40

COMMISSIONER: And if, as in the past, you venture into international jurisdiction, there has to be an appropriate understanding of their cultures; would
45 you agree with that?

MR DEMETRIOU: Absolutely, I do.

COMMISSIONER: And once you have the President of China indicating that it will crack down on corruption and also on overseas people taking their gamblers to other
5 countries, you need to be acutely across that, don't you?

MR DEMETRIOU: Yes, you do, Madam Commissioner.

COMMISSIONER: And I think that may be a situation that may not have been
10 appreciated at the various higher levels across the risk management committee and the board, it seems. Would you agree with that proposition?

MR DEMETRIOU: Yes, that's a fair way to put it, Madam Commissioner.

COMMISSIONER: It is not free from complexity, Mr Demetriou, I understand that.
15 But these are the sorts of things when organisations take the benefit from overseas jurisdictions, they need to understand the dangers; you would agree with that?

MR DEMETRIOU: I do, Madam Commissioner. I would go further, even
20 operating in our jurisdiction, the same principles and the same values proposition should – should be relied upon.

COMMISSIONER: Absolutely. Would that be a convenient time to take a short
25 adjournment, Mr Aspinall?

MR ASPINALL: Yes, Commissioner. Of course.

COMMISSIONER: I'm going to take a 10-minute break, Mr Demetriou. I will
30 return shortly.

MR DEMETRIOU: Thank you, Madam Commissioner.

ADJOURNED [11.32 am]
35

RESUMED [11.44 am]

COMMISSIONER: Yes. Thank you, Mr Aspinall. Thank you, Mr Demetriou.
40

MR ASPINALL: Mr Demetriou, we were earlier discussing Si Xin Qin. And then
we moved, as you mentioned, to the Berkeley report into Mr Alvin Chau; do you
45 remember that?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: Have you had an opportunity to look at that Berkeley report?

MR DEMETRIOU: Yes, I have, Mr Aspinall.

5 MR ASPINALL: And, having reviewed that report, would you agree that Mr Chau is not someone that Crown Resorts should be dealing with?

10 MR DEMETRIOU: Again, complex issue. I read the detailed aspects of Mr Chau's background in the report, and there are lots of allegations. I understand he's still approved in many jurisdictions. But, on balance, I'd probably say that we shouldn't be dealing with Mr Chau.

15 MR ASPINALL: And just before the adjournment, you mentioned that there was a problem with culture. Do you remember that?

MR DEMETRIOU: I said that the issues that had been raised speak to the issue of culture in an organisation.

20 MR ASPINALL: And you said that was a bigger problem than the risk management framework; do you agree?

25 MR DEMETRIOU: I think, if you haven't got your culture right, then there are lots of consequences that occur as a direct impact of not having the proper culture practices in place.

MR ASPINALL: And you said you thought it'd take a long time to fix; is that right?

30 MR DEMETRIOU: No. I said that to shift culture is not easy. It takes time. I think – I think Crown, fundamentally, has a very, very good culture. In the experience that I've seen and with the staff that we've got, and the 18 and a half thousand of them, and what we're building in Sydney, we have very good cultural practices in place. But, as it turns out, for whatever reason, in the matter that we're –
35 are before this Inquiry, the culture of compliance, which is a consequence of having a good culture, which is what you weave into your organisation, which is to be a valuable asset of your organisation, the culture, didn't – it didn't act in the way it should have. We were deficient in that area.

40 COMMISSIONER: What does that mean?

45 MR DEMETRIOU: Well, the culture of an organisation, fundamentally, Madam Commissioner, is the behaviours and the values, the beliefs, the symbols that people accept. And they, essentially, accept them without even thinking about them. And for whatever reason, as part of that culture, it's a non-negotiable that you deal with proper communication, proper transparency. You deal – you – you act ethically. You live and breathe the values of the organisation. And, in the area of information flow that went to approval of junket operators, the defects in – in the AML process,

that information should have been forthcoming. And if, for whatever reason – and I think, on balance, the people are very decent people. In my experience, they’re been great and, certainly loyal workers to Crown, they didn’t provide that information up the chain to the board, which they should have.

5

COMMISSIONER: You said that you were “deficient in that area”. Do you mean in the information flow only or is it something more broadly based?

MR DEMETRIOU: Well, I think the emails, particularly the one that Mr Aspinall has taken me to today - - -

10

COMMISSIONER: Yes.

MR DEMETRIOU: - - - also – also raise a question whether the culture of compliance was being adhered to.

15

COMMISSIONER: Yes. So how do you fix that, Mr Demetriou?

MR DEMETRIOU: Well, we’ve undertaken, through our new management and our new chair, to review the culture of the organisation, to see where we are deficient and to make sure that, you know, where there are deficiencies, we eradicate them.

20

COMMISSIONER: It’s a different situation when you hold a licence in each of the states of the country – and that’s this state, Victoria and Western Australia – to operate casinos. It’s not a straightforward situation, is it?

25

MR DEMETRIOU: I think the core values of a business – it doesn’t matter where they’re – what jurisdiction they lay – they should operate in unison and they should all be aligned. I accept that, in different jurisdictions, there may be certain requirements that may differ from time to time. But I think the fundamental principle of being a values-based organisation, crosses any border.

30

COMMISSIONER: I understand all those sentiments. But one of the problems that this Inquiry has faced is that these problems have been exposed for years in terms of connections between junket operators and the underworld – as it’s been said in that email – or underground. The attitude of a company, surely, is it listen to criticism and look into your own company to see if there’s any force in them, isn’t it?

35

MR DEMETRIOU: It is. But it also goes – sometimes you don’t accept the criticism. Sometimes you reject it. And sometimes it may be wrong. We don’t – we don’t assume that everything that’s been allegedly exposed or been criticised is correct.

40

COMMISSIONER: Has there been any admissions prior to the Inquiry in respect of what the press raised last year? It looks not to me, Mister - - -

45

MR DEMETRIOU: Yes, there have.

COMMISSIONER: I see. And when was that?

MR DEMETRIOU: I don't accept – I don't accept that we knowingly broke the law in China – Crown. I don't accept that we were partnering with junket operators.

5

COMMISSIONER: I see.

MR DEMETRIOU: I don't accept – I don't accept that we were circumventing the visa process. They are incorrect.

10

COMMISSIONER: I see. Yes, Mr Aspinall.

MR ASPINALL: The Commissioner asked you, just now, how you fix a deficiency in the culture of compliance. And you said, firstly, you do a review; do you remember that?

15

MR DEMETRIOU: That's one component of it, Mr Aspinall.

MR ASPINALL: Have you done that yet?

20

MR DEMETRIOU: Mr Barton, as the CEO, is commencing that review. And, no doubt, it will be raised at the October 21st – October 20, I think, the meeting is of the board, the 21st.

25 MR ASPINALL: Do you have any idea how long the review will take?

MR DEMETRIOU: I'm not privy to what's in the CEO's mind, at the moment, Mr Aspinall, but I look forward to hearing from him.

30 MR ASPINALL: And then you said you take steps to eradicate the problem. Have you taken any steps yet?

MR YOUNG: Commissioner, can I object to the generality of this?

35 COMMISSIONER: Yes, all right. Yes. All right. Yes, yes.

MR YOUNG: It's impossible to know whether - - -

COMMISSIONER: No. That's all right. Yes.

40

MR YOUNG: - - - Mr Aspinall is referring to junkets.

COMMISSIONER: That's all right. Mr Young. You are correct. Yes. Mr Aspinall, please make it more specific, please.

45

MR ASPINALL: Mr Demetriou, are you aware of any steps which Crown has taken yet which are aimed at addressing a deficiency in the culture of compliance?

MR DEMETRIOU: Yes. We're – we've already undertaken a search for a head of compliance and crimes, as I mentioned earlier. We are resourcing the compliance area having a compliance officer in each state. We've appointed Nick Stokes to be the person that sits above those compliance officers. We've – we're inserting a more
5 digital approach, which is being trialled at the moment, for our monitoring of our AML program. We're rolling out the joint AML program around about the end of October, and it will be operational in Sydney. We've appointed Nick Kaldas to form better relationships with law enforcement operators. We've – we're doing a number of things, Mr Aspinall.

10 MR ASPINALL: Yes. But some of those don't – wouldn't seem to go to the culture of compliance which we're looking at in emails such as this one regarding Ng Chi Un, would they? Because that's an example where employees are being made aware of serious problems and not reporting them to the risk structure. How do you
15 fix that?

MR DEMETRIOU: Well, as I mentioned earlier, the new head of – in the past, these things were being approved by the head of compliance. Now, the new head of compliance and crimes, which will be a significant appointment, will have direct
20 reporting line to the board through the risk committee. So there won't be an avenue for those things not to be elevated to the board.

MR ASPINALL: And you said you thought it'd take time to change the culture of compliance; is that right?

25 MR DEMETRIOU: I've said it would take – it takes time to shift the culture in an organisation. And we're we - - -

MR ASPINALL: But - - -

30 MR DEMETRIOU: We need to shift aspects of what we do, and we've begun that process.

MR ASPINALL: How long do you think it will take to complete?

35 MR DEMETRIOU: I can't give you a time on it, Mr Aspinall. It should take however long it takes until you get it right. And culture is one of those things that you're constantly – constantly reviewing: you're doing staff surveys; you're doing external reviews. You're constantly reviewing your culture.

40 MR ASPINALL: But what confidence could the regulator in New South Wales have that it's appropriate to open the casino at Barangaroo in circumstances where you've just said to me there are deficiencies in the culture of compliance and you don't know how long they will take to fix?

45 MR DEMETRIOU: No. I've identified there were deficiencies in the culture of compliance that you're looking at through this Inquiry. But I can assure you we are

in an infinitely better place today than we were last year and we were five years ago and we were six years ago.

5 MR ASPINALL: But, as I understand it, you haven't even done the review yet?

MR DEMETRIOU: That's a review of the culture.

MR ASPINALL: Yes.

10 MR DEMETRIOU: But, as I said earlier, we're doing other – we've done a review of our AML. We've done a review of junket operations. We are not operating in China any more, in international jurisdictions. We've got a – Anne Siegers has got a risk framework and a risk matrix now, which is documented, which the board adheres to. We've got a much – we are appointing people in roles: a head of VIP, a
15 head of compliance, a head of internal audit. We are well underway. I'm very confident that we should be able to operate a casino licence out of Sydney; very confident in our capacity to do that.

20 MR ASPINALL: Yes. But until you've done the review, how do you know if any of those things you have done are appropriate to fix the problem?

MR DEMETRIOU: Well, it's 2020 at the moment, Mr Aspinall, and the matters which are before the Commission, which are very important matters, I might add, are matters that occurred several years ago. And I'm not diminishing their importance at
25 all, but we haven't sat on our hands and knees. We are addressing those issues, and have addressed them, and we'll constantly do our best to have a culture of excellence in the organisation.

30 MR ASPINALL: Well, if I take you to CRL.001.004.0042, exhibit AE3.

COMMISSIONER: Exhibit A?

MR ASPINALL: AE3. You see that's a junket settlement sheet with Mr Qin?

35 MR DEMETRIOU: I haven't got it on the screen, Mr Aspinall. Sorry.

COMMISSIONER: It will come up - - -

40 MR DEMETRIOU: It's coming. It's coming.

COMMISSIONER: - - - shortly – it will come up shortly, Mr Demetriou. Put it on the confidential screen.

45 MR DEMETRIOU: Yes, I've got that.

COMMISSIONER: Thank you.

MR ASPINALL: And that's from October 7th last year.

MR DEMETRIOU: Yes.

5 MR ASPINALL: So that's after this Inquiry was announced, you're still dealing with Mr Qin.

10 MR DEMETRIOU: Well, as I said earlier, moving forward, junket operators have been – the junket operators have been suspended. I'm not privy to why we're settling with Mr Qin in October 7, 2019 other than I assume that the people discharged with the duties of dealing with Mr Qin saw no reason not to deal with Mr Qin.

15 MR ASPINALL: But I thought the argument - - -

MR DEMETRIOU:

20 MR ASPINALL: But I thought the argument you were putting forward was that these problems were all in the past, effectively. But doesn't this indicate they're sort of still happening, very recently?

25 MR DEMETRIOU: But I haven't – I've – again – and I'm not the person who was in the – in the decision-making role on this junket operator. The allegations against Mr Qin are just that. Unless he – I don't know whether he's been convicted or he's been detained at the airport, whether he's – whether he's got law enforcement agencies chasing him or not. They are just allegations. But I – I take the – I accept the position that there seems to be, on balance, some question marks around dealing with Mr Qin, going forward.

30 COMMISSIONER: I think the point that counsel assisting is making is your proposition that the problems were in the past, and to bring you to the present, that is, since the Inquiry has been announced, if you've seen the evidence, there have been problems exposed since August, September 2019 with which the company has not yet dealt. Do you understand that?

35 MR DEMETRIOU: I accept, Madam Commissioner, that there may have been issues that have been exposed in the past few months. And I'm sure, going forward, that there will be other issues that crop up from time to time. But it's how you respond to those. And I expect that we will respond in accordance with meeting our – our obligations under any licence arrangement.

COMMISSIONER: But the fact is, do you accept, that it's not "all in the past"; it is, in fact, more recent than that?

45 MR DEMETRIOU: Well, I can't – and I say respectfully, Madam Commissioner, I'm looking at a document about Mr Qin. My assumption is – with very limited knowledge about Mr Qin, that he is operating in other jurisdictions and he's

operating at Star and he has been operating at Crown. And one has to ask the question: if he is of ill repute, as has been put, why is he operating in those jurisdictions. That doesn't make it right. I am not excusing Crown for dealing with him, but the people who made that decision must have made that decision to continue
5 to settle with Mr Qin for a reason. I'm not privy to that reason.

COMMISSIONER: I will just say it once again: do you accept that it's not all in the past, that it is more contemporary than that, the problems that we see here?

10 MR DEMETRIOU: I accept that there are issues that are contemporary, and issues from time to time will continue to crop up.

COMMISSIONER: And so far as dealing with other jurisdictions and other casinos, Mr Demetriou, I've said to some of your colleagues, shouldn't it be the case that
15 Crown should lead the way?

MR DEMETRIOU: I think we – I – I would concur with that view, Madam Commissioner. We take our obligations very seriously, and I – I think we should be the best of the very best, yes.
20

COMMISSIONER: So whether they're licensed elsewhere or overseas or here, is an irrelevancy to you on one view of it, because you will lead the way. Isn't that right?

25 MR DEMETRIOU: We should always endeavour to lead the way, Madam Commissioner.

COMMISSIONER: Yes. All right, Mr Demetriou. Yes, Mr Aspinall.

30 MR ASPINALL: Mr Demetriou, you said you weren't familiar with Mr Qin; is that right, or his approval process?

MR DEMETRIOU: I'm not very familiar with it, Mr Aspinall.

35 MR ASPINALL: Are you aware that Mr Qin was one of the five largest junket operators for Crown?

MR DEMETRIOU: No, I was not.

40 MR ASPINALL: Doesn't it concern you that even now, at this stage, you still don't know who the largest junket operators were and how and what their stories were?

MR DEMETRIOU: No, it doesn't concern me. I mean, I – I – I take my role as a director very seriously, and I don't expect to know every intricate detail of every
45 single client we deal with.

MR ASPINALL: But now you're the chair of the licensee, don't you think it's time to roll up your sleeves and have a look at these things, dig down a bit further?

5 MR DEMETRIOU: Your assumption is that I don't, Mr Aspinall – or hopefully that's not your assumption. But we have to be very careful as a director in not impeding on what management does. I'm not the executive chairman of Crown Melbourne.

10 MR ASPINALL: No, but you are the chairman of the licensee company.

COMMISSIONER: What's the question, Mr Aspinall?

MR ASPINALL: You saw, in the table I showed you, that the turnover from Mr Qin was in the billions of dollars, didn't you?

15 MR DEMETRIOU: Yes.

MR ASPINALL: And you saw the due diligence reports which all reported that he had been detained in respect of money laundering and other nefarious activities in 2012?

MR YOUNG: I object to that.

25 COMMISSIONER: Yes, that is rejected.

MR ASPINALL: You saw the due diligence reports regarding Mr Qin and his background, didn't you?

30 MR DEMETRIOU: Yes.

MR ASPINALL: And you saw that it was alleged consistently that he had been detained in China in 2012 on suspicion of money laundering and other nefarious activities, hadn't you?

35 MR DEMETRIOU: Yes, but I didn't see that he had gone to jail, Mr Aspinall.

MR ASPINALL: The report said that he had been detained in China; do you remember?

40 MR DEMETRIOU: I did see that, but they were all allegations, and I'm not saying they're not serious allegations, but all I saw were allegations.

MR ASPINALL: And you told me just now, I think, that you were not familiar with his story; correct?

45 MR DEMETRIOU: Not – not very closely familiar, no.

MR ASPINALL: I ask you again: doesn't it concern you that you are not familiar with his story?

5 MR DEMETRIOU: I'm not very familiar with his story or all of our junket operators, Mr Aspinall.

MR ASPINALL: And isn't that a reason – a cause of concern to you?

10 MR DEMETRIOU: Not particularly, Mr Aspinall.

MR ASPINALL: Don't you think, as the chair of the licensee company, you should have some familiarity with the junket operators?

15 MR DEMETRIOU: I have familiarity with junket operators to the extent which I understand why they exist. I understand the – the – I understand why they exist. I understand how they operate, and they're accepted in other jurisdictions. I understand the allegations that surround junket operators. I think I've got sufficient knowledge about junket operators to make an informed decision.

20 MR ASPINALL: But the problem is, as the chair of the licensee company, isn't it your duty to protect the licence?

MR DEMETRIOU: Yes, that's correct.

25 MR ASPINALL: And don't you understand that if the casino deals with people of bad repute or nefarious backgrounds, that that licence is put at risk?

MR DEMETRIOU: Of course. I accept that, indeed.

30 MR ASPINALL: So why aren't you concerned that you don't know about Mr Qin and his background?

MR DEMETRIOU: Because we have processes in place and approval processes for junket operators. We deal with AUSTRAC, we deal with law enforcement agencies.
35 We work with the VCGLR who are familiar with these junket operators. There are checks and balances along the way that still to this day as we sit here, junket operators are an approved form of operating in casinos in other jurisdictions. I'm not saying it's right or wrong but I'm familiar with the facts as to how junket operators came to be, why they exist and how they're approved.

40 MR ASPINALL: But on your own evidence in respect of Mr Qin at least, all those processes had failed, hadn't they?

45 MR DEMETRIOU: I'm not sure if they failed with Mr Qin, Mr Aspinall. I can't say that. I don't know.

MR ASPINALL: Well, because you told me that in your view you shouldn't be dealing with him?

5 MR DEMETRIOU: No, I said on balance – given the nature of the allegations and the repeated nature of the allegations, on balance you could understand why you wouldn't deal with him. But having said that, I said we are conducting a thorough review. The outcome of that review will be known before June 2021 and I reserve my position as a chairman of the board of Crown of Melbourne until I discuss it with my fellow board members.

10 MR ASPINALL: But do you see that if the regulator took the same view as you had on balance, that you shouldn't be dealing with Mr Qin and you had been, that puts your licence at risk?

15 MR DEMETRIOU: Well, if – if the regulator, as a general proposition, does not approve junket operators, that makes life a lot easier, Mr Aspinall.

COMMISSIONER: Do you mean to say that if it's the regulator who makes the decision for you, it makes it easier for you?

20 MR DEMETRIOU: Yes. Yes, Madam Commissioner.

COMMISSIONER: Yes, thank you.

25 MR ASPINALL: Have you followed the evidence with regard to Southbank and Riverbank, Mr Demetriou?

MR DEMETRIOU: Very broadly, Mr Aspinall.

30 MR ASPINALL: We've looked with various witnesses at the bank accounts for those companies. Have you had a look at them?

MR DEMETRIOU: At the bank accounts themselves?

35 MR ASPINALL: Yes, at the bank accounts themselves?

MR DEMETRIOU: No, I've never looked at the bank accounts, Mr Aspinall.

40 MR ASPINALL: Why haven't you looked at them?

MR DEMETRIOU: I was unaware of them.

MR ASPINALL: Weren't they mentioned in the newspapers over a year ago?

45 MR DEMETRIOU: Yes, they were. But I had no knowledge of Riverbank and Southbank accounts.

MR ASPINALL: No. But don't you recall that the newspaper article alleged that drug traffickers and other persons had laundered money through the accounts of Southbank Investments and Riverbank Investments?

5 MR DEMETRIOU: That was the allegation, yes.

MR ASPINALL: And, in light of those allegations, weren't you concerned to see whether or not that was true or not?

10 MR DEMETRIOU: Well, we asked management to come back to the board with a response to all the allegations, Mr Aspinall.

MR ASPINALL: But wouldn't you just ask to say, "Show me the bank accounts". Why didn't you ask to do that?

15 MR DEMETRIOU: Mr Aspinall, I'm not an accountant. And showing me bank accounts wouldn't have been as effective as asking the people responsible, the expert advisers who are dealing with those bank accounts, to report back to the board. And I would have dutifully discharged my duties as a director to try and look at those as
20 carefully as possible.

MR ASPINALL: Well, didn't it occur to you that, if the allegations were true, that the people who were supposed to be dealing with this issue in management weren't doing their jobs properly?

25 MR DEMETRIOU: That didn't occur to me, because the allegations were just allegations. I didn't – weren't privy to whether they'd been substantiated or not and, plus, we had MinterEllison supporting management in preparing the response to those allegations.

30 COMMISSIONER: But the question is a little different. Mr Aspinall asked you, if the allegations were true, did you appreciate that the people who were supposed to be dealing with the issue in management may well not have been doing their job properly. Did that occur to you?

35 MR DEMETRIOU: No, I accept that, Madam Commissioner.

COMMISSIONER: All right. Yes, Mr Aspinall.

40 MR ASPINALL: And so you couldn't rely upon what they told you as to whether or not there was a problem, could you?

MR YOUNG: Commissioner.

45 COMMISSIONER: Yes. Mr Aspinall, I think that's a little broad in the circumstances.

MR ASPINALL: Mr Demetriou, you said you relied upon management. And I think you agreed that if management had been doing their job, then there were unlikely to have been – then the – sorry. I'll start again.

5 COMMISSIONER: Yes.

MR ASPINALL: I think you agreed with me, Mr Demetriou, that if management were doing their jobs, then the allegations wouldn't have been true; correct?

10 MR YOUNG: Well, I do object, Commissioner.

MR DEMETRIOU: I don't know whether I did - - -

15 COMMISSIONER: Yes. It wasn't – just pause there, please. I think what Mr Demetriou accepted was that if the allegations were true - - -

MR YOUNG: Yes.

20 COMMISSIONER: - - - and you can move from there.

MR YOUNG: Yes, thank you.

25 COMMISSIONER: That's all right. Mr Demetriou, have you, at any stage since the Inquiry has looked into Riverbank and Southbank accounts, looked at the bank accounts at any stage?

30 MR DEMETRIOU: We've had updates, Madam Commissioner, from management and recently received an update from our chief executive officer as late as the end of September on those bank accounts.

COMMISSIONER: Could I ask you again, have you actually looked at the bank accounts for yourself?

35 MR DEMETRIOU: No, I have not, Madam Commissioner.

COMMISSIONER: And I know you've said that you're not an accountant, but, in any event – yes, Mr Aspinall.

40 MR ASPINALL: I might show you one of these accounts, Mr Demetriou. It's CBA.050.001.0347_R. And that's BA425. 485, I'm sorry.

COMMISSIONER: Yes. Thank you, Mr Aspinall. Yes.

45 MR ASPINALL: Can you let me know when that comes up on your screen, Mr Demetriou?

MR DEMETRIOU: Certainly, Mr Aspinall. Yes, it's there now.

MR ASPINALL: When we looked at the first page - - -

MR ASPINALL: Have you got it there now?

5 MR DEMETRIOU: Yes, I have.

MR ASPINALL: When we looked at the first page, do you see there are two cash deposits on the 1st of September? Do you need it enlarged?

10 MR DEMETRIOU: Cash deposit, branch 7. There's one with 7 and one with 8?

COMMISSIONER: Yes.

MR ASPINALL: Yes.

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MR DEMETRIOU: Yes. I can see that.

MR ASPINALL: Is that difficult for you to read? Do you need it enlarged, or are you okay.

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MR DEMETRIOU: No, I can see that.

MR ASPINALL: And do you see underneath the cash deposit branch is a number, a six-digit number.

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MR DEMETRIOU: Yes, one starting with 285; is that right?

MR ASPINALL: Yes. I want you to assume that that's the patron number that the amount deposited will be credited to at the casino. Do you understand?

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MR DEMETRIOU: Yes. Yes, I do, Mr Aspinall.

MR ASPINALL: So if we go over, now, to page 0350. You see we start to get a string of cash deposits at different branches of the Commonwealth Bank over Sydney?

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MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And do you see that some of the numbers underneath them are the same?

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MR DEMETRIOU: 73062. Yes, 22181. Yes, I do.

MR ASPINALL: And do you see they're all under the \$10,000 reporting limit?

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MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: It wouldn't take any expertise in money laundering to see that there was a problem with these sort of transactions, would there? It's pretty obvious.

MR DEMETRIOU: Well, they should have been picked up, Mr Aspinall.

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MR ASPINALL: Yes. And so when you asked management whether there was any truth to these allegations that money laundering was occurring through these accounts, do you see what they told you wasn't correct? You can see that straight from the statement, can't you?

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MR DEMETRIOU: Well, they may have been mistaken, Mr Aspinall.

MR ASPINALL: Yes.

15 MR DEMETRIOU: But your proposition – your proposition is right.

MR ASPINALL: And going back to the proposition that I was trying to make before, wasn't asking management whether there were any problems in these accounts problematic?

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MR DEMETRIOU: Well, I don't – I don't accept that proposition.

COMMISSIONER: I suppose you have to start somewhere, Mr Demetriou. But in terms of the allegations that were made, to be advised that the AML policy applies to them is one thing, but, forensically, looking at what actually happened is terribly important from the board's point of view, isn't it?

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MR DEMETRIOU: Absolutely, Madam Commissioner.

30 COMMISSIONER: And the report that we've seen that you received as a board member, did not indicate any of this sort of conduct was occurring. I understand that. And you recall that, I presume?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

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COMMISSIONER: But if it had been alerted to you, or you'd been alerted to it, you could have indicated publicly that the company did have some problems, couldn't you?

40 MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: Rather than going through the process of this, at times, scorching questioning for some – not for you, of course – and you could have avoided that; do you agree?

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MR DEMETRIOU: Much more preferable to have avoided it, Madam Commissioner.

5 COMMISSIONER: I would have thought so, Mr Demetriou. But it is a significant matter that a public company who has a licence to run a casino in this State would need to look at this more closely to indicate to the regulator rather than this Inquiry that it is experiencing or has experienced problems with its accounts. Would you agree with that?

MR DEMETRIOU: Yes, Madam Commissioner.

10 COMMISSIONER: Rather than having it drawn out in this public domain like this; would you agree with that?

MR DEMETRIOU: Yes, Madam Commissioner. Absolutely.

15 COMMISSIONER: All right then. Yes, Mr Aspinall.

MR ASPINALL: And prior to looking at these statements today, what was your understanding of what had occurred through these accounts?

20 MR DEMETRIOU: Is this – sorry, Mr Aspinall, is this in relation to historical or since the benefit of the Inquiry and since the latest report I've received from management?

25 MR ASPINALL: Just as of you, sat there this morning, what did you understand had happened in the Riverbank and Southbank accounts?

30 MR DEMETRIOU: Well, the report I received recently has ascertained that there were approximately 100 – 102 transactions that occurred of 34,000, where it appears that structuring or aggregation of those amounts had taken place. It forms around about 0.3 per cent of all the transactions; that's 0.3 per cent too many. And they appear to have been settle, in many of the instances, to settle debt. Notwithstanding all that, you want 100 per cent accuracy in these matters. Absolutely.

35 MR ASPINALL: And in terms of looking at the bank account statements to verify that's correct, you haven't done anything; is that right?

MR DEMETRIOU: No, I haven't poured over bank statements, Mr Aspinall. No.

40 MR ASPINALL: So you were told, were you, that there are 100 transactions or a hundred - - -

COMMISSIONER: 102.

MR ASPINALL: 102 transactions.

45 MR DEMETRIOU: 102; that's correct.

MR ASPINALL: Do you see just in the statement we've looked through, there would be at least 60 transactions. Do you want to scroll through them.

5 COMMISSIONER: Well, I think you'll would have to scroll through them for him.

MR ASPINALL: Yes. Can you scroll through them, operator, please.

10 COMMISSIONER: I think, to assist Mr Demetriou, do we have some numbers for him?

MR ASPINALL: We have no numbers for him at the moment.

COMMISSIONER: Yes. It's quite clear that there are more than 100; is that right?

15 MR ASPINALL: Yes.

COMMISSIONER: And the amount of money of 34,000, do we have a figure on that?

20 MR ASPINALL: I don't have a figure at the moment.

COMMISSIONER: All right. So, Mr Demetriou - - -

25 MR DEMETRIOU: Yes.

COMMISSIONER: - - - you understand it was only 34,000, did you?

30 MR DEMETRIOU: About 34,000. But, Madam Commissioner, there are 609 in my report - 609 cash deposits - - -

COMMISSIONER: I see.

MR DEMETRIOU: - - - but they relate to 102 instances.

35 COMMISSIONER: I yes.

MR ASPINALL: I see. In terms of the structuring of transactions breaking it into parts?

40 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: I see.

45 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And were you aware in respect of what was happening regarding the bank's raising concerns with Crown over time?

MR DEMETRIOU: No, I wasn't, Mr Aspinall, until this Inquiry.

MR ASPINALL: Now, and having seen that, are you aware that those concerns never made it to the risk management committee?

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MR DEMETRIOU: I'm aware, now, that they never made it to the risk management committee.

MR ASPINALL: Yes. Do you think they should have made it to the risk management committee?

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MR DEMETRIOU: Absolutely, I do.

MR ASPINALL: Are you aware, as late as last year and in the final months of last year, that Crown was still persisting in trying to open up new accounts for these companies?

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MR DEMETRIOU: No, I'm not aware of that, Mr Aspinall.

MR ASPINALL: You're still not aware of that?

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MR DEMETRIOU: I wasn't aware of it. And I'm not aware of it today.

MR ASPINALL: That hasn't been reported to the risk management committee, even now?

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MR DEMETRIOU: Not to my knowledge. And I'm not – again, I'm not privy to whose accounts are being opened, but there surely couldn't be any being opened in Melbourne, because we haven't been open for eight months.

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MR ASPINALL: In terms of – in terms of the problem, again, it might be characterised as a risk elevation problem, but is your characterisation of it as a culture of compliance problem as well?

MR DEMETRIOU: Yes. And, in particular, not just elevation of information, but the transparency and the communication of those – of those problems.

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MR ASPINALL: Were you aware that Mr Barton was involved in attempting to open new accounts and attempting to persuade banks to keep open existing accounts throughout the period since 2014 to 2019?

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COMMISSIONER: You mean the Riverbank and Southbank accounts?

MR ASPINALL: Yes, the Riverbank and Southbank accounts.

45

MR DEMETRIOU: No, I wasn't, Mr Aspinall. My – the only – the only matter I've known Mr Barton is dealing with the banks in general.

MR ASPINALL: Can you assume that Mr Barton did that and was made aware that there were AML concerns being raised by the bank. What does that say about the culture, do you think?

5 MR DEMETRIOU: I – I’m not – I don’t know, is the short answer, Mr Aspinall, because I don’t know the specifics about what you’re referring to. But if the banks were raising issues then in one aspect that’s a good thing because it alerts us to some issues that we may not be aware of. And you know, more collaboration between banks, AUSTRAC, law enforcement agencies can only be a positive.

10 MR ASPINALL: Wouldn’t it indicate that even at high levels of Crown executives that money laundering concerns aren’t taken seriously or haven’t been?

15 MR DEMETRIOU: Look, I can only speak highly of our management team and their ethics and they take all matters seriously. Should they have elevated information to the board? Absolutely. But in my experience, they are all thoroughly decent people, hardworking, very loyal to the organisation and have served Crown very, very well.

20 COMMISSIONER: Mr Demetriou, that’s something different from the question that was put. I think we need to look at this from the point of view of how it could be that the companies that were running these accounts could remain open with this sort of structuring taking place within them when the banks were, in fact, indicating that they had concerns about money laundering. You understand that?

25 MR DEMETRIOU: Yes, I do, Madam Commissioner.

30 COMMISSIONER: And so once the banks raised the question, the position of the company was, “We want to please the patrons because they want to use these accounts so that they can pretend that they’re not gambling.” That was the first thing. And the second thing is, “We need to comply with the obligations but keep the patrons happy.” You see what was happening?

35 MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: And so one of the things that must be, surely, for the future is that you don’t worry so much about the happiness of the patrons before you deal with your obligations to the licensing regulator. Do you understand that?

40 MR DEMETRIOU: I do, Madam Commissioner.

45 COMMISSIONER: And in this instance, it would have been very straightforward, I think, for the company to say, “Once the banks are concerned about money laundering, we need to review our operations and deal with it at a high level.” Would you agree with that?

MR DEMETRIOU: Yes. And I would also add we needed to go back to the particular clients and ask them what's going on.

5 COMMISSIONER: Well, I think the clients were led to believe that they could put their money through, and this was just happening without being picked up, but you're right. One of the problems I think you face is that the matter went on even after the Inquiry was announced, that is, that bank accounts were still open and apparently you weren't made aware of that. Is that right?

10 MR DEMETRIOU: That is correct, Madam Commissioner.

COMMISSIONER: And so there are a number of layers of problems here, it seems, doesn't it?

15 MR DEMETRIOU: There appears to be, Madam Commissioner.

COMMISSIONER: And I'm not sure whether your memorandum or memoranda that you've received as a director cover these layers but at the moment I simply do not know what the company says about the problems in this area. Do you understand that?

20 MR DEMETRIOU: Well, I think we all know that the two bank accounts have been closed, the said bank accounts – Riverbank and Southbank – and that we have put more stringent processes in, in vetting and checking on clients and their behaviours.

25 COMMISSIONER: I see. And what are they?

MR DEMETRIOU: Well, I don't want to sound repetitive, but we are – we've got a review going on about the way we deal with junket operators. We've got the resources that have been attached to the anti-money laundering, the new positions that have been created, the new – the new digital platform that hopefully will pick up these things earlier than what was previously done under, you know, under a manual process. We've got a much more thorough investigative process in our AML process than we've had in the past.

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COMMISSIONER: I see.

MR DEMETRIOU: And we're not there yet.

40 COMMISSIONER: No. Well, perhaps we will find out in due course. Yes, Mr Aspinall.

MR ASPINALL: Now, Mr Demetriou, do you see that based upon the sample account that I showed you, if Crown was opening new accounts over time, despite banks raising concerns about potential money laundering through these accounts and 45 they were opening them with no new controls which would stop that issue recurring,

that someone might reasonably say that Crown was facilitating or turning a blind eye to money laundering; could you see that?

MR DEMETRIOU: No, I reject that, Mr Aspinall. I don't accept - - -

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MR ASPINALL:

MR DEMETRIOU: - - - at all – I don't accept at all that Crown has ever turned a blind eye to anything, and I rejected that at the time when the allegations were made on the 60 Minutes program. The fact is if there were bank accounts being opened, what this has demonstrated is that there appears to be 600-odd cash deposits that were the result of aggregation. They may have been to a few people and the people that have opened the accounts, my assumption is they opened the accounts as legitimate clients. Because out of the 97 – out of the 99.7 per cent of transactions that have occurred, they seem to have been legitimate.

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MR ASPINALL: No, but don't you see that in circumstances where account after account had these problems, that to continue to open accounts even where banks were telling you they were concerned and where, as we can see by looking at the account, it's not difficult to work out there was money laundering going on, that could be viewed by a reasonable person as Crown facilitating or turning a blind eye to the money laundering.

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MR DEMETRIOU: I don't agree with that proposition, Mr Aspinall, because as I said earlier, there may have been legitimate clients who have been through a legitimate vetting process that have opened accounts and have behaved legitimately throughout that whole process and transacted accordingly.

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COMMISSIONER: There probably were, one would hope, but you have problems - - -

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MR DEMETRIOU: Well, I'm sure - - -

COMMISSIONER: Just wait, Mr Demetriou. You have problems identified in those bank accounts; do you agree with that proposition?

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MR DEMETRIOU: Yes, indeed, Madam Commissioner.

COMMISSIONER: And if they continued and the bank accounts were sought to be opened in the face of the banks suggesting problems, do you not agree that a reasonable criticism is that you are turning a blind eye on one view of that?

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MR DEMETRIOU: I'm sorry, Madam Commissioner, I don't agree because they may have been – the bank – and I don't know what issues the banks were raising per se but they may have been raising issues about particular clients and particular transactions and of all the clients who were using those accounts there may have

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been legitimate clients who had been through the proper vetting processes and that's not turning a blind eye to that.

5 COMMISSIONER: But you see, if you don't stop it, if you actually seek to reopen accounts in the face of those criticisms, a bystander may say, "What are they doing? Why don't they have a look and stop it?" Do you agree with that?

10 MR DEMETRIOU: I think it's a fair comment to say a bystander should say they should stop any transactions that are going through their accounts that are suspicious and relate to anti-money laundering, absolutely. But does that mean that you do not open accounts into the future if people have gone through the proper vetting processes, the proper approval process; they may be reputable clients. I don't necessarily share that view, I'm sorry.

15 COMMISSIONER: That's not a view that I proposed to you, and I understand that you wouldn't share that view because it may be unreasonable, but I didn't propose it to you, Mr Demetriou. I proposed only that if a bystander sees accounts like this continuing to have what is obvious structuring and you don't do anything about it, it's a reasonable proposition for them to say, "Perhaps they are not taking this
20 seriously." Would you agree with that?

MR DEMETRIOU: I would agree with that proposition as distinct from turning a blind eye to it, Madam Commissioner.

25 COMMISSIONER: All right. Yes, Mr Aspinall.

MR ASPINALL: And isn't it a matter of concern to you that even in October 2020
- - -

30 COMMISSIONER: October 2020.

MR ASPINALL: 2020, a year after the allegations were made with regard to Southbank, you haven't got any detailed understanding of what actually has occurred in these accounts, what banks told Crown or any of that. Doesn't that concern you?
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MR YOUNG: I object. Just a moment, I object to the question.

COMMISSIONER: Yes, just take it one by one.

40 MR ASPINALL: Doesn't it concern you, Mr Demetriou, that you come to this Inquiry today, and when I ask you about these accounts, you say, "I don't know what the banks told Crown."

45 MR DEMETRIOU: I – what I said, Mr Aspinall, was I don't know the specifics about what the banks told Mr Barton.

MR ASPINALL: Doesn't it concern you that you don't know the specifics, Mr Demetriou?

5 MR DEMETRIOU: I've got a broad enough general knowledge of the – this particular issue to give me comfort that I'm aware of what some of the issues were. And some of the shortcomings in the process.

10 MR ASPINALL: Doesn't it concern you that you don't know that Mr Barton was involved in trying to reopen these accounts?

MR DEMETRIOU: Not particularly.

15 MR ASPINALL: Doesn't it concern you that you didn't know that he was doing that as late as last year?

MR DEMETRIOU: Not particularly because I'm not quite sure of the context of what he was opening and whether they were legitimate clients or had been through the proper vetting process. So no, not particularly.

20 COMMISSIONER: Why had the accounts been closed?

MR DEMETRIOU: Why have Southbank and Riverbank been closed?

25 COMMISSIONER: The very ones.

MR DEMETRIOU: Because it – it has been demonstrated that there appears to have been some transactions that have occurred, and at this stage it appears to be some 600 cash transactions that appear to be a process of aggregation and structuring that we should not be party to.

30 COMMISSIONER: Do you mean that there is a concern that the accounts had money laundering happening through them?

35 MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

40 MR ASPINALL: Were you aware that there are other issues in the accounts, for example, transactions made where the explanatory reference said things that were nothing to do with gambling such as for the purchase of a house?

MR DEMETRIOU: No, I was unaware of that, Mr Aspinall.

45 MR ASPINALL: Wouldn't that raise concerns for you, that the accounts were being used for money laundering?

MR DEMETRIOU: If it was brought to my attention and the board's attention, absolutely, Mr Aspinall.

5 MR ASPINALL: And if Crown received a deposit which said, as a reference "for purchase of house" and then accepted that money into a patron's account, could it not be said that they were turning a blind eye to or facilitating money laundering?

10 MR DEMETRIOU: Well, you could argue that it was for potentially facilitating money laundering, but I don't – I don't agree that it's turning a blind eye.

MR ASPINALL: You don't think a reasonable person looking at that could say that Crown appeared to be turning a blind eye to money laundering?

15 MR DEMETRIOU: Mr Aspinall, when you say that Crown appeared to be turning a blind eye, it's a reflection on all the very hard decent working people at Crown, including some very, very fine people that serve on the board. If there are components or some people within the organisation that have failed in discharging their duties, I don't accept that that's a reflection on Crown as a whole, I'm sorry.

20 MR ASPINALL: Well, you signed an advertisement that denied that Crown had turned a blind eye or facilitated money laundering, didn't you?

MR DEMETRIOU: And I stand by that, Mr Aspinall.

25 MR ASPINALL: But you didn't know all the facts, did you?

MR DEMETRIOU: No, I only had the facts that were before me that were presented at the time, Mr Aspinall.

30 MR ASPINALL: And from the answer you have just given me, you appear to have given the answer that you gave in the advertisement on your basis of your understanding that lots of good people work at Crown; is that right?

35 MR DEMETRIOU: I just think that anyway, Mr Aspinall, regardless of an advertisement or not. I've got 18 and a half thousand people of which currently 12,000 are currently stood down. They are very, very hardworking decent people. I don't resile from that.

40 COMMISSIONER: There is no doubt that – there is no issue about that, Mr Demetriou. That is not what is at risk here. Those people's reputations are unsullied. Yes, Mr Aspinall.

45 MR ASPINALL: Mr Demetriou, you also signed an advertisement which said in relation to Chinese law:

The relevant prohibition under Chinese law is contained in article 303 which concerns arranging gambling parties. At all times, Crown understood that its

staff were operating in a manner which did not breach that provision. Also, at all relevant times Crown obtained legal and government relations advice from reputable independent specialists.

5 Do you remember that?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

10 MR ASPINALL: Did you ever see any of these legal advices?

MR DEMETRIOU: No, I did not, Mr Aspinall.

15 MR ASPINALL: Were you aware that none of these legal advices had been reviewed by Crown's own legal department?

MR DEMETRIOU: No, only until this Inquiry, Mr Aspinall.

20 MR ASPINALL: Were you aware that the factual basis upon which these advices depended, were potentially incorrect?

MR DEMETRIOU: No, I was not aware of that, Mr Aspinall.

MR ASPINALL: Then why did you sign this statement?

25 MR DEMETRIOU: Because Crown – Crown didn't break any law in China knowingly, Mr Aspinall. Crown was never charged with anything; individuals were.

MR ASPINALL: Is that a serious answer?

30 MR DEMETRIOU: Absolutely it is. We did not break any law knowingly.

MR ASPINALL: You put people into China in circumstances where it was highly risky for them, didn't you?

35 MR DEMETRIOU: As it turned out, my understanding at the time was that people were put into China to assist people with visa processing.

MR ASPINALL: But that wasn't true. You accept that now, don't you?

40 MR DEMETRIOU: It appears that it wasn't the only thing that they were doing. But as I said earlier, Crown was never charged with breaking the law knowingly in China.

MR ASPINALL: And what has that got to do with anything?

45 MR DEMETRIOU: Well, that's what the ad says, Mr Aspinall.

MR ASPINALL: Well, it says:

5 *Crown understood its staff were operating in a manner which did not breach that provision. At all times, Crown obtained legal and government relations advice from reputable independent specialists.*

You see?

10 MR DEMETRIOU: And that was the briefing that we were given at the board meeting subsequent to the arrests and that was the information that was before me and my fellow board members.

MR ASPINALL: But you didn't ask to see any of these advices?

15 MR DEMETRIOU: Not at the time, Mr Aspinall, no. We relied on - - -

MR ASPINALL:

20 MR DEMETRIOU: We relied on MinterEllison, our advisers and management for their report on some of the aspects that were contained in the program.

MR ASPINALL: And in fact, you had no understanding whether or not the staff were operating in a manner which did not breach article 303, did you?

25 MR DEMETRIOU: No, I did not, Mr Aspinall.

MR ASPINALL: Because you didn't even know if there were staff in China, did you?

30 MR DEMETRIOU: No, as I said earlier, my assumption was that the activity was being conducted out of the Hong Kong office and some of our Australian operators travelling to China, and I assumed there must have been some people on the ground. But what they were doing, how many; I had no idea.

35 MR ASPINALL: So wouldn't that have been the honest thing for you to say?

MR YOUNG: Just a moment. I object to that. Just a moment, Mr Demetriou.

40 COMMISSIONER: Just pause there. I reject that question with the inference that he was otherwise.

MR ASPINALL: A truthful answer with respect to what you knew about what was happening in China was that you didn't know there were any employees and you didn't know whether or not they were breaching any law at all, wouldn't it?

45 MR YOUNG: Commissioner, again, I object.

COMMISSIONER: Yes. It's the reference to the honest, is it?

MR YOUNG: No. Mr Demetriou gave evidence about what facts and information he relied upon when he approved the advertisement.

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COMMISSIONER: Yes.

MR YOUNG: Now, this question ignores that evidence altogether.

10 COMMISSIONER: Mr Aspinall?

MR ASPINALL: When, in the advertisement, it says:

15 *At all times, Crown understood that its staff were operating in a manner which did not breach that provision.*

That cannot have been true with respect to you personally, can it?

20 MR DEMETRIOU: Yes, it can, because I had had the benefit of the briefing at the board meeting subsequent to the Chinese arrests, and had been informed through the paper and through the briefing that we did, in fact, have people working on the ground in China.

25 MR ASPINALL: I see. So what you are saying is you had been told that at all times Crown had understood that?

MR DEMETRIOU: That is correct, Mr Aspinall.

30 MR ASPINALL: Even though you had no understanding of it?

MR DEMETRIOU: I didn't have a very – I didn't have a specific understanding of the operations in China. No.

35 COMMISSIONER: So you hadn't received any reports from the staff or from officers in relation to the operations in China prior to the arrests; is that right, Mr Demetriou?

40 MR DEMETRIOU: That's correct, Madam Commissioner. The only reports we would get would be in a board pack. And there may be a mention in the CEO's report about VIP business, numbers, dollars, the P&L related to that - - -

COMMISSIONER: So you did not – I'm sorry.

45 MR DEMETRIOU: - - - but nothing very detailed.

COMMISSIONER: So you did not know you had operatives on the ground in China?

MR DEMETRIOU: No, I didn't. I wasn't familiar with the operatives and how many there were and what their roles were. No.

5 COMMISSIONER: But your assumption, was it, that you didn't have staff on the ground in China?

MR DEMETRIOU: No. I said earlier my assumption was – I didn't know – but my assumption was we had people travelling from Australia. We had an office in Hong Kong. And my assumption was that there probably were some people operating in
10 China, but I had no knowledge of it.

COMMISSIONER: But you did not ask?

MR DEMETRIOU: No, I did not, Madam Commissioner.
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COMMISSIONER: Yes. Yes, Mr Aspinall.

MR ASPINALL: You were aware that a lot of the junkets that you were dealing with were based in Macau?
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MR DEMETRIOU: No, I wasn't, until this Inquiry started, Mr Aspinall.

MR ASPINALL: In the advertisement, you wrote:

25 *Macau-based junkets are required to be licensed there and are subject to regulatory oversight and probity checks.*

Do you remember that?

30 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: What did you understand those regulatory and oversight – sorry – regulatory oversight and probity checks to be?

35 MR DEMETRIOU: I didn't have a very deep understanding of what they were. My assumption was that they would've been through similar processes that had occurred in Australia and around the world insofar as probity.

MR ASPINALL: And in terms of the next sentence, it says:
40

There are also other casino regulators in Australia and overseas which review junket operators.

MR DEMETRIOU: Yes, Mr Aspinall.
45

MR ASPINALL: Which regulators in Australia were you talking about?

MR DEMETRIOU: Queensland, VCGLR; those two in particular.

MR ASPINALL: Does VCGLR review junket operators?

5 MR DEMETRIOU: They don't approve them, but they, certainly, in our five-yearly review, review our junket operators.

MR ASPINALL: I see. So referring to "regulators in Australia", you would have been referring to the VCGLR periodic review; is that right?
10

MR DEMETRIOU: Yes.

MR ASPINALL: And overseas – you've written:

15 *There are other casino regulators in Australia and overseas which review junket operators.*

Other than Macau, did you know of any other ones overseas?

20 MR DEMETRIOU: No. My assumption was that those operating in the United States, parts of Asia, but I didn't know, specifically, the details of which particular regulator, which jurisdiction.

MR ASPINALL: You've written:
25

Crown itself had a robust process for vetting junket operators, including a combination of probity, integrity and police checks.

Do you see that?
30

MR DEMETRIOU: Yes.

MR ASPINALL: What did you understand the robust process to consist of?

35 MR DEMETRIOU: Well, historically, it was about doing due diligence on the clients, their backgrounds, historical, where they were playing overseas, using the Dow Jones report to get information on them, a proper vetting process, their transaction history. That was mainly the things that we were using, the process.

40 MR ASPINALL: Do you accept now that it wasn't really robust?

MR DEMETRIOU: I accept now that it had deficiencies.

MR ASPINALL: But you don't resile from the word "robust"?
45

MR DEMETRIOU: No, because, at the time, and what was before me, I believed they were to be robust. But I accept, today, that they had the deficiencies.

MR ASPINALL: You wouldn't sign that advertisement if it were presented to you again today?

5 MR DEMETRIOU: I would certainly sign the advertisement again, but I might use a different choice of words, Mr Aspinall.

MR ASPINALL: What would you change?

10 COMMISSIONER: In respect of the whole advertisement or - - -

MR ASPINALL: Yes. What are the key things you would change in that advertisement?

15 MR DEMETRIOU: Well, in hindsight, "robust" would be changed, because it had – it's proven that we've had deficiencies. I suspect, going forward, we'll have a very robust process. We did correct the factual error on the Suncity junket and the reference to the Hong Kong Stock Exchange. But, other than that, there's not much else I would change.

20 MR ASPINALL: All right. I'm going to move to a new topic now, Commissioner, so that might be a convenient time.

25 COMMISSIONER: Yes, that's a convenient time. I'll take the luncheon adjournment now. And we'll resume at 2 pm. Thank you.

MR DEMETRIOU: Thank you.

30 **ADJOURNED** **[12.51 pm]**

RESUMED **[1.59 pm]**

35 COMMISSIONER: Yes, Mr Aspinall.

40 MR ASPINALL: Thank you, Commissioner. Now, just before lunch we were discussing the advertisement, Mr Demetriou. I'll bring it up. It's INQ.100.010.0895, which is exhibit A219. And to the next page. I think if we blow up the section under Junket Operators. You agree with – do you agreed that you'd change the word "robust" there, in that last paragraph?

MR DEMETRIOU: Yes, Mr Aspinall.

45 MR ASPINALL: What would you change that to?

MR DEMETRIOU: I would take out the word "robust" and leave it as "process".

MR ASPINALL: And when we scroll back out, you see the heading there in bold Setting the Record Straight in the Face of a Deceitful Campaign Against Crown.

MR DEMETRIOU: Yes, Mr Aspinall.

5

MR ASPINALL: Would you leave those words unchanged?

MR DEMETRIOU: Yes, I would.

10 MR ASPINALL: Why is that?

MR DEMETRIOU: Because I was relying on – first of all, I watched the program. And I was taken aback by some of the allegations, and found a lot of the assertions to be offensive to my fellow directors and our staff and our shareholders. But when we had our board meeting, we were presented with a paper that was prepared by MinterEllison and our management team. And I was taken by the introductory comments by Richard Murphy. One of the senior partners of MinterEllison, who, in his opening paragraph, described the program as:

20 *...a mishmash of hyperbole, exaggeration, unsubstantiated allegations, unsupported connections and outright falsehoods laced with speculative, ill-informed or misinformed opinions of self-appointed experts of dubious authority.*

25 MR ASPINALL: But you know now that that's wrong, don't you?

MR DEMETRIOU: No. I don't know that that's wrong. There was – there was some things in there that were deceitful. The use of a – you know there was the – a display of a jet which wasn't a Crown jet that was supposed to be ferrying a particular person somewhere; that we partnered with criminals; turning a blind eye, which I've already spoken to; circumventing the visa process and, somehow, we had some special arrangement with Border Force. I found those things to be abhorrent and deceitful.

35 MR ASPINALL: You see, a lot of the allegations that, at that point, were unsubstantiated have since been substantiated, haven't they?

MR DEMETRIOU: Some aspects have been, Mr Aspinall.

40 MR ASPINALL: But some important aspects?

MR DEMETRIOU: Well, certainly, the Suncity reference to the stock exchange was wrong.

45 MR ASPINALL: Yes. I know that, but – but in terms of Suncity itself, you've looked at the Berkeley report now and you accepted, I thought, that they shouldn't have been dealing with them?

MR DEMETRIOU: I've said, on balance, going forward, one wonders whether we should be dealing with them into the future.

MR ASPINALL: Right.

5

MR DEMETRIOU: But given they were approved by regulators throughout the world and that there were allegations about – I understand why they had – why we were dealing with them – they were dealing with Star City up the road.

10 MR ASPINALL: But there was nothing in the Berkeley report that was new, was there? Why do you say that you should only not be dealing with them, going forward?

15 MR DEMETRIOU: No. The Berkeley report was, I think, a more thorough research report into, you know, into several junket operators and provided much more detail, in my mind, than the report that was prepared for the board, even though I thought the report prepared for the board was adequate at the time.

20 MR ASPINALL: Yes. But the information in the Berkeley report didn't relate to something that has happened recently, it was just a better investigation of what had always been the case, isn't it?

MR DEMETRIOU: Yes, that's correct.

25 MR ASPINALL: And so why do you resile from the proposition that you shouldn't have been dealing with Suncity, historically, and say, well, going forward we might not deal with them?

30 MR DEMETRIOU: Well, because Suncity, again, was an approved junket operator in several jurisdictions, including in Australia – it was approved by Queensland; it was approved by – it was working at Suncity – and was the basis of allegations, I accept, but, at the time, there were none that were substantiated.

35 MR ASPINALL: But I thought you said that that was the case now, as well?

MR DEMETRIOU: And, as I've said, going forward, as part of the review process of our junkets and suspending them as we speak, all those matters will be taken into account and the board will make a better informed decision, I would – I would expect.

40

MR ASPINALL: So you, even today, you'd sign an advertisement which described what happened as a "deceitful campaign", would you?

MR DEMETRIOU: Yes, I would.

45

MR ASPINALL: I'm just going to leave that advertisement now, Commissioner. You have been on the board since the 29th of January 2015; is that right?

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And you've been described as an independent director at all times?

5

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: What's your understanding of the role of an independent director plays in corporate governance?

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MR DEMETRIOU: Free of any interest, position or affiliation or relationship with – which might materially influence or be perceived to materially influence my judgment and capacity to act - - -

15 MR ASPINALL: Are you reading that, are you?

MR DEMETRIOU: Well, I know it. I've recited it verbatim because I did so when I became an independent director.

20 MR ASPINALL: What document have you got in front of you?

MR DEMETRIOU: My own document.

MR ASPINALL: When did you prepare that?

25

MR DEMETRIOU: Well, gosh, probably weeks ago.

MR ASPINALL: Now, you prepared it by yourself, did you?

30 MR DEMETRIOU: Yes, I did.

MR ASPINALL: You had no assistance with preparing it?

MR DEMETRIOU: None whatsoever.

35

MR ASPINALL: Do you think it's normal for a witness to give evidence bringing notes into the witness box that they can read from without disclosing it to the examiner?

40 MR DEMETRIOU: Well, they are disclosed. They're in our – in our charter of our board, what an independent director is.

COMMISSIONER: Mr Demetriou, I think it's something different you're being asked about. Yes, Mr Aspinall.

45

MR ASPINALL: Do you think it's appropriate for a witness to bring notes into a witness box without disclosing it to the examiner?

MR DEMETRIOU: Well, I – I haven't thought about it, Mr Aspinall.

MR ASPINALL: You didn't ask any of your solicitors whether you were permitted to do so?

5

MR DEMETRIOU: No, I did not.

MR ASPINALL: You did it of your own volition?

10 MR DEMETRIOU: Yes, I did, Mr Aspinall.

MR ASPINALL: I would ask you to put those notes to the side where you can't see them.

15 MR DEMETRIOU: Yes.

MR ASPINALL: Do you have any other notes?

MR DEMETRIOU: On this matter?

20

MR ASPINALL: Or on any matter.

MR DEMETRIOU: Well, I have the files and – that you may be – that you may draw me to.

25

MR ASPINALL: I see.

COMMISSIONER: Now, how many pages of notes do you have there, Mr Demetriou, that you've just put aside?

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MR DEMETRIOU: I've put maybe half a dozen pages.

COMMISSIONER: The ones that you were just reading from when Mr Aspinall was asking you a question?

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MR DEMETRIOU: That's a few lines on a page, Madam Commissioner.

COMMISSIONER: So it's just one page, is it?

40 MR DEMETRIOU: Yes, it is, Madam Commissioner.

COMMISSIONER: And the few lines of those, written by yourself, are they?

MR DEMETRIOU: Yes, they are, Madam Commissioner.

45

COMMISSIONER: Yes. I'll mark that document MFIA. And that can be produced for production to those assisting me, Mr Demetriou. Thank you.

MR DEMETRIOU: Sure. Sure, Madam Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

5 MR ASPINALL: Have you been looking at any other notes during the course of giving your evidence today?

MR DEMETRIOU: Things that you've drawn my attention to?

10 MR ASPINALL: Yes, but other than the documents that I've shown you or asked you to look at, have you looked at any other notes?

MR DEMETRIOU: I've got before me some minutes of board meetings, the note I recited before about the two bank accounts.

15 COMMISSIONER: Just pardon me. Mr Young.

MR YOUNG: Yes, Commissioner.

20 COMMISSIONER: Were you aware of what Mr Demetriou has in his room to give evidence or not?

MR YOUNG: No. No, I'm not.

25 COMMISSIONER: Well, what I'm going to do is I'm going to adjourn. And I'd be grateful for your assistance, Mr Young, if you can assist to find out what is before Mr Demetriou rather than have my counsel try to extract from him. And I'd be grateful if you can tell me when I return.

30 MR YOUNG: Yes. Thank you.

COMMISSIONER: Thank you. I'll adjourn for a short while.

35 **ADJOURNED** **[2.11 pm]**

RESUMED **[2.24 pm]**

40 COMMISSIONER: Yes, thank you. Yes, Mr Young?

MR YOUNG: Commissioner, I'm going to list some documents that were on Mr Demetriou's desk.

45 COMMISSIONER: Yes.

MR YOUNG: In the time available, we have not sought to find the relevant exhibit numbers or reference numbers for the particular documents. We can supply that to follow, if that meets your convenience, Commissioner.

5 COMMISSIONER: Yes. Are they all exhibits?

MR YOUNG: No. No, I will describe them.

10 COMMISSIONER: If you just tell me the material that he had, which has not been accessed by the Inquiry, if those documents – if you can just tell me those.

MR YOUNG: Yes. They are a single page of Mr Demetriou's own notes to which he referred in evidence just before the break.

15 COMMISSIONER: Yes, thank you. I will mark that as MFIA. Yes.

MR YOUNG: Commissioner, I think there was already an MFIA.

20 COMMISSIONER: Thank you. I will mark that as MFIDA.

MFI #DA SINGLE PAGE OF MR DEMETRIOU'S NOTES

25 MR YOUNG: Thank you. Secondly, there are two memorandum – two memoranda that have gone to the board of directors in the course of the last two weeks.

COMMISSIONER: Yes.

30 MR YOUNG: The documents have gone to all board members. Mr Demetriou referred earlier in evidence to one of those documents, being A report that he said was provided to the board which identified the transactions through Riverbank and Southbank - - -

35 COMMISSIONER: Yes.

MR YOUNG: - - - where structuring had occurred.

40 COMMISSIONER: Thank you.

MR YOUNG: That's the memorandum from Mr Barton – sorry, from Mr Marais - - -

45 COMMISSIONER: Mr?

MR YOUNG: - - - the general manager, legal – Marais, M-a-r-a-i-s.

COMMISSIONER: Thank you.

MR YOUNG: The general manager, legal and compliance to Ken Barton, the CEO, which was then communicated to board members.

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COMMISSIONER: I'm sorry, what date - - -

MR YOUNG: I'll just check - - -

10 COMMISSIONER: - - - is that document?

MR YOUNG: That is what I was about to give you, Commissioner.

COMMISSIONER: Yes.

15

MR YOUNG: 29 September 2020.

COMMISSIONER: Thank you. That is not a document that has been provided to the Inquiry prior to this date, I presume?

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MR YOUNG: No, it was in the course of being provided.

COMMISSIONER: I see. MFIDB, I will mark that document, Mr Young, thank you.

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MFI #DB MEMORANDUM OF MR MARAIS TO KEN BARTON DATED 29/09/2020

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MR YOUNG: The other document was a memorandum from Ken Barton to the board of directors of 7 October 2020 entitled Director Update, and this was an update for directors as to the status of various improvements and programs in anticipation of the forthcoming board meeting.

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COMMISSIONER: Thank you. I will mark that document as MFIDC.

MFI #DC MEMORANDUM ENTITLED DIRECTOR UPDATE FROM KEN BARTON TO THE BOARD OF DIRECTORS OF 07/10/2020

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MR YOUNG: Now, Commissioner, there's one document which I am uncertain whether it's in evidence, so I will mention it specifically.

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COMMISSIONER: Yes.

MR YOUNG: I think it probably is but if you bear with me one moment, I will find the reference. There is a 7 August 2020 document relating to a VCGLR licence review. Now, I am unsure whether that is in evidence or not.

5 COMMISSIONER: Yes, I believe it is not, but I will mark it MFIDD and we can cross-check that, Mr Young. Thank you.

10 **MFI #DD DOCUMENT RELATING TO VCGLR LICENCE REVIEW
DATED 07/08/2020**

COMMISSIONER: I don't need to really go through the balance of the documents. Mr Aspinall may do that. But are they the only documents that are those that are not
15 exhibited or provided to the Inquiry thus far?

MR YOUNG: Yes, based on my instructions by phone, yes.

COMMISSIONER: Yes, I understand that you separate from the witness, thank
20 you, Mr Young. And so thank you for identifying those and those documents should be produced to the Inquiry as quickly as possible but we will see to that in due course. I will ask Mr Aspinall to continue. I am grateful for your assistance, Mr Young.

25 MR YOUNG: Thank you.

COMMISSIONER: Yes, Mr Aspinall.

MR DEMETRIOU: Mr Aspinall, Madam Commissioner, may I just take the
30 opportunity to apologise; I meant not to show any disrespect to the Commission. I was unaware that I wasn't permitted to have the document and I meant no malice by it, so I apologise.

COMMISSIONER: Thank you for your apology. Yes, Mr Aspinall.
35

MR ASPINALL: Mr Demetriou, before the adjournment, I asked you a question about your understanding of the role an independent played in corporate governance and you started to give me an answer. Do you remember that?

40 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And that was an answer you were reading?

MR DEMETRIOU: Yes, Mr Aspinall.
45

MR ASPINALL: And I asked you at that time:

Are you reading that, are you?

And you answered:

5 *Well, I know it. I've recited it verbatim because I did so when I became an independent director.*

Do you remember that?

10 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Do you remember at the beginning of the day today you swore an oath to tell the truth, the whole truth and nothing but the truth?

15 MR DEMETRIOU: Absolutely, Mr Aspinall.

MR ASPINALL: When I asked you:

Are you reading that, are you?

20

the whole truth was yes, you were reading it, wasn't it?

MR DEMETRIOU: I said I was reading it, Mr Aspinall.

25 MR ASPINALL: You said:

Well, I know it. I've recited it verbatim because I did so when I became a director.

30 Why did you give me that answer?

MR DEMETRIOU: I'm not sure, Mr Aspinall, but I acknowledged that I was reading it.

35 MR ASPINALL: You understand when you give evidence that we rely upon you to abide by your oath to tell the truth, the whole truth and nothing but the truth, don't you?

MR DEMETRIOU: Indeed, I do, Mr Aspinall.

40

MR ASPINALL: And the answer that you gave me wasn't that, was it?

MR DEMETRIOU: I believe it was, Mr Aspinall.

45 MR ASPINALL: Can you tell me now without notes what your understanding of the role of an independent director is, in corporate governance.

COMMISSIONER: Just before you go to that, when did you make the note?

MR DEMETRIOU: Several weeks ago, Madam Commissioner.

5 COMMISSIONER: And that's the one from which you were reading when you answered Mr Aspinall?

MR DEMETRIOU: Yes, Madam Commissioner.

10 COMMISSIONER: I see. Yes, Mr Aspinall.

MR ASPINALL: Do you remember the question I asked you, Mr Demetriou?

15 COMMISSIONER: Just read it again, if you would.

MR ASPINALL: What is your understanding of the role an independent director plays in corporate governance?

20 MR DEMETRIOU: An independent director is a director who should be free from any influence and should act always in the best interests of all shareholders.

MR ASPINALL: Yes, but what benefit do they bring to the corporation?

25 MR DEMETRIOU: They bring true independence, Mr Aspinall.

MR ASPINALL: And what benefit did that bring?

30 MR DEMETRIOU: That it's free from any influence or favour to any major shareholder or any person or individual in particular; that they're always acting in the best interests of the shareholders as a whole.

MR ASPINALL: Yes, and so what they do is protect minority shareholders from influence of larger shareholders, don't they, among other things?

35 MR DEMETRIOU: Yes, they do, Mr Aspinall.

MR ASPINALL: And when you are an independent director, it's very important that you deal even-handedly with all the shareholders; correct?

40 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And you must not be seen to be favouring or dealing with one shareholder in a way that you wouldn't deal with another; do you agree with that?

45 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Can we look at CRL.622.001.0039 which is exhibit E5. You see that's the board charter?

5 MR DEMETRIOU: It's not up yet, Mr Aspinall. I've got it, yes. It has got it now.

MR ASPINALL: If we look at the last page, which is 0044, you can see it's the board charter in August 2014?

10 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And this is the board charter that I assume was in force when you joined the board in January 2015, a few months later?

15 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Did you look at it at the time you joined the board?

20 MR DEMETRIOU: Yes, it would have been in the documents that I received from Mr Neilson.

MR ASPINALL: Yes. And if we go back to CRL.622.001.0041. If the operator can blow up or enlarge section 2.2. Do you see there - - -

25 MR DEMETRIOU: Yes.

MR ASPINALL: - - - there is a criteria? Sorry.

MR DEMETRIOU: Yes, Mr Aspinall.

30 MR ASPINALL: You see that?

MR DEMETRIOU: Yes.

35 MR ASPINALL: You see that, in the first paragraph, there is a criteria - - -

MR DEMETRIOU: Yes.

40 MR ASPINALL: - - - for directors, and it follows the general line of the quote that you were reading from earlier, in that they must be free of any business or other relationship that could materially interfere with or reasonably perceived – or reasonably be perceived materially interfere with the independent exercise of their judgment; see that?

45 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And one of the – one of the criteria underneath, at point 3 is:

Is not, and has not been within the last three years, in a material business relationship as supplier or customer with the company or any of its child entities –

5 do you see –

or an officer of, or associated with, someone in such a relationship.

10 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Now, if we go down to the bottom of the page, you can see the board charter sets out various criteria:

15 *For the purposes of the above criteria, the following materiality thresholds will be applied.*

MR DEMETRIOU: Yes, Mr Aspinall.

20 MR ASPINALL: And when we go over the page to 0042, do you see that, for suppliers, it's where the company purchases goods or services in excess of \$2 million Australian per annum?

MR DEMETRIOU: Yes, Mr Aspinall.

25 MR ASPINALL: So you would have seen that at the time you joined?

MR DEMETRIOU: Yes, Mr Aspinall.

30 MR ASPINALL: And do you consider that, during your tenure as director of Crown, from February 2015 to today, you have been free of any business or other relationship that could be said to be materially or reasonably be perceived to materially interfere with your independent judgment as a director?

35 MR DEMETRIOU: I have not, Mr Aspinall.

MR ASPINALL: So you have not been free of any business or other relationship that could be said to materially or reasonably - - -

40 MR DEMETRIOU: No. I - - -

MR ASPINALL: - - - be perceived to materially interfere with your independent judgment?

45 MR DEMETRIOU: No. I – I believe I have been free. I don't believe I've been in any relationships. Apologies.

COMMISSIONER: Yes.

MR ASPINALL: I see. If we go to CWN – sorry – CRL.545.001.1113. That is exhibit P5. I’m sorry. That’s AH15.

COMMISSIONER: Thank you.

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MR ASPINALL: Do you see this is a transcript of the AGM on the 21st of October 2015?

COMMISSIONER: Of Crown Resorts Limited.

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MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: The Crown Resorts.

15

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And if we go over to 1126, you see at the top of the page “SM”, which is Mr Mayne, asked:

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As to whether the practice is happening with the independent directors meeting regularly to discuss minority shareholder questions and broader governance issues.

MR DEMETRIOU: Yes, Mr Aspinall.

25

MR ASPINALL: You see that? And then down the page, you’re asked:

Are you happy to comment?

30

And you do.

MR DEMETRIOU: Yes.

MR ASPINALL: You see:

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Thanks for the question. First of all, can I say I’m very humbled and very honoured to be asked to join the board and, hopefully, when the votes come through, I will be officially re-elected. Your question, Stephen, in particular, I take the role of an independent director very seriously. It is a question that was put to me throughout the process when I had to go through probity, particularly with the gaming authorities, and I was asked this very particular question. I think independent directors play a very, very, very important role in companies, particularly public companies. Having come from an environment of sport, AFL, in particular, where we had an independent commission which was absolutely sacrosanct that the independence of each Commissioner, including myself, who served on that commission, our role and our obligations and our

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fiduciary responsibility to act independently in the best interests of all other stakeholders is something that was very, very important to me.

Do you see?

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MR DEMETRIOU: Yes, I said that.

MR ASPINALL: And have you kept that in mind throughout your tenure on the board?

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MR DEMETRIOU: Always, Mr Aspinall.

MR ASPINALL: As to Mr Mayne's question at the top of the page:

15

Is there a practice where the independent directors meet regularly to discuss minority shareholder questions and broader governance issues?

MR DEMETRIOU: I wouldn't say we met regularly, but we do meet. And the times that we have met it's either to discuss a minority shareholder issue or it has been to discuss a governance issue. I can think of two examples: one was the purchase of Ellerston; another was the purchase by Mr Packer of an apartment in Barangaroo.

20

MR ASPINALL: So they're ad hoc meetings, are they?

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MR DEMETRIOU: I would say they're more ad hoc than they are – than they are regular, Mr Aspinall.

MR ASPINALL: I see. Do you see any benefit in meeting regularly to discuss issues with the other independent directors?

30

MR DEMETRIOU: Well, there's always benefit in an independent directors meeting. From time to time, at the end of a board meeting, the chair will ask for an in camera session where she may ask the independent directors to stay back, and we may have a – what can be described as an ad hoc meeting at the end of a formal board meeting. But I always find independent directors meetings useful. Yes.

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MR ASPINALL: If we go to INQ.550.002.0135, exhibit AH7.

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COMMISSIONER: Thank you.

MR DEMETRIOU: Yes. I have that, Mr Aspinall.

COMMISSIONER: That will come up on the screen. Yes.

45

MR ASPINALL: Do you see they're discussing Crown Resorts in that newspaper article from May 2016?

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And about halfway down the page, they're referring to some issue – some information they have from a fund manager – an unnamed fund manager.

5

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL:

10 *Another fund manager says he accepted the discount attached to a company with a controlling shareholder but, in consequence of that the hurdles for performance was set much higher. All three fund managers said that they did not regard the independent non-executive directors of Crown as being truly independent.*

15

Do you see?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

20 MR ASPINALL: It says:

The governance concerns in regard to Crown were laid out in stark terms on Wednesday when Colonial First State Global Asset Management published its annual responsible investment stewardship report. Crown is used as a case study of bad corporate governance.

25

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL:

30

Crown's independent directors, Brazil, Coonan, Danziger –

and you – do you see your name there?

35 MR DEMETRIOU: Yes, I do.

MR ASPINALL:

...do not come out of the CFSGAM report smelling of roses.

40

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: Did you see the report at the time that they're referring to?

45 MR DEMETRIOU: No, I did not.

MR ASPINALL: Did you see this article at the time?

MR DEMETRIOU: Not that I can recall, Mr Aspinall.

MR ASPINALL: Can you think of any reason why three of the fund managers quoted might regard you as not being truly independent, sitting there now?

5

MR YOUNG: Commissioner, I object to this question.

COMMISSIONER: Yes, Mr Young.

10 MR YOUNG: The ground of my objection is that it's asking the witness to speculate about the motivations of unknown persons making allegations reported in a press article.

15 COMMISSIONER: Yes, I think it's the fund managers who have been identified, and if that is a matter that can be asked about, I don't see any impediment to Mr Demetriou giving an explanation to it, in the circumstances. I will allow it, Mr Aspinall.

20 MR DEMETRIOU: First of all, I can't – I can't speculate as to why they formed that view. I strongly disagree with that view. It is just but an opinion, and there may be other fund managers that think the opposite. But I don't support that view. I've never witnessed, in my time on the board even with new independent directors, anything but independence from all the independent directors.

25 COMMISSIONER: Well, this was an article that, at that time, called into question some independence of some directors but you didn't see it?

MR DEMETRIOU: I didn't see this particular article, Madam Commissioner, no.

30 COMMISSIONER: And it wasn't brought to your attention at any stage; is that right, Mr Demetriou?

MR DEMETRIOU: Not that I can recall, Madam Commissioner.

35 COMMISSIONER: Thank you. Yes, Mr Aspinall.

MR ASPINALL: Leaving aside the three fund managers, has any other person ever suggested to you that you might not be truly independent?

40 COMMISSIONER: As a director of Crown.

MR ASPINALL: As a director.

45 MR DEMETRIOU: There may have, Mr Aspinall. I can't recall anyone specifically saying that. I remember getting a question at an AGM about why I didn't own any shares, and I answered that in my view to be truly independent I

didn't believe I should own any shares. But people are entitled to their views. It's a view that I don't share.

5 MR ASPINALL: And do you recall that in 2017 and early 2018 there was consideration given to whether Ms Korsanos should be appointed as a director of Crown?

MR DEMETRIOU: Yes, but I wasn't involved in that process, Mr Aspinall.

10 MR ASPINALL: Yes. I just want to take you to a document, CPH.001.362.0779. This document is not yet tendered but we propose, in due course, to tender it as exhibit AJ40, Commissioner.

COMMISSIONER: Thank you.

15

MR ASPINALL: It is on the confidential screen.

COMMISSIONER: Yes, thank you.

20 MR ASPINALL: Can you see that yet, Mr Demetriou?

MR DEMETRIOU: No, it's not up yet, Mr Aspinall. It's not up yet.

MR ASPINALL: I will just wait a moment.

25

COMMISSIONER: Could you show us the top of it, please.

MR DEMETRIOU: Yes, I've got it now. Yes. Is this the one with – with Colonial First State Global Asset Management?

30

MR ASPINALL: No.

COMMISSIONER: We will just wait for a moment, Mr Demetriou. We won't keep you long.

35

MR DEMETRIOU: It's okay. I have it now.

MR ASPINALL: Yes, thank you. If you could just look at the bottom half of the page.

40

MR DEMETRIOU: Yes.

MR ASPINALL: Do you see Ms Korsanos has sent an email to Mr Alexander at his CPH email address?

45

MR DEMETRIOU: The one that starts with "Hi John"?

MR ASPINALL: Yes.

MR DEMETRIOU: Yes, I see that.

5 MR ASPINALL: And you see at the next one up – unfortunately, the Crown Resorts logo does this sometimes on printing, but you can see Ms White from CPH has then forwarded that on to Ms Manos and Mr Alexander?

10 MR DEMETRIOU: Yes, I can. Yes, I can.

MR ASPINALL: What I wanted to invite your attention to is the email at the top from Ms Manos to Mr Alexander, Johnston, Jalland and Barton.

15 MR DEMETRIOU: Yes.

MR ASPINALL: Do you see it says:

20 *Hi all, I was just reviewing our board charter in preparation for a possible discussion with Toni as per below.*
That's Ms Korsanos.

25 *Our independence test which comes from the ASX corporate governance recommendations says the material suppliers in the past three years are deemed not independent.*

Do you see?

30 MR DEMETRIOU: Yes, I can see that.

MR ASPINALL:

35 *The language is as follows –*
and then we looked at this just a few moments ago; do you see that part?

MR DEMETRIOU: Yes, I can see that.

40 MR ASPINALL: It says:

The materiality threshold is \$2 million per annum. As an officer of Aristocrat, one of our major supplies, I believe Toni would be deemed not independent. This has ramifications if the intention is, for example, to put her on as chi –
45 and that's probably a typo for chair –

...of the audit committee –

etcetera –

5 *Happy to have the definition tested but it's relatively clear. Would you all please consider and let me know how you would like to proceed. Kind regards, Mary.*

Do you see that?

10 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: If we go to the next exhibit which is CPH.001.326.0797 which is not yet tendered but we propose to be AJ44.

15 COMMISSIONER: Thank you.

MR ASPINALL: Do you see at the bottom of the page, Ms Manos has sent an email to Mr Alexander?

20 MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And it says:

25 *Hi John, as requested, I spoke to Toni Korsanos on Friday about the process to appoint a new director.*

It then says:

They will need to convene various meetings at which she would coordinate.

30 And then you see it says:

35 *Toni will, for the first three years, be considered a non-executive, non-independent director. When she and Guy join the board, we will then have five independent, Helen, Andrew, Geoff, John, Harold, and five non-independent John A, Mike, James, Guy and Toni. So we won't meet the majority independent recommendation.*

Do you see?

40 MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And then if we go up the page, you see:

45 *FYI, John has asked me to push ahead with Toni.*

Ms Manos writing:

I haven't heard anything from you guys.

Which presumably means Mr Johnston and Mr Jalland –

5 ...so keeping you in the loop.

Do you see that – Mary?

10 MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And you can see there's then a reply from Mr Jalland that says:

15 *Mary, I have discussed with James that Toni would not be independent due to her employment with Aristocrat being within the past three years. CPH believes Toni has extremely strong credentials for the Crown board and we are prepared to support her nomination. Kind regards, Guy.*

Do you see?

20 MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

MR ASPINALL: And you can assume that that "James" being referred to there is Mr Packer?

25 MR DEMETRIOU: Yes.

MR ASPINALL: And then if we turn to CPH.001.326.0800, which we will propose to tender as AJ45 in due course, Commissioner. Do you see Ms Manos is writing back to Mr Jalland:

30 *Okay, thank you Guy. We should probably have a think about whether we have room for another independent at some point. If we could get another female independent, that would be even better.*

35 Do you see that?

MR DEMETRIOU: Yes, I can see that, Mr Aspinall.

40 MR ASPINALL: Then if we go to CPH.001.326.0803, which we propose to tender as AJ46 in due course, Commissioner.

COMMISSIONER: Thank you.

45 MR ASPINALL: You see Mr Jalland replies to Ms Manos copying in Mr Johnston:

Totally agree, Mary. Kind regards, Guy.

Do you see?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

5 MR ASPINALL: Now, that was on 30 October 2017, do you see?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

10 MR ASPINALL: I want to now show you something from the board pack the following month, which is CRL.506.007.4448, which is exhibit AJ37.

COMMISSIONER: Thank you.

15 MR ASPINALL: Do you see that that's three weeks later on 21 November?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

20 MR ASPINALL: Have you read through this board pack in preparation for giving evidence?

MR DEMETRIOU: Not that I recall, Mr Aspinall.

25 MR ASPINALL: If we turn to CRL.506.007.4466, do you see there is a memorandum of advice from Ashurst Solicitors?

MR DEMETRIOU: Yes, I can see the document.

MR ASPINALL: And it's dated 17 November 2017.

30 MR DEMETRIOU: Yes, I can see that.

35 MR ASPINALL: Do you see Ashurst in the first paragraph have been asked to advise on matters that the Crown board should take account of in considering whether Ms Korsanos should be classified as independent directors under the ASX corporate governance principles?

MR DEMETRIOU: And Ms Halton, yes, I see that. Yes.

40 MR ASPINALL: And, importantly they say:

It is appropriate to note that questions of director independence require a judgment of the board to be made which, in accordance with the principles, should be transparently communicated to the shareholders.

45 Do you see that?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And I take it you would agree with that statement?

MR DEMETRIOU: Yes, I would, Mr Aspinall.

5 MR ASPINALL: Do you see at the bottom of the page – it's quite small but perhaps we could blow up the last two paragraphs. Thank you. The solicitors refer to the commentary from the ASX principles which say:

10 *To describe a director as independent carries with it the connotation a director is not allied with the interests of management, a substantial security holder or other relevant stakeholders and can and will bring an independent judgment to bear on the issues before the board.*

Then it says:

15 *A director should only be characterised as independent if he or she is free of any material interest, position, association or relationship that might influence or reasonably be perceived to in a material respect his or her capacity to bring an independent judgment to bear and to act in the interests - - -*

20

COMMISSIONER: Best interests.

MR ASPINALL:

25 *...Best interests of the entity and its security holders generally.*

Do you see that?

30 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: Do you see if we turn over to page 4467, in respect of Ms Korsanos, the solicitors say:

35 *In respect of her we understand that she is currently the CFO of Aristocrat Limited and will step down from that role in March 2018.*

Do you see that?

40 MR DEMETRIOU: Yes.

MR ASPINALL:

45 *That Aristocrat currently supplies approximately 50 per cent of the gaming machines for Crown Melbourne and about the same proportion of gaming machines for Crown Perth.*

MR YOUNG: Commissioner - - -

COMMISSIONER: Yes. Just pause there.

MR YOUNG: - - - before, perhaps, Mr Demetriou answers, may I raise something?

5 COMMISSIONER: Yes, of course, Mr Young.

MR YOUNG: I'm not objecting to questioning about this document, but it is a legally privileged document, and the questioning should not reveal the contents of the advice publicly, would be our submission. We have not waived privilege.

10 COMMISSIONER: I understand that, but the – Mr Aspinall.

MR ASPINALL: The content of this advice is what was told to the directors with regard to what they needed to consider with regard to independence.

15 COMMISSIONER: Yes.

MR ASPINALL: And so it's legitimate for me to ask, if the opinion expressed is neither here nor there, really, other than what factors they say they need to be taking into consideration.

COMMISSIONER: Yes. Well, you can put it that way.

MR ASPINALL: Do you see that, Mr Demetriou?

25 MR DEMETRIOU: Sorry. You broke up then, Mr Aspinall. Could you repeat the question.

MR ASPINALL: In the dot points under 2, the solicitors are setting out the factors with respect to Ms Korsanos.

MR DEMETRIOU: Yes, I do. I can see that.

MR ASPINALL: And they say that she is currently the CFO of Aristocrat and, in short, the company supplies approximately half the gaming machines for Crown Melbourne and about the same for the others.

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

40 MR ASPINALL: And that:

Crown's annual capital expenditure on gaming machines is in the order of 10 to 15 million dollars.

45 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL:

And the level of annual spend on gaming machines is considered by the board as part of the annual budget process.

5 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: But:

The board does not consider or approve the identity of suppliers of individual machines.

10 Of – yes – individual machines. Do you see?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

15 MR ASPINALL: And if we go over to page 3, which is .4468, do you see what Ashurst have said there with respect to Ms Korsanos?

COMMISSIONER: At the top of the page, you mean?

20 MR ASPINALL: At the top of the page.

MR DEMETRIOU: Yes, I do, Mr Aspinall.

25 MR ASPINALL: But do you see that what they're referring to there is not the board charter?

MR DEMETRIOU: Sorry. Could you help me here, Mr Aspinall, which aspect of that commentary?

30 MR ASPINALL: Well, I'm trying not to disclose what the solicitors told you, but if you look at the – under the dot point, there is a paragraph.

COMMISSIONER: "Whilst ultimately".

35 MR ASPINALL: "Whilst ultimately".

MR DEMETRIOU: "Relating to the question of judgment"?

40 MR ASPINALL: Yes.

MR DEMETRIOU: Yes.

45 MR ASPINALL: But do you see that they make a conclusion there, or they give you some advice, but they're not referring to the board charter, they're referring to the ASX guidelines.

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And then, when we come down to point 4 on this page, you see they start to talk about the board charter?

MR DEMETRIOU: Yes, I do.

5

MR ASPINALL: And they note:

...the \$2 million materiality threshold in determining that materiality of the supplier.

10

You see?

MR DEMETRIOU: Yes, I see that.

15 MR ASPINALL: Do you see what they say in the final paragraph?

MR DEMETRIOU: “Insofar as the review”?

MR ASPINALL: Well, “insofar two potential constructions”.

20

MR DEMETRIOU: “Two constructions”. Yes. I see that, Mr Aspinall.

MR ASPINALL: Now, they’re giving you two constructions; do you see?

25 MR DEMETRIOU: Yes, I do.

MR ASPINALL: If we look at the board charter. And it was quite clear from the materiality threshold for suppliers was, wasn’t it? There was a number figure there.

30 MR DEMETRIOU: Yes, there was.

MR ASPINALL: And, as you saw, Ms Manos had said that it was pretty clear definition, didn’t she?

35 MR DEMETRIOU: Yes, she did.

MR ASPINALL: And do you agree with her in that regard?

40 MR DEMETRIOU: I agreed with her at the time. And I agreed with that proposition today. And I’m just trying to remember aspects of the conversation that transpired at the board for this matter. And I think the constructions – the two constructions – were given a good airing.

45 MR ASPINALL: You see, you had a problem, at this point, didn’t you – or the organisation might have had a problem – because, under the existing board charter, there was a materiality threshold of \$2 million, and if that was interpreted as meaning \$2 million, Ms Korsanos could not be an independent director; correct?

MR DEMETRIOU: According to the board charter, that's correct.

MR ASPINALL: And you would have wanted there to be a majority of independent directors, presumably, because, as Ms Manos said, that was what the ASX guidance
5 recommended?

MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: If we go to CRL.506.006.5367, which is exhibit AJ36,
10 Commissioner.

COMMISSIONER: Thank you.

MR ASPINALL: You see that's a meeting of the board of directors.
15

MR DEMETRIOU: Yes, I do.

MR ASPINALL: And it starts at 9.30 am on the 21st of November?

20 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: And, at that board meeting, Mr Alexander proposed the appointment of Ms Korsanos.

25 MR DEMETRIOU: And Ms Halton. Yes, I see that.

MR ASPINALL: Correct. And that Mr Dixon provided the board with an outline of the matters discussed at the nomination and remuneration committee, including the independence of the proposed candidates?
30

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: If we go back to the memorandum that's being referred to there, that is at CRL.506.007.4451, you see that's regarding the proposed nomination of Ms
35 Korsanos?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And if we go to .4453, you see, at the top of the first page there, it
40 refers to the advice from Ashurst that we've just been looking at?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: Just stopping there, Ashurst weren't the solicitors for Crown at
45 this time, were they? They were solicitors for CPH?

MR DEMETRIOU: I don't want to mislead you. I don't know the exact answer to that. In my time, we've used MinterEllison, predominantly, as solicitors and we have used Ashurst from time to time. I know we have used Ashurst as independent directors from time to time. So – but I do know they act for CPH.

5

MR ASPINALL: Yes. And when we look at the second page – second paragraph of this page, it recounts what Ashurst had told you with regard to the ASX Corporate Governance Principles that we just looked at?

10 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: But then it again raises the issue that the board charter has this fixed figure of \$2 million in it.

15 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: Then it says:

20 *A final conclusion regarding the independence of directors will only be required once consideration of the board committee composition and finalisation of the company's 2018 corporate governance statement.*

Do you see is that?

25 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: Now, going back to CRL.506.006.5367, you see in the second paragraph of the substantive notes of the meeting, it says:

30 *Mr Geoff Dixon provided the board with an outline of the matters discussed*
- - -

MR DEMETRIOU: Yes.

35 MR ASPINALL:

- - - including the independence of the proposed candidates.

MR DEMETRIOU: Yes.

40

MR ASPINALL: And if we turn over to the next page, it's resolved that Ms Korsanos be appointed as a director of the company.

MR DEMETRIOU: Yes, I see that.

45

MR ASPINALL: Now, you said before that detailed consideration was given to the matter; is that at this meeting?

MR DEMETRIOU: I didn't say "detailed". I – I think I used the words that the two aspects of construction got an airing. This wasn't a very long meeting. This was just an approval process meeting.

5 MR ASPINALL: Yes. But I see this meeting is only seven minutes long.

MR DEMETRIOU: Yes.

10 MR ASPINALL: If we go to INQ.010.002.0896, which is exhibit AJ21, Commissioner.

COMMISSIONER: Thank you, Mr Aspinall.

15 MR ASPINALL: Do you see that's an announcement the same day to the Stock Exchange?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

20 MR ASPINALL: And that notes the appointment of Ms Korsanos.

MR DEMETRIOU: Yes, and Ms Halton. Yes, I see that.

25 MR ASPINALL: Yes. And it says that she will step down from her role at Aristocrat in March 2018.

MR DEMETRIOU: Yes, Mr Aspinall.

30 MR ASPINALL: But it's silent on whether or not Ms Korsanos is independent or not; do you see that?

MR DEMETRIOU: Yes, Mr Aspinall.

35 MR ASPINALL: Do you agree that, under the existing board charter as it stood at that time, she was not independent – would have been a non-independent has Ms Manos suggested?

MR DEMETRIOU: According to the board charter, that is correct.

40 MR ASPINALL: If we go to CRL.506.007.7154. I'm sorry. It's part of a large document. It's CRL.506.007.6919. You see that's the board pack?

MR DEMETRIOU: Yes, I have that. I have it. Yes, I have that.

45 MR ASPINALL: Exhibit AJ39.

COMMISSIONER: Thank you.

MR ASPINALL: And if we could go to .7154, do you see there's a memo from Ms Manos to the board of directors?

MR DEMETRIOU: Yes, Mr Aspinall.

5

MR ASPINALL: And it's now the 16 February 2018, so just before Ms Korsanos takes up her position in March.

MR DEMETRIOU: Yes, Mr Aspinall.

10

MR ASPINALL: And Ms Manos is talking about the company's board charter, setting out an independence test.

MR DEMETRIOU: Yes.

15

MR ASPINALL: And she notes the \$2 million materiality threshold.

MR DEMETRIOU: Yes, Mr Aspinall.

20 MR ASPINALL: She says that:

It was arguable that was illustrative only and should not be a determining factor.

25 Do you see that?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

30 MR ASPINALL: But you agreed with me it was pretty clearly it was \$2 million on the face of the document?

MR DEMETRIOU: Yes, I do.

35 MR ASPINALL: And it says "In addition" – or Ms Manos says:

40 *In addition, the quantitative materiality threshold was adopted by the company at the time of demerger and is arguably out of date. It is therefore proposed the quantity of materiality threshold be removed and that consistent with the ASX Corporate Governance Principles and Recommendation, independence assessments be made in accordance with qualitative aspects of the test including in the charter.*

Do you see that?

45 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And if we go to CRL.506.006.5537, this is AJ38.

COMMISSIONER: Thank you.

MR ASPINALL: Those are the board minutes.

5 MR DEMETRIOU: I have the cover sheet, Mr Aspinall.

MR ASPINALL: Can you see the cover sheet of the board minutes of the meeting on 21 February?

10 MR DEMETRIOU: Yes, I can, Mr Aspinall.

MR ASPINALL: And then if I take you to 5546, you see there's about halfway down the page, a review of the charters?

15 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And Ms Manos is there noting that the proposed amendments to the independent test reflect current independence tests in the ASX guidelines?

20 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And having reviewed and considered the proposed amendments, the board agreed to change the board charter to remove the \$2 million materiality threshold?

25 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And if we now go to CRL.590.001.0061, which is AJ18.

30 COMMISSIONER: Thank you.

MR DEMETRIOU: Board charter?

35 MR ASPINALL: Yes. And if we now look at 0063, Mr Demetriou. You see the board charter has been changed now so that the materiality threshold of \$2 million has been removed?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

40 MR ASPINALL: And in place has been put these words:

45 *The test of whether an interest, position, association or relationship is material will be based on the nature, circumstances and activities of the director having regard to the guidelines above. Materiality will be considered from the perspective of the company, persons or organisation with which the director has an affiliation and from the perspective of the director.*

Do you see?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

5 MR ASPINALL: So it's a much looser test, do you agree?

MR DEMETRIOU: Well, it's in accordance with ASX guidelines but it's looser than it was under our charter.

10 MR ASPINALL: Yes. And the reason it was changed fairly clearly is so that Ms Korsanos could be classified as independent, isn't it?

MR DEMETRIOU: Well, I think the reason it was changed was that – that was one reason, but it also – Ms Korsanos' appointment and the process she went through
15 highlighted that we had a more stringent test, stringent guidelines than the ASX guidelines and that given the advice we had from Ashurst and the two constructions, that maybe we should revisit our charter. So yes, I agree that Ms Korsanos' appointment contributed to the review of the charter.

20 MR ASPINALL: But even under the new charter, do you see Ms Korsanos had come from an organisation which was a large supplier of gaming machine equipment to Crown?

MR DEMETRIOU: Yes, she was.
25

MR ASPINALL: And gaming equipment took up a large proportion of the total capital expenditure of Crown, didn't it, about five to seven and a half per cent each year?

30 MR DEMETRIOU: Yes, I would say in the capital expenditure that we expend, that's not a very large percentage of the capital expenditure. But it's – it's a sizeable amount but it's not large.

MR ASPINALL: And were you aware that the Casino Control Act in this State at
35 least, makes special mention of supply of gaming equipment to a casino?

MR DEMETRIOU: No, I was not aware, Mr Aspinall.

MR ASPINALL: Are you aware of the concept of the controlled contract in casino
40 regulation?

MR DEMETRIOU: Not specifically. I'm aware of the control – the Casino Control Act but I'm not aware specifically of the terms and specific agreements within that.

45 MR ASPINALL: Can I take you to INQ.070.001.1061.

MR DEMETRIOU: The Casino Control Act; yes, I have that, Mr Aspinall.

MR ASPINALL: And if we go to .1082.

MR DEMETRIOU: Yes, I have that.

5 MR ASPINALL: At the bottom there is a section on contracts.

MR DEMETRIOU: Yes, I've read two lines.

10 MR ASPINALL: And there are two types of contract: a contract and a controlled contact.

MR DEMETRIOU: Yes, I see that.

15 MR ASPINALL: Can you see:

A controlled contract means a contract that relates to the supply or service of gaming equipment.

Do you see?

20

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

25 MR ASPINALL: And if you look at section 37, which starts here and goes over the page, you see that:

Contracts which are controlled contracts, namely, contracts for the supply of gaming machines, are treated specially by this Act –

30 and they're subject to all sorts of extra regulations. Indeed, the casino operator can't enter into one or vary one unless giving the authority written notice of that; do you see?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

35 MR ASPINALL: So would you agree with me that even after removing the materiality provision in the board charter, there were serious questions as to whether or not Ms Korsanos should be classified as an independent director; do you agree with that?

40 MR DEMETRIOU: I don't profess to be a legal expert, Mr Aspinall, and I'm sure these clauses are written for a very particular reason. But Ms Korsanos – I accept that's one way that this can be looked at. The other thing I would add is that Ms Korsanos was the CFO of Aristocrat when she came across. She wasn't the CEO, she wasn't the chairman and she wasn't a director. And I – I think that should play a
45 part in the – the assessment test.

MR ASPINALL: But wouldn't the fact that she was the CFO of a gaming machine supplier be enough of itself? Don't you accept that coming from the supplier of a gaming machine supplier to the casino and immediately becoming a director of a casino who buys equipment from that supplier would compromise her independence, at least for a while?

COMMISSIONER: A perception of her independence, do you mean?

MR ASPINALL: Yes.

MR DEMETRIOU: I understand that – it's a reasonable proposition, sorry, to propose that as a perception that it could be perceived as a conflict, yes.

MR ASPINALL: Thank you. I just want to take you to one more exhibit which is INQ.010.002.0433. That's exhibit AC15.

COMMISSIONER: Just on that last topic before we go to that, if I may; Mr Demetriou, you understand that it's not suggested to you than anything other than a perception of independence in respect of the director, Ms Korsanos; you understand that?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: And what I presume you were trying, as a board, to achieve was a mix of independent directors and obviously others; is that right?

MR DEMETRIOU: And a mixture of skillsets in addition to the mixture of directors, yes, Madam Commissioner.

COMMISSIONER: Yes, and so there's no suggestion that Ms Korsanos is anything other than a highly competent proposed director of the company, but what you are being asked about is the test in respect of whether you have a mix of independents and others; you understand that?

MR DEMETRIOU: Yes, I do, Madam Commissioner.

COMMISSIONER: What was it you were trying to achieve; were you trying to achieve a majority of independents or what were you trying to achieve in this process?

MR DEMETRIOU: There were a number of things. One was a majority of independents, yes, firstly. Secondly, a complementary skillset given the departure of Mr Brazil, and Ms Korsanos was a CFO and had not only experience in the financial matters but also experience of the industry, or she had knowledge of the industry. Also, we were very – absolutely committed to getting some more gender equality on the board, so, you know, they would have been the three main factors.

COMMISSIONER: I see. Thank you. Yes, Mr Aspinall.

MR ASPINALL: Going back to the annual report in 2018, Mr Demetriou, if I take you to 0465.

5

MR DEMETRIOU: Yes, I have that, Mr Aspinall.

MR ASPINALL: At the bottom of the page, Ms Korsanos is said to be independent.

10 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL: If we go to the next page, there's a section on independent board directors at the top.

15 MR DEMETRIOU: Yes, I see that, Mr Aspinall.

MR ASPINALL: And do you see there's no mention in this section. It says:

20 *The independence of the directors is assessed against the list of criteria and materiality thresholds.*

Do you see that?

25 MR DEMETRIOU: Yes, Mr Aspinall.

MR ASPINALL:

Those criteria have been formally enshrined in the Crown board charter.

30 Do you see that?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

35 MR ASPINALL: But there's no mention of the fact that within the last couple of months, the board charter has been changed such that Ms Korsanos has gone from being someone who wouldn't meet the criteria to being someone who arguably would, is there?

40 MR DEMETRIOU: No, there's not. And perhaps there should have been. But I don't think it was – and I don't know the reason why that was written that way, but I don't believe it was done in a way to try and hide or – or not be transparent about this.

45 MR ASPINALL: Well, do you remember Ashurst's advice in November that said to you – and I assume you read it, that:

Director independence requires a judgment of the board to be made and should be transparently communicated to the shareholders.

I think you agreed with that.

5

MR DEMETRIOU: Yes, I do agree with that.

MR ASPINALL: So you agree this statement conceals, effectively, what was happening because you agreed with me one of the reasons the board charter was changed was so that the majority of them could be said to be independent?

10

MR DEMETRIOU: Well, I – I don't accept that it was concealed. I would regard it more as an oversight.

COMMISSIONER: I mean, there'd be nothing wrong with saying that the experience that the board wanted to have from Ms Korsanos' experience with Aristocrat – or Aristocrat – is something that would be tolerated as a non-independent director while you searched for an independent director. There was nothing wrong with going about it that way, would there be?

20

MR DEMETRIOU: No there wouldn't be.

COMMISSIONER: And so – and the numbers, in terms of the numbers of directors on the board is a matter for the board; is it not?

25

MR DEMETRIOU: If memory serves me correctly, Madam Commissioner, there's a cap on the number of board members we can have.

COMMISSIONER: Yes, but the structure, that is, the combination of how it is structured dependents and non-independents, that is a matter that the board governances, isn't it?

30

MR DEMETRIOU: Yes, it does. And it's always at the forefront of our minds to have more independent directors than non-independent.

35

COMMISSIONER: Yes. Yes. Thank you Mr Aspinall.

MR ASPINALL: Can we look at INQ.010.006.0346.

MR DEMETRIOU: I have the cover sheet, Mr Aspinall, code of conduct?

40

MR ASPINALL: Yes, at 0348.

MR DEMETRIOU: Yes, I have that.

45

MR ASPINALL: You agree that it's one of Crown's stated objectives to act lawfully, ethically, responsibly and with integrity?

MR DEMETRIOU: Absolutely.

MR ASPINALL: If we go to 0349, do you see that that's enshrined there. It says:

5 *Imperative that our services are carried out lawfully, ethically, honestly,
 responsibly and with the highest standards of integrity and professionalism.*

MR DEMETRIOU: Yes, I do, Mr Aspinall.

10 MR ASPINALL: Don't you think, in the circumstances where Ms Korsanos was
 said to be independent as a result of a change of the board charter, that acting in
 accordance with that principle would have meant disclosing to the shareholders in
 the annual report what had actually happened to allow that classification to occur?

15 MR DEMETRIOU: I agree it would have been preferable, Mr Aspinall. But I also
 make the point that Ms Korsanos did put herself up for an election at the AGM, and
 shareholders had a right, quite rightly, to ask her questions about her independence
 and ask what tests were used. I'm not quite sure whether they availed themselves of
 that opportunity or not, but I accept your proposition.

20

MR ASPINALL: Well, when we went back to your speech that you gave to the
AGM, do you remember that you said it was very, very important that the
independent directors be independent?

25 MR DEMETRIOU: Yes, I did say that, and I stand by that.

MR ASPINALL: So I'm just wondering why, in these circumstances, you wouldn't
have made some sort of comment at the meeting that this should be disclosed so that
the shareholders could see what was truly going on?

30

MR DEMETRIOU: I – I can't give you a reasonable explanation, Mr Aspinall,
other than it was an oversight. But, as I said earlier, shareholders have the right to
ask questions as to the process and Ms Korsanos' independence, as they asked me.
And if they had have asked Ms Korsanos – and I'm not sure if they did. I can't
35 remember the transcript – she would've outlined the process she went through.

MR ASPINALL: I suppose you accept, though, that minority shareholders might
not have as much time as some people to come to meetings and look through
documents and ask questions at AGMs, and so forth, and they rely upon a company
40 when it says a director is independent, that that be true. Do you agree with that?

MR DEMETRIOU: In most cases, but the two minority shareholders that attend our
AGMs, who have who have got very few shares, are the most vocal. They do take
the time to read through copious amounts of documentation and come very prepared.

45

MR ASPINALL: I will move on now. If we could look at CRL.525.001.0001. You
see there's a services agreement between Crown Resorts and Consolidated Press?

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: Have you seen the evidence that's been given in respect of this agreement at the Inquiry?

5

MR DEMETRIOU: Not all of it, but I've seen enough, I think, Mr Aspinall.

MR ASPINALL: Are you in favour of continuing with this services agreement?

10 MR DEMETRIOU: Look, I – I will share my view once it's discussed at the board, Mr Aspinall, because I know it's going to be a topic of conversation, particularly, as an outcome of this Inquiry. But I – I would – I don't want to proffer my personal view until I've spoken to my fellow board members.

15 MR ASPINALL: Well, you can tell me your personal view at the moment with liberty to change it if you would like to, but what's your view at the moment?

MR DEMETRIOU: My view is that it should be reviewed and I – I believe it will be.

20

MR ASPINALL: Do you see any problems with it as it exists at the moment?

MR DEMETRIOU: Look, I think issues have been raised which are worth analysis and discussion. I support, in principle, the services agreement, but there are aspects of it I think we should review and discuss and see if we can do it better.

25

MR ASPINALL: Well, as an independent director, wouldn't it concern you that a company is entering into an arrangement with its largest shareholder, for that shareholder to provide the services of executives, which sometimes include members of your own board of Crown Resorts? Does that not concern you?

30

MR DEMETRIOU: It hasn't concerned me in the past, given what I've observed with the services and the level of expertise that Crown Resorts have been given by the CPH executives.

35

MR ASPINALL: But I asked you, when we first resumed after lunch, what you saw as the benefits of independent directors to an organisation, and you said, I think – perhaps paraphrasing you – that it was important because it meant that the shareholders were dealt with even-handedly; do you see?

40

MR DEMETRIOU: And, again, I can only speak from my observations of – re the services agreement and the services that have been provided to Crown. In my view, they've always been in the best interests of Crown shareholders. The advice that we've had around the ATO matter, which took four or five or six years even, the advice around our financials, have always been for the betterment of our shareholders as a whole.

45

MR ASPINALL: Well, do you know, for example, what profit, if any, CPH makes upon hiring out executives to Crown Resorts?

5 MR DEMETRIOU: No. I don't know the profit details of CPH, Mr Aspinall.

MR ASPINALL: Wouldn't that be very important in terms of dealing even-handedly with the shareholders?

10 MR DEMETRIOU: Well, all I can say is that when the services agreement was entered into, the board, through the rem committee, evaluated the costs and did an assessment and benchmarked whether they were reasonable, and we all believed that they were not only just reasonable, they were fair and, in some instances, discounted.

15 MR ASPINALL: I was going to leave that document. Can we move to CRL.509.014.8430.

MR DEMETRIOU: Yes, I have that.

20 MR ASPINALL: Do you see, Mr Demetriou, that's the controlling shareholder protocol with Mr Packer?

MR DEMETRIOU: Yes, I see that, Mr Aspinall.

25 MR ASPINALL: And were you in favour of entering into that protocol?

COMMISSIONER: I think it's with Consolidated Press.

MR ASPINALL: I'm sorry, with Consolidated Press?

30 MR DEMETRIOU: Yes, I was.

MR ASPINALL: And why was that?

35 MR DEMETRIOU: Well, given that Mr Packer wasn't going to be on the board any more, it was agreed that we would – we would formalise an arrangement that provided for information flow to Mr Packer, who has all been a valuable contributor to the growth of Crown. And his input, again, in my experience, has always been in the best interests of Crown as a whole. I've always regarded Mr Packer as somewhat of a visionary. And any information that could be provided to Mr Packer under the
40 protocol that would see Crown benefitting, whether it be in Barangaroo or whether it be in how our finances should be structured, and the like, I felt it was advice that was invaluable to the – to Crown as a whole.

45 MR ASPINALL: But, in terms of your perception that the advice of one shareholder was invaluable, isn't that itself a compromise of your duty to act independently in the interests of all shareholders and deal with them even-handedly?

MR DEMETRIOU: Well, again, I say that, in my experience, Mr Packer's advice was always – always – designed to be in the best interests of all shareholders. And he's – yes, he's one shareholder, but he's a shareholder who's had experience on the board, a shareholder who's had experience with the company and, through
5 unforeseen circumstances and, in some cases, unfortunate circumstances, couldn't serve on the board any more.

MR ASPINALL: There might have been other share – minority shareholders who also had visionary ideas, but they couldn't give them to you because you weren't
10 sharing information with them. Do you see the problem there, from an independent director's point of view?

MR DEMETRIOU: I can see the perception of the problem, Mr Aspinall. I can only deal in the reality and pragmatics of what was occurring. And again I repeat, in
15 my time on the board of Crown, I've only ever witnessed Mr Packer acting in the best interests of all Crown shareholders.

MR ASPINALL: And were you aware of the type of information that was being shared under this protocol?
20

MR DEMETRIOU: I – look, I think, broadly, to answer your question. I knew that Mr Barton, for example, or – and, I don't know, maybe Mr Felstead, were providing, you know, daily numbers. I knew, you know, Mr Nisbet was providing information about how Barangaroo was tracking. I provided information, you know, very
25 sporadically, to Mr Packer. I assumed that others may be, as well, under the shareholder protocol.

MR ASPINALL: Were you aware that Mr Packer was giving directions to senior executives, such as Mr Barton, to prepare financial forecasts for him personally?
30

MR DEMETRIOU: No, I was never privy to what was coming back the other way. I was only – had a broad understanding of what was going to Mr Packer.

MR ASPINALL: Were you aware that there's been evidence before this Inquiry that CPH – Mr Johnston – received financial forecasts from the executives under this protocol at the time they were negotiating to sell shares to Melco?
35

MR DEMETRIOU: Look, I wasn't aware of that link in the request for the financial models and the link to Melco shares. I was aware of the requests for financial
40 information because I, with Mr Johnston and a couple of other board members, weren't satisfied with the financial plan – the three-year plan – that was being presented to the board.

MR ASPINALL: And once you found out about that sharing of information during
45 the period that CPH was negotiating to sell the shares to Melco, what was your reaction?

MR YOUNG: Commissioner, I object to that.

COMMISSIONER: Yes.

5 MR YOUNG: The premise of the question is that the witness knew - - -

COMMISSIONER: Yes. I understand.

10 MR YOUNG: - - - about the sale. Yes.

COMMISSIONER: Yes, I understand that, Mr Young.

MR YOUNG: Yes.

15 COMMISSIONER: You will have to rephrase that, Mr Aspinall.

MR ASPINALL: Mr Demetriou, you became aware through evidence given by this Inquiry - - -

20 COMMISSIONER: Given to the Inquiry.

MR ASPINALL: Given to the Inquiry that information of the financial forecasts had been shared with Mr Johnston during the period in which CPH was negotiating to sell the shares to Melco?

25 MR DEMETRIOU: I became aware during the Inquiry, yes, Mr Aspinall.

30 MR ASPINALL: As an independent director, what's your reaction to that information?

MR DEMETRIOU: Well, I didn't assume that it was – based on the evidence, I didn't assume it was in relation to the Melco sale. I assumed it was the same information that I had requested, and a couple of other board members had requested because we weren't satisfied with the financial forecasts.

35 COMMISSIONER: I think the question really goes to the proposition that one would receive such information whilst you were negotiating for another company to sell shares; you understand that?

40 MR DEMETRIOU: Madam Commissioner, if Mr Johnston was asking for the financial models because it was linked to the sale of the Melco – to Melco, then that's inappropriate; I accept that. But I – I didn't draw that assumption. I assumed he was asking like I was asking.

45 COMMISSIONER: You have assumed asking; let's assume receipt. You see, as a director, you have to be exquisitely aware of the confines within which you can act as a director of a public company; you understand that, of course.

MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: So one of the things Mr Aspinall is asking you about is the information that was shared at a time when negotiations were taking place by CPH
5 Crown Holdings to sell its shares to Melco or its nominee; you understand that?

MR DEMETRIOU: I understand that now, Madam Commissioner.

COMMISSIONER: And putting yourself into such a position, the hackles on the
10 back of your neck would go up immediately, wouldn't they? You would say, "Don't give me this information for the time being. I have a transaction that I need to deal with". So that would be your obvious reaction, surely?

MR DEMETRIOU: That would be, Madam Commissioner.
15

COMMISSIONER: Yes.

MR DEMETRIOU: I didn't see Mr Johnston's evidence, so I don't know - - -

COMMISSIONER: No, no. No I understand that.
20

MR DEMETRIOU: - - - whether he received that.

COMMISSIONER: I'm asking you for your personal response.
25

MR DEMETRIOU: No, I accept that. I accept that. Yes, Madam Commissioner.

COMMISSIONER: You would not want to receive information at a time that you were dealing in a transaction that may give you information that's perceived to be –
30 it may not be actually, but would be perceived to be inappropriate; would you agree with that?

MR DEMETRIOU: Absolutely, Madam Commissioner.

COMMISSIONER: Yes, of course. Yes, Mr Aspinall.
35

MR ASPINALL: Mr Demetriou if I could take you to AMD.500.001.1511.

MR DEMETRIOU: I haven't got it yet, Mr Aspinall. I've still got - - -
40

COMMISSIONER: It is coming up, Mr Demetriou. It won't be long.

MR D'ARVILLE: Madam Commissioner, thank you. I was just going to ask if the exhibits could be read out.
45

COMMISSIONER: Yes, thank you, Mr Aspinall. Yes, now we have something on the screen.

MR ASPINALL: Yes, you see that's an email from you to Mr Packer on 11 December starting halfway down the page or so, or maybe a third of the way down the page?

5 MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And the email address there, DFT Solutions, is that some company that you have an association with or is that an email provider?

10 MR DEMETRIOU: It's a very sophisticated name for saying the Demetriou Family Trust, Mr Aspinall.

MR ASPINALL: I understand. You're writing on 11 December saying:

15 *James, as agreed, I promised that I would give you feedback post the board meeting about some of my observations together with explanations from management after today's board meeting.*

Do you see that?

20

MR DEMETRIOU: Yes, I do, Mr Aspinall.

MR ASPINALL: And you are talking about the meeting of the board of Crown Resorts, are you?

25

MR DEMETRIOU: Yes, I am, Mr Aspinall.

MR ASPINALL: And then you tell him about the budget, the first dot point or the first dash.

30

MR DEMETRIOU: Yes, I do – yes, I do.

MR ASPINALL: The area that you are down in.

35 MR DEMETRIOU: Yes.

MR ASPINALL: Traffic attendees, spend, VIP - - -

MR DEMETRIOU: VIP, yes.

40

MR ASPINALL: Machines.

MR DEMETRIOU: Yes.

45 MR ASPINALL: Then you talk about the confidence in the market.

MR DEMETRIOU: Yes.

MR ASPINALL: Some other things in respect of reputation.

MR DEMETRIOU: Yes.

5 MR ASPINALL: And a little bit further down you say:

Having said all of the above, I want to share with you what I said to the board at the end of the meeting.

10 MR DEMETRIOU: Yes.

MR ASPINALL: Then you set out several things.

MR DEMETRIOU: Yes.

15

MR ASPINALL: And then you say:

20 *Now, I know these issues we expect to be dealt with as a normal part of business, but they do take time, resources, costs and focus of management. I suggested we would become the most compliant regulated business in Australia but we're at risk of being like the Australian cricket team: timid, reactionary, not bold or aggressive. We exist to win. I asked management and the board to come back in the New Year and turn our minds to strategies to grow revenue.*

25 Do you see that?

MR DEMETRIOU: Yes, I do.

MR ASPINALL: Can you explain to me what you meant by the sentence:

30

I suggested we would become the most compliant regulated business in Australia but risk becoming like the Australian cricket team.

35 MR DEMETRIOU: Well, first of all, I should apologise to the Australian cricket team because they returned it around post this email. What I was trying to say in this email, Mr Aspinall, was that our management was dealing with a number of issues which you highlighted underneath the past 18 months, and they were taking away our focus from the core part of our business. It wasn't that those issues weren't important; they were absolutely important, they were absolutely critical, but the
40 resources and the time being spent was proving to be to the detriment of finding the balance between running our business and being compliant.

45 So it wasn't meant in any way to diminish the importance of being compliant or regulated. They are absolutely critical, but we had to find the right balance. And I think what I was also saying was that more focus going forward should be on strategies for our business and not being – not being at odds with key stakeholders

like regulators. The BDA, for example. So that's what I was trying to convey to Mr Packer.

5 MR ASPINALL: Do you think, then, that you should have – is your suggestion there to be bold and aggressive?

10 MR DEMETRIOU: Well, my – my – my view of being bold and aggressive in a business shouldn't be taken as being bold and aggressive in sales. Bold and aggressive means – in the world that I have come from, is that you have got to be courageous. You've got to carefully think through strategies, plan your strategies and then make sure you execute them properly, but you should at all times do those with the absolute honesty and integrity and ethically. You can be bold and aggressive and also be ethical at the same time.

15 MR ASPINALL: So are you saying here that you should be bold and aggressive with the regulators?

20 MR DEMETRIOU: Absolutely not. We should be absolutely compliant with the regulators.

MR ASPINALL: I see.

MR DEMETRIOU: I didn't think - - -

25 MR ASPINALL: Can we - - -

30 MR ASPINALL: I didn't think our management team was – had enough time or was devoting enough resources to being thinking about the strategy because they were dealing with a lot of other issues, and that they needed to turn their mind to a strategy that was going to be bold and aggressive for our business.

35 MR ASPINALL: In terms of the content and context of this email, you are reporting to Mr Packer on what happened at a board meeting of Crown Resorts, aren't you, and you are telling him what you said to the board and so on?

MR DEMETRIOU: Yes.

40 MR ASPINALL: In terms of corporate culture, how did you think that was going to help things?

45 MR DEMETRIOU: Well, I knew – and I know the controller shareholding protocol – the controlling shareholder protocol was put together very carefully. I knew that when disclosing information to Mr Packer that you had to be very careful about what you said. So the information I believed I was sharing, and did on very few occasions to Mr Packer, were always about trying to get his input and feedback because I knew that whatever advice could come back his – from his way would be to the benefit of

all our shareholders as a whole. I believed I was operating under the controlling shareholder protocol.

5 MR ASPINALL: Yes, you may well have been, but wouldn't you have known that all the other directors were free to report to Mr Packer on what happened at the board meetings as well?

10 MR DEMETRIOU: Well, they were, to an extent, under the guidelines of the controlling shareholder protocol and to the best of my knowledge some of them may have been.

15 MR ASPINALL: So doesn't that create a culture, where everybody is looking over their shoulders about what is going to be reported to Mr Packer about what they say at board meetings. It's not conducive to a free exchange of ideas, is it?

20 MR DEMETRIOU: Look, I think, Mr Aspinall – and I'm not saying this is a unique situation, but given Mr Packer's previous involvement with the business and that he was chairman, a significant shareholder who then re-joined the board and then had to step down from the board for health reasons, I was also very conscious that this was a very – this was a way to keep Mr Packer and his advice continuing to be forthcoming because I think it would be important for his – his benefit as well from the perspective of his mental health.

25 COMMISSIONER: Can we just have a look at the controlling shareholder protocol, please.

MR ASPINALL: That's CRL.509.014.8430.

30 COMMISSIONER: Just go forward in it, please. Next page, and next page. Just stop there, please. Do you see clause 2.3, Mr Demetriou.

MR DEMETRIOU: Yes, I do, Madam Commissioner.

35 COMMISSIONER: So what has to happen – what has to happen is what was envisaged at the time of the entry into the document, were these very careful steps, you see?

MR DEMETRIOU: Yes, I do.

40 COMMISSIONER: And what I have seen in the communications, and I understand why you were doing what you did, there did need to be some great care attended upon the disclosures under this regime, didn't there?

45 MR DEMETRIOU: Absolutely, there did.

COMMISSIONER: And your aim in providing Mr Packer with the information was to, presumably, assist the company, I understand that. That's right, isn't it?

MR DEMETRIOU: Yes, it was, Madam Commissioner.

COMMISSIONER: And I suppose if you don't know what Mr Packer has in mind, and you are just giving him information, there is some difficulty in making an
5 assessment of whether detriment or benefit is to be obtained. Would you agree with that?

MR DEMETRIOU: If I don't know what Mr Packer has got in mind, yes, I agree with that, Madam Commissioner.

10 COMMISSIONER: And it looks as though – it looks as though and I'm not quite sure at this stage – but it looks as though the flow of information was not rigorously documented in terms of consideration of whether it was in the best interests, whether
15 it was considered to be a detriment or benefit or whether it was improper or a breach of confidence. There seems to have been a free flowing of information so that Mr Packer was able to receive the information, particularly with your email. You would agree with that, wouldn't you?

MR DEMETRIOU: Yes, I would, Madam Commissioner.

20 COMMISSIONER: Now, if we then took the microscope of clause 2.3 of the controlling shareholder protocol and put it over the top of your email, you, of course, wouldn't be able to do it in a timely fashion, I understand that. But that's the sort of thing that had to happen; would you agree?

25 MR DEMETRIOU: I would agree with that, Madam Commissioner.

COMMISSIONER: And so I understand that you were acting in the hope and the best interest that you saw for the company of which you are a director. But once this
30 protocol was in place, this should have been your guidance, shouldn't it, in dealing with Mr Packer?

MR DEMETRIOU: Absolutely, it should have been.

35 COMMISSIONER: And I'm not sure that I've seen any indication from any of the minutes – the many hundreds of minutes that I've looked at – where each of these items in subparagraphs (a) to (d) of 2.3 of the protocol, of the document, have been considered and satisfied in writing; that would be correct, wouldn't it?

40 MR DEMETRIOU: Not formally; that would be correct, Madam Commissioner.

COMMISSIONER: And, I suppose, when one goes to the efforts of reaching a solemn agreement like this, it would, in the future, be a very good idea to ensure that every communication to a third party who is not part of the company is identified
45 with precision. Would you agree with that?

MR DEMETRIOU: Well, not only precision, but it should also be recorded, Madam Commissioner.

COMMISSIONER: That's what I mean.

5

MR DEMETRIOU: Yes.

COMMISSIONER: And so that people can look at this and say, when Mr Demetriou gave that information to Mr Packer, or to whoever it is, it's obvious that they thought about the best interests – the detriment and benefit, whether it was improper, whether it was a breach of confidence – and so you can see the decision-making each time that this very valuable information is shared. You'd agree with that?

15 MR DEMETRIOU: Yes, I would, Madam Commissioner.

COMMISSIONER: Do you know why it wasn't documented in this formal way?

MR DEMETRIOU: Look, I don't know specifically why it wasn't. But I think it's important, if we are to continue the controlling shareholder protocol going forward or any such arrangement, or like arrangement, that would be desirable and preferable to have a register and to record all forms of correspondence, so that it, as you put it, can be placed over that 2.3 clause.

25 COMMISSIONER: And, you see, if you have a majority or a shareholder with a large volume of shares in the company who has both enormous capacity for business and interest in the company, you may get a lot of questions, mightn't you?

MR DEMETRIOU: Yes. You get a lot of questions and you get – and as you put it, appetite for business, you get a lot of good advice.

30

COMMISSIONER: And so there can be a very careful regime put in place for the health of the company and for the future of the company; you agree with that?

35 MR DEMETRIOU: Yes, indeed, Madam Commissioner.

COMMISSIONER: And I'm not sure why it didn't happen on this occasion, where the entities went to the extent of putting together the protocol but then seemingly to just have this very informal arrangement of sending an email, "Can I please know what's happening?" and then telling him what's happening; that seems to be what's happened. Would you agree with that?

40

MR DEMETRIOU: Yes, that has what – that's exactly what's happened, Madam Commissioner.

45

COMMISSIONER: It seems that there was a great deal of trust in the directors in telling Mr Packer what he wanted to know. Would that be an unreasonable conclusion to reach?

5 MR DEMETRIOU: I can't speak for the other directors, but I do trust them. And there's a lot of trust in the other directors. I don't know whether they have always told Mr Packer what he wanted to know. I've always known that it's in my best interests and in Crown shareholders' best interests to tell him what he wanted to know, but – and I – I assumed that others did the same.

10 COMMISSIONER: Yes. And I suppose, when you make that assumption about it being in your best interests to tell him what he wants to know, and you would assume that you might have a reciprocation from him or not?

15 MR DEMETRIOU: Look, at my times of dealing with Mr Packer he's always been forthcoming with information I've asked him. He's – he's – I don't ask him much, I must admit, but I've found him to be genuine in the information flow. Yes.

20 COMMISSIONER: But the complexity of corporate life and, as we see it in the Melco transaction was such that, as I understand your evidence, you were not informed at the time your colleagues on the board, Mr Jalland and Mr Johnston, were in the transaction with Melco; is that right?

25 MR DEMETRIOU: That is absolutely correct, Madam Commissioner.

COMMISSIONER: And that was at the time that you were sharing information with them under this regime, I presume?

30 MR DEMETRIOU: I haven't pinpointed the exact timing, but it appears to be around about the time that some discussions were transpiring, or were in progress, around the potential sale. But I wasn't privy to that – any of that information, and I wasn't aware of it.

35 COMMISSIONER: But, in any event, you would want to be in a position to know, if you're sharing highly confidential information of your public company, that such a transaction was in the winnings, surely?

MR DEMETRIOU: Yes, I would, Madam Commissioner.

40 COMMISSIONER: And you didn't know, as I understand your evidence, until after it had been consummated; is that right?

MR DEMETRIOU: I didn't know until I got a phone call from Mr Johnston that night.

45 COMMISSIONER: Yes. All right. And so looking back to 2.3, these are the very things that your company – sorry – Crown Resorts Limited acknowledged should be

considered at the time of any communication of information in this way; you understood that?

5 MR DEMETRIOU: Yes, I did, Madam Commissioner, and I do so today.

COMMISSIONER: Yes. Yes. Thank you. Yes, Mr Aspinall. I'm sorry to interrupt.

10 MR ASPINALL: Is that a convenient time, Commissioner?

COMMISSIONER: I'm terribly sorry. Yes. Mr Demetriou, I'm sorry, we've reached the adjournment time. And I'm going to have to ask you to return tomorrow morning, just before 10 am, so we can make sure that the connection is secure. The documents that have been marked today that you've with you, which are MFIDA, 15 DB, DC and, I think DE, I'm not sure. Is it A, B, C, D, is it – DD? A, B, C, D, could they be produced, please, to those assisting Mr Young? And they will be transmitted to the Inquiry.

20 MR DEMETRIOU: Yes, Madam Commissioner.

COMMISSIONER: Thank you very much. I'll adjourn until 10 tomorrow.

MR DEMETRIOU: Thank you.

25 COMMISSIONER: Thank you.

<THE WITNESS WITHDREW

30 **MATTER ADJOURNED at 4.07 pm UNTIL TUESDAY, 13 OCTOBER 2020**

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