



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, 17 AUGUST 2020
AT 10.01 AM**

Continued from 6.8.20

DAY 13

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

MR A. BELL SC appears with MS N. SHARP SC, MR S. ASPINALL and MR N. CONDYLLIS as counsel assisting the Inquiry

MR N. YOUNG QC appears with MR R. CRAIG SC and MR H.C. WHITWELL for Crown Resorts Limited & Crown Sydney Gaming

5 **Proprietary Limited**

MR D. BARNETT appears for CPH Crown Holdings Pty Ltd

MS N. CASE appears for Melco Resorts & Entertainment Limited

10 COMMISSIONER: Yes. Mr Bell. I'll take the appearances.

MR A. BELL SC: Yes, I appear with MS NAOMI SHARP SC, MR SCOTT ASPINALL and MR NICHOLAS CONDYLLIS.

15 COMMISSIONER: Yes. Thank you. Any other appearances, please.

MR N. YOUNG QC: Commissioner, it's Neil Young. I appear with MR ROBERT CRAIG of senior counsel and MR HUW WHITWELL for the Crown companies.

20 COMMISSIONER: Thank you, Mr Young.

MR D. BARNETT: Commissioner, Darrell Barnett. I appear for CPH Crown Holdings Proprietary Limited.

25 COMMISSIONER: Thank you, Mr Barnett. Any other appearances this morning? I think there's someone there from Clayton Utz; is that right?

MS N. CASE: Yes, Commissioner, it's Natasha Case speaking. I appear for Melco.

30 COMMISSIONER: Thank you, Ms Case. Yes. Yes, Mr Bell.

MR BELL: Commissioner - - -

MR YOUNG: Commissioner - - -

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COMMISSIONER: Yes, Mr Young.

MR YOUNG: Excuse me, Commissioner. May I raise two preliminary matters.

40 COMMISSIONER: Yes. Please go ahead.

MR YOUNG: A moment before you came on the bench, Commissioner, there was an indication from one of the counsel acting for the Commission that Mr Stuart was going to be asked to exclude himself during the opening.

45

COMMISSIONER: I see.

MR YOUNG: That was the first we heard of that and I have – or we have some concerns about that. If it's going to be a public opening there's no reason why Mr Stuart should be excluded from hearing the opening.

5 COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: We have no problem with that.

10 COMMISSIONER: Yes. Yes, Mr Stuart can remain, Mr Young. Yes, Mr Young.

MR YOUNG: Thank you. And the second matter is just because it's easier to mention now, we received a large number of documents over the last few days, including last night. We have put together a list of documents over which we either seek to reserve our position concerning confidentiality and privilege or where we positively foreshadow a claim for confidentiality or privilege. I'm not sure if you were aware of that, Commissioner. I believe counsel assisting have a copy of that list. I mention that so as to ease the course of events as we go forward. I don't want to unnecessarily interrupt questioning or the tender of documents.

20 COMMISSIONER: Yes. Thank you, Mr Young. I'm sure counsel assisting will be across that and deal with it appropriately.

MR YOUNG: Thank you.

25 COMMISSIONER: Yes, Mr Bell.

MR BELL: Commissioner, this round of hearings of the inquiry - - -

30 COMMISSIONER: If you could just move your microphone a little closer. Yes.

MR BELL: This round of hearings of the inquiry focuses on the events leading to the arrest and detention in China of 19 employees of a subsidiary of Crown Resorts in October 2016. The 19 employees were subsequently charged with offences related to gambling under the criminal laws of China. The 19 defendants did not dispute the charges brought against them and on 27 June 2017, in the Shanghai Baoshan District Peoples Court, 16 of the 19 employees were sentenced to fixed terms of imprisonment and fined. The other three who were administrative staff were exempted from criminal penalty.

40 In the period from late July to early August 2019 various media outlets published allegations concerning the conduct of Crown Resorts Limited. This included a number of allegations relating to the arrest and detention of the staff in China. Allegations in the print media included that Crown Resorts had disregarded Chinese law and the welfare of its employees who were allegedly offered large bonuses to lure Chinese high rollers to gamble at Crown Resorts Australian casinos. It was claimed that even as it became likely that the Chinese police were closing in, Crown
45 Resorts directed its Chinese sales staff to keep promoting gambling but to do so

under the radar. It was alleged that Crown Resorts instructed staff to falsely claim to Chinese authorities that they were not working for Crown Resorts in China but were working in other locations.

5 A 60 Minutes Australia program published on 28 July 2019 included claims that
Crown Resorts exposed its Chinese staff to danger, that Crown Resorts thought it
could sidestep Chinese gambling laws by pretending to lure wealthy Chinese
gamblers, not to its casinos, but to its Australian hotels, and that Crown Resorts
claim that it was not promoting gambling in China was false. It was claimed that
10 employees in China were indoctrinated in a high-pressure sales culture, told to offer
Chinese high rollers big inducements to gamble at its Australian casinos, and earned
large bonuses if they were successful. It was claimed that Crown Resorts failed to
heed warning signs from the Chinese government such as when Chinese authorities
arrested the staff in China of South Korean casinos in 2015. It was claimed that
15 Crown Resorts knew that its employees in China were breaking Chinese gambling
laws.

On 31 July 2019 the board of Crown Resorts issued an Australian Stock Exchange
and media release entitled Message from the Crown Resorts Board of Directors. The
20 document listed each director of Crown Resorts at the time as an author. Under the
heading Setting the Record Straight in the Face of a Deceitful Campaign Against
Crown. In the media release the directors of Crown Resorts denied that Crown
Resorts knew that the conduct of its staff in China constituted an offence in China
and that it deliberately flouted the law. The directors stated that Crown Resorts was
25 not charged with or convicted of any offence in China. The directors stated that at all
times Crown Resorts understood that its staff were operating in a manner which did
not breach article 303 of the Chinese criminal law.

The directors stated that at all relevant times Crown Resorts obtained legal and
30 government relations advice from reputable independent specialists. The directors
stated that the fact the staff were nevertheless detained and convicted was not an
indication that the advice was wrong or disregarded, but an illustration of the
challenges involved in anticipating how foreign laws can be interpreted and
enforced. The directors of Crown Resorts referred to the 60 Minutes program and
35 stated that it featured a former junior employee and several purported experts. The
directors stated that it was not disclosed whether they had been paid for their 60
Minutes appearance. The directors also questioned the objectivity of their former
employee and stated that she had made an unsuccessful demand for compensation
from Crown Resorts of over 50 times her final annual salary.
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On 1 August 2019 the Sydney Morning Herald published an article responding to the
directors' claims including in respect of the China arrests. Among other things, the
article stated that multiple experts had said publicly that Crown Resorts dealings in
China were foolhardy, high risk and in potential breach of the laws which the Crown
45 employees were ultimately found to have broken. The article stated that Jenny Jiang,
a former employee of Crown Resorts who appeared on the 60 Minutes program, was
not paid for her interview, and nor did she seek payment. The article stated that her

staff certificates and internal company appraisals described her employment in glowing terms. The article stated that Crown Resorts sought to pay her \$60,000 after her arrest in return for not criticising the company, an offer which she refused.

5 On 3 August 2019 The Age published an article entitled Crown Board's Role in
Scandal Questioned, raising questions as to whether the nature of Crown Resorts
corporate governance prevented it from properly managing the risks, including those
based in China. Commissioner, the question for this Inquiry which is raised by the
10 the amended terms of reference is whether, in light of its investigations, including into
the media allegations, the licensee of the Barangaroo restricted gaming facility,
Crown Sydney Gaming Pty Limited is a suitable person to give effect to the licence
and whether Crown Resorts Limited is a suitable person to be a close associate of the
licensee. The amended terms of reference thus focus on issues of current suitability
having regard to the media allegations concerning the China arrests.

15 Although those arrests occurred nearly four years ago questions of current suitability
are emphasised by the current board's strong public defence of the company's
conduct at the time of its media release on 31 July 2019. Commissioner, of some
relevance to these hearings of the Inquiry is a class action commenced on 4
20 December 2017 against Crown Resorts in the Federal Court of Australia by Zantran
Pty Limited on its own behalf and on behalf of all persons who acquired an interest
in fully paid ordinary shares in Crown Resorts Limited between 6 February 2015 and
16 October 2016. The class action is set down for hearing in the Federal Court for
several weeks commencing on 9 November 2020.

25 Among other things, there are issues in the class action as to whether Crown Resorts
operations in China were in breach of Chinese law or whether they possessed
characteristics which were the target of a Chinese gambling crackdown. In relation
to the question of whether the operations were in breach of Chinese law, there's
30 competing expert evidence asserted by the applicant and by Crown Resorts in the
class action. There are issues in the class action as to whether there existed a risk
and if so the extent of Crown Resorts knowledge of the risk that the employees in
China were to be detained, that Crown Resorts would be forced to terminate its
China operations, and if so whether Crown Resorts would suffer a significant
35 reduction in its VIP revenue from China or its total revenue.

There are elements of overlap between the issues for this Inquiry and the issues to be
determined in the class action should it proceed in November 2020. There will be
evidence in the Inquiry in relation to the circumstances leading to the arrests of the
40 Crown employees in China, their pleas of guilty and imprisonment, however, the
views of those assisting you are that it will not be necessary to call expert evidence in
relation to those matters. It may be that Crown Resorts will make claims in the class
action and perhaps in this inquiry that the convictions of the employees in China
would or should not be regarded by the criminal law in Australia. This is not a
45 matter necessary for a decision pertinent to the Terms of Reference.

The fact that Crown may contend that this is so, assuming it may be a reasonably arguable contention, is a matter to be taken into account in considering all the circumstances of the arrest, detention and conviction of the Crown employees in China in 2016 and 2017. Crown's present concerns about the uncertainties in
5 relation to the status and processes of the Chinese regulatory and court systems are matters relevant to an assessment of whether Crown held such concerns in the period up to the time of the arrests in 2016, and if so how that was reflected in what it did to protect its employees from such concerns about those uncertainties.

10 Having regard to the focus on current suitability and the nature of the media allegations, the issues to be considered by this Inquiry are seen in broad terms to be as follows: first, whether the board or senior management of Crown Resorts in 2015 and 2016 believed that the employees in China were acting in breach of Chinese
15 gambling laws or that those employees were at risk of arrest, detention or conviction for breach of those laws. Secondly, whether Crown Resorts adopted and promoted a business model for its activities in China with the employees in China at material risk of arrest, detention or conviction for breaches of China's gambling laws. Thirdly,
20 whether the board or senior management failed to have regard to or respond appropriately to warning signs in China in 2015 and 2016 which materially escalated the risk of arrest, detention or conviction for Crown Resorts employees in China.

Fourthly, whether the conduct of Crown Resorts in China failed to comply with its corporate governance or risk management policies. Fifthly, whether Crown Resorts
25 corporate governance and risk management policies and practices were appropriate to meet the risks faced by its activities in China and, finally, if Crown Resorts did fail to comply with its corporate governance or risk management policies, what were the reasons which led to the occurrence of that conduct, and to what extent has the current board and senior management taken steps to ensure similar steps do not occur
30 in any context in the future.

Commissioner, in the current public hearings it's proposed to call the following
35 witnesses: Mr Drew Stuart who was the general manager, risk and assurance at Crown Melbourne Limited at the material times; Mr Barry Felstead, who was at relevant times and remains the chief executive officer, Australian Resorts at Crown Resorts; thirdly, Mr Ishan Ratnam who is the president, international VIP
40 development at Crown Resorts; Mr Rowen Craigie who was at relevant times the chief executive officer and managing director in Resorts; and Ms Rowena Danziger who was at relevant times a director of Crown Resorts Limited and a member of its risk management committee.

45 It may be that the evidence called by these witnesses will make it necessary for further witnesses to be called. It's also proposed to call some or all of the board members of Crown Resorts who are either current members or who were members in 2019 at the time of the media allegations, however, as those directors are scheduled to appear at later hearings of the Inquiry, their evidence will not be dealt with in the current hearings to avoid the necessity of calling them to give evidence twice. Mr Aspinall will deal with the documentary tender.

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

MR ASPINALL: May it please the commission, since 6 August 2020 solicitors for the Crown entities and the solicitors for Messrs Jalland, Johnston and Packer have
5 been provided with a series of lists of documents, six lists, and we would propose
now to tender those six lists and to have them marked as exhibits M to R. For the
benefit of the parties and for your benefit, Commissioner, I will read out the name of
the list which was provided to those parties. The first was a list titled Index of
Prospective Public Tender Material dated 6 August 2020 which comprises 357
10 documents which we would propose be marked exhibit M.

COMMISSIONER: Yes, those documents in the list will be marked exhibit M1 to
M357 respectively. Thank you, Mr Aspinall.

15

**EXHIBIT #M1 TO M357 INDEX OF PROSPECTIVE PUBLIC TENDER
MATERIAL DATED 06/08/2020**

20 MR ASPINALL: Thank you, Commissioner. Next is a list called the Index of
Prospective Tender – Confidential Tender Material dated 6 August 2020 which
comprises 28 documents and which we would propose become exhibit N.

COMMISSIONER: Exhibit N, confidential, is that right?

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MR ASPINALL: Correct, Commissioner.

COMMISSIONER: Yes. Exhibit N confidential until further order numbered 1,
that's N1 to N28 confidential. Thank you.

30

**EXHIBIT #N1 TO N28 INDEX OF PROSPECTIVE CONFIDENTIAL
TENDER MATERIAL DATED 06/08/2020**

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MR ASPINALL: Thank you, Commissioner. Next the list entitled Supplementary
Index of Prospective Public Tender Material dated 12 August 2020 which comprises
73 documents and which we would propose become exhibit O.

40 COMMISSIONER: They're open documents are they, Mr Aspinall?

MR ASPINALL: Correct.

COMMISSIONER: Thank you. Exhibit O1 to exhibit O73. Thank you.

45

EXHIBIT #O1 TO O73 SUPPLEMENTARY INDEX OF PROSPECTIVE PUBLIC TENDER MATERIAL DATED 12/08/2020

5 MR ASPINALL: Next is a list entitled Supplementary Index of Prospective Public Tender Material dated 14 August 2020 which comprises 27 documents and which we would propose become exhibit P.

10 COMMISSIONER: Yes. Thank you. They will become exhibit P1 to P27. They're open documents, are they?

MR ASPINALL: Correct.

15 COMMISSIONER: Thank you.

EXHIBIT #P1 TO P27 SUPPLEMENTARY INDEX OF PROSPECTIVE PUBLIC TENDER MATERIAL DATED 14/08/2020

20 MR ASPINALL: Next is a list which was entitled Supplementary Index of Prospective Confidential Tender Material dated 14 August 2020 which comprises two documents and which we would propose become exhibit Q confidential.

25 COMMISSIONER: Yes, those two documents are Q1 and Q2 confidential.

EXHIBIT #Q1 TO Q2 SUPPLEMENTARY INDEX OF PROSPECTIVE CONFIDENTIAL TENDER MATERIAL DATED 14/08/2020

30 MR ASPINALL: Finally, Commissioner, there is a list called the Supplementary Index of Prospective Public Tender Material dated 16 August 2020 which comprises 24 documents and which we would propose become exhibit R. Before I do tender
35 that, though, I have been provided with a note from the solicitors that says that counsel for Messrs Jalland, Johnston and Packer may not yet have that material.

40 COMMISSIONER: All right. Well, I will mark them at the moment not public until we have the response, just to be careful, so it will be exhibit 1 to 24. And Mr Aspinall you can let me know when that response has been received and I can then open those documents. exhibit R1 to 24.

45 **EXHIBIT #R1 TO R24 SUPPLEMENTARY INDEX OF PROSPECTIVE PUBLIC TENDER MATERIAL DATED 16/08/2020**

MR ASPINALL: Thank you, Commissioner.

COMMISSIONER: Yes, thank you, Mr Aspinall.

5 MR ASPINALL: Thank you.

COMMISSIONER: Yes, Mr Bell.

MR BELL: I call Mr Drew Stuart.

10 COMMISSIONER: Mr Stuart, are you available?

MR STUART: Yes, I am, Commissioner.

15 COMMISSIONER: And Mr Stuart, do you prefer to take an oath on the Bible or make an affirmation for the giving of your evidence before the Inquiry?

MR STUART: I don't have access to a Bible so I will take an affirmation, thank you.

20 COMMISSIONER: Thank you, Mr Stuart.

<DREW STUART, AFFIRMED

[10.22 am]

25

<EXAMINATION BY MR BELL

30 COMMISSIONER: Mr Stuart, I am informed that your camera is not on, which is an impediment to me seeing you so would you please rejoin the meeting either by yourself or with some assistance there. Thank you. If you can rejoin the hearing. Yes, thank you, Mr Stuart. I can now see you. Yes, Mr Bell.

35 MR BELL: Would you please state your full name.

MR STUART: Drew Stuart.

40 MR BELL: Mr Stuart, your business address is known to those assisting this Inquiry. What is your occupation?

MR STUART: I'm a chartered accountant.

45 MR BELL: Is it correct that you were the general manager risk and assurance at Crown Melbourne Limited from 2007 to 2018?

MR STUART: It is correct.

MR BELL: And prior to that you had been the risk and assurance manager at Crown Melbourne Limited from 2002 to 2007; is that correct?

MR STUART: Correct, Mr Bell.

5

MR BELL: And since leaving Crown Melbourne in 2018 you've moved to another role as a risk and compliance manager. Is that right?

MR STUART: That is correct.

10

MR BELL: And in the period 2014 to 2016, as the general manager risk and assurance at Crown Melbourne you reported to Ms Debra Tegoni and Mr Barry Felstead. Is that correct?

15 MR STUART: Principally to Ms Debra Tegoni.

MR BELL: But also to Mr Felstead.

20 MR STUART: To Mr Felstead as and when required in that he would be au fait with everything I undertook in terms of cc'ing of all documentation and he would request – he and I would speak occasionally if the need arose and I would also speak to Barry with Ms Tegoni.

25 MR BELL: And in that period, as you understood it, Ms Tegoni was the executive general manager, legal and regulatory services at Crown Melbourne. Is that right?

MR STUART: She was.

30 MR BELL: And in that period, as you understood it, Mr Felstead was the chief executive officer of Australian Resorts at Crown Resorts as well as being a director of Crown Melbourne Limited. Is that right?

MR STUART: Correct.

35 MR BELL: Now, Crown Melbourne Limited is a wholly owned subsidiary of Crown Resorts Limited as you understand it. Is that right?

MR STUART: Correct.

40 MR BELL: And in the period 2014 to 2016, as you understood it, management of risk for VIP international business was reported formally through Crown Melbourne Limited. Is that right?

45 MR STUART: I don't necessarily understand that to be the case. I'm – I think it was definitely situated at Crown Melbourne, but to the extent that there was a global strategy across multiple properties, principally Crown Melbourne, Crown Perth and

Aspinalls, there's some perception on my part that it was a global operation, but the head of that was based at Crown Melbourne, Mr O'Connor.

5 MR BELL: Yes. Now, as the general manager risk and assurance at Crown Melbourne in the period 2014 to 2016, would you each year at about August coordinate Crown Melbourne's annual risk assessment?

MR STUART: That is correct.

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MR BELL: And is it correct that that process would culminate in the presentation of the annual risk management plan to the Crown Melbourne audit committee?

MR STUART: That is correct.

15

MR BELL: Which was a committee of the board of Crown Melbourne responsible for risk management among other things.

MR STUART: That is correct.

20

MR BELL: And in coordinating that annual risk assessment in the period 2014 to 2016, it was your practice, wasn't it, to meet with executives and senior staff of the various departments within Crown Melbourne in workshop style meetings?

25 MR STUART: That is correct.

MR BELL: And in those meetings you would discuss and review the risk registers and risk profiles for each department and consider whether the controls for those risks remained appropriate.

30

MR STUART: Along with new and emerging risks, Mr Bell.

MR BELL: Yes.

35 MR STUART: And also to consider generic risks which were not necessarily related to a specific department to get that department's input into those.

40 MR BELL: Yes. And is it right that one of those Crown – I withdraw that. And is it correct that one of those Crown Melbourne departmental risk registers was for gaming operations, which included VIP gaming?

MR STUART: That is correct.

45 MR BELL: And when you met with executives to discuss gaming operations, is it correct that those discussions would typically include representatives from the VIP international business?

MR STUART: That is correct.

MR BELL: And that collaborative process of meeting with senior executives was the foundation for the annual Crown Melbourne risk management plan, would it not?

5

MR STUART: That is correct, yes.

MR BELL: And the Crown Melbourne risk management plan was presented annually to the audit committee of Crown Melbourne in November each year; is that right?

10

MR STUART: Yes, it was. Just to specify, so that plan was actually the high and significant risks as determined by that process.

15

MR BELL: Yes. Thank you. And is it correct that, in or about July or August of the following year, you'd present an updated reporting to the Crown Melbourne audit committee called the risk management report.

MR STUART: That is correct.

20

MR BELL: And that updated the committee on risk developments which had occurred since the previous risk management plan; is that right?

MR STUART: That is correct.

25

MR BELL: And both the risk management plan and the risk management report presented to the Crown Melbourne audit committee contained a document called the corporate risk profile; is that right?

30

MR STUART: Correct.

MR BELL: And in each year before the corporate risk profile was provided to the audit committee, that you would take the corporate risk profile to meetings of the Crown Melbourne executive team; is that correct?

35

MR STUART: Yes, I would. But before that it would also go through the executive – so the executive risk – risk management committee for their approval and then, ultimately, to the executive team for approval prior to going to the audit committee. I might add, just for clarification, there is a – the link between that corporate profile and the registers is by way of a mapping document whereby each risk identified in the department register is mapped and collated on that corporate profile, like definitions and, obviously, some standalone risks as well.

40

MR BELL: Yes. Thank you. And is it correct that you would typically attend two meetings of the executive team each year to present and discuss the corporate risk profile in the period 2014 to 2016?

45

MR STUART: Correct.

MR BELL: And is it correct that, in the period 2014 to 2016, attendees at the executive team meetings at which you presented and discussed the corporate risk profile included Mr Jason O'Connor and Mr Barry Felstead?

MR STUART: That is correct.

MR BELL: And you understood in that period that they were the two most senior executives responsible for VIP international business at Crown Resorts; is that correct?

MR STUART: That is correct.

MR BELL: With Mr O'Connor reporting to Mr Felstead?

MR STUART: That is correct.

MR BELL: Now, these executive team meetings were an opportunity, as you saw it, weren't they, to review and discuss the corporate risk profile before its presentation to the Crown Melbourne audit committee?

MR STUART: That is correct. And to consider either their first inputs into the register and the build-up of that, or that of their staff, and to look at that register as a collective group of executives and to trade ideas on it prior to going to the Crown audit committee. Yes, that is correct.

MR BELL: And at those executive meetings there would typically be a discussion of the rating of risks in the profile; is that right?

MR STUART: That is correct. Along with any – any – sorry. Yes, that is correct, Mr Bell.

MR BELL: And is it also correct that there would also be a discussion about the appropriateness of the controls and whether new risks needed to be added?

MR STUART: That is correct.

MR BELL: Because, would you agree, the importance of those discussions with the executive team and your previous workshop style meetings with senior staff was to ensure, among other things, that relevant risks were identified, analysed and evaluated?

MR STUART: That is correct.

MR BELL: And is it also correct that, for risk management to be effective, people with appropriate knowledge in the organisation have to be involved in the process?

MR STUART: That is correct.

MR BELL: And in relation to VIP international business, that meant the senior executive managers responsible for running that business, among other people?

5

MR STUART: The senior executive managers as they were at – located at Crown Melbourne, so from the – well, could you clarify, Mr Bell, what you mean by “senior executive managers”?

10 MR BELL: Yes. You said earlier that the two most senior executive managers - - -

MR STUART: Yes.

15 MR BELL: - - - responsible for VIP international business were Mr Felstead and Mr O’Connor; correct?

MR STUART: That is correct.

20 MR BELL: And for risk management to be effective in relation to the VIP international business, those senior executive managers had to be involved in the process; correct?

MR STUART: That is correct.

25 MR BELL: In other words, as the general manager risk and assurance at Crown Melbourne, you depended on senior management in the business units to identify the risks with which those businesses were facing, didn’t you?

30 MR STUART: I did. And then through another channel, as I said, by our executive risk committee, made up of key executives for which oversight of risks, and then, yes, up to the executive team; that is correct.

35 MR BELL: So you’re pointing out to me that there were two executive processes that were involved - - -

MR STUART: Yes, they - - -

MR BELL: - - - in management processes before the - - -

40 MR STUART: Yes. A management committee – a standard management committee responsible for risk, which would meet four times a year.

45 MR BELL: Now, you were aware, Mr Stuart, in the period 2014 to 2016, that Crown Resorts Limited had a risk management policy?

MR STUART: That is correct.

MR BELL: And I take it that you were aware at the time that a goal of that policy was to build a culture of risk awareness and a sense of ownership of risk.

MR STUART: That is correct.

5

MR BELL: And would you agree that to develop a culture of risk awareness and a sense of ownership of risk it was important that the senior managers in the business units understand that they had a responsibility for managing risk?

10 MR STUART: That is correct. But it was also understood that the executive general manager or department head of each business unit was ultimately responsible for that risk.

MR BELL: Yes. Those – that executive general manager had to coordinate with you as the general manager of risk and compliance; is that correct?

15

MR STUART: Had to coordinate with me? Sorry, Mr Bell?

MR BELL: Yes.

20

MR STUART: In what – in what sense?

MR BELL: In order to develop a culture – let me start again.

25 MR STUART: Yes. I – well, yes, in terms of me facilitating those discussions. Yes.

MR BELL: So just to be clear for the record, you would agree, would you not, that in order to develop a culture of risk awareness and a sense of ownership of risk, it was important that the senior managers in the business units understand that they had a responsibility for managing risk and to coordinate with you; you agree?

30

MR STUART: To the extent that they would coordinate with me on my internal audit activities, correct. But, ultimately, responsibility for that risk and the ownership with that risk sat with the department head. So by their participation in those workshops, they would be aware of their department's risks.

35

MR BELL: And would you agree, Mr Stuart, that effective risk mitigation has to be dynamic, and that risk mitigation strategies need to be regularly updated?

40

MR STUART: Correct.

MR BELL: And that was another reason, wasn't it, why regular discussions between you and senior management in the business units was important. Would you agree?

45

MR STUART: Correct.

MR BELL: Once the process of review with the executive team was completed, you would then table for approval the risk management plan or the risk management report, as the case may be, to the audit committee of Crown Melbourne; correct?

5 MR STUART: That is correct.

MR BELL: And in terms of the listed entity, Crown Resorts Limited, it also had a board committee responsible for risk management called the risk management committee; is that correct?

10

MR STUART: That is correct.

MR BELL: And is it the case that, in the period 2014 to 2016, the risk management committee of Crown Resorts Limited met twice a year?

15

MR STUART: That is correct.

MR BELL: And did you regularly attend meetings of the Crown Resorts risk management committee in the period 2014 to

20

MR STUART: That is correct.

MR BELL: And is it the case that the members of the Crown Resorts risk management committee, in the period 2014 to 2016, were Mr Dixon as chairman, Mr Craigie and Ms Danziger?

25

MR STUART: That is correct.

MR BELL: And is it the case that, in the period 2014 to 2016, Crown Resorts Limited maintained a document called a "risk profile" which was reviewed annually by the Crown Resorts risk management committee?

30

MR STUART: Reviewed – well, that committee would review it each meeting. But, yes, a – a full risk assessment of those, formally, as we outlined for Crown Melbourne, that is correct.

35

MR BELL: Now, in addition to the risk profile, during the period 2014 to 2016, was a document known as a "report against material risks" provided to the risk management committee of Crown Resorts Limited?

40

MR STUART: That is correct.

MR BELL: And did the risk profile and report against material risks, provided to the risk management committee of Crown Resorts, draw upon the risks and risk management processes identified by the wholly owned businesses of Crown Resorts, including Crown Melbourne?

45

MR STUART: Yes, and the other business units – sorry – affiliated businesses; that is correct. Sorry – in the context of those risks, those high risks for Crown Resorts.

5 MR BELL: Yes. And would you agree that the boards of Crown Melbourne and Crown Resorts also had an important role in managing risk?

MR STUART: Very much so, Mr Bell.

10 MR BELL: Now, could I ask you to look at the 2015 annual report for Crown Resorts, which is INQ.010.002.0001, which is tab 224 of exhibit M for Mike.

MR STUART: May I ask, Mr Bell, if that's in the original bundle of 12?

15 MR BELL: Yes. Yes, it is.

MR STUART: I have that, Mr Bell.

MR BELL: And if I could ask you – are you there, Mr Stuart?

20 MR STUART: I am.

COMMISSIONER: Just put Mr Stuart back on.

25 MR STUART: I am.

COMMISSIONER: Thank you.

30 MR BELL: And, Mr Stuart, if I could ask you to turn to the corporate governance statement at page 33 of the document, which is the page ending in the numbers .0035.

MR STUART: Yes. I'm there, Mr Bell.

35 MR BELL: Do you see that, in 2015, the corporate governance statement issued by Crown Resorts set out the extent to which the company had followed the best practice recommendations by the ASX corporate governance council?

MR STUART: That is correct.

40 MR BELL: Correct? And that the document made disclosures responding to the ASX corporate governance council's third edition of its corporate governance principles and recommendations. Do you see that?

45 MR STUART: On the subsequent pages, 36, 37, 39? Correct. Yes.

MR BELL: Well, I was actually directing your attention to page 33 at .0035. You see that, at the top of the left-hand column, in the second paragraph, it says that:

The disclosures in this statement respond to the ASX corporate governance council's third edition of its corporate governance principles and recommendations.

5 Have you got that?

MR STUART: Sorry. Which page, Mr Bell? 33?

MR BELL: Yes.

10

COMMISSIONER: Top left-hand corner.

MR STUART: And which - - -

15 MR BELL: Just above the heading Principle 1, the sentence I'm drawing your attention to refers to the fact that disclosures - - -

MR STUART: Sorry. That – I apologise, Mr Bell. That's references 35. Sorry. I was looking at a different reference.

20

MR BELL: That's okay.

MR STUART: Principle 1?

25 COMMISSIONER: Above that.

MR STUART: Yes. I have the paragraph.

30 MR BELL: What I would like to do now is take you to the third edition of the ASX corporate governance council's corporate governance principles and recommendations which is INQ.100.001.0308. It's exhibit O tab 5. Do you have that document, Mr Stuart?

MR STUART: Do you have a tab number, Mr Bell?

35

COMMISSIONER: Tab 5.

MR BELL: Tab 5.

40 MR STUART: Which volume – sorry – Mr Bell?

MR BELL: I'm not sure whether your volume is organised in the same way as mine. But it's the first supplementary bundle of documents, tab 5, which has now been marked as exhibit O in this Inquiry.

45

MR STUART: Corporate governance principles and recommendations?

MR BELL: That's correct.

MR STUART: Yes.

5 MR BELL: Now, could I ask you to turn to page 28 of that document which is the page ending in .0337.

MR STUART: Yes.

10 MR BELL: Now, could I direct your attention to the bottom of the first column. You see that it states, and I quote:

It is the role of the board to set the risk appetite for the entity, to oversee its risk management framework and to satisfy itself that the framework is sound.

15

Was it your understanding, Mr Stuart, that this principle was intended to apply at Crown Resorts in terms of identifying the primary responsibility of the board for risk management?

20 MR STUART: Well, Mr Bell, I wasn't responsible for risk management at Crown Resorts, so it would be difficult for me to actually comment on that given that I wasn't (a) responsible for it or (b) didn't write it.

MR BELL: All right. But you've been involved in risk management for quite a number of years, Mr Stuart; is that correct?

25

MR STUART: That is correct.

MR BELL: And would you agree, as a general proposition, that it's the responsibility of the board of an organisation to set the risk appetite for the organisation, to oversee its risk management framework and to satisfy itself that the framework is sound?

30

MR STUART: I would agree with that, Mr Bell.

35

MR BELL: And do you see above that it states:

It is the role of management to design and implement that framework and to ensure that the entity operates within the risk appetite set by the board.

40

In your experience, would you accept that that's an accurate statement of the role of management in an organisation in respect of risk management?

MR STUART: Correct, Mr Bell.

45

MR BELL: I'd like to take you to a different document, which is CRL.545.001.0623 which is exhibit M for Mike, tab 52.

COMMISSIONER: That doesn't seem to be the document.

MR STUART: Did you say tab 52, Mr Bell?

5 MR BELL: Yes.

MR STUART: What is the nature of the document, Mr Bell, please?

10 MR BELL: It should be labelled tab 52. It's an email.

MR STUART: Yes.

MR BELL: From Mr O'Connor to you. And a reply by you to Mr O'Connor.

15 MR STUART: Yes.

MR BELL: It's dated 15 October 2013. Do you have that?

20 MR STUART: I do, Mr Bell.

MR BELL: Thank you. Now, do you see that Mr O'Connor, in this email, was suggesting that an additional risk be added to the corporate risk profile for Crown Melbourne, being foreign political policy risk.

25 MR STUART: That is correct.

30 MR BELL: And do you see that the examples Mr O'Connor gave of how that might create risk were if the Chinese government decided to clamp down on currency movement, curb lending for real estate or to restrict international travel. Do you see that?

MR STUART: That is correct, Mr Bell.

35 MR BELL: Yes. Now, the next document I want to show you is a document in which Crown Resorts has reserved its position in relation to confidentiality. So could it be called up in the hearing room only. It's the Crown Melbourne corporate risk profile as at October 2014, at CRL.527.001.4139 at .4208, which is within exhibit M for Mike at tab 77.

40 MR STUART: I believe I'm at the tab, Mr Bell.

MR BELL: All right. Now, do you see, in the top right-hand corner, there's some numbers – at the top of the first page, it says CRL.527.001.4139?

45 MR STUART: Correct.

MR BELL: So if you could flick through that document until you come to the page which ends in the – with these numbers, .4208.

5 MR STUART: Correct, Mr Bell.

MR BELL: So that's the Crown Melbourne corporate risk profile, October 2014; is that correct?

10 MR STUART: That is correct.

MR BELL: And do you see that it lists foreign political policy as a moderate risk?

MR STUART: That is a significant risk, I believe, Mr Bell.

15 MR BELL: You're looking at foreign political policy at 19?

MR STUART: Yes.

20 MR BELL: I should interpret that as being a high risk, should I, rather than a significant risk?

COMMISSIONER: I think you said moderate.

25 MR STUART: Well, you said moderate and I corrected you.

MR BELL: My apologies. You were quite right, Mr Stuart. So it was recorded as a significant risk; is that right?

30 MR STUART: Correct. Yes. Correct.

MR BELL: And if you could move forward within this document to the page ending in the numbers .4218.

35 MR STUART: Correct.

MR BELL: And we see here, don't we, a little bit more detail about the foreign political policy risk in the 2015 risk management plan for Crown Melbourne?

40 MR STUART: That is correct.

MR BELL: And it refers to the three examples which Mr O'Connor had provided in his email, namely, Chinese government restrictions on currency movement, real estate development and international travel.

45 MR STUART: Correct.

MR BELL: See that? Now, I would like to take you, now, to the Crown Melbourne Limited risk management report for the period to June 2015. That's another document in respect of which Crown Resorts has reserved its position on confidentiality so if it could be called up in the hearing room only. The document
5 reference is CRL.527.001.4478 at .4625, and, Mr Stuart, you will find it within tab 216 in exhibit M for Mike.

MR STUART: I have that, Mr Bell.

10 MR BELL: So, Mr Stuart, you will see that that document has the reference in the top right-hand corner CRL.527.001.4478?

MR STUART: Correct.

15 MR BELL: Got that? If you could turn to the page which ends in the numbers .4625.

MR STUART: Risk management report, Mr Bell?

20 MR BELL: Yes. And within the risk management report could you turn to page 4634.

MR STUART: I'm there, Mr Bell.

25 MR BELL: And do you see that, in relation to risk number 19, foreign political policy, the document states:

There have been no major developments in the reporting period and no change to risk rating in the period up to June 2015.

30 MR STUART: That is correct. That is correct.

MR BELL: Now, could I take you to another document which is the Crown Melbourne risk management plan for financial year '16. It's another document in
35 respect of which Crown Resorts has reserved its position on confidentiality. So if it could be called up in the hearing room only, the document reference is CRL.527.001.4011 at .4081. And, Mr Stuart, it's within tab 246 of exhibit M for Mike.

40 MR STUART: I have that, Mr Bell.

MR BELL: And if I could ask you to turn the page that ends with the numbers .4081.

45 MR STUART: Yes, Mr Bell.

MR BELL: So do you see that's the financial year 2016 risk management plan, and if I could ask you to turn to risk number 19.

MR STUART: Yes, Mr Bell.

5

MR BELL: And the specific page is the page ending in the numbers .4096. Do you have that, Mr Stuart?

MR STUART: I do, Mr Bell.

10

MR BELL: And do you see that the foreign political policy risk, there has been no amendment to the wording in the way in which the foreign political policy risk is described in the 2016 risk management plan.

MR STUART: That is correct, Mr Bell.

15

MR BELL: Could I take you now to the Crown Melbourne risk management report for the period to June 2016. It's also a document in respect of which Crown has reserved its position on confidentiality so if it could be called up in the hearing room only; it's CRL.522.001.4448 at .4591, and Mr Stuart, it's within tab 271 of exhibit M for Mike.

20

MR STUART: I have the – I have the document, Mr Bell.

MR BELL: Do you see that it's one of the papers presented to the Crown Melbourne audit committee on 8 August 2016? And if I could – and to make that clear, could I direct your attention to page .4591. So you should have at 4591 an agenda item 9, risk management report November '15 to June '16 which is one of the papers for the Crown Melbourne audit committee meeting on 8 August 2016. Is that correct?

25

30

MR STUART: Yes, Mr Bell.

MR BELL: And if I could ask you to turn to page 12 at page .4603.

35

MR STUART: Yes, Mr Bell.

MR BELL: Do you see at the bottom of that page it records in relation to foreign political policy that there have been no major developments in the reporting period and no change to risk rating.

40

MR STUART: That is correct, Mr Bell.

MR BELL: Can we take it, Mr Stuart, that you were not informed by anyone at Crown Resorts at any time up to October 2016 that in February 2015 the Chinese Ministry of Public Security had announced a crackdown on foreign casinos recruiting Chinese citizens to gamble in other countries?

45

MR STUART: That is correct, Mr Bell.

MR BELL: And can we take it that if you had been informed of that matter you would have given some consideration at least to whether the description of the foreign political policy risk should be updated to whether the risk mitigation strategies needed to be adjusted, and whether the risk rating needed to be reconsidered?

MR STUART: That is correct, Mr Bell.

MR BELL: Now, could I take you back to the Crown Melbourne corporate risk profile, November '15, which is exhibit M for Mike, tab 246.

MR STUART: I think I'm there, Mr Bell.

MR BELL: So the specific page is the page within tab 246 ending with the numbers 4080, the Crown Melbourne corporate risk profile. Do you have that?

MR STUART: I do, Mr Bell.

MR BELL: And do you see that this document nominates the highest risk – I withdraw that. Do you see that this document nominates high risk for Crown Melbourne as material breach of gaming or other relevant legislation?

MR STUART: I do, Mr Bell.

MR BELL: So in relation to Crown Resorts can I take you to the Crown Resorts Limited risk profile for 2016. It's a document in respect of which Crown Resorts has reserved its position on confidentiality so if it could be called up in the hearing room only; it's CRL.545.001.1275 at .3136 within tab 263 of exhibit M.

MR STUART: I believe I'm here, Mr Bell.

MR BELL: So, Mr Stuart, if you could turn, please, to the page ending in – in this document it's the numbers at the bottom right-hand corner, so the first page of the document is CRL.545.001.1275. If you could turn forward to page .3136. I've got that – that's the wrong number. The correct number is .1306.

MR STUART: I believe I'm here, Mr Bell.

MR BELL: So do you see that at the Crown Resorts level the risk of material breaches of gaming and other relevant legislation was ranked as significant; correct?

MR STUART: Yes, Mr Bell.

MR BELL: Now, Mr Stuart, could I take you to the Crown Resorts Limited code of conduct for employees which was in force in the period 2014 to 2016 which is INQ.010.003.0082 which is at tab 3 of exhibit M for Mike.

5 MR STUART: I believe I'm here, Mr Bell.

MR BELL: I take it that you were familiar with the code of conduct for employees at the time?

10 MR STUART: Not at the Crown Resorts level, Mr Bell.

MR BELL: Well, can I ask you to look then at the introduction at page 1 which is the page ending in .0084.

15 MR STUART: Yes.

MR BELL: Do you see that it states that:

20 *It's a fundamental principle of Crown Resorts Limited that all of our business affairs shall be conducted legally, ethically and with strict observance of the highest standards of integrity and professionalism.*

Do you see that?

25 MR STUART: Yes, I do.

MR BELL: Whether or not you were particularly familiar with this document, I take it that you were aware that that was a fundamental principle of Crown Resorts during the period in which you were employed there.

30

MR STUART: Well, yes, I – well, I was employed by Crown Melbourne who had its own code of conduct, but yes, I would – I understand what you – what you are saying, yes.

35 MR BELL: You would expect, would you not, that whether employees were employees of Crown Melbourne or Crown Resorts, that they would act legally, ethically and with strict observance of the highest standards of integrity and professionalism; correct?

40 MR STUART: I would, Mr Bell.

MR BELL: And you would take that core principle into account, I assume, when assisting with the identification of appropriate risk mitigation strategies for Crown Resorts or Crown Melbourne.

45

MR STUART: Yes, Mr Bell.

MR BELL: And having regard to that fundamental principle, I take it that you would not have regarded it as an appropriate risk mitigation strategy to deliberately disguise or conceal business activities in any jurisdiction in order to deal with the risk of non-compliance with gaming legislation.

5

MR STUART: Could you repeat the question, Mr Bell?

MR BELL: Yes. Yes. Having regard to that fundamental principle of acting legally, ethically and with strict observance to the highest standards of integrity, I take it that you would not have regarded it as an appropriate risk mitigation strategy for Crown Melbourne or Crown Resorts for that matter to deliberately disguise or conceal its business activities in any jurisdiction in order to deal with the risk of non-compliance with gaming legislation.

15 MR STUART: That is correct, Mr Bell.

MR BELL: I have no further questions.

COMMISSIONER: Any questions from any of the other parties who have been granted leave to appear at the inquiry? Mr Stuart, could you just clarify for me, you're presently working elsewhere than for Crown; is that right?

20

MR STUART: That is correct, Commissioner.

COMMISSIONER: Thank you very much. And just two other matters, or perhaps one or two. You spoke about the ratings of risk as moderate, significant, etcetera. Can you just tell me what the ratings were at the relevant time about which you've been questioned? I think there was – was there a low risk?

25

MR STUART: There is some methodology included with some of the documentation that was put up which gives an idea as to the parameters around those ratings. I can't recall the exact reference.

30

COMMISSIONER: What's the highest risk?

35

MR STUART: Well, I need to – I need to actually – if someone can give me some – the reference for the risk management methodology I can – I can speak to that.

COMMISSIONER: I see.

40

MR STUART: So that high risk would be – so those – those risk assessments were determined, Commissioner, against the key performance indicators for Crown so there would be a financial parameter, there would be a reputation parameter, there would be a people parameter, and I don't – I don't have that knowledge. I know that that document is in the – in the packs.

45

COMMISSIONER: So tell me this: is the highest risk that you put on these documents – what's that called?

5 MR STUART: Sorry, I don't understand the nature of your question, Commissioner.

COMMISSIONER: What's it called; is it a significant risk?

10 MR STUART: High. Sorry, high. High.

COMMISSIONER: High, is it?

MR STUART: Yes.

15 COMMISSIONER: And so significant is less than high?

MR STUART: That is correct.

20 COMMISSIONER: And underneath that is moderate, is it?

MR STUART: That is correct.

COMMISSIONER: And then I presume it's low, is it?

25 MR STUART: That is correct.

COMMISSIONER: So it travels up the scale of seriousness from low to moderate to significant to high; is that right?

30 MR STUART: That is correct against some of the parameters as – I've just outlined, Commissioner.

COMMISSIONER: And so high is in fact the top risk, is it; the highest risk?

35 MR STUART: I believe that to be the case, yes, Commissioner.

COMMISSIONER: Yes, all right. Anything arising, Mr Bell?

40 MR BELL: No.

COMMISSIONER: And there being no questions - - -

MR YOUNG: Commissioner, could I - - -

45 COMMISSIONER: - - - Mr Stuart – I'm sorry.

MR YOUNG: I'm sorry, Commissioner, it's Mr Young.

COMMISSIONER: That's all right, Mr Young. I understood that you may not have any questions, but do you have some questions?

MR YOUNG: I do. It's just one or two with your leave.

5

COMMISSIONER: Yes, please. I will grant leave to Mr Young.

MR YOUNG: Thank you.

10

<EXAMINATION BY MR YOUNG

[11.10 am]

MR YOUNG: Mr Stuart, can I - - -

15

COMMISSIONER: Could you keep yourself closer to your microphone, please, Mr Young, so that I can hear your questions?

MR YOUNG: Yes. Yes.

20

COMMISSIONER: Thank you.

MR YOUNG: My apology.

25

COMMISSIONER: That's all right.

MR YOUNG: Mr Stuart, can you specify the date on which you ceased to be employed by Crown Melbourne?

30

MR STUART: Mr Young, I believe it was 5 January 2018.

MR YOUNG: Yes. During the course of 2017 was the risk and audit function being restructured within Crown Melbourne?

35

MR STUART: Yes, it was, Mr Bell – sorry, Mr – yes, yes, it was.

COMMISSIONER: Young.

MR YOUNG: And to what extent were you involved in that restructuring, Mr Stuart?

40

MR STUART: I wasn't involved in the actual decisions around the restructuring at all, Mr Young.

45

MR YOUNG: And one last question. Was a new group general manager risk and audit appointed during the course of 2017?

MR STUART: Towards the very end, correct, Mr Young.

MR YOUNG: Yes. And who was that?

5 MR STUART: I don't recall her name, Mr Young.

MR YOUNG: Thank you. I've nothing further, Commissioner.

10 COMMISSIONER: Yes. I'm assuming there are no other questions. Mr Stuart, thank you for making yourself available. At the moment I can't say that you're totally excused, but there is very little likelihood that you would be recalled, but certainly the solicitors for the Inquiry will let you know in due course that you are formally excused. Thank you, Mr Stuart.

15 MR STUART: Thank you, Commissioner.

<THE WITNESS WITHDREW **[11.12 am]**

20

COMMISSIONER: Yes, Mr Bell.

MR BELL: Commissioner, the next witness with be Mr Barry Felstead, but I'm being told that we will need about 15 minutes to have the link to him organised.

25

COMMISSIONER: Yes, all right then. I shall take an adjournment for 15 minutes. Thank you. Thank you.

30 **ADJOURNED** **[11.12 am]**

RESUMED **[11.35 am]**

35

COMMISSIONER: Thank you. Yes, Mr Bell.

MR BELL: Yes, I call Mr Barry Felstead.

40 COMMISSIONER: Mr Felstead, can you hear me?

MR B. FELSTEAD: Yes, I can, thank you, Commissioner.

45 COMMISSIONER: And, Mr Felstead, would you prefer to take an oath or make an affirmation?

MR FELSTEAD: I will take an oath, please, Commissioner.

<EXAMINATION BY MR BELL

5

COMMISSIONER: Yes, Mr Bell.

MR BELL: Could you please state your full name.

10

MR FELSTEAD: Barry Felstead.

MR BELL: Your business address is known to those assisting the Inquiry, but could I ask your occupation?

15

MR FELSTEAD: My occupation is chief executive officer, Crown Australian Resorts.

MR BELL: And are you presently in Perth?

20

MR FELSTEAD: Yes, I am.

MR BELL: And can I ask who is present in the room with you where you're located?

25

MR FELSTEAD: Just myself, Mr Bell.

MR BELL: Is it correct that you've worked for Crown Resorts Limited as the chief executive officer Australian resorts since August 2013?

30

MR FELSTEAD: That is correct.

MR BELL: And that you've worked in the casino industry since 1987?

35

MR FELSTEAD: That is correct.

MR BELL: And is it correct that you worked at Conrad Jupiters, as it was then called, between 1987 and 1994.

40

MR FELSTEAD: Continuously. Yes, Mr Bell.

MR BELL: And that you commenced working for Crown Melbourne Limited in 1994 as an assistant casino cage manager.

45

MR FELSTEAD: That is correct.

MR BELL: And between 1994 and 2004, you held a number of different roles in Crown Melbourne; is that right?

MR FELSTEAD: Yes, I did.

5

MR BELL: And, in 2005, you commenced working for Burswood Nominees Limited, trading as Crown Perth; is that right?

MR FELSTEAD: That is correct.

10

MR BELL: And you became the CEO of Crown Perth in March 2007?

MR FELSTEAD: That is correct.

15 MR BELL: And you held that role until 2013.

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it correct that you've been a director of Crown Perth since 2007?

20

MR FELSTEAD: That is correct.

MR BELL: And in the period between August 2013 and August – I'm sorry, I withdraw that. In the period between August 2013 and October 2016, whilst you were CEO Australian resorts, did you report directly to Mr Rowen Craigie, the chief executive officer and managing director of Crown.

25

MR FELSTEAD: Yes, I did, Mr Bell.

30 MR BELL: And is it correct that you took over responsibility for the VIP international business for Crown Resorts in March 2013, while you were still CEO of Crown Perth?

MR FELSTEAD: That is correct.

35

MR BELL: And that you retained responsibility for the VIP international business after you became CEO Australian resorts in August 2013?

MR FELSTEAD: That was part of the broader portfolio of mine, Mr Bell.

40

MR BELL: Sorry, I didn't hear.

MR FELSTEAD: Sorry, Mr Bell. I said that was part of the broader portfolio of mine. That was one of the roles I had.

45

MR BELL: Yes. But you retained responsibility for VIP international business among other things?

MR FELSTEAD: That's correct, Mr Bell.

MR BELL: And you still have that responsibility at the moment; is that right?

5 MR FELSTEAD: Yes, that is correct.

MR BELL: And is it the case that, since you have been CEO Australian resorts, you've regularly attended board meetings of Crown Resorts Limited as an invitee?

10 MR FELSTEAD: Yes, that is correct.

MR BELL: And do you have a standing invitation to attend board meetings of Crown Resorts Limited by virtue of your position at CEO Australian resorts?

15 MR FELSTEAD: Yes, Mr Bell.

MR BELL: And has it been your practice, since you've been the CEO Australian resorts, to regularly report to the board of Crown Resorts Limited on all aspects of the business for which you have been responsible?

20

MR FELSTEAD: That is correct.

MR BELL: And you've been a director of Crown Melbourne Limited since November 2013; is that correct?

25

MR FELSTEAD: That is correct. Yes.

MR BELL: And do you accept that you've had a duty of care and diligence for all of the companies of which you have been a director?

30

MR FELSTEAD: Yes, I do.

MR BELL: And would you agree that risk management is an integral part of the industry in which Crown Resorts operates?

35

MR FELSTEAD: I would agree with that.

MR BELL: And do you agree that each Crown Resorts business is responsible for identifying, assessing and managing material risks to their business through their risk management committee?

40

MR FELSTEAD: I would agree with that.

MR BELL: Sorry?

45

MR FELSTEAD: I said I would agree with that.

MR BELL: Thank you. And would you say that, in the period up to October 2016, you understood the importance of identifying, assessing and managing material risks for the business units for which you were responsible through the relevant risk management committees?

5

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: Now, can I take you to the code of conduct for employees of Crown Resorts which was in force whilst you were CEO Australian resorts in the period up to October 2016. It's document number INQ.010.003.0082. And, Mr Felstead, it should be tab 3 in exhibit M in the bundles that you have.

10

MR FELSTEAD: I have that in front of me, Mr Bell.

MR BELL: Now, could I ask you to turn to page 1, which is the page ending in the numbers .0084 in the top right-hand corner.

15

MR FELSTEAD: Yes, I have that.

MR BELL: Do you see that it states, and I quote:

20

It's a fundamental principle of Crown Resorts Limited that all of our business affairs should be conducted legally, ethically and with strict observance of the highest standards of integrity and professionalism.

25

Do you see that?

MR FELSTEAD: I do.

MR BELL: And would you say that you were conscious of that fundamental principle in all of your dealings as the executive responsible for VIP international in the period up to October 2016?

30

MR FELSTEAD: Yes, I would, Mr Bell.

35

MR BELL: Now, Mr Felstead, to your knowledge did Crown Resorts Limited use media monitoring services in 2015 and 2016 to monitor relevant media reports?

MR FELSTEAD: To the best of my knowledge, yes, Mr Bell.

40

MR BELL: And were you provided with those media monitoring reports in 2015 and 2016?

MR FELSTEAD: Once again, to the best of my knowledge, yes, Mr Bell.

45

MR BELL: And in that period, were you provided with media monitoring reports by an entity called News For Gaming?

MR FELSTEAD: Yes, I am familiar with that. I can't say whether I was – whether I received that back in those dates, but I definitely am familiar with News For Gaming.

5 MR BELL: And can you recall whether, in 2015 and 2016, you were provided with media monitoring reports by an entity called CDC Gaming Reports, otherwise known as Adams Daily Report?

MR FELSTEAD: I am familiar with Adams Daily Report, Mr Bell, and I believe I
10 was in – receiving those documents.

MR BELL: And in respect of the media monitoring reports which you did receive, I take it it was your practice to read them?

15 MR FELSTEAD: My general practice was to read them.

MR BELL: And was it your practice, in 2015 and 2016, to read gaming industry publications?

20 MR FELSTEAD: I would have done that, Mr Bell, sporadically.

MR BELL: Yes. Can you tell the Commissioner which gaming industry publications you read sporadically at that time?

25 MR FELSTEAD: Yes, Mr Bell. I would have read – there was a few publications coming out of – out of the US which I would read. I think the – I think Crown, from memory, subscribed to those. I would read those. Occasionally, I would see inside – I think it was Inside Asian Gaming, from memory. And that would be about the best
30 of my recollection on those ones, Mr Bell.

MR BELL: What about Casino News Daily?

MR FELSTEAD: I don't recall that one. I do recall the name. I can't say with any
35 certainty whether I was receiving on it a regular basis or not.

MR BELL: What about Asia Gaming Brief?

MR FELSTEAD: Yes. Once again, I am familiar with that. I would have received
40 that – excuse me. I would have received that on occasion. I couldn't tell you how often I read that, though.

MR BELL: What about a publication called InterGame, I-n-t-e-r-G-a-m-e.

MR FELSTEAD: No, I'm not familiar with that one, Mr Bell.

45 MR BELL: And what about GGR Asia?

MR FELSTEAD: I am familiar with that publication and I may well have read that.

MR BELL: Now, in the period up to October 2016, whilst you were CEO
Australian Resorts, is it correct that management of risk for the VIP international
5 business was reported formally through Crown Melbourne, as you understood it?

MR FELSTEAD: That was reported for me through Crown Melbourne. Yes.

MR BELL: And is it your understanding that Mr Drew Stuart was the general
10 manager risk and assurance at Crown Melbourne in that period?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And did he report to both you and Ms Debra Tegoni?
15

MR FELSTEAD: That is correct, again, Mr Bell.

MR BELL: And did you understand that Mr Stuart's role included updating Crown
Melbourne's corporate risk registers and risk profiles?
20

MR FELSTEAD: That was my understanding, Mr Bell.

MR BELL: And did you understand, in relation to the VIP international business,
that it was the responsibility of management to identify risks for Mr Stuart to include
25 in those risk registers and risk profiles?

MR FELSTEAD: Yes, that would have been part of Mr Stuart's responsibility for
us.

MR BELL: Yes. But did you understand it was the responsibility of management to
30 identify those risks for Mr Stuart to include in the risk registers and risk profiles?

MR FELSTEAD: Sorry. My apologies, Mr Bell. Yes, I did.

MR BELL: Yes. And you were one of the people responsible, among others, for
35 identifying those risks to Mr Stuart; correct?

MR FELSTEAD: That is correct. I would have been one of the people responsible.

MR BELL: And did you understand, in relation to VIP international business, that it
was the responsibility of management to identify, through discussions with Mr
Stuart, the mitigation controls which were appropriate to regulate the identified
40 risks?

MR FELSTEAD: That is correct, Mr Bell.
45

MR BELL: And you were one of the people, among others, responsible for identifying those mitigation controls through discussions with Mr Stuart; correct?

MR FELSTEAD: That would be correct, Mr Bell.

5

MR BELL: And there was a Crown Melbourne executive team which met typically in Melbourne on a monthly basis in the period whilst you were the CEO Australian Resorts up to October 2016; is that correct?

10 MR FELSTEAD: That is correct.

MR BELL: And is it the case that Mr Stuart reported to the Crown Melbourne executive team about twice a year to report and discuss updates to the Crown Melbourne corporate risk profile?

15

MR FELSTEAD: That is my recollection. Sorry. That is my recollection, Mr Bell.

MR BELL: And you were a member of that executive team whilst you were CEO Australian Resorts up to October 2016; is that correct?

20

MR FELSTEAD: Yes, I was, Mr Bell.

MR BELL: And is it the case that those discussions at executive team meetings with Mr Stuart included a discussion about any new risks which had been identified and the mitigation controls required to regulate those risks?

25

MR FELSTEAD: That is correct.

MR BELL: And you, of course, had the opportunity to participate in those discussions, I take it?

30

MR FELSTEAD: Yes, I did.

MR BELL: And is it the case, whilst you were CEO Australian Resorts up to October 2016, that it was the audit committee of Crown Melbourne, of the Crown Melbourne board, which was delegated responsibility by that board for risk management issues?

35

MR FELSTEAD: Yes, that is my understanding.

40

MR BELL: And is it the case that Crown Melbourne's annual risk assessment culminated in the presentation of the annual risk management plan to the Crown Melbourne audit committee, as you understood it.

45 MR FELSTEAD: Yes, that's my understanding.

MR BELL: And is it the case that, although you were not a member of the audit committee of the Crown Melbourne board at that time, you regularly attended meetings of the Crown Melbourne audit committee whilst you were CEO Australian Resorts?

5

MR FELSTEAD: Yes, that is correct, Mr Bell.

MR BELL: And, of course, you had the opportunity to contribute to the consideration of the annual risk management plan for Crown Melbourne during meetings of the Crown Melbourne audit committee which you attended; correct?

10

MR FELSTEAD: That is correct. I had that opportunity.

MR BELL: And you were aware at the time that there was a risk management committee of the board of Crown Resorts?

15

MR FELSTEAD: Yes, I was, Mr Bell.

MR BELL: And I take it that you were aware, whilst you were CEO Australian Resorts up to October 2016, that there was a document called the Crown Risk Profile and a document called the Report Against Material Risks which was provided to the risk management committee of the Crown Resorts Limited board?

20

MR FELSTEAD: Yes. I am aware of those documents.

25

MR BELL: And I take it that you were aware, in that period, that the minutes of the risk management committee meetings were included in the board papers provided to members of the board of Crown Resorts?

MR FELSTEAD: Yes, that was my understanding, Mr Bell.

30

MR BELL: And, as an invitee to meetings of the Crown Resorts board in that period, did you also receive the board papers in advance of the board meetings?

MR FELSTEAD: That is correct, Mr Bell.

35

MR BELL: And during the course of the Crown Resorts board meetings in that period, when risk management issues were discussed, you had the opportunity to contribute to those discussions; correct?

40

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: Now, the VIP revenue of Crown Resorts comprises income from both international and domestic VIP gamblers; is that correct?

45

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it correct that Crown Resorts considered an international VIP gambler to be someone who lives outside Australia who's either participating in a junket with Crown Resorts or who has his or own direct arrangements with Crown Resorts?

5

MR FELSTEAD: That would be a good characterisation, Mr Bell.

MR BELL: And those players who have direct arrangements with Crown Resorts were known as "premium players"; is that right?

10

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it correct that in the period up to October 2016 that premium players entered into a premium player program agreement with Crown Resorts?

15

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: Do you - - -

20

MR FELSTEAD: Yes.

MR BELL: And, as you understood it, those premium player program agreements deal with the commission or rebate which the premium players would receive, among other things?

25

MR FELSTEAD: Yes, among other things that is correct, Mr Bell.

MR BELL: And they would deal with whatever credit limit had been agreed, among other things?

30

MR FELSTEAD: That is correct again, Mr Bell.

MR BELL: And is it the case that the VIP international business unit, in the period up to October 2016, managed the identification and development of international VIPs to visit Crown Resorts in Australia either through a junket or as direct premium players?

35

MR FELSTEAD: Probably not so much through a junket – that was up to the junket operator – but definitely as a premium player, Mr Bell.

40

MR BELL: Yes. All right. And that's been the role of the VIP international business unit, as you've explained it, in the period since you took over responsibility for VIP international; correct?

45

MR FELSTEAD: That is correct.

MR BELL: Now, I would like to take you to the board minutes of the Crown Resorts Limited board meeting on 29 May 2014. Crown Resorts has reserved its position as to the confidentiality of those minutes, so if the document could be called up in the hearing room only. The document number is CRL.512.001.490 – I
5 withdraw that – CRL.512.001.4915, and, Mr Felstead, it's tab 74, exhibit M for Mike.

MR FELSTEAD: I have it in front of me, Mr Bell. Is that ending in 4915, Mr Bell?

10 MR BELL: Yes.

MR FELSTEAD: Yes, I have that.

MR BELL: Yes. 4915, that's right.
15

MR FELSTEAD: Thank you.

MR BELL: So do you see in front of you the minutes of the Crown Resorts Limited board meeting on 29 May 2014 at which you were present by invitation?
20

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And if you could turn to page 2, which is the page ending in the numbers .4916. Do you see the agenda item:
25

Crown Resorts Limited Four Year Financial Plan, F15 to F18 and F15 budget.

MR FELSTEAD: Yes, I do, Mr Bell.

30 MR BELL: And if you look at the next page, page 3, the page ending in .4917, do you see, about a third down the page, the minutes record that you presented the four year financial plans for Crown Melbourne and Crown Perth, highlighting key business drivers, strategies and assumptions?

35 MR FELSTEAD: Yes. I can see that, Mr Bell.

MR BELL: Now, if I could take you to that four year financial plan, it's also a document in respect of which Crown Resorts has reserved its position in relation to confidentiality. So if the document could be called up in the hearing room only, it's
40 document number CRL.522.001.1231. And, Mr Felstead, it's tab 75, the immediately succeeding tab in your papers.

MR FELSTEAD: I have that. Thank you, Mr Bell.

45 MR BELL: You have that?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Now, I take it, having regard to the way in which the minutes are recorded, that you had a significant input into the preparation of the plans identified in this document?

5 MR FELSTEAD: That would typically be the case, Mr Bell.

MR BELL: I'm sorry? I beg your pardon?

MR FELSTEAD: I said that would typically be the case, Mr Bell.

10

COMMISSIONER: Typically be the case. Thank you.

MR BELL: Thank you.

15 MR FELSTEAD: Sorry, Mr Bell. Would you like me to move my microphone a bit closer or - - -

MR BELL: No. It's me. You're doing well.

20 MR FELSTEAD: Apologies. Apologies for that.

MR BELL: Yes. Carry on. Could I ask you to look at page 3 of the document, which is the page ending in the numbers .1234. Do you see under the heading Key Objectives, that the third bullet point records that:

25

A key objective of the plan was for both existing Australian casinos to capitalise on the strong regional growth of the VIP market and regain some of the share of the Asian VIP market lost to the new integrated resorts in Asia.

30 MR FELSTEAD: I'm sorry, Mr Bell, I actually don't have that one. Could you just repeat the document number again, please?

MR BELL: Yes. It's - you should be in tab 75, the document headed Crown Resorts Limited Financial Plan and Budget - - -

35

MR FELSTEAD: Yes. I'm in that.

MR BELL: - - - for financial years 2015 to 2018. It starts with the last four digits are .1231. And if you could scroll forward to page 1234.

40

MR FELSTEAD: Yes, I'm on that now. Yes.

MR BELL: And do you see that the third bullet point records - - -

45 COMMISSIONER: Under the Key Objectives.

MR BELL: Sorry. The third bullet point under Key Objectives, records that:

A key objective of this plan was for both existing Australian casinos capitalise on strong regional growth of the VIP market and regain some of the share of the Asian VIP market lost to the new integrated resorts in Asia?

5 MR FELSTEAD: Yes, I do. Apologies before. I was reading the introduction section. My apologies.

MR BELL: And the following bullet point recorded that:

10 *A key objective was to progress all aspects of the proposed new Crown Sydney VIP gaming resort.*

Do you see that?

15 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Because, since Crown Sydney Gaming Proprietary Limited obtained the licence for the Barangaroo facility in 2014, I take it that you've been aware that it will depend upon attracting VIP customers, including international VIP business?

20

MR FELSTEAD: That is certainly an element, Mr Bell. Yes, definitely.

MR BELL: And - - -

25 COMMISSIONER: So did you say "certainly an element"?

MR FELSTEAD: I did, Commissioner. That's - it's certainly international VIP and domestic VIP as well.

30 COMMISSIONER: Thank you.

MR BELL: And if I could ask you to look at page number 20 of this plan. It's the page ending in the four numbers .1251. You see that section - - -

35 MR FELSTEAD: I'm on that page.

MR BELL: Thank you. And do you see that section of the document is dealing with Crown Melbourne?

40 MR FELSTEAD: Yes, I see that:

The Crown Melbourne opened in 1997 -

that section.

45

MR BELL: And if you look at page 24, is the page ending in .1255, you see that it records in the first bullet point under the heading VIP Business:

Key objective of Crown Melbourne at this time was to promote the suite of flexible and compelling tiered offers in the VIP market, targeting the junket and premium player markets.

5 You see that?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And the second bullet point identified a key objective for the VIP
10 business for Crown Melbourne as:

...growth in the premium direct business, particularly from mainland China and south-east Asia to be achieved with personalised incentives, offers and experiences and by the continued frequency of senior executive visits to Asia.

15

Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And the third bullet point identified another key objective of the VIP
20 business for Crown Melbourne being to:

...maintain the focus on debt risk and management.

25 Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: And is it correct that one of the problems of the direct premium
30 business is that, unlike the junket business, it's necessary for Crown Resorts to, itself, arrange the collection of gambling debts incurred by VIP premium direct players?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And if I could ask you to look forward – turn forward to page 32 of this
35 document, the page ending in the numbers .1263, this is dealing with Crown Perth. And do you see that this identifies, in the second last bullet point, under the heading VIP International Business, an objective:

40 *...to leverage, at this time, increased and improved international sales presence in Asia, target junket room operators from Macau and negotiate incentives for significant volumes?*

See that?

45

MR FELSTEAD: Yes, I do see that, Mr Bell.

MR BELL: And, Mr Felstead, would you agree this document reflects the intention, as you understood it, of the board and senior management of Crown Resorts, in May 2014, to increase the contribution of the VIP international business to the profitability of the corporation?

5

MR FELSTEAD: I would agree with that proposition, Mr Bell.

MR BELL: Now - - -

10 COMMISSIONER: Just before you leave that topic, if I may just ask, Mr Felstead, you agreed with the proposition a moment ago that Mr Bell put to you that, unlike the junket business, when you have the direct relationship Crown has to pursue the gambling debts. Do you remember that?

15 MR FELSTEAD: Yes, I do, Commissioner.

COMMISSIONER: And what did you understand was the capacity to secure gambling debts in relation to the junket business?

20 MR FELSTEAD: My understanding of that, Commissioner, that was done through the junket operator.

COMMISSIONER: So Crown looked to the operator.

25 MR FELSTEAD: For junkets; that is correct, Commissioner.

COMMISSIONER: I beg your pardon?

MR FELSTEAD: That is correct, Commissioner; Crown did.

30

COMMISSIONER: Yes, thank you. I'm sorry to interrupt.

MR BELL: Now, is it the case whilst you were CEO of Australian Resorts in the period up to October 2016 that Crown Resorts Limited had regular meetings described as CEO meetings?

35

MR FELSTEAD: Yes, that is correct, Mr Bell.

MR BELL: And how often did they occur in the period up to October 2016?

40

MR FELSTEAD: My recollection on that, Mr Bell, would be they would be roughly once every two months. I couldn't be certain, but that's a – that's a fair recollection, I think.

45 MR BELL: And is it the case that at the CEO meetings in that period senior management would deliver presentations on aspects of the business for which they were responsible?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it the case in the period after you became CEO of Australian
5 meetings?
Resorts and up to October 2016 that it was your practice to attend the CEO

MR FELSTEAD: Yes, it was; that's correct.

MR BELL: And I take it that as CEO, Mr Rowen Craigie regularly attended those
10 meetings.

MR FELSTEAD: Yes, he did, Mr Bell.

MR BELL: Now, could I ask you to look at CRL.545.001.2308. Mr Felstead, that's
15 tab 87 of exhibit M for Mike.

MR FELSTEAD: I have that document, Mr Bell.

MR BELL: So do you see an email from Mr Neilson to various recipients, including
20 you, dated 28 July 2014?

MR FELSTEAD: Yes, I do.

MR BELL: And do you see that Mr Neilson has attached papers for the CEO
25 meeting on Wednesday, 30 July 2014?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And apart from yourself, the recipients of the email are Mr Alexander,
30 Mr Johnston, Mr Arbib, Mr Craigie and Mr Bitar. Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And were those individuals the regular attendees of the CEO meetings
35 in the period after you became CEO of Australian Resorts up to October 2016?

MR FELSTEAD: If my memory serves me correct, Mr Bell, Mr Alexander was, Mr
Johnson was, Mr Craigie definitely was. Mr Arbib would have been, from memory,
40 sporadically, and Mr Bitar, I would – I would say once again sporadically, but I
couldn't be 100 per cent certain of that, but those three gentlemen I mentioned were
definitely regular attendees.

MR BELL: Thank you. And were any other directors of Crown Resorts Limited
45 regular attendees of CEO meetings in that period?

MR FELSTEAD: Not to the best of my recollection, Mr Bell.

MR BELL: Do you see that Mr Arbib is using a CPH email address?

MR FELSTEAD: Yes, I do.

5 MR BELL: That refers, I take it, to Consolidated Press Holdings; is that right, as you would understand it?

MR FELSTEAD: That is correct. That is correct.

10 MR BELL: And he was in fact an employee of CPH at this time, not Crown Resorts; is that correct?

MR FELSTEAD: That was – that is correct, yes.

15 MR BELL: So why, as you understood it, was Mr Arbib an employee of CPH, attending CEO meetings of Crown Resorts Limited at this time?

MR FELSTEAD: I didn't really have a great understanding of that, Mr Bell. The meetings were set up by Rowen. I'm assuming that Rowen invited him along. I'm
20 not sure of the reason why. That may be a better question posed to Mr Craigie.

MR BELL: And to your knowledge, were minutes kept of the CEO meetings?

MR FELSTEAD: I don't recall that one, unfortunately. I was – they may have, I
25 just don't recall, to be honest.

MR BELL: And was it your practice to make your own notes of the CEO meetings in the period up to October 2016?

30 MR FELSTEAD: If there was anything that came out from my perspective that would cause me any further action, I would definitely take notes. So if there was an action item that came out I had to deal with which would take notes of it, but I certainly didn't make comprehensive notes of the meetings, Mr Bell.

35 MR BELL: What was your practice in terms of the place in which you recorded those notes?

MR FELSTEAD: I would generally – I would generally write that down on a pad and take the action points and deal with them accordingly, Mr Bell.
40

MR BELL: Is it likely that you still retain those notes for the CEO meetings in the period up to October 2016?

MR FELSTEAD: That would be highly unlikely, Mr Bell.
45

MR BELL: Now, do you see that for the meeting on 30 July 2014 there were a number of papers attached, including a CEO report and a VIP update?

MR FELSTEAD: Yes, I see that.

MR BELL: Were papers of this nature usually prepared for the CEO meetings?

5 MR FELSTEAD: From memory, yes, Mr Bell.

MR BELL: And do you know who it was who usually prepared the CEO report?

10 MR FELSTEAD: The collator of the report, from memory, would have been Mr Neilson.

MR BELL: And is it the case, as you understood it, that the VIP update was usually prepared by Mr Jason O'Connor?

15 MR FELSTEAD: That would have been correct, yes.

MR BELL: Now, I would like to show you the VIP update that was attached to this email. Crown Resorts has reserved the position in respect of the confidentiality of this document so if it could be called up in the hearing room only; it's
20 CRL.522.001.0238, and Mr Felstead, it's tab 88. It's the next tab after the email we've just been looking at. Do you have that?

MR FELSTEAD: I have that, Mr Bell.

25 MR BELL: Now, is this the typical form of the VIP international business update which was prepared by Mr O'Connor in the period up to October 2016 for presentation to the CEO meetings?

30 MR FELSTEAD: Yes, that would appear to be fairly typical, Mr Bell.

MR BELL: And to your recollection, was it Mr O'Connor's practice to speak to these updates at the CEO meetings?

35 MR FELSTEAD: That's correct, Mr Bell.

MR BELL: And if I could ask you to look at the page ending in the numbers .0243, please.

40 MR FELSTEAD: I have that, Mr Bell.

MR BELL: Do you see that it shows turnover summary by region?

MR FELSTEAD: Yes. I do, yes.

45 MR BELL: And at this time, July 2014, does this indicate that business from VIP gamblers in China had the highest compound annual growth rate of any region?

MR FELSTEAD: It does indicate that, Mr Bell.

MR BELL: And does it indicate that the contribution from VIP gamblers in China was increasing year on in – I withdraw that. Does it indicate that the contribution
5 from VIP gamblers in China was increasing year on year from financial year 2012 to financial year 2014?

MR FELSTEAD: Yes. That represents the turnover, Mr Bell, but that certainly is
10 an increase.

MR BELL: Now, in the period up to October 2016, whilst you were the CEO Australian Resorts, Mr Jason O'Connor was the group executive general manager VIP international; is that correct?

15 MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And he reported to you?

MR FELSTEAD: Yes, he did, Mr Bell.
20

MR BELL: And Mr O'Connor was based in Melbourne; is that correct?

MR FELSTEAD: That is correct.

25 MR BELL: And as were you at that time; correct?

MR FELSTEAD: I was – I was between Melbourne and Perth, Mr Bell, so I – I lived in Melbourne and I lived in Perth.

30 MR BELL: I see. And in that period, was Mr O'Connor's office in Melbourne very close to your office in Melbourne?

MR FELSTEAD: That is correct. It would have been 50 metres away, Mr Bell.

35 MR BELL: And is it correct, whilst you were CEO Australian Resorts in the period up to October 2016, that you usually communicated with Mr O'Connor in person or by telephone in relation to VIP international business about twice a week?

MR FELSTEAD: Yes, that would be an accurate assessment, Mr Bell.
40

MR BELL: Now, I would like to take you to a document called VIP marketing kick-off workshop, financial year '15. Crown Resorts has reserved its position in relation to the confidentiality of this document, so if it could be called up in the hearing room only; it's document number CRL.527.001.1826 and, Mr Felstead, it's
45 tab 109 of exhibit M for Mike.

MR FELSTEAD: I have that document, Mr Bell.

MR BELL: Now, keep that document open, if you can, but if I could also ask to look at document CRL.638.001.0690 which is exhibit R, tab 2.

5 MR FELSTEAD: Is that the one ending 0690?

MR BELL: Yes, it is.

MR FELSTEAD: Yes, I have both those documents in front of me.

10 MR BELL: Yes. And do you see immediately behind it at tab 3 of that volume bearing the number CRL.638.001.0691, the same document, VIP marketing kick-off workshop F15, last updated 5 October 2014?

15 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And do you see that the email at tab 2, the document bearing the ID CRL.638.001.0690 was sent by Michael Chen to Mr O'Connor and another person called Jacinta Careri?

20 MR FELSTEAD: Yes, I do.

MR BELL: Now, do you have any recollection if you saw this document, VIP marketing kick-off workshop F15, in October 2014?

25 MR FELSTEAD: I don't – I don't have a specific recollection of this one, Mr Bell.

MR BELL: All right. Could I take you back to the version of the document which is CRL.527.001.1826 at tab 109 of exhibit M for Mike.

30 MR FELSTEAD: Yes.

MR BELL: And if I could ask you to look at page 1831.

35 MR FELSTEAD: Yes, I have that in front of me.

MR BELL: You should have in front of you a chart showing the members of the VIP international team as at September 2014; is that correct?

40 MR FELSTEAD: Yes, it does.

MR BELL: And do you see that at the top of the chart it shows Mr O'Connor as group executive general manager, VIP international?

45 MR FELSTEAD: Yes, he's very small print but I can definitely see that.

MR BELL: And it then divides the team between Melbourne-based staff, internationally based staff. Do you see that? Do you have the document on the screen in front of you as well, Mr Felstead?

5 MR FELSTEAD: No, I don't, Mr Bell.

MR BELL: I see.

10 MR FELSTEAD: It's just very, very small print. And my eyesight's good, but it's probably not that good.

MR BELL: All right. In any event, as you understood it in September 2014, there were VIP international staff who were Melbourne based and VIP international staff who were internationally based; is that correct?

15

MR FELSTEAD: Most definitely, yes.

MR BELL: You may not be able to see it clearly on this document, but can you confirm at that time that the most senior internationally based staff member was Mr Michael Chen, the president international marketing?

20

MR FELSTEAD: Yes, I can confirm that. Yes.

MR BELL: Yes. And can you confirm, as you may be able to see from this chart, that he reported directly to Mr O'Connor at this time?

25

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it correct that Mr Chen was based in Hong Kong?

30

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And is it correct, whilst you were CEO Australian resorts up to October 2016, that you usually had discussions with Mr O'Connor and Mr Chen in relation to VIP international business approximately once a week, with Mr Chen calling in by telephone to those discussions? Yes, that would be accurate, Mr Bell.

35

MR BELL: And you may not be able to see it from the chart, but can you confirm, at this time, that reporting in to Mr Chen were a number of senior vice presidents responsible for different international regions?

40

MR FELSTEAD: Yes. I can't see it on the – I can see it now. Yes. I am aware of that, yes.

45 MR BELL: Have you now got it on the screen?

MR FELSTEAD: I have, yes. It's just a bit blurry. But I definitely know that that was the case.

5 MR BELL: Well, I'm sure that will help you. Is it correct, as this chart shows, that in September 2014 and through to October 2016, the senior vice president responsible for China was Mr Alfred Gomez?

MR FELSTEAD: Yes, yes, correct.

10 MR BELL: And he reported directly to Mr Chen; is that correct?

MR FELSTEAD: That is correct, Mr Bell.

15 MR BELL: And where did you understand Mr Gomez was based in this period?

MR FELSTEAD: Mr Gomez, from memory, was based in Malaysia. He was living in Malaysia with his family.

20 MR BELL: And you may now be able to see that there are a number of staff members on this chart based in China who reported to Mr Gomez. Does that accord with your recollection of the position at that time?

MR FELSTEAD: That does, Mr Bell.

25 MR BELL: And, as you recall it, those staff both lived and worked in mainland China; is that correct?

MR FELSTEAD: That is correct, Mr Bell.

30 MR BELL: And that was the position which continued to apply until October 2016; is that correct?

MR FELSTEAD: That is correct, Mr Bell.

35 MR BELL: And is it correct to your understanding, as this chart indicates, that there was an establishment of about 35 China-based staff, although some of those positions were vacant as at September 2014?

40 MR FELSTEAD: I couldn't recall the specific number, but that would sound roughly correct, Mr Bell.

MR BELL: And is it correct to your recollection, as this chart seems to indicate that there were about 20 employees actually working and based in China as at September 2014?

45 MR FELSTEAD: Yes, that would – that would indicate that, Mr Bell. Yes.

MR BELL: And is it correct to your understanding, as this chart indicates, that the staff based in China were divided into seven regions?

5 MR FELSTEAD: Yes, that's what the org chart indicates, Mr Bell.

MR BELL: With a senior person responsible for each of those seven regions?

MR FELSTEAD: That is correct again. Yes.

10 MR BELL: And was that the position which applied up until October 2016?

MR FELSTEAD: That would have been my understanding, yes, Mr Bell.

15 MR BELL: Commissioner, I think we may have - - -

COMMISSIONER: That's all right.

MR BELL: - - - lost Mr Felstead.

20 COMMISSIONER: Yes. I understand from the operator that it will be necessary – all right – it will be necessary just to adjust in a moment. Yes, Mr Felstead. I apologise for that interruption.

25 MR FELSTEAD: Not a problem, Commissioner.

COMMISSIONER: Yes, Mr Bell.

30 MR BELL: So, Mr Felstead, remaining with the VIP international team chart which we've been looking at, was it correct to your understanding, as this chart indicates, that as at September 2014 the seven regions into which the China-based staff were divided were China north, China mid-north, China mid-east, China Shanghai, China central, China south and China south-west?

35 MR FELSTEAD: I would assume that would be correct reading what I'm seeing here, Mr Bell. I couldn't tell you specifically, but that does sound roughly accurate.

MR BELL: I'm being told, Commissioner, that we've lost Mr Young.

40 COMMISSIONER: All right. We will just pause there and wait for your counsel to return, Mr Felstead. Yes, Mr Young is with us now.

MR FELSTEAD: Thank you, Commissioner.

45 COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: Now, could I ask you, Mr Felstead, to look at the next page, page ending in .1832. Do you see it describes other key stakeholders with an active involvement or interest in VIP?

5 MR FELSTEAD: Yes, I do.

MR BELL: As at September 2014.

MR FELSTEAD: Yes.

10

MR BELL: Now, you see that it identifies Mr James Packer as chairman? As you understood it, what was the nature of Mr Packer's active involvement or interest in the VIP business at this time?

15 MR FELSTEAD: I don't think Mr Packer had a specific interest in the VIP business, Mr Bell. It was more the fact he was chairman of the company and that was one of the business units that was involved with Crown.

MR BELL: And apart from Mr Packer, this document identifies three board
20 members of Crown Resorts as key stakeholders with an active involvement or interest, namely Mr John Alexander as deputy chairman, Mr Rowen Craigie as CEO and Mr Mike Johnston as finance director CPH.

MR FELSTEAD: Yes, I see that.

25

MR BELL: See that?

MR FELSTEAD: I do, yes.

30 MR BELL: And as you understood it – as you understood it, what was the nature of Mr Alexander's active involvement or interest in the VIP business at this time?

MR FELSTEAD: Mr Alexander would attend CEO meetings, Mr Bell, and would
35 have commentary in relation to VIP. But it wasn't a – it certainly wasn't an in-depth look into our VIP business from Mr Alexander.

MR BELL: And what, as you understood it, was the nature of Mr Johnston's active involvement or interest in the VIP business at this time?

40 MR FELSTEAD: Thank you, Mr Bell. Mr Johnston had a more active role in VIP. Mr Johnston took an interest in the VIP business and would attend meetings in relation to the VIP working group.

MR BELL: Yes. Now, this document shows you and Mr Barton, who at that time
45 was the group chief financial officer, as key stakeholders reporting in to Mr Craigie. As you understood it, what was the nature of Mr Barton's active involvement or interest in the VIP business at this time?

MR FELSTEAD: My understanding, Mr Bell, I don't think there was a specific interest in the VIP business. Occasionally Mr Barton may have attended the working group meetings. And he would also be, as his role of CFO, he would have had an interest in VIP as he would have done with many other businesses.

5

MR BELL: And this document also shows Mr Ishan Ratnam, who is described as special assistant to the chairman. As you understood it, what was the nature of Mr Ratnam's responsibilities, generally, as at September 2014?

10 MR FELSTEAD: Mr Ratnam, at the time, was managing the Capital Golf Club where a lot of our VIP players would go. And he was doing a role relation – from a hosting perspective. So Mr Ratnam would quite often host a lot of our top VIP players that would come over.

15 MR BELL: And what did you understand were the nature of his responsibilities as the special assistant to Mr Packer?

MR FELSTEAD: I think that particular title was more a – was more a title that was used when he was dealing with our VIP customers, as opposed to any specific involvement with Mr Packer as an assistant of some sort, Mr Bell.

20

MR BELL: Why would it have been used when he was dealing with VIP customers?

25 MR FELSTEAD: Well, the best way to describe that, Mr Bell, is when we would meet our VIP customers, they would quite often look for someone of seniority, someone who would have a senior title. So my role as CEO was quite – was seen by our top VIP customers as someone they may like to meet. And I think, with Mr Ratnam's title of special assistant to the chairman, that would have been the case as well. I think in the world of VIPs all our customers would have loved to meet Mr Packer, but that just wasn't – that wasn't practical.

30

MR BELL: And this table shows Mr Ratnam reporting into Mr Mike Johnston at the time. Does this table correctly describe Mr Ratnam's reporting line as at September 2014, as you understood it?

35

MR FELSTEAD: No, that – that is not correct. I'm not sure who put this table together, Mr Bell, but there are – that is certainly inaccurate, as are some of the spelling of some names in there as well. So I'm not sure who put it together, but this is not accurate.

40

MR BELL: To whom, as you understood it, at this time did Mr Ishan Ratnam report?

45 MR FELSTEAD: Mr Ratnam, if I recall correctly, reported through to me at that particular time, Mr Bell.

MR BELL: Reported to you? Is that right?

MR FELSTEAD: I do believe so. Yes.

5 MR BELL: Thank you. Now - - -

COMMISSIONER: Just let me understand. Did he report to you?

10 MR FELSTEAD: Beg your pardon, Commissioner? Sorry?

COMMISSIONER: Did he report to you?

MR FELSTEAD: Yes. My understanding was, at the time, he did. Yes.

15 MR BELL: And how regularly did Mr Ratnam report to you in the period whilst you were the CEO Australian Resorts up to October 2016?

MR FELSTEAD: In terms – sorry, Mr Bell. In terms of interactions with Mr Ratnam? Are you referring to that?

20

MR BELL: Well, I think you told the Commissioner that he reported to you. And my question was how regularly did he do so?

MR FELSTEAD: I would – I would have meetings with – I would have discussions with Mr Ratnam on a – on a semi-regular basis mainly with customers. That would be – that would be my extent of dealing with Mr Ratnam.

25

COMMISSIONER: I'm having a little difficulty hearing you, Mr Felstead. I'm terribly sorry. I think you said that - - -

30

MR FELSTEAD: That's all right. I will move my microphone closer.

COMMISSIONER: Thank you. I think you said it was – was it a semi-regular basis that he reported to you? Is that what you said?

35

MR FELSTEAD: That's what I said, yes, Commissioner. Mr Ratnam – I would normally talk to Mr Ratnam about, probably, customer issues; that would be the best way to describe that. But – and that would be, I guess, the most accurate way of describing my relationship with Mr Ratnam.

40

COMMISSIONER: And the customer issues about which you were speaking, are they the customer issues at the golf club?

MR FELSTEAD: That would include the golf club. But, primarily, it would include any – an example would be if Mr Ratnam had dinner with a particular customer, we may talk about that. If Mr Ratnam was hosting a particular customer, we may talk about that.

45

COMMISSIONER: Yes, Mr Bell. I'm sorry to interrupt.

MR BELL: Now, Mr Felstead, at the right of this table you see that it refers to key meetings, and it refers first to – I'm sorry – and it refers, secondly, to monthly CEO meetings. Do you see that?
5

MR FELSTEAD: Yes, I do.

MR BELL: And are those the CEO meetings which you have described to the Commissioner already?
10

MR FELSTEAD: I don't believe that to be the case, Mr Bell, because those meetings, from my recollection, were every two months.

MR BELL: So apart from the fact that this says monthly and your recollection is that it was every two months - - -
15

MR FELSTEAD: It was.

MR BELL: - - - is it – this reference to the CEO meetings, you would understand, to be a reference to the meetings – the CEO meetings that you've already described to the Commissioner. Is that correct?
20

MR FELSTEAD: Yes, it could well be, Mr Bell. That's more than likely the case, thank you.
25

MR BELL: Is there anything else that it's likely to be apart from that?

MR FELSTEAD: I can't think of anything else, Mr Bell. I just think they've got the timing wrong on that.
30

MR BELL: And do you see that this table also refers to the CPH VIP working group? Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.
35

MR BELL: And I take it again that CPH refers to Consolidated Press Holdings, as you would understand it?

MR FELSTEAD: That is correct, Mr Bell.
40

MR BELL: And did you attend meetings of the CPH VIP working group?

MR FELSTEAD: Yes, I did, Mr Bell.
45

MR BELL: And how often did that group meet?

MR FELSTEAD: From recollection, Mr Bell, that was approximately once again every – roughly about every two months I think that would be a – yes, I think about once every two months.

5 MR BELL: And did that apply in the period after you became CEO Australian Resorts and up to October 2016?

MR FELSTEAD: Yes, that would have been the case. We may have had – we may have – some meetings may have gone every three months or four months, but
10 generally we would meet.

MR BELL: And apart from yourself, who else regularly attended meetings of the CPH VIP working group?

15 MR FELSTEAD: From recollection there was myself, there was Mr Johnston, there was Mr O'Connor, there was Mr Theiler, on occasion Mr Ratnam, on occasion Mr Barton, and on occasion Ms Maguire. That's – yes, I think that would be – that's my recollection, Mr Bell.

20 MR BELL: What about Mr Chen?

MR FELSTEAD: Apologies. Yes, Mr Chen would attend those on occasion, yes. Apologies for that.

25 MR BELL: And what about Mr Brad Kady, K-a-d-y?

MR FELSTEAD: Mr Kady may have been at a couple of the meetings but I wouldn't classify Mr Kady as a regular attendee, Mr Bell.

30 MR BELL: As you understood it, why was there a working group within Crown Resorts at the time dealing with VIP business which was a CPH group meeting?

MR FELSTEAD: Yes, firstly, I think the CPH – CPH VIP working group is probably a – a title coined by Mr Chen. I wouldn't call that a CPH meeting. We had
35 a CPH person there, on occasion persons. This was more in relation to how – what are some of the challenges facing us in running our business, what are some of the opportunities, and it was really just a bit of a brainstorm to work out ways to run the business.

40 MR BELL: So what were the subjects usually discussed at these meetings of the CPH VIP working group in the period up to October 2016?

MR FELSTEAD: We would discuss – we would discuss on occasions debt, any bad debt we had. We would discuss the provision of credit for customers; was our
45 position in relation to that accurate at the time. We would talk about any operational issues. We would talk about any – any nuances in dealing with our overseas offices. We would talk about any large customers. We would talk about any potential

opportunities we may have to grow the business. That was the – that was the general theme of the meetings, Mr Bell.

5 MR BELL: And was VIP international business coming from China usually discussed at some length at these meetings?

MR FELSTEAD: It would certainly be a matter of discussion, yes.

10 MR BELL: And were meetings of the CPH VIP focus group documented, as you understood it.

COMMISSIONER: VIP working.

15 MR BELL: I withdraw that. Is it the case that meetings of the CPH VIP working group were documented as you understood it?

MR FELSTEAD: Not to my understanding but there would have been action items coming out of those meetings which would have required follow-up, Mr Bell.

20 MR BELL: Would it be fair to say that the CPH VIP working group had an important role in overseeing the strategy of the VIP international business in the period up to October 2016?

25 MR FELSTEAD: I would certainly say it would assist that. I don't think it was the key driver, but I certainly would say it would assist in that.

MR BELL: Now, may I take you to the 2015 annual report for Crown Resorts which is the document INQ.010.002.0001 which is tab 224 of exhibit M for Mike.

30 MR FELSTEAD: Is that the document ending in 0001, Mr Bell?

MR BELL: Yes, it is.

35 MR FELSTEAD: I have that. Yes, thank you.

MR BELL: Thank you. Could I ask you to turn to page 76 at .0078.

MR FELSTEAD: I've got that, Mr Bell.

40 MR BELL: And do you see that this page deals with your remuneration at the time?

MR FELSTEAD: Yes, I do, Mr Bell.

45 MR BELL: And this document indicates that you had a performance-based short-term incentive based on the performance of Crown Resorts and the achievement of personal key performance objectives. Is that correct?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And if I could ask you to turn back in this document to page number 63 which is the page ending in the numbers .0065.

5

MR FELSTEAD: I have that document, Mr Bell.

MR BELL: Thank you. And do you see that this indicates that the short-term incentives for senior executives such as yourself were typically based on a number of key performance objectives?

10

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And if you look at the final bullet point on that page, one of those typical objectives, do you see, is said to be the achievement of VIP turnover growth and market share; do you see that?

15

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And is it the case, whilst you were CEO Australian Resorts, up to October 2016, one of your key performance objectives was based upon the achievement of VIP turnover growth and market share?

20

MR FELSTEAD: Yes, Mr Bell, that was one of them.

25

MR BELL: And you were aware that Mr O'Connor participated in a VIP gaming management short-term incentive plan in the period up to October 2016? Is that correct?

30

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And you were aware, I take it, that Mr O'Connor's short-term incentive plan in the period up to October 2016 made provision for an annual cash bonus if he achieved or exceeded the company's VIP gaming targets?

35

MR FELSTEAD: Yes, that would have been correct, Mr Bell.

MR BELL: And it was your role, was it not, to make recommendations for payments to Mr O'Connor under his short-term incentive plan to the Crown Resorts board?

40

MR FELSTEAD: That is correct. I did that through Mr Craigie, Mr Bell.

MR BELL: And you were aware, I take it, that in the period up to October 2016, Mr Michael Chen, as the president international marketing, also participated in long and short-term incentive plans based upon the revenue of VIP international.

45

MR FELSTEAD: Yes, I am aware of that, Mr Bell.

MR BELL: Is it the case that meetings of the VIP international sales team, known
5 as all hands meetings, were convened every six months or so in the period from 2014
to October 2016?

MR FELSTEAD: Yes, that would be my understanding, Mr Bell.

MR BELL: And was it your practice to attend those all hands meetings?
10

MR FELSTEAD: I attended a few of them, Mr Bell. I don't think – I definitely
didn't attend them all, Mr Bell.

MR BELL: Do you recall attending an all hands meeting in Singapore in June
15 2016?

MR FELSTEAD: I don't recall it, but I may well have, Mr Bell.

MR BELL: But at those meetings which you did attend I take it you had the
20 opportunity to have discussions with the VIP international sales staff?

MR FELSTEAD: Yes, that would be correct, Mr Bell.

MR BELL: Including discussions with the VIP international sales staff based in
25 China?

MR FELSTEAD: That would be correct again, Mr Bell, yes.

MR BELL: And is it the case that part of your role as chief executive officer
30 Australian Resorts in the period up to October 2016 involved travelling into
mainland China to promote Crown Resorts as a destination and to meet important
customers?

MR FELSTEAD: That is correct, Mr Bell.
35

MR BELL: And were those visits described within Crown Resorts as "road
shows"?

MR FELSTEAD: Yes, Mr Bell, that would be one description. The road show was
40 typically done to promote a specific event, but other times I would travel to China
and Southeast Asia and all over the region for that matter maybe to meet one
individual customer. So road shows was probably more a longer trip.

MR BELL: And do you recall how often you travelled into China for road shows as
45 CEO Australian Resorts in the period up to October 2016?

MR FELSTEAD: Yes, I've been advised I was up there 14 times, Mr Bell.

MR BELL: And is it the case that in 2016 you travelled to mainland China for road shows in May, August and early October 2016?

5 MR FELSTEAD: Yes, my travel records do show that, Mr Bell.

MR BELL: And during the course of those road shows, did you have the opportunity to have discussions with the VIP international sales staff based in China?

10 MR FELSTEAD: Yes, I did. Yes.

MR BELL: Yes. And during the course of those road shows did you have the opportunity to observe the nature of the work being carried out by the VIP international sales staff based in China?

15 MR FELSTEAD: Not in any great depth, Mr Bell. Most of my interactions in China involved meeting customers. I didn't really do anything with the staff in particular. I would talk to the staff, obviously, but my main role was to meet customers.

20 MR BELL: Right. Do you say that from the time when you became responsible for VIP international business up until October 2016 that you never became aware of any concerns expressed by the China-based employees about their safety or the legality of the work that they were doing?

25 MR FELSTEAD: The staff specifically, that was not mentioned to me, but I was made aware of that through Mr Chen.

30 MR BELL: Sorry, I – I can't hear you very clearly. I missed the first part of your answer.

MR FELSTEAD: Sorry. Could you repeat the question again, Mr Bell, and I will re-answer.

35 MR BELL: Yes.

COMMISSIONER: I think he said – if you'll pardon me for intruding – he said:

40 *Staff specifically, that was not mentioned to me, but I was made aware of it through Mr Chen.*

Is that right, Mr Felstead?

MR FELSTEAD: That is correct, Commissioner. Thank you.

45 MR BELL: Right. So is it the case that in the period up to October 2016 you were made aware by Mr Chen of concerns expressed by the China-based employees about their safety or the legality of the work they were doing?

MR FELSTEAD: Mr Chen had made that aware to me on occasion, yes.

MR BELL: Now, you understood whilst you were the CEO of Australian Resorts in the period up to October 2016, I take it, that the work being done by the China-based sales team included encouraging existing and potential new customers to visit Crown Melbourne or Crown Perth.

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And you understood in that period, did you, that the work being done by the China-based sales team included assisting customers to apply to Crown Resorts for a line of credit for use for gambling while at Crown Melbourne or Crown Perth.

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And were you aware in that period that the work being done by the China-based sales team included assisting VIP customers with their travel arrangements to Australia?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And were you aware in the period – I withdraw that. Were you aware in that period that the work being done by the China-based sales team included assistance for VIP customers with visas required for entry into Australia?

MR FELSTEAD: I was aware of that, Mr Bell, yes.

MR BELL: And were you aware in that period that the work being done by the China-based sales team included meeting with customers to arrange – I withdraw that. Were you aware in that period that the work being done by the China-based sales team included meeting with customers who encouraged the repayment of debts which were owed to Crown Resorts as a result of gambling?

MR FELSTEAD: Yes, I was aware of that, Mr Bell.

MR BELL: And I take it that you were aware whilst you were CEO Australian Resorts in the period up to October 2016, that the Chinese government had placed limits on the amount that Chinese citizens could transfer abroad of US\$50,000 per year?

MR FELSTEAD: I was aware of that, Mr Bell.

COMMISSIONER: Just before we proceed any further; Mr Young, I haven't raised it separately again, but it would be appropriate if you are of the view that some objection might be taken in respect of any question relating to any claim Mr Felstead has to object to questions so that section 17(2) were to, in fact, protect him should he

need that protection. I'm not suggesting that has happened, but these are the areas that you may give consideration to that Mr Bell seems to be exploring at the moment. The most efficient way, as I've said previously in hearings, is for you to indicate that you would object and let counsel assisting know those parts of the transcript in
5 respect of which that objection is made. Is that a convenient course for you?

MR YOUNG: Commissioner, on certain matters it may be, but on other matters we would have a deeper concern that if the matters the subject of retained privilege are going to be canvassed, they shouldn't happen in open hearing.
10

COMMISSIONER: Don't let me distract you. I'm really concerned that you focus on Mr Felstead, if I may say, and his position vis-à-vis any questions in respect of claiming that he may give an answer that may incriminate him. So I'm just wanting to ensure that there's an alert to that so that if there's a question that you feel may
15 need the safety of section 17(2) of the Act then that can be identified to counsel assisting.

MR YOUNG: Yes. Thank you.

20 COMMISSIONER: Yes, all right. Thank you, Mr Bell.

MR BELL: So in the period whilst you were CEO Australian Resorts – we might have lost Mr Felstead again.

25 COMMISSIONER: No, he's there.

MR BELL: Can you hear me, Mr Felstead?

MR FELSTEAD: Yes, I can, Mr Bell.
30

MR BELL: In the period whilst you were CEO Australian Resorts up until October 2016, how, as you understood it, did the VIP customers who were Chinese citizens living in mainland China transfer the funds to Crown Resorts to repay their gambling debts?
35

MR FELSTEAD: Thank you, Mr Bell. My understanding of that was customers – a lot of our customers would have offshore accounts – sorry, can you hear me, Mr Bell?

40 MR BELL: I can.

MR FELSTEAD: Sorry. A lot of our customers would have offshore accounts. Customers would use remitters – money remitters and customers may also deposit funds through our – one of our property in Macau, City of Dreams. They were some
45 of the ways I was aware customers repaid debts.

MR BELL: And could you explain to the Commissioner how you understood debts were repaid by citizens of China via money remitters?

5 MR FELSTEAD: My understanding that was up to the individual concerned. We would receive the funds, we would report it against the customer and that was the transaction.

10 MR BELL: But what precisely did you understand was the transaction which was occurring via the money remitters to transfer the funds from China to Australia?

MR FELSTEAD: I didn't have a deep understanding of that, Mr Bell.

MR BELL: What was your understanding to the extent to which you had one?

15 MR FELSTEAD: My understanding of that was a customer would use a remitter to transfer money into one of our Crown bank accounts. We would receive the funds and report it as an IFTI against that customer's name. That's the extend of my understanding of that one, Mr Bell.

20 MR BELL: When you refer to a remitter, are you referring to a person or organisation in China?

25 MR FELSTEAD: I'm referring, yes, that may be – that may be what I'm referring to or it could be someone outside of China.

MR BELL: Thank you. Now, can I ask if we could look again at the VIP international update for July 2014 which is CRL.522.001.0238, and Mr Felstead, that's tab 88 of exhibit M for Mike.

30 MR FELSTEAD: I have that document, Mr Bell.

MR BELL: Thank you. And could you look at the page numbered 22 which ends in .0259. Do you see that that deals with debts?

35 MR FELSTEAD: Yes, I do, Mr Bell.

40 MR BELL: And would it be fair to say that the problem of outstanding gambling debts seems to have been an issue dealt with regularly in these VIP updates in this period; do you agree?

MR FELSTEAD: Yes, Mr Bell, that would have been a standing item.

45 MR BELL: And if I could ask you to look at page numbered 25 ending at .0262, now, please don't name any names, but you see that there appear to be a number of customers based in China with outstanding debts of over \$5 million?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And without being specific, do you see that there are a number of references to them paying large amounts of money to Crown Resorts?

MR FELSTEAD: Yes, Mr Bell.

5

MR BELL: And if you look at this page and also the following page, .0263, do you see that there are references to two customers who were or may be under investigation in China; do you see that?

10 MR FELSTEAD: Yes, I do, Mr Bell. Yes, I've got that now.

MR BELL: So in the period up to October 2016 in arranging repayment of gambling debts owed to Crown Resorts by Chinese citizens living in China, what steps as you understood it did Crown Resorts take to manage the risk of non-compliance with Chinese currency controls and the risk of money laundering?

15

MR YOUNG: Just a moment. May I object to that, Commissioner?

COMMISSIONER: Yes, thank you. Your objection is noted, Mr Young.

20

MR BELL: Would you answer that question, please, Mr Felstead?

MR FELSTEAD: Sorry, I got distracted then. Could you please repeat the question, Mr Bell.

25

MR YOUNG: Commissioner, just before - - -

COMMISSIONER: Yes, Mr Young.

30 MR YOUNG: Can I just clarify one thing. There's an assumption in the question. You may recall it started off "in arranging".

COMMISSIONER: Yes.

35 MR YOUNG: And then the question went on. I have a concern about the premise. It's not been the subject of any evidence given by Mr Felstead and he's not been asked about his personal knowledge of that matter.

COMMISSIONER: I see.

40

MR BELL: I'm happy to rephrase the question, Commissioner.

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

45 MR BELL: In the period up to October 2016 with respect to the repayment of gambling debts owed to Crown Resorts by Chinese citizens living in China, what

steps, as you understood it, did Crown Resorts take to manage the risk of non-compliance with Chinese currency controls and the risk of money laundering?

5 MR FELSTEAD: So in relation to that, Mr Bell, Crown would seek repayment from the customer or on occasion we would use a – we would use a debt collection agency, but that was really up to the customer in relation to that to send us the money and we would report it when it came to Australia.

10 MR BELL: So does that mean that Crown Resorts did not take any steps, as you understood it, to manage the risk of non-compliance with Chinese currency controls and the risk of money laundering; that was a matter which was left to the customer?

15 MR FELSTEAD: Well, the movement of money, Mr Bell, to my understanding, was – that was the customer's responsibility and we would report that when it came in. That's the best answer I can give you on that one, Mr Bell. That's the extent of my knowledge on that.

20 MR BELL: When you say you would report it, to whom did you report it or to whom did Crown Resorts report it?

MR FELSTEAD: When money was received in our account that came through an IFTI, international funds transfer instruction and it would be reported under the customer's name.

25 MR BELL: Is that a convenient time, Commissioner?

30 COMMISSIONER: It is. Thank you, Mr Bell. Mr Felstead, we're going to take the luncheon adjournment. It's a little different in the time zone, obviously, from Perth to Sydney. It's 1 pm here, I know it's a little earlier in Perth.

MR FELSTEAD: Yes.

35 COMMISSIONER: We'll take an hour for the luncheon adjournment, and if you'd be kind enough to return just at our time, 2; your time 12 noon, I believe. Yes.

MR FELSTEAD: Thank you very much, Commissioner. I will.

COMMISSIONER: Yes, thank you. Thank you.

40

ADJOURNED

[1.02 pm]

45

RESUMED

[2.02 pm]

COMMISSIONER: Mr Felstead, I'm sorry to keep you waiting like that. You are bound by the oath that you took to tell the truth this morning. You understand that?

MR FELSTEAD: Yes, I do. Thank you, Commissioner.

5

COMMISSIONER: Yes, thank you. That's much better sound now. Yes, Mr Bell.

MR BELL: Mr Felstead, whilst you were the CEO of Australian Resorts in the period up to October 2016, were there any Crown Resorts offices in China from which the China-based staff conducted their business?

10

MR FELSTEAD: Thank you, Mr Bell. My understanding was no.

MR BELL: There was, however, an unofficial office being used by the Crown Resorts staff living in Guangzhou, wasn't there, to your knowledge?

15

MR FELSTEAD: I was made – sorry, Mr Bell. I was made aware of that after the arrests that there was an apartment being rented and being used. I was not aware of it at the time, unfortunately.

20

MR BELL: Is it the case that the team in Guangzhou handled visa applications for all of the China regions until October 2016?

MR FELSTEAD: That is my understanding, Mr Bell.

25

MR BELL: And it's your evidence, is it, that you first became aware that Crown Resorts was conducting an official office in Guangzhou after the arrests in October 2016.

MR FELSTEAD: That is correct, Mr Bell.

30

MR BELL: And at that time you became aware, I take it, that premises were leased in the names of two Crown Resorts employees in Guangzhou and that those two employees were reimbursed by Crown Resorts for the rental costs; is that right?

35

MR FELSTEAD: I wasn't aware of that, but that would sound logical.

MR BELL: Can I just ask you to look at the lease. It's – and Crown Resorts has reserved its position in relation to the confidentiality of this document so can it please be called up only in the hearing room, CRL.624.001.0014. It's exhibit P - - -

40

COMMISSIONER: Sorry?

MR BELL: Exhibit P.

45

COMMISSIONER: Yes.

MR BELL: - - - at tab 14.

MR FELSTEAD: Is that 0014, Mr Bell?

5 MR BELL: Yes, it is.

MR FELSTEAD: Yes, I have that in front of me. Thank you.

10 MR BELL: Now, do you see that it's a real estate tenancy contract and that the lessees – I won't mention their names, but to your knowledge they were two employees of Crown Resorts in the period up to 2016; is that correct?

MR FELSTEAD: Yes, Mr Bell, they were Crown employees.

15 MR BELL: And you see that the – if you look at the next page, .0015, towards the bottom of the page, the tenancy is for a period commencing on 8 August 2015?

MR FELSTEAD: Yes, Mr Bell. Yes.

20 MR BELL: And do you see that in the middle of the page – do you see there's a reference to the address of the premises in Guangzhou?

MR FELSTEAD: Yes, I do, Mr Bell.

25 MR BELL: Just look carefully at that address for the moment – and you might want to keep that page open – and could we also look at INQ.950.002.0133, which is exhibit O, tab 38. So different volume, exhibit O, tab 38.

MR FELSTEAD: Sorry, Mr Bell, my O starts at 40.

30 MR BELL: I think - - -

MR FELSTEAD: My mistake, no, I've got one more document here. 133, Mr Bell?

35 MR BELL: That's right.

MR FELSTEAD: Yes, I have that.

40 MR BELL: Do you see it's an email from a person who describes herself as "executive assistant, Guangzhou"?

MR FELSTEAD: Nanjing. Yes.

45 COMMISSIONER: Nanjing office. Perhaps it's at the top. Are you looking at the top or bottom, Mr Bell?

MR BELL: I'm sorry. I was looking at the bottom of the page - - -

COMMISSIONER: Yes.

MR BELL: - - - Mr Felstead.

5 MR FELSTEAD: Apologies, Mr Bell.

MR BELL: Do you see - - -

10 COMMISSIONER: I was looking at the page - - -

MR BELL: - - - at the bottom of the page, there's a reference to a person "executive assistant, Guangzhou"?

15 MR FELSTEAD: That is correct, Mr Bell. Yes.

MR BELL: Yes. And do you see that the email says:

Please be advised that Guangzhou office new address as below.

20 And do you see the address is identified?

MR FELSTEAD: Yes, I do, Mr Bell.

25 MR BELL: And would you agree that it's the same address that's identified in the tenancy contract at CRL.624.001.0015 at tab 14 of exhibit P?

MR FELSTEAD: Yes, that would be the case, Mr Bell.

30 MR BELL: So it would appear, would it not, that the staff in China were referring to a Guangzhou office in August 2015 which was the same address as the premises leased by the two employees of Crown Resorts in the lease contract.

MR FELSTEAD: Yes, that would appear to be correct, Mr Bell.

35 MR BELL: And do you tell the Commissioner that you have not seen this lease contract before today?

MR FELSTEAD: That is – yes, that is correct, Mr Bell.

40 MR BELL: And were you aware in 2015 that the staff based in Guangzhou were referring to the Guangzhou office in their email correspondence?

45 MR FELSTEAD: On this particular email, 133, they have made that – they have said that, yes.

MR BELL: But were you aware of that in 2015?

MR FELSTEAD: No, I was not, Mr Bell.

MR BELL: And do you agree that it appears to be the case that Crown Resorts was attempting to disguise the fact that it was renting office premises in Guangzhou by
5 renting those premises in the name of two employees?

MR YOUNG: I object to the question, Commissioner.

COMMISSIONER: Yes. Yes, Mr Bell? No, I said Mr Bell.
10

MR BELL: It's not clear to me why that question would be objectionable.

COMMISSIONER: In respect of Crown Resorts was attempting to disguise.

15 MR YOUNG: Well, the witness has said he has no knowledge - - -

COMMISSIONER: That's all right.

MR YOUNG: Commissioner - - -
20

COMMISSIONER: Mr Bell will just ask a couple more questions before that question is put. Yes.

MR BELL: Do you agree that it appears that an attempt was made to disguise the
25 fact that Crown Resorts was using office premises in Guangzhou by renting those premises in the name of two of its employees?

MR FELSTEAD: I can't really comment, Mr Bell. I wasn't aware of the office. I –
I saw this when I was – I saw this after the event and, as I said, I was not aware we
30 had an office, and in fact I specifically forbade an office up there.

MR BELL: So I take it that you would regard what appears to have happened here as inconsistent with the fundamental principle of Crown Resorts that all of its
35 business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity. Is that right?

MR FELSTEAD: I would agree in this particular instance, Mr Bell, that whoever set up the office has done the wrong thing.

40 MR BELL: And you as the executive responsible for VIP international were not aware that this was occurring in 2015; is that the case?

MR FELSTEAD: That is the case, Mr Bell. I was not aware of this.

45 COMMISSIONER: When you said that you forbade – I think you said you forbade it; is that what you said, Mr Felstead?

MR FELSTEAD: I did, Commissioner. There was earlier correspondence - - -

COMMISSIONER: No, but I just wanted to make sure that that's what you said.

5 MR FELSTEAD: Sorry. Sorry for elaborating. Yes, I did say that. Yes. I did give an instruction earlier in the piece not to open up an office.

10 COMMISSIONER: Right. If you could just move your microphone just a little closer to yourself, and I would be grateful if you could speak more slowly so that we can understand as we go along. So when was it that you forbade an office up there?

MR FELSTEAD: I don't recall the exact date, Commissioner, but it was prior to this, I do believe.

15 COMMISSIONER: Just give me an approximate date. When was it?

MR FELSTEAD: I think early 2015, potentially, Commissioner.

20 COMMISSIONER: Potentially. Thank you. Yes, Mr Bell, I'm sorry to interrupt.

MR BELL: Were you aware in 2015 that the staff of VIP international were provided with a book described as the Crown sales playbook?

25 MR FELSTEAD: No, I'm not familiar with that - I'm not aware of that, Mr Bell.

MR BELL: Now, as I understand it, Crown Resorts has reserved its position in relation to the confidentiality of this document so can it be called up only in the hearing room. The document is CRL.505.009.4656 and, Mr Felstead, you will find it at tab 123 of exhibit M for Mike.

30 MR FELSTEAD: I have that, Mr Bell.

MR BELL: Thank you. Now, do you see that this document is described as:

35 *Crown sales playbook VIP international updated 30 January 2015, working draft*

MR FELSTEAD: Yes, I do, Mr Bell.

40 MR BELL: And now that I've taken you to the document, are you able to say whether you've seen this document before?

MR FELSTEAD: I don't recall seeing this document, Mr Bell. I've obviously seen it when I was doing my reading, but I don't recall this - seeing this document over
45 the course of my time in VIP.

MR BELL: So you had an opportunity to review the documents which were provided to the lawyers for Crown Resorts by those assisting this Inquiry over the last few days; is that right?

5 MR FELSTEAD: Yes, I did, Mr Bell.

MR BELL: And now if I could take you to the page numbered 10 which is the page ending in the numbers .4665.

10 MR FELSTEAD: I have that in front of me, Mr Bell.

MR BELL: Yes. Do you see that it provides minimum front money details, commissions and other information for various types of VIP customers including premium and junket customers?

15

MR FELSTEAD: Yes, I could see that, Mr Bell.

MR BELL: And do you see that according to this document, for premium customers who turned over more than \$100 million Crown Resorts would provide a return trip on a private jet free of charge?

20

MR FELSTEAD: What line would that be, Mr Bell?

MR BELL: Yes, it's the – on the right-hand side at the top of the page under the heading Comments/Other.

25

MR FELSTEAD: Yes, yes, I can see that, Mr Bell.

MR BELL: Now, was it your understanding in 2015 that this incentive was being provided to VIP customers in China?

30

MR FELSTEAD: Not this particular incentive, Mr Bell, but I certainly was aware that incentives were applied to customers.

MR BELL: And were you aware that Crown Resorts had private jets which it was using to transport VIP gamblers from China and other destinations to Crown Resorts facilities in Melbourne and Perth at this time?

35

MR FELSTEAD: I was aware that we had private jets. My understanding was typically they would go out of Hong Kong, Mr Bell, but obviously have Chinese customers on them.

40

MR BELL: And if I could ask you to look at pages – the page numbered 56, which is the document numbered .4711 in the top right-hand corner. Do you have that?

45

MR FELSTEAD: I do, Mr Bell.

MR BELL: And do you see it has a list of bank account details for Crown Melbourne?

MR FELSTEAD: Yes, I do, Mr Bell.

5

MR BELL: At various banks. And the next page, page 57, has details for bank accounts for Crown Perth in various locations?

MR FELSTEAD: Yes, I do see that, Mr Bell.

10

MR BELL: Appreciating that you didn't see this document at the time, was it your understanding in 2015 that the VIP international sales staff were provided with bank account information for Crown Melbourne and Crown Perth in order to identify the accounts to which VIP customers could make payments to Crown Resorts?

15

MR FELSTEAD: Yes, Mr Bell, that would seem a logical conclusion.

MR BELL: Including, would you agree, for the repayment of gambling debts incurred by VIP international customers.

20

MR FELSTEAD: That would be correct, Mr Bell.

MR BELL: Now, if I could ask you to look at the page numbered 88 which has the numbers .4743 in the top right-hand corner.

25

MR FELSTEAD: I have that page, yes.

MR BELL: Do you see that it refers to breaking down - at the top of the page it refers to breaking down turnover targets to estimate the percentages of the turnover target which will come from existing customers, growth from existing customers and growth from new customers?

30

MR FELSTEAD: Yes, I've read that, Mr Bell.

MR BELL: Was it your understanding in 2015 that VIP international sales staff were set turnover targets which they needed to meet in order to earn bonus payments and commissions from Crown Resorts?

35

MR FELSTEAD: Yes, that is my understanding, correct.

40

MR BELL: And that includes the staff based in China; correct?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And you understood in the period up to October 2016 that a number of the China-based sales team received bonuses or commission from Crown Resorts based on the amount of money spent by VIP customers in China; correct?

45

MR FELSTEAD: That is correct, yes, based on turnover, typically.

MR BELL: And did you also understand in the period up to October 2016 that if the
5 China-based staff were able to collect gambling debts owed by customers in China
that would provide them with a credit which would count towards their bonuses?

MR FELSTEAD: I don't recall that specific element of the bonus, Mr Bell.

MR BELL: Could we look at INQ.950.002.0115 which, Mr Felstead, you will find
10 in exhibit O, tab 43.

MR FELSTEAD: I have that, yes.

MR BELL: Do you see that this is an email from Mr Chen, copied to, amongst
15 others, you and Mr Ratnam dated 16 June 2016?

MR FELSTEAD: That is correct.

MR BELL: And do you see that Mr – under the heading Closing Out F16, Mr Chen
20 is referring to VIP international standing at a particular number for turnover for
financial year '16 which was just below the target?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Sorry, I should have asked you this earlier: do you see that the email
25 was copied to you and Mr Ratnam and others but it was to VIP international offices?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Who did you understand in 2016 was on the email list for VIP
30 international offices?

MR FELSTEAD: With no specific knowledge, Mr Bell, I could only suggest it
35 would be the entire international team.

MR BELL: Including the team based in China.

MR FELSTEAD: That would be – that would be my educated guess, Mr Bell.

MR BELL: And going back to the email, he refers under the heading Closing Out
40 F16 to:

...it being essential that we exceed the target –

45 I won't identify the amount.

MR FELSTEAD: Yes, I do see that, Mr Bell.

MR BELL: And you see that he said:

Let's also make a hard push on collections to make sure we don't miss out on credit to count towards your bonuses for F16.

5

Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

10 MR BELL: So it would appear that you were receiving emails, which were directed to the sales staff, which referred to them being required to make a push on collecting debts to ensure that they obtain their bonuses; would you agree?

MR FELSTEAD: That is certainly in this document, Mr Bell.

15

MR BELL: And if we could look in the same volume, that is, exhibit O, tab 24, it's INQ.950.002.0134.

MR FELSTEAD: Yes, 0134, Mr Bell.

20

MR BELL: Thank you. And do you see it's an email by Mr Chen to a group that he describes as "dear all".

MR FELSTEAD: Yes.

25

MR BELL: And do you see that he's asked each of them to make urgent calls to their top five debtors?

MR FELSTEAD: Yes, correct.

30

MR BELL: And a bit further down in the email he says:

Could I please ask for your attention on this urgently. Remember business doesn't count unless we have collected it.

35

Do you see that?

MR FELSTEAD: I do, Mr Bell. Yes.

40 MR BELL: So were you aware, as CEO Australian Resorts in the period up to October 2016, that as part of the incentive to the VIP international staff to earn bonuses, it was necessary for them to successfully arrange the collection of gambling debts owed by the customers?

45 MR FELSTEAD: Yes. Probably the best way for me to describe that, Mr Bell, was I was aware that if a customer – sorry – if a sales staff member had a customer and

that customer had X amount of turnover, they wouldn't get that turnover credited towards them if the debt was uncollected. I was certainly aware of that.

5 MR BELL: Thank you. Now, you were aware, weren't you, that in the period up to October 2016, Mr Chen was pushing the China-based VIP international staff hard to increase revenue?

10 MR FELSTEAD: I was certainly aware that Mr Chen was – was – yes, he was. He was quite a pushy gentleman in relation to his targets.

MR BELL: And if I could ask you to look at INQ.950.002.0022, which is tab 258, Mr Felstead, in exhibit M for Mike.

15 MR FELSTEAD: I have that, yes.

MR BELL: Thank you. Do you see it's an email from Mr Chen, again, to VIP international officers, copied to you and Mr O'Connor, dated 28 April 2016?

20 MR FELSTEAD: Yes, I've got that, Mr Bell.

MR BELL: And in the second paragraph, he referred to the amount of turnover for financial year 2017 reached already and the amount required to beat last year's results?

25 MR FELSTEAD: Yes, I do.

MR BELL: And at the bottom of that page he said:

30 *Those of you who are not yet at minimum acceptable, I remind everyone that all it takes is a couple of big customers to carry you into bonus land. You don't keep trying you'll never get those customers in. For those of you who are qualified to receive a bonus, remember that your plans are uncapped. The more you sell, the more you will make.*

35 You were aware that Mr Chen was making those kinds of comments to the sales staff based in China in the period up to October 2016, I take it?

MR FELSTEAD: I was, Mr Bell.

40 MR BELL: Now, the 20 or so China-based employees of Crown Resorts were employed by a company called Crown Resort Pte Limited incorporated in Singapore; correct?

45 MR FELSTEAD: That is my understanding, Mr Bell, yes.

MR BELL: Yes. And you've been a director of that company since 2013.

MR FELSTEAD: I believe so. Yes.

MR BELL: And you remain a director of that company, is that right?

5 MR FELSTEAD: I would assume I do, yes. I – I haven't really followed it up, to be honest.

COMMISSIONER: So don't you know?

10 MR FELSTEAD: I actually don't know, Commissioner, if I'm still a director or not.

COMMISSIONER: Yes, Mr Bell.

15 MR BELL: In the period up to October 2016, where were the meetings of directors of Crown Resort Pte Limited held?

MR FELSTEAD: I don't believe we had a meeting, Mr Bell.

20 MR BELL: I'm sorry?

MR FELSTEAD: I don't believe we had a meeting, Mr Bell.

25 MR BELL: And in the period up to October 2016, what bank accounts did Crown resort Pte Limited operate?

MR FELSTEAD: I don't know the answer to that, Mr Bell.

30 MR BELL: You do understand that you owe duties of care and diligence to that company?

MR FELSTEAD: Yes, I would understand that. Yes.

35 MR BELL: But you tell the Commissioner that you don't understand what bank accounts it operates?

MR FELSTEAD: Yes, that – that is my evidence.

40 MR BELL: Now, Crown Resorts has reserved its position on confidentiality of this document, so please call it up only in the hearing room. Could we look at CRL.605.016.4176. And, Mr Felstead, that's at tab 63 of exhibit M for Mike.

MR FELSTEAD: 4176, Mr Bell?

45 MR BELL: That's correct.

MR FELSTEAD: Yes, I have that.

MR BELL: Thank you. If you could turn to the third page of that document, which is the page ending in the numbers .4178.

MR FELSTEAD: Yes, I have that document.

5

MR BELL: Do you see that there are a number of accounts in the name of Crown Resort Pte Limited?

MR FELSTEAD: Yes, I do.

10

MR BELL: And at the bottom of the page, it lists two accounts that the company had for “patron use only” in Taipei? Do you see that?

MR FELSTEAD: Yes, I do.

15

MR BELL: And did you have any understanding, in the period up to October 2016, as to what the function of those two accounts was?

MR FELSTEAD: No, I did not, Mr Bell.

20

MR BELL: Now, could I ask you to look at CRL.605.001.0007, which is exhibit P, tab 7. Which is, for the transcript, CRL.625.001.0007.

MR FELSTEAD: I have that, Mr Bell.

25

MR BELL: Now, if you could turn to the page with the numbers .0009 at the top. You see it’s an email from Mr Chen to Mr O’Connor dated 19 August 2014?

MR FELSTEAD: Yes, I can see that.

30

MR BELL: And it’s referring to a wire of funds to what is described as “Cynthia’s account”, which referred to VIP – VIP or gaming?

MR FELSTEAD: Yes, I can see that.

35

MR BELL: And at the bottom of the page it refers to a wire containing the description “VIP funds”?

MR FELSTEAD: Yes, I’ve – I’ve read that. Yes.

40

MR BELL: And according to Mr Chen’s email to Mr O’Connor, that prompted an inquiry from the bank?

MR FELSTEAD: Yes.

45

MR BELL: You’d understand this is a reference to funds being transferred to a Chinese bank account?

MR FELSTEAD: No, I don't. Sorry. I – I haven't seen this email before. And I'm not familiar with that – I'm not familiar with this one.

5 MR BELL: Well, can you look at the email at page .0007, there's an email from Linda Nesbitt dated 20 August 2014. Do you see that?

MR FELSTEAD: I do, yes.

10 MR BELL: And she says that she:

...will instruct all AP staff –

which I assume is accounts payable staff –

15 *to ensure that all China funding templates do not display “VIP funding” and any customer reference will now be called services consulting fees.*

Do you see that?

20 MR FELSTEAD: I do, yes.

MR BELL: And an email at the top of the page from a person at Crown Melbourne to Mr O'Connor and Mr Chen saying that:

25 *Going forward, the reference will be changed to “services consulting fees” rather than “VIP funding”.*

Do you see that?

30 MR FELSTEAD: Yes, I've read that.

MR BELL: And do you tell the Commissioner that you haven't seen these emails before?

35 MR FELSTEAD: I – I don't recall these emails at all.

MR BELL: Do you agree that these emails appear to be an attempt to disguise payments intended for VIP funding in China as services consulting fees?

40 MR FELSTEAD: I can't really comment, Mr Bell. I haven't seen them. And I'm not aware of the – I'm not aware of that occurring.

MR BELL: But do you agree that that's what these emails appear to be suggesting?

45 MR FELSTEAD: That could be the case. Yes.

MR BELL: And if that were the case, would you regard that conduct by Crown Resorts as inconsistent with the fundamental principle that all of its business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity?

5

MR FELSTEAD: I would suggest that if I was aware of that, I would not have allowed that to occur, Mr Bell.

MR BELL: Does that mean you agree with me?

10

MR FELSTEAD: I will agree this is – I would agree this is unusual behaviour, Mr Bell.

MR BELL: And you agree that - - -

15

MR FELSTEAD: And this is not consistent with what we do.

MR BELL: And do you agree it appears to be inconsistent with the fundamental principle of Crown Resorts that all of its business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity?

20

MR FELSTEAD: I would agree that that's – yes. I would agree with that position.

MR BELL: Now, you've told us that, in the period up to October 2016, Crown Resort Pte Limited employed approximately 20 staff based in China to carry on the activities that you've earlier given evidence about; correct?

25

MR FELSTEAD: I did, yes.

MR BELL: And in the period up to October 2016, what business licences or permits from the Chinese Government did Crown Resort Pty Limited hold in order to conduct its activities in China?

30

MR FELSTEAD: I'm not aware of that. I'm not aware of any business licence we held, Mr Bell.

35

MR BELL: Do you mean by that, that so far as you're aware, Crown Resort Pte Limited did not hold any business licences or permits from the Chinese government in the period up to October 2016 in order to conduct its activities in China?

40

MR FELSTEAD: That is my understanding.

MR BELL: And, in particular, does it follow that, as you understood it, at no time up till October 2016 did Crown Resort Pte Limited, or any other Crown Resorts company for that matter, have any licence or permission from the Chinese Government to conduct a representative office to introduce its hotel and resort facilities to Chinese citizens?

45

MR FELSTEAD: Sorry. Could you repeat that question, please, Mr Bell?

MR BELL: Yes. And does it follow from that you've already said that, as you understood it, at no time up to October 2016, did any Crown Resorts company have
5 any licence or permission from the Chinese Government to conduct a representative office to introduce its hotel and resort facilities?

MR FELSTEAD: I was unaware that we had any licence to operate a hotel and resort office in China, Mr Bell.
10

MR BELL: By 2014, you were aware that the Chinese Government had announced a crackdown on corruption; is that correct?

MR FELSTEAD: That is correct. I was.
15

MR BELL: And that was an important policy announcement by the Chinese Government, as you understood it?

MR FELSTEAD: Yes, I would agree with that. That was – that was an important policy direction.
20

MR BELL: And by 2014, having regard to the existing VIP operations of Crown Resorts in China, I take it that you understood the importance of keeping abreast of relevant policy announcements made by the Chinese Government?
25

MR FELSTEAD: That would be correct as well, Mr Bell.

MR BELL: And you were aware by 2014, I take it, that wealthy Chinese citizens were avoiding overt shows of wealth in the face of that anti-corruption crackdown by the Chinese Government?
30

MR FELSTEAD: Yes, I was aware of that, Mr Bell.

MR BELL: And you were aware, by 2014, that as a result of the corruption crackdown, it appeared that wealthy Chinese citizens were reducing their gambling in Macau.
35

MR FELSTEAD: I was aware of that, Mr Bell. Yes.

MR BELL: Now, may I ask you to look at CRL.527.001.2324 at .2326. Mr Felstead, it's the last page of tab 95 of exhibit M for Mike.
40

MR FELSTEAD: 2324, Mr Bell?

COMMISSIONER: 2326.
45

MR BELL: Yes, if you could turn to 2326.

MR FELSTEAD: Yes, I have that now.

MR BELL: Now, do you see that, on 15 August 2014, Mr Michael Chen sent you a link to an article entitled China's Elite Tighten Belts Crackdown Bites.

5

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And can I take you to that article which Mr Chen sent you, which is INQ.100.001.0005, which is the next tab, tab 96, of exhibit M.

10

MR FELSTEAD: Yes, I have that.

MR BELL: And do you see in the first sentence it refers to the corruption crackdown and the Chinese:

15

...big spenders were reigning in overt shows of wealth.

MR FELSTEAD: Yes, I can see that. Yes.

20

MR BELL: If I could take you back to the email that we were looking at a moment ago, CRL.527.001.2324 at 2326, which is the last page of tab 95, do you see that you replied to Mr Chen copying in Mr O'Connor and Mr Ratnam on 15 August 2014?

MR FELSTEAD: Yes, I do, Mr Bell.

25

MR BELL: And you said:

Interesting article. So what's the plan? Do we cut down on expenses, staff in China? Do we work harder? Reallocate resources in South-East Asia? Always interested in innovative solutions to complex problems.

30

Do you see that?

MR FELSTEAD: I do, Mr Bell.

35

MR BELL: Were you making some implied criticism of Mr Chen in your reply to him?

MR FELSTEAD: No, I wasn't, Mr Bell.

40

MR BELL: Now, if you look at the previous page, .2325, do you see that on the same day Mr Chen replied by email suggesting two contrasting strategies which could be pursued and these were what he called the double-down approach and the austerity profit-milking approach?

45

MR FELSTEAD: Yes, I can see those.

MR BELL: And the double-down approach involved taking advantage of the crackdown in Macau by promoting Australia and London as confidential alternative attractive destinations to Macau. Do you see that?

5 MR FELSTEAD: I do, Mr Bell.

MR BELL: And it involved maintaining aggressive targets, do you see?

10 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And it also referred to aggressively giving out credit as the key fuel to drive business to Crown Resorts and hit demand in growth targets. Do you see that?

15 MR FELSTEAD: I do, Mr Bell.

MR BELL: And it also involved not cutting staff and continuing to invest in the promotional event strategy supported by ready access to credit. Do you see that?

20 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And do you see that the alternative approach which Mr Chen was suggesting – the austerity profit-milking approach - involved cutting projections and expectations and winding back expenses. Do you see that?

25 MR FELSTEAD: Yes, I do.

MR BELL: Freezing hiring, do you see?

30 MR FELSTEAD: Yes, I do.

MR BELL: And avoiding giving more than \$5 million credit to any one customer to reduce the risk of big defaults. Do you see that?

35 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And if I could ask you to look at the previous page ending in .2324. You've replied to Mr Chen with copies to Mr O'Connor, Mr Ratnam and Mr Johnston, asking Mr O'Connor when was the next broader group meeting with Mike Johnston; do you see that?

40 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And you said that this should be a discussion topic; do you see that?

45 MR FELSTEAD: I do, Mr Bell.

MR BELL: And Mr Felstead, when you were referring to the next broader group meeting, I take it you were referring to the CPH VIP group?

MR FELSTEAD: That would be correct, Mr Bell.

5

MR BELL: And just by the way, do you see that the first email at the top of the page appears to be from Mr O'Connor to Ms Lizzi Dovile dated 28 November 2016: do you see that?

10 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Is it the case that Ms Dovile is an executive assistant in the legal team?

15 MR FELSTEAD: I don't know – no, I – sorry, I can't recall Ms Dovile's position.

MR BELL: Okay. You see this email is dated after Mr O'Connor had been arrested by the Chinese authorities?

20 MR FELSTEAD: Yes, it clearly has, yes.

MR BELL: Should the Commissioner take it that after the arrest of Mr O'Connor and the other staff members someone was asked to access Mr O'Connor's emails to make sure that any relevant emails concerning what had occurred beforehand were forwarded to Crown Melbourne?

25

MR FELSTEAD: Apologies, Mr Bell. Was that a question for me?

MR BELL: Sorry, yes, it was. I was asking you whether the - - -

30 MR FELSTEAD: Apologies.

MR BELL: That's okay. Should the Commissioner conclude that what's happened here is that after the arrest of Mr O'Connor and the other staff members someone was asked to access Mr O'Connor's emails to make sure that any relevant emails concerning what had occurred beforehand were forwarded to Crown Melbourne?

35

MR FELSTEAD: I really have no idea on that, unfortunately, Mr Bell. I really can't comment, sorry.

40 MR BELL: Okay. So then if I could ask you to look at CRL.527.001.4669 which is tab 97 in exhibit M for Mike.

MR FELSTEAD: Yes, 4669, I have that.

45 MR BELL: Now, do you see there's an email exchange here between Mr Alexander and Mr Johnston copying in you on 28 August 2014?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: And it talks about having a planning get-together on VIP.

5 MR FELSTEAD: Yes, it does.

MR BELL: And do you see that Mr Johnston forwarded the email to Mr Brad Kady of CPH?

10 MR FELSTEAD: Yes, he did.

MR BELL: What did you understand Mr Kady's position was at CPH?

15 MR FELSTEAD: Mr Kady – Mr Kady would do – he would – he worked for Mr Johnston in a finance role. I don't know his specific duties, but he would quite often assist Mr Johnston in – in various issues around – potentially around Crown and maybe other CPH-related things. I'm not really overly familiar with his work, to be quite frank.

20 MR BELL: But it would appear that Mr Johnston at least was inviting Mr Kady to the next meeting of the CPH VIP group to discuss these matters.

MR FELSTEAD: It certainly does, yes.

25 MR BELL: You agree?

MR FELSTEAD: Absolutely, I do.

30 MR BELL: Yes. And if I could ask you to look at CRL.527.001.2316, which is tab 101 of exhibit M for Mike.

MR FELSTEAD: I have that in front of me.

35 MR BELL: Thank you. You see that on 20 September 2014 Mr Chen sent an email to you, Mr O'Connor and Mr Ratnam attaching a memorandum for discussion in advance of the CPH meeting on 29 September; do you see that?

MR FELSTEAD: Yes, that would appear to be the case.

40 MR BELL: And if you look at that memorandum itself – now, Crown Resorts has indicated that it reserves its position in respect of confidentiality in respect of this document so please, operator, call it up only in the hearing room. It's CRL.527.001.2317 which, Mr Felstead, you will find at tab 102 of exhibit M for Mike.

45 MR FELSTEAD: I have that, Mr Bell, thank you.

MR BELL: Now, if you turn to the bottom of page 3 – so this – just pausing, this seems to have been a document that Mr Chen was sending to you, Mr Ratnam and Mr O’Connor so that you could agree a position to present to the CPH group meeting on 29 September. Does that appear to be correct to you?

5

MR FELSTEAD: I don’t recall the email, but that certainly would appear to be the case, Mr Bell.

MR BELL: And if you turn to the bottom of page 3 of this document you see that Mr Chen was putting forward some ideas for a six-point plan.

10

MR FELSTEAD: Yes, I’ve read that, Mr Bell.

MR BELL: And turning to the next page, page 4 of the document, page 2320, one of those points was targeting key high value customers?

15

MR FELSTEAD: Yes. Yes, I can see that.

MR BELL: And a second point was targeting major key players of junkets that have lapsed; do you see that?

20

MR FELSTEAD: Yes, I do. Yes.

MR BELL: And turning to the next page, .2321, the third point in the plan was collaborating with junkets establishing overseas businesses.

25

MR FELSTEAD: Sorry, which point was that, Mr – which section was that, Mr Bell?

MR BELL: It’s page numbered 2321 and it’s the paragraph numbered 3, collaborating with junkets establishing overseas businesses.

30

MR FELSTEAD: Yes, yes.

MR BELL: And you see that Mr Chen was saying:

35

With more and more large players trying to avoid Macau there’s an urgent and short window of opportunity for us to work with targeted junkets to steer that business to China.

40

MR FELSTEAD: I do see that, Mr Bell.

MR BELL: And the fourth point of Mr Chen’s plan was prepare a detailed market plan – market plans?

45

MR FELSTEAD: Yes, I do see that, Mr Bell.

MR BELL: Turning to the next page, .2322, the fifth point of Mr Chen's plan was under the heading People, to upgrade the sales team. Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

5

MR BELL: And the final point six was cost review.

MR FELSTEAD: Yes, I see that as well.

10 MR BELL: And would you agree that these six elements were broadly consistent with what Mr Chen had previously described to you as the double-down strategy?

MR FELSTEAD: I think that would be a broad characterisation of that, Mr Bell.

15 MR BELL: And is it the case that at the CPH VIP meeting on 29 September that double-down strategy was endorsed?

MR FELSTEAD: I think – yes, I would agree that elements of the double-down strategy were endorsed. I couldn't say which ones in particular, but overall it was endorsed.

20

MR BELL: Yes. And after the endorsement of the strategy by the CPH VIP group you, Mr Chen and Mr O'Connor took steps to implement it; correct?

25 MR FELSTEAD: I don't recall, but that certainly – that would – I would imagine that would have been the case. That would be a typical way to operate.

MR BELL: Yes. All right. Now, in this next document is a document in respect of which Crown Resorts has reserved its position on confidentiality so please call it up only in the hearing room. It's CRL.527.001.2274 and, Mr Felstead, its tab 119 of exhibit M for Mike.

30

MR FELSTEAD: Yes, I have that.

35 MR BELL: And do you see here an email from Mr Chen to you, Mr O'Connor and Mr Ratnam dated 16 January? It's the second email on the page.

MR FELSTEAD: Yes, I do, Mr Bell.

40 MR BELL: And he thanked you for participating and supporting the eighth sales summit; do you see that?

MR FELSTEAD: Yes, I do.

45 MR BELL: Do you recall who else participated in this sales summit?

MR FELSTEAD: No, I don't recall specifically who – who participated in that, Mr Bell.

MR BELL: All right. And do you see that he attached a document which he
5 described as the sales summit eighth synthesis?

MR FELSTEAD: Where is that, Mr Bell?

MR BELL: Well, at this stage I just wanted to direct your attention to the top of the
10 email where it says:

Attachments: Sales Summit VII synthesis.PDF.

See that?
15

MR FELSTEAD: All right, yes.

MR BELL: And could I take you to that document; again, this is a document in
respect of which Crown Resorts has reserved its position in respect of confidentiality
20 so please call it up only in the hearing room. It's CRL.527.001.2277 and, Mr
Felstead, you will find it at tab 120 of exhibit M for Mike.

MR FELSTEAD: I have that document, Mr Bell.

MR BELL: Now, if you could turn to the page ending in the numbers .2287, please.
25

MR FELSTEAD: I'm on that page, Mr Bell.

MR BELL: Yes. And it refers to unlocking the junket platform. Do you see that?
30

MR FELSTEAD: I do, Mr Bell.

MR BELL: And it was said that the problem was that Crown was not realising the
full potential of the junket platform. Do you see that?
35

MR FELSTEAD: I can read – yes, I read that, Mr Bell.

MR BELL: Thank you. And if you look at the next page, .2288, the solution
identified was to launch two junket initiatives, the first with the aim of aligning the
40 Crown sales team with major junkets, and the second aimed towards reactivating and
growing smaller junkets. Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: And this was the first step of implementation of one aspect of the plan
45 which had been endorsed at the CPH VIP meeting in September 2014; correct?

MR FELSTEAD: That would appear to be the case, yes.

MR BELL: And these elements became what was described as the “platform junket strategy”; is that correct?

5

MR FELSTEAD: Yes, that appears to be the case. Yes.

MR BELL: And if you look at the page ending in 2308, do you see it deals with staffing issues?

10

MR FELSTEAD: Yes. I have that page open.

MR BELL: And it referred to:

15 *The critical need for further staff in both back office and experienced professional sales people.*

See?

20 MR FELSTEAD: Yes, I’ve read that. Yes.

MR BELL: And that was another element of the strategy which had been endorsed at the CPH meeting in September 2014; correct?

25 MR FELSTEAD: That would be – appear to be the case, yes.

MR BELL: And you – if you could look at page 2309, you see that one of the ideas/concepts/issues raised at the sales summit was to:

30 *Establish physical offices in Beijing, Shanghai and Guangzhou?*

MR FELSTEAD: Yes, I can see that.

MR BELL: Do you recall that discussion at the sales meeting?

35

MR FELSTEAD: I do not recall that discussion, Mr Bell.

MR BELL: And do you know what the – there’s a column headed Number of Votes, and do you know what that means?

40

MR FELSTEAD: At a rough guess, I would imagine the staff voted for these ideas. That would just be a – that’s a guess.

MR BELL: So it seemed to be a pretty popular idea. Do you agree?

45

MR FELSTEAD: With 27 votes, that’s a very popular idea, Mr Bell.

MR BELL: Now, could I ask you to look, please, at CRL.505.004.2094, which is tab 146 in exhibit M for Mike.

MR FELSTEAD: 2094, Mr Bell?

5

MR BELL: 2094.

MR FELSTEAD: Yes, I have that in front of me.

10 MR BELL: It's headed Junket Platform Strategy. And were you involved in the preparation of this document; do you recall?

MR FELSTEAD: No, I was not, Mr Bell. I should say I don't recall being involved in it.

15

MR BELL: I'm sorry, I didn't hear what you said.

MR FELSTEAD: Sorry, Mr Bell. I said I don't recall being involved in it. I don't recall being involved in it.

20

MR BELL: Thank you. And do you recall seeing this document in February 2015?

MR FELSTEAD: I don't recall seeing the document in 2015, Mr Bell.

25 MR BELL: But you were aware of the junket platform strategy that was put in place by the VIP international business group in 2015?

MR FELSTEAD: Yes, I was, Mr Bell.

30 MR BELL: And, now, that was a strategy which had been approved and endorsed by the CPH group at the meeting in September 2014; correct?

MR FELSTEAD: I can't recall if that specifically was endorsed, but I definitely recall the platform junket.

35

MR BELL: Yes. And if you look at page .2096, you understood, at the time, that part of the problem, as identified on this page, was that the larger credit-worthy junkets had few direct customer relationships, but the smaller junkets which did involved credit risks. Correct?

40

MR FELSTEAD: Yes, according to this; that's correct.

MR BELL: Yes. And the problem of bad debts and debt collection was a significant problem for the sales team in China at the time, wasn't it?

45

MR FELSTEAD: For individual players, that was a concern.

MR BELL: Yes. And you understood at the time that the answer which had been endorsed was to identify large platform junkets and partner with them to drive business to Australia; correct?

5 MR FELSTEAD: Yes, that's my understanding of the platform junket process.

MR BELL: If you look at page 2101.

MR FELSTEAD: Yes, I've got that page.

10

MR BELL: You see, in the third bullet point, the idea was that if any issues around financing arise, if the customer does play with a platform partner, for the staff to push them towards the junket, but keep selling until the deal is closed. See that?

15 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Yes. So, in essence, what it had been decided to ask the sales team to do, if there was any credit risk involved, was to push the customer towards a platform junket partner. Is that broadly correct?

20

MR FELSTEAD: That's broadly correct, Mr Bell. Yes.

MR BELL: Now, do you say that at the start of 2015, your understanding about legal restrictions on Crown Resorts operations in mainland China was based, firstly, on discussions that you had with Mr O'Connor and Mr Chen?

25

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And, secondly, do you say that your understanding, as at the start of 2015 about legal restrictions on operations in mainland China, was based upon legal advice from a firm called WilmerHale that you read from time to time?

30

MR FELSTEAD: That's correct, Mr Bell.

35 MR BELL: Now, could I ask you to look at CRL.545.001.0615 which, Mr Felstead, is at tab 27 of exhibit M for Mike.

MR FELSTEAD: I have that document, Mr Bell.

40 MR BELL: Now, do you see that's an email from Mr Zhou, a lawyer at WilmerHale, to Mr Chen which has been forwarded to some recipients. And I wanted to draw to your attention that you are not one of them. See that?

MR FELSTEAD: I do, Mr Bell.

45

MR BELL: Now, I appreciate you weren't a recipient of this email, but I want to ask you some questions about the substance of the information contained in this document. Now, do you see that, in the fourth paragraph, it states:

5 *As such, to constitute an offence of organising group gambling in connection*
with organising overseas gambling, two elements must be shown at the same
time: (a) organised gather 10 or more PRC citizens for overseas gambling;
and (b) the organiser benefits from such activities by receiving a kickback or
10 *referral fee. In other words, the organiser conducts such activities for purpose*
of make a profit for himself.

Now, as at the start of 2015, was that broadly your understanding of the legal position?

15 MR FELSTEAD: That was my broad understanding of the legal position, Mr Bell.

MR BELL: Thank you. And could I draw to your attention the seventh paragraph, which is the second paragraph on the next page, .6287. And do you see it says – it refers to an above interpretation and a case and it says:

20 *The above SPC interpretation and the case suggests that a normal employee of*
a casino is unlikely to be deemed as a principal or found guilty under criminal
law by merely marketing or participating in casino operation. If such
employee is not directly making a profit from doing so.

25 Now, was that broadly your understanding of the legal position as at the start of 2015?

30 MR FELSTEAD: That was my broad understanding of the legal position, Mr Bell.

MR BELL: Now, could I take you to the second last paragraph on that page, and it states:

35 *With respect to potential liability on institutions, we would note that conducting*
business in China requires a business licence or otherwise government
approval and casino business is not allowed in mainland China and thus no
licence will be issued. As such, marketing casino business may run the risk of
being deemed by government as exceeding the permitted scope of business, ie,
marketing hotels, resorts and organising overseas tourism.

40 Was that also broadly your understanding of the legal position as at the start of 2015?

MR FELSTEAD: I was not aware of the – of that element about a business licence.

45 MR BELL: I see. Would you agree that - - -

MR FELSTEAD: Sorry, Mr Bell, just to expand a bit on that; I only became aware of this requirement for a business licence when I was reading through the documents. I wasn't aware that this – I've never seen this document before.

5 MR BELL: So do you tell the Commissioner that you were not aware at any time up to 2016 - to be precise October 2016 - that WilmerHale had given legal advice to Crown Resorts that to conduct business in China required a business licence or otherwise government approval?

10 MR FELSTEAD: I was not aware of that, Mr Bell.

MR BELL: It's pretty important information, isn't it, for a director of Crown Resort Pte Limited and the VIP responsible for – the executive responsible for VIP international to know?

15

MR FELSTEAD: I would agree with that, Mr Bell.

MR BELL: Can you offer any explanation for how it is that you weren't acquainted with that piece of advice?

20

MR FELSTEAD: I could offer no explanation on that. I wasn't aware of the email at the time and I wasn't aware of that. I was, however, aware that when we were going through our bundles there was advice to the contrary on that from Mr Zhou to Ms Tegoni later in the piece. That's all I can add to that.

25

MR BELL: Now, may I ask you to look at CRL.545.001.0611. Mr Felstead, that's tab 30 of exhibit M for Mike.

30 MR FELSTEAD: 7077, Mr Bell?

30

MR BELL: Well, yes, that's not the number we're using. If you look at the bottom right-hand corner we're using the number CRL.545.001.0611.

35 MR FELSTEAD: Apologies for that. Yes, I've got that. My eye was drawn to the top, unfortunately.

MR BELL: Do you see it's an email from Mr Chen to you dated 26 March 2015?

40 MR FELSTEAD: Yes, I do.

40

MR BELL: And do you see that he had told you that he wanted to make you aware of the situation that unfortunately had become quite frequent in the China market?

45 MR FELSTEAD: Yes.

45

MR BELL: And in the second paragraph he told you that politically motivated detentions were common in China dating back to the Mao Zedong days. See that?

MR FELSTEAD: I do, yes.

MR BELL: And do you see that he told you in the third paragraph that people in the
5 VIP industry had long been very sensitive to the actions of the Chinese government
and that there was misinformation about the legalities of what Crown was doing; do
you see that?

MR FELSTEAD: I can see that, yes.

10 MR BELL: And he told you in the fourth paragraph that he had received definitive
advice that the activities undertaken in China did not violate any criminal laws. Do
you see that?

MR FELSTEAD: Yes, that's from the ambassador, correct. I do see that.

15

MR BELL: But he continues in the same paragraph:

20 *That said, when persons of interest are detained in China the government often
will spread its tentacles quite wide to gather information to build its case
against its high value target.*

Do you see that?

MR FELSTEAD: I do, yes.

25

MR BELL: No doubt you read all this at the time in 2013; correct?

MR FELSTEAD: I would have read this, yes.

30 MR BELL: And you see that in the fifth paragraph he refers to a protocol which
was attached which he provided to all China staff in the event that a knock on the
door arrived?

MR FELSTEAD: Yes, I've read that.

35

MR BELL: But he mentioned it would be sensible to avoid putting the Crown staff
in a situation where they were questioned. Do you see that?

MR FELSTEAD: Yes, I do.

40

MR BELL: And in the next paragraph he referred to a customer who had been
detained for three months without being formally charged; do you see that?

MR FELSTEAD: Yes, I do, yes.

45

MR BELL: And in the next paragraph he said this:

This is one thing that it's important to understand when it comes to the China team. They are living in constant fear of getting tapped on the shoulder in a country where due process is inconsistently applied. It's a risky place to be for all our team.

5

This was an important warning to you from Mr Chen, wasn't it?

MR FELSTEAD: This was certainly of interest to me, yes, most definitely.

10 MR BELL: This was an important warning to you from Mr Chen, wasn't it?

MR FELSTEAD: Yes, you could call it a warning, definitely.

15 MR BELL: Did it occur to you when you read this email that whatever the strict legal position may be according to the advice you were getting, as the senior executive responsible for VIP international you needed to keep in mind Mr Chen's warning in considering the safety of Crown's staff living and working in China?

20 MR FELSTEAD: That would be correct, yes.

MR BELL: Did it occur to you in the period up to 2016 that in light of the risks Mr Chen was warning you about, that quite apart from the ethics of the situation you needed to ensure that there was no attempt to disguise or conceal from the Chinese authorities the nature of the activities which the company was conducting in China because any policy of disguise or deception would only increase the risk to them if it was uncovered; correct?

25 MR FELSTEAD: My – in my interpretation of this particular note was, firstly, that I was advised what we were doing was legal and advices we've received later from the same – from the same company plus advisory services gave us a similar thing.

30 MR BELL: But Mr Felstead, Mr Chen was telling you the legal position may be one thing, but:

35 *...our staff are living in constant fear of getting tapped on the shoulder in a country where due process is inconsistently applied and is a risky place to be for all our team.*

40 That's a serious warning, you've told us; correct?

MR FELSTEAD: Correct, yes. When you read that it is a risk, that is a serious warning.

45 MR BELL: Did it occur to you in the period up to October 2016 that you needed to inform the risk management committees of Crown Resorts and Crown Melbourne about the risk to the staff in China which Mr Chen was warning you about?

MR FELSTEAD: Yes. And my understanding was that the risk was elevated to Crown Melbourne in October.

5 MR BELL: Did it occur to you in the period up to October 2016, that you needed to inform the risk management committees of Crown Melbourne and Crown Resorts about the risk to the staff in China which Mr Chen was warning you about?

10 MR FELSTEAD: I was of the view that the risks were being managed adequately in China, Mr Bell.

COMMISSIONER: Might you answer the question, please.

15 MR BELL: I will ask the question a third time, Mr Felstead. Did it occur to you, in the period up to October 2016, as the senior executive responsible for VIP international, that you needed to inform the risk management committees of Crown Resorts and Crown Melbourne about the risk to the staff in China which Mr Chen was warning you about?

20 MR FELSTEAD: I was satisfied that it was on the risk register and it was already there, so I didn't – I didn't feel the need to do it again.

MR BELL: Do you say that you understood it was on the risk register that the staff in China were at risk of being arrested or detained and were in constant fear of that?

25 MR FELSTEAD: Not in those words. No.

30 MR BELL: What you're referring to is the Crown Melbourne risk register, which referred to foreign political policy and, in particular, referred to things like the risk of foreign currency controls being changed; correct?

MR FELSTEAD: That was part of that policy, yes, I believe.

MR BELL: It did not refer to the risk of arrest faced by the staff in China, did it?

35 MR FELSTEAD: I'm not aware of that.

MR BELL: It did not refer to the risk of arrest to the staff in China, as you knew; correct?

40 MR FELSTEAD: I wasn't aware of that, whether it referred to it or not.

COMMISSIONER: When do you say you weren't aware?

45 MR FELSTEAD: I would imagine my - - -

COMMISSIONER: When do you say you weren't aware?

MR FELSTEAD: I wasn't aware of it. My impression was that was an all-encompassing under foreign – foreign political policy.

5 COMMISSIONER: But it only referred to currency, real estate development and international travel, didn't it?

MR FELSTEAD: I beg your – sorry. Could you please repeat that?

10 COMMISSIONER: The risk register only identified the currency, real estate development and international travel; did it not?

MR FELSTEAD: Yes, it – that may well have.

15 COMMISSIONER: And that's a stark contrast to what Mr Bell is asking you about; is it not?

MR FELSTEAD: Yes. No. I would accept that.

20 COMMISSIONER: Yes, Mr Bell.

MR BELL: Now, do you see that Mr Chen attached, in his email to you:

Reception guidelines, government investigations, final PDF.

25 See the reference to that at the top of the email?

MR FELSTEAD: Yes, I do.

30 MR BELL: And could I take you to that attachment, which is CRL.545.001.0613. And, Mr Felstead, it's the next tab, tab 31 of exhibit M for Mike.

MR FELSTEAD: I have that, Mr Bell.

35 MR BELL: Did you read the reception guidelines which Mr Chen sent to you?

MR FELSTEAD: I would imagine I would have read them if he sent them to me on that document.

40 MR BELL: Now, do you see that, at point 3, the reception guidelines state explain that:

...as standard procedure, each individual visitor to the office must sign in and show a form of identification.

45 See that?

MR FELSTEAD: Yes, I can see that.

MR BELL: And at point 9 it says:

*Ensure that the officials remain in the reception area or in a meeting room
away from the internal office area until the arrival of management –*

5

etcetera.

Do you see that?

10 MR FELSTEAD: I do see that.

MR BELL: And do you see, at point 12, it says that:

*If officials arrive late in the afternoon, inform the officials of the office closing
time and invite them to visit again the next business day during normal office
hours.*

15

Do you see that?

20 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: But you've told the Commissioner that your understanding was that the Crown Resorts staff in China did not have an office, didn't you?

25 MR FELSTEAD: I – yes, I did, yes.

MR BELL: So did it occur to you, when you read this document and saw all the references to "offices", believing that there were no offices, that the person who prepared this document appeared to be operating under a misapprehension about the way in which Crown Resorts was conducting its business in China?

30

MR FELSTEAD: I did not make the link between the office and – and that. My understanding of this document was this would have been a fairly generic document supplied by WilmerHale for a variety of businesses, not just Crown-specific.

35

MR BELL: Now, in early February 2015 you became aware, didn't you, of an announcement by the Chinese Government that it was cracking down on foreign casinos recruiting Chinese citizens to gamble in other countries; correct?

40 MR FELSTEAD: That is correct, yes.

MR BELL: And could I ask you to look at INQ.100.001.0274, which is tab 133 in exhibit M for Mike, Mr Felstead.

45 MR FELSTEAD: I have that, Mr Bell.

MR BELL: Now, you told us earlier that you, from time to time, read Inside Asian Gaming. Do you see this is an article that appeared in Inside Asian Gaming in February 2015?

5 MR FELSTEAD: Yes, I do. Yes.

MR BELL: And it's headed China to Crack Down on Marketing of Foreign Casinos Within its Borders. See that?

10 MR FELSTEAD: I do, yes.

MR BELL: And do you see that, in the first paragraph, at page .0275, the article referred to the fact that:

15 *A deputy bureau chief at the Ministry of Public Security had said, on 6 February 2015, that China would fight attempts by foreign casinos to lure its citizens abroad?*

MR FELSTEAD: Yes.

20

MR BELL: And the writer of this article said:

25 *This could adversely affect casinos in Macau and other regional countries, including South Korea, the Philippines and Australia that rely on attracting those gamblers.*

Do you see that?

30 MR FELSTEAD: That's correct, yes.

MR BELL: And in the second last paragraph on this page the article quotes the senior official as saying:

35 *A fair number of neighbouring countries have casinos and they've set up offices in China to attract and drum up interest from Chinese citizens to go abroad and gamble. This will be an area that we will crack down on.*

See that?

40 MR FELSTEAD: I do, yes.

MR BELL: And is it likely that this is one of the articles that you read about the crackdown in February 2015?

45 MR FELSTEAD: Yes, that – that would have been one of the versions of that.

MR BELL: And if I could ask you to look at INQ.100.001.0001, which is tab 132 in the same volume.

MR FELSTEAD: I have that.

5

MR BELL: Do you see it's a reproduction of an article published in Business Insider on 6 February 2015 headed China's President Just Declared War on Global Gambling.

10 MR FELSTEAD: Yes, I do.

MR BELL: And Business Insider reported that:

15 *Chinese President Xi Jinping had officially declared war on the global gambling industry warning foreign casinos that Chinese citizens will be gambling much less, neighbouring countries and the US.*

See that?

20 MR FELSTEAD: I do, yes.

MR BELL: And that article also quoted the statement by the deputy bureau chief of the Ministry of Public Security. See that?

25 MR FELSTEAD: What lines – which paragraph is that, Mr Bell?

MR BELL: Yes. It's in the second paragraph. It refers to:

30 *...deputy bureau chief at the Ministry of Public Security –*

and his comment - - -

35 MR FELSTEAD: Yes, yes. I do see that. Yes.

MR BELL: - - - which are the same as the ones reported in inside Asian Gaming.

MR FELSTEAD: Yes, I do.

40 MR BELL: And in the sixth paragraph, do you see that this writer said that:

45 *The latest announcement goes above and beyond the Xi's administration had already put Macau's casinos, and the world's casino companies, through over the last year. The President's anti-corruption crackdown had slowed the movement to the island ... dramatically.*

Do you see that?

MR FELSTEAD: I do see that, yes.

MR BELL: I take it that you appreciated at the time that this crackdown on foreign casinos was quite a different dimension to the existing crackdown on corruption. Is that right?
5

MR FELSTEAD: I would have seen these – I would have seen these go hand in hand, Mr Bell.

10 MR BELL: You do appreciate the difference between a crackdown on corruption, on the one hand, and a crackdown on foreign casinos luring China's gamblers overseas on the other?

MR FELSTEAD: I certainly do. I guess I was making the point rather clumsily that in my view they were connected, but I definitely do see your point.
15

MR BELL: And could I ask you to look at CRL.522.001.2856 which is in exhibit O at tab 18.

20 MR FELSTEAD: I have that document, Mr Bell.

MR BELL: Now, it seems to be an email to you from the media monitoring service News For Gaming dated 10 February 2015. Is that correct?

25 MR FELSTEAD: Apologies, Mr Bell. I appear to be working on a different document. I've got tab 18 here, which is an annual report.

MR BELL: I think we're in the – this is – this should be exhibit O.

30 MR FELSTEAD: Apologies. 2856, Mr Bell?

MR BELL: Yes. This was one of the media monitoring services that was provided to you in February 2015; is that correct?

35 MR FELSTEAD: Yes, it was.

MR BELL: Do you see on page – it starts at the bottom of page there's a reference to crackdown on casino marketing in China on GGR Asia.

40 MR FELSTEAD: Yes.

MR BELL: And could I ask you to look at INQ.100.001.0003 which is at tab 131 of exhibit M.

45 MR FELSTEAD: I have that document, Mr Bell.

MR BELL: And do you see that it's an article published by Reuters on 6 February 2015 headed China to Crack Down on Foreign Casinos Seeking Chinese Gamblers?

MR FELSTEAD: Yes, I do.

5

MR BELL: Would you agree it appears to contain similar information to the other articles to which I've drawn your attention?

MR FELSTEAD: Yes, I would agree with that.

10

MR BELL: Now, would you agree that the Chinese government crackdown on foreign casinos seeking Chinese gamblers seems to have been widely published in the media and in industry publications in February 2015?

15 MR FELSTEAD: I would agree with that, Mr Bell.

MR BELL: And you would agree, I take it, that this official announcement by the Chinese government had the potential to create a serious risk to Crown's existing operations in China?

20

MR YOUNG: Just a moment. I object to the question.

COMMISSIONER: Yes, Mr Young.

25 MR YOUNG: Nowhere in the evidence has there been any reference to an official announcement. If by that Mr Bell means the few sentences of a press conference that these articles reported on, then he should make that clear.

30 COMMISSIONER: I think the announcement to which Mr Bell is referring is the one to which Mr Felstead has already been taken. Mr Bell?

MR BELL: Yes. Exactly. I referred to – it refers to articles which report a senior official from the Ministry of Public Security. I was intending to refer to those articles.

35

COMMISSIONER: I see.

MR BELL: But perhaps I could make the position clear.

40 COMMISSIONER: Yes.

MR YOUNG: I appreciate that, Commissioner, because the only official words are two sentences from a particular official at a press conference.

45 COMMISSIONER: Yes, but he was an official. I understand your point.

MR YOUNG: I understand that, but - - -

COMMISSIONER: So the point is that the objection is to the word “announcement” being coupled with the word “official”, I think; is that right, Mr Young?

5 MR YOUNG: No, no. Far from it, Commissioner.

COMMISSIONER: What is it?

10 MR YOUNG: The objection is Mr Bell’s broad description that he started that question with concerning an official Chinese announcement. He needs to make it clear that looking at tab 131 the only relevant announcement is that appearing in the last two paragraphs and the completion of that paragraph at the top of the next page. That’s all there was and it was two sentences in a very lengthy press conference. I think Mr Bell understands the point.

15 COMMISSIONER: Yes, Mr Bell.

MR BELL: Let’s go back, shall we, Mr Felstead, to Inside Asian Gaming of 7 February 2015 which is INQ.100.001.0274, which is tab 133 of exhibit M for Mike.

20 MR FELSTEAD: I have that document, Mr Bell.

MR BELL: And as we saw a few minutes ago, it referred to statements by the deputy bureau chief of the Ministry of Public Security in China; correct?

25 MR FELSTEAD: Yes, there is a reference to him.

MR BELL: Yes. And it quotes his words in this article; correct?

30 MR FELSTEAD: Yes, that would appear to be the case.

MR BELL: And I’ve taken you to a number of other media articles at the same time referring to and under the heading China to Crack Down on Marketing of Foreign Casinos Within Its Borders. That’s the title of this article, isn’t it, page .0274.

35 MR FELSTEAD: That is correct.

MR BELL: And you understood when you read these articles that the writers were interpreting the comments of the deputy bureau chief of the Ministry of Public Security as representing the position of the Chinese government; correct?

40 MR FELSTEAD: That would have been my interpretation.

MR BELL: And you would agree that an announcement of this kind, appearing to have the official approval of the Chinese government, had the potential to create a serious risk to Crown’s existing operations in China; correct?

MR FELSTEAD: I think the article was of concern for all operators in China, Mr Bell.

5 MR BELL: And you would agree, would you not, that this announcement, appearing to come from the Chinese government, had the potential to create a serious risk to Crown's existing operations in China; correct?

MR FELSTEAD: I think it had the ability to do that if it wasn't managed correctly.

10 MR BELL: Sorry, I missed the last part of your answer.

MR FELSTEAD: I said I think it had the ability to do that if we weren't managing the situation correctly.

15 MR BELL: Yes. And it was a matter which you needed to take seriously as the senior executive responsible for VIP international business; correct?

MR FELSTEAD: That is correct, yes.

20 MR BELL: Now, may I ask you to look at CRL.522.001.0344 at tab 130 of exhibit M: do you have that document, Mr Felstead?

MR FELSTEAD: I do, Mr Bell.

25 MR BELL: Now, if you could turn to the second page that ends in .0345, do you see that Mr O'Connor had linked to the Reuters article, which you can take it is the Reuters article to which I've already referred you.

MR FELSTEAD: Yes.

30 MR BELL: Do you see that?

MR FELSTEAD: I do.

35 MR BELL: And then at the bottom of page 0344 Mr Chen had sent you a link to an article headed China's President Just Declared War. See that?

MR FELSTEAD: I do, Mr Bell.

40 MR BELL: And you can take it that was a link to the Business Insider article at tab 132 of exhibit M for Mike which I've taken you to. Just look at your response here at page .0344. You replied to Mr Chen and Mr O'Connor saying:

45 *Another good challenge for you both.*

Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: That was a pretty glib response to a serious problem, wasn't it?

5 MR FELSTEAD: That was a very poorly worded response from me and I fully acknowledge that and I – that was very unlike me and I do regret writing that. That wasn't the intent of what I was trying to get across.

10 MR BELL: In fact, the issue was far more serious than merely being another good challenge for your subordinates, wasn't it?

15 MR FELSTEAD: I completely agree. I acknowledge that was poor wording on my behalf. What I was attempting to say was what are we going do? What's the plan? That's what I was trying to get across and, thankfully, Mr Chen picked that up but that was poor wording from me; I acknowledge that.

20 MR BELL: Did it occur to you at this time that this was a risk to the China business strategy which you needed to report to the risk management officers and the risk management committees for Crown Melbourne and Crown Resorts?

25 MR FELSTEAD: My response to this was we need to manage this on the ground as we have done all along. Should it have been on a register? I acknowledge that may have been very helpful, but I was managing this situation on the ground with people who knew the landscape of China.

MR BELL: You did not in fact report this crackdown which had been reported to the risk management officers or the risk management committees for Crown Melbourne or Crown Resorts, did you?

30 MR FELSTEAD: I did not make specific reference to that, no.

MR BELL: Do you now acknowledge that that was an oversight on your part?

35 MR FELSTEAD: I think from a – from a compliance perspective I should have put it on the register. There is no doubt about that. This was common knowledge in the industry amongst people who were on that committee. This is - many people got these emails. I'm not apportioning blame, but I should have put it on the register.

40 COMMISSIONER: When you say it was common knowledge, a lot of people knew in the industry, are you referring to the risk committee or not?

45 MR FELSTEAD: This – people in Crown senior management would have been aware of this. This was a - as Mr Bell quite rightly pointed out, this was - this was widely reported. Many other people got this information as well.

COMMISSIONER: Thank you.

MR BELL: Did you come to learn over the course of 2015 that the Chinese government was referring to this crackdown on foreign casinos as Operation Chain Break?

5 MR FELSTEAD: I was familiar with that reading this documentation. I wasn't familiar with that at the time though, that particular – that particular name.

MR BELL: Did you report this crack down on foreign casinos in China to Mr Craigie?

10

MR FELSTEAD: I don't recall specifically reporting it to Mr Craigie. I may well have. I don't recall.

MR BELL: Did you report this crackdown on foreign casinos to any other director of Crown Resorts Limited?

15

COMMISSIONER: Well, just pause there. When you say - - -

MR FELSTEAD: Once again, I don't recall - - -

20

COMMISSIONER: Just pause. Just pause. When you say "any other director of Crown Resorts Limited", do you mean any other director than - - -

MR BELL: Than Mr Craigie.

25

COMMISSIONER: - - - than Mr Craigie. Yes.

MR BELL: So I should have made that clear. You've told the Commissioner you don't recall if you informed Mr Craigie. Do you recall if you informed any other director of Crown Resorts about the crackdown on foreign casinos which had been widely reported in February 2015?

30

MR FELSTEAD: Not around that time I don't think I would have. I may have, I just don't recall that. I would – if I could just add to that, please, if you don't mind, Mr Bell. I would have, on that one, assumed that Mr Craigie would have got this information in the same way I do as well. So I may have had a conversation with him, I may not. I just can't recall that.

35

MR BELL: You were a direct report to Mr Craigie; correct?

40

MR FELSTEAD: That is correct, yes.

MR BELL: And you were the – I withdraw that. You were the executive responsible for VIP international; correct?

45

MR FELSTEAD: I was, yes.

MR BELL: And can I suggest to you that it would have been the prudent course to take to ensure that Mr Craigie was fully aware of this at the time?

5 MR FELSTEAD: Yes. As I said before, Mr Bell, I may well have, I just don't recall the conversation.

COMMISSIONER: You said a little while ago that you're not sure that you did around this time. Do you remember telling me that?

10 MR FELSTEAD: I do, yes. And what I meant by that, Commissioner, was this would have come up in – I would certainly imagine this would have come up in one of our VIP meetings, which may have been after this particular date, but I was referring to, on the actual date itself, or shortly after, I don't recall advising Mr Craigie. But Mr Craigie was on the same email news list as myself as were others.

15 COMMISSIONER: Thank you. Yes. Thank you, Mr Bell.

MR BELL: But it was your responsibility, wasn't it, as the senior executive for VIP international, to make a report to Mr Craigie about this. Do you accept that?

20 MR FELSTEAD: I accept that. And as I said, I may well have, I just don't recall it.

MR BELL: Now, look at Mr Chen's response to you on 7 February at the document we were just looking at, CRL.522.001.0344, tab 130. You see you had said:

25 *Another good challenge for you both.*

And Mr Chen had said:

30 *For us.*

And do you acknowledge he was right about that, wasn't he?

35 MR FELSTEAD: Of course he was. Yes.

MR BELL: It was a challenge for all of you.

MR FELSTEAD: And I did – it was a challenge for everyone. It certainly was.

40 MR BELL: Now, you also said that this suggested:

This suggests we may need to delay our plans on establishing physical office presence in China.

45 See that?

MR FELSTEAD: Yes, he does.

MR BELL: And he also said:

This raised the alert level on the safety of our staff.

5 Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: And that was obviously correct, wasn't it?

10

MR FELSTEAD: Yes, in Mr Chen's view, and I would agree with that.

MR BELL: And he also said:

15

We should also discuss this week on our call the increasingly serious issue our customers are facing in moving funds to repay debts. I have a good case study to go over.

Do you see that?

20

MR FELSTEAD: I do, Mr Bell. Yes.

MR BELL: Now, remember what that case study was?

25

MR FELSTEAD: I do not, Mr Bell.

MR BELL: And you were aware at this time, from Mr Chen, that many of the staff based in China were expressing concerns about the Chinese Government's crackdown on foreign casinos; correct?

30

MR FELSTEAD: Mr Chen had – yes. Mr Chen had relayed that to myself and Mr O'Connor.

35

MR BELL: Now, could we look at CRL.545.001.0025, which is tab 139, Mr Felstead, in exhibit M.

MR FELSTEAD: I have that document in front of me.

40

MR BELL: Now, this was an email which Mr Chen sent to VIP international officers on the 9th of February 2015. See that Mr Chen was telling the VIP international staff at the first point number 2:

Unfinished business – we need to keep pushing. No cap to our bonus plans.

45

Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: And then do you see Mr Chen referred to a number of articles that came out the previous weekend regarding the Chinese Government seeking to crack down on Chinese gambling abroad?

5 MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: It would appear that Mr Chen, at least, recognised that the announcements which had been made reflected the position of the Chinese government, would you agree?

10

MR FELSTEAD: That would be Mr Chen's interpretation of that. Yes.

MR BELL: And he then says, at the second point number 2:

15

We will be applying for Hong Kong/Singapore work permits for all of our China staff that does not currently hold a foreign passport. This is purely a precautionary measure that will allow you to say that you work out of an overseas location and are on business travel to China.

20

Do you see that?

MR FELSTEAD: I – yes, I do see that. Yes.

25

MR BELL: Were you aware, in 2015, that Crown Resorts was applying for foreign work permits for the staff living and working in China that only held a Chinese passport?

MR FELSTEAD: No, I don't recall that, Mr Bell.

30

MR BELL: Were you aware that Crown Resorts was applying for those foreign work permits so that the staff on Chinese passports could assert to the Chinese authorities that they were working from an overseas location?

MR FELSTEAD: No, I'm not aware of that, Mr Bell.

35

MR BELL: Do you say that this proposed response to the Chinese government announcement by the VIP international business was one of which you were unaware?

40

MR FELSTEAD: I was unaware of dot point 2, Mr Bell.

MR BELL: Sorry, I didn't catch that.

COMMISSIONER: He's unaware of dot point 2.

45

MR BELL: You were unaware, were you, that it was proposed as part of the response to the Chinese Government announcement that Crown Resorts would apply for foreign work permits for staff on Chinese passports?

5 MR FELSTEAD: I don't recall that to the best of my recollection.

COMMISSIONER: Yes, Mr Felstead. I will just ask Mr Bell to ask you that question again. Yes, Mr Bell. Mr Felstead is there.

10 MR BELL: I'm sorry, Mr Felstead. The question I asked was this: were you unaware at this time in February 2015, that it was being proposed by Crown Resorts that it apply for foreign work permits for all the staff in China on Chinese passports so as to allow them to say that they worked out of an overseas location and were on business travel to China?

15 MR FELSTEAD: I certainly don't recall that proposal by Mr Chen.

MR BELL: And would you agree that this proposal was contrary to a fundamental principle of Crown Resorts that all of its business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity and professionalism?

20

MR FELSTEAD: It would be very hard for me to answer no to that, Mr Bell.

25 COMMISSIONER: What is your answer?

MR FELSTEAD: The answer is yes, that would seem contrary to what we – our standards are, Commissioner.

30 COMMISSIONER: Thank you.

MR BELL: And do you tell the Commissioner that Mr Chen was proposing to take this step without having discussed the matter with you, do you?

35 MR FELSTEAD: All I can say, Mr Bell, is I don't recall this initiative. I'm sorry, that's all I can add to that.

COMMISSIONER: Well, it's an extraordinary suggestion, isn't it?

40 MR FELSTEAD: It is unusual.

COMMISSIONER: Is it just unusual or is it extraordinary, do you think?

MR FELSTEAD: I don't know how to describe it any other way, Commissioner. It is very odd.

45

COMMISSIONER: So if it's very odd – so if Mr Chen was doing this without your knowledge, you're very surprised at that, aren't you?

5 MR FELSTEAD: Yes. Yes, that would be a fair assertion, Commissioner.

COMMISSIONER: Mr Bell.

10 MR BELL: And you do understand – let's be frank about this – you do understand that what Mr Chen appears to have been proposing was to attempt to deceive the Chinese authorities in relation to the work status of the China-based staff; correct?

MR FELSTEAD: I don't know why Mr Chen would have done that, Mr Bell. I don't know where the idea came from.

15 MR BELL: That's what he appears – that's what he appears to have been proposing; do you agree?

MR FELSTEAD: On the surface, that may appear to be the case, Mr Bell.

20 MR FELSTEAD: Is that a convenient time?

COMMISSIONER: It is, Mr Bell. Now, Mr Felstead, we're going to adjourn the proceedings now until tomorrow morning. Once again, thank you for making yourself available at 8 am tomorrow in Perth time and 10 am in Sydney time. And
25 we will obviously then link up the technology with you a little before 10 – obviously, about 10 to 10 or quarter to 10 tomorrow morning – to make sure that - - -

MR FELSTEAD: Yes.

30 COMMISSIONER: - - - all the connections are in place.

MR FELSTEAD: Excellent.

35 COMMISSIONER: Anything further from anyone? Yes. All right. I'll adjourn this aspect of the hearings until that time. Thank you.

MR FELSTEAD: Thank you, Commissioner. Thank you, Mr Bell.

40 **MATTER ADJOURNED at 3.58 pm UNTIL TUESDAY, 18 AUGUST 2020**

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