



**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**

**TUESDAY, 18 AUGUST 2020  
AT 9.58 AM**

**Continued from 17.8.20**

**DAY 14**

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 MR S. ASPINALL and MR N. CONDYLIS 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: Thank you. Yes.

**<BARRY FELSTEAD, ON FORMER OATH**

**[10.00 am]**

15

**<EXAMINATION BY MR BELL**

20 COMMISSIONER: Mr Felstead, are you ready to proceed now? Mr Felstead, can you hear me?

MR FELSTEAD: Yes, I can. Good morning, Commissioner.

25 COMMISSIONER: Yes, are you ready to proceed?

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

30 COMMISSIONER: Yes. You're bound by the oath that you took yesterday to tell the truth. Yes, Mr Bell.

MR BELL: Can we look at CRL.545.001.0021. Mr Felstead, that's exhibit M, tab 141.

35 MR FELSTEAD: 8751, Mr Bell?

MR BELL: Yes, and down the bottom right-hand corner the number I'm working off ends in 0021. Do you see that?

40 MR FELSTEAD: That's correct. Thank you, Mr Bell.

MR BELL: Now, do you see that the second email on this page is an email from Mr Chen to you, dated 10 February 2015 attaching some legal advice from WilmerHale in a series of emails?

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

MR BELL: And you understood that this was legal advice which had been sought in response to the Chinese government's announcement that it was cracking down on foreign casinos.

5 MR FELSTEAD: That was my understanding, Mr Bell.

MR BELL: It was important, wasn't it, that you understood the legal advice so you could make informed decisions about how Crown Resorts should react to the government-announced crackdown; do you agree?

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

MR BELL: And that meant that you needed to read the legal advice carefully, would you agree?

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

MR BELL: And did you read the legal advice carefully?

20 MR FELSTEAD: I believe I did.

MR BELL: Now, I assume that you've read a number of legal advices over the years in your work as CEO Australian Resorts?

25 MR FELSTEAD: That would be correct, Mr Bell.

MR BELL: And you're aware, I take it, that any legal advice is only as useful as the factual assumptions on which it's based?

30 MR FELSTEAD: Yes, I would agree with that premise, Mr Bell.

MR BELL: If the factual assumptions are wrong, it may be unsafe to rely upon the conclusions, would you agree?

35 MR FELSTEAD: Yes, that would sound logical, Mr Bell.

MR BELL: Mr Felstead, would it be possible for you to move the microphone closer to you? I'm just finding it a little bit hard to hear you.

40 MR FELSTEAD: Certainly. Is that better, Mr Bell?

COMMISSIONER: No, it's not. Can you move it a little closer, please, Mr Felstead.

45 MR FELSTEAD: I've actually got it right on me at the moment. I'm talking quite loudly so I will try that. Is that better, Commissioner and Mr Bell? Let me see if I can turn it up from this end, please.

COMMISSIONER: Thanks very much.

MR FELSTEAD: Is that better, Mr Bell?

5 COMMISSIONER: No, it's not helping, but you proceed and we will see what we can do here. Just pardon us for a moment, Mr Felstead. That's better.

10 MR FELSTEAD: I will just say I've got some IT support here that can come and help. I can certainly hear you very clearly. Is that better Mr Bell? Apologies.

MR BELL: You're now coming through loud and clear. Thanks, Mr Felstead.

MR FELSTEAD: Apologies for that.

15 COMMISSIONER: Yes, thank you.

MR BELL: So, Mr Felstead, can we look at the first email which commences at the bottom of the page numbered .0023 from Mr Chen to Mr Zhou at WilmerHale. Do you have that?

20 MR FELSTEAD: Yes, I do, at 7.03 am?

MR BELL: Yes. Do you see Mr Chen attached a link to one of the media articles about the crackdown?

25 MR FELSTEAD: Yes, I can see that over the page, Mr Bell.

MR BELL: And that he had a very nervous China staff seeking guidance on whether this should change any of their protocols and behaviours.

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

MR BELL: And you see that he also referred to VIP international being in the midst of a major recruiting effort in China.

35 MR FELSTEAD: Yes, I can see that.

MR BELL: So if we could turn now to Mr Zhou's advice on the 9<sup>th</sup> of February 2015 in his email starting at page .0022. Do you see that he said that he checked - - -

40 MR FELSTEAD: Yes, I do. Yes.

MR BELL: Do you see that he said that he checked and it did appear that the Ministry of Public Security had just held a press conference and one of the topics was the crackdown, among other things, on foreign casinos representative offices in China which facilitated Chinese individuals to gamble overseas.

45

MR FELSTEAD: Yes, that's the one – yes, internet gaming – yes, I've read that, Mr Bell.

5 MR BELL: And so turning to the next page, .0023, do you see that he then summarised his advice in three bullet points at that page?

MR FELSTEAD: Yes, I can see that.

10 MR BELL: First, that foreign resort hotels, representative officers and employees in China were protected under the law as long as the representative office and employees' activities were not in violation of the law. Do you see that?

MR FELSTEAD: Yes.

15 MR BELL: And you see that he added in that first bullet point that:

*Introducing hotel resort facilities to potential customers itself should not be any problem because that was what the representative officers were supposed and licensed to do.*

20

Can you see that?

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

25 MR BELL: And secondly, do you see that he said that employees should not be involved in any money laundering activities or deals with government officials?

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

30 MR BELL: And thirdly, he said that:

*The company's representative offices and employees in China should focus business on introducing the hotel resort and facilities rather than engaging in any activities which may be viewed as directly facilitating Chinese individuals gambling offshore.*

35

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

40 MR BELL: Did it occur to you when you read this advice that WilmerHale appeared to be under the misapprehension that Crown Resorts or its subsidiary had a licensed representative office which legally permitted it to introduce its hotel and resort facilities to customers?

45 MR FELSTEAD: I'm not sure on that, Mr Bell. I'm not sure what WilmerHale were thinking at the time, unfortunately.

MR BELL: I'm sorry, I didn't hear that response.

MR FELSTEAD: Sorry, Mr Bell. I said I'm not exactly sure what WilmerHale were thinking in relation to how we operated around – whether we had an office or not, because we certainly didn't.

5 COMMISSIONER: All right. I'm sorry, Mr Felstead. Have you got the microphone on the desk there?

MR FELSTEAD: I've got it right here – yes, right next to me, Commissioner.

10 COMMISSIONER: Could you hold that up near your face? Yes, now could you please speak into it?

MR FELSTEAD: Could you repeat the question again, please, Mr Bell?

15 MR BELL: Yes. I said did it occur to you when you read this advice that WilmerHale appeared to be under the misapprehension that Crown Resorts or its subsidiary had a licensed representative office which legally permitted it to introduce its hotel and resort facilities to customers?

20 MR FELSTEAD: No, I don't recall at the time drawing that conclusion, Mr Bell.

COMMISSIONER: Now, Mr Felstead, it would appear that you may have not activated the microphone on your computer. It may be picked up by something else in the room, so if you could just ensure on your computer that the microphone is  
25 activated or those that are assisting you with the IT could activate the microphone because it's - - -

MR YOUNG: Commissioner - - -

30 COMMISSIONER: It doesn't seem – please, if we just speak all at once it's not going to help. All right then. Yes, Mr Young.

MR YOUNG: I apologise, Commissioner. I didn't mean to speak over anyone.

35 COMMISSIONER: That's all right. Yes, go on.

MR YOUNG: I was going to add that the problem seems to be at the Commission end. Mr Felstead is very clear for me.

40 COMMISSIONER: I see.

MR YOUNG: And I'm in Melbourne.

COMMISSIONER: Thank you. Thank you for that, Mr Young. Yes, please  
45 proceed, Mr Bell. Thank you, Mr Felstead. Yes, Mr Bell.

MR BELL: Mr Felstead, it might help if you spoke a little bit more slowly because I'm having a little bit of trouble hearing you. The question was this: did it occur to you when you read this advice that WilmerHale were under the – or may have been under the misapprehension that Crown Resorts or its subsidiary had a licensed  
5 representative office which legally permitted it to introduce its hotel and resort facilities to potential customers.

MR FELSTEAD: Thank you, Mr Bell. Can you hear me now, Mr Bell?

10 COMMISSIONER: Yes, thank you, Mr Felstead.

MR FELSTEAD: Thank you, Commissioner. That was not my – I did not draw that conclusion at the time, Mr Bell. That was not something I drew. That was not a  
15 conclusion I drew.

MR BELL: Okay. And you did see, though, that Mr Zhou was clearly saying that Crown Resorts or its subsidiary could conduct its licensed activities of introducing hotel and resort facilities?

20 MR FELSTEAD: Yes, I can certainly see that now, Mr Bell.

MR BELL: But should not engage in any activities which may be viewed as directly facilitating Chinese individuals gambling offshore.

25 MR FELSTEAD: Yes, Mr Bell, I have read that, yes.

MR BELL: So is it clear to you now, when reading this email, that Mr Zhou appeared to be of the belief Crown Resorts or its subsidiary in China had a licence which legally permitted it to conduct certain business activities?  
30

MR FELSTEAD: I – I couldn't really comment. I'm not really sure, to be quite honest, Mr Bell. When I read the emails I – sorry, can you hear me, Mr Bell?

35 COMMISSIONER: Please proceed, Mr Felstead.

MR FELSTEAD: Thank you, Commissioner. When I read the series of emails, I generally read from the first to the back – from the start to the finish – and I see that Mr Chen has actually written back to – I said, "Hi Kenneth." I think it's clarifying that point. So that's how I would generally read that, Mr Bell.  
40

COMMISSIONER: You're being asked about the point in the dot point, Mr Felstead, that it appears, does it not, that the lawyer understood something that wasn't the case. Do you agree with that?

45 MR FELSTEAD: Reading now, that may well be the case, Commissioner.

COMMISSIONER: Yes, Mr Bell.

MR BELL: So I take it, based upon your evidence to the Commissioner this morning, that it did not occur to you when you read this advice that if Crown Resorts had no licence to conduct any activities at all, then its activities were more likely to be seen for what they were, namely, directly facilitating Chinese individuals gambling offshore.

MR FELSTEAD: Sorry. Could you just rephrase that, please, Mr Bell.

MR BELL: Yes.

MR FELSTEAD: I didn't quite understand that question. Apologies for that.

MR BELL: Well, let me make sure that I've understood your evidence. I understand your evidence to be, first, that when you read this email at the time it did not occur to you that WilmerHale may have been under a misapprehension that Crown Resorts had a licence to legally conduct activities in China; is that correct?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And do I also understand your evidence to the Commissioner to be that you may well be able to see now, looking at the matter now with – in the witness box, that that was in fact the case, that WilmerHale may have been under a misapprehension about that matter? Is that also correct?

MR FELSTEAD: That is correct. That could be the case, Mr Bell.

MR BELL: So having regard to those two matters I take it that it did not occur to you at the time, when you read this advice, that if Crown Resorts had no licence to conduct any legal activities in China, its activities were more likely to be seen by the Chinese Government for what they were, namely, facilitating gambling.

MR FELSTEAD: That could be a perception drawn from this email, Mr Bell.

MR BELL: Did it occur to you at the time when you read this email, irrespective of whether or not Crown Resorts had any business licences, that it was, in fact, engaging in activities which could only be viewed as directly facilitating Chinese individuals gambling offshore?

MR FELSTEAD: Yes, Mr Bell, I was of the view that we were – that was our activity – that was our activity in China. We were seeking customers to gamble. And my understanding, still, even after reading this, was that was still acceptable under the law.

MR BELL: Even though WilmerHale were clearly saying that Crown Resorts should not be engaged in any activities which may be viewed as directly facilitating Chinese individuals gambling - - -

MR YOUNG: No. I object to the question.

COMMISSIONER: Yes, Mr Young.

5 MR YOUNG: That's not what the email says. The email is directed to the  
statement in the press conference relating to foreign casinos' representative offices.  
There's no advice from Mr Chen about the law in this document. It's directing itself  
to the statements at the press conference and, in the last paragraph, it does not say, as  
10 Mr Bell just purported to say it did, that there was advice that Crown should not  
engage in any activities directly facilitating Chinese individuals gambling offshore.  
The advice in the email that follows at the top of the opposite page, 8752, is directly  
contrary to what Mr Bell just put.

15 COMMISSIONER: I think, Mr Young, if you look at the last line of the last bullet  
point, Mr Zhou is suggesting that a point that's important is that there should not be  
any activities which may be viewed as directly facilitating Chinese individuals  
gambling offshore.

20 MR YOUNG: Well, that - - -

COMMISSIONER: Yes. Thank you. I note your objection.

25 MR YOUNG: Well, that was not the way it was put by Mr Bell. Those words are  
"Crown should focus its business", etcetera.

COMMISSIONER: Yes, all right. Yes, Mr Bell.

30 MR BELL: Let me ask you this, Mr Felstead – and I will just quote the words  
WilmerHale wrote, and they're in the third bullet point in the advice. Are you still  
there, Mr Felstead?

MR FELSTEAD: Yes, I am, Mr Bell.

35 COMMISSIONER: Yes, he is.

MR BELL: And the words are, and I quote:

40 *Given the highlighted government efforts to crack down on rep offices with  
core business to facilitate Chinese individuals gambling abroad, companies'  
rep offices employees in China should focus its business on introducing the  
hotel resort and facilities rather than engaging –*

it should be –

45 *in any activities which may be viewed as directly facilitating Chinese  
individuals gambling offshore.*

Those are the words; correct?

MR FELSTEAD: That is correct, Mr Bell. Thank you.

5 MR BELL: And did it occur to you at the time that Crown Resorts in China was directly facilitating Chinese individuals gambling offshore?

MR FELSTEAD: That was – sorry, Mr Bell, that has been my understanding all along throughout this process, is that that was Crown was doing in China.

10 COMMISSIONER: That was Crown's what?

MR FELSTEAD: Sorry. Sorry, Commissioner. My understanding was that – and to this day – was that Crown was facilitating customers – high net worth customers –  
15 to come to the Australia to visit our resorts and to gamble.

COMMISSIONER: Yes.

MR BELL: Mr Felstead, could we look at Mr Chen's follow-up email at page  
20 .0022.

COMMISSIONER: So you understood, Mr Felstead, that the Crown employees, or the employees of the Crown subsidiary, were in fact wanting to get the Chinese to come offshore to gamble in Australia?  
25

MR FELSTEAD: That is correct, Commissioner. And that was the advice - - -

COMMISSIONER: Yes. Thank you.

30 MR FELSTEAD: - - - we received that that was legal.

COMMISSIONER: Well, I'm not sure what you just said. What did you say about advice?

35 MR FELSTEAD: Sorry. Sorry. I just – sorry – my joinder to that, Commissioner, was I said and that was the advice that we received throughout this process from WilmerHale, that that activity, providing we met certain criteria, was legal.

COMMISSIONER: I see. So that last bullet point said you shouldn't be seen to be doing that. Did you read that?  
40

MR FELSTEAD: I did read it then, yes. Yes, Commissioner.

COMMISSIONER: So that's not the advice you're referring to, is it?  
45

MR FELSTEAD: No, I'm referring to subsequent advice and advice that we generally have - - -

COMMISSIONER: I see.

MR FELSTEAD: Yes. Sorry to confuse you, Commissioner. I wasn't referring to that particular advice, but other advice we've received.

5

COMMISSIONER: I see.

MR FELSTEAD: My apologies for that.

10 COMMISSIONER: Yes, Mr Bell. Thank you.

MR BELL: Now, can I take you to Mr Chen's follow-up email at page .0022.

MR FELSTEAD: I have that, Mr Bell.

15

MR BELL: He asked for confirmation that there had been no change in laws that would alter your previous advice regarding activities in China. See that?

MR FELSTEAD: Yes, I do, Mr Bell.

20

MR BELL: And he said:

25 *As you may recall, the prior understanding of the law was organising groups of 10 or more for gambling while receiving commission was clearly illegal. Since none of our staff receive commission, we were in compliance with the law.*

Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

30

MR BELL: Did it occur to you, when you read this email, that Mr Chen's assertion to Mr Zhou that none of your staff received a commission at the very least required some qualification?

35 MR FELSTEAD: Thank you, Mr Bell. No, my understanding of that particular comment, and my understanding all the way through, Mr Bell, has been that was in relation to commission/kickbacks from customers.

40 MR BELL: So did it occur to you that Mr Chen's assertion to Mr Zhou that none of your staff received a commission at the very least required some qualification?

MR FELSTEAD: At the time, no, Mr Bell.

45 MR BELL: Right. Because your staff were receiving bonuses and commissions based on gambling turnover and the amount of gambling debts collected, as you told us yesterday, but from Crown Resorts rather than from the gamblers themselves; correct?

MR FELSTEAD: That is correct, Mr Bell.

MR BELL: And do you say that it didn't occur to you that, in order for Crown Resorts to safely rely upon Mr Zhou's advice, it was necessary to ensure that any  
5 ambiguity about the factual assumption Mr Zhou was given concerning the receipt of commissions had to be clarified?

MR FELSTEAD: No, I did not make that – that connection, Mr Bell.

10 MR BELL: All right. And if we look at Mr Chen's email to you on 10 February 2015 at page .0021.

MR FELSTEAD: Yes, I have that.

15 MR BELL: Do you see that Mr Chen was telling you that, given the advice, he would still be supportive of pushing forward with the establishment of hotel offices in key cities, but keeping all gaming-related content out of the offices?

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

20

MR BELL: And you understood, I assume, that what he was saying involved applying for a licence from the Chinese Government to establish offices to market the hotels and resorts of Crown Resorts?

25 MR FELSTEAD: No, I didn't understand that element, Mr Bell, that he was – that Mr Chen was – sorry, Mr Bell.

MR BELL: Sorry, I interrupted you.

30 MR FELSTEAD: No, that's all right. No. I will start. Thank you, Mr Bell. I didn't make that assumption that Mr Chen was looking to set up a – get a licence to operate a hotel office in China, Mr Bell.

MR BELL: Did you understand that he was suggesting that you establish hotel  
35 offices in key cities without getting any licence at all from the Chinese Government?

MR FELSTEAD: No, that wasn't my understanding. My understanding of this, Mr Bell, was Mr Chen was rather keen to open up an office in China, and that was something I disagreed with. That was a – and that was a fairly simple premise from  
40 my perspective, Mr Bell.

MR BELL: I understand that. But what I'm trying to understand is what you thought was involved in establishing an office to market hotels and resorts. Did you understand that what Mr Chen was suggesting necessarily involved applying for a  
45 licence from the Chinese Government to market hotels and resorts in its offices?

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

MR BELL: So you – therefore, I take it that you assumed that, if Crown Resorts chose to open offices to market hotels and resorts, it could do so without any licence at all from the Chinese Government; is that right?

5 MR FELSTEAD: I was not aware of a licensing regime in operating in China, Mr Bell.

MR BELL: Do you say, as the senior executive responsible for VIP international, you didn't turn your mind, at all, in light of all of this advice, to whether Crown  
10 Resorts or its subsidiary in China should obtain a licence to conduct activities legally in China?

MR FELSTEAD: No, I did not.

15 MR BELL: Now, you've responded to Mr Chen, Mr O'Connor and Mr Ratnam. And you've said, and I quote:

*I'm reluctant to proceed with offices in China at this point in time. I believe it to be too big a risk. Having them operate as non-gaming offices, that doesn't  
20 seem overly practical to me.*

Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.  
25

MR BELL: Did it occur to you at the time it was too big a risk not to have licensed offices in China at the time, having regard to the business activities which were being conducted?

30 MR FELSTEAD: I hadn't thought in relation to the licensing versus non-licensing, Mr Bell.

MR BELL: When you said in evidence yesterday that you had forbidden the establishment of an office, is it this email that you were referring to?  
35

MR FELSTEAD: That would be correct, Mr Bell. And that along with conversations along the way as well. This is a – there were conversations about this prior in relation to the establishment of an office and my view was it's something we weren't – we weren't going to do. I wasn't keen on that.  
40

COMMISSIONER: Why were you not keen?

MR FELSTEAD: Thank you, Commissioner. Part of the advice I've received over the course of our dealings in China was it was important to operate in a respectful,  
45 low-key manner – within the law, of course – and my view, rightly or wrongly, at the time was opening up a shopfront office would not be seen as a low-key operation in China.

COMMISSIONER: Thank you.

MR BELL: You did understand, Mr Felstead, that the effect of your decision was intended to be that the staff in China would continue to conduct their business activities from their homes; is that right?  
5

MR FELSTEAD: That would be correct, Mr Bell.

MR BELL: Wasn't that, in effect, giving your approval for the continuation of a strategy by Crown Resorts of trying to conceal its activities from the Chinese Government by not establishing offices as would ordinarily be the case?  
10

MR FELSTEAD: I did not – I did not make that assumption, Mr Bell.

MR BELL: Isn't that precisely what was occurring by requiring the staff in China to conduct their business activities from Crown Resorts from their homes?  
15

MR FELSTEAD: No, that was not my understanding at the time, Mr Bell. When I – sorry. Let me clarify that, please. When I say “understanding”, I took a fairly simplistic approach to this and, in hindsight, that may have been wrong. I was just of the view it was unwise to open up a shopfront office in China, and that was my view at the time and that's – that's all I can really add to that, Mr Bell.  
20

MR BELL: Now, if we look at CRL.522.001.0332, which is exhibit M, tab 156.  
25

MR FELSTEAD: Yes. 0332, Mr Bell?

MR BELL: Yes.

MR FELSTEAD: Can I just clarify you can hear me now quite adequately, Mr Bell?  
30

MR BELL: I'm sorry?

MR FELSTEAD: I was just going to clarify, can you hear me now quite adequately, Mr Bell?  
35

MR BELL: Not really.

MR FELSTEAD: Sorry.  
40

COMMISSIONER: We will just proceed as we can, thank you, Mr Felstead.

MR FELSTEAD: Apologies, Commissioner.  
45

COMMISSIONER: That's all right.

MR BELL: Now, do you see, in the middle of this page, that a VIP international staff member asked Mr Chen if he did ever get feedback from the law firm which he had mentioned in his email of 9 February?

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

MR BELL: And the staff member noted that Mr Chen had said he would have an update, but he hadn't seen one. Do you see that?

10 MR FELSTEAD: Yes, I do. Yes.

MR BELL: And do you see that Mr Chen replied on 28 February 2015 saying:

*I know. Baz wants me do it verbally.*

15

That was a reference to you, I take it.

MR FELSTEAD: Yes, that is my nickname, Mr Bell.

20 MR BELL: And why did you want Mr Chen to report to staff verbally rather than in writing?

MR FELSTEAD: My understanding of that would have been Mr Chen would do a lot of things via email, which was fine – quite often, to the point of overload – and I think this particular one was something that was important that he would talk to the staff individually about.

25

MR BELL: It wasn't because you were concerned that it be appreciated by others who saw the legal advice that it was proceeding on a misapprehension that Crown Resorts had licensed representative offices in China?

30

MR FELSTEAD: No, Mr Bell, that would not be the impression at all.

MR BELL: Now, could I ask you to look at CRL.545.001.0054, which is exhibit M, tab 143.

35

MR FELSTEAD: I have that, Mr Bell.

MR BELL: Do you see that Mr Chen forwarded you a further legal advice from WilmerHale dated 10 February 2015?

40

MR FELSTEAD: Sorry, Mr Bell, what page are you on? I think I may be looking at the wrong area.

MR BELL: Okay. Well, the first page has this number at the bottom, CRL.545.001.0054. Do you have that?

45

MR FELSTEAD: Yes, I do have that, Mr Bell, yes.

MR BELL: Right. Do you see that Mr Chen had forwarded to you, Mr O'Connor and Mr Ratnam a further advice from WilmerHale?

5

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

MR BELL: And if you turn to the next page, .0055, do you see that Mr Chen had asked Mr Zhou one more question:

10

*How about if staff assists or refers with remittances of money?*

Do you see that?

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

MR BELL: Were you aware at the time that that was what the staff in China were doing, referring the Chinese gamblers to remitters?

20 MR FELSTEAD: That was not my understanding, Mr Bell.

MR BELL: Well, you did tell us yesterday that you understood that one of the ways that the gamblers in China repaid their debts to Crown Resorts was via remitters; correct?

25

MR FELSTEAD: Yes, I certainly did say that.

MR BELL: So do you say that you didn't know, or you don't know that the staff in China were referring Chinese gamblers to remitters; is that right?

30

MR FELSTEAD: My point that was made yesterday, Mr Bell, was in relation to that was up to the customer who would do that, and our staff weren't assisting with that. That was my understanding of how it operated.

35 MR BELL: And to be precise about it, are you telling the Commissioner that you did not understand that the staff in China were referring Chinese gamblers to remitters?

40 MR FELSTEAD: My understanding was that that was not occurring, Mr Bell.

MR BELL: You knew how it worked, didn't you? Gamblers who owed gambling debts would pay the remitter, the remitter would have business associates in Australia without any transfer of physical cash. There'd be a book entry which would occur, there would be a credit to the associates in Australia, a debit to the remitter, and then the credits – the associate in Australia would pay Crown Resorts. You knew that's how it worked, didn't you?

45

MR FELSTEAD: I had a broad understanding of how that worked, Mr Bell.

MR BELL: And you knew this procedure was intended to avoid China's foreign currency controls, didn't you?

5

MR FELSTEAD: That was not – that was not my understanding of that, Mr Bell. In my understanding this was a fairly common practice that Chinese customers would use along with having accounts overseas, along with other mechanisms of moving money, but we reported that when it came in and that was – that was my knowledge of that, Mr Bell, as I think I stated yesterday.

10

MR BELL: Did you have any understanding of why the Chinese gamblers just didn't pay Crown Resorts in Australia directly?

15

MR FELSTEAD: A lot of occasions they would have done that, Mr Bell.

COMMISSIONER: What about the ones who didn't?

MR FELSTEAD: Sorry, did I have an understanding of why they wouldn't do that?

20

COMMISSIONER: Yes.

MR FELSTEAD: No, because my understanding would be they would use a remitter, Commissioner. Because it was either easier - - -

25

COMMISSIONER: Yes, but why?

MR FELSTEAD: Because it was an easy way do it. That to me was a fairly common practice in the casino business and other businesses in relation to doing business in China.

30

COMMISSIONER: So you say it's easier to do what Mr Bell described rather than just paying direct to Crown?

35

MR FELSTEAD: I think both. I think both methods of moving funds were quite – could have been easy for a customer depending on their circumstances.

COMMISSIONER: Yes, Mr Bell.

40

MR BELL: And just looking at Mr Zhou's advice at page .0054, do you see that Mr Zhou advised that:

*If staff know about certain arrangements to remit money are not in compliance with the law and still assists the customer, that would be problematic.*

45

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

MR BELL: And he went on to add that:

5 *It would be prudent, given the current enforcement environment, for staff not to be involved in the money-moving activities because it could easily be interpreted as an effort to facilitate overseas gambling.*

Do you see that?

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

MR BELL: And do you see that Mr Chen then sent an email to you, Mr O'Connor and Mr Ratnam on 10 February 2015 saying that the WilmerHale advice was for further discussion tomorrow.

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

MR BELL: Now, can I take you to CRL.527.001.0406 which is exhibit O, tab 23.

20 MR FELSTEAD: 0406, Mr Bell?

MR BELL: Yes.

MR FELSTEAD: Thank you. I have that.

25 MR BELL: Do you agree that these emails indicate that there was a discussion between you, Mr Ratnam, Mr Chen and Mr O'Connor on 11 February 2015 at which a number of matters were agreed?

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

MR BELL: And this was a discussion between the most senior executives responsible for the VIP international business after having received and considered the various advices from WilmerHale that we've looked at this morning; correct?

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

MR BELL: Now, at .2 the item was:

40 *Industry chatter re marketing crackdown.*

And the decision was:

*Avoid travel to mainland for a while.*

45 Do you see that?

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: So you and the other senior executives considered that it was too risky for you to travel to China for a while in light of the crackdown on foreign casinos; correct?

5 MR FELSTEAD: Yes, my recollection of that, Mr Bell, if I could just add a little bit to that if that's helpful, if that's all right with you.

MR BELL: Please do.

10 MR FELSTEAD: Yes, my recollection of that, Mr Bell, was that was certainly the case, as you said, but also what that was was in relation to us keeping a low-key approach in relation to China. So it was deemed wise not to have senior executives doing road shows at that particular time, as per this advice.

15 MR BELL: I'm sorry to interrupt. But it was also because of the risk that you might be arrested and detained; correct?

MR FELSTEAD: I don't think it was a risk of being – sorry, Mr Bell. I don't think it was at the risk of being arrested and detained. I think it was more a matter, from  
20 my perspective, in reading this is that it was a prudent approach to be a bit more low key at the moment and not do a large road show.

MR BELL: The risk which you were adverting to was the risk of drawing attention to yourselves from the Chinese authorities; correct?  
25

MR FELSTEAD: Yes, I – you could characterise it as that. That wasn't probably the primary one, but that was certainly one of their considerations.

MR BELL: Having regard to the previously announced crackdown on foreign  
30 casinos; correct?

MR FELSTEAD: Yes, there is definitely a relationship with that.

MR BELL: So if it was too risky for you to travel to China for a while, you must  
35 have realised that the staff who were based in China were facing an increased risk.

MR FELSTEAD: Yes, that would have been the case. That would have been the case.

40 MR BELL: Yes. And in those circumstances I suggest that you should have raised that risk with the board of Crown Resorts via its risk management committee.

MR FELSTEAD: Yes, I would accept that – I would accept that, Mr Bell, and I  
45 think just to clarify that again, I think I acknowledged that position yesterday when the first announcement came out, that was something I should have done. We were managing risk on the ground and in hindsight I should have put that on the register and raised that. I completely accept that.

MR BELL: Can you see that it was now a matter for the board of Crown Resorts via its risk management committee to decide whether the strategy in China remained within the company's risk appetite in light of the crackdown?

5 MR FELSTEAD: I can see it was certainly a matter that would have for the risk committee, whether the board were involved in that. I was of the view we were managing it adequately on the ground through our processes there and that was – that was my view at the time, Mr Bell.

10 MR BELL: And can you see now that by failing to inform the board of Crown Resorts via its risk management committee of the crackdown you deprived the board of the opportunity to make an informed decision about its risk appetite?

15 MR FELSTEAD: I would suggest that there were people on the board who knew about the crackdown, not just myself, and I would suggest that, as I have said before, I should have had this on the register. I don't disagree with that. I didn't. I managed it on the ground, and that's how I – that's how I approached that at that particular time, Mr Bell.

20 MR BELL: Can you see that by failing to inform the board of Crown Resorts via its risk management committee of the crackdown on foreign casinos you deprived the board of the opportunity to make an informed decision about its risk appetite?

25 MR FELSTEAD: No, I probably – I probably wouldn't – I wouldn't go that far, Mr Bell. I think we - - -

MR BELL: As I said?

30 MR FELSTEAD: Well, because as I said, Mr Bell, my view was we were managing the risk on the ground. We were getting advices in what we could and couldn't do in relation to China and that process continued and then it was strengthened further on by the hiring of a government advice bureau – organisation who helped us as well. But I do accept that this should have been a risk that was on the register. I don't disagree with that, Mr Bell. From a formality perspective I think that was adequate.  
35

COMMISSIONER: Just put the register to one side for the moment, Mr Felstead. Am I right that you were a director of Crown Melbourne?

40 MR FELSTEAD: That is correct, Commissioner, yes.

COMMISSIONER: And you were a director of Crown Melbourne at the time of this document to which Mr Bell has taken you; is that right?

45 MR FELSTEAD: Yes, that is correct, Commissioner.

COMMISSIONER: And you said a little earlier that there were people on the board that were aware of the crackdown. Do you remember giving me that evidence?

MR FELSTEAD: Yes, I do, Commissioner.

COMMISSIONER: Were you referring to your co-directors on the board of Crown Melbourne when you gave me that evidence?

5

MR FELSTEAD: That – I was referring to, I believe, Mr Craigie would have been aware of this through receiving the clippings. I believe Mr Johnston would have been aware of this, but having said that Mr Johnston was not on the Crown Melbourne board, and this was fairly common knowledge, Commissioner, so I would imagine - - -

10

COMMISSIONER: I understand.

MR FELSTEAD: - - - that there would have been others - - -

15

COMMISSIONER: Yes, I understand, but I'm just trying to ascertain those people to whom you're referring. I think you've referred to Mr Johnston. That's Mr Michael Johnston, is it?

20 MR FELSTEAD: That's correct, Commissioner.

COMMISSIONER: He not being a director of Crown Melbourne, but a director of Crown Resorts. Is that right?

25 MR FELSTEAD: That's correct, Commissioner.

COMMISSIONER: And a director of the CPH company; is that right?

MR FELSTEAD: I believe so, yes, that's correct, Commissioner. An employee.

30

COMMISSIONER: An employee or a director?

MR FELSTEAD: Look, I think from CPH I think he – look, I'm sure he's a director; I just don't know the actual corporate structure of CPH.

35

COMMISSIONER: All right. So what I'm asking you is about your co-directors on the Melbourne board of the company. So you've mentioned Mr Craigie. Was he a director of Crown Melbourne at the time?

40 MR FELSTEAD: Yes, I believe so, yes.

COMMISSIONER: And did you inform or discuss this matter with any other director of Crown Melbourne?

45 MR FELSTEAD: No, I don't believe I did.

COMMISSIONER: Yes, Mr Bell.

MR BELL: Could we look at item .3, WilmerHale advice, and the decision is:

*Prepare list of options and recommendations to avoid China-based staff  
providing sensitive information to customers*

5

Do you see that?

MR FELSTEAD: I do, Mr Bell.

10 MR BELL: And the WilmerHale advice in this context was a reference to the advice we just looked at which said it would be prudent for staff not to be involved in money moving activities because it could easily be interpreted as an effort to facilitate overseas gambling; is that correct?

15 MR FELSTEAD: Reading this back in 2015 I don't recall what this particular one alluded to. Reading it cold, maybe it – maybe it was in relation to providing information to customers around other customers. I don't particularly – I don't recall that particular one, Mr Bell, so I'm not sure what they were referring to there. Apologies for that.

20

MR BELL: Was it the case that a decision was made after the announcement of the crackdown in February 2015, to ensure that there was no references to gambling in the marketing documents which were provided to the VIP international sales staff in China?

25

MR FELSTEAD: I believe that happened, yes, through reading this documentation.

MR BELL: So in other words, a decision was made to have two sets of VIP international marketing documents, one for the sales staff in China which did not refer to gambling, and another for the VIP sales staff in other jurisdictions which did refer to gambling. Is that correct?

30

MR FELSTEAD: That's what I – that's my belief after reading these documents in the past few days.

35

MR BELL: And was that a decision made in order to try and indicate to the Chinese authorities that gambling-related activities were not occurring by the China-based sales staff?

40 MR FELSTEAD: I'm not sure why that decision was made, Mr Bell. All I can assume it could have been an abundance of caution in relation to doing business in China but I was aware of the separate marketing paraphernalia after the event when I was reading these documents.

45 MR BELL: Do you agree that after changing the marketing materials provided to the China-based staff those marketing materials no longer accurately described the business activities being conducted by those staff?

MR FELSTEAD: I haven't seen – sorry, Mr Bell. I have not seen the marketing activity in question – sorry, can you hear me, Mr Bell?

MR BELL: Not particularly well, but you go on.

5

MR FELSTEAD: Sorry. I said I've not seen the marketing activity in question, Mr Bell. All I can suggest it was – sorry, consistent with a low-key approach in doing business in China.

10 MR BELL: Do you tell the Commissioner that you regard it as consistent with the fundamental principle of acting legally, ethically and with the highest standards of integrity to have amended the marketing material provided to the China-based sales staff to avoid references to gambling?

15 MR FELSTEAD: Yes, I think we had that conversation yesterday and if you're strictly to the code that may be – I may agree with that position of yours, Mr Bell.

COMMISSIONER: It's not his position, Mr Felstead. It's Crown's position.

20 MR FELSTEAD: Apologies, Commissioner. I thought Mr Bell was putting that proposition towards me.

COMMISSIONER: Yes, he was.

25 MR FELSTEAD: Yes.

COMMISSIONER: If you could assist in this way. Your courtesy is very much appreciated, but because of the sound problem that the Inquiry is experiencing, if you could just speak a little more slowly I would be grateful, and there's no need to  
30 address Mr Bell in each answer, and we can just hear what you have to say in response to the answer. Thank you, Mr Felstead. Yes, Mr Bell.

MR BELL: Now, do you see that according to point 4 a decision was made to defer  
35 official offices – I withdraw that. Do you see that according to point 4 a decision was made to defer offices in China? Correct?

MR FELSTEAD: Yes, I do.

MR BELL: And that was consistent with your earlier email on the topic which  
40 we've looked at this morning? Correct?

MR FELSTEAD: That is correct.

MR BELL: Meaning that the staff in China as you understood it would continue to  
45 work from their homes; correct?

MR FELSTEAD: That is correct.

MR BELL: Do you agree that over the course of yesterday and today we've now reviewed a lot of emails, including this one, that show that decisions in relation to the business of VIP international at an operational level were being decided by a group comprising you, Mr Chen, Mr O'Connor and Mr Ratnam?

5

MR FELSTEAD: That would be largely correct, Mr – sorry, apologies for that.

MR BELL: And it would appear that Mr Ratnam was heavily involved in the decision-making process from the emails we have looked at. Would you agree?

10

MR FELSTEAD: That could be a perception. Mr Ratnam was not involved in heavy decision-making. Mr Ratnam was kept informed of events that were going on in China because he visited there. Mr Ratnam was not a key decision-maker in relation to this.

15

MR BELL: But he seems to have been a recipient of a number of emails which we've looked at, including this one, informing him of the decisions being made at an operational level and more than that, this email shows, does it not, that Mr Ratnam was involved in that decision-making. Do you agree?

20

MR FELSTEAD: When you look at the email, you may draw that conclusion. All I can tell you is what I know on the ground, Mr – sorry. Apologies. I keep trying to call you Mr Bell. I do apologise, Commissioner.

25

MR BELL: Mr Ratnam seems to have been doing a lot more than just running the golf club and meeting VIP players, as you told us yesterday at page 1118 of the transcript.

30

MR FELSTEAD: That was Mr Ratnam's primary role. Mr Ratnam was primarily involved in meeting customers.

MR BELL: Did you understand that it was one of Mr Ratnam's jobs to keep Mr Packer informed of developments in relation to the VIP international business?

35

MR FELSTEAD: No, that would not be one of Mr Ratnam's primary roles. He may have had discussions with Mr Packer. I don't think I would describe that as an important function of his role. I kept Mr Packer informed in relation to the VIP business. Mr Ratnam may have. Others may have as well.

40

MR BELL: Now, just to be clear, is it your evidence that you did not report the announcement by the Chinese Government in February 2015 of its crackdown on foreign casinos to the board of Crown Resorts at any time before the staff in China were arrested?

45

MR FELSTEAD: That is my evidence.

MR BELL: And you told us yesterday, at transcript pages 1170 and 1171, that you don't recall whether you reported the matter to the CEO, Mr Craigie. Do you recall giving that evidence?

5 MR FELSTEAD: I do recall giving that evidence.

MR BELL: And if you don't recall the matter – I withdraw that. If you don't recall reporting the matter to the CEO, I take it you have no recollection of the crackdown on foreign casinos being discussed at any CEO meeting after February 2015.

10

MR FELSTEAD: I don't have a recollection of that, but it may – it would not have surprised me if that conversation occurred.

MR BELL: But you have no recollection of it?

15

MR FELSTEAD: I don't have a specific recollection of that.

MR BELL: You did, however, in February or March 2015, discuss the crackdown by the Chinese Government on foreign casinos with the CPH VIP group, didn't you?

20

MR FELSTEAD: I would have done that. That would sound like something I would have done.

MR BELL: Yes. And do you recall discussing the matter with Mr Johnston at a CPH VIP working group meeting?

25

MR FELSTEAD: Not specifically, but I would certainly imagine that would have occurred.

MR BELL: And as you recall it, did the CPH VIP working group, in its discussions in February or March 2015, endorse the strategies which you, Mr Chen, Mr O'Connor and Mr Ratnam had agreed upon in response to the February 2015 announcement of the crackdown on foreign casinos?

30

MR FELSTEAD: Is that the one you're referring to around increasing our presence; the one you mentioned yesterday?

35

MR BELL: Well, I'm referring specifically to the email that I took you to a minute ago, the email of 11 February 2015, which had a number of action points, including some action points in relation to the crackdown on foreign casinos. Do you recall that email?

40

MR FELSTEAD: I do recall that email.

MR BELL: And my question is, as you recall it, did the CPH VIP working group in its discussions after that time endorse the strategies referred to in that email?

45

MR FELSTEAD: The – sorry, I’m a little bit confused here. The strategies of not having an office there? Is that what you’re referring to, Mr Bell?

5 MR BELL: Look, let’s be clear about it. Can we go back to the document CRL.527.001.0406, which is exhibit O, tab 23.

MR FELSTEAD: Yes.

10 MR BELL: And do you see that I took you to points 2, 3 and 4, which were all matters dealing with the response to the crackdown on foreign casinos; correct?

MR FELSTEAD: Yes, correct.

15 MR BELL: My question, is as you recall it, did the CPH VIP working group endorse those strategies?

MR FELSTEAD: My recollection of that would be I would imagine we would have spoken about number 2, in relation to the travel. Number 3, I can’t recall. Number 4, I don’t think I would have raise that had with the CPH working group; that would probably be a bit – that was something I would have handled myself.

25 MR BELL: So, apart from number 2, do you say that the decisions made by VIP international in response to the crackdown on foreign casinos recorded in this email, were decisions for which you were responsible as the senior executive responsible for VIP international and your subordinates?

MR FELSTEAD: Yes, ultimately I’m responsible. Mr O’Connor reported to me, so I would accept I would be responsible for this particular business.

30 MR BELL: And do you say that decision items 3 and 4 were not approved by others who were board members of Crown Resorts Limited?

35 MR FELSTEAD: I think my – I think my evidence was I don’t recall that. It may have been. I just don’t recall that one. But I would be reasonably certain we mentioned about travel into China.

MR BELL: All right. Now, could I ask you – confidentiality has been reserved in relation to the next document, operator. So please call it up hearing room only. Can we look at CRL.638.001.0029. And, Mr Felstead, that’s exhibit R, tab 6.

40

MR FELSTEAD: Exhibit R. 0029?

MR BELL: Yes.

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

MR BELL: It’s the F16/F20 strategic business executive review, VIP international.

MR FELSTEAD: Yes, I have that.

MR BELL: Have you seen this document before?

5 MR FELSTEAD: I don't recall it, but I would have seen it.

MR BELL: Are you able to explain to the Commissioner the circumstances in which this document was prepared and to whom it was presented?

10 MR FELSTEAD: Let me just have a quick glance through the document so I refresh my memory. I believe this document would have been prepared by the VIP team in relation to the business planning, which would have gone to the Melbourne board in – would have gone to a committee, and then it would have gone to the Melbourne board and, ultimately, to the Crown Resorts board as part of the F16 to  
15 F20 business plan. That would be my educated guess in relation to this.

MR BELL: All right. So, look, just to assist you, if you could look at the document behind tab 5, which is CRL.638.001.0028, an email from someone called Michael Whytcross at Crown Melbourne to Jason O'Connor, Michael Chen, Jacinta Maguire  
20 and some other people, dated 17 March 2015. And you can take it that the attachment to that email was the document I was just showing you at tab 6, CRL.638.001.0029. Now, does that assist you to firm up on your recollection of the circumstances in which this document was prepared and to whom it was presented?

25 MR FELSTEAD: I think that's entirely consistent with what I said.

MR BELL: So, to be clear, your evidence is that it was prepared for presentation to a committee of the Crown Melbourne board, then presented to the Crown Melbourne board, and then included as a board paper and presented to the Crown Resorts board;  
30 is that right?

MR FELSTEAD: The first step – well, the first step would have been to a group of executives as opposed to the board. They would review, then that would go on, as part of the broader document, to the Crown Melbourne board.  
35

MR BELL: And do you say that your recollection is that this document was presented, ultimately, to the board of Crown Resorts Limited?

MR FELSTEAD: It would have been a very abridged version of this would have gone to the Crown – the Crown Resorts board. It would not have been in any detail of this nature.  
40

MR BELL: But – so just to be precise, this document, the document at tab 6, CRL.638.001.0029, in the form of this document, as you understand it, ultimately  
45 found its way for consideration by the board of Crown Melbourne?

MR FELSTEAD: It would have found – sorry. I don't want to confuse you here – but it would have found its way to an executive group, which typically would consist of Mr Craigie, I believe Mr Barton. Then an abridged version would have gone to the Crown Melbourne board. And then a further abridged version would  
5 have gone to the Crown Resorts board. And it was just really about the volume of information that would go through. And we would do this – just to clarify, Mr Bell – we would do this for all the different business units whether it be machines, hotels  
- - -

10 COMMISSIONER: You're just being asked – Mr Felstead, please, you're just being asked about the Crown Melbourne board. Now, we'll go back to that. I think what you've said is that it would be a document slightly different, is that right? Or is it the same one that would find its way to Crown Melbourne board?

15 MR FELSTEAD: It would be a slightly different document, Commissioner, an abridged version.

COMMISSIONER: Thank you. Yes, Mr Bell.

20 MR BELL: So I'm not asking you about any changed or amended or abridged version of this document at tab 6, I'm asking you about this document. Who do you recollect saw this document?

MR FELSTEAD: My recollection, as part of the planning process, it would be  
25 typically – it would be obviously myself, it would be some of the executives at Crown Melbourne and it would be, typically, Mr Craigie or – and/or Mr Barton; that would be my recollection.

MR BELL: And do you recall – I'm taking you, now, back to tab 6,  
30 CRL.638.001.0029 – do you recall discussing this document with Mr Craigie?

MR FELSTEAD: I – I don't recall. I well may have, though. He may well have been in the meeting.

35 MR BELL: And can I take you to – I'm sorry. Before I move away from that document, do you have any recollection of this document being shown to the CPH VIP working group?

MR FELSTEAD: No, I don't have a recollection of that.

40

MR BELL: Is it likely that it was?

MR FELSTEAD: I just – sorry. It was five years ago. I don't have a recollection. They may have been aware of parts of it. I can't recall the exact document going  
45 through.

MR BELL: Now, could I take you to CRL.638.001.0626, which is exhibit R, tab 8.

MR FELSTEAD: Yes, I have that document.

MR BELL: I haven't studied it in detail, and I'm not sure if it's precisely the same as the one I showed you a minute ago, but do you see it appears to be broadly similar  
5 to the one I showed you a moment ago at exhibit R, tab 6?

MR FELSTEAD: Yes, it does certainly appear to be similar.

MR BELL: And if we could look at CRL.638.001.0611. And, I'm sorry, I should  
10 say confidentiality has been reserved in relation to this document so please put it up only – you see, Mr Felstead, another email from Mr Whytcross to Mr ..... - - -

MR FELSTEAD: Apologies, Mr Bell, what tab was that? I don't seem to have that.

15 MR BELL: So exhibit R, tab 7.

MR FELSTEAD: I have that. I have that.

MR BELL: And you see it's an email dated the 10<sup>th</sup> of June 2015. And you can  
20 take it that the attachments to this email, tab 7, CRL.638.001.0611, included the document at tab 8, CRL.638.001.0626. Now, does that assist you to identify the circumstances in which this version of the document was prepared or the persons to whom it was presented?

25 MR FELSTEAD: Yes, it does. It gives me a bit more clarity.

MR BELL: And to the best of your recollection, can you tell the Commissioner what the circumstances were in preparing this document and the persons to whom it was presented?  
30

MR FELSTEAD: I believe that this would have been a first cut. This is the one under document – under tab 8. This would have been the first cut of a document which has been sent to some of the key operational people in either property in preparation for the larger document which would have gone to the – call it the  
35 working group – not the working group, to the executive group. That's what I'm assuming by looking at this.

MR BELL: But just to be clear, when you say “either property”, are you referring to Crown Melbourne and Crown Perth?  
40

MR FELSTEAD: Yes. Yes, I am. The person involved in this one was at Crown Perth, who received this.

MR BELL: When you say the “executive group”, what group do you mean?  
45

MR FELSTEAD: I'm talking the executive group. That would be the executive group, typically, in Crown Perth and Crown Melbourne, so heads of machine, heads

of table, that group, including myself. And, in that group, that would include, typically, Mr Barton and Mr Craigie.

5 MR BELL: Now, Mr Felstead, were you aware in March 2015 that Mr Chen had engaged a consulting firm named the Mintz Group, M-i-n-t-z, to provide advice in relation to the corruption investigations in Macau and their potential effect?

MR FELSTEAD: I was aware that Mr Chen was using that group.

10 MR BELL: Yes. Were you aware, in 2015, that they were staffed by people who included former intelligence agents, some of whom had worked for the CIA?

MR FELSTEAD: I was not aware of that, not at the time, but I was certainly aware of that not long after.

15

MR BELL: I'm sorry could you say that again, please?

MR FELSTEAD: I said I was aware of that, but it wasn't immediately, but I was certainly aware of that at some point in time.

20

MR BELL: Thank you. Can we look at CRL.522.001.0127, which is exhibit M, tab 176.

MR FELSTEAD: I have that document.

25

MR BELL: And do you see it's a report from the Mintz Group to Mr Chen, dated 25 March 2015?

MR FELSTEAD: Yes, I do.

30

MR BELL: Did you see this document at any time up to the arrest of the China staff in October 2016?

35 MR FELSTEAD: I don't recall seeing this document in any – I don't recall seeing this document.

MR BELL: So you may have done? You may have done, but you don't recall? Is that a fair way of putting it?

40 MR FELSTEAD: That would be a fair way to put it.

MR BELL: So just – don't name the persons named – but you are aware that the author of this report was a former station chief for the CIA in Beijing?

45 MR FELSTEAD: That – yes, that was made – I was aware of that particular person's prior work history.

MR BELL: Could I ask you to turn to page 7, page.0133, under the heading Risk Assessment. The author states:

5           *There was a clearly enhanced attention underway from relevant PRC authorities concerning foreign casino marketing activities in mainland China.*

See that?

10       MR FELSTEAD: Yes, I've read that.

MR BELL: And further in that paragraph he says:

15           *The coming months would likely feature an increasing level of scrutiny by the Chinese officials.*

MR FELSTEAD: Yes, I've read that.

20       MR BELL: You were conscious of those matters, in any event, by March 2015, weren't you, having been made aware of the crackdown on foreign casinos announced in February 2015?

MR FELSTEAD: Yes, that is correct. I would have been.

25       MR BELL: Do you see on this page there are also some operational recommendations?

MR FELSTEAD: Yes, I can see that.

30       MR BELL: And looking at the second paragraph, one of those recommendations was to:

*Keep marketing efforts low-key with little or no publicity.*

35       See that?

MR FELSTEAD: Yes, I do. Yes.

MR BELL: It says to:

40           *Stay strictly within the legal guidance.*

Do you see that?

45       MR FELSTEAD: Yes, I do. Yes.

MR BELL: It says to stay strictly within the legal guidance. Do you see that?

MR FELSTEAD: Yes, I do.

MR BELL: And in the next paragraph to avoid cell phone and text message communications dealing with marketing efforts. Do you see that?

5

MR FELSTEAD: Yes, I do.

MR BELL: And on the next page, to limit distribution of business cards. Do you see that?

10

MR FELSTEAD: Yes, I do.

MR BELL: So were you aware of those recommendations from the Mintz Group in the period up to October 2016?

15

MR FELSTEAD: I was aware of those in a broad sense from Mr Chen.

MR BELL: And do you say that Crown Resorts acted on those recommendations?

20

MR FELSTEAD: Crown Resorts – yes, I believe we did act on some of those.

MR BELL: And apart from the advice to follow the legal advice, in essence Mintz was advising Crown Resorts to act under the radar. Do you agree that's a fair way of putting it?

25

MR FELSTEAD: Yes, you could characterise it as that.

MR BELL: Did it occur to you that recommendations from former CIA agents to act in a low-key way and to avoid mobile phone and text messages might be good advice for spies, but would not be appropriate for a leading Australian listed company which had a fundamental principle that its business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity?

30

MR FELSTEAD: I would not have made that assumption in terms of – this is – that this is advice for spies. I would have taken this as advice from a company who has dealings in China, who knows what goes on in China and here is a prudent approach for our marketing efforts in China. That's how I read that.

35

MR BELL: And do you say that the action points which you say were taken were action points which were consistent with the fundamental principle that Crown's business affairs be conducted legally, ethically and with strict observance of the highest standards of integrity?

40

MR FELSTEAD: In this particular instance, Mr Bell, I probably would not apply that formula to that. I have in the past. I think what we were doing was appropriate based on this advice. That's – I apologise, that's all I can add to that.

45

MR BELL: Now, in June 2015 you learnt that a number of employees of two South Korean casinos had been arrested in China; correct?

MR FELSTEAD: Yes, I did.

5

MR BELL: Can we look at INQ.100.001.0290 which is exhibit M, tab 193.

MR FELSTEAD: The AGB article; I have that.

10 MR BELL: You see it's an article from the Asia Gaming Brief dated 21 June 2015 headed Chinese authorities Arrest 14 for Luring Chinese Gamblers.

MR FELSTEAD: I do.

15 MR BELL: And is it likely you read this article at the time?

MR FELSTEAD: If I didn't read the article at the time, I certainly would have been made aware of it.

20 MR BELL: Yes. And do you see that the article referred to the South Korean staff facing charges of attracting Chinese citizens to casinos and violating foreign currency laws?

MR FELSTEAD: Yes, I do.

25

MR BELL: And a little further down the page it referred back to the announcement made in February 2015 by the deputy director of China's Ministry of Public Security that Chinese authorities would crack down on casino operators from neighbouring countries to set up offices to recruit Chinese citizens to gamble abroad.

30

MR FELSTEAD: Yes, I can see that.

MR BELL: So were you aware in June 2015 that media articles were linking the arrests of the south Koreans back to the crackdown on foreign casinos which had  
35 been announced in February?

MR FELSTEAD: I didn't actually make the link, but I was certainly aware that this – the Koreans were arrested, and it would seem logical for me to assume that would have gone back to the crackdown.

40

MR BELL: Now, can I ask you to look at CRL.522.001.3082 which is exhibit M, tab 197. Do you see that on - - -

MR FELSTEAD: Yes.

45

MR BELL: Do you see that on 24 June 2015 Mr Barton had sent an email with an extract from the media article which referred to the arrest of the South Korean staff by the Chinese authorities?

5 MR FELSTEAD: Yes, I do.

MR BELL: And do you see that Mr Rankin, who must have been one of the recipients of the email, had replied to Mr Barton copying in Mr Craigie on 24 June 2015?

10

MR FELSTEAD: Yes, I do.

MR BELL: And Mr Craigie had forwarded Mr Rankin's email to you. Do you see that?

15

MR FELSTEAD: Yes, I do. Yes.

MR BELL: Mr Rankin had joined the – I withdraw that. Mr Rankin joined the board of Crown Resorts in July 2015 and became its chairman in early August 2015; is that correct?

20

MR FELSTEAD: I – I couldn't – couldn't – I'm not sure of the dates, but that would sound about right.

25 MR BELL: And were you aware by the date of these emails that Mr Rankin was going to join the board subject to receipt of regulatory approvals?

MR FELSTEAD: No, but I was aware that Mr Rankin was in the process of becoming chairman.

30

MR BELL: Yes. And were you aware of the date of these emails on 24 June 2015 that Mr Rankin was the Chief Executive of CPH?

MR FELSTEAD: Yes, I would have been.

35

MR BELL: And you see that Mr Rankin is saying "we"; I presume he means Crown Resorts Limited:

*...should be on high alert for this type of regulatory action in China.*

40

MR FELSTEAD: Yes, I do.

MR BELL: In other words, you understood that Mr Rankin was saying that Crown Resorts should be on high alert for the possible arrest of its staff in China. Correct?

45

MR FELSTEAD: Yes, that would be a – that would be a – you could draw that assumption on that, definitely.

MR BELL: And you see that Mr Rankin added that:

*Specifically, the training of new in-country sales staff should be reviewed and be extensive.*

5

MR FELSTEAD: Yes, I do.

MR BELL: And if I could ask you to look at CRL.545.001.1108, which is tab 198 of this volume, the next document, do you see that you replied to Mr Craigie by email the same day?

10

MR FELSTEAD: Yes, I do.

MR BELL: And you see that staff were trained around what to do and what not to do.

15

MR FELSTEAD: Yes. That is correct.

MR BELL: Was that a reference to the reception guidelines we looked at yesterday which talked about what staff should do if Chinese police arrived at their offices?

20

MR FELSTEAD: That was one of them. This was primarily in relation to our low-key approach in doing business in China which Mr Chen, I believe, had relayed to the staff.

25

MR BELL: Right. And you added"

*The word is that there have been long-term issues with the Korean properties around currency movements and compliance which has upset Chinese authorities.*

30

Do you see that?

MR FELSTEAD: I did say that, yes.

35

MR BELL: And do you say that you were on high alert at this time to deal with the possibility that the staff in China could be arrested?

MR FELSTEAD: I think we were on high alert not so much for the staff getting arrested, Mr Bell, we were on high alert in relation to how we run the business in China. We have been for quite some time.

40

MR BELL: But you agreed that Mr Rankin was saying that the company should be on high alert for regulatory action which was the risk of arrest; correct?

45

MR FELSTEAD: Yes, I do.

MR BELL: Yes. And do you say that you were on high alert at this time to deal with the possibility of the risk of arrest of staff in China?

5 MR FELSTEAD: I wouldn't – I would not say specifically in relation to the arrest of the staff in China, but we were on high alert for any adverse action that would occur in China.

10 COMMISSIONER: Mr Felstead, you had an email from a man who was about to become the chairman of Crown Resorts, didn't you?

MR FELSTEAD: Yes, we did. Yes, I did, sorry.

15 COMMISSIONER: Asking you effectively to be on high alert relating to the risk of arrest in China, did you not?

MR FELSTEAD: Yes, I did.

20 COMMISSIONER: Was it not contemplated by you that that risk should be at the forefront of your thinking about your staff on the ground in China?

MR FELSTEAD: Well, yes it was, Commissioner. I – with respect, I didn't think I said otherwise. That was certainly what I was referring to, so I apologise if that came across differently, but no, that's absolutely - - -

25 COMMISSIONER: It did.

MR FELSTEAD: - - - of concern for me. I do apologise. That wasn't my intent.

30 COMMISSIONER: I see. So it was at the forefront of your thinking that you had to protect your employees on the ground in China from arrest.

MR FELSTEAD: Yes, that was certainly one of the things we looked at. Absolutely.

35 COMMISSIONER: Was it at the forefront of your thinking that that was what you had to do?

40 MR FELSTEAD: Yes, it would have been at the forefront of my thinking, as – along with other things but it was certainly an important factor. I won't downplay that.

COMMISSIONER: I'm only asking you about that particular matter, not the other thing. Was it at the forefront of your thinking?

45 MR FELSTEAD: This was at the forefront of my thinking, Commissioner.

COMMISSIONER: Mr Bell.

MR BELL: And I take it that it didn't occur to you at this time that it was necessary for you to report this high alert for the risk of arrest to the risk management committee of Crown Resorts?

5 MR FELSTEAD: No, I – this was – I did report this to other individuals, so other people were aware of it. No, I did not think to report it to the risk management committee.

MR BELL: Is it the case that you recall attending a Crown Resorts board meeting  
10 shortly after the Korean arrests where Mr Michael Johnston told the board about the Korean arrests?

MR FELSTEAD: Yes, I do.

15 MR BELL: And is it the case that you had discussed the Korean arrests with Mr Johnston and briefed him on the situation?

MR FELSTEAD: That is correct.

20 MR BELL: And had you done so at a CPH VIP group meeting?

MR FELSTEAD: My recollection that would have been a phone call, but I think – I would – I would imagine it would have got a run at the CPH meeting, but that would be my recollection that it would have been a phone call.  
25

MR BELL: Thank you. What is your recollection of the substance of what Mr Johnston told the board of Crown Resorts about the Korean arrests and the situation in China?

30 MR FELSTEAD: My broad recollection of that, Mr Bell, would have been that Mr Johnston would have advised of the actual arrest of the Korean operatives in China and he would have explained the circumstances that we were made aware of around those arrests, and that would have been the thrust of Mr Johnston's conversation with the board. There may have been questions coming from the board. I can't recall.  
35

MR BELL: So have you now told us everything that you remember about what Mr Johnston told the board about the Korean arrests and the situation in China?

MR FELSTEAD: That's to the best of my recollection I do, yes.  
40

MR BELL: There's nothing else that you remember about what Mr Johnston told the board at that time?

MR FELSTEAD: No, no, it was – as I said, it was primarily in relation to the  
45 arrests, the circumstances behind the arrests and that would have been the thrust of the conversation. There may have been other things. Mr Johnston may be able to answer that more fully, but that's my recollection.

MR BELL: Is that a convenient time, Commissioner?

COMMISSIONER: Yes, it is. I will take a short adjournment. I will adjourn for 15 minutes. Thank you.

5

MR FELSTEAD: Thank you.

**ADJOURNED**

**[11.23 am]**

10

**RESUMED**

**[11.45 am]**

15 COMMISSIONER: Yes, thank you. Yes, Mr Bell.

MR BELL: Mr Felstead, you became aware, in early July 2015, that two of the Crown Resorts staff based in China had been questioned by the Chinese police; correct?

20

MR FELSTEAD: I beg your pardon? Could you repeat that, please, Mr Bell?

MR BELL: Yes. You became aware, in early July 2015, that two of the Crown Resorts staff based in China had been questioned by the Chinese police; correct?

25

MR FELSTEAD: That is correct, yes.

MR BELL: And, operator, confidentiality has been reserved in relation to this document, so please call it up only in the hearing room, INQ.950.002.0140. And, Mr Felstead, it's exhibit O, tab 28.

30

MR FELSTEAD: Yes, I have that document.

MR BELL: At the top of the page there's an email from Mr O'Connor to you dated the 10<sup>th</sup> of July 2015. Do you see that?

35

MR FELSTEAD: I do.

MR BELL: And do you see that Mr O'Connor told you that:

40

*We had another employee questioned by the Chinese police yesterday?*

See that?

45 MR FELSTEAD: Yes, I do.

MR BELL: So you were aware, by the 10<sup>th</sup> of July 2015, that there were now two employees in China who had been questioned by the Chinese police; correct?

MR FELSTEAD: That is correct.

5

MR BELL: And you were told by Mr O'Connor that the second employee:

*...had been accused of organising gambling operations or something.*

10 See that?

MR FELSTEAD: Yes, I do.

MR BELL: And you were told by Mr O'Connor that the second employee:

15

*...had said that he worked for a hotel resort company and helped with the visas and travel arrangements.*

Do you see that?

20

MR FELSTEAD: Yes, I do.

MR BELL: And Mr O'Connor also told you that:

25

*The Chinese police had asked for a letter from his employer verifying his employment.*

See that?

30

MR FELSTEAD: Yes, I do.

MR BELL: And, in July 2015, you were asked to authorise a letter on behalf of Crown Resort Pte Limited, confirming that this person was an employee of that company; correct?

35

MR FELSTEAD: Yes. Yes.

MR BELL: And if we look at CRL.522. – I'm sorry. You did authorise such a letter, didn't you?

40

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

MR BELL: And if we could look at CRL.522.001.0830, which is exhibit M for Mike, tab 210.

45

MR FELSTEAD: I have that document, Mr Bell.

MR BELL: That is the letter which you authorised Mr Spearman of Crown Resorts to sign on behalf of Crown Resort Pte Limited; correct?

MR FELSTEAD: That is correct.

5

MR BELL: Were you aware that this employee in China sent a document to Crown Resorts in July 2015 setting out his recollection of his interview with the police?

MR FELSTEAD: I was aware of that.

10

MR BELL: Could I ask you to look at – sorry. Confidentiality has been reserved in respect of this document, operator, so please call it up only in the hearing room, INQ.950.002.0157, which is exhibit O, tab 36.

15 MR FELSTEAD: 157? 0157?

MR BELL: Yes.

MR FELSTEAD: Yes, I have that, Mr Bell.

20

MR BELL: Did you see this document in 2015?

MR FELSTEAD: I don't recall this particular document.

25 MR BELL: Is it likely that you did see it at the time?

MR FELSTEAD: I don't recall this particular one. I have seen other documentation, but I don't particularly recall this one.

30 MR BELL: All right. Were you aware, in July 2015, that the Chinese police asked this employee whether he had an office and he answered, "No. Company is in Hong Kong."

MR FELSTEAD: No, I was not aware of that particular response.

35

MR BELL: Were you aware, in July 2015, that the Chinese police asked the employer – employee where he worked, then, without an office? And he answered he just worked at home.

40 MR FELSTEAD: I don't recall that one. I may have. I don't particularly – I don't specifically recall that.

MR BELL: Were you aware, in July 2015, that the Chinese police had asked the employee how he expanded his business without having an office? And he answered:

45

*There was no need for expanding. We charge a lower fee and normally get referrals.*

MR FELSTEAD: I wasn't aware of that one.

5

MR BELL: Were you aware, in July 2015, that the Chinese police had asked this employee whether his company had casinos in Australia and he said that it did.

MR FELSTEAD: That may have been in one of the other documents. I may recall. I actually don't – I definitely don't recall seeing this particular document, Mr Bell. But I have seen others in relation to this.

10

COMMISSIONER: When you say "others in relation" to it, I presume that you have seen a report of what he said to the police; is that right?

15

MR FELSTEAD: I have seen a commentary from this particular gentleman in relation to his conversation with the police, Commissioner.

COMMISSIONER: Thank you.

20

MR FELSTEAD: Yes.

MR BELL: Were you aware, in July 2015, that the Chinese police had said to this person that they could not tell him who had informed them, but that the issue was that he had organised people to gamble in Australia?

25

MR FELSTEAD: I was aware of that.

MR BELL: Could I ask you to look at CRL.001.1320, which is exhibit M, tab 212.

30

MR FELSTEAD: 1320?

MR BELL: Yes.

MR FELSTEAD: Yes, I have that.

35

MR BELL: Yes. So it ends in 1320, Mr Felstead. Yes.

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

40

MR BELL: Do you see that it's an email from Mintz to Mr Chen dated the 10<sup>th</sup> of July 2015?

MR FELSTEAD: Yes, I do.

45

MR BELL: And do you see that, in the bottom half of the page, Mintz said that:

*The request for the letter has the effect of contributing to an evidentiary pile that the Chinese Public Security Bureau decide to draw upon in the future.*

MR FELSTEAD: Yes, I can see that.

5

MR BELL: And were you aware that Mintz had provided advice to that effect in July 2015?

MR FELSTEAD: I don't recall the – their comment about the evidentiary pile.

10

MR BELL: I take it you drew the same conclusion, in any event, without being told by Mintz; correct?

MR FELSTEAD: I don't – no, I don't believe I would have.

15

MR BELL: Isn't it obvious that providing a letter confirming that this person worked at Crown Resorts was likely to contribute to an evidentiary pile that the Chinese police could use in the future?

MR FELSTEAD: I did not make that connection.

20

MR BELL: Do you see it now?

MR FELSTEAD: I can see it now. It's in writing. Yes, I definitely can see it now, Mr Bell.

25

MR BELL: Can you see now that it's obvious that this was providing to an evidentiary pile?

MR FELSTEAD: Reading it now, yes, I – I could see that.

30

MR BELL: Now, only a few weeks earlier, employees of two South Korean casinos had been arrested in China; correct?

MR FELSTEAD: That is correct.

35

MR BELL: Only a few weeks earlier, Mr Rankin had told you to be on high alert for similar Chinese regulatory action; correct?

MR FELSTEAD: That is correct.

40

MR BELL: And now you had two employees in China questioned by the police about their activities, and the Chinese police had required a letter confirming that one of them was a subsidiary of Crown Resorts; correct?

45

MR FELSTEAD: That is correct.

MR BELL: I suggest that this was an obvious escalation of the risk of the China staff being arrested and detained, coming so soon after the arrest of the Korean staff.

MR FELSTEAD: Yes.

5

MR BELL: Is that correct?

MR FELSTEAD: Yes, you could draw that conclusion. I probably took a slightly different view, based on what I knew, but you could certainly draw that conclusion. I could see why you would.

10

MR BELL: And are you saying that it didn't occur to you that having two staff questioned by the police and the police asking for one of them to provide a letter confirming that he worked for Crown Resorts, coming only a matter of weeks after two – the staff of two Korean casinos had been arrested, was an obvious escalation of the risk?

15

MR FELSTEAD: If I could be permitted to give a bit of clarity around that, that may be useful, if that's all right with you, Mr Bell.

20

MR BELL: Of course.

MR FELSTEAD: Yes. The first arrest, I wasn't aware of at the time. I was aware of that when Mr O'Connor told me about the second person. So I was not aware of that. My understanding of the first particular arrest of our staff was in relation to a customer, in particular. This particular arrest I was aware of. The Koreans – my understanding of the Koreans, based on advice received, was that was a very, very different issue, because they were allegedly – I need to say the word "allegedly" – doing things which were against – against current guidelines of operating in China.

25

30

MR BELL: Can I just be clear about this. What you did know was this: first, that in June, the employees of two Korean casinos had been arrested in China; correct?

MR FELSTEAD: Yes, I did.

35

MR BELL: Second, you had been told by Mr Rankin to be on high alert for similar regulatory action in relation to your employees; correct?

MR FELSTEAD: Yes, I was.

40

MR BELL: Third, you were now aware that two of your employees had been questioned by the Chinese police; correct?

MR FELSTEAD: That is correct.

45

MR BELL: And you knew that one of them was being questioned about his activities as an employee of Crown Resorts; correct?

MR FELSTEAD: Yes, I was.

MR BELL: And you knew that the Chinese police had requested that employee to provide a letter confirming that he worked for Crown Resorts; correct?

5

MR FELSTEAD: Yes, I did.

MR BELL: And are you telling the Commissioner that it did not occur to you that this was an obvious escalation of risk for the staff in China?

10

MR FELSTEAD: I'm telling the Commission that, on the evidence I had and the information I had at hand, I thought it was a risk. I thought it was – the risk was being dealt with individually and they were separate circumstances, not connected.

MR BELL: And it didn't occur to you that it was an obvious escalation of the risk to the staff in China? Is that your evidence?

15

MR FELSTEAD: My evidence is, because I was of the view that these were not specifically related to the same incident, it was not a – an obvious escalation of risk.

20

MR BELL: And do you say that, even with all that had happened in the previous few weeks, culminating with these two staff being questioned, it still didn't occur to you that it was necessary to ensure that the risk of arrest to the staff in China was notified to the board of Crown Resorts via its risk management committee?

25

MR FELSTEAD: In hindsight, I should have done that. This was escalated, this particular issue, through to the company secretary and to Mr Johnston. So there was an escalation process. I should have reported it to the risk committee – in hindsight.

MR BELL: Well, are you telling the Commissioner that you reported these events and the risk which they entailed to the company secretary of Crown Resorts?

30

MR FELSTEAD: Not – not through me, Mr Bell. That was done through our legal department.

35

MR BELL: But to your knowledge the legal department of Crown Resorts informed the company secretary of Crown Resorts that two employees of Crown Resorts in China had been arrested and that one of them had been asked by the Chinese police to provide a letter confirming that he was employed by Crown Resorts; is that right?

40

MR FELSTEAD: My understanding, Mr Bell, is that the incident occurring in relation to the last arrest with this particular gentleman, that was handled by our legal department in Crown Melbourne. So not Crown Resorts, in Crown Melbourne. And that was forwarded by our senior legal counsel in Melbourne on to that particular person's – the head of legal and then on to the company secretary. That's my understanding of that.

45

MR BELL: And when you refer to the company secretary, are you referring to Mr Michael Neilson, the general counsel and company secretary, or to be more precise the joint company secretary of Crown Resorts at the time?

5 MR FELSTEAD: That is correct.

MR BELL: Is it your evidence that to your knowledge this incident was escalated to him?

10 MR FELSTEAD: That is my knowledge that – that the incident was escalated through to him.

MR BELL: And you also said in an answer a little earlier that you informed Mr Michael Johnston of this arrest – I withdraw that. You also told us a little earlier that  
15 you informed Mr Michael Johnston of the questioning of the staff member by the police and the provision of a letter confirming that he was an employee of Crown Resorts; is that correct?

MR FELSTEAD: That is correct, and I forwarded the relevant information on from  
20 the emails that I received.

MR BELL: And did you believe by forwarding it to Mr Johnston you were making the board of Crown Resorts aware of that matter?

25 MR FELSTEAD: I believed at the time I was escalating the matter and I believed at the time I was telling Mr Johnston because of his involvement in VIP.

MR BELL: And did you believe that by informing Mr Johnston you were, in effect, informing the board of Crown Resorts Limited of that matter?  
30

MR FELSTEAD: That may not have been my perception at the time.

MR BELL: It may not have been?

35 MR FELSTEAD: No, I don't – I don't believe so. I mean, I was more – I was informing Mr Johnston in his role as a director but not specifically so that would go through to the board.

MR BELL: But you did not inform the risk management committee of Crown  
40 Resorts of this incident, did you?

MR FELSTEAD: No, I didn't. No, I did not, Mr Bell.

MR BELL: Did you regard the work of the risk management committee as a  
45 hindrance to driving forward the sales of VIP international in China?

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

MR BELL: Or did you regard the work of the risk management committee as irrelevant to the VIP international business in China?

5 MR FELSTEAD: No, not at all. No. My view was we were handling risk on the ground and we were handling it on the ground because we had the right – I believe we had the right people in place and we were getting the right advice.

10 MR BELL: I suggest there's no other sensible explanation for your failure, having regard to all you knew in July 2015, to notify the board of Crown Resorts via its risk management committee of what had occurred, namely, that you either regarded that committee as irrelevant or as a hindrance. What do you say to that?

15 MR FELSTEAD: I would disagree with the fact that – sorry, I would disagree with the assertion that the board is irrelevant or a hindrance. I don't – I don't share that view at all. Should I have reported it through; yes, I did. It wasn't for the reasons that I believed it to be a hindrance in any shape or form, or an impediment to business.

20 MR BELL: Did you inform Mr Craigie, to whom you reported at this time, that two of the staff based in China had been questioned by the Chinese police and one of them had been asked to provide a letter confirming that he was an employee of Crown Resorts?

25 MR FELSTEAD: I did not, and that was a failing on my behalf.

MR BELL: Did you inform the CEO group at a CEO group meeting at this time that two of the staff based in China had been questioned by the Chinese police, and one of them had been asked to provide a letter to prove that he worked as an employee of Crown Resorts?

30 MR FELSTEAD: I don't recall that. I may have, but I can't – I can't recall that with any certainty.

35 MR BELL: Operator, confidentiality has been reserved in relation to this next document so please call it up only in the hearing room. Could we please look at CRL.522.001.1497, which is exhibit M for Mike, tab 215.

MR FELSTEAD: 1497, Mr Bell?

40 MR BELL: Yes.

MR FELSTEAD: Sorry, before I start, we have a second microphone installed. Can you hear me better now?

45 MR BELL: I'm hearing you much better now than earlier in the day, yes.

MR FELSTEAD: We put a second microphone in so hopefully that will make it a bit easier.

MR BELL: Thank you very much. Now, do you agree that this is a VIP  
5 international business update dated 23 July 2015 in the form which you told us yesterday was provided to CEO meetings?

MR FELSTEAD: Yes, I do.

10 MR BELL: Now, take as much time as you need, but do you agree that this update makes no mention whatsoever of the fact that two of the staff based in China had been questioned by the Chinese police and one of them had been asked to provide a letter to prove that he worked for Crown Resorts?

15 MR FELSTEAD: Through having a quick look I can't see any reference to that.

MR BELL: And did you ever inform the board of Crown Resorts at a board meeting that two of the staff in China had been questioned by the Chinese police and one of them had been asked to provide a letter to establish that he worked for Crown  
20 Resorts?

MR FELSTEAD: I don't believe I did, Mr Bell.

MR BELL: But you told us you did report it to Mr Michael Johnston; is that right?  
25

MR FELSTEAD: I advised Mr Johnston of the event, yes.

MR BELL: Can I ask you to look at – sorry, operator, confidentiality has been reserved in relation to this document; please call it up only in the hearing room. It's  
30 CRL.636.001.1747 and, Mr Felstead, it's exhibit R, tab 16.

MR FELSTEAD: I have that document.

MR BELL: Now, do you see that about halfway down the page Mr O'Connor had  
35 forwarded you an email from Mr Chen?

MR FELSTEAD: Yes, I do.

MR BELL: And if you turn over the page do you see that Mr Chen reported on the  
40 fact that a staff member in Wuhan had been interviewed by the police who alleged he organised gaming tours.

MR FELSTEAD: Yes, I do see that.

45 MR BELL: And that he was released after two hours and requested to furnish a letter proving that he worked for Crown Resorts.

MR FELSTEAD: Yes, I do see that.

MR BELL: And if you turn back to the first page, .1747, you forwarded the email chain to Mr Michael Johnston saying:

5

*This is what we will be up against in China at the moment.*

Do you see that?

10 MR FELSTEAD: Yes, I do.

MR BELL: And you were identifying to Mr Johnston, weren't you, the risk in China as shown by the questioning by the police of the employee in Wuhan and the police requirement for a letter proving that he was an employee of Crown Resorts; correct?

15

MR FELSTEAD: Yes, I was identifying to Mr Johnston the difficulties of doing business in China.

20 MR BELL: Yes. And what was the substance of your discussions with Mr Johnston about this issue after you sent him the email?

MR FELSTEAD: I don't recall the specific conversation, but typically I would have got a phone call from Mr Johnston. That's how we would operate. And I would have discussed what occurred. That's to the best of my recollection.

25

MR BELL: That's actually not a recollection at all, is it; it's just saying what you believe your usual practice would have been. Is that right?

30 MR FELSTEAD: Yes, I think you could say that. I mean, I guess it was a recollection to the best of my ability. Typically, that would be the behaviour I would exhibit but I can't guarantee I did it.

MR BELL: Do you have any specific recollection of the discussion you had with Mr Johnston after you had sent him this email?

35

MR FELSTEAD: I don't have a recollection of the specific conversation.

COMMISSIONER: What about generally?

40

MR FELSTEAD: Apologies, Commissioner, that's what I was referring to. Typically, this sort of note I would send to Mr Johnston and I would have a conversation with him. I would say what occurred and we may have a conversation about that further. That's the – as I said to the best of my recollection, but I can't specifically recall what the conversation occurred – what was in the conversation.

45

COMMISSIONER: Wouldn't you have told him that you were very worried about the staff?

MR FELSTEAD: That would have been a very normal thing for me to say.

5

COMMISSIONER: Well, it may be normal, Mr Felstead, but please, Mr Bell is asking you about your best recollection of what you said to a director of Crown Resorts Limited. Just see if you can reflect and see if you can recall generally, not word for word, what it is that you said to Mr Johnston when he telephoned you.

10

MR FELSTEAD: And my response to that, Commissioner, would be I would have – I believe I would have discussed the incident with Mr Johnston as per what was in the email and told him we had – we were dealing with the issue through our lawyers in China and through our lawyers in Melbourne, and this was some of the things we had to be careful of in China in doing business. That would – to the best of my recollection that's how the conversation would have gone.

15

MR BELL: Now, Mr Felstead, you then also forwarded the information to Mr Ratnam saying:

20

*Let's discuss over lunch, loban –*

l-o-b-a-n; what was the reference to loban?

MR FELSTEAD: Loban is a Chinese term I would use with Mr Ratnam. It just means boss.

25

MR BELL: Sorry, it means what?

COMMISSIONER: Boss.

30

MR BELL: Boss.

MR FELSTEAD: It's boss, yes.

35

MR BELL: Were you referring to him as the boss?

MR FELSTEAD: No, just in a light-hearted way. He was not my boss.

MR BELL: And what was the – what do you recollect was the substance of your discussions with Mr Ratnam about this issue after you sent him this email, over lunch?

40

MR FELSTEAD: My – the best of my recollection would have been I would have discussed the issue with him and told him what happened. That would have been about it.

45

MR BELL: See, I suggest that it appears at least that you were providing more information to Mr Johnston and Mr Ratnam about the events and risks in China than you were providing to Mr Craigie who was the CEO to whom you reported. Do you agree?

5

MR FELSTEAD: I agree I did not report this incident to Mr Craigie, and that was a – that was a failing on my behalf.

MR BELL: And I suggest that it appears that there were two separate management oversight structures to the VIP international business operating below board level at this time: one, the official structure reporting into the CEO group and Mr Craigie, and the other, the unofficial structure reporting into the CPH VIP group and Mr Johnston. Do you agree?

MR FELSTEAD: I would – I would not classify that as two different structures. The VIP operating group was – it was an advisory group but we would discuss issues around VIP. I don't think they were set up as a separate body.

MR BELL: Sorry, I do apologise. I missed the first part of your answer. Could you say it again, please?

20

MR FELSTEAD: Sorry, if you repeat the question I could say it again, please.

MR BELL: Yes. Let me start again. I suggest that it appears that there were two separate management oversight structures for the VIP international business operating below board level at this time: one, the official structure into the CEO group and Mr Craigie, and the other, the structure reporting into the CPH VIP group and Mr Johnston. Do you agree?

25

MR FELSTEAD: No, I would not agree with that premise.

30

MR BELL: Why not?

MR FELSTEAD: The CPH working group, as it has been loosely titled, that was a group that would get together to talk about issues concerning VIP, not the main decision-making group. We would talk about issues concerning VIP, and I would get input from the likes of Mr Johnston who was a very experienced operator. There was no – there was no separate structure there, Mr Bell.

35

MR BELL: I'm not suggesting it was secret, but you did tell us yesterday - - -

40

COMMISSIONER: He said separate, a separate structure.

MR FELSTEAD: I apologise. I would never say secret.

45

MR BELL: My apologies. I'm finding it very hard to hear you. But you did tell us yesterday that various decisions that were made for VIP international had been endorsed by the CPH VIP group. Do you remember telling us that yesterday?

5 MR FELSTEAD: I remember telling you that, yes.

MR BELL: And it was operating separately from the CEO group reporting into Mr Craigie; correct?

10 MR FELSTEAD: Yes, you could characterise that, yes. I see – I see the point you're making, Mr Bell.

MR BELL: Right. And I suggest that it appears you were providing more information to the CPH VIP working group about the VIP international business than  
15 you were providing to the CEO group; do you agree?

MR FELSTEAD: Yes, on certain occasions, that may be correct.

MR BELL: And did you see your loyalties, in respect of the VIP international  
20 business, as being primarily owed to Mr Packer and the CPH group, rather than to the board of Crown Resorts Limited?

MR FELSTEAD: No. My focus has, in terms of reporting, in terms of VIP and every business unit, has always been to Mr Craigie. There were instances where I  
25 should have told him things, I completely accept that, but I was under no illusion that Mr Craigie was my boss at all times.

MR BELL: Did you ever hear Mr Johnston report to the board of Crown Resorts at a board meeting about the fact that only weeks after the Korean arrests, two of the  
30 staff had been questioned by the police in China, and that the police had asked for one of them to provide a letter proving that he was an employee of Crown Resorts?

MR FELSTEAD: No, I do not recall that.

35 MR BELL: Could I ask you to look at INQ.100.001.0281, which is exhibit M for Mike, tab 218.

MR FELSTEAD: 0281, Mr Bell?

40 MR BELL: Yes.

MR FELSTEAD: Yes, I have that.

MR BELL: You see that it's an article from GGR Asia, dated the 31<sup>st</sup> of – I  
45 withdraw that. Do you see that it's an article from GGR Asia, dated the 11<sup>th</sup> of August 2015, under the heading Macau Casino GGR Nobody's Gains, Sanford Berstein.

MR FELSTEAD: Yes, I do.

MR BELL: And do you see, at the bottom of the page, under the heading Chain Break, that the China News Service was reporting, in August 2015, that the Ministry  
5 of Public Security had started Operation Chain Break aimed at disrupting foreign casinos' access to money flows from China?

MR FELSTEAD: Yes, I do.

10 MR BELL: And if I could ask you to look at INQ.100.001.0283, which is tab 219 in the same volume, the next document, do you see it's an article from World Casino Directory, dated 12 August 2015?

MR FELSTEAD: Yes, I do. Yes.

15

MR BELL: And do you see it's headed Beijing Launches Operation Chain Break to Crackdown on Casino Promoters?

MR FELSTEAD: Yes, I do.

20

MR BELL: Were you aware, in 2015, that more than a month after the arrests of the South Korean staff in China, that the China News Service was reporting information about the continuing crackdown on foreign casinos and now describing it as  
25 Operation Chain Break?

25

MR FELSTEAD: I don't have a recollection of Operation Chain Break, Mr Bell.

MR BELL: I may be wrong, but I thought you told the Commissioner yesterday that  
30 you had heard the expression "Operation Chain Break" in relation to the crack down on foreign casinos; is that the case?

30

MR FELSTEAD: I don't recall. I may have. I just – I actually don't recall that. Looking at it now, I – I apologise. I'm just not familiar with "chain break". I may have said it yesterday. I may have been mistaken, but I just don't recall – that's not  
35 for me to - - -

35

COMMISSIONER: Well, Mr Felstead, what is the reality? Do you recall it or not?

MR FELSTEAD: Well, sitting here now, I don't, Commissioner.

40

COMMISSIONER: So, yesterday, when you referred to "chain break", that was mistaken, was it?

MR FELSTEAD: Well, it may have been, I just - - -

45

MR YOUNG: Commissioner.

COMMISSIONER: Yes, Mr Young.

MR YOUNG: Commissioner, I want to interject, because my recollection of the evidence is that, yesterday, he said - - -

5

COMMISSIONER: Page? Let's go to the page.

MR YOUNG: I can't turn up the transcript immediately, Commissioner.

10 COMMISSIONER: All right. Well, we'll come back to it.

MR YOUNG: I only received it as – but may I say, his evidence yesterday, on my recollection, was that he said he didn't recall that - - -

15 COMMISSIONER: If you go to 1169, I think.

MR YOUNG: 1469?

COMMISSIONER: Is that right, Mr Bell? 1169? What page is it? Thank you.

20

MR BELL: Page 1169 of the transcript.

COMMISSIONER: Yes.

25 MR BELL: At line 37, my question was:

*Did you come to learn over the course of 2015 that the Chinese government was referring to this crack down on foreign casinos as Operation Chain Break?*

30 Mr Felstead said:

*I was familiar with that, reading this documentation. I wasn't familiar with that at the time, though, that particular – that particular name.*

35 COMMISSIONER: Yes. So he was familiar with it from reading the documentation. Yes. So, Mr Felstead, is the position – is the reality of the position that you only heard “chain break” from reading the documentation to which you were taken?

40 MR FELSTEAD: That would be my position, Commissioner.

COMMISSIONER: I see. Yes, Mr Bell.

45 MR BELL: And just to be clear, the document – are you referring to the documentation to which I took you yesterday?

MR FELSTEAD: I think that must have been the case. Sorry. Yesterday was a lot of documentation. I think that must have been the case.

5 MR BELL: And can I ask you to look at CRL.545.001.0512, which is exhibit M for Mike, tab 229.

MR FELSTEAD: I have that, Mr Bell.

10 COMMISSIONER: Are you moving on to a different topic?

MR BELL: Yes, I am.

15 COMMISSIONER: Just before you do. Mr Felstead, you've been giving evidence about the matters of the arrest of the employees, and you've indicated to me that you arranged for the preparation of the letter from the Crown Resorts Pte Limited. Do you remember telling me that?

MR FELSTEAD: I do remember telling you that.

20 COMMISSIONER: Did you provide that letter to any of your colleagues on the VIP committee to which you've referred?

25 MR FELSTEAD: No, that letter – the only one would have been Mr Johnston, which was forwarded on, Commissioner.

COMMISSIONER: So – I see. And did you discuss the content of that letter with Mr Johnston before it was issued to the authorities in China?

30 MR FELSTEAD: No. No, I did not.

COMMISSIONER: So you didn't discuss the content of the letter with Mr Johnston, you say?

35 MR FELSTEAD: No, that was after the event, Commissioner.

COMMISSIONER: I see.

MR FELSTEAD: Yes.

40 COMMISSIONER: So you did discuss it with Mr Johnston after it was issued to the authorities in China?

MR FELSTEAD: That is correct, Commissioner.

45 COMMISSIONER: And for the purposes of preparing the letter – I know that you didn't sign the letter. It was signed by another officer – but you authorised that to go to the police, did you?

MR FELSTEAD: That would have been, ultimately, myself and that was in conjunction with the Chinese lawyers and our lawyers.

5 COMMISSIONER: I'm sorry, I beg your pardon. Would you repeat that for me, please, if you would be so kind?

MR FELSTEAD: Sorry, Commissioner. I said that particular letter, that was advice from our Chinese lawyers and also our – excuse me – advice from our Chinese lawyers and also advice from our Melbourne lawyers; that was forwarded to me. I authorised the sending of that letter.

10 COMMISSIONER: Yes. Thank you. And so far as the purpose of the letter was concerned, you understood, as I understood your evidence, that it was so the employee could satisfy the authorities that he was employed by Crown; is that right?

15 MR FELSTEAD: That is correct.

COMMISSIONER: I see. And in referring to the nature of the work of Crown, was there some reason that you described it the way you did?

20 MR FELSTEAD: I was following the advices from our international lawyers and our Melbourne lawyers on that one. That was a legal matter, as far as I was concerned, and I trusted the advice given.

25 COMMISSIONER: Was there some reason that you described it, though, the way you did?

MR FELSTEAD: I didn't describe it – I didn't describe it. I authorised the sending of the letter. I did not write the letter.

30 COMMISSIONER: There was no mention in the letter to the core business of – or one of the core businesses of Crown, was there?

MR FELSTEAD: No, there was not.

35 COMMISSIONER: And that was, of course, the business of gaming, wasn't it?

MR FELSTEAD: Yes, it was, Commissioner.

40 COMMISSIONER: Now, what was the reason for not telling the authorities that Crown was into the business of gaming?

MR FELSTEAD: Well, that was the advice I received from the Chinese lawyers. And I followed that advice.

45 COMMISSIONER: Did you not say that this might be a little misleading?

MR FELSTEAD: No, I did not. I was – once again, I was doing it on advice.

COMMISSIONER: Did you think it might be misleading?

5 MR FELSTEAD: No. At the time, I was – I was concerned with providing a letter for the particular gentleman and I did it on advice. I mean, I'm not a lawyer. And I just have to rely on the advice I'm given when it comes to legal matters.

10 COMMISSIONER: I accept that you have said that you did it on the advice of lawyers, but, as a leading officer in Crown in charge of gaming in the international sphere, did you not think that it was misleading not to say that Crown Resorts was into gaming?

15 MR FELSTEAD: No, I did not think it was misleading. As I – I could – I don't want to keep repeating the same answer, Commissioner.

COMMISSIONER: Perhaps you could give me another one.

20 MR FELSTEAD: Well - - -

COMMISSIONER: Really, Mr Felstead, what was the reason for excluding the reference to gaming? Please tell me that.

25 MR FELSTEAD: Well, the only reason I can – I can allude to, in relation to that, Commissioner, is that was the advice I was given. If the lawyers thought it was wise to put it I would have done it.

30 COMMISSIONER: And so far – I'm terribly sorry. And did not Mr Johnston suggest to you that the mention of gaming should be made, after the event, to correct the letter?

MR FELSTEAD: As I said, I don't recall the specifics of the conversation with Mr Johnston. I don't – I don't know whether he did or he didn't.

35 COMMISSIONER: All right. Yes, Mr Bell.

MR BELL: Could we look at CRL.545.001.0512, which is tab 229.

40 MR FELSTEAD: Is that dated the 15<sup>th</sup> of October, that one?

COMMISSIONER: 15<sup>th</sup> of October.

MR BELL: Yes. Sorry.

45 MR FELSTEAD: Yes.

MR BELL: Tab 229, it's page, at the bottom .0512.

MR FELSTEAD: Yes, I have that, Mr Bell.

MR BELL: And it was an email forwarded to you and Mr Ratnam in relation to a news story on CCTV, the Chinese national TV channel in October 2015.

5

MR FELSTEAD: Yes.

MR BELL: And do you see that Mr Chen, in his email to sales staff, was telling the staff to:

10

*...avoid any overt sales and marketing activity.*

MR FELSTEAD: Yes, I do.

15 MR BELL: And were you comfortable, at this time, with the sales staff in China conducting their sales and marketing activity covertly?

MR FELSTEAD: My understanding of the Chinese staff, they would have been operating in accordance with Mr Chen's guidelines about being – keeping low key.

20

MR BELL: Do you see that Mr Chen was telling staff to avoid:

*...any overt sales and marketing activity.*

25 MR FELSTEAD: Yes, I do.

MR BELL: My question is were you comfortable at the time with the sales staff in China conducting their sales and marketing activity overtly?

30 MR FELSTEAD: Well, if – yes. I accept, if you like to use the word “covertly”, I accept that.

MR BELL: And that was something you were comfortable with at the time, was it?

35 MR FELSTEAD: I was comfortable with our team in China operating in a low-key manner. If you want to use the word “covertly” – the opposite of overt is covert – I accept that. That would - - -

MR BELL: You would agree that would be a fair way of describing it, would you?

40

MR FELSTEAD: Not by me, Mr Bell.

MR BELL: Well, if the staff were being told not to conduct any overt sales and marketing activity, it meant that they were being to conduct – were being asked to conduct those activities covertly; correct?

45

MR FELSTEAD: I accept the point you're making, Mr Bell.

MR BELL: And you were comfortable, were you, with this instruction from Mr Chen to the staff?

5 MR FELSTEAD: I was comfortable with our staff operating in a low-key manner.

MR BELL: Were you comfortable with this instruction by Mr Chen to the staff in the email which he sent to you?

10 MR FELSTEAD: I was comfortable with our staff operating in a low-key manner.

MR BELL: Were you comfortable with this instruction by Mr Chen to the staff in the email which he sent to you?

15 MR FELSTEAD: I was comfortable with the content of this email that Mr Chen sent to the staff.

MR BELL: Were you comfortable with the instruction that he was giving to the staff in this email which he sent to you?

20 MR FELSTEAD: I think I just said I was, yes.

MR BELL: Now, if we could look at CRL.522.001.0493 which is in tab 239 of exhibit M.

25 MR FELSTEAD: I have that, Mr Bell.

MR BELL: Now, you see there are a series of emails which were forwarded to you on 20 October 2015; do you see that, Mr Felstead?

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

MR BELL: And do you see that Mr Chen was stating that there were definitely heightened concerns among the team in China as a result of the CCTV report?

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

MR BELL: Having regard to those heightened concerns, did you make any inquiries to find out what had actually been reported on CCTV in China at the time?

40 COMMISSIONER: Bring it up on the screen.

MR FELSTEAD: I don't recall making specific inquiries, but it would – it would sound like – that would be something I would normally do. I don't recall specific conversations, but it sounds like it was something I would normally do.

45

MR BELL: Can I just ask, operator, if you could call up CRL.522.001.0493, please. And if you could just scroll down the page, please, operator. Now, did you find out at the time what had been reported on the Chinese CCTV?

5 MR FELSTEAD: I don't recall that. I don't recall, Mr Bell.

MR BELL: Can I show you an English translation of the CCTV report at INQ.100.001.0352 which is exhibit P, tab 16.

10 MR YOUNG: Commissioner, it's Mr Young.

COMMISSIONER: Yes. Yes, Mr Young.

MR YOUNG: I want to raise a matter about this document at tab 16.

15

COMMISSIONER: Yes.

MR YOUNG: We submit there's a problem with this document.

20 COMMISSIONER: Yes.

MR YOUNG: It purports to be a translation of certain Chinese text. The Chinese text is not verified. Secondly, the translation, particularly in the last box at the page numbered .0353 is not an accurate translation. It's not supported by the text that  
25 appears opposite it, nor is it an accurate statement of article 303 which is the subject of evidence, including translation evidence that the Commission already has. So we object to questioning being based on this translation in those circumstances.

30 COMMISSIONER: Do you have an accurate translation, Mr Young?

MR YOUNG: No, I don't have one to hand. I have - - -

COMMISSIONER: But your solicitors have one.

35 MR YOUNG: I have instructions – we don't have one to hand because this is only a problem that we noticed when we got this document.

40 COMMISSIONER: I see. Well, let me just – the first page that Mr Bell was about to examine upon, I think you've indicated that the second box from the bottom is a problem. Is that right?

MR YOUNG: It's page 0353.

45 COMMISSIONER: All right.

MR YOUNG: It's the box at the bottom of the page where some words are attributed to a narrator.

COMMISSIONER: Thank you. So that box at the moment is questionable on your instructions, I understand.

MR YOUNG: Yes.

5

COMMISSIONER: But in respect of 100.001.0352, that particular document that was up on the screen, if you could return to that, please, operator, 0352. Thank you. If you would bring that up on the screen, INQ.100.001.0352, please, operator. Now, that particular document, that's not the document that you say has a problem within it  
10 that you've just identified; it's the next page, is it, Mr Young?

MR YOUNG: It's the next page, but it's the same document.

COMMISSIONER: Yes. Thank you. But it's not 352, it's 353, as I understand it.

15

MR YOUNG: Yes.

COMMISSIONER: Mr Bell, did you want to ask about 352 or 353?

20

MR BELL: I wanted to ask about 353.

COMMISSIONER: I see.

25

MR BELL: Can I suggest I defer any questions on this until those assisting the Inquiry can have urgent discussions with those assisting Mr Young to agree a translation?

30

COMMISSIONER: Yes, yes. When the solicitors for Crown speak with those assisting and instructing you, then the document that they have can be provided and you can have some discussions about it and that can be deferred. Yes, thank you, Mr Young, for raising that.

MR YOUNG: Thank you.

35

MR BELL: Now, Mr Felstead, do you acknowledge that it's part of your responsibility to be frank and honest in your dealings with the gaming regulators in Australia?

40

MR FELSTEAD: Yes, I do.

MR BELL: Can I ask you to look at CRL.527.001.3046 which is exhibit M for Mike, tab 253.

45

COMMISSIONER: Is that a confidential document or - - -

MR BELL: No, it's not.

COMMISSIONER: Yes. Thank you. Bring it up on the stream, thank you.

MR FELSTEAD: I have that document, Mr Bell.

5 MR BELL: You see that these emails concern a presentation to the Victorian gaming regulator, the VCGLR in February 2016?

MR FELSTEAD: Yes, I do.

10 MR BELL: And if you turn to the bottom of the second page, .3047, you see that Michelle Fielding of Crown Melbourne sent an email to you and Mr Craigie on 25 February 2016 attaching a draft presentation to the VCGLR for your review?

MR FELSTEAD: Yes, I do.

15

MR BELL: And your response is at the bottom of the first page, .0346 and goes over to page 3047. Do you see that?

MR FELSTEAD: Yes, I do.

20

MR BELL: And do you see at the top of page .3047 in relation to slide 9 you said:

*Remove this slide as I'm not sure how wise it is to talk about corruption/crackdowns in China to this group.*

25

Do you see that?

MR FELSTEAD: Yes, I do.

30 MR BELL: Why did you think it was unwise to talk to the VCGLR about corruption crackdowns in China?

MR FELSTEAD: Actually, the presentation I don't recall. I don't recall making that comment, but I clearly did. I'm not sure why I would have suggested to Mr  
35 Craigie that that was not a wise thing to do.

MR BELL: You weren't suggesting it to Mr Craigie; I think you were suggesting it to Mr Craigie and also to Ms Fielding. Is that right?

40 MR FELSTEAD: I wrote to them both, yes.

MR BELL: So although you can't recall it now, it appears that you weren't keen to discuss the corruption crackdown in China to the VCGLR in February 2016. Is that a fair way of putting it?

45

MR FELSTEAD: When you read it like that, yes; I don't recall why, though.

COMMISSIONER: Well, there's no other way to read it, is there, Mr Felstead, really?

5 MR FELSTEAD: Well, when I was reviewing my documents, Commissioner, I went back and I actually looked – I've had a look at the slide in question and it was quite innocuous and I don't know why I would have said that. I just – I don't recall the – I don't recall the comment. I don't recall why I would have written to Mr Craigie suggesting that, but I had the slide; I mean, I'm happy to furnish the slide to the Commission. There is nothing on there which is not public knowledge. I just do  
10 not recall why I would have said that.

COMMISSIONER: You can't think?

15 MR FELSTEAD: No, I can't. I actually don't remember that one, and I certainly am not in the position of keeping information from regulators. The regulator can get any information from Crown at any time, any document they like. I just – I just do not recall this one. I do not remember why I would have asked Mr Craigie or said to Mr Craigie we should take the slide out. Mr Craigie might have a recollection. I certainly don't.

20

COMMISSIONER: But you said it wasn't wise to tell VCGLR about it.

25 MR FELSTEAD: I did, and I don't recall why I would have said that. Looking at the document in question – the slide in question was – there was nothing in there controversial. It was a very innocuous document. I'm happy to provide it to the Commission.

30 COMMISSIONER: But you see, to be fair to you, I think I have to suggest to you, in your letter to the authorities, that is, the letter to the Chinese authorities, you didn't state the obvious, that Crown was involved in gaming. Here we have you suggesting that it's wise to remove things that are obvious, and I just can't understand what you're trying to put to me, Mr Felstead. Do you have any recollection of why you said to Mr Craigie, "It's not wise to tell the VCGLR about this – this group."

35 MR FELSTEAD: I do not, Commissioner.

COMMISSIONER: Yes, Mr Bell.

40 MR BELL: At this time did you think it was not wise to report to the board of Crown Resorts via its risk management committee that there had been questioning of two staff of Crown Resorts by police in July 2015 so soon after the arrest of the Korean staff?

45 MR FELSTEAD: I wouldn't use the word "wise", Mr Bell. I think that's a different topic altogether. I have acknowledged that I should have reported those individual incidents to the risk committee. I acknowledge that.

MR BELL: And do you tell the Commissioner that wasn't a deliberate decision on your part but an oversight.

5 MR FELSTEAD: Well, no, it wasn't a deliberate decision at all. Other people were aware of that. I informed other people. I didn't keep this a secret.

10 MR BELL: Do you say that it was an oversight on your part not to report to the board of Crown Resorts via its risk management committee that two of the Crown Resorts staff had been questioned by the police in China and that the Chinese police had asked one of them to provide a letter establishing that he was an employee of Crown Resorts?

15 MR FELSTEAD: It was clearly a failing on my behalf. I acknowledge that. It was an error.

MR BELL: Can we look at CRL.527.001.2096 which is exhibit M for Mike, tab 265.

20 COMMISSIONER: Is that an open document?

MR BELL: Yes, it is.

COMMISSIONER: Yes, thank you.

25 MR BELL: I will try and endeavour to .....

COMMISSIONER: Thank you.

30 MR FELSTEAD: Sorry, Mr Bell. My books are falling down. If you just give me one second, please. Sorry, Mr Bell, what tab was that? 265?

MR BELL: Yes, 265.

35 MR FELSTEAD: Yes, I have that document.

MR BELL: You see this is an email from Mr Chen to you dated 26 June 2016 concerning his bonus arrangements.

40 MR FELSTEAD: Yes, I do.

MR BELL: And if you could turn to the second page, .2097, fifth line.

MR FELSTEAD:

45 *Moreover, I hope I have proven this is not true.*

MR BELL: Sorry, it's not the fifth line; it's, I think, the seventh line. He says:

*I have taken on the risks of being prosecuted in China.*

MR FELSTEAD: Yes, yes.

5 MR BELL: Do you see that?

MR FELSTEAD: Yes, I do.

10 MR BELL: Now, do you acknowledge that Mr Chen was expressing a genuine belief to you that he had taken on the risk of being prosecuted in China?

MR FELSTEAD: This document, in my view, was in – and Mr Chen’s view was in relation to a pay rise he was after, or a increase in remuneration and I think, yes, he may have had the view that he was taking on the risk of being prosecuted in China; that may have been his view at the time.

MR BELL: Are you suggesting that this might have been advocacy on Mr Chen’s part to support a pay rise rather than an expression of genuine concern?

20 MR FELSTEAD: I don’t really want to speak for Mr Chen or what the implication there is. Mr Chen is a - - -

MR BELL: But is that how you viewed it at the time?

25 MR FELSTEAD: I think there may have been a bit of that in there, Mr Bell.

MR BELL: Did you make inquiries of Mr Chen to establish that he did not hold genuine fears about that?

30 MR FELSTEAD: No, I did not make individual inquiries in relation to that particular email or topic.

MR BELL: But could I ask that we look, again, at a document in respect of which confidentiality is reserved, so please bring it up only in the hearing room. It’s CRL.527.001.1826. It’s exhibit M for Mike, tab 109.

MR FELSTEAD: VIP Marketing Kick-off Workshop, Mr Bell?

MR BELL: Yes.

40

MR FELSTEAD: Yes.

MR BELL: And if I could ask you to turn to page numbered 32 of the document, which is the page ending in the numbers .1857, please.

45

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

MR BELL: Now, do you see that, in the bottom left-hand corner, this document for the marketing workshop, was identifying a:

5                   *...risk to sales team in many countries, especially China, operating under constant threat of being detained, questioned, harassed with regards to their customers and their activities. Do you see that?*

MR FELSTEAD: I do.

10   COMMISSIONER: Can you bring that up, please.

MR BELL: Do you agree, Mr Felstead, that the fact that this risk was being recognised in a marketing workshop document in 2014, but never found its way into the risk registers reviewed by the Crown Resorts risk management committee,  
15   represents a failure of the risk management processes of Crown Resorts at the time?

MR FELSTEAD: I think this would recognise a failure on my behalf not to put it forward, Mr Bell.

20   MR BELL: Sorry, a failure on your part?

MR FELSTEAD: I would regard that as a failure on my part. Yes.

MR BELL: But it's more than just you, isn't it? Here we have some apparently  
25   relatively junior marketing people being made aware of the risk to staff, especially in China, "operating under the constant threat of being detained, questioned and harassed", and yet that risk was not made known, formally, to the board of Crown Resorts via its risk management committee; correct?

30   MR FELSTEAD: That is correct, yes.

MR BELL: And do you not regard that as demonstrating a failure in the risk management processes of Crown Resorts at the time?

35   MR FELSTEAD: As I said, I regard that more as a failure on my behalf, Mr Bell.

MR BELL: Even now, with the benefit of hindsight, are you telling the Commissioner that you do not regard this as demonstrating a failure of the risk management processes at Crown Resorts at the time?  
40

MR FELSTEAD: As I said, I think this was – this was my error. We were dealing with risk on the ground in China, and I should have reported it. I can't add anything else to that.

45   COMMISSIONER: You see, Mr Felstead – Mr Felstead, to be fair to you, Mr Bell is asking a different question. He's asking you whether you accept today that it

demonstrated failure of the risk management processes of the company. That's the question. Now, do you accept that or not?

5 MR FELSTEAD: I was of the belief, Commissioner, that we had the right processes in place from a risk management perspective then, and this one should have been on the risk register, and it should have been escalated.

10 COMMISSIONER: Let me see if I can focus you one more time. I understand that you want to take responsibility for this error. You've said it's your fault. But the question is a little broader, and it's a question as to whether you agree that, with the benefit of hindsight, this demonstrates a failure of the risk management processes of the company. Do you accept that or not?

15 MR FELSTEAD: I – I will have to stick with my original answer, Commissioner.

COMMISSIONER: And why do you want to stick with it?

20 MR FELSTEAD: Well, because I think it's the fact. I was responsible for VIP international. There were risks that were highlighted there, and a good example is the detention, and I did not report that. I did not report it to Mr Craigie; that was an error. I did not report it in to the risk management committee.

25 COMMISSIONER: But you've told me already that you discussed it with Mr Johnston, Mr Ratnam and various others, so what's the problem, Mr Felstead?

MR FELSTEAD: Well, it comes back - - -

30 COMMISSIONER: You see, the position is, isn't it, that you and those members of that committee were well aware of the risks of your staff in China being arrested. You agree with that?

MR FELSTEAD: I agree the committee was aware there was risk in doing business in China. Absolutely.

35 COMMISSIONER: And what about the risk that I identified for you that your staff were at the risk of being arrested? You were well aware of that, were you not?

40 MR FELSTEAD: I was aware there were several risks and that was one of them, yes.

COMMISSIONER: In fact, they had been detained for questioning; had they not?

45 MR FELSTEAD: I was aware of one staff member at the time being detained, then I subsequently found out a second one was detained for questioning.

COMMISSIONER: And if you agree that you are at fault for not bringing it to the attention of a particular committee, other than the one that you were discussing it

with that you've already identified, that seems to be, doesn't it, a problem with the process as well as your problem. Would you agree with that?

5 MR FELSTEAD: I would agree – I would – I would take the view that it is more with me than the process, Commissioner.

COMMISSIONER: Say that again for me, because someone was competing with you.

10 MR FELSTEAD: Sorry. I said I would agree it was more with me than the process involved.

COMMISSIONER: So there's some in the process, but more with you. Is that how you put it?

15 MR FELSTEAD: That may well be the case, Commissioner.

COMMISSIONER: All right. And the process to which you're referring is the process for ensuring that others are aware of the risks of which you are aware; is that right?

20 MR FELSTEAD: Yes. The risk management process – if I could slightly elaborate, please, Commissioner, it may be helpful to you. The risk management process we had in place in dealing in China was dealt with on the ground and, in hindsight, I think that was still the right way to do it, deal with it on the ground, with the experts in China, both advisory and legal, and I should have escalated it through to the various committees. I completely accept that.

30 COMMISSIONER: Yes. Because if you had escalated it through to the various committees that you were writing or authorising letters suggesting that Crown did certain business but not referring to gaming, they might have corrected you. You agree with that?

35 MR FELSTEAD: Well, that – as I said, that was the advice given at the time. They may well have. They may well have.

COMMISSIONER: Yes, Mr Bell.

40 MR BELL: To your knowledge, has Crown Resorts made any changes to its risk management processes since the arrest of the staff in China?

MR FELSTEAD: Sorry, Mr Bell, there's someone coming in across the line.

45 COMMISSIONER: Yes, it's somebody who has got a microphone fairly close to things. Yes. If you could start again, please, Mr Bell.

MR BELL: Mr Felstead, my question is this: to your knowledge has Crown Resorts made any changes to its risk management processes since the arrest of the staffer in China?

5 MR FELSTEAD: Yes, we have, Mr Bell.

MR BELL: What are they?

10 MR FELSTEAD: One of the most obvious ones, from our perspective, was we have individual risk registers that are held through – for our overseas staff; that’s one of the key ones. We have additional layers of control around risk. Example would be, in Melbourne, we have a thing – a committee called the executive risk and compliance committee, so we’re feeding risk – identified risk and controls up through that committee, which is then analysed, discussed and then passed on to the 15 various subcommittees of the board, then on to the board committees and then on to the board. So it’s a far more robust process. We have a new general manager in place who covers risk and audit for both properties now. We have a group – that’s a group role. We’ve increased resources in the risk area. We’ve double our resources in there. They are some of the things that we’ve done. So we certainly have a far 20 more intensive look at risk since China, and it’s an evolving process. I imagine, out of this Commission, we will have other recommendations coming forward, and we will embrace those.

25 MR BELL: Now, Mr Felstead, can we look at CRL.501.011.7006, which is exhibit R, tab 24.

COMMISSIONER: That’s an open document, I presume.

30 MR BELL: Yes, we understand so. See that’s an email which you sent to Mr Packer on 28 July 2019 after the publication of the media allegations concerning the China arrests?

MR FELSTEAD: Yes, it is, Mr Bell.

35 MR BELL: And you referred in your email to Jenny Jiang. You’re aware she was one of the employees of Crown Resorts who was arrested in China?

MR FELSTEAD: Yes, I do. Yes, I do.

40 MR BELL: And you said to Mr Packer that she was the staff member who they, that is, the media, interviewed, that was a junior office clerk who did visa applications and general admin and was paid 28,000 per annum. Do you see that?

45 MR FELSTEAD: Yes, I do.

MR BELL: Were you intending to convey to Mr Packer that Jenny Jiang's views on the matters leading up to the arrests in China were not important, because she was only a junior office clerk on \$28,000 a year?

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

MR BELL: So what were you intending to convey by those specific comments?

10 MR FELSTEAD: I was letting Mister – I was letting Mr Packer know who the person interviewed was and what their status was, as opposed to if it was someone in the ilk of, say, Mr Chen, for example, who was interviewed. So that's all that was referring to.

15 MR BELL: Commissioner, I have no further questions.

COMMISSIONER: Just on the visa applications, what was that a reference to?

20 MR FELSTEAD: Sorry. Let me just get back that document, Commissioner. Yes, this was in relation to we would – we would assist with visas – our staff – sorry – our customers processing visas in China, particularly in Guangzhou.

COMMISSIONER: That was a visa for what?

25 MR FELSTEAD: These are visas for high net worth individuals to come to Australia, Commissioner.

COMMISSIONER: And Ms Jiang was one of the officers who assisted with that, is that right?

30 MR FELSTEAD: I believe that was one of her duties, Commissioner. Yes.

COMMISSIONER: And so far as those duties were concerned, with whom did she work in doing, as you've said, the visa application?

35 MR FELSTEAD: It would have been with the – it would have been with some of the sales people, I would imagine, Commissioner. I don't know exactly who she worked with, but I know that was part of her duties.

40 COMMISSIONER: Do you mean the sales people of Crown?

MR FELSTEAD: Yes.

45 COMMISSIONER: I see. When – this is in July last year. Did you assist the Melbourne board or the Crown Resorts board in respect of the allegations that had been made in the press to place the board in a position to answer those allegations?

MR FELSTEAD: Yes, I did, Commissioner. Myself and Mr Preston were involved in that process.

COMMISSIONER: You were involved?

5

MR FELSTEAD: Yes, I was, Commissioner.

COMMISSIONER: Yes. All right. I shall take the luncheon adjournment now and resume at 2 pm, 12 noon Perth time. Thank you.

10

MR FELSTEAD: Thank you, Commissioner. Thank you, Mr Bell.

**ADJOURNED**

**[12.59 pm]**

15

**RESUMED**

**[2.16 pm]**

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

MR ASPINALL: Thank you, Commissioner. Before we recommence I would like to tender some documents - - -

25 COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: - - - which are embodied in a list titled Exhibit S for Sam.

COMMISSIONER: Yes.

30

MR ASPINALL: And that comprises 16 documents.

COMMISSIONER: Yes. Exhibit S1 to 16, those documents will be marked exhibit S1 to 16. Thank you, Mr Aspinall.

35

**EXHIBIT #S1 TO 16 LIST OF 16 DOCUMENTS**

40 MR ASPINALL: Thank you. I should note for the transcript that the position of the parties is reserved on those - - -

COMMISSIONER: All right.

45 MR ASPINALL: - - - given they have just been provided.

COMMISSIONER: Thank you.

5 MR ASPINALL: Mr Felstead, my name is Aspinall. I wanted to ask you some questions leading on from the questions the Commissioner asked you before the adjournment on visa processing. Do you remember those questions?

MR FELSTEAD: I do, Mr Aspinall.

10 MR ASPINALL: Mr Felstead, you were the - - -

MR YOUNG: Just a second - - -

MR ASPINALL: Pardon?

15

COMMISSIONER: Yes, please proceed.

MR YOUNG: I've got a problem.

20 COMMISSIONER: I'm sorry. Yes. Can you hear?

MR YOUNG: No, I – I can't pull up my controls. I don't know if you can hear me.

COMMISSIONER: I'm sorry, Mr Young. We can hear you.

25

MR YOUNG: All right. I'd lost the controls so I didn't know whether I was on mute or silent. I apologise.

COMMISSIONER: Not at all.

30

MR YOUNG: There was something – I wanted to raise something before Mr Aspinall starts questioning, if I may.

COMMISSIONER: Yes. Yes, Mr Young. Yes.

35

MR YOUNG: There are really two matters, Commissioner. The first is the late notification we have received of the documents that Mr Aspinall proposes or may go to. The first lot we received yesterday in the middle of the day – or we received notice of them after Mr Felstead had commenced his evidence. We received two further indexes of documents over the luncheon adjournment today.

40

COMMISSIONER: Yes.

45 MR YOUNG: We have not had any reasonable opportunity of considering those documents, nor have we had any opportunity of consulting with Mr Felstead concerning those documents. It's our submission that that lack of notification operates unfairly, both to Crown and to Mr Felstead. Now, that's the first point.

There's a second matter I wanted to raise. It arises from the subject of the documents notified by the Commissioner as being the subject of questioning by Mr Aspinall. Yesterday, Commissioner, you asked me whether, if we had any concerns relating to the potential protection of section 17(1) and 17(2) - - -

5

COMMISSIONER: Yes, quite.

MR YOUNG: - - - of the Royal Commissions Act. I should raise that by way of objection.

10

COMMISSIONER: Yes.

MR YOUNG: What I wanted to say is this: the position we take is that all of Mr Felstead's evidence is being given under compulsion. None of it is being given voluntarily, and that particularly includes – or that is particularly relevant to the evidence that we may now embark upon.

15

COMMISSIONER: Yes. That will be noted in the transcript. I'm grateful that you've made that clear, Mr Young. Thank you.

20

MR YOUNG: Thank you.

COMMISSIONER: Mr Young, in respect of the documents, I think there are – the 16 documents that have been sent across and the ones that you received, would you like to have an adjournment? Is that what you're wanting or - - -

25

MR YOUNG: Well, as to the ones - - -

COMMISSIONER: I'm conscious that Mr Felstead has been examined during the period and I would hope that we can complete his examination today, but it may be that if you are feeling that – I withdraw that. If you are of the view that there is some – certainly if there's any unfairness I would want to cure that very quickly. What happens in these inquiries, as we all know, is that things develop in certain ways and it's important to ensure that you do have access to the documents which is why they were sent over to you, obviously, but if it's causing a problem, I do want to accommodate it.

30

35

MR YOUNG: Well, I can't even make an assessment in relation to the documents we received notice of approximately 30 minutes ago.

40

COMMISSIONER: They're the 16, are they, Mr Aspinall?

MR ASPINALL: They comprise 16 – sorry.

45

COMMISSIONER: Yes, Mr Aspinall?

MR ASPINALL: They comprise 16 new documents that have not already been tendered.

COMMISSIONER: I see.

5

MR ASPINALL: And a number of other documents which have already been tendered but which Mr Felstead may not have looked at in time.

COMMISSIONER: I see. Mr Young, the position as I now understand it is that all of the documents bar the 16 are in evidence and have been in evidence throughout the Inquiry, but as Mr Aspinall quite fairly says, they may not have come to the attention of the present witness, but certainly they are in the evidence and Crown has been aware of them for some time. But putting that aside, it may be that what I will ask Mr Aspinall to do is to indicate whether the documents that he is referring to in the examination are the new documents or those documents that have been in evidence for some time. So that may help, but I certainly don't want to put you in a position of Crown suggesting that it's unfair. So what would you like to do, Mr Young? Shall we proceed and see how we go?

MR YOUNG: No. Can we take a short adjournment so - - -

COMMISSIONER: Yes, of course.

MR YOUNG: - - - I can take some instructions.

25

COMMISSIONER: Yes, of course.

MR YOUNG: And over that adjournment I would like the opportunity of speaking to Mr Felstead about this matter.

30

COMMISSIONER: Yes, there will be no difficulty with that, Mr Young. You may do that, of course, and thank you for raising it. I will adjourn for a short while and when you're ready just let those assisting me know, Mr Young. Thank you.

MR YOUNG: Thank you, Commissioner.

COMMISSIONER: Yes, of course.

40 **ADJOURNED** [2.23 pm]

**RESUMED** [2.57 pm]

45

COMMISSIONER: Yes, Mr Young.

MR YOUNG: Thank you, Commissioner, for the time.

COMMISSIONER: That's all right.

5 MR YOUNG: Having consulted with Mr Felstead and considered the three lists of documents in the short time available, we would like to have an adjournment until tomorrow morning at 10 o'clock. That will allow the legal team an opportunity to consider the documents, likewise, Mr Felstead, and for us to consult with each other.

10 COMMISSIONER: Yes. Yes. Do you want to say anything in opposition, Mr Bell. I presume not. I presume not. Yes. Thank you. Yes. Thank you for raising that, Mr Young. We can adjourn Mr Felstead's further hearing of his evidence until tomorrow morning at 10 am. And the witness that is were planned we will have to move back accordingly.

15 MR YOUNG: Yes. Commissioner - - -

COMMISSIONER: Anything further? Anything – sorry?

20 MR YOUNG: Yes, did I have something further.

COMMISSIONER: Yes. Yes.

25 MR YOUNG: Commissioner, overnight, I would like an opportunity to take some short instructions from Mr Felstead about several potential issues for re-examination that arose from the questioning by Mr Bell.

30 COMMISSIONER: There will be absolutely no difficulty with that, Mr Young. It's not so much re-examination, but clarification in this process. And if it's an area that you tell me that it's needing clarification, of course, I will hear from you and grant you leave accordingly. There's that. So you'll be discussing his evidence thus far. Any objection to that, Mr Bell?

35 MR BELL: No.

COMMISSIONER: Yes, there's no problem with that, Mr Young.

MR YOUNG: Thank you.

40 COMMISSIONER: Anything further?

MR YOUNG: No. Nothing from me.

45 COMMISSIONER: All right then. Well, I'll adjourn the further hearing until 10 am tomorrow, at which time, we'll resume Mr Felstead's evidence. And then the other witnesses can be managed after that. Thank you. I'll adjourn.

MR FELSTEAD: Thank you, Commissioner.

COMMISSIONER: All right.

5

**<THE WITNESS WITHDREW**

**MATTER ADJOURNED at 2.58 pm UNTIL WEDNESDAY, 19 AUGUST 2020**

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