



**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**

**WEDNESDAY, 19 AUGUST 2020  
AT 9.58 AM**

**Continued from 18.8.20**

**DAY 15**

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 Mr G. Jalland, Mr M. Johnston, Mr J. Packer and CPH Crown Holdings Pty Ltd**

**MS N. CASE appears for Melco Resorts & Entertainment Limited**

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COMMISSIONER: Just let me, before we begin, Mr Aspinall, Mr Young, are you ready to have the proceedings proceed?

MR YOUNG: Yes, I am, Commissioner. Thank you for the time.

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COMMISSIONER: Yes. Yes, of course. No problem at all. Mr Barnett.

MR BARNETT: Yes, Commissioner.

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COMMISSIONER: Mr Barnett, you presently appear, obviously, for CPH Crown Holdings Pty Limited.

MR BARNETT: Yes.

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COMMISSIONER: That's by reason of how this Inquiry was originally constituted when the Melco transaction formed part of the Terms of Reference in a different way.

MR BARNETT: Yes, Commissioner.

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COMMISSIONER: But you, as I understand it, Mr Barnett, are also instructed to appear for Messrs Jalland, Johnston and Mr Packer; is that right?

MR BARNETT: Yes.

35

COMMISSIONER: Yes. I just wanted to make sure that you had all the documents that you needed this morning.

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MR BARNETT: I don't have the documents. I don't have exhibit S. I was going to raise that - - -

COMMISSIONER: Exhibit S.

45

MR BARNETT: I was going to raise that with you, Commissioner.

COMMISSIONER: No problem with that. I think there's been a misunderstanding that I understood that Minters might have spoken to your instructing solicitors, but they indicated to your solicitors that they have no objection, that is, on behalf of Crown Resorts Limited, that access can be granted, and I think there is an  
5 arrangement in place to try and be sensitive to all the various claims of the corporate entities and individual entities, and in doing so I would appreciate the professional assistance of each of the firms of solicitors in this regard so that that is a professional cooperation. And if you could assist in that regard, Mr Barnett, I would be most grateful. Exhibit S will be sent across to you – or the list will be sent across to you.

10 MR BARNETT: Thank you, Commissioner. I will take that on board. Can I also just ask, Commissioner, that for this morning's purposes if questions are directed at exhibit S could those documents be brought up on screen so that I can look at them as we go?

15 COMMISSIONER: Yes, yes. And I think exhibit S can go across immediately, as I understand, Mr Sullivan, who is the solicitor assisting the Inquiry here, and he will make sure that that comes across immediately, Mr Barnett.

20 MR BARNETT: Thank you, Commissioner.

COMMISSIONER: Is there anything further that you might need, Mr Barnett?

25 MR BARNETT: Not that I'm aware of, Commissioner. Thank you.

COMMISSIONER: And I think there may be a misapprehension as to who has been granted leave to appear. We may have to attend to that in due course.

30 MR BARNETT: Yes.

COMMISSIONER: Because it is the case that you do, in fact, appear for Messrs Packer, Jalland and Johnston; is that not right?

35 MR BARNETT: I understand that to be the case, yes.

COMMISSIONER: Yes, and so that can be noted in the transcript, I think, where the appearances are noted. And your other client for whom you appear is CPH Crown Holdings Proprietary Limited.

40 MR BARNETT: Correct.

COMMISSIONER: And that is appropriate. Yes, thank you.

45 MR BARNETT: Yes. Thank you.

COMMISSIONER: I'm sorry to delay us. Yes, thank you, Mr Barnett. Anything further before we commence? All right then. Yes, Mr Aspinall.

**<EXAMINATION BY MR ASPINALL**

5

COMMISSIONER: Mr Felstead, you're bound by the oath that you took on Monday to tell the truth.

10 MR FELSTEAD: Thank you, Commissioner.

COMMISSIONER: Yes, Mr Aspinall.

15 MR ASPINALL: Thank you, Commissioner. Mr Felstead, you were originally a Crown Perth CEO; is that correct?

MR FELSTEAD: That is correct, Mr Aspinall.

20 MR ASPINALL: And what time did you start that role?

MR FELSTEAD: I started that role in 2005.

25 MR ASPINALL: Right. I have an ASIC search from Burswood Nominees Limited and that, as you understand it, is the licensee company in Perth; is that right?

MR FELSTEAD: That is correct, Mr Aspinall.

30 MR ASPINALL: And I have, on that search, an indication that you became a director of that company from 26 April 2007.

MR FELSTEAD: Yes, that may well be the case, Mr Aspinall.

35 MR ASPINALL: Can you inform me how it is that you came to be on that board? Is it part of your role as CEO to be on that board?

MR FELSTEAD: That would be correct.

40 MR ASPINALL: Right. And do you know why the CEO needs to be on the board of that licensee company? Is that a regulatory requirement or just a practice?

MR FELSTEAD: I don't believe it's regulatory, Mr Aspinall, I just believe it's practice. Our previous CEO was on the board and I assume it was just practice, Mr Aspinall.

45 MR ASPINALL: Okay. And in respect of the Melbourne licensee, you're also on the board of that company.

MR FELSTEAD: Yes, I am.

MR ASPINALL: That's Crown Melbourne Limited.

5 MR FELSTEAD: Yes, it is, thank you.

MR ASPINALL: And as I have researched it, you were on that board from 8 November 2013?

10 MR FELSTEAD: Yes, that would sound – that would sound about right.

MR ASPINALL: And that's because, as – once you became CEO Australian resorts it was part of your role to be on that board as well, is that right?

15 MR FELSTEAD: Yes, that was an historical practice, Mr Aspinall.

MR ASPINALL: I just want to touch on the new Sydney licence. There's a company called Crown Sydney Gaming. You're aware of that?

20 MR FELSTEAD: Yes, I'm aware – I'm aware of the structure of Sydney to a degree.

MR ASPINALL: Yes. Now, are you aware that in January this year the board of Crown Resorts passed a resolution submitting your name as one of the – for approval  
25 by ILGA as one of the directors to sit on the board of Crown Sydney Gaming? Are you aware of that?

MR FELSTEAD: Yes, I was aware of that.

30 MR ASPINALL: And are you aware at what stage that application is up to?

MR FELSTEAD: No, I am not, Mr Aspinall.

MR ASPINALL: But as far as you're aware at the moment you're not a director of  
35 Crown Sydney Gaming; is that right?

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

MR ASPINALL: But you expect that subject to – subject to approval by ILGA you  
40 will become a director of Crown Sydney Gaming; is that correct?

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

MR ASPINALL: And in your control as Australian – CEO Australian casinos – is  
45 that right – the right title?

MR FELSTEAD: Resorts. Australian Resorts.

MR ASPINALL: Yes, CEO Australian – will Sydney come up under your jurisdiction or umbrella?

5 MR FELSTEAD: Yes, from an operational perspective that would be the case at this point in time.

MR ASPINALL: Right. Now, in respect of the international component, as I understand it, the international component actually reports up through Crown Melbourne; is that right?

10 MR FELSTEAD: Yes, it does.

MR ASPINALL: And has it always done that?

15 MR FELSTEAD: Yes.

MR ASPINALL: As far as you know?

MR FELSTEAD: From memory that would be the case.

20 MR ASPINALL: And when you were the CEO of Perth prior to 2013, did international VIP report to somebody else?

MR FELSTEAD: Yes, it did. That was not my responsibility and I struggle to recall who it reported to. It might have been Mr Longhurst or Mr Hawkins, I believe, but it wasn't me.

MR ASPINALL: I see. And that would be because one of those persons would have been the CEO of Crown Melbourne; is that right?

30 MR FELSTEAD: They would have been in a senior role in Melbourne, whether it was chief operating officer or chief executive officer.

MR ASPINALL: Okay. Mr Hawkins has obviously left the company.

35 MR FELSTEAD: That's correct, yes.

MR ASPINALL: And you took over VIP international from some time in 2013 then; is that right?

40 MR FELSTEAD: Yes, that was part of the portfolio.

MR ASPINALL: All right. Now, I think I mentioned to you yesterday that I wanted to ask you some questions about visa processing.

45 MR FELSTEAD: Yes, you did.

MR ASPINALL: Remember that?

MR FELSTEAD: I do.

5 MR ASPINALL: That arises because – we will go to them in due course, but in the media, particularly in the 60 Minutes program last year, certain allegations were made in respect of arrangements that Crown had entered into and things it had done in respect of the processing of visas in China. Are you aware of that?

10 MR FELSTEAD: Yes, I am aware of that.

MR ASPINALL: And have you read through the documents in exhibit S overnight?

MR FELSTEAD: Yes, I have had a read of the documents.

15

MR ASPINALL: All right. And what I wanted to do is take you through those documents and then ask you some questions in relation to the media allegations that have been made, if you don't mind.

20 MR FELSTEAD: Certainly.

MR ASPINALL: For Mr Barnett's benefit, if this could be brought up on the VC, it's exhibit S2, and its Ringtail reference is CRL.571.001.0043.

25 COMMISSIONER: I think you can just – there's no need to highlight the top part, is there?

MR ASPINALL: No, no, if it could just be in a full screen at the moment. Do you have that one, Mr Felstead?

30

MR FELSTEAD: I'm just struggling to find that one, Mr Aspinall.

MR ASPINALL: That's not a good start.

35 MR FELSTEAD: No, it's not a good start, is it. Apologies. Is there a tab number on there, Mr Aspinall?

MR ASPINALL: I'm hoping it's tab 2.

40 MR FELSTEAD: I'm hoping it's tab 2 as well. So just let me – 43.

MR ASPINALL: Yes, it ends in - - -

MR FELSTEAD: That's 0043, Mr Aspinall?

45

MR ASPINALL: Correct.

MR FELSTEAD: Yes, we're on track now. Thank you very much. Apologies for that.

MR ASPINALL: Do you have tabs in your folder, Mr Felstead?

5

MR FELSTEAD: Yes, I've got one, two, three, four, five, etcetera.

MR ASPINALL: Do they go up to 16?

10 MR FELSTEAD: Yes, they do.

MR ASPINALL: Very good. Well, we're looking at tab 2, and on the screen, if you don't have it, there's an email chain. If you don't mind, operator, if you would go to the second page.

15

COMMISSIONER: Yes.

MR ASPINALL: Do you have that, Mr Felstead?

20 MR FELSTEAD: Yes, I do.

MR ASPINALL: Do you see this is an email from the Australian consulate and then if we zoom in on to the to – you see it's an email from someone at Crown called Stefan Albouy; I hope I'm pronouncing that right.

25

MR FELSTEAD: Yes.

MR ASPINALL: To Grant at the Australian consulate; do you see that?

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

MR ASPINALL: If we read through the email underneath, Mr Albouy says to Grant that he has just returned from Beijing and has had a meeting with Eric Liang in Macau today. Do you know who Eric Liang is or was?

35

MR FELSTEAD: No. He may have been a staff member. I'm not sure on that one, Mr Aspinall.

MR ASPINALL: Right. He wasn't in the China operations during your period?

40

MR FELSTEAD: I don't believe so, Mr Aspinall.

MR ASPINALL: All right. And you see he goes on:

45 *He has briefed me regarding his meet with you last Friday in Guangzhou and raised some serious concerns.*

Do you see?

MR FELSTEAD: I do, yes.

5 MR ASPINALL: If we skip down to the paragraph underneath:

*As mentioned –*

you see he says –

10

*Eric also advised that you were concerned with the increase in urgent and full support requests and whether it is applicable to genuine high level patrons.”*

MR FELSTEAD: Yes, I’ve read that.

15

MR ASPINALL: Do you see that? And then he says:

*Please allow me to clarify that, internally, we only submit urgent and full support requests for a minimum of two million Australian front money patrons, \$3 million junket operators or junket players.*

20

See?

MR FELSTEAD: Yes, I’ve read that.

25

MR ASPINALL: Then he say:

*I am pleased to highlight that Australia gaming, specifically, Crown and Burswood, saw a huge rise in visitation from China, perhaps the highest ever in 10 years. For this we all have to thank you and your team. However, if it is becoming a strain due to our increase in business or there is concern regarding our operations and business conduct, please allow me to discuss with you the options that we can do.*

30

35 See?

MR FELSTEAD: Yes, I’ve read that. I’ve read that along.

MR ASPINALL: He says:

40

*Further, the processing of visas is done in line with patrons visit plans and always done well in advance, however, of late the rise of business leaving Macau to Singapore and with the relaxed visa requirements –*

45 completion is at a peak - - -

COMMISSIONER: “Competition is” - - -

MR ASPINALL:

*...competition is a peak and patrons' expectations of us to assist them with visas is increasing.*

5

You see?

MR FELSTEAD: Yes, I do.

10 MR ASPINALL: He says:

*For us, at Crown and Burswood as well as for Australian tourism to be competitive, we need to provide our patrons with that added service. Failing which we would not have any advantage over other countries as being a major player in the world-wide gaming industry.*

15

See that?

MR FELSTEAD: Yes, I do.

20

MR ASPINALL: If we go back to the next page now, you see there's a reply?

COMMISSIONER: Is that 43?

25 MR ASPINALL: This is 43, yes.

COMMISSIONER: Yes. Is that at the bottom or the top?

MR ASPINALL: It's halfway down the page.

30

COMMISSIONER: Yes.

MR ASPINALL: And it's an email from Mr Tudehope.

35 COMMISSIONER: Yes.

MR ASPINALL: Do you see that?

MR FELSTEAD: Yes, I've got that, Mr Aspinall.

40

MR ASPINALL: Now, he replies to Mr Albouy saying – and do you see Mr Tudehope is a senior migration officer at the - - -

MR FELSTEAD: Yes. I – yes.

45

MR ASPINALL: - - - immigration section of the Australian Consulate General in Guangzhou?

MR FELSTEAD: Yes. I have seen that over the page.

MR ASPINALL: Now, you see Mr Tudehope writes:

5 *Hello, Steffan. I am writing in relation to the email sent yesterday to Grant Dewey which was referred to me for response. I am currently the senior migration officer in charge of temporary entry, and I met with Eric last Friday.*

Mr Tudehope then continues:

10 *I was involved in formulating the original agreement between DIAC Guangzhou and Crown in 2003. The original agreement with Crown was to provide priority processing for Crown clients who are part of their high rollers scheme. It was explained to us that these clients would first deposit a minimum*  
15 *of 400,000 Hong Kong dollars into a Hong Kong Bank account –*

which could then draw upon –

20 *which they could then draw upon while staying in the casino in Australia. DIAC accepted the clients who could afford to enter this scheme would represent a reduced risk in terms of visa non-compliance and Crown also undertook to carry out background checks on all clients submitted. In 2007, this agreement was extended to allow Crown to lodge all of its mainland Chinese applicants in Guangzhou.*

25

See that?

MR FELSTEAD: I do. Yes, Mr Aspinall.

30 MR ASPINALL: You see then the gentleman writes:

35 *An analysis of the applications lodged by Crown reveals that very few are part of a high rollers scheme. A significant number of the Crown applicants that we speak to have no connection to Crown Casino or anybody who intends to gamble there. And it appears that Crown has become a visa agent lodging on behalf of travel agents and junket operators from all over China. More alarmingly, we continue to see significant levels of fraud in the case load and we refuse approximately 10 per cent of applications lodged by Crown.*

40 COMMISSIONER: Change the page, please.

MR ASPINALL: If you'd go to the next page, please, operator:

45 *This does not represent a low level of risk. And we have met with Crown on a number of occasions to discuss our concerns about the clients submitted.*

See that?

MR FELSTEAD: Yes, I do.

MR ASPINALL: Now, at the time – this is before you became involved for international VIP – were you made aware of these concerns regarding the visa processing process?  
5

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

MR ASPINALL: And you think that perhaps Mr Hawkins was in charge at that point, do you?  
10

MR FELSTEAD: My understanding of the visa process was probably the – I guess the – the expert, for want of a better word, would be Mr Craigie. He was involved in this process and Mr O'Connor assisted him.  
15

MR ASPINALL: Do you see that that allegation was made in 2010. Since 2010, have you become aware of these allegations? When was the first time you were made aware of allegations in relation to visa processing?

MR FELSTEAD: When I read this document last night, Mr Aspinall.  
20

MR ASPINALL: Right. So you weren't aware that in Crown Unmasked, the 60 Minutes program, various media allegations were made in regards to the visa processing by Crown?  
25

MR FELSTEAD: Apologies. No, I was made aware of that. Sorry. I thought you were referring to this particular incident. My apologies.

MR ASPINALL: Yes. And in regards to those allegations, what investigations did you make regarding whether they were true or not?  
30

MR FELSTEAD: My understanding - - -

MR YOUNG: Just a moment. Can I – just a moment, Mr Felstead.  
35

COMMISSIONER: Yes, Mr Young.

MR YOUNG: Commissioner, we've had a series of questions about emails in 2010.

COMMISSIONER: Yes.  
40

MR YOUNG: And some issues that arose in 2010.

COMMISSIONER: Yes.  
45

MR YOUNG: Then, without directing the witness to any specific allegation, we get some broad questions about whether he was aware of allegations in 60 Minutes.

COMMISSIONER: Yes.

MR YOUNG: Now - - -

5 COMMISSIONER: So you would like some particularity.

MR YOUNG: - - - the witness was obviously confused - - -

COMMISSIONER: Well, I'm not so sure he was confused, but – yes.

10

MR YOUNG: - - - thinking the question was asking about the 2010 exchange.

COMMISSIONER: That's all right. Mr Aspinall, if you'd be kind enough to put the - - -

15

MR ASPINALL: I will.

COMMISSIONER: - - - specific allegation, please.

20 MR ASPINALL: I will. I might do it this way, Commissioner, if - - -

COMMISSIONER: Yes.

25 MR ASPINALL: - - - Mr Young – see if he's content with this question. You were aware, Mr Felstead, that, last year, allegations arose in the media with respect to visa processing practices in China?

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

30 MR ASPINALL: And in regard to those allegations did you make any investigations in relation to them?

MR FELSTEAD: Yes, we had a conversation with Mr O'Connor, who was aware of these – one of the – one of the people involved in this process.

35

MR ASPINALL: I'm just stopping you there. Was Mr O'Connor in that – in a role regarding the visa processing back in 2010?

40 MR FELSTEAD: Mr O'Connor was – yes, my belief is that Mr O'Connor and Mr Craigie were probably the two key people in relation to visa processing, so I made an inquiry of Mr O'Connor.

MR ASPINALL: And what did Mr O'Connor tell you?

45 MR FELSTEAD: It was actually – that conversation was with Mr O'Connor and Mr Preston. But it was relayed to me by Mr Preston that Mr O'Connor was aware of no improper behaviour in relation to visa processing.

MR ASPINALL: All right. And is that as far as your investigation went?

MR FELSTEAD: That was – yes. By and large that was the extent of it, Mr – that was the extent of it, Mr Aspinall.

5

MR ASPINALL: I'm just having a bit of trouble hearing you. It might be a problem in this room, Mr Felstead.

MR FELSTEAD: I shall speak as loud as I can. That was the – that was, by and large, the extent of it, Mr Aspinall.

10

MR ASPINALL: Right. Thank you, Mr Felstead. Could we look now at another email in that exhibit, which is S4.

15 MR FELSTEAD: 0063?

MR ASPINALL: Yes, it's CRL.570.001.0063.

MR FELSTEAD: I have that in front of me.

20

MR ASPINALL: Do you see that's the minutes of a meeting to discuss visas for China customers?

MR FELSTEAD: Yes, I do.

25

MR ASPINALL: And do you see the key issues listed there are that:

*Crown's agreement to lodge on applicant's behalf is almost unique. Only China southern has a similar agreement for gold and silver FF members.*

30

MR FELSTEAD: I see that.

MR ASPINALL: And did you, in the course of your investigations hear anything about a meeting with regard to the processing of visas for China customers?

35

MR FELSTEAD: No, I did not.

MR ASPINALL: Right.

40 COMMISSIONER: I presume you weren't at the meeting, Mr Felstead.

MR ASPINALL: You weren't at the meeting?

MR FELSTEAD: No, I was not, Commissioner.

45

COMMISSIONER: Thank you.

MR ASPINALL: And your inquiries subsequently through Mr O'Connor didn't reveal that there had been a meeting; is that right?

5 MR FELSTEAD: That – no, that wasn't – I – I don't believe the question was asked, Mr Aspinall.

MR ASPINALL: Thank you. Now, Mr Felstead, if we go to the next document which is S5, which is CRL.571.001.0037.

10 MR FELSTEAD: I have that.

MR ASPINALL: Do you see that's a document entitled Improvements Made to Crown Visa Lodgement System, dated June 2011?

15 MR FELSTEAD: Yes, I see that.

MR ASPINALL: And do you see there's a heading A: Improvements Already Made. Do you see that?

20 MR FELSTEAD: Yes, I see that.

MR ASPINALL: And one of the improvements which is listed at number 2 is that visa applications are only submitted by Crown if considered genuine. See?

25 MR FELSTEAD: Yes, I can see that.

MR ASPINALL: Now, did Mr O'Connor at any time mention to you that there had been any issues that prior to June 2011 Crown had submitted visa applications which it did not consider genuine?

30 MR FELSTEAD: No. Just to clarify, the conversation was with Mr Preston and Mr O'Connor and nothing – none of that was relayed to me, Mr Aspinall.

35 MR ASPINALL: I see. But you would accept that if Crown – you would accept, would you, that if Crown had been submitting visa applications prior to June 2011, which it did not consider to be genuine that would not be acceptable behaviour from Crown?

40 MR FELSTEAD: Well, that – I would agree with that. That would be – that would be unusual. That would not be acceptable.

45 MR ASPINALL: If we – because that would not be consistent with the fundamental principle which Mr Bell has taken you to numerous times in regards to the need to act with integrity, would it?

MR FELSTEAD: I would agree with that.

MR ASPINALL: Yes. And now in respect of point 3 there, you see Crown – and this is talking - - -

COMMISSIONER: Point 3.

5

MR ASPINALL: - - - at point 3 after June 2011, that Crown from that time advises applicants to complete applications truthfully.

MR FELSTEAD: Yes, I read that.

10

MR ASPINALL: And would you agree with me that if prior to this time Crown had not been advising applicants to complete their applications truthfully, that would be a problem, wouldn't it?

15 MR FELSTEAD: If Crown was advising applicants to be dishonest, that would be a problem in any sense of the business, Mr Aspinall.

MR ASPINALL: Well - - -

20 COMMISSIONER: I don't think it's so much that Mr Aspinall is suggesting that, Mr Felstead. I think it's just an absence of asking them to complete it honestly as opposed to suggesting that they do so dishonestly.

MR ASPINALL: That's correct, Mr Felstead.

25

MR FELSTEAD: No, sorry, I was - - -

30 MR ASPINALL: Because isn't it the case, and this may relate to your knowledge after you became responsible for VIP gaming, but in these visa applications Crown vouches for the applicant with the department; is that correct?

35 MR FELSTEAD: Mr Aspinall, I don't have a great knowledge of the visa process. It was one of the things that was part of the VIP landscape which I took over. I've not had an in-depth look into it during my time as VIP – head of VIP or since. I knew it was, as I said, one of the things that we did, and that was about the extent of my knowledge of it.

COMMISSIONER: So Mr Craigie really is in charge of it, is he, or was?

40 MR FELSTEAD: Wasn't so much in charge. Mr Craigie – sorry, Commissioner, to interrupt. Mr Craigie was involved in setting up the program. It was administered on the ground by Mr O'Connor and the team and this was not something I took a lot of – I had a lot of input into. I knew we had it.

45 COMMISSIONER: Thank you.

MR FELSTEAD: I can't really add much more than that, unfortunately, Commissioner. It was not something I put my mind to on a daily basis.

COMMISSIONER: Yes.

5

MR ASPINALL: And Mr Felstead, have you now given us the extent of your understanding of the visa processing in China?

10 MR FELSTEAD: Yes, Mr Aspinall. My extent – my knowledge of the visa processing in China was we had a scheme in place which would expedite visas for high net worth individuals and that was done – that was done in China and that was by and large the extent of my knowledge of it.

15 MR ASPINALL: All right. Now, I need to ask you some further questions on this issue, even though I accept that you've given me all of your understanding in respect of that program, so that I can then show you in respect of the media allegations that were made later and we can discuss those. If you wouldn't mind looking at exhibit S12.

20 MR FELSTEAD: Yes, I have that document, Mr Aspinall.

MR ASPINALL: And that is a visa application regarding a certain person that I won't name.

25 MR FELSTEAD: Yes, it is.

MR ASPINALL: And do you see the original email, it starts on the next page which is 0133.

30 MR FELSTEAD: Yes, I have that.

MR ASPINALL: And that's in March 2013?

35 MR FELSTEAD: Yes, that is correct.

MR ASPINALL: And if we go back to the first page you see it's still in process July 2013.

40 MR FELSTEAD: Yes, that would appear to be the case, Mr Aspinall.

MR ASPINALL: And can you remind me again when you took over VIP international?

45 MR FELSTEAD: I took over VIP international in early or mid-March 2013 if my recollection is correct.

MR ASPINALL: This is just about the time that you started.

MR FELSTEAD: It would be roughly about that time, Mr Aspinall. It was in March some time.

5 MR ASPINALL: Do you see – if we can go back to 0133 and look at the email there, that’s again from Mr Albouy.

MR FELSTEAD: Correct, yes.

10 MR ASPINALL: And it regards this person that I won’t name, but it says – and it’s to Celia Zhang; do you know who Celia is?

MR FELSTEAD: I do not, Mr Aspinall.

15 MR ASPINALL: But if we look back on the earlier page we see that she’s the immigration team leader at Guangzhou.

MR FELSTEAD: Okay. Right. Yes.

20 MR ASPINALL: He’s writing to Celia saying:

*I trust that your team are all well –*

and it continues down –

25 *...I am writing in regards to the application of –*

a certain person which he names.

30 MR FELSTEAD: Yes.

MR ASPINALL:

*I met that person with some of our largest Shanghai players in Shanghai a few weeks ago.*

35

MR FELSTEAD: Yes, I read that.

MR ASPINALL:

40 *The person spoke of his issue when he last applied for an Australian visa citing he had not provided some sensitive information.*

Do you see that?

45 MR FELSTEAD: Yes, I do.

MR ASPINALL:

*The person came highly recommended from our top Shanghai players as a very reputed businessman in their circle –*

do you see –

5

*...and he built quite a name for himself.*

MR FELSTEAD: Yes, it would appear to be – that would appear to be the case.

10 MR ASPINALL: See Mr Albouy then talks about a dinner aboard a yacht.

MR FELSTEAD: Yes, he does.

15 MR ASPINALL: He talks about how it was one of the well-known super yachts seen in magazines and says that the yacht was worth around 10 to 15 million dollars.

MR FELSTEAD: Yes, he does.

20 MR ASPINALL: And then at the third last paragraph from the bottom, Mr Albouy says:

25 *As a result of my impression and confidence of information from my colleague who has known the person over five years I asked him to visit Australia with his friends who are planning to attend the world poker series in Melbourne. I hope you can apply additional information I have given to add some weight to obtaining an approval for the person's visa.*

Do you see that?

30 MR FELSTEAD: Yes, I do.

MR ASPINALL: But then if we go to the page before which is 0132.

35 MR FELSTEAD: Yes, I'm on that page.

MR ASPINALL: Do you see that's an email within Crown from Mr Xi to Mr Gomez.

40 MR FELSTEAD: Yes, it is.

MR ASPINALL: And it has, below it the email that I just showed you, and a reply from Celia Zhang.

45 MR FELSTEAD: Yes.

MR ASPINALL: And Celia has replied to Mr Albouy:

*Thank you for your email and the additional information given, which has been acknowledged. We are going well here in Guangzhou. Wish you the same.*

See that?

5

MR FELSTEAD: Yes, I do.

MR ASPINALL: And then, at the top of the page, Mr Xi has written to Mr Gomez:

10 *Dear Alfred. Please kindly see below email. Person is a friend of our junket operator Mister –*

and there's another name mentioned.

15 MR FELSTEAD: Yes.

MR ASPINALL:

20 *The application was submitted in March but his application is still processing.*

MR FELSTEAD: Yes, I've read that.

MR ASPINALL: And then he says:

25 *He has been found guilty of insider trading on –*

and I presume that should be "in" –

30 *2007, sentenced to two years and suspended for two years. The case already close on 2009.*

See?

35 MR FELSTEAD: I do, yes.

MR ASPINALL:

40 *The person is waiting –*

which I presume is "waiting" –

*the result of his visa. Could you please send a support email to our visa officer, Celia.*

45 MR FELSTEAD: Yes, I read that.

MR ASPINALL: And do you see what is happening here is – what appears to be happening, at least, is that Crown – Mr Albouy – is writing to the department recommending this person on behalf of Crown so that he can add some weight to obtaining their approval on the basis that he’s a wealthy person.

5

MR FELSTEAD: Yes, that would appear to be the case.

MR ASPINALL: And then Mr Alfred – Mr Xi is telling Mr Gomez that, in fact, this person has been found guilty of insider trading and yet still is asking for a support email to be sent to the department. Do you see that?

10

MR FELSTEAD: Yes, I do see that.

MR ASPINALL: And then if we look at the next exhibit, which is S13, which is CRL.505.001.5853.

15

MR FELSTEAD: Yes, I’ve got that.

COMMISSIONER: Take that down. Thank you.

20

MR ASPINALL: Take that down.

COMMISSIONER: Don’t put them up unless Mr Aspinall asks for them. Thank you.

25

MR ASPINALL: Do you have that email, Mr Felstead?

MR FELSTEAD: Yes, I do, Mr Aspinall.

30

MR ASPINALL: Do you see then what appears to have happened is that there was a request for a letter of support to be drafted from Mr Chen?

COMMISSIONER: Miss – it was internal.

35

MR FELSTEAD: Yes, I see the note:

*Dear Michael.*

Yes.

40

MR ASPINALL: And we see underneath the first paragraph on the line a draft of that letter - - -

MR FELSTEAD: Yes, I see that.

45

MR ASPINALL: - - - which is to be sent to the department. Do you see?

MR FELSTEAD: Yes, that would appear to be the case.

MR ASPINALL: Yes. And do you see in the second last paragraph, although there's – after the “regards”, if you go up two paragraphs it starts:

5

*Our Crown staffs - - -*

MR FELSTEAD: Yes. I'm on that paragraph.

10 MR ASPINALL: Do you see it says:

15 *Our Crown staffs have done an extensive property viewing to concern status of the person's business and wealth with above strong evidence. I am comfortable with the position as to one of our top developers in Shanghai and I'm happy to submit this with the full support on basis his application initially rejected.*

MR FELSTEAD: Yes, I've read that.

20 MR ASPINALL: But do you see in the email above – the draft email, I might say – there's no mention of the conviction for insider trading?

MR YOUNG: I object to that.

25 MR ASPINALL: Yes.

MR YOUNG: Both the document at tab 12 and the draft email at tab 13 refers to the provision to the consulate of the criminal judgment in question in both English and Mandarin.

30

COMMISSIONER: Yes.

MR ASPINALL: Thank you, Mr Young.

35 MR YOUNG: So there is a reference to the conviction.

COMMISSIONER: I think it's within the draft that was the question. Is that right, Mr Aspinall?

40 MR ASPINALL: Correct. But as Mr Young points out, the draft says:

45 *In the past two months, Mr Chen is very cooperative to provide the written judgment in English and Mandarin version to cite he has no intention to hide some sensitive information resulting in his visa rejection.*

See that?

MR FELSTEAD: Yes, I do.

MR ASPINALL: But – and I’m grateful to Mr Young for pointing that out – but do  
5 you see, even though that information has been provided, that Crown has still given  
its support to that application?

MR YOUNG: Well, again – just a moment. This is a draft letter – a draft email - - -

10 COMMISSIONER: Yes. Limit it to the draft.

MR YOUNG: - - - put forward to Mr Chen - - -

15 COMMISSIONER: Yes. It should be limited to the draft in relation to that  
question, Mr Aspinall.

MR ASPINALL: Yes. I would like you to assume, Mr Felstead, that a letter  
consistent with this draft, was ultimately sent.

20 COMMISSIONER: So if you assume that, Mr Felstead.

MR ASPINALL: Making that assumption, do you see that Crown has, nevertheless,  
supported that application despite the fact that the person is known to it to have been  
convicted of insider trading?

25 MR FELSTEAD: If I’m working on an assumption, as you indicated, Mr Aspinall,  
that would – Crown is supporting that, but they have been – it appeared to me,  
anyway, reading the draft, that Crown has said that the person in question will  
provide a written judgment in relation to the – any incident that he may have had. So  
30 that would be a – in my view a – a fairly – a disclosure issue. I think that would be  
appropriate. But, once again, I’m just making an assumption. I haven’t seen – this is  
the first time I’ve seen this. I’m not familiar with the case.

35 MR ASPINALL: I accept that. I have to do this for you, Mr Felstead, so that we  
can look at the media allegations later.

MR FELSTEAD: I completely understand, Mr Aspinall.

40 MR ASPINALL: Thank you, Mr Felstead. Next, I would like to show you the  
exhibit behind S14.

MR FELSTEAD: 1455?

MR ASPINALL: Yes. It’s CRL.505.002.1455.

45 MR FELSTEAD: Yes, I have that.

MR ASPINALL: Yes. You see that's an email from Mr Chen to various people within Crown Melbourne?

MR FELSTEAD: Yes, I do.

5

MR ASPINALL: And it regards Suncity.

MR FELSTEAD: Yes, that is correct.

10 MR ASPINALL: An update on Suncity? Sorry. And then - - -

MR FELSTEAD: Sorry.

MR ASPINALL: The - do you know who Darren Harding was?

15

MR FELSTEAD: Yes, I do know Mr Harding. Mr Harding worked for us in the international field. He was running our south east Asia operation for some point in time.

20 MR ASPINALL: And would he have been the person dealing with visa processing at that time?

MR FELSTEAD: I don't believe so. He had a position in Melbourne as well. So he - this - he may have been in this role in Melbourne in a - he was in an analytical financial role in Melbourne with VIP. This - at this point in time, he could have been in that role, but he was eventually running the Singapore office.

25

MR ASPINALL: I see. If we look at point 7 on this page, do you see that regards visas?

30

MR FELSTEAD: Yes, I do.

MR ASPINALL: And it says:

35 *They asked for assistance in expediting visas.*

See?

MR FELSTEAD: Yes, I see that.

40

MR ASPINALL: And when we look at the first paragraph it says:

*Michael Lam, Joe Lok and I met with Alan, Kat and a few other of the Suncity team.*

45

MR FELSTEAD: Yes, I see that.

MR ASPINALL: Do you know who those people are, Alan and Kat?

MR FELSTEAD: No, I do not. No.

5 MR ASPINALL: But you can see from that initial paragraph that the people who appear to be asking for the expedited visas are the Suncity people?

MR FELSTEAD: Yes, I think that would be – that would be a fair assumption.

10 MR ASPINALL: And then next it says:

*They think they will have up to 200 packs –*

200 people –

15

*now and they wanted to know if they could take advantage of the passport free application process. They said our GZ office –*

would that be the Guangzhou office?

20

MR FELSTEAD: GZ I would assume would be Guangzhou.

MR ASPINALL: That was where you had your office; is that correct?

25 MR FELSTEAD: I found out subsequently we had an office – or we had a premises there.

MR ASPINALL: Yes, you talked about that with Mr Bell.

30 MR FELSTEAD: I talked about that at length with Mr Bell, Mr Aspinall, but yes, that would be Guangzhou.

MR ASPINALL: Yes. So these people within Crown are referring to “our GZ office” was still insisting on collecting passports even though there was announced a  
35 passport-free process.

MR FELSTEAD: Yes, I’ve read that.

MR ASPINALL: That’s all I think I need to take you to there, Mr Felstead, but I  
40 would now like to discuss with you some of the media allegations that were subsequently made in the newspapers regarding those issues.

MR FELSTEAD: Yes.

45 MR ASPINALL: You see, I’m going to read you some quotes from the newspaper articles and if you want me to bring up the article so that you could see it, I can do

that, but to save time I was just proposing to read you a quote and see whether we can discuss it.

MR FELSTEAD: That's fine, Mr Aspinall.

5

MR ASPINALL: Right. Well, in one of the newspaper articles published on 27 July 2019, in The Age and The Sydney Morning Herald called Asian Casinos Links to Organised Crime Exposed, the following quote appeared:

10 *Crown, part-owned by one of Australia's richest men, James Packer, may also have exploited weaknesses in visa processes to fly VIP gamblers into Australia without sufficient vetting.*

MR FELSTEAD: Yes, I've that.

15

MR ASPINALL: Understand that?

MR FELSTEAD: Yes.

20 MR ASPINALL: Now, do you remember when we looked at the first email with regards to the concern by the departmental officer that some of the applications had been fraudulent?

MR FELSTEAD: Yes. Let me just refresh my memory on that one. That was  
25 number tab 2 from memory.

MR ASPINALL: Correct.

MR FELSTEAD: Yes, I've got that. Yes.

30

MR ASPINALL: Because it was Crown, if you recall, that the officer said undertook the background checks on the clients submitted.

MR FELSTEAD: That's what the officer said, yes.

35

MR ASPINALL: And the officer also said that once they spoke to them, they had no – they professed to have no connection to Crown Casino or anybody who intended to gamble.

40 MR FELSTEAD: Yes, that's what the officer said, yes.

MR ASPINALL: And that they continued to see significant levels of fraud.

MR FELSTEAD: Yes, correct. That's what the officer said.

45

MR ASPINALL: Now, would you agree with me that based upon the material contained in that email, that the allegation which I just made to you which was in that newspaper article which was:

5           *Crown part-owned by one of Australia's richest men may have exploited weaknesses in visa processes by VIP gamblers into Australia without sufficient vetting –*

appears to be correct?

10

MR YOUNG: Commissioner, I'm going to object to this process. Mr Felstead has said he's got no knowledge of these matters. This is really a matter for submission based on these documents, and it doesn't assist to have Mr Felstead provide some commentary based on a whole lot of implicit assumptions. For instance, the  
15 allegation he read out from the newspaper is that Crown may have exploited weaknesses in visa processing to fly VIPs into Australia to gamble. Now, that doesn't connect at all with this 2010 statement by an official of DFAT. We just submit that this is a line of questioning that is going to provide nothing other than speculative comment and all of the questions are based on a whole set of implicit  
20 assumptions. So we do object; this is an unfair process for Mr Felstead to endure.

COMMISSIONER: Mr Aspinall.

MR ASPINALL: Well, this line of questioning, Commissioner, is based upon a  
25 principle which at the moment Mr Felstead is the head of VIP gaming and as a matter of fairness we wanted to put these allegations to him and get his views. He is free to disagree, as Mr Young appears to do. And the other thing which we would raise is that Mr Felstead did engage in some form of investigation of these  
30 allegations subsequently, as he's given evidence about.

30

COMMISSIONER: Yes.

MR ASPINALL: If Mr Young considers that it would not be unfair for this Inquiry to make findings in regard to those allegations based upon the evidence that it's  
35 obtained then I do not need to and I will not take him to further media allegations.

COMMISSIONER: Yes, Mr Young?

MR YOUNG: Well, Commissioner, the only statement in the advertisement dealing  
40 with visa processing was the following:

*Crown have not sought - - -*

COMMISSIONER: Yes, I've read that.

45

MR YOUNG:

*- - - to circumvent visa requirements to compromise any process of identification or verification for immigration purposes.*

COMMISSIONER: Yes.

5

MR YOUNG: Now, the question doesn't connect with that statement in the advertisement in any way.

COMMISSIONER: Well, I think there's a difference here. One is that the  
10 allegation – the veracity of the allegation in the press is something that needs to be  
looked at. Whether or not that allegation is in fact closer to the truth than falsity is a  
matter that needs to be looked at. Whether Mr Felstead, as the head of VIP  
international, was aware of the matters – he says he was not – he can in fact tell me  
15 whether he accepts or not the position. I don't think it's unfair, Mr Young, but  
certainly as to the weight that may be given to it in due course, I'm sure you'll have  
something to say about it. It's quite clear that what happened afterwards was that  
Melbourne – or somebody in Melbourne had a look at this process and they sought to  
improve it, and it also clear at the moment to me, whether this is subject to further  
20 evidence, I don't know, that the allegation in the press, if it be the specific allegation,  
related to something that occurred a decade ago.

MR YOUNG: Yes.

COMMISSIONER: And so I think it is of some significance that I should in fact  
25 invite Mr Felstead to say something about it. If he cannot, then I accept that he  
cannot, but I don't think it's unfair. Thank you, Mr Young. Yes, Mr Aspinall.

MR ASPINALL: To that end, Mr Felstead, would you like me to read the allegation  
30 from the newspaper to you again so that you can comment on whether you agree it's  
correct?

MR FELSTEAD: That would be handy. Thank you, Mr Aspinall.

MR ASPINALL: It was this:  
35

*Crown, part-owned by one of Australia's richest men, James Packer, may also  
have exploited weaknesses in visa processes by VIP gamblers into Australia  
without sufficient vetting.*

40 Do you agree that was correct based upon the documents we've seen?

MR FELSTEAD: I acknowledge the statement. I can't really comment, Mr  
Aspinall. It's – you know, I don't want to sound evasive, it's very difficult. I wasn't  
involved in this. I'm reading – I can read what's in front of me and it's very, very  
45 hard to make any speculation or comment on it. It's – I wasn't involved in it. I  
wasn't aware of any other conversation that occurred with Mr Tudehope and Mr  
Albouy. I just can't really add too much to this to be quite frank.

5 COMMISSIONER: Perhaps I could ask you, Mr Felstead, you told me that you did some investigations when these allegations surfaced in the press last year. I presume from what you've said to me a little earlier that at the time those investigations were carried out nobody brought these documents to which you've been taken in exhibit S to your attention in 2019. Is that right?

MR FELSTEAD: That is correct, Commissioner.

10 COMMISSIONER: Yes, thank you.

MR FELSTEAD: This is the first view of these documents.

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

15 MR ASPINALL: Another allegation which was made in the press, The Australian, on 7 August 2019, in an article called Crown Defends Use of junkets: It's Not Just Us, the following allegation was made:

20 *It is also alleged that Crown had a hotline to Australian consulate's fast track visa applications for high rollers flying in from China.*

MR FELSTEAD: I'm not aware of a hotline.

25 MR ASPINALL: Do you need me to repeat that?

MR FELSTEAD: No, I heard the question, Mr Aspinall. I'm not aware of anything called a hotline. I am aware that we had contact in the office. That was - - -

30 MR ASPINALL: Yes.

MR FELSTEAD: I was aware of that. I'm not sure there was a thing called a hotline.

35 MR ASPINALL: Yes. Depending on how you phrase hotline, if you phrase a method of quickly contacting the department, the hotline, you would agree that the documents we looked at seem to support that allegation?

40 MR FELSTEAD: My knowledge – sorry, Mr Aspinall, my knowledge of the visa process was we had a contact in the office or contacts, I'm not exactly sure whom or how many or what they did, and we would run applications through that particular person or persons. That's the – once again, that's the extent of my knowledge.

45 MR ASPINALL: Right. Now, in respect of the other allegations, one of them was in the 60 Minutes program, an allegation by Ms Jenny Jiang. This is aired on 28 July 2019; the interviewer asked her:

*How many people did Crown help get visas to come to Australia?*

Answer by Ms Jiang:

*Two or three hundred.*

5 Do you agree that based upon the Suncity email that we saw that the figure 200 pax was noted?

MR FELSTEAD: I saw the reference to 200 pax in Suncity.

10 MR ASPINALL: You agree that would be consistent with the allegation that Ms Jiang made in that 60 Minutes program.

MR FELSTEAD: Sorry, was Ms Jiang talking about the total number of visas provided or just in this particular group?

15

MR ASPINALL: Well, the question – I will read it to you again.

MR FELSTEAD: Thank you.

20 MR ASPINALL:

*How many people did Crown help get visas to come to Australia?*

And the answer was:

25

*Two or three hundred.*

Do you see?

30 MR FELSTEAD: Yes.

MR ASPINALL: What I'm asking you – what I was asking you is based upon the Suncity email that we saw, it would appear that numbers of that amount, in the hundreds, was possible.

35

MR YOUNG: I object.

COMMISSIONER: Yes.

40 MR YOUNG: Mr Aspinall is making a lot of assumptions about what Ms Jiang is referring to. She could only be referring to visas that she was aware of during her time as an employee, presumably. There's no indication that's got any connection with the email to which Mr Aspinall went, and to connect the two in that fashion, in my submission, is quite unfounded, so I do object to the assumptions in the question.

45

COMMISSIONER: Yes. All right. Yes, Mr Aspinall. I think you can ask Mr Felstead is he aware of the numbers of visas, but I don't think it would be in the

hundreds from the sounds of things. Business was very, very popular, I think, wasn't it, Mr Felstead?

MR FELSTEAD: Yes, it was, Commissioner.

5

COMMISSIONER: Yes. And whatever you could do to assist your clients to get to Australia, as you told me yesterday, I think, the visa applications were a part of the assistance to those high rollers, as I understood your evidence. Is that right?

10 MR FELSTEAD: Yes, that is not incorrect, Commissioner.

COMMISSIONER: Yes. Thank you. Yes, Mr Aspinall. That question is not pressed.

15 MR ASPINALL: Yes. I have to ask you another question, Mr Felstead, which is from an article entitled Border Force Official Worked for Crown High-Roller and Wanted Criminal, 29 July 2019, and that was this: C

20 *Crown's internal emails also reveal staff lobbied Australian officials to expedite the provision of hundreds of visas for a second junket operator, Suncity, which is accused of organised crime links.*

Do you see?

25 MR FELSTEAD: Yes.

MR ASPINALL: And based upon the email that we saw, you agree that seems possible.

30 COMMISSIONER: Well, that's once again the same problem, I think, Mr Aspinall. I will reject that question. If it's to be put to Mr Felstead that there is a connection between the allegation of some alleged corrupt conduct then I think it's only fair to him to put to him what the allegation is and where such a finding can be made.

35 MR ASPINALL: Yes. Mr Felstead, leaving aside the allegation that Suncity was accused of organised crime links, do you agree that the emails that we have seen do tend to indicate that staff lobbied Australian officials to expedite the provision of hundreds of visas for a junket operator, Suncity?

40 MR FELSTEAD: As per the text of the email that would appear that was a request.

MR ASPINALL: Yes. And now, finally, I have to ask you about an allegation made in an article called:

45 *Fast tracks and bulk deals: How Crown got visas for its high rollers –*

which was published in The Age on 10 February 2020. The allegation made was:

*Crown casino's "special arrangement" with the Australian Government gave Chinese high rollers access to fast-tracked Australian visas and allowed Crown itself to vouch for peoples character.*

5 Do you agree that, based upon the emails we've seen, that appears to have been true?

MR FELSTEAD: I wasn't aware of any – any special negotiations that was unique to Crown in relation to this. I thought it was – my understanding was fast-tracking of visas for high net worth individuals occurred in other companies as well. I – I don't  
10 – I wouldn't regard that as a special – a special program, Mr Aspinall. And, like I said, I – you know, I wasn't involved in the process of this. Mr Craigie may have a better answer than me. But I – I don't really – I'm not an expert on visa processing, unfortunately, Mr Aspinall. I wish I was, but I'm not.

15 MR ASPINALL: Now, the article continues:

*The arrangement was set up under the Howard government in 2003 –*

do you agree that that's consistent with the email that we saw from the official in  
20 exhibit S2?

MR FELSTEAD: I do, yes.

MR ASPINALL: And the article continued:  
25

*... "after discussion between the Ministers' offices at the time" and lasted until 2016, when the dramatic arrest of Crown's employees in China in late 2016 prompted the Department of Home Affairs ... to cancel the deal.*

30 Are you aware that that occurred at that time?

MR FELSTEAD: I'm aware it was stopped. I wasn't aware who cancelled it. I'm aware the program stopped, obviously, because we had no business out of China. I wasn't aware who cancelled it, though.  
35

MR ASPINALL: I see.

COMMISSIONER: When you say that you were aware it stopped, that's – what you're referring to there is the arrangement to get the fast-track for the high rollers, I presume?  
40

MR FELSTEAD: Yes. Yes, Commissioner. My understanding was the – as with our China business evaporated, there was no - - -

45 COMMISSIONER: Yes.

MR FELSTEAD: - - - more need for that. And I was aware that it just – it just didn't happen anymore. Whether – whoever stopped it, I'm not sure, but that was my understanding.

5 COMMISSIONER: I see. Yes. I understand. Thank you. Yes, Mr Aspinall.

MR ASPINALL: That concludes the allegations in respect of visas, Commissioner. I would now like to discuss with you some of the allegations which were made in respect of junket operators, Mr Felstead.

10

MR FELSTEAD: Yes, Mr Aspinall.

MR ASPINALL: And firstly if – do you have access to a second screen that you can watch some videos on?

15

MR FELSTEAD: Yes, I do.

MR ASPINALL: I will ask the operator to bring up firstly from a program which aired on the ABC on 15 September 2014 for corners program called "High Rollers – High Risk? And that is INQ.800.001.0011, operator.

20

COMMISSIONER: That's an exhibit, as I understand it.

MR ASPINALL: It is part – it is an excerpt from an exhibit.

25

COMMISSIONER: Exhibit number?

### **VIDEO SHOWN**

30

MR ASPINALL: Are you there, Mr Felstead?

MR FELSTEAD: Yes, I am, Mr Aspinall. I think the screen froze in the end.

35

MR ASPINALL: Yes. That was the end of the first clip.

MR FELSTEAD: Okay. My apologies.

40 MR ASPINALL: And I just wanted – I just wanted to confirm with you that you took from that clip an allegation made on the Four Corners program in September 2014 that Suncity had links to the world's largest and most powerful triad organisation in the world, the Sun Yee On triad?

45 MR FELSTEAD: Yes, that was the allegation made.

MR ASPINALL: Yes. And the other allegations was that the ultimate beneficiary of the Suncity business was Charles Heung Wah-Keung who had been linked to that triad organisation, perhaps, as its head.

5 MR FELSTEAD: Yes, that was the other allegation made.

MR ASPINALL: If we could now look at the next clip. That is INQ.800.001.0012. And I should say, Commissioner, that these are excerpts from exhibit A144 - - -

10 COMMISSIONER: Thank you very much.

MR ASPINALL: - - - which is the Four Corners program.

COMMISSIONER: Yes.

15

### **VIDEO SHOWN**

20 MR ASPINALL: Pause the video there, please, operator. Mr Felstead, are you there?

MR FELSTEAD: Yes, I am, Mr Aspinall.

25 MR ASPINALL: To paraphrase, if you don't mind, the allegations that arose in that clip, would you agree with me that it's correct to say that in respect of the allegations of any links to triad organisations, the spokesman for Suncity had denied that?

MR FELSTEAD: Yes, that would be correct.

30

MR ASPINALL: But the allegations was that there had been a confidential presentation given by Martin Purbrick, the head of security for the Hong Kong Jockey Club, to Australian police which indicated that some individuals associated with Suncity were followers of Wan Kuok-koi of the Macau 14k triad. Correct?

35

MR FELSTEAD: That was the allegation, yes.

MR ASPINALL: Yes. And, finally, there were the views expressed of a person said to be an insider within Melco Crown that the company did not want to know about links to organised crime. You will remember that?

40

MR FELSTEAD: Yes, that was the allegation.

MR ASPINALL: And the insider said that he had known, since the first month he started, that a number of the junkets were triads. He alleged that this was known by everyone – every supervisor, every pit manager, every shift manager – and that they said, “That's the front person, but the owner is this guy.” Remember that?

45

MR FELSTEAD: I remember him saying that, yes.

MR ASPINALL: Do you agree with me that those are a fair summary of the allegations which were made in those two clips which we watched?

5

MR FELSTEAD: Yes, I think that's a fair summation of what was said in the two clips, from an allegation perspective.

MR ASPINALL: Now, am I right in thinking that you, as the head, by then, of VIP – the head of Australian Resorts and the head of VIP gaming at the casinos, became aware of that program at the time?

10

MR FELSTEAD: From memory, I watched the program, Mr Aspinall.

MR ASPINALL: Yes. And that must have been a very concerning program for you; is that correct?

15

MR FELSTEAD: Any program that has allegations in relation to any Crown operations, we take seriously.

20

MR ASPINALL: Yes. And they were very serious allegations, weren't they?

MR FELSTEAD: The allegations were serious.

MR ASPINALL: And that arises in this context, doesn't it, because you know, as a casino veteran, that casinos are, by their nature, targets for infiltration by criminal organisations. Do you agree with that?

25

MR FELSTEAD: I wouldn't say "by their nature" they're a target for criminal organisations. Have criminal – have criminal events and criminals, at times, had input into casinos or been in casinos? I would not deny that. But I don't think we're – I don't think we're a target by criminals, Mr Aspinall.

30

MR ASPINALL: You've worked in the casino industry for decades and you deny that casinos are, by their nature, targets for criminal organisations?

35

MR FELSTEAD: I wouldn't say "by their nature", they are, Mr Aspinall. I think – I think we have - - -

COMMISSIONER: Isn't - - -

40

MR FELSTEAD: I think we have. Sorry, Mr Aspinall. Please continue.

MR ASPINALL: Aren't, by their nature, they prone to infiltration by criminal organisations because they deal with cash, large amounts of cash?

45

MR FELSTEAD: Yes, we do deal with large amounts of cash.

MR ASPINALL: And they deal with it in a way with enables that cash to be moved through the organisation in a relatively anonymous way?

5 MR FELSTEAD: I would like to think – well, I don't like to think – I know we've had processes for many, many years in relation to our reporting structures, AML, security - - -

10 MR ASPINALL: I'm not asking about your reporting structure. I'm asking about the vulnerabilities of casinos to infiltration by money launderers and organised criminals generally.

MR FELSTEAD: Yes. My apologies, Mr Aspinall.

15 MR ASPINALL: Do you agree that they - - -

MR FELSTEAD: I was just – I was just trying to put a bit of context into it.

MR ASPINALL: Do you agree that that makes them a target?

20 MR FELSTEAD: Sorry.

MR ASPINALL: Sorry.

25 MR FELSTEAD: Sorry, Mr Aspinall, to talk over you. I was just trying to put a bit of context into it.

MR ASPINALL: Yes. I'm talking in an abstract level at this point about casinos in general. Do you agree that they are a target for organised crime?

30 MR FELSTEAD: I think - - -

MR YOUNG: Well - - -

35 COMMISSIONER: Yes – just pardon me. Mr Young's microphone seems to be not coming through.

MR YOUNG: No. My – I muted myself rather than unmute.

40 COMMISSIONER: That's all right. Many have tried - - -

MR YOUNG: Commissioner, Mr Aspinall has used phrases like “casinos are a target for infiltration by organised crime”.

45 COMMISSIONER: Yes, yes.

MR YOUNG: And similar expressions, which I don't think that's really what he's suggesting. I mean, it's quite unclear. If what he's suggesting is that players who

gamble may be engaged in money laundering, I mean, that's a different proposition than "infiltrating" the casino. So I do object to the way in which these questions are being put.

5 COMMISSIONER: But there's been a great deal of evidence about this in the Inquiry.

MR YOUNG: I appreciate that.

10 COMMISSIONER: I don't see it as a proposition that's unfair to have a very experienced casino operator and licensee – director of a licensee. I think it is an acceptable process questioning – there has been enormous amount written on this over the years, as you know, Mr Young, and if you have a room that is free of operational control, for instance if – and this has been the subject of evidence, if you  
15 have a room that is not controlled by the casino – and this is not suggested in the question, but it is the case that there have been findings after findings that organised gangs infiltrate those rooms and bring very large bags of very large amounts of money for exchange in chips and it just happens. And I don't think Mr Felstead has any difficulty with these questions. I don't see it as unfair, and I'm going to allow it,  
20 I'm afraid.

MR YOUNG: Yes. Commissioner, just to be clear, I don't have any questions – any difficulty with questions like that either.

25 COMMISSIONER: Yes.

MR YOUNG: That wasn't why I objected. It was that the question wasn't identifying that class of conduct.

30 COMMISSIONER: No, it is a proposition – a proposition to casino operators that they – before we legalised casinos – one of the reasons they didn't legalise casinos in this country was this very thing. And when Sir Laurence Street started it off with his report in 1992 it was seen as the clear danger for our community that organised crime could infiltrate casinos. I think it's a proposition that's not controversial.

35 MR YOUNG: I entirely agree, but - - -

COMMISSIONER: All right. Well, I'm going to allow this line of questioning. I don't see it as unfair. Yes, Mr Aspinall.

40 MR ASPINALL: Mr Felstead, I might go back to the question before.

COMMISSIONER: Perhaps you could ask just the next question, I'd be grateful. Yes.

45

MR ASPINALL: The reason these allegations were serious was because ensuring that organised crime did not infiltrate or become associated with your casino was critical to the question of whether it remained suitable to hold a licence, isn't it?

5 MR FELSTEAD: Well, that's one of the things, Mr Aspinall. It's also about the integrity of our operation which is incredibly important to us.

MR ASPINALL: Exactly. And the integrity of the operation must have been a great concern to you as a member of the board of both those licensee companies.  
10

MR FELSTEAD: When accusations are made against our organisation and – I will say accusations – that is of concern. There's no doubt about that.

MR ASPINALL: Correct. But this is not just an allegation which goes to the nature of how the business is run; it goes to the root of the very suitability of the casinos to continue to hold the licence, doesn't it?  
15

MR FELSTEAD: No, I would not suggest that, no. I think what goes to the suitability of our casino to hold a licence is the way we operate, the procedures we have in place to deal with issues that come up, and do we have the right risk mitigation processes in place, do we have the right AML structures in place, do we have the right compliance structures in place, are we upfront with the regulator, are we in a position where we act with integrity at all times, and I believe that that is the case, Mr Aspinall. I think that's very important – a very important distinction. Have there been at times criminals involved in Crown? I cannot say with any – I cannot say that has not occurred.  
20  
25

There may well be criminals at Crown who have been there, but I would like to think – like to think – I know we have the right procedures in place to identify and act when we know – when these things are brought to bear.  
30

COMMISSIONER: Just pause there for a moment, Mr Felstead. What you're being asked about is the allegations that were made by journalists and the press and, in particular, ABC media organisation in 2014. Those were allegations of a very serious nature. You'd accept that.  
35

MR FELSTEAD: I accept that.

COMMISSIONER: Mr Aspinall.  
40

MR ASPINALL: Now, I assume in the light of the seriousness of those allegations to you, you would have taken urgent action to ensure that those allegations were not true; correct?

45 MR FELSTEAD: That is correct, a review was done on that program.

MR ASPINALL: Yes. Can you tell me what that review was?

MR FELSTEAD: Yes, I can. A review was done by our legal department which is the normal procedure when allegations are made. There was, from memory, and I will – and doing this from memory, there was something – there was 20-odd people – 20-odd people or entities that were raised that were named in that particular  
5 program. Investigations were done. The vast majority had no dealings with Crown Melbourne or Crown Perth for that matter. There were – I think there was a very small number of people who had been customers. Out of that, I think there was one person who we continued to deal with and that was Mr Chau, and that's from my recollection. But there's – whenever these things occur, Mr Aspinall, we do a  
10 review, we investigate, and we look at what the allegations are.

COMMISSIONER: So was that Mr Preston?

MR FELSTEAD: No, back then that wouldn't have been Mr Preston,  
15 Commissioner. That would have been – my understanding that would have been Ms Tegoni.

COMMISSIONER: Mr?

20 MR FELSTEAD: Ms Tegoni. Deb Tegoni.

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

MR ASPINALL: In light of that answer, can I ask you to look at the document at  
25 your tab 33?

COMMISSIONER: Is that exhibit S or a different - - -

MR ASPINALL: Yes. It is an exhibit. You should have a separate bundle, I'm  
30 told, Mr Felstead.

MR FELSTEAD: Yes, I do, Mr Aspinall. 33.

MR ASPINALL: These are documents that have already been tendered,  
35 Commissioner and should be ..... they've been served as part of Crown confidential list 5.

COMMISSIONER: Yes, thank you.

40 MR ASPINALL: Tab 48. For the hearing room only the document ID is CRL.579.012.6032. Do you have that document, Mr Felstead?

MR FELSTEAD: Yes, I do, Mr Aspinall.

45 MR ASPINALL: Is it a table?

MR FELSTEAD: Yes, it is, Mr Aspinall, a Four Corners report.

MR ASPINALL: Yes. If you look through it do you see in the left-hand column the names of various people are listed?

MR FELSTEAD: Yes, I do.

5

MR ASPINALL: And do you see there are various columns then in regards to alleged facts?

MR FELSTEAD: Yes, I do.

10

MR ASPINALL: Primarily from World-Check?

MR FELSTEAD: Yes, alleged facts primarily from World-Check.

15

MR ASPINALL: And then in the final column there's another column called Additional Information?

MR FELSTEAD: Yes.

20

MR ASPINALL: And then if we go through that table, do you agree with me – you can have a chance to look at it – do you agree with me that what appears to have been done is that the names in the left-hand column have been run through World-Check?

25

MR FELSTEAD: That would appear to be correct.

MR ASPINALL: Sorry?

COMMISSIONER: That would appear to be correct.

30

MR FELSTEAD: That would appear to be correct, yes.

MR ASPINALL: And presumably in respect of those World-Check investigations, that nothing adverse has been found because you kept dealing with these people; correct?

35

MR FELSTEAD: That would – yes, that would – I'm assuming that would be the assumption.

40

MR ASPINALL: And in particular you kept dealing with Suncity, didn't you?

MR FELSTEAD: Yes, we did. We – yes, that's correct.

45

MR ASPINALL: What I want to ask you about is this issue: do you remember in the second clip I showed you there was an allegation that Melco Crown did not want to know about links to organised crime. Do you see?

MR FELSTEAD: I recall that allegation.

MR ASPINALL: And the person said:

5           *I've known since the first month I started that a number of junkets are triads.  
This is known by everyone. They say that's the front person, but the owner is  
this guy.*

Do you see?

10

MR FELSTEAD: Was that the anonymous staff member, Mr Aspinall, who made that?

MR ASPINALL: It was.

15

MR FELSTEAD: Yes, I do recall that, yes.

MR ASPINALL: And so assuming that to be correct, when you went to look at the persons through World-Check, wouldn't you be concerned that World-Check would not be picking up the actual people that are unsuitable or that are the criminals because they would be hiding behind somebody else?

20

MR FELSTEAD: No, I would not have made that assumption, Mr Aspinall.

25 MR ASPINALL: So you don't consider that even as a possibility?

MR FELSTEAD: I wouldn't – I wouldn't have made that assumption.

MR ASPINALL: But wasn't that the – one of the serious allegations that were being made in the Four Corners program?

30

MR FELSTEAD: Yes, one of the allegations in the Four Corners program being made was in relation to – they were broad, they mentioned some specific players, as you referred to Suncity. We did investigations in relation to the principal who is – we don't deal with Suncity, we deal with Mr Alvin Chau.

35

MR ASPINALL: Yes.

MR FELSTEAD: We did – sorry, Mr Aspinall.

40

MR ASPINALL: But in effect what the program was saying, or alleging was that Suncity had links to organised crime through its ultimate beneficiary, but it was also alleging that you probably wouldn't find those links by looking at the person who is the front person; correct?

45

MR FELSTEAD: Yes, I believe that's what the program said.

MR ASPINALL: Can I show you this – can I show you a quote from Professor Rose which is INQ.130.003.0034 at 0036. That can be put on the VC, please. That, Commissioner, is exhibit A58.

5 COMMISSIONER: Thank you. Yes.

MR ASPINALL: Do you see, Mr Felstead, that's an article by Professor Rose? Did you happen to watch Professor Rose's evidence before the Inquiry earlier this year?

10 MR FELSTEAD: I – I watched some of them, Mr Aspinall. I may have watched a bit of Mr Rose's – Professor Rose, I should say.

MR ASPINALL: This paper relates to a presentation he gave in Japan last year. Operator, if we could go to 0036. Do you see on the left-hand column of that page,  
15 about halfway down, the second paragraph – third paragraph starts more legal questions.

MR FELSTEAD: I think you'll – sorry, Mr Aspinall, I think you'll need to zoom in,  
20 please.

MR ASPINALL: Sorry, operator, it's on the right-hand column. I'm very sorry. Next to More Legal Questions. Do you see that?

MR FELSTEAD: I can see that, but my box where my face is has obscured part of  
25 that, but I can read the left-hand side. More legal questions.

MR ASPINALL: Professor Rose is saying:

30 *More legal questions. We use the term "undesirable" when we meet somebody we want to keep out from either working in the casino or working with a casino.*

Do you see?

35 MR FELSTEAD: Yes.

MR ASPINALL: He says:

40 *Well, obviously the mob is not going to put up a guy who's been arrested for 12 murders as an applicant.*

Do you see?

MR FELSTEAD: Yes, I do.

45 MR ASPINALL: And that's just commonsense, isn't it?

MR FELSTEAD: I guess if you're a mobster that would be commonsense.

MR ASPINALL: Even though it comes from Professor Rose, it is commonsense because organised criminals are sophisticated operators, aren't they?

5

MR FELSTEAD: Some of them certainly are.

MR ASPINALL: Well, at least you have to assume they are, don't you?

10 MR FELSTEAD: Well - - -

MR ASPINALL: As a casino operator like yourself.

MR FELSTEAD: Until they get caught, they certainly are.

15

MR ASPINALL: The problem with looking at the junket front person is that it's unlikely if the junket is infiltrated by organised crime that the organised criminals will put forward someone who triggers a result on World-Check, isn't it?

20 MR FELSTEAD: Yes, that's making the assumption that the person – the front man is put up by people with nefarious backgrounds.

MR ASPINALL: Well, they would be silly to do so, wouldn't they, because then you would have to reject them.

25

COMMISSIONER: I don't think – I think you're a little at odds. If you just – I think Mr Felstead said that you're making the assumption the person, the front man, is put up by people with nefarious backgrounds.

30 MR ASPINALL: Yes, but that was the allegation being made in Four Corners, wasn't it, that Suncity had links to organised crime, but they weren't the front man?

MR FELSTEAD: That's one of the allegations, yes.

35 MR ASPINALL: And one of the allegations was that you can't just look at the front man.

MR FELSTEAD: That was one of the allegations, correct.

40 MR ASPINALL: Wasn't what you did in response to these allegations to just run a World-Check thing – check on the front people of Suncity?

MR FELSTEAD: Well, I'm not exactly sure what was run at the time, but I can tell you that when we do checks on - - -

45

COMMISSIONER: Just before you go on, just so I can make sure that this is accurate, I think – is it the case that you agree with Mr Aspinall's proposition that the

table that you've looked at is in fact a review of what might be described as the front people, that is, those in charge and put forward as the front of house people in these junkets.

5 MR FELSTEAD: That would be correct.

COMMISSIONER: Thank you. Yes, Mr Aspinall. Mr Aspinall, would that be a convenient time for a short break?

10 MR ASPINALL: Yes, Commissioner, thank you.

COMMISSIONER: Mr Felstead, we will take a 10-minute break and I will adjourn until then.

15 MR FELSTEAD: Thank you, Commissioner.

**ADJOURNED**

**[11.25 am]**

20

**RESUMED**

**[11.35 am]**

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

MR ASPINALL: Thank you, Commissioner. Mr Felstead, we were talking before the adjournment about the allegations which had been made on the Four Corners program regarding Suncity, in particular.

30 MR FELSTEAD: That is correct.

MR ASPINALL: Mr Young's not there, apparently.

35 COMMISSIONER: I see. Well, we'll wait for Mr Young to come back, Mr Felstead.

MR FELSTEAD: Thank you.

40 COMMISSIONER: There's Mr Young. Thank you.

MR ASPINALL: Just to repeat for Mr Young's benefit: Mr Felstead, before the adjournment, do you recall that we were us asking the allegations which had been made against the Suncity junket, in particular?

45 MR FELSTEAD: That's correct, yes.

MR ASPINALL: We can't hear you, Mr Felstead.

MR FELSTEAD: Sorry. Can you hear me now, Mr Aspinall?

COMMISSIONER: I think you've muted – somehow, been muted I'm sorry.

5 MR FELSTEAD: I'm green.

COMMISSIONER: That's better. No. We can hear you now, Mr Felstead. Thank you very much.

10 MR FELSTEAD: Great. Thank you.

MR ASPINALL: Did you hear my – did you hear my question, Mr Felstead?

15 MR FELSTEAD: If you – sorry. Could you please repeat that, Mr Aspinall.

MR ASPINALL: You recall that, before the adjournment, we were discussing the allegations that had been made on the Four Corners program regarding, in particular, the Suncity junket?

20 MR FELSTEAD: Yes, I do.

MR ASPINALL: And you'd agree that, in response to that allegation, you'd asked for an investigation which, I think we agreed, consisted off some World-Checks on persons named in that program.

25 MR FELSTEAD: Yes, that would appear to be the primary source of checking.

MR ASPINALL: Now, Mr Felstead, I wanted to ask you this: by the time this allegation was made, you were the CEO of Australian Resorts; correct?

30 MR FELSTEAD: That's correct, yes.

MR ASPINALL: And you'd been in the casino industry for decades by this time, hadn't you? Because you had started as a teenager.

35 MR FELSTEAD: Not quite. But, yes, since '87 – '85 actually, I've been in the business.

40 MR ASPINALL: And you'd worked your way up through the casinos, starting in Queensland and then moving around through the cage and up to your position as CEO?

MR FELSTEAD: Yes. I start – I started as a cashier, Mr Aspinall.

45 MR ASPINALL: Yes. And like in any industry, in the casino industry, isn't the best way of attaining information to talk to people?

MR FELSTEAD: That's certainly a – that can certainly be a valuable source of information.

5 MR ASPINALL: And, in fact, isn't talking to people one of the key elements of your role as the CEO at Crown Resorts?

MR FELSTEAD: Yes, I talk to numerous people, Mr Aspinall, on a daily basis.

10 MR ASPINALL: Yes, you do it constantly. It's part of your role, isn't it?

MR FELSTEAD: Yes, it is.

15 MR ASPINALL: That includes your customers, your business partners, people on the ground; is that right?

MR FELSTEAD: I talk to – yes. I try and be as accessible as possible to – certainly, to the staff, Mr Aspinall.

20 MR ASPINALL: What I wanted to ask you is, in respect of the allegations which had been made on 60 Minutes, rather than asking your staff to investigate it, ultimately, by way of a World-Check, wouldn't the best way of obtaining information on what was actually going on to talk to people? For example, your sales team in Asia? Yes?

25 MR FELSTEAD: Yes, yes, that is one source of information.

MR ASPINALL: To the people at the Hong Kong Jockey Club who had made the allegations about Suncity?

30 MR FELSTEAD: We did – we did talk to the people at Hong Jong Jockey Club, Mr Aspinall.

MR ASPINALL: And to law enforcement agents?

35 MR FELSTEAD: Yes, we – we have. We do speak to law enforcements agents – agencies on a regular basis, Mr Aspinall.

40 MR ASPINALL: And to other customers who might know something about these allegations; correct?

MR FELSTEAD: I don't recall speaking to any customers in relation to these allegations, Mr Aspinall.

45 MR ASPINALL: Well, wasn't the allegation that was made on 60 Minutes that people inside the casino business, whatever the front is put up by the organisation, are the sort of people who know what's actually going on?

MR FELSTEAD: I don't recall that specific allegation. I mean, I'm assuming it was correct.

5 MR ASPINALL: Well, the allegation which was made by the insider who gave evidence anonymously – do you remember - - -

COMMISSIONER: Gave the interview.

10 MR ASPINALL: Yes, gave the interview.

MR FELSTEAD: Sorry, I thought you were referring to 60 Minutes.

MR ASPINALL: Was that:

15 *I'd known since the first month I started that a number of junkets are triads. This is known by everyone – everyone supervisor, every pit manager, every shift manager.*

See?

20

MR FELSTEAD: I do. Apologies, I thought you were referring to 60 Minutes.

MR ASPINALL: Wasn't that – wasn't that person pointing the way to the sort of people you should be talking to about this?

25

MR FELSTEAD: I – I did not draw that connection at the time, Mr Aspinall.

MR ASPINALL: But it must have been obvious to you, Mr Felstead, because you had worked your way up through those levels, hadn't you? You had been in casinos for decades.

30

MR FELSTEAD: Yes, I had been in casinos for decades.

MR ASPINALL: And if you want to know things about what's happening in the casino and the customers, wouldn't you talk to your people?

35

MR FELSTEAD: Well, we talk to our people regularly. And if our staff have concerns with a customer we would – that does get brought to our attention.

40 MR ASPINALL: I'm not talking about the reporting up from your people. I'm talking about you descending into your people and asking them for information on the allegations which had been made which were serious.

MR FELSTEAD: Yes, I did not go and canvas our staff in relation to the allegations.

45

MR ASPINALL: But wasn't that the obvious thing to do, Mr Preston, if you wanted to know the truth?

5 MR FELSTEAD: I – no. I don't – I don't think it's as simple as that, to be quite frank, Mr Aspinall. I think you need to get a variety of information from a variety of sources when it comes to – whether it's 60 Minutes allegations or any allegations, I don't think it's as simple as just talking to the staff.

10 MR ASPINALL: Well, it may not be as simple as talking to the staff, but doing a World-Check investigation on them is not going to be much use either, is it?

15 MR FELSTEAD: Well, I think it certainly provides information for us. And, as we're doing now, we do World-Check, we do Dow Jones – there's lots of checks we do now. The scrutiny we have in relation to these customers has increased dramatically, yes, over the – over many, many years.

MR ASPINALL: Another thing you could have done, wasn't it, Mr Felstead, was to go to the regulator.

20 MR FELSTEAD: In relation – sorry. You're talking in relation to the 60 Minutes allegations or the Four Corners ones?

MR ASPINALL: Four Corners.

25 MR FELSTEAD: Yes.

MR ASPINALL: Going back to High Roller – High Risk?

30 MR FELSTEAD: I'm not sure - - -

MR ASPINALL: Allegations had been made that you were potentially dealing with an organisation which have links to organised crime; correct?

35 MR FELSTEAD: Correct, yes.

MR ASPINALL: Wouldn't something you have – could have done be to go to the regulators in Western Australia and Victoria and ask for their assistance to ensure that wasn't true?

40 MR FELSTEAD: Normally, the regulator will come to us in those particular circumstances, Mr Aspinall, and ask us to - - -

45 MR ASPINALL: But why? Why, Mr Felstead? The regulator is there, aren't they, to protect you, as a casino, from infiltration by organised crime. That's why the regulator exists, doesn't it?

MR FELSTEAD: That's – yes, that's a very key part of that.

MR ASPINALL: So why wouldn't you, as a casino, go and seek their help to ensure that wasn't true and that you didn't become infiltrated by organised crime?

5 MR FELSTEAD: Well, as I said, the regulator, if – I would expect if the regulator knew information that we didn't in relation to a particular activity that's going on at Crown, we would – they would let us know. That would be the responsible thing from a regulator's perspective.

10 MR ASPINALL: So you, as a CEO, are, on hand – I'm sorry, Mr Felstead. As the CEO, you're relying upon your people to report up to you what they know in respect of a particular allegation or whether a junket is connected to organised crime and, at the same time, you're relying upon the regulator to come to you if it has concerns rather than the opposite flow?

15 MR FELSTEAD: Yes. I don't think - - -

MR ASPINALL: You going to them and asking; is that right?

20 MR FELSTEAD: I'll clarify the bit about the staff. When allegations occur, I do talk, and we do talk to staff who may be aware of the customer; they may know things about them; they may have dealt with them. We do talk to those staff. We did with the 60 Minutes allegations, we spoke to staff involved with that, so that process does occur.

25 MR ASPINALL: And another thing could you have done, in relation to these allegations, was to engage an investigator in Asia, couldn't you, to look into these allegations and see what they could find?

30 MR FELSTEAD: Yes, that could have been a course of action.

MR ASPINALL: Someone along the lines of the fellow Mr Boucher who gave evidence about the triads and Charles Heung Wah-Keung?

35 MR FELSTEAD: Yes, that could have been a course of action.

MR ASPINALL: Well, wouldn't that have been a sensible course of action?

40 MR FELSTEAD: In hindsight, it may have been. I mean, we need – we try and we strive to get as much information on our customers as possible. And there's processes in place we have now where we're looking at external companies. We use third parties to help us with this information on customers. We are striving to get better at this.

45 COMMISSIONER: But when you say "third parties", I suppose it's a situation that, if you do engage third parties, you're able to say as a company, "We are, in fact, trying to get to the bottom of these allegations." I mean, that's one thing, isn't it, Mr Felstead?

MR FELSTEAD: That is correct, yes.

5 COMMISSIONER: And I think Mr Aspinall's suggestion that you might have an investigator look at this would mean that you would then depend upon that person to have the integrity to ensure that they did the proper investigation to provide the information to you?

MR FELSTEAD: Yes, that would be a fair assumption, Commissioner.

10 COMMISSIONER: And when you said you're getting better at this, I suppose, is this right: you accept that it's necessary to look for more modern ways to ensure that the company is, in fact, informed about not only the front man, but those behind the front man, to use – I know it's not gender-neutral – but that seems to be the case at the moment.

15 MR FELSTEAD: Yes.

20 COMMISSIONER: And you need to look behind that person to ensure that the things that were said about your company in the press are properly investigated before one goes on the front foot to say it's all rubbish; that's right, isn't it.

25 MR FELSTEAD: I would agree with the premise that we need to continue with the – with an improvement process in relation to this. We need technology. We need to get better. I think that would be a – sorry to interrupt, Commissioner. Think that would be the case across the casino business, who deal with customers, who deal with junkets. We all need to do it – we all need to try and get as much information as we can. And sometimes information isn't available to us, Commissioner. If we can get more information - - -

30 COMMISSIONER: That's where the vulnerability is, I suppose.

MR FELSTEAD: - - - the better decisions we make. I beg your pardon, Commissioner?

35 COMMISSIONER: Where the information isn't available to you, that's where a vulnerability is, isn't it?

MR FELSTEAD: It can be.

40 COMMISSIONER: And just on the topic of dealing with junkets, the junket arrangements that you've entered into in both Perth and Melbourne as a licensee are with individuals, as I understand it; is that right?

45 MR FELSTEAD: That's correct. We have one – we had one corporate junket in Perth, but they are with individuals.

COMMISSIONER: Yes. Thank you. Yes. I'm sorry to interrupt, Mr Aspinall.

MR ASPINALL: Thank you, Commissioner. Do you remember that one of the – the insider from Crown on the Four Corners program had suggested that Melco Crown did not want to know about the links to organised crime.

5 MR YOUNG: Now, look, I do object to that question.

COMMISSIONER: Yes.

10 MR YOUNG: My note of the statement was he was from Melco Crown, and he said that junkets do not want to know who their customers are or what links the customers may have.

COMMISSIONER: Mr Aspinall.

15 MR YOUNG: It wasn't saying at any point that Melco Crown did not want to know.

MR ASPINALL: It may be useful to look at the transcript of that - - -

20 COMMISSIONER: Yes. All right.

MR ASPINALL: - - - interview.

COMMISSIONER: Yes, all right.

25

MR ASPINALL: If I could have a moment to just look that up.

COMMISSIONER: Yes, of course.

30 MR ASPINALL: It's INQ.100.010.0956.

COMMISSIONER: Thank you. If you could bring that up, please, operator, on the live stream. Yes.

35 MR ASPINALL: If we just scroll down to find the particular - - -

COMMISSIONER: 0962, please, operator. And the portion?

MR ASPINALL: 0965, I'm told.

40

COMMISSIONER: 0965. Yes?

MR ASPINALL: Do you see – are you able to view this, Mr Young?

45 MR YOUNG: Not unless it's zoomed in on.

MR ASPINALL: We can put - - -

COMMISSIONER: I will do that, Mr Young.

MR ASPINALL: We can do that. Do you see, operator, the paragraph that starts:

5           *Former Melco Crown executive –*

No.

COMMISSIONER: Up the top.

10

MR ASPINALL: Up the top.

COMMISSIONER: The second paragraph.

15 MR ASPINALL: The first paragraph. It's the first instance.

COMMISSIONER: You will have to take it back one - - -

MR ASPINALL: I think, take it back – if we take the first half of the page.

20

COMMISSIONER: Second paragraph. It says:

*Now a former executive –*

25 Yes. I think, Mr Young, there may be just a misunderstanding of what was said.  
Yes. Mr Aspinall, you may put the question again.

MR ASPINALL: Mr Felstead, do you remember in the clip that we watched, we  
30 saw the insider from Melco Crown indicate that the company did not want to know  
about links to organised crime?

MR FELSTEAD: Correct. Yes.

MR ASPINALL: Now, Mr Felstead, was that the case at Crown when you were  
35 there?

MR FELSTEAD: That Crown did not want to know about organised crime? Is that  
what you're suggesting?

40 MR ASPINALL: Not know – did not want to know about links of the junkets to  
organised crime?

MR FELSTEAD: No. No, that's – that wouldn't be the case at all, Mr Aspinall.

45 MR ASPINALL: I want to suggest to you, Mr Felstead, is that if you did want to  
know about links to organised crime, you would have taken the steps that I suggested  
to you, wouldn't you?

MR FELSTEAD: I believe the steps we take in relation to the probity around junkets and individuals is extensive and to the best of our – to the best available information we have, including visa process to get into the country in the first place.

5 MR ASPINALL: But in respect of the visa processes, didn't we just see in the earlier documents, that Crown itself was assessing the suitability of those persons?

MR FELSTEAD: Crown does not approve visas.

10 MR ASPINALL: No, but it was doing the background checks on it, wasn't it? Weren't they?

MR FELSTEAD: No. I would have to disagree.

15 MR ASPINALL: Isn't that what we saw in these documents?

MR FELSTEAD: I would have to disagree with that assertion, Mr Aspinall. The government - - -

20 MR ASPINALL: But if that were the case, Mr Felstead and Crown itself were doing the background checks on the applicants, what comfort could Crown take from that?

MR FELSTEAD: Crown does not approve the visa – a visa for a customer. The  
25 government does that. We have had visas for many - - -

MR ASPINALL: Can you answer the question that I asked you, though, Mr Felstead. Do you want me to repeat it?

30 MR FELSTEAD: Please.

MR ASPINALL: If Crown itself was conducting the background on applicants for visas from China which was then submitted to the department for approval or rejection, what comfort could Crown take from the fact that they were approved?  
35

MR FELSTEAD: The comfort we would take is the visa – the people doing the visa approvals, as in, the government, they would have their own processes in the – in the verification. We had numerous visas - - -

40 MR ASPINALL: Wouldn't you expect they would rely upon the background check that Crown itself was conducting?

MR FELSTEAD: That would be one element of it, Mr Aspinall, but that's not the final decision-maker. They would clearly have their own process - - -  
45

MR ASPINALL: And wasn't Crown itself providing letters of support for those people.

COMMISSIONER: Just pause. Just pause, Mr Aspinall.

MR YOUNG: Can Mr Felstead finish his answers, please?

5 COMMISSIONER: I've just asked that to happen.

MR YOUNG: Thank you.

COMMISSIONER: Yes, Mr Felstead, please proceed.

10

MR FELSTEAD: Thank you, Commissioner. The point I was making is if Crown provides a letter of support for a customer, that doesn't automatically mean it's going to get approved. We had numerous – numerous applications refused. That really is bringing into question the integrity of the people processing the visas, from a  
15 government perspective. And that's – I would find that a – an astonishing thing to say. And that's – the other thing too, that's also assuming that every single customer that has visited Crown from overseas has gone through the process in Guangzhou, which wasn't the case. We have customers from Asia – all over Asia. It would go through a visa process – a normal visa process – which wasn't fast-tracked and I  
20 really think that's a – I really have to strongly disagree with that, Mr Aspinall.

COMMISSIONER: Thank you, Mr Felstead.

25

MR ASPINALL: Thank you, Mr Felstead. I think I need to put to you one final time that if you were serious about finding out about links of junkets to organised crime, you would have taken the steps I suggested to you, wouldn't you, which would be to talk to people on the ground, talk to the regulator to engage an investigator in Asia; do you agree with that?

30

MR FELSTEAD: Mr Aspinall, I will answer in a way you won't like. We are – we have comprehensive processes and checks in relation to our dealings with individuals, whether they be premium players, whether they be junkets, and that process is improving as we speak. We want to get – we want to do the best possible job we can in relation to this, as do all casinos. That is a common theme.

35

MR ASPINALL: But doesn't that answer stand in distinction to what I just raised with you, which is if you really wanted to know whether they were linked to organised crime you would have done – taken the steps that I suggested, and you didn't in this case.

40

MR FELSTEAD: We are very, very – it is very important for Crown that we deal with people in a correct manner. We want the right people here and our processes and our policies and our procedures and our actions support that. Can we get better at it? Yes, we can. We want to get better at it, and part of what I'm hoping comes  
45 out of this commission – this Inquiry, I should say, is that there will be things which are identified which will improve this process for not just Crown, but for all casinos

in Australia when it comes to junkets, whether it be a licensing regime, whatever it may be.

5 COMMISSIONER: Mr Felstead, thank you. I understand what you've just said, but these allegations have dogged the company from 2014 and then in '16 and then last year and that's why, in part, this Inquiry has been set up, and what Mr Aspinall is asking you about is the investigations that were made in 2014 when at least the ABC, or the program that was aired, made the serious allegations of these connections. I think from what you've said to me I would be able to conclude that you accept that  
10 what happened then, that is, the six years ago, could very much be improved upon. Is that what I could conclude from your answer?

15 MR FELSTEAD: That is exactly right, Commissioner. It was a very – I probably said it quite clumsily, but that is exactly the point I was trying to make.

COMMISSIONER: No, no. Not at all. But in 2014 when the processes seemed to have at least started in earnest in the public media, the allegation of a connection to organised crime and then later on and then last year, over that time, as I apprehend what you're saying to me is that you want to improve the company's assessments  
20 and some of the things that Mr Aspinall has suggested to you might well be the things that you might take up. Is that right?

MR FELSTEAD: They may well be, Commissioner. They may well be.

25 COMMISSIONER: And so far as any links to organised crime is concerned, and if I could just go back to one aspect, I think it is the case that you, as a director of a company that's a licensee of a casino – or two casinos so far, you would accept, wouldn't you, that the 24-hour a day, high cash turnover, high cash input, is a very ripe place for criminals to enter. Would you agree?

30 MR FELSTEAD: I would assert that that – yes, we always have to be on guard and on our toes, and we have to have - - -

35 COMMISSIONER: That's not what I'm asking you. I'm asking you as a director of a licensee of a casino, do you or do you not accept that the 24-hour a day service, with very large amounts of cash money, is like bees to a honey pot for criminals, or not?

40 MR FELSTEAD: I – that's – it's a very hard yes or no answer for me to give, Commissioner. I think there are a lot of - - -

COMMISSIONER: Really?

45 MR FELSTEAD: It is. I mean, if I say – if I say yes, if I say no – it's – it's a difficult one because there are elements in the casino, and there have been for many, many years, that may not be the right people we would like to see there. And are we

trying to improve our processes around this thing, whether it be transaction monitoring - - -

5 COMMISSIONER: That's not the question. That's not the question.

MR FELSTEAD: I know - - -

10 COMMISSIONER: That's not the question, Mr Felstead. I'm asking you, as a director of two companies that hold licences to operate casinos in this nation whether you do or you do not accept, as was put to you a little earlier, that casinos are vulnerable to the infiltration of organised crime. Do you accept that proposition?

15 MR FELSTEAD: I would accept the proposition casinos without controls can be vulnerable to organised crime.

COMMISSIONER: All right. So once you have that vulnerability you accept that then controls need to be in place. I think that's what you're telling me.

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

COMMISSIONER: But as a proposition you do accept as a director of a casino – a director of a company who holds a casino licence that your businesses are vulnerable to the infiltration of that crime.

25 MR FELSTEAD: They can be without the proper processes in place.

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

30 MR ASPINALL: Now, Mr Felstead, we were talking about the allegations against Suncity which had been made in the High Rollers – High Risk? program which I think aired in September 2014, do you remember?

MR FELSTEAD: Yes, I believe so.

35 MR ASPINALL: And Mr Alvin Chau was associated, or the head of that junket, wasn't he?

MR FELSTEAD: Mr Alvin Chau, yes, he – he runs the junket at Crown.

40 MR ASPINALL: Yes. Now, at the time that the 60 Minutes – the Four Corners program ran, did you know Mr Chau?

MR FELSTEAD: In 2014? I don't recall meeting him by then. I had met Mr Chau, though. I do know Mr Chau, but I can't recall whether it was in 2014.

45 MR ASPINALL: Do you recall having met Mr Chau before the Four Corners program aired?

MR FELSTEAD: I don't – I don't recall that.

COMMISSIONER: I'm sorry?

5 MR FELSTEAD: I don't recall that.

MR ASPINALL: You don't recall?

MR FELSTEAD: I have met Mr Chau, definitely, but I don't recall then.

10

MR ASPINALL: Do you recall that you met him the following month?

MR FELSTEAD: No, I – I can't – I can't put a date together in relation to that, Mr  
Aspinall.

15

MR ASPINALL: Don't you recall that you met him on 19 October 2014 at the  
opening of the Suncity VIP room at Crown Melbourne?

MR FELSTEAD: Okay. Yes, I definitely would have met him there. I didn't put  
20 those two dates together.

MR ASPINALL: But you accept that is correct.

MR FELSTEAD: I was at the opening of the Suncity Room and if that was the date  
25 it was – sorry, I was at the opening of the Suncity Room and if that's the date it was,  
I completely accept that.

MR ASPINALL: And at that occasion you had close contact with Mr Chau and  
spoke to him, didn't you?

30

MR FELSTEAD: I don't recall, but I'm sure I would have.

MR ASPINALL: Could we bring up - - -

35 COMMISSIONER: Yes, he's already said that he's sure he would have.

MR ASPINALL: He's sure he would have. And wasn't that occasion at least an  
opportunity for you to ask Mr Chau whether these allegations were true or not?

40 MR FELSTEAD: It may well – it may well have been. I don't recall doing that,  
though, but it may well have been.

MR ASPINALL: And did you?

45 MR FELSTEAD: As I said I don't recall doing that.

MR ASPINALL: But why not?

MR FELSTEAD: I didn't – I didn't think to at the time.

MR ASPINALL: But as the CEO of the casino, aside from the fact that Crown wanted to do business with Suncity, if in fact Suncity was linked to organised crime,  
5 Crown couldn't do business with it, could it?

MR FELSTEAD: If we made an assessment that Mr Chau was not a fit and proper person to do business with we wouldn't have done business with him, but we did make an assessment on Mr Chau based on numerous things and decided he was a fit  
10 and proper person to do business with, and we have done to this day.

MR ASPINALL: My question wasn't about Mr Chau, it was about Suncity. The allegations the month before had been about Suncity, do you remember?

15 MR FELSTEAD: Yes, I do.

MR ASPINALL: And the opening you went to was the opening of the Suncity VIP room. It wasn't Mr Chau's room, wasn't it?

20 MR FELSTEAD: Mr Chau was the junket operator who we did our due diligence on.

MR ASPINALL: But it was the Suncity Room, wasn't it?

25 MR FELSTEAD: It was branded the Suncity Room.

MR ASPINALL: And you know full well that it wasn't Mr Chau; it was the Suncity Room.

30 MR FELSTEAD: It was the Suncity Room and Mr Chau was the operator we did the due diligence on.

MR ASPINALL: And the allegations which had been made was that Suncity had links to organised crime; correct?  
35

MR FELSTEAD: That was the allegation, yes.

MR ASPINALL: And you met with Mr Chau at that occasion and you didn't ask him whether those allegations were true.  
40

MR FELSTEAD: I don't recall asking him if those allegations were true or false.

MR ASPINALL: Do you think there's some doubt about it?

45 MR FELSTEAD: No, I – I recall – I recall the function. I don't recall having a conversation with him about this particular point.

MR ASPINALL: If you had had that conversation, surely you would remember it.

MR FELSTEAD: Well, I may well have. I just don't recall having a conversation with him about it. If I did, I probably would remember it.

5

MR ASPINALL: Isn't it true that you needed to know whether Suncity had links to organised crime because if it did Crown couldn't do business with it. Do you accept that?

10 MR FELSTEAD: Mr Chau – we dealt with Mr Chau and we did our due diligence on Mr Chau.

MR ASPINALL: Sorry, Mr Felstead. Is the proposition you're putting that if it was established that Suncity had links to organised crime but there was nothing  
15 established about Mr Chau, that you would continue to do business with Mr Chau on behalf of Suncity? Is that the proposition you're putting?

MR FELSTEAD: That's not the proposition at all. I'm just stating a simple fact.

20 MR ASPINALL: Can you explain to me why you keep coming back to Mr Chau when the allegations were about Suncity?

MR FELSTEAD: Because Mr Chau was the person we were dealing with. Mr Chau was the person we had the arrangement with. And we did our due diligence on  
25 Mr Chau.

COMMISSIONER: What Mr Aspinall is really asking you about is your concern – whether you had a concern after the program the previous month, which suggested that the Suncity name was that which was connected to organised crime and you  
30 were opening a room – a special room within your casino with that label, Suncity. You understand that, Mr Felstead?

MR FELSTEAD: Yes, I do, yes.

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

MR ASPINALL: Is it the case, Mr Felstead, that you didn't ask Mr Chau about those allegations because you didn't want to know the answer?

40 MR FELSTEAD: No, that – that would not be the case at all.

COMMISSIONER: It would be a very difficult conversation, I presume, to have with someone. Have you ever had a conversation of that ilk with any of your junket operators?  
45

MR FELSTEAD: I have had – probably not in relation to those sort of matters. I've had some difficult conversations with customers, but - - -

COMMISSIONER: No, but I'm asking you about this particular topic. I would find it very interesting to know how one would go about asking a junket operator if they're connected to organised crime, I must say, but there could be a conversation about a connected allegation to a television program, but you don't have a  
5 recollection of talking about the television program with Mr Chau?

MR FELSTEAD: No. No, I don't, Commissioner. I don't. And I would have satisfied - - -

10 COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: If you didn't speak to Mr Chau about it, it would have been open to write to him or to Suncity enclosing a transcript of the allegations and asking them to provide you with the information which established that they weren't true,  
15 wouldn't it?

MR FELSTEAD: That may well have been a good course of action to take.

MR ASPINALL: Like, for example, who was the ultimate beneficiary of Suncity.  
20

MR FELSTEAD: Well, as – as I keep referring to, Mr Aspinall, we did our due diligence on the person we dealt with, which was Mr Chau.

MR ASPINALL: But wasn't Mr Chau the very front man that the Four Corners program had warned about?  
25

MR FELSTEAD: Mr Chau has operations – does business operations in many, many casinos. He gets – he has a visa to get into the country at the time, he has a long history with casinos. This particular group are one of the largest junkets in the world. We've done more due diligence on Mr Chau than any other customer in recent times, and - - -  
30

MR ASPINALL: If Mr Chau was the front man all that due diligence is worthless, wasn't it?  
35

MR FELSTEAD: Well, the due diligence we do – we also do third party due diligence as well, Mr Aspinall, which will look at things such as associates and the like. And we're doing – and we continue to do this. This is not – this is continuous process for us. As it is with many other casinos.  
40

COMMISSIONER: Is the Suncity Room still open?

MR FELSTEAD: The Suncity Room, that's just used as a casual junket now. So there's no Suncity Room per se.  
45

COMMISSIONER: Is it still open?

MR FELSTEAD: Well, it's – the property is shut, Commissioner. It's - - -

COMMISSIONER: Yes, it's shut because of COVID.

5 MR FELSTEAD: That's correct, yes.

COMMISSIONER: And the one in Perth is also shut, is it?

10 MR FELSTEAD: We don't have – we don't have any junket presence in Perth at the moment, Commissioner.

COMMISSIONER: And prior to that I presume that the Suncity Room, as I've heard, was that moved to a different location?

15 MR FELSTEAD: Yes, it was. It was moved to a different location to give us additional security checks on entry, then it was moved back to the location as a casual junket. So there's no fixed presence for that particular group or Mr Chau at the moment.

20 COMMISSIONER: The name came off, did it?

MR FELSTEAD: The name is only used when there's someone in there.

25 COMMISSIONER: So the name stays on if – or stayed on when someone was in there - - -

MR FELSTEAD: If it's identified there's someone – if there's someone playing under that particular junket.

30 COMMISSIONER: Yes, Mr Aspinall.

MR ASPINALL: Mr Felstead, we didn't watch a clip of this, but I want to take you to another part of the transcript of High Rollers – High Risk?, if you don't mind.

35 MR FELSTEAD: Certainly.

MR ASPINALL: Have you still got that on the screen? If we could go, operator, please, to 0963. And about halfway down the page there is a – a line that starts:

40 *Linton Besser: There are others, too.*

COMMISSIONER: Yes.

45 MR ASPINALL: Do you see that, Mr Felstead?

MR FELSTEAD: A little bit bigger, please, Mr Aspinall.

COMMISSIONER: Yes, we will make it a little bigger, please, operator.

MR FELSTEAD: Thank you. That's better, yes.

5 MR ASPINALL: Do you see the allegation is being made there that the Neptune junket is highly controversial because one of its backers is Cheung Chi Tai.

MR FELSTEAD: Yes, I do.

10 MR ASPINALL:

*Though he was never charged he was named as recently as 2011 in a Hong Kong High Court trial as a triad boss and a mastermind in a murder conspiracy.*

15

Do you see?

MR FELSTEAD: I read that, yes.

20 MR ASPINALL: You would have been aware of that allegations at the time, because you watched the program.

MR FELSTEAD: I watched the program. At the time I would have been aware. I don't remember it now but that was a long time ago.

25

MR ASPINALL: And at that time wasn't Crown dealing with the Neptune junket?

MR FELSTEAD: My understanding of the Neptune junket was we were dealing with individuals. Neptune was a junket that operated out of Macau and we would deal with individual junket operators who were coming in under the banner of Neptune, for want of a better description.

30

MR ASPINALL: But although you were dealing with individual operators, because that's what you must do, correct, you knew those operators were associated with the Neptune junket, didn't you?

35

MR FELSTEAD: Yes, there would have been that connection there.

MR ASPINALL: And so in this case the allegation is that Cheung Chi Tai was one of the backers of the Neptune Group.

40

MR FELSTEAD: That's an allegation, yes.

MR ASPINALL: And that the allegation was that he had actually been convicted – he was never charged, he was named in the High Court as a triad boss and mastermind which is something you could have verified.

45

MR FELSTEAD: Yes, I – I imagine we could have.

MR ASPINALL: And as for the Suncity allegation, did you do anything in terms of investigations of this allegation beyond the World-Check exercise that you undertook  
5 with Suncity?

MR FELSTEAD: I don't recall at the time. We may have. I – I don't recall.

MR ASPINALL: Was Cheung – was the Neptune Group, to your knowledge,  
10 associated with the Guangdong Club?

MR FELSTEAD: I'm familiar with the term Guangdong club. I don't recall if it was Neptune though I am familiar with the group with the name Guangdong Club.

MR ASPINALL: Wasn't the Guangdong Club one of the arms of the Neptune  
15 junket?

MR FELSTEAD: It could have been, Mr Aspinall. I can't – I don't actually – I – I don't actually know that with absolute certainty, but I am familiar with the title  
20 Guangdong Club.

MR ASPINALL: But you're not aware whether there's a link between Guangdong Club and the Neptune Group.

MR FELSTEAD: I couldn't say definitively, Mr Aspinall. It could be, I just can't say definitively.  
25

MR ASPINALL: Were you aware that the Guangdong Club was one of the platform junkets?  
30

MR FELSTEAD: There was a number of platform junkets.

MR ASPINALL: Yes.

MR FELSTEAD: Yes, it – look, it – I'd have to check my paperwork. It may well have been. Once again, I couldn't – I can't say definitively. If it was in the paperwork that would have been the case.  
35

MR ASPINALL: What about Nicholas Niglio?  
40

MR FELSTEAD: Yes, I'm aware of Nicholas Niglio.

MR ASPINALL: What do you know about his association with the Neptune Group?  
45

MR FELSTEAD: My understanding of Mr Niglio was he was – he held a senior position within the Neptune Group in Macau. I – yes, I’m not sure it was CEO but that’s my understanding he held a senior position with the Neptune Group in Macau.

5 MR ASPINALL: Yes. And to your knowledge was Mr Niglio associated with the Guangdong Club?

MR FELSTEAD: I don’t know that association, but we did run – we did run a junket – Nick Niglio junket at Crown.

10

MR ASPINALL: Yes. So you are in no position to either confirm or deny the association between Mr Niglio and the Guangdong Club.

15 MR FELSTEAD: Not with the Guangdong Club, but definitely Mr Niglio and Neptune.

MR ASPINALL: Yes. And in respect of that association between Mr Niglio and Guangdong Club, who would be the person who could tell us about that association?

20 MR FELSTEAD: That would – oh. I’m trying to think back in – back then. Mr Theiler might know, Ms Maguire might know; some of the operational people would have a better understanding of that than me.

25 MR ASPINALL: Mr O’Connor?

MR FELSTEAD: Mr O’Connor – I would imagine Mr O’Connor would have known that.

30 MR ASPINALL: But he wouldn’t be your first choice; is that - - -

MR FELSTEAD: Probably Mr O’Connor was – he was probably – he was – he was at a senior level. He probably wouldn’t know the customers as well as some of our other people.

35 MR ASPINALL: Would you just excuse me for a moment?

40 COMMISSIONER: Yes. Mr Felstead, the evidence so far establishes that one of the platform junkets that Mr Chen was speaking about in China was in place in about early 2015. Had you had any discussions with Mr Chen in the platform junket program that was being put together?

MR FELSTEAD: I had discussions with Mr Chen about the – about the – I guess the theory behind the platform junkets, but not in relation to the individual junkets.

45 COMMISSIONER: The documents that have been provided and are in evidence demonstrate that, of those eight platform junkets one or two of them have been the

subject of the claims made in these media allegations the previous year. You understand that.

MR FELSTEAD: Yes, that may well be the case, Commissioner.

5

COMMISSIONER: And so in 2015 when the promotion of the platform junket arrangements were being done, or the promotion was being done, so far as you're aware you don't know whether any investigation was made of these allegations vis-à-vis the Neptune Group; is that right?

10

MR FELSTEAD: Yes, I'm not – not aware of that, Commissioner.

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

15 MR ASPINALL: Mr Felstead, just to finish off this issue of Mr Niglio and the relationship between the Guangdong Club and the Neptune junket, if I could ask you to assume that a VIP strategy – sorry, a VIP international strategy workshop paper from April 2016 said in part, in relation to platform junkets “Guangdong Club” and then in parentheses “(NN junket)” would that assist you in respect of the association  
20 between Mr Niglio and the Guangdong junket?

MR FELSTEAD: It certainly could, Mr Aspinall, yes.

25 MR ASPINALL: And to your understanding would that indicate NN would indicate Nicholas Niglio?

MR FELSTEAD: I think that would be a – that would be a reasonable assumption to make. I can't think of any other customers with NN.

30 MR ASPINALL: In respect of that junket, was that the way in which the junket was referred to at Crown itself, the Nicholas Niglio junket?

35 MR FELSTEAD: I think it may have been referred to Nick Niglio or Neptune. I probably wasn't – I wasn't that close to it, but that would be my understanding.

MR ASPINALL: Yes, and so the connection – from Crown's point of view the operator was Mr Niglio?

40 MR FELSTEAD: Yes, that was my understanding.

MR ASPINALL: So within Crown it was referred to by the operator's name rather than, for example, Guangdong Club or Neptune. Is that right?

45 MR FELSTEAD: Generally – no, no, it was quite often referred to as – it could have been referred to as Neptune. It could have been referred to as – that sort of thing is a – I guess an operating name for want of a better word.

COMMISSIONER: Yes, thank you.

MR ASPINALL: Thank you. Mr Felstead, can I show you a document from the –  
your folder which has exhibit S in it.

5

MR FELSTEAD: Is that the one we've been working off recently, Mr Aspinall?

MR ASPINALL: We looked at it very early in the piece.

10 MR FELSTEAD: The very first one.

MR ASPINALL: Yes.

MR FELSTEAD: This one with the 16 tabs?

15

MR ASPINALL: Yes, and it's tab 15 that we'd like to look at.

MR FELSTEAD: I have that in front of me now.

20 MR ASPINALL: I just have to find it myself, Mr Felstead. Can it be brought up for  
the hearing room, please, only; it's CRL.527.001.1969. Does your version of the  
document start "re more info on Neptune", Mr Felstead?

MR FELSTEAD: Yes, it does. Yes, Mr Aspinall.

25

MR ASPINALL: Do you see that's an email from October 2015.

MR FELSTEAD: Yes, I do.

30 MR ASPINALL: And you are responding to an email that came via Howard  
Aldridge to Jason O'Connor.

MR FELSTEAD: Yes, I am.

35 MR ASPINALL: And Mr Aldridge got it from Mr Pearce.

MR FELSTEAD: Yes, he did.

MR ASPINALL: And this is October 2015. Do you agree?

40

MR FELSTEAD: Yes, I do.

MR ASPINALL: And if we look at the bottom of the page, do you see it's subject  
"More info on Neptune", and what follows is an article from the South China  
Morning Post.

45

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

MR ASPINALL: And it refers – Mr Pearce is referring to some information that the Neptune junket was experiencing some financial difficulty. Do you see?

MR FELSTEAD: Yes, that would be the thrust of the article.

5

MR ASPINALL: And that it had lost \$1 billion in the past year.

MR FELSTEAD: That's correct, yes, one billion Hong Kong dollars.

10 MR ASPINALL: And then when we go to the next page – I'm sorry, the next page 1971. Do you see, Mr Felstead? Can you just - - -

MR FELSTEAD: I do, yes.

15 MR ASPINALL: Do you see the last paragraph is:

*One of Neptune's former major shareholders, Cheung Chi Tai, is facing three charges of laundering 1.8 billion Hong Kong dollars through Hong Kong bank accounts.*

20

MR FELSTEAD: Yes, I see that.

MR ASPINALL: That must have been very concerning for you to learn, wouldn't it, Mr Felstead?

25

MR FELSTEAD: One of the former shareholders, yes, it would certainly have been of interest.

MR ASPINALL: And - - -

30

COMMISSIONER: Would it have been of interest or some concern?

MR FELSTEAD: Well, it would have been of interest. I mean, I will be quite frank, the article – I don't recall the article. I don't recall the conversation, but I – I would have taken out of this – I would have certainly acknowledged that, but I would have taken out of this more a – the actual state of play in relation to Neptune at the time, but no, I would have – I would have acknowledged that.

35

MR ASPINALL: But did you know that Cheung Chi Tai was a junket operator at Crown?

40

MR FELSTEAD: I did not know that.

MR ASPINALL: But even if you didn't know that, what you are seeing here is a link between Neptune and what appears to be a major case of money laundering.

45

MR FELSTEAD: Yes, that's what the article says.

MR ASPINALL: And then if we go back to your – do you expect you would have seen this at the time? This paragraph?

5 MR FELSTEAD: I would have seen it at the time. I responded to it.

MR ASPINALL: But if we go back to the response, which is at the first page of this document - - -

10 MR FELSTEAD: Yes.

MR ASPINALL: - - - you see, your response – the response doesn't make any reference to the fact that these – that there's a link with organised crime, it merely relates to how much you're going to let them draw down.

15 MR FELSTEAD: Yes. That would be correct.

MR ASPINALL: But isn't that a problem? Because wouldn't it – you've just admitted that it would have been of concern to you; is that right?

20 MR FELSTEAD: Yes, it would have been concern – would have been of concern.

MR ASPINALL: But the response portrays no concern at all, doesn't it, except as to the credit risk that they represent.

25 MR FELSTEAD: Yes. When you look at it like that, it's more – I am focusing more on the credit component.

MR ASPINALL: Don't you see a problem with that for the casino, in terms of the risk?

30 MR FELSTEAD: Well, that's – that's not to state that there was nothing done. That is making the assumption there was nothing done on it.

MR ASPINALL: What I'm suggesting to you, Mr Felstead, is, by now, you've had an allegation made in – on the national broadcaster in relation to Neptune. And you've also received information from a newspaper which links the Neptune Group to money launderers in this case, but to criminals; correct?

40 MR FELSTEAD: That is correct, yes.

MR ASPINALL: And we see in your response no concern about that issue. Is that because you weren't concerned?

45 MR FELSTEAD: I don't think that would have been the case, Mr Aspinall.

MR ASPINALL: Or was it the case you already knew about these links?

MR FELSTEAD: I don't think that would have been the case either, Mr Aspinall. I don't recall, back in 2015.

5 COMMISSIONER: So is the person to whom you wrote a subordinate to your position? I presume he was.

MR FELSTEAD: That was Mr O'Connor.

10 COMMISSIONER: So he reports to you, does he?

MR FELSTEAD: He reported to me, yes. Mr O'Connor ran the VIP business. He reported through to me.

15 COMMISSIONER: So, really, the presentation is one of whether the company is concerned to continue the connections to these sorts of companies and arrangements. You understand that?

MR FELSTEAD: I do, yes.

20 COMMISSIONER: And so today, I presume, that you'd have a very different response to the one that I just see there; is that right?

MR FELSTEAD: I think that would be absolutely the case.

25 COMMISSIONER: Because, obviously, you would be concerned to identify that if there's a connection to organised crime and \$1.8 billion worth of money laundering, you'd not want to deal with these people; isn't that right?

30 MR FELSTEAD: Yes. If – if a link's established, we certainly would want to take – we would want to take steps to investigate and make a decision whether we want to deal with these people, most definitely.

35 COMMISSIONER: If it's established that they're money laundering to the tune of 1.8 billion, you wouldn't want to deal with them, would you?

MR FELSTEAD: If that's established my – my guess would be that would be the case.

40 COMMISSIONER: If it's established; that's exactly right.

MR FELSTEAD: Yes.

45 COMMISSIONER: We're not talking assumptions. We're talking about if it's established that these people do money-launder to the tune of 1.8 billion, you would not want to deal with them, would you?

MR FELSTEAD: No, that would be – that would be correct.

COMMISSIONER: All right. Yes, Mr Aspinall.

MR ASPINALL: Now, Mr Felstead, do you recall that, in 2017, there was another Four Corners report which was called Crown Confidential?

5

MR FELSTEAD: Yes, I do recall that one.

MR ASPINALL: And do you recall watching that at the time?

10 MR FELSTEAD: I recall watching it, yes. I would have – I would have – sorry. I would have watched that. I don't recall a lot of the detail of it, but I definitely would have watched it.

MR ASPINALL: Could we bring up on the VC the transcript of that which is  
15 INQ.100.010.0978, and that's exhibit A177, Commissioner.

COMMISSIONER: Thank you very much.

MR ASPINALL: Do you see that's the – it says Crown Confidential.

20

MR FELSTEAD: Yes, I do.

MR ASPINALL: And if we go to .0980, you might see that that is the transcript of the Four Corners program. It starts Sarah Ferguson:

25

*Welcome to Four Corners. When James Packer took his big punt on the casino business his high-rolling father Kerry was sceptical.*

MR FELSTEAD: Yes, I see that.

30

MR ASPINALL: Then if we go over to page 0984. And about halfway down the page there's a paragraph that starts, Marion Wilkinson:

35

*Crown's joint venture in Macau worked with several big junket operators - - -*

MR FELSTEAD: Could you please enlarge it? Thank you.

MR ASPINALL: Can you highlight the next few paragraphs down to the – until the words “will go out of business”. Would you highlight those as a block, operator?  
40 Can you still read that, Mr Felstead, or is it too small now?

MR FELSTEAD: No. If you could please make it a bit larger, that would be helpful.

45 COMMISSIONER: Yes. Make it - - -

MR ASPINALL: We will go back to what we first - - -

COMMISSIONER: Enlarge it, please.

MR ASPINALL: We'll do it in two – in two blocks. You see Ms Wilkinson is saying there:

5

*Crown's joint venture in Macau worked with several big junket operators accused of links to triads in police intelligence reports. One was the Neptune junket, which was publicly exposed for its triad connections three years ago.*

10 MR FELSTEAD: Yes.

MR ASPINALL: And then if we go down to the next paragraph, there's a quote from a barrister, Mr Egan, that says:

15 *This gentleman by the name of Cheung Chi-tai was one of the promoters of the Neptune –*

group:

20 *...He ran it along with others and [ahem] he is alleged to have very serious triad connections, but he's never been charged with or convicted of triad offences. But if you ask anyone from the Organised Crime and Triad Bureau of the Hong Kong Police Force what his status was, they would say "senior office bearer in a triad society".*

25

Do you see that?

MR FELSTEAD: I do, yes.

30 MR ASPINALL: And then it said

*And he was involved in the junket operation?*

And Mr Egan said:

35

*His name was on a great many cheques.*

Do you see?

40 MR FELSTEAD: I see that, yes.

MR ASPINALL: And then Ms Wilkinson says:

45 *Neptune claims Mr Cheung is no longer involved with the group. But Neptune's agents for years had junket arrangements –*

with Chinese VIPs to bring –

*to bring Chinese VIPs to Australian casinos, including Crown Melbourne and Perth.*

You see?

5

MR FELSTEAD: Yes, and – is that the one that ends in Star - - -

MR ASPINALL: And then Ms Wilkinson says:

10

*Does it surprise you?*

And Mr Egan says:

15

*It doesn't because I think the bottom line is that if you're not working through junket operators then your casino would go out of business.*

Do you see that?

20

MR FELSTEAD: I've read – I've read that. Yes.

MR ASPINALL: And so, again, the national broadcaster is linking for you the triad group with organised crime. Do you see?

25

MR FELSTEAD: I do, yes.

MR ASPINALL: And it's pointing to the fact that it's now claimed that this person is no longer associated with the group. You see?

30

MR FELSTEAD: Yes, I do.

MR ASPINALL: But as an experienced casino operator, you would have understood that you couldn't accept that denial at face value, wouldn't you?

35

MR FELSTEAD: Yes, you could make that assumption.

MR ASPINALL: Because the Neptune Group is hardly going to say to you, "Yes. In fact, we are associated with organised crime," are they? That would be a ridiculous thing.

40

MR FELSTEAD: That would be unlikely.

MR ASPINALL: Yes. And so, in respect of this issue, is this not at least – this is probably the third time that you've been warned publicly about links between the Neptune junket and organised crime; potential links? I'm sorry.

45

MR FELSTEAD: Yes, I – I've seen three articles, so I guess that would be the case.

MR ASPINALL: And did this article prompt any new investigations?

MR FELSTEAD: I don't recall – I don't recall whether it did or it didn't, but my understanding is that we don't – we stopped dealing with Neptune, or any affiliates of Neptune, some time ago. I don't recall the exact date. I can provide that. But  
5 that's – that's my current knowledge of Neptune.

MR ASPINALL: But didn't we just look at the association between Mr Niglio and the Guangdong Club?  
10

MR FELSTEAD: We did, yes, that was on the junket platform documentation.

MR ASPINALL: And didn't you accept – I'm sorry. And didn't you accept that Mr Niglio had also been associated with the Neptune Group?  
15

MR FELSTEAD: Yes, I did.

MR ASPINALL: So even if you'd stopped dealing with the Neptune Group, wasn't it likely you that you were with dealing with the Neptune Group via, now, the name Guangdong Club because Mr Niglio was associated with the two?  
20

MR FELSTEAD: That could well be the case. I'm not sure when we stopped dealing with the Guangdong Club, if we did. So I – I don't know that information.

MR ASPINALL: Are you aware of why you stopped dealing with the Guangdong Club?  
25

MR FELSTEAD: No. Sorry. Mr Aspinall, I will correct that, I said I don't know when we stopped dealing with the Guangdong Club.  
30

COMMISSIONER: Neptune.

MR FELSTEAD: Guangdong Neptune.

MR ASPINALL: Are you aware – you don't know if you have stopped dealing with them; is that right?  
35

MR FELSTEAD: I don't know when we stopped dealing with them.

MR ASPINALL: But you know you have stopped dealing with them now?  
40

MR FELSTEAD: I believe that – to the best of my knowledge – I'd have to check that – but I don't believe we do. We – I'd have to check that, though.

MR ASPINALL: And do you know why you stopped dealing with the Guangdong Club?  
45

MR FELSTEAD: I couldn't answer – I couldn't answer that. We – I'm assuming we've done a review, as we did with a lot of our other junkets, and – and we decided to stop dealing with them. But I can't give you specifics in relation to that.

5 COMMISSIONER: I suppose the question is did you discover that they were linked to organised crime?

MR FELSTEAD: I – I can't – I don't know the results of that. I don't know the details of that investigation. We did a review on many, many junkets after 2016,  
10 after the – after the incident in China, and that may well have been one of them that fell out. I just – I don't know the specifics. I don't want to give you the wrong information, Commissioner.

COMMISSIONER: You said that you stopped dealing with the Neptune Group as well.  
15

MR FELSTEAD: That was my understanding.

COMMISSIONER: And is that the same position you don't know why or - - -  
20

MR FELSTEAD: I'm assuming we would have done a review, Commissioner. I just – I just don't want to give you the wrong information.

COMMISSIONER: No, no, that's a different – that's a different thing. Please. I'm asking you why. That is, is it the case that you know why you stopped dealing with these two entities to which you've been taken by Mr Aspinall or not?  
25

MR FELSTEAD: I don't know – I don't know the specifics, Commissioner. I don't recall the specifics.  
30

COMMISSIONER: Well, so far as the specifics are concerned, that's one thing. Do you know the general nature of why you stopped dealing with these two organisations?

MR FELSTEAD: It may – it may – it may well have been adverse findings. It may well have been.  
35

COMMISSIONER: Now, adverse findings, are they the relevant ones that we've been speaking of for the last half an hour or so?  
40

MR FELSTEAD: Commissioner, it could have been. I just don't want to give you the wrong information. I just – it could well have been.

COMMISSIONER: Mr Felstead, surely you must know.  
45

MR FELSTEAD: We have – Commissioner, we have many, many junkets. We stopped dealing with approximately 100 junkets after we did our review. And I just

do not want to give you information which I don't believe to be 100 per cent – 100 per cent factual.

COMMISSIONER: I see. Yes, Mr Aspinall.

5

MR ASPINALL: Could we – could we turn to page 0985 in this document, please, operator. Do you see about halfway down the page, if the operator could bring it up, there is a quote from Marian Wilkinson:

10 *Crown appointed a brash Taiwanese-American.*

Could you highlight that paragraph down to the second-last paragraph on the page and see we'll see what size that comes up as. Are you able to read that, Mr Felstead, or too small?

15

MR FELSTEAD: Just a little bit bigger, please, Mr Aspinall.

MR ASPINALL: Could you make it a bit bigger for Mr Felstead, please, operator.

20 MR FELSTEAD: I can read that.

MR ASPINALL: Do you see it notes the appointment of Mr Chen. And then that he:

25 *...supercharged the China operation.*

And that, at the very bottom of that box:

30 *As part of its revamped efforts, Crown stepped up its business with junket operators from the mainland. One of the most important was a Chinese Australian national, Tom Zhou, from Hubei province.*

Do you see that?

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

MR ASPINALL: And do you see – operator, if you could now highlight the next part of the text:

40 *His Chinese name Zhou Jiuming is certainly a name that is well known in industry circles. You whisper his name and –*

he'll:

45 *...tell you that he is one of the largest, if not the largest, junket provider or provider of, you know, who recommended mainland Chinese gamblers to Crown*

MR FELSTEAD: Yes, I've read that.

MR ASPINALL: Did it occur to you that the reason that this program might be mentioning Mr Zhou was because there were some concerns about whether Mr Zhou  
5 was linked to organised crime given the theme of this program?

MR FELSTEAD: Yes, that could be a – that could certainly be an assumption.

MR ASPINALL: And at the time do you recall that Mr Zhou operated at Crown  
10 what was known as the Chinatown junket?

MR FELSTEAD: My understanding of the Chinatown junket, Mr Aspinall, was that Mr Zhou was – my belief at the time was he was one of the financiers of that along with others.  
15

MR ASPINALL: Yes. And that meant that Mr Zhou was effectively the financier of the junkets.

MR FELSTEAD: I believe he was one of the financiers of that. That was my  
20 understanding of Mr Zhou.

MR ASPINALL: And they were called the Chinatown junkets because Mr Zhou's nickname was Mr Chinatown, wasn't it?

MR FELSTEAD: I read that in the media. I think it was called Chinatown, it was just the name of the junket. I'm not sure – I've never referred to him as Mr Chinatown.  
25

MR ASPINALL: And wasn't the Chinatown junket one of the platform junkets?  
30

MR FELSTEAD: Yes, I believe it was.

MR ASPINALL: So it was an important junket, wasn't it?

MR FELSTEAD: Yes. Yes, it was. It was an important junket.  
35

COMMISSIONER: By that you mean, I presume, it was important for Crown because of the revenue that was generated from it, I presume.

MR FELSTEAD: Yes. They were one of – they were one of the larger junkets.  
40

COMMISSIONER: Yes. Thank you.

MR ASPINALL: And in fact as part of the junket – the platform junket strategy  
45 Crown was taking steps to try and shepherd premium players who weren't otherwise associated with a junket towards the platform junket such as the Chinatown junket.

MR FELSTEAD: Yes, by and large, Mr Aspinall, the platform junket, just to clarify, that was when customers would approach our sales team wishing to visit Crown, particularly out of China. We were not – we were not prepared to take that business from a credit perspective. We would let them know – we would steer them  
5 towards a junket and they chose the junket they went with.

MR ASPINALL: Yes, correct.

MR FELSTEAD: Yes.  
10

MR ASPINALL: Now, Mr Felstead, I think you accepted that the fact that Mr Zhou was mentioned in this program raised at least a concern for you that he might have links to organised crime.

MR FELSTEAD: The fact he was named, that would have been – we would have looked at that, yes.  
15

MR ASPINALL: Yes. I wanted to ask you about that because you also knew, of course, that he was associated with the Chinatown junket.  
20

MR FELSTEAD: Yes, he had an association with the China – yes, he did, yes.

MR ASPINALL: And what investigations did you do in respect of Mr Zhou at that time, once – is that the first time you had been made aware of any allegations about Mr Zhou?  
25

MR FELSTEAD: To the best of my recollection that would have been the case.

MR ASPINALL: Yes. And can you tell me what you did in respect of what was said on this program?  
30

MR FELSTEAD: We would have – I would have – I imagine we would have done an investigation. I don't recall the specifics of that, but that would have been the normal thing we would do when these things came up.  
35

MR ASPINALL: You don't know what it was.

MR FELSTEAD: I don't know what it was.

MR ASPINALL: You would have to ask somebody else.  
40

MR FELSTEAD: I do believe that we stopped dealing with that particular junket around – I can't remember the date, but we have – we did stop dealing with that junket at a point in time.  
45

MR ASPINALL: You did stop dealing with that junket, do you say?

MR FELSTEAD: Yes, we did. I believe – once again, I just don't want to give – I don't want to give inaccurate information. I believe that was part of the review when we culled some close to 100 junkets. I believe that was one of the groups we stopped dealing with.

5

MR ASPINALL: When was that?

MR FELSTEAD: We did a review in – I believe it was late 2016 and over the course of '17. We did a review of our entire operation.

10

COMMISSIONER: Was that an internal review?

MR FELSTEAD: That was. That was, Commissioner. We did an internal review. We obviously – we got information from third parties where appropriate, but that was a full review of all our junket operations.

15

COMMISSIONER: Yes. Thank you.

MR ASPINALL: Just so I understand, do you say you stopped dealing with Tom Zhou as a financier in 2016?

20

MR FELSTEAD: I don't - - -

COMMISSIONER: Late 2016/17.

25

MR ASPINALL: Late 2016?

MR FELSTEAD: I believe that was the case.

30

MR ASPINALL: Just excuse me.

COMMISSIONER: Yes, of course, Mr Aspinall.

MR ASPINALL: We might come back to that in a moment, Mr Felstead, if you don't mind, but you accept that in 2017 – in February 2020 of this year that it was reported that Mr Zhou had been arrested and deported.

35

MR FELSTEAD: Yes, I – yes, I think I'm – I do recall that, yes.

40

MR ASPINALL: We can have – it's not fair to you. I will show you the document.

MR FELSTEAD: Yes, that would be - - -

MR ASPINALL: It's INQ.100.011.0504 – exhibit number for you; there we have it. Do you see that's a picture of Mr Zhou there?

45

MR FELSTEAD: Yes. Yes, I have seen that article, Mr Aspinall.

MR ASPINALL: Yes. And if we go to the next page - - -

MR FELSTEAD: Yes, I – I don't recall meeting Mr Zhou, but that's obviously part of the article as well.

5

MR ASPINALL: Yes. If we could go to the final page, please, operator. Sorry, the second last page.

COMMISSIONER: Second last page.

10

MR ASPINALL: You see at that page – can you see that, Mr Felstead?

MR FELSTEAD: No, I can't, Mr Aspinall.

15 MR ASPINALL: Could we blow up the first few paragraphs, please, operator. Do you see the allegation made in the media is that:

20 *The casino group, in this case Crown, has never fully explained why it partnered with Zhou when Chinese court records would have revealed he was suspected of serious organised crime and a fugitive having fled charges in China in around 2012.*

Do you see?

25 MR FELSTEAD: I do, yes.

MR ASPINALL: And the newspaper also alleges:

30 *Had Crown performed thorough due diligence on Zhou or his known agents or associates it would have discovered many money laundering red flags. For instance, his business partner, Ming Chai, should have been marked as Crown as a politically exposed person.*

Do you see?

35

MR FELSTEAD: I do, yes.

MR ASPINALL: Are you aware whether Crown was aware of those facts in respect of the earlier charges in China?

40

MR FELSTEAD: I'm not aware of that, Mr Aspinall.

MR ASPINALL: And as far as you're aware, the checks that Crown did failed to pick up those facts?

45

MR FELSTEAD: All I could – what I can add light into Mr Zhou is we barred Mr Zhou, I believe in 2016, and we stopped dealing with the Chinatown junket after that,

but I could – yes, I can't comment in relation to much else in relation – in relation to Mr Zhou.

5 MR ASPINALL: I'm interested that you said you barred Mr Zhou in 2016, but you continued to deal with the Chinatown junket. Is that correct?

10 MR FELSTEAD: Yes, my understanding was Mr Zhou was barred for behavioural issues and we dealt with – I believe we dealt with the Chinatown junket for a short period after because my understanding was he was one of the people involved with that, not the – not the – there was others involved, but as part of our review we made a decision not to do business with that junket when we did our full review of all our junkets and did our large cull.

15 MR ASPINALL: When was that?

MR FELSTEAD: We did the junket – we did the full junket review in 2016 going into 2017.

20 MR ASPINALL: 2016/2017. So - - -

MR FELSTEAD: That's correct.

25 MR ASPINALL: So you stopped dealing with Mr Zhou at that time, do you say, but you continued to deal with the Chinatown junket for a while longer.

MR FELSTEAD: I believe that to be the case. I believe that to be case.

30 MR ASPINALL: But you don't know when you stopped dealing with the Chinatown junket.

MR FELSTEAD: It was part of the review. I'm not exactly sure it was at the start of the review or halfway through or a third of the way through but at some point in time that was one of the ones we stopped doing business with.

35 COMMISSIONER: We won't keep you long, Mr Felstead.

MR FELSTEAD: That's fine.

40 MR ASPINALL: Mr Felstead, can I suggest to you that documents we have obtained from Crown indicate that Crown was dealing with the Chinatown junket as late as July 2019? If I told you that, would it surprise you?

45 MR FELSTEAD: That would. I mean, the only thing I could think of there, Mr Aspinall, was that people who had previously come under the banner of the Chinatown junket and they've gone out on their own. That's all I could think in relation to that.

MR ASPINALL: Yes. Would it surprise you that documents we have obtained from Crown indicate that the Chinatown junket meant various individuals? That would not surprise you.

5 MR FELSTEAD: That wouldn't surprise me. I was aware of that. As I said it was a group of – it was a loose group of junket operators classified internally as the Chinatown junket.

10 MR ASPINALL: But do you say it would – it would or would not surprise you that the documents from Crown indicate that it was dealing with one of those individuals as late as July last year?

15 MR FELSTEAD: Look, that may have been the case. I probably – a slight element of surprise, but that may have been the case if we'd done proper due diligence on the particular person. I'm not sure who it was or what name it was under.

MR ASPINALL: But if a document prepared within Crown indicated that, which was prepared in August 2019, you wouldn't dispute it.

20 MR FELSTEAD: I wouldn't dispute it, no, if that's the – if the document is there, I can't dispute that.

MR ASPINALL: I see.

25 COMMISSIONER: I get the impression, Mr Felstead, that things need to change in respect of the assessment of junket operators, if it be the case that they come back into this country. One of the problems that you seem to have identified through your evidence is that on one view of it we stagger from allegation to allegation in the press and things happen then in a reactive way. But for the journalists' doggedness, I  
30 suppose Crown in one sense is assisted by their doggedness, isn't it?

MR FELSTEAD: It certainly does bring things to our attention that we may not have known about. They may have different methods of getting information that we aren't privy to.  
35

COMMISSIONER: And one of the problems for the companies that deal with junkets is this layer upon layer of individuals and the front men and the financiers that have been described and getting through to the reality; is that right?

40 MR FELSTEAD: I think there can definitely be a problem, Commissioner.

COMMISSIONER: So in the past, and in other countries, one of the ways that has been promoted is to licence junkets. Do you recall that happening in your time?

45 MR FELSTEAD: Yes, I do, in the – in the early days junkets were licensed by the regulator and they still are in Queensland.

COMMISSIONER: And I just wondered what your view on that was, whether it has any benefit. Because notwithstanding the licensing arrangements, these people seem to sneak through the portals and get in in any event, do they not?

5 MR FELSTEAD: Commissioner, I think that has enormous merit and, in my view, if I could just elaborate on that a bit please - - -

COMMISSIONER: Yes.

10 MR FELSTEAD: - - - my view would be that would be an Australia-wide process. It would be – we would get access to – it would be done by an independent party. They could be licensed by individual states. And we would get information that, currently, the casinos don't have access to, whether it be from the AFP, whether it be law enforcement, whatever it might be, and that could work on a user-pays basis,  
15 because I don't think any casino – or I know no casino that I've been involved with – and I'm sure the same is for Star – we want to do things correctly. And if there's better ways to do it, in terms of junkets, if junkets are going to be part of the landscape of the Australian casino business in the future, I would welcome something like that. It just makes it so much better for everyone. It gives the public  
20 confidence, it gives us confidence, it gives the regulators confidence. I think that would be an outstanding thing to do. I'd be fully supportive.

COMMISSIONER: When the – I'm sorry. When the licence was granted to Crown for the Barangaroo casino, the anticipation was that it would be, effectively – and it  
25 was published in this way – it would be a high roller type of place. You recall that?

MR FELSTEAD: Yes. VIP members get property. Yes.

COMMISSIONER: Yes. And that was both, as I think you've said to me on  
30 Monday, both international and domestic market; correct?

MR FELSTEAD: That is correct.

COMMISSIONER: But, in the main, it was seen as a place to accommodate what  
35 was then an increase in influx of Chinese high rollers; is that right?

MR FELSTEAD: Yes, that was certainly one of them, but obviously right throughout Asia is very important as well, Commissioner.

40 COMMISSIONER: Of course. But it was overseas high rollers that were the attraction, at that time anyway, as I understand it; is that right?

MR FELSTEAD: That was a big focus of the bid. Yes, that is correct, Commissioner.

45 COMMISSIONER: And, of course, we've had the shocking impact of the COVID pandemic closing down the casinos from time to time; is that right?

MR FELSTEAD: That is correct. Yes.

5 COMMISSIONER: And the international travel is banned at the moment, so do you have any idea about how it is that the casino can operate in terms of those restrictions?

MR FELSTEAD: Well, it will certainly be more challenging than it was in the past, from a financial perspective.

10 COMMISSIONER: And that is just speaking in terms of obvious commercial realities, I think, you'd agree?

MR FELSTEAD: Yes, I – yes.

15 COMMISSIONER: But assuming that a vaccine is found and life returns to a little normality, is it the case that the Barangaroo casino, which you're seeking to become a director – the licensee, would seek to continue to work with junkets, as you understand it?

20 MR FELSTEAD: Yes. Our plan was to work with junkets, but I would – I would add a joinder to that: it needs to be done in a way that everyone is comfortable with, including us. And coming out of this Inquiry, we will certainly take some lessons out of this. And as I said, you know, we are trying to improve this on a regular basis. This is not a – we want to get as good as we can in relation to this, as does Star. This  
25 is not unique to Crown. We all want to get better.

COMMISSIONER: I've been told, Mr Felstead, that there are no Macau junkets in Singapore that have been licensed. Are you aware of that?

30 MR FELSTEAD: I am aware of that, Commissioner.

COMMISSIONER: And, I suppose, albeit that that's through a regulator, a corporation could take a view – a strict view – like that, couldn't it?

35 MR FELSTEAD: A corporation could take that view. Yes.

COMMISSIONER: And, I suppose, once again, commercial reality is such that you have to drive the profits at the same time as having an ethical approach to what you do?  
40

MR FELSTEAD: Well, I – I would – I would suggest, without speaking on behalf of the board, that the propriety and the ethics would – they would override the profit component. We have to do this in a proper way. The licence is a very important thing and we would not want to do anything to jeopardise that.  
45

COMMISSIONER: Yes. All right. Mr Felstead, I know it's been a long time that you've been assisting the Inquiry with your evidence, but it's now the luncheon

adjournment time in Sydney. So I will adjourn now until your time 12 noon and our time 2 pm.

5 MR ASPINALL: Just before we – we rise – you rise, Commissioner, could I ask that those assisting Mr Felstead would ensure, over the adjournment, that he has before him or available document CRL.579.026.0369, which is the document at Crown confidential list number 2 at tab 14. I'd be obliged.

10 COMMISSIONER: Those people will assist you, Mr Felstead, I understand.

MR FELSTEAD: Thank you, Commissioner.

COMMISSIONER: I will adjourn.

15

**ADJOURNED** [1.00 pm]

20 **RESUMED** [2.01 pm]

COMMISSIONER: Yes, thank you, Mr Aspinall.

25 MR ASPINALL: Thank you, Commissioner. Mr Felstead, before lunch I asked if you could be provided with a document which was labelled CRL.579.026.0369. Did you get a copy of that?

30 MR FELSTEAD: Yes, I did. Just before we do that, Mr Aspinall, can I please make an apology to the Inquiry? I actually made a statement in my last – the last hour or so in relation to the exclusion of Mr Zhou. I said it was in 2016. It was actually in 2019, so I apologise for that.

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

35 MR ASPINALL: I don't need to take you to that document in that case, Mr Felstead.

MR FELSTEAD: Sorry. The tyranny of dates, Mr Aspinall.

40 MR ASPINALL: Pardon?

COMMISSIONER: The tyranny of dates.

45 MR FELSTEAD: The tyranny of dates.

MR ASPINALL: We all suffer from it, Mr Felstead.

MR FELSTEAD: Especially at my age.

MR ASPINALL: I wanted to move on to a new topic with you which is the Riverbank and Southbank account. I was wondering before we start that whether  
5 you've had an opportunity to watch Mr Preston's evidence to the inquiry.

MR FELSTEAD: I did see Mr Preston's evidence, yes.

MR ASPINALL: And did you see that I asked him some questions about Riverbank  
10 and Southbank?

MR FELSTEAD: Yes, I did, Mr Aspinall.

MR ASPINALL: And I now wanted to cover some of that same ground with you. I  
15 wasn't proposing to go through the accounts with you again. If you recall, Mr Preston was shown various accounts and, ultimately, I think he conceded or came very close to conceding that money laundering had occurred through those accounts. Do you remember that?

MR FELSTEAD: I remember those discussions, Mr Aspinall, yes.

MR ASPINALL: And so without wanting to burden you with having to go through that process again, unless there is for some reason that you want to dispute that, I was  
25 proposing to just proceed on the basis that that actually occurred. Are you content with that?

MR FELSTEAD: I'm content with that without going through the bundle, Mr Aspinall.

MR ASPINALL: Thank you, and if - - -

MR YOUNG: Commissioner, could I please raise something.

COMMISSIONER: Yes, of course.  
35

MR YOUNG: I wanted to draw your attention to something before this questioning proceeds.

COMMISSIONER: Yes, of course.  
40

MR YOUNG: By a letter dated 13 August of 2020 from the Inquiry to my instructing solicitor, the Inquiry asked us and Crown to provide certain further information concerning the transaction monitoring programs in relation to Southbank and Riverbank.  
45

COMMISSIONER: Yes.

MR YOUNG: Now - and there are a number of particular questions that touches upon the matter that Mr Aspinall just mentioned.

COMMISSIONER: Right.

5

MR YOUNG: Now, Mr Felstead is not aware of these matters, but I can say - - -

COMMISSIONER: Not aware of which matters?

10 MR YOUNG: The matters I'm about to mention.

COMMISSIONER: I see.

15 MR YOUNG: I just want to tell you the state of inquiries and what is occurring because it does affect the assumption that my learned friend has just made. Now, I can do this offline, Commissioner, I can mention it very briefly, but I can't go into a lot of detail immediately, but the general picture is this: there has been investigations of the matters that were requested. There's been consultation with ..... those matters and further information is being provided and that information bears directly upon  
20 the questions that were put to Mr Preston and his answers, and therefore the picture the commission has is incomplete at the moment and further information is going to be forthcoming as requested by the Inquiry.

25 COMMISSIONER: Thank you, Mr Young. I think I can apprehend from what you're telling me that it would be of some importance, particularly as Mr Felstead is a director of both companies, that the fuller picture be made available to the Inquiry before further examination occur.

30 MR YOUNG: Well, I thought it was appropriate to raise it, Commissioner, but if Mr Felstead is asked questions about the level of detail that Mr Preston was asked questions, at that level of detail, my understanding is that Mr Felstead did not possess that level of detail at any relevant time.

35 COMMISSIONER: Well, I think perhaps it's - I'm just not sure what you're heralding to me in respect of the content and I understand your difficulty, but I think if it be the case that there is a picture that is different to that which has been established and there is a premise that may be needed to be adjusted, then I think the only fair position vis-à-vis Mr Felstead, even if he's not taken to the detail, and I don't apprehend that Mr Aspinall is going to do so because he just said that Mr  
40 Felstead had watched the evidence and he understood what had been said, but if it is the case that there is a new nuance or there is a new fact and a different picture that's going to be painted then I think it would be necessary to defer this.

45 MR YOUNG: Commissioner, my understanding is that there is some information that will alter the picture, in some respects, that the Commission has. That's why I've raised it. I'm not making an application that Mr Felstead's evidence be adjourned, but I did want to raise this before we proceed with the evidence.

COMMISSIONER: Well, I think what Mr Aspinall has just said, that there was – there was obviously correspondence where the banks had indicated to the corporate entities Southbank and Riverbank that they wanted to close the bank accounts because they were concerned about money laundering. I don't think that will change  
5 because that was a fact.

MR YOUNG: That won't change.

COMMISSIONER: All right. And in those circumstances I think then that aspect  
10 of his examination can proceed, but if it is the case that there are other aspects about the transactions, you will recall that there were numerous transactions on a daily basis of various amounts at different banks and the like. That can't change either, I presume.

15 MR YOUNG: Well, there will be some more information affecting the picture in that regard, as I understand it, Commissioner.

COMMISSIONER: Yes, I understand things might have happened.

20 MR YOUNG: Yes. It's the level of - - -

COMMISSIONER: Things might have happened – this is technology for you. Things might have happened as a result of those and if those things happened about which we mustn't speak, I gather, then that's good that that happened, but as far as  
25 the structure is concerned I think perhaps we can proceed this way so that we don't waste time, that is that Mr Aspinall can proceed with his examination and if it need be that there is any adjustment to it, to be fair to Mr Felstead and of course to Crown, that can be done in due course. Would that be a convenient course, Mr Young?

30 MR YOUNG: Yes, it is, Commissioner. The extra information I'm aware of goes to the – you know, a granular level of detail about transactions going through particular accounts.

COMMISSIONER: Yes, all right then. Yes. Yes, Mr Aspinall.  
35

MR ASPINALL: Thank you, Commissioner.

COMMISSIONER: Thank you, Mr Young.

40 MR ASPINALL: Mr Felstead, you had been a director of Riverbank Investments since 2007.

MR FELSTEAD: That is correct, Mr Aspinall.

45 MR ASPINALL: And was your appointment as a director of Riverbank one of the burdens you undertook at part of your role as being the CEO of Crown Perth?

MR FELSTEAD: It was typical that the CEO would be a director of that particular entity, Mr Aspinall.

5 MR ASPINALL: Yes. And when you became the CEO of Australian Resorts you also became a director of Southbank; is that right?

MR FELSTEAD: That is correct, Mr Aspinall.

10 MR ASPINALL: The note I have says that that was in November 2013, and that would be consistent with your – around the time that you were - - -

MR FELSTEAD: That would be consistent, yes.

15 COMMISSIONER: Was it because of your role as VIP international or was it because of your directorship of Crown Melbourne?

MR FELSTEAD: It was due to my CEO position, Commissioner.

20 COMMISSIONER: Thank you.

MR ASPINALL: Mr Felstead, when we look at the directors of those companies, what we see is that the CEO of Crown Resorts and senior executives, namely the CEO of Crown Perth, for example, and Australian Resorts, were members of that board. Do you agree?

25 MR FELSTEAD: Yes, I do.

30 MR ASPINALL: And do you understand why the decision was made to put very senior executives of Crown Resorts on these boards?

MR FELSTEAD: My understanding of that, Mr Aspinall, was it was an historical practice. I don't know the actual reason it was done, but my understanding it was an historical practice.

35 MR ASPINALL: As far as you were concerned it was just part and parcel of the role that you took. You didn't know why.

MR FELSTEAD: That – I guess that would be a reasonable assumption.

40 MR ASPINALL: Did you turn your mind to whether it might be because the regulator had required that?

MR FELSTEAD: At the time I did not. I knew the – I knew the - - -

45 MR ASPINALL: Have you thought about that since?

MR FELSTEAD: Apologies. No, I haven't given it any – any great thought.

MR ASPINALL: I won't take that further then. Mr Preston was of the view, and it might be wrong, that the board of these companies didn't actually do very much. Is that right?

5 MR FELSTEAD: My recollection of my duties for these particular – sorry, Mr Aspinall, can you hear me now?

MR ASPINALL: It's just a bit faint, but maybe if you could move the microphone a little closer.

10

MR FELSTEAD: I will move them very close. Is that better, Mr Aspinall?

MR ASPINALL: Yes, thank you.

15 MR FELSTEAD: Sorry, I forget the question now, if you wouldn't mind repeating that.

MR ASPINALL: It was what did the board of these companies do?

20 MR FELSTEAD: They – the companies were set up for the establishment of two accounts, banking accounts for the purpose of banking, and the duties of that we would do the occasional circular resolution in terms of putting new signatories on to the accounts and that was about the extent of it, Mr Aspinall.

25 MR ASPINALL: Yes. And so I just wanted to confirm with you that as far as you were aware the board never met other than by circular resolution.

MR FELSTEAD: I don't recall a meeting, Mr Aspinall.

30 MR ASPINALL: No. And the board – the members of the board or the board itself never considered or monitored the transactions that went through the accounts?

MR FELSTEAD: No, we would have had – we would have relied on the systems we had in place to do that through the transaction monitoring system.

35

MR ASPINALL: Yes. And so as far as you were concerned as a member of the board the responsibility for monitoring those accounts didn't rest with the board of Southbank or Riverbank, but with parts of the organisation of Crown Resorts or Crown more generally.

40

MR FELSTEAD: Yes, my understanding of that was that was the people primarily responsible for that was the AML team, the cage, and the finance team.

45 MR ASPINALL: And did you ever give any consideration as a member of those boards of checking that those functions were being performed properly?

MR FELSTEAD: I certainly gave consideration in relation to checking those functions were being performed adequately from my role as CEO and also my role as a member of the Crown Melbourne board and Crown Perth board. That was part of my duties. But in relation to the specific board, that particular board you're referring to the answer was no, but I definitely took interest in the other component.

MR ASPINALL: Now, if you may recall I raised with Mr Preston the question of the use of the word "investments" in their names. Do you remember me talking to him about that?

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

MR ASPINALL: Did you at any time think to yourself or give any consideration as to whether that was a good idea in terms of preventing money laundering?

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

MR ASPINALL: But looking back on it now can you see that that was a problem?

MR FELSTEAD: I think looking back now, now the accounts have obviously been closed, my understanding of the accounts they were set up from a privacy perspective where customers would want – not particularly want to know – it might be their partner, it may be their bank manager, what they were sending money to a casino. I didn't put that as a link in relation to hide – disguising from a money laundering perspective. That wasn't my interpretation of that.

MR ASPINALL: Right.

MR FELSTEAD: I maybe took a far too simplistic approach.

MR ASPINALL: Looking back at it now do you accept that that was a problem?

MR FELSTEAD: Looking back now, I don't necessarily think that. I think – I think the accounts were there for the reasons that I described earlier, and they're subsequently closed. Would we open up accounts again in those names; we probably wouldn't, but at the time that was my understanding, Mr Aspinall.

MR ASPINALL: You see, you remember Mr Bell took you multiple times to the fundamental principle of integrity and so forth. Do you not see a problem now, looking back, that the casino was providing an account which gave a lane which was deceptive as to the – where the money was actually going?

MR FELSTEAD: All I can really add to that, Mr Aspinall, is this was – I'm not saying this is right or wrong. This is one of the things that's been done in casinos globally, certainly throughout Australia, and it was a fairly common practice. I'm not saying it's correct, but it was a common practice and I did not turn my mind to this being an issue which would facilitate money laundering.

MR ASPINALL: And when you say - - -

MR FELSTEAD: That wasn't my impression.

5 MR ASPINALL: - - - do you mean that other casinos that you know of have companies with the word "investments" in their name which is a means by which you can pass money to the casino?

10 MR FELSTEAD: I guess the point I was making, Mr Aspinall, was I didn't really turn my mind to the word "investments". I was more probably focused on the words Riverbank and Southbank.

15 MR ASPINALL: I see. Now, the Commissioner has already alluded to it, but do you recall that I took Mr Preston to various documents which showed that banks were raising concerns with Mr Costas as to money laundering, the way in which these accounts were monitored over time. Do you remember that?

MR FELSTEAD: Yes, I do.

20 MR ASPINALL: Do you recall Mr Preston said that he wasn't aware, even though he was the AML compliance officer, of those communications? Do you remember that?

25 MR FELSTEAD: I don't recall that specific comment, but if it's there I - I wouldn't disagree with it.

MR ASPINALL: One thing I wanted to ask you was were you made aware, as the CEO and a director of Southbank and Riverbank, of those communications?

30 MR FELSTEAD: No, I was not aware of that. I was aware accounts had been closed in the past, but I had - I had minimal - minimal interaction with the operation of the bank accounts. That was not one of the areas that I looked after and - but I did know we had bank accounts, obviously. I did know we had Southbank and Riverbank and I don't really have a great knowledge of how those accounts operated  
35 and what conversation we had with the banks. I wasn't involved in those.

40 MR ASPINALL: Looking back on it now, do you see it as a problem that you weren't told about the fact that the banks were raising money laundering concerns with Crown?

MR FELSTEAD: Technically as a director, yes, I could certainly - I could see where that link could come in.

45 MR ASPINALL: When you say technically as a director, can you just explain a bit more what you mean by that?

MR FELSTEAD: I mean, it's in black and white I was the director of those companies.

5 MR ASPINALL: No, I mean – yes, as a director that's true, but also in your role as the CEO of Australian Resorts, do you think that's something that should have been reported to you at the time?

10 MR FELSTEAD: Look, I think it was being reported to adequately. Certainly, the people who were running that were well aware of it and up to – up to and including Mr Barton. He was involved in conversations with the banks.

MR ASPINALL: But Mr Barton didn't tell you as the CEO; is that right?

15 MR FELSTEAD: Mr Barton didn't tell me what in specific, Mr Aspinall?

MR ASPINALL: Pardon? That the banks were writing to Crown telling them that there was problems or expressing concerns about money laundering.

20 MR FELSTEAD: I don't recall him telling me specifically, but I was aware. I was aware that the banks had issues and were looking to close the accounts. I was aware of that.

25 MR ASPINALL: You were aware that the banks were raising money laundering concerns?

MR FELSTEAD: No, I wasn't aware the banks were raising money laundering concerns; I was aware that the banks had closed the account.

30 MR ASPINALL: Right. But you weren't aware of why.

MR FELSTEAD: No, I wasn't aware of the specifics in relation to that.

35 MR ASPINALL: Look being back now would it concern you that Mr Preston as the AML compliance officer was not made aware? I mean, you don't recall that evidence.

COMMISSIONER: Just pause. Withdraw the question and ask the next one.

40 MR ASPINALL: I withdraw that question. Mr Preston – would it concern you, looking back now, if Mr Preston, as AML compliance officer, was not aware of the concerns being raised by banks?

45 MR FELSTEAD: I'm not sure what Mr Preston was aware of. He may have been aware. I – I don't know what his – I don't know what the answer was.

MR ASPINALL: Assume for the purpose of this question that he wasn't aware. Would that concern you?

MR FELSTEAD: I would have assumed that the team that Mr Preston had working in the AML area would have been aware of that. Whether Mr Preston was aware, I can't comment. I'm sorry.

5 COMMISSIONER: I think it's slightly different. You see, what's being suggested to you as a director of a corporate entity with obligations, a bank closes your accounts because of fears of money laundering and concerns about money  
10 laundering, and what you've indicated is (1) you weren't advised of that concern, and on the assumption that your AML officer didn't know about it, would you not be concerned that he, in his role as AML officer, had not been so advised?

MR FELSTEAD: If that was the case, I would be.

15 COMMISSIONER: Yes.

MR ASPINALL: And can you tell me why you think that's concerning?

MR FELSTEAD: Well, I would suggest that the AML officer at the time should be aware of all things in relation to AML issues and this is – this would clearly be an  
20 AML issue.

MR ASPINALL: And in terms of you not being informed, do you – did you tell me that you regard that as a problem?

25 MR FELSTEAD: I mean it would be nice to know everything that occurs here. I mean, I – you know, I – I don't, but yes it would – I think it would – if I knew it would have been a – it would not have been a bad thing if I knew.

30 MR ASPINALL: When you talk about it not being a bad thing, is that because you don't regard the fact that money laundering concerns were being raised through an account like those as being something that you should know about, just – that you must know about?

35 MR FELSTEAD: I don't think I said that. If there were concerns with money laundering from a transactional perspective on a – on any sort of scale, I would expect that the people and the processes in place were identified and take the necessary action. Am I told about every incident where someone thinks – someone believes – one of our AML people believe there's money laundering going on? No, I'm not. I'm not told of those.

40 MR ASPINALL: You're not told.

MR FELSTEAD: No, not on an individual basis.

45 MR ASPINALL: Are you equating money laundering through these accounts with other forms of money laundering reporting, for example, that might happen at the cage on a day by day basis?

MR FELSTEAD: I'm talking about money laundering concerns which may or may be raised by staff. I do not know the individual circumstances around those. If they're large issues that are raised, Mr Preston would raise those with me, but individual events that occur that may be deemed to be reportable, I'm not across all  
5 of those, unfortunately.

MR ASPINALL: Now, do you see any difference between money laundering which might be suspected to occur at the cage on a case by case basis and a circumstance where a bank is telling you – or Crown that it has concerns that money laundering is  
10 occurring through accounts that the – through Southbank and Riverbank operate?

MR FELSTEAD: I think any form of money laundering is a serious matter.

MR ASPINALL: Right. But do you see any distinction between those two cases  
15 that means that the issue the bank is raising needed to be reported to you and something that you should have known about?

MR FELSTEAD: Well, I think it's – I don't think one is worse than the other.

20 MR ASPINALL: Right.

COMMISSIONER: I presume as a director of these two companies, if there had been a suggestion of money laundering you would of course want them to tell you, would you not?  
25

MR FELSTEAD: Yes, if there was a suggestion of money laundering I would – yes, you – as a director of those companies I would expect that.

COMMISSIONER: And particularly because there was no other business of this  
30 company other than operating bank accounts. Isn't that right?

MR FELSTEAD: That's correct, yes.

COMMISSIONER: And so the fact that you are there, the senior person in Crown, as a director of these companies that only operates bank accounts and the bank  
35 accounts are shut by the banks, surely you would expect someone to tell you that the reputation of your company is at risk because the bank is shutting you down because of its concerns about money laundering.

40 MR FELSTEAD: Yes, okay, I - - -

COMMISSIONER: All right.

MR FELSTEAD: I won't deny that.

45 COMMISSIONER: All right. Yes, Mr Aspinall.

MR ASPINALL: Thank you, Commissioner.

Were you made aware as time went by, and I did show this email to Mr Preston, you may recall, that it was becoming increasingly difficult for Southbank and Riverbank  
5 to find banks which would accept it as a customer because of the risks?

MR FELSTEAD: I was aware of that question put to Mr Preston, yes.

MR ASPINALL: Were you aware of those concerns and difficulties at the time?  
10

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

MR ASPINALL: And what did you do in respect of that matter?

MR FELSTEAD: That matter was – as I said, was handled by people – by people  
15 other than myself.

MR ASPINALL: At the time did you take any steps to make any changes to the fact  
20 that it seemed that money laundering was occurring every time a new account was opened?

MR FELSTEAD: I did not make any specific action in relation to that.

MR ASPINALL: Did that not concern you?  
25

MR FELSTEAD: Any allegation of money laundering is of concern. All I can say  
in relation to that is that these accounts are held and controlled by our treasury  
department and the people in there are of sufficient seniority to deal with these  
30 things.

COMMISSIONER: Is that the Crown treasury department?

MR FELSTEAD: That's correct, yes. They control the – they control the accounts  
35 and negotiations with the banks.

MR ASPINALL: And I just want to drill down a little further into what your actual  
knowledge of that was. Were you aware that the difficulty which those companies  
were facing from banks in finding an account – I withdraw that. Were you aware at  
40 the time that the difficulty that Crown was experiencing in finding a bank which  
would accept accounts from those companies was because of the fact that the banks  
did not want to deal with these accounts because of concerns about money  
laundering?

MR FELSTEAD: I was aware that it was difficult finding bank accounts and I was  
45 aware that the banks had concerns with the accounts and that was – that was  
basically the extent of it.

MR ASPINALL: Well, just to step back a little, was it your understanding that your staff had examined what had occurred through those accounts and was satisfied that money laundering had occurred in them? Or were you not told about - - -

5 MR FELSTEAD: No, once again, Mr Aspinall, I do not take a deep look into the bank accounts. I do not take a deep look into the operation of the bank accounts. It's not really my area. It's a terrible answer, but it's not my area.

10 MR ASPINALL: I get the flavour from what you've said that you regard money laundering as just something that happens in the casino from time to time. Is that right?

15 MR FELSTEAD: No. No, I've never said that. I've never - I've never taken a blasé approach to it. It is - it has happened in the casino and that's the fact, but I certainly don't take a blasé approach to it.

20 MR ASPINALL: What I was interested in is the - your attitude that even if it was occurring and they were being shut down repeatedly, you would not be particularly concerned about your staff continuing to try to open new ones. Is that right?

MR FELSTEAD: No, I - I don't think I - yes, I don't think I said that.

25 MR ASPINALL: Well, my question is more along the lines of why didn't - if you were aware that banks were refusing to deal with these companies because of concerns about money laundering, why wouldn't you have just told your staff to shut these - to stop looking and shut these accounts down?

30 MR FELSTEAD: Well, I would imagine, and once again, you know, this is not my area, I would imagine that if there was issues concerning money laundering, specific transactions on accounts, we would have investigated and reported where necessary.

COMMISSIONER: You told me it wasn't - it was quite common in the casino industry. Do you remember telling me that?

35 MR FELSTEAD: I beg your pardon?

COMMISSIONER: You told me it was quite common, these sorts of accounts, in the casino industry. Do you remember telling me that?

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

COMMISSIONER: What is it about them that was common?

45 MR FELSTEAD: Just the naming of them, Commissioner.

COMMISSIONER: I see.

MR FELSTEAD: The naming of the accounts.

COMMISSIONER: But when you say it must have been a practice that was adopted – is that right – within the industry, to provide an avenue for gamblers to fund their  
5 gambling through similar types of accounts? Is that what you're telling me?

MR FELSTEAD: Yes. From a privacy perspective, Commissioner.

COMMISSIONER: For privacy, did you say?  
10

MR FELSTEAD: Yes, a lot of our – yes, Commissioner. A lot of customers would not want, maybe, their bank manager or their partner, whoever it might be, to know that they're sending money to a casino.

COMMISSIONER: Yes. That, in itself, creates a difficulty for the company, doesn't it?  
15

MR FELSTEAD: Yes. And, as I said, that was an historical – that was an historical practice and that's – that doesn't occur any more. But that was the rationale for that.  
20

COMMISSIONER: When you say it "doesn't occur any more", that's since when?

MR FELSTEAD: Since the accounts have been closed. So we have an account in the name of, I believe, there's one in Crown – I think it's Crown Melbourne, and there's one in Burswood Limited, I believe, the accounts. Other casinos may have bank accounts in different names, but, for depository purposes, we have those accounts now.  
25

COMMISSIONER: And so one has to accept that, if somebody doesn't want someone finding out that they're gambling, it's a matter for them rather than Crown facilitating it?  
30

MR FELSTEAD: That's up to them now.

COMMISSIONER: Sorry?  
35

MR FELSTEAD: That's a matter for the person.

COMMISSIONER: But prior to that, when Crown was providing these avenues, it was allowing a pretence to exist where the money was going into the casino but it was called "investments"; correct?  
40

MR FELSTEAD: Yes, that's correct. Yes. It was – it was more about the first part of the name as opposed to the investments, as I – as I mentioned earlier.  
45

COMMISSIONER: Yes, and of course that was to provide a pretence that the money was not going to the casino.

MR FELSTEAD: Yes, from the customer's perspective.

COMMISSIONER: From everybody's perspective, wasn't it?

5 MR FELSTEAD: Yes, that – that is true.

COMMISSIONER: And so that's now been realised as a mistake; is that right?

10 MR FELSTEAD: That's been realised, yes, that has been realised. And that's – that doesn't occur any more.

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

15 MR ASPINALL: Mr Felstead, do you have your M folder, your exhibit M folder?

MR FELSTEAD: Yes, I do.

COMMISSIONER: M for Mary, that is.

20 MR ASPINALL: M for Mary?

MR FELSTEAD: Yes, I do.

25 MR ASPINALL: Could you see if you could find tab 183 in those folders, if there's more than one? Operator, just to the hearing room only, if you could. It's document number CRL.527.001.1794.

COMMISSIONER: That's exhibit M.

30 MR ASPINALL: Exhibit M183.

COMMISSIONER: Thank you.

35 MR ASPINALL: Did you looked at this document before, Mr Felstead? It's a risk management committee memo.

MR FELSTEAD: Yes. I don't recall this particular document, Mr Aspinall.

40 MR ASPINALL: This is the May 2015 risk profile.

MR FELSTEAD: Yes.

45 MR ASPINALL: And if we go over to, operator, 1821. I think you may have discussed this style of document with Mr Bell earlier in your examination?

MR FELSTEAD: Yes. We had many discussions in relation to these documents.

MR ASPINALL: Yes. In respect of the risk that Crown's – or a subsidiary of Crown's accounts might have been used for money laundering purposes, where would that risk fall on this risk matrix, if that's the right word for it.

5 MR FELSTEAD: Potentially, under financial reporting and compliance, potentially under treasury.

MR ASPINALL: Where would that be on this document?

10 COMMISSIONER: In the moderate risk.

MR ASPINALL: Moderate risk?

COMMISSIONER: Yes.

15

MR ASPINALL: I see, yes.

MR FELSTEAD: Yes.

20 MR ASPINALL: Potentially, under that and where else? And treasury?

MR FELSTEAD: It could be under treasury. I'm not sure of the details behind treasury, but it could be under that. It may be under fraud. It may be under fraud, Mr Aspinall.

25

MR ASPINALL: Where is fraud, Mr Felstead? Oh, yes, I see fraud.

MR FELSTEAD: Fraud is – yes.

30 MR ASPINALL: Now, what I wanted to ask you was is the risk of money laundering fed into this risk profile or is it dealt with separately in the AML section of the business?

35 MR FELSTEAD: It's certainly dealt with in the AML section of the business. I am not sure if it's fed into here. I don't – I don't know the answer to that – I'm assuming it would be – but it certainly is in the AML section of the business.

40 MR ASPINALL: And you may have told Mr Bell this, but is keeping the risk management committee informed of what is going on in terms of where risks are emerging, is that part of your role?

MR FELSTEAD: That's one of my roles. Yes.

45 MR ASPINALL: And in terms of risks of money laundering, is there anyone else who should report emerging or recognised risks of money laundering to the risk management committee?

MR FELSTEAD: I think – I think, Mr Barton, in his role as CFO and the person who is responsible for the treasury department could certainly – could certainly pose that as well.

5 MR ASPINALL: Right. And just - - -

MR FELSTEAD: I think Mr Preston could do it. There would be a number of people.

10 MR ASPINALL: in terms of the items that you've identified, is it right to say they were all in the moderate and significant risk bands?

MR FELSTEAD: That's correct. Yes.

15 MR ASPINALL: But if, by 2005 – and I'm asking you to make the assumption again – money laundering had occurred through the accounts of Southbank and Riverbank, and the banks had in – sorry – 2015, this document, Mr Preston.

MR FELSTEAD: Yes.

20

MR ASPINALL: I might have misspoken. If money laundering had been identified to Crown as having occurred through those accounts prior to this, I'm confused as to why those items would sit in the likelihood 3 or below categories, if there was evidence that those risks had actually happened. Do you see my point?

25

MR FELSTEAD: Yes. I do see your point.

MR ASPINALL: Would that not be a reason why you should have been informed what was happening so that you could inform the risk management that this was not only likely, but extremely likely, having had it already occurred?

30

MR FELSTEAD: Yes, that – yes, I would accept that.

MR ASPINALL: All right. But you would also expect Mr Barton to have done that sort of reporting exercise to the risk management committee?

35

MR FELSTEAD: Mr Barton may well have. He may well have done that.

MR ASPINALL: And looking at it now – you may have already touched upon this – do you still think that those sort of risks were significant or below? Or do you now, looking back on it, think they should have been given a higher risk rating?

40

MR FELSTEAD: Well, I think significant is a – that is the second highest risk rating we have. And it comes down to the frequency of these sort of things. I mean, if it's occurring on a regular basis and we're notified of that, it would – certainly, the risk would be elevated. But you would like to think we have the proper control

45

measures in place to deal with that, which is the basic premise of risk, as you'd be aware: identify the risk and put control measures in.

5 MR ASPINALL: Well, that's what I was interested in your – that's what I was interested in asking you about. When you look at the bottom axis it says "consequence". See?

MR FELSTEAD: Yes, I do. Yes.

10 MR ASPINALL: And so what we're talking about in these three potentials you've identified, the consequence is a two or a three.

MR FELSTEAD: Yes.

15 MR ASPINALL: But I was wondering about your views on this. Don't you think if the regulator, for example, found out that the casino was turning a blind eye to money laundering or repeatedly opening accounts despite having been made aware that money laundering was occurring through previous accounts, that the consequences could have been higher than just a three?

20

MR FELSTEAD: Yes. The – yes. The regulator, both in – certainly, in Victoria approved the Southbank investments account. So they were aware of those accounts. We've had the accounts – we've had the viewed. AUSTRAC are aware of those accounts. But, as I said, in terms of risk ratings, and the like? Yes. If we see – we have to adjust this as we go. And this was 2015. It may have been adjusted since.

25

COMMISSIONER: When you say that the regulator and AUSTRAC have approved these accounts, coming back to what you said a little earlier about it being a mistake to have used them, was there ever a discussion with either the regulator or AUSTRAC about the recognition of that mistake?

30

MR FELSTEAD: Before I answer that question, Commissioner, AUSTRAC didn't approve it. That wasn't – that wasn't the intention I meant to give. So it was approved by the regulator. AUSTRAC was aware of the accounts. They – AUSTRAC certainly did not approve our accounts. I just want to make that distinction.

35

COMMISSIONER: I wouldn't have – I wouldn't have thought so.

40 MR FELSTEAD: No, they didn't. No.

COMMISSIONER: No. You see, what – let me just explore this with you. If you put senior people from a publicly listed company on to a company like Riverbank and Southbank investments, one might, from a distance, say those companies have very senior, respectable people on them, no doubt they will be doing proper business. Is that not a reasonable anticipation?

45

MR FELSTEAD: That is, Commissioner.

COMMISSIONER: And so the community, including the regulator to whom you've referred, and no doubt AUSTRAC, would want to know that the directors who have  
5 been appointed would, in fact, ask the relevant questions about what the companies are up to. Do you agree with that?

MR FELSTEAD: Yes, I would.

10 COMMISSIONER: And there would be an expectation that if a director held a view, notwithstanding the historical context of these companies, that it was a bad idea to put up a pretence like this, that they would expect a director to say so, wouldn't they? Don't you think?

15 MR FELSTEAD: Yes, I would accept that premise.

COMMISSIONER: And so, even though history tells you that this is okay, the community expects directors to say it's not okay, don't they?

20 MR FELSTEAD: Yes, they do.

COMMISSIONER: That it isn't okay? Yes, all right.

MR FELSTEAD: Yes, I agree with that.

25

COMMISSIONER: Okay. Yes, Mr Aspinall.

MR ASPINALL: Mr Felstead, did you, as CEO, have any understanding of the volume of money that was moving through these accounts on an annual basis?

30

MR FELSTEAD: No, not in particular. I had a – I had an idea – I had a – I had a view it would have been quite a substantial amount, but not the exact – not the exact amounts.

35 MR ASPINALL: Were you informed – do you recall being informed, in August 2019, that the amount of money which had moved through the Southbank account was in excess of \$300 million?

MR FELSTEAD: No, I don't recall that. No.

40

MR ASPINALL: Would it surprise you if that were so?

MR FELSTEAD: No, not necessarily. I think that – I wouldn't be surprised by that.

45 MR ASPINALL: That would be within the realms of something that you would not be surprised of?

MR FELSTEAD: I wouldn't be surprised by that amount.

MR ASPINALL: Doesn't that – doesn't that acceptance change the seriousness of a finding or a knowledge that money laundering has been occurring through these  
5 accounts?

MR FELSTEAD: Well, once again, it comes down to how often is it occurring?  
And do we have the proper transaction monitoring in place – system to identify and  
10 report on these things?

MR ASPINALL: But does the volume of funds which – assuming that's right.  
Assuming the volume of funds is in excess of \$300 million a year, does that not  
change the level of seriousness, to your mind, of a report or – that money laundering  
15 is occurring?

MR FELSTEAD: Well, I think – I think that's making the assumption that the  
majority of those transactions involve money laundering, which I don't believe  
would be the case.

MR ASPINALL: Now, in terms of your statement to me or the Commissioner  
20 earlier that the regulators were aware of these accounts – do you remember that?

MR FELSTEAD: Yes, I do.

MR ASPINALL: Did you have any understanding of what information the  
25 regulators were actually being provided with in respect of the accounts?

MR FELSTEAD: No, no, I was aware that they approved the – sorry. The  
Victorian regulator approved the account. And the West Australian regulator was  
30 made aware of the account. I need to make that distinction.

MR ASPINALL: Yes. Mr Preston gave that evidence. But were you aware of that  
fact before he gave the evidence?

MR FELSTEAD: I was aware – I was aware that the accounts were – had certainly  
35 been viewed and/or approved by the regulator. I was aware of that.

MR ASPINALL: When you say "viewed:", do you say that it was your  
understanding that the regulator were viewing the transactions that were going  
40 through these accounts?

MR FELSTEAD: No. View the name of the account in Western Australia.

MR ASPINALL: I see.

MR FELSTEAD: Yes.  
45

MR ASPINALL: And, in fact, it wasn't your understanding that the regulator was reviewing the transactions through the accounts, was it?

MR FELSTEAD: Definitely not. Definitely not.

5

MR ASPINALL: And would it surprise you to learn that, in fact, what the Victorian regulator was being told was the annual debits and credits through that account rather than details of any transactions that went through those accounts?

10 MR FELSTEAD: That would not surprise me.

MR ASPINALL: And to that end, do you accept that the fact that the regulator might be told the annual debits and credits through these accounts, know the account name and perhaps the account number, would have given nobody any comfort that there was no money laundering occurring through these accounts, could it?

15

MR FELSTEAD: Yes. For a regulator perspective, you could make – you could make that connection.

20 MR ASPINALL: And the fact that the Western Australian regulator hadn't even approved the accounts but the – they'd just been deemed to be authorised because Crown Perth had informed the regulator that they were being used for casino purposes, couldn't give the public or anybody any comfort that that meant money laundering wasn't occurring through them?

25

MR FELSTEAD: Well, I think what would give the public confidence is the fact we have a proper AML program in place across both properties that view transactions. I mean, once again, we are making the assumption on some of these, Mr Aspinall, that the – the majority of the transactions in these accounts involved money laundering, which would not be the case. Are there instances where it's occurred? Yes, there are. And Mr Preston gave that same evidence as well. But I don't think it's right, Mr Aspinall.

30

MR ASPINALL: Do you not see that the fact that the bank was raising concerns about money laundering must have indicated that it was more than just a little bit of money laundering going on?

35

MR FELSTEAD: Well, I would imagine the bank's tolerance for money laundering is very, very low. So even if there were a small number of transactions that would have caused concern.

40

MR ASPINALL: Can I now show you a newspaper article, which is in – behind tab 26 of your Southbank/Riverbank folder. That, operator, is INQ.100.010.0092.

45 MR FELSTEAD: I have that, Mr Aspinall.

MR ASPINALL: Do you recall reading that at the time?

MR FELSTEAD: Yes. I would have read this.

MR ASPINALL: And do you see it makes allegations, which are fairly serious, that those – you can tell from the – that the title that those Southbank and Riverbank  
5 accounts were being alleged to have been used to launder drug funds?

MR FELSTEAD: Yes. I see that allegation.

MR ASPINALL: Now, Mr Young may have some information that contradicts that,  
10 but assuming that is correct for the moment, can you see at zero – I'm sorry, at –  
excuse me.

COMMISSIONER: Yes.

MR ASPINALL: I've just got a misprint of a number there, Mr Felstead. I'm  
15 sorry.

MR FELSTEAD: That's all right.

COMMISSIONER: That's Mr Felstead. Thank you.

MR ASPINALL: Yes. It's 0094.

MR FELSTEAD: Yes, I have that.  
25

MR ASPINALL: See, in response – in the last four paragraphs of that article – or  
that page it says:

30 *In a statement in response to questions, Crown Resorts spokeswoman said the  
two companies were set up for receiving and transferring funds to and from  
casino customers of Crown Perth and Crown Melbourne, respectively.*

MR FELSTEAD: Yes, I see that.

MR ASPINALL: And it says:  
35

*Both accounts are authorised to be used for that purpose in accordance with  
casino regulated and legislative requirements.*

40 Do you see that?

MR FELSTEAD: Yes, I do.

MR ASPINALL: And did you authorise that statement to be made?  
45

MR FELSTEAD: I don't recall authorising that statement. I would have been  
involved in it, typically.

MR ASPINALL: But looking at it now can you see that that statement is giving an impression – do you agree that that statement is giving an impression that these accounts are subject to legislative requirements which means that money laundering is unlikely to have occurred through them?

5

MR FELSTEAD: Well, they are – they are used – sorry, they are – these accounts do have proper requirements in relation to the operation of them. We report on these accounts.

10 MR ASPINALL: Yes, but - - -

MR FELSTEAD: I think that's what that's referring to.

15 MR ASPINALL: But as we just discussed, assuming those accounts were only notified to the regulators or – and an annual balance or a quarterly balance of credits and debits were provided to them, that could have provided no answer to an allegation that money laundering was occurring through them, could it?

20 MR FELSTEAD: Well, yes, I – I don't know how to answer that question.

MR ASPINALL: And in the next paragraph it says:

25 *Transactions through these accounts are subject to all our usual reporting obligations, including our obligations under AML/CTF and counter financing regulations.*

Do you see that?

30 MR FELSTEAD: I do, yes.

MR ASPINALL: Were you aware that within Crown there was a debate as to whether or not these companies needed to be registered as reporting entities with ASIC - sorry, AUSTRAC?

35 MR FELSTEAD: No. No, I don't recall that.

MR ASPINALL: Do you ever recall seeing advice on that issue?

40 MR FELSTEAD: No, I don't recall seeing advice on that issue. I may have. I don't recall it.

MR ASPINALL: Were you made aware that ASIC had queried - - -

45 COMMISSIONER: AUSTRAC?

MR ASPINALL: Sorry. I'm very sorry. That AUSTRAC had raised queries with Crown Resorts as to why these accounts hadn't been registered as reporting entities?

MR FELSTEAD: No, I'm not aware of that. As I said, I may be – I may have been informed, but that doesn't certainly ring a bell. But we are reporting on these transactions, though.

5 MR ASPINALL: But if you - - -

COMMISSIONER: I'm sorry, I missed what you said then.

10 MR FELSTEAD: I said we do report on these transactions that occur through these accounts.

COMMISSIONER: You did report?

15 MR FELSTEAD: We do report. We still – well, I mean, until the accounts were closed.

20 COMMISSIONER: But what you're being asked about is the presentation in the press. On one hand it's said that its obligations are under the AML/CTF legislation, and on the other there's a debate that they didn't need to be registered.

MR FELSTEAD: All right. Yes. Sorry, I see the point.

COMMISSIONER: That's the point, Mr Felstead.

25 MR FELSTEAD: Yes.

30 COMMISSIONER: It's probably at this stage, now that the accounts are closed and now that there's a recognition of the horrible mistake, as I describe it, that this was a period of years that these accounts operated, but as I apprehend it if you were asked to go on a company again of this ilk, you might not do it. Is that right?

MR FELSTEAD: I would – I would probably take a very different approach, Commissioner.

35 COMMISSIONER: Does that mean you might say no?

MR FELSTEAD: I think we learn from – we always try and do things better, Commissioner. That's the best way to describe it.

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

MR ASPINALL: Mr Felstead, could I take you to tab 27 of – I will bring this up for you on the screen, Mr Felstead. It's INQ.100.010.0895. And that's exhibit A219, Commissioner.

45 COMMISSIONER: Thank you.

MR ASPINALL: You see that is an announcement or a release that was made to the ASX on 31 July 2019?

MR FELSTEAD: Yes, I do.

5

MR ASPINALL: Do you recall that being made?

MR FELSTEAD: Yes, I do.

10 MR ASPINALL: Could we go to the next page, please, which is 0896. Do you see that?

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

15 MR ASPINALL: Do you see – did you have any hand in drafting this document, Mr Felstead?

MR FELSTEAD: Yes, I provided - myself and Mr Preston provided information into the document.

20

MR ASPINALL: I'm sorry, I can't hear you, Mr Felstead.

MR FELSTEAD: My apologies, Mr Aspinall. Myself and Mr Preston - - -

25 MR ASPINALL: .....

MR FELSTEAD: Yes, can you hear me now?

MR ASPINALL: Yes.

30

COMMISSIONER: Yes.

MR FELSTEAD: Myself and Mr Preston provided input into the – into some of the points in this particular document, Mr Aspinall.

35

COMMISSIONER: You were asked whether you drafted it.

MR FELSTEAD: I didn't draft the entire document. No, I didn't draft the entire document. I was certainly involved in the construction of it.

40

COMMISSIONER: Can I just understand how that works. Did you draft it, or did you have a hand to help someone else draft it or what was the position?

45 MR FELSTEAD: The position was we – myself and Mr Preston were asked to provide information into some of the allegations, we investigated those allegations, Commissioner, and that formed – that formed a large thrust of the advertisement.

COMMISSIONER: Perhaps you might do better, Mr Aspinall.

MR ASPINALL: Mr Felstead, can I take you to specific parts of this document. First, we've spoken about junket operators this afternoon.

5

MR FELSTEAD: Yes, we have.

MR ASPINALL: And in the first column there's a section on junket operators. Do you see?

10

MR FELSTEAD: Yes, I do.

MR ASPINALL: Do you see in the second paragraph there it says:

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

Do you see that?

20 MR FELSTEAD: Yes, I do.

MR ASPINALL: Now, by the time this was released – was this a paragraph that you had any hand in drafting or provided information in relation to?

25 MR FELSTEAD: Yes, I would have been involved in this one.

MR ASPINALL: Do you see:

30 *The reason that this is being made is to reassure investors –*  
in this case to the Stock Exchange, and perhaps the public that the junkets are proper people, isn't it? And it's unlikely that they would do anything wrong. Is that right?

35 MR FELSTEAD: I think – I think the thrust of this, Mr Aspinall, was to show that junket operators were a normal part of business in casinos right around the world and there are – there is regulatory oversight in relation to junkets.

MR ASPINALL: But by this time you had been in the casino industry for a long time, hadn't you?

40

MR FELSTEAD: Yes, I had.

MR ASPINALL: And didn't you know that it was well known in the industry that the probity checks which the DICJ did in Macau were very light on.

45

MR FELSTEAD: My understanding of the probity checks in Macau, Mr Aspinall, was in relation to they would do police checking and they would also do probity

which – and obviously a big part of that was getting police checks in relation to the junkets. I believe there's - - -

5 MR ASPINALL: Your understanding was that there was a police check and that was it. Is that right?

10 MR FELSTEAD: No, I believe that there was a police check and I – the regulator, like many other regulators who did licence junkets there would have had their own processes in place from a licensing perspective.

15 MR ASPINALL: What I'm saying to you is that – so it's your evidence, is it, as a longstanding member of the casino industry, that you regarded the Macau-based regulatory system as able to give comfort to investors and the public that it was unlikely that junket operators were associated with organised crime.

MR FELSTEAD: No, I did not say that.

20 MR ASPINALL: Isn't that why this statement has been included in the advertisement?

MR FELSTEAD: No, I don't believe that was why the statement was included in the advertisement.

25 MR ASPINALL: Why, as you understand it, was that statement included?

30 MR FELSTEAD: The statement was included because it's important that people know that there is a process around junkets. There's a process in Australia when they're here in terms of individuals, and there's a process overseas that these people are licensed by an overseas regulator. And I would suggest that the Macanese DICJ – I would suggest they are a reputable regulator and they would licence junkets accordingly.

35 MR ASPINALL: But Mr Felstead, wasn't it well known in the industry by this time that many of the Macau junkets were associated with triads or organised crime.

MR FELSTEAD: Well, I don't – I don't necessarily – I don't necessarily make that assertion, Mr Aspinall.

40 MR ASPINALL: You say it wasn't well known?

45 MR FELSTEAD: No. There's certainly rumours out there and I'm sure there's plenty of people who will tell you that, but the junkets who are here that come to Australia that are Macau-based, they go through extensive probity checks in Australia and they also do it in Macau as well.

MR ASPINALL: But we've just looked at the probity checks, haven't we, especially the ones you've done, and they consisted largely of a World-Check examination of the person who is put forward as the front man.

5 MR FELSTEAD: We – the probity checks we do now are significantly different than what was being done in 2010, 2012 and 2013.

MR ASPINALL: I see. So do you say that this advertisement was addressing the processes in place now rather than the processes that were in place at the time the  
10 allegations related to?

MR FELSTEAD: No, I wasn't making that distinction, Mr Aspinall. I was just – the point I was trying to make was that the Macau-based junkets do go through a process in Macau. The regulator licences the junkets and I'm not – I'm not here to  
15 say the regulator is not doing a good job over there.

MR ASPINALL: I'm asking for your honest evidence under oath as to whether it was not well known and recognised in the casino industry that many of the large Macau-based junkets were associated with organised crime.  
20

MR FELSTEAD: There were certainly rumours about that. There were certainly rumours with that. I'm not going to deny that.

MR ASPINALL: If that was true, then that would indicate that the Macau-based regulatory oversight and probity checks didn't work, wouldn't it?  
25

MR FELSTEAD: Not necessarily. That's not in every case. But I think we are casting aspersions on the Macau regulator as an entity that's not doing their job properly. This was one – this was one of the - - -  
30

COMMISSIONER: Can I just ask you, Mr Felstead, which Australian regulators review junket operators?

MR FELSTEAD: The Queensland regulator, Commissioner.  
35

COMMISSIONER: Is that the only one?

MR FELSTEAD: That's the only one at this point in time.

40 COMMISSIONER: So why is there a plural in there?

MR FELSTEAD: I can't – I don't know. That must – that would have been an error, but as far as I know there was one.

45 COMMISSIONER: I'm sorry? Did you say that must have been an error?

MR FELSTEAD: I said as far as I know there's only Queensland. That may have been an error. I hadn't picked that point up.

5 COMMISSIONER: That gives the impression that in Australia it's the regulator's job to review the junket, isn't it? That's the impression that you get it.

MR FELSTEAD: Well, there are other casino regulators in Australia and overseas which review junket operators and their dealings with licensed casinos. The review process is we - - -

10 COMMISSIONER: No, don't tell me about the review process, please.

MR FELSTEAD: Sorry. No.

15 COMMISSIONER: I'm asking you – you know what I'm asking you, please, Mr Felstead. Please. Is there only one regulator of which you are aware that reviews junket operators in Australia?

MR FELSTEAD: Yes, there is.

20 COMMISSIONER: So the fact that the ASX was used to publish this, that there were other casino regulators, plural, is an error, is it?

MR FELSTEAD: No, it's not, Commissioner. What that refers to - - -

25 COMMISSIONER: I see.

MR FELSTEAD: Sorry. I don't want to be obtuse. What that refers to, I believe, is that regulators will look at junket operations - it's not an approval process, they will look at junket operators and their dealings with our casinos. We provide information on players to the regulator. We have done for quite some time. So I'm not trying to make the impression that it was more than one regulator.

30 COMMISSIONER: Which casino operations do you have in Queensland?

35 MR FELSTEAD: We have none.

COMMISSIONER: And so no regulator reviews your junket operations.

40 MR FELSTEAD: Sorry, I don't – I don't understand that point you were making, Commissioner.

COMMISSIONER: I'm just asking you; there's no regulator in Australia that reviews Crown's junket operators.

45

MR FELSTEAD: The regulator – well, there is. The VCGLR review our junket operations. They’ve reviewed our junket operations several times, how we deal with junkets.

5 COMMISSIONER: But this is to do with licence – you see there’s no regulator in Australia that licences junkets, is there, except for Queensland.

MR FELSTEAD: Except for Queensland.

10 COMMISSIONER: And so Crown’s business operations – its junket operators – is not licensed; correct?

MR FELSTEAD: It is not licensed by the regulator.

15 COMMISSIONER: And the regulator doesn’t say who can be a junket operator with Crown, does it - - -

MR FELSTEAD: The regulator - - -

20 COMMISSIONER: - - - on a basis – correct?

MR FELSTEAD: On a normal basis, they do not.

25 COMMISSIONER: Yes. So to suggest that there’s a review of junket operators by the regulator dealing with licensed casinos in the same breath as suggesting that Macau-based junkets requires them to be licensed, suggests that it’s the regulator that has a hand in making sure that the junkets are effectively okay to deal with. Do you agree with that?

30 MR FELSTEAD: I – yes. I think, if that was on a different paragraph, that may have been a bit better.

COMMISSIONER: All right.

35 MR FELSTEAD: But that was not the intent to deceive.

COMMISSIONER: All right. Thank you, Mr Felstead. Yes, Mr Aspinall. How much longer do you think you might be?

40 MR ASPINALL: I can be very quick now.

COMMISSIONER: Yes. Good. Thank you.

45 MR ASPINALL: Mr Felstead, in respect to the paragraph that deals with anti-money laundering.

MR FELSTEAD: Yes.

MR ASPINALL: Do you see that it says:

5           *The program made various allegations of money laundering, implying that  
Crown facilitates it or turns a blind eye to it. In fact, Crown has a  
comprehensive anti-money laundering and counterterrorism financing that is  
subject to ongoing supervision by AUSTRAC.*

10           Now, do you accept that, at least, in respect of Southbank and Riverbank, because  
Southbank and Riverbank were not reporting entities, they were not subject to  
ongoing regulatory supervision by AUSTRAC, and that was false?

MR YOUNG: I object to that.

15           COMMISSIONER: Yes. Yes.

MR YOUNG: Mr Aspinall, your Honour, raised only the fact that it was not needed  
to be a registered entity.

20           COMMISSIONER: Yes.

MR YOUNG: The witness said several times that, despite that technical position,  
full reporting was made to AUSTRAC in relation - - -

25           COMMISSIONER: Yes.

MR YOUNG: - - - to the operation of these accounts. So that question is based on a  
false premise.

30           COMMISSIONER: Yes. Mr Aspinall.

MR ASPINALL: Do you see it next says:

*Crown takes its regulatory obligations very seriously.*

35           Do you see that?

MR FELSTEAD: Yes, I do.

40           MR ASPINALL: And, in that regard, you were talking about money laundering, or  
the advertisement was talking about money laundering.

MR FELSTEAD: That is under the heading.

45           MR ASPINALL: But didn't you just tell me that you did not think that it was vital  
or very important that the fact that money laundering was occurring in the Southbank  
and Riverbank accounts was reported to you as CEO?

MR FELSTEAD: No, I didn't say that it wasn't important at all, Mr Aspinall. What we're saying here:

*Crown takes its regulatory obligations ... seriously.*

5

Yes, we do. We work closely with the regulatory agencies - - -

MR ASPINALL: The thing is, Mr Felstead, if Crown did take its obligations very seriously, wouldn't you have told me that you were appalled that the fact that you had hadn't been told that the banks were telling Crown that money laundering was going on in the accounts that Southbank and Riverbank operated?

10

MR FELSTEAD: With the greatest of respect, Mr Aspinall, I will stand by the statement that we've made here about this. I'm not – I will not draw a link between the two.

15

MR ASPINALL: I have no further questions.

COMMISSIONER: Yes.

20

MR ASPINALL: Thank you, Mr Felstead.

COMMISSIONER: Yes. Mr Young, did you want to make an application to ask some questions of Mr Felstead? I think you've muted yourself. You will have to turn - - -

25

MR YOUNG: I'm not on mute now.

COMMISSIONER: Okay. Thank you.

30

MR YOUNG: Yes. Commissioner, I had some questions to ask of Mr Felstead.

COMMISSIONER: And can you tell me what areas they relate to?

35

MR YOUNG: Well, a number of different areas.

COMMISSIONER: Yes.

MR YOUNG: Clarification of various questions and answers that were raised during the course of Mr Bell's examination across probably - - -

40

COMMISSIONER: Yes.

MR YOUNG: - - - I don't know, 10 or 12 topics.

45

COMMISSIONER: All right.

MR YOUNG: And several questions arising from Mr Aspinall's questions.

COMMISSIONER: Yes. I grant you leave, Mr Young. Thank you.

5

<EXAMINATION BY MR YOUNG

[3.09 pm]

10 MR YOUNG: Mr Felstead, on Monday, when Mr Bell asked you some questions, he asked you about the premium players entering into various premium player programs under which various commissions and rebates were receivable by the premium players. That's at transcript 1103, lines 13 to 25. Now - - -

15 MR FELSTEAD: What binder, Mr Young?

MR YOUNG: Well, that's the transcript.

MR FELSTEAD: The transcript, right. I will accept that, yes.

20 MR YOUNG: I will ask you to go to - - -

MR FELSTEAD: I accept that. No, that's fine. I accept that.

25 MR YOUNG: Now, Mr Felstead, could you briefly explain the nature of those premium programs offered to these premium players and the types of rebates available to premium players?

30 MR FELSTEAD: Yes, I can, Mr Young. Thank you. We have a variety of programs for our premium players. Typically, it will involve a turnover program where a player will come in, buy in for a certain amount of front money, or they may have a credit facility, or they may have a cheque cashing facility. They will typically play. They will turn over – and by “turnover” that just means an accumulation of their bets. A simple way to look at it would be I have 10 \$100,000 bets. In the program, I've turned over a million dollars. We would pay, typically, a commission  
35 based on that turnover. The other programs we have, we have a rebate on loss programs. A player may come in, they may lose a million dollars again. We may pay them a commission based on that loss. They're the two typical types of programs we have, Mr Young.

40 MR YOUNG: All right. Thank you. Now, I want to ask you another question that bears upon premium players and their turnover that Mr Bell made the subject of some questions at pages 1111 to 1112. That's simply for the record, Mr Felstead.

45 MR FELSTEAD: Yes.

MR YOUNG: He – the questions were directed to the document at exhibit M88. Could I ask you to open up that folder, please.

MR FELSTEAD: I have that document, Mr Young.

MR YOUNG: It's a VIP international business update of July 2014 and the Ringtail number ends in 0238. Do you see that?

5

MR FELSTEAD: Yes, I have that.

MR YOUNG: And this set out some financial results he took you to, being the net contribution page, page 3 of the document - - -

10

MR FELSTEAD: Yes.

MR YOUNG: - - - Ringtail 0240. And he took you to the turnover by region page, which is 0243.

15

MR FELSTEAD: Yes.

MR YOUNG: Now, in relation to those matters, Mr Bell asked you whether those pages – or whether the turnover page indicated the contribution from VIP gamblers in China to Crown. And in your answer, you corrected him by saying that particular page, being page 0243, represented the turnover rather than a contribution to Crown.

20

MR FELSTEAD: That is correct.

MR YOUNG: Now, could you please explain your answer about the distinction you were drawing in you answer you gave to Mr Bell.

25

MR FELSTEAD: Yes, I can, Mr Young. There's a very key distinction is when we hear of numbers – when we hear large numbers, such as \$20 billion turnover, \$30 billion turnover, they're quite eye-watering numbers. In reality, the contribution or the net profit to the casino out of that is less than one-quarter of one per cent. So it is a very, very low margin business from turnover. So turnover is – turnover is just the bets recorded. The VIP business is one of our lowest margins business, if not the lowest margin business, and, typically, if you're looking for profit from turnover, you're looking at about less than one-quarter of one per cent. So it's about two point – .25 per cent of turnover will give you the profit that we make out of that business. And that's primarily due to we have expenses, we have commissions, which are huge. We have large amounts of expenses. We have taxes. We have overseas offices. It is a very, very low margin business played on a very low house edge game.

30

35

40

MR YOUNG: Thank you.

COMMISSIONER: Can you tell me the difference between the VIP business and the mass market business percentage?

45

MR FELSTEAD: Yes, I can. The mass market business is far better than the VIP business. So, in terms of margin, for example, the machine business, the local table games business, significantly higher margins than the VIP business, primarily due to – in terms – sorry – primarily due to – excuse me – the percentage we pay back in relation to commissions. That’s a large part of that – plus the expenses. It’s a very expensive business to run with a lot of overheads, Commissioner.

COMMISSIONER: You’re referring, there, to the VIP business?

MR FELSTEAD: Yes, I am. Yes.

COMMISSIONER: Yes.

MR FELSTEAD: The local business is a much better margin business.

COMMISSIONER: The which business?

MR FELSTEAD: The local business is a much higher margin business.

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

MR YOUNG: Just one other question on this topic, Mr Felstead. Does the fact that you offer VIP players significant benefits, in the way of rebates and so forth under player programs, does that have an impact on the margin you get out of the VIP business?

MR FELSTEAD: Yes, it does, Mr Young. The higher the commission, the lower the margin from our perspective. And we are in a very competitive market. A lot of our competitors will offer higher commissions than us and that drives the margin down significantly.

MR YOUNG: Thank you. Now, at page 1108, Mr Bell asked you some questions about CEO meetings at Crown.

MR FELSTEAD: Yes, he did.

MR YOUNG: He was asking – he was asking you questions, I think, about a meeting in July of 2015. Now, he put to you that those regular meetings continued. Are you able to tell the Commissioner whether there was a certain point at which CEO meetings ceased to occur?

MR FELSTEAD: Yes. My recollection of that, Mr Young, was they ceased in late – I believe, late 2015 or early 2016.

MR YOUNG: All right. Thank you.

COMMISSIONER: Is there some reason they stopped?

MR FELSTEAD: That was – I think that was a request from Mr Craigie, I believe.

COMMISSIONER: Would you say that again for me, Mr Felstead?

5 MR FELSTEAD: Yes. I think that was a request from Mr Craigie. I don't think Mr Craigie saw the need for them anymore. That was my recollection, Commissioner.

COMMISSIONER: Thank you.

10 MR YOUNG: And, Mr Felstead, one question related to that. Was that request from Mr Craigie requested – was that connected with Mr Rankin's taking up the position of chairman?

MR FELSTEAD: That well may be the case, Mr Young.

15

COMMISSIONER: What was that?

MR FELSTEAD: I said, "That well may be the case, Mr Young."

20 COMMISSIONER: Thank you.

MR YOUNG: All right. Now, Mr Felstead, you were asked some questions about your own incentive package as an executive of Crown. Do you recall that?

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

MR YOUNG: And you were also asked some questions about the remuneration packages offered to employees in the VIP international section of Crown.

30 MR FELSTEAD: Correct. I was.

MR YOUNG: At page 1137, at line 45, Mr Bell asked you whether a number of the China-based sales team received bonuses. And you answered:

35 *Yes, based on turnover, typically.*

At the top of page 1138. Now, I want to ask you a couple of questions about that. Were the administrative staff members in China, such as Ms Jenny Jiang that you were asked some questions about, were they paid any incentive element in their salary package?

40

MR FELSTEAD: My understanding is they were not. It was purely the sales staff.

MR YOUNG: Yes. So they just had their salary and that was it; is that the case?

45

MR FELSTEAD: Just a base salary and that was it.

MR YOUNG: Now - - -

COMMISSIONER: Just so I understand it, are you saying it's just the sales staff who had the incentive payments? Is that what I understood you to say?

5

MR FELSTEAD: That's correct, Commissioner. The sales staff were involved in recruiting customers. They were on a bonus scheme.

COMMISSIONER: And Ms Jiang was a part of the administrative staff. Is that right?

10

MR FELSTEAD: Correct. Correct. Administration duties.

COMMISSIONER: Yes. Thank you.

15

MR YOUNG: Mr Felstead, are you able to identify how many administrative staff the VIP section had in China to whom they had no ..... in their salary?

MR FELSTEAD: Sorry, Mr Young, you just froze then.

20

MR YOUNG: I'm sorry. Are you able to tell the Commissioner how many administrative staff there were in China who simply received a salary package with no bonus component in the salary package?

MR FELSTEAD: Yes, I believe there would have been probably three to four, Mr Young, administration staff. That would be my – that would be my best guess in relation to that. There was definitely more than one.

25

MR YOUNG: Yes. Now, I think you said this in evidence at 1138, but I will ask you to expand a little bit. You said that the bonus payments made to the sales staff in China as part of this salary package, they were, to your understanding, based on turnover.

30

MR FELSTEAD: That is – that is correct, Mr Young. Turnover less any uncollected debts.

35

MR YOUNG: Yes. Could you just explain a little bit further how that worked? How was turnover calculated for a particular member of the sales team?

MR FELSTEAD: Yes. It was done in two ways, Mr Young. Our sales staff have a turnover target for a particular player and that – they would be assigned to a particular region. So if player X would come and turn over a billion dollars, that would go into consideration for the staff member's bonus and there would also be a regional bonus because obviously the staff in that region would assist each other with the players. That would be a smaller component of that.

40  
45

MR YOUNG: All right. Thank you. Now - - -

COMMISSIONER: Just before you move on, do I understand then that what you have indicated is that the bonus was calculated on that one billion dollar turnover, for instance, but it was reduced if the staff – salesperson hadn't collected debts within the region. Is that right, Mr Felstead?

5

MR FELSTEAD: Yes, typically that – the actual commission would be – the commission – sorry, the bonus would be actually wiped out for that particular player.

COMMISSIONER: I see. Yes, thank you.

10

MR YOUNG: And Mr Felstead, was the calculation – was that connected to the turnover of the particular players that the particular sales staff member dealt with in a relevant period?

15 MR FELSTEAD: That is correct, Mr Young.

MR YOUNG: Thank you. Now, in relation to the three or four administrative staff you mentioned, were they convicted of breaching article 303?

20 MR FELSTEAD: I believe – I believe some of them were.

COMMISSIONER: But they were not imprisoned; is that right?

25 MR FELSTEAD: I think – I think Ms Jiang was imprisoned. She was imprisoned for a period of a month, I believe.

COMMISSIONER: Yes, but not for the 10 or nine months that the other sales staff members were; is that right?

30 MR FELSTEAD: No. No, she wasn't in – she wasn't incarcerated for that period of time.

COMMISSIONER: So the admin staff were relieved of the criminal penalty of imprisonment after conviction. Is that right?

35

MR FELSTEAD: That is my understanding.

COMMISSIONER: But it was the sales staff who were imprisoned for nine and 10 months respectively.

40

MR FELSTEAD: Yes, and Ms Jiang for a period of one month.

COMMISSIONER: Yes. Thank you.

45 MR YOUNG: Now, I'm going to move to another topic, Mr Felstead. I want to take you to a document that you were asked about on – I think it's Tuesday morning

by Mr Bell. It's document M1 – sorry, it's document exhibit O23, if you could get that document out, please.

5 MR FELSTEAD: I have that document, Mr Young.

MR YOUNG: Now, Mr Felstead, the Ringtail number ends in 0406 for everyone's assistance.

10 MR FELSTEAD: Yes, I have that. Thank you.

MR YOUNG: You may recall you were asked some questions by Mr Bell at transcript 1194 to 1195 about the numbered points 2, 3 and 4 in the email at the bottom half of that page.

15 MR FELSTEAD: That is correct, yes.

MR YOUNG: Now, I want to ask you about point number 2 which – the entry under Industry Chatter Re Marketing Crackdown is:

20 *Avoid travel to the mainland for a while.*

Now, did travel to the mainland resume for executives in the VIP division in 2015?

25 MR FELSTEAD: Yes, it did, Mr Young.

MR YOUNG: Are you able to say when it resumed?

MR FELSTEAD: For me personally I went back to China in early May, Mr Young.

30 MR YOUNG: Of 2015?

MR FELSTEAD: That's correct, and I made – I believe I made – I think there might have been two more trips in 2015.

35 MR YOUNG: All right. I will ask you about 2016 in a moment.

MR FELSTEAD: 2015, sorry, Mr Young, I was referring to.

40 MR YOUNG: Yes, I understand that. Now, was the resumption of travel the subject of discussion between you and other members of the VIP division?

MR FELSTEAD: Yes, it was, Mr Young.

45 MR YOUNG: Can you identify who they were?

MR FELSTEAD: That would have been Mr Chen - primarily Mr Chen, Mr O'Connor and myself. We would have included Mr Ratnam in some of those

conversations as he was one of the people travelling, but primarily Mr Chen and Mr Ratnam – Mr Chen – so sorry, Mr Chen and Mr O’Connor and myself.

5 MR YOUNG: And what factors did you personally take into account in deciding that it was appropriate to resume travel?

10 MR FELSTEAD: I took - the things that I took into consideration were - I took into consideration the fact that we were receiving advices from Mintz, our agency, that things – it was right to travel, similar thing – advices from WilmerHale as well, and general information about what other properties were doing in China, other people were visiting China.

15 MR YOUNG: And when you say other properties, who particularly are you referring to?

20 MR FELSTEAD: Well, there was a – a significant – a reasonable list of companies who were still operating in China, were still sending executives there. They were some of our Australian competitors, they were some Macanese casinos, there was a Vegas casino in there as well, so the China market was still being populated with people marketing and people travelling from a marketing perspective.

25 MR YOUNG: All right. Thank you. Can I then move on to late – same topic, a later date. Earlier in your evidence on the first day at transcript 1125, Mr Bell asked you about your trips to China, and you told him that you had visited China 14 times at page 1124, last line. And he asked you about your visits in 2016 and you agreed you went to China in May, August and early October of 2016? Do you recall giving that - - -

30 MR FELSTEAD: That is correct, Mr Young.

MR YOUNG: Now, on any of the trips that we’ve discussed – well, I’ll start again. On any of your trips to China in 2015 and 2016 were you accompanied by your wife on any of those occasions?

35 MR FELSTEAD: Yes, I was, Mr Young.

MR YOUNG: And can you remember which ones?

40 MR FELSTEAD: Yes, that was the very last trip. That was in – it was around October 6, October 7 of 2016, Mr Young.

45 MR YOUNG: All right. Now, when you made the trips I’ve asked you about to China in late – in the second half of – I will start again. When you made the trips to China in 2015 and 2016, did you have any concerns about your personal safety or a risk of detention that you might face?

MR FELSTEAD: I did not, Mr Young.

MR YOUNG: And when you took your wife with you on the trip in October of 2016, did you have any concerns about her safety?

MR FELSTEAD: I did not, Mr Young.

5

MR YOUNG: And in relation to your trips in October 2016, what risk assessment did you make about travelling and whether it was appropriate for you, and on one occasion your wife, to travel?

10 MR FELSTEAD: I would be relying on the consistent advice we had received from both WilmerHale and Mintz and what was going on in the industry. I was thoroughly satisfied that was sufficient and I felt in no danger or threat going there myself or taking my wife there.

15 MR YOUNG: And in 2016 did you take into account what other casinos were doing in terms of marketing in China?

MR FELSTEAD: That was always part of the consideration, Mr Young.

20 MR YOUNG: And had there been any change so far as you could see in relation to what other casinos were doing by way of marketing in China?

MR FELSTEAD: No, not – not that I could see. I asked the question and I could not see anyone that had done anything differently.

25

MR YOUNG: Did other members of the VIP team travel to China in 2015 and 2016?

MR FELSTEAD: I believe they did, yes.

30

MR YOUNG: We know Mr O'Connor went there in October of 2016 because of his detention, but can you identify how many trips, for instance, Mr O'Connor, Mr Chen or Mr Ratnam made?

35 MR FELSTEAD: Specifically, no. Mr Chen would have made numerous trips. He would have gone there on a very regular basis. Mr O'Connor would have – he would have made, I'm guessing, in the vicinity of two or three trips, probably not too far from the number of trips I made. Mr Ratnam would have been a similar number to me, but Mr Chen would have been up there on a very regular basis.

40

COMMISSIONER: Where was Mr Chen based?

MR FELSTEAD: He was based in Hong Kong, Commissioner.

45 COMMISSIONER: Yes, I see.

MR YOUNG: I want to move to another topic, Mr Felstead. You were asked a number of questions about the detention and questioning of your China-based employee, [REDACTED].

5 MR FELSTEAD: Yes, I was.

MR YOUNG: Yes. Now - - -

10 COMMISSIONER: Yes. I will make a non-publication order in respect of that name.

MR YOUNG: I apologise, Commissioner.

15 COMMISSIONER: That's all right, Mr Young. Others can assist. So the name – if that transcript is to be marked confidential, please, and there's no publication of that person's name, please. Yes, Mr Young. Please proceed.

20 MR YOUNG: Now, I will just give you the date period, Mr Felstead. That detention occurred in early July of 2015, and that was shortly after the arrest of certain South Korean casino employees. Do you recall that?

MR FELSTEAD: Yes, it was, Mr Young.

25 MR YOUNG: Now, it was put to you by Mr Bell that those several events had escalated the risk to your China staff. That's at page 1219. And in your answers, Mr Felstead, including at lines 25 to 30 at 1219, you said that the Korean arrest was a very, very different issue, and that they were separate circumstances not connected and not specifically related to the position of Crown. That's at 1220. Could you explain to the Commissioner why you said that, what points of distinction did you see between the position of the South Koreans and the position of Crown?

30 MR FELSTEAD: Yes, thank you, Mr Young. The information we had in relation to the Koreans was they were very aggressive in their marketing mode. They were moving – I will say “allegedly” to all this. They were allegedly moving cash across borders. They had allegedly been warned by the Chinese authorities about such behaviour. And they were acting in a very, very overt manner in relation to how they would market up there. But the main issue was currency. They were moving currency across borders. And the second issue was we believed they had received advices from the Chinese authorities to cease and desist. And they chose to ignore those advices. That was the thrust of that.

40 MR YOUNG: Yes. And did you get advice to that effect?

45 MR FELSTEAD: Yes, we did. We got advice from Mintz Group in relation to that.

MR YOUNG: Can I ask you to go to a document you weren't taken to. It's at exhibit M – sorry. It's exhibit M, tab 202.

MR FELSTEAD: I have that, Mr Young.

MR YOUNG: What you should have at the top of the page is an email from you to a number of Crown employees, including Rowan Craigie, Michael Johnston and Ken  
5 Barton being cc'd, and the legal team of Debra Tegoni and Michael Neilson as the principal addressees. Do you see that?

MR FELSTEAD: Yes, I do, Mr Young.

10 MR YOUNG: And you were passing on advice that Mr Chen had caused to be sent to you, which emanated from Mintz; is that right?

MR FELSTEAD: That is correct. Yes.

15 MR YOUNG: Now, it may be a little bit hard to read and this, apparently, is the best copy that's available. But did you place particular reliance upon this written advice from Mr Phillips of Mintz?

MR FELSTEAD: Yes, I did, Mr Young, because that certainly confirmed the  
20 information that we had received verbally in relation to this.

MR YOUNG: The email from Mr Randy Phillips draws attention to his assessment that he was convinced the South Korean situation was an isolated case. Do you see  
25 that?

MR FELSTEAD: Yes, I do, Mr Young.

MR YOUNG: And did you accept that advice?

30 MR FELSTEAD: Yes, I did, Mr Young.

MR YOUNG: I want to, then, ask you about another document. It's exhibit O, tab  
33.

35 MR FELSTEAD: I have that, Mr Young.

MR YOUNG: This is an email exchange which, if you go to the bottom of it, relates to some questions connected with the detention of the Crown employee in early July of 2015. And can I draw your attention to the question that you had asked people to  
40 get an answer to in response to the news about that employee? Do you see that at page 0148?

MR FELSTEAD: I do, Mr Young.

45 MR YOUNG: And the same thing appears at 0149.

MR FELSTEAD: Yes, I do.

MR YOUNG: Now, did you get that response about the position being adopted by other casinos in China?

MR FELSTEAD: I did receive that at a later date, Mr Young.

5

MR YOUNG: Commissioner, we've notified this document to the Inquiry, but there's another email connected to this chain that I would like to pull up on the screen, if that's possible. I can give the reference number.

10 COMMISSIONER: Yes.

MR YOUNG: It is CWN.502.032.0015.

COMMISSIONER: Does it have a CRL number at the bottom right-hand corner?

15

MR YOUNG: The one I'm looking at, I'm afraid, doesn't, Commissioner.

COMMISSIONER: Yes. Just pardon me for a moment.

20 MR YOUNG: I can now give it, I think.

COMMISSIONER: Yes. Yes?

MR YOUNG: Courtesy of WhatsApp. CRL.643.001.0005.

25

COMMISSIONER: Yes. Thank you, Mr Young. That will now, hopefully, be brought up on the screen.

MR YOUNG: Thank you.

30

COMMISSIONER: What's happening? It's going to be a little while. Mr Young, you might go on to another topic and come back to it when it's ready.

MR YOUNG: Yes, I can do that.

35

COMMISSIONER: Yes, thank you.

MR YOUNG: Mr Felstead, I'm going to turn to some questions that are asked of you this afternoon by - - -

40

COMMISSIONER: I think it's on the screen now, Mr Young.

MR YOUNG: That was almost bound to happen.

45 COMMISSIONER: Of course. As soon as I said it. Yes. Thank you, Mr Young.

MR YOUNG: Mr Felstead, do you have a hardcopy of that email chain?

MR FELSTEAD: Yes, I do, Mr Young.

MR YOUNG: I want to take you to the bottom originating email. It's on the last  
5 page of that chain, if the operator would like to enlarge the last email of 10 July  
2015.

COMMISSIONER: Yes. Thank you.

MR YOUNG: And you will note, Mr Felstead, that that's the same email I asked  
10 you about when I took you to exhibit O, tab 33?

MR FELSTEAD: That's correct, Mr Young.

MR YOUNG: Where you asked a question for certain information to be supplied  
15 about what other casinos were doing in sales in China. See that?

MR FELSTEAD: That's correct.

MR YOUNG: Now, could you go back to the front of this email that's on the  
20 screen? You'll see, at the bottom half of the first page, there's an email from Mr  
Chen to Jason O'Connor setting out a list of competitors who continue to have staff  
in China. Do you see that?

MR FELSTEAD: Yes. I see that, Mr Young.  
25

MR YOUNG: Now, you're not copied into this email. But was that information  
provided to you, either by Mr Chen or Mr O'Connor?

MR FELSTEAD: Yes, it was, Mr Young.  
30

MR YOUNG: Now, did the continuing presence of those other casinos in China  
with sales staff give you any comfort in assessing the risk – the level of risk that  
Crown faced?

MR FELSTEAD: Yes, it did, that, in conjunction with our advices we received, that  
35 gave me a high degree of comfort in relation to doing business in China, Mr Young.

MR YOUNG: Thank you. I tender that email chain, Commissioner.

COMMISSIONER: Yes. That can just be added to exhibit O, tab 33.  
40

MR YOUNG: Thank you.

COMMISSIONER: Yes?  
45

MR YOUNG: Now, I'm moving to another topic, Mr Felstead. I'm going to ask  
you some questions arising from Mr Aspinall's questions to you this afternoon.

MR FELSTEAD: Yes, Mr Young.

MR YOUNG: Or, in fact, it may be late morning. You were asked some questions  
5 about the allegations raised in the media, particularly as it concerned a number of  
junkets, including Suncity. Do you recall those questions?

MR FELSTEAD: I certainly do. Yes.

MR YOUNG: Now, in that regard, Mr Aspinall asked you who you spoke to about  
10 those issues or what steps you took. Now, a reference was made to the Hong Kong  
Jockey Club and what it may know about Suncity. Do you know whether any  
inquiries were made in that regard?

MR FELSTEAD: Yes, there were, Mr Young. Yes. We contacted the – and they  
15 tried to make contact with the Hong Kong Jockey Club in relation to those  
allegations. And they did not want to provide us any information.

COMMISSIONER: They did not want to provide any information, did you say?

20 MR FELSTEAD: That's correct, Commissioner.

COMMISSIONER: Yes.

MR YOUNG: Now, secondly, did you have any engagement with the regulators  
25 concerning the allegations raised in the media around junkets?

MR FELSTEAD: Yes, we did, Mr Young.

MR YOUNG: And which regulators?  
30

MR FELSTEAD: That was regulators in both Victoria and Western Australia.

MR YOUNG: Yes. And did you seek their assistance in trying to ascertain whether  
35 there was any basis for those allegations?

MR FELSTEAD: We certainly had some – we certainly had some lengthy  
discussions with the regulator about those and, yes, we certainly sought assistance.

MR YOUNG: And did you have engagement with any law enforcement agencies  
40 about the allegations?

MR FELSTEAD: Yes, we did.

MR YOUNG: Did you engage with the New South Wales regulator in relation to  
45 those allegations?

MR FELSTEAD: I can't – I can't recall that one, Mr Young. I believe we may have. But I would have to – I would have to clarify that. That wouldn't have been – that would not have been me. That may have been Mr Barton. But I would have to clarify that.

5

MR YOUNG: Yes.

COMMISSIONER: When are you speaking of? When was this that you had these discussions?

10

MR FELSTEAD: Sorry. These are in relation to the Four Corners one, Mr Young?

MR YOUNG: Well, I was asking – the questions and the allegations were put to you were drawn partly from Four Corners and partly from 60 Minutes.

15

MR FELSTEAD: Yes.

MR YOUNG: But I will ask you separate – I will separate them.

20

MR FELSTEAD: Yes.

MR YOUNG: Did you have those inquiries you've described – did you carry out any of those in 2014. The date escapes me for a moment, but I think it was around about October - - -

25

COMMISSIONER: It was September - August/September.

MR FELSTEAD: Yes, my understanding is that – yes, my understanding, Mr Young, is that Mr Neilson wrote to the regulators in Victoria and in Western Australia concerning those, advised them of our findings.

30

MR YOUNG: Yes. And about the same - - -

MR FELSTEAD: And we - - -

35

MR YOUNG: Sorry, you go on.

MR FELSTEAD: You go on.

40

MR YOUNG: I will ask you about the 60 Minutes program in 2019. Do you know what inquiries were made then relating to allegations about junkets?

MR FELSTEAD: Yes, my understanding on that one is that we contacted the regulators in both states in relation to those particular allegations and they were doing – they were looking into that as well. We certainly informed them what was occurring there.

45

MR YOUNG: Now, going back to 2014 and the Four Corners allegations, do you recall whether Mr Neilson also wrote to the New South Wales regulator which at the time was the Casino Control Authority, the predecessor of ILGA?

5 MR FELSTEAD: He may well have. I would have to confirm that. That – I can't confirm that, but I would assume he would have.

MR YOUNG: All right.

10 COMMISSIONER: Did you speak to any of the journalists over the years, that is, did you consult with them to see where their sources – obviously not their sources, but where their information came from?

15 MR FELSTEAD: Not specifically with the journalists. We encouraged the journalists if they had information which they believe any illegal doing they should report it to the authorities. We encourage that, but yes, not a – probably not a lot of – not a lot of interaction with the journalists, Commissioner.

20 COMMISSIONER: I understand some reticence after what Crown has had published about it, but one of the ways of trying to deal with these might have been to try and get some information from the print media at least. Would you agree with that or not?

25 MR FELSTEAD: Yes, I think that's – I think if you have a good relationship with media that would have been a valid point. I think that's something we could look at in the future.

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

30 MR YOUNG: Mr Felstead, I'm going to ask for a document to be called up that you were copied in on. The document number is CRL.579.010.1181.

35 COMMISSIONER: It doesn't seem to – what is it, Mr Young? What's the document?

MR YOUNG: It's an email from Mr Neilson to Mr Craigie and Mr Felstead and – amongst others.

40 COMMISSIONER: And was that a document to which Mr Felstead has already been taken?

MR YOUNG: No, it's not, Commissioner.

45 COMMISSIONER: I see. Yes, all right then.

MR YOUNG: It's simply an engagement between Crown and the New South Wales regulator in 2014 about Four Corners.

COMMISSIONER: Has that been notified to the – that hasn't been notified – so one of the ways of this wonderful technological platform is that we need to have notification of any documents that are to be deployed or sought to be deployed so we can have them ready. That hasn't happened in this instance so if you would just like  
5 to proceed without the document.

MR YOUNG: Yes. What I will do, Commissioner, I will withdraw the reference to it.

10 COMMISSIONER: All right.

MR YOUNG: Mr Craigie was the recipient.

COMMISSIONER: Yes.  
15

MR YOUNG: And it can be taken up with Mr Craigie.

COMMISSIONER: Yes, all right. Yes, please proceed, Mr Young.

20 MR YOUNG: The – I've just lost the document.

COMMISSIONER: That's all right. Take your time.

MR YOUNG: Mr Felstead, do you recall being asked about some evidence that  
25 Professor Rose had given to the Inquiry?

MR FELSTEAD: Yes, I do.

MR YOUNG: And you were asked whether you had seen some of Professor Rose's  
30 evidence. Do you remember that?

MR FELSTEAD: Yes, I was. Yes.

MR YOUNG: Did you also see evidence given by Mr Sidoti to the commission?  
35

MR FELSTEAD: I did see evidence given by Mr Sidoti to the commission. I watched some of Mr Sidoti – some of Mr Sidoti's testimony.

MR YOUNG: I want to ask you about a passage of his evidence that appears at  
40 page 936 of the transcript. I hope it's possible to make that visible on the screen, Commissioner.

COMMISSIONER: We shall see, Mr Young. Page 936 of the transcript. There it is. Yes. Yes, Mr Young.  
45

MR YOUNG: Could we enlarge the passage between lines 4 and line 15. Now, just read that to yourself for a moment, Mr Felstead. Now, I want you to assume that Mr

Sidoti was the chairman of the New South Wales regulator, the Casino Control Authority as it was then named, at the time of the Four Corners program. Now, I want to ask you whether you agree or whether you want to say anything about the approach that Mr Sidoti described in the passage that commences at line 10 setting  
5 out the findings of the New South Wales authority relating to the allegations made by Four Corners concerning Suncity and Neptune.

MR FELSTEAD: Could the operator please just raise that slightly? I've got part of  
10 my vision screen cutting that off.

COMMISSIONER: Yes, we will make it a bit bigger for you, Mr Felstead. If you  
make that a bit bigger, please.

MR FELSTEAD: Sorry, it's actually my video feed picture is just chopping into it,  
15 so if they could raise that, just make it – put it towards the top.

COMMISSIONER: Yes, please raise it up to the top of the page, operator.

MR FELSTEAD: Yes. Thank you, Commissioner.

20

COMMISSIONER: Is that better?

MR FELSTEAD: A little bit more, please.

25 COMMISSIONER: Yes. Thank you.

MR FELSTEAD: And one more, please.

30 COMMISSIONER: One further up, thanks.

MR FELSTEAD: Just one more, please, when – when convenient. I just can't see  
the bottom – the bottom right. I can see - - -

35 COMMISSIONER: What is says, Mr Felstead, is:

*When Mr Sidoti looked into it the individuals concerned with Neptune and with  
Suncity, the allegations made against them had not been conclusively  
established.*

40 And then after that it says:

*And we inquired of the Hong Kong police and of consultants that had  
previously been used in Hong Kong and Macau and those were the conclusions  
that were reached at the end.*

45

They're the matters that Mr Young asks you to take on board and he will ask you a  
question.

MR FELSTEAD: Yes. Thank you, Commissioner.

COMMISSIONER: That's all right.

5 MR YOUNG: I have two questions, Mr Felstead, but the first is did you – do you agree with that position as described by Mr Sidoti as of around about August to October of 2014 as being the best information that could be obtained relating to Neptune and Suncity?

10 MR FELSTEAD: I would agree with that, Mr Young.

MR YOUNG: And do you recall whether the New South Wales regulator shared these conclusions with Crown at the time?

15 MR FELSTEAD: I don't recall if they did. I would have to - - -

COMMISSIONER: You don't believe they did?

MR FELSTEAD: I don't recall if they did.

20

COMMISSIONER: I see.

MR YOUNG: Thank you. That – I've finished with that piece of transcript, Commissioner.

25

COMMISSIONER: Thank you, Mr Young.

MR YOUNG: Now, immediately after lunch, Mr Felstead, Mr Aspinall was going to ask you about a document and then didn't proceed with that. The document was a document headed Patron Information. The Ringtail number was CRL.579.026.0369. Do you have a hardcopy of that document, Mr Felstead or only the screen copy?

30

MR FELSTEAD: I have a hardcopy, yes, 0369. Yes, I do.

35 COMMISSIONER: That should be only to the hearing room feed. Yes. Yes, Mr Young.

MR YOUNG: Yes, I can – I just paused because I wondered if you, the Commissioner, had access to the document.

40

COMMISSIONER: Yes, it's on the screen.

MR YOUNG: Thank you.

45 COMMISSIONER: Yes. Thank you.

MR YOUNG: Mr Felstead, I want you to explain to the commission the nature of this information sheet and whether it is primarily directed to the personal position of Mr – of the individual in question.

5 MR FELSTEAD: It is, Mr Young. This is in relation to the individual named in the document and this is a – call it a dossier of information known about this particular person and a summation of searches and checks done on this particular person.

MR YOUNG: All right. Now, after the adjournment you told Mr Aspinall that Mr  
10 Zhou had been excluded in 2019. Do you recall that?

MR FELSTEAD: I did, yes. That was a correction I made.

MR YOUNG: Yes. And you did that because of item 1, Exclusion Status, at page  
15 0371? Is that right?

MR FELSTEAD: Yes, I did, Mr Young.

MR YOUNG: Now, WOL'D refers to withdrawal of licence, does it not?  
20

MR FELSTEAD: That does, Mr Young.

MR YOUNG: Which means the withdrawal of permission to be on the premises at  
25 any time.

MR FELSTEAD: That's correct, Mr Young.

MR YOUNG: Can I draw your attention to an earlier exclusion item, item 5 at page  
30 0370.

MR FELSTEAD: Yes, Mr Young.

MR YOUNG: That refers to self-exclusions on 11 May 2010 and 27 March 2016.  
35 Could you just very briefly explain what that signifies?

MR FELSTEAD: Yes, that signifies that the patron in question chose to self-  
exclude from gaming at Crown Melbourne and on 2010 in May and 2016 in Perth.  
CP is Crown Perth, CM is Crown Melbourne.

40 MR YOUNG: Now in relation to - - -

COMMISSIONER: That's a different person, is it not?

MR FELSTEAD: This is the same person, Commissioner.  
45

COMMISSIONER: The same person. I see.

MR FELSTEAD: Yes.

MR YOUNG: Now, in relation to the gaming activity on the last two pages.

5 MR FELSTEAD: Yes, Mr Young.

MR YOUNG: Just again very briefly for the Commissioner, what does that convey as to whether the individual had played in recent times?

10 MR FELSTEAD: That shows we have no recorded play for the individual since 2010.

MR YOUNG: Thank you. Now, can I go back to the first page of this document.

15 COMMISSIONER: Before you leave that, if I may just clarify. You're looking at whether the person also gambles; is that right? This is what we're looking at; is that right in.

MR FELSTEAD: That's – that's correct, yes.

20

COMMISSIONER: So if this person is involved in a business arrangement where that person might bring patrons in, that's separate to what I'm looking at here, which is the person's personal gambling arrangements; is that right, Mr Felstead?

25 MR FELSTEAD: That's correct, Commissioner.

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

30 MR YOUNG: And taking up the Commissioner's point, Mr Felstead, is some information in this – what is largely a personal record for Mr Zhou, does it contain, on the first page and the top of the second page, some information about his connections with any known junket operation?

MR FELSTEAD: Yes, that's the information on that particular page.

35

MR YOUNG: Now, there's a list of individuals in the bottom half of the first page that continues over concerning individuals connected or possibly connected to a Chinatown junket. Do you see that?

40 MR FELSTEAD: Yes. Yes, I do.

MR YOUNG: Now, what does that information convey about these individuals and whether their connection with Crown and these junkets have ceased?

45 MR FELSTEAD: That will tell us that their last program – so we have first junket program, last junket program. So 2016, 2016, 2014, 2019, 2016 and 2017, they were the times those arrangements – the last program we had on those particular persons.

MR YOUNG: Yes. And the only one that outlasts 2016/2017 is the man at the top of the second page; is that right?

5 MR FELSTEAD: That's correct, and he was – last played in July 2019.

COMMISSIONER: And that's the person to whom you referred earlier in your evidence about the remaining Chinatown junket connection; is that right?

10 MR FELSTEAD: That would have been – that would have been the one I was referring to, Commissioner.

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

15 MR YOUNG: Mr Felstead, I have finished with that document. You can put that aside. Now, turning to the question of Riverbank and Southbank accounts. Mr Felstead, you were asked some questions and gave some evidence about the naming of the accounts and the disclosure of matters concerning the naming to the regulator. Do you remember that?

20 MR FELSTEAD: I do, yes.

MR YOUNG: Can I ask you to go to the bundle of documents you have relating to the bank accounts.

25 MR FELSTEAD: Yes, Mr Young.

MR YOUNG: I want you to go to tab 3. And, Commissioner, for display only in the hearing room, I would think.

30 COMMISSIONER: Yes.

MR YOUNG: The Ringtail reference is CRL.570.001.1789.

35 COMMISSIONER: Thank you. Yes.

MR YOUNG: Do you have it, Commissioner?

COMMISSIONER: Yes, I do. Thank you, Mr Young.

40 MR YOUNG: Thank you. I can't tell from my screen.

COMMISSIONER: No, I'm sorry. Yes, of course.

45 MR YOUNG: Now, Mr Felstead, that's a letter on Crown letterhead, of 18 January 2002, to the Victorian regulator.

MR FELSTEAD: Yes, it is, Mr Young.

MR YOUNG: And I want to draw attention to the third paragraph. Would you just look at that paragraph and the disclosures it makes.

MR FELSTEAD: I've read that, Mr Young.

5

MR YOUNG: Now, was that the disclosure of matters concerning the naming of the Melbourne account, Southbank Investments, and the reasons for that that was made to the regulator in Victoria?

10 MR FELSTEAD: That is correct, Mr Young.

MR YOUNG: Now, you may not be able to answer this, but I will ask it: do you know whether the regulator in Perth was advised of the function of the Riverbank account in a similar way?

15

MR FELSTEAD: I can't comment if – in relation to if they were advised. It would seem – it would seem a logical thing that would have been the case, Mr Young.

20 COMMISSIONER: I suppose, once the regulator was given this information, once the bank accounts were closed by the bank, the regulator really should have been informed of that, shouldn't it?

MR FELSTEAD: Yes, I – and I don't know whether they have been or not. I would have to check on that, Commissioner.

25

COMMISSIONER: Yes. Well, if it didn't, it should have.

MR FELSTEAD: Yes.

30 COMMISSIONER: But there it is.

MR FELSTEAD: Yes. No. No, point taken. Thank you.

COMMISSIONER: That's all right.

35

MR YOUNG: Would you excuse me for one moment, Commissioner - - -

COMMISSIONER: Of course.

40 MR YOUNG: - - - just whether I check whether I have – while I check whether I've got anything else.

COMMISSIONER: Yes, of course, Mr Young.

45 MR YOUNG: No. I've no further questions for Mr Felstead, Commissioner.

COMMISSIONER: Yes. Thank you, Mr Young. Now, Mr Barnett?

MR BARNETT: No questions. No questions, Commissioner.

COMMISSIONER: Ms Case? Are you seeking any leave to ask any questions of Mr Felstead?

5

MS CASE: No, I am not, Commissioner.

COMMISSIONER: Thank you. Mr Bell, any questions arising?

10

**<EXAMINATION BY MR BELL**

**[4.12 pm]**

MR BELL: Good afternoon, Mr Felstead, I just have a couple of questions arising out of the documents that Mr Young tendered a little bit earlier, which has now been added to exhibit O, tab 33. Operator, can we call up CRL.643.001.0005, please.

15

COMMISSIONER: Just to the hearing room.

MR BELL: Hearing room only. Operator, could you zoom in on the email in the bottom half of that page, please? Now, do you have that document, Mr Felstead?

20

MR FELSTEAD: Yes, I do, Mr Bell.

MR BELL: Now, did you make any inquiries at this time, that is, July 2015, to find out if any of your competitors in China were licensed by the Chinese Government to conduct business in China or whether, like Crown Resorts, they had no business licence at all?

25

MR FELSTEAD: I did not, Mr Bell.

30

MR BELL: And did you make inquiries of that nature at any time up to October 2016?

MR FELSTEAD: I did not, Mr Bell.

35

MR BELL: Thank you, Mr Felstead.

COMMISSIONER: Yes. Mr Felstead, thank you very much. One of the aspects of an Inquiry like this is that, usually, at the end of evidence it's – in a courtroom, you can be excused from giving further evidence. But in respect of the Inquiry, it is, at this stage, not expected, but it could happen. So I can't formally release you. But you are, at the end of this aspect of your evidence. And thank you very much.

40

MR FELSTEAD: And thank you to you, Commissioner, and thank you to Mr Bell and Mr Aspinall.

45

COMMISSIONER: Yes. Anything further, Mr Aspinall or Mr Bell? And tomorrow we commence with - Mr Bell?

5 MR BELL: We'll be commencing with Mr Ratnam. And I would expect that we would at least start Mr Craigie tomorrow as well.

COMMISSIONER: Thank you very much, Mr Bell. You'll be appearing tomorrow, Mr Young?

10 MR YOUNG: I am, yes.

COMMISSIONER: Yes.

15 MR YOUNG: Commissioner, can I mention two very minor matters?

COMMISSIONER: Yes.

MR YOUNG: I'm informed that Mr Ratnam's actual surname - - -

20 COMMISSIONER: Yes.

MR YOUNG: - - - is not Ratnam; that that's an abbreviation.

25 COMMISSIONER: Yes.

MR YOUNG: His formal name is Kunaratnam.

COMMISSIONER: Thank you for that clarification.

30 MR YOUNG: And I just thought I would clarify that for when he starts tomorrow.

COMMISSIONER: Yes, that's very helpful.

35 MR YOUNG: And secondly, I forget there was a transcript correction relating to Mr Felstead's evidence that I wanted to mention while he's here. I hope I can find it.

COMMISSIONER: There's one at 1190, line 21, where he said:

40 *I was just of the view it was in the wise.*

And I'm sure that Mr Felstead said, rather than "in the wise" he said "unwise".

45 MR YOUNG: I think that may be the one I had in mind. I've now lost my marker, but at all events - - -

COMMISSIONER: It's page 1190.

MR YOUNG: 1190.

COMMISSIONER: Yes.

5 MR YOUNG: The one I had in mind was from the first day.

COMMISSIONER: That's on 18 August. That's yesterday.

MR YOUNG: No - - -

10

COMMISSIONER: In any event - - -

MR YOUNG: No, you're right, Commissioner. That's the one I had in mind, 1190,  
line 23 - - -

15

COMMISSIONER: 21.

MR YOUNG: - - - where he said "unwise" or "not wise".

20

MR FELSTEAD: That was definitely "unwise".

COMMISSIONER: Yes, that's the one. No. That's correct. That will be corrected.  
Thank you, Mr Young. Is there any other matter that you wish to raise before I  
adjourn, Mr Young?

25

MR YOUNG: No, Commissioner.

COMMISSIONER: All right then. I will adjourn until 10 tomorrow.

30

MR FELSTEAD: Thank you again.

**<THE WITNESS WITHDREW**

**[4.16 pm]**

35

**MATTER ADJOURNED at 4.16 pm UNTIL THURSDAY, 20 AUGUST 2020**

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