



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**

**THURSDAY, 24 SEPTEMBER 2020
AT 10.03 AM**

Continued from 23.9.20

DAY 30

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)*

MS N. SHARP SC appears with MR A. BELL SC as counsel assisting the
Inquiry
MR N. YOUNG QC appears with MS R. ORR QC and MS C. HAMILTON-
JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary
5 Limited
MR N. BENDER appears for CPH Crown Holdings Pty Ltd
MR J. STOLJAR SC appears with MS Z. HILLMAN for Melco Resorts &
Entertainment Limited

10 <KENNETH McRAE BARTON, ON FORMER OATH [10.03 am]

15 <EXAMINATION BY MS SHARP

COMMISSIONER: Yes. My apologies for the delay, Ms Sharp and Mr Barton.
Yes, Ms Sharp.

20 MS SHARP: Mr Barton, you told us yesterday that following ANZs closure of the
Riverbank accounts in 2014, Crown did not review the accounts to see for itself
whether structuring had taken place. Do you recall giving that evidence?

25 MR BARTON: Yes.

MS SHARP: Now, I want to ask you about the Promontory report that you
commissioned when ANZ gave you notice that it was considering closing the
Riverbank bank accounts. How could this report, which does not refer to the
Riverbank accounts in any way and, in fact, nowhere refers to the monitoring of bank
30 accounts, give you any comfort that structuring had not been occurring in the
Riverbank accounts?

MR BARTON: Well, the purpose of the report was to review the AML program.
And the AML program ultimately sourced information from the bank statements
35 through the SYCO system and produced the transaction monitoring reports on the
basis of that. But the report itself did not look into the – the process of importing
bank statement information into SYCO.

40 MS SHARP: But, in view of the fact that the bank had expressly drawn your
attention to structuring in bank accounts, wouldn't the appropriate response to have
been to direct Promontory to consider the bank accounts?

MR BARTON: The – the request was to look at the AML program, broadly. It
would have been better at the time to have asked them to review the underlying bank
45 account transactions as well.

MS SHARP: Well, given that you are the person who commissioned the report and given that you personally dealt with ANZ and given that you were well aware that ANZ had identified an issue of structuring in those bank accounts, why didn't you, at that time, direct Promontory to consider the bank accounts and what they revealed?

5

MR BARTON: The – the brief I gave them was to look at our AML program. I didn't specifically direct them to any aspect of the data that went into the AML program. I was looking for an overall view from them on the robustness of our AML program without referring to specific aspects of it.

10

MS SHARP: But why didn't you refer to this specific aspect, given that a bank had pulled you up on it?

MR BARTON: I asked them to look at the program broadly. I didn't give them specific directions to look at the individual bank accounts.

15

MS SHARP: Yes. I understand you didn't give them that specific direction. But what I'm trying to find out is why you didn't give that specific direction.

MR BARTON: I was looking for an overall review of the program. And I didn't specifically ask them to review underlying bank statements.

20

MS SHARP: But wouldn't this have been an obvious instruction to give to Promontory, given that ANZ had identified structuring in the bank accounts?

25

MR BARTON: Well, the bank account information does get incorporated into our SYCO system. And so by reviewing the monitoring program in the SYCO system, they would also be reviewing the underlying data from the bank statements.

MS SHARP: I suppose, what I'm really asked about, Mr Barton, is your judgment in these circumstances and the response that you took once ANZ made you aware that structuring appeared to be occurring in the bank accounts. Do you accept, in hindsight, that it was remiss of you to not instruct Promontory to look at what was actually happening in these bank accounts?

30

MR BARTON: I agree, it would have been a more fulsome report if they'd looked at the underlying bank statements as well.

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MS SHARP: Can I just take you to what you say in your statement to see whether you still agree with it. If we could show Mr Barton his third statement, which is exhibit CB1. And I'll bring this up on the live feed, CRL.697.001.0033. And, Mr Barton, could I please take you to paragraph 40B, which will be found at pinpoint 0039. Now, Mr Barton, could I direct your attention to what you say in the opening part of paragraph 40. You say:

40

Having reflected on the matter, I believe the reason that I and others did not take these steps at the time are as follows.

45

And then, at (b), you say that:

5 *Crown's AML focus at the time appears to be on compliance with its statutory reporting obligations rather than proactively addressing the conduct giving rise to the reporting obligation in the first place.*

Now, do you still agree with that statement?

10 MR BARTON: Yes, I do.

MS SHARP: And you go on to say:

15 *My response to the matters raised by ANZ at the time was to commission an external review.*

Now, I will stop there. That was the external review of Promontory?

MR BARTON: Promontory. Promontory, that's correct.

20 MS SHARP: Yes. And then you say:

That external review did not evaluate or consider Crown's AML program from the perspective of the risk that money laundering presented to Crown.

25 Do you still agree with that?

MR BARTON: Yes, I agree with that.

30 MS SHARP: So you convened a report that, in fact, did not consider the risk that money laundering was presenting to Crown at the time?

MR BARTON: Yes. The risk beyond our reporting obligations being the potential for us to be dealing with people who would be inappropriate counterparties if they were undertaking transactions that could be considered structuring.
35

MS SHARP: And is what you're saying here that Crown was not too concerned with whether it was preventing money laundering, but only whether it was reporting money laundering that had been detected?

40 MR BARTON: As I said, the focus was on compliance with our reporting obligations rather than trying to prevent the underlying transactions from occurring.

MS SHARP: Even, given that your focus was limited to reporting, wouldn't it have been a good idea to look at the Riverbank bank accounts at the time to see if there was evidence of possible money laundering that needed to be reported?
45

MR BARTON: Well, the reporting process was part of the Promontory review. My comment here is that, apart from compliance and meeting our reporting obligations, a review of the bank statements might have given us a better indication of the nature of the transactions and the nature of some of our counterparties at the time.

5

MS SHARP: Now, you've mentioned that one of the reasons why you obtained this report in 2014 was to show it to ANZ, who you were negotiating with to keep these bank accounts open. Do you agree that this is an example of commissioning an external review for a defensive purpose?

10

MR BARTON: Well, it was – it was for me to get comfort around our AML processes, but also serve the purpose of giving comfort to our major transaction banking partner around our processes as well.

15 MS SHARP: Could I move, now, to show you paragraph 44 of your statement, Mr Barton. And I will have that highlighted for you and enlarged. What you say – you refer there to the article published in The Age on the 6th of August about money laundering allegedly occurring in the Riverbank and Southbank accounts. And then you say:

20

Shortly after reading the article, I attended meetings of the Crown risk management committee on 9 August and the Crown board on 20 August 2019 at which Neil Jeans of Initialism attended and reported on the key findings of Initialism's review of Crown's transaction monitoring program.

25

Now, you would agree that what you're doing in this paragraph of your statement is linking the money laundering allegations in relation to the Southbank and Riverbank accounts with the review by Neil Jeans of Initialism.

30 MR BARTON: Yes, that's right.

MS SHARP: Now, how on earth – I withdraw that. Mr Jeans gave evidence to this inquiry that he was not made aware of the existence of the Riverbank and Southbank accounts at the time of preparing his transaction monitoring account or at the time of preparing his second report on the internal control statements. Are you aware of that evidence?

35

MR BARTON: I'm not aware of it. I didn't see Mr Jeans' evidence.

40 MS SHARP: Were you aware at the time that Mr Jeans was not made aware of the existence of the Riverbank and Southbank accounts?

MR BARTON: At the time he gave the presentation, his presentation was around our transaction monitoring program, I wasn't aware of those presentations that he'd done with information around Riverbank and Southbank.

45

MS SHARP: Well, I'm just trying to understand why you are seeking to link what's going on with the Riverbank and Southbank accounts with Mr Jeans' Initialism report, given that he says he wasn't provided with information about the existence of these accounts and you don't know whether he was provided with that information.

5

MR BARTON: I'm not aware. I didn't say he did a review information he used when he prepared that report, although as I've said previously, the information from all the bank accounts finds its way into our SYCO system which is then used as part of the transaction monitoring program.

10

MS SHARP: So is it your evidence that Mr Jeans' transaction monitoring report is some sort of answer to the media allegations about the prospect of money laundering in the Riverbank and the Southbank accounts?

15

MR BARTON: No, but it's part of the chronology of events that happened in August of last year.

MS SHARP: But what are you trying to suggest in paragraph 44 where you specifically link those allegations with Mr Neil Jeans' report?

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MR BARTON: Yes, there was – there was some reporting that we received from Initialism about the robustness of our transaction monitoring program and as I've said, the transaction monitoring program incorporated all of the banking information from all of our bank accounts.

25

MS SHARP: Well, Mr Jeans, at the time he prepared these reports, wasn't aware of the existence of these accounts. So you would agree, wouldn't you, that he was in no position to advise on transaction monitoring in relation to those accounts?

30

MR BARTON: Well – well, his review would have relied on an assumption that information was being incorporated into our SYCO system from all bank accounts which was then used to input into the transaction monitoring system. So there was a part of the process that he didn't necessarily opine on but it's a part of the process that does exist.

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MS SHARP: Just so we understand, what role did you have in commissioning Mr Jeans' two reports?

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MR BARTON: I wasn't involved in commissioning Mr Jeans' reports.

MS SHARP: That was left to Ms Louise Lane, was it?

MR BARTON: Ms Lane would have commissioned those reports, yes.

45

MS SHARP: Did you read those reports at the time they were obtained?

MR BARTON: I attended the presentation; I don't recall if I read Mr Jeans' reports.

5 MS SHARP: Have you read them now?

MR BARTON: No, I've not read them now.

MS SHARP: So is your evidence that you may never have read Mr Jeans' reports?

10 MR BARTON: I don't recall if I read them at the time, no.

MS SHARP: So if you haven't read them, why are you referring to them in paragraph 44 of your statement?

15 MR BARTON: Well, I'm referring to Mr Jeans' presentation at both of those meetings.

MS SHARP: I will come to that presentation. Now, are you aware that Mr Jeans, in fact, only reviewed a very specific matter relating to Crown's transaction monitoring program?
20

MR BARTON: My understanding was he was looking at our monitoring program as it related to our obligations under the AML/CTF Act.

25 MS SHARP: Well, he gave us evidence on 11 September at page 2379 of the transcript, that he undertook a "very specific review" looking at the "design", that is design of the current transaction monitoring program. And he described it as a targeted review of a small element of Crown's AML program. Did you understand that was the limit of Mr Jeans' review?
30

MR BARTON: He doesn't express his presentation in that way. I understood it was a review of our transaction monitoring program for our compliance with the AML/CTF Act.

35 MS SHARP: Well, it wasn't even that broad, Mr Barton. The review, he told us, was limited to the design of the transaction monitoring program. Do you understand that distinction?

MR BARTON: I'm not sure about the distinction between the design and the efficacy of the program, but it certainly wasn't presented as if it was a narrow review of a single part of the program.
40

MS SHARP: But as you say, you don't think you've ever read the reports?

45 MR BARTON: I don't recall reading the report.

MS SHARP: Can I just show you a document. This is a confidential one, so I will just bring it up on the confidential feed, please. This is exhibit W7 and it's JEA.001.001.0271. Have you got that proposal in front of you, Mr Barton?

5 MR BARTON: I see it on the screen.

MS SHARP: Yes. You will see that's the proposal of Mr Jeans to conduct, or undertake the transaction monitoring review?

10 MR BARTON: Yes, I see.

MS SHARP: Could I just take your attention, please, to pinpoint 0273. Now, can you just look at the proposed fees for this engagement?

15 MR BARTON: Yes, I see.

MS SHARP: You will note that number?

MR BARTON: Yes.

20

MS SHARP: You would agree that that is not the quantum of the fee that would be consistent with a wholesale review of your transaction monitoring program?

MR BARTON: Yes, I would agree with that.

25

MS SHARP: Now, can I take you to the 10 August 2020 board meeting minutes for Crown Resorts. I understand this is a confidential document. It's exhibit CB5. I will just have it brought up on the confidential screen, please. It's CRL.689.001.0001. And could I take you to – you will see that you were present at that meeting, Mr Barton?

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MR BARTON: Yes, I see.

MS SHARP: Could I take you to pinpoint 0002. Now, you see you're quoted – can I direct your attention, please, to the third dot point under the heading Strategic Planning. And it says:

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40 *Ken Barton advised the board he had clarified with Neil Jeans that the scope of Initialism's review in 2019 focused on the company's transaction monitoring associated with exchange of cash for chips and did not extend to cash deposits into bank accounts.*

MR BARTON: Yes, I see that.

45 MS SHARP: So you accept that by this time of 10 August you were well aware of the matter. You are recorded as reporting to the board.

MR BARTON: Well, that's consistent with my previous answer in that the review focuses on the output from the SYCO system and doesn't go into the underlying bank statements. So it relies on the process of bringing cash deposits from the bank statement into the SYCO system.

5

MS SHARP: Right. So you will agree that Neil Jeans did not review cash deposits into bank accounts?

MR BARTON: He didn't review the bank statements, but to the extent that cash deposits into bank accounts are recorded in the SYCO system, he would have reviewed that as part of his review of the monitoring program.

10

MS SHARP: Could I just take you to – sorry, what do you say he would have reviewed as part of his monitoring program?

15

MR BARTON: I said not the underlying cash deposits in bank statements, but the SYCO system which would have captured all the deposits that go into the bank statements through the SYCO system.

MS SHARP: But you understand he was only reviewing the design of the transaction monitoring program, don't you?

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MR BARTON: Well, that – that was – I understand his evidence was that. But I'm not sure what design means as opposed to efficacy.

25

MS SHARP: Well, you know there's a distinction between the two, don't you?

MR BARTON: Well, if it's properly designed then it should be an efficient and functioning system.

30

MS SHARP: Well, I mean, there's a difference between saying "it's designed well" and on the other hand "it's working well in practice and I've tested that".

MR BARTON: Well, testing aside, if it's designed well, it should work well.

35

MS SHARP: Well, you understand that Mr Jeans was not testing whether it was working well?

MR BARTON: Yes, I agree with that.

40

MS SHARP: Can I just take you to his transaction monitoring report. This is a confidential document, so I will just have it brought up on the confidential screen, please. It's exhibit BD11 and the document reference is CRL.559.001.1560. Have you got that in front of you?

45

MR BARTON: Yes, I do, Ms Sharp.

MS SHARP: Now, can I draw your attention, please, to pinpoint 1562.

MR BARTON: Yes.

5 MS SHARP: Now, what he says under the heading Findings is that:

Based on the work undertaken, Crown is meeting its obligations as it is monitoring customers using designated services.

10 Now, I will stop there. You are aware now that Riverbank and Southbank bank accounts were not designated services?

MR BARTON: I know Riverbank and Southbank weren't reporting entities.

15 MS SHARP: And they were not providing designated services?

MR BARTON: No, they were not providing designated services.

MS SHARP: And then this second finding is that Crown – I won't read it all out but
20 you will see that it's limited to the use of casino value instruments?

MR BARTON: As it relates to – I'm sorry, Ms Sharp, which paragraph are you looking?

25 MS SHARP: I beg your pardon, it's the third paragraph, Mr Barton, the one beginning "Crown has appropriately".

MR BARTON: Yes, focused its monitoring on the casino value instruments, yes, I see that.

30 MS SHARP: And then in the four paragraphs under there the observation is made that the monitoring is manual and is heavily reliant upon the reviewer's experience and knowledge. Do you see that?

35 MR BARTON: Yes, I see that.

MS SHARP: Now, that's identifying somewhere where there's room for improvement, do you agree?

40 MR BARTON: Yes, I agree with that.

MS SHARP: All right. So it's not giving a tick to that aspect of the program, is it?

45 MR BARTON: Well, I'm not saying that it's not meeting the objectives of the program. But a manual program can always be improved by finding ways to automate it.

MS SHARP: All right. But it wasn't saying – what it's saying here is there is a suggestion for an improvement.

5 MR BARTON: Well, it's not a suggestion but I think, you know, the implication is that a manual process could be improved by some form of automation.

MS SHARP: Because the observations that are made are, first of all, the reviewing is manual, and secondly, that it's heavily reliant upon the reviewer's experience and knowledge; do you agree with that?

10 MR BARTON: Yes, I agree with that.

MS SHARP: Aren't they exactly the same observations that were made back in 2014 by Promontory?

15 MR BARTON: Yes, they are similar observations about the manual nature of the process, yes.

MS SHARP: Can I now go to Mr Jeans' second report. Now, let me take you – I need to take you to two documents here, Mr Barton. Let me, firstly, take you to the letter of instruction that Ms Louise Lane wrote to Mr Jeans in commissioning this second report. This is a confidential document. It's exhibit W23; if it can be brought up in the confidential link, please, JEA.001.001.0029. Have you got that letter?

25 MR BARTON: Yes, I do.

MS SHARP: Now, it's undated but Mr Jeans told us it dates from early June 2019. First of all, could I take you to pinpoint reference 0031, which you'll find on page 3.

30 MR BARTON: Yes.

MS SHARP: And this refers to a recommendation coming out of the VCGLRs sixth review. And you will see recommendation 17 says that:

35 *The VCGLR recommends that, by 1 July 2019, Crown undertake a robust review, with external assistance, of relevant internal control statements with input from AUSTRAC to ensure that anti-money laundering risks are appropriately addressed.*

40 And do you understand that this is why Mr Jeans was commissioned to prepare his second report?

45 MR BARTON: I wasn't part of the engagement of Mr Jeans, so I don't know what the scope of his work was. But I'll accept that he's indicating in this letter that part of his review was to respond to that recommendation.

MS SHARP: Well, what Crown did was provide its revised drafts of the internal control statements and had Mr Jeans review them. Are you aware of that?

5 MR BARTON: No, but that looks like the scope from this letter.

MS SHARP: Are you aware that Mr Jeans certainly was not requested to review Crown's overall AML compliance program?

10 MR BARTON: Well, I'm not sure from this document you can draw that conclusion.

COMMISSIONER: Well, let's assume it for the purposes of this examination that he wasn't asked to do that.

15 MR BARTON: Yes. Okay.

COMMISSIONER: Yes, Ms Sharp.

20 MS SHARP: But you actually don't know; is that your evidence?

MR BARTON: I wasn't part of his engagement, so, no, I don't know.

25 MS SHARP: Now, can I draw your attention, please, to the dot point 0033 of this letter of instruction. And you'll see there's a heading Documents for Initialism's Review. And you will note the documents with which Mr Jeans is provided and, over the page, could you please note the instruction that Mr Jeans was provided.

MR BARTON: Yes, I see that.

30 MS SHARP: He's asked to provide his view on the amendments to the internal control statements and any other input or commentary regarding the relevant internal control statement.

35 MR BARTON: Yes, I see that.

MS SHARP: So he's not being – you would agree, wouldn't you, he's not being asked to review Crown's AML compliance policy?

40 MR BARTON: Well, I haven't read the entire letter, so I don't know if that's the entire scope of his review.

MS SHARP: Do you want to read it?

45 COMMISSIONER: I don't think we can waste the time. Let's assume that that is the case, Mr Barton.

MR BARTON: Very well.

MS SHARP: Now, just while we're in this document, could you please look at pinpoint 0032. And what you will note is a heading Review of VCGLRs Observations. And then could I draw to your attention to the paragraph about point 3 of the way down:

5

In respect of the commentary Crown notes the following.

And then Crown sets out what it does.

10 COMMISSIONER: It's all the way down to the bottom. Thank you, operator.

MS SHARP: Yes. All the way down and over to the next page. Now, what I'm going to ask you, Mr Barton, is compare that with what we see come back in Mr Jeans' report, which I will take you to now. So Mr Jeans' report is also a
15 confidential document that can come up on the confidential screen. It is CRL.559.001.1554, and this is exhibit BD4.

COMMISSIONER: You need to go to the dot point.

20 MS SHARP: Yes. Now, do you have Mr Jeans' 21 June report in front of you?

MR BARTON: Yes, I do.

MS SHARP: Now, what I'm going to do is ask you to have a look at what Mr Jeans says at pinpoint 1556, and then over the page. Now, could I draw your attention –
25 again, it's about point 3 of the way down the page.

COMMISSIONER: No, the previous page. Thank you, operator. Thank you.

30 MS SHARP: Yes. He says – there's a heading VCGLR Observations. And then the paragraph under that, to the bottom we'll have highlighted:

Based on my work with Crown regarding VCGLR's commentary, I am pleased to confirm the following.

35

So there's that. And then there's some more on the following page, which I will take you over to now. And then over to the first paragraph of the page, pinpoint 1557. Now, the suggestion I'm going to make, Mr Barton, is that this page and a half of Mr Jeans' report is almost word-for-word with what Ms Lane writes in her letter of
40 instruction.

COMMISSIONER: It really is word for word, isn't it, Ms Sharp?

MS SHARP: There are two or three different words, Commissioner. And then
45 there's a paragraph appearing at a different stage.

MR BARTON: Section A seems to have three paragraphs in the letter and four paragraphs here. I haven't read them in detail, but section A looks different, at least.

5 MS SHARP: What I might ask you to do is to assume – assume for me that Ms Lane's observations in her letter of instruction are repeated by Mr Jeans virtually word-for-word as his confirmation. Now, based on your long experience as a senior executive, does that method of reporting give you confidence in the independence of the reviewer?

10 MR BARTON: Well, it's an indication that he's looked at the brief, carried out his work, and confirmed what was in his brief.

15 MS SHARP: So that wasn't really an answer to my question. I was asking you about your confidence. Based on your professional experience, if you see an expert copying out two pages, or a page and a half, of his letter of instruction confirming it as his own, does that give you confidence in what that expert has done?

20 MR BARTON: Well, you would certainly rather see him elaborate, but I'm not sure it undermines the actual work that sat behind his conclusions.

MS SHARP: But would it ring alarm bells for you, Mr Barton?

25 MR BARTON: It would cause me to ask some questions about whether the work he did to confirm that was sufficient to come to these conclusions.

MS SHARP: Would it cause you to wonder whether Mr Jeans had performed the "robust review" that the VCGLR requested be undertaken?

30 MR BARTON: Again, I would have to have a conversation with Mr Jeans to understand what work he did to come to these conclusions.

35 MS SHARP: Can I move, now, to the risk management committee meeting you referred to earlier. This is the one that occurred on the 9th of August 2020. Now, I think I understand your evidence to be that you did not read Mr Jeans' two reports by the time of this meeting?

MR BARTON: I don't recall if I read them. I don't believe I did.

40 MS SHARP: Can you help us with this: Mr Jeans said he was present at that risk management committee meeting for about 20 to 30 minutes. He says that at page 2441 of the transcript. Do you agree with that estimate?

45 MR BARTON: I don't recall specifically, but given the length of those meetings, that sounds – that could be right.

MS SHARP: Can I ask you now about Mr Jeans attending the board of directors of Crown Resorts at their meeting on 20 August 2020? You were present at that meeting?

5 MR BARTON: Yes. Yes, I was.

MS SHARP: Mr Jeans told us, at page 2448, that he was in attendance at this meeting for no more than 30 minutes. Does that sound right to you?

10 MR BARTON: I wouldn't disagree with that.

MS SHARP: Mr Jeans also told this inquiry that he was not asked any questions about the Riverbank and Southbank bank accounts; that's at page 2449. Do you agree with that?

15

MR BARTON: I would agree with that. Yes.

MS SHARP: Can I take you to the minutes of that meeting, please. I understand this is a confidential document. It's exhibit CB17. And if it can be brought up on the confidential feed. It is CRL.515.001.0001.

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MR BARTON: Is there a tab reference for that one, Ms Sharp?

MS SHARP: I know - - -

25

COMMISSIONER: It's on the screen, Mr Barton.

MS SHARP: Yes.

30 MR BARTON: All right. Thank you.

MS SHARP: It will come up. It's one of the documents you refer to in your statement. If they're tabbed, it would be tab 17.

35 MR BARTON: 17. Thank you.

MS SHARP: Can I just confirm you have the 20 August minutes?

MR BARTON: Yes, I do.

40

MS SHARP: Now, what the minutes – if I could direct your attention, please, to 0007, the pinpoint reference.

MR BARTON: Yes.

45

MS SHARP: You'll see halfway down the page the minutes record Mr Jeans attending?

MR BARTON: Yes, I see that.

MS SHARP: And you will see it's stated that he was invited to present the key findings of Crown's transaction monitoring program?

5

MR BARTON: Yes.

MS SHARP: Now, you understand, don't you, that the transaction monitoring program is but one part of a larger AML compliance policy?

10

MR BARTON: Yes, I agree with that.

MS SHARP: And you understood that at the time?

15 MR BARTON: I have a greater understanding now. I had some understanding at the time.

MS SHARP: And you'll see that he's recorded as saying that:

20 *The monitoring program had the appropriate depth and breadth to capture the requires transactions and casino value instruments through reporting.*

MR BARTON: Yes, I see that.

25 MS SHARP: He is also recorded as saying.

The current AML/CTF transaction monitoring program, whilst compliant, was highly manual, and that company's initiative to automate the systems would enhance the framework.

30

MR BARTON: Yes, I see that.

MS SHARP: So it's fair enough to say that he identified some room for improvement?

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MR BARTON: Yes. I think automation of a manual process is definitely a potential improvement.

MS SHARP: Because isn't it the case that, by identifying that the monitoring program was highly manual, he was identifying a shortcoming with it?

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MR BARTON: Yes. I think, as we said, there is some risk with a manual process, because it relies on individuals and processing. And the idea of automation, which we're doing now, is an initiative that will eliminate that risk and improve the visibility and transparency and the analytical capability.

45

MS SHARP: And you see the minutes also record that the directors ask questions of Neil Jeans, particularly in relation to any potential vulnerabilities with the AML/CTF framework?

5 MR BARTON: Yes, I see that.

MS SHARP: But there is nothing in the minutes which say that Mr Jeans said that Crown's program were appropriate and contained a full suite of controls.

10 MR BARTON: Not in the minutes, no.

MS SHARP: But you tell us, at paragraph 77 of your statement, that what Mr Jeans told the board was that Crown's programs were appropriate and contained a full suite of controls.

15

MR BARTON: Well, certainly, they were appropriate. And it says it's got the breadth to capture the required transactions. It doesn't use the words in the minutes "a full suite of controls".

20 MS SHARP: When you say "program" at 77 of your statement, are you referring to the AML compliance program or the transaction monitoring program?

MR BARTON: Well, I've used the word "programs", which would have included both the KYC program as well as the transaction monitoring program.

25

MS SHARP: But, in that event, I'm asking you whether Mr Jeans really says what you've recorded him as saying at paragraph 77?

30 MR BARTON: Well, the minutes record "appropriate depth and breadth to capture the required transactions". The word "appropriate" is there. A "full suite of controls" was not recorded in the minutes.

35 MS SHARP: Well, you understand that the transaction monitoring program is but one part of the Crown Melbourne and the Crown Perth AML compliance program?

35

MR BARTON: Yes. I agree with that.

40 MS SHARP: All right. Now, you agree that Mr Jeans did not tell you, at this directors meeting, that Crown's anti-money laundering compliance program was appropriate and contained a full suite of controls?

45 MR BARTON: Well, that's not the wording in the minutes. But they did have programs. They were appropriate. And the difference in the wording between the minutes and paragraph 77 is the words "a full suite of controls".

MS SHARP: Well, no, I'm focusing on the difference between a transaction monitoring program which is one part of a much larger AML compliance program. Do you understand that distinction?

5 MR BARTON: I see, Ms Sharp. Yes. It doesn't mention in there the, for example the KYC program; that's not mentioned in the minutes, although it was part of Mr Jeans' report.

10 MS SHARP: Well, Mr Jeans did not say, at the directors meeting, that Crown's AML compliance program was appropriate and contained a full suite of controls.

MR BARTON: Well, it's not noted in the minutes. But in his half-hour, if he covered all the material that was in his letter, he would have covered other aspects of the – of his report, including the KYC aspects.

15 MS SHARP: Yes, but you understand that Mr Jeans was never retained by Crown to review its entire AML compliance program, don't you?

MR BARTON: Well, he looked at the KYC and the transaction monitoring program as part of his scope.

MS SHARP: Well, do you not understand what the scope of Mr Jeans' advice to you was, as you're giving evidence today?

25 MR BARTON: From – from the letter we just saw, there was two parts: one was the KYC program; and the other was the transaction monitoring program.

MS SHARP: You understand that that letter I took you to simply asked Mr Jeans to review the internal control statements, don't you?

30 MR BARTON: That's right.

MS SHARP: Do you understand that Mr Jeans was never asked by Crown to review its entire AML compliance program?

35 MR BARTON: Yes. I agree with that.

MS SHARP: So he could not possibly have said to the board that Crown's AML compliance program was appropriate and contained a full suite of controls. Do you agree?

MR BARTON: Well, he provided some information in relation to both aspects of the program, KYC and transaction monitoring, but it didn't say there all programs were appropriate.

45 MS SHARP: Because you understand, now, at least, that he did not review the full compliance program?

MR BARTON: Yes. I agree with that.

MS SHARP: Did you understand that at the time of the meeting?

5 MR BARTON: He presented the scope of his report. I didn't understand that that didn't extend to a full review of all aspects of our programs, not at the meeting.

10 MS SHARP: So at that point, your knowledge of the AML framework was such that you didn't appreciate that the transaction monitoring program was but one component of a much larger AML compliance program?

15 MR BARTON: No, I understood there were various aspects of the AML program including, as I said, KYC and transaction monitoring. But I didn't have a full appreciation of the scope of the AML program, I agree.

MS SHARP: Commissioner, I have noticed that while we have a - - -

COMMISSIONER: Yes, it's all right. You can proceed.

20 MS SHARP: Yes. Thank you.

COMMISSIONER: Yes, thank you.

25 MS SHARP: Now, you will agree that at no point during the meeting of directors that you attended, did Mr Jeans describe Crown as a gold star customer?

MR BARTON: No, he did not.

30 MS SHARP: And you will agree that at no point did Mr Jeans say that Crown was completely compliant?

MR BARTON: I'm not sure if he used those words but that would be consistent with the scope of his report, that he wouldn't have been able to say that.

35 MS SHARP: Yes, because he hadn't been asked to advise on the whole compliance program?

MR BARTON: Yes, I agree with that. Yes.

40 MS SHARP: Now, can I take you to a media article appearing the day after this directors' meeting in the Australian Financial Review. This is exhibit W28. This can come up on the live stream. It is INQ.100.040.1312. And can you see that the heading of this article is Crown Gets a Gold Star on Anti-Money Laundering?

45 MR BARTON: Yes, I see that.

MS SHARP: And can you see the first paragraph is:

An emotional Crown Resorts executive chairman, John Alexander, has declared the casino's giant anti-money laundering systems have been given a gold star by an independent expert.

5 And then if we go over the page, that expert is identified as Neil Jeans, and can you see under the photo of you and Mr Alexander, Mr Alexander said:

He as recently as yesterday told the board that we are completely compliant. We are a gold star customer.

10

Now, Mr Jeans didn't say these things; you've agreed.

MR BARTON: Yes, I agree.

15 MS SHARP: You agree that this statement attributed to Mr Alexander is highly

MR BARTON: I'm sorry, Ms Sharp, you just broke up at the end.

20 MS SHARP: Do you agree that this statement attributed to Mr Alexander is highly misleading?

MR BARTON: It's certainly overstating the material that was presented to the board by Mr Jeans; I agree with that.

25 MS SHARP: It's falsely representing that Mr Jeans, an external expert, has told the board that Crown is completely compliant and it's a gold star customer; correct?

MR BARTON: Yes.

30 MS SHARP: Now, were you aware that this statement was to be made before it was published?

MR BARTON: It was made in a media briefing with our full year results and I wasn't aware before that statement was made, that that was intended to be made.

35

MS SHARP: And was this media briefing shown to anybody before it was sent out to the media?

40 MR BARTON: That – that text wasn't included in any media briefing. That was a verbal briefing to analysts as part of our full-year results presentation.

MS SHARP: Did you read this newspaper article at about the time it was published?

45 MR BARTON: Yes, just after it was published.

MS SHARP: Did it strike you at that time as being misleading?

MR BARTON: Certainly, the comment about a gold star was not something that was ever mentioned by Mr Jeans.

5 COMMISSIONER: Can I just clarify something you said, Mr Barton, I'm sorry. You said it was in a media briefing in relation to full-year results, do you remember saying that?

MR BARTON: A media briefing, yes, Commissioner.

10 COMMISSIONER: In relation to your full-year results.

MR BARTON: That's correct.

COMMISSIONER: And when are they published?

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MR BARTON: Usually around the middle of August.

COMMISSIONER: Yes. So the mid-year results – the full-year results are in the middle of August. When are the mid-year?

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MR BARTON: Usually around the middle of February.

COMMISSIONER: I see. And so February and August are the two times that you will give the media briefings on those; is that right?

25

MR BARTON: Yes, Commissioner. We convene a meeting with journalists first thing in the morning and then deal with investors and analysts afterwards.

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

30

MS SHARP: Now, you became aware during the course of 21 August that Mr Jeans was concerned with the statements that had been attributed to him?

35 MR BARTON: I did contact Mr Jeans to advise him that his organisation's name had been quoted in the media briefing and I explained to him the quotes that had been given, and worked with him to agree on how to respond to that.

40 MS SHARP: Well, he told this Inquiry that he read this article very soon after it was published at 9.44 am, and he was concerned by the way in which he had been represented and he telephoned Louise Lane to speak to her about that. Were you aware that he telephoned Louise Lane?

45 MR BARTON: I am aware now, but I wasn't aware at the time that he had spoken to Louise Lane. I spoke to Mr Jeans as well.

MS SHARP: Yes, he contacted you after he contacted Louise Lane and you spoke on the telephone, didn't you?

MR BARTON: Yes, that's right.

MS SHARP: And is it right or is it not right that he told you he was not happy with the gold star comment?

5

MR BARTON: He didn't express a view about the gold star. He knew that that was a quote that was given by the chairman and we agreed that in future, we would have a different set of words to describe the work that he did.

10 MS SHARP: So you agree that he wasn't happy with the set of words that had been used in this article?

MR BARTON: I don't recall him expressing unhappiness. I advised him of the words that were used. He was aware of the words that were used, and we agreed that
15 in the future a different form of words would be used.

MS SHARP: Well, it's a pretty big deal, isn't it, if your independent expert comes back to you very soon after an article is published to say to you that there needs to be more clarity in how his views and opinions are communicated, isn't it?

20

MR BARTON: Well, he himself was getting questions from the media. So we thought it was appropriate to have an agreed form of words that would describe the work that he did for any future media – media briefings.

25 MS SHARP: Well, I just want your view here. Were you aware that he thought that those statements should not accurately be attributed to him?

MR BARTON: He – he didn't say he wanted those statements to not be attributed to him, but he did want to have a different form of words, if we were to refer to the
30 work that he did in the future.

MS SHARP: Right. So you knew he wasn't happy with the way his opinions had been described?

35 MR BARTON: He'd certainly prefer a different form of words to describe his work in the future.

MS SHARP: All right. So does that mean you agree with me that you knew he wasn't happy about the way his opinions had been described?

40

MR BARTON: I'm not sure it was unhappiness, but he had a preference for a different form of words.

MS SHARP: What, that accurately recorded his opinion?

45

MR BARTON: Yes, that more appropriately reflected the work that was done.

MS SHARP: In fact, he worked quite hard with you over the course of that morning to confirm his opinion that could be published by Crown, didn't he?

5 MR BARTON: Yes, we did agree an alternate set of words for future references to his work.

MS SHARP: And surely the only reason that you agreed an alternative set of words was because you knew he wasn't happy with the words that had been attributed to him by John Alexander?

10 MR BARTON: His preference was not to use a term like gold star because it wasn't a term that he – he had ever expressed to us.

MS SHARP: Now, could I take you to an email that passed between you and Mr Jeans at 11.54. This is JEA.002.001.0029. I'm afraid I don't know whether this is a confidential document – it is a confidential document so just up on the confidential screen, please.

MR BARTON: Do you have a binder and tab reference, Ms Sharp?

20 MS SHARP: I don't for this, I'm sorry, Mr Barton, I'm hoping it will come up on the screen for you.

MR BARTON: Yes.

25 MS SHARP: You will see there's an email from you to Mr Jeans at 11.54 on 21 August?

MR BARTON: Yes, I see that.

30 MS SHARP: And I'm told that this is exhibit AC24. What you're doing is checking in to see if he's happy with the following quote:

35 *Initialism was engaged by Crown to review its transaction monitoring program. Initialism concluded that Crown's existing transaction monitoring program is compliant.*

Now, surely by this time, you understood, Mr Barton, that his opinions were limited to the transaction monitoring program?

40 MR BARTON: Yes, I agree with that.

MS SHARP: And surely you understood by this time that Mr Barton took issue with the representation in the media that he had said that Crown's programs were completely compliant?

45 MR BARTON: Mr Jeans took issue?

MS SHARP: Yes.

MR BARTON: I think he was – he was – wanted to ensure that the term “gold star”
5 was replaced by some terms that more accurately reflected the position that he had
expressed to us around the work that he did.

MS SHARP: And that the work he did was far more limited than was suggested by
Mr Alexander when he claimed that he had been told he was completely compliant?

10 MR BARTON: Yes, the focus here was on the transaction monitoring program, not
more broadly.

MS SHARP: And then if I could take you to a further email at JEA.002.001.0025, if
15 we can pull this up on the confidential screen, please. You will see this is exhibit
AC23. You will see this is an email – if you look at the bottom, an email from Mr
Jeans to you at 11.59 am. It appears, is it right, that your emails crossed paths that
morning?

MR BARTON: I need to remind myself of the time of the other email, I’m sorry, I
20 don’t have that.

MS SHARP: It was 11.54.

MR BARTON: Right. Yes, that seems to be the case. It’s quite a long email.
25

MS SHARP: All right. Because what Mr Jeans does is refer to a telephone
conversation with you; do you see that?

MR BARTON: Yes, I see that.
30

MS SHARP: All right. And then he sets out in some detail – and these are the
words he used:

35 *The scope of the review was limited to –*

MR BARTON: Yes.

MS SHARP: And then there’s no need for me to take you over the page; you’ve
40 seen this email before. My question to you is this: what steps, if any, did you take to
correct the statement that Mr Alexander had made to the media?

MR BARTON: We sent a revised set of words to all of the attendees at the media
briefing that morning and indicated those were the words that they should use in
45 future publications.

MS SHARP: And you would be able to provide us with a copy of that document?

MR BARTON: Yes, that would be fine.

MS SHARP: Thank you. Now, is it correct that Crown has presently commissioned Mr Jeans to prepare a further report for it?

5

MR BARTON: Yes, that's right.

MS SHARP: And what will that report be about?

10 MR BARTON: The focus on that report is to examine the processes where transaction information is imported into our monitoring program through SYCO, but going back to source documents, particularly underlying bank records.

15 MS SHARP: I would like to take you to a letter written by Crown's solicitors to this Inquiry dated 22 September. I understand you have a copy of that, Mr Barton.

COMMISSIONER: Are you leaving Mr Jeans for the moment?

MS SHARP: Yes, I am.

20

COMMISSIONER: Can I just clarify, Mr Barton. Some other information that has been provided to the Inquiry indicates that Mr Jeans also did some work for Crown about this time in relation to the legislation that was before Parliament relating to the \$10,000 cash limit. Do you recall that?

25

MR BARTON: Yes. Yes, I do recall that, Commissioner.

30 COMMISSIONER: And so as I understand it, Mr Jeans was providing to Crown a supporting submission or a report to support its submission for an exemption from any legislative prohibition relating to – that may come into force relating to cash transactions above \$10,000. Is that right?

MR BARTON: That's correct, Commissioner.

35 COMMISSIONER: And so just to understand where that sits now with your approach that you have been promoting to the board about the patron accounts and cash transactions, that legislation is presently still sitting for approval in the Upper House, is it not?

40 MR BARTON: I think, Commissioner, it has been sent to an economics review subcommittee, and I don't think it has come out of that yet.

45 COMMISSIONER: Yes, all right. Assuming that might come in – and we can also assume the opposite, but for the moment assuming that might come in, that \$10,000 prohibition, would you still be seeking an exclusion or exemption from it under your new regime that you are proposing?

MR BARTON: It becomes important, Commissioner, because the regime we're proposing is to stop cash deposits into our bank accounts. This limitation would prevent cash over \$10,000 through the cage. So the cage is still an important interface for us with customers. We're looking at ways of moving away from cash but presently we don't have very much flexibility on accepting anything other than cash in the casino. We are precluded from accepting credit cards or debit cards so there's very limited ways of us to transact with customers. And there are some customers who would prefer to deal in tens of thousands of dollars when they buy in and play. And in fact, a \$10,000 limit would potentially create more noise in that what people would do if they wanted to gamble, say, \$20,000 would need to do it in multiple transactions because we can't, under that legislation, accept \$10,000 or more in cash.

COMMISSIONER: But if you were freed up from a legislative prohibition of using credit cards or debit cards, that would make a difference, would it?

MR BARTON: I think, Commissioner, the advocates for harm minimisation in gambling would be very reluctant to support a credit card exemption, but debit cards are a very efficient form of transacting and if there was flexibility to transact with debit cards, which is a technology which is pretty sophisticated now, that would certainly help us reduce the number of cash transactions and make our transaction reporting more efficient. And it would give people an option to transact with us for more than \$10,000 through a different means.

COMMISSIONER: But so far as the tracing capacity – and going back to the know your client, etcetera, the tracing capacity under a debit card arrangement would be better, would it?

MR BARTON: There are a lot of advantages, Commissioner. One is we would have good visibility about the counterparty because if you don't have cash, you've got a good insight into who the person who is transacting with you is. And we can build some good harm minimisation around it as well with caps on daily spend, limitation on being able to use the card, so for both reasons it would be helpful.

COMMISSIONER: And you spoke earlier of the harm minimisation and those advocates to – and the advocates in respect of reducing the harm, but surely if you have cash, I mean, harm minimisation is across the board. So if you have got someone who has a lot of cash and wants to get rid of it because of, let's say, an obsession, they're going to be able to do it much more easily with cash than they are with a debit card without tracing, aren't they?

MR BARTON: I agree, Commissioner. It's a relatively crude form of managing people's gambling spend. It's one that's a legacy issue, that sort of goes back quite some time. The limitations are around accessing ATMs and forcing people to use cash, and the concept is people should only be able to gamble as much cash as they can afford to spend, although I agree there's little visibility. One of the advantages of debit cards is you can give people statements of the amount of gambling activity

they've got, and it's one of the things that we think is an important harm minimisation measure is to reflect back to people "This is actually what you spent on gambling over this period of time" because, as you say, with cash people can lose track of that.

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COMMISSIONER: Yes. And so just coming back to Mr Jeans and his submission in support of Crown to gain an exemption, if you were – let's assume that that legislation does not find favour with the Upper House or the Senate, let's assume then that the cash is still able to be used, in any event, Crown would be looking to move towards some other form of transactional dealings with the cash that is by, perhaps, debit card in future; is that right?

MR BARTON: Absolutely, Commissioner. We are working in all three states at developing some systems and technology that we can use as a way of alternative transacting with customers other than cash, for all of the reasons around harm minimisation, plus it narrows down the amount of cash transactions we're dealing with at the cage, which also means that we can have more focus on monitoring the remaining cash transactions. And it also, for things like COVID, it's also an issue dealing in large quantities of cash. So there are lots of reasons we're working on our own side to develop technology and processes that would be very helpful in the reduction in the use of cash in the casino.

COMMISSIONER: And you've been asked a lot about the – well, a lot of people have been asked about the use of cash by suggested underworld figures. If you have a minimisation of cash use, and you require this process of technology that you're speaking of, it will be easier to trace back to even if they're pretending to be someone they're not, you still have the capacity to trace back much better, don't you, to the source of funds that are coming in.

MR BARTON: Absolutely. It will be coming from a bank so we will know who the party is and which bank account they're using, and if the legislation doesn't get passed and there still is cash transactions coming in, they will be much less in number and much more easy for our team to focus on.

COMMISSIONER: Yes, I'm sorry to interrupt. Thank you, Mr Barton. Yes, Ms Sharp.

MS SHARP: The letter I was going to take you to was from MinterEllison dated 22 September. It's not in evidence yet, Commissioner, but I understand a copy has been made available to Mr Barton.

COMMISSIONER: Thank you.

MS SHARP: It's INQ.950.002.0249. Do you wish me to virtually tender it, Commissioner, or should I - - -

45

COMMISSIONER: It can be marked separately or go into one of your bundles, I can mark it. What am I up to?

MS SHARP: AC27.

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COMMISSIONER: Yes, that letter will become AC27.

10 **EXHIBIT #AC27 LETTER FROM MINTERELLISON DATED 22
SEPTEMBER (INQ.950.002.0249)**

MS SHARP: Now, Mr Barton, have you read this letter?

15 MR BARTON: I don't think I've received that letter. I see it on the screen now.

MS SHARP: I see. I'm sorry about that. If you could just have a look at this letter. You will see it refers to certain summonses.

20 MR BARTON: Can perhaps someone blow that up, it's on a screen that is a bit too far – yes. Great, thank you. Yes.

MS SHARP: And it refers in particular to summonses issued to Riverbank and Southbank.

25

MR BARTON: Yes.

30 MS SHARP: Then if I can take you to the second half of the letter, you will see there's a heading Status of Riverbank and Southbank. Now, were you consulted for the purpose of the preparation of this letter?

MR BARTON: I don't recall if I had a conversation with MinterEllison about this letter.

35 MS SHARP: I just wanted to ask you some questions about it, given that you were formerly the CFO of Crown Resorts.

MR BARTON: Yes.

40 MS SHARP: What it says – if you look at the last paragraph on the first page, it says that:

45 *Riverbank and Southbank are not required to hold periodic board meetings to consider the business of each company. They are, however, required to consider the solvency position of the company on an annual basis, which they have duly done.*

Now, given that you were a director of both of these companies, may we take it you were involved in considering the solvency position of both of these companies?

MR BARTON: Yes, that would be correct.

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MS SHARP: And how did you do that?

MR BARTON: Well, the solvency question is whether the company can meet its debts as and when they fall due, as I understand it, and these companies typically would have no liabilities. They would typically have cash receipts and cash transfers. That would be the extent of the transactions.

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MS SHARP: So in order to make your determination, was it necessary for you to look at financial statements for these companies?

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MR BARTON: We would look at the accounting records for the companies. We wouldn't, as a matter of course, prepare full financial statements for all of the subsidiaries but we would have accounting records for those subsidiaries that would give us the financial information to make that assessment.

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MS SHARP: Were there financial statements kept for these companies?

MR BARTON: They certainly weren't lodged. There may have been a financial report produced by the accounting team which would have been basic financial information about their inflows, outflows, revenues and asset position.

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MS SHARP: Can I just take you to the paragraph a little further up. There's the heading Status of Riverbank and Southbank. If you look at the second paragraph:

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Similarly, Riverbank and Southbank are not required to appoint an auditor. Consideration of relevant activities of Riverbank and Southbank forms part of the audit of Crown Resorts Limited Consolidated Group.

MR BARTON: Yes, I see that.

35

MS SHARP: Now, when you were the CFO, were you ultimately responsible for organising that audit?

MR BARTON: The audit of the Crown Resorts group, yes, that's correct.

40

MS SHARP: Can you tell us whether the activities of Riverbank and Southbank were audited as part of the Crown Resorts Limited Consolidated Group?

MR BARTON: They would have been audited as part of the Crown Melbourne and Crown Perth work which ultimately would have found its way into the Consolidated Crown Resorts group and the audit work that would be done on those accounts, in particular, one of the most fundamental audit steps is to match our revenue reporting

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to the cash receipts. It's a very basic part of the audit process. So in order to verify revenue, one of the starting points would be to look at all the cash amounts received over the course of the year and reconcile that to our revenue.

5 MS SHARP: Commissioner, I'm about to move to a different topic. Is that a convenient time?

COMMISSIONER: Yes, it is. Mr Barton, I'm going to take a short adjournment, but can I just ask you about the audit process. When you look at the annual reports,
10 they're silent on aspects of what we've been talking about with Riverbank and Southbank. And had it been the case that somebody did look at these accounts over the relevant years, and because VCGLR approved the Southbank account, it would have been of significance for VCGLR to be advised that there was structuring in the accounts. And so one of the problems that has been exposed in this process is that it
15 effectively has to rely on Crown to tell it of the problems.

And I'm not suggesting that it has been hidden, it has obviously been missed, it seems, on one view of it, or if it hasn't been missed it hasn't been rectified. So whatever way you look at it, it's bad. So when you then look at what we're trying to
20 achieve in terms of regulation of casinos in this country, in Victoria, yourselves and, more importantly for us, in New South Wales, there needs to be some process by which there is a comfort given to the regulator that's real in terms of the transactional integrity of what's going on in the casino. I mean, everybody knows that if the cash continues, there's no way that, for instance, ILGA could have known that this was
25 happening in your accounts; you would agree with that?

MR BARTON: Yes. Yes.

COMMISSIONER: So it may be that there are some suggestions that can be made,
30 but I would have thought that if an auditor is asked to certify certain things to a regulator/Minister, whichever is the relevant recipient, it may have some assistance for the casino and the regulator. Would you agree with that?

MR BARTON: I agree, an audit – I think it's a question, Commissioner, who is best
35 placed to do that audit. Statutory auditors don't tend to have that expertise but it may be a combination of a statutory audit plus a specialised auditor to give comfort to the regulator that those accounts, beyond the scope of the reports we have seen, are actually fully compliant with the AML procedures. I think if the bank accounts are in the name of the regulated entity and the licence holder and the transactions are all
40 going through an account in the name of the licence holder, it would seem a very appropriate step for some verification or certification that those accounts are being properly managed to be given on a very regular basis to our regulators.

COMMISSIONER: But you see, at the moment, let's assume that Crown complies
45 with all its obligations of notification to AUSTRAC of suspicious transactions. So here you have Crown knowing that, and you have AUSTRAC knowing that. At the moment we've had Crown not turning its vision on itself and fixing it up. But the

actual information stays with Crown and AUSTRAC unless the regulators just happens to look by – under a memorandum of understanding with AUSTRAC or, alternatively, the CEO exercises his or her discretion to tell the regulator when it is obvious that AUSTRAC is a little busy. So in terms of where the information goes and how it gets to a regulator, that’s one of the problems, isn’t it?

MR BARTON: It is, Commissioner. And I guess it’s a question of whether the regulator needs to see the source information or perhaps approve a process for reviewing and verifying what goes through the accounts and have some attestation which can still be done absent having to go through the process of getting some relief from AUSTRAC.

COMMISSIONER: But if your company has deep suspicion about some conduct within its premises and it holds that suspicion over a period of weeks, telling AUSTRAC every day that things are happening, it doesn’t tell the regulator, does it?

MR BARTON: No. No, it does not.

COMMISSIONER: So isn’t that a flaw?

MR BARTON: It’s a flaw and, obviously, there are some constraints on how we overcome that flaw. There may be ways - - -

COMMISSIONER: But why? But why is there a constraint? You see, I don’t understand this thinking. It may be that everyone is frightened of being prosecuted for tipping someone off, even if it’s 20 years ago. At the moment there needs to be some thought as to, if you can sit there and be suspicious of things happening in a regulated licensed premises and not tell the regulator about it, there’s a deep problem, isn’t there?

MR BARTON: Yes, there needs to be a way of having open communication with the regulator about what goes through our patron accounts and our transactions.

COMMISSIONER: Yes. All right. Mr Barton, I did say I was going to take an adjournment. I will just for about 10 minutes or so. So I will adjourn.

ADJOURNED [11.23 am]

RESUMED [11.33 am]

COMMISSIONER: Yes, thank you. Yes, Ms Sharp.

MS SHARP: Mr Barton, at paragraphs 56 and 57 of your third statement, you identify a number of improvements you consider that Crown can make in

strengthening its anti-money laundering framework. These matters, by and large, are captured in the August 2020 board paper. Could I take you to that document, please. I will have it brought up on the confidential screen. It's exhibit CB17. It's CRL.515.001.0001.

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MR BARTON: Just to clarify, Ms Sharp, as references to my 10 September board paper in paragraph 56?

10 MS SHARP: That's – yes. And I'm just taking you back to your August 2020 board paper, if I can.

MR BARTON: Sure. Thank you.

15 MS SHARP: Now, could I take you, please, to pinpoint 0004, which, I believe, is page 4 of the board paper, Mr Barton. And we seem to have the wrong document. I am sorry about that. The wrong document has come up on your screen. I will have the correct document brought up. I may have misread.

20 COMMISSIONER: I think Mr Barton has a hard copy, doesn't he?

MR BARTON: I have – I have a – I have a copy, Ms Sharp, if you want to go on.

MS SHARP: Yes.

25 COMMISSIONER: Yes.

MS SHARP: I'll just bring up to the confidential screen, CRL.689.001.0001.

30 MR BARTON: Same one.

MS SHARP: I've obviously made a mistake. Pardon me for one moment, and I will have the - - -

35 MR BARTON: I have it in front of me, Ms Sharp, if you'd like to go on.

MS SHARP: You've got a – you've got a hard copy?

MR BARTON: I do, yes.

40 MS SHARP: All right. I will work from the hard copy documents and we will see if we can have the correct number brought to my attention in due course. What you've got on page 4 under the heading of AML is a heading Implemented Actions.

45 MR BARTON: Yes.

MS SHARP: And these are things that you say Crown has already done to strengthen its AML framework?

MR BARTON: Yes, that's correct.

MS SHARP: All right. And one of those was the development of the joint program?

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MR BARTON: Yes, that's right.

MS SHARP: Another one is commencing the implementation of the AML Sentinel system.

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MR BARTON: Yes.

MS SHARP: It's right, isn't it, this is an automated transaction monitoring tool?

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MR BARTON: Yes, that's right.

MS SHARP: And one of the implemented actions is the expansion of the AML team?

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MR BARTON: Yes, that's right.

MS SHARP: How have you already expanded it?

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MR BARTON: Well, before 2017, there were two full-time employees. From 2017 on, we grew that to six. We're now at eight, and we're in the process of recruiting some further executives, at least another two, from memory.

MS SHARP: And another thing you've referred to is the appointment of a group general manager of AML.

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MR BARTON: Yes.

MS SHARP: Now, wasn't that done in 2017 with the appointment of Louise Lane?

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MR BARTON: That's correct, and she was replaced, more recently, by Mr Nick Stokes.

MS SHARP: You've also mentioned that all subsidiary accounts have been closed. That's a reference to the closure of the Riverbank and Southbank accounts?

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MR BARTON: That's correct.

MS SHARP: So is the correct position that all accounts operated by or on behalf of Crown are operated only in the name of Crown Melbourne or Crown Perth, the Burswood company?

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MR BARTON: Bank accounts that accept patron deposits. We have other bank accounts to deal with other corporate matters but, as far as patrons depositing funds for gaming activity in Melbourne, it's only in the Melbourne account and, for the Crown Perth in Crown Perth account.

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MS SHARP: And what about accounts that may be used to transfer money to patrons, are they now only held in the names of Crown Melbourne and Crown Perth?

MR BARTON: Yes. All in and outbound patron transactions will happen through those accounts.

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MS SHARP: And another control referred to here, which you've already given evidence about is control regarding third party transfers?

MR BARTON: That's right.

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MS SHARP: And they can't occur unless their CEO of Australian Resorts approves?

MR BARTON: That's correct.

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MS SHARP: And that's Mr Barry Felstead, is it?

MR BARTON: That's correct.

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MS SHARP: And another control is the gaming transactions between junkets players –junkets and players are required to take place at the cage, and that addresses the cash desk situation in Suncity, does it?

MR BARTON: Yes, it does, Ms Sharp.

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MS SHARP: And it ensures that that kind of arrangement can't take place in the private gaming salons in the towers and Crown Melbourne and Crown Perth?

MR BARTON: Yes, that's correct.

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MS SHARP: And you have given instructions to banks not to accept cash in Crown bank accounts.

MR BARTON: Yes. That one's quite challenging, Ms Sharp - - -

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MS SHARP: Yes.

MR BARTON: - - - because the bank don't actually have the capability to prevent people depositing cash into our bank account. We are working through that. We've – we've contacted all patrons who have deposited cash in our accounts over the last 19 months and indicated to them that we no longer accept cash deposits into our

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accounts. And we are following that up with a written notification that that won't be the case. And we are working closely with our transaction banker, ANZ, to, if we can prevent cash deposits, we're looking at ways of doing that. It's not clear that that is possible, but we're looking at developing some real-time alerts so we will know real-time if cash is deposited into those accounts.

MS SHARP: And just, now the number has been brought to my attention, can I read on to the transcript the correct document number for this 10 August 2020 board paper, which is CRL.682.001.0001, and it's exhibit CB4. On page 5 of that document, Mr Barton, you refer to future actions. And one of those is an enhanced AML audit. What's the plan here?

MR BARTON: There are two parts to that, Ms Sharp. The first is that additional work that we discussed earlier in relation to the tracing of funds from bank statements into the SYCO system to make sure there's a complete – or to check that there's complete translation of those, and we don't have issues in the process of bringing funds into our SYCO system. The other is we've engaged Promontory, again, to do a quite a widespread review of our broader AML program, looking across all aspects of the AML program, and that review has also commenced.

MS SHARP: And another future action you identify is to separate out the AML role and ultimate responsibility from operations and other compliance functions. Now, is that because you perceive a need for the AML role to be a role independent of the business?

MR BARTON: That is one aspect, Ms Sharp. The other is I want to make sure it's got complete transparency and accountability through to the board. So the board gets visibility of any AML matters and that the, that function – the AML function – has the ability to go direct to the board if they need to raise any issues.

MS SHARP: And along that same line, you mentioned that one thing that will be done is establishing a direct reporting line to both the board and the risk management committee.

MR BARTON: Correct.

MS SHARP: Now, have these things happened as yet?

MR BARTON: I'm currently in the process of recruiting a head of AML. And that head of AML would be the person who would have – well, I've actually combined the role a head of what I'm calling financial crimes. So it's a slightly broader description than AML. So I'm looking to get a view, not just at AML and not just at compliance, but more broadly thinking about financial crimes and thinking about how we are proactively looking to address criminal risks in – in our financial transactions. And I've also, in that role, put the compliance team as well. So I'm looking for a head of financial crimes and compliance. That person would be the person who would have the reporting line through to the board. We're currently

recruiting for that role. And once that role is done, that function will have, then, the reporting line through to the board.

5 MS SHARP: You mentioned that there will be some further technological enhancements. I don't think I need to ask you anything further about that. One thing

10 COMMISSIONER: Could I just ask then, on that recruitment, what's the timeframe for that?

MR BARTON: We're in the market now, Commissioner. The hope is we'll have a short list by October, a process to have reviews on the Crown side through the end of October and, hopefully, an appointment by November. And subject to the time period for their notice period with their employer, we'd like to get them on as soon as possible after November. So depending where it's come from, we may need to negotiate an early exit from a notice period from their current employer.

COMMISSIONER: So it might be early 2020 – mid 2021, I mean?

20 MR BARTON: I'm hopeful, if it's from somebody we have a relationship with, particularly, a bank, we might be able to negotiate a quicker notice period, but, certainly, I'd like to see it by the end of this calendar year, if not early next year.

25 COMMISSIONER: I suppose rushing is always a problem, isn't it?

MR BARTON: I think we need the right person in this role, Commissioner.

30 COMMISSIONER: And so if you take time – I know it's a commodity that's rare – but time seems to have been a thing that that's at a premium here, but you need to take time to do this, don't you?

MR BARTON: Yes. Yes, I think we can give effect to the structural aspects, but getting the right people on board, that does take some time.

35 COMMISSIONER: Yes. And I presume that there are emergent pressures on you at the moment, but wouldn't it be better to take time to reflect on what's happened and try to get it right this time?

40 MR BARTON: Well, we have had some reflection, Commissioner. I think there are some elements that are obvious enough for us to move on. I think the separation of the AML function out of the operating business unit and having independence from the berating business unit is something that is clear enough for us to move on that now.

45 COMMISSIONER: Has that happened?

MR BARTON: This will be the function that fits under this new executive that we have appointed, or that we will appoint.

5 COMMISSIONER: Yes. So what we're looking at, in reality – so that I know, in reality, for the Barangaroo casino, the AML process will probably be settled some time in the new year, probably early, hopefully; is that right?

MR BARTON: Yes. Hopefully earlier, but by the new year. Yes.

10 COMMISSIONER: Yes. All right. Thank you. Yes, Ms Sharp.

MS SHARP: And just on that point, you're, here, referring to one future action as being the implementation of the joint program. This joint program has been around for approximately two years now, hasn't it, in draft form?

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MR BARTON: No. I think it was approved late last year by the boards of Melbourne and Perth.

MS SHARP: When will it be implemented?

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MR BARTON: We're well advanced. But we would see plan – both properties have this implemented by the end of this calendar year.

MS SHARP: Well, what's going to be the position with Crown Sydney, given that you say in your statement that it will be open in mid-December?

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MR BARTON: Well, it will be able to start off in the joint program. What's taking time to implement the program in the other properties is updating all of the standard operating procedures and the processes to – within the various operating business units to be compliant with the joint program.

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MS SHARP: And the last matter referred to in the future actions for AML in this board paper are:

35 *Additional controls around the receipt of funds from company and trusts.*

What's the plan here?

MR BARTON: In the past, we've had restrictions on receiving funds from companies or trusts because of the lack of visibility of the ultimate beneficiary. So we've actually put in some additional controls on non-receipt of, in almost any circumstances, of any funds from companies or trust accounts.

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MS SHARP: So is there a blanket rule that you won't be accepting funds from companies and trusts?

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MR BARTON: Subject to an extensive due diligence process.

MS SHARP: And who will be responsible for that due diligence process?

MR BARTON: Well, it's currently the credit function, but I would envisage that that would be work of the AML or the financial crimes team.

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MS SHARP: Now, this inquiry heard evidence from an AML expert, Ms Jessica Lin, back in February, that casino operators face a tension with respect to money laundering, because, on the one hand, the law requires them not to deal with the proceeds of crime and to conduct thorough due diligence and, on the other hand, casino operators stand to make a lot of money, particularly, from their VIP patrons. Were you aware that that evidence was given?

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MR BARTON: I think I recall seeing some of that evidence. Yes.

15 MS SHARP: Do you agree that that tension exists?

MR BARTON: Yes. I agree there's a tension between compliance and – and sales. I agree that tension does exist.

20 MS SHARP: Well, Ms Lin told us that the way casino operators resolve this tension depends upon there being a culture of compliance within an organisation and strong leadership at the compliance and board levels. Do you agree with that opinion?

25 MR BARTON: Certainly, as I said, our first line of defence is a culture of appropriate balancing of risk and revenue and a strong focus on compliance. I agree with that.

30 MS SHARP: Do you agree that there have been significant failings in the past with that first line of defence at Crown?

MR BARTON: I think there are parts of the business that have had that balance wrong between generating revenue and managing an appropriate balance of risk and compliance in some parts of the business. I agree that's been the case.

35 MS SHARP: And would one of those parts of the business be the VIP international team?

MR BARTON: Yes. Yes, that would be one.

40 MS SHARP: And would another part of that business be the legal team?

45 MR BARTON: Well, I don't see the legal team is a business unit. I see them as a support function and so, I think, in a business unit sense, it would be a business which has got the ability to focus on generating revenue, but would also potentially have some compliance responsibility. I think that's – that's where there is a risk.

MS SHARP: Do you agree that a key position for engendering a culture of compliance is the AML/CTF compliance officer?

5 MR BARTON: That that's – I agree that's a key position.

MS SHARP: And do you agree that's a key position because of the role that position plays in engendering a culture of compliance?

10 MR BARTON: Yes. I think there's – there's a few roles that person will have. Obviously, it's oversight of the function, ensuring that the team is well-staffed, ensuring that they're following the right procedures, but also there is a cultural piece to that role as well.

15 MS SHARP: Ms Debra Tegoni was the AML/CTF compliance officer for Crown Melbourne for some years up to March 2017, wasn't she?

MR BARTON: Yes, that's right.

20 MS SHARP: Are you aware that she told this Inquiry that she thought Scott Howell was the AML/CTF compliance officer for Crown Melbourne?

MR BARTON: Yes. I saw that evidence.

25 MS SHARP: That's rather concerning, isn't it?

MR BARTON: Yes, it is.

MS SHARP: That doesn't fit at all well with the culture of compliance, does it?

30 MR BARTON: No. The compliance officer is an important role.

MS SHARP: And, in fact, are you aware that she later told this Inquiry that whether she was the AML/CTF compliance officer was neither here nor there?

35 MR BARTON: I don't recall that evidence, no. But I accept that that's what she said.

40 MS SHARP: Well, assuming that that's what she said, what does that say about a culture of compliance led by the AML compliance officer at Crown Melbourne?

MR BARTON: Yes. It says that – that the person who should be charged with leading that part of the compliance function should have been far more aware of what her role and responsibilities and the expectations of that role were.

45 MS SHARP: So you agree that was a fail on the part of Crown?

MR BARTON: It certainly would suggest that the person in that role wasn't – wasn't fulfilling the expectations of that role.

5 MS SHARP: Now, you're aware, aren't you, of the evidence that Mr Joshua Preston has given to this Inquiry?

MR BARTON: I think I've seen most of it. Yes.

10 MS SHARP: And you're aware that it's fair to say that he is loaded with many responsibilities as the chief legal officer of Crown Resorts?

MR BARTON: Yes. He's – he's across quite a number of functions.

15 MS SHARP: But do you agree that it was a mistake to appoint Mr Preston as the AML compliance officer for both Crown Perth and Crown Melbourne?

20 MR BARTON: Well, he had been the AML compliance officer for Perth for some time. In 2017, his role expanded and he picked up additional responsibilities and, I think, in hindsight, there were too many functional areas underneath Mr Preston.

MS SHARP: So you do agree it was a mistake to appoint him to that position, that is, the AML/CTF compliance officer?

25 COMMISSIONER: Without adjusting his other obligations?

MR BARTON: I think that's the issue, Commissioner, that there were too many functions as opposed to the AML one.

30 COMMISSIONER: Yes.

MS SHARP: Do you agree, Mr Barton, that over the years until this year, Crown has failed to engender a culture of compliance within its organisation so far as anti-money laundering is concerned?

35 MR BARTON: I certainly think we have more work to do. We've done work over the years. I think we have more work to do around that compliance, particularly, AML compliance. So I don't think we have achieved nothing, but I think we definitely do have more work to do.

40 MS SHARP: And do you agree that it is a significant problem that Crown have failed to adequately engender a culture of compliance within the organisation, so far as AML is concerned?

45 MR BARTON: Well, I think it's quite confined to one part of the business. As I said, the VIP business, I think that's where most of the issues we have identified have come from, and I think that's the area where there's been the biggest shortcoming between getting the balance between revenue and compliance right.

MS SHARP: And just so we understand, do you agree that the VIP international area is where the biggest money laundering risk lies?

MR BARTON: Yes. I agree with that.

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COMMISSIONER: That's an interesting observation. There is information available that suggests that, although it may be crude, it is a process that one can engage in laundering money through poker machines; it's obvious, isn't it?

10 MR BARTON: It may happen, Commissioner. It's less likely to happen at Crown, given the amount of surveillance and security we have.

COMMISSIONER: Yes.

15 MR BARTON: Because we've got monitoring around four and a half thousand cameras watching every patron and every machine. We do have more sophisticated technology that will let us identify that. There are probably other places where it doesn't quite have that same degree of scrutiny.

20 COMMISSIONER: Yes. But so far as the answer that you gave just then to Ms Sharp, you have in mind that, although it's a risk, because of your technology and your systems, you're more satisfied that the risk is in the VIP area than in the main floor with the poker machines?

25 MR BARTON: Absolutely, Commissioner. Between the cage and our monitoring on the main gaming floor, I think our systems are much better. It's been transactions through our bank accounts and transactions outside the cage, which are all related to – mostly related to VIP. Almost all the transactions going through our bank accounts is VIP players who need to fund their – their visit in advance and, hence, have to use
30 the patron deposit accounts. So patron deposits and cash transactions is largely in the VIP area.

COMMISSIONER: But you know there's been evidence – you would have seen it, I think – that this concept of side betting; you've heard about this of course, haven't
35 you?

MR BARTON: I've heard – side betting, I understand in our context, to be bets outside of the main game. So exotic bets on special hands. I've heard of the concept of betting under the table, which, I think, may be the concept of, if you like, a
40 multiplier effect of whatever is bet on the table, there's a relationship which then gives them a multiple of that transaction somewhere else.

COMMISSIONER: Outside – outside Crown's control?

45 MR BARTON: Yes, that's right.

COMMISSIONER: And so whatever be the case by reason of the arrangements between those who come to the casino and third parties who may or may not be on the premises, that is a concept that can't be controlled by surveillance, I presume?

5 MR BARTON: No, unless they're very good at catching something. But, typically, it would be an arrangement which is struck before they come or outside of Crown.

COMMISSIONER: Yes.

10 MR BARTON: And so there'd be a tracking of the outcome of all the games and then some settlement in some other place.

COMMISSIONER: But I presume that the data that you gather – and I don't want you to disclose confidential information here – but the data that you will be able to
15 gather with your upgraded technology would enable you to understand whether things are happening at traditional table games that may give rise to a concern that there is some under the table or side betting occurring, surely?

MR BARTON: It may help, Commissioner, but I think the best – the best source of
20 information for that is our employees, who are able to understand relationships between junkets and players and identify the potential for those transactions to be happening.

COMMISSIONER: Yes, I understand. Thank you. Yes, Ms Sharp.
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MS SHARP: Now, you have agreed, as I understand it, that Crown did fail to engender a culture of compliance with AML responsibilities in relation to the VIP international team.

30 MR BARTON: Yes. I think the relationship between a revenue drive and a compliance drive was out of balance in that – in that business unit. Yes.

MS SHARP: And do you also agree that that problem was a consequence of a failure of senior leadership within the organisation?
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MR BARTON: I think it was a lack of – I think, a lack of leadership in oversight of the VIP department and putting in place mechanisms that gave too much focus to profit. I agree with that.

40 MS SHARP: And this was a failure of leadership that went all the way up to the board of directors of Crown Resorts, wasn't it?

MR BARTON: I would have said that most of the issues around the focus on revenue and at the expense of a stronger focus on compliance would have been
45 largely within that business unit.

MS SHARP: Yes. But this, at the end of the day, represented a failure on the part of the board of directors, didn't it?

COMMISSIONER: Perhaps you can ask the directors that, Ms Sharp.

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MS SHARP: Yes. I'll move on.

COMMISSIONER: Mr Barton, you'd agree that anyone looking at a public company and the governance of the public company, it's appropriate to look to the head of that company and its board to see - - -

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MR BARTON: Yes.

COMMISSIONER: - - - where the culture comes from?

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MR BARTON: Yes, I agree, Ms Sharp – Commissioner.

COMMISSIONER: Yes.

MS SHARP: Well, let me ask you this, then, Mr Barton. Given Crown's track record with anti-money laundering, why is it that this Inquiry should have confidence that Crown is committed to a culture of compliance now?

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MR BARTON: I think the – the steps we're proposing or are in the process of taking, I think, are a real commitment to changing the emphasis as an organisation we put on compliance. So we talked briefly about the AML. There are also some additional steps in the junket area. But, I think, most significantly, we're making a fundamental change to the organisational structure to elevate all of our compliance functions outside of business unit reporting and giving all of the compliance functions and our internal audit function visibility and transparency right through to the board, or a board subcommittee, and elevating those to be beyond any influence of the operating business unit and being completely independent of any – any revenue or profit motivation.

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MS SHARP: Shouldn't this have happened before now, Mr Barton?

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MR BARTON: Yes. It would have been a better organisation structure to have already implemented it.

MS SHARP: Can I move on to talk with you about junkets. You say, at paragraph 80 of your third statement, that you've identified a number of key issues following on from your assessment of junkets. And we will just go through these. First of all, you'll agree that one issue you found is that:

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The scope of Crown's due diligence was historically too narrowly focused on the operator of the junket and didn't look to those who finance, guarantee and represent the junket.

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MR BARTON: Yes. Yes.

MS SHARP: And you've also indicated that an issue is that:

5 *Crown needs to improve its ability to recognise patterns and associations and draw together connective threads.*

MR BARTON: Yes.

10 MS SHARP: And that:

Crown's compliance and AML teams need to have a clear role in the approval process for junkets and a right of veto over junket relationships.

15 MR BARTON: Yes.

MS SHARP: Is that right?

MR BARTON: Yes, that's correct.

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MS SHARP: And that be independent of the operating business?

MR BARTON: Yes, that's correct.

25 MS SHARP: And, finally, you've identified an issue is that:

The due diligence of junkets and the approval process needs to involve comprehensive analysis and technology by reference to a customer's transaction history.

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MR BARTON: Yes.

MS SHARP: Now, what you've taken recent – or that Crown has taken recent steps to do is to suspend operations with junket operators until June of 2021.

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MR BARTON: That's correct.

MS SHARP: In this COVID-19 environment, where there is no, essentially, no international travel, has that actually made any practical difference at the moment?

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MR BARTON: No. And with Melbourne closed, which is our main casino, there's been no prospect of any significant junket activity.

MS SHARP: Has Crown Resorts notified each of its junket operators that it has suspended its relationships with them?

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MR BARTON: Not to my knowledge.

MS SHARP: What, then, is the meaning of the suspension if you haven't told the junket operators they are suspended?

5 MR BARTON: Well, the instruction is to our business unit to not engage in any activities with junket operators for the balance of this financial year.

MS SHARP: Okay. But why haven't you told the junket operators that you've suspended business relationships with them until June 2021?

10 MR BARTON: There may have been some communication between our team and junkets, but my instruction was to the operating unit, say, not to have any engagement with any junket operator for the balance of this year.

15 MS SHARP: But don't you think it would be a good idea to tell the junket operators they're suspended?

MR BARTON: That – that may have happened, but – certainly, it can happen, but, at the moment, there's no prospect of us having any visits or trips from junkets. So the team is aware that that's not something we'll entertain.

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MS SHARP: Now, one of the things that Crown Resorts has recently done is Commission Deloitte to prepare a report on junkets?

MR BARTON: The junket approval process. Yes.

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MS SHARP: Yes. And you've provided the Inquiry a copy of that report?

MR BARTON: Yes, that's correct.

30 MS SHARP: And Deloitte makes some recommendations in late August; is that correct?

MR BARTON: That's right.

35 MS SHARP: Can you tell us does Crown Resorts intend to implement each of those recommendations?

MR BARTON: Yes. All those – all those recommendations are in the process of being implemented now.

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MS SHARP: And what will your role, as CEO, be in the junket approval process?

MR BARTON: As I see it, the junket approval process, which will change with the new organisation structure, the AML team or the financial crimes team will be the predominant source of review of the approval or continuation of a relationship with a junket. I will be having oversight, but, as I said, the financial crimes team reports

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through to the board. So it, ultimately, it will be the head of financial crimes who will decide around whether we commence or continue a relationship with a junket.

5 MS SHARP: So that position will have the right of veto; is that correct?

MR BARTON: That's correct.

10 MS SHARP: And is it proposed that those veto decisions will be escalated to the board or will it stay in the business?

MR BARTON: Well, that will stay with the head of financial crimes.

15 MS SHARP: Now, prior to this Inquiry being called in August of last year, do you agree that Crown had long been on clear notice of the risks of links between the major junkets with which it dealt and organised crime?

MR BARTON: There has certainly been plenty of media coverage of those issues.

20 MS SHARP: And that media coverage went all the way back to 2009, didn't it?

MR BARTON: I'm not familiar with coverage in 2009; that was before I was with the company.

25 MS SHARP: You're aware there was significant media coverage in September 2014 with the Four Corners program?

MR BARTON: Yes. Yes, I'm aware of that.

30 MS SHARP: And you're aware that there was further significant media coverage on the 6th of March 2017 with Crown Unmasked?

MR BARTON: Yes.

35 MS SHARP: And, of course, you're aware of the coverage in July and August of last year which, in part, gave rise to this Inquiry?

MR BARTON: Yes.

40 MS SHARP: So my question is, given that it's long been asserted publicly that Crown is having business associations with junket operators who may not have been of good character, why has it taken until now for Crown to review its due diligence procedures with junkets?

45 MR BARTON: There have been progressive improvements in our process around junket due diligence. And my observations of what I've seen about that process, now that we're having a deeper look at it is that it is extremely difficult to get

verification of allegations that come through the media around potential linkages between junkets and criminal elements.

5 MS SHARP: Yes. But why has it taken so long to have a good look at the due diligence procedures that Crown adopts with respect to junkets?

10 MR BARTON: As I said, there have been some improvements, but I think now we are looking at a very comprehensive review of all of the processes around the approvals. It wasn't something that was part of my area of responsibility. So I'm not across the thinking up until this year on how the junket approval process developed.

15 MS SHARP: Now, during the course of this year, Mr Joshua Preston has provided to Mr Felstead and yourself a series of memorandum about particular – memoranda about particular junket operators and his recommendations with respect to them; do you agree?

MR BARTON: Yes, I agree.

20 MS SHARP: And would you agree that, by and large, the advice has been to seek further advice from an external law firm?

MR BARTON: Certainly further information from an external investigator, yes.

25 MS SHARP: Isn't the question about whether to continue to deal with these junket operators a matter of the business judgment of Crown?

30 MR BARTON: I think it's a combination of the business judgment plus a view on – on the risk of dealing with the individuals. I think it's both an operating and a compliance view.

MS SHARP: But isn't it for Crown to make the decision about risk and what level of risk it will accept?

35 MR BARTON: Yes. Yes, I agree, and which is why I said the work that has been commissioned is investigative work to give us some additional information.

40 MS SHARP: What is the level of proof that ought appropriately apply when considering whether to deal with a junket operator?

45 MR BARTON: Yes, I think the challenge is getting information which is verifiable so the standard of proof becomes quite a difficult exercise and I don't think it's an absolute – absolute thing. If we continue to collect information from internal sources, it becomes a question of judgment about the validity of all of the information, and the conclusions that that information brings. But the standard of proof should be relatively low in that we know that in a lot of cases it will be very

difficult to get conclusive evidence of criminal connections. We've seen that with all of the investigations we've done so far.

5 MS SHARP: So can you just explain to us in a bit more detail what level of proof you think is sufficient?

10 MR BARTON: Well, I think that's really the exercise we're doing to develop our junket approval framework. So some of the – the process improvement involves getting more information. Some of the process improvement involves engaging with other parts of the organisation. And some of it is tasking the financial crimes group with the overall review and approval of junkets. So that process is evolving. The final standard of proof is also something that we need to develop, and part of that will come down to an ability to get some quantitative assessment of all of those pieces of information to give us a conclusion about whether the decision should be to work with a junket or to reject a junket. So it's a quantitative approach we're developing as part of the approval process.

20 MS SHARP: So as the CEO of this organisation, are you telling us today that Crown still does not know how it will make its decisions about whether to deal with particular junket operators?

25 MR BARTON: We're developing that approval process and what will happen is before we recommence work with the junkets, they will all be assessed against this new approval process.

MS SHARP: Now, one of the things that has been done in recent times by Crown Resorts is to commission the Berkeley Research Group to conduct some investigations on nominated junket operators; is that right?

30 MR BARTON: Yes, that's correct.

MS SHARP: And it's right that a copy of each investigative report 12 September 2020 was provided to this Inquiry the day before yesterday?

35 MR BARTON: I'm not sure when that report was provided, sorry.

40 MS SHARP: And this is not yet in evidence, Commissioner, I will tender it in a moment. We only got it the day before yesterday. It's CRL.703.001.0001. I will tender it on a confidential basis. I believe we are up to exhibit AC28.

COMMISSIONER: Yes. That will be marked AC28.

45 **EXHIBIT #AC28 REPORT DATED 12/09/2020 (CRL.703.001.0001)**

MS SHARP: And if this could come up only to the confidential screen, please.
Have you read this report?

MR BARTON: Yes, I have.

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MS SHARP: Could I take you, please, to pinpoint 0009. I think that's page 9 of the report, Mr Barton.

MR BARTON: I have the report with me, thank you.

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MS SHARP: Now, can I just direct your attention, please, to the first arrow on the page under the heading Alleged Triad Background.

MR BARTON: Yes, I can see that.

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MS SHARP: Could I take your attention to this point:

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Sources approached commented that it is not uncommon for junket operators to have triad backgrounds or maintain connections with these groups for reciprocal purposes.

MR BARTON: Yes, I see that.

MS SHARP: Do you accept this advice that you've been given?

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MR BARTON: I accept this report from the investigators, yes.

MS SHARP: So you accept the accuracy of the observation that is being provided to you?

30

MR BARTON: It is unnamed sources, that's not uncommon, but I accept that that's something that clearly has been identified by the investigators.

35

MS SHARP: Now, can I take you to a different document, please. This is also a confidential document. It's exhibit BJ129. I will bring it up on the screen for you, Mr Barton. It is CRL.579.019.4759. Now, you will agree this is – I will just generically call it a due diligence dossier dated 26 May 2016.

MR BARTON: Yes, I see that.

40

MS SHARP: It appears this has been in Crown's possession since that time.

MR BARTON: I haven't seen the document before so I can't comment on that.

45

MS SHARP: Could I take you to page 2, which is pinpoint 4760.

MR BARTON: Yes.

MS SHARP: You will agree that Crown has had in its records since 2016 due diligence that suggests that Alvin Chau was a former member of the 14K triad branch?

5 MR BARTON: The report says he appears to have been a former member of the triad, yes.

MS SHARP: Right, but that's the summary of this due diligence report. Are you placing weight on the words "appears to be"?

10

MR BARTON: Appears to have been, I was – that's the words at the commencement of that sentence.

MS SHARP: All right. So he appears to have been a former member of the 14K and was reportedly in charge of loan sharking and gambling under the leadership of Kuok Coi Wan, K-u-o-k C-o-i W-a-n. Do you know that's a reference to Broken Tooth Koi?

15

MR BARTON: I believe that's his name, yes.

20

MS SHARP: And then it says:

After Wan –

25 that is, Broken Tooth Koi –

... was sentenced, Chau started his own gang.

Now, as we sit here with our 2020 glasses on, is this information enough to stop Crown dealing with Alvin Chau as a junket operator?

30

MR BARTON: It would certainly be very significant in an assessment of whether we did deal with him or not.

35 MS SHARP: So is it enough?

MR BARTON: Well, I'm not familiar with who these people are and what the veracity is of this analysis but if that was from a source that was reliable, that would be enough.

40

MS SHARP: Well, just so you know what the source is, go back to the first page so you can see the due diligence service provider. Is this enough?

MR BARTON: Well, I'm not familiar with the work that's done by Wealth-X, but if this – if this was verified, this would be enough.

45

MS SHARP: What do you mean by "if this was verified"?

MR BARTON: If we had confidence that this due diligence and the organisation that prepared it was – was one that was to be relied on, that would be enough. I'm not familiar with this organisation.

5 MS SHARP: Well, you've spent some months now, haven't you, as a CEO of this organisation reflecting on Crown's due diligence procedures with respect to junkets?

MR BARTON: Yes.

10 MS SHARP: I'm asking you this question in your capacity as the leader of this organisation who sets the culture, Mr Barton. This is one of the due diligence providers that Crown has elected to commission a report from. Here it is, providing this information to you about Mr Chau that he appears to have been a former member of the 14K triads, that he is reportedly in charge of loan sharking and gambling under
15 the leadership of Kwok Coi Wan and after Wan was sentenced to prison, Chau started his own gang. Is this enough to cause Crown Resorts to stop dealing with this man as a junket operator?

MR BARTON: It would certainly be enough for us to pause, as you say, dealing
20 with him as a junket operator, I agree.

MS SHARP: Now, having now read the research report of the Berkeley Research Group, what is your intention with respect to future dealings with Alvin Chau as a
25 junket operator?

MR BARTON: Well, having read the Berkeley report, it's not as conclusive as that report you've just read. I would be incorporating all of the material that came from the Berkeley report into the junket review process and I think that would be persuasive, but from my perspective, having read that report and seeing that analysis,
30 I would need to be given a high level of assurance that there was an explanation for all these things before we would recommence dealing with Suncity.

MS SHARP: Well - - -

35 COMMISSIONER: Is the VIP business the only area where these junkets are involved?

MR BARTON: Yes, Commissioner.

40 COMMISSIONER: And you told me that 25 per cent or 20 per cent of the revenue comes from them.

MR BARTON: Yes, Commissioner.

45 COMMISSIONER: - - - a lower proportion "in terms of the contribution to our profits"; that's what you said.

MR BARTON: Yes, Commissioner.

COMMISSIONER: What's the contribution to your profits?

5 MR BARTON: Over the last four to five years, Commissioner, it's less than seven per cent.

COMMISSIONER: So what you are looking at all this trouble that we have been through for the last year now is over seven per cent of your profits. You realise that?
10

MR BARTON: Yes, exactly.

COMMISSIONER: And maybe that's an explanation for things not being taken seriously, I don't know, but really one option that you could look at, I suppose, is to
15 just stop it, stop dealing with junkets altogether.

MR BARTON: Yes, that would certainly be an option, Commissioner.

COMMISSIONER: Wouldn't that fix all these problems?
20

MR BARTON: You would have a smaller business but it's a business which is much lower risk. It would probably operate on a higher margin and it would be much less complicated. It would be a much simpler and probably a higher margin business.
25

COMMISSIONER: When you look at the overlay and impact of COVID, depending upon the uncertainties of the future you might just have to restructure your business in any event?

30 MR BARTON: Absolutely, Commissioner.

COMMISSIONER: And then if Crown operates its own structure without the intervention of these – what can only be described as shady characters, being neutral about it, then you don't have these problems, surely?
35

MR BARTON: Exactly. We deal directly with individuals who we know who have clear sources of wealth, have reasons to come to Australia, are travelling backwards and forwards on a regular basis, we pay a lower level of commissions. It's a much lower risk business model, smaller but probably with higher margins. And as you
40 say, for less than seven per cent of our group contribution.

COMMISSIONER: I've seen some materials within the Crown material that has been produced to the Inquiry in respect of your competitor, Star, and other casinos. They all deal with junkets but do you have any feel for the percentage, comparative
45 to your seven per cent across the board or not?

MR BARTON: It will be quite similar. Probably bigger for Star, Commissioner, because we have a bigger non-VIP business than they do. So our VIP business is roughly the same size but they have a smaller, if you like, non-VIP business, so it would be a higher percentage for them.

5

COMMISSIONER: Yes, I understand. Yes, thank you. Sorry to interrupt, Ms Sharp.

MS SHARP: Yes, could you pardon me for one moment?

10

COMMISSIONER: Yes, of course.

MS SHARP: Mr Preston, could I show you – and I'm sure you're familiar with it by now - - -

15

MR BARTON: Barton.

MS SHARP: I beg your pardon. Mr Barton, could I show you the ASX media release that Crown Resorts were issued on 31 July 2019. INQ.100.010.0895, and this can be brought up on the live feed.

20

MR BARTON: Do you have a tab reference for that?

MS SHARP: I don't, I'm afraid, Mr Barton. I will have it shown on the screen to you. Can you see that?

25

MR BARTON: It's on my small screen so it's quite hard to read, sorry.

MS SHARP: I'll have the relevant parts highlighted for you. If we go to the next page which is pinpoint 0896.

30

MR BARTON: Yes.

MS SHARP: See right at the top there's a heading Setting the Record Straight in the Face of a Deceitful Campaign Against Crown.

35

MR BARTON: Yes, I see that.

MS SHARP: And then in the second paragraph:

40

As a board, we are extremely concerned for our staff, shareholders and other stakeholders, as much of this unbalanced and sensationalised reporting is based on unsubstantiated allegations, exaggerations, unsupported connections and outright falsehoods.

45

This is exhibit A219, by the way, Commissioner.

COMMISSIONER: Yes, thank you.

MS SHARP: Then if we go down that first column there's a heading Junket Operators:

5

Crown itself has a robust process for vetting junket operators including a combination of probity, integrity and police checks and Crown undertakes regular reviews of these operators.

10 And then you will see, Mr Barton, under the heading Anti-Money Laundering:

The program also made various allegations of money laundering implying that Crown facilitates it or turns a blind eye.

15 And a bit further down:

Crown provides a range of information in a proactive manner in accordance with its regulatory obligations.

20 Would you agree with me that when we look at this statement from July of last year and compare it with your board papers of August and September this year, we have seen a distinct change in tone?

MR BARTON: Yes, I agree with that.

25

MS SHARP: Don't the acknowledgements that are made in the August and the September 2020 board papers come very late in the piece?

MR BARTON: Yes, I'm sure a lot of the information in those papers would have been helpful when this ad was being developed.

30

MS SHARP: But don't the acknowledgements of shortcomings with respect to AML and junket procedures at Crown come very late in the piece, Mr Barton?

35 MR BARTON: Well, if the allegation is around facilitating money laundering or – I'm not sure what it means, turning a blind eye, from our perspective we haven't necessarily had the best programs around money laundering but we have improved them over a long period of time, and our intention is to keep improving them, and we have always done our best to meet the obligations of our reporting. So I wouldn't
40 agree that Crown facilitates or turns a blind eye to money laundering.

40

MS SHARP: Well, I just want to explore that proposition for a minute, Mr Barton. Do you understand what is meant by "turning a blind eye" is not taking steps to prevent money laundering from happening?

45

MR BARTON: I'm not sure if that's the way to interpret "a blind eye", but taking steps to prevent it, if that's what it means, we could have, over time, done a lot more.

We did some things to prevent it, but, as we've said, we've always found that there's more we can do. From my perspective, from 2014 till now, we've made improvements, and we continue to do it, but the absolute prevention of it, that's something we haven't been able to accomplish yet.

5

COMMISSIONER: I suppose the term "turning a blind eye" might have some more sinister imputations within it, in that you know what you have to do, you see that it's necessary, and you don't do it, on one view of it. But from what you're telling me, it's more not appreciating the import of what you should be doing that was the

10

MR BARTON: Yes, yes. I agree, Commissioner.

COMMISSIONER: When you said to me, a moment ago in answer to Ms Sharp's question, you said it would have been helpful to have this information at the time the advertisement was developed. Do you remember saying that?

15

MR BARTON: Yes.

COMMISSIONER: That's because it would have been very important for the board members, before they put their signature on this thing, to have all the facts.

20

MR BARTON: Yes, Commissioner.

COMMISSIONER: And so the sad outcome is that the facts weren't before them, as they should have been; you'd agree with that?

25

MR BARTON: Yes, I agree, Commissioner.

COMMISSIONER: Yes, Ms Sharp.

30

MS SHARP: One of the reforms that you've referred to in your statement and in the September board paper is a change to the organisational structure at Crown. And can I take, you please, Mr Barton, to the 10 September 2020 paper. That's exhibit CB6. And I'll bring it up on the confidential screen: CRL.695.001.0004. And could I take you, please, Mr Barton, to pinpoint 0014.

35

MR BARTON: I have a hard copy of the document, Ms Sharp, if you give me the page reference.

40

MS SHARP: Certainly. It's page 11.

MR BARTON: Yes. Thank you.

MS SHARP: So we've got – this is what you are proposing as the new organisational structure, is it?

45

MR BARTON: That's correct.

MS SHARP: And then we need to understand that structure by going over the page?

5 MR BARTON: Yes.

MS SHARP: To page 12.

10 MR BARTON: Yes, that's right.

MS SHARP: And one of the new senior executive positions that you propose recruiting for, who will report directly to you, is the head of culture.

15 MR BARTON: Yes. I think, in the board meeting, we decided the better terminology of human resources and culture, but it's to look at both operational HR matters but also strategic HR matters, such as culture.

20 MS SHARP: Could I just ask you to hold that page open. I just want to compare this with the model that was being propounded at the August 2020 board meeting, if I can take you back to that one. Now, this document is exhibit CB4, at CRL.682.001.0001. And this is a confidential document, please. So could I take you – in the August paper, could I take you, please, to page 19, Mr Barton, which is 0019.

25 MR BARTON: Yes, I have that.

MS SHARP: So what you have, back in August, there's no – there's no head of culture; do you agree?

30 MR BARTON: Yes. It was the head of HR.

MS SHARP: All right. That was the head of HR, was it?

35 MR BARTON: Yes, on page 19.

MS SHARP: And then what you have, in the August document, is the position of chief executive officer at Australian Resorts?

40 MR BARTON: Yes, that's correct.

MS SHARP: But by the time of the September paper, we no longer have a reference to that position?

45 MR BARTON: That's correct.

MS SHARP: So that's a change in the board's thinking between August and September of this year, is it?

MR BARTON: It was a change in my thinking; that was the basis of my September presentation.

5 MS SHARP: And what was the change in your thinking, Mr Barton, or what motivated that change?

10 MR BARTON: Yes. This September structure is one that I've been contemplating for some time, which is to get direct reporting of the operational executives for each of the properties coming through to me. As we get closer to opening Sydney, it will be important that I have a clear line of sight through to the head of Sydney. We've got quite a lot of issues on the restarting of Crown Melbourne. So, from my perspective, having a closer connection to those three operating executives that control the casino properties, is an important development to me.

15 MS SHARP: Another position that doesn't exist in the September structure is the chief legal officer of Australian Resorts; do you agree?

MR BARTON: Yes, I agree.

20 MS SHARP: And, in fact, if I take you to page 14 of the September document – this is pinpoint 0017 on the confidential screen – you will see that you've said here that:

Two existing roles are being removed, being the CEO Australian Resorts and the chief legal officer, Australian Resorts.

25

MR BARTON: Yes, that's right.

MS SHARP: That's Mr Barry Felstead and Mr Preston; correct?

30 MR BARTON: That's correct.

MS SHARP: Will the - - -

35 MR BARTON: Well, it's those – it's those positions, not necessarily the individuals. So it's the removal of two positions.

MS SHARP: My question for you is what positions are you proposing these gentlemen have, moving forward?

40 MR BARTON: That's a discussion I've yet to have. The board hasn't agreed to this – to that aspect of the new structure. And if the board does agree, then it will need to be a conversation I have with both of those executives about whether there is another role in the organisation that would suit them or if there's no particular role that would work for them.

45

COMMISSIONER: Can I just ask you – if you could put back on the structure, the other structure, the one that you have got for September – if you have a look at the executive vice-presidency of corporate affairs; do you see that?

5 MR BARTON: Yes.

COMMISSIONER: That's a pivotal position, isn't it, to the risk management and also the way in which the casinos operated, I presume?

10 MR BARTON: That role is largely dealing with our interactions with government regulators and also dealing with corporate affairs and media relationships.

COMMISSIONER: So it is only external reporting or external arrangements with media, and the like, is it?

15

MR BARTON: That's – that's right.

COMMISSIONER: So for the purposes of understanding the corporate affairs of the company, where do I find that?

20

MR BARTON: So the general counsel and company secretary would deal with most of the, if you like, the administrative and legal aspects of the corporation.

COMMISSIONER: Yes.

25

MR BARTON: But the chief financial officer would deal with, if you like, financial and sort of company structuring and financing aspects. The HR person would deal with people and our sense of culture and leadership and succession planning and dealing with people issues. And then, on the compliance side, we'd have – or, like, the compliance or oversight areas, we've got the head of financial crimes and compliance, the head of risk and then internal audit as well.

30

COMMISSIONER: I see. And the internal audit falls where?

35 MR BARTON: On the September model, that sits underneath the chief financial officer on page 11.

COMMISSIONER: I see. It's on another page, is it? Could I have a look at page 11, please.

40

MS SHARP: That is pinpoint 0014.

COMMISSIONER: Yes. Yes. Thank you. 0014, it is.

45 MS SHARP: Yes.

COMMISSIONER: Could you just pardon me for a moment. Could I have it, please. Yes. Yes, I see. Thank you, Mr Barton. So that area of Mr Bitar is, effectively, media/government relations, is it?

5 MR BARTON: That's correct, Commissioner.

COMMISSIONER: Yes, I see. Thank you. Yes, Ms Sharp.

10 MS SHARP: I just want to take you back to a document we looked at yesterday, Mr Barton. It's Crown – I think this might be a bit out of date, that exhibit. It's CRL.605.016.6849. We'll bring it up on the confidential feed. It was once known as Crown confidential list 10 at tab 25. I'll just have the new exhibit number brought up. The new exhibit number is BK25. I just want to take you back to this email at
15 pinpoint 6850. And have you got that email from Roland Theiler to Alan McGregor, 8 April this year?

MR BARTON: Yes, I see that.

20 MS SHARP: And this is the email you said yesterday you had some concern about?

MR BARTON: Yes, that's correct.

25 MS SHARP: And Alan McGregor is the chief financial officer of Crown Resorts; is that right?

MR BARTON: That's correct.

30 MS SHARP: But you maintain the evidence you gave yesterday about your concerns in relation to this email?

MR BARTON: Yes, I do.

35 MS SHARP: Now, I just want to ask you a few questions about Crown Sydney, if I can. The plan, is it, is to open in December of this year?

MR BARTON: The project is due to complete and hand over to the operating business unit on the 9th of December, and allowing some time for handover and pre-opening activity, the current plan will see us opening on the 14th of December.

40 MS SHARP: And that's when it will open to the public?

MR BARTON: That's right.

45 MS SHARP: Now, you mention in your third statement that, of course, this is a restricted gaming licence that is held by Crown – one of the Crown companies in Sydney; yes?

MR BARTON: Crown Sydney Gaming Pty Limited.

MS SHARP: Yes. And one of the restrictions is that there are minimum betting limits on the table games?

5

MR BARTON: That's correct.

MS SHARP: And those minimum betting limits are something in the order of \$25 to \$30 for a game of baccarat or blackjack?

10

MR BARTON: \$20 for blackjack, 25 for roulette and 30 for baccarat.

MS SHARP: Based on your now long experience in this industry, they aren't the sorts of minimum bets that one generally understands apply with respect to VIP patrons, are they?

15

MR BARTON: Certainly not the bets you would see in an international program player, in the rooms you'd see in the areas that we'd set aside for people who would be international or interstate players – mostly international players – who would play on a program. They would typically bet at a high level, but these sorts of bet limits are what you'd see in some of the more premium areas in the main gaming floor.

20

MS SHARP: But they're certainly not the sort of betting you'd see in the VIP salons that we have over in Macau, for example?

25

MR BARTON: No, no. If you went to those, the salons, outside of the premium mass areas or the mass areas, the VIP, as it's described there, people on a VIP program, a rolling chip program, or a program that gives them Commission, the bets you would see in those rooms would be above – well above what you are seeing in those limits.

30

MS SHARP: And the same comment could be made in respect of the VIP salons in the towers of Crown Perth and Crown Melbourne.

MR BARTON: Yes, the bet limits – or the average bets up there would be much higher. They're not limits but given that people travel nine hours plus to come to play, they would want to play at a level which is well above that.

35

MS SHARP: Now, you make the point in your statement that the restricted gaming facility is not open to the general public but rather only members and their guests.

40

MR BARTON: Yes.

MS SHARP: Now, you also make the point that insofar as domestic players are concerned – and what we mean here is New South Wales-domiciled players, they will only be granted membership in accordance with a membership policy?

45

MR BARTON: Yes, that's right.

MS SHARP: What's the criteria for the New South Wales-domiciled patrons to become members?

5

MR BARTON: If they are a member of an existing VIP program, so if they're a premium player recognised by another casino, they are able to get membership immediately. For anybody who can't demonstrate that membership, they can apply and there's a 24-hour cooling off period before they can join.

10

MS SHARP: So anyone can apply and be eligible but they have to wait 24 hours?

MR BARTON: That's – that's to become a member. There's also – we do screening of membership applications as well.

15

MS SHARP: I have no further questions.

COMMISSIONER: Can I just ask you about the structure. You've told me that Crown at Barangaroo, there's the podium level and there are the towers, level 28 and 29, I understand. Is that right?

20

MR BARTON: That's correct, for gaming.

MS SHARP: And in the podium level, that's the only area that you are anticipating to seek to open on 14 December; is that right?

25

MR BARTON: That's correct, Commissioner. The sky salons is for our international VIP patrons, and so it would only be the main gaming floor. We may invite some local customers to use those salons but they won't open, as I understand it, until early next year.

30

COMMISSIONER: So they've got 12 salons up there, as I understand your evidence; is that right?

35 MR BARTON: That's right.

MS SHARP: And you've got 30 traditional table games up there.

MR BARTON: Yes.

40

COMMISSIONER: That's the limit, the 30 traditional table games up there in the level 28 and 29, or are there more table games in the salons?

MR BARTON: The – no, I think there's 30 across all of our salons which are on level 28 and 29.

45

COMMISSIONER: I see. So the total number is 30 and it's spread between the various salons up in level 28 and 29.

MR BARTON: Yes.

5

COMMISSIONER: Coming back to the podium, which is the relevant one for 14 December, as I understand what you've told me, you've got two rooms: the Crystal Room and the Mahogany Room. Is that right.

10 MR BARTON: That's right.

COMMISSIONER: You have got 129 tables, is that right?

MR BARTON: Across those two floors, yes, correct.

15

COMMISSIONER: That's spread between the two floors and you do have salons as well on the podium; is that right?

MR BARTON: Yes. I think there are some salon tables as well on that floor, yes.

20

COMMISSIONER: And so the traditional table games that you have, that's nearly 130 of them, and then you have what you have referred to as 66 electronic table game terminals; is that right?

25 MR BARTON: That's correct.

COMMISSIONER: And do the minimum bets apply to all of those?

MR BARTON: Yes, they do, Commissioner.

30

COMMISSIONER: And then you have the domestic members; correct?

MR BARTON: Yes, that's right.

35 COMMISSIONER: And is the private gaming room section in the podium only available to domestic members?

MR BARTON: No, that would be available to international players as well.

40 COMMISSIONER: All right. And interstate players.

MR BARTON: And interstate, yes.

45 COMMISSIONER: So the salons can only be used, as I understand your evidence – and tell me if this is wrong, the salons can only be used by the interstate and international players; is that right?

MR BARTON: We would typically only use those for the larger players, Commissioner, who would bet at even higher levels because it's a higher-level experience; it's like our premium experience. And people who would bet at lower levels would come into the two, Crystal and Mahogany, rooms in the more broader gaming areas.

COMMISSIONER: So with the electronic table games and the traditional table games, obviously these will be cash transactions, I presume?

10 MR BARTON: Largely, Commissioner, yes.

COMMISSIONER: So how are you going to cope without the AML policy being finalised?

15 MR BARTON: Well, join the joint program so they'll be – Sydney will be part of the new AML joint program, and we will have the current AML procedures. We will have different systems in Sydney that do have better AML practices in them. But we will be applying the joint program to Sydney.

20 COMMISSIONER: But that's not in place yet.

MR BARTON: Well, it's concluded, Commissioner. It's not in place in Melbourne and Perth because we are working through the changes to the operating procedures in the existing business.

25 COMMISSIONER: I understand what you tell me but the reality is, what I'm concerned about is you have an anticipated opening date for 129 traditional table games and 66 electronic table games or electronic table game terminals, and you haven't got a policy in place. So my question is, how on earth can you do it?

30 MR BARTON: The joint – that policy will be the policy we use for Crown Sydney, Commissioner. The one that is actually being approved and it hasn't been rolled out in other properties, but that's the one that will be used in Sydney.

35 COMMISSIONER: If it hasn't been rolled out in other properties, it hasn't commenced operation; isn't that right?

MR BARTON: That's correct.

40 COMMISSIONER: So I'm just asking you, Mr Barton, if you don't have a program for anti-money laundering that has been rolled out in other properties and you haven't got a property that is operational yet, how on earth are you going to open a casino with over 180 – 190 terminals or whatever they are, without a policy?

45 MR BARTON: Well, the joint program will be rolled out by December in Melbourne and Perth, Commissioner.

COMMISSIONER: I see. And what's the date for the anticipation of, as you call it, the roll out?

5 MR BARTON: The last update I got was about six weeks, Commissioner, from about two weeks ago.

COMMISSIONER: Six weeks? And from who did you get that update?

10 MR BARTON: From Mr Stokes.

COMMISSIONER: Mr?

MR BARTON: Stokes.

15 COMMISSIONER: I see. Yes. Mr Bell, you wanted to ask some additional questions.

MR BELL: I have some additional questions for Mr Barton.

20 COMMISSIONER: Yes. All right.

<EXAMINATION BY MR BELL

[12.52 pm]

25 MR BELL: Mr Barton, could you look at exhibit AA109, exhibit AA, tab 109, confidential link CRL.501.008.6079.

30 COMMISSIONER: What exhibit is this, I'm sorry? Exhibit AA109?

MR BELL: Exhibit AA109.

COMMISSIONER: Yes. Thank you.

35 MR BARTON: Yes, I have that, Mr Bell.

40 MR BELL: Yes. Mr Barton, I asked you some questions about this document yesterday at transcript pages 2744 to 2745. Do you see that Mr Packer on 3 May 2019 asked you for a forward financial forecast that you believed in until the end of 2022?

MR BARTON: Yes, I see that.

45 MR BELL: And he said, among other things, that he wanted to see what the peak net debt was for Crown – after Crown Sydney had been paid?

MR BARTON: Yes.

MR BELL: And you understood that this was a request by Mr Packer for confidential information of Crown Resorts under the controlling shareholder protocol?

5 MR BARTON: Yes.

MR BELL: And could I ask you to look at the controlling shareholder protocol at exhibit Y5, confidential link CRL.509.014.8430. Can I ask you to look at clause 2.3 at page .8432.

10

MR BARTON: Yes.

MR BELL: You understood that each director and officer of Crown Resorts had to act carefully before revealing information about the corporate group to anyone including CPH under the protocol?

15

MR BARTON: Yes, I agree.

MR BELL: And you understood that this was a serious obligation on directors and officers of Crown Resorts?

20

MR BARTON: Yes.

MR BELL: And you had to consider, among other things, whether it was in the best interests of the Crown Resorts group for the information to be disclosed.

25

MR BARTON: Yes.

MR BELL: And you had to consider, among other things, whether disclosure would be to the detriment of the Crown Resorts group or whether it would be to someone else's benefit?

30

MR BARTON: Yes.

MR BELL: And you had to consider whether the disclosure was improper?

35

MR BARTON: Yes.

MR BELL: And you understood that each of those matters required careful assessment if you were asked to reveal information under the protocol?

40

MR BARTON: Yes.

MR BELL: And if I could ask you to look at clause 2.10, page 8433, you understood that you were an authorised representative under that clause to share confidential information under the controlling shareholder protocol?

45

MR BARTON: Yes, that's right.

MR BELL: And if you look at clause 2.12, you understood that prior to disclosure of confidential information, you had to assess the request and be satisfied that the disclosure was appropriate having regard to the protocol?
5

MR BARTON: Yes.

MR BELL: Now, what assessment did you make when Mr Packer requested, on 3 May 2019, a forward financial forecast that you believed in until the end of 2020.
10

MR BARTON: The value that comes from Mr Packer and CPHs involvement in the company is across a range of things, including those things spelt out at clause 2.5. But the assessment I make is around maintaining a strong and open relationship with CPH to get the benefits that we get from CPH and James' involvement in the business. So we've had over a long period of time a lot of value that we've received as a group from James and CPH. He originally identified the opportunities in Macau for us. He identified the opportunities in Barangaroo and both of those transactions, over time, have proven to be extremely valuable for the company.
15
20

MR BELL: Yes. Could I ask you to look at exhibit AA116. That's confidential link CRL.501.006.4192.

MR BARTON: Sorry, which tab is that Mr Bell?
25

MR BELL: Yes, it's exhibit AA, tab 116.

MR BARTON: Yes, I have that.

MR BELL: So do you see that on 17 May – Friday, 17 May 2019, you told Mr Packer that you had a first cut of the financial plan that you've shared with Mr Alexander, Mr Johnston and Brad.
30

MR BARTON: Yes.
35

MR BELL: Was Brad a reference to Mr Brad Kady of CPH?

MR BARTON: Yes, that's correct .

MR BELL: And you said that Mr Alexander, Mr Johnston and Mr Kady:
40

...would like a few days to review and give you comments on the financial plan.

Do you see that?
45

MR BARTON: Yes, I see that.

MR BELL: And you told Mr Packer in those circumstances you should be in a position to take Mr Packer through the financial plan for next week. Do you see that?

5 MR BARTON: Yes. Yes, I see that.

MR BELL: Now, Mr Alexander and Mr Johnston were directors of Crown Resorts. Why did you give the financial plan to Mr Kady?

10 MR BARTON: Mr Kady is an analyst with CPH and does provide services under the service agreement.

MR BELL: What do you understand his expertise is?

15 MR BARTON: He's a financial analyst. He's got a banking background. He looks at investment analysis, looks at financial modelling, has a good understanding of the overall industry and provides very valuable feedback to us on what he is seeing as sort of market and industry trends.

20 MR BELL: Could I ask you to look at a document which either is or will soon be tendered as exhibit AB33. It's confidential link CRL.568.027.0463.

MR BARTON: Is that the email that was sent this morning? I've got a hard copy of that.

25

MR BELL: Yes, it was.

MR BARTON: Right. Thank you.

30 MR BELL: And it should be on the screen now.

MR BARTON: Yes, I see it.

35 MR BELL: Now, did you see this is an email that Mr Johnston sent to you on Tuesday, the 21st of May 2019?

MR BARTON: Yes, I see that.

40 MR BELL: And he sets out some discussion points for a call that evening; do you see that?

MR BARTON: Yes.

45 MR BELL: I take it that this email related to the financial plan that you provided to him the previous Friday, the 17th of May?

MR BARTON: That would almost certainly be right, Mr Bell. I don't know specifically, but I'm sure that's right.

5 MR BELL: And do you see that Mr Johnston was suggesting some amendments to the financial plan?

MR BARTON: I think he described them as discussion points.

10 MR BELL: Yes. He was making some suggestions; do you see that?

MR BARTON: I think they're sort of comments of what his views on some matters would be.

15 MR BELL: Yes. And do you see that point 2 was a suggestion that there should be a discussion on potential for improved sentiment added? See that?

20 MR BARTON: Well, that's the second part of the sentence, Mr Bell. I think it's in the context of the first part, which is to do with the Federal Government election. So we were quite concerned, at the time, about the impact of the election. This is dated the 21st, the election was on the 18th. And so it was sort of a timing thing that it's no longer a concern about the upcoming federal election; things had moved on. And then I think we were saying, with the re-election of the government, that had the potential for some improved sentiment, because the concern, previously, was that some of our customers may get affected by some of the policies that were being
25 proposed by the opposition at the time.

30 MR BELL: Mr Barton, am I understanding this correctly, that Mr Johnston was suggesting that there should be some discussion on the potential for improved sentiment in light of the election outcome?

MR BARTON: Yes. I think, as time has moved on, the reference on the previous Friday to concern about the election would have been a comment about, perhaps, with the new government, that there may have been improved sentiment; there was potential.
35

MR BELL: And do you see that, at point 3, Mr Johnston suggested that the revenue growth assumptions for financial year 2021 and financial year 2022 should be higher?

40 MR BARTON: Well, that was a view he was expressing. He said I think that they should be higher.

MR BELL: Yes. And another view he was expressing, at point 4, was that the VIP gaming machine growth should also be higher for financial year '21 and '22.
45

MR BARTON: Yes, that was his view. Yes.

MR BELL: Yes. And do you see that, at point, 5 Mr Johnston was suggesting that, for Perth, a more significant impact from the tap-and-go initiative should be assumed from financial year 2021 and beyond?

5 MR BARTON: Yes. Again, that was his view.

MR BELL: Yes. Would I be right in thinking that the suggestions which Mr Johnston was making would make the financial forecast for Crown Resorts look more positive?

10

MR BARTON: Well, the first point is really just noting a comparison of the five year CAGR to the 10 year CAGR. So that, I think, was narrative rather than having a financial impact. Point 2 - - -

15 COMMISSIONER: Can you explain – can you explain that to me?

MR BARTON: Yes.

20 COMMISSIONER: You say it's noting, really, he suggests that you take out, or he would take out, the reference to the 10 year and reference to the five year, but why were they in there?

MR BARTON: When we look at revenue growth over a long period of time, Commissioner, we try to take a long-term view.

25

COMMISSIONER: Yes.

30 MR BARTON: And the 10 year view of the compound annual growth rate probably would have been a higher number than the five year CAGR. I don't know, offhand, which way it would have gone. Typically, we've seen a slowing of growth over time in, particularly, gaming machines. So that was probably a narrative comment that the five year, which is the more recent trend, is probably more relevant than the 10 year, which is a longer-term trend.

35 COMMISSIONER: But he's suggesting you take out both of them.

MR BARTON: I think he was saying take out the reference to the 10 year and replace it with the five year.

40 COMMISSIONER: I think it reads:

I would take out reference to the 10 year and the reference to the five year.

45 MR BARTON: Well, the way I read that is – sorry. I read that as - - -

COMMISSIONER: Was there another – was there another period? Was there a shorter period?

MR BARTON: No. The way I read that, Commissioner, was remove the reference to the 10 year CAGR and, instead, reference the five year CAGR.

5 COMMISSIONER: I see. Yes, yes. It's a verb, perhaps, and referencing - - -

MR BARTON: Yes. Yes. I'm not sure it was well crafted, but that's the way I would read it.

10 COMMISSIONER: Thank you, Mr Barton. I'm sorry to interrupt, Mr Bell.

MR BELL: Leaving aside point 1, which was neutral, would I be right in thinking that the other suggestions which Mr Johnston was making would make the financial forecast for Crown Resorts look more positive?

15 MR BARTON: Well, number 2 was probably more just an update to say that we should feel optimistic on the potential for improved sentiment, but I don't think that would have translated into any financial consequences at the time.

20 MR BELL: What about 3, 4 and 5?

MR BARTON: Yes. So, point 3, if we'd adopted a higher spend per customer, that would have increased the revenue if we'd adopted that assumption. Similarly, 4, if we'd increased the growth from 8.5, that would have increased the revenue. And, in Perth, yes, the impact of tap-and-go would be a positive, and so all three of those
25 from 3, 4 and 5, if they'd been adopted, would have resulted in a favourable increase in the financial projections.

COMMISSIONER: In the presentation?

30 MR BARTON: In the presentation. Yes.

MR BELL: Now, you'd been admonished by Mr Packer for providing plans which were too optimistic, hadn't you?

35 MR BARTON: For failing to meet financial plans. Yes.

MR BELL: And in his email to you on the 3rd of May, Mr Packer had asked you to provide a financial forecast that you believed in, hadn't he?

40 MR BARTON: Yes, that's correct.

MR BELL: But did it strike you as odd at the time that Mr Johnston was making suggestions which would make the financial forecast look more optimistic?

45 MR BARTON: There's always a tension, Mr Bell, in that there are certain directors who always look to try and get us to be optimistic and provide stretch budgets. I think people think that's part of normal oversight and management to try and give

people higher hurdles to jump over. The challenge is to resist that when we don't think it's possible.

5 MR BELL: And do you see, Mr Johnston, in his email, talks about "our call this evening".

MR BARTON: Yes, I saw that.

10 MR BELL: Do you recall that there was a telephone call that evening to discuss the financial plan?

MR BARTON: I don't recall if there was a phone call on the 21st of May.

15 MR BELL: Do you recall a discussion, at or about this time, to discuss the financial plan and Mr Johnston's suggestions?

20 MR BARTON: I don't recall if we had a meeting, Mr Bell. But we would have had discussions about reviewing the numbers that were being provided at some point in time. It may well have been on the 21st of May.

MR BELL: And do I take it you don't recall the substance of the discussions?

MR BARTON: No, I don't.

25 MR BELL: And do you recall if you made any amendments to the financial plan along the lines that Mr Johnston had suggested?

MR BARTON: No. I can't recall if we adopted any or all of those suggestions.

30 MR BELL: Now, do you know to whom the final version of the financial plan was provided?

MR BARTON: Sorry, to whom?

35 MR BELL: Yes.

MR BARTON: Well, these are all essentially interim financial plans until we present them to the board, which normally happens at a board meeting around June.

40 MR BELL: Sorry. I meant this had been a request made to you by Mr Packer under the protocol.

MR BARTON: Yes.

45 MR BELL: So, subject to any discussions or suggestions that Mr Johnston had, was the protocol – I withdraw that. Subject to any discussions you had with Mr Johnston, was the financial plan then provided to Mr Packer?

MR BARTON: I don't recall. But I would have expected, subsequent to discussions with Mr Johnston, we would have shared a plan with Mr Packer.

5 MR BELL: And did you understand that the information contained in the financial plan was price-sensitive information which wasn't publicly available?

MR BARTON: Yes.

10 MR BELL: And did you understand that there was some urgency about the provision of this plan to Mr Packer?

MR BARTON: Most of Mr Packer's requests tend to be quite time-critical, Mr Bell.

15 MR BELL: And did you make any further assessment at this time, the 21st of May, as to whether it was appropriate to provide this information to Mr Packer under the protocol?

20 MR BARTON: Not other than the assessment I described earlier about overall maintaining a strong relationship with CPH and Mr Packer.

MR BELL: Did it occur to you, at the time, that the information was required in connection with the possible sale of Crown Resorts shares by CPH?

25 MR BARTON: No.

MR BELL: Were you informed, at the time that you provided the plan to Mr Packer, that CPH was negotiating a sale of 19.9 per cent of its shares in Crown Resorts to Melco Resorts and Entertainment?

30 MR BARTON: No.

MR BELL: When do you say that you were first informed of those negotiations?

35 MR BARTON: After it was announced or on the night it was completed.

40 MR BELL: So do you agree that, if it was the case that on the 21st of May 2019, CPH was negotiating a sale of Crown Resorts shares to Melco Resorts, you should have been informed of that fact so you could decide if it was appropriate, in accordance with your obligations under the controlling shareholder protocol, to divulge that information to Mr Packer?

45 MR BARTON: I would have needed to do analysis at the time of whether the controlling shareholder protocol would have still been available to us to share that information. I haven't done that analysis.

MR BELL: So if you had been informed that, at that point in time, CPH was negotiating a sale of Crown Resorts shares to Melco Resorts, you would have needed to consider your position under the protocol; is that correct?

5 MR BARTON: That's correct.

MR BELL: I have no further questions.

10 COMMISSIONER: And, I suppose, under the services agreement as well?

MR BARTON: Yes. Yes, that's got the same regime. Although - - -

COMMISSIONER: It's got – it's slightly different, it's got - - -

15 MR BARTON: Yes.

COMMISSIONER: It's got a – sorry. Sorry?

20 MR BARTON: Yes, I think that's right. The service agreement is in relation to being provided services, whereas the protocol's got the best interests of the company provisions.

25 COMMISSIONER: And, under the services agreement, you've got the conflicts of interest provision under clause 11.1; have you not?

MR BARTON: I haven't looked at it lately, but I agree with that. Yes.

30 COMMISSIONER: So if you've got a director who's negotiating with a third party to sell a third party some shares, you need to know about that to try and deal with any perceived or actual conflict; do you not?

MR BARTON: I agree.

35 COMMISSIONER: And so did you have any discussions with Mr Johnston or Mr Packer or Mr Alexander in respect of the negotiations that were obviously going on at the time you were giving them this information?

MR BARTON: No.

40 COMMISSIONER: After the event, I mean?

MR BARTON: After the transaction? No.

45 COMMISSIONER: At all?

MR BARTON: No.

COMMISSIONER: Now, Mr Bender, I see you're there.

MR N. BENDER: Commissioner. Yes, I am.

5 COMMISSIONER: Mr Bender, you're appearing today. Thank you.

MR BENDER: Yes.

10 COMMISSIONER: Yes, I'm sorry, I didn't recognise you a little earlier. Ms Orr, are there any questions?

MS ORR: Commissioner, I'm sorry. I had trouble with my mute button. Can you hear me, Commissioner?

15 COMMISSIONER: That's all right. Yes, I can.

MS ORR: Thank you.

20 COMMISSIONER: Are there any questions?

MS ORR: Can I have a very short adjournment to seek instructions in relation to that. I anticipate that I will need five minutes, and it may be that I have no application to make. And it may assist the inquiry with the afternoon scheduling if I'm able to do that quickly, but it's a matter for the inquiry.

25 COMMISSIONER: Thank you very much, Ms Orr. I will just ask – who else is appearing today? Is Mr Stoljar there? Yes. Mr Stoljar, do you think you will have any application to ask any questions?

30 MR STOLJAR: I don't anticipate that I will, thank you, Commissioner.

35 COMMISSIONER: All right then. So, Ms Orr, what I will do is to – well, first of all, just while you have you there, Ms Orr, I did ask you some days ago in respect of the exercise in relation to Crown Perth and Riverbank, do you remember that request?

MS ORR: I do. I do, Commissioner.

40 COMMISSIONER: How is that coming along?

MS ORR: There is a letter that I think will be sent to the Inquiry very shortly.

COMMISSIONER: All right.

45 MS ORR: I believe there's been discussions between my instructor and those assisting the inquiry.

COMMISSIONER: All right. Thank you very much. What I will do, then, is take a short adjournment. Would you please let those – I'm sorry, Mr Bell.

5 MR BELL: Before you rise, Commissioner, could I formally tender CRL.568.027.0463 as exhibit AB33.

COMMISSIONER: Yes, that will be exhibit AB33.

10 **EXHIBIT #AB33 DOCUMENT CRL.568.027.0463**

COMMISSIONER: And I'll adjourn for a very short while. Ms Orr, if you just let those assisting me know when you're ready, I will resume then.

15 MS ORR: Thank you, Commissioner.

COMMISSIONER: Yes, all right.

20 **ADJOURNED** [1.15 pm]

25 **RESUMED** [1.21 pm]

COMMISSIONER: Thank you. Yes, Ms Orr. Just make sure we get Ms Orr back, Mr Barton, won't be long.

30 MS ORR: I apologise, Commissioner. Thank you very much for that.

COMMISSIONER: Not at all. That's all right.

35 MS ORR: Thank you for that time. I have no application to make.

COMMISSIONER: All right. Mr Barton, could I just understand a couple of things. In that evidence that you just gave in respect of the communications with Messrs Packer and others, this request for this financial plan that you've referred to, what did you understand the purpose of that was? You are on mute, I'm afraid.

40 MR BARTON: I'm sorry, Commissioner.

COMMISSIONER: That's all right.

45 MR BARTON: About that time of year, every year, Commissioner, we get all the business units together to develop the financial plan for the subsequent years and it's usually prepared in around May and delivered to the board in around June. So our

normal cycle is to run through business unit planning in about March/April, pull that together through the course of May and then present it to the board in June.

5 COMMISSIONER: For how many years ahead do you plan, usually?

MR BARTON: It's normally four years, Commissioner.

COMMISSIONER: And so this one was for how long?

10 MR BARTON: About three years, '20 to '22.

COMMISSIONER: So that was a little unusual?

15 MR BARTON: Yes, I think his request was to get to the other side of the opening of Sydney was his main focus.

COMMISSIONER: Is that what he said?

20 MR BARTON: I think he said "Let's assume no more buybacks. I want to see the net peak debt after we have paid for Sydney" and he said "I'm only interested in to the end of '22" which I think would get us through to the opening of Sydney.

COMMISSIONER: So the opening of Sydney was planned to be in '21.

25 MR BARTON: Yes, so '22 would be - - -

COMMISSIONER: And '22 would be – at the end of '22 you thought he meant the end of what month of '22?

30 MR BARTON: So it would take us through to June '22 so it would be our first full year after opening.

35 COMMISSIONER: Yes. And so the predictions in respect of the three years instead of the four; what would be the impact of that, if anything?

MR BARTON: The fourth year of the plan tends to just be an extrapolation of the third year. So the critical point would be what does the first full year of Crown Sydney's trading look like, and after that it tends to get a bit of a mathematical exercise of extrapolating.

40 COMMISSIONER: Yes. And so if you do four years of a new business coming into play, it's probably more positive if you do three because you haven't got the need to look at the downside of four, obviously; is that right?

45 MR BARTON: That's correct.

5 COMMISSIONER: I just wanted to ask you a couple of things, if I may clarify, because of the questions that have been asked about this arrangement that you had with the sharing of information. So far as the recording of the requests, I presume, albeit that it is a very formal arrangement under the agreement, it wasn't really attended to with formality, as I see it. Is that a reasonable conclusion to draw?

10 MR BARTON: The structure reporting was quite disciplined, Commissioner, because we have systems that have recipient details and so we can turn off and on recipient details for our structured reporting.

COMMISSIONER: Yes.

15 MR BARTON: But the ad hoc request for information, we probably didn't have a – we don't have a register to track all of those.

COMMISSIONER: And so if, as your company was asked to give us, that's the Inquiry, all the communications under the protocol, it was really a matter of finding out which emails were sent by Mr Packer and when?

20 MR BARTON: Yes.

25 COMMISSIONER: Yes. And so far as that is concerned, I suppose when you do have price sensitive information as we see that you're talking about at the moment in this email to which you were taken, it would be a far better thing to have a formal arrangement, would it not, so that the company could say formally, "I have given consideration to those provisions of 2.3 and I regard it as in the best interests of the company to disseminate"?

30 MR BARTON: Yes, that would be a good discipline, yes.

COMMISSIONER: Yes, and so you have to decide whether it's to the detriment or the benefit and it is a process that requires a bit of time, would you agree?

35 MR BARTON: Yes, I agree, Commissioner.

COMMISSIONER: And one of the reasons, I presume, that you introduced this consideration for the disclosure of confidential information was to ensure that Crown was protected if it did disclose it to third parties and there might arise a problem.

40 MR BARTON: Yes, I saw one of the main benefits of the protocol giving Crown protection.

45 COMMISSIONER: Yes. And is that the reason that it was the protocol rather than the services agreement?

MR BARTON: I wasn't part of the negotiation, but I understand that we needed a different document because Mr Packer was no longer an executive at CPH.

COMMISSIONER: Yes, I see. And so it was that which you understood triggered the need for a separate document?

MR BARTON: That was my understanding, yes.

5

COMMISSIONER: Yes, I see. And just on agreements, I presume then that your relationship with Mr Packer was a personal one, was it, or was it just a business one?

MR BARTON: Just business, Commissioner.

10

COMMISSIONER: Yes. And so far as Mr Lawrence Ho is concerned, did you ever meet him?

MR BARTON: I met him when Crown was a shareholder in Melco on a number of occasions.

15

COMMISSIONER: Yes. Did you have any communications with Mr Lawrence Ho last year when he bought the shares?

MR BARTON: I received an email along with other executives from Mr Ho, but that was the only communication I had with him.

20

COMMISSIONER: Yes, I see. And certainly, that was after the transaction was concluded and not before?

25

MR BARTON: That's correct.

COMMISSIONER: Yes. And so far as the Barangaroo licence, you tell me you were a director of Crown Sydney Gaming; is that right?

30

MR BARTON: That's correct.

COMMISSIONER: And did you have any involvement at all at the time that the original agreements were entered into with ILGA and the government and others?

35

MR BARTON: Yes, Commissioner, Rowen Craigie and I led most of the negotiations with the state through that period from 2012 to 2014, on the documentation of all the arrangements.

COMMISSIONER: And so far as the VIP agreement is concerned, you were – you led the negotiations in respect of the schedule that appeared to be a little controversial last year?

40

MR BARTON: I was less involved in the gaming management agreement, Commissioner. I was more involved in the financial arrangements.

45

COMMISSIONER: So when Mr Stanley Ho was identified as a person that Crown was going to be prohibited from dealing with; you recall that?

MR BARTON: Yes.

5

COMMISSIONER: That was something of which you were aware, I presume?

MR BARTON: Yes, I was aware of that.

10 COMMISSIONER: And I presume the directors with whom you dealt would have been made aware of that?

MR BARTON: At the time I don't know if the documentation to that level of detail would have been presented to the board back when the negotiations on those
15 documents happened. There was a lot of documentation around the licence. I'm not sure if that particular aspect was conveyed to the directors at the time.

COMMISSIONER: But so far as a prohibition on dealing with companies is concerned, it's something a little different, isn't it?

20

MR BARTON: It is, although that existed with previous licence arrangements we had in Pennsylvania as well.

COMMISSIONER: Dealing with Stanley, is that right, Mr Stanley Ho?

25

MR BARTON: Yes, that's right.

COMMISSIONER: And so it was – so far as that was concerned, it was known that Mr Ho couldn't be dealt with insofar as the Pennsylvania licence was concerned; is that right?

30

MR BARTON: That's right.

COMMISSIONER: And when the government here was willing to grant the licence to your company, or the subsidiary of Crown Resorts to operate a casino here, it was a very serious prohibition on the company dealing with Mr Stanley Ho and all of his associated companies; is that correct?

35

MR BARTON: Yes, that's correct.

40

COMMISSIONER: And that was understood to be a very serious prohibition by the company, I presume?

MR BARTON: Yes, absolutely.

45

COMMISSIONER: And did you have some discussions with anyone last year in respect of that prohibition at the time of the Melco transaction?

MR BARTON: I had discussions with the general counsel about the implications of the Melco transaction on the VIP gaming management agreement. And we had a look after the transaction was announced at the potential implications in that.

5 COMMISSIONER: And did you have any discussion with any director?

MR BARTON: I understand Ms Manos had discussions with directors about that VIP gaming management agreement but that was more in her area than mine. I think she and I talked about it from the perspective of looking at the historical agreements
10 and understanding the potential implications.

COMMISSIONER: But what about yourself, did you have any discussions with Mr Packer or Mr Johnston or Mr Kady or the people – Mr Jalland, I think you'd been communicating with, just prior to this transaction being concluded; did you have any
15 discussions with them?

MR BARTON: No. No, I didn't.

COMMISSIONER: But knowing that there was a prohibition on dealing with Mr Stanley Ho at the time, was there any discussion about that?
20

MR BARTON: Not from – not from my perspective.

COMMISSIONER: Right. Yes, anything arising, Mr Bell? Anything arising, Ms Orr?
25

MS ORR: No, thank you, Commissioner.

COMMISSIONER: Mr Bender?
30

MR BENDER: No, Commissioner.

COMMISSIONER: Mr Stoljar?

35 MR STOLJAR: Commissioner.

COMMISSIONER: All right, then. Now, Mr Barton, thank you very much. We will now conclude your evidence, thank you, Mr Barton. As I've said to other witnesses before the Inquiry, although it is not – what I am doing is not releasing you
40 from your obligation to attend under any formal arrangement, it's unlikely at the moment that you would be recalled to give any further evidence but if that should happen, then those assisting me would make contact with the solicitors for Crown. You understand that?

45 MR BARTON: Yes, thank you, Commissioner.

COMMISSIONER: Yes, thank you, Mr Barton. I will adjourn now.

<THE WITNESS WITHDREW

[1.32 pm]

MATTER ADJOURNED at 1.32 pm UNTIL FRIDAY, 25 SEPTEMBER 2020

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