



**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, 30 JULY 2020  
AT 10.03 AM**

**Continued from 27.7.20**

**DAY 7**

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 S. ASPINALL as counsel assisting the Inquiry**

**MS R. ORR QC appears with MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited**

5 **MS Z. HILLMAN appears for Melco Resorts & Entertainment Limited**

**MR T. O'BRIEN appears for CPH Crown Holdings Pty Ltd**

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

MS SHARP: Good morning, Commissioner. Could I start this morning by tendering some documents. There should be a list before you, Commissioner, entitled exhibit J which refers to 15 documents.

15 COMMISSIONER: Yes.

MS SHARP: I tender each of these documents.

COMMISSIONER: Thank you. They will be become exhibit J1 to 15. Thank you.

20

#### **EXHIBIT #J1 TO 15 DOCUMENTS**

25 MS SHARP: Thank you, Commissioner. Commissioner, you will see that we have Mr Preston available on the video link this morning.

30 <**JOSHUA ROBERT PRESTON, RECALLED**

**[10.03 am]**

<**EXAMINATION BY MS SHARP**

35 COMMISSIONER: Yes. Mr Preston, are you ready to proceed?

MR PRESTON: I am, thank you, Commissioner.

40 COMMISSIONER: And if you could just keep your voice up a little bit so we can hear you.

MR PRESTON: I will do my best.

45 COMMISSIONER: Yes, and you understand that you are bound by the oath that was administered on Monday?

MR PRESTON: Yes, I do, Commissioner.

COMMISSIONER: Thank you. Yes, Ms Sharp.

5 MS SHARP: Mr Preston, in your February 2020 statement, you set out some useful information on junkets and I would like to ask you a little bit more about junkets now. Let me start with this: in the context of junkets, we see the language of promoter, operator, representative, and agents. Can I just ask you to explain the difference between these people within a junket structure?

10 MR PRESTON: Certainly, Ms Sharp. In terms of using the references to operator and promoter, they would be deemed essentially the same role, and a representative and agent would be the same, the same role as well.

15 MS SHARP: And I've also seen in some Crown documents references to introducers. What are they?

MR PRESTON: That's an arrangement – a regulated arrangement where there would be an individual who would introduce a potential casino patron to the casino, so it doesn't operate as a junket operator. They largely introduce, normally for a fee or a particular commission, an individual player to participate in gaming activity.

20 MS SHARP: Now, in relation to junket promoters, they're the people with whom Crown has contractual arrangements; is that correct?

25 MR PRESTON: We use the term "operator" but yes, that's correct. We have the relationship with the junket operator.

MS SHARP: In turn, a junket operator may have any number of junket representatives; is that right?

30 MR PRESTON: That is correct.

MS SHARP: But Crown does not have a contractual relationship with the junket representatives?

MR PRESTON: It doesn't have a contractual relationship. It will hold a letter of authorisation from the junket operator, that the representative is an authorised representative to act on their behalf in certain circumstances.

40 MS SHARP: So is it right to say that, firstly, the junket operator must authorise the junket representative?

MR PRESTON: That is correct.

45 MS SHARP: And is it correct, secondly, that Crown must also approve the representative?

MR PRESTON: Not that we have to approve the representative, but we have to have records of the duly authorised representative. Historically, the Victorian regulator used to approve representatives as well, but for our purposes now, we hold a letter of authorisation on our records of each and every junket representative.

5

MS SHARP: I think you mentioned in evidence the other day that junket operators with whom Crown deals, are always individuals. Why is that?

MR PRESTON: It's a company position that has been taken for the entire life of the junket international business, as I understand it. We had one corporate junket operator, I think I mentioned briefly the other day in Perth, and that was some years ago for a relatively short period of time. But otherwise the company position has been that we deal with individuals. But our systems have been designed that if we do decide to move to a corporate junket operator option, then we're in a position to do that.

15

MS SHARP: You've said the corporate position is that junket operators must be individuals. Can you explain to us why that is the corporate position?

MR PRESTON: The reason has been our view that it was easier to identify the person involved with respect to the junket operator if you're dealing with an individual as opposed to the corporate structures, where it is sometimes less easy to understand the individuals that might be sitting behind a corporate structure. That has been the historical view of the business.

25

MS SHARP: Can you assist us with this: in Macau can junket operators be individuals and corporations?

MR PRESTON: As I understand it, that's correct.

30

MS SHARP: Is it correct that every junket operator, when running a junket program at Crown Melbourne or Crown Perth, must buy in?

MR PRESTON: They all buy in for the purpose of their gaming activity, yes.

35

MS SHARP: And can you just explain to us what a buy-in is?

MR PRESTON: A buy-in is essentially – it will be deemed front money. So to participate in gaming there has to be, obviously, funds that the junket operator has access to for the purpose of providing then gaming chips to their junket players to commence gaming. And that can be one of maybe three ways: a junket can buy in, it can be by way of transferring money to Crown as front money, or it can be by way of credit – a provision of credit from the casino operator to the junket operator. Or it can be by way of a cheque-cashing facility which is another approved form of moneys for junket operators to buy in on. Sorry.

45

MS SHARP: Sorry, Mr Preston, could you just explain in a bit more detail what a cheque-cashing facility is?

5 MR PRESTON: It's an arrangement that's regulated in some of the jurisdictions where it's largely – a facility is provided for a junket operator. The junket operator will provide a cheque. That cheque will be held by the business for the purpose of providing funds against.

10 MS SHARP: And what happens in terms of the cashing of that cheque?

MR PRESTON: The normal arrangement is that at the end of gaming, depending on whether there is a win or a loss it will determine the nature of what transactions take place. For example, if there is a – if the casino has a win, then the cheque will be banked. That's one way for it to be dealt with. Or if the casino has a loss and the 15 player wins, the player will redeem the cheque.

MS SHARP: And is it right that there are rules regarding how long Crown can hold such a cheque for before it banks the cheque?

20 MR PRESTON: Yes, there usually is rules around how long they hold the cheque and I can't recall exactly what those are.

MS SHARP: So is it fair to say that a cheque-cashing facility is a form of advancing credit because Crown might never cash that cheque?  
25

MR PRESTON: That's correct. It is another form of credit.

MS SHARP: So far, we've spoken about junket operators and junket representatives. Is it right that we sometimes find a third relevant party, which is the 30 junket financier?

MR PRESTON: I've heard the term financier, but what we have had arrangements for in times past that I have seen would be a guarantor to a junket which assists with the concept of credit worthiness, but in terms of funding coming from a guarantor, 35 our relationship is with the junket operator for the purpose of dealing with the concept of credit, and for front moneys to be advanced to, not with the guarantor. The guarantor would be used in the concept of – if there's outstanding payments, guarantors provide a guarantee those would be paid. That would be when there's the concept of engagement with the guarantor.  
40

MS SHARP: In circumstances when Crown deals with a guarantor in relation to a junket operator, does Crown have a separate contractual arrangement with that guarantor?

45 MR PRESTON: Yes, I have seen a guarantor arrangement – reasonably rare in my experience, very rare in my experience, but that's an arrangement that I have seen documented.

MS SHARP: Mr Preston, can I show you an academic article about the organisation of junkets. I will call up exhibit A40, if I may, and I will just be a moment getting the Ringtail reference for that. It is INQ.500.001.0893, and this can be brought up on the live stream. Again, for your benefit, Mr Preston, that's exhibit A40. You will  
5 see that this is an article by Professor Lo and Ms Kwok. Have you seen this article before?

MR PRESTON: I don't believe so.

10 MS SHARP: This is an article that arose from the learned authors' studies of the way that junkets operate in Macau, and I wanted to take you to page 597 of that article, if I could. I will just have the operator bring that up. Pardon me for one moment.

15 COMMISSIONER: Yes, of course. There we are, 090.

MS SHARP: Mr Preston, do you see a heading on that page A Bank-like Business Enterprise?

20 MR PRESTON: I do. If I could trouble the operator to enlarge it, please.

MS SHARP: Certainly. And what I will do is have the operator scroll down a little bit to the paragraph beginning "To expand". And I will just read this paragraph to you, if I may, Mr Preston:

25

*To expand business, some triads and businessmen form their own junket companies to run the VIP rooms. Similar to a bank, the company solicits deposits from investors who receive fixed monthly dividends.*

30 Now, is it your understanding, Mr Preston, that some junket operators deal with what are described as investors?

MR PRESTON: Well, not to my knowledge. I've – I have not spoken to anyone who said there are investors involved in the junkets, but could I say that they don't  
35 have people involved in the concept of funding junkets. I couldn't say but it would be no great surprise to me if that wasn't the fact in certain – in certain circumstances.

MS SHARP: I will just take you to a diagram that appears on the next page. Have you got that diagram in front of you, Mr Preston, from page 598?

40

MR PRESTON: I have, thank you.

MS SHARP: And the learned authors say that a junket can be described according to this diagram. We may take it that the reference to "whale" is a reference to the  
45 VIP players in the junket. And do you see on the right-hand side of the diagram there are depictions of investors which fund the junket. And your evidence, I think –

I withdraw that. Your evidence is that you wouldn't be surprised if there were financiers or investors standing behind a junket?

5 MR PRESTON: Well, what I can say is that we deal with the junket operator directly, as I've referenced. And I can't – and our focus is with that junket operator, and the information we have on that junket operator. Could there be investors that assist the junket operator in terms of financing; it wouldn't surprise me but I don't have any direct knowledge of that.

10 MS SHARP: So does that mean that as a general rule, Crown does not have much visibility about where a junket is getting its money from?

15 MR PRESTON: Well, I think – I think the junket industry is not just simply to Crown. I think as an industry, generally, the junket operator is the entity that is looked at and information that comes to hand is considered. And if it comes to hand there are people involved to that extent, I would expect that there would be usual due diligence done on those as well. But I can't say that we have details of investors that sit behind the junkets, to my knowledge.

20 MS SHARP: Is it fair to say that Crown sometimes won't even know if there are third party financiers standing behind a particular junket operator?

25 MR PRESTON: I think that is – I think that is fair to say, that we don't know the details of people – general people coming to our casino as to exactly where they get their money from. The interrogation of people as to where they get their source of funds from isn't apparent each and every step of the way with our casino patrons. But what I can say is, with respect to our junket operators, part of the process is we do do source of wealth checks on them to establish that there is a level of wealth there that sustains potential for them to operate a junket.

30 MS SHARP: Can I take you to your 20 February 2010 statement, please, Mr Preston. That just for the transcript is CRL.577.001.0001\_R. I don't need that brought up; please don't bring up documents unless I ask you to. I won't keep repeating that number through the day, but I just wanted to put that number on the record for the start of the day, Mr Preston. Could I ask you to turn to page 55 of your – I beg your pardon, paragraph 55 of your statement. And what you tell us there, Mr Preston, is that in respect of each junket operator with whom Crown deals there is a non-exclusive gaming agreement. Is that the agreement by which the operator is appointed?

40 MR PRESTON: That is correct.

45 MS SHARP: And then is it right that in respect of each and every junket program that is run by a junket operator, there is a separate junket program agreement?

MR PRESTON: Yes, indeed. The – the non-exclusive gaming agreement is the overarching agreement in relationship terms with the junket operator and the casino

operator. The junket program agreement is with respect to each and every program that takes place and that will include, for example, the more granular detail of players and the finer commercial details associated with that actual program.

5 MS SHARP: And what you also say at paragraph 55 is that in some cases there is a third agreement which is an agreement or an application for a deposit or a cheque-cashing facility. Now, is that agreement called into play when Crown is advancing credit to a junket?

10 MR PRESTON: That's correct, Ms Sharp.

MS SHARP: At paragraph 57, you explain that those processes I've just mentioned are ones that have been in place since 2017. What was in place before then?

15 MR PRESTON: I think that is in the context of – sorry, in terms of before 2017 – sorry, as at the end of '16-17, there was a rather large review of all of our junkets, as I explained on Monday, which also resulted in a review of the due diligence processes. So the concept of the relevant arrangements with junkets have been  
20 evolving since that point in time. The credit team manages the whole of the collation of that information for presentation to the senior representatives for approval. That has continued to enhance and is being reviewed as we speak as well.

MS SHARP: Is it correct that either Crown Melbourne or Crown Perth has a non-exclusive gaming agreement with each and every junket operator with whom they  
25 presently deal?

MR PRESTON: That is – that is my expectation that they would have, yes.

MS SHARP: So if, for example, Crown Perth commenced dealing with a junket  
30 operator 10 years ago, we would expect to see a non-exclusive gaming agreement with that junket operator?

MR PRESTON: Sorry, over the passage of time, not necessarily.

35 MS SHARP: Can you just explain that answer in a bit more detail, please?

MR PRESTON: Well, the Perth business and the Melbourne business did grow up independently, obviously. They had different owners. The Perth business had all of its junket arrangements approved by the regulator up until 2010, and a number of the  
40 junket business – the junket operators in the Perth business were from – best described – a high proportion from South East Asia, and a number of those junkets wouldn't have gone to Melbourne and, indeed, there was separate junket agreements; there was a Crown Perth or Burswood junket agreement, and then there would have been a Melbourne junket agreement. It was only later in the piece that there was a  
45 joint agreement which captured both companies in the event that the junket wanted to go to Perth and/or Melbourne. So I'm not entirely sure I can say with complete accuracy that there wouldn't be junkets that have got both Perth and Melbourne.

MS SHARP: Does Crown – and I will use that compendiously to be Crown Melbourne and Crown Perth, do they keep lists of how many active junket operators Crown has on the books at the moment?

5 MR PRESTON: Yes, they do, and they kept that through the credit team and the VIP team.

MS SHARP: Do you have any particular name for those lists?

10 MR PRESTON: I – I'm not the owner of those lists, sorry. I could guess but I would be guessing.

MS SHARP: Is it fair to say that Crown Melbourne is more financially dependent on junkets than Crown Perth?

15 MR PRESTON: I don't think I would be the person to ask that question to in terms of the dependency. The Crown Melbourne junket business is bigger than the Crown Perth junket business. That's – that's factual but in terms of the proportion of its business to the rest of the business versus Perth, I don't think I could really comment with accuracy.

MS SHARP: Is it correct that the majority of junkets with which Crown deals are based in Macau or Hong Kong?

25 MR PRESTON: I don't know the numbers, but my guess is there would be more from that region.

MS SHARP: Does Crown deal with any junket operators who are ordinarily resident in Australia?

30 MR PRESTON: I haven't come across any in my time. I'm not saying that we don't, but I can't think of any in my time.

MS SHARP: Now you may - - -

35 MR PRESTON: They would have to be – sorry, they would have to be interstate junket operators, I would have – I would have thought.

MS SHARP: Are you able to say, as a rough proportion, how many junket operators Crown provides credit to?

40 MR PRESTON: I would say 70 per cent, 70 to 80 per cent. It is a majority of our junket operators, the provision of credit now.

45 MS SHARP: Who is it within Crown who approves the grant of credit to the junket operators?

MR PRESTON: It depends on the level of credit. It will escalate against a matrix and who is exactly on that matrix, I couldn't – I can't recall specifically.

5 MS SHARP: I might ask the question a different way. Is it an approval process that rests in the VIP sales team or is it an approval process that rests in compliance?

MR PRESTON: It's an approval process that is largely driven out of the credit team, then escalated to different levels of management, depending on the credit being proposed.

10 MS SHARP: And just so we understand, does the credit team sit within VIP sales team?

MR PRESTON: No, it sits within the VIP international team which has got sales commercial and credit and it has got a number of arms within that team, the broader international team.

MS SHARP: Is it correct that once Crown dispenses or grants credit to the junket operator, it is a matter for the junket operator alone to determine how that credit is passed on to the junket players?

MR PRESTON: That's correct. It's a relationship the junket operator has with the players that Crown is not involved in, in terms of determining who gets what portion of the credit.

25 MS SHARP: And it's right that in fact Crown has no visibility as to how the junket operator is dispensing credit to the particular junket players?

MR PRESTON: That's correct. But what we do have is detailed accurates on the gaming activity of each junket player, in that every bet by a junket player is captured within our system, so we understand what a junket player is betting and winning and losing against the junket activity.

MS SHARP: Mr Preston, returning to your statement, you explain at paragraph 57 that Crown's junket review processes that you describe in your statement have been in place since 2017. Just to confirm, these are the processes that were instituted after the 2016-2017 review of junkets by Crown?

MR PRESTON: That's correct and they've – they have been under continual review since that point in time, which is part of our ongoing enhancement processes.

MS SHARP: And that review, of which I've just spoken, followed the arrests of the 19 Crown staff in China in October 2016?

45 MR PRESTON: As I explained on Monday, I wasn't part of that process. I came in towards the end, but I understand that it was – that it was the start of the process at that point of time or shortly thereafter.

MS SHARP: Sorry, I will put the question more clearly. Was it because of the October 2016 arrests that Crown decided to review its junket procedures?

5 MR PRESTON: I assume so. But, again, I wasn't there for the purpose of determining the kick-off of that junket review, but it happened shortly thereafter, and I would assume that it was as a result of the China – the China issue.

10 MS SHARP: You were the chief legal officer of Australian Resorts by the time of this review, weren't you?

MR PRESTON: I came in, as I said, towards the end of the first tranche of going through the full review.

15 MS SHARP: So it started before you assumed that position in March 2017?

MR PRESTON: Yes, some – some several months.

20 MS SHARP: Are you able to tell us what the key difference is between the pre-2017 junket review procedures and the procedure that was implemented in 2017?

MR PRESTON: I think the key element was that the escalation through to the – a broader team for review of each of the junket operators for approval as opposed to that process sitting within the international team. And I think that is a key – an important step which continues to this day.

25 MS SHARP: Could I just clarify that. Do you mean that approval of the junket operator no longer rests within the VIP international team?

30 MR PRESTON: That's correct.

MS SHARP: And before this 2017 change, approval of junket operators did rest with the VIP international team?

35 MR PRESTON: It did. It sat – it sat in that team for the relevant inquiries to be made, to determine whether to enter into an exclusive – non-exclusive agreement with a junket operator and credit worthiness and due diligence and the like rested within that team alone. And then, as part of the '17 review, a key – a key enhancement was to revisit all of those with a broader group of senior management for consideration of each of them.

40 MS SHARP: And when you say a broader section of management are involved, who are they?

45 MR PRESTON: I think I ran the list as best as I can recall on Monday but it was – I think it was Rowen Craigie, Michael Neilson, Barry Felstead, Debra Tegoni, Roland Theiler.

MS SHARP: Is this the same group of people you referred to as being members of the POI committee?

5 MR PRESTON: No, this is the group that I think would be referred to as the VIP committee. I think there was a reference earlier on on Monday which is the VIP committee which met as a committee to assess each of the junkets, the junket operators post China.

10 MS SHARP: Now, returning to – I withdraw that. So the key change in the process was a change in escalation; that is, it went higher up the food chain, if I can put it that way, as to who approved the junket operator?

MR PRESTON: That was in my view the key change, yes.

15 MS SHARP: Now, you speak about how new applications for junket operators are dealt with in your February 2020 statement, and you identify the process at paragraph 59 and you indicate at paragraph 60 that the process does start off in Crown's international VIP team. Is that right?

20 MR PRESTON: That's correct.

MS SHARP: And the ordinary process for approving a new junket operator involves the credit control team that sits within the international VIP team undertaking a due diligence procedure on the proposed junket operator?

25

MR PRESTON: That's – that's one of the steps, yes.

MS SHARP: Is it correct that when – at the step that – I will call it the credit control team step which you refer to in paragraph 63 of your statement, is the focus on creditworthiness of the operator at that stage or on the probity of the operator at that stage?

30

MR PRESTON: It's – it's focused on both.

35 MS SHARP: Now, for the purpose of conducting the assessment by the credit control team, you refer to a number of third party providers with whom Crown may choose to consult, in your statement?

40 MR PRESTON: I do.

MS SHARP: And you've collected those providers together in a confidential annexure to your statement?

45 MR PRESTON: That's correct, Ms Sharp.

MS SHARP: And you've provided some details about those various providers?

MR PRESTON: Yes, I have.

MS SHARP: Now, I would like to ask you some questions about that. I'm mindful that it's a confidential document and I don't wish to disclose any confidential  
5 information, so could I ask you to turn up that confidential annexure and I will have it shown to the Commissioner and those representing you only. I will just get the reference number. It is confidential CRL. – I beg your pardon, it's confidential list 1 at 99. And I will read out its document ID which is CRL.700.001.0001. And this  
10 was one of the annexures you provided to your statement. Have you got that document in front of you, Mr Preston?

MR PRESTON: Yes, I have Ms Sharp.

MS SHARP: How long has Crown been dealing with the first resource you identify  
15 on the first page?

MR PRESTON: In various forms, as I understand it, for some years.

MS SHARP: What about the second?  
20

MR PRESTON: For approximately 18 months to two years.

MS SHARP: Could you pardon me for one moment, Mr Preston. Commissioner,  
25 may I inquire as to whether you can see this document?

COMMISSIONER: I can, thank you.

MS SHARP: Thank you, Commissioner. And if we go over to page 3, the first  
30 resource you identify there, how long has Crown been dealing with that resource?

MR PRESTON: For about 18 months to two years as well.

MS SHARP: So that's a reasonably new one, is it?

MR PRESTON: Yes, that was – the one on the previous page is a replacement for a  
35 previous provider that we had within the system for many years, certainly since the enactment of the AML/CTF Act and the commissioning of the program initially in '07.

MS SHARP: I don't want you to name that replacement provider, but I assume you  
40 have a copy of the unredacted version of your statement and I can have you look at a bit and confirm that this is the replaced provider.

MR PRESTON: I do have an unredacted version.  
45

MS SHARP: I beg your pardon?

MR PRESTON: I do have an unredacted version.

MS SHARP: Yes. In fact, I have just noticed I can't do it so I will come back to that. My question is this: were there a series of new providers for these credit check  
5 or due diligence purposes that Crown commenced engaging with for the first time after the 2017 junket review?

MR PRESTON: As I understand the form of the reports that were obtained were more expansive and the details obtained were more expansive for the purpose of  
10 carrying out the extra reviews from '17 onwards.

COMMISSIONER: So does that mean, Mr Preston, that these were agencies with which Crown commenced to deal after the review?

MR PRESTON: Commissioner, I – I understand that they may have obtained more detailed reports from these providers but I believe that we had dealt with these providers over a period of time. It was more the collation of all of the information together for assessment at that point in time for the reconsideration of all the junket operators and part of the process moving forward for all of the junket operators.  
20

COMMISSIONER: Some of them weren't new, they just expanded their services?

MR PRESTON: That's correct.

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

MS SHARP: So is it right that since the junket review in 2017, Crown has done expanded due diligence on proposed junket operators?

MR PRESTON: Yes, that's correct.  
30

MS SHARP: And has done expanded due diligence when it is reviewing its relationships with current junket operators?

MR PRESTON: That's correct.  
35

MS SHARP: Is that – the fact that there are now expanded due diligence procedures, does that indicate that Crown considered that its due diligence regime before the 2017 review was not as robust as it could be?  
40

MR PRESTON: I think what it reflects, Ms Sharp, is there was an issue that occurred. The business considered what had transpired, looked to see where it could enhance its processes and one area was a review of the junket processes themselves, which have evolved over the years. And the continuation of that process to review them again, as I indicated, continues, but I'm not sure, I would suggest, that there  
45 was a recognition of the systems weren't robust. It was more a recognition of the

fact that an incident occurred. Crown reacted to it, to understand whether the controls were strong enough and put in place the new framework.

5 MS SHARP: And, Mr Preston, when you say an incident occurred, was that the arrest of the 19 staff in China in October 2016?

MR PRESTON: Yes.

10 MS SHARP: Can I take you, please, Mr Preston, to paragraph 65 of your statement and direct your attention to subparagraph (j) where you say that one of the processes or searches undertaken by the credit control team is performing general internet searches. Tell me, when the credit control team does perform general internet searches, does it document those searches?

15 MR PRESTON: I'm – I'm unsure; I don't think I can answer that with specificity. I would - - -

MS SHARP: Do you know if you would be able to - - -

20 MR PRESTON: I would expect that if there was relevant information that is obtained that might have some bearing or some relevance, there would be a note of what information was obtained.

25 MS SHARP: Do you know who might be able to tell us whether those general internet searches are documented?

MR PRESTON: Roland Theiler, who heads up the credit team.

30 MS SHARP: So at paragraph 66 of your statement, you tell us that through this due diligence process the credit control team builds a profile of the applicant and then decides whether to push the proposed junket operator through to the next stage; is that right?

35 MR PRESTON: That's correct.

MS SHARP: And for that purpose, a due diligence profile is prepared by the credit control team?

40 MR PRESTON: That's correct.

MS SHARP: And you've provided us with some samples of these profiles in the materials you have provided with your February 2020 statement?

45 MR PRESTON: Yes, I did.

MS SHARP: The credit control team is responsible for assessing what level of credit could be provided to a junket, is it?

MR PRESTON: That's one of the functions, yes.

MS SHARP: And it's part of the VIP international team?

5 MR PRESTON: It is part of that broader team, yes.

MS SHARP: Do you see any conflict in the credit control team building a due diligence profile of a junket operator?

10 MR PRESTON: Well, what I can say from my experience with the team directly since '17 is that they very carefully look at the due diligence profile and provide the necessary information. Do I see any conflict? Not necessarily but I appreciate the point that you're making, which is – which is certainly in tune with the current review that we're doing of the junket operator application process for that very  
15 reason, to understand if there are any opportunities to add or to adjust the way that we do things. But my observations of the information that's provided from the credit team is without fear or favour, certainly with respect to my engagement with them and, certainly, information that I see from them.

20 MS SHARP: Just to make the matter plain, the VIP international team may be very interested in dealing with a particular operator because that operator could be perceived to bring an awful lot of money to Crown. Now, at the same time, it's necessary to determine whether the junket operator has sufficient probity to deal with Crown and that's why you see the conflict, is it?

25 MR PRESTON: Well, I don't think I said that's why I see the conflict. I understand – I appreciate what you're saying in terms of the VIP sales team might have a very keen interest in having a junket operator form part of the business. But with the process that's in place, with the information that is provided, we've got senior  
30 representatives making decisions irrespective of the value of the junket. It's looked at on the papers to assess probity type issues and credit worthiness issues as well.

MS SHARP: And, of course, those senior executives in making these decisions are reliant on the information that the credit control team puts before them?

35

MR PRESTON: They're reliant on that or any other inquiries they might make of the back of the receipt of that information.

40 MS SHARP: Do you think there might be any merit in putting the initial due diligence process outside the remit of the VIP international team and into the remit of legal and compliance?

45 MR PRESTON: Well, I think any consideration for an enhancement is worth considering. And, again, we're having that looked at as we speak, which will be no doubt, one would hope, recommendations like you would expect with any external party reviewing. But my view is that with respect to compliance and – or AML involvement, the compliance team do play a role with respect to the junkets, as I've

explained in my statement, and the AML framework applies to the junket operators as well. They will run their checks. They will run them on a daily basis against a third party provider, so there are various checks and balances in there to understand if there is relevant information to take into account and react to.

5

MS SHARP: In any event, once the credit control team assesses or conducts its due diligence and puts together a due diligence profile, that is, the credit control team decides the matter should move forward, the decision is then referred to three senior representatives of Crown, is it not?

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MR PRESTON: That's correct.

MS SHARP: And those three senior representatives with a decision-making role are yourself, Barry Felstead, who is the CEO of Australian Resorts, and Michael Johnston?

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MR PRESTON: That's correct.

MS SHARP: And Michael Johnston is one of the directors of Crown Resorts Ltd?

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MR PRESTON: That's correct.

MS SHARP: And it's right that he is one of the CPH appointees; is that so?

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MR PRESTON: That's correct.

MS SHARP: And the ultimate decision about whether to deal with a new junket operator rests with the three of you?

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MR PRESTON: That is the current process from '17, from mid – from end of the first quarter '17.

MS SHARP: So that's the process when you're dealing with the decision in relation to a new junket operator. What about when Crown is just conducting its annual review of an existing junket operator? Is it escalated to the three of you?

35

MR PRESTON: It is where there is any – any material change in a profile of a junket operator. So the current process is if there's a material change that's identified by the credit team in running its checks to the junket operator, then it will escalate it to that team. However, that's one of the more recent changes we're making for – for this year, once we restart business, which will be every single re-application, irrespective of whether there is any material change or not, will be escalated to the group for consideration.

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45

MS SHARP: So in the period 2017, when the new procedure came in, to now, on how many occasions has a review of an existing junket operator been referred to the three of you for sign-off?

MR PRESTON: I can't recall the number. Sorry.

MS SHARP: Well, has it been a handful of occasions or over 10?

5 MR PRESTON: I – I – I honestly cannot remember the numbers in terms of how many re-applications versus new applications I would have gone through over the – over the three-year period.

MS SHARP: Well, does that suggest to you that it's more than a handful?

10

MR PRESTON: I'm dealing with, to the best of my knowledge – and I can't recall whether it's a split between re-application or new application. Most probably, over the course of that period, when it was changed to – out of the broader VIP committee to – to Mr Felstead, Mr Johnston and myself, I think I would have dealt with 30 to 50  
15 applications, possibly, and the split between new and re-application, I apologise, I just can't recall.

MS SHARP: Is it right that you document when you make – that is the three of you – make a decision on a review of an existing junket operator relationship?

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MR PRESTON: The format looks almost the same in terms of the information that comes to each of us, with a recommendation, and then we will treat it – well, certainly, I can't speak for Mr Felstead or Mr Johnston but I will treat it in the same manner as I would treat any new application. I would consider the information and  
25 respond by way of an item of query or an approval or, otherwise, by way of email to credit.

MS SHARP: So does that mean that you do document when the three of you have had a role in approving a junket operator during a review?

30

MR PRESTON: Yes. As I said, I will email back to advise my position.

MS SHARP: So it would be possible for you to check through your records and tell us on how many occasions the three of you were involved in a review of an existing  
35 junket operator relationship between 2017 and now?

MR PRESTON: I could, and, again, I can't recall the exact numbers but on the basis that it's only escalated to us with the current process in place, where there's a material change in the profile, it might well be that it's a small number but I know  
40 that I've dealt with 30 or more – I can't recall – sorry – applications, whether new or renewal over the period.

MS SHARP: But the short point is that you could check it and get back to us with the number of occasions in which the three of you were involved in one of these  
45 reviews?

MR PRESTON: Yes, I could.

MS SHARP: Thank you. You say that it's escalated to the three – that is the review of an existing junket operator relationship – is escalated to you, Mr Felstead and Mr Johnston when there is a material change. What do you mean by a material change?

5 MR PRESTON: Well, if the searches carried out by the credit team indicate there's adverse information that is obtained through its third party searches or any other information that comes to hand, that might – that might be deemed a material change. But "material" was probably my language but I would expect if there is adverse information that is – that is obtained by the credit team in its annual review,  
10 which is a rolling annual review process, then it would more than likely be escalated, would be my expectation.

MS SHARP: Does Crown have a documented procedure outlining when a junket review needs to be escalated to you and Mr Felstead and Mr Johnston?  
15

MR PRESTON: Not my department but I believe there are certain workplace instructions that exist within the credit team, which – which manage their processes, but I don't recall seeing that.

20 MS SHARP: But that, again, is a matter that you could check for us and let us know?

MR PRESTON: Certainly.

25 MS SHARP: In the time that you've been involved in this new procedure since 2017, has Crown ever refused to approve a new junket operator?

MR PRESTON: Yes.

30 MS SHARP: Are you able to tell us on how many occasions? And if that's a matter you would prefer to answer in private, please let me know.

MR PRESTON: No, I'm comfortable answering that, Ms Sharp. As I recall, there most – in my time, in the approval space from nearly mid '17 to now, I think there  
35 has been approximately 10 that we haven't approved.

MS SHARP: Now, you, of course, weren't the chief legal officer across the group at the time that Crown was in its joint venture with Melco but are you able to assist us with this question? During that period of the joint venture, did Crown rely upon  
40 Crown Melco's due diligence of junket operators where one of the Crown Melco casinos had a relationship with a junket operator?

MR PRESTON: You're quite right. I was not across the group. I think, as I explained on Monday, I had little involvement, if any at all, with respect to Melco.  
45 But I have made some inquiries which I have referred to in my statement, and Crown didn't rely on the due diligence of Melco but what it did do during that period of time, as I understand it and I'm informed, it did obtain – as part of Crown's due

diligence process, it would request a report from Melco – I think Melco’s investigations team, on a number of junkets and they would pay for that report, so the report would be produced. Then Crown would consider it in the context of the other information that it would consider for the purpose of approving a junket operator or not.

5

That then – I believe that function was then replaced with the engagement of an external third party, so that function came to an end between Crown and Melco for the production of that report. And I also understand that the Crown team did use Melco to carry out Macau-based company and property searches for a period of time, requesting that information to form part of the broader information for Crown to consider as part of the broader due diligence for each junket operator. But it certainly wasn’t reliant on Melco’s due diligence process. It was the request for a passage of information.

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15

MS SHARP: Just one more question in relation to the approval function of you and Mr Felstead and Mr Johnston when it came to reviewing relationships with existing junket operators. In that period, 2017 to now, has that committee ever determined to terminate a relationship with an existing junket operator?

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MR PRESTON: Yes, I believe we have.

MS SHARP: Are you able to say on how many occasions?

25

MR PRESTON: No, sorry, I can get that information for you, if required.

MS SHARP: So you could provide that information to us?

30

MR PRESTON: I can – we can certainly check the records in terms of that, but that detail, I’m not sure off the top of my head.

MS SHARP: At paragraph 81 and 82 to your statement, you outline the ongoing due diligence of junket operators with whom Crown deals, and you explain, at subparagraph (a) that there are daily screenings conducted of junket operators through the Dow Jones Risk and Compliance database. And who is it that who analyses this information with Crown as a result of these daily screenings?

35

MR PRESTON: The AML team.

40

MS SHARP: Are there documented procedures for when information gleaned during that analysis is to be escalated?

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MR PRESTON: There’s a process in place in terms of – as to whether it’s documented for the purpose of as and when to be escalated, I don’t believe so. But there is a process in place for, for the annual – for the daily screenings to take place on all active customers which - - -

MS SHARP: So - - -

MR PRESTON: Sorry.

5 MS SHARP: Is it the AML team that is responsible for the regular or the daily screening of the junket operators?

MR PRESTON: That's correct. So daily screening takes place against the Crown database. I think there's most probably 400,000 people who sit within that daily  
10 screening function, which includes all operators, all junket players and junket representatives even whether they're active or not, any hits against the third party database which looks for foreign PEPs, looks for sanctions or special interest persons. The results of those daily screenings will be provided to the AML team for review.

15 MS SHARP: And then you explain at paragraph 85 of your statement that there's also an annual review process for all junket operators but that annual review is conducted by the credit control team. Why does the daily review rest with the AML team but the annual review rests with the credit control team?

20 MR PRESTON: Well, that's the way that it has been structured for certainly since – well, I should say the daily review and ongoing review regarding our customers has sat with the AML team at the time that we commissioned the AML program in '07, and that's a proper function to sit within that team. The annual review of the junket  
25 operators has something that has sat with the credit team and been in existence since 2017 and has continued to remain there. That's about as good a reason as I can give as to why and my view is that certainly the ongoing due diligence review sitting with the AML team is – is a strong control. And the annual review, taking into account the way credit provided information seems to be a strong control as well. But that's  
30 one of the key areas we're looking at at the moment.

MS SHARP: I just wanted to explore with you again that proposition. I described it as conflict. I might describe it now as a tension that rests with the credit control team conducting due diligence over operators that it may really wish to deal with because  
35 of the financial benefits that can be brought home to Crown. Do you see that tension may exist in the annual reviews of junket operators?

MR PRESTON: I – I appreciate your point, but, again, my observations are that that hasn't played any role, to my knowledge. But, again, that's one of the areas that  
40 we're looking at and I would expect that any recommendations that come out of our external review will highlight any weaknesses that we have in that area.

MS SHARP: Commissioner, I see the time. I'm about to move to a different topic. Do you wish me to continue or - - -

45 COMMISSIONER: Yes, you could. Just before you continue, you just referred to an expert panel. Who are the panel?

MR PRESTON: Sorry, Commissioner, I said I think it's an external expert. Sorry if you couldn't hear me. It's an external expert company, sorry.

COMMISSIONER: Sorry. And what is that?

5

MR PRESTON: Deloitte.

COMMISSIONER: Deloitte, yes. And just on Ms Sharp's point about the tension, I think you do appreciate that, from a perceived point of view, looking at it from outside, you would accept that it does look as though there would be tension?

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MR PRESTON: Yes, Commissioner. As I indicated to Ms Sharp, I appreciate the point, and it's - - -

COMMISSIONER: But the difference between appreciating a point and agreeing with it is just ever so slightly different. Do you agree that from a perception point of view, to have a credit team approving or not approving when there's the tension that Ms Sharp identified, looks from the outsider's point of view as though there is a problem? Do you agree with that or do you disagree?

15  
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MR PRESTON: From an outsider's point of view, I do agree with that. I might just add that in the context of approving, it's not the credit control team who approves it, but I do – I do accept the point that the credit control team is making in the decision, for example, with the annual renewals whether to escalate a matter taking into account information it draws in its annual review, it will determine whether to escalate the matter for approval or not. So I accept that, you know, from an outsider's perspective I appreciate there could be a perception of conflict.

25

COMMISSIONER: Yes, Ms Sharp.

30

MS SHARP: I wanted to move now to ask you some questions about junket representatives, Mr Preston. It's correct that any one junket operator may have a large number of junket representatives; right?

MR PRESTON: That's correct. Some have one. Some have many.

35

MS SHARP: So it's not uncommon for the larger junket operators to have around 10, sometimes 15 junket representatives?

MR PRESTON: That could – that's true, yes.

40

MS SHARP: And Crown plays no role in approving those junket representatives?

MR PRESTON: No, we don't. But, as I indicated, we make sure that we put those persons in our system with all their details to make sure that we run our third party checks on them on a daily basis. But we do not approve them, no.

45

MS SHARP: And it's really the junket representatives who have the day-to-day dealings with Crown Casino in relation to junket programs; right?

MR PRESTON: That's correct, when the junket operator is not there.

5

MS SHARP: And more often than not the junket operator is not there?

MR PRESTON: I wouldn't agree with that, Ms Sharp. There are junkets that are largely – where the junket operators who are there on a regular basis and there are junkets there, the junket operator is not there on a regular basis. And we will deal with them accordingly.

10

MS SHARP: And functions that might be performed by junket representatives at the casino include signing in at the cage and buying in for the junket program?

15

MR PRESTON: That is one of their functions, yes.

MS SHARP: And also depositing funds into accounts for junkets?

MR PRESTON: Yes. I will say it all depends on the scope of their authority from the junket operator but that would be a normal function to have authority to transact on behalf of the junket operator on the junket operator's account, yes.

20

MS SHARP: And by withdrawing funds on occasions from junket operators' accounts with Crown?

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MR PRESTON: With approval, yes.

MS SHARP: They also participate in cash-outs?

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MR PRESTON: Well, they can withdraw funds in terms of the – of the junket operator's account but in the context of cash-outs, when that request is made by the junket, there's a process to – to follow through and as an example, the only time a cage will cash out is if it's confirmed against rated play. So if a junket operator – sorry.

35

MS SHARP: Sorry, junket representatives can also be authorised to draw down on credit facilities granted to junket operators?

MR PRESTON: Yes. Again, depending on the scope of their approval, that's correct.

40

MS SHARP: And junket representatives can maintain safety deposit boxes at the casinos?

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MR PRESTON: We do have a limited number of safety deposit boxes, yes.

MS SHARP: The simple point, though, is junket representatives can engage in a range of financial transactions at the casino on behalf of the junket operator?

MR PRESTON: That is correct, they can.

5

MS SHARP: What due diligence does Crown do of junket representatives?

MR PRESTON: Well, firstly, we take all their relevant ID to ensure that we have got appropriate ID on our system. We then, as I indicated, put them through our third party due diligence database, which runs them each and every day to determine if there are any – any hits opposed to foreign PEPs or sanctions list or any special interest-type hits, which includes a range of identifiable criminal charges or convictions.

10  
15 MS SHARP: In relation to junkets, is it right that Crown has very little visibility on how junket operators distribute credit or cash amongst the junket players for use at the casino?

MR PRESTON: Yes, I would agree that we don't have clear visibility on what a junket operator does in terms of the distribution of credit to, whether it be – we might have very clear visibility if it's just one player in a junket, we might know exactly the amount. But if there are multiple players, we might not know exactly what is provided to them. In terms of cash-outs, that is correct. Junket players aren't authorised to – to cash out or to transact on a junket operator's account. So it will be a junket operator or a junket representative who might cash out, and it would be a matter between the junket operator and the junket player for the distribution of – of funds associated with winnings or otherwise. But again, we don't have clear visibility on that.

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30 MS SHARP: Is it correct that one of the key attractions for Crown in dealing with junket operators is to pass a credit risk that the casino would otherwise bear to the junket operator?

MR PRESTON: That's correct.

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MS SHARP: Could you just explain that in a little more detail to us?

MR PRESTON: I think in simple terms, obviously with junkets, they have often many players and we have a centralised point on the junket arrangement where the junket operators responsible for the repayment of any debt associated with the gaming activity or the junket activity, and our ability to pursue and hold one person accountable is a far better proposition than having to hold a number of individuals accountable to pursue the debt. And that has been the philosophy of the junket framework for, I think industry-wide for a long period of time.

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MS SHARP: And one of the attractions for casinos in dealing with junket operators is they can enforce debts by junket operators to them more easily than they could enforce debts from individual players to them?

5 MR PRESTON: Well, as I said, it's a relationship with one person who is responsible for the debt. And the ability to enforce a debt on one person as opposed to a number is obviously an easier proposition, so that's accurate.

10 MS SHARP: And it's right that Crown really has no visibility at all on how junket operators then move to enforce debts that the individual junket players owe to them?

MR PRESTON: That's correct.

15 MS SHARP: Do you accept that junkets are vulnerable to infiltration by organised crime?

MR PRESTON: Well, I accept the fact that that's a possibility, yes.

20 MS SHARP: I just want to explore the word "possibility". Is it your view that it's a possibility or it's a substantial risk?

25 MR PRESTON: Well, it's certainly a risk that junkets could be exposed to organised crime. There's a risk that individuals could be exposed to organised crime. Our focus is making sure that we have the right measures in place to assess the people that we're dealing with and react accordingly, and taking into account all the information we can get at hand to make a determination as to what our relationship will be with an individual.

30 COMMISSIONER: Mr Preston, I would be assisted, if you just focus on Ms Sharp's question and I understand that you're jumping ahead a little, but I would be assisted if you focus on the question.

MR PRESTON: Certainly, Commissioner.

35 COMMISSIONER: Yes, Ms Sharp.

40 MS SHARP: I will put it a different way, Commissioner. Do you accept this proposition, Mr Preston, that the higher the level of risk, the higher the level of due diligence required?

MR PRESTON: I accept that proposition, yes.

45 MS SHARP: Indeed, that proposition is the very essence of the anti-money laundering regime, is it not?

MR PRESTON: It certainly is, yes.

MS SHARP: To have an appropriately tailored due diligence regime, you would accept that the starting point is accurately assessing the risk that is presented?

MR PRESTON: Yes, I accept that.

5

MS SHARP: Now, can I ask my question again. Is there a possibility that junkets are infiltrated by organised crime or is that a substantial risk?

MR PRESTON: Well, again, I can't say it's a substantial risk or not. I would say it's absolutely a risk which is reflected with the broader due diligence processes that we have in place to deal with that risk. Is it a substantial risk? I can't - - -

MS SHARP: Well, I'm just wondering why you can't tell me that, Mr Preston, because you're the AML compliance officer at Crown and you are the chief legal officer of Crown Resorts and you are heavily involved in designing compliance programs. So why can't you tell me whether, based on your long experience – since 2007 working with Crown, whether it is a substantial risk that junkets are infiltrated by organised crime?

MR PRESTON: Well, all I can say is I accept the fact that it is a risk, and I accept the fact that it is a real risk. If it's substantial, I think that our controls react to the nature of the risk that's posed, and the controls around the junkets in terms of due diligence are the strongest controls that we have within the business pertaining to our patrons. So if those controls reflect the fact that it's a substantial risk then I accept that as well.

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MS SHARP: Mr Preston, do you accept it's a substantial risk or not?

MR PRESTON: I will accept that it's a substantial risk.

30

MS SHARP: Can I show you a newspaper article from February of this year. It's in the public bundle and I can bring it up on the screen. Mr Preston, it is exhibit B6. I will call it up now; INQ.100.010.1036. And Mr Preston, do you have before you an article from the Sydney Morning Herald dated 19 February this year?

35

MR PRESTON: Yes, I do, Ms Sharp.

MS SHARP: Have you read this article prior to me showing it to you just then?

MR PRESTON: Yes, I would have. I have, yes.

40

MS SHARP: Could I just take you right to the bottom paragraph on the first page. The article reports:

45 *Ms Coonan took over as chair from the long-standing Packer family lieutenant, John Alexander, in a reshuffle three weeks ago and said the company was taking steps in recognition that everyone in this business can do better.*

Now - - -

MS ORR: I'm sorry to interrupt. We don't have the portion of the document on the screen apart from the first line that Ms Sharp just read from.

5

MS SHARP: I apologise. I will have the next - - -

COMMISSIONER: There it is.

10 MS SHARP: So if we could now move over to the next page, Mr Preston. What's reported here is Ms Coonan said that the company was taking steps in recognition that everyone in this business can do better. And then the article goes on to state:

15 *That included putting more senior managers in critical areas and bringing in experts to look at anti-money laundering controls.*

And then a little bit further down under the photograph, Ms Coonan is reported as saying:

20 *That was then – whatever that was – and that will be the subject of the inquiry, and we are focused on the future of this very significantly improved scrutiny and due diligence around all of our business operations.*

25 Now, you say you read that article at the time. Were you involved in any way in the preparation of these statements made by Ms Coonan that are reported in this article?

MR PRESTON: No, I was not.

30 MS SHARP: But you were aware that she made those statements?

MR PRESTON: When I read the article, yes, I was.

35 MS SHARP: And may we take it that there was nothing surprising to you when you read those statements?

MR PRESTON: No.

40 MS SHARP: So it's right that Crown is now going to focus on very significantly improved scrutiny?

MR PRESTON: Well, the board did commission an external party to review the junket process. The only thing I would suggest is that the broader concept of Ms Coonan's comments reflected the enhancement work that has been going on for the best part of three years now since about '17 on a range of our governance areas.

45

MS SHARP: Do you accept that these statements reflect a recognition that there was room for improvement in Crown's scrutiny processes?

MR PRESTON: Yes, I accept the fact there's always room for improvement and that statement doesn't surprise me at all.

MS SHARP: But can you tell us where there is room for improvement?

5

MR PRESTON: Well, I think there's room for improvement based on – sorry, I will say I expect that there will be room for improvement identified particularly through the provision of a third party report into – into the junket area, which is – which will hopefully identify any weaknesses that we have.

10

MS SHARP: I will take you back to the advertisement that the board of Crown Resorts had published in late July. There's no need to show it on the screen, but what it was relevantly stated is Crown itself has a robust process for vetting junket operators. Now, in light of Ms Coonan's statements, some several months later in February this year, does that mean that back in July, in fact, Crown's vetting procedures for junkets were not as robust as they could be?

15

MR PRESTON: Well, what I can say about the ad is that that stands true, the processes were robust. In my view, they remain robust. Ms Coonan stating at this point in time that they will be reviewed to look for any improvement is entirely an appropriate process or statement to make and a proper process to go through. As to what improvements come out of that, I can't – I can't say at this stage. But I am – I am confident that the processes in place when – when the statement was made some many months ago were robust.

25

MS SHARP: You've mentioned on a number of occasions now that there's a current review taking place. Just to be clear, this is a review that encompasses your vetting procedures for junket operators?

30

MR PRESTON: It's a review that takes – is taking place which considers processes around the junket application process, the renewal process, and the persons of interest committee processes.

MS SHARP: And who is involved in this review?

35

MR PRESTON: It has been run by Deloitte under instruction from – from the CEO of Crown Resorts which is - - -

MS SHARP: Are there any other – are there any board members who are playing a particular – and that is board members of Crown Resorts – are there any board members of Crown Resorts who are playing a particular role with respect to this review?

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MR PRESTON: Sorry, Ms Sharp, I should have added it was off the instruction from the board to carry out the review. So the board instructed the business – Resorts board to carry out the review and Mr Barton – sorry.

45

MS SHARP: Is there any kind of subcommittee of the board that plays a role with respect to this review?

5 MR PRESTON: The review in due course will go to the risk committee for consideration.

MS SHARP: And are there any senior executives at Crown in addition to Mr Barton who are playing a particular role with respect to this review?

10 MR PRESTON: There are. Deloitte interviewed a number of people in the business to gather information and seek views which included the group general manager of risk and audit, myself, the credit control team, and the AML team and the compliance team.

15 MS SHARP: And when did this review start?

MR PRESTON: Earlier this year. I think shortly after – reasonably shortly after the appointment of Ms Coonan and Mr Barton to their new positions.

20 MS SHARP: And when do you expect this review will be complete?

MR PRESTON: I would expect in the coming – in the coming weeks it will be complete but it will obviously need to go to the risk committee for consideration and then it will, depending on the debate with the risk committee, it will then find its way  
25 into the business.

MS SHARP: Just a few more questions about junkets, if I may, Mr Preston. We have in evidence before us a report prepared by Mr Peter Cohen of the Agenda Group, which is called A Review of Junket Processes in New South Wales. Now, I  
30 don't need to take you to this document, but I would like to raise with you one point Mr Cohen made. He said that junket operators are essentially glorified travel agents. He said that at page 6 of his report. Do you agree with that observation?

MR PRESTON: Well, they're certainly glorified travel agents, but I would deem  
35 them to be more than just travel agents.

MS SHARP: So what would you deem them to be?

MR PRESTON: I'm not quite sure of the term but they do perform a detailed travel  
40 arrangement process. They arrange flights, they arrange accommodation, they arrange tourist type activities. So from that perspective they are very much in line with what would be defined as a tourist agent. But they obviously do more, particularly related to the gaming activity and the commercial relationship they have with the casino operator.

45 MS SHARP: Do you think Mr Cohen might have missed the point about junket operators?

MR PRESTON: I can't speak for what Mr Cohen's opinion was or Mr Cohen's views. It is often – it is often said within industry that junket operators are described as tour operators in a glorified manner. But my view is that it doesn't entirely explain the nature of the services they provide. It is something broader than a tourist operator.

MS SHARP: Well, it doesn't even a little bit explain the services that junket operators provide to junket players, does it?

10 MR PRESTON: No, not – no, it doesn't.

MS SHARP: Because the crux of the services that the junket promoters provide are financial services, aren't they?

15 MR PRESTON: That's a key element to it, absolutely. But there are times - - -

MS SHARP: And it's - - -

MR PRESTON: Sorry, Ms Sharp, I was going to say there are times when a junket player provides funding to a junket operator for the purpose of the junket activity. And they leave it to the junket operator to coordinate all of the transport, accommodation and dealing with the relationship with the casino. That is not uncommon in junket business as well as opposed to just the arranging of finance by a junket operator. Some of the junkets are funded, as I understand it, in the industry by the junket players themselves at times.

MS SHARP: But Crown isn't doing all of this due diligence on junket operators to see if they're good travel agents, is it?

30 MR PRESTON: Not at all.

MS SHARP: That's because the risk of junket operators is in relation to the financial services they provide to junket players, is it not?

35 MR PRESTON: I think the risk would be broadly defined as not just the financial element but the integrity of the junket operator.

MS SHARP: That is because - - -

40 MR PRESTON: Creditworthiness from a risk in terms of the - - -

MS SHARP: That's because there is a substantial risk that junket operators will be infiltrated by organised crime?

45 MR PRESTON: As I – as I indicated, I accept the fact that there is a substantial risk that some junket operators could be infiltrated by organised crime. But there are hundreds of junket operators in the casino industry in Australia and around the

world, and I would suggest that it's not always the fact that it's a substantial risk with all junket operators.

5 COMMISSIONER: I don't think Ms Sharp has suggested that, Mr Preston. As I said, if you could just address the question.

MR PRESTON: Certainly, Commissioner.

10 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Do you agree that there is a substantial risk that junket operators are, or can be, infiltrated by organised crime?

15 MR PRESTON: I accept that they are or can be, yes, I do.

MS SHARP: Do you agree with me that Mr Cohen has very much missed the point when he has described junket promoters as essentially glorified travel agents?

20 MR PRESTON: I wouldn't describe them as glorified travel agents. I – I can't say what is within that report. I've seen the report. I can't recall the context of where he's used that reference, but I wouldn't describe them as glorified travel agents. I would, as I said, say they do absolutely have a form of travel agency role, but it doesn't describe what they do, what their prime – you know, their prime business is organising gaming activity.

25 MS SHARP: Commissioner, I'm going to move on to a new topic now.

30 COMMISSIONER: Yes. Mr Preston, we will have a short break, about 10 minutes or so. And what I intend to do today, just so that everybody is aware, I'm going to adjourn for the luncheon adjournment at 1.20 until 2.20 so that everybody is aware. So I will now adjourn for about 10 or 15 minutes, Mr Preston, and give you a break and everybody else. Yes, thank you, Ms Sharp.

35 MR PRESTON: Thank you.

MS SHARP: Thank you, Commissioner.

40 **ADJOURNED** [11.34 am]

**RESUMED** [11.55 am]

45 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Mr Preston, I would now like to turn and argue – not argue – ask you about some matters to do with the internal controls that apply at Crown Melbourne. Before I do that, may we take it that there is no longer any regulation in Victoria pertaining to the need for regulator approval of junkets?

5

MR PRESTON: That's correct. I only add to that that we have to advise the regulator prior to any junket operator commencing activity at Melbourne.

MS SHARP: So I put it in quite a long-winded way but the fact is that the Victorian regulator no longer licenses junket operators?

10

MR PRESTON: That's correct. I think that ceased in 2003 or '04 so many years ago.

MS SHARP: And you would be aware, from your dealings as part of the commissioning team in Sydney, that the New South Wales regulator no longer licenses junket operators?

15

MR PRESTON: Yes, I am aware.

20

MS SHARP: And that changed in about 2009?

MR PRESTON: I wasn't aware of the time but I know that now.

MS SHARP: Is it correct that the western regulator used to license junket operators but no longer does?

25

MR PRESTON: That's correct. That practice came to an end in 2010.

MS SHARP: And of all the jurisdictions where legalised casinos exist in New South Wales, it is in fact only the Queensland regulator that still licenses junket operators?

30

MR PRESTON: As I understand it, that's correct.

MS SHARP: Now, the way in which the Victorian regulator does regulate junkets is through agreement with Crown Melbourne about certain internal controls; is that correct?

35

MR PRESTON: That's correct. It's through a set of regulator approved internal controls that dictate the relationship with junkets and the regulatory relationship with junkets.

40

MS SHARP: And is it right that there are about 14 internal controls that have been approved in Victoria?

45

MR PRESTON: I think that's right, yes.

MS SHARP: And one of those internal controls deals with junkets and premium players?

MR PRESTON: That's correct, yes. Specifically on those points, yes.

5

MS SHARP: It's correct, isn't it, that Crown says that that internal control is confidential information?

MR PRESTON: It is, and I – that point was made, as I understand, historically, the regulator hasn't published those documents for that reason but there's nothing formal in terms of a regulatory obligation, that they're confidential is more historical that the regulator has not published them.

10

MS SHARP: Do you see any difficulty in the fact that the internal controls which regulate junket operators in Victoria are not publicly available when, once upon a time, there was legislative regulation of junkets which, as a matter of statute and regulation, was publicly available?

15

MR PRESTON: I haven't really turned my mind to it, Ms Sharp as to – but I don't fully appreciate the reasons why they wouldn't be publicly available. It's not to say unless it did present some exploitation risk with some of the controls regarding controls in place that the public should not be aware of.

20

MS SHARP: Could you just explain to us what exploitation risk is?

25

MR PRESTON: Well, for example – and I'm not across the full detail but, often, in a cage and count internal control, we will have details pertaining to movement of funds and the like, and that would be – you wouldn't want someone to understand that, to exploit knowledge of a particular control to take advantage of it.

30

MS SHARP: Do you – I take it you have a great deal of familiarity with the internal control that relates to junkets and premium players?

MR PRESTON: I have a working knowledge of it, yes.

35

MS SHARP: Do you think there's anything in that document that could give rise to an exploitation risk?

MR PRESTON: I'm not uncomfortable with discussing it in the public environment.

40

MS SHARP: Are you aware that Crown has withdrawn its claim that the internal control on junkets is confidential?

MR PRESTON: Yes, I am.

45

MS SHARP: In view of that, again, your counsel may wish to object, but is there anything that you say is in the internal control on junkets which gives rise to an exploitation risk?

5 MR PRESTON: I am comfortable that we can discuss the internal control in its entirety in this forum.

COMMISSIONER: Without the fear of exploitation risk?

10 MR PRESTON: I am.

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

15 MS ORR: I'm sorry. Could I just clarify that there is no confidentiality claim pressed over this document, if Ms Sharp is referring to the document which is referred to in Mr Preston's first statement?

COMMISSIONER: Yes. Thank you, Ms Orr.

20 MS SHARP: Can you tell us, Mr Preston – I withdraw that. Are you involved in negotiating with the Victorian regulator the content of the internal controls?

MR PRESTON: I haven't been – I haven't been to date with any of the internal controls that have been amended in my time in Crown Melbourne.

25

MS SHARP: Do you know what the procedure is for developing internal controls?

MR PRESTON: Sorry. I might just go back to my previous point. I have been engaged with the Victorian regulator regarding one of the recommendations from the section 25 review, regarding review of the internal controls. So, to that extent, I have been involved in that – in that part of review of internal controls and engagement with the regulator. In terms of a process – in terms of a process to amend the internal controls, it depends. It is sometimes business driven and there are occasions, as I understand it, where it is regulator driven. But the process will be – if it's an operator driven amendment, it will be the relevant department related to the internal controls, will work with the compliance department on any amendment that might be required and then that will be put to the regulator for consideration.

30

35

The regulator will consider it. At times it will, as I understand it, approve it based on the position put by the operator. Other times, there will be a level of debate, as I understand it, between the operator and the regulator, and that in due course, it is approved in one form or another. If it's a regulator driven amendment, it comes the other way and the casino operator will consider an amendment or take into account comments that have been made by the regulator, adjust the internal control accordingly, and then it will be considered. The language will be considered by the regulator for approval.

40

45

MS SHARP: Now, the internal control statement for junket and premium players that you referred to in your statement is dated 24 December 2015. Is that the latest version of the internal control for junkets in Crown Melbourne?

5 MR PRESTON: Yes, it is. Yes, it is.

MS SHARP: How regularly are the internal controls reviewed by the Victorian regulator and Crown Melbourne?

10 MR PRESTON: I can't say how often they're reviewed by the regulator. But from a Crown Melbourne perspective, I would suggest that they are reviewed by exception. If there is an issue that arises out of one of the controls, it will be reviewed. They don't undergo an annual review process. That's not normal practice in Melbourne. So I would suggest it's normally by exception, if there's an new  
15 initiative or if there's a change in – a proposed change in practices that the internal controls have relationship with, that would be when they're reviewed.

MS SHARP: In relation to the internal control for junkets, would you agree that one significant issue that has arisen since December 2015 is the large amount of adverse  
20 media coverage at Crown Melbourne suggesting that Crown deals with junket operators with links to organised crime?

MR PRESTON: Sorry, Ms Sharp, can I trouble you to repeat that question. I don't think I got the question.

25 MS SHARP: Yes. You gave evidence that internal controls can be reviewed when significant issues arise. And I'm asking you whether you agree that these media allegations about junkets is a significant issue which might prompt the review of the internal control relating to junkets?

30 MR PRESTON: It could prompt a review of the internal control. But having said that, the internal control is not the only thing that provides a level of control mechanism over the junkets. It's certainly the only casino regulatory control that sits over the casino junkets.

35 MS SHARP: Did the round of media allegations from July of last year prompt a review of the internal control into junkets?

40 MR PRESTON: No.

MS SHARP: So the regulator in Victoria hasn't approached Crown about reviewing this internal control?

45 MR PRESTON: Not – not – not that I'm aware or that I recall.

MS SHARP: And to be clear, Crown has not sought to initiate an amendment of this internal control?

MR PRESTON: Only to the extent that we have provided a submission to the regulator which was pre-July last year, responding to one of the recommendations in the section 25 review.

5 COMMISSIONER: But there's nothing since the media allegations in July and August that have prompted the - - -

MR PRESTON: No, Commissioner.

10 COMMISSIONER: - - - by Crown to the regulator.

MR PRESTON: No. No, Commissioner. No, that's correct, sorry, it was just immediately before.

15 MS SHARP: Now, you say, at paragraph 40 of your statement of February, and there's no need for me to show it to you, that under the junket internal control the VCGLR has the power to direct Crown Melbourne to cease its relationship with junket operators.

20 MR PRESTON: That's correct.

MS SHARP: Is it your evidence that the VCGLR has never issued such a direction to Crown Melbourne?

25 MR PRESTON: Not to a junket operator.

MS SHARP: I beg your pardon?

MR PRESTON: Not to a junket operator.

30 COMMISSIONER: Not in relation to a junket operator.

MS SHARP: Now, my instructions are that the claim for confidentiality over the internal control for junkets has been withdrawn. And on that basis, I am going to ask  
35 you a question about the content of this instruction.

COMMISSIONER: This control.

40 MS SHARP: I beg your pardon, this control. There is a heading 2.5 Audit, and then it is stated:

*Crown will ensure that it has robust processes in place to consider the ongoing probity of registered junket operators, junket players and premium players.*

45 Does that provide much guidance to Crown about what it needs to do in terms of its audit and probity processes?

MR PRESTON: No, it's a high-level comment.

MS SHARP: And it doesn't provide very much guidance to Crown about what it needs to do, does it?

5

MR PRESTON: No.

MS SHARP: There is a risk assessment matrix in this internal control. Who developed – I withdraw that. Who developed the risk assessment matrix?

10

MR PRESTON: I am unsure. I understand that the internal control shifted from lengthier documents to a high-level risk-based framework some – some many years ago. Certainly, well – well before my experience at Crown Melbourne, so I can't say who designed the risk matrix framework, sorry.

15

MS SHARP: Just to take a step back, do you agree that the general philosophy that underpins the regulation of Crown Melbourne is a risk-based philosophy?

MR PRESTON: It is indeed.

20

MS SHARP: And for each internal control, we, therefore, see the identification of certain risks and a risk level assigned to that risk?

MR PRESTON: Yes.

25

MS SHARP: And the risks that may be assigned in ascending order are low, moderate, significant and high.

MR PRESTON: Yes.

30

MS SHARP: Do you agree with that?

MR PRESTON: That's correct.

35 MS SHARP: Now, it's right, isn't it, that the internal control for junkets assesses the risk for criminal influence and exploitation of junkets as significant?

MR PRESTON: Yes, it does.

40 MS SHARP: So that's the level below high?

MR PRESTON: Correct.

45 MS SHARP: Do you feel that that adequately identifies that particular risk; that being the risk of criminal influence and exploitation of junkets?

MR PRESTON: Well, it's articulated in our internal control, an assessment has been made and it is an initial risk rating of significant. I would agree with the fact that the initial risk rating is significant.

5 MS SHARP: And this is, of course, a risk assessment that has been approved by the regulator in approving the internal control?

MR PRESTON: Yes, with the risk rating – with the initial risk rating of significant.

10 MS SHARP: Now, another document that travels with the internal controls, the standard operating procedures; is that right?

MR PRESTON: That's correct.

15 MS SHARP: And is it fair to say that they're the more detailed list of procedures that sit underneath the broad statements contained in the internal controls?

MR PRESTON: That's correct. That's how the framework operates.

20 MS SHARP: And it is for Crown to develop the standard operating procedures?

MR PRESTON: Yes, it is.

MS SHARP: Now, in Victoria, the Victorian regulator did approve the standard  
25 operating procedures until 2014, didn't it?

MR PRESTON: I'm not quite sure of the year but they did approve them up until a point in time but they don't now.

30 MS SHARP: Can you tell us why they don't approve the standard operating procedures now?

MR PRESTON: I can't say with certainty, but I understand it was as a result of the adjustment of how they were going to develop the internal controls and the  
35 supporting standard operating procedures when they went through a relatively detailed review of them with Crown Melbourne some years ago.

MS SHARP: Now, at paragraph 41 of your February statement, and there's no need for me to take you there, you say that the current standard operating procedure for  
40 junkets is dated 14 October 2019. That was the situation as at February. Have they been updated since then?

MR PRESTON: Not to my knowledge.

45 MS SHARP: When you gave that last answer "I'm not sure", did you mean you don't know if they've been updated.

COMMISSIONER: I think he said, "Not to my knowledge".

MS SHARP: Thank you. I didn't hear that.

5 COMMISSIONER: That's what's recorded. Did you say, "Not to my knowledge", Mr Preston?

MR PRESTON: I did, Commissioner.

10 COMMISSIONER: Yes, thank you.

MS SHARP: Thank you. Could I ask you to speak up a bit, please, Mr Preston. Tell me these standard operating procedures, were they revised in light of the media allegations relating to Crown's dealings with junkets from July last year?

15

MR PRESTON: No, I do not believe so.

MS SHARP: Now, in relation to Crown Sydney, the regulation of junkets is going to take a similar form to that which it takes in Victoria; correct?

20

MR PRESTON: That's correct.

MS SHARP: And what that means is that the regulator does not license the junkets and leaves the decision as to whether to deal with junket operators to Crown Sydney; correct?

25

MR PRESTON: That is correct.

MS SHARP: And it is envisioned that there will be internal controls including an internal control for junkets and premium play?

30

MR PRESTON: Yes, there are internal controls for capturing the rebate play part of the business in Sydney.

35 MS SHARP: And the internal controls are to be approved by the New South Wales regulator under section 124 of the Casino Control Act?

MR PRESTON: Yes, that's correct.

40 MS SHARP: Have the internal controls for Crown Sydney been approved as yet?

MR PRESTON: I believe the current version for seeking approval is with the regulator for consideration, as we speak.

45 MS SHARP: And just as with Victoria, there will be standard operating procedures that sit below the internal controls. Have they been developed as yet?

MR PRESTON: They – they are being developed by the – by the Sydney team.

MS SHARP: Have they been shown to the New South Wales casino regulator as yet?

5

MR PRESTON: No, they have not.

MS SHARP: So the position is that internal controls are currently with the New South Wales regulator but standard operating procedures are not currently with the New South Wales regulator?

10

MR PRESTON: That's right. There's a full set of internal controls which are approved in Sydney which Crown played a role with, with the regulator and with the Star to develop within the last – I think it would have been two years, and then we were set the task to review them closer to Crown Sydney opening to ensure that they were suitable for Crown Sydney and any nuances that needed to be considered. And they have been reviewed and I understand all of the internal controls are currently with the regulator for their review. And the standard operating procedures are developing in the background, which will be progressed to the regulator soon.

15

MS SHARP: So just to make sure I'm understanding correctly, a second version of internal controls for Crown Sydney are now with the regulator?

MR PRESTON: Yes, against the current approved version, which are tailored for Star. Largely – largely the same.

20

MS SHARP: So there's no version of internal controls that has yet been approved for Crown Sydney?

MR PRESTON: I don't believe we've got any final approval for any of the controls yet.

25

MS SHARP: So is this accurate: that what's happened is that the internal controls that have been approved and applied to Star have been considered by the regulator and have formed a template for the internal controls that will be used at Crown Sydney?

30

MR PRESTON: I think that's a fair description.

MS SHARP: Can you tell us whether Deloitte has played any role in reviewing the draft internal controls for Crown Sydney?

35

MR PRESTON: Certainly not to my knowledge.

MS SHARP: Can you tell us whether Deloitte has played any role in reviewing the standard operating procedures that have been developed for Crown Sydney?

40

45

MR PRESTON: No, not to my knowledge.

MS SHARP: And given that you are playing a role with respect to Deloitte, is it  
5 right that if Deloitte did have a role with these internal controls and standard  
operating procedures, you would know about it?

MR PRESTON: I would expect so.

MS SHARP: This may sound like a silly question, Mr Preston, but who is the New  
10 South Wales casino regulator?

MR PRESTON: It's ILGA, and their department is New South Wales Liquor &  
Gaming.

15 MS SHARP: So is there one regulator or two regulators?

MR PRESTON: There's the independent authority that sits above the Liquor &  
Gaming New South Wales. The regulator is – so the regulator is ILGA, and the  
20 departmental officers sit within Liquor & Gaming New South Wales. I'm not sure I  
have described that perfectly, but that's my understanding.

MS SHARP: I take it that you have a role liaising with the New South Wales casino  
regulator?

25 MR PRESTON: I have had a role, yes.

MS SHARP: How frequently do you liaise with the New South Wales casino  
regulator?

30 MR PRESTON: I'm not liaising with ILGA regularly at all. I've met with them  
two or three times, as I recall. With New South Wales Liquor & Gaming, I've met  
with them a number of times.

MS SHARP: Is it right that most of the time you deal with the New South Wales  
35 Liquor & Gaming branch rather than with ILGA?

MR PRESTON: That's correct.

MS SHARP: Is it right that for all intents and purposes, to you it is New South  
40 Wales Liquor & Gaming that is the casino regulator in New South Wales?

MR PRESTON: No. I think I indicated the regulator is material regulator is ILGA,  
in my view, and the departmental officer level is with Liquor & Gaming New South  
Wales who go through a process of, for example - - -

45 MS SHARP: I'm sorry, I talked across you, Mr Preston. Could you continue,  
please.

MR PRESTON: Sorry, just as an example I was going to say our internal controls are lodged with New South Wales Liquor & Gaming, and then they are considered by ILGA for approval like other matters that are within the remit of ILGA versus Liquor & Gaming New South Wales. Those exact clients, I'm not quite sure.

5

MS SHARP: So is it correct to say that while ILGA has to approve the internal controls, in fact it is the New South Wales Liquor & Gaming branch that you negotiate with regarding the internal controls?

10 MR PRESTON: Yes, my engagement with respect to the internal controls has been directly with Liquor & Gaming New South Wales.

MS SHARP: Could you tell us who it is that you deal with in New South Wales Liquor & Gaming?

15

MR PRESTON: My dealings with them, when we – when New South Wales Liquor & Gaming did the – it may be best described as the full review of the internal controls, was the previous management team. It was Natasha Mann, Angus Abadee. I can't recall but the other two levels of management we dealt with was Paul Newson and Charlie Dowsett. But the main owner of the controls was with Natasha Mann's department. Subsequent to that with the changes, the Sydney team is dealing directly with – I think the lead is Paul Sariban who is currently one of the lead – lead people at New South Wales Liquor & Gaming who we are working through as well.

20

25 MS SHARP: Anyone else that you are currently dealing with?

MR PRESTON: There's a number of officers that are dealing directly with the Crown Sydney team but I'm not dealing with any of them directly apart from when I've met with them on a number of occasions.

30

MS SHARP: And you referred in your evidence to the changes; what are those changes?

MR PRESTON: With respect to the internal controls?

35

MS SHARP: No, with respect to the management team at Liquor & Gaming?

MR PRESTON: There was a change where Paul Newson, Natasha Mann and Charlie Dowsett all left – and Angus Abadee all left Liquor & Gaming New South Wales and there was a departmental restructure which I can't talk to with any great depth but I think they ended up working with the Department of Customer Affairs or – I can't recall. They got absorbed into a larger department, if I'm not mistaken and that was maybe 18 months ago, or two years; my timing might be wrong but that's my reference to the change.

40

45

MS SHARP: Is that the Department of Customer Services you are referring to?

MR PRESTON: Yes, sorry, I think that's right.

MS SHARP: Just to another topic, if I can, Mr Preston. I wanted to ask you about the role of gaming inspectors within casinos. What is your view about whether there  
5 should be a 24/7 presence of gaming inspectors from the regulator at the casino?

MR PRESTON: My personal view is I think it's a positive control. I think having inspectors on site does provide casino operators with support and provides the regulator, I think, with support. It's changed dramatically over certainly my time in  
10 the casino industry, from 24/7 through to no presence almost at all at times with different risk-based frameworks that are considered. But my personal view is having an inspector presence does add value to both the regulator and also to the operator.

MS SHARP: Is it correct that, in fact, Crown has to pay statutory levies to fund its  
15 regulation?

MR PRESTON: Crown does pay levies, that's correct, and there are various levies that are imposed on Crown in both Perth and Melbourne.

MS SHARP: Can I move to a different topic now, which is the topic of money  
20 laundering and counter-terrorism financing. May we take it that you do have some familiarity with the Anti-Money Laundering Act of 2006?

MR PRESTON: Yes.  
25

MS SHARP: You have had to study that Act in the past, I take it?

MR PRESTON: I've had to review that Act in the past, yes.

MS SHARP: Do you consult it relatively frequently?  
30

MR PRESTON: Relatively.

MS SHARP: Have you been provided with any – I withdraw that. Do you happen  
35 to have a copy of the Anti-Money Laundering Act handy?

MR PRESTON: I do.

MS SHARP: And I can ask you this question without needing to take you to a  
40 provision of the Act. It's right that threshold transaction reports are imposed on a reporting entity; correct?

MR PRESTON: That's correct.

MS SHARP: And the expression "reporting entity" is a defined term in the Act?  
45

MR PRESTON: Correct.

MS SHARP: And section 5 defines reporting entity to mean a person who provides a designated service?

MR PRESTON: Yes.

5

MS SHARP: Now, suspicious matter reports, the obligation to provide those is also an obligation imposed upon reporting entities?

MR PRESTON: That's correct.

10

MS SHARP: And whether you're a reporting entity pivots upon the question of whether you are a person who provides a designated service?

MR PRESTON: Yes, that's correct.

15

MS SHARP: So for us to understand who it is who needs to file suspicious matter reports and threshold transaction reports, we need to have an understanding of what designated services are?

20

MR PRESTON: Yes.

MS SHARP: And the Act, in section 6, tells us what designated services are. And I'm afraid I do have to take you to section 6. Section 6, you would agree, tells us that tables contained within section 6 tell us when a designated service is being provided and the customer to whom the designated service is being provided.

25

MR PRESTON: Yes.

MS SHARP: Do you agree with that?

30

MR PRESTON: Sorry, I was just turning pages; can I get you to repeat that, sorry?

MS SHARP: Certainly. Could I take you to the beginning of section 6; it's a long section.

35

MR PRESTON: Yes.

MS SHARP: Section 6(1) tells us that the tables reproduced in that section provide for what a designated service is and the customer to whom the designated service is provided.

40

MR PRESTON: Yes, correct.

MS SHARP: And that's what you need to know to work out if you're a reporting entity; do you agree?

45

MR PRESTON: Yes, if you are captured within the table, yes, I agree.

MS SHARP: Yes, so you've got to be captured in one of those tables; that's a good way of putting it, you agree?

MR PRESTON: Exactly.

5

MS SHARP: So that first table deals with financial services; you agree with that?

MR PRESTON: Yes.

10 MS SHARP: And the second table deals specifically with gambling services.

MR PRESTON: The third table.

COMMISSIONER: Table 3.

15

MS SHARP: Table 3.

MR PRESTON: Yes. Yes, it does.

20 MS SHARP: And it's only if a casino is providing – I withdraw that. To understand if a casino is providing a designated service which is a gambling service, we need to look at the description of the service in the left-hand side of table 3 and then the customer of the designated service in the right-hand column; do you agree?

25 MR PRESTON: Yes, I do.

MS SHARP: So if we could take one example, Mr Preston, could I draw your attention to item 8 in table 3. You will see that the designated service is:

30 *Exchanging gaming chips or tokens or betting instruments for money.*

And that the customer is:

*The person whose gaming chips are exchanged.*

35

MR PRESTON: Yes.

MS SHARP: So we know that's a designated service; correct?

40 MR PRESTON: Yes.

MS SHARP: Now, could I take your attention, please, to item 3 of table 3 and take your time to review that item 3, please.

45 MR PRESTON: Yes, I've read that.

MS SHARP: So the designated service here identified is:

*Introducing a person who wishes to place a bet to another person who is willing to receive it where the service is provided in the course of carrying on a gambling business.*

5 Now, this does not capture what a junket does, does it?

MR PRESTON: No, not as I understand it.

10 MS SHARP: So a junket operator who is operating at Crown is not providing a designated service for the purpose of the Anti-Money Laundering Act?

MR PRESTON: As I understand it, and as the industry and AUSTRAC – but certainly the industry understands it, that's correct.

15 MS SHARP: And because a junket operator is not providing a designated service in the casino, the junket operator is not a reporting entity; do you agree?

MR PRESTON: I do.

20 MS SHARP: And that means that a junket operator is never under any obligation to lodge a threshold transaction with AUSTRAC; do you agree?

MR PRESTON: I do.

25 MS SHARP: Or a suspicious matter transaction with AUSTRAC; do you agree?

MR PRESTON: I do.

30 MS SHARP: Or an IFTI, an international financial transaction instruction.

MR PRESTON: I agree.

35 MS SHARP: That is so notwithstanding that a junket operator provides a range of financial services to a junket player in and related to the casino.

MR PRESTON: Yes.

40 MS SHARP: And do you agree that this means that it is very important that Crown, or a casino more generally, has some level of visibility over how junket operators are dealing in financial transactions at the casino?

MR PRESTON: Some level of visibility, yes. But as I explained, we don't have complete visibility.

45 MS SHARP: So the situation then is Crown doesn't have complete visibility over the junket operator's financial dealings with its junket players but the junket

operators aren't subject to any of these anti-money laundering provisions in this piece of legislation?

MR PRESTON: Not themselves, no.

5

MS SHARP: Can I ask you a little bit more about suspicious matter transactions, and there could I ask you please, Mr Preston, to turn to section 41. And for your benefit, let me say I will come to the secrecy provision that relates to section 41, momentarily. You would agree that under section 41 a suspicious matter reporting  
10 obligation only arises for a reporting entity?

MR PRESTON: Yes.

MS SHARP: And it only arises where that reporting entity is providing a designated  
15 service to certain people?

MR PRESTON: Yes.

MS SHARP: So, if an entity is not providing a designated service, but they see  
20 something rather suspicious, there is no obligation to file a suspicious matter report with AUSTRAC that is imposed by section 41?

MR PRESTON: Yes, I believe that – no formal obligation.

MS SHARP: So the first trigger to having an obligation to report is you're a  
25 reporting entity providing a designated service. The next trigger is that found from paragraphs (d) onwards and that's basically that a suspicion is formed on reasonable grounds of certain matters. Do you agree?

MR PRESTON: Yes, I do.

MS SHARP: Now, there's nothing in section 41 or anywhere else in the Anti-Money Laundering Act that defines the word "suspicious", is there?

MR PRESTON: No, there's not.

MS SHARP: So some judgment is called for on the part of the reporting entity as to what may or may not be suspicious?

MR PRESTON: Yes, I think that reflects the fact that it's a risk-based framework  
40 and suspicion is determined a lot by observation and individuals' views. I think it would be quite hard to define.

MS SHARP: Now, is it correct that at Crown any person, provided they're  
45 providing a designated service, can lodge a suspicious matter transaction with AUSTRAC?

MR PRESTON: That's true but we train our staff, if they see anything suspicious then they should escalate it. So we try and indicate to our staff that they should look broadly without particularly worrying about nuances; if there's something suspicious and they deem it to be escalated for consideration then that's how – that's  
5 how we train our people.

MS SHARP: But the particular staff member doesn't go and lodge the suspicious transaction report. Rather, they escalate their submission to those in decision-making roles and those people decide whether to lodge a report; is that right?  
10

MR PRESTON: Well, there's various processes but one – the best way to describe it would be from a cage, a cage perspective. If they observe something suspicious, they will complete a suspicious matter form which is an internal form, articulating the suspicion. They will then provide that through to the anti-money laundering  
15 function who will review the suspicious matter report, to determine whether there's any information that can be added to that report to assist AUSTRAC and will then lodge that report. The same process applies in other parts of the business. For example, in table games if they observe something that they deem suspicious, they will provide the same kind of a level of detailed report through to the AML function  
20 who will review it for that same reason.

MS SHARP: And it's correct, isn't it, that the reporting entity generally has three days, from forming the suspicion to the need to report the suspicion?

25 MR PRESTON: For money laundering suspicions, yes.

MS SHARP: But sometimes that time period can be truncated to 24 hours?

MR PRESTON: That's correct, for terrorism financing suspicions.  
30

MS SHARP: Now, there is a statutory secrecy provision that travels with that reporting obligation in section 41, isn't there?

MR PRESTON: Yes, there is.  
35

MS SHARP: And that's often referred to as the tipping-off offence.

MR PRESTON: Yes, indeed.

40 MS SHARP: And we find that in section 123 of the Act, if I could take you to that, please.

MR PRESTON: Yes.

45 MS SHARP: Now, you agree, don't you, that this offence only – or the prospect of this offence only applies where a suspicious matter reporting obligation arises or has arisen?

MR PRESTON: Yes, it's quite a complicated section but I would agree with that.

MS SHARP: I agree with you that it's very complicated. I will try and break it down. What that means is if you're a reporting entity and you don't provide a  
5 designated service, but you do form a suspicion, this tipping-off offence has no application?

MR PRESTON: I haven't analysed it from that perspective. I've considered it from the concept of a suspicion and a suspicious matter report. I – I wouldn't be confident  
10 in answering that analysis of it.

MS SHARP: I might put it a different way. If you, as a casino, are not providing a designated service, but you see somebody else engaging in some sort of financial transaction that seems suspicious, it would not be an offence for you to tell us that  
15 you had formed a suspicion of money laundering?

MR PRESTON: I appreciate the point you're making but I haven't analysed it from that perspective and wouldn't want to form a position at this stage. I've always taken the view, from a conservative perspective, respecting the concept of tipping-off and  
20 the very clear penalties associated with it and the importance of the reasons for the provisions. If I've been conservative, it was for those reasons. Anything that we deem suspicious, whether it can be directly related to a designated service or whether it's indirectly related to a designated service and we report it, we have looked at it in the same context for the purpose of tipping off.

MS SHARP: But it does have one very practical application for the purpose of this inquiry, for example. If Crown formed a suspicion about a financial matter and alerted AUSTRAC to that suspicion, but it was not obliged to because it wasn't  
25 providing a designated service, then you would agree that the tipping-off offence would not operate to excuse you from providing information to this inquiry?  
30

MR PRESTON: With your analysis of it from that perspective, it would present a possibly different proposition. But, again, I understand that you're suggesting – what your suggestion is, but I hadn't really considered it down that path at all until right  
35 now.

MS SHARP: I might come back to that line of questioning a little later. Can you please tell us, there's an acronym we see frequently, KYC, Know Your Customer. What is Know Your Customer information?  
40

MR PRESTON: In terms of what one needs to satisfy Know Your Customer?

MS SHARP: Yes.

MR PRESTON: Well, full name, including middle name, date of birth and residential address.  
45

MS SHARP: In terms of knowing your customer, is it right that the junket operator is counted as your customer for the purpose of discharging Crown's anti-money laundering obligations?

5 MR PRESTON: That's correct.

MS SHARP: Is the junket representative the customer for the purpose of discharging the anti-money laundering obligations?

10 MR PRESTON: I don't think technically they are, but we capture their KYC in any event.

MS SHARP: And is the junket player the customer for the purpose of Crown discharging its Know Your Customer obligations?

15

MR PRESTON: No, but again we do capture their details.

MS SHARP: Now, I take it you do agree that casinos are vulnerable to money laundering?

20

MR PRESTON: Yes.

MS SHARP: And why is that?

25 MR PRESTON: I think there's a range of reasons why a casino could be vulnerable. One is the fact that it's a relatively cash-intensive business. It's the way the casino industry was developed on cash. So cash is one element. Another element is that we have a wide array of products that are associated with other designated services that without control could present a challenge. Table games, gaming machines are an  
30 example. We deal with a wide array of customers from casual customers who come in relatively unchecked until they come to our attention for a range of reasons, right through to VIP internationals who are travelling. All of those – all of those elements do present potential for vulnerabilities.

35 MS SHARP: Is anti-money laundering a standing item on the agenda for the directors of Crown Resorts?

MR PRESTON: I don't believe it's an independent standing item.

40 MS SHARP: How about for the boards of the casino licensees in Perth and Melbourne?

MR PRESTON: It is – it is a standing item for – sorry, I will take that back. It is captured within the relevant legal and compliance reporting function in the board  
45 reports.

MS SHARP: Now, I will ask you a few questions about Crown's anti-money laundering program. That's a confidential document, isn't it?

MR PRESTON: A portion of it is. Another portion of it is not.

5

MS SHARP: You tell us in your statement that the Crown Resorts board has, in recent times, developed a joint money laundering program. Has that been implemented and is it in force now?

10 MR PRESTON: No, it has not been implemented at this point.

MS SHARP: Does that mean that you're still operating on the Crown Melbourne specific anti-money laundering policy and the Crown Perth specific anti-money laundering policy?

15

MR PRESTON: That's correct.

MS SHARP: Now, was the joint program approved by the Crown Resorts board in August of last year?

20

MR PRESTON: It was approved by the reporting entities and the resorts board in August/September of last year.

MS SHARP: Is there a reason why the joint program has not yet been commenced?

25

MR PRESTON: Yes, there are – there are a few reasons. We had a change in leadership personnel shortly after we had it approved, which we referenced on Monday. There are also supporting documents to the framework which were under development to support the roll-out of the joint aim or program, which were being developed and weren't implemented before COVID. So we're now waiting to come out of COVID to roll it out to the businesses in large.

30

MS SHARP: And when do you presently expect that the joint program will commence?

35

MR PRESTON: I would expect that it will commence within four to eight weeks of Crown restarting business in Melbourne.

MS SHARP: Is it fair to say that you've been deeply involved in the development of the joint program?

40

MR PRESTON: I've had a reasonable – reasonably strong level of involvement, yes.

45 MS SHARP: Tell me if this is a fair characterisation. You've been the champion of the joint program at Crown Resorts?

MR PRESTON: Yes, I would say that's an accurate description.

MS SHARP: Can you tell us what is the difference between due diligence and enhanced due diligence?

5

MR PRESTON: Well, due diligence would be described – the initial work that we do on someone as an example, taking into – for example, the junket operators, due diligence would be the information that we collect when we start the relationship. Enhanced due diligence is a function where there are certain triggers that are hit; for example, if there's a suspect matter report lodged on a junket operator or a patron or if the patron is a significant or a high risk patron or, alternatively, if there are foreign PEP, also, if there's a transaction associated with a foreign jurisdiction – a foreign prohibited jurisdiction and – sorry, that – sorry. I don't think I finished answering your question. Sorry. And that will then - - -

10

15

MS SHARP: No. No. Please continue.

MR PRESTON: Sorry. That will then require the AML team to pursue further information pertaining to a patron depending the circumstances associated with the individual patron.

20

MS SHARP: You have been the AML/CTF compliance officer across the group since 2017; is that correct?

25 MR PRESTON: Nearly mid-2017.

MS SHARP: And you were the AML/CTF compliance officer at Crown Perth since about 2007?

30 MR PRESTON: Yes, that's correct.

MS SHARP: What is the job of the compliance officer?

35 MR PRESTON: To be responsible for having a program, have oversight of the program, to ensure that the right controls are in place for the proper execution of the program and for the ongoing management of that program.

40 MS SHARP: We heard evidence from Ms Jessica Lin on 26 February 2020, and I will give the transcript reference, page 237 – that it is important to inculcate a culture of compliance at casinos in terms of anti-money laundering. Do you agree with that?

MR PRESTON: Having an anti-money laundering culture that is strong in our business is absolutely important.

45 MS SHARP: And how have you gone about inculcating a culture of compliance with anti-money laundering obligations at Crown?

MR PRESTON: Well, I think from the very start, the way the program was developed, the level of training, the compliance framework that sits around our general compliance operations has been a strong culture of anti-money laundering across the businesses. I personally have been involved in numerous discussions with  
5 staff. I have ensured that our AML representatives have had enough time in front of the relevant departments to reinforce AML activities. We've had promotional campaigns pertaining to compliance with AML and the importance of AML and we've had relevant external agencies, particularly law enforcement and regulators, come in and speak to and engage with a number of our staff to, you know, reinforce  
10 the importance of AML.

MS SHARP: Now, where in your AML compliance officer hat – wearing your AML compliance officer hat do you have a different reporting line than you do wearing your chief legal officer hat?  
15

MR PRESTON: No, I don't. I report through to Barry Felstead.

MS SHARP: Do you think that matters in any way?

20 MS ORR: Could I ask that that question be framed in a different way. That's a very broad question. I'm not sure how the witness might interpret that broad question.

MS SHARP: Mr Preston, do you think that it matters that you report to the same person in your capacity as chief legal officer than you do in your capacity as  
25 compliance officer?

MR PRESTON: I don't – I do not.

30 MS SHARP: If I may say, Mr Preston, it does seem that you perform very many functions and have very many responsibilities as chief legal officer. Do you feel you have sufficient capacity to diligently discharge your obligations as the AML compliance officer?

MR PRESTON: Well, I think – well, I know that part of the change in role was the  
35 increasing in resources and senior resources in various governance areas to support the function, which has provided me with the opportunity to bring in other people and escalate people to take on technical and detailed functions to assist. It is a large portfolio. I accept that, hence the reason that I have the support from management to increase the relevant resources to reflect that.  
40

MS SHARP: Do you agree that it would be good for the AML compliance officer to have a degree of independence from other business units within the organisation?

MR PRESTON: There is merit in that as a proposition. However, what I will say in  
45 terms of the broader role that I now play, it does give strong visibility to the various areas that are relevant. But having an independent group general manager of AML is one of the reasons which – which I was determined to progress with because it does

provide a level of strong support and there is the prospect that that role will change to become the AML/CTF compliance officer in due course.

5 MS SHARP: My next question is: given the range of responsibilities you have as the chief legal officer at Australian Resorts, do you consider you have the degree of independence ideally required to perform the role of the AML compliance officer diligently?

10 MR PRESTON: In my experience, I would say yes.

MS SHARP: May we take it that in your capacity as the AML officer and given your long history in that role, that you are familiar with the concept of underground banking?

15 MR PRESTON: I am remotely familiar with it. I'm not overly familiar with the concept but I am aware of it.

MS SHARP: Can you explain to us what your understanding is?

20 MR PRESTON: Well, my understanding is that it can take a range of – a range of forms; some that are just simply described outside of the common financial arrangement institutions. But it – I think I heard evidence earlier on in the hearing pertaining to the hawala system, which is a form of underground banking, but too much more detail. I'm not across much more detail.

25 MS SHARP: You are aware, aren't you, that underground banking has been linked with money laundering?

30 MR PRESTON: Yes, I have heard that.

MS SHARP: That proposition doesn't come as any sort of surprise to you?

MR PRESTON: No.

35 MS SHARP: Can I show you a document, Mr Preston. This is in the open material. It's exhibit C3 and the document reference – and this can be shown on the live stream – is INQ.130.033 – I beg your pardon – .003.1041. Do you have before you a July 2005 report of the Australian Institute of Criminology?

40 MR PRESTON: Yes, I do, Ms Sharp.

MS SHARP: And you will see it is entitled Underground Banking: Legitimate Remittance Network Or Money Laundering System?

45 MR PRESTON: Yes, I see that.

MS SHARP: One of the introductory remarks made in the first paragraph, if I could have that highlighted for you, it states:

5 *Underground banking where money is transferred through informal rather than formal banking sectors is a recognised method by which legitimate remittances from overseas workers are routinely transferred. However, underground banking has also long been regarded as a conduit for money laundering by criminal organisations and, arguably, terrorist networks.*

10 Now, does that proposition accord with your understanding of underground banking?

MR PRESTON: Broadly.

15 MS SHARP: So when we're talking about underground banking, we know there is a real risk of money laundering?

MR PRESTON: Yes, there is.

20 MS SHARP: And you would accept that it's well known that a device for money laundering is underground banking?

25 MR PRESTON: Well, as the – as I indicated before, there are various forms of the reference to money laundering, as I understand it. Some would be as referred to in the first line – first and second line of the document I can currently see. Others are referenced with respect to the criminal organisation element and money laundering. So I would accept the fact that – I would accept the fact that some forms of underground banking are subject to a risk of money laundering.

30 MS SHARP: And that money laundering is often achieved via underground banking; do you accept that?

MR PRESTON: I can't say for sure, but I would suggest that there is a very real risk of that occurring.

35 MS SHARP: All right. Well, I'm asking you based on the fact that you've been an anti-money laundering compliance officer since 2007 at Crown Resorts. It's well-known to you that underground banking is a device by which money laundering is achieved?

40 MR PRESTON: Yes, and I've said I accept that. A form of underground banking can have an element of money laundering; well, it can be used by money-launderers.

45 MS SHARP: Would you accept that when people are talking about underground banking in the casino context, that's a red flag for money laundering?

MR PRESTON: Yes, I would agree with that, and if I saw that, I would treat that as a red flag.

MS SHARP: I will move on to a new topic now, Commissioner.

COMMISSIONER: Just before you do; Mr Preston, you were asked about your  
5 function as the anti-money laundering compliance officer. Do you recall those  
questions that Ms Sharp asked you about?

MR PRESTON: Yes, I do, Commissioner.

COMMISSIONER: As I understand it, you have numerous roles other than your –  
10 well, I suppose, you're chief legal officer, but you told me on Monday that you have  
risk and audit functions; is that right?

MR PRESTON: That's correct.

15 COMMISSIONER: You have regulatory compliance functions; is that right?

MR PRESTON: That's correct.

COMMISSIONER: And that's different from the anti-money laundering  
20 compliance function; is that right?

MR PRESTON: It's – it's – it's different, yes, so not unrelated obviously, but it's  
different.

25 COMMISSIONER: You then, I think, told me that you have the – I think it was  
called the responsible service or gaming area.

MR PRESTON: Responsible gaming portfolio. Yes, that's correct.

30 COMMISSIONER: Responsible gaming portfolio. That's once again different  
from your AML compliance officer's role, is it?

MR PRESTON: That's correct, Commissioner.

35 COMMISSIONER: And am I to assume that you, at least in Perth, had some role to  
play or at least one in either Perth or Melbourne, to do with the security and  
surveillance functions; is that right?

MR PRESTON: Historically I did, yes; that's correct, Commissioner.  
40

COMMISSIONER: And in addition to that I've learnt today that you also have this  
other function – I think this is right – where you and Messrs Johnston and one other  
person deal with those credit matters that are elevated to you; is that right?

45 MR PRESTON: We – the junket application approval process, yes.

COMMISSIONER: Yes, the junket application.

MR PRESTON: That's correct.

COMMISSIONER: And so in the junket – I withdraw that. I'm sorry, what did you say then?

5

MR PRESTON: I said – sorry, it's the junket approval process and renewal approval process that does get escalated to Mr Felstead, Mr Johnston, and myself.

COMMISSIONER: I'm sorry, it was Mr Felstead. Thank you. So when we had the evidence earlier in the year from the experts assisting the inquiry, one of the things that was said was that sometimes the department that is responsible for marketing or approving junkets, I suppose, has to be "encouraged" to share their information. That, I took to mean that there is a desire in the marketing department to drive the business; whereas in the compliance section there may be a desire to stop some of the business. Would that be right?

10  
15

MR PRESTON: That is a very accurate description, Commissioner.

COMMISSIONER: Thank you. And that would mean, I presume, that you accept that where you have a compliance department doing the same thing as the marketing department, there will be the irresistible conclusion that there is tension, to use Ms Sharp's word?

20

MR PRESTON: Yes, I accept that.

25

COMMISSIONER: So wouldn't it be a great idea to remove the burden on the compliance department or officer to be part of the driving of the commercial side of the business so that that person can operate in a pure fashion of trying to stop the money laundering?

30

MR PRESTON: Sorry, Commissioner, I might have misunderstood in terms of the relationship between compliance and the marketing - - -

COMMISSIONER: I will put it again.

35

MR PRESTON: Sorry.

COMMISSIONER: I will put it again. Wouldn't it be a good idea to remove the burden on the compliance officer, if he does or she does have it, to drive the commercial side of the business in a marketing role, from being a pure, if I can use that term, compliance officer.

40

MR PRESTON: Sorry, Commissioner, yes. Yes, we have the credit function sitting within that international team, and I hesitate because there's a marketing arm of the international team described as - - -

45

COMMISSIONER: Don't worry about that. I'm just asking you as a matter of acceptance of a good idea for regulation of a place that's open 24 hours a day with very large amounts of cash. If you have a compliance officer who is burdened with also driving the commercial side of the business, that person will not be able to  
5 behave as I'm suggesting to you, purely as if that person just had his or her responsibilities to stop the money laundering. Do you agree with that proposition?

MR PRESTON: I agree. I agree entirely. I don't accept that compliance people should have a marketing role at all.  
10

COMMISSIONER: Yes. And so any role where there is approval of money coming in in junkets or approval of junkets, that should be removed from the compliance officer, shouldn't it?

15 MR PRESTON: Okay.

COMMISSIONER: When you say okay, you agree with that, do you?

MR PRESTON: Sorry, I was just contemplating the concept. If I can just try and  
20 explain; the approval process is looking at essentially – sorry, I should say, my view of the approval process that I'm part of is to do with the due diligence, not – not from the commercial perspective. But I accept – I accept if there's a commercial element to that approval process, then - - -

25 COMMISSIONER: But it has to be, hasn't it? I mean, if you're going to approve a junket you are hoping that there will be – hopefully for the business – good amounts of cash coming in. You would agree with that?

MR PRESTON: I must confess that that's not normally in my mind. It might be in  
30 the other approvers' minds; I can't say, but that's not something that I'm really considering. But I accept what you are saying. The removal of it, yes.

COMMISSIONER: Yes. The removal of it?

35 MR PRESTON: Sorry, there was a bit of an echo. The removal of any concept of a commercial interest playing a role in the approval should be removed. I accept that that's an appropriate structure.

COMMISSIONER: And when Ms Sharp asked you about Ms Jessica Lin's  
40 evidence in February of inculcating a culture, if you actually remove that person and have the culture respect that person's obligations, that would be a good idea too, would it not?

MR PRESTON: Yes.

45 COMMISSIONER: Yes, I'm terribly sorry to interrupt, Ms Sharp.

MS SHARP: Thank you, Commissioner.

I would like to show you a document. This is a public document. It's exhibit F63, which is the transcript of the 60 Minutes broadcast in July of last year. We will bring this up on the public feed; INQ.100.010.1074. Now, Mr Preston, could I take you to pinpoint 1081, and could I direct your attention, please, to item 145. And you will see the transcript is recording somebody saying that:

*Roman Quaedlyieg has spent decades targeting international money laundering and organised crime rings. Not only was he in charge of Border Force, before that he was an Assistant Commissioner with the Australian Federal Police. In 2006 he led a clandestine mission to the region.*

And then at 148, journalist Nick McKenzie says:

*His target was a triad known as The Company, which remains the most powerful drug trafficking syndicate in the world. For more than 10 years it has been shipping billions of dollars worth of ice and cocaine into Australia. Its biggest problem has always been getting the dirty cash back to China but in Crown Casino triad bosses found the ideal solution.*

Now, Mr Preston, did you understand from this broadcast that the allegation was being made that Crown Melbourne or Crown Perth had been infiltrated by a group called The Company and used to money launder?

MR PRESTON: Well that's what – that's what it is indicating, yes.

MS SHARP: Yes, that's the allegation. And to take you to another one, if I can go to a different document. This is another media report; it's exhibit G3 and we can show this on the live stream. It is INQ.100.010.0690. And what you have before you is a report from The Age newspaper on 27 July 2019; agreed?

MR PRESTON: Yes, I can see that.

MS SHARP: Can I take you to pinpoint 0694. In the middle of the page – and perhaps we could highlight that for you, the article states:

*Crown's behaviour is detailed in confidential law enforcement and regulatory briefings from police across Australasia. Starting a decade ago, these briefings have got progressively more damning.*

Then could I please take you to a different page, to pinpoint 0699. Do you see there's a heading The Company?

MR PRESTON: Yes, I do.

MS SHARP: And that second paragraph says:

*At the heart of the warning was one triad conglomerate called The Company and its associated junket operators.*

And then it's explained that:

5

*The Company is an international drug trafficking and money laundering syndicate, first identified by the FBI as part of a 1996 operation.*

And then the article reports that an:

10

*...Australian Federal Police officer estimates this one syndicate has been responsible for up to 70 per cent of all drugs trafficked into Australia over the past two decades.*

15 Now, one of the allegations here, of course, was that Crown was dealing with a syndicate known as The Company; you would agree?

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

20 MS SHARP: But at a more general level, not so much the name of the syndicate is important as the allegation that Crown had been infiltrated by a large international drug trafficking syndicate. Did you understand that at the time?

25 MR PRESTON: Well, I think the concept or the allegation that we were, by the reporting, dealing with a group called The Company was significant. We had never heard of such a reference at all. The concept of us being used as part of the so-called Company for money laundering purposes, yes, that was an allegation that is obviously concerning for us.

30 MS SHARP: Accepting that the allegation that a group called The Company was doing these activities, you would also accept, wouldn't you, that the allegation that Crown had been infiltrated by a large drug trafficking syndicate was significant?

MR PRESTON: Well, that appears to be the allegation.

35

MS SHARP: But didn't you understand at the time that that allegation was significant; that is, that Crown had been infiltrated by one of the largest drug trafficking syndicates in the world?

40 MR PRESTON: Well, yes that is – yes, that was significant as an allegation but, as I said, we had no knowledge of any reference to The Company, whatever that might be, from Mr Quaedvlieg's commentary.

45 MS SHARP: I want to leave aside the name The Company for a minute. You understand that it was significant that an allegation was made that one of the largest drug trafficking syndicates in the world had infiltrated Crown Casino?

MR PRESTON: I think I've answered the fact that an allegation that we've been infiltrated is significant, if that was the question, sorry.

5 MS SHARP: Commissioner, you had indicated you wish to rise at 1.20, do you want me to continue?

COMMISSIONER: No, I would like to do as I say.

10 MS SHARP: Thank you.

COMMISSIONER: Thank you. Mr Preston, thank you. We will now adjourn for the luncheon adjournment and I will resume again at 2.20. Thank you, Ms Sharp.

15 MR PRESTON: Thank you.

**ADJOURNED** **[1.22 pm]**

20 **RESUMED** **[2.19 pm]**

MS SHARP: Could we have Mr Preston back on the video link, please, Commissioner?

25 COMMISSIONER: Yes. Yes, Mr Preston. Ready to proceed?

MR PRESTON: Yes, thank you.

30 MS SHARP: Mr Preston, could you please tell us in detail what inquiries you made as to the existence of a company called – of the existence of The Company following the media allegations in July of last year?

35 MR PRESTON: My inquiries related to asking various departments to advise if they had come across an entity called The Company and those inquiries were led by a number of people that I made some inquiries with on Monday to pursue that. So it was within the AML team, the compliance team, the VIP team to make those necessary inquiries and it was across that breadth of departments that I asked about anyone, any records, relating to The Company or otherwise.

40 MS SHARP: Did you conduct any inquiries yourself?

45 MR PRESTON: As in searching records or speaking to people? I spoke to several of those people about if they had heard of, or come across, any reference to The Company and the categoric answer I got was no.

MS SHARP: So could you tell us exactly who you spoke to - - -

MR PRESTON: I spoke - - -

MS SHARP: - - - to understand whether they had come across The Company before?

5

MR PRESTON: I spoke to Jan Williamson, who is our senior legal counsel, as to whether she could make inquiries. She made those due inquiries. I then spoke to - - -

10 MS SHARP: Can I stop you there, Mr Preston. What inquiries did you direct her to make?

MR PRESTON: I had provided to her the list of allegations and I had asked her specifically to make inquiries of the relevant departments on a range of things but  
15 whether we had any relationship with an entity known as The Company.

MS SHARP: And who else did you speak with?

MR PRESTON: So Ms Williamson would have provided me – or did provide me  
20 with a range of information, including advice that there was no reference to The Company. I had subsequent conversations with Michelle Fielding, as I recall, who is the group general manager of regulatory compliance as to whether she had had any – come across any reference to The Company. I also asked, I can't recall who specifically but within the AML team, whether it was a term that they had come  
25 across. I also asked, as I recall, Jacinta in the VIP international team if it was a term that she had come across and I also, if I recall correctly, spoke with Barry Felstead as to whether he had ever come across the concept of The Company and if my memory serves me correctly, I might have asked Jason O'Connor as well as to whether he had come across the term, The Company.  
30

MS SHARP: Now, did you ask anybody to make inquiries about whether any junket operators with whom Crown dealt had associations with an international drug trafficking syndicate?

35 MR PRESTON: No, I did not.

MS SHARP: Why was that?

MR PRESTON: Well, I'm not sure that's the question that I would pose, asking a  
40 business whether they would ask junket operators if they're associated with a business called The Company. What I did do was assess the junkets that were referred to in the allegations to understand whether there was any reference to The Company through third party due diligence sources or otherwise. I didn't request anyone to ask about whether they had an affiliation with The Company.  
45

MS SHARP: But didn't you understand that the import of the media allegations was that Crown had been infiltrated by a junket operator who was part of a major international drug trafficking syndicate?

5 MR PRESTON: Yes, that was one of the allegations, and I didn't ask the business to go to every junket operator to ask whether they were affiliated with The Company.

MS SHARP: Well, did you ask them to look out for any junket operators that may be affiliated with a large international drug trafficking syndicate?

10

MR PRESTON: I did not do that and I'm not sure that's a question that I would pose to the junket operators. I would – I would expect that if that was the fact, then we engaged carefully with law enforcement on a very regular basis. That would be something that would potentially be drawn to our attention by law enforcement agencies.

15

MS SHARP: Well, just on that point, could I take you to your February 2020 statement. Could I take you, please, to paragraph 209 of that statement. You say there that a strong relationship with regulators and law enforcement agencies is a vital component of the effective money laundering framework, and then at paragraph 210, you say:

20

*Crown regularly interacts with 40 Commonwealth and state-based regulators and government agencies.*

25

And then at paragraph 212, you say that:

*Crown has had, and continues to have, a longstanding and strong relationship with law enforcement agencies.*

30

Now, bearing in mind those strong relationships, did it occur to you to contact any of those law enforcement agencies to ask them about the existence of a syndicate called The Company?

35 MR PRESTON: No, I did not, but we are in constant dialogue with a number of those agencies, including law enforcement agencies.

MS SHARP: Well, given you're in constant dialogue with them, why didn't you contact them and ask about this?

40

MR PRESTON: I – I don't know.

MS SHARP: Was that remiss of you?

45 MR PRESTON: I don't necessarily think so. As I said, we are in – we are in daily dialogue with a number of these agencies. We had no reference to any – any entity known as The Company within our records. I would have expected that if there was

an entity that we were dealing with that had relationships with The Company, that law enforcement would have indicated to us. Could I have asked them? I could have. And they may have provided information or not, but I would have expected if they had information that was – that they had the ability to reveal to us, they would have done that at a point in time in any event.

MS SHARP: But wouldn't it have been a really sensible starting place for an inquiry to use your strong relationships with law enforcement and ask them, "Is there any truth to these allegations that a major international drug trafficking syndicate is laundering money in our casinos?"

MR PRESTON: Look, I can't answer it any other way than we are in constant dialogue with law enforcement and regulatory agencies. We were in dialogue with them at about this time and it wasn't raised by law enforcement with us, and I can't recall why I didn't raise it with law enforcement specifically.

MS SHARP: To your knowledge, no one else at Crown picked up the phone and made any inquiries with any law enforcement agencies about whether a major international drug trafficking syndicate had laundered money at Crown Casino?

MR PRESTON: Well, we're always in dialogue about the prospects or potential of money laundering. We - - -

MS SHARP: Would you just answer my question.

MR PRESTON: Not to my knowledge. No, not to my knowledge.

MS SHARP: No one from the board directed you to make such inquiries of any law enforcement agencies; correct?

MR PRESTON: No, not that I recall.

MS SHARP: And, to your knowledge, no one from the board directed anybody else at Crown to make such inquiries with any law enforcement agencies?

MR PRESTON: No, but the board – there was dialogue pertaining to - - -

MS SHARP: Mr Preston, just answer my questions and we will get through this much more quickly. Now, it's the case that splashed around the newspapers in July last year was the allegation that a major international drug trafficking syndicate was laundering money in Crown Casinos. Did it occur to you that it would be a good idea to brief an investigator to look into that allegation?

MR PRESTON: No, it did not.

MS SHARP: Did anyone from the board suggest that might be a good idea?

MR PRESTON: Not that I recall.

MS SHARP: Wouldn't that have been a prudent idea?

5 MR PRESTON: It may have been helpful.

MS SHARP: It would have been extremely helpful, would it not?

10 MR PRESTON: Well, Ms Sharp, I might add that we're in – when I say we're in constant dialogue – we are constantly in dialogue with law – we are constantly in dialogue with AUSTRAC. We are constantly reporting on a range of matters and this concept of widespread money laundering going through our casino has not been raised with us. This is off the back of media allegations about a – sorry.

15 MS SHARP: Can't you get on the front foot and pick up the phone and ask law enforcement?

MR PRESTON: Well, I could have. Yes, I could have.

20 MS SHARP: I would like to go to a document, which is in confidential list 1 at tab 77. Now, Commissioner, the position, as I understand it, is that Crown maintains that this document is confidential. I will give it its Ringtail document identification. That's CRL.506.007.8870. Now, I wish to ask some questions about this document, Commissioner, and I understand that a non-publication order is sought in relation to  
25 this document, and this, I anticipate, is a matter upon which you will need to rule.

COMMISSIONER: I see.

30 MS SHARP: Commissioner, the document – and I'm not bringing it up on screen, the document is a record of the meeting of the board of directors of Crown dated 30 July 2019, and it is a copy of the report that was tendered to that meeting. I oppose a non-publication order being made in relation to that document. I understand my friend will take a different view.

35 COMMISSIONER: Yes, Ms Orr.

MS ORR: If the Commissioner pleases, this is an internal report that was legally privileged and remains legally privileged. It was prepared for the dominant purpose of seeking confidential legal advice. That is clear from the face of the document.  
40 And whilst there is an abrogation of legal profession privilege in section 17(1) of the reconciliation Act, as I pointed out earlier in the week, the accompanying protection contained in section 17(2) of the Royal Commissions Act is limited in its terms. It only applies to any answer made or document or other thing produced by a witness to or before the commission in terms of use in evidence against that person in a civil or  
45 criminal proceeding.

That is the language of section 17 subsection (2). And as I, I think, mentioned on Monday, there are extant regulatory processes at the moment, including with the Victorian regulator, in which privilege has been claimed by Crown and to publish this document now would intrude on Crown's rights to treat that document as a  
5 privileged document for the purpose of that regulatory process. And if the document is published and its content is explained in public, the other issue that arises is that although there have been no formal waiver of privilege, the content of the document will be in the public domain and, therefore, the privilege will not provide any substantive protection as it is intended to do.

10 We have not sought to withhold this document from the inquiry. At no point have we done that. We have provided it to the inquiry for its assistance but the order that we seek is a non-publication order, so that the contents of the document are not dealt with in a public manner in a way that would intrude on those substantive legal rights  
15 in other contexts.

COMMISSIONER: So just let me understand. This is a specific document over which Crown has maintained privilege in the Victorian regulator's hands; is that right?  
20

MS ORR: That's right.

COMMISSIONER: And when was that claim made?

25 MS ORR: I'm sorry. I will need to get instructions on the date of that.

COMMISSIONER: And it is a document that – just let me understand this.

30 MS ORR: Yes.

COMMISSIONER: You have restricted the VCGLR from viewing it because it's privileged; is that right?

35 MS ORR: Yes.

COMMISSIONER: So the VCGLR has asked for it but you have resisted – I withdraw that – Crown has resisted the production of the document to VCGLR because it claims privilege over it; is that right?

40 MS ORR: Yes, there is no abrogation of privilege in that setting. So it is one of a number of documents, as I understand it, over which Crown has claimed privilege in that setting.

45 COMMISSIONER: I wonder if that could be checked to ensure that there is extant claim of privilege over it. As I understand your instructions, you say that that is a particular document that has not been produced to VCGLR. Therefore, VCGLR does not have it; is that right?

MS ORR: Yes, that is right. Those are my instructions.

COMMISSIONER: All right. And the call for the document or the category of documents into which it falls was made by the VCGLR. When was that?

5

MS ORR: I'm sorry. I will need to get instructions on the date of that.

COMMISSIONER: Yes. I think if you wouldn't mind getting those instructions to ensure that there isn't a crossover here between the regulatory work of the New South Wales regulator via this inquiry and the Victorian regulator. If there is this problem, of course, it can be dealt with in a way that's appropriate and counsel can take steps to identify questions. But I think we need to clarify the true status of the document, that it has, in fact, been withheld from the VCGLR.

10

MS ORR: That is my understanding based on my instructions but I will attempt to get more specific instructions about that, Commissioner.

15

COMMISSIONER: Yes. Thank you very much. And, Ms Sharp, can you move to something else while that is happening?

20

MS SHARP: Yes. What I can do, Commissioner, is simply show the document to this witness - - -

COMMISSIONER: Yes, yes, of course.

25

MS SHARP: - - - and ask a question - - -

COMMISSIONER: Yes.

30

MS SHARP: - - - which will not reveal in any way - - -

COMMISSIONER: The contents.

MS SHARP: - - - the contents.

35

COMMISSIONER: Yes. Thank you, Ms Sharp. We will deal with it that way and leave it in the confidential list as it presently sits.

40

MS SHARP: In that case, do you have access to this document at the moment, Mr Preston?

MR PRESTON: I do, Ms Sharp.

45

MS SHARP: Could I direct your attention, please, to page 8 of that document, which is pinpoint 8880, and could I direct your attention to item 6 at the bottom of the page.

MR PRESTON: Yes.

MS SHARP: And you would agree that that is all the board was told about that matter?

5

COMMISSIONER: In the document.

MR PRESTON: In writing? In the document – that was what was in the document. As I recall, there was some discussion relatively brief about – about that point, like there was on each of the other points in the paper.

10

MS SHARP: And do you claim privilege over that discussion that took place – I withdraw that - - -

15 COMMISSIONER: Just pause there, I reject that. No, no, it is rejected, Ms Orr.

MS SHARP: What discussion took place?

MR PRESTON: I – I do not recall

20

MS SHARP: I withdraw that question. I withdraw that question

MS ORR: I'm sorry. I'm sorry, I don't want to keep interrupting but it's very important we do this in a way that doesn't undermine the claim that I have made before I provide those additional - - -

25

COMMISSIONER: Ms Orr, please desist. You can be satisfied that I will not allow anything like that to occur in this inquiry. Please proceed, Ms Sharp.

30 MS ORR: Thank you, Commissioner.

MS SHARP: I'm sorry if the video cut out. I had withdrawn that question.

COMMISSIONER: Yes. Thank you.

35

MS SHARP: Now, can I go to a public document which is exhibit A219 which is INQ.100.010.0895, and this can be shown to the live feed.

COMMISSIONER: Yes, of course.

40

MS SHARP: This is that ASX release we spoke about the other day, and if you have a look on the second page, that is pinpoint 0896, can I direct your attention, please, to subparagraph (c) in the first column, and I will have that enhanced and enlarged for you. You will see, if I could have that paragraph enlarged, that's subparagraph (c). This ad that all of the directors of Crown Resorts signed off on, stated:

45

*Extensive reference in the 60 Minutes program to alleged criminal connections of an organisation said to be called The Company. Crown has had no dealings or knowledge of any organisation of that name or description.*

5 Now, first of all, would you accept that, based on your investigations, Mr Preston, you had no firm basis for reaching the conclusion that Crown had had no dealings with an organisation of that description, that is, an international drug trafficking syndicate?

10 MR PRESTON: Well, what I can say is that the – I stand by that, that description there, that Crown had no dealings or knowledge of an organisation of that name or description. We had searched our records in the time that was available over the course of the number of days that we had and there was no reference at all within our systems that we could identify, and no one who I had spoken to or people I had  
15 instructed to make inquiries had come across any organisation by the name of The Company.

MS SHARP: But you hadn't made any inquiry with any law enforcement agency about that question, and you hadn't retained an investigator to assist you on that  
20 question. I'm wondering how it was that you were able to be so categorical in denying that Crown had had any dealings with an organisation meeting this description?

MR PRESTON: Well, our view was based on the records that we have and the  
25 inquiries that we made within our business as to any reference to an entity called The Company and the answer was categorically no.

MS SHARP: Do you think in retrospect the language that I've taken you to in this advertisement is a little more categorical than your investigations had warranted at  
30 the time?

MR PRESTON: No, the investigations that were undertaken at the time did not turn up any reference to an entity known as The Company.

35 MS SHARP: Well, I suggest to you that this language is more categorical than there was a proper basis to support. What do you say to that?

MR PRESTON: I don't accept that, Ms Sharp.

40 MS SHARP: Could I go – I just want to be clear with that media advertisement. Crown is not just asserting it had no dealings with the company. It is asserting it has had no dealings with an entity of that description. Now, that's a reference to an international drug trafficking syndicate, isn't it?

45 MR PRESTON: It's a reference to The Company, and we don't have any reference on our - - -

MS SHARP: You've said that. Well, I understand that it's a reference to The Company so far as the name is concerned, but haven't you extended beyond that by adding the words "or description"?

5 MR PRESTON: I don't believe so. Inquiries were made about The Company and if there was any reference to it, if there was any link to it with any of our patrons, and the answer categorically was – was no. We don't have any relationship with a business of any kind like that, based on the investigations that we made.

10 MS SHARP: Could I take you, please, to your statement made on 6 March 2020. I understand that no confidentiality claim is now made with respect to this statement. Could I take you to page – I withdraw that – to paragraph 31(d) of that statement and I will give the Ringtail reference, CRL.577.002.0017 at pinpoint 0024. And there you say in your statement that:

15

*We have been unable to locate any internal records in relation to any entity referred to as The Company. I know that media reports have alleged there is a link between Roy Moo and the company. To my knowledge this is not reflected in Crown's systems.*

20

And then a little later "I do not consider" – I should add the caveat:

*...otherwise I do not consider that Crown can provide any responsive material in relation to the syndicate known as The Company.*

25

And does that remain your view today?

MR PRESTON: Yes, it does.

30 MS SHARP: Is that correct?

MR PRESTON: Yes, it does.

35 MS SHARP: I would like to show you an article, if I could. It's an open exhibit. It's exhibit A226 and I will bring this up on the live feed; INQ.100.010.0942. Do you have in front of you an article a Reuters article called "The hunt for Asia's El Chapo".

40 MR PRESTON: Yes, I do.

MS SHARP: Have you read that article before today?

MR PRESTON: I have read that, yes.

45 MS SHARP: You have read that before today?

MR PRESTON: Yes.

MS SHARP: When did you first read it?

MR PRESTON: I think it was late last year. I can't recall specifically.

5 MS SHARP: It was published on 14 October 2019. Does that prompt you as to the time you first read it?

MR PRESTON: Possibly. It was late last year, and that's within the realm.

10 MS SHARP: Do you agree this article refers to an international drug trafficking syndicate called The Company?

MR PRESTON: It does.

15 MS SHARP: And you were aware of that at the time when you first read this article?

MR PRESTON: Yes, I did.

20 MS SHARP: Could I take you to pinpoint 0943 and if I can highlight that second paragraph:

25 *Tse Chi Lop, a Canadian national born in China is suspected of leading a vast multinational drug trafficking syndicate formed out of an alliance of five of Asia's triad groups according to law enforcement officials. Its members call it simply "The Company". Police, in a nod to one of Tse's nicknames have dubbed it Sam Gor.*

30 MS SHARP: Now, accepting this document had not been published at the time of your initial investigations, you would agree that this article was published before you made your March statement this year to the inquiry.

MR PRESTON: Yes.

35 MS SHARP: May we take it that you read this article with some interest given that it referred to The Company, the very same entity that is alleged to have laundered money in Crown's casinos?

MR PRESTON: Yes, that's correct.

40

MS SHARP: And you will agree that this article provides quite a deal of information about the company and the fact that it is led by Tse Chi Lop, and the fact that the AFP, that is the Australian Federal Police has it in one of its top 19 syndicate targets?

45

MR PRESTON: Yes, I can't recall of the detail of the article, but that sounds familiar.

MS SHARP: In fact, the article said that Tse Chi Lop is in the league of El Chapo or maybe Pablo Escobar.

5 MS ORR: I'm sorry, it would be very helpful if the relevant part of the article could be on the screen while these questions are being asked.

MS SHARP: Certainly. If I could take you to pinpoint 0943. If I could have enlarged the third paragraph from the bottom, please. Now, you will see there's a statement, in the paragraph beginning:

10 *Some investigators say that the scope of the syndicate's operations put Tse, as the suspected leader, on par with Latin America's most legendary narco-traffickers. "Tse Chi Lop is in the league of El Chapo or maybe Pablo Escobar".*

15 Now, did that cause you to think at the time that in fact, The Company has been identified as one of the largest drug trafficking syndicates in the world?

MR PRESTON: Well, I certainly read it with interest, and it was a surprise to me about the reference, yes.

MS SHARP: In that article you were made aware that the AFP was investigating the company, weren't you?

25 MR PRESTON: I did see that, yes.

MS SHARP: Did it occur to you at that time to use your strong relationship with law enforcement to put in a call to the AFP to ask whether The Company had had any interactions with the casino?

30 MR PRESTON: No, I didn't.

MS SHARP: Were you aware that the release of this article caused world-wide media attention?

35 MR PRESTON: No, I was not.

MS SHARP: You weren't aware that articles were published all over the world about The Company being one of the world's largest drug trafficking syndicates?

40 MR PRESTON: No. I was not. This is the only article that I saw.

MS SHARP: And you weren't aware – I withdraw that. You were aware, from this article at least, that Tse Chi Lop had been identified as being the leader of The Company?

45

MR PRESTON: That's the allegation in the article, yes, I saw that.

MS SHARP: And that he was sometimes referred to as Sam Gor and the company was sometimes referred to as Sam Gor.

MR PRESTON: I saw that in the article, yes.

5

MS SHARP: Once you became aware of this article, did it cause you to think you ought conduct some further investigations to see whether this syndicate had laundered money in the casino?

10 MR PRESTON: I can't recall exactly at the time. I read it, and if I recall correctly – my memory may be failing me, but if I recall correctly, I did – I did ask for some of the names in this to be checked against our database to see whether they were patrons, if I recall correctly.

15 MS SHARP: And who did you ask to do that?

MR PRESTON: I think possibly someone in the AML team.

20 MS SHARP: You would be able to check your records and get back to us about that, would you?

MR PRESTON: Yes, I would.

25 MS SHARP: Did you take any steps at all to make the board of directors of Crown Resorts or of Crown Melbourne or of Crown Perth aware of this article?

MR PRESTON: I can't recall who saw the article and I can't recall what action or who I spoke to about it.

30 MS SHARP: Do you think it's most likely that you did or most likely that you did not?

MR PRESTON: It's most likely that I did speak to others. As to who I spoke to, I can't recall.

35

MS SHARP: Do you think it's most likely that you did speak to one or more of the directors?

MR PRESTON: I can't recall.

40

MS SHARP: It's a pretty significant new piece of information, isn't it?

MR PRESTON: Well, I had focused initially on reviewing, obviously, our records through our systems to identify any link or any reference.

45

COMMISSIONER: .....

MS SHARP: I will put it again, Mr Preston. It's a pretty significant new piece of information for you, isn't it?

MR PRESTON: I think it's significant. I think it's relevant.

5

MS SHARP: Well, the allegation had been made in the Australian newspapers in July that The Company was laundering money in Crown Casino. You said you investigated that allegation and no one had ever heard of The Company, and now there's a major international exposé identifying The Company as one of the world's largest drug trafficking organisations. That's a pretty significant new piece of information for you, isn't it?

10

MR PRESTON: It is important information, yes.

MS SHARP: But you just can't remember whether you told anyone in the board of directors of any of the three Crown entities about that significant new piece of information?

15

MR PRESTON: Not off the top of my head. Sorry.

20

MS SHARP: And no recollection is coming back as you give evidence today?

MR PRESTON: As I said, I'm – I'm certain I spoke to others about it but I cannot recall who.

25

MS SHARP: Can I show you some footage, please, and this can go to the public stream. For the operator's benefit, this is 60 Minutes, clip 3, if that could be played.

30 **RECORDING PLAYED**

**[2.56 pm]**

MS SHARP: And from the live feed, please. You were well aware at the time of the 60 Minutes allegation that it was alleged that The Company used Roy Moo to launder money in Crown Casino; correct?

35

MR PRESTON: Well, I'm aware that that was the allegation in the – in the media, yes.

MS SHARP: Now, could I show you another media publication at the time. This one is exhibit G104 and I can bring this up to the live stream. It is INQ.100.010.0690.

40

COMMISSIONER: What exhibit was it?

45

MS SHARP: I'm sorry. It's exhibit G3.

COMMISSIONER: Thank you.

MS SHARP: Mr Preston, do you have before you the first page of an article by The Age dated 27 July called “Gangsters, Gamblers and Crown Casino”?

5

MR PRESTON: Yes, I do.

MS SHARP: Could I take you, please, to pinpoint 0699. Now, you see that I’ve taken you here before. That’s the heading, The Company. On that last paragraph of this page – I will have that highlighted for you – it’s stated that one channel – and it’s here, the context is The Company:

15 *One channel was through a mild mannered Melbourne financial adviser, Roy Moo. In 2012, a member of The Company and Moo struck an arrangement by which he would launder its cash to Hong Kong, although Moo denies knowing where the money came from.*

Now, you would agree there was a pretty specific allegation about the way in which this international drug trafficking syndicate had laundered money at the casino?

20

MR PRESTON: Yes. That’s what’s indicated in the press, yes.

MS SHARP: And was Roy Moo a person you had heard of before these allegations aired in July of last year?

25

MR PRESTON: No, he was not.

MS SHARP: But you certainly came to know of him in the days after this media story broke?

30

MR PRESTON: That’s correct.

MS SHARP: In fact, Roy Moo was a junket operator at Crown Melbourne; that’s correct, isn’t it?

35

MR PRESTON: He was a regulator approved junket operator for a very short period of time. Then he was a junket representative.

MS SHARP: If you could just answer my questions, we will get through this more quickly, Mr Preston. He was also a junket representative of another junket that operated at Crown Melbourne, the Ang Lian Ping junket; correct?

40

MR PRESTON: Correct.

MS SHARP: And in his capacity as a representative of that junket, he did, in fact, launder money through Crown Casino; correct?

45

MR PRESTON: That's what he was found guilty of, yes.

MS SHARP: And it's correct that he was convicted of certain money laundering offences by reason of that activity in Crown Melbourne in 2012; correct?

5

MR PRESTON: That's correct.

MS SHARP: And you did cause some investigations to be conducted into the incident involving Roy Moo in July and early August of last year?

10

MR PRESTON: I made inquiries as to the circumstances that were on the record so I could inform myself related to that matter.

MS SHARP: And you've told this inquiry about the results of your investigations in your March statement, which is CRL.577.002.0017. And could I bring that up on the screen, please, to the live stream. And if I could take you to pinpoint 0024, you will see in paragraph (e) you provide this inquiry with some information about Roy Moo.

15

MR PRESTON: That's correct.

20

MS SHARP: And one of the matters you tell us is the Crown issued Mr Moo with a WOL, which is a withdrawal of licence in March of 2013; right?

MR PRESTON: That's correct.

25

MS SHARP: Now, there's, you would agree, no reference at all in paragraph (e) to Mr Moo laundering this money on behalf of an international drug trafficking syndicate, is there?

30

MR PRESTON: That's correct.

MS SHARP: You provided some further information to this inquiry about Mr Moo in what was at the time referred to as confidential annex 3 to that statement?

35

MR PRESTON: That's correct.

MS SHARP: Now, I understand, Commissioner, that Crown has provided a redacted version of that statement, so only parts of that statement remain confidential. I wish to show you, Commissioner, a non-confidential part of this. If I could call up CRL.577.002.0001\_R, meaning this is the redacted version. And - - -

40

COMMISSIONER: Is that underscored R?

MS SHARP: This is the redacted version so, yes, I hope so, Commissioner.

45

COMMISSIONER: Yes.

MS SHARP: Could I take you, please, Mr Preston, to page 10 of that, which is pinpoint 0010\_R. And have you got that before you, Mr Preston?

MR PRESTON: I do, Ms Sharp.

5

MS SHARP: And at item 7, you refer to a syndicate known as The Company and you tell us of the outcome of your investigations at point 7 and point 8.

MR PRESTON: That's correct.

10

MS SHARP: But there is no reference here at all to Mr Moo laundering that money on behalf of an international drug trafficking syndicate, is there?

MR PRESTON: That's correct.

15

MS SHARP: I want to confirm some matters with you in relation to Mr Moo. It was back in August 1994 that he was first registered as a player at Crown Melbourne; is that correct?

20

MR PRESTON: I – as I recall, yes, he has been a longstanding player.

MS SHARP: And from that time, he regularly placed bets on his own account at Crown Melbourne?

25

MR PRESTON: I believe that's correct but obviously well before my time.

MS SHARP: Are you aware that until his arrest, Mr Moo was a financial planner?

MR PRESTON: No, I was not aware of that.

30

MS SHARP: Is the ordinary occupation of a junket operator something of which Crown is required to be aware?

35

MR PRESTON: Not – historically no, and even now, no, but it's part of the due diligence process we go through now, in terms of collecting relevant information.

MS SHARP: Well, isn't knowing their ordinary occupation a significant matter in working out whether they legitimately have the magnitude of funds they say they have?

40

MR PRESTON: Yes, bearing in mind that Mr Moo was approved by the Victorian regulator many years ago and approved as a representative by the Victorian regulator many years ago as well.

45

COMMISSIONER: What is the relevance of that?

MR PRESTON: Commissioner, just to the point we didn't approve Mr Moo in the context of an operator or a representative which is a bit different to what transpires post-2003.

5 COMMISSIONER: But you would still want to look at his occupation.

MR PRESTON: Sorry, Commissioner, I just lost you there.

10 COMMISSIONER: You would still wish to look at his occupation, would you not?

MR PRESTON: From a due diligence perspective process now that is something we look at together with source of wealth as an operator and any other useful information.

15 COMMISSIONER: I'm just asking you about his occupation. You would look at his occupation, wouldn't you?

MR PRESTON: Yes.

20 COMMISSIONER: All right. Yes, Ms Sharp.

MS SHARP: When you were conducting your investigation of him in mid last year, did you look at his occupation?

25 MR PRESTON: Sorry, I might have answered before was I aware of him being a financial planner. I am aware now that he was in the financial planning industry as a result of the investigations I made.

30 MS SHARP: Thank you. Now, on 4 November 2002, Crown was advised by the acting director of casino surveillance that the Victorian regulator had approved Mr Moo as a junket organiser or operator at Crown Melbourne; correct?

MR PRESTON: That's correct.

35 MS SHARP: And between November 2002 to February 2003, Roy Moo conducted a small number of junket programs at Crown Melbourne in his capacity as a junket operator?

40 MR PRESTON: That's correct, as I understand it.

MS SHARP: Since at least 1994, Crown Melbourne has been party to a non-exclusive gaming agreement with Ang Lian Ping as a junket operator?

45 MR PRESTON: I believe that's correct.

MS SHARP: And on 7 November 1994, Ang Lian Ping received approval to act as a junket operator from the Victorian casino regulator?

MR PRESTON: Look, I'm not quite sure of the dates regarding Ang Lian Ping. I thought, having a look at my statement, it was – her approval was in the early 2000s, not in the 1990s, unless I misheard you.

5 MS SHARP: And on about 24 February 2003 the Victorian regulator advised that Crown that Ang Lian Ping was again approved to conduct junkets at Crown Melbourne and had listed Roy Moo as a junket representative.

MR PRESTON: Yes, that's correct.

10

MS SHARP: As a junket representative Roy Moo was authorised to act on behalf of the Ang Lian Ping junket to make deposits, purchase gambling chips and direct the transfer of funds to domestic and international bank accounts using an ANZ Bank account operated by Crown Melbourne; correct?

15

MR PRESTON: That's correct.

MS SHARP: And in directing the transfer of funds, Roy Moo was permitted to use the Crown patron identification number of the Ang Lian Ping junket; correct?

20

MR PRESTON: Yes, that would be usual practice.

MS SHARP: Now, in 2013-2014, somewhere around then, Crown withdrew Mr Moo's licence; right?

25

MR PRESTON: That's correct.

MS SHARP: And that was because he had been convicted of these money laundering offences?

30

MR PRESTON: No, that was as a result of him being charged, as I recall.

MS SHARP: And since that time, Mr Moo has periodically applied to Crown to have his withdrawal of licence revoked but Crown has refused on each occasion.

35

MR PRESTON: That's correct.

MS SHARP: Can I show you a confidential document. This is in – I withdraw that. Now, you're aware that the transfers giving rise to Mr Moo's criminal convictions occurred in 2012?

40

MR PRESTON: Yes, I am.

MS SHARP: Could I take the document down from the live stream, please. In fact, there were four separate transactions in respect of which Mr Moo was convicted. You're aware of that, aren't you?

45

MR PRESTON: I am.

MS SHARP: So on four separate occasions in 2012, Mr Moo transferred or caused to be transferred money through a Crown Melbourne account; you're aware of that?

5

MR PRESTON: Yes, I understand that to be the fact.

MS SHARP: And that money totalled approximately \$682,000?

10 MR PRESTON: That – I believe that is the sum, yes.

MS SHARP: And each of these international transfers was made using the Ang Lian Ping's junket account at Crown Melbourne; correct?

15 MR PRESTON: Yes, that's correct.

MS SHARP: And each of those transfers was made to a different Bank of China account in Hong Kong; correct?

20 MR PRESTON: I – I'm not sure, sorry.

MS SHARP: You are aware that he handed over very large amounts of cash and chips, gave details of what accounts money ought be transferred to, and that Crown duly transferred that money?

25

MR PRESTON: I'm aware of that, yes.

MS SHARP: And could I show you one of those transfer request forms. Again, I withdraw that. Are you aware as to whether threshold transaction reports were made in respect of any of these transactions?

30

MR PRESTON: I can't recall, sorry.

MS SHARP: Is that a matter you checked when you conducted your investigations in mid last year?

35

MR PRESTON: Yes, I did check the various reports that were and were not made.

MS SHARP: Were IFTIs made in respect of those transfers?

40

MR PRESTON: My expectation is that there would have been an IFTI made.

MS SHARP: But it's not a matter that you have checked?

45 MR PRESTON: As I said, part of the investigation was to understand the nature of the reporting that we did or did not carry out, and my expectation – and I can't recall

specifically but I would have thought there was an IFTI that would have been prepared for the purpose of the transfer of funds overseas.

5 MS SHARP: But you actually can't say for sure today?

MR PRESTON: Not right now.

10 MS SHARP: Now, Mr Moo was quoted in the press in around July of last year as saying that it was easier to transfer money through Crown Casino than to transfer it through a bank. What do you say to that?

15 MR PRESTON: Well, I find it interesting, particularly when the controls around a casino generally are very broad. We know who the customer is. They do it under surveillance, subject to obviously relatively strong regulation pertaining to casino environment and also an AML framework, subject to reporting the nature of the transaction. So I would suggest that there are lots of controls in place that – that would identify this kind of behaviour. And as to Mr Moo's comments that it's easier to transfer money through a casino than a bank, that would be a matter for Mr Moo but I would suggest there are a range of strong controls in terms of transfer of money.

20 MS SHARP: Can I take you to a confidential document, please, in Crown confidential list 6, number 77. Now, I'm not showing this on the live stream but let me have it called up for the Commissioner, and those who represent you, just to go to that private screen; CRL.500.002.3335. Can you take the document off the live stream, please. Can I have the document called up only to the Commissioner, the witness and those representing Crown. Thank you.

30 MS ORR: If I could assist, we all have hard copies so there's no need for it to be brought up on any screen to assist us. If it is the document behind tab 77 in list 6 then I have, and I understand Mr Preston has, a hard copy of the document which, of course, is subject to a confidentiality claim at present.

MS SHARP: You will see that these are minutes of a meeting, Mr Preston.

35 MR PRESTON: Yes. Yes, I do.

MS SHARP: Now, can I take you, please, to pinpoint 3346.

40 MR PRESTON: I'm not sure I can - - -

MS SHARP: You will agree that this is - - -

COMMISSIONER: Wait.

45 MR PRESTON: Sorry, Ms Sharp, I'm not sure I can follow that pinpoint as I'm looking at a hard copy.

MS SHARP: I am hoping that what you will find is a little number on the top of each page it should start CRL.

MR PRESTON: Yes.

5

MS SHARP: 500.002.

MR PRESTON: Yes.

10 MS SHARP: And then there are four digits.

MR PRESTON: Yes.

15 MS SHARP: And I will go slowly. When I refer to a pinpoint, I'm referring to the last four digits. Could you please turn to pinpoint 3346 where you will find a patron detail report.

MS ORR: Excuse me, I just want to make clear that if there is an intention to refer to the contents of this document, it is the subject of a confidentiality claim.

20

MS SHARP: I do intend to refer to the contents of this document, Commissioner. If an application is to be made for some sort of non-publication order, perhaps Commissioner, you would like to hear that application now.

25 COMMISSIONER: Yes, what's the problem with this document, Ms Orr?

MS ORR: The problem with this document, Commissioner, is that it is a document that's part of a very large number of documents that have been notified to us by the inquiry since Mr Preston commenced giving evidence. Mr Preston is the person to provide instructions about confidentiality applications. We sought the inquiry's permission to speak to Mr Preston on Tuesday and Wednesday of this week for the purpose of obtaining those instructions. We were told we did not have that permission and we were told expressly that any confidentiality claim would be stood over.

35

COMMISSIONER: Thank you.

MS ORR: I'm sorry, can the Commissioner hear me?

40 COMMISSIONER: Ms Orr, can I just – yes, I can. Can I just focus you back to the actual document here. I understand that you have made a confidentiality application and that you may want to take some further instructions in due course. I understand all that. But just looking at the document itself and the content of it, is there something that you identify within that document, it's only perhaps 16 lines long,  
45 with very little on it, is there something there that if Ms Sharp asks about, I can certainly make a non-publication order if it's going to be a very sensitive document. So I think I will allow the matter to proceed and you make any application you wish

for a non-publication when you hear the question. I think that's the easiest way to proceed.

5 MS ORR: Could I just before the question proceeds, Commissioner, make clear that I am not the person to make that assessment. My client is, and I am unable to get instructions from my client.

10 COMMISSIONER: Yes. All right. That's all right. Mr Preston will tell us, I think, as we go along. Yes, Ms Sharp.

MS SHARP: Thank you. You will see – again, do you have the page, pinpoint reference 3346 in front of you?

15 MR PRESTON: I do, Ms Sharp.

COMMISSIONER: Yes, Mr Preston, do you see that?

MR PRESTON: Sorry, can you hear me now, Commissioner?

20 COMMISSIONER: Yes, I can. Thank you very much. So do you see that document?

MR PRESTON: I do have that document in front of me. I do.

25 COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: And that's a very commonplace record kept by the casino?

30 MR PRESTON: Yes, Ms Sharp.

MS SHARP: And you will agree that relates to Mr Moo?

MR PRESTON: Yes, it is.

35 COMMISSIONER: So what I will do is I will make an order that the contents of this document not be published until further order.

MS SHARP: Now, I want to draw your attention to an entry for 1994.

40 MS ORR: I'm sorry, I'm very sorry - - -

MS SHARP: Do you see that?

45 MS ORR: I'm very sorry to interrupt, but could I inquire whether the non-publication order extends to the evidence that Mr Preston will give in answer to these questions?

COMMISSIONER: We will wait and see, Ms Orr. Just at the moment the content of the document at which the point is 3346 is not to be published. It has personal information in it, and it will not be published. Let's just see what the question is. Yes, Ms Sharp.

5

MS SHARP: I think one of the difficulties Commissioner, is that I understand this examination is being produced on a live feed at the moment.

COMMISSIONER: That should be taken down.

10

MS SHARP: Yes.

COMMISSIONER: That should be taken down.

15

MS SHARP: So perhaps we could stop the live stream for a moment.

COMMISSIONER: Yes, please.

MS SHARP: Thank you, Commissioner.

20

COMMISSIONER: Just pause there. The document that you have on the screen for Mr Preston, that's not publicly published, or is it?

MS SHARP: No.

25

COMMISSIONER: Thank you. All right. Now, if you want to ask a question in respect of Mr Moo and a particular year without reference to the document, please proceed.

30

MS SHARP: Thank you. Now, these are – but can I just confirm the live stream is down?

COMMISSIONER: No, the live stream is still going, Ms Sharp. You wanted to ask a question about something that happened in 1994, did you?

35

MS SHARP: Yes, I did.

COMMISSIONER: Yes, all right. Please proceed.

40

MS SHARP: In 1994.

MS ORR: I'm very sorry, if this is going to be live streamed, then any application that we make for a non-publication order will be rendered redundant. We were given an express assurance by the inquiry that we would have an opportunity to make a claim about these documents at the conclusion of Mr Preston's evidence and if he is asked questions that reveal the contents of these documents on live stream, that right will be rendered worthless to us. So I do object to this line of questioning, given that

45

we are attending this inquiry relying on what we are being told by the inquiry about  
- - -

5 COMMISSIONER: Ms Orr, please. Please, Ms Orr, you haven't heard the question as yet. I understand the live stream is not on.

MS ORR: I see, thank you.

10 COMMISSIONER: Ms Sharp, would you please proceed.

MS SHARP: Does this disclose Mr Moo's buy-in for various years?

MR PRESTON: As in at 3346?

15 MS SHARP: Yes, and the following page.

MR PRESTON: Sorry, 3347 would indicate his buy-ins.

20 MS SHARP: And can I ask you whether – I withdraw that. It is correct that this discloses Mr Moo's personal betting record; is that correct?

MR PRESTON: As I understand the records, that's correct.

25 COMMISSIONER: All right. Ms Sharp, I think what we might do is to move back into live stream. We will come back to this at a later time.

MS SHARP: Thank you.

30 COMMISSIONER: Yes. Restore the live stream. Thank you.

MS SHARP: Can I take you to a public document, which is exhibit F25, which is INQ.130.003.1815. And have you seen this document before, Mr Preston?

35 MR PRESTON: Apologises, Ms Sharp. I haven't got the document on the screen. I can't trace the number that you've given.

MS SHARP: I apologise. I will do this a different way. Do you have a document that says, "Reasons for sentence"?

40 MR PRESTON: Can I ask you, was it back in the bundle of documents we were looking at or can you give me a list number?

MS SHARP: Yes, this is a public document. It's exhibit F25.

45 MR PRESTON: I'm sorry to trouble. Is it possible to pull it up on screen?

COMMISSIONER: Yes, it is.

MS SHARP: Yes.

COMMISSIONER: It will be done for you in a moment, Mr Preston.

5 MR PRESTON: Thank you.

COMMISSIONER: That's all right. Have you read the reasons for sentence in relation to Mr Moo at all?

10 MR PRESTON: I have. I have read it some time ago, Commissioner.

COMMISSIONER: Yes, I understand. Yes, Ms Sharp.

MS SHARP: When did you first read this judgment?

15

MR PRESTON: I – I can't recall specifically. It was obviously post the – the allegations being made but I can't recall when I specifically read it. I suspect it was upon receipt of the bundles of documents that we received.

20 COMMISSIONER: In the inquiry, you mean?

MR PRESTON: Yes, or as part of collation of information for the inquiry. I can't recall which stage it was.

25 COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: It's right, isn't it, that the AFP contacted Crown from time to time in relation to the investigation and prosecution of Mr Moo?

30 MR PRESTON: That's correct.

MS SHARP: And at all relevant times, the Crown was aware that it was alleged that Mr Moo had laundered money in Crown Melbourne?

35 MR PRESTON: I – I can't speak specifically to that point but I – I understand that that was the nature of the – the allegation that was discussed with the AFP.

MS SHARP: Did anyone from Crown Melbourne seek updates from the AFP as to the status of the investigation and later prosecution into Mr Moo?

40

MR PRESTON: I don't know.

MS SHARP: But would it not have been of intense interest to Crown to understand why Mr Moo had been laundering money in the casino?

45

MR PRESTON: Well, I'm not sure. It was some time ago but I do know, as I said, the detailed conversations that took place between the AFP and – and Crown would

have disclosed the nature of the detail and, indeed, as I recall, Crown had provided a range of information to the AFP in support of its prosecution.

5 MS SHARP: So is your – I'm not quite sure what you're saying. Are you saying that Crown was kept aware of what the AFP investigation into Mr Moo was finding?

MR PRESTON: As I understand it, Crown did maintain dialogue with the AFP in terms of the AFP progressing with its prosecution.

10 MS SHARP: Was Crown told that Mr Moo was laundering money for an international drug trafficking syndicate?

MR PRESTON: I can't say specifically but not that I've seen on any of the records.

15 MS SHARP: Well, wasn't it reported in the media at the time?

MR PRESTON: I believe it was reported.

20 MS SHARP: Well, I will take you to some of those reports at the time. I will go back to the confidential document, if I may. But it is a reproduction of a newspaper article and I will just show that newspaper article to Mr Preston.

25 COMMISSIONER: Just before you do; Mr Preston, if it is assumed for the moment that when the money was handed over by Mr Moo and it was transferred to those bank accounts in the Far East, if Crown has an application or did have an application for the transfer to occur, I presume it's quite often not possible to know the recipient of the money details; is that right?

30 MR PRESTON: That can happen. As to what the exact processes were at that stage, I'm not sure but we will – we will ask for the details of the recipient, not just a bank account.

35 COMMISSIONER: Yes. And so if that happens, though, if we see money transactions like the one we saw on the – depicted in the movie there, if Crown doesn't have any KYC on the recipient – presuming it's not a client – that would cause vulnerability for Crown in that transaction, wouldn't it?

MR PRESTON: Yes, that is a – that is a vulnerability ..... obligation.

40 COMMISSIONER: So how do you go about curing that?

MR PRESTON: Well, one path is understanding who the third party might be who's receiving the money which is a - - -

45 COMMISSIONER: If it happens at that moment – let's take an example that's currently under discussion, if it happens and the money is handed over and the request is made to pass it off to the account of whatever the name is, in the name of a

junket that has been authorised, that is, a person that has been authorised by Crown, at the moment I think Crown would not have the detail of the recipient where the money goes from the junket?

5 MR PRESTON: That's correct. Certainly, there's no obligation to have the details of the transfer – who's going to receive the money. Our obligation is with - - -

COMMISSIONER: It may be – I'm sorry – it may be that's a bit easier than banking with a bank, I suppose, do you think?

10

MR PRESTON: Well, I still think the bank can transfer money from an individual through to a bank account without the necessary details as well, if I'm not mistaken.

15 COMMISSIONER: I'm sorry, if you go to the casino – and coming back to the question – recognising this as a vulnerability, it's the actual transfer of these large amounts of cash, isn't it, that is the cause for concern if you don't know the identity and the detail of the recipient; correct?

20 MR PRESTON: Yes, that is a – there is a risk and that is a vulnerability and there's processes - - -

25 COMMISSIONER: And so, in trying to look at how one might adjust the operations to prevent, let's say, money being transferred to international drug syndicates in the Far East, I suppose one way is to stop big amounts of cash like that being transferred, isn't it?

MR PRESTON: Yes. Or prohibiting third party transfers.

30 COMMISSIONER: Yes.

35 MR PRESTON: Where you can't transfer it to an unknown party. So it would need to be from – from operator – an operator's account or Crown's account to the operator's account or another person that we have carried out, for example, KYC might be a player's account. As long as we have carried out KYC it might well be that's an opportunity to address that vulnerability. So there is the relevant information gathered to provide to regulators.

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

40 MS SHARP: I did wish to show the witness a document. It's amongst the confidential papers but it's a newspaper article. I just wanted to ask a question about it. I don't want to bring it up on the live stream but I will call up the number. It's that document we were referring to before, Mr Preston, that you had before you and I will give you the pinpoint reference to it. If you could please go to pinpoint 3344.

45

MR PRESTON: Yes.

MS SHARP: Now, could we take that document down, please. You will see there is an article dated 25 November 2013 in The Age newspaper and it's about Mr Moo?

MR PRESTON: Yes.

5

MS SHARP: And you will see the heading is Financial Adviser Used Crown Casino Account to Launder Drug Money.

MR PRESTON: Yes, I see that.

10

MS SHARP: It says that:

15

*A financial adviser who used a Melbourne Crown casino bank account to launder \$682,000 in drug money has been categorised by a prosecutor as a cog in the wheels of organised crime.*

MR PRESTON: Yes, I see that.

20

MS SHARP: Yes. Now, you see that this article has been produced to this inquiry by Crown. We know that from the CRL number at the top of it.

MR PRESTON: Yes.

25

MS SHARP: So we may take it that this article was available to Crown at the time; yes?

MR PRESTON: At which time, sorry, Ms Sharp?

30

MS SHARP: At the time that you were conducting your investigations of Mr Moo?

MR PRESTON: It would have been available.

35

MS SHARP: Well, can I just have you look at the first page of that confidential document, lest there be any doubt.

MR PRESTON: Yes, it would have been available.

40

*Mr Doyle –*

that is the prosecutor –

45

*told Judge Paul Grant the money had been derived from drug importations and trafficking by the alleged principal, one of 30 now charged after raids by the federal police, of an international crime syndicate in Australia.*

Now, it's right that at the time of your investigations into Mr Moo, Crown was aware that Mr Moo had laundered money on behalf of an international drug trafficking syndicate?

5 MR PRESTON: Well, this information was part of our records. I accept that.

MS SHARP: So - - -

MR PRESTON: I can't recall.

10

MS SHARP: Someone at Crown knew about it.

MR PRESTON: Well, someone at Crown knew about it from 2013. I can't say whether I had had this information at hand or others had this information at hand for the purpose of carrying out the investigation at the time. Certainly, we were looking - - -

15

MS SHARP: So when the media published the world in July 2019 that Mr Moo had laundered money at Crown Casino on behalf of an international drug trafficking syndicate, that was correct, wasn't it?

20

MR PRESTON: Well, that's the evidence that was given in his case, yes.

MS SHARP: And that's what is recorded in the documents that were in Crown's possession at all relevant times?

25

MR PRESTON: That's what's recorded in the newspaper article which is attached with a number of other documents to the set of minutes that have been referred to.

MS SHARP: But what you cavil with is the suggestion that Mr Moo laundered money on behalf of a syndicate that was called The Company?

30

MR PRESTON: Sorry, can I get you to repeat that, Ms Sharp, I missed that.

MS SHARP: What you cavil with is the suggestion that Mr Moo laundered money on behalf of a syndicate called The Company?

35

MR PRESTON: That's correct.

MS SHARP: And just while we're in that document, could you please turn over to the next page. This is an article of 16 December 2013. Again, you will see the heading is Financial Adviser Jailed for Laundering Drug Money, and this is a document that was in the possession of Crown at the time of your investigations.

40

MR PRESTON: Yes, like the other document, it was.

45

MS SHARP: And, again, this document about halfway down the page refers to what Mr Doyle told the judge and what he told the judge was that the money had been derived from drug importations and drug trafficking by the alleged principal, one of 13 now charged after raids by the federal police. This sounds like a fairly large drug operation, does it not?  
5

MR PRESTON: It does with the context of 30 charged.

MS SHARP: Did anyone from Crown go along to Mr Moo's sentencing?  
10

MR PRESTON: I – I don't know.

MS SHARP: Do you think that would have been too much to expect of Crown in the circumstances?  
15

MR PRESTON: I don't think I can answer that question. I mean, we were providing information to the - - -

MS SHARP: Do you think that for the purpose of considering Mr Moo's offending, it was relevant to note that he was working for or with an international drug trafficking syndicate?  
20

MR PRESTON: Yes.

MS SHARP: It's highly relevant because it suggests that an international drug trafficking syndicate is using Crown to launder money; is that correct?  
25

MR PRESTON: Well that's the indication that Mr Moo was used to launder money through Crown.  
30

MS SHARP: Can I take you to a document that you exhibited to your statement, please. This is a copy of the Victorian regulator's sixth review report. We spoke of it in some detail on Monday. It's an open document and I will have it pulled up on the live stream please; it's CRL.508.001.8052. Mr Preston, could I ask you – have you got a hard copy of that document in front of you, Mr Preston?  
35

MR PRESTON: I do, Ms Sharp.

MS SHARP: So the page number I wish to take you to is page 136 of that report, which is pinpoint 8191, if we could have this brought up. Do you see the Victorian regulator has set out an outline of a money laundering case study at Crown Casino?  
40

MR PRESTON: I do.

MS SHARP: And we can take it that you read this report carefully at the time it was issued back in June of 2018?  
45

MR PRESTON: I did read it carefully in June of '18.

MS SHARP: And it would have been of some considerable interest to you that money had been laundered at the casino?

5

MR PRESTON: Yes.

MS SHARP: And what has been referred to here is the case study of Mr Minh Ptah Truong; do you see that?

10

MR PRESTON: I do.

MS SHARP: Do you see the reference between January 2012 and March 2013 the AFP conducted Operation Valanti into an international drug importation, money laundering and drug trafficking syndicate?

15

MR PRESTON: Yes, I see that.

MS SHARP: And could I take you down about halfway down the page to the paragraph, and I will have it highlighted:

20

*Mr Truong assisted Mr Lieu, an Australian principal in a criminal syndicate, to remit proceeds of drug trafficking from Australia to Hong Kong by laundering the money offshore through Crown Casino.*

25

And immediately after that, Mr Truong arranged for his business associate who also worked at Crown Casino as an authorised representative of an Indonesian-based junket operator to deposit the money in the form of cash and gaming chips at the casino in the junket account. Now, that's Mr Moo that's being referred to there, isn't it?

30

MR PRESTON: I believe so.

MS SHARP: And you knew that back at the time you first read the sixth review, did you?

35

MR PRESTON: I – I read that, yes, well, I would have and as I read it.

MS SHARP: So you agree you knew back in around June 2018 that it was Mr Moo who had laundered the money for the international drug trafficking syndicate?

40

MR PRESTON: As to the exact focus or the exact what I took out of that – that document, I can't recall specifically, but I definitely had read the document.

MS SHARP: I will just take you to the next page – I beg your pardon, the next paragraph:

45

5            *Mr Truong's cousin, Suky Lieu, was responsible for importing heroin from Vietnam and trafficking methamphetamine and methoxymethamphetamine in Victoria and New South Wales. A significant part of Mr Lieu's drug trafficking business was coordinated and carried out in conjunction with Hong Kong members of a wider drug syndicate.*

Do you see that?

10        MR PRESTON: Yes, I do.

MS SHARP: And there's a reference to Mr Lieu being sentenced to 25 years for his role in the drug trafficking and money laundering. And do you see that there is a reference right at the bottom of the page to Truong v The Queen and a case citation?

15        MR PRESTON: Yes.

MS SHARP: Now, as a lawyer, you know that these case citations mean that you can find these cases on the internet?

20        MR PRESTON: Yes, that's correct.

MS SHARP: And it would have been open to you, back in June 2018, to have a look at this case on the internet?

25        MR PRESTON: It would have been open to me, yes.

MS SHARP: And, indeed, it would have been open to you in July and August of last year, when you were conducting your investigations for the board to have a look at this internet case judgment?

30        MR PRESTON: Yes, it would have been.

MS SHARP: So let's have a look now at this case. Could I please call up exhibit G7 and I will put this on the live stream; it's INQ.130.003.1745. You agree that's the case citation for the Truong decision which matches that which appears in the sixth review?

35

MR PRESTON: It would appear to be. Yes.

40        MS SHARP: Could I take you, please, to page 3 of that judgment, which is pinpoint 1748. Can I direct your attention to paragraph 6, please, Mr Preston:

45            *Suky Lieu, the applicant's cousin was a Melbourne-based drug trafficker and a principal of a substantial drug trafficking operation.*

And then could I direct your attention, please, to paragraph 7. See:

*The applicant assisted Lieu by arranging money transfers authorised by Crown Casino through Whye Wah Moo.*

That's Mr Ray Moo, it not?

5

MR PRESTON: Roy Moo, yes.

MS SHARP: I'm sorry, Roy Moo.

10 MR PRESTON: Yes, it is.

MS SHARP: And a little further down that paragraph:

15 *This enabled the proceeds of the drug trafficking operation to be passed on to Lieu's partners in Hong Kong.*

MR PRESTON: Yes.

20 MS SHARP: And then you see at paragraph 8 there's a fairly lengthy quote of the trial judge's sentencing remarks, and we could go over to the next page, please. Could I direct your attention to the second paragraph and have that highlighted. You see:

25 *A significant part of Suky Lieu's drug business was coordinated and carried out in conjunction with Hong Kong-based members of a wider drug syndicate.*

Do you see the name Sam Gor referred to there?

30 MR PRESTON: I do.

MS SHARP: You now understand that Sam Gor is another name for Tse Chi Lop or the syndicate known as The Company?

35 MR PRESTON: Yes, based on the Reuters report, that would be indicated through that.

MS SHARP: And what I'm now showing you are the judge's sentencing remarks in the prosecution of Mr Truong. Do you have any reason at all to doubt the accuracy of those sentencing remarks?

40

COMMISSIONER: You mean the accurate recording of the sentencing remarks?

MS SHARP: The accurate recording of the sentencing remarks.

45 MR PRESTON: Sorry, Ms Sharp, I just lost you there.

MS SHARP: Do you have any reason at all to doubt the accuracy of the recording of these judicial sentencing remarks?

MR PRESTON: No, I do not.

5

MS SHARP: Now, you would agree, wouldn't you, that this judgment links Roy Moo to The Company, wouldn't you?

MR PRESTON: Well, based on what I've now seen there seems to be a link to an  
10 organisation that has been referred to as The Company in the allegations.

MS SHARP: And you accept that now?

MR PRESTON: Well, I accept that there's a link between Mr Moo, Suky Lieu and  
15 Sam Gor. I accept that. As to the reference to The Company, I still have not seen that reference apart from that media allegation and then the subsequent report that you brought up.

MS SHARP: So that media allegation, that significant new piece of information  
20 published by Tom Allard in the Reuters article in October 2019 received international media attention but you say you didn't know that; is that right?

MR PRESTON: No, I did not know that.

MS SHARP: But you do agree that Mr Allard's article did contain significant new  
25 information so far as you were concerned that a drug trafficking syndicate by the name of The Company existed?

MR PRESTON: Yes, I took that from that article, that there was an article on an  
30 entity known as The Company.

MS SHARP: But once you became aware of that significant new piece of  
information in October, you took no further steps to see if you could link Mr Moo to  
35 The Company?

MR PRESTON: As I – as I indicated, as I recall, I did make some inquiries as to  
whether there was any relationship with the people in the article on our system. As I  
recall they were the steps that I took.

MS SHARP: Would you agree it really wasn't very hard to perform that link. We  
40 did it just then looking at the sixth review report and then reading the case that was expressly referred to in the sixth review report?

MR PRESTON: Well, I don't agree with that, Ms Sharp. I appreciate what you've  
45 done to link it but I – I don't agree with that. That was a – the section 25 review report was in 2018. I did not look at this case, did not go to the link and did not draw the link.

MS SHARP: Was that a little sloppy in all of the circumstances?

MR PRESTON: I don't think so. I don't have a habit of reading every citation that I see and I did not read this citation. Should I have; well, possibly, but I did not.

5

MS SHARP: But, Mr Preston, the board of directors of Crown Resorts had taken out full page advertisements in the Australian newspapers expressly saying that the media had engaged in a deceitful campaign against Crown Resorts and there was no basis or no record and no basis to the allegation that money had been laundered by The Company in casinos. Do you agree with that?

10

MR PRESTON: Well, I still stand by what was said in that report.

COMMISSIONER: No, you're just being asked whether you agree that that was what was in the .....

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MR PRESTON: Well – I might get you to repeat it, Commissioner, Ms Sharp, if you could repeat that.

COMMISSIONER: Yes, no problem, if you just listen carefully.

20

MR PRESTON: Thank you.

MS SHARP: In fact, I want to make sure that I'm correctly stating the content of the article. Could you give me one moment, please?

25

COMMISSIONER: Yes, it's INQ.100.010.0896. That will just be brought up for you, Mr Preston. Yes, there it is.

MS SHARP: You will see that the heading at the top is Setting the Record Straight in the Face of a Deceitful Campaign Against Crown.

30

MR PRESTON: Yes.

MS SHARP: And at paragraph (c) it stated:

35

*Extensive references in the 60 Minutes program to alleged criminal connections of an organisation said to be called The Company. Crown has no dealings or knowledge of any organisation of that name or description.*

40

But you see, it now turns out, Mr Preston, that The Company did launder money through Crown Casino via Mr Moo. That's right, isn't it?

MR PRESTON: I don't accept that The Company laundered money, and I can say at the time when we carried out the investigations as best we could at that point in time there was no link to The Company. We did not have any link to Roy Moo and The Company and that was the basis upon which that statement was made.

45

MS SHARP: There was no holding back here. It was stated that a deceitful campaign had been run against Crown; you agree?

MR PRESTON: That's – that's the wording, yes.

5

MS SHARP: But now it would appear that we can link Mr Roy Moo to an international drug trafficking syndicate to Sam Gor, to The Company, and what the media alleged in July of 2019 appears to be true, does it not?

10 MR PRESTON: Well, again, I'm not sure that I've got established the concept of The Company and also that is a concept of deceitful campaign is broader than just one paragraph, it is the wholistic campaign that was being run.

15 COMMISSIONER: Just pausing there for the moment. Ms Sharp is, in fact, focusing on the documents to which she took you to establish the link, certainly after this advertisement – it's not being suggested to you it was before – but after this advertisement there was a publication that gave you the name The Company and she suggests that there is now an apparent link between Mr Moo, The Company and some laundering through Crown, and she asks you do you accept that now?

20

MR PRESTON: I do accept that there was an apparent link between the newspaper articles.

COMMISSIONER: Yes, Ms Sharp.

25

MS SHARP: I am about to move to a new topic, Commissioner, would you like me to continue?

COMMISSIONER: Yes, of course.

30

MS SHARP: Thank you. Could I return you, please, Mr Preston, to one of those media publications we looked at earlier. Pardon me for a moment.

COMMISSIONER: Yes, of course.

35

MS SHARP: So if we could go to exhibit G104, which is INQ.100.010.0690.

COMMISSIONER: Exhibit G3.

40 MS SHARP: Yes, I can't seem to get this number right.

COMMISSIONER: That's all right.

MS SHARP: Exhibit G3.

45

COMMISSIONER: Yes.

MS SHARP: We have seen this one before but what I wanted to take you to now, Mr Preston was point 0699. Now, you see there's that heading The Company and we've looked at that. Could I then take you to the following page, which is 0.001.

5 COMMISSIONER: Just give us the pinpoint number.

MS SHARP: Yes, point 0701, and I will just wait for that to be brought up.

COMMISSIONER: Yes.

10

MS SHARP: Could I please draw your attention, Mr Preston, to the paragraph underneath the photograph:

15 *Moo was jailed in late 2013 but it was a Pyrrhic victory for police. Multiple regional law enforcement sources say it prompted The Company to then rely on its own in-house junket named after a Macau hot pot restaurant. The Hot Pot junket was promptly licensed by Crown. For every dollar the junket arranged to be gambled over the casino's Australian tables, Crown would pay a commission.*

20

And then the article continues:

25 *This arrangement represented an extraordinary truth. Crown was effectively making payments to an organised crime syndicate.*

25

And then there's this paragraph:

*In a single trip from China to Australia in August 2015 - - -*

30 COMMISSIONER: Just pause there. If you would like to bring that up ..... yes, Ms Sharp.

MS SHARP:

35 *In a single trip from China to Australia in August 2015 organised by Hot Pot Junket several of the triad syndicate's key bosses flew on a private jet to Crown's Perth casino, regional law enforcement sources say. Over a few days, they turned over \$800 million in high-roller rooms. A tax receipt sighted by The Age and other news outlets revealed that the Hot Pot junket was paid*  
40 *\$232,000 in commissions by Crown for organising trips to Crown in the 2016 financial year.*

45

Now, you understood that there was an allegation that there was another junket operating in Crown Casino that was linked to The Company; correct?

MR PRESTON: In terms of the reference to Hot Pot?

MS SHARP: Yes.

MR PRESTON: I had no understanding of who pot Hot Pot was.

5 COMMISSIONER: No, but the question is, earlier when it was referring to the  
Pyrrhic victory about Mr Moo, what Ms Sharp is putting to you, did you understand  
from this article that there was a link between The Company and the Hot Pot junket?

MR PRESTON: Yes, as indicated yes, I do see that.

10

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

MS SHARP: And if I could leave that image – I beg your pardon, that page on the  
screen, I would now like you – I would like to ask some questions about what  
15 information we can glean when we do read through this article. So if we could show  
the whole page. The first thing you would agree that we know reading this article, is  
that there is another junket named after a Macau hot pot chain; yes?

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

20

MS SHARP: So you would agree that there's some sort of link to a hot pot  
restaurant?

MR PRESTON: Yes.

25

MS SHARP: And we know that just from reading the article?

MR PRESTON: We do.

30 MS SHARP: You also know that it's alleged that there was a trip from China to  
Sydney organised by the Hot Pot junket in August of 2015; right?

MR PRESTON: I see that, yes.

35 MS SHARP: And you also know that it's said that on a trip several of the triad  
syndicate's key bosses flew on a private jet to Crown Perth. That's another piece of  
information we're told about in this article.

MR PRESTON: Yes.

40

MS SHARP: We are also told – and this is the fourth piece of information I would  
suggest, that over a few days this junket turned over 800 million in a high roller room  
in Crown Perth.

45 MR PRESTON: Yes, I see that.

MS SHARP: And the fifth piece of information we can glean just from reading this article is that there is a tax receipt that the journalist has sighted that reveals the Hot Pot junket was paid \$232,000 in commissions in the 2016 financial year. So there are five pieces of information that you could check in order to see if there was any  
5 merit in this allegation about the Hot Pot junket; do you agree?

MR PRESTON: Yes, I agree.

MS SHARP: Now, you're well aware that Crown only deals with individuals and  
10 not with companies?

MR PRESTON: That's correct.

MS SHARP: So unless there was some person whose name was Hot Pot, you knew  
15 that the Hot Pot junket must, in reality, be known by another name?

MR PRESTON: Well, if there was a Hot Pot junket of some source it would be in an individual's name.

MS SHARP: You see, you were given some more clues to point you in the direction  
20 of who the Hot Pot junket was, weren't you?

COMMISSIONER: In the article?

MS SHARP: No, no, not in the article.

COMMISSIONER: Make that clear.

MS SHARP: Yes. You were, at the time of your investigations, given further clues  
30 to help you identify who the Hot Pot junket really was, weren't you?

MR PRESTON: Yes, there are other clues there.

MS SHARP: What were the other clues?  
35

MR PRESTON: Well, the clues you've just articulated.

MS SHARP: What were the other clues?

MR PRESTON: Flying down on a plane to Perth, turning over a certain amount of  
40 money and a certain amount of commission.

MS SHARP: Let's just go to your statement of 6 March, if we could. Now, this  
45 statement is now a public document. If I could call up CRL.577.002.0017, and could I please take you to pinpoint 0024.

COMMISSIONER: When you say it's a public document, you're saying it's a public exhibit, are you?

MS SHARP: Yes, I'm sorry, it's a public exhibit.

5

COMMISSIONER: That's all right. Yes, thank you.

MS SHARP: Could I direct your attention, please, Mr Preston, to subparagraph (f) and the heading, Hot Pot. So what you told this inquiry in your statement is:

10

*We have been unable to locate any internal records in relation to any entity referred to as the Hot Pot junket.*

Now, I will stop there, that is hardly surprising, is it because you always have junket operators who are individuals; correct?

15

MR PRESTON: Correct, but the inquiry was broader than the concept of just Hot Pot junket. It was a reference to Hot Pot.

20 MS SHARP: And you say:

*I know that media reports have alleged that there is a link between Roy Moo and the Hot Pot junket. Media reports have also suggested that Crown licensed the Hot Pot junket. To my knowledge this is not reflected in Crown's systems. However, as noted in subparagraph (e) above, Roy Moo –*

25

no, we don't need to highlight that. Go back to (f) please. Could we highlight (f) again, please:

*However, as noted in subparagraph (e), Roy Moo is one of the individuals in respect of whom we conducted searches to prepare confidential annexure 3. Otherwise, I do not consider that Crown can provide any responsive material in relation to the Hot Pot junket.*

30

35 Were you being completely candid with this inquiry when you said that?

MR PRESTON: I was.

MS SHARP: Can I show to you confidential document – and this is only for you, not to anyone else, the Commissioner and you, in list 3 at tab 19. Could you just pardon me for one moment. This list, your Honour, was served – this becomes important, list 3 of confidential documents was served on Saturday, 25 July.

40

COMMISSIONER: Yes.

45

MS SHARP: That is at a time before Mr Preston was in the course of his examination.

COMMISSIONER: Yes.

MS SHARP: I understand the documents were pushed out on Sunday, the 26<sup>th</sup>.

5 COMMISSIONER: Yes. When you say list 3, what is the document number?

MS SHARP: It is document 19 in list 3.

10 COMMISSIONER: Just pardon me for a moment. Yes, all right. I think you have got the document there, have you Mr Preston?

MR PRESTON: I do, Commissioner.

15 COMMISSIONER: Could you keep your voice up a little bit so I can hear you, please.

MR PRESTON: Sorry, I do, Commissioner.

20 COMMISSIONER: Yes, thank you very much.

MS SHARP: And I'm very sorry, I've taken you to the wrong document.

COMMISSIONER: That's all right.

25 MS SHARP: And now I will do the right document which is in fact an open document. I apologise for that.

COMMISSIONER: That's all right Ms Sharp.

30 MS SHARP: My handwriting is appalling.

COMMISSIONER: That's all right.

35 MS SHARP: Could I take you please to a document that when it was initially provided to you, Mr Preston, was provided in confidential list 1 at tab 76. Now, I'm telling you that because I understand you can find it that way in hard copy. But, Commissioner, can I tell you that I understand there is no claim for confidentiality over this document.

40 COMMISSIONER: Yes, thank you. Number 76.

MS SHARP: Yes, it's CRL.579.006.0712.

45 COMMISSIONER: Yes. All right. You can bring that up, can you?

MS SHARP: And that can go to the live stream.

COMMISSIONER: Yes, all right, thank you.

MS SHARP: Now, Mr Preston, you see that's an email from you that I'm showing you dated 23 July 2019?

5

MR PRESTON: Yes, I see that.

COMMISSIONER: I can't hear you again, Mr Preston.

10 MR PRESTON: Sorry, Commissioner. Yes, I see that.

COMMISSIONER: Yes, thank you very much.

15 MS SHARP: And you're sending – you're forwarding an email to Jan Williamson, who you were having undertake some investigations for you; correct?

MR PRESTON: That's correct.

20 MS SHARP: And let me show you what you were forwarding. If I can go over to document pinpoint reference 0713. What we see here is an inquiry from journalist Nick McKenzie to Crown dated 23 July 2019. And it's right that you were made aware of this very soon after Crown received this inquiry?

25 MR PRESTON: That's true.

MS SHARP: And what Mr McKenzie did was alert Crown to the fact that he was proposing to run an article that was adverse to Crown and in fact he asked Crown 63 questions. You recall that?

30 MR PRESTON: I do.

35 MS SHARP: And I will just take you to some of those questions, if I may. If I could take you to pinpoint 0715. Now, right up at the top, let's focus on questions 14 through 18. You will see the first question relates to Roy Moo. That's question 14. Question 15 also relates to Roy Moo and then question 16 is this:

*Is Crown aware that policing sources and records in Macau allege that its junket partner, Ng Chi Un is part of the same international criminal syndicate that used Roy Moo to launder funds.*

40

You understood that was the journalist's interest at the time in Ng Chi Un.

MR PRESTON: Yes, that was one of the questions.

45 MS SHARP: And you understand, you understood at the time that the journalist had linked Ng Chi Un to the same international criminal syndicate that used Roy Moo to launder money?

MR PRESTON: Yes, that's what the question indicates.

MS SHARP: And you understood from questions 17 and 18 that the journalist was interested in Crown's dealings with Ng Chi Un.

5

MR PRESTON: Yes.

MS SHARP: This is the Hot Pot junket, isn't it?

10 MR PRESTON: As it came to my attention reading through documents preparing for this hearing, there is a reference to a Hot Pot restaurant within paperwork associated with Ng Chi Un.

15 MS SHARP: Are you saying you did not notice at the time that were multiple references in multiple documents to a Hot Pot restaurant and Ng Chi Un?

MR PRESTON: No, I did not.

20 MS SHARP: You didn't put those two things together?

MR PRESTON: No, I made inquiries as to any reference to Hot Pot and I was advised that there was no such reference.

25 MS SHARP: And are you telling us that no one else at Crown put two and two together and linked Ng Chi Un and the Hot Pot junket that had been referred to in these media articles?

MR PRESTON: Not to my knowledge or that I recall.

30 MS SHARP: That is a rather extraordinary oversight, is it not?

MR PRESTON: Well, I have seen the reference in – buried in a report regarding a reference to a Hot Pot restaurant in preparing for the hearing when going through documents. I can't recall seeing - - -

35

MS SHARP: Did you say it was a buried in a report?

MR PRESTON: I saw it in a report related to Ng Chi Un.

40 MS SHARP: You say one reference was buried in a report relating to Ng Chi Un.

MR PRESTON: There might have been a number of references in a report that I saw.

45 COMMISSIONER: But you are being asked did you say the words "buried in a report"?

MR PRESTON: It was in a report; maybe buried is not the right word. It was in a report.

COMMISSIONER: Yes. All right.

5

MS SHARP: In any event, you were aware as of 23 July 2019 that Nick McKenzie, the journalist, was interested in knowing about Ng Chi Un; correct.

MR PRESTON: Yes.

10

MS SHARP: And because you were aware of that, you directed that inquiries be made in relation to Ng Chi Un?

MR PRESTON: That's correct.

15

MS SHARP: Now, I want to show you a document. I'm not showing anyone else, confidentiality has been claimed. It's on confidential list 317. Again, this was a document that the parties were notified of before Mr Preston commenced giving evidence.

20

COMMISSIONER: What number is it?

MS SHARP: It's tab 17.

25

COMMISSIONER: In list 3?

MS SHARP: In list 3. It's CRL.579.008.8346.

COMMISSIONER: You don't want that brought up, do you?

30

MS SHARP: No, I just want Mr Preston to look at it and you, of course, Commissioner.

COMMISSIONER: That's all right.

35

MS SHARP: Could you just read that to yourself, Mr Preston. Now, I would like to take you to a different document that was also in confidential list 3 at tab 19. Again, please don't show this to anybody. This is CRL.579.001.3195. A confidentiality claim is made over this document, Commissioner. I seek to have this document tendered as part of the public record in this inquiry.

40

COMMISSIONER: Why don't you just ask the question .....

MS SHARP: You agree that this document refers to Ng Chi Un?

45

MS ORR: I object, Commissioner. This is a document that we notified the inquiry on Sunday - - -

COMMISSIONER: I understand that, Ms Orr. No, I understand that. I'm trying to deal with it efficiently. I will come back to you in a moment. Ms Sharp.

MS ORR: Thank you.

5

COMMISSIONER: Ms Sharp, you want to ask a series of questions in respect of Ng Chi Un without reference to the documents and then perhaps we can move on.

MS SHARP: I want to ask questions about the content of these documents, your Honour. So I – I beg your pardon, Commissioner.

10

COMMISSIONER: That's all right.

MS SHARP: Another place. So I seek to be able to ask these questions in public.

15

COMMISSIONER: Yes, all right. Could you hand me a couple of the documents.

MS SHARP: Yes. Are they available on the stream?

20

COMMISSIONER: No.

MS SHARP: Hand the documents?

COMMISSIONER: Yes, I think that's probably the safest way at the moment.

25

MS SHARP: Yes, I'm afraid I only have a marked-up copy.

COMMISSIONER: I think those instructing you will have .....

30

MS SHARP: No, everything is done electronically.

COMMISSIONER: All right. Yes, perhaps you could put it up on my screen if it's possible.

35

MS SHARP: Yes.

COMMISSIONER: And only my screen.

40

MS SHARP: Could this document be shown to the hearing room only, please. This is CRL.579.001.3195.

COMMISSIONER: This is a document in respect of which ..... makes a claim, as I understand it, for confidentiality, is it, Ms Orr?

45

MS ORR: Your Honour – I'm sorry, Commissioner. The position in relation to - - -

COMMISSIONER: That's all right.

MS ORR: I'm sorry. The position in relation to this document is that it is part of a set of documents that we were provided with over the course of the weekend. We wrote to the inquiry on Sunday explaining that we were unable to download these documents from the hearing book. We set out in detail the technological difficulties  
5 that we were having. They were corrupted files in the hearing book. So we were unable, because of those difficulties, to seek any instructions

COMMISSIONER: Do you have it with you at the moment?

10 MS ORR: I do but I have no instructions on my client's position.

COMMISSIONER: That's all right. So I understand that you are making a claim cautiously on the basis that you may have instructions to claim confidentiality.

15 MS ORR: Yes, that's absolutely right.

COMMISSIONER: Is that a reasonable description? Yes. Thank you.

MS ORR: Yes, Commissioner. We have flagged there may be a need to make a  
20 confidentiality claim as soon as we are able to get instructions.

COMMISSIONER: Yes, all right. I think, in the circumstances questions may be asked about whether Crown had any documentation in respect of Ng Chi Un prior to a particular date, and Mr Preston can give those answers irrespective of whether this  
25 document is ultimately confidential or restricted. So, Ms Sharp, you may proceed asking about whether Crown had documents in respect of Ng Chi Un.

MS SHARP: I won't even ask about this document at the moment, Commissioner.

30 COMMISSIONER: Yes, all right. Yes, I will put it to one side.

MS SHARP: Ng Chi Un was a junket operator at Crown Perth, was he not?

MR PRESTON: He was.  
35

MS SHARP: And in fact, Crown held a range of due diligence reports about him, did it not?

MR PRESTON: Yes, I understand that they – they did.  
40

MS SHARP: I'm going to show some documents to you and to the Commissioner and to nobody else. We will start with the document you had in front of you, ending  
pinpoint 3195.

45 MR PRESTON: Yes.

MS SHARP: You see the dates referred to on the first page in the body of that document.

MR PRESTON: I do.

5

MS SHARP: You see there were a number of attachments provided with that document?

MR PRESTON: Yes, I do.

10

MS SHARP: Now, I want to take you to a different document over which I understand confidentiality is claimed, which is – was notified to you in list 3 at tab 37, and which can be brought up to the hearing room only, CRL.579.026.0425. And you know what that document is, don't you, Mr Preston?

15

MR PRESTON: I do.

MS SHARP: And that was provided to you in July of 2019?

20

MR PRESTON: Yes, possibly.

MS SHARP: Well, of course, it was, Mr Preston, wasn't it?

25

MR PRESTON: Sorry, I'm just trying to – it's the document that is referenced in that earlier document you were referring to, yes.

MS SHARP: Just to make sure we're on the same page, I'm talking about CRL.579.026.0425.

30

MR PRESTON: Yes.

MS SHARP: And I will direct you to item 6.

MR PRESTON: Yes.

35

MS SHARP: You see item 6 refers to two matters?

MR PRESTON: Yes, it does.

40

MS SHARP: Do you see that?

MR PRESTON: Yes.

45

MS SHARP: Now, I will take you to item 9 and through to the second page and you see that information?

MR PRESTON: I do.

MS SHARP: Now, I will take you to one of those documents referred to at item 6. This is tab 14 of confidential list 3. Again, I understand this document – a claim for confidentiality is made. This is CRL.579.001.1843. Have you got that document in front of you?

5

MR PRESTON: I have.

MS SHARP: You see it's got a lot of green on it; can I make sure we're talking about the same document?

10

MR PRESTON: I have a black and white copy but I understand it's normally green.

COMMISSIONER: Yes, all right.

15 MS SHARP: There's a photo.

MR PRESTON: There is.

MS SHARP: Can I direct you midway down the page, there's a heading and then there are three dot points.

20

MR PRESTON: Yes.

MS SHARP: Could you have regard to the second dot point, please.

25

MR PRESTON: Yes.

MS SHARP: Could you then look in the little box towards the bottom. There are five rows. Could I ask you to look in the fourth row.

30

MR PRESTON: Yes.

MS SHARP: Do you see what's said there?

35 MR PRESTON: I do.

MS SHARP: Can you turn the page please, to pinpoint 1844. You will see that under the diagram there is a heading.

40 MR PRESTON: Yes, I do.

MS SHARP: You will see that the second paragraph – well, could I ask you to read the whole of the second paragraph to yourself. And then could I ask you to read the last paragraph – I beg your pardon, the second last paragraph.

45

MR PRESTON: Yes, I see that.

MS SHARP: Could I then take you to another document in respect of which a confidentiality claim is maintained; it is again on list 3 at tab 6. CRL.579.016.6050. This is a hearing room only document.

5 MR PRESTON: Yes, I see that.

MS SHARP: And you will note the person to whom this relates?

MR PRESTON: Yes, I do.

10

MS SHARP: And you will note the branding on the front page of the document?

MR PRESTON: I do.

15 MS SHARP: And if we take you over the page – you will also note the date of the document.

MR PRESTON: Yes.

20 MS SHARP: If we take you over the page to pinpoint 6051, could I ask you to look at dot points 1 and 2, please. And then could I ask you to look to the last dot point on that page.

MR PRESTON: Yes.

25

MS SHARP: Then could I ask you to go to pinpoint 6056. And right in the middle of that page, you will see a red heading and two dot points. Could I ask you to read the second dot point, please?

30 MR PRESTON: Yes, I see that.

MS SHARP: Then could I take you to pinpoint 6058 in that same document. Could I ask you to look at the very last dot point or, actually, there are two. All of those dot points. And could I ask you to look at the photo on that page, and can I take you to  
35 pinpoint 6070. You will see there are two boxes. Can I direct your attention to the second box and the third dot point?

MR PRESTON: Yes.

40 MS SHARP: And just to be clear, is it or is it not the case that you reviewed this document when you were conducting your investigation into Ng Chi Un?

MR PRESTON: No, I did not.

45 MS SHARP: You did not see that document?

MR PRESTON: No, I don't recall seeing this document before preparing for this hearing.

5 COMMISSIONER: You don't recall seeing it last year when you were doing your investigation?

MR PRESTON: No. No, not at all.

10 COMMISSIONER: Yes, thank you.

MS SHARP: But you would agree, just looking on the face of the document that it clearly was in Crown's documentary holdings as at the time you conducted your investigations?

15 MR PRESTON: Yes, it was.

COMMISSIONER: Mr Preston, it's clear, isn't it, that over the years there have been instances, well documented, of money laundering through Crown.

20 MR PRESTON: There have been documented instances, yes, Commissioner.

COMMISSIONER: And, indeed, instances where that money laundering has been linked by the courts to drug trafficking - - -

25 MR PRESTON: Yes.

COMMISSIONER: - - - as the proceeds of crime.

30 MR PRESTON: Yes.

COMMISSIONER: So notwithstanding the content of the advertisement, it is reasonable to assume that as at August 2019 Crown had had experience over the years where large amounts of cash had been transferred from its Crown Casino to overseas that was linked to criminal activity?

35 MR PRESTON: Certainly, the Roy Moo matter would be evidence of that.

40 COMMISSIONER: So I know that you've been asked about the heading to the advertisement and ..... but in giving the board the assistance that you did with others, it would be the case that the board should have understood – helpful for the board to understand that Crown had had a series of at least cases in which money laundering had occurred through its casino, and that money had been linked to drug trafficking. Is that not right?

45 MR PRESTON: The board was appraised of the Roy Moo matter during the – during the discussions that took place.

COMMISSIONER: Yes. So - - -

MR PRESTON: But as to the - - -

5 COMMISSIONER: As to the which?

MR PRESTON: As to the necessary links that have now been drawn, the board was not aware of that as I was not aware of that.

10 COMMISSIONER: So when – I suppose when you go on the front foot, as Ms Sharp has described analogously, it is necessary to make sure that the Achilles heel is exposed before you do it, isn't it?

15 MR PRESTON: Seeing what I've now seen more recently, having that information at hand would have been – would have been definitely relevant.

COMMISSIONER: Were you aware that the board intended to publish this as an ASX statement?

20 MR PRESTON: I believe I was aware.

COMMISSIONER: I see. So I suppose if you had your time over, you would like to do the exercise that Ms Sharp has done to ensure that the board was appraised of all these matters or the ASX release?

25

MR PRESTON: Going through the task that Ms Sharp has taken me through, yes, it would have been.

30 COMMISSIONER: Yes, thank you for your candour.

MS SHARP: I just want to go back, Mr Preston, to what was known to you at the time - - -

35 COMMISSIONER: I think it's a bit late in the day.

MS SHARP: I accept that.

40 COMMISSIONER: I think Mr Preston has been there for a long time and I think we might adjourn until tomorrow morning. Do you want to proceed with Mr Preston tomorrow morning?

MS SHARP: That would be good, thank you Commissioner.

45 COMMISSIONER: Mr Preston, I'm sorry, could you make yourself available again at 8 am Perth time tomorrow please?

MR PRESTON: Yes, I will Commissioner.

COMMISSIONER: Yes, thank you very much. I will now adjourn.

<THE WITNESS WITHDREW

[4.44 pm]

5

**MATTER ADJOURNED at 4.44 pm UNTIL FRIDAY, 31 JULY 2020**

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