



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

INQUIRY UNDER SECTION 143 OF THE CASINO CONTROL ACT 1992 (NSW)

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**MONDAY, 3 AUGUST 2020
AT 10.00 AM**

Continued from 31.7.20

DAY 9

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 MR H.C. WHITWELL 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

MS K. RICHARDSON SC appears for Star Entertainment Group Limited and Star Pty Ltd

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COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Good morning, Commissioner. I understand Ms Orr leads a new junior this morning and will make a further appearance.

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COMMISSIONER: Yes. Yes, Ms Orr.

MS ORR: Thank you, Commissioner. I appear today with MR WHITWELL.

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

MS SHARP: We continue the examination of Mr Preston this morning, Commissioner.

25

<JOSHUA ROBERT PRESTON, ON FORMER OATH [10.00 am]

<EXAMINATION BY MS SHARP

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

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

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COMMISSIONER: And just as a matter of formality, but importantly, you understand that you are bound by the oath that was administered last week.

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

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

MS SHARP: Pardon me for one moment, Commissioner. Mr Preston, you're familiar in general terms with a report of the Victorian Auditor-General which reviewed certain of the functions of the VCGLR?

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MR PRESTON: Generally. It was a report that was issued, as I recall, a short while before I started at Melbourne, but I have – I have seen a copy of the report.

5 MS SHARP: And are you aware – or do you recall that that report said that the VCGLR had directed Crown not to deal with a particular junket operator?

MR PRESTON: I am.

10 MS SHARP: And you told us in evidence last week that Crown – and just for the transcript it's of the transcript of 30 July at page 493, you said that the VCGLR had never issued a direction to Crown not to deal with a junket operator. Are you able to explain what the correct position is, please?

15 MR PRESTON: Yes, Ms Sharp. My instructions when I did see – see that referenced was that the individual in question was – has never been a junket operator. He was a premium player, or a junket player which was – which was the distinction.

20 MS SHARP: And so you stand by your evidence that the VCGLR has never directed Crown to cease doing business with a junket operator.

MR PRESTON: Not – not to my knowledge, Ms Sharp, and as I've said were that the individual the subject of that comment was a premium player or a junket player, not an operator.

25 MS SHARP: And given your position within the organisation you expect, of course, that you would know had the Victorian regulator directed Crown to cease dealing with a junket operator.

30 MR PRESTON: I can only really talk to my experience since Crown Melbourne time with respect to the VCGLR. Prior to that I haven't been made aware of any to my knowledge.

35 MS SHARP: Could I go to your 6 March statement, please, Mr Preston, and take you to paragraph 31(g). Now, this is no longer confidential so this can be brought up on the public screen. It is CRL.577.002.0017_R.

MR PRESTON: Yes, Ms Sharp.

40 MS SHARP: There may not be an _R – I am instructed there's no _R. Should I read the document number out again? It is C – we have the document. And could I ask that the page at pinpoint 0024 be shown on the live stream and to all of us. And could we highlight paragraph (f), and we see a reference to Hot Pot, and what you tell this inquiry in your statement, Mr Preston, is that:

45 *We have been unable to locate any internal records in relation to any entity referred to as the Hot Pot junket. I know that the media reports have alleged there is a link between Roy Moo and the Hot Pot junket.*

And a little further down:

Media reports have also suggested that Crown licensed the Hot Pot junket. To my knowledge, this is not reflected in Crown's systems.

5

And a little further down:

I do not consider that Crown can provide any responsive material in relation to the Hot Pot junket.

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Now, can I refer you – we can take that off the screen. Thank you. What I would like to do now is show you a further document. Pardon me, I just need to check what list it is in. I understand that the claim for confidentiality has been withdrawn, but it was in list 1 at tab 76. If you could have a look at that document, Mr Preston, and meanwhile I take it there will be an objection if I'm wrong in stating that there is no application for a non-publication order over this document. It is CRL.579.006.0712. Have you got that document, Mr Preston?

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MR PRESTON: Was it 0712, Ms Sharp?

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MS SHARP: Yes, it should be an email from you. That is so?

MR PRESTON: Yes, I do have that. Yes, I do have that.

MS SHARP: Can I now go – and you will agree that in this email you forward the inquiry Crown received on 23 July from journalist Nick McKenzie.

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MR PRESTON: Yes, that's correct.

MS SHARP: Could I please show you pinpoint 0715, and that can be put on to the live screen. Now, can I direct your attention – up the top, the first question, 14, asks about the Ang junket and Roy Moo. Do you agree?

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MR PRESTON: Yes, that's correct.

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MS SHARP: And then the second question on the top there at 15 asks for certain information about Roy Moo. Do you agree?

MR PRESTON: Yes, that's correct.

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MS SHARP: And then the very next question, question 16:

Is Crown aware that policing sources and records in Macau allege that its junket partner Ng Chi Un is part of the same criminal syndicate that used Roy Moo to launder money or funds.

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You see that?

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

MS SHARP: And may we take it that you understood at the time that the suggestion was that Ng Chi Un was part of the same criminal syndicate as Roy Moo.

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MR PRESTON: At the time based on the allegations that's what is being indicated.

MS SHARP: And at 17 Crown was asked:

10 *What is the nature of Crown's dealings with Ng Chi Un?*

You agree with that?

MR PRESTON: Yes, that's correct.

15

MS SHARP: And Crown was then asked at paragraph 18 how – I beg your pardon:

Has Crown paid money to Ng Chi Un?

20 So from the very moment you read these questions may we take it that you were well aware that journalist Nick McKenzie was interested in Ng Chi Un?

MR PRESTON: Yes, they were a number of the questions that he had posed.

25 MS SHARP: And you understood at the time, didn't you, that he had linked Ng Chi Un to a criminal syndicate and said that was the same criminal syndicate that Roy Moo was associated with.

MR PRESTON: Yes, he had.

30

MS SHARP: And it's true that you did wish to understand what Crown knew about Ng Chi Un, isn't it?

MR PRESTON: That's correct.

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MS SHARP: Can I take you now to another document. This one is on list 3 at tab 17. I understand – would you just pardon me for a moment?

COMMISSIONER: Yes, of course.

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MS SHARP: I understand that a non-publication order is sought over this document. I wish to challenge that application. I will have this document brought up to the live – I beg your pardon, not to the live feed, to – yes, just so I can have this brought up to the hearing room only, not to the live feed. It is CRL.579.008.8346.

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Commissioner, you will see that that is marked "subject to legal professional privilege" and you will, of course, recall your powers under section 17 of the Royal Commission Act. I do wish to examine on the contents of this document.

COMMISSIONER: Yes. Yes, Ms Orr.

MS ORR: Commissioner, as Ms Sharp has pointed out, this is a document that is marked “subject to legal professional privilege”. It’s a document that was produced
5 for the purpose of providing legal advice to Crown. It is also a document that I understand is the subject of an extant claim of legal professional privilege in connection with the Victorian regulator process. The Commissioner will recall asking me for details about the communications with the Victorian regulator the other day.

10 COMMISSIONER: Yes.

MS ORR: A request for documents was made on 9 August 2019 and a claim of privilege was made on 23 August 2019. So this, like the other document, is the
15 subject of an existing claim for protection by legal professional privilege in that process, and I also make the same submissions I made in relation to the other document about the public interest in the underlying confidentiality of the document being protected. If this document is to be the subject of questions on a live stream then the information in the document will not have any real protection for the claim
20 of legal professional privilege that is currently maintained. The confidentiality will be lost. The Commissioner may also recall that I pointed to the limitations of the protections contained in section 17(2) of the Royal Commissions Act which only prevent Mr Preston’s answers from being admissible in a civil or criminal proceeding – a subsequent civil or criminal proceeding, not in connection with an extant
25 regulatory process.

COMMISSIONER: Yes. The reason that I asked in respect of the claim before the VCGLR was to see if this year, that is in 2020, whether Crown had notified the VCGLR that any claims of privilege had been waived. That has been checked, has
30 it?

MS ORR: I do not understand there to have been any waiver of any existing claim of privilege made in the Victorian regulatory setting. Those claims of privilege are maintained.

35 COMMISSIONER: And they were, in fact, on 23 August, the last one; is that right, Ms Orr?

MS ORR: Yes, 23 August 2019 was the date on which the claim for privilege was
40 made.

COMMISSIONER: I see. And when those claims for privilege were made, they were in fact accepted by the VCGLR, were they?

45 MS ORR: Yes, they have not been challenged by the VCGLR.

COMMISSIONER: Yes, I see. Now, in respect of this particular document that was provided by Mr Preston to others, the content in respect of some of the things that are in it have obviously gone into the public domain.

5 MS ORR: Yes.

COMMISSIONER: And so, so far as any privilege claim is concerned, and bearing in mind that the inquiry has powers to require there to be an answer and a production of document irrespective of it, I think Ms Sharp is wanting to question the witness in
10 respect of the questions – are they all the questions, Ms Sharp, or only some of them?

MS SHARP: I want to question the witness on the instruction.

COMMISSIONER: Yes. That's the second sentence of the second paragraph, is it?
15

MS SHARP: Yes.

COMMISSIONER: Yes. Ms Orr, I can't see any difficulty in that being questioned about. Do you want to put any further submissions?
20

MS ORR: No, I do not, Commissioner.

COMMISSIONER: Yes, thank you. You may proceed, Ms Sharp.

25 MS SHARP: Mr Preston, you instructed those within Crown who were assisting you investigate the media allegations to please let you know "if you are familiar" with the people named in those previous questions, and that includes Ng Chi Un, and, if so, "provide any necessary information to brief me"; correct?

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

MS SHARP: So you requested a briefing on Ng Chi Un.

MR PRESTON: That's correct.
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MS SHARP: And in making that request, you wanted to understand as much as possible about him so that you could assess the veracity of the media allegations; correct?

40 MR PRESTON: Well, I wanted to get a briefing of what I could find out at relatively short notice. As I recall, I was in transit at this point in time and there was a very long number of questions and we were trying to – I was trying to just get a brief on what the position was pertaining to whatever information we could glean at that early stage.

45 MS SHARP: But you specifically asked for a briefing about Ng Chi Un, didn't you?

MR PRESTON: Yes, I did.

MS SHARP: And you asked for any necessary information about him to be provided to you; correct?

5

MR PRESTON: Yes, I did.

MS SHARP: Now, you say you were in France. When did you return from France?

10 MR PRESTON: No. Sorry. I think I said I was in transit.

MS SHARP: Sorry.

MR PRESTON: I wasn't anywhere that far. I think I might have been in Bali.

15

MS SHARP: And when did you return to Melbourne – or Perth?

MR PRESTON: I think I returned the following day or the next day. Might have actually returned to Perth instead of Melbourne. I can't recall the exact date.

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MS SHARP: And you were back in Australia when the 60 Minutes broadcast aired?

MR PRESTON: That's – that's correct.

25 MS SHARP: And may we take it that you were keenly and carefully following all media stories about Crown from that time?

MR PRESTON: Yes, I was.

30 MS SHARP: I would like to show you one of those articles from that time that was published in The Age on 27 July 2019. If we could pull up to the live feed, please, INQ.100.010.0690. Now, this was a lengthy feature piece on Crown published on 27 July. We can take it you read that the day it was published?

35 MR PRESTON: Yes, that would have been the case.

MS SHARP: And we can take it that you diligently and carefully studied the allegations that were made in this article.

40 MR PRESTON: Well, I certainly read the article carefully.

MS SHARP: And took note of all the allegations that were made?

45 MR PRESTON: Can't recall exactly what form of my review it was, but I read it carefully, Ms Sharp.

MS SHARP: Well, do you think because you were the one effectively conducting the investigation it was important that you carefully understood the allegations?

MR PRESTON: Yes. I do.

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MS SHARP: Could I take you to pinpoint reference 0701. And can you see there's – I might have it enlarged for you, the second half of the page. You see there's a paragraph referring to Roy Moo and the fact that he was jailed, and then it said:

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But it was a Pyrrhic victory for police. Multiple regional law enforcement sources say it prompted The Company then to rely on its own in-house junket named after a Macau Hot Pot restaurant chain. The Hot Pot junket was promptly licensed by Crown.

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Now, do you see that an allegation is made in this media article that Moo was connected to a drug trafficking syndicate and another junket was also connected with a drug trafficking syndicate, allegedly?

MR PRESTON: Yes, I can see that.

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MS SHARP: Now, didn't that assertion bear a remarkable resemblance to questions 14 through 17 that Nick McKenzie had posed to Crown a few days earlier?

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MR PRESTON: Yes, I can see the relationship, Ms Sharp, but I think, as I indicated, I think it was last Thursday, the connection between Hot Pot and Ng Chi Un was – was missed.

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MS SHARP: So even though you had questions 14 through to 16 from journalist Nick McKenzie, who expressly identified Ng Chi Un and identified a relationship with the drug trafficking syndicate that Roy Moo was alleged to have had a relationship with, you say that you didn't put two and two together and think Ng Chi Un is the Hot Pot junket?

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MR PRESTON: No, Ms Sharp. As I indicated last week, I didn't, and we didn't as a business, and I – I accept that that was missed now that I've seen the - - -

MS SHARP: And not a single person in your business drew to your attention this link between the Hot Pot junket and Ng Chi Un; is that your evidence?

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MR PRESTON: Not that I recall, Ms Sharp.

MS SHARP: I suggest to you that that was a massive oversight.

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MR PRESTON: I don't disagree, Ms Sharp. Now that I see this and you've joined the dots that we had missed, I accept that that was an oversight of not picking up Ng Chi Un who had references to the Hot Pot restaurant in the third party due diligence searches which I've now seen.

MS SHARP: There were references to that Hot Pot restaurant everywhere in the documentation before Crown, wasn't there?

5 MR PRESTON: There were multiple references in the third party due diligence reports, yes.

MS SHARP: Yet your evidence is that everybody assisting you in the investigation missed this obvious connection.

10 MR PRESTON: As best I recall, it was – I didn't identify it and I do not recall anyone else in the organisation drawing it to my attention.

MS SHARP: Doesn't this suggest to you that the investigation was pretty hopeless so far as it related to the Hot Pot junket or Ng Chi Un?
15

MR PRESTON: Well, I accept the fact that this was missed. I accept that. I wouldn't go so far as to say "hopeless". People were working tirelessly through records dating sometimes back to the early 2000s to gather as much information as they could and obviously this was a miss and, as I said, I accept that. There's not
20 much more I can add to it.

MS SHARP: And yet accepting that big miss, you and those assisting you with the investigation felt that the Crown board was entitled to call the media investigations a deceitful campaign?
25

MR PRESTON: As I said, Ms Sharp, it's not just about this point. There are various points that were raised with a sensationalist nature of the campaign which caused great concern to – to Crown.

30 MS SHARP: Now, it's right that Ng Chi Un has been a very longstanding junket operator at both Crown Melbourne and Crown Perth?

MR PRESTON: He – he was.

35 MS SHARP: And those junket operator agreements were entered in around 2010; do you agree with that?

MR PRESTON: I believe that's correct.

40 MS SHARP: Now, I want to show you another document. This is from confidential list 3 at tab 37. Now, I understand that a non-publication order is sought over this document so I will just have this document brought up in the hearing room. You have access to it, don't you, Mr Preston?

45 MR PRESTON: I do, Ms Sharp. If I can just trouble the inquiry, I just need to move my chair. I'm getting some trouble with lighting. I just need to lift a blind if that's okay.

COMMISSIONER: Yes, of course. Go ahead, Mr Preston. Thank you for your courtesy.

5 MS SHARP: While that's happening, CRL.579.026.0425. And this is just going to the hearing room. Is this a document that you prepared?

MR PRESTON: It's a document that was prepared for me.

10 MS SHARP: And did you read this document at the time?

MR PRESTON: I did.

MS SHARP: Did you read it carefully?

15 MR PRESTON: I did.

MS SHARP: And can I draw your attention to item 6?

20 MR PRESTON: Yes.

MS SHARP: You will see that there are certain documents referred to there.

MR PRESTON: Yes, there are.

25 MS SHARP: When you read it, did you think it would be a good idea to go and have a look at those documents?

30 MR PRESTON: At the time, Ms Sharp, as I indicated, we were gathering as much information as we could and I didn't go into the source information as I had assumed key information would be drawn to my attention but, again, I accept that that was a miss.

MS SHARP: It was a really big miss, wasn't it?

35 MR PRESTON: Well, it was definitely a miss because the link wasn't drawn as a result of not identifying that reference to the restaurant within the actual C6 report.

40 MS SHARP: I'm just wondering when the central purpose of your inquiries was to understand certain key points about this individual, why you didn't look at the document that would most readily have conveyed that information to you.

45 MR PRESTON: Well, I can't answer that, Ms Sharp. We had looked for references to Hot Pot as a junket and we hadn't found any. This was, you know, an historical patron which hadn't done business with us for some time. I saw the relevant document I'm looking at at the moment. I took it on face value without exploring the further detail and that's an error on my behalf.

MS SHARP: And, actually, he stopped doing business with you because he was a bad debt; is that right?

MR PRESTON: That's correct.

5

MS SHARP: But while he was doing business with you, it's correct that he brought many, many, many junkets through Crown Melbourne and Crown Perth?

MR PRESTON: I'm not entirely familiar with his junket – junket playing activity, Ms Sharp, so I wouldn't like to comment.

10

MS SHARP: Would you agree that his junket brought a turnover of hundreds of millions of dollars into Crown Perth and Crown Melbourne?

MR PRESTON: As I said, Ms Sharp, I'm not – I'm not entirely familiar with his level of activity.

15

MS SHARP: He was one of the big junkets, wasn't he?

MR PRESTON: Sorry, Ms Sharp. I – I honestly can't – I don't want to mislead you that I know too much about the turnover activity of this junket. He was a – a long – he was a longstanding junket operator and that's about as high as I could put it.

20

MS SHARP: So even today, you can't assist us with whether Ng Chi Un was one of your big junket operators or not?

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MR PRESTON: Well, when you drew it to my attention last Thursday I've – haven't really had the opportunity to explore this information whilst I've been still in the position of giving evidence, so I understand he is a – he was a longer term junket operator. In terms of his volume or size or where he was on our biggest to smallest, I couldn't tell you.

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MS SHARP: Can I show you another document. This is on list 3 at tab 6. Let me just check the current status of this document. The claim for non-publication has been withdrawn over this document so I will bring it up on the live stream. It is CRL.579.016.6050.

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MS ORR: Excuse me, Commissioner, could I just clarify for the record that no claim was ever made over this document. It was merely in the default category, so it's not quite the case that a claim has been made and withdrawn.

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COMMISSIONER: Yes. Well, it was just with enormous caution that Ms Sharp was attending to it because of your default position, I think, Ms Orr, but thank you for that clarification.

45

MS ORR: Thank you.

MS SHARP: Now, Mr Preston, you will see that this is a due diligence report on Ng Chi Un dated, if you look at the bottom, 22 January 2014.

MR PRESTON: Yes, I see that, Ms Sharp.

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MS SHARP: You can take it from the document ID I've just read to you that this was produced to this inquiry by Crown. You will see that it is a – the branding is Melco Crown corporate risk and investigation department. Does that mean that when the Melco Crown joint venture was on foot, Crown Melbourne and Crown Perth could gain access to its due diligence reports?

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MR PRESTON: I think, as I indicated last week and in my statement, there was a period of time where the VIP international team had access to the commercial arrangement to pay Melco Crown for due diligence reports on junket operators, and this is one of those reports that was obtained by the international – VIP international team.

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MS SHARP: And was this a document you saw when you were conducting your investigations into Ng Chi Un?

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MR PRESTON: No, it is not.

MS SHARP: And, indeed, you would agree that this document is not referred to at item 6 of the confidential report you had prepared for you? To assist you, if you want to go back and look, it's list 3, tab 37.

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MR PRESTON: Oh, sorry. I – yes, I'm with you. That's correct. It would appear to be correct.

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MS SHARP: So it would appear that whoever was assisting you in preparing that report missed this document, that is the Melco Crown due diligence report for Ng Chi Un?

MR PRESTON: Oh, I would – I'm not sure exactly what steps were taken to gather information to prepare the report, but it was either missed or it wasn't provided, depending on who inquiries were provided to and what documentation is provided, but it's not referred to in the document that I looked at; that's correct.

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MS SHARP: Can I take you to pinpoint 6051, the executive summary. You will see that Ng Chi Un is identified as a shareholder or having some interest in the Meng Mun Gaming Promotion Company.

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MR PRESTON: Yes, I see.

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MS SHARP: And you see that he's identified as having an interest in a Hot Pot restaurant.

MR PRESTON: Yes, I see that.

MS SHARP: And it's said that he's the real owner of all of these companies.

5 MR PRESTON: Yes, I see that.

MS SHARP: And you see in the last dot point that there's a reference to the Meng Mun Seafood Hot Pot as well as the Meng Mun junket and the statement that these are the majority businesses of Ng Chi Un in Macau and China.

10 MR PRESTON: Yes, I see that.

MS SHARP: Now, you're not in any doubt now that Ng Chi Un is the Hot Pot junket referred to in the media, are you?

15 MR PRESTON: Well, based on the information that you've drawn to my attention which, as I accept, was on our records, there appears to be a very clear link between Ng Chi Un and the Hot Pot – reference to the Hot Pot junket, acknowledging these are referring to Hot Pot restaurants and this Meng Mun junket. There's clearly a link.

20 MS SHARP: Now, when I initially asked you questions about the 27 July gangsters and gamblers media article, you agreed with me that there were a number of pieces of information conveyed about the Hot Pot junket that in a sense were clues. Do you recall that evidence?

25 MR PRESTON: Yes, I do.

MS SHARP: And one of those clues was an allegation that in the financial year to 30 June 2016 the Hot Pot junket had been paid a commission of about \$232,000.

MR PRESTON: Yes.

35 MS SHARP: Now, that was a piece of information that could have been readily searched by Crown to try to work out who the Hot Pot junket was, wasn't it?

MR PRESTON: Yes.

40 MS SHARP: Because Crown is obliged by income tax law to issue all junket tour operators with a payment summary each financial year.

MR PRESTON: Sorry, is that a question?

45 MS SHARP: Yes.

MR PRESTON: That's a matter for our – that's a matter for our tax and accounting team, but I will take your word for it.

MS SHARP: Well, did you ask anybody to conduct any checks on whether a junket operator had been paid \$232,000 in the financial year ending 30 June 2016?

5 MR PRESTON: As I recall, Ms Sharp, as I indicated last week, there were clues there but I can't recall whether I – well, we pursued them or not.

MS SHARP: Could I show you a document, please. This is in list 3 at tab 13. Now, my understanding is that the position of Crown has been reserved on whether it wishes to claim non-publication orders over this document. I might just have it
10 brought up on the hearing video screens. It's INQ.950.001.0001. Now, I must confess, Commissioner, I don't understand the basis of this claim for - - -

COMMISSIONER: Perhaps you could just ask the question.

15 MS SHARP: I can't really ask the questions without revealing the content of the document.

COMMISSIONER: That's all right. Please proceed.

20 MS SHARP: Thank you, Commissioner.

You will agree that this is a PAYG summary in Crown's records for the financial year ending 30 June 2016?

25 MR PRESTON: Yes, I - - -

MS ORR: Commissioner - - -

30 COMMISSIONER: Just pause there.

MS ORR: I'm sorry, I need to object on the basis that this document remains in the default confidential category. We have not, in the time available, been able to secure instructions on this document.

35 COMMISSIONER: Yes, all right. Well, we will leave it in the category at the moment. Yes, Ms Sharp. Please proceed if you can, not identifying the identity for the moment, but just asking the questions.

40 MS SHARP: Yes.

COMMISSIONER: Thank you.

MS SHARP: Well, Mr Preston, could I have you look at the payee details?

45 MR PRESTON: Yes, Ms Sharp.

MS SHARP: And could I have you look at the total gross payments.

MR PRESTON: Yes, I see those.

MS SHARP: This was a document that was never drawn to your attention during the course of the investigation?

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MR PRESTON: No, it was not.

MS SHARP: But you agree it would have been a very useful link in understanding the Hot Pot junket and who it was.

10

MR PRESTON: That is definitely possible and possibly helpful.

MS SHARP: I want to take you to an article which I understand no claim for non-publication is made in respect of. It was as a matter of caution put in confidential list 1 at tab 45. As I don't understand a claim to be made in respect of this document, I will call it up on the live feed. It is CRL.579.018.5541. Now, you will see the heading of this document is Ng Chi Un. I will just wait until you confirm you have this document in front of you, Mr Preston.

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20 MR PRESTON: Yes, I see that document, Ms Sharp.

MS SHARP: And you will see it's an email chain and the email at the top is from Roland Theiler who is the SVP of international business at Crown Melbourne. Now

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COMMISSIONER: That's the senior vice president.

MS SHARP: Yes, the senior vice president. He's still there at Crown, isn't he?

30 MR PRESTON: Yes, it's Roland Theiler. Yes, correct.

MS SHARP: And you will see, if you look a little bit further down, there's an email from Michael Chen, then the president of international marketing, stating that he's supportive, and that is in giving some credit to Ng Chi Un. Now, Mr Chen no longer works with Crown, but you have been in contact with him in recent times; correct?

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MR PRESTON: Relatively recent. I don't think I've – I may have spoken to him very early this year. Otherwise it would have been some time last year, but - - -

40 MS SHARP: And if you just look at these email recipients, the people the email was copied to that Roland Theiler sent, you will notice that one of the people was Jason O'Connor. You see that?

45

MR PRESTON: Yes, I do.

MS SHARP: And he, of course, still works for Crown.

MR PRESTON: Yes, he does.

MS SHARP: Now, could I take you to the bottom of the page at the start of the email chain. This email is from EMP1, the vice president of sales acceleration and he's sending this email to Michael Chen and Roland Theiler stating:

I would like to request that we get an extension on banking the personal cheques of the two abovementioned patrons.

10 And of course, one of those patrons is Ng Chi Un. Do you see that?

MR PRESTON: I do.

MS SHARP:

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We would like to use this week to have more in depth talks with him and clearly state the company's intentions. For background these two, particularly Ng, are very influential characters in Macau, particularly the underground network.

20 Now, the reference to the underground network is a reference to underground banking, is it not?

MR PRESTON: I can't say, Ms Sharp. I hadn't seen this email until preparing for this inquiry. I wasn't party to it at the time so I can't really explain what that might mean.

25

MS SHARP: It is in all probability a reference to underground banking. Do you agree or disagree?

30 MR PRESTON: Well, I – I don't agree, Ms Sharp, because I just do not know.

MS SHARP: It is in all probability a reference to underground banking, isn't it? That's the only reasonable construction of this statement, isn't it?

35 MR PRESTON: Ms Sharp, I just cannot say. I do not know. I haven't spoken to EMP1, I haven't spoken to Roland Theiler. I certainly didn't know this existed when I spoke to Michael Chen. If I had seen it at the time - - -

MS SHARP: Well, is there an underground rail network in Macau?

40

MR PRESTON: Ms Sharp, as I said, I just do not know. I can't add any more to it than that. I do not know what that means.

MS SHARP: Are you a bit concerned that it might be a reference to underground banking?

45

MR PRESTON: Yes. As I said, if I had have seen this at the time I would have asked some questions because that does not sound normal.

5 MS SHARP: Well, because I think you said in your evidence last week that when we talk about underground banking and casinos, that's a red flag for money laundering; correct?

MR PRESTON: It can be a red flag, yes.

10 MS SHARP: So all of these people on this email chain have been told that:

Ng is a very influential character in Macau, particularly the underground network.

15 MR PRESTON: Yes, that's

MS SHARP: Did you talk to any of the people named in this email chain about Ng Chi Un?

20 MR PRESTON: No, I did not.

MS SHARP: Don't you think that the international VIP sales team would be the best-placed people within the Crown structure to give you the real lowdown on the junket operators?

25 MR PRESTON: As I've indicated, I think a couple of times, Ms Sharp, I had a number of people making inquiries for me to collate the information to get to me. I wasn't speaking with all the different people who might have been able to assist. I had staff carrying out that function for me.

30 MS SHARP: But, Mr Preston, I'm asking you. Didn't you think the people best placed to tell you what the real deal was with the junket operators were the international VIP sales team?

35 MR PRESTON: Yes. And I assumed that my team and the staff who were assisting were engaged with a number of departments, including the international team, for the purpose of collating the information.

40 MS SHARP: But you can't tell us today whether anyone you asked to conduct instructions consulted with anyone from the international VIP sales team.

MR PRESTON: I'm not sure. I can't – I can't answer that. I know they definitely spoke to the credit team. I know that for a fact, including Roland Theiler, and Roland's staff, but as to all the other people they spoke to, I am unsure.

45 MS SHARP: Why didn't you pick up the phone to Jason O'Connor and ask him what the deal was with Ng Chi Un?

MR PRESTON: I think as I've indicated, Ms Sharp, I had people making the various inquiries for me to collate the information so I could consider it, and this being a 2015 email, it was not on the radar.

5 MS SHARP: See, what I'm suggesting to you is that you failed to contact the people who you thought would be the most well placed within the organisation to give you a truthful account of these junket operators.

10 MR PRESTON: Well, I didn't contact them. I spoke to – I spoke to a number of people, but I didn't contact all the people that might have been able to assist because I had people assisting me to collate the information. That was the process that was acted upon and that's as much as I can add.

15 MS SHARP: You coordinated this investigation, didn't you?

MR PRESTON: Yes, I was coordinating with Barry Felstead, between the two of us.

20 MS SHARP: Well, was it you or was it Barry who was – Barry Felstead who was giving directions for the conduct of the investigation?

25 MR PRESTON: Well, we were both working through the process due to the – the range of queries that were being considered and also the – the shortness of time within which we had to collate the information to get an understanding of some of these matters, obviously some of which were historical.

30 MS SHARP: Well, I suggest to you it was seriously remiss of you to fail to contact people in the international VIP sales team to ask them what they knew about the named junket operators.

MR PRESTON: As I said, Ms Sharp, I didn't contact them, but I had people carrying out the inquiries for me to collate the information to present to myself and to Barry for us to consider.

35 MS SHARP: So is this the case, that what you did was have people trawl over Crown's written records for information, but you didn't speak with people from Crown to understand in detail what they knew about these junket operators?

40 MR PRESTON: I spoke to a number of people, Ms Sharp, particularly those people who were directly collating the information to understand what information they had to keep me updated as to relevant information that I could consider for the purpose of providing information into a paper, and I – I can't say – and I can't recall specifically who I did or did not speak to about Ng Chi Un. I don't recall speaking to anyone about Ng Chi Un directly.
45

MS SHARP: Now, I want to be very clear about this. You do agree that the international VIP sales team would be the best placed people in the organisation to tell you the most fulsome detail of the junket operators?

5 MR PRESTON: Not necessarily, Ms Sharp.

MS SHARP: Well, they're the people who have the actual interactions with the junket operators, the best understandings of their connections with junket players and the best understanding of the financial resources of those junket operators; do you
10 agree?

MR PRESTON: Not entirely, Ms Sharp.

MS SHARP: So you are seriously suggesting, are you, that the international VIP
15 sales team is not the best repository of information about these junkets?

MR PRESTON: I think they are a repository of important information, yes. The VIP credit team is equally as important. They collate the necessary information, including third party due diligence reports, and I understand that the team that were
20 collating the information spoke definitely to the credit team and my expectation is they did speak to people within the sales and operations area.

MS SHARP: Well, you just don't know in relation to that last answer you gave, do
25 you?

MR PRESTON: I just don't know exactly who they spoke to, that's correct.

MS SHARP: Now, it's right that the credit control team sits within the international
30 VIP sales team?

MR PRESTON: No, it sits within the international VIP team. There's three arms. There's a commercial – there's a credit team and a sales team and a commercial team.

35 MS SHARP: And each of these three teams reports to the same person?

MR PRESTON: They – they all report to Barry Felstead, I believe. Oh, at that point in time they all reported to Jason O'Connor.

40 MS SHARP: Now - - -

MR PRESTON: Michael Chen led that part of the business who reported to Jason O'Connor. Roland Theiler led the credit team and reported to Jason O'Connor as well, I believe.

45 MS SHARP: Did you turn a blind eye in failing to contact the sales team people yourself?

MR PRESTON: No, I do not accept that. I did not turn a blind eye at all. We were making wide-ranging investigations, trying to source material from sometimes more than 20 years ago to get an appreciation of the wide-ranging nature of the allegations and I – I can – I can genuinely say that there was no blind eye turned at all.

5 Obviously, there was some misses, and I accept that, but there is no way, shape or form that it was a blind eye being turned.

MS SHARP: Tell me, if you had been provided with information that Ng is a very influential character in Macau, particularly the underground network, what would
10 you have done?

MR PRESTON: I would have made inquiries very quickly because that seems to me to be unusual.

15 MS SHARP: And may we take it that a very large number of people within the VIP sales team knew that you were conducting an investigation into these media allegations?

MR PRESTON: Yes, I would have – I would expect that most people across the
20 business knew that Crown was investigating the investigations.

MS SHARP: And no one from that team approached you to say that they knew what the Hot Pot junket was?

25 MR PRESTON: Absolutely not.

MS SHARP: And no one from that team approached you to say, “Ng Chi Un is one of our junket operators and he’s very influential in the Macau underground
30 network”?

MR PRESTON: No, they did not. Indeed, this is an email from 2015 so whether it was in the front of anyone’s mind is another question, but no one – no one approached me about those two points that you have raised.

35 MS SHARP: Have you reflected on what this lack of communication about this information may mean in terms of a compliance culture at Crown?

MR PRESTON: Well, I haven’t reflected deeply on this email save to say that if I had seen that language used, I would have taken some action. With respect to the
40 missing of the references to the Hot Pot restaurant, I accept that was a – that’s a weakness and that was a – that was a failing on our behalf to identify it and draw the link. From a compliance perspective, I can really only talk to what my observations are now in terms of Crown’s focus on its compliance commitments, which are very strong and are continuing to be enhanced.

45

MS SHARP: Now, it's correct that there's absolutely no mention in any document you assisted in preparing for the board that refers to the Hot Pot junket or to Ng Chi In?

5 MR PRESTON: I – I can't say regarding Ng Chi Un, but what I can – I can't recall any reference to Hot Pot being made at all, and if I – if there has been – I'm – I'm remiss and my memory is failing me, but I can't recall any reference to Hot Pot. There may have been a reference to Ng Chi Un on the basis that it was raised in one of the long-ranging questions that were posed by Mr McKenzie.

10 MS SHARP: Now, you have seen this email from 10 December 2015 sent to a very large number of Crown employees who still work with Crown and have been informed in that email that Ng is a very influential character in Macau, particularly the underground network. Do you accept that it would be open for you to make
15 further inquiries with those people and others in the VIP sales team to obtain more information about Ng Chi Un?

MR PRESTON: I absolutely do.

20 MS SHARP: And will you do that?

MR PRESTON: I absolutely will.

MS SHARP: And will you provide us with the outcome of your investigation?
25

MR PRESTON: Certainly.

MS SHARP: Now, I wanted to go back to Mr Roy Moo for a moment. I want to show you a document. This is – it was on confidential list 6 at tab 77. I understand
30 that no application is made for a non-publication order. It is document CRL.500.002.333. Could you let me know when you have that document?

MR PRESTON: Have you got a tab number, per chance, Ms Sharp?

35 MS SHARP: Yes. List 6, tab 77.

MR PRESTON: Yes, I have that.

MS SHARP: Now, I will bring this – there's no claim for a non-publication order so
40 I will bring the first page of this document up on the live stream. And what you have before you are the minutes of the POI committee for October 2014.

MR PRESTON: Yes, I see those.

45 MS SHARP: And you see item 2 for discussion is in relation to Mr Roy Moo?

MR PRESTON: Yes.

MS SHARP: And you see that there are some dot points under the heading Discussion?

MR PRESTON: Yes.

5

MS SHARP: And one might reasonably expect that the key points of the discussion would be reflected in the minutes?

MR PRESTON: You would expect.

10

MS SHARP: And the conclusion is that that withdrawal of licence is to remain indefinitely?

MR PRESTON: That's correct.

15

MS SHARP: Now, you have a document of some 15 or so pages before you at the moment?

MR PRESTON: Yes.

20

MS SHARP: And we may take it that these documents were the ones that were provided to members of the POI committee in its October 2014 - - -

MR PRESTON: I can't say for sure, but I would expect – it would appear to be part of a pack that goes to the POI committee.

25

MS SHARP: Could I just show you the second – it's not the second – a few pages in, pinpoint 3338.

MR PRESTON: Yes.

30

MS SHARP: And some information is provided for Mr Moo about how much play there has been and a yearly snapshot. You see in 2013, 8 K, 2012, 85K and so on because it's important to get a sense of how much money he's turning through the casino.

35

MR PRESTON: I think the purpose of that is to give an indication of broadly general information we have on a particular person.

MS SHARP: And another document, I will suggest, that formed part of that briefing pack for this committee, if I could take you to pinpoint 3342 – I beg your pardon. Don't bring that one up. Sorry. Pinpoint 3346. And I will have that document taken off the live feed, please. What you have before you are patron details for Mr Moo; do you agree with that?

45

MR PRESTON: I do, Ms Sharp.

MS SHARP: And you're familiar with this type of document, I take it?

MR PRESTON: That's – I – I am familiar. I wouldn't say I'm an expert in it by any stretch, but I'm reasonably familiar with it, Ms Sharp.

5

MS SHARP: And when he is identified as having a patron number, we're talking about him as a patron in his own right, not as a member of a junket or – I withdraw that. Not as a junket representative or a junket operator?

10 MR PRESTON: I – I can't – I can't say for sure. When you are a junket representative, you're given a specific patron number as well, like you are when you're a junket operator, so you will get a specified – specifying number.

15 MS SHARP: But what we've seen reported in that summary of his buy-in, the question I took you to that he had – the play in the last 12 months, you will see 2013, \$8,000. You see that?

MR PRESTON: Yes, I do.

20 MS SHARP: And then when we look at this record, we see that it's the same. It says there's a buy-in of \$8,000 in 2013.

MR PRESTON: Yes.

25 MS SHARP: Does that help you in understanding that this is a player record for Mr Moo betting on his own account?

MR PRESTON: As I said, I'm not an expert. It would seem to be not unreasonable, but I'm not an expert in these – these papers, Ms Sharp.

30

MS SHARP: Can I just have you have a good look at pinpoint 3347. I will bring that up just to the hearing room. And just have a look at the betting history from 1994 to 2013.

35 MR PRESTON: Yes.

MS SHARP: Is there anything unusual you notice there?

40 MR PRESTON: There's one unusual line at 2003 which is different to the other lines.

MS SHARP: Yes, because there it's recorded while he has reasonable bets ranging from the thousands to the – I think the highest is 85,000, here in 2003, the buy-in is \$8.4 million.

45

MR PRESTON: Yes.

MS SHARP: That seems a little unusual, doesn't it?

MR PRESTON: Yes, and I can't say for sure, but he was a junket operator for a very short period and ran a junket program for a very short period. I'm not sure
5 whether it coordinated – coincided with that year, Ms Sharp. I'm not sure. As I recall, he was approved as a junket operator by the Victorian regulator and then, shortly thereafter, became a junket representative for the Meng Mun junket, I believe. I'm not sure whether that correlates with his year as a junket operator.

10 MS SHARP: Now, one matter we look for when considering the possibility of money laundering is whether somebody's profession is the kind of profession that you would associate with particular levels of turnover in the casino; do you agree?

MR PRESTON: That's a relevant factor, yes.
15

MS SHARP: And you know now that Mr Moo was a financial planner at all relevant times in addition to being a junket operator?

MR PRESTON: I don't know about at all relevant times, but I do know that he was
20 a financial adviser, yes. I now know.

MS SHARP: Armed with that knowledge now, do you think it's a little bit odd that in 2003 he bought in for 8.4 million at the casino?

25 MR PRESTON: Again, it depends on whether that was related to him being a junket operator or not. If it was an - - -

MS SHARP: Let's assume this record – I'll ask you to assume this record is only for betting on his own account, not associated with being a junket operator. Make
30 that assumption. You're armed now with the knowledge that he was a financial planner at all relevant times and a junket operator. Does it seem a little bit unusual to you that we're seeing a buy-in of \$8.4 million in 2003?

MR PRESTON: If we're talking assumptions and the like, assuming the business
35 knew that he was a financial adviser at that point in time and assuming that he did buy in at that amount against his track record, you would think that it would raise, certainly, some red flags in terms of appreciating the nature of his play against if – if the business knew his occupation.

40 MS SHARP: With Know Your Customers requirements, isn't the business supposed to know his occupation?

MR PRESTON: No. That's not a – that's not a requirement. That's – that's a request on the loyalty form. I can't say what the loyalty form was like in 2003, but
45 it's not a mandatory requirement. It's a requirement if – it's not a requirement. It is an option to pursue further KYC if need be, or it might be a piece of information one

might seek if the business is carrying out enhanced customer due diligence, but by way of sheer loyalty program or base level of KYC, it's not a requirement.

MS SHARP: I'll go back now to these October 2014 person of interest minutes.
5 There doesn't seem to be any reference at all to this rather enormous spike in Mr Moo's betting in 2003. Does it look to you like the POI minutes, at the least, have missed this important piece of information?

MR PRESTON: I don't necessarily agree, Ms Sharp. I mean, I – look, obviously I
10 was not party to the POI meeting. Again, as I indicated, it was – there's information in there which is not irrelevant, but based on the facts, I would have thought with Mr Moo's conviction, the most important piece of information was that, and the decision that was made to refuse his request to have his barring removed.

15 MS SHARP: I will move to a new topic now, Mr Preston. I wanted to play a short video to you, please. This is a public document, exhibit A227. Could we call this up on the live feed, please, INQ.800.001.0004.

20 **VIDEO SHOWN**

MS SHARP: Mr Preston can you see that video?

25 MR PRESTON: Yes, I can, Ms Sharp.

MS SHARP: And you will agree that what we have seen is a gentleman put a blue cooler bag on a desk and take bundles of cash out of it, those bundles of cash being wrapped in elastic bands.

30 MR PRESTON: That appears to be elastic band wrapped cash, yes.

MS SHARP: Incidentally, is one of the indicia of funds which are being money
35 laundered the fact that where bricks of cash are presented, they come in elastic bands rather than the paper straps that banks use?

MR PRESTON: It can be.

40 MS SHARP: I will just play a bit more of the video to you.

VIDEO SHOWN

45 MS SHARP: You would agree that what we have now seen is a very large amount of cash being placed on a desk and given to some gentlemen in uniform. You agree with that?

MR PRESTON: Yes.

MS SHARP: Those gentlemen in uniform have to their side a little machine which is a cash counter?

5

MR PRESTON: That's correct.

MS SHARP: And the gentlemen in uniform are now handing chips or plaques over to the person who presented the cash.

10

MR PRESTON: Yes, non-negotiable plaques, yes.

MS SHARP: Could we please recommence the video.

15

VIDEO SHOWN

MS SHARP: And the man who presented the large amounts of cash walks off with the chips. Would you agree?

20

MR PRESTON: I do.

MS SHARP: Now, this exchange of money for chips is the kind of thing that ordinarily occurs in the cage; correct?

25

MR PRESTON: That's where it would ordinarily occur, yes.

MS SHARP: Now, is it right that you became aware of this footage on about 15 October 2019?

30

MR PRESTON: If that's when it was released to the public, yes, that's correct.

MS SHARP: Well, what happened, isn't it, is that the honourable Mr Andrew Wilkie MP released this footage on 15 October 2019.

35

MR PRESTON: That's correct.

MS SHARP: And it received considerable attention in the media that day.

40

MR PRESTON: It did.

MS SHARP: I will show you one of the articles where it was considered. I will pull up a document which is a public document. It is – and we can put this on the live stream – INQ.100.010.0390. I beg your pardon. It's exhibit A227. I think I said the wrong number, Commissioner.

45

COMMISSIONER: Thank you.

MS SHARP: Now, this, you will agree, is an article from the ABC called Crown Casino Whistleblower Alleges Gambling Giant Skirting Money Laundering Laws, and you see it's dated 15 October?

MR PRESTON: Yes, I can see that.

MS SHARP: And I take it you have seen this article before?

MR PRESTON: Yes, I have, Ms Sharp.

MS SHARP: Indeed, it's most likely you read it on 15 October 2019.

MR PRESTON: I would – I would expect so.

MS SHARP: Now, is it right that at the time of this article you had absolutely no idea who the man handing over the cash was?

MR PRESTON: That's correct.

MS SHARP: Now, you see it's alleged that the cash was handed over inside a special junket room at Southbank casino, being the Suncity Room?

MR PRESTON: That's correct.

MS SHARP: And you now know that to be correct?

MR PRESTON: Yes, that's correct.

MS SHARP: Can I just take your attention to about three-quarters of the way down the page under the heading No basis For Allegations: Crown. Tell me, were you involved in preparing a response to this article?

MR PRESTON: I can't recall, Ms Sharp. It's likely, but I can't recall specifically.

MS SHARP: Well, given that you were involved in preparing the response a few months earlier to the media allegations, isn't it most likely that you were involved in preparing a response to this supplementary media allegation?

MR PRESTON: I think that's what I indicated, Ms Sharp. It's likely. I just can't recall specifically, but it's likely. Again, I would have to read the article. I couldn't read it on the size of the font to see what the actual allegations were related to Crown's response, sorry.

MS SHARP: Well, can I draw your attention to the paragraph under that heading that says:

Inspectors for the Victorian Commission for Gambling and Liquor Regulation raised serious concerns in reports about these transactions in the junket operator rooms because there was a lack of recording of such transactions within Crown's system.

5

MR PRESTON: Yes, I see that.

MS SHARP: Is that true? At that time was there a lack of recording of such transactions within Crown's systems?

10

MR PRESTON: Well, that's the Suncity desk, and I accept that it's a very, very unusual look and not a great look to see that – that displayed, that volume of cash, but that is the Suncity desk and they are Suncity staff, and it would appear a Suncity representative and a junket player. So there's no technical obligation for that information to be recorded pertaining to what would appear – what would appear to be – again, we're not sure of the exact date of the footage or the people specifically involved for the purpose of recording, but if Crown sees something suspicious then it can determine whether to – if it's – if they deem it to be suspicious they can lodge a report. But again, that's not Crown people involved in that activity there.

15

COMMISSIONER: Ms Sharp, could you please ask that question again?

MS SHARP: Yes. What is said in this article is that there was a lack of recording of such transactions within Crown's systems. Is that correct or incorrect?

20

MR PRESTON: That's correct. Sorry.

MS SHARP: Now, a little further down - - -

25

MR PRESTON: Sorry. Sorry, Ms Sharp. There's a lack of recording of that transaction in Crown's systems because we don't know the exact nature of that transaction; we just could not work out which date it was or otherwise.

MS SHARP: I will come back to that. A little bit later down the page it's stated:

30

A Crown spokesperson said there was no basis for these allegations.

Is that right?

35

MR PRESTON: Can I – as I indicated, can I get you to – can I trouble you to go back to the start of the article so I can quickly read what - - -

COMMISSIONER: Yes, have a look at the full article, Mr Preston. Take your time.

40

MS SHARP: And tell us when you're ready.

MR PRESTON: Thank you, Commissioner. If I can trouble the operator to increase the size of it, if that's okay?

COMMISSIONER: Yes, please, operator.

5

MR PRESTON: Yes, well, there are a number of allegations in that first part of it, Ms Sharp. Would you like me to respond to each one of them? I'm not quite sure how you want me to respond.

10 MS SHARP: If you could respond by answering my question, I would be grateful:

A Crown spokesperson said there was no basis to these allegations.

Is that correct or incorrect?

15

MR PRESTON: Well, based on the allegations as I read them there briefly, there are no bases for those allegations.

20 MS SHARP: Well, let's break this down. You agree – let's go back to the second paragraph:

The bricks of cash are casually exchanged for gaming chips for the punter who is inside a special junket room in Southbank casino for the Suncity Group.

25 That bit is correct, isn't it?

MR PRESTON: Yes, sorry, I didn't think that was an allegation. I thought that was – but that's correct.

30 MS SHARP: We will clarify this. The next sentence is:

His bag contains hundreds of thousands of dollars.

That's correct, isn't it?

35

MR PRESTON: Yes, that's correct.

MS SHARP:

40 *Crown Casino is obliged to report all transactions over \$10,000 to the country's anti-money laundering authority.*

That's correct, isn't it?

45 MR PRESTON: No, it's not.

MS SHARP: We will come back to that. A little bit further down, I've already taken you there under the heading No Basis for Allegations:

5 ...there was "a lack of recording of such transactions within Crown's systems."

That's correct, isn't it.

MR PRESTON: No, that's not correct.

10 MS SHARP: But you couldn't find who this individual was, could you?

MR PRESTON: Well, as I indicated, Ms Sharp, there's no – there's no date, there's no identifier regarding when that transaction took place.

15 MS SHARP: The statement by a Crown spokesperson that there was no basis to these allegations was extremely misleading, was it not?

MR PRESTON: I don't agree, Ms Sharp.

20 MS SHARP: And then it's stated Crown – right at the bottom of this page:

25 *Crown has a comprehensive anti-money laundering and counterterrorism financing program which has been and continues to be subject to ongoing regulatory supervision by AUSTRAC.*

So Crown thought it was important, may we take it, to provide some assurance to the public that it complied with its obligations under the Anti-Money Laundering Act.

MR PRESTON: That's correct.

30 MS SHARP: But you know very well that Crown was not required to make any report in respect of that transaction at the time; correct?

MR PRESTON: There's no – there's no technical requirement to make a report
35 pertaining to a threshold transaction for that transaction itself.

MS SHARP: Well, given that, why was it relevant to insist that Crown has a comprehensive anti-money laundering and counterterrorism financing program?

40 MR PRESTON: Well, I think it's entirely relevant. The allegations were pertaining to Crown wasn't complying with its obligations. Crown was complying with its obligations. That was a cash transaction taking place between a junket patron and a junket operator. Crown didn't have an obligation to report a threshold transaction and Crown was keen to make the point that we are subject to the anti-money
45 laundering program and we're currently under supervision by AUSTRAC in relation to that program. So the concept of this allegation was that we're ignoring our obligations which we did not agree with.

MS SHARP: Isn't the fact that while the Suncity Room was in operation, there was a little island of immunity from anti-money laundering laws.

MR PRESTON: No, I don't agree with that.

5

MS SHARP: Crown was not responsible for reporting that transaction, do you agree?

MR PRESTON: Crown wasn't responsible for reporting that transaction as a threshold transaction. If Crown observed that and deemed it to be suspicious then they would make the necessary report.

10

MS SHARP: Well, let's be very clear about this. That transaction we just saw occur was not the provision of a designated service, was it?

15

MR PRESTON: That's correct.

MS SHARP: So Crown only has a legal obligation to provide a suspicious matter report to AUSTRAC in respect of a designated service, right?

20

MR PRESTON: I think as I indicated maybe to Mr Aspinall on Friday, Crown has taken a broader view of the concept of suspicion. If they see something suspicious then they report it.

MS SHARP: Now, the tipping-off offence in section 123 only applies where a suspicion matter report has been provided pursuant to section 41. Did you report this transaction to AUSTRAC?

25

MS ORR: I object. I object to that question on the ground that by answering it Mr Preston may commit an offence on behalf of Crown under section 123 of the Anti-Money Laundering Act. The question that has been - - -

30

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

MS SHARP: Section 123 applies where a report has been made under section 41.

35

COMMISSIONER: Yes.

MS SHARP: A report is required under section 41 only where the reporting entity provides a designated service.

40

COMMISSIONER: Yes.

MS SHARP: Crown was not providing a designated service with respect to that transaction, therefore there is no reporting obligation under section 41 and that means that the prohibition in section 123 is not triggered.

45

MS ORR: Could I respond to that, Commissioner?

COMMISSIONER: Of course, Ms Orr. Yes. Yes, please.

5 MS ORR: Thank you. Could I direct the Inquiry's attention to the language of
section 41 subsection (a) of the AML/CTF Act which refers to the reporting entity
commencing to provide or proposing to provide a designated service. The questions
10 that were put to Mr Preston the other day focused on the commencement of provision
of a designated service. Mr Preston was not asked about any proposal to provide a
designated service, and those words are very important because they impose no
temporal limitation on the period in which Crown can propose to provide a
designated service and it's highly relevant, we say, that Crown proposes to provide
15 designated services to junket operators and junket players when junket programs are
conducted at Crown. And for that reason we do not share Ms Sharp's certainty that
there would be no offence committed under section 123 on the basis that there has
been no reporting obligation under section 41 of the AML/CTF Act. And our
position is that care – extreme care needs to be taken here because of the
consequences for Crown and Mr Preston if that legal construction is incorrect, as has
20 been advanced by counsel assisting.

COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Well, I press the question.

25 COMMISSIONER: Yes. In the circumstances, I think Ms Orr's position is that
there is no temporal limit on what has been done. I'm not sure that I need to know
about this, do I? I mean, the fact is that this transaction is said to be nothing to do
with Crown's obligations. That in itself seems to me to be a deficiency. To have in
a casino the capacity to put across a counter hundreds of thousands of dollars which
30 is excluded from the legislation, if it be excluded from the legislation, is one thing. If
it's not excluded then Crown did have an obligation to report it and there is the
danger for Mr Preston, but not only Mr Preston, but for Crown in respect of section
123. We can come back to it, but I'm not sure that I need to know that today.

35 MS SHARP: Yes. I will move on.

COMMISSIONER: Just before you do, Ms Orr, let's – I'm not going to allow the
question in respect of the reporting obligation for the moment but, Ms Orr, the
question of temporal limits is one that's of significance both, no doubt, to Crown and
40 to the Inquiry. It is odd that if someone handed over \$1.5 million in cash in 2014 and
Crown reported it, that an inquiry established six years later in 2020 couldn't be
advised that Crown complied with its obligations. Is that something that Crown has
considered?

45 MS ORR: Commissioner, we would very much like to provide you with
information about action taken by Crown, but - - -

COMMISSIONER: Yes.

MS ORR: - - - we have consulted with AUSTRAC because of our uncertainty about whether we would commit an offence by doing so. We have received no assurance
5 from AUSTRAC that – firstly, that they would grant an exemption. That’s the first point, because they have the power to grant an exception. Nor have we received any assurance from AUSTRAC that they would not regard this as the commission of an offence, so unfortunately our hands are tied in terms of telling the inquiry about these matters for fear of committing a criminal offence.

10 COMMISSIONER: But the actual nub of why it’s there is so that you don’t tip off the person who is allegedly conducting themselves in a criminal fashion. You agree with that?

15 MS ORR: I do agree with that, very much so, Commissioner, but - - -

COMMISSIONER: It would be helpful in due course to hear from Crown as to proposed amendments, and across the industry as to why six years after an event you’ve still got to keep secret what happened because if that be the case then you’re
20 compounding – on one view of it, you’re compounding the problem of not being able to get to the bottom of what’s going on. Do you agree with that proposition?

MS ORR: Yes, and with respect, Commissioner, this puts my client in a very difficult position, this provision, in terms of being able to provide information to the
25 Inquiry about action taken.

COMMISSIONER: Yes.

MS ORR: So my client would certainly be interested in making submissions on the
30 topic that the Commissioner has raised about potential amendment of this provision.

COMMISSIONER: All right. Thank you very much, Ms Orr, and so we’ll move on. But before we do, Mr Preston, can I just clarify with you, it is the case, is it, that there are no – I withdraw that – that there were no – I withdraw that. Were there
35 cameras catching this transaction in Crown or weren’t they operating in the Suncity Room?

MR PRESTON: No, there’s multiple cameras operating in the Suncity Room, Commissioner.

40 COMMISSIONER: Are they Crown cameras?

MR PRESTON: They are all Crown cameras.

45 COMMISSIONER: And so Crown would have the capacity to observe the transaction?

MR PRESTON: They would have the capacity to observe the transaction, yes.

COMMISSIONER: And so across the casino floor, including in the casino salons,
as they're called - - -

5

MR PRESTON: Yes.

COMMISSIONER: - - - there is capacity for Crown to view the financial
transactions that we just saw take place; is that right?

10

MR PRESTON: That – that is correct. There are cameras covering each and every
table and cash area within the – within and around the casino.

COMMISSIONER: And so putting to one side the AUSTRAC legislation and its
intricacies for the moment, if Crown sees large amounts of cash such as this being
handed over out of a blue cooler bag, it would have the capacity to go down to the
desk and says, “What’s going on here?”, I presume.

15

MR PRESTON: It would have the capacity if it saw something unusual it could – it
could take that action.

20

COMMISSIONER: And when you say “unusual”, let me just go back to it. If
Crown sees very large amounts of cash like this being handed over out of a blue
cooler bag which doesn't appear to be cash that has been other than brought into the
casino in that cooler bag, Crown staff could have the capacity to go and say to the
Suncity desk, “What is going on here?” Is that right?

25

MR PRESTON: They could, Commissioner, but if I can just expand on maybe a
couple of points it might assist. There would be some strong reservation about
approaching, with a potentially tipping off provision in that – approaching, asking
questions could potentially tip someone off, which is obviously a concern for, I
think, the casino industry generally, but definitely for Crown to go anywhere near
that tipping-off position which does put us at a disadvantage to participate in some of
the questions that you're asking. In terms of the question about unusual – or the
point about unusual, it's not entirely unusual to have large volumes of cash,
particularly with the VIP play in that a lot of the junket – junket activity request cash
payouts as part of their winnings.

30

35

So they do get cash often strapped in elastic bands and that cash out is paid only
against confirmed winnings on rated play. So the volumes of cash that you see – we
see at Crown, like other large casino operators, is not entirely unusual. It's very
unusual to see, I accept, as we saw on the video, but there are - - -

40

COMMISSIONER: That was unusual, was it?

45

MR PRESTON: Look, to – it appears unusual, but the reality is that there is large
volumes of cash that junket operators take on a very regular basis - - -

COMMISSIONER: Yes.

MR PRESTON: - - - as part of their confirmed winnings which they're entitled to do and that's - - -

5

COMMISSIONER: Just come back to the first point you raised, Mr Preston. The tipping-off suggestion that you have made, there was nothing preventing – and there is nothing preventing Crown from investigating what happened with the blue cooler bag, is there?

10

MR PRESTON: There's nothing preventing an investigation into the blue cooler bag, Commissioner.

COMMISSIONER: And so if you have a film or CCTV or whatever mechanism is used and you do see that happening, you are capable, that is, Crown is capable of investigating it; correct?

15

MR PRESTON: If they – if they see it - - -

COMMISSIONER: Yes, if they see it. They can't do it if they don't see it; you agree with that?

20

MR PRESTON: I do agree with that, Commissioner.

COMMISSIONER: Yes, all right. And so taking your point that there's a large amount of cash in the casino and that's why the anti-money laundering provisions are there, I presume, in part, you would accept that if there are large amounts of cash being handed over like this, it would be helpful for Crown to investigate it.

25

MR PRESTON: Yes, to make – to make due inquiries to understand the source of the cash could be – could be helpful.

30

COMMISSIONER: And it would be helpful to understand what is happening in the VIP salon.

35

MR PRESTON: Yes, of course.

COMMISSIONER: Ms Sharp.

MR PRESTON: Commissioner, can I – sorry.

40

COMMISSIONER: Ms Sharp.

MR PRESTON: Could I just add one point?

45

MS SHARP: Now, you're well aware that at the time Suncity operated its desk at Crown Casino it was not required to file any reports under the money laundering Act.

MR PRESTON: That's correct.

MS SHARP: And you've already mentioned that Crown was not required to file any reports because Crown was not providing a designated service in that instance.

5

MR PRESTON: That's correct, not in that instance right there.

MS SHARP: So it is correct that that Suncity desk was an island of immunity from the anti-money laundering reporting regime.

10

MR PRESTON: As I indicated before, Ms Sharp, save for Crown exercising its obligations – undertaking its obligations pertaining to suspect matter reporting that – where it sees suspicious activity, that would be where Crown has an obligation, generally speaking.

15

MS SHARP: Because what Crown was – I beg your pardon, what Suncity was doing at that Suncity desk was operating a cage, wasn't it?

MR PRESTON: No, it was not operating a cage.

20

MS SHARP: That desk was for all intents and purposes a cage. Do you agree or disagree?

MR PRESTON: I disagree.

25

MS SHARP: The Suncity representative accepted large deposits of cash; do you agree?

MR PRESTON: Yes, they did.

30

MS SHARP: The Suncity representative would use a cash counter to check those large amounts of cash; do you agree?

MR PRESTON: They had a cash counter, yes.

35

MS SHARP: The Suncity representative would dispense plaques and chips in exchange for that cash; do you agree?

MR PRESTON: They would provide commission chips or non-negotiable chips, not cash chips, yes.

40

MS SHARP: And the Suncity desk had a great big safe there; agree?

MR PRESTON: Not to my knowledge.

45

MS SHARP: Really, Mr Preston?

MR PRESTON: Yes, I – I do not believe they had a – a large safe there.

MS SHARP: Well, whatever name you want to call it, it had some sort of large container in which to safely store cash; do you agree?

5

MR PRESTON: Yes, they stored cash there.

MS SHARP: And who do you call that container - - -

10 MR PRESTON: We refer to that as their – I don't refer to it as a safe. I do not refer to that as a safe.

MS SHARP: Well, what do you call it?

15 MR PRESTON: I understand they stored it in the cupboards. Locked cupboards. But I wouldn't refer to it as a safe, sorry.

MS SHARP: For all intents and purposes, Suncity was operating a cage at that desk. Do you agree or disagree?

20

MR PRESTON: I disagree.

MS SHARP: Suncity was performing the task that is otherwise performed by Crown employees in the cages on the main gaming floors; correct?

25

MR PRESTON: Ms Sharp, I've always referred to those as – I understand our business as their cash desk. A cage, in our view, is a very distinctly different proposition which is the regulated environment where Crown performs its activities in a regulated nature in terms of the cage performing cash and chip dispensing and accountable documentation. That's what we refer to as the cage.

30

MS SHARP: I understand. So you are saying it is not a cage because it is not operated by Crown. Is that correct?

35 MR PRESTON: And it's not regulated in the context of Crown's cages where there are various other activities that go through a cage. We have always considered – the business has always considered that as a cash desk, not a – not a – not a cage as such.

MS SHARP: Just to be perfectly clear, the functions that occur at the Suncity desk that I have just discussed with you are all functions that ordinarily occur in a Crown cage; is that right?

40

MR PRESTON: They are some of the functions that occur in a Crown cage.

45 MS SHARP: I think we will move on. Can I - - -

COMMISSIONER: Just so I'm clear, that distinction is Crown cages are within the Crown, effectively, jurisdiction that are regulated and I think you've told me the cash desk at Suncity is different because it's in the salon and it's unregulated. Is that right?

5

MR PRESTON: That's correct, and there's a range of other functions that the cage performs for Crown.

COMMISSIONER: Yes. Thank you.

10

MS SHARP: Would you just pardon me for a moment. Mr Preston, I would like to show you a document from list 7, tab 6. I understand the position is reserved on this document, Commissioner, so I will just have it brought up to the - - -

15

COMMISSIONER: I might just take a five-minute adjournment.

MS SHARP: Yes, certainly.

20

COMMISSIONER: Mr Preston, we're going to take a very short break. We will resume in about 10 minutes.

MR PRESTON: Thank you.

25

ADJOURNED

[11.45 am]

RESUMED

[11.52 am]

30

COMMISSIONER: Mr Preston. Thank you.

35

MS SHARP: I wanted to take you, Mr Preston, to the document, CRL.537.001.0001. At this stage, I won't bring it up on the live screen. I understand that Crown has reserved its position on whether to make an application. I wonder there's any further clarity on that matter now.

40

MS ORR: Commissioner, over the weekend, we prioritised the sets of documents that we were given notice of in our review of confidentiality claims and this was not within those sets, so, unfortunately, this is a default confidentiality claim. I don't have instructions about this document.

COMMISSIONER: Yes, Ms Sharp.

45

MS SHARP: I will just show the document to Mr Preston at this stage. You have that document in front of you, Mr Preston?

MR PRESTON: I do, Ms Sharp.

MS SHARP: You will agree that it's an email?

5 MR PRESTON: I do, and I agree that I – well, I stand corrected in terms – there are some people who use the word “Suncity cage”.

10 COMMISSIONER: Wait for the question, Mr Preston. This process is taking a little while. You see, if you could just focus on the questions being asked of you by Ms Sharp, it will help, and I know that you are trying to assist with your answers but if you just focus on the question. You've just been asked whether you have an email in front of you and I think you've said yes; is that right?

15 MR PRESTON: That's correct, Commissioner.

COMMISSIONER: Yes, Ms Sharp.

MS SHARP: And what did you want to say about that email?

20 MR PRESTON: I stand corrected in that there are some people, obviously, who refer to the word “Suncity cage”. My view remains that it is seen at least from my team that it's referred to as the “Suncity cash desk”.

25 MS SHARP: I will now take you to a letter from this Inquiry that was sent to Crown in relation to that blue cooler bag footage I've just shown to you. This is a public document. It's exhibit F76, and if you could bring it up on the live stream, INQ.070.002.0575. Can you see that 6 February letter, Mr Preston?

30 MR PRESTON: Not yet. I can – I can now, Ms Sharp. If I can just trouble the operator to – thank you.

MS SHARP: And can you see that it refers to summons 63 to Crown Resorts?

35 MR PRESTON: Yes, I can.

MS SHARP: And can you see that it refers to what is described as some footage which is referred to in an ABC article?

40 MR PRESTON: Yes, I do.

45 MS SHARP: Now you can take it from me that the ABC News article is the one that I just asked you some questions about and the footage is the blue cooler bag footage we've just seen. And do you see that it says in the third paragraph, and I'll have that highlighted:

We apprehend that your client will have considered the footage and have ascertained the circumstances relating to the incident depicted, including the

date upon which the incident was captured by the footage occurred. Could you please inform us of that date and also of the location within Crown Casino at which the footage was captured, if it indeed was captured?

5 Now, were you made aware of this letter at about the time it was received by legal representatives of Crown?

MR PRESTON: Yes, I was, as I recall.

10 MS SHARP: And were you also made aware of summons 63?

MR PRESTON: You might need to refresh my memory on what summons 63 was, Ms Sharp. There's been a number of them. Sorry.

15 MS SHARP: Certainly. If I could call up again on the public feed - - -

COMMISSIONER: Perhaps you could just tell him what's in it.

20 MS SHARP: Yes. Summons 63 sought production of (1) all documents recording the name of the person who deposited/made the payment of cash depicted in the footage; (b) the name of the person or entity on whose behalf the deposit/purchase was made, and the amount of cash deposited, then (2) all documents recording or referring to the deposit or payment of the cash depicted in the footage and (3) all documents relied upon by the Crown spokesperson referred to in the 15 October
25 2019 article making the statement to the effect that there was no basis for these allegations. Now, were you made aware of that summons?

MR PRESTON: Yes, I was.

30 MS SHARP: Can we take the document off the feed now. Now, it's right, isn't it, that you knew this Inquiry was keen to receive details about when this incident occurred and who it was handing over the cash, right?

MR PRESTON: I appreciated the letter and the summons, yes.

35

MS SHARP: Did you just want to answer my question?

COMMISSIONER: I don't think so. We will just move on.

40 MS SHARP: Now, can I take you to a document. It is in list 1 at number 97, Mr Preston. I understand no claim is made with respect to it. It's INQ.035.003.0041 and that can be put up on the live feed.

45 MR PRESTON: I just need to get up and get my book, please.

MS SHARP: Now, we will read this email from the bottom up. Do you see at the bottom of the page, there is an email dated 13 March 2020 to Mr Glen Ward from those assisting this Inquiry?

5 MR PRESTON: Yes.

MS SHARP: And you will see that it says, "I refer to our letter dated 6 February," and asking for a response. Were you made aware of that follow-up email at the time?

10

MR PRESTON: Yes, I - - -

MS SHARP: I beg your pardon?

15 MR PRESTON: Yes, I was.

MS SHARP: Now, you're aware that a response was provided to the Inquiry, weren't you?

20 MR PRESTON: Yes, I can see this email and I was aware of a response being provided.

MS SHARP: Were you aware of the response before it was provided?

25 MR PRESTON: Yes.

MS SHARP: Let's go to that response from Crown Solicitor, Glen Ward, to the solicitors assisting this Inquiry, 13 March 2020, and the response was this:

30 *I am instructed that the footage is of events which took place in pit 86 (then referred to as the Suncity Room). Crown is not certain of the exact date and time that this footage was taken. Based on available information, Crown is aware that the footage was taken prior to May 2018. Given the circumstances in which the footage was disseminated, the VCGLR may be in possession of*
35 *further information in relation to the precise date of that footage.*

MR PRESTON: Yes.

40 MS SHARP: So what we do know is that Crown missed that transaction at the time it occurred; correct?

MR PRESTON: No. I can't say that we did or we did not. We don't know when that transaction occurred, Ms Sharp.

45 MS SHARP: Well, you've been asked by this Inquiry for specific information about when this event occurred and you haven't been able to find it; correct?

MR PRESTON: That's – that's correct. We cannot identify when that transaction exactly occurred.

MS SHARP: So you missed it at the time it occurred; correct?

5

MR PRESTON: We don't have a specific date the transaction occurred on, so we can't identify - - -

MS SHARP: Would you just answer my question. Mr Preston, my question is this:
10 Crown missed that transaction at the time it occurred?

MR PRESTON: I – Ms Sharp, I can't answer it any other way. We don't know when it actually occurred. There's no date on the footage.

MS SHARP: Well, doesn't that suggest to you that you missed it? If you can't
15 correlate that footage with any record that Crown has, doesn't that mean you missed it?

MS ORR: I object to this question. The language of "missing it" is very imprecise
20 and if what is being asked here is whether or not a report was made in respect of that transaction, that question could be clearly put. There would then be a section 123 problem, but the question is imprecise and should be clarified, in my submission.

COMMISSIONER: Yes, Ms Sharp.

25

MS SHARP: To the best of your knowledge, nobody at Crown detected the incident depicted in that footage at the time it occurred?

MR PRESTON: Ms Sharp, all I can say is we do not know exactly when that
30 transaction occurred, and if we can't say when it occurred, it's quite a complicated process to appreciate if we observed it or not.

COMMISSIONER: Can I just see if I can clarify. You have stored, I presume,
35 footage of what goes on in the casino; is that right?

35

MR PRESTON: We do, Commissioner. It's not stored forever – forever and a day.

COMMISSIONER: I'm just asking you whether you have storage of footage. You
40 do have it?

40

MR PRESTON: We do have storage of some footage, yes.

COMMISSIONER: Yes. So if you compared that film that was shown to me a
45 short while ago with your footage that you have stored, you would be able to see whether there was a correlation between the two or whether it had been, in fact, stored; is that right?

MR PRESTON: Commissioner, it's not as simple as that. There are thousands and thousands of hours of footage that are stored in that - - -

COMMISSIONER: I see.

5

MR PRESTON: In that room or otherwise. It's not – it's not as simple as trying to correlate it, unfortunately.

COMMISSIONER: So you need some fort of date or time to assist; is that right?

10

MR PRESTON: Just a – just a date would be able to give us certain clarity. To be – we don't want to be obstructive, but we don't want to be misleading either that we understand the position which we've put to the regulator as well that we don't understand the exact date.

15

COMMISSIONER: And so have you asked the regulator's assistance in this regard?

MR PRESTON: Yes, we – we – well, we put to them the information that we held pertaining to the nature of our inquiry regarding this footage.

20

COMMISSIONER: Just pause. Just pause. Have you asked the regulator for assistance in identifying the date?

MR PRESTON: Yes, we have.

25

COMMISSIONER: And have you received that assistance?

MR PRESTON: No, we have not.

30 COMMISSIONER: I see. All right. So you're not – even today, you're not sure of the date; is that right?

MR PRESTON: No, that's correct, Commissioner.

35 COMMISSIONER: And so far as prior to May 2018 is concerned, I presume that's because you were able to check your records to see that it hadn't occurred after May 2018; is that right?

40 MR PRESTON: Not – not entirely, Commissioner. That's as a result of us changing controls in that room where we no longer permitted - - -

COMMISSIONER: I see.

45 MR PRESTON: - - - cash deposits. So that was a point in time that we knew it couldn't have been beyond.

COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: Now, I want to return you to that email that Crown Solicitor sent on 13 March. You see the second dot point, if I can have that highlighted?

MR PRESTON: Yes, I do.

5

MS SHARP: Crown is not certain of the exact date and the time that this footage was taken. Now, I want to take you to a different document. This is in list 5 tab 72. I understand an application for a non-publication order is made over this, CRL.606.001.0084. Have you got that document before you?

10

MR PRESTON: I do, Ms Sharp.

MS SHARP: In due course I will make a submission that there should not be a no publication order over this, but I will ask about it on a confidential basis at this stage. This is a document authored by you?

15

MR PRESTON: That is correct.

MS SHARP: And the date that is on the front page of that document is the date you created this document?

20

MR PRESTON: The date that it was settled.

MS SHARP: Yes. So it was in existence on a final basis by that date.

25

MR PRESTON: That's correct.

MS SHARP: Now, could I take you to page 7 of that document, pinpoint 0090. You will see there's a little black redaction box and then could you read - - -

30

MR PRESTON: Yes.

MS SHARP: - - - the text immediately under that box.

35

MR PRESTON: "Cheng Ken Pan was a player - - -"

COMMISSIONER: No - - -

MS SHARP: No, no. Don't read it out. Read it to yourself.

40

MR PRESTON: Sorry. My apologies. Yes, I've read that.

MS SHARP: Now, Mr Preston you know the exact date that incident, the subject of the blue cooler bag footage, took place, don't you?

45

MR PRESTON: No, I do not.

MS SHARP: It's in the document.

MR PRESTON: No, that's not what the – that's not what it says, with respect, Ms Sharp.

5

MS SHARP: Your Honour – I beg your pardon, Commissioner. I think I have to, as a matter of fairness, read out that portion to put a document – this fairly to this witness so he can answer what appears to be a glaring inconsistency between evidence he has given and what is stated in this document.

10

COMMISSIONER: Yes. Mr Preston, it is being suggested to you that that relates to the blue cooler bag. You understand that, don't you?

MR PRESTON: Yes, Commissioner. It is suggesting that's the date the VCGLR suggested was the date.

15

COMMISSIONER: Yes. Yes, and, of course, you accept that the VCGLR did in fact provide information to you or to Crown at least in respect of that date; do you see that?

20

MR PRESTON: Correct, and we responded by saying we did not agree with that fact, and we haven't had a response to - - -

COMMISSIONER: You didn't agree with the date or - - -

25

MR PRESTON: No. No.

COMMISSIONER: What date did you propound?

MR PRESTON: We managed to get a snippet that it was 2017, the footage. We don't have an exact - - -

30

COMMISSIONER: When did you manage to get that snippet in?

MR PRESTON: Some time ago. We – it would have been within a couple of weeks of the footage, but we don't – we still don't have an exact date. All that we could – all that we could, as I recall, establish it was 2017.

35

COMMISSIONER: Ms Sharp.

40

MS SHARP: Mr Preston, you've written an exact date in respect of this incident in the document that you authored.

MR PRESTON: As I just said, that was a reflection of the fact that it was an indication that the VCGLR had given to us which we did not agree with and we wrote to them and asked them for further clarity pertaining to that of which we've not received a response.

45

MS SHARP: There is nothing whatsoever in this document by which you suggest that there is any uncertainty about that date or that you have written to VCGLR disputing it. Do you agree?

5 MR PRESTON: That's correct.

MS SHARP: You see, what I'm putting to you is that as at the date this document was authored you knew the date upon which that incident occurred.

10 MR PRESTON: Ms Sharp, I – I disagree. This was a reflection - - -

MS SHARP: And then what – and then what I'm going to take you back to is a subsequent email, that is the email of 13 March 2020, and we will pull it up again, INQ.035.003.0041. If we could put that on the live feed. Where in the second dot
15 point:

Crown is not certain of the exact date and time that this footage was taken.

I suggest that that is misleading this Inquiry.
20

MR PRESTON: I respectfully suggest, Ms Sharp, that I – I do not see that it is. We understand that the footage was from 2017, based on as much detail as our surveillance team could glean from the footage that it looked at that was published. It was not 2018. The VCGLR suggested to us that it was. We wrote to them and
25 said we did not agree with that, we would appreciate more detail. We do not have a response to that point.

MS SHARP: And you can provide a copy of that letter to this Inquiry?

30 MR PRESTON: Yes, we can provide – I can provide a copy of all the details that were provided to the regulator pertaining to our – our inquiries into that footage that we could glean from the – the publication that was produced by Mr Wilkie.

MS SHARP: Now, you know that the man depicted in the blue cooler bag footage
35 handing over the cash is Cheng Ken Pan.

MR PRESTON: No, we do not. That was exactly the point that we made to the Victorian regulator as well.

40 MS SHARP: Can I take you back to this confidential document at pinpoint 0089 and – no, it's the wrong document, sorry. It's – and this is just to go to this court room, CRL.606.001.0084, and then pinpoint 0089. And if you could just read the very bottom of that page underneath the heading. And then over the page, please, if I
45 can have Mr Preston shown 0090. And then underneath that black box you refer to his name.

MR PRESTON: Yes.

MS SHARP: Now, you knew this Inquiry was very keen to obtain information about the incident depicted in the blue cooler bag footage?

MR PRESTON: Yes, I did.

5

MS SHARP: You knew that because those assisting this Inquiry wrote not once but twice to Crown about that matter and issued a summons for all documents in relation to that matter.

10 MR PRESTON: Yes, I did.

MS SHARP: But when we go back to the 13 March 2020 letter from the solicitor for Crown we see no reference whatsoever to Mr Cheng Ken Pan, do we.

15 MR PRESTON: Because we do not believe that it was Mr Cheng Ken Pan.

MS SHARP: Well, wouldn't it have been prudent, even if you were of that belief, to tell those assisting this Inquiry that by the way the regulator thought it was Cheng Ken Pan, and by the way Cheng Ken Pan had been - - -

20

MS ORR: I object. There is correspondence that has been written to the Inquiry by my instructors which explains the redactions that have been made to the document that is currently being discussed and makes clear that one of the reasons for those redactions is that the Victorian regulator takes the view that my client is prohibited by division 6 of part 1 of chapter 10 of the Gambling Regulation Act Victoria from disclosing to the Inquiry the details of any requests that the Victorian regulator has made under section 26 of the Casino Control Act even on a confidential basis. And that is the basis for the redacted box that is in the portion of the document that Ms Sharp has been referring to.

30

So my client is constrained at the moment in its ability to provide information about the information and discussions it has had with the Victorian regulator about these matters and that has been made clear in correspondence dated 24 July to the Inquiry.

35 COMMISSIONER: I think Ms Sharp is referring to the next paragraph, and I understand your position, Ms Orr, but I will allow this to proceed. Yes, Ms Sharp.

MS SHARP: Did you do your best to assist Mr Ward provide the most fulsome information possible in answer to the Inquiry's letter seeking information about that incident?

40

MR PRESTON: I believe I did.

MS SHARP: You agree that you could have given Cheng Ken Pan's name without revealing that you had obtained that name from the Victorian regulator?

45

MR PRESTON: I would have to go back, sorry, to what the exact request was in the summons and the letter, sorry, Ms Sharp.

5 MS SHARP: Well, I can paraphrase it for you. It was to tell us what you know about that incident. Did you not think - - -

MR PRESTON: Well, my view - - -

10 MS SHARP: Did you not think this Inquiry would be assisted by knowing who the perpetrator was, that is, the person who handed over the cash?

15 MS ORR: I'm sorry, Commissioner, I do need to press the objection. This line of questioning is unfair because it disregards the communications that have been made by my client about these matters to the Inquiry.

20 COMMISSIONER: I don't think – I think we might be at odds here. The document that is on the screen of your client – I withdraw that – Mr Preston, and also confidentially being seen by me is a document that includes a specific date, and irrespective of whether the communication was one that came from the VCGLR there was a view held in Crown at the time that there was a date relating to the bag incident, even if it weren't one with which your client agreed. It's clear that that wasn't information that was provided in response, and I think we might have exhausted ourselves on it at this stage and it does seem to me that it's appropriate and it's not unfair in the circumstances of you raising the question of your restraint, so I understand the position that Mr Preston and yourself find yourselves in. Yes, Ms Sharp, please proceed.

30 MS SHARP: Why don't you think, Mr Preston, that the man handing over the cash that day was Cheng Ken Pan?

35 MR PRESTON: Because our surveillance footage could not – sorry, I'll take that – I'll retract that. The review of the footage that Mr Wilkie had published, we could not identify the people involved, and we could not identify the date or the time that that transaction took place, and that is the reason why we could not establish the detail, and in terms of responding to the Inquiry, the request was for the date and time. We did not know that, unfortunately. If we had known that we would have provided it willingly.

40 MS SHARP: Well, the position then is that you can't, through Crown records, establish who it was that handed over that money depicted in the footage?

MR PRESTON: That's correct.

45 MS SHARP: Well, why then, if the Victorian regulator is telling you it is Cheng Ken Pan are disputing that?

MR PRESTON: Because, Ms Sharp, as I said, they have given a date that they have suggested it was in 2018. Our review indicated that - - -

COMMISSIONER:

5

MR PRESTON: Sorry, Commissioner, I couldn't hear you.

COMMISSIONER: I think it's 2017, isn't it?

10 MR PRESTON: Sorry, May 2000 – sorry, May 2017.

COMMISSIONER: Yes.

15 MR PRESTON: Our – sorry, the best we could determine was it was – sorry. The best we could determine it was later in 2017, possibly Christmas time, give or take.

COMMISSIONER: When? I see. Yes, Ms Sharp.

20 MS SHARP: I would like to show you one document that was produced under summons 63. This is in list 3 at tab 30, and no claim is made over this document so I will bring it up on the live screen. CRL.559.001.1091. Now, this is a note you've sent to yourself. Is that correct, Mr Preston?

25 MR PRESTON: That's correct.

MS SHARP: And it's dated the very day the footage was released?

MR PRESTON: That's correct.

30 MS SHARP: And you're commenting on what you've seen depicted in what I'm calling the blue cooler bag footage.

MR PRESTON: Yes. As I recall, I reviewed the YouTube site to understand the actual detail of what was being portrayed.

35

MS SHARP: Right. What you're saying in that third dot point is there is no obligation on Crown to lodge any threshold transaction in this instance as it's not involved in the transaction, ie, it's not a designated service, and that's correct, isn't it?

40

MR PRESTON: That specific element, yes, that's correct.

45 MS SHARP: All right. So that goes back to the point I was making earlier about the Suncity desk cage, call it what you will, being an island of immunity from anti-money laundering laws. That's right, isn't it?

MR PRESTON: They are immune from anti-money laundering laws as they are not a reporting entity. As I indicated, Crown reviews activity and if it deems something to be suspicious then it will make the necessary report.

5 MS SHARP: Right. And let's be very clear about that. That's not because Crown is obliged under section 41 of the Act to make a suspicious matter report; it's because some time in 2017 AUSTRAC said, "You better report to us matters like this."

10 MR PRESTON: That's not the language that I would use and that is not – that's not entirely factual.

MS SHARP: Did you want to set out what you say is the entirely correct position?

15 MR PRESTON: Well, I think that our – our training and our dealing with people does articulate the concept of what is suspicious and what is not and to report on it. It certainly wasn't AUSTRAC making that comment for us to do something new.

20 MS SHARP: Now, looking at what it is Suncity was doing at that time with its Suncity desk, that is, the junket operator was receiving large volumes of cash and exchanging them for chips, aren't we looking at the Macau junket model here?

25 MR PRESTON: No. As I understand it there are dissimilar – there's dissimilar functions and dissimilar traits.

MS SHARP: But this is one similarity with the Macau model for junket operators who operate VIP salons, isn't it, that they operate the cash desk?

30 MR PRESTON: I can't talk to the specifics of Macau, sorry, Ms Sharp. I'm – I'm not entirely aware of exactly how they operate their cages – which they do refer to, as I understand it, I do know that, in Macau as their cage, but I'm not entirely sure that I understand exactly how they operate.

35 MS SHARP: Could I take you to paragraph 52 of your February statement and I'll pull this up on the live stream, CRL.577.001.0001_R. That's the redacted version.

MR PRESTON: Sorry, Ms Sharp, what paragraph was that?

40 MS SHARP: It is your statement. Can I take you to paragraph 52 which is at pinpoint 0009_R. Now, as at 2017 it wasn't true, was it, that:

All VIP gaming areas, including private salons, are subject to the same level of oversight as any other gaming area at Crown from a gaming integrity surveillance and regulatory perspective.

45 MR PRESTON: That's true. They are all under the same level of oversight.

COMMISSIONER: Could you just get a little closer to the microphone, please?

MR PRESTON: Sorry, Commissioner. They are all subject to the same - - -

5 COMMISSIONER: That's all right.

MR PRESTON: Sorry, Commissioner. Can you hear me now?

COMMISSIONER: Yes, I can. Thank you very much.

10

MR PRESTON: They are all subject to the same level of supervision and oversight.

MS SHARP: But in 2017 Crown didn't operate the cash desk at Suncity.

15 MR PRESTON: That's correct.

MS SHARP: Well, you would agree that there's a measure of surveillance that Crown engages in by dint of operating the cash desk everywhere else in the casino?

20 MR PRESTON: Crown operates cages in the casino and they're all under the same level of surveillance activity. All the – all the salons, like all the cages, whether it be salons or main gaming floor, have the same level of – all have camera coverage and are all subject to the casino regulatory framework and the AML regulatory framework.

25

MS SHARP: I don't think you understood - - -

MR PRESTON: Suncity itself is not - - -

30 MS SHARP: The Suncity desk is not subject to the AML framework. Do you agree?

MR PRESTON: I agree that Suncity is not a reporting entity for the purpose of the Anti-Money Laundering Act.

35

MS SHARP: And you agree that Crown operating the cash desk or the cage, whatever you want to call it, provides a measure of surveillance over the transactions.

40 MR PRESTON: In terms of cage – Crown's operations, yes, it does.

MS SHARP: Now that measure of surveillance was not occurring in 2017 in the Suncity VIP room, was it?

45 MR PRESTON: Crown was not obliged to participate in the transactions - - -

COMMISSIONER: Just whether it was or it wasn't, please, Mr Preston; we will get there more quickly.

5 MR PRESTON: It was not providing oversight in terms of the Suncity cage transactions.

COMMISSIONER: Thank you.

10 MR PRESTON: As it would do with its own cage.

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

15 MS SHARP: Can I show you the statement that Crown made to the Four Corners program in relation to its September 2014 broadcast about Crown. You will find this in open exhibit F37. This can be pulled up on screen. It's INQ.010.006.0142. Mr Preston appears to have frozen and we appear to have no document on the screen.

COMMISSIONER: Correct. There we go.

20 MS SHARP: Can you hear me now, Mr Preston?

MR PRESTON: I can, Ms Sharp.

25 MS SHARP: Can you see, there's a document before you entitled "Response to questions from Four Corners"?

MR PRESTON: Yes, I can.

30 MS SHARP: You can take it from me that document is dated 11 September 2014. Can I draw your attention to two-thirds of the way down the page and the heading Junket Operators and perhaps we can highlight who appears there. What is stated here is:

35 *Junket operators do not have any say in the operation of Crown's casinos. They are not major shareholders nor are they represented on the board. All casino operations (conduct of games, security, surveillance and cage operations) are undertaken by the casino operator.*

40 Now, Suncity had its special arrangement with Crown by this time. What this statement says is not true in respect of the Suncity VIP lounge. Do you agree?

MR PRESTON: No, I do not.

45 MS SHARP: Is that because you cavil with whether the Suncity desk is a cage operation?

MR PRESTON: I – I am of the firm view that it is not a cage operation.

MS SHARP: Even though people email you describing it as a cage operation.

MR PRESTON: Even although it has been referenced as a cage operation, it is not a cage operation. The cage operation is a regulated area with very specific rules and
5 procedures. Theirs is not a cage operation.

COMMISSIONER: And are any junket operators in the Crown Casino at this time, did they have cage operations or not?

10 MR PRESTON: Not to my knowledge did any of them have cash desks. They did, if it assists - - -

COMMISSIONER: All right. Please let me ask the next question. If they didn't have cage operations, then they only had cash desks; is that right?
15

MR PRESTON: None of the junket operators had cage operations and I understand that Suncity was the only one that had a dedicated cash desk as such.

COMMISSIONER: So none of the junket operators had cage operations; is that
20 right?

MR PRESTON: That's correct.

COMMISSIONER: And only Suncity had what you've described as a cash desk; is
25 that right?

MR PRESTON: As I understand it, Commissioner.

COMMISSIONER: All right. So the casino operations that are referred to there in
30 that paragraph referring to cage operations refer only to Crown's operations and not the junket operators; is that right?

MR PRESTON: That's correct, Commissioner.

35 COMMISSIONER: So that shouldn't be there if it's dealing with junket operators, I suppose. Is that right?

MR PRESTON: Yes, that's right, Commissioner.

40 COMMISSIONER: Yes. Well, we seem to have been misled into the belief that it related to junket operators. Ms Sharp.

MS SHARP: Thank you, Commissioner.

45 Now, Mr Wilkie made a number of pieces of footage available to the public on 15 October 2019 and I would now like to show you some other parts of that footage.

This is in exhibit F93. It's a public document and can go to the live feed, INQ.800.001.0010.

5 **VIDEO SHOWN**

MS SHARP: Mr Preston, can I confirm you are seeing this video footage?

10 MR PRESTON: Yes, I can, Ms Sharp.

MS SHARP: Thank you. I will press play again and I will have it paused momentarily.

15

VIDEO SHOWN

20 MS SHARP: If I can. Would you agree that what we've just seen is a person handing over bundles of cash from a paper bag?

MR PRESTON: It's from a Crown – a Crown bag, yes.

25 MS SHARP: All right. So this incident is different to the blue cooler bag footage.

MR PRESTON: It's different footage, but it's the same proposition, it would appear to me.

30 MS SHARP: Yes. Well, it's the same proposition because it's also in the Suncity Room in Crown Melbourne; correct?

MR PRESTON: That's correct, Ms Sharp.

35 MS SHARP: And what we're seeing is money being handed over to the Suncity desk.

MR PRESTON: That's correct.

40 MS SHARP: Right. Can we please continue playing the video.

VIDEO SHOWN

45 MS SHARP: I think it's stopped playing.

COMMISSIONER: It has.

MS SHARP: Could we continue playing it?

VIDEO SHOWN

5

COMMISSIONER: Pardon me for a moment. Is that being played to the witness? Thank you. All right. Mr Preston, I understand that you've seen that.

10 MR PRESTON: Yes, I believe I have.

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

15 MS SHARP: Would you agree that it – the footage has panned around the Suncity Room?

MR PRESTON: Yes, it would appear to pan around the Suncity Room.

20 MS SHARP: And would you agree there appeared to be a Christmas tree in the Suncity Room?

MR PRESTON: Yes, that's correct.

25 MS SHARP: And does that give you a clue as to the time when this incident may have occurred?

MR PRESTON: One would – one would expect December-ish with the Christmas tree.

30 MS SHARP: And is it right that on certain parts – at – I withdraw that. You have examined this footage on a number of occasions before; is that correct?

MR PRESTON: I've seen it a couple of times, as I recall.

35 MS SHARP: Is it right that in certain parts of that footage you can see a little marker at the top of the footage saying that it's from the Suncity Room?

MR PRESTON: That appears to be the Suncity Room.

40 MS SHARP: And it does give you some indication as to a date range?

MR PRESTON: Yes.

45 MS SHARP: And that indication is a 2017 date?

MR PRESTON: It would appear – it would appear so.

MS SHARP: So is our safest assumption that we're dealing with an incident that occurred in around December 2017?

5 MR PRESTON: As – as best as I understand it based on the advice that I was provided with by the surveillance team who did have – have a look at as much of the footage as they could to assist with identifying the dates.

MS SHARP: So is our best guess that this is in around December 2017?

10 MR PRESTON: Yes.

MS SHARP: Now, this is different from the blue cooler bag footage, isn't it?

15 MR PRESTON: Yes.

MS SHARP: Did Crown detect this incident at the time when the cash was being handed over?

20 MR PRESTON: I don't – I don't believe I'm in a position to answer that, Ms Sharp.

MS SHARP: I've simply asked you whether you – I'm not asking you whether you formed suspicions. I'm not asking you whether you've reported anything. I'm asking you whether this incident was detected by anyone at Crown at the time.

25 MR PRESTON: I'm – I'm unsure, Ms Sharp. I can't recall whether it was detected or not.

30 MS SHARP: But wasn't that one of the matters you would specifically be looking for?

MR PRESTON: Yes. I would expect so.

35 MS SHARP: So is the correct position that to date you have found nothing which confirms that Crown detected this incident at the time it occurred?

MR PRESTON: This footage appears to be footage that I've seen elsewhere in another form, but I might be mistaken.

40 MS SHARP: So I will just ask my question again. Based on your investigations to date you've seen nothing to confirm that Crown was aware of this incident at the time it occurred.

45 MR PRESTON: At the – at the time when we looked at this footage and we interrogated it the answer that I had was that no, because they couldn't get the specific date.

MS SHARP: I'll keep playing the footage, if I may.

VIDEO SHOWN

5 MS SHARP: I might stop the footage there. Would you agree that what we've seen are Suncity staff being provided with large bundles of cash and then using a cash counter to count it and putting it away?

MR PRESTON: Yes, that's correct.

10 MS SHARP: And we also see Suncity staff members hand over chips and plaques to somebody.

MR PRESTON: That's correct.

15 MS SHARP: Now, it's correct, isn't it, that in fact Mr Wilkie's footage that he had on his web page at that time, depicted three separate sequences. There was this sequence, a second sequence and then the blue cooler bag sequence.

20 MR PRESTON: I can't recall the third off the top of my head that you've just referred to, sorry, but that sounds – sounds about right.

MS SHARP: And it's right that each of those instances was captured by VCGLR security cameras?

25 MR PRESTON: They're our cameras, but it was, we understand, captured by the VCGLR inspectors through their ability to look at any of our cameras and they used this camera.

30 MS SHARP: So given that they're your cameras, you would agree that Crown has access to that footage at all times?

MR PRESTON: They do. This camera is not a camera that – I understand the inquiry that we made – the camera that was used for the footage is not a camera that immediately stores on Crown's system.
35

MS SHARP: Sorry, just in answer to my question, can Crown get access to the footage on those cameras at all times?

40 MR PRESTON: They can use this camera to look at the live transaction. They can't look at it after the transaction if it's not been recorded.

MS SHARP: If it has not been recorded.

45 MR PRESTON: That's correct.

MS SHARP: Is it generally recorded?

MR PRESTON: As I said, this is a camera that is – does not record. Sorry, sorry. I'll retract that. This is a camera that doesn't automatically store footage as back-up.

5 MS SHARP: Now, you were aware that those VCGLR officers who captured that footage weren't there on the dates those incidents occurred.

MR PRESTON: I'm not aware of that, sorry, Ms Sharp.

10 MS SHARP: Well, I'm wondering do you know whether the VCGLR officers had access to recorded footage rather than live footage?

MR PRESTON: If – if this had been looked at through their system I understand the functionality – I'm not an expert in that, but I understand if they have looked at this footage from that camera then it does store on their system for a short period.
15

MS SHARP: So it is recorded.

MR PRESTON: If they look at it on their – on their back-up system I understand as soon as they look at footage – again I'm not the expert on this, I'm sorry, Ms Sharp –
20 then it is held for a short period of time.

MS SHARP: So are you saying that unless somebody from Crown happens to be watching the video footage from these cameras live, they're not going to be able to see what's captured on that camera?
25

MR PRESTON: This camera specifically, that's correct.

MS SHARP: So if you missed it at the particular time the incident occurred, you missed it for all times?
30

MR PRESTON: On this camera, that's correct.

MS SHARP: Is there somebody – I withdraw that. In 2017, was there somebody at Crown who was tasked with watching that video footage from that security camera live?
35

MR PRESTON: I – I – you would have to ask the surveillance officers how they operate. Sorry, Ms Sharp. They wouldn't be watching a specific camera dedicated – there's 4500 cameras, give or take.
40

MS SHARP: Did Crown have any of its own officers present in the Suncity Room at all times in addition to those officers who operated the gaming tables?

MR PRESTON: There would always be dealers and I believe the term is
45 "supervisors".

MS SHARP: How many supervisors were in the Suncity Room at any one time?

MR PRESTON: I'm not sure of the number. Sorry, Ms Sharp.

MS SHARP: Was there always a supervisor in the Suncity Room?

5 MR PRESTON: I understand whenever there's gaming activity, there is always a supervisor.

MS SHARP: You would agree that the Suncity junket, or you would call it the Alvin Chau junket, is one of Crown's most lucrative junkets?

10

MR PRESTON: I know that it is one of our largest junket operators, yes.

MS SHARP: Yes, with turnover in the billions in some years; correct?

15 MR PRESTON: I understand that's factual, yes.

MS SHARP: Now, one of the media allegations – and I won't take you to it. I'll just read it out because we've looked at it a number of times. It's that 27 July 2019 The Age article called "Gangsters and Gamblers" and that's exhibit G3. One of the things that article said was that some The Company's members and associates are ultimately affiliated with Macau's biggest and most successful junket operator, Suncity. This coincided with a directive from Crown – from a Crown senior manager to Crown's Chinese staff to also get close to Suncity. Now, is it correct that there was such a directive?

25

MR PRESTON: I can't speak to that, Ms Sharp. If it's documented – if I've seen a document, I can't recall, but I can't speak to that with any direct knowledge.

MS SHARP: Have you heard of Crown's platform junket strategy?

30

MR PRESTON: I have heard of it.

MS SHARP: And what's that?

35 MR PRESTON: I only heard of it when I read some of the papers that refer to it, Ms Sharp. I had to make my own inquiries. I'm not – I don't particularly understand the concept, so I might not be the best person to ask that. Sorry.

MS SHARP: Well, I will ask you. Are you saying that you only became aware of the Crown platform junket strategy as you prepared to give original evidence?

40

MR PRESTON: No, I – I became aware of it during the course of the class action matter.

45 MS SHARP: Well, can you tell us what it involves?

MR PRESTON: Might be not very accurate on this, Ms Sharp, because it's a concept I'm not familiar with and I – it's a concept that, I believe, is not currently in play, but I believe it's where there are smaller junkets who are directed to participate with – with larger junkets, but that's about as much detail as I can give to you.

5 Sorry, Ms Sharp. I – I would hate to give you the wrong information.

MS SHARP: Well, wasn't the central point of the platform junket strategies that there were a handful of key junkets that Crown wished to deal with?

10 MR PRESTON: I'm sorry, Ms Sharp. I missed that. A handful of what? Sorry. Junkets?

MS SHARP: Of key junket operators that Crown wished to deal with?

15 MR PRESTON: Yes, I've seen that referenced in a document, but, again, I have no direct knowledge of it. Sorry, Ms Sharp.

MS SHARP: So just to follow that up, you didn't make yourself aware of the Crown platform junket strategy as you conducted investigations into these media
20 allegations?

MR PRESTON: No, I did not.

MS SHARP: But you understood that one of the – you told me on Monday you
25 understood that one of the allegations made against Crown was that it was partnering with junket operators with links to organised crime. So you did understand that allegation, didn't you?

MR PRESTON: I did.
30

MS SHARP: Did you have any view about whether, in ascertaining the veracity of that allegation, it might be useful to have an understanding of Crown's platform junket strategy?

35 MR PRESTON: Sorry, Ms Sharp. I didn't draw the link. I didn't draw the link.

MS SHARP: Did you know that Suncity was one of the junkets, the subject of Crown's platform junket strategy?

40 MR PRESTON: I know that through seeing the documents, but that's as far as I could take it.

MS SHARP: Are you – is it your evidence that you didn't speak to anyone at all at Crown in the course of your investigations about what significance the Crown
45 platform junket strategy may have had for the media allegations?

MR PRESTON: No, I did not.

MS SHARP: Now, according to a report in The Guardian on 15 October 2019, it was stated that the Suncity Room faced closure by the Victorian Commission for gaming and liquor regulation in 2017 over alleged ties to organised crime but remains open; is that right? Did the Victorian regulator threaten to close the Suncity Room in 2017?

MR PRESTON: Certainly not to my knowledge.

MS SHARP: And, of course, by 2017, you were the chief legal officer of Australian Resorts?

MR PRESTON: That's correct.

MS SHARP: Now, I want to ask you a few more questions about Alvin Chau, sometimes known as Cheok Wa Chau. He operates junkets at Crown Melbourne and Crown Perth, doesn't he?

MR PRESTON: Yes, he is.

MS SHARP: And he is who you associate with the Suncity junket?

MR PRESTON: That's correct.

MS SHARP: It's right, isn't it, that over the years – I withdraw that. Mr Chau became a junket operator at Crown Melbourne in September 2009; correct?

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

MS SHARP: And he became a junket operator at Crown Perth in June 2020; correct?

MR PRESTON: I think it was 2010, Ms Sharp.

MS SHARP: Yes. I think you are correct. It is right that since he first became a junket operator, Crown has received a number of inquiries about Mr Chau or about activities occurring in the Suncity Room?

MR PRESTON: That's correct.

MS SHARP: And it's correct that in the High Rollers – High Risk? Four Corners program in September 2014, it was alleged that Suncity was one of the most powerful VIP junkets in Macau and that its ultimate beneficiary was Charles Hung Wa Hung and he was allegedly a leader of the Sun Yee On triad?

MR PRESTON: Yes, I believe that that was in the Four Corners report.

MS SHARP: Can I show you a document. This is in list 8 at tab 2. I understand no claim is made with respect to this document. It is – perhaps we can just have this brought up in the room. CRL.500.002.5711.

5 MS ORR: Could I just indicate, for the assistance of the Commissioner, that although it is correct that there is no claim made in respect of that document, there are references to a third party provider that we have written to the Inquiry about, as has AUSTRAC, as we understand it. So we understand that AUSTRAC requires that to be kept confidential.

10 COMMISSIONER: I don't think it's going to the live stream, Ms Orr. Thank you. It's just being dealt with confidentially.

15 MS ORR: Just for the purposes of the questions, if that provider was not referred to, that would be consistent with the position taken by AUSTRAC.

MS SHARP: Now, it is correct that on 1 April 2016, Crown Resorts Limited received what I will describe as a due diligence report in respect of Alvin Chau, isn't it?

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

MS SHARP: And could I take you, please, to pinpoint 5714 and ask you to read that to yourself.

25 MR PRESTON: The whole page, Ms Sharp? Anywhere – any particular - - -

MS SHARP: Yes, if you could just read it to yourself, please. In fact, I'll direct your attention to the third – fourth paragraph from the bottom:

30 *In 2012, the US government reported that Mr Chau and two other individuals were identified in the organised crime and were restricted to do business only in Macau and China.*

35 So you will agree that by 1 April 2016, Crown Resorts had on its books information that the US government thought that Mr Chau was linked with organised crime?

MR PRESTON: That's what the indication in the report says, yes.

40 MS SHARP: Now, I will take you to a different document. It's in list 8 at tab 3. There is no publication order application, but I will treat it in a similar way to the previous one in that I will only have it shown to the hearing and I will not name the provider. Could document CRL.500.002.5900 be shown. And you will agree that that is a 26 May 2016 dossier on Mr Chau?

45 MR PRESTON: That's correct.

MS SHARP: And you will agree that that was available to Crown as at about that date?

MR PRESTON: Yes.

5

MS SHARP: Could I take you, please, to pinpoint 5903. You will see there's a heading Interesting Facts. Do you see that the third entry - - -

MR PRESTON: Sorry, Ms Sharp. My video just dropped out entirely. I've just plugged it - pushed it back in and - I'm sorry. I missed that entire sentence. Sorry.

10

MS SHARP: Can you hear - can you see that there is a box in the middle of the page called Interesting Facts?

MR PRESTON: Yes.

15

MS SHARP: And the third of those interesting facts is "appears to be a former member of the 14K triad's Macau branch under the leadership of Kwok Hoi Wan?"

MR PRESTON: Yes, I can see that.

20

MS SHARP: Did you happen to know that Kwok Hoi Wan is sometimes referred to as "Broken Tooth Hoi" or "Broken Tooth"?

MR PRESTON: I've seen that - I've seen that reference, yes.

25

MS SHARP: But in any event, you would agree that by March of 2016, Crown had not one but two due diligence reports linking Mr Chau with organised crime?

MR PRESTON: Yes, they've made a reference to that, yes.

30

MS SHARP: Now, you prepared for the purpose of this Inquiry a table that was formerly known as "Confidential Annex 3" to your second statement, which sets out the details of Crown's due diligence into Mr Chau. That's right, isn't it?

35

MR PRESTON: Yes, that's correct.

MS SHARP: And if I can take you - this, of course, is - there's no claim for confidentiality pressed, although certain bits of information have been redacted, but I can bring it up on the live feed. It is CRL.577.002.0001_R, which means it's redacted. Could I bring up that first page and perhaps have it rotated so we can read it. Now, on that first page, we see some dates. The dates span October 2014 to November 2016 and you will agree you haven't made any reference to those due diligence reports I just took you to?

40

MR PRESTON: That's correct.

45

MS SHARP: Then if I could take you over the page, a lot seems to have happened on 27 March. Now, it's right that what happens on 27 March is that AUSTRAC writes to you, advising that it will conduct a compliance review and engage in discussions regarding Crown's junket operations?

5

MR PRESTON: That's correct.

MS SHARP: And this was because AUSTRAC at that time was conducting an industry-wide review of junket operations?

10

MR PRESTON: No. It was – I think it was the latter point in time, they were doing an industry-wide junket operations review. This was a dedicated compliance assessment that was sent to my predecessor regarding our compliance with our AML program, and they would often have a specific flavour of focus and this one was junkets for Crown.

15

MS SHARP: And you say in this annexure that on 17 May 2017, AUSTRAC conducted an onsite assessment of Crown Melbourne and - - -

20

MR PRESTON: That's correct.

MS SHARP: - - - AUSTRAC expressly requested a tour of the junket facilities, and are you suggesting here that AUSTRAC representatives went into the Suncity Room and observed how the Suncity Room operated?

25

MR PRESTON: They went into the Suncity Room. I can't recall whether there was gaming activity in that room at that point in time or not, but they – they went in there and were showed the various parts to that room.

30

MS SHARP: So you're not in a position to tell us whether or not AUSTRAC representatives saw the Suncity desk in operation?

MR PRESTON: I can't recall. I – I can't recall whether it was in operation or not. Best guess, they would have had their staff there because it would have been during the normal office hours, but in terms of being in operation where transactions are taking place, I can't recall. Sorry.

35

MS SHARP: And you refer a little further down this page to some – an email from AUSTRAC dated 8 June 2017?

40

MR PRESTON: Yes.

MS SHARP: And in that email, isn't it right that AUSTRAC drew to your attention that Mr Chau is both a foreign PEP and has a substantial criminal history?

45

MR PRESTON: That's referenced in that email, yes.

MS SHARP: And didn't AUSTRAC ask – or say in that email:

5 *It would be appreciated if you could provide us with documentation evidencing Crown's consideration of the appropriateness of continuing to provide designated services to Mr Chau, and an explanation as to how Crown considers its business relationship with Mr Chau to be consistent with its commitment to striving to achieve the objectives of the AML CTF Act.*

10 MR PRESTON: Yes, they did ask that.

MS SHARP: Wasn't that ringing an alarm bell to you that AUSTRAC was concerned about Mr Chau?

15 MR PRESTON: It certainly was very important and as a result, I collated the relevant information and considered - - -

20 COMMISSIONER: Just pause there, please. I'm afraid that you may not have understood. Ms Sharp's question referred to alarm bells. Did that cause alarm bells to ring for you?

MR PRESTON: Yes, in – in one term, it did.

COMMISSIONER: Yes. Yes, Ms Sharp.

25 MS SHARP: Did you reconsider whether you ought do business with Mr Chau after receiving this letter from AUSTRAC?

MR PRESTON: The first thing I did was - - -

30 COMMISSIONER: No, no, listen. Just listen. Yes, Ms Sharp.

MS SHARP: Did you reconsider doing business with Mr Chau after you received this letter from AUSTRAC?

35 MR PRESTON: Not immediately.

40 MS SHARP: You see, according to your annex 3, there was a senior management review of the junket operator relationship with Mr Chau on 5 June 2017, but this letter from AUSTRAC comes a little later. It's on 8 June 2017. I don't see anything in this schedule about a senior management review of the junket operator relationship with Mr Chau following that letter from AUSTRAC. Was there such a review by senior management?

45 MR PRESTON: There was a careful analysis of the information that we had on Mr Chau which followed a meeting with AUSTRAC related to the query that they had put.

COMMISSIONER: When was that?

MR PRESTON: And our ongoing – I beg your pardon, Commissioner?

5 COMMISSIONER: When that was?

MR PRESTON: That was 22 June.

COMMISSIONER: Thank you.

10

MR PRESTON: Sorry, it might have been – sorry, I might be wrong there. It was – I'm just trying to refresh my memory. It was post – it was post 8 June.

15 COMMISSIONER: I see. Now, Ms Sharp, how much longer are you going to be? It's now quarter past one.

MS SHARP: Yes, I see that. This morning has moved a little more slowly than I would have hoped. I'm sorry.

20 COMMISSIONER: No. How much longer are you going to be?

MS SHARP: On this topic, about another 15 minutes.

25 COMMISSIONER: Yes. All right. And so it's appropriate to have a luncheon adjournment?

MS SHARP: Yes.

30 COMMISSIONER: Mr Preston, we're going to have a short break – or a break now for the luncheon adjournment. Notwithstanding, I will resume at 2 pm. Would that cause you any difficulties, Mr Preston?

MR PRESTON: Not at all, Commissioner.

35 COMMISSIONER: All right then. I'll resume at 2 pm. Thank you. I will adjourn now.

40 **ADJOURNED** **[1.14 pm]**

RESUMED **[2.01 pm]**

45 COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: Thank you, Commissioner.

COMMISSIONER: Mr Preston, are you ready to proceed?

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

5 COMMISSIONER: I would be grateful if you could just lean forward ever so slightly so I can pick up what you're saying. Thank you.

MR PRESTON: Certainly.

10 COMMISSIONER: Thank you.

MS SHARP: Mr Preston, you had before the luncheon – or the mid – or the luncheon adjournment a document which I've been calling annex 3. Could you have that at hand again, please?

15

MR PRESTON: Yes, I have that, Ms Sharp.

MS SHARP: Thank you. Now, before the break, I had asked you whether the 8 June 2017 email from AUSTRAC was considered by senior management in reviewing the ongoing junket operator arrangement with Mr Chau. What's the answer, please?

20

MR PRESTON: Yes.

25 MS SHARP: And when did that happen?

MR PRESTON: That happened upon receiving that email. I instructed the AML and compliance team to prepare the relevant due diligence documentation we held so I could consider it.

30

MS SHARP: And - - -

MR PRESTON: That held - - -

35 MS SHARP: So who was the senior management who - - -

MR PRESTON: It was sorry.

COMMISSIONER: I missed that.

40

MR PRESTON: It was the AML and compliance team who compiled the relevant due diligence information that we held and then I considered it with Barry Felstead and then subsequent to that, I went and met with AUSTRAC to discuss the matter with them.

45

MS SHARP: And what date did you discuss this with Mr Felstead?

MR PRESTON: I can't recall specifically, but it was between the period – would have been post the 8th and before the 22nd.

5 MS SHARP: Because I'm just wondering, with this schedule that you've prepared for us in annex 3, you refer to an entry on 5 June 2017 and you say that a senior management review of the junket operator relationship occurred then, but then there's no further reference on that page or the next to a senior management review of the junket operator relationship with Mr Chau in 2017.

10 MR PRESTON: I might try and assist you with the timing. There was – I think the entry in the 5 June row is with respect to the fact that it had come to our attention through our third party due diligence provider that Mr Chau was a foreign PEP, which requires us to consider whether we want to continue to do business with him. So that process essentially intertwined with the process that we were undertaking for
15 the purpose of the 8 June email from AUSTRAC. It was a coincidence of timing.

MS SHARP: All right, but - - -

20 MR PRESTON: And then – sorry.

MS SHARP: Mr Preston, let me clarify some matters of timing. You received the 8 June letter from AUSTRAC, obviously enough, on 8 – 9 – I'm sorry, 8 June. When do you say the senior management review took place to consider the AUSTRAC letter?

25 MR PRESTON: The AUSTRAC letter was from the 8th onwards, specifically to respond to that email.

30 COMMISSIONER: Mr Preston, please. When was the review in response to the AUSTRAC? When did that take place?

MR PRESTON: The review took place from the 8th onwards, Commissioner.

35 COMMISSIONER: Well, when you say from 8 June onwards, when did it conclude?

MR PRESTON: Concluded – if I recall correctly, discussions were ongoing and then I - - -

40 COMMISSIONER: No, no, no. Please. Please, Mr Preston. Please. When did the review conclude?

MR PRESTON: I can't recall the specific date. Sorry, Commissioner.

45 COMMISSIONER: Was it a month, a week, a year? How long did it take?

MR PRESTON: It was prior to the 22nd. It had concluded in advance of me going to meet with AUSTRAC about that particular matter.

COMMISSIONER: All right. So it was from 8 to 22 June; is that right?

5

MR PRESTON: Over that period, yes.

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

10 MS SHARP: Thank you. Could I show you a document, please. This is in – it's list 8, tab 4. I understand there's no claim, but we might just bring it up on the hearing room only list just to start with.

COMMISSIONER: Yes.

15

MS SHARP: I will just wait for the document to be brought up by the operator.

MR PRESTON: I have that, Ms Sharp.

20 MS SHARP: I have to read out the – it's going to help if I read a number. Yes. CRL.500.005.2836.

COMMISSIONER: Yes.

25 MS SHARP: Now, I think we can bring this up on the live feed. Now, what we see on June 5 in the middle is an email from Scott Howell to yourself in respect of Mr Chau:

30 *It's advised that he's a foreign PEP. I seek your approval for a continuing business relationship with the customer. Please confirm your approval.*

Do you see that?

MR PRESTON: Yes, I do, Ms Sharp.

35

MS SHARP: And you agree that you received that email on around that day?

MR PRESTON: That's correct.

40 MS SHARP: Now, you see you get another email from Mr Howell on 14 June 2017 where he says:

45 *Just a reminder, no reply as yet. Mr Cheok Wa Chau is the junket operator AUSTRAC chased information on.*

See that?

MR PRESTON: Yes. Yes, I see that.

MS SHARP: And then you respond by email on 16 June 2017 granting approval, that is approval for a continuing business relationship with Mr Chau?

5

MR PRESTON: That's correct.

MS SHARP: So where's the consultation with Mr Felstead or any other senior manager?

10

MR PRESTON: The process that we have is that under the program, we seek approval from senior management and I'm deemed in that role, so when there is a foreign PEP that comes to our attention, the relevant information is forwarded through to me for consideration and then I will consider it and provide a decision.

15

As I was - - -

MS SHARP: Was there any senior management review other than yourself?

MR PRESTON: Not for the purpose of determining to continue to do business as a foreign PEP, but as I indicated by way of coincidence of timing, we were preparing the due diligence report to speak to AUSTRAC about following on from the email of 8 June. So there was a crossover in timing. During that period, I had discussions with Mr Felstead about the due diligence information that we held on Chau Cheok Wa in advance of going to see AUSTRAC. So there were two separate things going on, but they were clearly related.

20
25

MS SHARP: Right. So is it your evidence that you and Mr Felstead are the senior management who approved an ongoing relationship with Mr Chau after receiving this 8 June 2017 email from AUSTRAC?

30

MR PRESTON: Yes.

MS SHARP: And may we take it that you emailed each other about this when you were consulting with one another?

35

MR PRESTON: No, we discussed it and then post the discussion I went and met with AUSTRAC by myself to speak to them about the information.

MS SHARP: So even though AUSTRAC wrote to you on 8 June 2017 expressing concern about – or saying “How is it consistent with Crown's commitment to achieving the objectives of the AML act to do business with Mr Chau, you have a discussion with Mr Felstead, deciding to approve that junket operator continuing with Crown and you don't document that decision in any way?”

40

MR PRESTON: That's right. I took Mr Felstead through the information that we held, and we had agreed that we would continue to do business with Mr Chau, but having said that we were respectful of the query that AUSTRAC had raised - - -

45

COMMISSIONER: You're just being asked – you're just being asked – really, Mr Preston. Please. Time is very important.

MR PRESTON: Apologies, Commissioner.

5

COMMISSIONER: Yes, you're just being asked whether you documented it and I understand that you didn't; is that right?

MR PRESTON: That's correct.

10

COMMISSIONER: Yes. Thank you.

MS SHARP: Now, you then note in your annexure 3 at the bottom of page 2 on 1 September 2017 that media coverage suggests that Mr Chau received a large amount of money that had been stolen from the Bangladesh central bank.

15

MR PRESTON: That's correct.

MS SHARP: And you say there was a review of the risk rating at that time; is that right?

20

MR PRESTON: That's correct.

MS SHARP: And who participated in that review?

25

MR PRESTON: That would have been Mr Howell.

MS SHARP: Now, on 26 September 2017 you refer to receiving a letter from AUSTRAC relating to a recent compliance assessment which encouraged Crown Melbourne to submit a suspicious matter report when it observes unusually large cash transactions being processed over the desk in the Suncity Room.

30

MR PRESTON: That's correct.

MS SHARP: Now, is it right that prior to that time, even where Crown observed a suspicious cash transaction at the Suncity desk, it was not notifying AUSTRAC? And I'm very mindful here of section 123 when I ask this question.

35

MR PRESTON: This reference from AUSTRAC was not an indication that we weren't doing them. We would – we would observe and if we deemed something suspicious, we would lodge a suspicious matter report, including large cash transactions anywhere on the property if we deemed them suspicious.

40

MS SHARP: Well, why was AUSTRAC writing encouraging you to do that if you were already doing it?

45

COMMISSIONER: Just pause there. I think he can tell me what he thought

MS SHARP: Yes. Yes. I accept that. I will rephrase it.

Why did you think AUSTRAC was writing you a letter encouraging you to submit suspicious matter reports if you were already doing it?

5

MR PRESTON: Because I had had a discussion with them pertaining to activity in that room which included the concept of large cash transactions, and they thought it appropriate to write and use that language. But it wasn't a reflection that that was not part of our processes to look at – look for large, suspicious – large cash transactions that were suspicious.

10

MS SHARP: I want to ask you for your view now, Mr Preston. Back in September of 2017, was it your view that there had been a failure to report large suspicious transactions occurring at the Suncity desk to AUSTRAC?

15

MR PRESTON: No.

COMMISSIONER: Yes.

20 MS ORR: I'm sorry.

COMMISSIONER: That's all right. Yes, I think we can move to the next question, thanks.

25 MS SHARP: Now, you say that on – in your annex 3, on 28 September 2017 that:

Crown Melbourne compliance team issued notification to cage surveillance and VIP international who observe and report on suspicious behaviour observed outside the course of the provision of a designated service, ie, transactions at the Suncity desk.

30

Why did you issue that direction if you thought it was already happening?

MR PRESTON: Because I thought it the responsible thing to do as a reminder to the relevant staff to be conscious of suspect matter obligations, and I thought it appropriate to get the compliance team to speak to and issue a note reflecting that.

35

MS SHARP: Now, can I show you a confidential document. It's in list 5, number 84. I understand a non-publication order is sought so I will only show it in the hearing room. It's CRL.606.001.0238. Could you just read that email to yourself, please?

40

MR PRESTON: Yes.

45 MS SHARP: Sorry, I'm told in fact no claim is made over this one, so it can be shown on the live feed. Now, is that the notification you are referring to in page 3 of annex 3?

MR PRESTON: That together with conversations that Ms Fielding had with the relevant people who are listed in the email.

5 MS SHARP: But so far as a documented notification took place, this email, that's it.

MR PRESTON: Yes, that's it for that purpose at that stage, yes.

10 MS SHARP: And again, could it be that that notification was issued because you had a concern that suspicious transactions had in fact been overlooked by Crown in the Suncity Room?

MR PRESTON: My focus was on making sure that the staff were reminded as an appropriate thing - - -

15 MS SHARP: Could you just answer my question, Mr Preston.

MR PRESTON: No, Ms Sharp.

20 MS SHARP: So you're saying you had absolutely no concern whatsoever at this time that in fact Crown had missed certain suspicious-looking transactions taking place at the Suncity desk?

25 MS ORR: I object to that question. I object again to the language of "missed". It's not clear what that refers to and the question ought be framed more precisely.

COMMISSIONER: Failed to see or failed to observe.

MS SHARP: Yes, yes. I withdraw that and I will put the question another way.

30 Is it your evidence that you, as at September 2017, had absolutely no concern that Crown had failed to detect suspicious transactions taking place at the Suncity cash desk?

35 MR PRESTON: I can't say that I had absolutely no concerns, Ms Sharp.

COMMISSIONER: Well, did you have some, Mr Preston? Please. If you didn't have - you're not sure you didn't have any, did you have some?

40 MR PRESTON: I - I can't answer that, sorry, Commissioner, any other way, unfortunately.

COMMISSIONER: All right. All right. Yes, Ms Sharp.

45 MS SHARP: Why can't you answer it, Mr Preston?

MR PRESTON: Because my focus was on reinforcing the position as opposed to realising concerns.

MS SHARP: Is it the case you don't want to provide an answer to us at the moment?

5 MR PRESTON: No. To the best of my recollection, my focus was on ensuring that we were reinforcing the awareness of staff.

COMMISSIONER: It seems irresistible that if you are wanting to focus your staff on picking things up that should be picked up there may well be a residuum of concern that they may not be picking them up. Is that reasonable?

10 MR PRESTON: That's an entirely reasonable way to put it, Commissioner.

COMMISSIONER: All right. So in this context, it may well have been not only did you do the proper thing of reminding them to do the right thing, but you had concerns that if they weren't doing the right thing, you could urge them to do it; correct?

MR PRESTON: Yes, I agree with that, Commissioner.

20 COMMISSIONER: All right. Yes, Ms Sharp.

MS SHARP: Could I show you a document. I understand that a non-publication order is claimed over it, at list 8, tab 6, and perhaps it could be brought up on the hearing room only screen at this stage. I'm just waiting for that to be brought up. I need to give you the number. I'm sorry. CRL.500.005.6185. I will take you to that front page to start with. And you see what that document is?

MR PRESTON: I do, Ms Sharp.

30 MS SHARP: In due course, I will challenge the application for a non-publication order, but for the moment, can I tell you that it is dated 20 November 2018 and can I take you to pinpoint 6189.

COMMISSIONER: Yes.

35 MS SHARP: Yes. Could I just have Mr Preston shown the previous page.

COMMISSIONER: 188?

40 MS SHARP: Yes, 6188.

MR PRESTON: I have it in front of me, Ms Sharp.

COMMISSIONER: Yes?

45 MS SHARP: And – I'm sorry. I think I've taken a note of the wrong page number. Can I take you back to the page before that, please.

COMMISSIONER: 6187.

MS SHARP: Yes. And the one before that as well.

5 MR PRESTON: I'm at 6186, Ms Sharp.

MS SHARP: Yes, 6186. I'm just waiting for the operator to show 6186, please.

COMMISSIONER: Yes.

10

MS SHARP: Now, what I'm going to do, having now located the correct page, is address you to a bold underlined heading. Do you see that a date period is identified?

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

MS SHARP: I'm going to ask my question one more time. Is it the case that in 2017 – and I'll extend it to 2018 – you had a concern that Crown had failed to detect certain suspicious transactions that occurred at the Suncity desk?

20

MR PRESTON: This was a report not prepared by me.

COMMISSIONER: No, please, Mr Preston.

25 MS SHARP: Just answer the question, please, Mr Preston.

MR PRESTON: As I indicated to the Commissioner, I did have a residual concern, but I was keen to ensure that I was providing the right message to the staff by way of a reminder.

30

MS SHARP: Commissioner, I submit that there is no basis for a non-publication order over this document.

35 COMMISSIONER: Yes, all right. That will be noted and I will hear from Ms Orr in due course.

MS ORR: Commissioner, could I just clarify, there are very limited portions of that document over which a non-publication order is sought. It is not a claim - - -

40 COMMISSIONER: Yes, we can deal with it, Ms Orr. Thank you very much for that indication.

MS ORR: Thank you.

45 COMMISSIONER: I think for the sake of timeliness we'll move on.

MS SHARP: Now, it is correct that in late 2017, Crown implemented a number of changes to the operations of the Suncity Room, isn't it?

5 MR PRESTON: It was 18, I thought we had, material number of changes in the Suncity area, if I recall correctly.

MS SHARP: And you tell us about some of these changes at page 4 of your annex 3. And what you tell us was that in March 2018, there was a report from a business unit regarding a large – or large amounts of cash being stored at Suncity desk. Can you tell us about this report, please?
10

MR PRESTON: It was a relatively – as I recall, it was a relatively simple note that it was a report that there was large amounts of cash. There was not too much more than that.
15

MS SHARP: How much cash are we talking about?

MR PRESTON: At the time, I – I was unsure.

20 MS SHARP: Do you know now?

MR PRESTON: Well, the first report was there was large amounts of cash which led to some controls and then there was a - - -

25 MS SHARP: No, no, Mr Preston - - -

COMMISSIONER: Mr Preston – look, Mr Preston, please. Sometimes when witnesses do this, there is a suggestion that they're not attending to the question appropriately for spurious reasons. I'm not suggesting that to you because I've watched you over the days, but you do have a habit of going off on a tangent when the questioner is trying to elicit from you appropriate and relevant evidence. Now, please focus on the question. Yes, Ms Sharp.
30

MS SHARP: Do you know now how much cash was involved?
35

MR PRESTON: I know – I now know what amount of cash was involved after we carried out an audit after the original identification.

MS SHARP: How much?
40

MR PRESTON: 5.6 million.

MS SHARP: I beg your pardon?

45 MR PRESTON: 5.6 million.

MS SHARP: And is it right that when this large amount of cash, being stored at Suncity incidentally, was that in the cupboard?

5 MR PRESTON: It was – I'm not sure exactly where it was. I did not see exactly where it was.

MS SHARP: Is it right that when it was discovered that \$5.6 million of cash was stored at the Suncity desk, the international VIP team conducted a review of the cash desk arrangement in the Suncity Room?

10 MR PRESTON: There was a review carried out of the arrangement, yes. I can't recall whether it was the international team. Sorry.

MS SHARP: Well, you say at page 4 of your annex that it was the international VIP team.

MR PRESTON: Sorry. If I've written it down there, then that would be accurate. Sorry.

20 MS SHARP: Who in the international VIP team?

MR PRESTON: If memory serves, I think it was Jacinta Carrere.

MS SHARP: Anyone else?

25 MR PRESTON: Not to my knowledge. I understand it was Jacinta. She may have had other people with her, but I can't – I can't confirm either way.

MS SHARP: Are you able to say why Jacinta – I'm sorry I've missed her last name – from the international VIP team was conducting this review rather than somebody in the compliance section at Crown?

MR PRESTON: No, I – I can't explain why.

35 MS SHARP: Even though you're the anti-money laundering compliance officer at Crown.

MR PRESTON: She was one person who carried out a review. There were other reviews carried out post that.

40 MS SHARP: Tell me, wearing your hat as the AML compliance officer, is it a bit of a worry that there was \$5.6 million at the Suncity desk?

MR PRESTON: Yes, I was not comfortable with it at all.

45 COMMISSIONER: Why not?

MR PRESTON: My concerns were twofold, Commissioner. Firstly, that just seemed an inordinate amount of money, acknowledging that they did – they did and do take a lot of cash from winnings, but that still was not – I was not comfortable with it. And, secondly, from a safety perspective, that volume of money not in a cage environment as such was a concern.

COMMISSIONER: But putting aside the safety issue – I presume that’s the robbery side of things, is it?

MR PRESTON: That’s correct, Commissioner.

COMMISSIONER: Yes. Putting that to one side, concerns – or the discomfort that you had in respect of the other aspects was because of what?

MR PRESTON: It seemed to me to be an inordinate amount of money. Having said that, I acknowledge that Suncity do take a lot of money from us in terms of their winnings. They cash out on a relatively regular basis and take it in cash, but still that volume of cash to me was not appropriate to have in that room and we changed the control so that all of the future gaming cash transactions would go to our cage.

20

COMMISSIONER: And what is the limit? When does one reach the line of inordinate?

MR PRESTON: I haven’t put my mind to it, Commissioner, sorry.

25

COMMISSIONER: Well, I understand that 5.6 million in cash is inordinate, but for a casino operation, you’re the expert, what’s the inordinate limit?

MR PRESTON: I hate to not answer directly, Commissioner, obviously, but it depends on the size of the junket. You know, a junket the scale of - - -

30

COMMISSIONER: I see.

MR PRESTON: - - - Suncity you would expect to have more cash because of their volume of play and the way that they do take cash by way of winnings.

35

COMMISSIONER: But isn’t it to do with the operations of the Crown Casino, the question of the touchstone of inordinacy must be the application across its operations as opposed to the size of the junket, surely?

40

MR PRESTON: I think the smaller junkets wouldn’t be storing money to start with. Suncity was the only - - -

COMMISSIONER: No, that’s – no, you’ve gone off on a tangent, I’m sorry.

45

MR PRESTON: Sorry.

COMMISSIONER: Isn't it – if you're going to say, well, 5.6 million is inordinate and we can't have that on the premises, how do we know in looking to regulate the operations of a casino and to prevent the infiltration of organised crime, what is the limit, the tolerable limit for cash? 5.6 is too much. What's the tolerable limit you
5 say is appropriate to ensure that money laundering is not going on?

MR PRESTON: Well, we set our tolerance levels at not more than \$300,000 in cash deposited - - -

10 COMMISSIONER: I see.

MR PRESTON: - - - to the Crown cage, which is a different control environment as opposed to being just with the Suncity desk which – there's no arrangements like that any more, but to answer your other question, Commissioner and to give full
15 perspective, we hold a lot of money, obviously, being the casino, but the tolerance level we set is \$300,000 in a 24-hour period for a junket.

COMMISSIONER: Yes. So once you reach the 300,000 your discomfort goes up and something has to be done about checking how much is in the safe or the
20 cupboard; is that right?

MR PRESTON: There's no arrangements like that any more, Commissioner. They have been closed. There's no – the only arrangements would be those junkets that want to hold cash by way of petty cash, and the maximum that we're allowed there –
25 we allow the junkets a maximum of \$100,000.

COMMISSIONER: Yes. So the cash then at any desk or cage is 100,000, is it?

MR PRESTON: On a junket. There's no such thing as a cash desk with any of our
30 junkets any more. Suncity was the only one. That arrangement has come to an end. All of the cash transactions pertaining to buy-ins and the like are at the Crown cage.

COMMISSIONER: So the limit at the Crown cage is?

35 MR PRESTON: For a junket, the maximum they can deposit in cash is \$300,000 in a 24-hour period.

COMMISSIONER: So there is a \$300,000 – and if it went above there would be discomfiture, I presume.
40

MR PRESTON: It wouldn't be permitted.

COMMISSIONER: By the cage operator.

45 MR PRESTON: That's correct.

COMMISSIONER: Yes. I see. And when did that system come into place, again?

MR PRESTON: We implemented that as a control mechanism after this came to our attention regarding the large volume of cash in the – in their room.

5 COMMISSIONER: Would you give me an idea of when it might have been?

MR PRESTON: Sorry. May 2018.

10 COMMISSIONER: May 2018. And so the amount that's able to be deposited in cash is \$300,000; is that right?

MR PRESTON: That's correct.

COMMISSIONER: In the 24-hour period.

15 MR PRESTON: In a 24-hour period and coupled with that no further gaming transactions were to take place in that Suncity Room. So you couldn't have anyone go in with cash to get chips from Suncity.

20 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Now, on Thursday you told us that following the arrests in China in October 2016 your junket processes were reviewed and any new junket arrangement would be approved by a team consisting of yourself, Mr Felstead and Mr Johnston. Do you remember giving that evidence?

25 MR PRESTON: I – I do.

30 MS SHARP: And you told us that the three of you would also be responsible for reviewing ongoing arrangements with existing junket operators if significant new information came to light. Do you recall giving that evidence?

MR PRESTON: Yes, I do.

35 MS SHARP: Do you agree that finding \$5.6 million floating around on the Suncity desk was a significant new piece of information?

MR PRESTON: Yes, that is significant.

40 MS SHARP: Was there a review by you, Mr Felstead and Mr Johnston of your arrangements with Alvin Chau as a junket operator on or shortly after becoming aware of this \$5.6 million in the Suncity Room?

MR PRESTON: No, those reviews you're referring to – that I was referring to, sorry, are the annual reviews, so they're conducted on an annual rolling basis.

45 COMMISSIONER: Mr Preston, just listen again.

MS SHARP: Mr Preston, you just agreed that you gave evidence on Thursday that in relation to existing junket operators, the three of you would review the continuance of those arrangements when significant new information came to light, so I will describe it as an out-of-round review.

5

MR PRESTON: Okay. The answer is no. We didn't consider this in an out-of-annual-renewal round review.

MS SHARP: Why not?

10

MR PRESTON: This matter was considered across a number of people, including a debate regarding the controls that we were implementing to address the risk that we saw that kind of cash sitting in the room. So it was addressed by a number of people as to the level of control environment that we wanted to impose in that room, which included Mr Felstead and - - -

15

COMMISSIONER: Mr Preston. Mr Preston, the question is why didn't you, when you discovered this significant problem, review it then?

20

MR PRESTON: Sorry, Commissioner. I'll try and explain. It wasn't part of the annual review process. The incident was reviewed - - -

COMMISSIONER: I understand, but why didn't you do it?

25

MR PRESTON: Because we reviewed it carefully with a – with a broader group, as I recall, because of the controls that we were putting into place.

COMMISSIONER: But - - -

30

MR PRESTON: It didn't just go to Mr Felstead - - -

COMMISSIONER: Mr Preston, when you see it, you're uncomfortable; why didn't you do something about it immediately?

35

MR PRESTON: Sorry, Commissioner, I was trying to explain. We did do something about it immediately.

COMMISSIONER: Yes. Straightaway?

40

MR PRESTON: We addressed it – yes, we – we addressed it immediately.

COMMISSIONER: What did you do?

45

MR PRESTON: We agreed to change the control environment. We all discussed the nature of the controls, and we implemented those controls.

MS SHARP: So what you did, Mr Preston, was you met with Suncity in April of 2018 and you told them the note counting machine would be removed, that they could not engage in cash transactions at the Suncity desk other than petty cash, and they could not hold more than Australian \$100,000 for that purpose; correct?

5

MR PRESTON: Sorry, I'm just trying to – that was in - - -

MS SHARP: Page 4.

10 MR PRESTON: In March of '18?

MS SHARP: Yes.

MR PRESTON: That's correct.

15

MS SHARP: But you continued to deal with Alvin Chau as a junket operator.

MR PRESTON: That's correct.

20 MS SHARP: Is it right that there was no consideration given by you, Mr Felstead and Mr Johnston at that time to terminating the junket operator arrangement with Mr Chau?

MR PRESTON: I would agree with that.

25

MS SHARP: Why?

MR PRESTON: Because we determined to increase the control environment to appreciate the risk.

30

MS SHARP: Aren't money laundering alarm bells ringing everywhere by this stage in relation to the Suncity Room?

MR PRESTON: Not necessarily, Ms Sharp.

35

MS SHARP: I'm asking you personally. Weren't money laundering alarm bells ringing everywhere for you personally at this time?

40 MR PRESTON: I'm always cognisant of the concept of money laundering particularly regarding large scale junkets, and this junket there was some activity there that I was not comfortable with, neither were people in the business. From a money laundering perspective I wanted to ensure that we had the right controls which was making sure that they went to the cage for any gaming transactions, reducing the volume of cash so there were controls specifically focused on reducing
45 the risk of money laundering taking place.

COMMISSIONER: Please, you're not doing yourself any good, Mr Preston. I do ask you to address – it was a simple question. Didn't you think – didn't you have alarm bells ringing personally at this time, money laundering alarm bells or not.

5 MR PRESTON: Thank you, Commissioner. On the basis I took the various steps that I took, there were money laundering alarms ringing because I took steps - - -

COMMISSIONER: That's the answer, is it not? Mr Preston, you'll have an opportunity. That's the answer. Ms Sharp asked you whether there were, and I think
10 you have said yes there were; is that right or not?

MR PRESTON: As evidenced by my controls, yes.

COMMISSIONER: You see, you want to add that all the time. It's not necessary.
15 It's not necessary. Yes, Ms Sharp?

MS SHARP: Now, Crown conducted an audit of the Suncity desk following the implementation of the additional controls on 20 April 2018; correct?

20 MR PRESTON: Yes.

MS SHARP: And it's right that what you found is that they had breached certain of those additional controls you had imposed.

25 MR PRESTON: Yes.

MS SHARP: Which ones had they breached?

MR PRESTON: They hadn't removed all the cash that was in that room. They still
30 held large volumes of cash.

MS SHARP: Anything else?

MR PRESTON: I can't recall. That was the main element from my perspective.
35

MS SHARP: Now, is it right that even after your new controls were audited by you and found to be breached, you, Mr Felstead and Mr Johnston did not come together to determine whether the junket operator arrangement with Mr Chau should
40 continue?

MR PRESTON: That's correct.

MS SHARP: Why not?

45 MR PRESTON: Because we focused on increasing the control environment, and I don't think Mr Johnston was involved in those discussions, as I recall.

MS SHARP: Well, it doesn't sound like those discussions took place, does it?

MR PRESTON: This was definitely a discussion with Mr Felstead.

5 MS SHARP: Now, ultimately in around May of 2018 you directed that the Suncity pit physically move. You directed Suncity away from pit 86 to pit 38, did you not?

MR PRESTON: Correct.

10 MS SHARP: So there was no – and what happened? Were they moved back to somewhere in the Mahogany Room at that time?

MR PRESTON: They were moved back to a private salon in the Mahogany Room.

15 MS SHARP: In the Mahogany Room. So they lost - - -

MR PRESTON: Yes.

MS SHARP: - - - their own private entrance to their own private room.

20

MR PRESTON: That's – they lost their entrance to the Suncity Room.

MS SHARP: And is it right that at some point in 2018 – I withdraw that. The reason you did that was to enhance your monitoring of what was going on at the Suncity desk; correct?

25

MR PRESTON: That was to enhance the access controls.

MS SHARP: What does that mean?

30

MR PRESTON: Everyone who goes in – sorry, everyone who goes into the Mahogany Room needs to be identified.

MS SHARP: And is it right that in some time in 2018 you added a further control, being that Suncity staff could only carry clear plastic bags inside with them?

35

MR PRESTON: That's correct.

MS SHARP: And why did you add that control?

40

MR PRESTON: As a result of an incident that occurred that police had brought to our attention.

MS SHARP: And when did that incident occur?

45

MR PRESTON: I can't recall the exact time period, sorry.

MS SHARP: Now, there was an annual junket review of Mr Chau on 4 March 2019, wasn't there?

MR PRESTON: Yes, there was.

5

MS SHARP: Were you involved in that review?

MR PRESTON: I don't recall, sorry.

10 MS SHARP: Well, you gave evidence that the people responsible for the annual review were you, Mr Felstead and Mr Johnston. Does that help remind you as to whether you were involved in the annual review of Suncity – I mean Alvin Chau?

15 MR PRESTON: I just can't recall whether I received an annual review or not in terms of whether it was escalated to Mr Felstead, Mr Johnston and myself.

MS SHARP: Surely Alvin Chau would have been escalated to the three of you under your new procedure, don't you agree?

20 MR PRESTON: I just can't recall, sorry, Ms Sharp.

MS SHARP: Is it a matter you can check?

MR PRESTON: It is something I can check.

25

MS SHARP: And is that annual review process documented?

MR PRESTON: I believe it is within the credit team – international – VIP credit team.

30

MS SHARP: May I suggest this to you, what you sought to do in your evidence in your 20 February statement and then in your oral evidence on Thursday was to convey to this Inquiry that there was a robust procedure in place for the review of junkets on an annual basis and part of that robust control was that you, Mr Felstead and Mr Johnston would be involved. You accept that?

35

MR PRESTON: Yes. Yes, I do.

40 MS SHARP: Well, why can't you tell me whether a bit over a year ago you were involved in the annual junket review process of Mr Alvin Chau, one of your largest junket operators.

MR PRESTON: Because I cannot recall specifically whether it was escalated to myself, Mr Felstead and Mr Johnston.

45

MS SHARP: Do you have any doubt that Alvin Chau's junket operation would be escalated to you in what – in view of what had gone before at the Suncity Room?

MR PRESTON: I do.

MS SHARP: In any event, the decision was made to continue the junket relationship with Mr Chau; correct?

5

MR PRESTON: Yes.

MS SHARP: Now, we're of course well aware that various allegations were made in the media about Mr Chau and the Suncity junket or the Suncity company in July and August of last year. Yes?

10

MR PRESTON: Yes. Correct.

MS SHARP: Did that cause the continuing relationship between Crown and Mr Chau to be reviewed by you, Mr Felstead and Mr Johnston?

15

MR PRESTON: Not specifically the three of us, as I recall. It was being considered by a broader group.

MS SHARP: Who was the broader group?

20

MR PRESTON: It was – it was constantly being discussed with all of the allegations related to our relationship with the patrons. It wasn't considered in the concept of the renewals that I was mentioning before.

25

MS SHARP: But you told us that you do out of round reviews with Mr Felstead and Mr Johnston when significant new information comes to light about junket operators.

MR PRESTON: Sorry, Ms Sharp, I don't think that was my evidence.

30

MS SHARP: So you – is it your evidence, just so I understand, that you, Mr Felstead and Mr Johnston only ever review current junket operators when it comes to the annual review?

MR PRESTON: No. If an issue arises then I will discuss it with Mr Felstead normally in the first instance. It doesn't activate the full review by Mr Felstead, Mr Johnston and myself.

35

MS SHARP: And is it right that even these media allegations in July and August of last year were not sufficient to activate that full review by you, Mr Felstead and Mr Johnston?

40

MR PRESTON: That's correct.

MS SHARP: And is it correct that as you sit here today Crown still has a junket operator relationship with Mr Chau?

45

MR PRESTON: It does as of today.

MS SHARP: What is your opinion about Crown continuing its junket operations with Mr Chau?

5

MR PRESTON: Well, I've more recently made recommendations to the business to reconsider its relationship with Mr Chau.

MS SHARP: Why have you formed that opinion?

10

MR PRESTON: As a result of reviewing the holistic history with Mr Chau, taking into account the various allegations, taking into account the due diligence information we have, taking into account our history of relationship and some more recent incidents, my view was looking at all of that in total required the business to reconsider its relationship with Mr Chau.

15

MS SHARP: Now, at the - - -

COMMISSIONER: What are the more recent incidents?

20

MR PRESTON: Sorry, Commissioner, I'm referring to those incidents in my memo. I just haven't got the dates. It's over the last two year. Sorry if I've used the term - - -

25

COMMISSIONER: Two years.

MR PRESTON: Yes.

COMMISSIONER: The ones that Ms Sharp has taken you to in part?

30

MR PRESTON: Largely, yes.

COMMISSIONER: Yes, I see.

35

MS SHARP: Do you – and I'm only asking about you – do you have any doubt that Mr Chau is connected with triads?

MR PRESTON: Yes, I do have doubt.

40

MS SHARP: And you – again, I'm asking you, do you have any doubt that money laundering has occurred in the Suncity Room while it was in pit 86?

MR PRESTON: The anti-money laundering framework is a risk-based framework. I can't say that no money laundering has occurred either there or at Crown. I can't say that.

45

COMMISSIONER: But can you say it has?

MR PRESTON: I cannot say that it definitely has, Commissioner.

COMMISSIONER: The more probable than not situation is that it has, is that right?

5 MR PRESTON: There's been activity in there, Commissioner, that obviously we observe and we report on, so we obviously do have some suspicions at times.

MS SHARP: Now, in August of 2019 this arrangement with Suncity having its own room with its own branding at Crown Melbourne came to an end, didn't it?

10

COMMISSIONER: August '19.

MS SHARP: Sorry, August 2019.

15 MR PRESTON: Yes, I think that was the month.

MS SHARP: But that was not at the instigation of Crown, was it?

MR PRESTON: That's correct.

20

MS SHARP: What in fact happened was that Suncity, without any pre-warning or communication, suddenly announced it would no longer have any finance or staff – or they describe it as cage staff – at Crown.

25 MR PRESTON: Yes, as I recall that's – that's accurate.

MS SHARP: Well, let's – just to be clear, could I please take you to the document in list 7 at tab 6. The position is reserved on this document so I will just bring it up to you, Commissioner. It's CRL.537.001.0001. And could I just have you read that email in the middle of the page, please, Mr Preston.

30

MR PRESTON: Yes, that reflects the point that you made.

COMMISSIONER: Sorry, I missed that, Mr Preston. I couldn't hear you.

35

MR PRESTON: I just – it reflects the language that Ms Sharp made – Ms Sharp used.

MS SHARP: And just while I'm on this document, is it we could go up to the email at the top of the page, you see you're a recipient?

40

MR PRESTON: Yes.

MS SHARP: Can you tell us what the arrangement is with Meg-Star.

45

MR PRESTON: Meg-Star is another junket – the junket operator's name is Ngok Hei Pang and he has a branded room but it's not a – what you would refer to as a

Suncity-type room. They don't have a cash desk. It's branded as their room on the basis they have ongoing junkets using it regularly.

5 MS SHARP: When you say it's branded as their room, is there a sign outside the room?

MR PRESTON: I'm not sure, sorry. It's a room that is used by them, but not in the same arrangement as the Suncity arrangement. Just their volume of patrons.

10 MS SHARP: Do they have their own staff in that room?

MR PRESTON: Yes, I believe they do have their own staff.

15 MS SHARP: And do those staff wear Meg-Star uniforms?

MR PRESTON: I'm unsure, sorry.

MS SHARP: Is there a cage in that room?

20 MR PRESTON: There's a – there's a Crown cage desk as in all of our salons, but there's no – there's no cash desk like there was with the Suncity Room.

MS SHARP: Is the cash desk operated by Crown staff?

25 MR PRESTON: There's no cash desk in there. There is a Crown cage which has Crown staff there when it's in operation, but there's no – there's no cash desk for a junket operator. There may be an administration desk with a – for managing their players, but not in the same arrangement as the Suncity.

30 MS SHARP: Now, this is – just so we make sure we're talking about the same thing, this is one of the private gaming salons that you gave evidence about on the first day, right?

35 MR PRESTON: That's correct.

MS SHARP: Does Suncity now operate in one of these private gaming salons?

40 MR PRESTON: They operate what is described as a casual junket and I think most of their junket activity still goes down to pit 86, but it's not a so-called Suncity Room.

MS SHARP: I thought the pit changed in any event to pit 38.

45 MR PRESTON: It did. It subsequently moved back to 86 after we had mirrored the controls that were in the Mahogany Room regarding access at pit 86.

MS SHARP: So just so I understand, Suncity moved from pit 86 to pit 38 and then back to pit 86; is that right?

MR PRESTON: Yes, only after we had mirrored the control environment.

5

MS SHARP: Pardon me.

COMMISSIONER: When you referred to a casual junket operation or arrangement, what is that?

10

MR PRESTON: It's a junket like all of our junkets, Commissioner. They don't have a dedicated area. It's more ad hoc as opposed to, for example, the Meg-Star which has ongoing players there or they've got play activity which allows us to set aside a room for them.

15

COMMISSIONER: And so pit 86 is either – is that a salon or a casual junket arrangement?

MR PRESTON: It's a casual junket room, but it is still – it is still a salon. It's just that other junkets could use that room if required. It's not – it's not there solely for Chau Cheok Wa.

20

COMMISSIONER: So it's not an exclusive use room.

MR PRESTON: That's correct.

25

COMMISSIONER: But whilst they're there, it is exclusive?

MR PRESTON: Not to my knowledge, Commissioner. There's three or four tables in there.

30

COMMISSIONER: I see. With different junkets.

MR PRESTON: I don't believe they're exclusive. Yes.

35

COMMISSIONER: Just while you're there, while Ms Sharp is coming on there, Mr – is it Mr Ishan Ratnam, that email is from?

MR PRESTON: Yes. Yes.

40

COMMISSIONER: I see that that's an identification as Crown Resorts. What was Mr Ratnam's role?

MR PRESTON: He – he's responsible for the overseas sales team.

45

COMMISSIONER: When you say he's responsible for the overseas sales team, is that the VIP sales team?

MR PRESTON: Sorry. Sorry, Commissioner. Yes.

COMMISSIONER: So when you say he's responsible for it, what is his title?

5 MR PRESTON: chart. I think it's – the international terms are often vice president or senior vice president or – I can't recall, sorry, off the top of my head.

COMMISSIONER: And Jacinta Maguire to whom the email is addressed, that's either Ms Maguire's previous name before marriage or post and her – when you say
10 Careri, that is the person – the same person, is it?

MR PRESTON: Yes. Sorry, my apologies. That's – Careri is her maiden name.

COMMISSIONER: Thank you. That's the person in the credit team of the VIP
15 international team; is that right?

MR PRESTON: No. Sorry, Commissioner. She's group general manager, international business operations.

20 COMMISSIONER: She's business operations, is she?

MR PRESTON: Yes, and then the – then Roland Theiler is senior vice president or vice president of credits - - -

25 COMMISSIONER: I'm not asking about him. I'm asking about Mrs Maguire.

MR PRESTON: Sorry. Mrs Maguire is the group general manager, international business operations.

30 COMMISSIONER: And she is the person who viewed and found the 5.6 million; is that right?

MR PRESTON: She – she viewed it. I don't know if she found it, but she – she certainly viewed it.
35

COMMISSIONER: So she doesn't have any role at all in anti-money laundering team; is that right?

MR PRESTON: She's not in the anti-money laundering team, no.
40

COMMISSIONER: And does Mr Ishan Ratnam have any role to play in the anti-money laundering team?

MR PRESTON: No, he's not in the anti-money laundering team. They're all
45 obviously trained and have to do the AML training.

COMMISSIONER: Yes.

MR PRESTON: Because they're involved in the gaming business, important part of it – sorry, very important that they undertake AML training and they do.

5 COMMISSIONER: And so far as Mr Ratnam is concerned, he has advised in this email that he had met – or they were catching up with the Suncity people that day to offer the option – or to talk about the option of the casual junket; correct?

MR PRESTON: Yes, that would appear so, yes.

10 COMMISSIONER: And that's the move from 38 to 60 – whatever number it is.

MS SHARP: 86.

COMMISSIONER: Is that right?

15

MR PRESTON: No. Sorry, Commissioner. The timing was that they had already moved back to pit 86 after we changed the control environment, so he had confirmed access. It was in 86 that they then – from that arrangement then became a casual junket and 86 turned into a casual junket environment.

20

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

MS SHARP: Can I show you a document, please. This is in list 5 at number 93. I understand that no application for non-publication is made, so I will pull it up on the live feed, which is CRL.611.001.0056. And you would agree that what we're looking at, Mr Preston, are little thumbnail photos?

25

MR PRESTON: I've got – sorry, Ms Sharp. I've got an entirely blank page which says, "Please refer to native file." I'm not sure what that is.

30

MS SHARP: Pardon me for one moment. Are you using this on a screen at the moment?

MR PRESTON: When you say "this" – sorry, Ms Sharp?

35

MS SHARP: Are you viewing this on a screen or in hardcopy?

MR PRESTON: I can see a – I'm looking at – I've got a hardcopy in front of me with a blank page but I'm looking at a – an image with small pictures on the screen.

40

MS SHARP: Yes. If you could look at the image with small pictures, if you – I might have enhanced the top of that image. Can you see the words "Suncity service desk"?

45 MR PRESTON: Yes, I can. Yes.

MS SHARP: All right. May we take it that the photographs here were taken in the Suncity desk – service desk?

MR PRESTON: Yes, I – it appears to be.

5

MS SHARP: Yes. And you'll see there's a date there as well. Would I be correct in understanding that is 5 January 2018?

MR PRESTON: I think so.

10

MS SHARP: And what - - -

MR PRESTON: Yes.

15

MS SHARP: I might blow – take you to a larger version of one of these images if I can. Could you go over to pinpoint 0058. Now, it's right that we're looking in the Suncity Room at the moment?

MR PRESTON: That's correct.

20

MS SHARP: And the camera angle seems to have changed when I compare it with the blue cooler bag footage because now the man in uniform is on the left-hand side rather than the right-hand side. Do you see that?

25

MR PRESTON: Yes, I do.

MS SHARP: Is this a different security camera in the Suncity Room?

MR PRESTON: Based on the angle, it would appear to be a different camera.

30

MS SHARP: Is this a Crown security camera or a VCGLR security camera?

MR PRESTON: I – I may not have been heard before. There's no VCGLR security cameras. They're all Crown cameras.

35

MS SHARP: And you have no reason to doubt that this is an image from an official Crown security camera?

MR PRESTON: I've got no reason to doubt it.

40

MS SHARP: You will agree that – in fact, if I take you to the next image at 0059, you would agree that there are very large amounts of cash at the Suncity desk?

MR PRESTON: Yes, I would agree with that.

45

MS SHARP: So what happened in the Suncity desk on 5 January 2018?

MR PRESTON: That appears to be a junket player at the Suncity desk buying into a junket.

5 MS SHARP: Nothing is coming to mind about a specific incident having occurred that day in the Suncity Room?

MR PRESTON: Yes. I am – I am aware of that incident.

10 MS SHARP: Would you tell us about that incident or would you prefer not to do so in a public session?

MR PRESTON: I would prefer not to do so in a public session if that's okay.

15 MS SHARP: Now, can I take you to a document. It's in list 5 at number 94. Indeed, I don't need to go to that. I will take you to a document. It's list 5, number 98. It's – and there's no – it's not suggested that this is a confidential document. It's CRL.611.001.0108. If I can bring that up to the public feed, please, and can I just have the top of that document enhanced so we can read the dates. You would agree that up the top, it says, "Suncity desk"?

20

MR PRESTON: Yes, I can see that.

MS SHARP: And when you look at the photos, you do agree that is the Suncity desk?

25

MR PRESTON: Yes, that – yes.

MS SHARP: And do you agree that it would appear that this footage was taken on 9 February 2018?

30

MR PRESTON: Yes.

MS SHARP: And you are aware that, in fact, this footage does depict an event that occurred on 9 February 2018?

35

MR PRESTON: I'm not quite sure about – sorry, I can see – yes, sorry. My apologies. Yes.

MS SHARP: Could I take you to pinpoint 0114. You would agree that this once again depicts very large amounts of cash on the Suncity desk?

40

MR PRESTON: Yes, it does.

MS SHARP: Are you aware of a specific incident that did occur that day at the Suncity desk?

45

MR PRESTON: I – I don't think the – was that 9 February?

MS SHARP: Yes.

MR PRESTON: I'm – I'm not sure, sorry.

5 MS SHARP: This doesn't stand out in your mind as an unusual day at the Suncity desk?

MR PRESTON: Well, I don't think I can really sort of comment on what's a usual day at the Suncity desk, Ms Sharp. I had a different – I had a – I had a different date.
10 I had a date of the 8th in my – in my statement.

MS SHARP: Yes, but I think you'll agree that this footage would appear to have been taken on the 9th.

15 MR PRESTON: I agree, hence my hesitation that I might have my date wrong in the - - -

MS SHARP: Yes, but, again, it would be something you would prefer not to give evidence about in public.
20

MR PRESTON: Yes, if – if that suits, I'd appreciate it.

MS SHARP: Now, could I take you to another document in that list. That's list 5 at 101. And no claim is made, so this can come up on the public feed. It's
25 CRL.611.001.0182. And, again, this – is it right that that says, "Cage settlement room"?

MR PRESTON: That's what it indicates, yes.

30 MS SHARP: And would you agree that the photos do not depict anything that's happening in the Suncity Room?

MR PRESTON: That's correct.

35 MS SHARP: In fact, it's a – it's in a cage somewhere at Crown.

MR PRESTON: That would appear to be so, yes.

MS SHARP: I'll now move to ask you some questions about a different matter, if I
40 could. Would you just pardon me. Mr Preston, could I take you to your statement of 6 March 2020. And could I direct your particular attention – and I'll have this brought up on the public screen, CRL.577.002.0017, and then pinpoint 0024. Now, at (g), you give some evidence – or you say some things in your statement about the Chinatown junket. See there?

45

MR PRESTON: Yes.

MS SHARP: And if we go over to pinpoint 0025, what you're telling the Inquiry is that you have identified four junket operators who used the term "Chinatown".

MR PRESTON: Yes, that was the information that I could gather.

5

MS SHARP: Was it really only four operators you identified as being associated with the Chinatown junket?

MR PRESTON: My inquiries with the business, Ms Sharp, indicated there was four.

10

MS SHARP: Only four?

MR PRESTON: Yes.

15

MS SHARP: And what you tell this Inquiry is that Crown decided not to carry on any further business with these persons as junket operators in November 2016.

MR PRESTON: No further gaming activity with them, that's – that's correct.

20

MS SHARP: I just want to get the language right here:

...decided not to carry on any further business with these persons as junket operators in November 2016.

25

MR PRESTON: Yes, and I think my words there are shy of the words "gaming activity" because there was a relationship – an activity on – in early '17.

MS SHARP: Is what you're seeking to do in this paragraph to convey to this Inquiry that Crown has had no dealings with the Chinatown junket since November 2016.

30

MR PRESTON: By and large, but as I – as I said, there was a transaction that occurred in early '17 regarding one of those junket operators.

35

COMMISSIONER: But you're just being asked about what is being conveyed by this paragraph.

MR PRESTON: Yes. That's what is being – that is what is being conveyed by that paragraph, Commissioner.

40

COMMISSIONER: Thank you.

MS SHARP: Now, if I take you a little further down that page to subparagraph (j), you tell us some information about Tom Zhou, including that he is sometimes known as Zhou Jiuming do you see that?

45

MR PRESTON: Yes, I do.

MS SHARP: And what you tell this Inquiry in your statement is that Zhou has never had a junket operator arrangement with Crown and that he has never been a
5 junket representative in any junket with whom Crown has a relationship, right?

MR PRESTON: Yes, that's the information that was provided to me, yes. But you very well know that Tom Zhou has a connection with the Chinatown junket, don't
10 you?

MR PRESTON: Yes, I understand he does.

MS SHARP: Why didn't you tell us that in your statement?

MR PRESTON: I'm unsure of that exact answer. I didn't see it as a – as anything
15 new, but I'm unsure why I haven't referenced it there, Ms Sharp.

MS SHARP: Could it be that you were being less than candid and frank with this
20 inquiry?

MR PRESTON: Absolutely not, Ms Sharp.

MS SHARP: Well, isn't it a rather important piece of information that Mr Tom
25 Zhou is the financial backer of the Chinatown junket to your knowledge?

MR PRESTON: Well, I have heard that, but I haven't seen any arrangements regarding Mr Zhou being the financial backer. I have heard that, but I have not been able to find any records to confirm that based on the inquiries that I made.

MS SHARP: Well, that's what the board of Crown Resorts was told, wasn't it, that
30 is, that Mr Zhou was the financier of the Chinatown junket.

MR PRESTON: Yes, that's the indication that we had but we could not find any form of clarity or detail pertaining to that.
35

MS SHARP: Why didn't you tell this inquiry that?

MR PRESTON: I couldn't confirm it.

MS SHARP: Now, the fact is that the Chinatown junket is to your knowledge a key
40 junket operator from the Shanghai region; correct?

MR PRESTON: I'm not sure, sorry.

MS SHARP: Even though you conducted the investigations into the media
45 allegations which specifically refer to the Chinatown junket.

MR PRESTON: I didn't look exactly where the junkets were from.

MS SHARP: Shanghai is in China, isn't it?

5 MR PRESTON: Yes, it is.

MS SHARP: I would like to show you a document. This is on Crown list 2. That's one of the ones that was served before Mr Preston started giving evidence at tab 19. Apparently, the position has been reserved over a non-publication order. In due
10 course I will submit that there should be no non-publication order, but for now I will bring it up on CRL.579.026.0369. Have you seen this document before, Mr Preston?

MR PRESTON: Yes, I have, Ms Sharp.

15 MS SHARP: And you see who it relates to?

MR PRESTON: I do.

MS SHARP: And is this a document you prepared?
20

MR PRESTON: No.

MS SHARP: Is it a document that somebody prepared at your instruction?

25 MR PRESTON: Yes, it is.

MS SHARP: And it was provided to you?

MR PRESTON: Correct.
30

MS SHARP: And the purpose of this document was to brief the board on the outcome of your investigations.

MR PRESTON: The outcome of the investigations at the time, yes.
35

MS SHARP: Yes, and you will see there's a date on the document.

MR PRESTON: That's correct.

40 MS SHARP: Now, could I direct your attention, please, to point 3?

MR PRESTON: Yes.

MS SHARP: And to the third dot point.
45

MR PRESTON: Yes.

MS SHARP: You see what's said about that patron?

MR PRESTON: Yes.

5 MS SHARP: So it was important enough to tell the board that piece of information?

MR PRESTON: It's – yes, it's relevant.

10 MS SHARP: But it wasn't relevant enough to tell this inquiry.

MR PRESTON: It wasn't fact – I had no - - -

15 MS ORR: I object to that. I object to these questions being put on a flawed premise because paragraph 31 of Mr Preston's second statement makes clear the process that he went through which was to go through each of the entities and individuals identified by the Inquiry in order to identify which junket operators might be associated with each of those entities. So the – each of these paragraphs is directed to which junket operators are connected with each of those entities. That is the premise for everything that appears in these subparagraphs and it is a premise that is being disregarded in these questions which are suggesting that there has been a misleading of the Inquiry by this statement, and I strongly object to that when these paragraphs are read in their context.

25 COMMISSIONER: Thank you for that submission. Yes, Ms Sharp.

MS SHARP: So you didn't think it was significant enough to tell this piece of information you're telling to the board to this Inquiry.

30 MR PRESTON: I think the questions pertaining to the statement are different to the commentary that was being provided to the board. Very particular to respond to the question specifically that was being put to me by the Inquiry.

35 COMMISSIONER: I think the reality is, though, isn't it, that the person under discussion has been identified in a particular way in that document that's on your screen and that particular description is not in your statement. That's the reality, isn't it.

MR PRESTON: That's absolutely correct, Commissioner.

40 COMMISSIONER: Yes, all right. Yes, Ms Sharp.

45 MS SHARP: Thank you, Commissioner. Could I draw your attention to the heading at 3 on that page, and at the last dot point you will see a number of people are listed out, and we might go over the page. Now, you will agree with me, I take it, that in paragraph 31(g) of your March statement you only identified four junket operators as being associated with the Chinatown junket.

MR PRESTON: That's correct.

MS SHARP: So there are some junket operators that Crown consider to be associated with the Chinatown junket that this Inquiry was not informed of.

5

MR PRESTON: The document we're referring to, not being my statement, listed a number of junket operators that the business put to me thought might have been involved with Chinatown. In preparing the statement each of them were carefully analysed and the advice that I got it was not all of them.

10

COMMISSIONER: So those that don't appear in your statement, those that you were not satisfied were connected in the same way; is that right?

MR PRESTON: That's correct, Commissioner.

15

COMMISSIONER: Yes. Thank you.

MS SHARP: And you would agree that not all of the junket operators identified in that document ceased their relations with Crown in 2016.

20

MR PRESTON: I'm not sure off the top of my head, sorry, Ms Sharp.

MS SHARP: Well, you could have a look at the document at .0370.

25

MR PRESTON: It would appear that one of them had a program post October – sorry, November 2016.

MS SHARP: Now, you do tell this Inquiry that - - -

30

MR PRESTON: Sorry, Ms Sharp, two appear to have had – two of them, I'm sorry. My apologies.

MS SHARP: You do tell this Inquiry at paragraph 31(g)(i) that Crown ceased its junket operator relationship with Zhou Qiyang in November 2016, don't you?

35

MR PRESTON: Yes.

MS SHARP: But it's right, isn't it, that he continued as a junket representative of other junket operators with which Crown still deals.

40

MR PRESTON: That's at (d)(i).

COMMISSIONER: G for girl (i).

45

MS SHARP: I'm talking about – sorry, I don't want to rush you through you this. It's your March statement on paragraph 31(g)(i), and if it assists it's at pinpoint 0025. See the name Zhou Qiyang there?

MR PRESTON: Yes, I see that name.

MS SHARP: Yes. So you told this inquiry that Crown stopped doing business with him as a junket operator in November 2016.

5

MR PRESTON: In conducting junkets; that's correct.

MS SHARP: But after that time, he was a junket representative for other junket operators with whom Crown continued to deal; is that right?

10

MR PRESTON: I'm not sure, sorry, Ms Sharp.

MS SHARP: Well, I will show you a document. If I can bring up for you, Mr Preston, it's list 6 at document 47, and I will have to bring up this after confidentially because the position is reserved.

15

COMMISSIONER: That's all right.

MS SHARP: It is CRL.001.004.0874. I'm not asking you to identify particular information in here. You will see it refers to a particular patron.

20

MR PRESTON: I do.

MS SHARP: Do you see that, Mr Preston on the front page?

25

MR PRESTON: Yes, I do.

MS SHARP: And you're familiar with what kind of document this is, I take it?

30

MR PRESTON: Yes, I am.

MS SHARP: Could I ask you, please, to go to pinpoint 0883. Sorry.

MR PRESTON: Yes.

35

MS SHARP: And could I direct your attention to the middle of the page, please.

MR PRESTON: Yes, I see that.

40

MS SHARP: See that? And you see the date at the bottom?

MR PRESTON: Yes, I do.

MS SHARP: Was that a matter of which you were aware?

45

MR PRESTON: No, I was not.

COMMISSIONER: I presume if you had been aware of it, obviously, you would have included it.

MR PRESTON: Absolutely, Commissioner.

5

COMMISSIONER: Yes. All right.

MS SHARP: I will take you to another document. This is a public document. I am hoping I'm almost finished, Commissioner. Could I please have brought up, and it's a public document, INQ.100.010.1091. And what I'm showing you, Mr Preston, is a transcript that has been prepared of, essentially, part 2 of the 60 Minutes program called "Crown Unmasked" on 23 February 2020, and this is exhibit J7.

10

COMMISSIONER: Thank you.

15

MS SHARP: May I take it you watched that program when it was aired or shortly after it was first aired?

MR PRESTON: Yes, I did, Ms Sharp.

20

MS SHARP: And in fact, by the time it was aired, you were quite familiar with the allegations it made?

MR PRESTON: I had made progress with getting information to inform myself, yes.

25

MS SHARP: One of the allegations made related to a Crown employee, Veng An?

MR PRESTON: Yes.

30

MS SHARP: What was his position at Crown in 2017?

MR PRESTON: I'm not quite sure of his title. He was a host, I believe, or a service manager, patron service manager. I'm not quite sure of his title. Sorry.

35

MS SHARP: Did his job title involve the words "vice president"?

MR PRESTON: I'm not sure. It may – it may well have.

40

MS SHARP: Is he still employed by Crown?

MR PRESTON: Yes, he is.

MS SHARP: And what's his position now?

45

MR PRESTON: I'm sorry, Ms Sharp. I don't know his exact title, but he's still in the same area.

MS SHARP: Could I just direct your attention to the document before you at item 6 where the journalist Nick McKenzie is recorded as saying:

5 *In January 2017, a Crown manager called Veng An directed casino staff to send half a million dollars to a Melbourne man called Nan Hu. Nan Hu isn't a high roller and he hadn't won the money.*

Now, that's all correct, isn't it?

10 MR PRESTON: Yes, that's correct.

MS SHARP: Then you will see at item 9, the former director of AUSTRAC, Mr Todd Harland, says:

15 *This is a basic money laundering typology, taking cash and putting it through a casino and hopefully turning it into some level of winnings or at least the ability to make it look like it was winnings. That is money laundering 101 at casinos.*

20 Would you agree with that proposition?

MR PRESTON: Ms Sharp, can I trouble you – I haven't got the document in front of me.

25 COMMISSIONER: Is it on the screen?

MR PRESTON: No, it's not, Commissioner.

COMMISSIONER: Please, Operator.

30 MS SHARP: Sorry. That should have gone to the live stream. I apologise.

COMMISSIONER: I see.

35 MS SHARP: Sorry, Mr Preston. I thought that went on to the live stream. Do you have it now?

MR PRESTON: That's fine. I do now. Thank you.

40 MS SHARP: Okay.

COMMISSIONER: It's paragraph 9 to which you were just referred.

45 MR PRESTON: Sorry, Ms Sharp. Can I just trouble you to which paragraph number were you referring to before? Was it paragraph 6?

MS SHARP: Yes. The first one that I referred you to was at number 6, where you agreed that it was true that in January 2017, Veng An directed casino staff to send half a million dollars to a Melbourne man called Nan Hu.

5 MR PRESTON: Yes.

MS SHARP: Now, to be clear, Nan Hu is not a casino patron; correct?

MR PRESTON: No, he's a Crown Melbourne casino patron.

10

MS SHARP: He is a Crown – but he hadn't won this \$500,000, had he?

MR PRESTON: No, his ratings didn't indicate that he had won that money.

15 MS SHARP: Now, what we see at item 9 is Mr Todd Harland saying:

20 *This is a basic money laundering typology, taking cash and putting it through a casino and hopefully turning that into some level of winnings or at least the ability to make it look like it was winnings. That is money laundering 101 at a casino.*

Now, do you agree with that opinion?

MR PRESTON: That's an indicator of money laundering.

25

MS SHARP: And if I take you over the page to item 12, if we can turn over, the journalist, Nick McKenzie, then says:

30 *For someone like Nan Hu, a convicted drug trafficker, the money from Crown arrives in his account, what does that allow him to say?*

And Mr Harland says:

35 *This says, "I won that money legitimately when I visited the casino."*

Now, do you agree with those expressions of opinion?

MR PRESTON: Mr Hu could say that but that would not be factual when we would be asked.

40

MS SHARP: No, but if Mr Hu was flashing around his bank account statement, it would look like he had received money from Crown Casino; you agree with that?

MR PRESTON: Yes.

45

MS SHARP: And he might say, "I won this at the casino," mightn't he?

MR PRESTON: He might. Yes, he might.

MS SHARP: Now, can I take you to line 16 where somebody is quoted as saying:

5 *What's more damning for Crown is the source of this money. The account it came from, while controlled by the casino, is also linked to another crook, Tom Chinatown Zhou.*

Now, that bit is true too, isn't it?

10

MR PRESTON: As I – as I said regarding Chinatown, we understand Mr – I understand that Mr Zhou was related to Chinatown but his exact nature of his relationship I can't say.

15 MS SHARP: Was the answer to my question yes?

MR PRESTON: Can you repeat the question, please, Ms Sharp?

MS SHARP: Is that statement at paragraph 16 true, "The account it came from, while controlled by the casino, is also linked to another crook, Tom Mr Chinatown Zhou"?

20

MR PRESTON: I can't say that with absolute certainty. Sorry, Ms Sharp.

MS SHARP: You spent quite a bit of time pulling together documents in relation to this transaction to submit to a regulator, didn't you?

25

MR PRESTON: Yes, we did.

MS SHARP: Yes. You're very familiar with this transaction, aren't you?

30

MR PRESTON: I am familiar with it.

MS SHARP: Now, you know that this money was transferred by a junket operator, don't you, at the direction of a junket operator?

35

MR PRESTON: It was transferred by a junket operator to Mr Hu, yes.

MS SHARP: Yes, and the junket operator it was transferred – junket operator account was that of Zhou Qiyan?

40

MR PRESTON: That's correct.

MS SHARP: He's one of the people you have associated with the Chinatown junket in your statement to this Inquiry?

45

MR PRESTON: That's correct.

MS SHARP: And so what happened was this, that somebody – I withdraw that. Junket operator, Qiyan Zhou, directed the transfer of \$500,000 to Nan Hu through the junket account even though he had not won that money at Crown Casino; right?

5 MR PRESTON: That's correct.

MS SHARP: And the fact that that money was being transferred to somebody who had not won that money is a red flag of money laundering, isn't it?

10 MR PRESTON: It could be an indicator, yes.

MS SHARP: But Mr Veng Anh approved that transaction, didn't he?

15 MR PRESTON: The process was if it was a third party transfer an inquiry would be made to establish a relationship.

MS SHARP: Just answer my question, please, Mr Preston. Did he approve that transfer?

20 MR PRESTON: I can't recall whether he approved it or whether he provided the information regarding the relationship.

MS SHARP: Perhaps I'll show you a document, if I can have it brought up. Pardon me one moment. I will treat this as a confidential the one while I check its status.
25 CRL.578.001.0014. I'm told it is a confidential document, so only to the – list 6, tab 119. Now, my instructions are that Crown has reserved its position on whether to seek a non-publication order here. In due course I will make a submission that one should not be granted. Mr Preston, do you have a document bearing the last four digits 0014 in front of you?

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

MS SHARP: And can I direct your attention to the bottom of the page to the – well, it's the email that appears in the middle.

35 MR PRESTON: Yes.

MS SHARP: And - - -

40 COMMISSIONER: I think Mr Preston has read it.

MS SHARP: Yes. Thank you. Did - - -

45 MR PRESTON: Yes.

MS SHARP: Did Veng Anh approve this transaction?

MR PRESTON: No. I believe it was approved by Roland and Jacinta – over the page I've just seen and Mr Anh provided some detail to Ms Baker regarding the nature of the relationship.

5 MS SHARP: So he vouched for him, did he?

MR PRESTON: He indicated he's a good friend – Nan Hu is a good friend of Zhou Qiyuan.

10 MS SHARP: There are a few other matters, if I could confirm them, please; that at the relevant time Mr Nan Hu did not have an approved cash – or cheque cashing facility with Crown either at Perth or Melbourne.

MR PRESTON: No, he – no, that's correct.

15

MS SHARP: And at no point in the month of January did the junket operator, that is Mr Qiyuan Zhou present \$500,000 into that junket account.

MR PRESTON: No, as I – no. As I understand it, it was moneys in safekeeping from previous gaming activity prior to November '16.

20

MS SHARP: Was this money laundering, in your opinion, Mr Preston?

MR PRESTON: It was a third party transfer. The process that we had in place was followed to capture the details of the person it was going to together with understanding the nature of the relationship. Is there hallmarks of money laundering; possibly. But the process was followed pertaining to internal controls – or the internal processes we had.

25

30 MS SHARP: Have there been any discipline recommences to Mr Veng Anh arising from this transaction?

MR PRESTON: There's a current investigation ongoing at the moment, Ms Sharp.

35 MS SHARP: Where is that investigation up to?

MR PRESTON: I'm not quite sure of its exact status, but it's well progressed.

MS SHARP: Do you have any role in that investigation?

40

MR PRESTON: I do have a role.

MS SHARP: And tell me, junket operator, Simon Pan, you're familiar with him?

45 MR PRESTON: I am.

MS SHARP: At the time of the media allegations in July and August 2019 he was a junket operator at Crown?

MR PRESTON: I don't believe he was a junket operator.

5

MS SHARP: He was a junket representative?

MR PRESTON: I don't think – sorry, what date range did you give, Ms Sharp?

10 MS SHARP: At the time of the media allegations in August and – sorry, July and August 2019.

MR PRESTON: I might be mistaken, but off the top of my head I thought he had ceased to be a junket representative some time before that.

15

MS SHARP: My question is whether it was after – after those media allegations that Crown decided that it would no longer deal with Simon Pan as a junket representative.

20 MR PRESTON: That's correct. Sorry, I think as a – I think – sorry, no, my apologies. I don't think it was to do with dealing as a junket representative. We ceased to – we ceased having any relationship with him at all.

MS SHARP: I have no further questions.

25

COMMISSIONER: Yes, thank you. Ms Orr, may I ask whether you will be seeking leave to ask any questions of Mr Preston?

MS ORR: I will not, Commissioner.

30

COMMISSIONER: Thank you. And I presume there are no other applications either.

MS ORR: No, Commissioner, not at this stage.

35

MR O'BRIEN:

MS ORR: I'm sorry.

40 COMMISSIONER: That's all right.

MS ORR: I'm sorry. I misunderstood.

45 COMMISSIONER: There are no other applications? I'll say it again. There are no other applications from any other counsel representing any other party?

MR O'BRIEN: Not for my part, Commissioner.

COMMISSIONER: Thank you. And thank you. Mr Preston, just on the topic of you and Mr Felstead and Mr Johnston discussing the junket that was ultimately the subject of your recent observations about continuation of business, you remember that evidence?

5

MR PRESTON: Yes, Commissioner.

COMMISSIONER: We discussed last week the difficulties of having an AML officer involved who also has other roles. Do you remember that?

10

MR PRESTON: I do indeed.

COMMISSIONER: Does Mr Felstead have any obligations or roles in the AML team?

15

MR PRESTON: No, Commissioner.

COMMISSIONER: What about Mr Johnston?

20

MR PRESTON: No, commissioner.

COMMISSIONER: So you're the only advocate for the AML process; is that right, in that group?

25

MR PRESTON: That's – that's correct. Sorry, I might add I'm the only - - -

COMMISSIONER: So – I'm sorry.

30

MR PRESTON: I'm the only advocate as part of the AML broader team, but obviously Mr Felstead particularly undergoes the training and the like, like I mentioned with the previous staff members.

COMMISSIONER: Yes. No, I understand that.

35

MR PRESTON: Sorry.

COMMISSIONER: Isn't this particular junket and its specific arrangements an exquisite example of the burden on the AML officer?

40

MR PRESTON: Yes, I would agree with that, Commissioner.

COMMISSIONER: How do we fix it?

45

MR PRESTON: Well, as I indicated I think maybe Thursday or Friday – I've lost track of the days – but our review process I would expect to be coming to a conclusion reasonably soon with an external agency providing advices on what structure might be appropriate to consider dealing with junket operator applications,

but I do think to your point that you made previously, a direct line from the AML function into an appropriate committee of sorts is, I think, a worthy option to explore.

5 COMMISSIONER: You see, if you or anyone else who had been involved in this process had that line to the board that I spoke about only fleetingly last week, the board would have been cognisant of the – firstly, the \$5.6 million aspect, wouldn't it?

10 MR PRESTON: The board – the – look, I haven't – I can't recall the detail. I take your point, but I believe that the board was briefed on - - -

COMMISSIONER: Don't worry about that.

15 MR PRESTON: Sorry.

COMMISSIONER: It's true, is it not - - -

MR PRESTON: You're quite right, yes. Yes, I agree with what you're saying, yes.

20 COMMISSIONER: There's a transcript being taken and someone will have to read it in due course. So it means, doesn't it, that if the AML officer had the direct line to the board to report on these very significant matters, the board would have been aware at the time that there was \$5.6 million in the cupboard down in the Suncity Room.

25 MR PRESTON: Yes.

COMMISSIONER: And that, with all the experience of a board, would have more probably than not said to it, "We've got a problem here.

30 MR PRESTON: Certainly, they would have inquired – they certainly would have asked questions, there's no doubt.

COMMISSIONER: It's not so much having access to the committee of the board, 35 it's access to the board itself, isn't it?

MR PRESTON: Yes.

40 COMMISSIONER: And when the board is instructed by its managerial people and others about releasing an advertisement with the ASX logo on the top, it would have known prior to the advertisement that Suncity, albeit that it might have – its group might have been registered on the Hong Kong Stock Exchange or elsewhere, that it was using very large amounts of cash at the time and it would have been aware of that at the time of the advertisement, wouldn't it?

45 MR PRESTON: Yes, it would have.

COMMISSIONER: So the role of the AML officer in discharging the burdensome functions on the AML officer is then facilitated to the board and there is no intervention of the AML officer not doing his or her job, is there?

5 MR PRESTON: Yes, that's correct.

COMMISSIONER: Mr Preston – anything arising, Ms Sharp?

MS SHARP: No, Commissioner.

10

COMMISSIONER: Mr Preston, thank you and I know it's been a number of days. It was burdensome over a number of days, certainly over the weekend as well, and also with the overlay of the way in which we're taking evidence during the pandemic, thank you, Mr Preston.

15

MR PRESTON: Thank you, Commissioner.

COMMISSIONER: What we will do now is to terminate the link to you. And I think there is someone waiting to give evidence. Is that right?

20

MS SHARP: Yes, that is so.

COMMISSIONER: Thank you, Mr Preston.

25

MR PRESTON: Thank you.

MS SHARP: Ms Skye Arnott.

COMMISSIONER: Yes. I think Ms Richardson is available.

30

MS SHARP: Yes. So when the link is established you may wish to take some new appearances.

35

<THE WITNESS WITHDREW

[3.54 pm]

MS SHARP: Ms Richardson, can you hear me?

40

COMMISSIONER: Just pause there. I understand Ms Richardson you may be available; is that correct? Apparently not. Yes.

MS SHARP: Commissioner, is it possible we could just have a few moments adjournment to - - -

45

COMMISSIONER: Yes, of course, Ms Sharp.

MS SHARP: Thank you.

COMMISSIONER: I will adjourn for a short while.

5

ADJOURNED

[3.55 pm]

RESUMED

[4.01 pm]

10

COMMISSIONER: Thank you. Yes, Ms Sharp.

MS SHARP: There are some new appearances now.

15

COMMISSIONER: Yes, I'll take the appearances, please.

MS K. RICHARDSON SC: May it please the Inquiry, Ms Richardson, I appear for the Star Entertainment Group Limited and separately the Star Proprietary Limited.

20

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

MS SHARP: Commissioner, did you wish to administer an oath to - - -

25

COMMISSIONER: I think – what are you going to do? Can you tell me what's happening?

MS SHARP: Sorry, I stepped out of turn.

30

COMMISSIONER: That's all right.

MS SHARP: Could I call Ms Arnott to give evidence.

COMMISSIONER: Ms Skye Arnott this is, the next witness?

35

MS SHARP: Yes.

COMMISSIONER: Yes. Ms Arnott, thank you. You're making yourself available remotely, thank you.

40

<SKYE EDWINA RENDLE ARNOTT, SWORN

[4.02 pm]

45

<EXAMINATION BY MS SHARP

MS SHARP: Ms Arnott, could you state your full name to this Inquiry?

MS ARNOTT: Skye Edwina Rendle Arnott.

5 MS SHARP: And your address is known to those assisting this Inquiry.

MS ARNOTT: Yes.

10 MS SHARP: And you have prepared a witness statement dated 21 February 2020.

MS ARNOTT: Yes, I have.

MS SHARP: Now, is it correct that that witness statement has redactions in it?

15 MS ARNOTT: Yes, that is correct.

MS SHARP: Is it correct that those redactions were revised today?

20 MS ARNOTT: Yes.

MS SHARP: Commissioner, may I hand up to you the latest version of the redacted
- - -

25 COMMISSIONER: Yes, thank you.

MS SHARP: It's a very old-fashioned - - -

30 COMMISSIONER: Ms Arnott, could you just adjust your microphone ever so slightly so that it's closer to your mouth so I can hear you a little bit better?

MS ARNOTT: Yes. Is that better?

COMMISSIONER: That is so much better. Thank you.

35 MS ARNOTT: No problem.

COMMISSIONER: Yes, Ms Sharp.

40 MS SHARP: I tender as a public document the newly redacted version of Ms Arnott's 21 February 2020 statement.

COMMISSIONER: Yes. Ms Richardson, there's no objection to that being tendered, is there?

45 MS RICHARDSON: No, your Honour.

COMMISSIONER: That's all right. And is that exhibit K1?

MS SHARP: Yes, Commissioner.

COMMISSIONER: I'll mark Ms Arnott's witness statement – the witness statement of Skye Edwina Rendle Arnott dated 21 February 2020 as exhibit K1. That's as
5 adjusted. Yes, thank you.

**EXHIBIT #K1 WITNESS STATEMENT OF SKYE EDWINA RENDLE
ARNOTT DATED 21 FEBRUARY 2020**

10

COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Are the contents of your statement true and correct to the best of your
15 knowledge?

MS ARNOTT: Yes, they are.

MS SHARP: You are the group manager, anti-money laundering and
20 counterterrorism financing and financial crime manager and the designated
AML/CTF compliance officer at Star; is that correct?

MS ARNOTT: That is correct, or it was until – I am currently on leave.

25 COMMISSIONER: Just pausing there. I see that Mr Young was present and he
may well be back in a minute, but Ms Sharp, have those assisting spoken with Mr
Young to adjust the timing of the applications?

MS SHARP: Pardon me and I will check, Commissioner.

30

COMMISSIONER: Thank you.

MS SHARP: No, I might have that communication go forth to explain the timing.

35 COMMISSIONER: Would you be kind enough to let me know what time that
might be?

MS SHARP: 4.30?

40 COMMISSIONER: All right then. Would you please pass on the apologies to Mr
Young and yes – here he is. Yes, Mr Young. Mr Young, I see that you're present. I
don't know if you heard me then, but I will be hearing Ms Arnott's evidence until
about 4.30 or so.

45 MR YOUNG: I did hear. Thank you, Commissioner.

COMMISSIONER: Yes, all right then. Yes. Thank you, Ms Sharp.

MS SHARP: Now, I would like to ask you, Ms Arnott, some questions about your own role but, firstly, I need to establish some matters in terms of the relevant company structure. Now, the Star Group owns a number of subsidiary companies which in turn hold casino licences; correct?

5

MS ARNOTT: Yes, that's correct.

MS SHARP: The Star Proprietary Limited holds the Sydney licence?

10 MS ARNOTT: Yes.

MS SHARP: And which entity holds the Star Gold Coast licence, formerly known as Jupiters?

15 MS ARNOTT: It's the Star Entertainment Group Queensland, or the – yes, Queensland Limited.

MS SHARP: And does that same entity hold the licence for the Treasury Brisbane Casino?

20

MS ARNOTT: Yes.

MS SHARP: Is it correct to say that the Star Proprietary Limited and the Brisbane company are the two reporting entities for the purpose of the Anti-Money Laundering Act?

25

MS ARNOTT: So the Star Proprietary Limited is a reporting entity and the Queensland reporting entity is the overarching company that consists of both of the casinos in Queensland.

30

MS SHARP: And that is the Star Entertainment Queensland Limited company.

MS ARNOTT: Yes.

35 MS SHARP: And that's a holding company of the two Queensland licensee companies.

MS ARNOTT: Correct.

40 MS SHARP: Now, in terms of your own background, you hold a Bachelor of Economics and Social Science and honours from the University of Sydney.

MS ARNOTT: I do, yes.

45 MS SHARP: You also have a certificate 4 in compliance and risk management from the Governance Risk and Compliance Institute.

MS ARNOTT: Yes.

MS SHARP: Are you a member of what is commonly referred to as ACAMS.

5 MS ARNOTT: Yes, I am a member.

MS SHARP: When did you become a member of ACAMS?

10 MS ARNOTT: Some time this year. Not very long ago.

MS SHARP: Are you able to assist us with the month?

MS ARNOTT: Sorry, I think it was March or April.

15 MS SHARP: And are you accredited by ACAMS?

MS ARNOTT: No, I'm not.

20 MS SHARP: Now, you have worked for the Star Group for about eight years.

MS ARNOTT: Yes, that's correct.

25 MS SHARP: And prior to that you were an intelligence analyst at the New South Wales Crime Commission for eight years?

MS ARNOTT: Yes, that's correct.

30 MS SHARP: When you originally joined the Star you were employed as an analyst in the investigations department.

MS ARNOTT: Yes.

MS SHARP: And what was your career progression from then till now?

35 MS ARNOTT: So I worked as an analyst until 2015. I then participated in a project work to implement some changes to the AML program on the back of a – an independent audit. I then became the compliance manager with responsibilities including AML, but also in a broader compliance function in 2017, and then in 2019 became the group manager for anti-money laundering and financial crime, and then I
40 took on the compliance officer role – sorry, I can't remember the month, but not long after having been promoted to the group manager role.

45 MS SHARP: And in your present position you have a direct report from the AML/CTF financial crime program manager.

MS ARNOTT: Yes.

MS SHARP: And who is that?

MS ARNOTT: Who is that as in what's her name or - - -

5 MS SHARP: Yes.

MS ARNOTT: It's Marcella Willoughby.

10 MS SHARP: And another of your direct reports is the AML/CTF administrator in Queensland.

MS ARNOTT: Yes.

15 MS SHARP: Who is that.

MS ARNOTT: Her name is Amanda Hamner.

20 MS SHARP: And another direct report is AML/CTF data administration – sorry, data administrator in Queensland?

MS ARNOTT: Yes, that role is currently vacant.

25 MS SHARP: Another direct report is the AML/CTF administrator in New South Wales?

MS ARNOTT: Yes, that's Wayne Willett.

MS SHARP: And who holds that position?

30 MS ARNOTT: Wayne Willett.

MS SHARP: Thank you. And the AML/CTF administrator international.

35 MS ARNOTT: Yes, that's held by Sabrina Yi.

MS SHARP: Again, that person is a direct report to you.

MS ARNOTT: Yes.

40 MS SHARP: You say in your statement that the Star Group recently employed a project director in anti-money laundering and financial crime. Who is that?

MS ARNOTT: His name is Howard Steiner.

45 MS SHARP: And when was he appointed?

MS ARNOTT: He started work with us in January of this year. His appointment was some time prior to that.

5 MS SHARP: And what's his function and role at the Star?

MS ARNOTT: So he has helped us to work particularly with some of our big technology projects that are happening at the moment looking to implement improvements in some of our systems, particularly as they relate to automation and technology.

10 MS SHARP: You mention in your statement that there is an international compliance officer based in Hong Kong.

MS ARNOTT: Yes.

15 MS SHARP: And who is that?

MS ARNOTT: Her name is Michelle Chu.

20 MS SHARP: And does Michelle Chu report to you?

MS ARNOTT: No, she doesn't. She reports to a general manager of commercial who used to be situated in Hong Kong.

25 MS SHARP: And why is it that the Star group has an international compliance officer based in Hong Kong?

MS ARNOTT: We employed her when we started an international entity, EEI services, and she is responsible for managing our compliance or helping to manage our compliance with the money lenders licence and remitting licence that EEI services hold and she also helps with our international AML obligations and to work – to help us to do some of our due diligence work.

30 MS SHARP: Now, we have spoken about that position and also the people who report to you. It's right that you report to the group general counsel?

MS ARNOTT: That's correct.

40 MS SHARP: And you have provided some organisational charts as an exhibit to your statement.

MS ARNOTT: Yes.

45 MS SHARP: In your capacity as the AML/CTF compliance officer, what are your main functions and responsibilities?

MS ARNOTT: My responsibilities are to oversee the AML/CTF program and make sure that it is appropriately implemented at the Star, to report any changes or major concerns through to the board and to senior management, and to manage the reporting of relevant transactions and matters through to AUSTRAC. I also maintain the relationship between the Star and AUSTRAC.

MS SHARP: Some of the witnesses before this inquiry have given evidence that important to the success of the AML/CTF regime within an organisation is a culture of compliance. What do you say to that?

MS ARNOTT: I say that that would be accurate.

MS SHARP: And what is a culture of compliance in your opinion?

MS ARNOTT: In my opinion a culture of compliance is an understanding from a majority of the staff and particularly of senior management that compliance is an important factor of an organisation's wellbeing and that it is something that is looked at by all areas of the business and that that tone comes down through from senior management and everybody understands that behaving in a non-compliant way, even if it may make some commercial gain, would not be an appropriate way of acting.

MS SHARP: Can you tell us where the Star's anti-money laundering team sits within the overall organisational hierarchy?

MS ARNOTT: So the AML team sits in the legal and risk group. I report through to the general counsel, as we have already established, but I also sit on the – in the management team of our chief legal and risk officer. So I have – we sit leading up through to a risk and compliance and legal side of the business.

MS SHARP: Can I ask you ever so briefly about due diligence performed on junket operators. Who in the first instance does the due diligence when a new operator wishes to become a junket operator at the Star?

MS ARNOTT: So when a new junket operator comes on board they are – they go through a number of different processes. One is that they complete a junket operator's form and that is done – the marketing team assist them to fill in that form. That then flows through a number of different hands including – it comes through to the cage teams and they conduct an initial World-Check on that customer and it goes – flows through from there to our investigations team to do some further due diligence work. At the same time when a customer is onboarded the AML team will do a World-Check and Google search of all new junket operators and representatives that come on board at The Star.

MS SHARP: And that investigations team you refer to, does that sit within legal and compliance?

MS ARNOTT: Yes, it does.

MS SHARP: In your – if I can take you to your statement at page 7, which is down the - - -

5 MS ARNOTT: I'm sorry, can you tell me by bundle of documents my statement sits in?

MS SHARP: Yes. Have you got your statement that you gave to this Inquiry?

10 MS ARNOTT: I do, but it is in one of the documents – one of the bundles of documents that I have in front of me and I don't know which one.

MS SHARP: I see. Perhaps – what I can do is have it shown on the screen to you. Can you see documents on the screen if they're shown to you?

15 MS ARNOTT: Someone may just be bringing it in or helping me find it.

MS SHARP: Thank you.

20 MS ARNOTT: Thank you. Perfect. I do now have my statement in front of me. Sorry about that. And page 7?

MS SHARP: Page 7. If you could go there, please, and you will see there's a heading Junkets.

25 MS ARNOTT: Yes.

MS SHARP: And you there say:

30 *There are typically four main elements to any junket –*

and you identify a junket promoter – and I'll stop there – that's the entity with whom Star has a contractual relationship; correct?

35 MS ARNOTT: Yes, that's correct.

MS SHARP: Two, the junket representative.

MS ARNOTT: Yes.

40 MS SHARP: And Star doesn't have a contractual relationship with junket representatives, does it?

MS ARNOTT: I don't believe so, no.

45 MS SHARP: But is it right that Star does conduct some due diligence on junket representatives?

MS ARNOTT: Yes, it is.

MS SHARP: And three, you identify the junket funder, and over the page you identify the junket player.

5

MS ARNOTT: Yes.

MS SHARP: Now, why is the junket funder a typical element of the junket? What's the junket funder do?

10

MS ARNOTT: So a junket funder is the – can be the person who funds the junkets. So if the junket operator or promoter acts as the person who is responsible for doing the organising for our contractual relationship with them, they may be funded by a third party.

15

MS SHARP: So are they an important part of the junket to know about from a credit risk perspective?

MS ARNOTT: The junket funder?

20

MS SHARP: Yes.

MS ARNOTT: Yes, I would imagine so.

MS SHARP: Does Star do any due diligence into the junket funder?

25

MS ARNOTT: Yes, we do.

MS SHARP: Does it do the same level of due diligence in relation to the junket funder as in relation to the junket promoter?

30

MS ARNOTT: Yes, at a standard level we – but we do do individual due diligence depending on the risk associated with particular people.

MS SHARP: Now, at page 8 of your statement you identify the vulnerabilities of casino junkets – well, the reason why those vulnerabilities arise, but what are those – what are the vulnerabilities to which you're referring here?

35

MS ARNOTT: I'm sorry, I don't understand the question. You want me to describe the vulnerabilities that I've laid out in the statement or - - -

40

MS SHARP: I've put the question badly. I will do it again. Do you think that junkets are vulnerable to infiltration by organised crime?

MS ARNOTT: I think that they – yes, they can be.

45

MS SHARP: And do you say – is it your evidence that there are risks of money laundering activities occurring within or relating to junket operators?

MS ARNOTT: Yes.

5

MS SHARP: So what level of risk would you assign to the prospect of junkets becoming infiltrated by organised crime?

MS ARNOTT: So that's a difficult question to answer because it often depends on the individual junket. We rate all of our junkets as a medium risk as a starting point. The reason for that is that once a customer hits medium risk that triggers our requirements for enhanced customer due diligence and will mean that we can provide individual risk – yes, tailor our risk decisions based on the individual junkets in accordance with the results of the due diligence.

10
15

MS SHARP: Would you agree that one of the attractions to casino operators of dealing with junket operators is that the casino operators pass the credit risk to the junket operators.

MS ARNOTT: That is my understanding of one of the benefits of a junket, yes.

20

MS SHARP: And so it becomes a matter for the junket operators to enforce the debts that may be incurred by junket participants.

MS ARNOTT: Yes.

25

MS SHARP: Because the casino operator is entitled to enforce any debt as against the junket operator.

MS ARNOTT: Yes, that's correct.

30

MS SHARP: In a review of junkets that took place in around 2015, the reviewer, Mr Peter Cohen, described junkets as “glorified travel agents”. Do you agree with that assessment?

35

MS ARNOTT: Not entirely. They do offer some services that are very similar to that of a travel agent as in they assist their customers to come to Australia and they will be involved in making sure they have a nice time and organising tours and dinners and the like, but I would suggest that there aren't very much travel agents who also offer credit, so that is probably an element of being a junket operator that would not be consistent with that description.

40

MS SHARP: In fact, would you agree that that credit providing

MS ARNOTT: I'm sorry, I've lost the feed.

45

COMMISSIONER: Yes, I'm sorry, Ms Arnott, I think we lost you there for a moment. Ms Sharp will recommence that question for you.

MS ARNOTT: Thank you.

5

COMMISSIONER: Ms Sharp.

MS SHARP: Do you think that it is that credit providing aspect of the junket that more brings into focus the risk of affiliations with organised crime?

10

MS ARNOTT: Not necessarily. It is – I suppose, the fact that junkets deal with very large amounts of money, whether or not it's by credit or by front money, would be the reason that they would be attractive to organised crime figures. I don't know that the offering of credit is necessarily the driver of that rather than the fact that it is large volumes of money.

15

MS SHARP: Now, given your long history at the New South Wales Crime Commission and then working in the investigations team at the Star and now as the AML/CTF compliance officer, you do recognise that there are well reported links between certain junkets and organised crime, don't you?

20

MS ARNOTT: Yes, there is certainly a lot of media allegations in relation to junkets and organised crime.

MS SHARP: Now, in view of that do you think that describing junkets as glorified travel agents really captures the references that – sorry, the risk profile of junkets?

25

MS ARNOTT: It's not a description that I would use.

MS SHARP: In paragraph 7 of your statement you say in relation to junket promoters that junket players can be funded at the casino in a number of ways, and one of the ways you refer to is direct cash payment. Do you see that?

30

MS ARNOTT: I'm sorry, paragraph 7?

35

MS SHARP: Page 7.

MS ARNOTT: Page 7. Yes.

MS SHARP: Under the heading Junkets.

40

MS ARNOTT: Yes.

MS SHARP: And you say in relation to a junket promoter that:

45

Junket players can be funded at the casino in a number of ways.

MS ARNOTT: Yes.

MS SHARP: And you describe direct cash payments as being the rare instance.

5 MS ARNOTT: Yes.

MS SHARP: So is it your evidence that it's not usual to see junket operators or junket representatives dealing in large amounts of cash at the casino?

10 MS ARNOTT: That – no – well, the cash – the use of cash payments is much less than we see in terms of remittances, but in terms of funding that it is – most players are funded through – or most play is funded through a CCF facility.

MS SHARP: And I think you say only at about five per cent funded through direct
15 cash payment.

MS ARNOTT: Yes.

MS SHARP: Now, have you been watching Mr Preston give evidence?
20

MS ARNOTT: No, I haven't.

MS SHARP: Are you familiar with what is described as the blue cooler bag
25 footage?

MS ARNOTT: I haven't seen it, but I can – I have heard it spoken of.

MS SHARP: Would that ring any alarm bells for you as an AML compliance
30 officer?

MS ARNOTT: In terms of someone appearing at a cage window with a bag with large amounts of cash in it, would that raise alarm bells?

MS SHARP: Yes.
35

MS ARNOTT: Yes, it can do. There are – yes, it's something that we would certainly be looking into.

MS SHARP: So if somebody turned up with a grocery bag and dispensed on the
40 table from that bag, say, \$300,000 in cash, would you be immediately suspicious that there was a real prospect of money laundering?

MS ARNOTT: Not necessarily. There is – we would certainly take time to make
45 sure that we did our research into that transaction, but there are a number of different factors that can be considered as part of such a transaction that may mitigate it. On the surface it certainly looks suspicious, but you would do some research to make sure that that – that was the case in the individual transactions.

MS SHARP: Now, a casino operator only has an obligation to report to AUSTRAC when it provides a designated service; correct?

MS ARNOTT: That's correct.

5

MS SHARP: The Star at Sydney had a special room for the Suncity junket, didn't it?

MS ARNOTT: The IEC junket which is closely linked to the Suncity junket, yes, there was a designated room for that.

10

MS SHARP: And that designated room carried Suncity branding, did it?

MS ARNOTT: Yes, it did.

15

MS SHARP: And were there staff members of Suncity who wore Suncity uniforms in there?

MS ARNOTT: I am unaware if they wore Suncity uniforms, but there were staff members from Suncity in there.

20

MS SHARP: And did they operate a cash desk there?

MS ARNOTT: No, they operated what – they operated a service desk which - - -

25

MS SHARP: At – yes.

MS ARNOTT: Sorry, where they would accept buy-ins or accept customers coming up to them. It's very important that they didn't provide any designated services to the customers. That was all done through the casino cage.

30

MS SHARP: Now, did that Suncity service desk have the ability to receive cash deposits?

35

MS ARNOTT: They would accept cash from customers that would be brought through to the casino cage for the actual buy-in to take place.

MS SHARP: Was it possible at the Suncity service desk for somebody to provide cash to that desk and then have chips given to them at that same desk in exchange?

40

MS ARNOTT: My understanding is that there were some instances of that occurring and we took steps to make sure that didn't occur because we thought it was inconsistent with the way that should be operating.

45

MS SHARP: When did those incidents occur?

MS ARNOTT: I'm sorry, I don't off the top of my head have the exact dates.

MS SHARP: Were they this year?

5

MS ARNOTT: No.

MS SHARP: Were they last year?

10 MS ARNOTT: Yes, they probably were last year.

MS SHARP: On how many occasions did these incidents occur?

MS ARNOTT: I am unaware of the exact number.

15

MS SHARP: And what steps do you say were taken in relation to those incidents?

MS ARNOTT: So we spoke with Suncity and we developed a protocol for
20 them to follow to say if they wished to maintain a room with us then they
would have to make sure that they complied with all of the relevant – or
helped us to comply with all of our relevant obligations. So if they were
accepting cash then that – it couldn't be a direct one for one swap where they
provided cash – took cash from a customer and provided chips because we took
25 the view that that would in fact be offering a designated service. So they
could accept cash as they would ordinarily from any junket – any junket
operator will accept cash from their customers and then they bring it to the
cage as they ordinarily would and deposit it in the cage. And then once that
had happened they were able to issue chips.

30

MS SHARP: Is it right that that direction to Suncity not to do that was only
given last year?

MS ARNOTT: Yes, I think it was some time last year.

35

MS SHARP: Now, the Suncity Room has been operating at the Star in Sydney
since about 2015, hasn't it?

MS ARNOTT: Oh, that seems a long time. I'm not aware of exactly when it
40 started, but I would be surprised if it had been there for that long.

MS SHARP: And is it still there today with Suncity branding on it?

MS ARNOTT: No, it's not.

45

MS SHARP: When did that stop?

MS ARNOTT: That stopped in about September last year.

MS SHARP: Did that stop because of the media allegations made against Suncity at that time, that is in July and August of 2019?

5

MS ARNOTT: I wasn't involved in the terminating of that agreement so I can't give direct evidence, but my understanding is that that did play into it, yes.

MS SHARP: Would my question there be better directed to Mr Hawkins?

10

MS ARNOTT: Yes, I would imagine so.

MS SHARP: Now - - -

15 COMMISSIONER: I'm sorry to interrupt, but you said that that was terminated, was it, in September 2019, so you don't have a relationship with Suncity any more; is that right?

20 MS ARNOTT: We have a relationship with Suncity but we don't have a – we don't have the exclusive room.

COMMISSIONER: I see. Thank you.

25 MS SHARP: Does that mean that Suncity has to go and play in your VIP salon?

MS ARNOTT: Well, the room that was provided to them is a VIP salon so it would be that they would be issued another room of a very similar type in which they would play.

30 MS SHARP: Have you been informed of any of the evidence that Mr Preston has given to this inquiry?

35 MS ARNOTT: No. I haven't. I haven't been following it and I have – not directly, no.

MS SHARP: Have you read any of the media coverage around the evidence that Mr Preston gave to this Inquiry?

40 MS ARNOTT: I did read one article that was in the Sydney Morning Herald in relation to their bank accounts.

MS SHARP: You're familiar then with the discussion that took place about the Riverbank and the Southbank accounts.

45 MS ARNOTT: Yes.

MS SHARP: And - - -

MS RICHARDSON: Could I just intervene there? I apologise. I note the time. Only that Ms Arnott has a dependent that needs her. We're hearing evidence of that in the corridors.

5

COMMISSIONER: What time would that be, Ms Richardson?

MS RICHARDSON: I would predict that Ms Arnott probably needs a 15 to 20 minute break and perhaps when the motion is happening then she would be available after that is my understanding.

10

COMMISSIONER: All right then.

MS RICHARDSON: If that's convenient to the inquiry.

15

COMMISSIONER: Yes, of course. Is that now, Ms Richardson that you would like to have that break?

MS RICHARDSON: Yes, if that's convenient. Thank you, Commissioner.

20

COMMISSIONER: Yes, all right then. Ms Arnott - - -

MS ARNOTT: Thank you.

COMMISSIONER: Yes, that's all right. We will have a 15 – we will have a short break and we will let you know, those assisting – counsel assisting will let you know or let Ms Richardson know when you can return if that's convenient to you.

25

MS ARNOTT: Thank you very much.

30

COMMISSIONER: Yes, all right.

35 <THE WITNESS WITHDREW [4.37 pm]

ADJOURNED [4.37 pm]

40

RESUMED [5.35 pm]

COMMISSIONER: Mr O'Brien and Ms Hillman should be there, if you can put them back online, please, just before we go to live stream. So Mr O'Brien and Ms Hillman. And that then should go to the live stream.

45

MS SHARP: Commissioner, just by way of an update, I am told that some of the parties are trying to rejoin but are not finding it possible to do so.

COMMISSIONER: Yes. Operator, what's happening there, please?

5

MS ORR: Commissioner, I'm not sure if you can hear me. It's Ms Orr here.

COMMISSIONER: I can and I can see you, Ms Orr.

10 MS ORR: I'm sorry, I'm not quite sure what the status of things is at the moment because your audio - - -

COMMISSIONER: Let me just tell you. The position is this, that as promised I had indicated that I would stand the witness, Ms Skye Arnott, down for a short time.

15 That has occurred and I am just wanting to get back to the part-heard nature of her evidence. I understand – is this live streamed, is it? Yes? I understand that we will return to the live stream as the proceedings were obviously in open hearing and I also understand from Ms Sharp that now that it is very late in the day there will be an application to adjourn the balance of Ms Arnott's evidence, Ms Orr. That's what I
20 understand, but I will just wait and see.

MS ORR: Thank you very much for that indication. That's very helpful, Commissioner.

25 COMMISSIONER: That's all right. Thank you. Is there some difficulty in reinstating the position? So, Ms Sharp, you've had a communication from counsel appearing for Ms Arnott, I understand, is that right?

MS SHARP: Yes, I have, Commissioner.

30

COMMISSIONER: And what's the position? Is it planned that the evidence of Ms Arnott be adjourned to another day?

MS SHARP: I think that would be more convenient so far - - -

35

COMMISSIONER: And when is the day?

MS SHARP: Thursday would be the day.

40 COMMISSIONER: All right then. What I might do to assist both Ms Orr and others who are in the wings waiting to finalise this part of the hearing is indicate I will now adjourn Ms Arnott's evidence until Thursday, 6 August 2020 at 10 am or to a date to be fixed with her.

45 MS SHARP: Thank you.

COMMISSIONER: Are there any other matters that you wish to raise before I adjourn?

MS SHARP: No, there are not. Thank you, Commissioner.

5

COMMISSIONER: Yes, all right then. I will adjourn until tomorrow at 10.

MATTER ADJOURNED at 5.41 pm UNTIL TUESDAY, 4 AUGUST 2020

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