



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

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

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**TUESDAY, 4 AUGUST 2020
AT 10.00 AM**

Continued from 3.8.20

DAY 10

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 C. MITCHELL 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. Thank you. Yes, Ms Sharp.

MS SHARP: Good morning, Commissioner. There is one – well, I will do this in the course of examining the witness, in fact. The witness this morning I will call is
15 Mr Gregory Francis Hawkins.

COMMISSIONER: Yes. Mr Hawkins, are you present? Mr Hawkins? Ms Richardson, are you appearing for Mr Hawkins?

20 MS RICHARDSON: I am. Someone has gone into the other room to see what's happening. I apologise, Commissioner.

COMMISSIONER: But you appear today for Star and for Mr Hawkins, the witness from Star; is that right?
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MS RICHARDSON: Yes, Commissioner.

COMMISSIONER: Ms Richardson, I should apologise for our late notice last night. We sat late and so your other witness, I understand, will be returning on Thursday at a convenient time.
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MS RICHARDSON: Yes, and we thank the commission for accommodating her availability on Thursday.

35 COMMISSIONER: Yes. Thank you very much, Ms Richardson. Yes, now, we're just waiting on Mr Hawkins.

MS SHARP: Commissioner, if it assists, I understand he may have inadvertently muted his video and audio.
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COMMISSIONER: Mr Hawkins, could you please unmute your video by clicking on the technological button that's available to you, I hope.

MS SHARP: Again, if it assists, my instructions are that the video and the audio
45 have been muted from Mr Hawkins' end so we need to wait - - -

COMMISSIONER: Yes, so Ms Richardson's solicitors will assist by unmuting Mr Hawkins.

5 MS RICHARDSON: We're attending to that. I don't know the difficulty, but we have lots of people in there simultaneously working on it.

COMMISSIONER: Yes. These challenges are all now part of the rich fabric of the bar's life, I understand, Ms Richardson. Not only the bar.

10 MS RICHARDSON: Yes, Commissioner.

COMMISSIONER: Now, Mr Hawkins has a statement, I understand. Is that right, Ms Sharp?

15 MS SHARP: Yes, he does. And Commissioner, perhaps in the interests of saving some time, what I will do is tender a statement with a different range of redactions now.

20 COMMISSIONER: Yes, all right.

MS SHARP: What had happened was we have been provided with an open statement which contains certain redactions, and that's already in the open exhibit list.

25 COMMISSIONER: Yes.

MS SHARP: However, following some discussions with those representing Star some of the redactions were lifted and I can therefore tender a further open version of the statement with less redactions.

30 COMMISSIONER: Yes, thank you.

MS SHARP: So in a very old-fashioned way I'm going to hand to you a piece of paper. This will have the number STA.0019.0001.0027_RR.

35 COMMISSIONER: Would you just pause there for a moment.

MS SHARP: Yes.

40 COMMISSIONER: Mr Hawkins, can you hear me?

MR HAWKINS: Yes, I can hear you. Good morning.

45 COMMISSIONER: Yes. Thank you very much for making yourself available. Mr Hawkins, we're just attending to the tender of your statement. Just hand it up through here. Just through here, thank you. Thank you very much. Yes. Thank

you. Mr Hawkins, your statement has now been tendered. Will that be exhibit K2, Ms Sharp?

MS SHARP: Yes, it will. Thank you, Commissioner.

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COMMISSIONER: Yes. I will mark as exhibit K2 the further amended statement that is in relation to redactions of Gregory Francis Hawkins which is dated 21 February 2020.

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EXHIBIT #K2 FURTHER AMENDED STATEMENT IN RELATION TO REDACTIONS OF GREGORY FRANCIS HAWKINS DATED 21/02/2020

15

<GREGORY FRANCIS HAWKINS, SWORN

[10.04 am]

<EXAMINATION BY MS SHARP

20

COMMISSIONER: Ms Richardson, I haven't indicated this to you as yet and so I should, it is now beyond any doubt that the powers of the Royal Commission Act apply to this Inquiry and the witnesses who are compelled to give evidence before it have the benefit, if I may call them that, of section 17(2) of the Royal Commissions Act. If there be – and I'm not anticipating, I don't know – but if there be any indication, Ms Richardson, that you would wish to object to any question on behalf of Mr Hawkins which are of the ilk of putting him at risk in line with the provisions of section 17(1) of the Act then I think, practically speaking, what I have in mind to ensure efficiency of process that you would identify the objection, merely the objection, and in due course the transcript could be noted as to those parts of Mr Hawkins' evidence that would be marked as the subject of the objection to ensure that the provisions of section 17(2) apply to them. Are you comfortable with that process, Ms Richardson?

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MS RICHARDSON: Yes, I am. Thank you, Commissioner.

COMMISSIONER: And Mr Hawkins, you understand that if there is a feeling that there would be an objection made – your counsel will, of course, intervene, but you are entitled to object, but if I find that the answer should be given then your counsel can indicate to me that those parts of the transcript will be marked as protected. Do you understand that?

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MR HAWKINS: Yes, I do. I understand that. Thank you.

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COMMISSIONER: Yes. Thank you, Mr Hawkins. Yes, Ms Sharp?

MS SHARP: Thank you, Commissioner. Mr Hawkins, can you tell the Inquiry your full name, please?

MR HAWKINS: Gregory Francis Hawkins.

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MS SHARP: And your work address is known to those assisting this Inquiry?

MR HAWKINS: Sorry, you're after our work address?

10 MS SHARP: Is known to those assisting this Inquiry.

MR HAWKINS: Correct, yes.

15 MS SHARP: You have prepared a statement dated 21 February 2020 for the purpose of this Inquiry.

MR HAWKINS: That's correct.

20 MS SHARP: Are the contents of that statement true and correct to the best of your knowledge?

MR HAWKINS: Yes, they are.

25 MS SHARP: You are the chief casino officer for the Star Entertainment Group Limited?

MR HAWKINS: That is correct.

30 MS SHARP: I will call that company the Star Group and you will understand what I am referring to, yes?

MR HAWKINS: I understand.

35 MS SHARP: You have held that position since January 2019?

MR HAWKINS: That's right, yes.

40 MS SHARP: You joined the Star Group in September 2014, commencing as managing director of the Star in Sydney.

MR HAWKINS: Yes, that's right.

45 MS SHARP: Now, by way of tertiary qualifications you have a bachelor's degree in applied science awarded by Monash University?

MR HAWKINS: That's correct.

MS SHARP: In the period 1998 to 2005 you were the general manager for Sky Entertainment Group Limited in New Zealand and South Australia?

MR HAWKINS: That's correct, yes.

5

MS SHARP: And that, of course, related to casino work?

MR HAWKINS: Yes, that was casino work. That's right.

10 MS SHARP: And then from 2005 until 2010, you worked in Macau, didn't you?

MR HAWKINS: Yes, I did.

15 MS SHARP: And at that time, you were an employee of Crown Limited but you were seconded to work on the joint venture between Melco and what was then known as PBL to oversee the development of a new casino.

MR HAWKINS: Yes, that's right.

20 MS SHARP: And that new casino was originally known as Altira?

MR HAWKINS: Yes, the first one was called Altira, and the second one was called the City of Dreams.

25 MS SHARP: And in the period January 2006 to May 2008 you were the CEO of Altira in Macau.

MR HAWKINS: That's correct.

30 MS SHARP: And from May 2008 until November 2010 you were employed by Melco Crown Entertainment as the president of the City of Dreams in Macau.

MR HAWKINS: Yes, that's correct.

35 MS SHARP: In the period 2010 to 2013 you were the deputy chief executive officer and then the chief executive officer and director of Crown Melbourne.

MR HAWKINS: That's correct.

40 MS SHARP: And it was in September 2014 that you went over to the Star.

MR HAWKINS: That's correct.

45 MS SHARP: And when you went over to the Star you commenced as the managing director of the Star in Sydney.

MR HAWKINS: Of the Star in Sydney, yes, that's right.

MS SHARP: And then it was from January 2019 that you became the chief casino officer for the whole Star Group.

MR HAWKINS: That's correct.

5

MS SHARP: Are you aware of who Barry Felstead is?

MR HAWKINS: Yes, I am.

10 MS SHARP: Would it be fair to describe the position you now occupy at the Star Group as being equivalent, or the counterpart to that of Barry Felstead at Crown?

MR HAWKINS: The role I have as outlined in the statement doesn't include oversight of the operations of the business where I understand Barry has oversight of that. So the roles are slightly different.

15

MS SHARP: When you say you don't have oversight of the operations, can you explain in more detail what that is and what you do have oversight of.

20 MR HAWKINS: Sure. So when the statement was submitted I oversaw our rebate business for the group which included international, domestic and some local premium business. I also oversaw a centralised group which managed casino and product development and strategy for the group. Now, more recently as an update, my role has changed again. This has occurred realistically within the last couple of months where I have handed over the centralised product gaming management to another executive and I now have oversight of the operations of the Star in Sydney in addition to the responsibilities of overseeing the rebate business.

25

MS SHARP: But at all times since January 2019 you have had responsibility for overseeing the rebate business; is that correct?

30

MR HAWKINS: That's correct.

MS SHARP: And did you have any responsibility in that regard in the period from September 2014?

35

MR HAWKINS: I did for a period, yes. I think approximately 20 – late 2016 in addition to overseeing the Star property in Sydney I also started to oversee the international rebate business.

40

MS SHARP: And I should confirm you are based in Sydney, are you not?

MR HAWKINS: That's correct.

45 MS SHARP: At paragraph 16 of your statement – and there's no need for me to show it on screen, you identified, back in February, that you had eight direct reports. Does that remain the case today?

MR HAWKINS: No, some of those reports have changed by nature of my role changing across the last couple of months, but it still does include the VIP or rebate business is unchanged.

5 MS SHARP: And has the name of your role changed? You were the chief casino officer in February of this year. Has that name changed?

MR HAWKINS: No, it hasn't.

10 MS SHARP: Can I turn to ask you some questions about the Star's rebate business. You deal with this in your statement from paragraph 19. Is it right that there are different taxation rates at work depending upon whether we're talking about the Star Group's rebate business as opposed to its non-rebate business?

15 MR HAWKINS: Yes, there is differences in the taxation rate applied to gaming revenue, that's right.

MS SHARP: Is there a lower taxation rate for the rebate business than the non-rebate business?

20

MR HAWKINS: Yes, that's correct.

MS SHARP: Can you tell us what the rebate business is.

25 MR HAWKINS: What the rebate business is, it's – it's business or customers that come to Star properties to gamble and then as part of their play generally related to the turnover they generate they will then be given a reimbursement or rebate back on the volume that they generate on their trip.

30 MS SHARP: And do you have international and domestic rebate players?

MR HAWKINS: Yes, we do.

35 MS SHARP: And when we're talking about the rebate business, are we really talking about what some describe as premium players and what others describe as VIPs?

MR HAWKINS: Generally, yes. That would be correct.

40 MS SHARP: When is it not generally correct?

MR HAWKINS: Well, there's some significant players that we would call large players who could be locally non-rebate customers as well, but my point was the rebate business is generally reflective of the sort of VIP category. That's right.

45

MS SHARP: Now, looking at the international rebate category for a moment, is it correct that you deal with rebate players either directly or through junkets?

MR HAWKINS: That's correct.

MS SHARP: And in relation to the domestic rebate patrons, are junkets ever involved?

5

MR HAWKINS: Yes, they are.

MS SHARP: Can I take you, please, to – or paragraph 23 of your statement. Here you speak of the Star's international rebate business as consisting of three different things and they are, firstly, international junket programs, secondly, international premium direct player programs and, thirdly, international premium mass programs. Does that remain the case today?

10

MR HAWKINS: Yes, it does.

15

MS SHARP: And in the situation of an international junket program, is it right that the Star – I will call it the Star Sydney, that corporate entity, enters into contractual arrangements with the junket operators?

20

MR HAWKINS: That's correct. We refer to that as the junket promoter, yes.

MS SHARP: A junket promoter. And in order to run a junket program at the Star in Sydney, is it necessary for the junket promoter to prescribe or pay a minimum amount of front money?

25

MR HAWKINS: That would be correct, yes.

MS SHARP: Is that sometimes called the buy-in?

30

MR HAWKINS: Yes, that's right.

MS SHARP: Now, you also deal with some premium international players on a direct basis. That's right, isn't it?

35

MR HAWKINS: That's correct.

MS SHARP: And they're the international premium direct players?

MR HAWKINS: That's right.

40

MS SHARP: So no junkets are involved there?

MR HAWKINS: No.

45

MS SHARP: And these international premium direct players, they still need to provide a minimum amount of front money to buy in, do they?

MR HAWKINS: That's correct, yes.

MS SHARP: And does that gain them access to the VIP salons?

5 MR HAWKINS: It can, yes. So many of the premium direct players will play in the private gaming salons, yes.

MS SHARP: Now, insofar as we're concerned with international junkets, is it right that when the junket promoters buy in, they are given special types of chips by the
10 Star in Sydney?

MR HAWKINS: Yes, that's the case. That's right.

MS SHARP: And what do you describe those chips as?
15

MR HAWKINS: We would call them non-negotiable chips.

MS SHARP: Are they the same thing as we sometimes see referred to as rolling chips?
20

MR HAWKINS: Yes.

MS SHARP: And is it correct that you can't cash in a non-negotiable chip?

25 MR HAWKINS: That's right.

MS SHARP: So what is the process if I have my non-negotiable chip and I want to exchange that for money? What do I need to do?

30 MR HAWKINS: Generally, you're issued the non-negotiable chip as part of that program so you will be placing bets with that. If you want to redeem that, that would generally be done at the settlement time of the junket where all of the chips are added up to calculate the commission that's owed.

35 MS SHARP: And then what happens? How does that get turned into money in my hands?

MR HAWKINS: Well, the chips are used to calculate the volume of activity that's occurred by that particular player, and then the commission is calculated and then
40 paid to that player or that junket promoter based on the volume that's occurred.

MS SHARP: And then once that calculation is performed, how do I get cash?

MR HAWKINS: Well, normally the customer, if it's an international customer, it's
45 more than likely that funds would be TT'd, if the customer has won, to their nominated bank account or vice versa.

MS SHARP: When you say TT'd, do you mean telegraphically transferred?

MR HAWKINS: That's correct.

5 MS SHARP: Now, with the international premium direct players, are they issued with non-negotiable chips?

MR HAWKINS: They can be, yes.

10 MS SHARP: Can they also be issued with regular chips?

MR HAWKINS: We have another chip called a premium chip set which is also used to calculate volume for the purpose of rebate activity.

15 MS SHARP: Is it correct that that premium chip cannot be exchanged directly for cash in the casino?

MR HAWKINS: Yes, it's an identified chip set. It's not a cash chip.

20 MS SHARP: Now, the third aspect of the international rebate business that you identify in your statement, Mr Hawkins, is the international premium mass program. Can you tell us a little bit about that, please?

25 MR HAWKINS: It's a program that's similar to the direct international premium direct play, so it's direct customers generally of a lower front money level. So it's just a – almost like a subgroup of what's called out in B there. So it's a lower front money requirement. It's a relatively new part of the business.

30 MS SHARP: Is that a growing part of the business?

MR HAWKINS: Yes, it is.

35 MS SHARP: And that – the people who play with the international premium mass programs, do they ever involve themselves with junkets?

MR HAWKINS: No, they don't. They're individuals.

MS SHARP: Do they get access to the VIP salons?

40 MR HAWKINS: Normally, they wouldn't have access to those areas of the property.

MS SHARP: Is that why they're described as premium mass?

45 MR HAWKINS: Yes, so they're a category of customer which generally has a lower front money level. So in terms of where they would play, it's normally not in some of those salon – VIP salon or gaming areas.

MS SHARP: You may or may not be able to tell me this, but is the international premium mass market segment a segment that casino operators around the world are focusing on more strongly in recent times?

5 MR HAWKINS: I think there would be a category called premium mass which is a focus, yes.

MS SHARP: And that's an emerging market?

10 MR HAWKINS: It's certainly been an emerging market across the last two or three years.

MS SHARP: Has that coincided with recent developments in mainland China and the tightening of regulations in Macau?

15

MR HAWKINS: It may have. I think just by nature of, particularly from China, the scale of the population there and the breadth of the gambling market, it's just a – it's another addition to the growth of that sector.

20 MS SHARP: Now, let me ask you a few questions about Star's domestic rebate business. That, I think you've previously indicated, involves both junkets and direct premium players, right?

MR HAWKINS: That's correct, yes.

25

MS SHARP: And insofar as it relates to junket programs, are these international junkets or Australian-based junkets?

MR HAWKINS: No, they would be Australian-based junkets.

30

MS SHARP: And may we take it that the arrangements for the domestic program mirror the arrangements for the international program or are there differences?

MR HAWKINS: No, the junket programs structurally are generally similar.

35

MS SHARP: Now, is it correct that the Star does not offer a domestic rebate program to residents in New South Wales?

MR HAWKINS: That's correct.

40

MS SHARP: Are you able to explain why that is?

MR HAWKINS: The program called out there is identified for interstate customers visiting New South Wales. So it's not provided to those who live locally.

45

MS SHARP: At paragraph 29 of your statement, you make reference to the Star Group's – that's the main group – the Star Group's financial results for the financial

year ending 2019. Is it correct that the results reported there under the heading International VIP are in fact a reference to the Star Group's international rebate business?

5 MR HAWKINS: Yes, that's correct.

MS SHARP: And you tell us that the international VIP normalised earnings for the 2019 financial year were \$66 million?

10 MR HAWKINS: That's correct.

MS SHARP: And that's about 11.8 per cent of the total earnings of the Star Group?

MR HAWKINS: That's correct.

15

MS SHARP: Would you be comfortable to describe the international VIP segment, or the international rebate business, as a significant segment of the Star Group's overall earnings?

20 MR HAWKINS: I probably wouldn't describe it as significant. I think 11.8 per cent in that financial year and for the previous number of years has averaged around 14 per cent, so I think it's material and it's an important business but I wouldn't describe it as significant.

25 MS SHARP: So revenues in that VIP segment have decreased over recent years, have they?

MR HAWKINS: It – they can swing from one year to the other, yes.

30 MS SHARP: Tell me this: does Star Sydney have a greater share of the international rebate business than does Treasury or the Gold Coast?

MR HAWKINS: Yes, it would have a larger percentage as a property compared to the other two, correct.

35

MS SHARP: So to put that another way, would you agree that the Star in Sydney is more financially dependent on international VIP revenue than is Star in Brisbane or Star at the Gold Coast?

40 MR HAWKINS: It has a larger percentage of the international volume, but it's also a much larger property. So I wouldn't say it's more dependent on that. It's a much larger operating property, so it's still a material component but it's not any more significant.

45 MS SHARP: Is it correct to say that many more junket operators operate in the Star in Sydney than they do in the Star's casinos in Brisbane?

MR HAWKINS: Yes, that is correct.

MS SHARP: And it's right, isn't it, that in Brisbane, or Queensland, the casino regulator still licenses junket operators?

5

MR HAWKINS: That's correct, yes.

MS SHARP: And, in fact, that's the only jurisdiction in Australia where the regulator still licenses the junkets?

10

MR HAWKINS: I'm unsure on that. I certainly know Queensland does license them.

MS SHARP: Can I turn now to ask you about some practicalities of the way that the casino operates in Sydney. Can you tell us first of all what a casino cage is?

15

MR HAWKINS: A casino cage could also be referred to as the casino cashier. So that's where transactions are occurring in terms of chip redemption or redemption of other tickets from gaming machines, so it's a central cashier point.

20

MS SHARP: Now, there is a – and is there any security that surrounds that area?

MR HAWKINS: Absolutely. It's a very secure area. It would have significant access control and is monitored by surveillance networks.

25

MS SHARP: And it's correct that cage operations are dealt with in New South Wales in an internal control?

MR HAWKINS: They would be, yes.

30

MS SHARP: What I would like to do is take you to that particular internal control which is internal control 11 cage operations. I have to refer to all of these documents with very elaborate numbers, so let me explain where you can find it, Mr Hawkins. You have it as tab 2 of your confidential exhibit, which is exhibit GFH2, although my instructions are, and your counsel will correct me if I'm wrong, that confidentiality is no longer claimed over that document. While that's being confirmed I will just have that pulled up on the hearing room only screen which is STA.0011.0001.0359, and that was in Star confidential list 1 at 15.

35

40 COMMISSIONER: So you say there's no confidentiality over this?

MS SHARP: They are my instructions, and I'm hoping Ms Richardson will confirm that.

45 COMMISSIONER: What's the position, Ms Richardson?

MS RICHARDSON: I can confirm there's no claim made over that ICM and that is true of - - -

5 COMMISSIONER: All right. That can go on the live stream then. Thank you.

MS RICHARDSON: It's also true of every ICM that is exhibited to Mr Hawkins' statement, not just this one.

10 COMMISSIONER: Thank you. So all ICMs, there's no confidentiality claim. Thank you.

MS SHARP: Now, there – if I can take you – what I'm going to do is refer to the page numbers, and I will also refer to the pinpoint numbers so that we here in the commission can follow on. You will see that - - -

15 COMMISSIONER: The pinpoint number is the last four digits of the number, Mr Hawkins. Yes, Ms Sharp.

MS SHARP: Yes. Thank you, Commissioner.

20 You will see that there is a definition of a cage in the first paragraph of that internal control.

MR HAWKINS: I don't have it in front of me, but I can see it on the screen. Yes.

25 COMMISSIONER: All right.

MS SHARP: I do apologise. I thought you had a hardcopy - - -

30 COMMISSIONER: That's all right. He's looking at it on the screen.

MS SHARP: Thank you. Now, that second paragraph says that:

35 *In addition to physical cage locations, there may also be stand-alone cage desks located in private gaming areas.*

What's that about?

40 MR HAWKINS: We have – think of it as a main cage or cashier area, but also we have a number of other satellite cages or cashiers scattered around the property to facilitate transactions closer to some customers, so we have a number of those across the casino.

45 MS SHARP: So is that generally in the VIP areas that you have these satellite cages?

MR HAWKINS: We would have them in some of our areas, we have at least another one on the main casino floor as well. So they're scattered generally around all gaming areas of the property.

5 COMMISSIONER: What was that you said we would have them in some of our what areas?

MR HAWKINS: Our private gaming areas which would include gaming salons, but also some of the larger local loyalty private gaming areas as well.

10 COMMISSIONER: Thank you.

MS SHARP: So I will just take a step back here. Just to talk about the arrangement of the casino in Sydney, there is first of all a mass gaming floor, if I can describe it that way.

MR HAWKINS: Yes, there is a mass gaming floor which is accessible to the public. That's right.

20 MS SHARP: And there is also a VIP room known, I think, as the Sovereign Room?

MR HAWKINS: Yes, we have some other what we call private gaming rooms which are really members – local members' gaming areas. We have a number of those as well.

25 MS SHARP: And one of those is the Sovereign Room?

MR HAWKINS: That's correct, yes.

30 MS SHARP: And these other member-only rooms, are they sometimes described as high-end gaming salons?

MR HAWKINS: No, I wouldn't describe them as that. They're – they're local member gaming areas. The high-end salons are in a separate section of the property.

35 MS SHARP: Are they in the hotel section of the property?

MR HAWKINS: Yes, our international gaming salons can be found in our hotel area in a couple of different locations.

40 MS SHARP: And how many of those do you have?

MR HAWKINS: In terms of the gaming salon, the small gaming salon, we have 20 of those.

45 MS SHARP: Do each of those have a cage desk?

MR HAWKINS: No, they don't. So none of them have a cage desk, but all of them will have a satellite cage in the area to assist with transactions.

5 MS SHARP: Now, if I can go back to – Commissioner, I see we seem to have Mr Hawkins frozen on the visual feed. I wonder whether that can be attended to by the operator. You're back. You're moving again, Mr Hawkins. Now, I just want to focus on this second paragraph of the internal control. It says:

10 *In addition to physical cage locations there may also be stand-alone cage desks located in the private gaming areas.*

So first of all, we understand these stand-alone cages are in the private gaming areas. Is there one of those in the Sovereign Room?

15 MR HAWKINS: Yes, there is.

MS SHARP: And your evidence is that in those small gaming areas located in the hotel part there can be these stand-alone cages servicing a few of those gaming salons.

20

MR HAWKINS: Yes. So there's many transactions that are occurring as part of running the cashier operation so they would be built adjacent to those areas and as you would expect they're manned by our licensed personnel and they're certainly secure and covered by our surveillance network.

25

MS SHARP: Now, the Star had a special room for Suncity, did it not, in Sydney?

MR HAWKINS: We had a room allocated to them for a period, yes.

30 MS SHARP: That is no longer the case, is it?

MR HAWKINS: That's correct.

MS SHARP: And what was the cage arrangement in that room?

35

MR HAWKINS: Again with – where that room is located there's another satellite cashier or cage point which is adjacent outside of the specific gaming rooms but in the general area so that's where the cashier transactions would have been occurring.

40 MS SHARP: Was that always the case with that particular room?

MR HAWKINS: Yes. When these rooms were built, that cashier area was also constructed.

45 MS SHARP: And it was not inside what I will call the Suncity Room.

MR HAWKINS: No.

MS SHARP: Did Suncity staff operate their own cash desk in the Suncity Room?

MR HAWKINS: No, they didn't operate a cash desk; they operated what we call a service desk.

5

MS SHARP: And at that service desk could cash be exchanged for chips with Suncity staff?

MR HAWKINS: I think they would perform some of what we call the rolling of the non-negotiable chips may have occurred there, but I expect there wouldn't have been cash to chip exchanges happening that desk.

MS SHARP: Now, returning to this internal control on cage operations, could I please return to pinpoint 0361 and I will have that shown to you on the screen. Do you see halfway down there's a heading Internal Controls and a little bit under it there's a heading Security?

MR HAWKINS: Yes, I do.

MS SHARP: Now, those rules, if I can call them that, did they also apply to the stand-alone cage desks which are referred to in that paragraph I previously took you to?

MR HAWKINS: Yes, absolutely.

25

MS SHARP: And if I take you over to pinpoint 0362, there's a heading towards the bottom of that page called Cage Transactions, and then you will see at paragraph 17:

A number of procedures and requirements for conducting cage transactions will be set out in the standard operating procedures and will address the following processes.

Now, I will stop there. Did this rule apply to what is described earlier as the stand-alone cage desks?

35

MR HAWKINS: Yes, just for clarity, I'm referring to the satellite cage areas; yes, it would.

MS SHARP: And what about that service desk in the Suncity Room? Did this rule set out in paragraph 17 apply to that service desk?

40

MR HAWKINS: No.

MS SHARP: And is that because the understanding of Star, if you can speak to that, was that cash transactions should not occur at that service desk?

45

MR HAWKINS: Yes, that would be right. The service desk was there to assist with general service of the customers that Suncity may have had playing on various programs.

5 MS SHARP: Was there – just so we can understand more about the Suncity service desk, what exactly – what activity was conducted there?

MR HAWKINS: They would – for example, it could be managing tourism-related experiences for their customers. It could be used to facilitate transportation
10 arrangements for customers who are in the room. It could be used as a point for any of the customers who may be visiting Australia for the first time to interact with one of the staff there to assist them with their guest experience.

MS SHARP: Did you watch Mr Preston give evidence, Mr Hawkins?
15

MR HAWKINS: No, I didn't.

MS SHARP: Are you aware of the footage which is being described as the blue cooler bag footage?
20

MR HAWKINS: I'm aware of the footage that was on the 60 Minutes episode which I'm assuming that's what you're referring to.

MS SHARP: What I'm referring to, in fact, is the publication of some footage on
25 October 2019, originally published on Mr Andrew Wilkie MP's website and then picked up by a range of media outlets that day. Were you familiar with that footage?

MR HAWKINS: I do remember seeing the footage, yes.

MS SHARP: And that we now know depicted somebody depositing from an Aldi cooler bag very large bundles of cash on to the Suncity service desk at Crown Melbourne. Now, that particular activity, could that ever have happened at the Suncity desk at the Star in Sydney?
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MR HAWKINS: I would expect not. If it were to occur or the presentation of cash were to occur there that would be directed to the satellite cage or immediately picked up by a surveillance team and reported as a suspicious transaction.
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MS SHARP: I was just going to ask you why wasn't it appropriate for that kind of activity to occur at the Suncity desk?
40

MR HAWKINS: Because the desk was established as a service desk, not for a front money or transaction desk for funds.

MS SHARP: Is it your position that all of the financial transactions and the front money dealings should happen at a Star City cage in the casino?
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MR HAWKINS: Yes, they should be occurring there.

MS SHARP: Could I take you back to this internal control we've been looking at and again back to paragraph 17. What are there highlighted are a series of different
5 types of transactions. Now, 17(b) speaks of fund transfer between related casino entities. What does that mean?

MR HAWKINS: It's not an area I oversee directly by nature of that level of detail. It may be transferring funds to another player's account within the Star Group, but
10 I'm not completely clear on that.

MS SHARP: Is that a question I would be better placed to ask Ms Arnott about?

MR HAWKINS: Yes, probably.
15

MS SHARP: And just while I'm here and in case you can assist, what about 17C which refers to fund transfers from patron accounts. What are the patron accounts?

MR HAWKINS: If a player, for example, is coming from an international
20 jurisdiction, they would have an account established. An example would be they may have funds TT'd into that account.

MS SHARP: And where is that account established? Is it established in Sydney or is it established overseas?
25

MR HAWKINS: Again, the structure of the accounts and where they're established is not an area that I've been directly involved in, so I'm sorry. I can't help you with that.

MS SHARP: Is that a matter I should direct my questioning to Ms Arnott?
30

MR HAWKINS: Yes, I expect she could help you with that, yes.

MS SHARP: While I'm on the topic of understanding casino operations, could you
35 tell us what a casino pit

MR HAWKINS: A pit is a group of gaming tables which are managed as a distinct unit from a broad management perspective.

MS SHARP: So in relation to that Suncity Room we've just discussed, did that have a pit or pits associated with it?
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MR HAWKINS: I would say not. Generally, a pit is a large number of tables. There was a very small number of tables in that particular room.
45

MS SHARP: When you gave evidence earlier of what I will describe as the high end gambling salons in the various parts of the hotel, did they have pits in them?

MR HAWKINS: Again, I wouldn't describe them as pits because, normally, there's only a couple of tables in each of those gaming salons.

5 MS SHARP: So in order to be a pit, you've got to have a larger number of gaming tables; is that it?

MR HAWKINS: That would be my personal definition.

10 MS SHARP: Can I move now to ask you some questions about junkets, and you deal with this in some detail in your statement. You speak of front money in your statement and I will take your attention, if I can, to page 5. Do you have a hard copy of that statement?

15 MR HAWKINS: Yes, I'm just – I have it in front of me now.

MS SHARP: I don't need to have this shown on the screen. Now, front money, of course, is the money to buy in so that you can – the junket promoter can have his or her players play?

20 MR HAWKINS: That's correct.

MS SHARP: And what you say here is that front money can be deposited in various ways?

25 MR HAWKINS: Yes.

MS SHARP: Can I firstly ask you where is it deposited? Is it deposited into a Star Sydney account that is operated by Star Sydney?

30 MR HAWKINS: Again, I apologise in terms of structure of the accounts, but I certainly know the player or the junket would have their account, which is accessible from the cashier at the Star in Sydney.

35 MS SHARP: And – but, again, you say these – while you've dealt with this in your statement, is my questioning on these mechanical issues better directed to Ms Preston – sorry, Ms Arnott?

40 MR HAWKINS: In terms of the structure of the group's accounts, potentially, she may be able to describe that to you more accurately.

MS SHARP: Is there anybody else within your organisation that would be able to assist us?

45 MR HAWKINS: I think the overall structure of the company's accounts or operating accounts would have broad oversight from our finance group as well as, I expect, our legal group as well.

MS SHARP: And who would be the person from your finance group to speak to?

MR HAWKINS: You would probably start with our chief financial officer to get absolute clarity on the best person to speak with.

5

MS SHARP: Thank you.

COMMISSIONER: Just before you go on, you told me that you were the Chief Casino Officer, Mr Hawkins?

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MR HAWKINS: That's correct.

COMMISSIONER: But you also indicated – and tell me if this is wrong, you indicated that you do not have responsibility for the oversight of the operations; is that right?

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MR HAWKINS: Just for clarity, when the statement was put together, I did not have oversight for the operations in Sydney. My role approximately six to eight weeks ago has changed so I now have oversight of the operations for the Sydney business, but that's only a recent change.

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COMMISSIONER: So when you were asked about the comparison between Mr Felstead's role and yours, perhaps I've misunderstood you, did you indicate that Mr Felstead has oversight for the operations in Crown?

25

MR HAWKINS: Yes, my understanding is he does. So my role - - -

COMMISSIONER: I see.

MR HAWKINS: - - - as it's more recently changed, would be a bit more similar to his but at the writing of the statement, it was different.

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COMMISSIONER: So you do have the operation oversight as does Mr Felstead, but that's only a recent change in your role?

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MR HAWKINS: That's right, and my oversight is for the Sydney operations, not the group operations.

COMMISSIONER: And so in overlooking the operations of the Sydney casino, I presume that you would have some oversight of the accounts?

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MR HAWKINS: Oh, look, not necessarily. So - - -

COMMISSIONER: When you say "not necessarily", is it at all?

45

MR HAWKINS: No, it's not. Not in terms of the structure of the accounts.

COMMISSIONER: I see. So no oversight of the accounts at all?

MR HAWKINS: That's correct.

5 COMMISSIONER: All right. Yes. Thank you.

MS SHARP: Prior to you assuming oversight responsibilities for Sydney six to eight weeks ago, who did have those oversight responsibilities?

10 MR HAWKINS: We had a single executive who oversaw the operations for our three operating properties.

MS SHARP: And who was that?

15 MR HAWKINS: A gentleman by the name of Geoff Hogg, who is Group Executive Operations, if I recall the title.

MS SHARP: Geoff Hogg and Group Executive. And does he still work with the Star?

20

MR HAWKINS: Yes, he does.

MS SHARP: And what's his position now?

25 MR HAWKINS: He's still doing a similar role but he's overseeing the operations of the Queensland businesses.

MS SHARP: And at the time that you gave your statement in February, what exactly were your responsibilities with respect to the Star in Sydney?

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MR HAWKINS: I had – I did not have any direct operational oversight at the time that the statement was taken. I oversaw, as I indicated, the rebate aspect of the business, so the sales and marketing aspect of our rebate business. I also oversaw our strategy or product positioning gaming product growth area. They were the two
35 main areas that I oversaw.

MS SHARP: And just returning to page 5 of your statement, you refer to an acronym CCF. That's a cheque cashing facility. Is that essentially a way of providing credit to patrons?

40

MR HAWKINS: It's an approved process under the Act where a customer can present a cheque and we will give them funds to gamble with up to that cheque amount, and then that cheque needs to be banked as per the Act within 30 days of the cheque being presented.

45

MS SHARP: So holding the cheque without banking it is a way of providing credit, isn't it?

MR HAWKINS: It's certainly a way of providing a line of gaming for that customer. That's right.

5 MS SHARP: Just in relation to your responsibilities at Star Sydney with the international rebate business, wouldn't it be important for you to have a level of understanding about how the accounts operate?

10 MR HAWKINS: I think my accountabilities oversaw the broader commercial aspect of the international, domestic and other areas as well. The processing of some of those funds in that finance area is not one that I was directly overseeing at the time in terms of the specifics around the account structure.

15 MS SHARP: So when you talk about the commercial side of things, do you mean the marketing side of things?

MR HAWKINS: Yes, principally, the sales and marketing and the revenue growth associated with those particular parts of the business.

20 MS SHARP: So is there an international VIP sales team within the Star Group?

MR HAWKINS: Yes, there is.

MS SHARP: And do you fit in there?

25 MR HAWKINS: Yes. So as part of my responsibilities for the rebate business, that sales team reports through to me.

30 MS SHARP: Thank you. Well, based on that experience, I think you can assist us with this. Where are the VIPs coming from who come to Sydney?

35 MR HAWKINS: Over the last few years, probably about 80 per cent of our customers are coming in from what I would call sort of North Asia or China regions. We also have customers coming in from Southeast Asia as well, but the majority are coming from China or Hong Kong.

MS SHARP: Is it correct that most junket operators with whom the Star deals are not ordinarily residents in Australia?

40 MR HAWKINS: I would have to check on the detail, but I'm certainly aware a number of the junket promoters have addresses in international locations.

MS SHARP: Well, they're ordinarily international junket operators, aren't they?

45 MR HAWKINS: That's correct, yes.

MS SHARP: And you know that because of your long history dealing with junkets when you worked in Macau, yes?

MR HAWKINS: Yes, as well as some oversight of the location of the junket promoters, yes.

5 MS SHARP: Can you assist us with this: the Star Group only deals with individuals as junket operators and does not deal with corporate entities as junket operators. Why is that?

10 MR HAWKINS: I think it would provide a safer measure of knowing specifically who we are dealing with by nature of knowing our customer. My view would be if it's getting into the world of corporate relationships, it can be difficult to ascertain the ownership of those entities.

MS SHARP: But isn't it difficult to ascertain who funds these junket promoters?

15 MR HAWKINS: I think as part of the junket promoter application, there's a very detailed review of those individuals that occurs, including significant enhanced due diligence on those individuals, and I know that also requires a deep understanding and continual oversight of source of funds and source of wealth.

20 MS SHARP: Now, you will be well placed to assist us with this given your experience in the international rebate business both here and in Macau. What are the main reasons that casinos deal with junkets?

25 MR HAWKINS: I would say junkets and dealing with junket promoters provide the opportunity for the casino to gain access to, potentially, a new base of customers. Junkets are known to operate in different jurisdictions so they may have a database of customers that particular Australian properties may be interested in accessing as well. At the same time, many of the junkets are quite large businesses and they will have historic relationships with customers as those customers are travelling to
30 various jurisdictions around the world. But, in summary, it just provides another avenue of identifying, potentially, new customers or maintaining relationships with customers that have been to our properties on multiple occasions.

35 MS SHARP: Isn't a key attraction of casino operators to junkets the fact that the junket operators assume the credit risk?

MR HAWKINS: Yes, that would be one of the attractions, yes.

40 MS SHARP: Well, in addition to finding customers in the first place, isn't that the key attraction so far as the casino is concerned?

MR HAWKINS: It's one of the points that we would take into account.

45 MS SHARP: Well, is it the key point?

MR HAWKINS: I don't necessarily think it's the key point. I think identifying new customers or having repeat visitation via a junket promoter is just as important.

MS SHARP: And just to be clear, when a junket operator runs a junket program through the Star in Sydney, the financial relationship is between the Star Sydney and the junket operator, right?

5 MR HAWKINS: That is correct, yes.

MS SHARP: So it doesn't fall to the Star Sydney to try and enforce gambling debts against junket players, does it?

10 MR HAWKINS: That's correct.

MS SHARP: Star Sydney turns to the junket promoter to collect the debt.

15 MR HAWKINS: Well, we have the relationship with the junket promoter so the junket promoter is the one who will need to settle the final account.

MS SHARP: Because all Star Sydney needs to do is settle its account with the junket operator.

20 MR HAWKINS: That's correct.

MS SHARP: And the Star Sydney need not trouble itself with how accounts are settled with individual junket players.

25 MR HAWKINS: No, we wouldn't normally be involved in that.

MS SHARP: Now, when you worked at Macau, I take it one of your responsibilities involved you in keeping abreast of developments in the Macau junkets?

30 MR HAWKINS: Look, generally. So I was a senior executive overseeing the property so the operations and junket business was an area that I had broad oversight of.

35 MS SHARP: So one thing you needed to do was keep abreast of developments with junkets in Macau?

MR HAWKINS: Yes.

40 MS SHARP: So I want to ask you some questions about trends you might have observed in how junket operations are conducted in Macau. Is it correct that we've seen a tendency towards junket operators merging in Macau?

45 MR HAWKINS: I think over time there may have been some of the larger junkets merge with smaller so, yes, that would generally be correct.

MS SHARP: And smaller – in recent years a lot of smaller junket operators have gone out of business.

MR HAWKINS: I'm not 100 per cent clear on that. I haven't been following too closely in recent years some of the activities of those smaller junkets.

5 MS SHARP: Do you understand that in Macau there are a lot less licensed junket operators than there were, say, four years ago?

MR HAWKINS: Yes, I expect that would be the case.

10 MS SHARP: Is it also the case, based upon your long experience with junkets and market intelligence no doubt available to you, that it is becoming more difficult for junket operators to enforce and collect debts owed to them?

MR HAWKINS: It may be more challenging.

15 MS SHARP: Well, what's your understanding?

20 MR HAWKINS: I think the – mainland China has been wanting to look at the management of capital outflows from the mainland, so my understanding – and is this from afar because I haven't worked there for some time, is that they've been focusing on junket and junket KYC programs and threshold and other transaction reporting. I think the regulator in Macau has been focusing more on that.

25 MS SHARP: Now, is it fair to say that Altira in Macau really built its business off the back of junkets.

MR HAWKINS: Yes, that would be right. It represented a large portion of the property's revenue.

30 MS SHARP: And given the position you occupied at Macau it was important that you understood the dynamics of the junkets.

MR HAWKINS: Yes.

35 MS SHARP: Because junkets were integral to the success of Altira, right?

MR HAWKINS: Yes, Altira was a smaller property away from the main area so it had a slightly higher representation of junkets, yes.

40 MS SHARP: I guess what I'm getting to is this: you're a person who has considerable expertise in how junkets operate in Macau, would you agree?

45 MR HAWKINS: I'm certainly – when I worked there, which is over a decade ago, I was closer to it then, but I do monitor what's happening certainly from a distance these days.

MS SHARP: And when you went to work at Crown Melbourne, is it right that you continued to keep a careful eye on junkets in Macau?

MR HAWKINS: Yes, we would generally keep an eye on activities or media or monitoring of performance, that's right.

5 MS SHARP: And is it fair to say that you have considerable knowledge in how junkets operate?

MR HAWKINS: Well, I would say I do in Australia; less so in Macau because I haven't been involved in working in that jurisdiction for a decade.

10 MS SHARP: But it's right, isn't it, that a lot of the junket operators with which – or with whom the Star deals do come from Macau or Hong Kong?

MR HAWKINS: Yes, that would be right.

15 MS SHARP: Is it fair to say this, that at Star you're one of the go-to people when it comes to understanding junkets.

20 MR HAWKINS: Well, I think I would be one of them. We would have other personnel who perhaps work in that region who would also provide insight and information.

MS SHARP: But you would be a very useful person to consult if people wanted to know about the history and dynamics of a particular junket. Do you agree with that?

25 MR HAWKINS: I may be one of those consulted and hopefully I could assist.

MS SHARP: Sorry, say that again.

30 MR HAWKINS: I may be one of those consulted if someone was seeking information on a particular junket, yes.

MS SHARP: And are you regularly consulted when somebody at Star is seeking information on a particular junket?

35 MR HAWKINS: I can be. So I know our AML/CTF team who have ultimate accountability for approving our junket promoters operate reasonably independently but if they did want any specific insight from myself or any of my team they would ask for that and we would provide it.

40 MS SHARP: But is it your evidence that the AML team do not in the usual course consult with you about junkets?

45 MR HAWKINS: They would if they needed specific information that they thought I could provide. So that's how that would occur.

MS SHARP: Would you accept this, that if we wanted to get to the bottom of understanding the dynamics of any particular junket the people in an organisation who are going to know are the people in the VIP sales teams.

5 MR HAWKINS: They would be one of the people you would speak to. I think they're – they're not specifically close to the structure of junkets. What they're doing is really maintaining relationships with customers who may play under junkets. So they would have a level of understanding at a player level, but probably not in – too much beyond that.

10 MS SHARP: But it's important for those sales teams to maintain relationships with the junket promoters, isn't it?

MR HAWKINS: Yes, it would be.

15 MS SHARP: Because that's where the money comes from at the end of the day, right?

MR HAWKINS: Yes, that's where the primary relationship is with the junket promoter.

MS SHARP: Well, would you agree that an essential source of information if a casino operator genuinely wished to understand the dynamics of a junket, and indeed the probity of the junket, would lie with the VIP sales team.

25 MR HAWKINS: I expect it would be one of the inputs. As I said, they may have some relevant information at a personal level, but it would be one of the inputs into a broader understanding of the junket.

30 MS SHARP: But wouldn't it be an essential input?

MR HAWKINS: Not necessarily essential if someone who was assessing them felt they had all the required information available anyway.

35 MS SHARP: Well, isn't it the international VIP sales team that would in effect have their ears to the ground about what was the dynamics of any particular junket?

MS RICHARDSON: These questions – there's a level of ambiguity about what the dynamic of a junket is and earlier questions grouped together the idea of dynamics with probity, which arguably are distinct concepts. I think in fairness to the witness the concept of a dynamic of a junket is too vague and perhaps the question could be more specific.

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

45 MS SHARP: Yes, I accept that, and I will put the question more specifically.

The international sales teams – international VIP sales team are, of course, looking at opportunities for bringing revenue into the casino.

MR HAWKINS: Generally that is correct, yes.

5

MS SHARP: And that means they need to have an understanding of whether particular junket operators can bring revenue into the casino, would you agree?

MR HAWKINS: Well, they would be dealing both with individual customers at a relationship level. Once we've established a junket promoter they would then be maintaining the relationship with the junket promoter. But they – yes, they would be interacting with the junket promoter.

10

MS SHARP: Because it would be important for them to understand what revenue the junket promoter could bring into the casino; correct?

15

MR HAWKINS: Yes, that would be important to understand the scale of the junket, yes.

20

MS SHARP: And it would be important for them to understand if the junket promoters were good for the money, if I could put it that way.

MR HAWKINS: Yes, if – if the sales team had any relevant information with regards to that, that would be useful to know.

25

MS SHARP: And you would agree that one important function of any sales team is to gather market intelligence.

MR HAWKINS: Yes, that's right, to understand what's happening in the market, yes.

30

MS SHARP: That's right, because you need to understand the people you're dealing with, don't you, as a sales team member?

MR HAWKINS: Their role is to manage the relationship with them and that would be understanding generally what's happening with that individual, yes.

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MS SHARP: And to gather market intelligence to know whether they're a person with whom it would be beneficial to deal.

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MR HAWKINS: If they were to come across any information with regards to that they would generally send that to the relevant people, but once the relationship is established they're more focused on enhancing or building on that relationship.

MS SHARP: So let me be specific about it. If I, as a casino operator, wanted to understand if a particular junket operator had links with organised crime, I would be best placed consulting the international VIP sales team with that, wouldn't I?

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MR HAWKINS: Not necessarily best placed. I think if, for example, our AML/CTF team were assessing or looking at due diligence on a particular promoter – junket promoter – they would be looking at a whole raft of sources of information, including global databases and World-Check and their own investigations. The
5 feedback from the sales team member could be one of those points of information.

MS SHARP: Well, it would be an important source of information, wouldn't it?

MR HAWKINS: Well, I think it would be – it could be important depending on the
10 accuracy of the information, but it could be a point of information that is helpful, yes.

MS SHARP: Well, you've just agreed that the whole point of a salesperson is to gather market intelligence. In view of that, wouldn't it be essential for a thorough due diligence of a junket operator to consult with the VIP – international VIP sales
15 team about what they knew about that junket operator?

MR HAWKINS: It could be one of the avenues amongst a whole stream of assessment that our AML/CTF team would be doing.

MS SHARP: What I'm putting to you is that it is an essential source of inquiry if
20 you want to do a thorough due diligence of a junket operator.

MR HAWKINS: Yes, it could be important if they were doing a deep dive on a particular player or promoter. It could be important.
25

MS SHARP: Well, it's essential if you're doing a deep dive of a promoter, is it not?

COMMISSIONER: Speaking of ambiguity, what on earth is a deep dive? I know that Mr Hawkins talked about it, it seems to be part of our vocabulary, I still don't
30 understand what a deep dive is in terms of the casino regulation or casino operations, so perhaps that could be explored.

MS SHARP: Yes. Could I ask you, Mr Hawkins, to explain what a deep dive is?

MR HAWKINS: All I was referring to would be – is a particular level of customer due diligence assessment that our teams would be performing. A deep dive would be an enhanced approach to looking at and assessing an individual or promoter, so just taking it to another level to try and access a broader range of information.
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COMMISSIONER: So you ask for more information?
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MR HAWKINS: Yes, that would be right. More information or a review again of existing information that may not have been looked at for a period.

COMMISSIONER: So you have the same level, that is you keep the same information, and you review it from a different perspective with more experience, I
45

suppose, or, alternatively, you seek to add to the bank of information to enhance your investigations; is that right, Mr Hawkins?

5 MR HAWKINS: Yes, I think that's a good way of describing it.

COMMISSIONER: Thank you.

10 MS SHARP: Now, it's correct that the regulation of the Star in Sydney operates on a risk-based platform?

MR HAWKINS: That's correct.

MS SHARP: Could you explain to us what that is?

15 MR HAWKINS: Well, what we do is apply a risk rating to the customers that we deal with. That's reflected in that approach. So any customers or people that we're dealing with from a casino perspective are given a particular risk rating and we manage that in a risk register.

20 MS SHARP: And once you've identified the risk presented, do you agree it is important to conduct a level of due diligence that is commensurate with that level of risk?

25 MR HAWKINS: Yes, I do.

MS SHARP: So if somebody is identified as higher risk, you do more in the way of due diligence?

30 MR HAWKINS: Yes, that's right. So across the risk levels at various levels, that activates that enhanced customer due diligence.

MS SHARP: And so, in your words, a deeper dive if there is a more high risk person - - -

35 MR HAWKINS: That's correct.

40 MS SHARP: - - - you wish to find out about. Now, let's talk about the risks of junkets. Let me show you a document. This is in a Star confidential list, confidential list 3, at item 6. It's actually a newspaper article I'm going to take you to, but just for the moment we will bring it up on the live - I beg your pardon, on the courtroom only link.

45 COMMISSIONER: If it's a newspaper article, what is the problem with putting to live stream?

MS SHARP: That was the very next matter I was going to raise. It's simply that it was served as a confidential document because it came from a Crown file, so as a

matter of abundant caution, I wanted to inquire as to whether any claim was being made over it because the document was only notified to the Star a few nights ago.

5 COMMISSIONER: Yes. Ms Richardson, any problem? If you give us the reference so Ms Richardson can assess it.

MS RICHARDSON: I have that reference.

10 COMMISSIONER: Just pardon me. Sorry, Ms Richardson.

MS RICHARDSON: I have that reference. Does it end in 0289?

MS SHARP: Yes.

15 COMMISSIONER: Yes. Is there any objection?

MS RICHARDSON: No claim is made over that. We indicated that in writing to the Inquiry on Monday morning.

20 COMMISSIONER: Thank you. Yes, put it on the live stream, Ms Sharp, or ask the operator to do so.

25 MS SHARP: Yes, it's STA.0015.0001.0289. Now, you will see this is a printout of a newspaper article appearing on 16 August 2019 reporting on Suncity shutting its high roller rooms. May I take it you've seen this article before, Mr Hawkins?

MR HAWKINS: Yes, I have.

30 MS SHARP: Could I just take your attention, please, to pinpoint reference 0292. And what we see here is a quote. If I can draw your attention to – well, out of fairness, to the second paragraph, you will see it says:

35 *Concerns over the infiltration of organised crime in casinos are also the subject of a wide-ranging investigation by ACIC."*

And it's the quote from Mr Michael Phelan of the Australian Criminal Intelligence Commission to which I wish to draw your attention. He is reported as saying:

40 *The lack of transparency of casino junket operations, anonymity of participants and obscurity around beneficial ownership, source and distribution of junket funds provide opportunities for criminal exploitation.*

45 Now, given your long history with the international VIP market and with junkets, do you agree with those observations?

MR HAWKINS: Yes, generally I do. I think, if not managed properly from a risk perspective, it can provide opportunities for that.

MS SHARP: And when you say being managed from a risk perspective, do you mean you have to have a level of due diligence which is commensurate with the level of risk that the junket operator presents?

5 MR HAWKINS: Yes, that would – that would be correct. So our obligations under the AML/CTF Act are well adhered to, but, yes, we should be taking a heightened risk approach in this space.

10 MS SHARP: Would you agree with this proposition: it is well understood that junkets are vulnerable to infiltration by organised crime?

MR HAWKINS: Sorry. Can you just repeat the question, please?

15 MS SHARP: Yes. Would you agree with this proposition: it is well known that junkets are vulnerable to being infiltrated by organised crime?

MR HAWKINS: Yes, I think it certainly is a potential vulnerability, yes.

20 MS SHARP: And you would agree that you need a level of due diligence which is commensurate with that level of risk?

MR HAWKINS: Yes, I do agree with that.

25 MS SHARP: Now, I want to return to my questions about whether due diligence should involve consultation with the VIP sales team. Would you agree that in doing due diligence on junket operators, it is essential to liaise with the international VIP sales team to gain an understanding of the junket operator?

30 MR HAWKINS: I agree that if the investigations team was seeking that information, they should, yes.

MS SHARP: But if you agree that junkets are vulnerable to infiltration by organised crime, should that not be happening in every case?

35 MR HAWKINS: On balance, it probably is an appropriate thing to do, yes.

MS SHARP: Does that happen at the Star?

40 MR HAWKINS: I think the input of information from the sales team to our AML/CTF investigations, compliance and risk areas is always active and I know information has been requested prior, but my understanding, it's more done on a request basis as opposed to like a standing agenda item. The AML/CTF team conducts an ongoing patron activity monitoring meeting, which occurs monthly, and that has quite a structure to it, but it's established separately to the sales team for
45 what I think are appropriate reasons of independence, and if further information is sought, our team or the sales team can be requested to provide information there.

MS SHARP: But I think from that answer, I understand that it's not on every occasion that the due diligence people would liaise with people from international VIP sales team.

5 MR HAWKINS: My understanding is that it's not, but, again, I know Skye Arnott is providing evidence. She would be able to much more accurately assess and describe that.

10 MS SHARP: Has she ever spoken with you about the level of risk that particular junket operators present?

MR HAWKINS: I have attended one of the PAM meetings when we were discussing specific customers at that time, yes.

15 MS SHARP: But you don't generally attend the PAM meetings?

MR HAWKINS: No, I don't. Only if requested to.

20 MS SHARP: And could you just remind me what PAM stands for?

MR HAWKINS: Stands for patron activity monitoring meeting, so it's a meeting established by our AML/CTF risk compliance investigations team, which is a structured and ongoing meeting where they're reviewing specific players or patrons relative to their risk rating or the identification of new information.

25 MS SHARP: In a review conducted by Mr Peter Cohen of the Agenda Group in around 2015, he described junket operators as glorified travel agents. Do you agree with that description?

30 MR HAWKINS: Oh, not necessarily. I think, you know, they would manage some of the travel relationships or issues pertaining to their customers, but they offer a broader relationship than just travel.

35 MS SHARP: Do you think that rather misapprehends the level of risk that junket operators present?

MS RICHARDSON: Well, I object to that question. Risk to who and risk of what?

40 COMMISSIONER: Ms Richardson, I will ask you to get a little closer to your microphone, if you wouldn't mind.

MS RICHARDSON: Sorry. I will just work out where that is.

45 COMMISSIONER: That's better. That's better.

MS RICHARDSON: Sorry. I object to that question on the grounds of ambiguity. Risk to who and risk of what?

COMMISSIONER: No, you've moved away again. I think something is happening there that – get just a little bit closer - - -

5 MS RICHARDSON: I think I just need to project my voice towards the screen.

COMMISSIONER: Yes, please.

MS RICHARDSON: I object to that question on the grounds of ambiguity. Risk of what and risk from whose perspective.

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

MS SHARP: I will put the question a different way, Commissioner.

15 COMMISSIONER: Thank you, Ms Sharp.

MS SHARP: In view of the fact that junket operators are vulnerable to infiltration by organised crime, do you think it understates the real risk that junket operators present to describe them as glorified travel agents?

20 MR HAWKINS: Yes, I do.

MS SHARP: During your time in Macau, did you gain familiarity with the Suncity junket?

25 MR HAWKINS: I was certainly aware of the junket in Macau, yes.

MS SHARP: And were you aware of an individual by the name of Alvin Chau?

30 MR HAWKINS: When I was in Macau, again, over a decade ago, I – I don't recall if I was aware of Alvin Chau. I'm aware of Alvin Chau now, though.

MS SHARP: And you've had dealings with Alvin Chau?

35 COMMISSIONER: At Crown or at - - -

MS SHARP: I won't be specific. I will just say either at Crown or at the Star.

MR HAWKINS: I would have met him a couple of times in social situations.

40 MS SHARP: And in your time at both Crown and the Star, is it fair that you've come to understand quite a bit of information about Alvin Chau?

MR HAWKINS: I would be certainly more broadly aware of his position within Suncity, yes.

MS SHARP: As you sit here today, do you have any doubt whatsoever that Alvin Chau has links to organised crime?

5 MR HAWKINS: Well, I can only refer to what I've read and heard of the speculation, but I can't confirm that at all myself.

10 MS SHARP: I'm just asking about your opinion and your views based upon information available to you over the years. Do you have any doubt whatsoever that Alvin Chau has links to organised crime?

MR HAWKINS: Look, I – I can only respond by saying I have some doubt. All I've read is the speculation, but I have nothing to validate it. So from my perspective, it's not - - -

15 MS SHARP: I'm not asking you – Mr Hawkins, I'm not asking you about validation or anything else. I'm asking for your degree of doubt. Do you have any doubt whatsoever that Alvin Chau has links to organised crime?

20 MR HAWKINS: Yes, I do have some doubt because I haven't heard it – I don't know the actual answer to the question. I've only read the speculation, so I have some doubt.

MS SHARP: Is that a little bit of doubt or a lot of doubt?

25 MR HAWKINS: Some doubt.

MS SHARP: What does "some doubt" mean?

30 MR HAWKINS: Well, I wouldn't pretend to fully understand the concepts of organised crime or what it relates to in that part of the world, so I just don't feel like I'm in a position to give an expert opinion on it.

35 MS SHARP: Could you give us your candid assessment of what your level of doubt is?

MS RICHARDSON: Well, I object to these questions on the ground of ambiguity. The witness has indicated - - -

40 COMMISSIONER: I can't hear you properly. I'm sorry, Ms Richardson.

MS RICHARDSON: Sorry. I object to this question on the ground of ambiguity. The witness has indicated that he is aware of allegations, that they have not been substantiated, and we have elusive concepts of "little bit of doubt", "some doubt". It's not a meaningful concept, in my submission.

45 COMMISSIONER: Yes, I understand. Yes, I see. Mr Hawkins, I presume you have read allegations that Mr Chau is connected to organised crime, have you not?

MR HAWKINS: I have read those allegations, yes.

COMMISSIONER: And for whatever reason, they seem to persist in the press, do they not?

5

MR HAWKINS: I think it has come up in the press a number of times, yes.

COMMISSIONER: And that's over a spanning of years, is it not?

10 MR HAWKINS: I certainly think across the last two or three years, yes.

COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: What is your level of doubt as to whether - - -

15

COMMISSIONER: I don't think I will allow that question.

MS SHARP: I will move on. In fact, Commissioner, I'm going to move to a new topic now. Would this be a convenient time?

20

COMMISSIONER: Yes, it would. Mr Hawkins, we will take just a five-minute break and resume very shortly. Thank you.

MR HAWKINS: Thank you.

25

ADJOURNED

[11.34 am]

30 **RESUMED**

[11.41 am]

COMMISSIONER: Yes. Thank you, Ms Sharp. Yes, Mr Hawkins, are you ready to proceed?

35

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

COMMISSIONER: Yes, thank you.

40 MS SHARP: Now, originally, it's the case that in New South Wales the casino regulator licensed junkets, do you agree?

MR HAWKINS: Yes, that's correct.

45 MS SHARP: Are you able to tell us when the New South Wales regulator ceased to licence junkets?

MR HAWKINS: I think it was in 2009.

MS SHARP: And from that time is it fair to say that the New South Wales Star Casino has effectively regulated junket operations itself?

5

MR HAWKINS: The junket promoter application is a process that's managed internally. I understand all that information is always available to the regulator as well, but since that timeframe they haven't been involved in the approval process.

10 MS SHARP: And is it right that the junket operator can find out about – I withdraw that. The casino regulator can ask for information about junket promoters, can't it?

MR HAWKINS: Absolutely. At any point in time they can query whatever information they want with regards to junket promoters.

15

MS SHARP: But it does not do that as a matter of course, to your understanding?

MR HAWKINS: That's my understanding, yes.

20 MS SHARP: Has the New South Wales casino regulator ever conducted any audit of the Star's junket approval processes?

MR HAWKINS: Look, I would need to seek clarity on that. I know they've conducted independent audits of junket activity. Whether or not it offered specifically the approval process I'm not sure on.

25

MS SHARP: Now, is it right that the way the casino does, in a sense, regulate what the Star does with junkets is through the internal controls?

30 MR HAWKINS: Yes, that would be right.

MS SHARP: And Star has 14 separate sets of internal controls?

MR HAWKINS: I'm unsure of the exact number.

35

MS SHARP: Do you know that underneath those internal controls sit standard operating procedures?

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

40

MS SHARP: So who develops the internal controls; is it the Star in Sydney or is it the casino regulator?

MR HAWKINS: Well, the internal controls would evolve in those areas to try and focus on probably the material risks associated with operating those areas within the casino, so my understanding is generally they are prepared by the operator and then would get sent to the regulator for assessment and approval.

45

MS SHARP: Right. So the Star Sydney drafts the internal controls and provides them to the New South Wales regulator for approval.

MR HAWKINS: That's my understanding, yes.

5

MS SHARP: And at various points the internal controls refer to things that need to be specified in the standard operating procedures?

MR HAWKINS: Yes, at a greater level of depth, yes.

10

MS SHARP: And it is the casino operator that drafts the standard operating procedures?

MR HAWKINS: Yes, that's my understanding.

15

MS SHARP: And the standard operating procedures are not documents that need to be approved by the casino regulator?

MR HAWKINS: I'm not 100 per cent clear on that if they are or they aren't.

20

MS SHARP: Are you able to describe to us what the Star's process is for assessing new junket operator applications?

MR HAWKINS: So the – the person applying for the junket promoter approval would complete a form which is a very high level of – call it Know Your Customer or KYC information required from that particular promoter. That is completed, relevant information is received from the promoter/applicant that can include police clearance, licences from their jurisdiction where they live, so that information is then compiled. Then the individual will also undergo an interview with a – one of the management team as well to assess information provided. Then at the same time all of that compilation of information is sent to our AML/CTF risk team where it's assessed and the ultimate responsibility for approval of that would sit with that unit.

25

30

MS SHARP: So is there any executive management responsibility for approval of the junket operator?

35

MR HAWKINS: Well, it ultimately sits with the AML/CTF manager.

MS SHARP: So Mr Preston told us in relation to Crown's assessment procedure for new junket operators that ultimate responsibility for approving a new operator sat with himself as the chief legal officer with Mr Barry Felstead, who is the chief executive officer of casino resorts and with Mr Michael Johnston who is a director of Crown Resorts. Is there a similar level decision-making team at Star who makes the ultimate call about whether to deal with junkets?

40

45

MR HAWKINS: No, it would be different to that. So the AML/CTF team as part of our chief legal and risk officer's area, that final decision sits with them and them alone.

5 MS SHARP: And when you say them, do you mean the chief AML/CTF officer?

MR HAWKINS: That's right, or Skye.

10 MS SHARP: And since when has that been the process?

MR HAWKINS: I'm unsure of that. I certainly know it's been in place for a number of years, but I would need to clarify. I'm sure Skye can clarify that.

15 MS SHARP: Now, some of Star's relationships with junket operators are very longstanding, would you agree?

MR HAWKINS: Yes.

20 MS SHARP: Are there any sort of annual review processes conducted for continuing relationships with junket operators?

25 MR HAWKINS: I think by nature of the risk in that space I understand there would be ongoing customer due diligence which is a term that's used where that AML/CTF team would provide an ongoing assessment of perhaps customers playing under junkets as well as I – I do understand that we have implemented a process to review the applicants on an ongoing basis.

MS SHARP: So what is your understanding about that review process?

30 MR HAWKINS: My – I understand it's a – call it a rereview of the application that was made for the junket promoter licence at the time. It would also involve, again, a broader review of the global databases – it may be World-Check, it may be other sources – to assess the understanding of that individual as well. And more recently

35 MS SHARP: Do you ---

40 MR HAWKINS: Sorry, I was going to say it also would include a practical assessment of source of wealth and source of funds.

MS SHARP: You sound a little uncertain in those last few answers. Do you know with certainty that that's what occurs?

45 MR HAWKINS: It's not an area that I directly oversee, so my knowledge of it is really via reviewing various documents, but I'm not sitting at the table and I don't oversee that area specifically so that's just based on my broad understanding.

MS SHARP: But you're the chief casino officer for the entire Star Group.

MR HAWKINS: That's correct, but the area we're referring to is structured under our chief legal and risk officer which is – doesn't report to me.

5

MS SHARP: But one of your responsibilities is in relation to the international rebate business at the Star in Sydney, isn't it?

MR HAWKINS: That's correct.

10

MS SHARP: But you – notwithstanding that responsibility, remain somewhat uncertain as to what the review procedure is for ongoing relationships with junket operators.

15

MR HAWKINS: I – I know there is a process that team applies to ensure an ongoing assessment of it and I understand part of my responsibility is to create a culture within the team that's compliance at the same time.

20

MS SHARP: But don't they consult with you about whether there should be an ongoing relationship with junket operators the subject of review?

MR HAWKINS: I expect that they would if they were seeking information that myself or the sales team could provide to them.

25

MS SHARP: Are you saying they don't consult with you as a matter of course?

MR HAWKINS: Yes.

30

MS SHARP: Can you assist us with understanding whether there is any as required review of junket operator relationships at the Star in Sydney if significant new information comes to light?

35

MR HAWKINS: Again, it would be probably a question better for Skye, but I understand, for example, that the patron activity monitoring meeting is an ongoing meeting where new information that has come to light would be discussed and assessed relative to that particular individual, or if there was significant new information that would come to light I'm confident they would be convening that meeting.

40

MS SHARP: Mr Hawkins, who is the casino regulator in New South Wales?

MR HAWKINS: It's the ILGA, the Independent Liquor and Gaming Authority.

45

MS SHARP: What about New South Wales Liquor and Gaming?

MR HAWKINS: Yes, Liquor and Gaming are basically the unit that's enforcing the operations within the field, but the strategic accountability would sit with ILGA.

MS SHARP: Well, you understand that New South Wales Liquor and Gaming is a department of the New South Wales government?

MR HAWKINS: Yes.

5

MS SHARP: And you understand that the Independent Liquor & Gaming Authority is a separate statutory body?

MR HAWKINS: Yes, that's my understanding, yes.

10

MS SHARP: Who do you deal with when you're dealing with the New South Wales regulator? Do you deal with ILGA or do you deal with New South Wales Liquor and Gaming?

15

MR HAWKINS: We would deal on both from time to time. So if it was a matter specifically concerning the operations of the business we would ordinarily deal with Liquor and Gaming. If it was a matter, for example, it might be the review of one of our internal controls or if there's a discussion around that we would deal with the authority.

20

MS SHARP: Do you understand that Liquor and Gaming and ILGA have different fields of responsibility with respect to casino operations?

MR HAWKINS: Yes.

25

MS SHARP: And what are those different fields of responsibility?

MR HAWKINS: Well, my understanding is that ILGA as that authority is really referring to the specific Act that applies to the casino's operations and ensuring that, generally, that's being adhered to and the licences are being managed appropriately, whereas Liquor and Gaming, by nature of itself, has a sort of operations division which is the one that I deal with more specifically, which is looking more at the granular approach to compliance within the property.

30

35

MS SHARP: And when you're dealing with what you've described as those compliance matters, who is it that you're dealing with at Liquor and Gaming?

MR HAWKINS: It's general – there's been some personnel changes there, but it would be – I would describe it as part of their investigations and field officers who we would meet with regularly to talk about matters with regards to operations of the casino or they may bring information to light that they want to discuss about the operations of the business.

40

45

MS SHARP: And you mention there have been some changes there. What are those changes?

MR HAWKINS: Well, since I was dealing with them regularly, I know they've had some – I think it was their – maybe their deputy director and a number of other senior management roles within Liquor and Gaming have all changed. So I'm not overly familiar with the new management team that's in place there because I haven't dealt with them much recently.

MS SHARP: Is it right that there's an entirely new management team there now?

MR HAWKINS: I would say yes.

MS SHARP: So who were the old people you were dealing with?

COMMISSIONER: You mean the former?

MS SHARP: The former.

MR HAWKINS: I would generally deal with Paul Newson, who is the – look, I've forgotten his exact title. Maybe assistant director at the time. I would deal with him more often than not.

MS SHARP: And who else?

MR HAWKINS: He's the one I would deal with mostly. I know other members of the business team would be dealing with some of his management but, again, I haven't dealt with him specifically for a while, so I just don't recall the names.

MS SHARP: And who is it that you deal with there now?

MR HAWKINS: I'm only becoming more involved in that day-to-day by nature of my role change. I have met Mr John Tansey, who is part of Liquor and Gaming, and I've also met Ms Rose Byrne, I think is her name, who oversees that particular area within that ministry.

MS SHARP: And anyone else that you currently deal with at Liquor and Gaming?

MR HAWKINS: From my perspective, no.

MS SHARP: And do you have any periodic meetings with representatives of Liquor and Gaming?

MR HAWKINS: Yes, I'm aware that there's a monthly meeting with Liquor and Gaming. No, I haven't been attending – I haven't attended that for a while and only recently as my role has changed, I will start to participate more in that, but I understand there's a – certainly, a monthly meeting, a management operations meeting. It was in place when I was previously managing director of the property as well and we would meet with their management and their investigations division to discuss matters related to the casino.

MS SHARP: Was that on a monthly basis or on a quarterly basis?

MR HAWKINS: I think it was closer to four to six weeks at the time I was attending it.

5

MS SHARP: Now, at paragraph 95 of your statement, you say that it might be beneficial for ILGA to be more actively involved in the approval of junket promoters. Can you explain to us why you have that view?

10 MR HAWKINS: Yes, I'm aware that certainly in other jurisdictions, and I specifically refer to Queensland, the regulator there has final approval. I think it would be sensible for ILGA in New South Wales to at least participate or be involved in that final approval of a junket promoter, as I referred to in the statement. Even though we do a very deep approach to due diligence and review a number of
15 databases for sources of information, there may be information that ILGA as an independent body has access to who may assist with that approval process and insight on the person we're looking to deal with.

COMMISSIONER: That will only depend upon the integrity of the relationship
20 between the law enforcement agencies providing information to ILGA; you would agree with that?

MR HAWKINS: I do agree with that, yes.

25 COMMISSIONER: And not only the law enforcement, but other regulatory bodies, I presume.

MR HAWKINS: Yes, that's right. If they could get access to useful and accurate information, it could be relevant.

30

COMMISSIONER: So any anticipation of you being assisted with the promotion or approval of junkets by ILGA becoming involved in that process would require an independent body that is receiving information on a constant basis, in respect of the capacity to test whether individuals that you wish to do business with are in fact not
35 connected to organised crime?

MR HAWKINS: Yes, I would agree with that, that their access to information would need to be relevant and accurate and timely.

40 COMMISSIONER: And when you're making your assessments, you've obviously in your statement indicated what you do, but so far as the information that you receive or are able to receive, do you get feedback from the law enforcement agencies from time to time?

45 MR HAWKINS: Look, I understand we do. So I know a number of the resources in our risk area are background from law enforcement from New South Wales Police and other areas as well, and I think those relationships are used to make sure we've

got an active and two-way information flow with various law enforcement agencies to try and provide us as much information as possible, but also to provide those agencies with information.

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

MS SHARP: In the last few paragraphs of your statement, you set out your views of how to guard against certain vulnerabilities that the casino face and I wanted to take you to paragraph 96 of your statement. You say that the breadth of sectors that
10 ILGA oversees may mean it is not adequately resourced to be able to focus on the details and issues unique to casinos. Could I ask you to expand on those views, please.

MR HAWKINS: Yes, certainly. So my understanding is the regulator now has
15 what they might call inspectors who operate on a very general basis. So they're interacting with the casino on various matters with regards to the business as they are with other – a raft of other licensed premises across New South Wales as well. So as I look at it, there's limited specialisation which would exist within that unit which, in my view, could assist if there was more specialisation within that regulatory body to
20 deal with matters pertaining to the casino by nature of it being reasonably and relatively unique. I think that would assist on, one, the relationship we have with them, but also on providing further insight into matters pertaining to the casino or approvals.

25 MS SHARP: And, in fact, the Star pays a substantial fee to the government each year for regulation, does it not?

MR HAWKINS: I understand it does, yes.

30 MS SHARP: It's right, isn't it, that under clause 51 of the Casino Control regulation, something called a supervision levy is imposed on the Star in Sydney each year?

MR HAWKINS: Yes, I have heard of the supervisory levy, yes.
35

MS SHARP: And do you know what the purpose of that levy is?

MR HAWKINS: It would be a levy relative to support the cost base of the authority and officers who are focusing on the relationship with the casino, would be my
40 understanding.

MS SHARP: And are you aware that for the financial year ending June 2020 the levy imposed was \$7.9 million?

45 MR HAWKINS: I wasn't aware of the exact number; I knew it was significant though.

MS SHARP: And the next financial year that levy will go up to \$8.1 million.

MR HAWKINS: Yes.

5 MS SHARP: Now, it's right, isn't it, that there's no longer a 24/7 presence of inspectors at the Star City Casino.

MR HAWKINS: That's right. There's no longer a 24-hour representation on site.

10 MS SHARP: What's your view about whether it would be preferable to have a 24/7 presence of inspectors from the casino regulator on site?

MR HAWKINS: Look, my view is that it doesn't necessarily have to be on site, but I do think there should be a specific unit of investigators who focus solely on the
15 casino.

MS SHARP: And that's because you think they would bring a degree of specialised knowledge to the task?

20 MR HAWKINS: Yes, that's correct. So it's large operating businesses with some complexity to it so understanding them at a deeper level, I think, could only assist them.

MS SHARP: And another thing you say in your statement at paragraph 97 is that:
25

In your experience the continued and regular presence of a dedicated police unit goes some way to managing risk across the business.

Now, does that happen at the moment?
30

MR HAWKINS: I – look, I understand there is a casino crime unit. I would just stand corrected on that, but I know there's a very active relationship with law enforcement that our team manages. From a personal perspective I've always been extremely supportive of building that relationship or even having an onsite presence.
35 I see that as also assisting in the integrity of the management of our operation.

MS SHARP: Are you able to assist us with who within the Star at Sydney has the ongoing relationship with the police?

40 MR HAWKINS: It would be across a number of fronts. So, for example, our general manager of asset protection who oversees our security and surveillance business would have direct relationships with, in particular, local area command. Then our head of group investigations who sits under our risk area would also have relationships with both local and federal police, perhaps more on a sort of non-local
45 command basis, a bit more from a broader crime perspective.

MS SHARP: Is that Mr Houlihan who occupies that position?

MR HAWKINS: That's correct.

MS SHARP: And lastly, while I'm in this part of your statement, can I direct your attention, please, to paragraph 98. You say that:

5

One change to the regulatory framework that is worthy of further consideration in order to promote greater transparency in relation to junkets and the beneficial owners is whether controls can be placed on corporate junkets operating in New South Wales.

10

Could I just get you to explain that view, please.

MR HAWKINS: Yes, certainly. Look, simply the reference was in knowing an individual who is applying for a junket promoter application. My view is it's easier to understand that individual to assess the KYC detail relative to an individual. When we start to deal with corporate junkets, understanding ownership structures or beneficial ownership or who is ultimately behind that corporate entity is more difficult so I think, as Queensland has done, they are not allowed. That's something that should be considered in New South Wales as well.

20

COMMISSIONER: Sorry, Ms Sharp. In dealing with individual junket organisers you at the Star do not contract with corporations, as I understand your evidence. That's correct, is it?

MR HAWKINS: At this stage I'm not aware of any corporate junkets that we're dealing with in New South Wales.

COMMISSIONER: So when you are looking at an individual who puts him or herself forward as a junket operator there will at times presumably be, behind those individuals, corporate entities in which they hold interests, I presume.

30

MR HAWKINS: I expect that would be the case, yes.

COMMISSIONER: And so at some level or other there will be the necessity to investigate the corporate structures and sometimes trust structures because of the intricacies of how money is moved internationally, I presume.

35

MR HAWKINS: I think as part of that enhanced customer due diligence on the individual our AML/CTF team would be looking at those types of matters as well, yes.

40

COMMISSIONER: And that is made more complex with the advent of the types of currency that will be used in the future, including cryptocurrency, I presume.

MR HAWKINS: It could, even though we don't deal in any type of cryptocurrency at the moment, but it could make matters of control more difficult which would need to be responded to, yes.

45

COMMISSIONER: But you may not deal in cryptocurrency, but the transaction that comes from behind the scenes to you, perhaps in the form of cash, may originate in a cryptocurrency transaction, I presume.

5 MR HAWKINS: It potentially could, yes. It's not – we don't deal in that ourselves, but from layers behind that there's the potential for that to occur.

COMMISSIONER: And so that is the masking process, possibly, of what's going on behind the scenes and therefore I presume that in the future operation and
10 regulation of casinos it will be necessary to have the capacity to certainly educate the regulators, and the casino, I presume, in the forms of transactional arrangements that are conducted in the ether. Would you agree with that?

MR HAWKINS: I do agree with that. I think it would be important and would be
15 another development of understanding suspicious transactions, yes.

COMMISSIONER: So notwithstanding the veil of secrecy that a lot of these people operate behind, it is going to be made more difficult for both casinos and regulators to penetrate that veil in the future if they don't have the proper structures and,
20 importantly, resourcing to do so. You would agree with that proposition?

MR HAWKINS: I would completely agree with that. That expertise is critical.

COMMISSIONER: Yes. Thank you. Yes, Ms Sharp.
25

MS SHARP: Now, you are, of course, aware July and August of last year a series of allegations were made in the media against Crown Casino.

MR HAWKINS: Yes, I'm aware of that.
30

MS SHARP: And a number of those allegations related to junket operators with whom Crown had dealt?

MR HAWKINS: Yes, that's correct.
35

MS SHARP: And allegations were made in some instances that the Star in Sydney had dealt with the same junket operators. You're aware of that?

MR HAWKINS: Yes, I am.
40

MS SHARP: Arising from those allegations, did the New South Wales regulator take any steps with respect to Star to understand its junket operations?

MR HAWKINS: Yes, it did. I'm aware that there was correspondence received
45 from the regulator asking specifically about individuals named or junkets that were referred to in media, and did we have any associations with those junkets and/or individuals, as well as an understanding of the internal controls and SOPs that we

have in place with regards to the approval and/or management of our junket operations.

5 MS SHARP: And are you able to assist us with when the regulator made these inquiries of Star?

MR HAWKINS: I could only broadly guide. I understand it was quite soon after those incidents were in the media.

10 MS SHARP: Has Star responded to the inquiries of the regulator?

MR HAWKINS: Yes, it has.

15 MS SHARP: And when did it do that?

MR HAWKINS: I'm sorry, I don't know the exact date, but it would have been very quickly after the initial letter was received.

20 MS SHARP: After Star responded to these inquiries did Star change any of its procedures with respect to junkets?

25 MR HAWKINS: I know that we definitely introduced an ongoing review from a AML/CTF perspective of the junkets that were referred to. Apart from that, we took specific action on the individuals that were named and some of the associations we had there. That included the finishing up of the relationship with Suncity, so it was a review of the operations that were occurring with regards to that particular junket.

30 MS SHARP: Now, can I show you a document. I will bring up – this is a public document. It's in exhibit F22; it can come up on the live stream. It is INQ.080.130.2988. This is a document – I can tell you the last page will reveal that it's dated 20 September 2013. Have you seen this document before, Mr Hawkins?

MR HAWKINS: No, I don't recall seeing it, no.

35 MS SHARP: Are you aware that in 2014 a series of allegations were made in relation to Crown Melco and its dealings with junket operators on the Four Corners program? We can take that document down now.

40 COMMISSIONER: I think the Four Corners program was called?

MS SHARP: High Rollers – High Risk?

COMMISSIONER: Yes.

45 MR HAWKINS: Look, I may have watched it, but I don't recall it at this point. I – I am aware of it, broadly.

MS SHARP: You were an employee of Crown Melbourne during the period under examination, weren't you?

MR HAWKINS: Sorry, which period was it?

5

MS SHARP: Well, I will take a step back. The program aired in September 2014 and it made allegations that five junkets with which Crown Melco dealt had connections to organised crime.

10 MR HAWKINS: I was, at that time in 2014 working for the Star Entertainment Group, but I'm broadly aware of the TV show.

MS SHARP: Well, you were the CEO of Altira for a period of almost three years up to 2008, weren't you?

15

MR HAWKINS: That's correct, yes.

MS SHARP: Well, surely you were made aware that some of the key junkets with which Altira had dealt were under the spotlight in the Australian media.

20

COMMISSIONER: You mean in 2014?

MS SHARP: In 2014.

25 MR HAWKINS: In 2014 I was not overseeing the rebate business at the Star, I was managing director of the Star Sydney, so it wasn't necessarily a focus for me, but as I said, I broadly recall it.

MS SHARP: Well, surely you had a personal interest in it, didn't you?

30

MR HAWKINS: Look, not necessarily, having not worked in Macau for a number of years and focusing on other matters pertaining to the Star in Sydney, it wouldn't necessarily have been high on my priority list.

35 MS SHARP: In any event, you're aware, are you – or are you aware that one of the consequences of that exposé in September 2014 was that the New South Wales regulator appointed Peter Cohen from The Agenda Group to undertake a review of junket operations in New South Wales?

40 MR HAWKINS: I do recall that occurring. I may be confusing it with a broader – a broader remit that Peter Cohen was reviewing it, but that was probably part of it as well.

45 MS SHARP: And that broader remit you're referring to is his authorship of the casino modernisation report in around 2015/2016?

MR HAWKINS: Yes, that's the one I was referring to, yes.

MS SHARP: Can I just focus your attention, please, on his junket review following on from the Four Corners investigation. Now, my question is this: between that review and what you've told us is the New South Wales casino regulator's recent inquiries into the Star Group's junket arrangements, in that period of time, did the casino regulator conduct any other audit of the Star's junket arrangements?

MR HAWKINS: I'm sorry, but I'm unsure. As I sit here, I'm just not sure if they have conducted a particular audit of those junket operations in that timeframe.

MS SHARP: Do you think that if they had, you would be aware of it given your responsibilities with respect to Star in Sydney?

MR HAWKINS: Generally, yes. Even though I wasn't overseeing the rebate business, if it was pertaining to the operations side of the business, yes.

MS SHARP: Can you describe to us your perception as to whether the casino regulator has been more active with respect to the Star in Sydney since the media allegations in July and August of last year?

MR HAWKINS: I'm sorry. You actually broke up a bit. Can you please repeat the question?

COMMISSIONER: You'll have to help me with that, I think, Ms Sharp. I think perhaps more active. It's difficult.

MS SHARP: Yes. Has there been a greater level of intervention from the New South Wales casino regulator in the Star's affairs since the media allegations broke in July and August last year?

MR HAWKINS: Just for clarity, with regards to our international business? Is that what you're referring to?

MS SHARP: We will start there, yes.

MR HAWKINS: Well, I'm aware there was correspondence that I referred to previously, so they were inquiring quite thoroughly and deeply with regards to our processes and procedures and associations. I'm broadly aware that they have also conducted an audit of matters pertaining to the international rebate area over the past six months. Unfortunately, I'm just not aware of the specific detail of that. So I think, generally, they would be a bit more active, based on the media.

MS SHARP: Just in relation to that last area about the audit of the international rebate business, is that separate from the inquiries that the regulator made last year following the media allegations?

MR HAWKINS: Yes, my understanding is it is, yes.

MS SHARP: Are you able to tell us who within the regulator had the carriage of that separate audit?

MR HAWKINS: Not – not the specific individual, no. Sorry.

5

MS SHARP: Have the outcomes of that audit been made known to you?

MR HAWKINS: I'm unaware of what the outcomes are. They may have been released to our legal and risk area, but I'm not across them at this stage.

10

MS SHARP: Are you familiar with the casino supervision plan 2019 to 2020?

MR HAWKINS: No, I'm not.

15 MS SHARP: That's not a document that the New South Wales regulator has shared with you?

MR HAWKINS: Not with me, no.

20 MS SHARP: Do you find that unusual given your responsibilities with respect to the Star in Sydney?

MR HAWKINS: Look, my position would be if it's a relevant document – I've only recently transitioned back into the accountability for the Sydney operations, quite recently, so I'm still catching up and coming up to speed with some of the direct relationships with the regulator as well as some of these documents. I haven't seen them yet. If they are relevant to me, I'm sure I will see them soon.

25

30 MS SHARP: And could you just remind me, please, prior to you assuming those responsibilities for operational matters at the Star in Sydney, who was it that had those responsibilities?

MR HAWKINS: The Star Sydney has a chief operating officer and that person reported to Mr Geoff Hogg that I referred to before, who was the Group Executive for Operations.

35

MS SHARP: And, sorry, who was the Chief Operating Officer who reported to Mr Hogg?

40 MR HAWKINS: His name is Damian Quayle.

MS SHARP: And is he still employed at the Star?

MR HAWKINS: Yes, he is.

45

MS SHARP: Are you able to tell us whether AUSTRAC is conducting any kind of review of junkets and junket operations at the Star at the moment?

MR HAWKINS: I'm unaware of that at the moment. That question is best posed to Skye. I'm not sure if they're doing that at the moment.

5 MS SHARP: Now, you told us that you recently – or that Star recently ceased its relationship with Suncity.

MR HAWKINS: It ceased the fixed room arrangement not long after the media story.

10 MS SHARP: The correct position is that the particular junket operators that you associate with Suncity continued to be junket operators at the Star?

MR HAWKINS: Yes, so the junket promoter continues to be that junket promoter, yes.
15

MS SHARP: And who is that junket promoter, please?

MR HAWKINS: His name is Mr Iek.

20 MS SHARP: Iek. And you understand him to be associated with Mr Alvin Chau?

MR HAWKINS: I understand he's associated with Suncity, yes.

COMMISSIONER: Well, do you know that he's associated with Mr Chau though?
25

MR HAWKINS: No, I'm unclear on that association.

COMMISSIONER: So when you answered Ms Sharp a moment ago, you connected, as I thought, Mr Chau with Suncity; is that right?
30

MR HAWKINS: That's correct.

COMMISSIONER: You see him as Suncity, do you?

35 MR HAWKINS: Mr Iek or Mr Chau? Sorry. I apologise.

COMMISSIONER: Mr Chau.

MR HAWKINS: Yes, my understanding is Mr Chau is Chief Executive of Suncity Group, yes.
40

COMMISSIONER: I see. Yes, Ms Sharp.

45 MS SHARP: Can I show you a document, please. This is a confidential document so I will show it only to you, an email you received. You will find it in Star confidential list 3 at document 5 and we will pull it up just in the hearing room screen. It's STA.0015.0001.0271.

MR HAWKINS: Okay. Sorry, I'm just trying to identify the document. Was there a list - - -

MS SHARP: Take your time.

5

MR HAWKINS: What list - - -

MS SHARP: Yes, it should be confidential list 3 at document number 5.

10 MR HAWKINS: List 4, list 3. I've got list 3. I'm struggling to find that one. Bear with me. This is list 3, confidential documents.

MS RICHARDSON: A solicitor will come in to assist with that.

15 MR HAWKINS: It might be this one. Is it the email we're referring to?

MS SHARP: It's an email dated 13 August 2019.

MR HAWKINS: Yes. Okay. Thank you. I have that in front of me.

20

MS SHARP: Now, a non-publication – well, I withdraw that. At this stage, this document has been served as a confidential document and it remains to be seen whether a non-publication order will be made – or application will be made with respect to that document.

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COMMISSIONER: What's the position, please, Ms Richardson?

MS RICHARDSON: Yes, that claim is still pressed.

30 COMMISSIONER: What's the basis of that?

MS RICHARDSON: We have – I will have to – could I defer that, your Honour? We have made a list of the claims over which is made and the basis for the claim. Perhaps if I could address after that – after lunch in relation to that.

35

COMMISSIONER: Yes. Well, it's – I don't want it to impede Ms Sharp's investigation or investigative questions on this because it is an important aspect of the Inquiry.

40 MS SHARP: I can do it at this stage without revealing the contents of the document and perhaps we could return to the question after lunch, Commissioner.

COMMISSIONER: Yes.

45 MS SHARP: Now, could you please read that email. First of all, you agree that you received that email, Mr Hawkins?

MR HAWKINS: Yes, I do.

MS RICHARDSON: I will - - -

5 COMMISSIONER: Yes, Ms Richardson.

MS RICHARDSON: Perhaps I will wait for the next question, but I will be objecting to specific questions in relation to Star's operations with particular clients.

10 COMMISSIONER: That's all right. You can object to each question if you find there's a problem please object and I will rule on it, Ms Richardson.

MS RICHARDSON: May it please the Inquiry.

15 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Is it correct that the Star has a relationship with Alvin Chau?

MR HAWKINS: Yes, that is correct.

20

MS SHARP: What is that relationship?

MR HAWKINS: Mr Chau is the CCF holder relative to the Iek – Mr Iek junket promoter.

25

MS SHARP: Why didn't you tell us that earlier?

MS RICHARDSON: Well, I object to that question.

30 COMMISSIONER: Yes, that's rejected. I don't think you asked him, did you? Did you ask him?

MS SHARP: I think I asked more generally about the relationship. I will move on.

35 COMMISSIONER: Yes, I reject that question.

MS SHARP: Now, what does it mean that Mr Chau holds the cheque cashing facility in respect of Mr Iek's junket?

40 MR HAWKINS: Well, the junket has a CCF, so Mr Chau would be – it would be under Mr Chau's name, so he would be on the record as being the CCF holder in providing that facility for players under that junket.

45 MS SHARP: Does this mean that Mr Chau is the financial backer of Mr Iek's junket?

MR HAWKINS: I think you could describe it that way, yes.

MS SHARP: But that's a very accurate description, isn't it?

MR HAWKINS: Yes. So he's the CCF holder for players under that junket, yes.

5 MS SHARP: So Mr Chau is the money for this junket.

MR HAWKINS: He's certainly the approved cheque cashing facility holder, yes.

10 MS SHARP: And as you sit here today is it correct that Star Sydney continues to have a relationship with Mr Chau as the money behind the junket?

MS RICHARDSON: Well, I object to that question. What is the money behind a junket? The witness has accepted that he's the CCF holder for the junket. I object to it on the grounds of ambiguity.

15 COMMISSIONER: Yes. No, I will allow it. I think the context of what has been said is firmly established. Yes, Ms Sharp. I think if you could answer that question, please, Mr Hawkins.

20 MR HAWKINS: Yes, he continues to be the CCF holder for that junket.

MS SHARP: He continues to be the financial backer of that junket so far as Suncity – Star city is concerned.

25 MR HAWKINS: He definitely continues to be the cheque cashing facility holder, yes.

COMMISSIONER: I don't think you have any difficulty – you didn't earlier. You said you could describe him as the financial backer, did you not?

30 MR HAWKINS: Generally, yes. That's right.

COMMISSIONER: So if you have some discomfiture I can understand it, but it is the case that perceived or otherwise he seems to be the financial backer of the junket, does he not?

MR HAWKINS: Yes. So he is the funder by that CCF for that junket, yes.

COMMISSIONER: Yes. Yes, Ms Sharp.

40 MS SHARP: So Star is still dealing with Mr Chau.

MR HAWKINS: That is correct.

45 MS SHARP: But what we appear to have with Mr Iek is simply a front man for Alvin Chau. Would you agree with that?

MS RICHARDSON: I object to that. What does that mean, a front man? I object to that on the grounds of ambiguity.

COMMISSIONER: Yes, I understand, Ms Richardson.

5

MS SHARP: I will approach it in a different way. When you speak of Star doing due diligence on a junket operator, does that mean that Star does due diligence on Alvin Chau who is not a junket operator but is the funder of the junket?

10 MR HAWKINS: Yes, the same level of due diligence is applied to both the CCF holder as well as the junket promoter.

MS SHARP: Given that Mr Chau is in fact the funder of the junket, why is it that Mr Iek is the operator – or the promoter and the person with whom Star has
15 contractual relations?

MR HAWKINS: He was the applicant presented and is the approved junket promoter.

20 MS SHARP: But why is he there at all if you're really dealing with Alvin Chau?

MS RICHARDSON: Well, I object. What is really dealing with, really dealing with in what respect? The witness has given detailed evidence - - -

25 COMMISSIONER: Yes, I think it's because – yes. I think the question, Mr Hawkins, is why is he there if you are really in a contractual relationship with the other man? That is, why is – is that the position, Ms Sharp or are you asking about
- - -

30 MS SHARP: Yes.

COMMISSIONER: - - - why he's dealing with Alvin Chau?

MS SHARP: The first way you put it, with respect, Commissioner.
35

COMMISSIONER: Ask the question again then.

MS SHARP: Why is Star in a contractual arrangement with Mr Iek if the person who is funding the junket is Mr Chau?
40

MR HAWKINS: Well, they have both applied for different approval processes. So Mr Iek applied for the junket promoter application at the Star which was ultimately approved and Mr Chau applied for the CCF for that particular junket. So that's the way this junket relationship has been established.
45

MS SHARP: But I'm just trying to understand why it's been established that way since it would appear to be Mr Chau who is bringing the money to this junket.

MR HAWKINS: Well, Mr Chau didn't apply for the junket promoter application, but both of them have been through the same level of enhanced customer due diligence. That's the way this junket has been structured.

5 MS SHARP: But what I'm trying to understand is why the junket has been structured this way.

MR HAWKINS: I don't know the answer to the question.

10 COMMISSIONER: When was the first arrangement, do you know, made so that Mr Chau became the cheque cashing facility holder?

MR HAWKINS: I'm unclear on when that was established. I apologise for not knowing that. I know - - -

15 COMMISSIONER: That's - - -

MR HAWKINS: The fixed room arrangement has been – was in place for a couple of years and I know across that timeframe - - -

20 COMMISSIONER: Just pause there. I'm only asking about when the arrangement was started, that is, when it commenced that you were contracted – that Star contracted with the other man rather than Mr Chau, or was it always that way?

25 MR HAWKINS: I'm unsure of the exact answer in terms of when – when they were established and when Mr Chau became the CCF holder. That may go back some time.

30 COMMISSIONER: I'm sorry, I do apologise. It's the technology. What did you say?

MR HAWKINS: Sorry, I was just saying it may go back some time. I'm sorry, I'm just not clear on the specific dates.

35 COMMISSIONER: Are you aware whether Star contracted directly with Mr Chau?

MR HAWKINS: No, I'm not aware of that.

40 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Now, isn't it right that Mr Alan Iek is really more in the nature of a junket representative than a junket promoter in view of what he actually does at the Star?

45 MS RICHARDSON: Well, I object to that question. We haven't established what he does in relation to the Star before that that could be characterised as what it amounts to.

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

MS SHARP: What does Mr Alan Iek actually do at the Star?

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MR HAWKINS: He is the approved junket promoter by nature of the formal application process. So his name is on that. Apart from that he would be facilitating, as the junket promoter, trips of customers who are coming to our properties.

10

MS SHARP: And have you heard of a woman Sandra Cheung?

MR HAWKINS: No, I haven't.

15

MS SHARP: Is she a representative, whether it be formal or not, for what I will call the Suncity junket at Star?

MS RICHARDSON: Well, the witness has given evidence he hasn't heard of that person. I object to that question.

20

COMMISSIONER: Yes. Yes, all right.

MS SHARP: Now, tell us what did happen, what change in the arrangements there was in the Suncity – or what was formerly known as the Suncity Room at Star.

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COMMISSIONER: Well, first of all, might I know what the Suncity Room was, please.

30

MS SHARP: Mr Hawkins - - -

MR HAWKINS: Sorry. Do you want me to continue? The – we had a – Mr Iek was

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the junket promoter. We had a specific gaming area which is referred to as a fixed room relationship where that junket had a particular salon that they – or gaming salon that they used for only their operations.

COMMISSIONER: So it was an exclusive use room, was it?

40

MR HAWKINS: That's correct. That's the right way to describe it, yes.

COMMISSIONER: Thank you.

MS SHARP: And where was it physically located at Star Sydney?

45

MR HAWKINS: It was physically located on level 1 of our Darling Hotel.

MS SHARP: And did it have Suncity branding in it?

MR HAWKINS: Yes, it did.

5 MS SHARP: And did it have Suncity officers working in it?

MR HAWKINS: It would have had some Suncity personnel in there, yes.

MS SHARP: And they had a service desk in there?

10

MR HAWKINS: That's correct, yes.

MS SHARP: And the people at that service desk wore Suncity uniforms, did they?

15

MR HAWKINS: I'm unsure if they were wearing uniforms.

MS SHARP: Now, is it right that what changed in about August of last year was that the Suncity branding was removed from that room?

20

MR HAWKINS: That's correct, yes.

MS SHARP: And was the – call it the Alan Iek junket, was it moved along to a different room?

25

MR HAWKINS: It was moved out of that fixed area, yes.

MS SHARP: And what became of that fixed area?

30 MR HAWKINS: It's still sitting there and just by nature of what's been happening generally in the sector it's being unused at this stage.

MS SHARP: And was that fixed area known as salon 95?

35 MR HAWKINS: Yes.

MS SHARP: And was Mr Iek's junket moved to a salon in late '17?

40 MR HAWKINS: Yes, they – we identified another area for those guests to play in, yes.

MS SHARP: And is that one of the high-end gaming rooms in the hotel?

45 MR HAWKINS: Yes, it's a top – on one of our other hotel towers, yes, amongst – amongst a whole other number of gaming salons, yes.

MS SHARP: I think you gave evidence that there were 20 such salons at the Star City.

MR HAWKINS: That's right.

5

MS SHARP: So now Mr Iek's junket has moved to one of those salons.

MR HAWKINS: Yes, they've moved to one up into the general area where there's multiple salons, yes.

10

MS SHARP: Is there any Suncity branding associated with that salon in late '17?

MR HAWKINS: No, I understand there's no fixed signage there at all.

15 MS SHARP: Is there a service desk in that salon?

MR HAWKINS: No, there's not.

MS SHARP: And is it your evidence that all of the financial transactions associated with the salon in late '17 take place at a cage which is not located in that salon?

20

MR HAWKINS: Yes, that's correct. That's – we referred to that before. There's a satellite cage up in that area.

MS SHARP: Following the media – well, I withdraw that. You understand, don't you, that in July and August of last year allegations were made in the media to the effect that Alvin Chau had links with organised crime?

25

MR HAWKINS: I am aware of those allegations, yes.

30

MS SHARP: Did this cause any kind of review procedure to take place at the Star about its ongoing relationship with Alvin Chau?

MR HAWKINS: Yes, it did.

35

MS SHARP: And when did that review take place?

MR HAWKINS: There was a series of follow-up initiatives after that media came to light specifically to review the individuals named in the media stories as well as our operations with Suncity in that fixed room that we referred to before to ensure everything was appropriate.

40

MS SHARP: Well, just let's go back to the review of ongoing relations with Mr Chau. What exactly did that review consist of?

45

MS RICHARDSON: I object to that question.

COMMISSIONER: Yes. What's the basis of the objection?

5 MS RICHARDSON: Commissioner, the – I haven't objected to date in relation to questions about Suncity and Mr Chau because they have been at a level of generality even though, in my submission, they are arguably beyond the scope of the terms of reference of this inquiry, but - - -

COMMISSIONER: Please keep your voice up, Ms Richardson.

10 MS RICHARDSON: Sorry. In my submission we've now reached a point of granularity in terms of looking at the operations of the Star. In my submission, the instrument of appointment in relation to this Inquiry sets out the matters which are within the proper scope of the Inquiry which, as your Honour would be aware, part A relates to allegations against Crown – and Star, of course, is not named in the
15 instrument of appointment, and part B, which has been the focus, we accept, of a number of questions this morning, relates to the efficacy of the Casino Control Act in paragraph 17(a) of the instrument.

17(b) focuses on an assessment of the Authority, and we accept this morning that a
20 number of questions have related to that. (c) relates to recommendations your Honour might be minded to make to enhance the Authority's ability to respond to risks, and (d) is pegged to those three matters which are the Act and the Authority. So – and it's clear from the Casino Control Act in section 143, subsection (5) that the Commissioner and this Inquiry:

25 *...is subject to the control and direction of the Authority with respect to the matters that are to be the subject of the Inquiry, and in practice that form of control and direction is manifested in the instrument of appointment.*

30 And the instrument of appointment sets out in paragraph 21 that:

The Commissioner may be required to inquire into any other matter which the Authority requests in writing from time to time.

35 So our understanding is that the current instrument of appointment is in the form that was amended to narrow it to part A and part B. There is also – so in our submission, questions relating to specific operational decision-making in respect of particular clients and junkets are beyond the proper scope of this Inquiry. Separately, we say that there are procedural fairness implications of such questions. The Star has been
40 put on notice via questions from solicitors assisting the Inquiry as to the subject matter areas to which the two Star witnesses would be asked to address, which they have done, in my submission, fulsomely in written submissions.

45 And the Star was also put on notice in terms of procedural fairness in a letter dated 30 January 2020 which listed specifically the topics about which Star witnesses were expected to assist the Inquiry, and that letter sets out, for example – I will just pull it up. It's a 30 January letter – that it's clear that – well, I'm quoting from it:

Star witnesses should be able to give detailed evidence about the Star's practices, policies and procedures in relation to money laundering, junkets and regulatory compliance.

5 COMMISSIONER: Yes.

MS RICHARDSON: So we accept that it is within, certainly, the proper scope of this Inquiry to put questions to Star witnesses about risks of junkets which has happened, of course, vulnerabilities and risks and so on. We also accept that
10 questions in relation to how at a systemic level the staff deals with risks associated with junkets and money laundering, for example the content of our SOPs, how regular meetings are held, how the compliance function is separated in the business and the organisation chart and so on. We accept that all those matters are properly within the purview. We also, at an outer limit, submit that it's acceptable – it's
15 within the proper scope for questions about whether the Star is still doing business at a high level with a particular junket or person because it may be that once the Inquiry knows that, it may put questions to the authority separately about its position in relation to separate people.

20 But in my submission, to go to an extra level of detail which it appears we have reached that juncture in relation to operational decisions at the Star is, in effect, doing a de facto part A review in relation to the Star operations when they are not named in the instrument of appointment. So in my submission, in summary, not only is it beyond the proper scope of the Inquiry, it would also be procedurally unfair to
25 our witnesses in circumstances where the only communications we have received from the Inquiry indicate that the matters – the subject matters about which they will be asked are at the, what we would submit, proper systemic level in relation to policies and procedures of the Star. May it please the Inquiry.

30 COMMISSIONER: Yes, Ms Richardson. I think so far as the question is concerned, that is, the nature of the review that occurred after the particular publication of the connection between Mr Chau, etcetera, and your reference to the systemic level of involvement, etcetera, and whether there's compliance at a systemic level, it seems to me that if Star has, similarly to a number of casinos dealt
35 with, what has been described as the biggest junket operator in the world and it reviews its systems, it does seem to me to be part of not only the relevance relating to the systems, but also the Inquiry is tasked in an environment of growing complexity, as its referred to in part B now, of extant risks, and this is, as your Mr Hawkins has identified, truly an extant risk and so the way in which extant risks are dealt with
40 across the casino industry is of some significance to this Inquiry.

I don't accept that it is, in fact, converting it into the suitability of Star. If that were the case, certainly Star would have to have notice of that and that is not the intention of the question. The intention of the question, as I see it, is to pursue what happens
45 in relation to the assessment of when one sees public allegations of connections to organised crime. Your objections are noted, and I will allow the question. Thank you, Ms Richardson.

MS RICHARDSON: May it please the Inquiry.

COMMISSIONER: Yes, Ms Sharp.

5 MS SHARP: Mr Hawkins, can you tell us what review took place specifically in relation to Mr Chau and the Iek junket?

COMMISSIONER: That is after the allegations - - -

10 MS SHARP: That is after the allegations.

COMMISSIONER: Yes.

15 MR HAWKINS: We reviewed the operations of the fixed room to see if that was appropriate to continue, and I'm aware that our AML/CTF risk investigations compliance team initiated a further review of the CCF holder and the junket promoter to ascertain should we continue the association with them to see if that brought any other information to light.

20 MS SHARP: And did it bring any other information to light?

MS RICHARDSON: I object to that question, but I note the – I assume that the Commissioner's indication applies to all of these questions.

25 COMMISSIONER: Yes. Thank you. It does, and your objection is noted, certainly, Ms Richardson. Yes. Yes.

30 MR HAWKINS: As I'm aware – sorry, I just got some feedback. So I'm aware that has occurred and I haven't been updated from that team to change any relations in terms of operations with that junket at this stage, so I'm not clear on any specific information that came out of that. Certainly, none of it has been forwarded to me that would change our association with the junket at this point.

35 MS SHARP: Who within your organisation would be responsible for making a decision to cease the relationship with Mr Chau or Mr Iek?

MR HAWKINS: That would be Skye Arnott who is our AML/CTF compliance manager, I expect in conjunction with our chief legal and risk officer.

40 MS SHARP: So your evidence is that those are the two people at the Star who would have the final say about whether to continue a relationship with Mr Chau and Mr Iek.

45 MR HAWKINS: That's correct.

MS SHARP: And so far as you are aware, no decision has been made to cease to deal with Mr Chau or Mr Iek.

MR HAWKINS: That's correct, yes.

COMMISSIONER: You told me a little earlier that you thought it was important to have a structure where the AML team were independent from the sales team. Do
5 you remember telling me that?

MR HAWKINS: Yes, I do.

COMMISSIONER: And so is that AML team is not one of the group that you have
10 put in your statement as reporting to you. That's right, isn't it?

MR HAWKINS: Yes, so that team does not report to me.

COMMISSIONER: To whom does it report? Just remind me.
15

MR HAWKINS: It reports through to our chief legal and risk officer of the company.

COMMISSIONER: And so far as the board is concerned, therefore, the AML
20 officer or compliance officer or team, any of those don't have a direct reporting line to the board.

MR HAWKINS: I know the board's subcommittee has a standing agenda item for AML/CTF matters and Skye regularly attends that subcommittee to update on those
25 matters for the subcommittee of the board.

COMMISSIONER: So the only – so attending – when you say attending the committee, so far as the work of the AML officer – let's assume just the compliance officer for the moment – is concerned, that goes through legal counsel and then to the
30 committee of the board; is that right?

MR HAWKINS: That's right. I'm aware that the board would ultimately sign off on our AML/CTF program that's applied to all the casino group.

COMMISSIONER: But so far as any concerns – by that I mean if you're worried about one of your junkets being involved with organised crime is concerned, that concern might be expressed at a lower level, but may not get through to the board unless it goes through the legal counsel then to the committee then to the board; is that right?
40

MR HAWKINS: No, look, I would expect – and I understand that AML/CTF is a standing agenda item at our board risk and compliance committee. So any significant matters would be brought to that subcommittee's awareness on a very regular basis and then that would be briefed to the broader board.
45

COMMISSIONER: And by whom is it made aware of that risk?

MR HAWKINS: I'm aware that Skye Arnott would attend those board risk and compliance meetings to update the subcommittee – the board subcommittee on matters pertaining to AML/CTF.

5 COMMISSIONER: Yes, and that's probably a matter for Ms Arnott, but so far as what you've told me, as I understand it, she – I withdraw that. The compliance officer reports to legal counsel, isn't that right?

10 MR HAWKINS: Yes, look, my understanding is the compliance officer, being Skye, is independently appointed by our group chief executive.

COMMISSIONER: Yes.

15 MR HAWKINS: But by nature of our organisational chart she reports to our chief legal and risk officer, but I'm also aware that her role is somewhat independent of that reporting line as well and that's why she represents that specific unit at the board subcommittee.

20 COMMISSIONER: And does the group Chief Executive compliance that you just referred to, does that person also go to those meetings?

MR HAWKINS: Yes, they would.

25 COMMISSIONER: So there's no independent separate reporting from AML to that committee in the absence of that person, the chief executive.

30 MR HAWKINS: I think it is a better question for Skye, but my understanding is her role over AML/CTF has that degree of independence regardless of that reporting line. So she can update that board subcommittee regardless of her reporting line to the chief legal and risk officer.

35 COMMISSIONER: Yes. And you would want that because you don't want her to feel pressure by anyone if she's got some concerns about connections to organised crime.

MR HAWKINS: I completely agree. That independence is important.

40 COMMISSIONER: Yes. Mr Hawkins, I'm just going to take an adjournment for the luncheon break so I will resume at 2 pm. Thank you very much.

MR HAWKINS: Thank you.

45 COMMISSIONER: Yes, I will adjourn.

ADJOURNED

[1.02 pm]

RESUMED

[2.01 pm]

5 COMMISSIONER: Yes. Thank you. Yes. Mr Hawkins, are you ready to proceed?

MR HAWKINS: Yes, I am, Commissioner.

COMMISSIONER: And Ms Sharp?

10 MS SHARP: Yes. Thank you, Commissioner.

COMMISSIONER: Thank you.

15 MS SHARP: You've indicated, I think, that recently, due diligence was done on Alvin Chau?

MR HAWKINS: That's my understanding as part of that media follow-up as well, yes.

20 MS SHARP: As part of that, would that be the deep dive due diligence?

MR HAWKINS: I expect it would be some – what we would refer to enhanced customer due diligence, yes.

25 MS SHARP: As part of that due diligence exercise, did anyone ask you for your views about Alvin Chau?

MR HAWKINS: Oh, not as part of a – a sort of formal approach.

30 MS SHARP: Do you think that would be a useful exercise?

COMMISSIONER: What, to be asked about it?

35 MS SHARP: For you to be asked about your views?

MR HAWKINS: Yes, if I had anything in addition to offer that they weren't already across in terms of their investigation into Mr Chau.

40 MS SHARP: Could I just show you the annual report for Star, the last annual report. That's the 2019 report. If I could have pulled up on the live stream INQ.050.001.0834. It's exhibit A197. And could I just have you look, please, Mr Hawkins, at pinpoint 0845. And if I could just have focus at the very bottom of that page, there's a little entry about you.

45 MR HAWKINS: I might need it slightly enlarged. Thank you.

MS SHARP: Can you read that now, Mr Hawkins?

MR HAWKINS: Yes, I can. Thank you.

MS SHARP: And can you see that right at the end of the entry for you, it says:

5 *Having managed both a premium VIP hotel and casino and a large-scale integrated resort, Greg provides valuable insight into the Asian VIP and premium mass market sectors.*

MR HAWKINS: Yes.

10

MS SHARP: And that's an accurate and fair description of the expertise you bring to the Star?

MR HAWKINS: Yes, based on the experience I've had, yes.

15

MS SHARP: Would it be helpful as a matter of course when conducting a – what you describe as a deep dive into junket arrangements to consult with you about your views?

20 MR HAWKINS: Yes, I think that would be useful. Again, you know, the depth of what the independent team is doing more often than not covers off everything that we can access with regards to a customer, but, yes, we possibly could do that more often, yes.

25 MS SHARP: And what – just so we understand, what is the position with Mr Chau? Does a further decision remain to be made about whether to continue dealings with him?

30 MR HAWKINS: I understand there will be an ongoing assessment of Mr Chau, so that will be reviewed continually, but at this stage we continue to deal with him.

35 MS SHARP: And just going back to some evidence you gave before the lunch adjournment, if I can ask you about the Suncity Room before the arrangement was changed last August, you did say there was a service desk within that room. Is it your evidence that no cash transactions were supposed to take place at that service desk?

40 MS RICHARDSON: I object to these questions on the grounds the scope of inquiry grounds I've also raised - - -

COMMISSIONER: I can't hear you, Ms Richardson. I'm sorry.

MS RICHARDSON: Sorry. Is this better?

45 COMMISSIONER: It is slightly better. There is a problem there. I think if the computer would be moved closer to you. I think there's a microphone problem.

MS RICHARDSON: I will see – is it better now?

COMMISSIONER: It is slightly better. Thank you.

5 MS RICHARDSON: Sorry. There is also a procedural aspect – a procedural
fairness issue with these questions, in my submission, in circumstances where the
Star has been given specific notice about the subject areas of questioning of these
witnesses and he is now being asked very specific questions about specific customers
10 in specific rooms, and I apprehend if he doesn't know the answer to a question, that
might be the subject of adverse suggestion when these witnesses have come along to
answer questions about identified separate subject areas.

COMMISSIONER: I think there was notification certainly to Star that the subject
of junkets would be explored. There's no doubt about that. That is irrespective of
15 what was covered in the detail of his submission, but he can be asked this question
and I think your point – have I understood you correctly, you're concerned about
adverse – was it adverse comment that you said?

MS RICHARDSON: Well, in the sense that if the witness doesn't know the answer
20 to a particular question, which is in a subject area about which we've not had notice
would be the subject of questioning, in circumstances where we were given specific
notice that certain other identified topics, all of which relate to matters at a level of
generality, would be dealt with.

25 COMMISSIONER: Yes. No, certainly, Mr Hawkins will not be at risk, neither will
Star, of any adverse comment without notice of information to be provided and
answered, so fear not, Ms Richardson.

MS RICHARDSON: May it please the Inquiry.

30 COMMISSIONER: Yes, Ms Sharp.

MS SHARP: Is it your evidence, Mr Hawkins, that at that service desk in the
Suncity Room, no cash transactions were supposed to take place?

35 MR HAWKINS: Sorry, I've just got some – I apologise. I just had some feedback
coming through. My understanding is that all cash transactions with regards to that
junket should be happening at the satellite cage facility which is outside of that room.

40 MS SHARP: And just to be clear, I'm asking you about the period from about 2015
until about August 2019 when Suncity had a different room to the one that it
sometimes uses today.

45 MR HAWKINS: I certainly expect that the transactions should be occurring at that
cage – at that satellite cage, yes.

MS SHARP: And is it your evidence that in that period, that is around 2015 until around August 2019, Suncity did not operate a cage in the Suncity Room?

5 MR HAWKINS: As far as I'm aware, they were not operating a cage, that's correct.

MS SHARP: Now, we've spoken about that Suncity Room in that period. Were there any similar arrangements made with respect to any other junkets?

10 COMMISSIONER: Having a separate room?

MR HAWKINS: As far as - - -

MS SHARP: Yes, having a separate room.

15 MR HAWKINS: As far as I'm aware, that was the only fixed room arrangement that we had in place.

MS SHARP: Have you heard of an individual by the name of Ng Chi Un?

20 MR HAWKINS: No, I don't recall the name.

MS SHARP: Are you aware as to whether or not he is presently a junket operator at the Star?

25 MS RICHARDSON: Well, the witness's evidence is that he doesn't know that person's name.

COMMISSIONER: I can't hear you, Ms Richardson.

30 MS RICHARDSON: Sorry. The witness's evidence is he doesn't know that person's name, and, in fairness, I think it probably should be spelt out to him that - - -

COMMISSIONER: Yes, there's no problem with spelling that name out.

35 MS SHARP: Yes, it's Ng, N-g, Chi, C-h-i, Un, U-n.

COMMISSIONER: So that's the person, Mr Hawkins. You don't know of that name or you don't recall it?

40 MR HAWKINS: No, at this stage. No, I don't recall it.

COMMISSIONER: Yes. Thank you.

45 MS SHARP: Is it correct that Star used to have relations with a junket colloquially known as the Chinatown junket?

MR HAWKINS: Yes, I understand Chinatown did operate at the Star for a period.

MS SHARP: And who was the junket operator or promoter that you associate with the Chinatown junket?

5 MR HAWKINS: I'm unclear. I don't think they've been operating for a number of years at the Star, so I'm unsure who was the promoter at the time.

MS SHARP: Are you able to tell us have the relations between whoever the Chinatown junket was and the Star in Sydney ceased?

10 MR HAWKINS: Yes, my understanding is we ceased dealing with that junket – I think it was in approximately 2016.

MS SHARP: But you can't tell us the name of the junket promoter?

15 MR HAWKINS: No, I'm not sure who was the actual junket promoter. I'm sorry.

MS SHARP: Have you heard of a - - -

20 COMMISSIONER: Just pardon me. Did you cease operations – did you cease operations with them or did they cease operations with you? Do you know, Mr Hawkins?

MR HAWKINS: I'm unclear. I know we excluded one of the significant players associated with that junket.
25

COMMISSIONER: Yes.

MR HAWKINS: So it would be my assumption that we would have ceased actively with them as opposed to the other way around.
30

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

MS SHARP: Was that player who was excluded Tom Zhou?

35 MR HAWKINS: Yes, that's correct.

COMMISSIONER:

MR HAWKINS: That's right.
40

MS SHARP: Was he the financial backer of the Chinatown junket?

MR HAWKINS: Again, I'm unaware who was the cheque cashing facility holder. I'm not sure.
45

MS SHARP: Have you ever heard of an international drug trafficking syndicate called The Company?

MR HAWKINS: I only heard of it in reference to some of the media that was around a number of months ago.

MS SHARP: Those are my questions, Commissioner.

5

COMMISSIONER: Yes. Thank you. Mr Hawkins, I wanted to ask you a couple of things about the arrangements at Star and the evidence that you have given in your statement in paragraphs, effectively, 94 through to 98. One of the things that is necessary for the Inquiry to look into is the way in which casinos, that's plural, can be regulated in this State. As I understand it, the pandemic has had a very big impact on Star; is that right or not?

10

MR HAWKINS: Oh, that would be correct, Commissioner. Yes, it has.

COMMISSIONER: And I saw in the newspaper that you've arranged to have some exclusivity in relation to poker machines for some years. That's occurred recently, has it?

15

MR HAWKINS: That's correct, yes.

20

COMMISSIONER: And is it the case that there's been a sharp decline in people coming from overseas because they can't come in? That's true, isn't it?

MR HAWKINS: Yes, our international business on a number of fronts is virtually non-existent at the moment since the borders closed.

25

COMMISSIONER: As far as the regulation of casinos is concerned in the future, you have made the observation – or you've made the suggestion about those inspectors and you said, I think when Ms Sharp was asking you questions, that you didn't see it as really necessary. It wasn't necessary to have the inspectors on site. Are you suggesting that they have a presence, that is a silent presence, but the capacity to surveil? Is that what you're suggesting?

30

MR HAWKINS: Yes, what I was referring to was, I think, the need to establish a specific team of investigators who focus purely on the casino is a valid thing to do by nature of the complexity of the business that we run, which is quite different to local pubs or clubs. So I think that expertise can be reflected in a team solely focused on the casino. My point was I don't think they necessarily need to be based full-time at the casino, or that could be an outcome, but they would certainly need access to facilities there which would include access to our – for example, our surveillance network as well.

35

40

COMMISSIONER: And so you've indicated that it is complex and it is different, so if I were to look at a very large club with a lot of poker machines, how is a casino different from a very large club, say, for instance, like Rooty Hill that was in the press recently, or in February, to your gaming operation?

45

MR HAWKINS: I think they are fairly similar when it comes to the poker machine or gaming machine side of the operation. We operate table games as a monopoly at this stage within the state, which is an entirely different product range. At the same time, that product across both gaming machines or poker machines and table games is presented both to local very significant domestic inbound tourism businesses as well as international businesses as well.

So I think if you combine that complexity and the operations of those and the team structures involved in those, with the fact that we run, you know, multiple hotels and very significant non-gaming amenity as well, which do relate to the gaming side of the business, I just think it has its own particular quirks from an operational perspective and depth of understanding, particularly on the table game side of it, which are quite unique. And if you want to understand the reality of what's happening or, perhaps, the risks that are presented in running that business, you need to be particularly close to it.

COMMISSIONER: You made, if I may say so, the very good point about the need for the AML person to be independent of others. Do you remember telling me about that?

20

MR HAWKINS: Yes, I do.

COMMISSIONER: There is evidence before me that suggests that there is a tension where there is, for instance, a very high turnover junket operator and a suggestion of connections to organised crime with that same junket operator. So on the one hand, you have the obvious necessity to drive turnover and income and profit and, on the other, the necessity to ensure that the management and control of the casino is free from criminal infiltration. You understand the tension?

30 MR HAWKINS: Yes, I do.

COMMISSIONER: And so looking at regulatory approach and looking at the suggestions you've made to me in respect of inspectors, it would be a similar, you agree, need to keep a regulator independent totally from a state policy maker. Agree with that?

35

MR HAWKINS: Yes, I think that would be appropriate.

COMMISSIONER: And also independent from and respected by the casino operator?

40

MR HAWKINS: Absolutely. That's critically important.

COMMISSIONER: And so I've been made aware of some suggestion that the inspectors could be educated by the casino operator. What do you say about that?

45

MR HAWKINS: I think there's a part that the casino operator can play in educating those inspectors.

COMMISSIONER: Yes.

5

MR HAWKINS: But I was aware of the concept of regulatory capture, which is one that I wasn't too familiar with, which I think presents the opportunity to have an expert – or independent team of inspectors who, perhaps, could be trained in terms of their depth of understanding of the casino, but by not having them based on site, like physically separated but still being able to come as they will, I think that sort of separates them from day-to-day and becoming too familiar with the surrounds or the people that they're dealing with.

10

COMMISSIONER: And so there are ways of educating inspectors that is not the education received from the entity it's regulating. Rather, it can be education by others, obviously, can't it?

15

MR HAWKINS: It certainly can be. I think the part that we've played historically with some is taking various law enforcement or regulatory bodies or even AUSTRAC through, "Here's how a junket works at the property." So we've been very open and transparent on that to assist in understanding of those stakeholders.

20

COMMISSIONER: Yes. And so for the last, what, 22 years you've been involved in casinos; is that right?

25

MR HAWKINS: That's correct, yes.

COMMISSIONER: And let me just ask you this – and this probably will go off script for you and your counsel will object if necessary, but I wanted to ask you your views in respect of the differences between the regulatory approach in respect of your casinos or Star's casinos that are in another state. You understand?

30

MR HAWKINS: Yes, I do.

COMMISSIONER: So you've told me already that corporates, that is corporations, are not allowed to be casino operators – I withdraw that – junket operators in Queensland; is that right?

35

MR HAWKINS: That's correct.

40

COMMISSIONER: And you've suggested that that should be a provision that should apply in New South Wales; is that right?

MR HAWKINS: That's right, yes.

45

COMMISSIONER: And so it appears that we have around the country different regimes for regulation of casinos in WA, Victoria, probably Tasmania, certainly in

Queensland, and those differences will no doubt have an impact on how the casino operates, I presume.

5 MR HAWKINS: Oh, yes, there's certainly differences in approach and resourcing as well as approval methodology by nature of those jurisdictions.

10 COMMISSIONER: And so the people that I have heard about and about whom you've been questioned today – we will categorise them as the organised criminal – will be aware of the differences in regulation across the country, obviously, won't they?

MR HAWKINS: Oh, there's the potential for that to occur, yes.

15 COMMISSIONER: And so I presume that you would, with your experience, suggest that if you're going to regulate casinos to prevent the infiltration of organised crime, you should do so consistently throughout the nation?

20 MR HAWKINS: I think if you were to have an optimal approach, certainly with regards to the consistent sharing of information that other regulatory bodies or law enforcement agencies would have on individuals, having a consistent approach would be useful. I agree.

25 COMMISSIONER: Because I presume that you accept the proposition that organised criminals are not sensitive to jurisdictional boundaries?

MR HAWKINS: I would agree with that. If there's a loophole to be found, they can probably find it.

30 COMMISSIONER: And if you find one in one casino, it's more probable than not that they will try to get into another casino?

35 MR HAWKINS: Yes, I think if there's methodologies identified, and we see this quite regularly, even could be, for example, cheating scams that may be active in the United States, methodologies such as that tend to spread around the world pretty quickly.

COMMISSIONER: So you learn from other jurisdiction, including international jurisdictions?

40 MR HAWKINS: You definitely can, yes.

45 COMMISSIONER: And so whatever be the future and the complexity of the future, if we create situations which are fractured, that is different systems in different places, it will be inconsistent with achieving an outcome that will resist the infiltration. I presume you would agree with that proposition.

MR HAWKINS: Well, it has the potential to be exposed if clearly understood by those who are trying to participate in illegal activities.

5 COMMISSIONER: And so far as the international situation is concerned, do you, as a matter of cooperation, liaise with casinos in other international jurisdictions?

10 MR HAWKINS: We do from time to time, yes. Certainly quite actively in our security and surveillance areas and I know, as a company, we've been quite committed to sending our team, particularly in that risk unit, overseas to understand best practice, and I even know recently we have recruited a number of highly competent individuals from overseas jurisdictions to work in our areas because they can bring, you know, deep levels of experience.

15 COMMISSIONER: Yes. Thank you, Mr Hawkins. I'm grateful for your assistance. Ms Richardson, are there any – do you seek leave to clarify any matters or to ask any questions?

MS RICHARDSON: No, Commissioner.

20 COMMISSIONER: Any other person who is presently appearing for any of the other interested parties seeking leave to ask any questions?

MS ORR: No, Commissioner.

25 COMMISSIONER: It appears not. Thank you.

MS HILLMAN: No, Commissioner.

30 MR MITCHELL: No, Commissioner.

COMMISSIONER: Thank you, Mr Mitchell. Ms Sharp, anything arising?

MS SHARP: No. Nothing.

35 COMMISSIONER: Mr Hawkins, thank you for your evidence. It's possible that you may be asked to assist further. That's all I can say at the moment, but I will now adjourn – or are you ready to take the next witness immediately or do you need a short adjournment?

40 MS SHARP: It would be appreciated if we could have a short - - -

COMMISSIONER: Yes, I will adjourn for a short while.

45 MR HAWKINS: Thank you.

<THE WITNESS WITHDREW

[2.27 pm]

ADJOURNED

[2.27 pm]

RESUMED

[2.33 pm]

5

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

MS SHARP: The next witness I call is Mr Christopher Sidoti.

10

COMMISSIONER: Yes, Mr Sidoti. Thank you for making yourself available.

MR SIDOTI: Thank you.

15

<CHRISTOPHER DOMINIC SIDOTI, AFFIRMED

[2.33 pm]

<EXAMINATION BY MS SHARP

20

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

MS SHARP: Commissioner, before I get started with Mr Sidoti I should tender some evidence that may become relevant in Mr Sidoti's examination.

25

COMMISSIONER: Yes, please.

MS SHARP: I understand that before you is a list marked list K, or exhibit K.

30

COMMISSIONER: Yes.

MS SHARP: There are 13 documents referred to. I tender those 13 documents as exhibit K.

35

COMMISSIONER: Yes, I think you tendered K3 to 13 because I've already marked K1 and 2.

MS SHARP: So it is. It may be appropriate to do K3.

40

COMMISSIONER: Yes, all right then. I admit the documents listed in the list from K3 to K13 as exhibits K3 to K13. Thank you.

45 **EXHIBIT #K3 DOCUMENTS LISTED IN THE LIST FROM K3 TO K13**

MS SHARP: Thank you, Commissioner. Mr Sidoti, could you tell this inquiry your full name, please?

MR SIDOTI: Christopher Dominic Sidoti.

5

And your address is known to those assisting this inquiry?

MR SIDOTI: It is.

10 MS SHARP: You are a lawyer by training?

MR SIDOTI: By training, I am, yes. I'm admitted but I don't have a practising certificate.

15 MS SHARP: And you are presently an international human rights consultant.

MR SIDOTI: Correct.

20 MS SHARP: In fact, you have a very longstanding experience in international human rights law.

MR SIDOTI: I consider that I do, and I think I'm generally considered to do so.

25 MS SHARP: And amongst other things you were the foundation director of the Australian Human Rights and Equal Opportunity Commission from 1987 to 1992.

MR SIDOTI: Correct.

30 MS SHARP: You were an Australian Law Reform Commissioner from 1992 until 1995.

MR SIDOTI: Correct.

35 MS SHARP: You were the Australian Human Rights Commissioner from 1995 to 2000.

MR SIDOTI: Correct.

40 MS SHARP: You have been a member of the United Nations Human Rights Council's Independent International Fact-Finding Mission on Myanmar.

MR SIDOTI: Yes.

45 MS SHARP: Since the year 2000 you have held a number of honorary appointments at various universities in the field of international human rights law.

MR SIDOTI: Yes.

MS SHARP: You have been so kind as to provide this Inquiry with a copy of your curriculum vitae.

MR SIDOTI: I have.

5

MS SHARP: Could I show you a document. It will appear on your screen, Mr Sidoti. It is exhibit A250. I will bring up to the live stream INQ.500.001.2207.

COMMISSIONER: Just take that down straightaway. Thank you. Yes.

10

MS SHARP: We will go to the third pinpoint page, please.

COMMISSIONER: Thank you, Ms Sharp.

15

MR SIDOTI: I can't see any document at the moment.

COMMISSIONER: No, it's coming up. There were just some personal details there that I took down.

20

MR SIDOTI: Thank you.

COMMISSIONER: Yes. Yes.

25

MS SHARP: Now, do you recognise this document as the curriculum vitae you provided to this Inquiry?

MR SIDOTI: Yes.

30

MS SHARP: I'll have that taken down now, please. In early 2008 you were appointed as the chair of what was then known as the Casino Control Authority; correct?

MR SIDOTI: Correct. As my memory is, I started on 1 January.

35

MS SHARP: At the time of that appointment, Mr Sidoti, what experience had you had with respect to casinos?

MR SIDOTI: I had had no experience with respect to casinos at all.

40

MS SHARP: Are you able to cast any light on why you, as a person without any experience in casinos, was appointed to become the chair of the Casino Control Authority?

45

MR SIDOTI: Well, from what I was told at the time it was a combination of two factors. One was my experience in independent statutory bodies, that the fact that I had worked in them, as you've described from my CV, the Law Reform Commission, the Human Rights Commission. I was used to working in statutory

bodies. I knew the role of statutory bodies and the way in which they go about their business, and in those positions and in other positions I had held I was expert, I am pleased to claim, in social policy more generally.

5 The second factor was my independence from all of the vested interests involved in the casino operations, and liquor and gambling too, when I was appointed to the position. So the minister at the time said to me that it was that combination of my independence from any particular stakeholders and my experience in social policy and statutory authorities that caused him to recommend my appointment.

10 MS SHARP: Mr Sidoti, it's correct, isn't it, that you have been granted a certificate by the Independent Liquor & Gaming Authority under section 17 of what I will call the GALA Act to give evidence to this inquiry?

15 MR SIDOTI: Yes.

MS SHARP: And you understand that the effect of that certificate is to release you from confidentiality obligations that you would otherwise owe under section 17 of that statute.

20 MR SIDOTI: Yes.

MS SHARP: As chair of the then Casino Control Authority, that was a part-time position.

25 MR SIDOTI: It was.

MS SHARP: How much time did you devote to that role? I will ask you if you can indicate an average hours per month.

30 MR SIDOTI: I can indicate an average days per month and over the eight years that I occupied the position I was averaging 10 days a month to 12 days a month on the role.

35 MS SHARP: And what exactly were your responsibilities as the chair?

MR SIDOTI: First and foremost, to chair meetings of the authority itself. The authority had one ordinary meeting a month which was a full day or a full day plus meeting. In addition, it had extraordinary meetings to deal with particular issues of
40 significance. It conducted hearings. There were committee meetings. So the responsibilities of chairing those meetings was the first and foremost of my role, but in addition to that was reading and staying on top of enormous quantities of paper. Because the workload of the authority was so great our practice was to assume that people had read their papers – and there were huge papers put out in advance – so
45 that at the meetings the focus was very much on the discussion of the policy issues and the legal issues involved, and then of course the conduct of hearings required, similar to this, the examination of witnesses.

I was involved in liaising with the minister and the government and with the heads of senior stakeholders in New South Wales and with similar bodies in other states. So it was not just a meeting and a hearing function, but very much a policy function and an accountability function.

5

MS SHARP: And originally, at the time of your appointment, what were you led to believe would be the time commitment organisation.

10 MR SIDOTI: I was led to believe that it would be perhaps two days a month, a day – probably less than a day a month. The Casino Control Authority which continued until six months into my term – I was appointed in expectation of that authority being replaced by the broader one taking on liquor and gaming responsibilities, but the Casino Control Authority itself, up until the emergence into a larger body, would generally meet for around about three hours a month and there were also committee
15 meetings on top of it. So the expectation was that up until the change of the authority it would be perhaps a half a day a month, but after the change of the authority it would be increased but probably less than two days a month.

20 MS SHARP: At all times during your tenure the authority had a CEO; correct?

MR SIDOTI: It did, yes.

MS SHARP: And who was – were those CEOs during your tenure as the chair?

25 MR SIDOTI: I can certainly tell you the first and the last without any difficulty. Brian Farrell was the first, and it was intended that he would continue indefinitely, but tragically he died suddenly at the beginning of 2009. We had Micheil Brodie for several years at the end, and we had a significant number of acting appointments in between time. They included David Brearley, Ron Harrex, a couple of others as well
30 for shorter periods of time. Unfortunately, because the appointment of a CEO was a public sector appointment, albeit I was involved in the selection process, we got mired in quite a bit of bureaucratic argument and we were without a substantive CEO for several years.

35 MS SHARP: Now, you've already foreshadowed this, but it's right that you were appointed as chair of the authority during a period of great transition on the part of the authority.

40 MR SIDOTI: It certainly was. The first year was the transition from the purely casino mandate to one that incorporated liquor and gaming, generally. Then we went into this period of instability following Brian Farrell's death and always, I have to say, always had difficulties, or during those years at least, in our relationships with the counterpart bureaucracy in the State Government.

45 MS SHARP: And what do you mean by that?

MR SIDOTI: Look, I mean that there are many parts of the public service that either don't understand or don't like independent statutory authorities and have difficulty in coming to grips with them. And that was precisely the difficulties that we faced during a number of years, and I think it's ultimately what gave rise to the amendment to the authority's legislation that brought about my resignation at the beginning of 2016. There were attempts over many years, initiatives coming from the government department to which we related, to restrict the role of the authority and, in particular, to claim responsibility for the authority staff and therefore control over the way in which those staff acted and implemented the work of the authority.

10 MS SHARP: I might take you now to explore some matters of history regarding the authority. Now, I take it you're well aware that a casino was first legalised in New South Wales with the enactment of the Casino Control Act in 1992?

15 MR SIDOTI: I am.

MS SHARP: And at that time, the Casino Control Act created what was then called the Casino Control Authority?

20 MR SIDOTI: Yes.

MS SHARP: And at that time, the authority's only responsibilities were with respect to casinos?

25 MR SIDOTI: Yes.

MS SHARP: Thus, for example, it wasn't responsible for the regulation of registered clubs?

30 MR SIDOTI: Correct.

MS SHARP: Not responsible for the regulation of racing?

35 MR SIDOTI: We were never responsible for racing, but, no, it was not at that time.

MS SHARP: Not responsible for the regulation of gaming outside of casinos?

MR SIDOTI: Correct.

40 MS SHARP: And certainly not responsible for the regulation of liquor licensing?

MR SIDOTI: That's correct. Those functions in relation to gaming machines, that is poker machines in clubs and later hotels, and liquor licensing were under the Licensing Court during that period.

45 MS SHARP: At the - - -

MR SIDOTI: Racing has always been separately – sorry, racing has always been separately controlled in New South Wales and still is.

5 MS SHARP: At the time the Casino Control Act was originally enacted, it also established a director of casino surveillance, didn't it? Is that a yes?

MR SIDOTI: Sorry. Yes, I answered. It must have overridden you.

10 MS SHARP: Now, I appreciate you weren't there in those early days, but are you able to tell us anything about the relationship between the Casino Control Authority and the director of casino surveillance?

15 MR SIDOTI: No, I'm not. It was before my time and it was basically finished by the time I started, so it was not something that I had any experience of at all.

MS SHARP: And what you there mean, is it, that the office of the director of the casino – the office of director of casino surveillance had been abolished by the time you took over as chair?

20 MR SIDOTI: Correct.

MS SHARP: Are you aware that office was abolished in 2001?

25 MR SIDOTI: I couldn't give you the date, but I was aware that it had been abolished some years before.

MS SHARP: At the time you were appointed as chair of the authority, is it correct that casino inspectors were answerable to the authority directly?

30 MR SIDOTI: Yes.

35 MS SHARP: Now, you've already foreshadowed that shortly after your appointment as the chair, the authority was changed from the Casino Control Authority to the Casino Liquor and Gaming Authority. Now, was that the change – that was the change effected on 1 July 2008?

MR SIDOTI: That's correct. In fact, though, the name at that stage was Casino Liquor and Gaming Control Authority.

40 MS SHARP: And was that the change brought about by the Miscellaneous Acts (Casino, Liquor and Gaming) Amendment Act 2007?

MR SIDOTI: Yes, it was.

45 MS SHARP: Was it that time that there ceased to be a specialist casino regulator in New South Wales?

MR SIDOTI: Yes.

MS SHARP: And just to clarify, the name of the authority changed again in 2012, didn't it?

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MR SIDOTI: It did. At that point, it changed to the Independent Liquor & Gaming Authority.

MS SHARP: By the time you were the chair, is it correct that the authority could not employ its own staff and dictate the conditions of those staff?

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MR SIDOTI: That's not susceptible of a yes or no answer and that, in fact, was at the centre of the arguments between the authority and the department. We were, in fact, from 1 July continuing to employ directly the staff that were working on the casino, say, for example, the inspectors, but the Liquor and Gaming staff were employed by the department and were allocated to the authority and worked under the control – the direct supervision of the authority. Our argument right from the start was that all staff should be directly employed by the authority, but that was not the case. We had a hybrid situation of employing casino related staff but not liquor and gaming related staff.

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MS SHARP: Is it correct that that situation changed in 2006 when the authority lost its ability to employ any staff on its own terms?

MR SIDOTI: Sorry. 2006?

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MS SHARP: Yes.

MR SIDOTI: Well - - -

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COMMISSIONER: 2006?

MR SIDOTI: I thought we were - - -

MS SHARP: 2016. I beg your pardon.

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COMMISSIONER: We're back on track.

MS SHARP: A terrible handwriting error.

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MR SIDOTI: I was beginning to wonder about my memory. 2016, yes, that's correct.

COMMISSIONER: No, no, it's all right.

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MR SIDOTI: Correct.

MS SHARP: And that was a change that was effected by the Public Sector Employment Legislation Amendment Act of 2016?

MR SIDOTI: Yes.

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MS SHARP: Now, how many people were employed at the authority when you started as the chair?

MR SIDOTI: Look, this is very much a matter of memory. I think it was around
10 about 50 to 55.

MS SHARP: Now, that's at the time when it was still the Casino Control Authority?

MR SIDOTI: Yes.

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MS SHARP: How about when the organisation changed to the Casino Liquor and Gaming Authority on 1 July 2008?

MR SIDOTI: Well, at that time, we were – as I recall it, we were continuing to
20 employ directly the casino related staff, but the gaming and liquor staff were employed by the department and essentially seconded to us. I think we had slightly in excess of 100 staff directly working for the business of the authority at that point.

MS SHARP: Now, when you were originally appointed as chair of the Casino
25 Control Authority, obviously enough, the inspectors of the authority were dedicated casino inspectors.

MR SIDOTI: They were and that remained the case until the point of my
30 resignation early in 2016.

MS SHARP: At the time of your appointment in relation to the casino inspectors, did they have what I might describe as a 24/7 presence at the casino in Sydney?

MR SIDOTI: Yes, they did.

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MS SHARP: Did you perceive that there were advantages in having a 24/7 presence of inspectors at the casino?

MR SIDOTI: Yes, I did.

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MS SHARP: What were those advantages that you perceived?

MR SIDOTI: Well, the question reflects them itself, 24/7. There all the time, on the
45 floor, watching, listening, able to at any time be called to deal with any issues that arose, but also having a roving brief. It was a bit like having cops on the beat in the centre of Sydney. They were on the beat, on the floor of the casino 24/7.

MS SHARP: At that time, did they have a dedicated room at the casino?

MR SIDOTI: They had space – more than one room that was, yes, dedicated and secure and separate from the casino itself, but in the same building.

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MS SHARP: Can you tell us what did those inspectors actually inspect at the casino?

MR SIDOTI: Well, they could literally inspect anything. They could go anywhere within the casino. They had CCTV that monitored all parts of the casino, including the count of the cash. They could at any time, on the basis of what they saw on the CCTV, go to a place of the casino where there may be an incident or there may be something that they needed to inspect, but they also just roamed, as I say, like the cop on the beat. They would be called in if a customer was in dispute and the dispute could not be solved internally, and one of the advantages in having them there 24/7 was that most issues between casino customers and the casino operators were resolved on the spot immediately and did not become festering or protracted. But, you know, in ways much more significant than that, I mean, the fact that they were there, they were able to go into the VIP rooms, they were able to supervise and check the VIP gambling, the conduct of it and so forth at any time.

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MS SHARP: Did you perceive any disadvantages of having inspectors on site 24 hours, seven days a week?

MR SIDOTI: No. You know, the – there was no issue of cost to the taxpayer because under the agreements between the government and the authority and the casino operator, all costs associated with the supervision of the casino's operation were funded by the casino. They were funded into state revenue, it's got to be said. There was a distance between the authority and the operator, but there was no cost to public revenue of doing this, and about the only – the only reason why you would not have them there 24/7, if you thought it was an exorbitant cost that the taxpayer should not have to pay, but that cost was not being borne by the taxpayer.

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MS SHARP: When you refer to that cost not being borne by the taxpayer, are you referring to the supervision levy imposed on the casino under clause 51 of the Casino Regulation?

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MR SIDOTI: I am.

MS SHARP: What about the prospect of regulatory capture? Is that an issue in having inspectors stationed at the casino 24 hours a day, seven days a week?

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MR SIDOTI: Regulatory capture can be an issue and all regulators have to be both aware of it and sensitive to it. So, yes, regulatory capture is always a question. Regulators have to watch out for it and take steps to ensure it doesn't happen and I can say that in the eight years that I was chair of the authority, I did not receive one complaint or hear one report of any improper or even compromising action on the

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part of the inspectors, and it was an issue. Of course, it was an issue. It was one that the authority as a board addressed and the managers who were not on site, the Chief Executive, were sensitive to and I can say there was no evidence of it occurring.

5 MS SHARP: Are you able to share any insights with us as to ways in which regulatory capture can be avoided with respect to inspectors stationed at a casino 24 hours, seven days a week?

10 MR SIDOTI: To me, the most important way of avoiding it is to have very good supervision of the inspectors in the first place and, again, I found the manager of inspections, the director of compliance that we had during those years, extraordinarily dedicated. You know, I think it was important that he and the inspectors generally received very strong support from the board and, particularly, the commendation of the board for their inspecting and their reporting of deficiencies
15 in the conduct of the casino, whether it was minor ones involving individual incidents or more significant deficiencies, and they did that and they received the backing of the board.

20 The board at the time had a reputation amongst the casino regulators in Australia as being amongst the toughest and strictest in dealing with regulation. Now, that's not to say we're perfect, don't think that for a minute, but we were generally considered by our peers to be tough and that was a message that we gave to the inspectors and a message that the inspectors appreciated. They knew that we would not in any way undercut their activities in holding the casino operators to account and, in fact, we
25 encouraged them in their strictness in the application of the procedures.

MS SHARP: Now, during the great majority of your time as chair of the authority the inspectors were specialist casino inspectors. Now, of course, there are no specialist casino inspectors; rather, they are generalists who may be in the casino
30 one day, in a pub or club the next. What's your view as to the utility of specialist – or really, the advantages and the disadvantages of specialist casino inspectors?

MR SIDOTI: One slight factual correction. The specialist inspectors were present not during the great majority of my time, but throughout all of my time, and the
35 removal of specialist inspectors was one of the reasons for my resignation at the beginning of 2016. I considered then, and I still consider it essential to the proper regulation of a casino to have specialist inspectors doing the job. I cannot see how generalists who, theoretically, one day could be visiting a pub in Dubbo to see if there's any underage drinking going on, and the next day could be supervising a VIP
40 gaming room at Star City; I cannot see how that is in any way proper, effective in casino regulation.

MS SHARP: Why do you think you need specialisation of inspectors working in a
45 casino?

MR SIDOTI: Because casino games are highly complex, and the operations of a casino are highly complex. The disputes when they arise can be very technical, and

the amount of money that's being put through the place is mind-blowing. It's not the same, for example, as regulating a poker machine which is a bit of machinery that sits in a pub or club and operates according to very clear algorithms and procedures. We're talking here about complex casino games that not only have complex rules,
5 but also very sophisticated means of breaching those rules, and both operators, dealers and gamblers can breach the rules, and the amount of money, as I said, is mind-boggling.

10 So you need to have people who are absolutely expert in how this system operates, who know what to look out for and who are able to respond appropriately undertaking the regulation. And I had no confidence that moving to a system of generalist inspectors was going to achieve the effective regulation that the casino required.

15 MS SHARP: And that view you've just expressed was one that you held so powerfully that it was one of the factors that caused you to resign your position as chair.

20 MR SIDOTI: Yes.

MS SHARP: Now, during your tenure as the chair there was a CEO of the authority?

25 MR SIDOTI: Yes, throughout that period there was a CEO. As I mentioned, we had an acting CEO for some years.

MS SHARP: Now - - -

30 MR SIDOTI: Or a series of acting CEOs.

MS SHARP: You understand the authority no longer has a CEO.

MR SIDOTI: Yes.

35 MS SHARP: What functions did the CEO perform during your tenure as chair of the authority?

40 MR SIDOTI: Well, the CEO was a member of the authority formally, and so there was the same function as the other authority members, but the most important function of the CEO was to manage – to manage the staff, to ensure the proper conduct of each aspect of the authority's responsibilities and to ensure the effective administration of the legislation. It was a very important role. It was the chief of staff and the primary implementer of the authority's decisions.

45 MS SHARP: When you first became the chair of the authority, did the authority manage its own budget?

MR SIDOTI: It – yes, it managed its own budget. That doesn't mean that it was doing the actual payments and things like that, but it was certainly in charge of its budget, yes, and it remained so throughout my time as chair.

5 COMMISSIONER: Does that mean that the budget was allocated by the government and you then managed it within – inhouse?

MR SIDOTI: Yes. Correct.

10 COMMISSIONER: Thank you. Yes.

MS SHARP: And while you were the chair of the authority it's correct, isn't it, that the authority did publish its own annual reports?

15 MR SIDOTI: Yes, that's correct.

MS SHARP: Are you aware that the authority no longer publishes its own annual reports?

20 MR SIDOTI: I am aware of that.

MS SHARP: Do you have any comment on that change?

25 MR SIDOTI: To me that change is part of a much broader issue about the independence of the authority and, you know, the reasons for my resignation at the beginning of 2016 were all about the independence of the authority and the ability of the authority to do its job as an independent body. This is related to the inspectors as well: who controls the inspectors, who decides how they should work. The movement towards eliminating an annual report took away even any pretence that
30 the authority was an independent body.

COMMISSIONER: You spoke to me – I withdraw that. You gave evidence a little earlier about the arrangement in respect of the employees and you indicated to me that you were having arguments at the time, and you said that your argument was
35 that the employees of the authority should be their employees as opposed to employees of the department. Can you tell me why that argument was raised, or what are the grounds of the argument?

40 MR SIDOTI: Well, from my point of view because if you can't control your own staff you can't be an independent body. But the view from the public sector, the public service – or at least many aspects of the public service during those years, was the view finally reflected in the amendments to the legislation in 2015/16, and that is that the staff should be staff of a department and should be answerable to the department and work on behalf of the department and not on behalf of or at the
45 direction of the authority. Now, to me – however it was arranged – I don't necessarily say that direct employment is necessary, but certainly in the absence of

direct employment, direct secondment is necessary with formal authority for the direction and supervision and accountability of staff lying with the authority.

5 To me that's an absolute – an absolute bottom line in ensuring the independence of the work of the authority and, you know, to me that was the non-negotiable element in my participation in it. And bear in mind I had come from statutory authorities. I'm used to statutory authorities. I – I place a very strong value on their independence. If they're not independent there's no point in having a statutory body. Independence is critical to their work.

10 COMMISSIONER: Yes, I understand. And just on the point about the employees, I presume your desire to have them either seconded totally or employed directly is because of the removal of any burden of loyalty to more than one master or mistress, if you like, these days; yes?

15 MR SIDOTI: Absolutely that, but also whoever is providing the instructions can direct how the work is conducted. And the authority needed to be able to – to take the most recent example of the questions here about inspectors, we had to be able to decide how the inspectors went about their work.

20 COMMISSIONER: Yes.

MR SIDOTI: What they did, what were the – not just the procedures, but what were the priorities in the inspection work. What did we need them to look out for, how did we want them to report to us. You know, the authority without staff is left like a court without any jurisdiction.

COMMISSIONER: Yes, I understand.

30 MR SIDOTI: And it's not a court.

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

35 MS SHARP: Was the Casino Control Authority subject to the direction and control of the minister while you were the chair?

MR SIDOTI: Again, this goes to one of the reasons for my resignation. The legislation during the period during which I was chair provided that the authority was totally independent from the minister except in three specified areas which were quite strictly defined and quite narrow. The changes to the legislation effected in 40 2015 – started in 2016, changed that round completely and said that the authority was subject to direction of the minister in all areas except three defined areas, so the minister basically acquired a great deal more power to direct the authority as a result of those amendments. And again, to me that intruded unreasonably and undesirably upon the independence of the authority.

45 MS SHARP: Could you just identify what those three discrete areas were?

MR SIDOTI: Look, I'm sorry, I haven't got a copy of the legislation up in front of me and I would need to go to that and have a look at it.

COMMISSIONER: That's all right.

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MS SHARP: Now, while you were the chair of the authority, it was required to periodically review the suitability of the holder of the New South Wales casino operator.

10 MR SIDOTI: Yes, that's a section 31 review.

MS SHARP: And originally that review period was every three years?

MR SIDOTI: Yes.

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MS SHARP: So every three yours the suitability of the casino operator to hold the licence was considered by the authority.

20 MR SIDOTI: That's correct. At the beginning. It was extended to every five years subsequent.

MS SHARP: And that change happened on 26 June 2009, didn't it?

MR SIDOTI: I don't remember the exact date, but it was in 2009.

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MS SHARP: And that was under your tenure, of course.

MR SIDOTI: Yes.

30 MS SHARP: Are you able to say why the review period was changed from three years to five years?

35 MR SIDOTI: Simply because the review was a very wide-ranging review and once the authority – sorry, once the casino was well established and on the whole was running smoothly, it was considered that five years was an appropriate period rather than three, that is doing it slightly less frequently. And particularly since that was coupled – or rather since the Act provided elsewhere for ad hoc reviews or inquiries at any time should anything come to our attention or anything require closer examination, these could be conducted at any time. We thought, and the government

40 agreed at the time, that extending the periodic review period from three to five years at that stage was appropriate.

45 MS SHARP: Do you have any reflections now on the appropriate length of time between periodic suitability reviews?

MR SIDOTI: Not – not really. I think five years is okay. Any period is arbitrary, and I think just – you know, particularly coupled with the power of ad hoc investigations, I think five years is probably the appropriate period still.

5 MS SHARP: Is it right that another change with effect from June 2009 related to the former requirement that a casino operator only maintained bank accounts in the state of New South Wales?

10 MR SIDOTI: Of that I'm afraid I have no recollection.

MS SHARP: Now, do you recall that in mid-2010 the Casino Control Amendment Act came into force and made changes to the controlled contract scheme.

15 MR SIDOTI: Yes.

MS SHARP: And can you tell us about the nature of these changes?

20 MR SIDOTI: Well, the changes reduced the amount of formality associated with controlled contracts. It took away from requirements for prior approvals from the authority and replaced it with an audit and supervision function, as I recall it.

MS SHARP: Was that a shift from a concept of notifiable contracts to controlled contracts?

25 MR SIDOTI: Yes.

MS SHARP: Were you consulted before those changes were made?

30 MR SIDOTI: Yes, the practice then was that the – the view of the authority was always sought in relation to amendments to the legislation and the authority was supportive of those changes.

MS SHARP: And what was the reason for those changes; are you able to say?

35 MR SIDOTI: Look, I'm going from memory. One thing about not being in the authority for the last four and a-half years is that I don't have access to their records any more, which is entirely proper. Look, my memory was that it was principally driven by a wish to reduce the amount of, you might say, red tape or fairly mundane processing activity and move towards a system of oversight and supervision rather than having to approve everything.

40 MS SHARP: And just before I leave the topic of suitability reviews, based on your experience, do you have a view about whether the authority should conduct the review inhouse or whether it is preferable that they engage external assistance?

45 MR SIDOTI: So this is the section 31 review?

MS SHARP: Yes.

MR SIDOTI: Yes. My view was that it's better to engage somebody and, you know, I – you know, perhaps should go back to an earlier question relating to
5 regulatory capture. Engaging somebody externally once every five years to have a look at everything was also a means of trying to reduce the possibility of regulatory capture because there would be a very senior independent lawyer coming from outside to conduct the review on a five-yearly basis.

10 MS SHARP: Now, of course at the time you were appointed as chair, there was only one licensed casino in New South Wales?

MR SIDOTI: Yes. And there still is.

15 MS SHARP: Well, there's now a restricted gaming licence, is there not?

MR SIDOTI: There is, but it's not operating.

MS SHARP: Just for convenience, I will refer to them both as casino licences. The
20 part of your tenure as the chair at least, the Star was in an agreement for exclusivity with the New South Wales government, wasn't it?

MR SIDOTI: It was.

25 MS SHARP: And it was in late November of 2013 that amendments were made to the Casino Control Act to make provision for a second casino which the Act calls a restricted gaming facility?

MR SIDOTI: Yes.

30 MS SHARP: As the chair of the authority, were you consulted in any way about these amendments before they were made?

MR SIDOTI: No.

35 COMMISSIONER: Would you just lean forward a little, I think, Mr Sidoti, because we're losing you every now and then on the microphone.

MR SIDOTI: I will pull the microphone closer to me as well.

40 COMMISSIONER: That's much better. Thank you.

MR SIDOTI: Good.

45 MS SHARP: Now, after those amendments were made, was it correct that the authority was issued with a ministerial direction under section 5A naming Crown Sydney as the approved applicant to apply for a restricted gaming facility licence?

MR SIDOTI: Yes.

MS SHARP: Now, you've mentioned that a licence was granted. It was granted to Crown Sydney; correct?

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MR SIDOTI: Well, yes. I can't remember whether Crown Sydney was the actual technical licensee. It may have been – yes, I'm sorry. I can't remember the exact – the exact company, but it was part of the Crown group, yes.

10 MS SHARP: Was it Crown Sydney Gaming Proprietary Limited?

MR SIDOTI: I think it was.

MS SHARP: And - - -

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MR SIDOTI: I – do you want me to check that?

MS SHARP: No, it's not a matter you need check. It's right that the licence was granted with conditions?

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MR SIDOTI: Yes.

MS SHARP: Did the Independent Liquor & Gaming Authority, as it then was, have any say in the content of those conditions?

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MR SIDOTI: It certainly designed the conditions that were contained in the licensing agreement. We had no say in any of the conditions that were imposed by legislation such as, for example, the conditions relating to not having poker machines in the venue. The legislative scheme itself imposed some conditions. There were other conditions that were imposed as part of our licensing approval and the latter were entirely within the control of the authority.

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MS SHARP: Now, you've mentioned that one of the reasons you resigned from the authority was because of what happened with the authority's inspectors. Now, is it right that at around the time you resigned, 19 out of 20 of the authority's inspectors took voluntary redundancies?

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MR SIDOTI: I understand that that was the case. The inspectors who left left after I resigned and so I don't have direct knowledge of that, but I have been told that in the 12 months after the change to the legislation, 19 out of the 20 left.

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MS SHARP: During your tenure as the chair of the authority, what focus did the authority have on the prospect of money laundering within the casino?

45 MR SIDOTI: It was certainly one of the concerns that we had and one of the roles of the inspectors was to both look out for any incidents that may give rise to a suspicion of money laundering and also ensure that the money laundering procedures

that the casino operator adopted and implemented were appropriate and were, in fact, being implemented. AUSTRAC is the body that has principally got responsibility, and so we saw our responsibility as ensuring that the casino operator was reporting as required under the AUSTRAC legislation and as part of the inspectors' oversight
5 function.

MS SHARP: But just to be clear, you considered that it was AUSTRAC's responsibility to regulate so far as money laundering was concerned or the prospect of money laundering?
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MR SIDOTI: It was AUSTRAC's primary responsibility under the legislation, but one that we had an obligation to assist with. Sorry. And the legislation was national legislation. I'm not referring to the Casino Control Act.

15 MS SHARP: I want to turn now to discuss junkets with you. You, of course, know what junkets are?

MR SIDOTI: Yes.

20 MS SHARP: What do you think junkets are?

MR SIDOTI: Junkets are the means by which organised groups, or even small numbers of individuals from outside Australia, come to Australia to undertake high rolling in VIP contexts in Australian casinos. The junket operator is not one of the
25 high rolling gamblers but is the organiser of the junket and generally does so on a commission basis, taking a percentage of the turnover.

MS SHARP: Were junkets on the radar of the authority while you were the chair?

30 MR SIDOTI: Very much.

MS SHARP: Why was that?

MR SIDOTI: Because they are inherently risky operation. Supervising a casino is
35 always a matter of trying to deal with risks. It's a risk management exercise. The whole operation is inherently risky, and the role of the regulator is to try to minimise the risks to the greatest possible extent. Because there are higher risks attached to junket operations, they require particular attention.

40 MS SHARP: When you say there are high risks and junkets are inherently risky, what risk are you referring to or risk in what respect?

MR SIDOTI: Well, it can be risks in relation to criminal involvement, it can be risks with money laundering activities, it can be risks with inappropriate procedures
45 for entry to Australia, although that aspect was not our responsibility. It goes to the operation of the casino with integrity, which is a core function for the authority.

MS SHARP: I just wanted to ask you a little bit of detail about the regulatory history of joint expert reports in New South Wales. At the time you were appointed chair of the authority, it's right that regulations made, that is regulations under a statute, made provision for certain matters that had to be satisfied with respect to
5 junket operators?

MR SIDOTI: Yes.

MS SHARP: And clause 15 of the then Casino Regulation, the Casino Control
10 Regulation, provided that the authority had to approve both junket promoters and junket representatives?

MR SIDOTI: Yes.

MS SHARP: And when you were first appointed as chair, clause 17 of the Casino Control Regulations provided that the casino operator had to provide the authority such written notice of proposed junkets as the authority requested in writing?

MR SIDOTI: Correct.
20

MS SHARP: Are you able to tell us did the authority request the provision of such details?

MR SIDOTI: It certainly requested the provision of such details and that was done
25 in the process of the approval of the junket operators and so forth in advance. So the authority was active in a very real sense in approving the individual junket operators during that period.

MS SHARP: Are you able to cast any light on what the authority looked into before
30 it approved a junket promoter?

MR SIDOTI: Only in general terms, I'm afraid. It certainly didn't go through the level of probity examination as we do, for example, with the casino operator. The legislation was even then much – much vaguer about the criteria for approving junket
35 operation, and because these tended to be both numerous and relatively frequent, it was simply not possible to go through the extent of in-depth investigation that would be warranted for a casino operator. So it was not superficial by any means, but it was – it was fast and looked very much at the controls that would be placed in the operations of the gambling rather than looking at the probity of the operator itself.
40

MS SHARP: Did you perceive any challenges in the authority being responsible for approving junket operators?

MR SIDOTI: The biggest challenge – yes, the biggest challenge was getting
45 adequate information. The junket operators are offshore operators. They were generally coming from Hong Kong or Macau and our ability to get information on them and their track record was very limited, and that was one of the reasons for the

changes in the procedure that occurred in 2009, that the operator itself, the casino operator, was in a far better position to get a lot of that information than the authority was. And the idea was to place greater responsibility on the operator to do that due diligence investigation and for the authority to set out in quite some detail the
5 procedure that should be adopted, the standards that should be applied, and then operate as an auditor of the process rather than the decision-maker itself, and so the changes of 2009 reflected that philosophical change in the role of the authority in relation to this part of the operation.

10 MS SHARP: Can I just go back to the point in time where the authority was responsible for approving junket operators. What access could the authority – what information could the authority get access to?

MR SIDOTI: It could certainly and easily get access to any information that was in
15 the control of the casino operator itself. It also had, and I would imagine still has, very close relationship to parallel authorities elsewhere in Australia and would collect or request information from them. It had a good relationship with AUSTRAC and the National Crime Commission, the New South Wales Crime Commission, New South Wales Police, and would be able to get information from them. There
20 was some access to information from outside Australia, and I think here's an example of the difficulty, though, the authority would have. Whereas we could collect a great deal of information about casino operators, it was far more difficult to get information about junket operators because they were generally much smaller operators than the casino managers themselves.

25 MS SHARP: Why do you say that casino operators are in a better position than a regulator such as the authority to conduct due diligence on junket operators?

MR SIDOTI: They would generally know more because they would be represented
30 outside Australia where the junket operators were based. They had their own people on the ground. They were getting information and they could get information from non-Australian casinos as well, casinos operators as well, that, often, the informal networks amongst the casino operators could provide far better information than we were able to obtain. Certainly that we were able to obtain with a level of
35 investigation commensurate to the significance of the operator. You know, we - - -

MS SHARP: So is it your evidence - - -

MR SIDOTI: Yes, we much more information about a casino operator. You
40 know, when we were looking at Crown or looking at Star, the expenditure of money and effort to track down information was much more warranted than the operator of one or two junkets.

MS SHARP: Is it your evidence that the casino operators had access to what I might
45 describe as market intelligence that the authority did not have access to?

MR SIDOTI: Yes. Thanks for using the expression market intelligence. The word I was trying to find but I couldn't think of it, but yes.

5 MS SHARP: And that's why – that's principally why you think that casino operators are better positioned to conduct due diligence.

MR SIDOTI: Yes, subject to the authority having set the rules for doing it and then properly auditing the implementation of those rules on a periodic basis.

10 MS SHARP: And just so I understand, is it your position that for a casino operator to conduct due diligence on a junket promoter it would be essential to make inquiries within the internal organisation as to what the market intelligence on the junket operators is?

15 MR SIDOTI: I would think that essential.

MS SHARP: Now, you say that this set-up of the casino operator conducting due diligence on the junket operator can work well when an audit function is performed by the regulator. Could you explain that, please.

20 MR SIDOTI: Yes. The regulator having set the procedures – the rules by which the casino operator undertakes this work needs to ensure that those rules, those procedures, are being followed. Part of that is that there's an obligation to report and certainly the authority used to receive extensive reports from the operator of what
25 junkets were being approved and the participation, who were in the junkets and so forth, but more than that periodic audits were required from time to time. This new approach came in in 2009 and to take an example we had our director of compliance undertake a full audit of how it was working in relation to the year 2012.

30 So we gave it two years to bed in and in, I think, early 2013 received a comprehensive report from the director of compliance on how those rules were being implemented. So those kinds of audits are necessary simply to make sure that the procedures that have been established by the authority are, in fact, being
35 implemented and what we wanted done was being done.

MS SHARP: So your evidence is it's not enough for the regulator to receive reports; the regulator must also periodically audit.

40 MR SIDOTI: Yes.

MS SHARP: Could I just – you mentioned the audit in, I think, 2012. Could I show you a document, please. It's exhibit F22, and this can be brought up on the live stream, INQ.080.130.2988. Now, you see the front page of this document, Mr Sidoti. Can I now take you to – I will give you a moment to read the executive
45 summary, if I can.

MR SIDOTI: Yes. I will just make sure it's the – yes, yes. No, I'm familiar with the document.

5 MS SHARP: And could I just take you to the last page of that document which is pinpoint 2996. Is this the audit that you were referring to a moment ago?

MR SIDOTI: Yes, it is.

10 MS SHARP: I would now like to ask you some questions about probity investigations into Crown that took place when you were the chair of the authority. It's right that two probity investigations were conducted while you were the chair of the authority?

15 MR SIDOTI: Two in relation to Crown, yes.

MS SHARP: Now, the first probity investigation came about because Crown was looking at changing its shareholding in the Star?

20 MR SIDOTI: Correct.

MS SHARP: And more specifically the first suitability investigation arose by reason of an ASX announcement by Crown Resorts, which was then known as Crown Limited, on 24 February 2012 that it held a 10 per cent interest in the Echo Entertainment Group?

25 MR SIDOTI: Yes.

MS SHARP: And, of course, Echo Entertainment Group was and remains the operator of the Star Casino in Sydney.

30 MR SIDOTI: Yes, although the name has changed since then.

MS SHARP: And is it right that in response to that announcement the authority of which you were the chair undertook an investigation in conjunction with officers of the Queensland Office of Liquor and Gaming Regulation?

35 MR SIDOTI: That's correct. The Queenslanders were involved – although – I might just need to change the description of it a little. We and the Queensland authority conducted our own independent investigations and we each had to independently under our legislation come to our decisions, but we cooperated in the investigation part of it so that the information that was sought, which was common information, the information that we needed was the same in both cases. It was done cooperatively rather than duplicating the efforts. The involvement of Queensland was because Echo, as it then was, had casinos in Queensland as well as in New South
40
45 Wales.

MS SHARP: So a probity investigation was conducted by the authority into Crown Limited?

MR SIDOTI: Yes.

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MS SHARP: And in relation to its close associates?

MR SIDOTI: Yes.

10 MS SHARP: And subsequently on 10 May 2013 the authority found that Crown Limited and its related companies were suitable persons to be associated with the management of the Star.

MR SIDOTI: Yes.

15

MS SHARP: Are you able to say how long did the first probity investigation take?

MR SIDOTI: I'm not able to say precisely. I – my recollection is around about 18 months.

20

MS SHARP: And did you - - -

MR SIDOTI: Look, I – I think it was – I think it was a year at least, but I'm not sure. I – I'm sorry.

25

MS SHARP: And what was your role, if any, in relation to that probity investigation?

MR SIDOTI: Well, I did not conduct interviews. The authority oversaw the investigation rather than conducting it itself. We stood to a certain extent at arm's length from it. We controlled the investigation, we approved the procedures, we approved who was to be spoken to, we identified the issues that needed to be addressed, and then worked through the reports that we received from our investigators, including – we had access to the transcripts of all of the interviews that they conducted and on the basis of those reports and our discussions and independent legal advice came to our decisions.

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35

MS SHARP: It's correct that shortly after the first probity investigation into Crown the authority was required to conduct a second probity investigation into Crown.

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MR SIDOTI: Yes.

MS SHARP: And why did that second investigation come around?

45 MR SIDOTI: Because of Barangaroo. Crown on the first occasion was buying into the existing operator; on the second occasion it was to become an operator itself of the so-called restricted gaming facility.

MS SHARP: And it was therefore necessary to consider the suitability of Crown to hold the restricted facility gaming licence. Is that a yes?

MR SIDOTI: Sorry, yes.

5

MS SHARP: And it's right, isn't it, that under section 13A(3) of the Casino Control Act it was stipulated that the authority had to take into account the outcome of its first probity investigation in the conduct of the second probity investigation?

10 MR SIDOTI: Yes, it was specified in the Act, but we would have done it anyway. I mean, we had conducted such an extensive investigation the first time round that there was no point in repeating it, but rather updating it and ensuring that there – well, firstly ensuring that any fundamental changes that occurred were known to us and assessed by us, and, secondly, that there had been no change in anything that
15 would give rise to new probity concerns.

MS SHARP: And how long did this second probity investigation take?

MR SIDOTI: It didn't take long. I – the formal investigation itself may have been
20 as short as a month or six weeks. The whole process took longer than that, but I think that the investigation part of it was quite short.

MS SHARP: And on the basis of that second investigation it's right that on 8 July 2014 the authority determined the application by Crown Sydney Gaming Proprietary
25 Limited for the restricted gaming licence?

MR SIDOTI: Yes.

MS SHARP: And by making that determination the authority was satisfied that
30 Crown Sydney and Crown Resorts and their associated companies met the probity and suitability criteria stipulated in the Casino Control Act.

MR SIDOTI: Yes.

35 MS SHARP: Now, that was in July of 2014 that the authority made that determination. Do you recall that on 15 September 2014, that is about three months later, the ABC program Four Corners aired a program called High Rollers – High Risk?

40 MR SIDOTI: I recall it well.

MS SHARP: And when you say you recall it well, is that because you watched that program at the time?

45 MR SIDOTI: I certainly watched it at the time, and I have watched it since.

MS SHARP: And you would agree that that program focused to a large degree on the relations between Melco Crown and junkets?

MR SIDOTI: Yes.

5

MS SHARP: And of course, at that time Melco Crown was the joint venture of Crown Resorts and Melco International.

MR SIDOTI: Yes.

10

MS SHARP: And at that time that joint venture had opened a casino in Macau known as Altira.

MR SIDOTI: Yes.

15

MS SHARP: And also a casino in Macau known as the City of Dreams.

MR SIDOTI: Yes.

20

MS SHARP: What was your reaction to this Four Corners program when you first saw it?

MR SIDOTI: Well, obviously concerned, and concerned about the allegations that were made, and not only in relation to Crown, but also in relation to Star which we were responsible for regulating. The program focused on Crown, but two of the junket operators that were named in the program had also had some relationship with the Star.

25

MS SHARP: And one of those junket operators was Suncity?

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MR SIDOTI: Yes, Suncity; the other one was Neptune.

MS SHARP: And this point was – I beg your pardon, this program was making the point that Melco Crown, and therefore Crown Resorts, was partnering with junkets with links to organised crime, wasn't it?

35

MR SIDOTI: I would put it perhaps a little differently. It was making allegations that Crown was partner – or Melco Crown was partnering with junkets that were partnering with persons – individuals said to be associated with organised crime. I didn't understand the program as saying that the junkets themselves were run by triads, but that persons associated with the junkets allegedly were associated with triads.

40

MS SHARP: And that it was alleged that – and I will quote from the program without bringing up the transcript:

45

Tonight, Four Corners can reveal Suncity is not just running some of Melco Crown's VIP rooms in Macau, it's bringing Chinese high rollers to James Packer's Crown Casinos in Australia.

5 Now, did the allegations aired in that program give you any cause to reflect upon the probity investigations that had been conducted by the authority in 2012 and 2014 respectively into Crown?

10 MR SIDOTI: The programs gave rise to an earlier question, a preceding question to that, and that is what information did we have or could we access about the truth or otherwise of the allegations that why made on the program. We didn't start off by accepting that all of the allegations in the program were correct and until we were satisfied that the allegations were correct it couldn't give rise to any questions in our minds about the probity of the operators.

15 MS SHARP: So did the authority decide to do anything in relation to the allegations made in the September 2014 broadcast?

20 MR SIDOTI: Yes.

MS SHARP: And what was that?

25 MR SIDOTI: First, we sought and obtained a report from our staff on what we had on Neptune and Suncity, what we knew – particularly what we knew or had heard in relation to the allegations that were made, and then, secondly we made further inquiries internationally in relation to both Suncity and Neptune.

30 MS SHARP: And in making those inquiries did staff members of the authority or seconded to the authority make those inquiries or was a third party appointed to make those inquiries or was it a combination?

MR SIDOTI: Staff members of the authority, is my memory.

35 MS SHARP: And what conclusions did the authority reach about the Neptune and Suncity junkets?

MR SIDOTI: We had already heard the rumours about the individuals that Four Corners had said were associated with those two operators, but we - - -

40 MS SHARP: Can I just stop you there. You say that the authority had already heard rumours about the individuals associated with those junkets. Who were those individuals?

45 MR SIDOTI: I haven't got the document in front of me. Actually, I do have a copy of a particular document that named them but I'm afraid I haven't got it in front of me. Do you want me to put it up and tell you?

MS SHARP: I will come back to that, but for now you say you had already heard rumours about some individuals; then what happened?

5 MR SIDOTI: Sure. They were the two who were the most prominently named, one in relation to Suncity and one in relation to Neptune in the Four Corners program.

MS SHARP: And you say that you caused – or the authority caused investigations to be conducted in relation to those junkets. What were the findings?

10 MR SIDOTI: The findings were, firstly, that the individuals concerned had not been conclusively linked to Neptune and Suncity, and that the allegations made against them had not been conclusively established. And we inquired of the Hong Kong police and also inquired of consultants that we had previously used in Hong Kong and Macau, and those were the conclusions that were reached at the end.

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MS SHARP: Now, is it right that you also commissioned Peter Cohen of The Agenda Group to do some work for the authority in relation to junkets?

MR SIDOTI: We did.

20

MS SHARP: And - - -

MR SIDOTI: Mr Cohen was asked to look more generally at the issue of junkets rather than conducting further investigations into Suncity and Neptune themselves, although from memory his report does contain some information about Suncity and Neptune.

25

MS SHARP: And why did you commission – or why – I shouldn't say you; in fact, is it right that it was Mr Brodie, the CEO who commissioned Mr Cohen to do some work?

30

MR SIDOTI: On the basis of following a consultation with the authority itself, yes, so it was an authority decision.

35 MS SHARP: And why was it you had some work done in relation to junkets at that time?

MR SIDOTI: Because we were concerned. You know, the procedure – the changed procedure of 2009 by then had been operating for five years. The Four Corners program raised very real questions for us about whether the system was the most appropriate and we wanted to look further into that question. Had the decision in – well, I was going to say had the decision in 2009 been the right decision, but that really wasn't the question. The question was whether the procedure that we adopted in 2009 continued to be the right procedure in 2015.

45

MS SHARP: And are you able to say why it was that Mr Cohen was appointed to conduct this review by the authority?

MR SIDOTI: Because of his experience. He had been head of the Victorian gambling regulator for many years prior to that, probably one of the most expert persons in Australia in dealing with casino regulation.

5 MS SHARP: And have you had the opportunity to read the report that Mr Cohen prepared in recent times?

MR SIDOTI: Yes, I have. I've looked at it again over the last week in preparation for our discussion today.

10

MS SHARP: It's right that at the time that report was prepared for the authority you accepted the findings in that report?

MR SIDOTI: Yes.

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MS SHARP: And for that reason, I take it a decision was made not to change the way in which junkets were regulated in New South Wales?

MR SIDOTI: Yes.

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MS SHARP: Now, it's right, isn't it, that Mr Cohen described junkets as glorified travel agents.

MR SIDOTI: He did.

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MS SHARP: Do you agree with that assessment or characterisation of junkets?

MR SIDOTI: I think it's a glorified simplification.

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MS SHARP: Did you agree with that assessment at the time?

MR SIDOTI: Look, to be – to be perfectly frank, at the time I thought it was a typical Peter Cohen throwaway line.

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MS SHARP: But did it not inform an understanding of what the risks associated with junkets were?

MR SIDOTI: Look, that expression was not taken seriously as the totality of the situation by the authority. It was the report as a whole that we considered. I – we didn't really focus on his colourful expression at that point.

40

MS SHARP: Now, is it right that you had left the position of chair by the time that Mr Cohen was retained to prepare the casino modernisation report?

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MR SIDOTI: I had, and he was retained for that report by the department, not by the authority.

MS SHARP: Are you able to shine any light on why the department commissioned that report at that time?

5 MR SIDOTI: I saw it as part of the process of the department playing a greater role in light of the 2016 amendments – 2015 amendments.

10 MS SHARP: Yes, I was going to ask you why is it that the department was commissioning a report on casino modernisation rather than the Independent Liquor & Gaming Authority?

15 MR SIDOTI: Well, I put it down to the loss of – or the restriction is a better way of putting it, the restriction of the authority's independence meant that the department was far more in the driver's seat after the 2015 amendments. I should just clarify, the 2015 amendments started in February 2016 and my resignation was effective the day before the amendments started. So they were passed in 2015, but when I talk about 2016 that's because of the commencement date.

20 MS SHARP: Okay. And is it right to say that you played no role in the topics to be addressed in the Casino Modernisation Review.

MR SIDOTI: Yes.

MS SHARP: I have no further questions for Mr Sidoti.

25 COMMISSIONER: Yes. Are there any questions of Mr Sidoti from those who have been granted leave to appear?

MS RICHARDSON: No, Commissioner.

30 MS ORR: No, Commissioner.

MS HILLMAN: No, Commissioner.

35 MR MITCHELL: No, Commissioner.

40 COMMISSIONER: Yes. Thank you. Thank you. Mr Sidoti, I've heard a lot of evidence from overseas experts about anti-money laundering and the independence of the anti-money laundering compliance officer. In your time, did you see any evidence of a direct line of report of an anti-money laundering compliance officer directly to the board of any casino?

45 MR SIDOTI: No, but I wouldn't have. That's something that would be handled much more at the director of compliance and the chief executive level than at the board level. So we would be receiving reports from them about the adequacy of the systems, but we would not actually go into what the systems were.

COMMISSIONER: And, of course, there is this no doubt debate with which the Inquiry will have to confront it anyway and that is the way in which regulatory authorities are to be involved with regulation of the complex casino of the future. What has happened, it seems from your evidence and others, is that much of what
5 used to happen in the regulatory body is now the burden of the casino to be trusted with and to report upon. Do you understand that?

MR SIDOTI: Yes.

10 COMMISSIONER: The internal control process with the operating procedures underneath them are these documents pursuant to which the casino is supposed to regulate itself in conjunction with the regulator; is that how you understand it?

MR SIDOTI: Yes, that's exactly how I understand it, Commissioner, and it's in that
15 context - - -

COMMISSIONER:

MR SIDOTI: Well, it's in that context in particular that I think that a strong,
20 independent, active investigator – sorry, regulator with investigative functions is essential. And regrettably, the 2015 amendments to the legislation took away the authority's investigation functions – inspection and investigation function.

COMMISSIONER: Is that because those functions were translated into the
25 departmental regime?

MR SIDOTI: Yes, they were, and – well, I've been out of it now for four years. You're in a far better position than I am to judge how effective that's been, but I left
- - -

30 COMMISSIONER:

MR SIDOTI: I left because I could not see it being as effective.

35 COMMISSIONER: Yes. Yes. And so far as the position of having part of the regulator's processes in a government department that's not independent and part of them within an authority – a statutory authority that is purportedly independent, there's always going to be a problem with that as I understand your evidence. Is that
40 right?

MR SIDOTI: I think there is inherently a problem in that.

COMMISSIONER: Apart from the dual duties of loyalty to which you referred a
45 little earlier, one to the departmental head and the other to the independent authority, I've looked at some jurisdictions overseas where they have independent entities that are cocooned from departments and cocooned from government other than a reporting process on an annual basis, but that, it is said by in doubt many, costs

money. So the tension is why would you on one view of it spend money to create what could be the exemplar of pure investigative capacity for a regulator for just two casinos where or, on one view of it, one and a-half? Why would you do that? What's the answer to that, do you think?

5

MR SIDOTI: Well, the answer to that is that whether it's done by the department or done by an independent authority, the cost is paid by the casino. So they – they're given a licence to print money. Why shouldn't we expect them to be funding the best possible form of regulation.

10

COMMISSIONER: Yes.

MR SIDOTI: Particularly when they're going to be funding the regulation no matter who does it.

15

COMMISSIONER: And that's because of the clause to which Ms Sharp took you earlier and that will no doubt be a matter of some debate as to – I think at the moment it's around about the \$8 million mark which I don't think would get you out the front door of the Independent Liquor & Gaming Authority, would it?

20

MR SIDOTI: These days I have no idea.

COMMISSIONER: Yes. What about when you were there?

25

MR SIDOTI: Eight million was – well, I think it was substantially less than that when I was there for the casino side of it.

COMMISSIONER: And that was only one casino that you were regulating - - -

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MR SIDOTI: Exactly.

COMMISSIONER: - - - that was operative.

MR SIDOTI: Yes.

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COMMISSIONER: That was operative.

MR SIDOTI: Yes.

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COMMISSIONER: When you say it's going to be funded by them, overseas jurisdictions and particularly the evidence of Professor I. Nelson Rose suggested that overseas jurisdictions also fund the regulation of independent bodies by casino levies. So far as any other source of funding is concerned, I presume that there were government funds in your budget other than the funds coming from the casino. Is

45

that right?

MR SIDOTI: There were for the liquor and gaming functions, but the casino side of it was entirely funded through the casino supervision levy.

5 COMMISSIONER: And so coming back to the point, there is the tension between increasing the burden of cost on a business that you referred to as one that does make a lot of profit, to use a neutral term, and having to have the government regulate in a proper fashion. At the moment we have the – what is clearly the shocking ramifications of the pandemic on all businesses throughout the country. You understand that.

10

MR SIDOTI: Absolutely.

15 COMMISSIONER: And so looking to the future which is part of the requirement of part B of the Terms of Reference, it would have to be assumed, would it not, that in the future, from what you've seen in your experience, that if high rollers from overseas cannot come physically to this country, then there will have to be, to maintain the same earnings, the same profit, some form of different ways of doing business. Would you agree with that?

20 MR SIDOTI: I absolutely agree with that. But I would add also a question, and that is what are the public policy issues involved in maintaining the current business model? These businesses have been built on a particular model which features significant high rollers, and, you know, our casino model is big, glossy, sparkling casinos a la Macau and Las Vegas. Is that really necessary and why is it even
25 desirable? I think there are some major public policy issues that can be debated here. Certainly, high rollers are critical to the business model Australian casinos are operating on, but is that how in public policy terms we want casinos to operate in this country? I don't think that question has ever been asked.

30 COMMISSIONER: Well, certainly that is a matter for policy makers, but in terms of regulatory approach, assume that these businesses have served this state very, very well, that is, the Star has no doubt provided enormous amounts of money to the government, thus the state. It's provided, no doubt, an enormous amount of entertainment and in some respects a great deal of happiness to a lot of people, those
35 that are winning, I suppose. But as a business and an approved business within our jurisdiction, it really is a matter to try to work out the best regulatory regime that has to be in place for the future. Now, you've been asked about the modernisation review that Mr Cohen produced and consequent upon that I think there have been many changes to the way in which casinos are regulated to the way in which it was
40 regulated when you were the chair of the authority. You understand that?

MR SIDOTI: Yes.

45 COMMISSIONER: And that is because there has been this shift away from what was done by your authority to the hands of the casino. If, on reflection of what you've seen over the years, can I ask you for your opinion, please, with your

experience, whether you do endorse a risk-based, as it was put in the modernisation review, approach to regulation?

5 MR SIDOTI: The simple answer is yes, but I say that because there is no alternative to a risk-based approach.

COMMISSIONER: Yes.

10 MR SIDOTI: Casinos are inherently risky, junkets are inherently risky. The question is not whether we take a risk-based approach, but what level of risk we're prepared to accept, and having determined the level of risk, what is necessary to ensure that the risk does not exceed that level, and I think that that is a difficult question.

15 COMMISSIONER: Yes. And assume for the moment that risk-based approach means non-prescriptive. Do you still endorse the risk-based approach instead of the prescriptive approach?

20 MR SIDOTI: I would support a risk-based approach that is non-prescriptive provided that there is strong interventionist oversight and audit and inspection at all stages, and that doesn't mean having someone – an inspector looking over your shoulder 24/7, but it does mean them being available 24/7, and – you know, we moved during my time to a risk-based approach to audits to identify where the greatest risks were and so therefore we would focus on those.

25

COMMISSIONER: Yes.

30 MR SIDOTI: It's critical that there's strong effective, independent oversight and audit of the implementation of the non-prescriptive system.

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COMMISSIONER: And in Singapore we have looked at some of the systems in Singapore and the way in which things are done there and it appears that it is very difficult to get junkets approved, at least from Macau. That would present as more prescriptive - - -

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MR SIDOTI: Yes.

40 COMMISSIONER: - - - in particular in relation to the approval of junkets. From what you said earlier I presume that wouldn't be abhorrent to you.

40

45 MR SIDOTI: It wouldn't be abhorrent to me. Whether it's necessary or desirable is another matter. Peter Cohen famously – or famously for me, said in his report that our system in New South Wales was somewhere between Victoria and Singapore. I'm happy to see New South Wales is tougher than Victoria. I would like to think that the regulation in New South Wales is the toughest in the country. Whether it needs to go as far as Singapore is another matter.

COMMISSIONER: Yes. And so far as the “toughness” is concerned, that will all depend upon whether you create an independent body, I presume.

MR SIDOTI: I think that’s a critical part of it.

5

COMMISSIONER: Now, anything arising Ms Sharp?

MS SHARP: No, Commissioner.

10 COMMISSIONER: Thank you. Mr Sidoti we’re most grateful that you’ve made your time. We’re sorry to have inconvenienced you. Wad to defer the hearings from earlier in the year and thank you very much for your assistance. That doesn’t mean that we may not call upon you again before the end of the Inquiry if you don’t mind.

15 MR SIDOTI: Thank you very much, Commissioner.

<THE WITNESS WITHDREW

[4.08 pm]

20

COMMISSIONER: All right then. I will adjourn.

MATTER ADJOURNED at 4.08 pm UNTIL WEDNESDAY, 5 AUGUST 2020

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