



INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW

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

**THE HONOURABLE PA BERGIN SC
COMMISSIONER**

**PUBLIC HEARING
SYDNEY**

**THURSDAY, 6 AUGUST 2020
AT 10.12 AM**

Continued from 5.8.20

DAY 12

Any person who publishes any part of this transcript in any way and to any person contrary to an Inquiry direction against publication commits an offence against section 143B of the *Casino Control Act 1992 (NSW)*

MS N. SHARP SC appears with MR S. ASPINALL as counsel assisting the Inquiry

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

5 **MS E. TRANTER appears for Melco Resorts & Entertainment Limited**

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

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

10

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

MS SHARP: Good morning, Commissioner. Before we start with a witness this morning, I have another exhibit to hand up to you.

15

COMMISSIONER: Yes.

MS SHARP: In fact, I believe that a document is on your desk. It should be headed exhibit L and refer to six documents. I tender those documents.

20

COMMISSIONER: Yes. Those documents in the list exhibit L will become exhibit L1 to 6.

25 **EXHIBIT #L1 TO 6 DOCUMENTS IN EXHIBIT L**

COMMISSIONER: Yes. They're all public documents, I presume, are they?

30 MS SHARP: Yes.

COMMISSIONER: Yes. Thank you.

35 MS SHARP: Thank you, Commissioner. You will recall, Commissioner, that unfortunately earlier in the week Ms Skye Arnott's evidence was interrupted.

COMMISSIONER: Yes.

40 MS SHARP: She has kindly made herself available again this morning and I recall her.

<SKYE EDWINA RENDLE ARNOTT, ON FORMER OATH [10.13 am]

45

<EXAMINATION BY MS SHARP

COMMISSIONER: Yes. Ms Arnott, are you ready to proceed?

MS ARNOTT: Yes, I am.

5 COMMISSIONER: And you understand that you're bound by the oath that you took earlier in the week to tell the truth in your evidence. You understand that?

MS ARNOTT: Yes. Yes. Thank you.

10 COMMISSIONER: Yes, Thank you. Yes, thank you.

MS SHARP: Ms Arnott, I would like to understand a little bit more about your reporting lines and I would like to take you to some company charts which were an exhibit to your affidavit. It was tab 3 – sorry, your statement. It was tab 3 of the exhibit to your statement and I understand that no confidentiality claim is made in respect of it. It did at one stage appear on list 1 at document 19. Ms Richardson will correct me if I am wrong, but I understand it is now public. The number is STA.0018.0001.0037. If I could have that pulled up on the live stream. Now, Ms Arnott, do you have before you the group and legal and risk leadership chart 10?

15

20 MS ARNOTT: Yes, I do.

MS SHARP: Now, at the top of this chart we see the position of chief executive officer and that's Mr Matt Bekier?

25

MS ARNOTT: Yes, Matt Bekier, yes, that's right.

MS SHARP: And reporting to him is the chief legal and risk officer.

30 MS ARNOTT: Yes, that's correct.

MS SHARP: And who is that at the moment?

MS ARNOTT: That's Paula Martin.

35

MS SHARP: And how long has she held this position?

MS ARNOTT: She's held that position since about June or July in 2019.

40 MS SHARP: Before that was Mr Paul McWilliams occupying this position?

MS ARNOTT: He was holding the chief risk officer position. Ms Paula Martin always held the chief legal officer position.

45 MS SHARP: So is it right that some time last year the positions of chief – or the separate positions of chief legal and then chief risk were merged into the one position.

MS ARNOTT: Yes, that's correct.

MS SHARP: And that position is the one that is now occupied by Ms Paula Martin.

5 MS ARNOTT: Yes, that's correct.

MS SHARP: Now, if I refer a little bit further down this diagram and take your attention to the left-hand side, there is group general counsel. Who is that person?

10 MS ARNOTT: That's Andrew Power.

MS SHARP: And immediately to the right there's the group investigations manager. Is that Mr Houlihan who you referred to the other day?

15 MS ARNOTT: Yes, it is.

MS SHARP: Now, is it right that your reporting structure – the input for your reporting structure is through group general counsel who is Andrew power?

20 MS ARNOTT: Yes, that's correct.

MS SHARP: And I might turn the page and go in more detail to chart 10.1 if I can. Could I turn to the next page, please. Now, the group general counsel we see here at the top of this second page, again that's Mr Andrew Power?

25 MS ARNOTT: Yes, that's right.

MS SHARP: And where is your position on this chart?

30 MS ARNOTT: It is in the top left-hand corner, the group AML/CTF financial crime manager.

MS SHARP: So that's you, is it?

35 MS ARNOTT: That's me, yes.

MS SHARP: Thank you. And then the people underneath you in the chart, are they people on the same level as you or do they report to you?

40 MS ARNOTT: No, they report to me.

MS SHARP: So is it right or wrong that your reporting structure to get through to the board means you report through Andrew Power, the group general counsel, who in turn reports through the chief legal and risk officer, Ms Paula Martin, and then in
45 turn she, through the chief executive officer, Mr Matt Bekier.

MS ARNOTT: That is the reporting structure, but I also have a direct line to the board at every – or at each of the group – risk and compliance committee meetings.

5 MS SHARP: Could you tell us a bit more about that direct access path, if I can describe it that way.

MS ARNOTT: Of course. So the board risk and compliance committee meets quarterly and at each of those meetings I prepare a board paper which goes to the board and then I am present at each of those board meetings to speak to that paper
10 and answer any questions that the board may have.

MS SHARP: And is this the matter that you deal with in your statement, if I can take you there – and we can take that document down off the feed – from paragraph 93 onwards.
15

MS ARNOTT: Yes, that's correct.

MS SHARP: And so it's correct that on some occasions you will personally report to the board.
20

MS ARNOTT: Yes.

MS SHARP: And just to be clear, which board are you referring to there?

25 MS ARNOTT: So the board of the Star Entertainment Group. I, just to be clear, mostly come to the board risk and compliance committee which is a committee of the Star Entertainment Group board, and then any program approvals have to go through to the full board and in that case I would also go to the full board meeting.

30 MS SHARP: And just while we're in this part of the statement, Ms Arnott, could I take you to paragraph 92. You say that the Star Group board also receives regular training on AML-related matters. Could you please tell us what that training consists of and how regularly it is provided to board members?

35 MS ARNOTT: So I have done it once since I became into this position which was at the beginning of 2019, and at that meeting I prepared a pack based on our online training, but a bit more targeted towards the things that the board would like to see. And I spoke to them for probably half an hour about what money laundering is, how it works, how it relates to a casino environment and what we do to try to combat –
40 combat money laundering in our casinos.

MS SHARP: And is it right the first time you provided this training was in around March of 2019?

45 MS ARNOTT: That sounds about right, yes.

MS SHARP: And is that the only time you've provided that training or have you provided that training to the board on more occasions?

5 MS ARNOTT: It's the only time I've provided it, but I'm not sure if others have provided it previously. I'm aware that they have been given a training pack in the past and they also are provided with our online training, but I – that's the first time I've been in this role and been personally responsible for providing that training.

10 MS SHARP: Now, Ms Arnott, when Mr Hawkins came to give us evidence the other day, I regret to say he gave you some homework.

MS ARNOTT: Did he?

15 MS SHARP: I will now ask you some questions about that. Just pardon me while I get the document.

MS ARNOTT: Of course.

20 MS SHARP: I had some questions for Mr Hawkins about the internal control concerning cage operations and he told us that my questions would be better directed to you. I understand this document is not confidential. It was in list 1 of – the 15th document. It was also tab – I withdraw that. I will just call up the document number and bring it up on the public feed. STA.0011.0001.0359. Now, do you have that document in front of you in any way?

25 MS ARNOTT: I am very likely to. Did you say it was tab 15 in list 1?

30 MS SHARP: It was in Mr Hawkins' affidavit – I beg your pardon – statement it is - - -

COMMISSIONER: Yes, it was 15 at list 1, I think.

MS SHARP: Yes, that's correct.

35 MS ARNOTT: With the final reference number of 0359?

COMMISSIONER: Yes.

40 MS SHARP: That's correct. Thank you.

MS ARNOTT: Thank you.

MS SHARP: Now, I take it you're familiar with this document, first of all?

45 MS ARNOTT: Yes.

MS SHARP: Could I take your attention, please, to paragraph 17 of that document and I will have the pinpoint brought up, that's pinpoint 0362. Have you got paragraph 17 in front of you, Ms Arnott?

5 MS ARNOTT: Yes, I do. Yes.

MS SHARP: And I just wanted to ask you a few more questions about these cage transactions, and the first one I wanted to ask you about was paragraph (b) and fund transfers between related casino entities. What does "related casino entities" mean in this context?
10

MS ARNOTT: Okay. So if a junket customer were playing in Sydney and they had money in their front money account and they wished to transfer that to Queensland to enable play up there then we would allow that to happen.
15

MS SHARP: And are there also related casino entities overseas that patrons can have such money transferred from?

MS ARNOTT: No. We don't operate any casinos overseas.
20

MS SHARP: Now, there's also an entry (c) fund transfers from patron accounts. How is that different to (b)?

MS ARNOTT: So that's when a patron wants to transfer money not to another account with us, but to an account elsewhere. So if – if they wanted to return money to their accounts overseas or they wanted to move money to another customer within the casino.
25

MS SHARP: And at (d) we see telegraphic transfers. Does this mean transfers into a casino account and also transfers out of a casino account?
30

MS ARNOTT: So telegraphic transfers generally refers to banking system transfers, so international or domestic transfers to the banking sector rather than within the casino itself.
35

MS SHARP: Now, I asked you a little bit when we last spoke about the Suncity service desk arrangement that was operating until mid-last year.

MS ARNOTT: Yes.
40

MS SHARP: Did paragraph 17 of this internal control apply to operations at that Suncity service desk?

MS ARNOTT: No, this is a cage SOP, so a cage internal control. So this will relate to any transactions conducted by customers at the cage. So the Suncity service desk is not our cage and so, no, the internal control would not apply.
45

MS SHARP: I just want to understand a little bit more about the accounts into which a junket operator can deposit front money. Is it correct that a junket operator can deposit money only into an account operated by the casino licensee to have that front money made available?

5

MS ARNOTT: So in the banking system they can deposit – we have bank accounts that they can deposit money into and that will be made available in their casino account or they can come to the cage to deposit that money as well.

10 MS SHARP: And those bank accounts, are they bank accounts held in the name of the corporate entity that is the casino licensee, or can they be held in the name of other corporate entities within the overall Star Group?

15 MS ARNOTT: To deposit front money we only allow that to be made into the casino licensed entity accounts. The – just so it doesn't appear convoluted, the – you can repay cheque cashing facilities through accounts with the name EEI Services but we don't accept front money payments into those accounts.

20 MS SHARP: Is it correct that under the Casino Control Act, Star is not permitted to provide credit to patrons unless by way of a cash chequing facility?

MS ARNOTT: Yes, that is my understanding in – in Australia that is the case.

25 MS SHARP: Can I take you to the Star Entertainment Group's annual report for 2019. This is a public document. It was in list A at 197 – well, sorry, exhibit A197, Commissioner. I might just have it brought up to the public feed. It's INQ.050.001.0834. Now, do you have access to that document in some way, Ms Arnott?

30 MS ARNOTT: I'm unsure. Do you know what list it would be in?

35 MS RICHARDSON: If I could assist, the only physical documents Ms Arnott has in front of her are the confidential documents in the three confidential lists, so if you could possibly bring that on the screen that would assist.

MS SHARP: Yes. Can you see the front page of the annual report on the screen now, Ms Arnott?

40 MS ARNOTT: Yes, I can.

45 MS SHARP: Now, I will take you – and no doubt you're quite familiar with the annual report of the Star Group. Could I take you, please, to pinpoint 0934. You may or may not be able to assist me with these questions. What we have here is a note to the financial statements and one of the things we're shown here are the controlled entities, that is the entities controlled by the Star Entertainment Group Limited. Could I direct your attention to about the fifth or sixth company down, and

I will have it enlarged a little bit. It's Star City Investments Proprietary Limited.
Are you in a position to tell us anything about what this company does?

5 MS ARNOTT: No, I'm sorry. I don't – I don't have any knowledge of what that
company does.

MS SHARP: I think you may be able to assist with the next companies I'm going to
ask you about. If we could scroll down, there are two companies, EEI Services Hong
Kong Holdings Limited and EEI Services Hong Kong Limited. Now, it's right that
10 both of those companies are incorporated in Hong Kong?

MS ARNOTT: Yes, that – yes, that is correct.

MS SHARP: And you are familiar with those companies?
15

MS ARNOTT: I don't know what the holdings company does, but I am certainly
familiar with EEI Services Hong Kong Limited.

MS SHARP: Can you tell us what EEI Services Hong Kong Limited does?
20

MS ARNOTT: It's a licensed moneylender and remitter in Hong Kong.

MS SHARP: And what role does it perform with respect the casino operations in
Australia?
25

MS ARNOTT: It is able to provide loans to international customers in Hong Kong.

MS SHARP: And is that providing loans to those international customers in Hong
Kong so that they have front money available to them in the Australian casinos?
30

MS ARNOTT: Yes, that is correct.

MS SHARP: So this is the provision of credit to those patrons?

35 MS ARNOTT: Yes.

MS SHARP: But it's done otherwise than by way of a cash chequing facility?

MS ARNOTT: Yes, that's correct.
40

MS SHARP: And the reason it's done, is it, is because the limitation in section 75
of the Casino Control Act about making provision – or limiting the ability to provide
credit to patrons only applies to the casino licensee; correct?

45 MS ARNOTT: Yes, that's my understanding.

MS SHARP: And that provision, that prohibition, is not triggered because what we see here is a related company, being EEI Services Hong Kong Limited, making the credit available to the patron?

5 MS ARNOTT: Yes.

MS SHARP: Is EEI Services Hong Kong Limited providing a designated service to the patron when it advances that credit?

10 MS ARNOTT: No, it's not.

MS SHARP: And - - -

MS ARNOTT: It's - - -

15

MS SHARP: Does that mean it is not captured by the Australian reporting obligations under the Anti-money Laundering Act?

MS ARNOTT: Not for the provision of credit, but we have also – it is also a registered remitter in Hong Kong, and we have registered it with AUSTRAC as a remitter in Australia.

20

MS SHARP: So when it – does that mean that when the Hong Kong company remits the money to the casino in Australia, it is providing a designated service?

25

MS ARNOTT: Yes, it would.

MS SHARP: And that means that that remitter is the subject of a reporting obligation in Australia under the Anti-money Laundering Act?

30

MS ARNOTT: Yes, that's correct.

MS SHARP: And is it correct that that company, that is the Hong Kong company, also has reporting obligations under the Hong Kong anti-money laundering regime?

35

MS ARNOTT: That's correct.

MS SHARP: When we look to the anti-money laundering compliance program that is required under the Anti-money Laundering Act, is this Hong Kong company treated as one of the reporting entities for the purpose of that program?

40

MS ARNOTT: No, it has its own program because we took the position that we wanted to incorporate Hong Kong and Australian law into the one program for EEIS.

MS SHARP: Now, you've said that you weren't quite sure what EEI Services Hong Kong Holdings Limited does. Could I suggest to you that its purpose is to enter into junket agreements. Are you familiar with that?

45

MS ARNOTT: If that is the case, then I will – I’m happy to accept that, but I – I genuinely don’t know the purpose of EEI Services Holding – the holding company.

MS SHARP: Would you pardon me for one moment, please, Commissioner.

5

COMMISSIONER: Yes, of course. Whilst Ms Sharp is doing that, the evidence that you gave a little while ago was that “Suncity service desk was not ours”. I think you said it wasn’t – it wasn’t under - - -

10 MS ARNOTT: It’s not casino - - -

COMMISSIONER: Say it again for me?

MS ARNOTT: It’s not an operation of the casino.

15

COMMISSIONER: And so that’s a desk that’s controlled by Suncity, is it?

MS ARNOTT: Yes, that’s correct.

20 COMMISSIONER: Or the junket operator relevant to that particular salon; is that right?

MS ARNOTT: Yes.

25 COMMISSIONER: And so when you say it’s not controlled by – or it’s not part of Star, does Star have any jurisdiction over it at all as to what happens within it?

MS ARNOTT: Well, it happens on the casino property so, yes, we would have – we have the ability to have camera coverage and we have the ability to make sure that
30 the way that that desk is conducted is consistent with what we would expect as a casino operator, but it is Suncity staff who operate it as a service desk. There are things there, they are managed there, own files and things like that that is not casino related so that we don’t have any – any provenance over, but insofar as it’s on the
35 casino property, we do have some ability to put in procedures that we’re comfortable with.

COMMISSIONER: I’ve seen some footage of what happens in the Suncity Room at Crown. If that were observed at Star, presumably, you would be interested to ensure what was going on, I presume.

40

MS ARNOTT:

MS RICHARDSON: Could I just interrupt there, Commissioner. Sorry. In fairness to the witness, I think she should be given a factual assumption about what that
45 footage involves, even though she may have seen it at some point, so that she’s clear what she’s being asked to comment on.

MS SHARP: Commissioner, if I could just add to that, I was just about to take the witness to the - - -

COMMISSIONER: I see.

5

MS SHARP: - - - what I will call, the blue cooler bag footage, so perhaps I could assist by doing that and providing some assumptions.

COMMISSIONER: All right.

10

MS SHARP: Could I show you some footage, please, Ms Arnott. I will call it up. It's footage which will need to be played. It is at exhibit A227 and it is INQ.800.001.0004, and that can go to the public screen.

15 COMMISSIONER: Yes.

MS SHARP: Can you see this footage, Ms Arnott?

MS ARNOTT: Yes, I can. It's not playing, but I can see - - -

20

MS SHARP: Thank you.

COMMISSIONER: It will be playing in a minute, I believe.

25 MS SHARP: Yes.

MS ARNOTT: Thank you.

30 **VIDEO SHOWN**

MS SHARP: That's the end of that footage, Ms Arnott. Would you agree that you saw the following: first of all, very large amounts of cash being placed on to a desk from a blue cooler bag?

35

MS ARNOTT: Yes, that's correct.

MS SHARP: And you agree that in exchange for that, cash chips and plaques were provided?

40

MS ARNOTT: Yes.

MS SHARP: And did you observe the cash counter on that desk?

45

MS ARNOTT: Oh, no, I didn't see a cash counter.

MS SHARP: You can assume from me there was a cash counter on that desk.

MS ARNOTT: Yes.

5 MS SHARP: Did you see that the chips and plaques were provided by people wearing uniforms?

MS ARNOTT: Yes.

10 MS SHARP: Can I ask you to assume the following. First of all, you can assume that footage took place in March – or the event depicted in that footage took place in March 2017. Second, that that event occurred in the Suncity Room at Crown Melbourne. Thirdly, that the people in uniforms were Suncity staff members, and the desk they were at was referred to as the Suncity desk. Now, at the Suncity Room
15 in Star Sydney prior to the changes that took place in about August 2019, is it correct that cash could be exchanged for chips by people wearing Suncity uniforms?

MS ARNOTT: I think, as we said before, we took a position that meant that we would stop the Suncity service desk from doing a one-to-one swap of cash for chips at that service desk.
20

MS SHARP: I understand your evidence to be that at some point you put a stop to it, but I take it that means that until a stop was put to it, there was such a desk in the Suncity Room in the Star in Sydney where cash could be exchanged by Suncity officers for chips?
25

MS ARNOTT: There was a period of time - - -

MS RICHARDSON: I object. Just wait. Just wait, please. I object to that question.
30 My recollection of Ms Arnott's evidence was that there were some instances where this came to attention and action was taken, that it is not an accurate characterisation of the evidence that there was an ongoing practice that was ongoing and then finally put a stop to. Can I also raise a procedural fairness objection that this witness and Star has not been given any notice that operational details – or that this type of
35 evidence will be traversed. Summons were issued by the Commission in relation to the VIP room which – the date of which commenced on 1 June 2019. We have not been asked to review specific incidents as to time periods prior to that. In my submission, it's very unfair to this witness and to Star to ask her operational details about certain matters about which we have been given no notice.
40

COMMISSIONER: Yes. Ms Sharp.

MS SHARP: Just if I can respond to that, Commissioner. An email did go out to all parties expressly advising them that the questions asked of their witnesses would not be limited to matters that were traversed in their statements.
45

COMMISSIONER: Just in respect of this topic, so far as your specific questions are concerned, to when does it relate?

5 MS SHARP: This relates to the period prior to August 2019.

COMMISSIONER: Yes. And do we know the specific period?

MS SHARP: Well, I would like to ask about that.

10 COMMISSIONER: Yes. Well, you can ask about the period and we will take it step by step.

MS SHARP: Thank you.

15 COMMISSIONER: Yes.

MS SHARP: It's correct that Suncity was given its own room in late 2015 or early 2016 at the Star in Sydney?

20 MS ARNOTT: I can't provide evidence as to when that room began because I wasn't involved in its being set up.

MS SHARP: Now, it's correct that at some point after its operations commenced, it became known to those within Star that transactions were occurring at the Suncity
25 desk which involved cash deposits being made to people in Suncity uniforms and, in exchange, those people in the Suncity uniforms would provide chips?

MS ARNOTT: Yes. When that was raised to us as a concern and we changed our
30 policy in relation to it.

MS SHARP: When was that - - -

COMMISSIONER: Just pardon me, I just didn't catch that. You changed your
35 policy; is that what you said, Ms Arnott?

MS ARNOTT: Yes.

COMMISSIONER: Yes. Thank you.

40 MS SHARP: And when was that raised to your attention?

MS ARNOTT: I think previously I said – I said it was last year, but having thought
about that over the recess I was not in my current position so it would have had to
45 have been some time in 2017 or '18 that that occurred.

MS SHARP: And was it brought to your attention on one occasion or more than one occasion?

MS ARNOTT: It was brought to our attention, I think, that there were a few transactions that occurred and that's why it came up to us.

5 MS SHARP: And I assume that was a matter that caused concern to you once you became aware of that sort of transaction.

MS ARNOTT: Yes, it did.

10 MS SHARP: And it's right that you took steps to investigate whether that sort of transaction was occurring.

MS ARNOTT: Yes, insofar as we could investigate that with limitations on our ability to review over an extended period of time.

15 MS SHARP: Is that because you did not have available to you records within Star that would allow you to ascertain the frequency with which such transactions occurred?

20 MS ARNOTT: We had it for a certain time period.

MS SHARP: And what was that certain time period?

MS ARNOTT: About 90 days.

25 MS SHARP: And when you say you had it, was that a security camera?

MS ARNOTT: Yes.

30 MS SHARP: So is it the case that you were able to reveal security footage for a period of 90 days to ascertain the frequency with which such transactions occurred.

MS ARNOTT: Yes, we did look at that.

35 MS SHARP: And over that 90-day period that you were able to review, are you able to say on how many occasions such transactions were observed?

MS ARNOTT: There were a number of them, but I – I genuinely can't remember. It was some time ago.

40 MS SHARP: I won't press you for a specific number, but I will press you for an indication of the magnitude. Are we talking more or less than 100 times?

MS ARNOTT: Much less.

45 MS SHARP: 10?

MS ARNOTT: Yes, I would say in the – that – that is – and unfortunately it is just a – my recollection of that would be that it would be in around the 10s type of number, but if it would help we could go back and look. I can't give you a firm – a firm answer to that.

5

MS SHARP: In any event, you would accept that it wasn't – what you observed was not a – the provision of a designated service by the casino operator, so Star was not required to report the transaction to AUSTRAC.

10 MS ARNOTT: That's correct.

MS RICHARDSON: I object to that question. Stop. I object to that question.

COMMISSIONER: Just pause there.

15

MS RICHARDSON: Sorry, I'm - - -

COMMISSIONER: Just pause.

20 MS RICHARDSON: I'm just concerned about the witness in relation to section 123.

COMMISSIONER: Yes.

25 MS RICHARDSON: I think the answer to that question would not breach 123 in terms of tipping off, but just to protect the witness, and I'm not in her room, I want her to be alive to the requirements of the AML Act in terms of tipping off. But I don't think that specific question would breach that provision. If it's at a level of
30 would the regime apply, that is not a 123 problem, but it may be the next question could raise – put the witness in peril of breaching that section.

COMMISSIONER: I agree with you, it is not. You may proceed.

35 MS SHARP: Now, you're aware, Ms Arnott, that the kind of transactions we're talking about were not designated services which triggered any reporting obligation by the casino operator at Sydney.

MS ARNOTT: They would not – insofar as we were not a party to the actual transaction they wouldn't raise threshold transaction reporting obligations, but there
40 may – given it was – it did occur inside the casino and our staff are in that room, then it may trigger the suspicious matter reporting obligation because it's something that the staff may be aware of.

45 MS SHARP: But isn't it right that a suspicious matter reporting obligation under section 41 is only triggered where the operator provides a designated service.

MS ARNOTT: No. It's a matter. The service doesn't have to be provided. My understanding of that provision is that it is any – it can be an inquiry about a designated service or some kind of – yes, it's a matter. It's not a transaction. So any matter that occurs that would be suspicious is something that we would report
5 whether or not the transaction occurred with us.

MS SHARP: You were aware, of course, that the Suncity junket or Mr Iek's junket was not a reporter and did not need to report transactions of this nature to AUSTRAC?
10

MS ARNOTT: That's correct.

MS SHARP: Tell me, at any point did AUSTRAC become aware that to your knowledge did AUSTRAC become aware - - -
15

COMMISSIONER: I will have to stop you there. That's rejected. Yes?

MS SHARP: Thank you.

20 You say that once you conducted your investigation you put a stop to this practice. What steps were taken?

MS ARNOTT: So we liaised with our marketing team to have the relationship with the Suncity representatives to say that we weren't comfortable with them doing direct one-for-one swaps for cash and chips in that room and they – all the cash transactions where Suncity representatives accepted cash would have to be brought to the cage within a certain period of time and that the provision of chips to the customer would have to be a separate transaction and not related to the acceptance of cash in that room. We also asked them to keep detailed ledgers that we would be
25
30 able to look at.

MS SHARP: And when in time did this policy direction occur?

MS ARNOTT: At some time in 2017 or '18. As I said, it was when I was in my compliance manager position.
35

MS SHARP: Would it surprise you to know that Mr Hawkins gave evidence that cash was not exchanged at the Suncity desk?

40 MS ARNOTT: So they accept cash and then bring it to the cage. I'm not sure - - -

COMMISSIONER: Yes, so when you say the cage do you mean the cage on the casino floor do you?

45 MS ARNOTT: Yes, that's right.

COMMISSIONER: So the exchange takes place within the casino, that's the Star Casino desk, even though it's presented, perhaps, at the service desk of Suncity. Is that what you're saying?

5 MS ARNOTT: That's correct, because at the cage the – and this – at the cage the only people who are able to transact on the junket operator's accounts are the junket operator and the junket representatives, so at some time they – if they're bringing cash to the cage to transact they have to have gotten that cash from somewhere, whether it's a customer of theirs or from their own business.

10 COMMISSIONER: But just let me understand - - -

MS ARNOTT: And then they would bring it to the cage.

15 COMMISSIONER: I'm sorry, Ms Arnott.

MS ARNOTT: No, you're fine.

20 COMMISSIONER: In respect of the Suncity Room - - -

MS ARNOTT: Yes.

25 COMMISSIONER: - - - when you changed your policy after you found this unsatisfactory arrangement, it was a requirement that the money that was presented to the Suncity people had to be brought within the casino cage, that is, the Star cage. Is that right?

MS ARNOTT: That's correct.

30 COMMISSIONER: Yes, I understand. Yes. Thank you.

MS SHARP: Who was it who brought to your attention the fact that these transactions were occurring in the Suncity Room?

35 MS ARNOTT: To my personal attention it came from my AML administrator, Mr Willett.

MS SHARP: And did he explain to you how it had come to his knowledge?

40 MS ARNOTT: It – he did, yes. It came – the staff in that room reported it to him. The Star staff.

45 COMMISSIONER: And when the Star staff were in that room, were they in uniform or did they have Star Casino identification on them?

MS ARNOTT: Yes, certainly.

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

MS SHARP: I diverted myself a little bit.

5 COMMISSIONER: I think I diverted you. I apologise.

MS SHARP: I will return to where I was. I was asking you about an account, the
EEI Service (Hong Kong) Limited account. Could I show you a document; it is
confidential, so I won't have it brought up to the live feed. For your assistance, Ms
10 Arnott, it's list 4 at tab 1 and if we could just have this brought up on the VC screen.
It is STA.0014.0002.0112; hearing room only for this document. Now, do you have
a document with a heading on it and a number right up the top, the last four digits
being 0112, Ms Arnott?

15 MS ARNOTT: Yes, I do.

MS SHARP: Are you familiar with this document?

MS ARNOTT: Only insofar as I saw it when it came into – into this pack of
20 documents.

COMMISSIONER: Yes.

MS SHARP: Now, I just wanted to take your attention to a particular part of this
25 document, if I could, which, just to put it in its context can I firstly take you to
pinpoint 0119, the last four digits, and I just want you to look at the top of that page
to understand the context of the next page I will put to you.

MS ARNOTT: Yes.

30

MS SHARP: And then could I ask you, please, to go to pinpoint 0129.

MS ARNOTT: 129.

35 COMMISSIONER: Yes.

MS SHARP: And you will see an entry halfway down the page in a shaded box at
4.0.

40 MS ARNOTT: Yes.

MS SHARP: This step; could you just explain to us what this step is, please.

MS ARNOTT: So where there are CCF outstandings - - -

45

COMMISSIONER: Could you just bring yourself a little closer to your
microphone? I would be grateful.

MS ARNOTT: Sorry, I'm looking down and talking.

COMMISSIONER: That's all right.

5 MS ARNOTT: So where there is an outstanding CCF and there is money in an EEIS account it will sweep across to pay off that CCF.

COMMISSIONER: So if there's a debit owing to Star - - -

10 MS ARNOTT: Yes. My understanding of this - - -

COMMISSIONER: - - - there's a debt owing. Yes.

MS ARNOTT: Sorry. Please continue.

15

COMMISSIONER: If there's a debt owing to Star in respect of the patron, there is the capacity for this process to sweep from the patron's account. Is that right?

20 MS ARNOTT: No, I think it is if there is – because to pay off a CCF the money must be in a casino licensed operator account. It can't be in an EEI Services account, so where there is money outstanding and the money sits in an EEI Services account it will sweep across into the – into the Star's accounts to pay off those CCFs.

25 COMMISSIONER: So the gambler is gambling and has a loss, then Star receives money from this account in a sweep from EEIS; is that right?

MS ARNOTT: Into the Star account from the sweep from the EEIS, yes.

COMMISSIONER: Thank you. Yes, Ms Sharp.

30

35 MS SHARP: Can I take you back to the annual report and to those financial statements, and I can bring this up on the live screen. Again, the annual report may be located at – and it's exhibit A197. Here it is. I will just read it for the transcript. INQ.050.001.0834, and could I return you, please, to pinpoint 0934. There are just a few other companies I might ask you about. If we highlight the middle of that page so it's a bit more easy for Ms Arnott to see, do you see that under the two EEI Hong Kong companies there's another company EEI C&C Services Pte Ltd which is incorporated in Singapore; are you able to tell us anything about the purpose of this company?

40

MS ARNOTT: I believe that it is the – it's a subsidiary company that is in Singapore and it is the company that the Singapore staff are employed by.

45 COMMISSIONER: When you say the "Singapore staff", that is staff of Star in Singapore?

MS ARNOTT: That is correct.

COMMISSIONER: Is that Singapore or elsewhere that those staff operate?

MS ARNOTT: In Singapore. In Singapore.

5 COMMISSIONER: Thank you.

MS SHARP: What do those staff in Singapore do?

MS ARNOTT: They're a marketing and sales team.

10

MS SHARP: And what is their region for marketing and selling?

MS ARNOTT: I'm not – I think they're the north Asia or south Asia – I always get them confused. Yes, they sell in the Asian region.

15

MS SHARP: And just one other question. Right at the bottom of that page, the second last entry, if I could have that highlighted, refers to EEI Services Macau Limited and it's incorporated in Macau. What does that company do?

20 MS ARNOTT: I think that that might be the company that the Macau team are employed by, but I'm not completely sure on that one.

MS SHARP: Is the Macau team a sales team as well?

25 MS ARNOTT: Yes.

MS SHARP: And are you able to tell us where that sales team operates?

MS ARNOTT: In Macau.

30

MS SHARP: Does it operate in Mainland China at all?

MS ARNOTT: No, we have no staff in Mainland China.

35 MS SHARP: Could I take you now to the Casino Control Act, please. That – you don't need to have a copy of it because I will show it to you on the screen, Ms Arnott. It is at – it's exhibit A109, Commissioner, and I will pull it up on the live feed. It's INQ.070.001.1061, and I will take you – you will see that's the Casino Control Act, yes?

40

MS ARNOTT: Yes.

45 MS SHARP: Let me now take you to section 126, which appears at pinpoint 1118, and if I could have section 126 enlarged. You will see that section 126 says that it is a condition of a casino licence that the casino operator must provide the authority with the details of each bank or other financial institution, whether located in or outside Australia, at which an account is held by the casino operator for use in

connection with its operations under this Act. Now, firstly, are you familiar with this statutory provision?

MS ARNOTT: I am aware of it, yes.

5

MS SHARP: Are you able to tell us the accounts that we refer to as being held by the Hong Kong company, does the casino operator at Sydney provide details of that account to the authority?

10 MS ARNOTT: I don't – I can't give direct evidence on that because I don't know. I would assume so, but that, as I said, is not something that I did – I have done so I can't – can't comment directly.

MS SHARP: But you could make some inquiries and let us know later?

15

MS ARNOTT: Certainly.

MS SHARP: Thank you. Now, can I turn to ask you a little bit more about junkets. It's right, isn't it, that you have great familiarity with the due diligence regime conducted by Star for junket operators?

20

MS ARNOTT: Yes, that's correct.

MS SHARP: Is that same due diligence regime conducted for junket representatives?

25

MS ARNOTT: Yes.

MS SHARP: Just to be clear, is the same level of due diligence conducted by Star on junket representatives as is done with respect to junket operators?

30

MS ARNOTT: The – yes, because we would follow the provisions in our enhanced customer due diligence standard for all customers of the Star.

MS SHARP: And for that purpose, you treat a junket operator as a customer of Star?

35

MS ARNOTT: Yes.

MS SHARP: And you treat a junket representative as a customer of Star?

40

MS ARNOTT: Yes.

MS SHARP: What about a junket financier or funder?

45

MS ARNOTT: Yes, they are a customer as well.

MS SHARP: Now, could you just talk us through the steps in conducting due diligence of a junket operator at Star?

MS ARNOTT: Yes. So - - -

5

MS SHARP: We will start with a new operator. So a new operator fills in the form, submits it, then what happens?

MS ARNOTT: They fill in the form, they submit it, it goes through the marketing team and the credit team to make sure that they're comfortable with their requirements. Then it will come to – the form will come through to the cage to conduct a World-Check due diligence search. Then that flows through to the investigations team and they conduct their own due diligence in relation to that customer. In a parallel layer, the AML team will conduct a World-Check and Google search on all new junket operators and depending on the results of that, that will trigger further due diligence in relation to those customers.

10

15

MS SHARP: And, sorry, who did you – I just missed that. Who did you say conducts that parallel stream?

20

MS ARNOTT: My team, the AML team.

MS SHARP: AML. And depending on the outcome, you say that can trigger a further process?

25

MS ARNOTT: Yes.

MS SHARP: Are you able to tell us in general terms when that further process is triggered?

30

MS ARNOTT: If the base level of due diligence finds risk information that would indicate we need to do more work.

MS SHARP: And then if you do need to do more work and there's a trigger, who does that more work?

35

MS ARNOTT: The AML team and the compliance officer in Hong Kong.

MS SHARP: And why do you use the compliance officer in Hong Kong?

40

MS ARNOTT: Because she's a Chinese language speaker and we have a number of databases that we interrogate in native languages because it provides us with further information we wouldn't be able to get searching in English.

MS SHARP: And in the circumstances where you've done that extra level of due diligence, what happens then? Is a report prepared?

45

MS ARNOTT: We would collate that risk information in the risk register.

MS SHARP: And does it come a point where a decision has to be made as to whether or not to deal with this new junket operator?

5

MS ARNOTT: Yes, that's correct. For any customer, if they reach a critical risk rating, then the compliance officer must make a decision as to whether or not to continue to do business with that person.

10 MS SHARP: And who is it that makes the decision?

MS ARNOTT: To continue to do business? From an AML perspective, that would be me.

15 MS SHARP: And does the compliance manager have any role in that decision?

MS ARNOTT: The Hong Kong compliance officer, is that who you're talking about? Or the AML –

20 MS SHARP: Yes, I will be clear. Mr Hawkins told us when he gave evidence at page 896 of the transcript that the decision-maker on whether to conduct business with a junket operator was you in conjunction with the AML/CTF compliance manager; is that correct?

25 MS ARNOTT: I don't know who he's speaking about in relation to the AML/CTF compliance manager. If he's speaking about the compliance officer, then that is also me, so that still is me.

30 MS SHARP: So the ultimate decision within your organisation for whether to deal with the new junket operator rests with you?

MS ARNOTT: No, the ultimate decision as to whether or not we should cease business with a junket operator lies with me, but the decision to start the business with them – it's only if there's enough risk information that we would want to stop.
35 So I don't approve, but I can cease. Does that make sense?

MS SHARP: Thank you for clarifying that, and I will ask a few further questions to clarify. So in the situation where we're dealing with a new junket operator who has not previously had a relationship with Star and you go through the extended due
40 diligence process, who does the decision ultimately rest with as to whether to enter arrangements with this operator or not?

MS ARNOTT: That's a difficult question to answer because often if a junket operator is someone that we would not be doing business with at that level, that will have come through to the investigations team or to myself prior to their applying to
45 become a junket operator and it will often be stopped before they even get to the junket application process. But if it were – if they were to come through and we

were to do enhanced customer due diligence and they were to reach a critical level and I was uncomfortable with that, that risk information at a critical level, then I would be the person to make that decision.

5 MS SHARP: Now, in relation to relationships with current junket operators, you've indicated that you have the ultimate decision-making role; is that right?

MS ARNOTT: Yes, from an AML perspective.

10 MS SHARP: Now, with current junket operators, is there a process for periodically reviewing those arrangements or is it just an as-needed basis?

MS ARNOTT: So we have a number of ongoing customer due diligence obligations within the AML Act that we deal with. So we – we do review them regularly.

15 Anyone in the risk register, we will have some level of review on as a daily basis.

MS SHARP: And are there certain triggers for initiating a review of a current junket operator?

20 MS ARNOTT: Yes, there are in the Act if you – if you determine a level of suspicion, then you conduct enhanced customer due diligence on that person, so we will do that if there is an SMR triggered. We also review anyone that is critical risk annually and, as I said, we do a standard daily wash. We also, if there are – someone comes to notice because there is an unusual request or if there's large scale media
25 attention, then that will often trigger a review of that junket operator as well.

MS SHARP: Now, there was considerable media attention surrounding a number of junket operators with which Star deals in July and August of last year, wasn't there?

30 MS ARNOTT: There was.

MS SHARP: And we may take it that that triggered some further due diligence investigations?

35 MS ARNOTT: Yes, it did.

MS SHARP: It's right, isn't it, that Mr Alvin Chau, sometimes known as Chau Cheok Was, was added to a risk register in August of last year?

40 MS ARNOTT: No, he wasn't added to the risk register in August last year. He had always been on our risk register for – I don't know the date that he was added, but he had been there for quite some time.

45 MS SHARP: Can I show you a confidential document, please. This is in the Star list 3.11. It's STA.0022.0001.0713. I will just have this brought up on the hearing room screen.

MS ARNOTT: I'm sorry. Can you tell me which pack of documents that's in. I didn't quite catch where - - -

5 MS SHARP: Yes, I hope that it will be – it's on the Star confidential list number 3 at tab 11.

MS ARNOTT: Yes. Okay.

10 MS RICHARDSON: Could I just ask, given this is a confidential document, that the questions be asked in a way where the witness is not asked to give confidential information unless we go into closed session.

15 COMMISSIONER: Yes, of course. Senior counsel assisting will make sure of that and I'm sure - - -

MS SHARP: Now, I will just ask you to have a look at the top of that first page.

MS ARNOTT: Yes.

20 MS SHARP: And then could I ask you to go to pinpoint 0175.

MS ARNOTT: Yes. Is that 0715?

25 MS SHARP: Yes. Now, could I ask you to look at the second last entry on that page.

MS ARNOTT: Yes.

30 MS SHARP: And then I will ask you to look at the action in the right-hand column.

MS ARNOTT: Yes.

MS SHARP: That's a reference to you, I take it.

35 MS ARNOTT: That is, yes.

MS SHARP: So what was the action?

40 MS ARNOTT: Added to list by me.

MS SHARP: And you – I beg your pardon?

MS ARNOTT: Added to list by SA is the action.

45 MS SHARP: And what is the list?

MS ARNOTT: The list is a monitoring process that we implement at the Star.

COMMISSIONER: Did you say that you implement or that you started? I just didn't catch that.

5 MS ARNOTT: That – so – that we implement. So this is separate from our risk register, but a process that we engage with to continue to monitor customers of interest.

COMMISSIONER: Yes, I see.

10 MS SHARP: Now, is it right that the decision as to whether to continue dealing with the gentleman referred to here rests ultimately with you.

MS ARNOTT: Yes.

15 MS SHARP: And at this stage no decision has been made to cease dealing with this gentleman.

MS ARNOTT: No.

20 MS SHARP: Now, is it correct that you've directed some kind of audit to be conducted of all junkets with which Suncity is presently dealing?

MS ARNOTT: Yes. We have requested that a due diligence review be conducted of the Suncity junket and the individuals related to it.
25

MS SHARP: And where's that review up to?

MS ARNOTT: It is currently in a completed draft.

30 MS SHARP: And who does that review have to go to?

MS ARNOTT: So it will go to the person who is holding my position whilst I'm on maternity leave.

35 MS SHARP: And will that person make the decisions that you would be required to make were you presently there?

MS ARNOTT: Yes.

40 MS SHARP: Will it go any further? Will anyone else be required to assist in the decision-making process?

MS ARNOTT: With a decision like that to cease doing business with a very large junket group you would always liaise with other operational parties, so – including,
45 for example, Mr Hawkins, and they would be able to put their case forward if there was something that they wanted to do, but ultimately, yes, it is the compliance

officer's decision, but it's not something that you would do without alerting other areas of the business that that decision might be coming.

5 MS SHARP: Now, it's right, isn't it, that Mr Hawkins is a far more senior member of the executive management than you are?

MS ARNOTT: Yes, that's correct.

10 MS SHARP: If your recommendation is to cease dealing with a junket operator who is very, very lucrative for Star, I imagine that imposes some pressure on you?

MS ARNOTT: Making a decision like that in a company is always difficult, but that doesn't mean that I can't and won't do it.

15 COMMISSIONER: I presume that means that you will do it if you need to do it.

MS ARNOTT: Yes, and I have. Not necessarily - - -

20 COMMISSIONER: Yes.

MS ARNOTT: Yes.

COMMISSIONER: Not necessarily comfortably, but you will do it.

25 MS ARNOTT: Yes.

COMMISSIONER: Yes. I see.

30 MS SHARP: Tell me, while doing due diligence investigations – extended due diligence investigations do those investigators liaise with the VIP sales team to try to get information about the particular junket operators?

MS ARNOTT: Yes, we do.

35 MS SHARP: Is that done as a matter of course?

40 MS ARNOTT: It is done when we believe that the VIP marketing team would have information that is relevant to our investigations. Because they have direct contact with the customers, they would be the people that we would go to to source information or evidence to assist us in our investigations.

MS SHARP: Now, you know that Mr Gregory Hawkins has a long history of work in Macau.

45 MS ARNOTT: Yes.

MS SHARP: And you know that he is very familiar with junket operations in Macau?

MS ARNOTT: Yes.

5

MS SHARP: Is he a person that the investigators go to when they wish to understand more information about the junket operators?

MS ARNOTT: We have been known to speak to Mr Hawkins about that, yes. Not necessarily as a matter of course, but yes.

10

MS SHARP: But you would regard him as a good source of information about junket operators.

MS ARNOTT: Yes. By the time we reached Mr Hawkins we have normally come to a fairly solid decision, so obviously it's us providing him with the information that we've found. If he has information that he wants to add to that then, yes, but there are a lot of other people within the organisation that have knowledge of Macau and casino junket operators who we would go to before we went to Mr Hawkins.

20

MS SHARP: So I want to ask you a question now in your capacity as the decision-maker who can make that call that you're going to cease dealing with a junket operator. There are some junket operators who bring in literally billions of dollars to the Star. Where do you draw the line and decide even though you're bringing in billions of dollars to this organisation, it's not appropriate for our organisation to deal with you. Where is that line?

25

MS ARNOTT: The line is not necessarily a clear-cut one, but we do draw a line where people have been money laundering offences that we would cease to do business with them. It really is dependent on the information, the timing of the – the time of the information, the jurisdiction where we find it, how much we can corroborate certain information. It's – it's very difficult because it's not always – it's not always obvious. It's accumulation of pieces of information that come to form a risk – a risk opinion in that case.

35

MS SHARP: Do you have any doubt whatsoever that Alvin Chau is connected to triads?

MS ARNOTT: Yes, I - - -

40

MS RICHARDSON: I object to that.

COMMISSIONER: Yes? The basis of the objection?

MS RICHARDSON: Sorry, I withdraw the objection.

45

COMMISSIONER: Yes, all right. Yes, I think Ms Arnott said that she does have doubts.

MS ARNOTT: Yes, I've seen a lot of - - -

5

MS SHARP: And why do you hold those doubts?

MS ARNOTT: Because I've seen a lot of media attention that links him to triads, but we have done a significant amount of due diligence, including a significant amount of liaison with law enforcement and I have not had anything relayed to me that's been able to confirm those links.

10

MS SHARP: What do you mean by – what are you looking for in terms of confirmation, Ms Arnott?

15

MS ARNOTT: I'm looking for something that would either be a charge or definite evidence links Mr Chau through to those – to those organised crime bodies and there's been nothing of – that has been able to confirm that that I have become aware of.

20

MS SHARP: I just want to explore that in a little more detail. You say there's been no conviction, and we will leave that aside. What other definite evidence would you wish to see before forming a conclusion?

25

MS ARNOTT: I would like to see some – other than – something other than a media report.

MS SHARP: But where else do you expect to get the information from?

30

MS ARNOTT: From people who have more access to that information than a – than a company does. So, for example, if it came through on World-Check, if we were to get some information through from our regulator, from AUSTRAC, from the police, then we would be able to see that there were definitive links.

35

MS SHARP: What if you, to take a hypothetical example, what if you were provided with information by one of those due diligence databases, for example World-Check, or it could be another one, that said that Mr Chau was a former member of the 14K triads? Would that be the definite evidence you needed?

40

MS ARNOTT: If it said definitively that he was a member of 14K then yes.

MS SHARP: So if it definitively said that Mr Chau was a former member of the 14K triad, that would be the evidence for you that was definitive evidence.

45

MS ARNOTT: Yes.

MS SHARP: And what about if there was a report by the Hong Kong Jockey Club that said that it would not do business with Alvin Chau because of its connection – its concerns about his connections to organised crime? Would that be the definitive evidence you were looking for?

5

MS ARNOTT: No. Without – the Hong Kong – I don't know how the Hong Kong Jockey Club assesses risk and they have different – different ways of collecting information and a different organisational structure. I – I would want to see the evidence that proved to the Hong Kong Jockey Club that he was linked to organised crime and that would assist me in making that decision, but just the knowledge that another company had made that decision is not necessarily sufficient.

10

MS SHARP: Now, this is just a hypothetical example, and I wish to make that clear to you. What if you had a conversation with somebody in your international marketing team and they said to you, "Everybody knows Mr Chau is connected with organised crime". Would that provide the definitive evidence you're looking for?

15

MS ARNOTT: That would certainly be a significant piece of risk information we would consider, yes.

20

MS SHARP: And is it right that your due diligence only has access to one database which is World-Check?

MS ARNOTT: No, that's not correct.

25

MS SHARP: Are you aware of a international drug syndicate by the name of The Company?

MS ARNOTT: I am aware – I saw the media coverage in relation to The Company, but no, I am not aware of – prior to that I was not aware of that as an international drug syndicate, no.

30

MS SHARP: When did you become aware of an international drug syndicate that was sometimes called by that name?

35

MS ARNOTT: Only in relation to the media coverage.

COMMISSIONER: Do you mean recent or last year or - - -

40

MS ARNOTT: Yes, the – the Crown Unmasked media coverage of - - -

COMMISSIONER: Thank you. Yes.

MS SHARP: Were you aware of a major – I might describe it as an expose by Tom Allard of Reuters on 15 – or mid-October 2019 which was about The Company and which attracted media attention all around the world?

45

MS ARNOTT: I have seen that article, yes.

MS SHARP: Did you read it at the time?

5 MS ARNOTT: I don't recall reading it at the time, but I have read it subsequently.

MS SHARP: Is that during the course of these hearings that you became aware of it?

10 MS ARNOTT: Yes.

MS SHARP: Now, at paragraph 95 of your statement, if I can take you to that.

MS ARNOTT: Yes.

15

MS SHARP: Have you got that, Ms Arnott?

MS ARNOTT: Yes.

20 MS SHARP: You refer to the Star Sydney attending executive intelligence meetings on a quarterly basis.

MS ARNOTT: Yes.

25 MS SHARP: Do you attend those executive intelligence meetings?

MS ARNOTT: Yes, I do.

MS SHARP: And do they actually take place every quarter?

30

MS ARNOTT: The – I haven't been going to them for very long. I've been going to them since the beginning – since I took on the compliance officer role and I have been to two. So yes, I would – or maybe three. So in my experience, yes. I can't speak to prior to that.

35

MS SHARP: A little bit further down at paragraph 96(b) you say that you routinely engage with ILGA. May I ask you is it ILGA that you routinely engage with or is it Liquor & Gaming New South Wales you routinely engage with?

40 MS ARNOTT: Liquor & Gaming New South Wales.

MS SHARP: Do you actually routinely engage with ILGA?

45 MS ARNOTT: Look, personally, no, I don't. Only insofar as I go to those executive intelligence meetings and make myself available when they wish to discuss anti-money laundering related evidence – information, but - - -

MS SHARP: So when you say, “I routinely engage with ILGA”, that’s not right?

MS ARNOTT: No, that is not correct. My apologies.

5 MS SHARP: Okay. But do you routinely engage with Liquor & Gaming NSW?

MS ARNOTT: Yes, through those intelligence meetings and in – when they wish to discuss anti-money laundering related matters then, yes, I do.

10 MS SHARP: I will leave those quarterly executive intelligence meetings to one side. When else do you engage with Liquor & Gaming NSW?

MS ARNOTT: When they have areas of anti-money laundering related inquiries. So I don’t go – I don’t go to them directly, but when they wish to speak to us about
15 AML matters, then I am the person that speaks to them.

MS SHARP: And how often has that been?

MS ARNOTT: In the past six months, it’s been quite regularly.
20

MS SHARP: And who are you dealing with there?

MS ARNOTT: Susan – I can’t remember her last name, I’m sorry – is the person who leads the team and they had an audit team under her.
25

MS SHARP: And what about before the last six months?

MS ARNOTT: It wouldn’t have been me, not in this role. The majority of the liaison goes through our regulatory affairs team.
30

MS SHARP: Now, you’ve mentioned that you also routinely engage with AUSTRAC.

MS ARNOTT: Yes, that’s correct.
35

MS SHARP: And what form does that engagement take?

MS ARNOTT: So we participate in AUSTRAC Community of Practice events, which happen every six months. We also have engagement with the compliance
40 teams at AUSTRAC to when they undertake compliance assessments of the Star. I will also contact the compliance team if we have a major change in our processes or structure and wish to inform them of what we’re doing and how we’re managing things. When we had a substantial review of the program, we invited AUSTRAC in to talk them through the changes. We will also involve them – we participate in a
45 course where we help financial intelligence analysts understand the way casino gaming and licence – and records work as a training for AUSTRAC staff, and if they

have any questions – oh, there was also a recent risk assessment team that came to talk to us, so we have quite a lot of engagement with AUSTRAC - - -

5 COMMISSIONER: Does that include looking at the junket arrangements?

MS ARNOTT: Yes, it does. AUSTRAC, if they determine that they want to do an assessment of that area then, yes, we will certainly speak to them about that and when things change, like the incorporation of EEIS, then we will go and speak to them and let them know how we're changing our business practice.

10 COMMISSIONER: And in respect of that incorporation, that's specifically from the point of view of concern that the anti-money laundering regime is appropriate?

MS ARNOTT: Yes.

15 COMMISSIONER: Yes.

MS SHARP: Is it correct that AUSTRAC is presently conducting a review of junkets?

20 MS ARNOTT: They're conducting a risk assessment in the junket space, yes.

MS SHARP: And what can you tell us about that?

25 MS ARNOTT: I can tell you that they've completed a draft report, but that we haven't seen the final version.

COMMISSIONER: Have you seen the draft?

30 MS ARNOTT: Yes, we've seen the draft.

MS SHARP: And when did you see the draft report?

35 MS ARNOTT: April of this year.

MS SHARP: Tell me, in the course of your due diligence investigations, have you come across a junket operator by the name of Ng Chi Un, which I will spell, N-g C-h-i U-n?

40 MS ARNOTT: It rings bells, but we see an awful lot of Asian names, so I can't recall individual information about him.

MS SHARP: Commissioner, I have no further questions.

45 COMMISSIONER: Yes. Thank you. Ms Orr, do you have any questions?

MS ORR: No. Thank you, Commissioner.

COMMISSIONER: And I think – are there any other questions from any other of the interested parties who have been granted leave to appear? Mr O’Brien?

MR O’BRIEN: No. Thank you, Commissioner.

5

COMMISSIONER: And – I’m not quite sure who is sitting in the distance at that desk. I know Ms Richardson is there, but there’s someone else. I think that might be
- - -

10 UNIDENTIFIED FEMALE: It’s from Clayton Utz.

COMMISSIONER: Yes. Any questions?

UNIDENTIFIED FEMALE: No, Commissioner. Thank you.

15

COMMISSIONER: Ms Richardson, do you seek leave to clarify any matters?

MS RICHARDSON: I do seek leave just to ask two or three questions if I may, your Honour.

20

COMMISSIONER: Yes, of course. Please proceed.

<EXAMINATION BY MS RICHARDSON

[11.35 am]

25

MS RICHARDSON: Ms Arnott, you were asked some questions about sometimes when Star employees who were located in the Suncity Room observed suspicious conduct that was reported to someone in the AML team and then to you. Do you recall those questions?

30

MS ARNOTT: Yes, I do.

MS RICHARDSON: I want to ask you, when it was brought to your attention that there had been an exchange of chips for cash occurring in the Suncity Room, was that reported to police?

35

MS ARNOTT: Yes, it would have been. Yes, it was.

40 MS RICHARDSON: You’re aware that it was in fact reported to police?

MS ARNOTT: Yes, it was.

MS RICHARDSON: And do Star’s procedures permit the exchange of chips for cash in a VIP room without using the cage?

45

MS ARNOTT: No, they don’t.

MS RICHARDSON: And when it was detected through reporting from Star staff to the AML team that that had occurred on those few occasions, did the Star take steps to immediately stop it?

5 MS ARNOTT: Yes, we did.

MS RICHARDSON: Those are my questions. Thank you.

10 COMMISSIONER: Yes, thank you. Ms Arnott, you indicated to me a little earlier when Ms Sharp was asking you questions about the making of decisions at your level in relation to ceasing contractual – or ceasing business with a junket operator; do you recall that evidence?

15 MS ARNOTT: Yes, I do.

COMMISSIONER: And you said to me that making a decision like that in a company is always difficult; do you remember telling me that?

20 MS ARNOTT: Yes.

COMMISSIONER: There's a lot of evidence in relation to whether it's appropriate to have a direct line to the board or whether it's not for an AML officer. When you said it's always difficult, why is that so?

25 MS ARNOTT: Because, often, the information that you're relying on is not clear, particularly if you don't have a direct charge or conviction, but as we went through all of the different other pieces of risk information that you can consider, getting to a point where you have – can firmly say this is inappropriate takes quite a lot of – quite a lot of work and it's – you don't want to get that decision wrong. It's something
30 that I take quite seriously and spend a lot of time making sure that you do undertake a risk – a proper risk assessment of those people so that when the – that you get that level and that line in the sand right. You don't want to – and we also go through a process often of trying to implement other risk mitigants that will prevent a
35 behaviour rather than going straight to a cease to deal decision. So it's often a journey that you go on as a compliance officer to gather enough information to get to a defensible position to cease to deal with a customer, particularly one of high value.

40 COMMISSIONER: And so far as the identification of the way in which AML compliance officers work, some of the expert evidence that has been given suggests, to put it in a summary form, that it's necessary to cocoon that officer from influence of others. You're aware of that, are you?

MS ARNOTT: I'm not aware, but it seems relatively sensible.

45 COMMISSIONER: So in identifying the way in which it should be structured, I presume that the compliance officer from a large public company would want – would be one that's not too zealous but balanced; correct?

MS ARNOTT: Yes.

COMMISSIONER: One who is resilient from criticism but takes it on board appropriately?

5

MS ARNOTT: Yes.

COMMISSIONER: And the structure of the regime for that officer's position would be one that is senior enough and cocooned enough to command respect from the balance of the corporate entity; would you agree with that?

10

MS ARNOTT: Yes.

COMMISSIONER: And that would require continuous – or continual review, would it not, to make sure that that is the case?

15

MS ARNOTT: Yes, if it ceased being the case, then that would be concerning for the organisation.

COMMISSIONER: And I suppose a lot is to do with personality?

20

MS ARNOTT: I beg your pardon?

COMMISSIONER: I suppose a lot of it is to do with personalities and exchange of work – I withdraw that – personalities within the structure of the organisation?

25

MS ARNOTT: Yes, that could be the case.

COMMISSIONER: The other aspect of your evidence that I just wanted to clarify was your evidence – once again, you said it was, again, very difficult and not always obvious when you're dealing with the assessment of the junket operators as to whether to advise not to do business with them; do you remember giving me that evidence?

30

MS ARNOTT: Yes.

35

COMMISSIONER: And Ms Sharp asked you about the line that you would reach in respect of being satisfied; do you recall that?

MS ARNOTT: Yes.

40

COMMISSIONER: I presume that in the money laundering industry of which, I suppose, you're a member now, much of the information will never reach the certainty of a conviction; is that right?

45

MS ARNOTT: That could be the case, yes.

COMMISSIONER: Because the crowded way in which business is done, no doubt, in the – what’s been referred to as the underworld or the organised crime world, is in fact one which is very difficult to pursue by Australian law enforcement agencies in overseas jurisdictions; would you agree with that?

5

MS ARNOTT: Yes.

COMMISSIONER: So to have a line that says “conviction” or “no conviction” would need, do you agree, to be tempered to take into account the fact of the complexity of the organised crime world?

10

MS ARNOTT: Yes, it does, and that is why we do try to manage and maintain our links with law enforcement so that we can get genuine intelligence rather than evidence that – in relation to customers that we would like to consider to gather more risk information about particular customers.

15

COMMISSIONER: And so if you have a customer, let’s call him Mr X, you would want to know whether there is information or intelligence, as it’s called, I think in the law enforcement world, in respect of his operations; can you do that?

20

MS ARNOTT: We can. Obviously, law enforcement have restrictions on what they can lawfully tell us, but we do have very good relationships with law enforcement bodies managed through Mr Houlihan and, yes, we do regularly go out and seek intelligence from law enforcement bodies where they’re able to share that.

25

COMMISSIONER: And when you referred there to the restrictions, in respect of the AML unit it would, of course, be of enormous assistance if those restrictions were such to be relaxed in terms of communication to that specific unit; would you agree with that?

30

MS ARNOTT: Yes, it would. It would be of enormous assistance.

COMMISSIONER: Because then your – what you called your very difficult decisions could be at least less burdensome; is that right?

35

MS ARNOTT: Absolutely. Yes. We would be able to get much clearer understanding of what might be going on that you can’t see from a position without that information.

COMMISSIONER: So way back when the Star was the first casino in this State and the reports came in to the regulator, that AUSTRAC was the repository of the information, since then, a lot of other organisations have developed and been established; you would agree with that?

40

MS ARNOTT: I’m not sure I understand the question.

45

COMMISSIONER: Well, for instance, there's the Federal Police and then there's the ACIC and there's the ACLEI, all those organisations have since been established since 1992; you agree with that?

5 MS ARNOTT: Yes.

COMMISSIONER: And so you have repositories of information all over the country; correct?

10 MS ARNOTT: Correct.

COMMISSIONER: And they are either law enforcement and/or regulatory authorities, including AUSTRAC?

15 MS ARNOTT: Yes.

COMMISSIONER: But the capacity for sharing information is, of course, legislatively restricted, isn't it?

20 MS ARNOTT: Yes, it is.

COMMISSIONER: And so in part, I presume from your perspective at least – and I will ask your counsel about this in due course, but from your perspective, if at all possible, there would be a two-way street for some form of intelligence to be shared
25 with the casino when it has concerns about a junket operator or other funder, it would be of enormous assistance to the organisation, I presume?

MS ARNOTT: Yes, it would.

30 COMMISSIONER: Yes. Anything arising, Ms Richardson?

MS RICHARDSON: No, Commissioner.

COMMISSIONER: Ms Sharp?
35

MS SHARP: No, Commissioner.

COMMISSIONER: Anyone else? All right. Ms Arnott, thank you very much for making yourself available to assist the Inquiry.
40

MS ARNOTT: You're welcome.

COMMISSIONER: And I will now adjourn until the next set of hearings.

45 MS ARNOTT: Thank you.

<THE WITNESS WITHDREW

[11.46 am]

MATTER ADJOURNED at 11.46 am UNTIL MONDAY, 17 AUGUST 2020

Index of Witness Events

SKYE EDWINA RENDLE ARNOTT, ON FORMER OATH	P-1026
EXAMINATION BY MS SHARP	P-1026
EXAMINATION BY MS RICHARDSON	P-1059
THE WITNESS WITHDREW	P-1064

Index of Exhibits and MFIs

EXHIBIT #L1 TO 6 DOCUMENTS IN EXHIBIT L	P-1026
-----------------------------------------	--------