

File note

Matter Crown | China UnionPay

File No. 011916235

Date 22 April 2021 22 April 2021

Author Leopold Bailey

Subject **Meeting with Roland Theiler**
Thursday, 22 April 2021 at 2:00 pm – 4:30 pm

Present: Roland Theiler (**RT**); Christopher Carr (**CC**); Chris Archibald (**CA**); Anna Dixon (**AD**); Jess Elliott (**JE**); Leopold Bailey

General

- 1 RT is a Chartered Accountant and has a Bachelor of Commerce degree from Melbourne University. He worked at Crown for 27 years, commencing in 1995 until January 2021. Soon after starting at Crown RT was told that Crown wanted to develop the international business and attract gaming customers from overseas. RT was responsible for purchasing the first aircraft in 1995 and appointed the crew.
- 2 RT's area was Finance and he primarily worked in VIP including as a strategy manager. RT reported to Jason O'Connor from 2011-2016. The international credit team (all of whom were based in Melbourne) reported to RT. Credit involved administration, overseas sales staff, meeting with customers, potential trip discussions, commission rates, gaming programs, the aircraft they would be on, and credit. The international sales team would liaise with the credit department and ask for credit checks on the customer. Coding revenue was not part of RT's area.
- 3 RT explained that SYCO is a casino management system, for gaming only. Every customer has a SYCO number assigned to them, loosely referred to as their SYCO account, which includes information such as the customer's address, gaming history, transactions, deposits, etc. SYCO is the umbrella, and DAB, safekeeping and credit markers fall within that. A DAB account is a deposit account, analogous to a bank account. The customer can deposit money and withdraw money and chips, with a Crown card and ID, as you would with a bank account. There are also what is known as safe keeping accounts, which are used to extend a line of credit to a customer. For example, a customer may have a credit marker of \$100,000 or chips of that amount issued to them. If the customer loses \$80,000, \$20,000 would go in the safe keeping account, where the customer would not have free access to it because it would be offset against the \$100,000.
- 4 RT explained that a chip purchase voucher is used where a customer has a credit line or brings in front money. The customer would draw on their credit line or their front money and get a chip purchase voucher, which could be exchanged for chips at a table, and possibly at the cage (but cage procedures are not RT's expertise and he would have to confirm that with a cage employee). RT does not know whether customers could get chip purchase vouchers at the hotel, but when customers processed CUP transactions at the hotel, the hotel would give them something they could exchange for chips at the cage.

- 5 Apart from China Union Pay (**CUP**), Crown would provide funds and chips to customers by telegraphic transfer (**TT**), by customers bringing cash to the Crown cage, and by deposits at City of Dreams (**COD**), a Macau company Crown had an investment in. The client would deposit funds at the COD Cage with instructions that the funds be available in Melbourne, the COD Cage would take possession of the funds and notify Crown that COD was holding funds on behalf of the customer, and Crown would release the funds to the customer. If the customer won at Crown, COD would give the funds back to the customer. If the customer lost, COD would send the funds to Crown. An IFTI would be reported once the funds were notionally credited to the customer account in Australia with Crown. An IFTI would also be reported if the customer won, and funds were notionally sent from the customer account in Melbourne to COD. But in fact the funds never moved. They would only move if there was a loss or repayment of a debt.

2013 VIP working group and CPH's involvement in CUP

- 6 From 2011 Crown began to get more business from South-East Asia. Michael Chen was employed as head of sales and employed more people from China. The sales team included Jason O'Connor and Barry Felstead.
- 7 The sales team wanted to develop customer service options including to allow customers to remit money to Crown, which was difficult for customers, particularly in China and even in Hong Kong. Some customers wanted privacy, for example they may have a business relationship with their bank and not want to disclose they are going gambling. Customers have different needs so you want to give as many options as you can, to broaden the client base.
- 8 RT knew that Crown had difficulty enforcing debts, in part because of difficulty getting money out of China, but Crown could not enforce debt in most jurisdictions, including Singapore, Thailand and Indonesia. The only place Crown could enforce debts was in Hong Kong.
- 9 The VIP working group first convened in April 2012 and RT was in attendance. The group was composed of persons including John Alexander, Steve Bennett, Rowan Craigie, and Michael Johnson. The group discussed options available to customers to remit funds to Crown, and growing the junket business, including second tier junkets in Macau, as at that time Crown was only dealing with top tier junkets. RT does not remember how the group began or what its initial purpose was, but suspects it was a CPH initiative to grow the business. Steve Bennet, Chairman of CPH, had banking connections and asked whether there were any other ways to remit money to Crown. RT was only interested in a small part of the scope of the meetings. His take-outs were just directed tasks. Most of the work was directed to Jason O'Connor and Michael Chen.
- 10 CPH did not encourage the Crown team to do things or do things in a way that the Crown team was uncomfortable with, or to implement payment methods that stretched Crown's risk appetite, but RT could not speak to the position in sales or in respect of the 2nd tier junkets. From RT's perspective, the meetings did not add value, but they may have in other areas. Many ideas were suggested but nothing was ever implemented.
- 11 Every month Will Mackay or Jason O'Connor would report on 2nd tier junkets. On one occasion, someone from CPH or Rowan Cragie asked for credit awareness reports on the 2nd tier junkets. COD's credit department investigations area prepared reports giving a profile on particular junkets, including where they were from, who dealt with them, credit issues, what assets they owned. The reports and an executive summary were circulated to the attendees of a VIP working group meeting.



CC showed RT document CRW.514.072.7810

- 12 This is a document titled "VIP Review Workshop #3 – 4 June 2013". There is a standing item number 12 "Foreign Currency" which is described as looking to whether there may be opportunity for customers to use CUP to access money. Responsibility is with Barry Felstead, Jason O'Connor and Steve Bennet. The commentary in the far right column refers to potential mobile payment solutions Regal Crown, Telebite PayEco and Everforex. None of the payment platforms discussed were ever implemented.

CA showed RT document CRW.523.002.0331

- 13 This document appears to be an internal Crown report titled "VIP International Credit and debit card cash out review" and is dated 6 June 2013. Jason O'Connor asked RT to review this document shortly before the 26 July 2013 email (discussed below). CA noted that we don't know who the author was or what meeting it reflects or who conducted the review, but that it probably coincided with the VIP Working Group and some of the ideas being promoted there. CA asked RT whether he recognises the document or recalls that exercise?
- 14 RT did not prepare the document, but speculated that Jason asked someone to prepare it and it would have been Phil Batsakis or Will Mackay (although RT is not sure whether Will was at Crown at that point in time). Phil reported to Jacinta Maguire, and Will reported to Jason. Jason's direct reports included RT, Darren Harding, Jacinta Maguire and Michael Whitcross.
- 15 CA noted that the document says at the top of the page that the CUP process has been happening since August 2012, and gives the impression that CUP was being used since 2012 but was not formalised or documented prior to June 2013. RT said the procedure may have been happening in an ad hoc way until June 2013 but he does not know because it was not his area. After CUP was up and running, a daily limit was put in place, to mitigate the risk of a customer cancelling their credit card transactions.

CC showed RT document CRW.523.002.0383 to .0386

- 16 This is an email from Michelle Fielding (General Manager – Compliance, Crown Melbourne) to Debra Tegoni on 2 July 2013, stating that Michelle and Jan will meet with RT so he can explain the China Union Pay process, so that it can be implemented in Perth. RT does not remember the email or meeting.
- 17 RT stated that Michelle's role was to ensure regulatory compliance, she was the liaison with the Western Australian regulator, the Department of Racing Gaming and Liquor Regulation (**DRGLR**).
- 18 CA asked if RT can recall, from his conversations with Michelle in June and July 2013, why Perth decided not to submit the CUP process to the DRGL? RT does not know.
- 19 The first email in the chain is from Phil Batsakis on 24 June 2013 to Josh Preston, with subject line "Credit and debit cash out policy.pdf" (at CRW.523.002.0386). RT stated that the attachment would have been a policy which stipulated how customers would get funds released from the debit or the credit card, possibly in relation to CUP and other cards.

CC showed RT document CRW.523.002.0355

- 20 This is an email sent by RT to Jan Williamson on 10 July 2013, three months after the first meeting of the VIP working group. RT sent the email in black font, Jan added comments in red font, but we can't tell who wrote what because our copy is in black and white. RT said he asked the questions in the email, including the first question "China Union Pay – are we using it correctly?" The remaining text was added by Jan, and is expressed using her language, directed to Debra Tegoni.
- 21 RT had regular meetings with Jan Williamson, was on the phone with her every day, and dealt more with Jan than Debra Tegoni. Anything his team did or wanted to do, they made sure it went through legal.
- 22 RT's request in the 10 July 2013 email would have come from Jason O'Connor. RT was the conduit from Jason and Michael Chen to legal. Jason and Michael's requests would likely have been verbal and would not have been documented.
- 23 RT would have spoken to a number of different persons in relation to Jason's request for information. He can tell from the email addressees he would have spoken with someone at the cage and Dave Stoddart. Crown is a complex organisation and requests of this nature would affect a lot of departments and individuals.

CC showed RT document CRW.523.002.0381 to .0382

- 24 This is an email from RT to Debra Tegoni on 26 July 2013, attaching an offer letter from NAB. Jennifer Lang sent RT the email on 24 July 2013. The bottom email in the chain shows that the offer letter was sent to David Stoddart on 13 March 2012.
- 25 RT was asked to run the offer letter past Debra Tegoni to ensure Crown was using CUP in a way they were allowed to. Debra's advice was that Crown could use NAB terminals for CUP, but not CBA terminals.
- 26 RT did not ask Jan Williamson for advice in relation to the issues the subject of the 26 July 2013 email.
- 27 RT's understanding is CUP was used by Chinese nationals to purchase things in the same way Australians use Visa, Amex etc. Prior to 2013 CUP was used for some years by the Hotel, to pay bills. RT does not know how CUP morphed into being used to buy chips. But generally speaking, hotels allow customers to take cash out on credit against their room number / account for incidental expenses. For example, if a guest needed \$100 to buy something down the road, or tip someone at a restaurant, the hotel would allow the customers to cash out. RT suspects that what happened at Crown is that these amounts got bigger and bigger, and customers would gamble the money. RT thinks it is unlikely that CUP was used to pay debts, because customers had 30 days to pay debts, so typically they would leave and process a TT to satisfy the debt later. RT understood in 2013 that CUP was available to draw funds to use for gaming, not just to pay hotel or room bills.

CA shoes RT document CRW.523.002.0378

- 28 This is an email from RT to Debra Tegoni on 26 July 2013, describing the CUP procedure "currently employed by us". At the bottom of the email, RT states that he will call Debra later that afternoon to discuss his question. RT can't remember what the question was.
- 29 RT does not know when CUP started to be used, but was told by Phillip Batsakis in 2020 that it began in financial year 2013. RT does not know the precise point between



1 July 2012 and 30 June 2013 when CUP began. Funds processed using CUP were at first minimal, \$3 million in FY13, but ramped up rapidly and were \$150 million in FY16, increasing in line with Michael Chen's impact on the sales department. RT did not have a sense for the increase in volume at the time, though he may have discussed it with Phillip Batsakis in a corridor chat, and does not know whether the increase in CUP was proportionate to the increase in business from China.

- 30 RT noted that, even though the email indicates that he was heavily involved in this, he was not. CUP did not affect him because it did not concern credit, it was an operational issue under Jacinta Maguire and the Cage. RT's email would have been pursuant to a question from someone else, possibly Dave Stoddart or Phillip Batsakis, as Phillip administered all of this.

CC showed RT document CRW.523.002.0159

- 31 This is a document titled "Legal and Insurance Department – Note to File – China Union Pay" authored by Debra Tegoni and dated 17 September 2013. The document states in the last line that Debra told Roland "all of this" on 17 September 2013. CC asked whether RT would have told Jason O'Connor what Debra told him?
- 32 RT doubts whether Debra ever told him what was in the file note. He can't remember whether he relayed Debra's advice to Jason O'Connor. Ordinarily he would have, noting that Jason asked RT to ask the legal department about CUP, but RT can't remember whether he reported back to Jason this time. If he had told Jason, Jason may have spoken with Deb, or he may simply have asked RT "did Deb say no, did she say don't do it, that sort of thing".
- 33 RT noted that Debra's advice in the file note was that there was a commercial or technical but not a legal risk. RT does not recall being troubled by the risk, because if there was a legal risk Debra would have said no, not to proceed with CUP. If there were other discussions to evaluate CUP, they may have been between Barry Felstead, Mike Chen and Jason O'Connor, who met by phone on a weekly basis, but RT did not attend them and is not aware of what was discussed.

CC showed RT document CRW.523.002.0145

- 34 This is a hand-written file note made by Debra Tegoni dated 19 September 2013 in relation to a meeting with RT about the CBA and NAB terms and conditions. The notes state "agreed no transactions for cash, we need to change this process, plus record on hotel account purchase (NOT for cash)". CC noted that this suggests there was a process whereby customers could receive cash from their CUP accounts. CC asked RT if he can remember that being the case? RT stated that the process would have occurred at the hotel, and Dave Steiner may be able to answer the question, and noted that hotels allow customers to cash out, and likely what occurred at Crown was the amounts permitted increased over time.
- 35 The file note states that the transaction is legal in Australia. CA asked whether there was some discussion about whether or not the transaction was legal in China?
- 36 RT said he would ask lawyers for advice, a yes or no answer, and would follow that advice without question. Deb and Jan were very conservative – if there was any legal risk at all, they would say no. They would say if there is a commercial risk it is in your discretion. They were always very clear and would not pass decisions on legal matters over to the operating departments.



CA showed RT document CRW.523.002.0121

- 37 This is an email from Debra Tegoni to David Stoddart on 30 September 2013. CA asked RT whether he can recall any discussions relating to CUP between the time when the process was stopped in 2016, to the time of RT's discussion with Phil Batsakis in 2020? RT can't recall, although it may have happened, for instance if sales staff asked RT why they could no longer use CUP.

China Arrests and cessation of CUP at Crown

- 38 The CUP process stopped after the China arrests. Meetings of a committee that may have been called the "VIP Operations Committee" were held to respond to the incident, composed of RT, Rowan Cragie, Michael Johnson, Barry Felstead, Debra Tegoni, Jacinta Maguire, and Ken Barton may have gone to some. The meetings were initially very frequent because the legal team wanted to develop protocols for overseas staff in terms of what they could and could not do, and a range of other knock on decisions to do with not giving credit to Chinese customers and not accepting CUP, decisions not to communicate with customers in China, or do junkets out of China. Anything related to China was stopped. The pendulum swung the other way and RT and his colleagues became extremely risk averse because they did not want to jeopardise their staff.
- 39 The VIP Operations Committee meeting in response to the China arrests must have been minuted because the NSW Inquiry had the minutes in 2020, but RT does not know whether the minutes were circulated to the Crown Risk Committee. RT notes that counsel assisting the NSW Inquiry asked about a reference in the minutes to funds collected by COD, and CUP was mentioned, but there were no questions in relation to CUP.
- 40 The CUP issue arose in late 2020 during the conduct of the NSW Inquiry. RT followed a lot of the Inquiry closely, but not all of it. Michael Johnson called RT to ask him a question about CUP, RT can't remember the exact question but it was about how much in funds had gone through CUP. Michael Johnson was not worried about CUP, was simply getting prepared in case he was asked about it. RT called Phillip Batsakis about it because he had no idea how much money went through CUP. Phillip gave RT a list of questions, and RT had to ring various people to answer all of them. RT's enquiries did not lead him to gathering any other documents, and Phillip did not provide RT with a spreadsheet to give to Michael. RT received a lot of calls around this time from persons including Barry Felstead asking questions in relation to particular documents or minutes of meetings, to bring them up to speed on a given topic given that they knew the minutes were in evidence.

Anti-Money Laundering training at Crown

- 41 RT went through AML training once a year, online, and it took about half an hour. The training was terrible, pathetic, as RT came to realise after listening to the Commissioner's statements made during the NSW Inquiry. The training indicated that Crown employees should report transactions, but there was no mention of the duty to prevent suspicious or money laundering transactions from happening. As a consequence, Crown would routinely accept (and report) suspicious transactions. You could not stop a transaction for amounts under \$10,000 because it would annoy the customer.
- 42 Debra Tegoni was the statutory office holder, but she was under resourced, with only Scott Howell on staff. There are thousands of transactions every day and only Scott



Howell to monitor them. It was not until 2017 that they employed Louise Lane, then Nick Stokes.

Third party transfers

- 43 CC noted there was some suggestion that a process was employed whereby two persons in a foreign country would transfer funds to Crown without any funds having to leave the foreign country, as follows. The patron would transfer money into a second person's foreign account. In return, the second person would remit funds from their Australia account to the patron's Australian account or directly to the casino's account.
- 44 RT said that Crown had a policy of accepting 3rd party payments until it was stopped in April 2020. Prior to that time, Crown had always accepted third party payments, including from money changers, and Crown would also make third party payments on instructions. RT does not know if there was formal documentation of the procedure.
- 45 The protocol for the sales team was that they were not to facilitate the movement of funds. Since 2017, if a customer asked for a money changer, the sales team could give the customer a list which appears on every website, but could not make a recommendation or touch the funds. The money changers could be big global businesses like Western Union, or Raffles in Singapore, or smaller entities that were not well known. One that was used regularly was Macarindo in Indonesia. We would not know the source of funds or the transactions that occurred before the money was received by Crown. RT cannot recall any suggestion that funds received by Crown were the second half of an inappropriate transaction occurring overseas.

