



**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**

**WEDNESDAY, 14 OCTOBER 2020  
AT 9.59 AM**

**Continued from 13.10.20**

**DAY 43**

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 QC and MR A. BELL SC appear as counsel assisting the Inquiry**

**MR R. CRAIG SC appears with MS C. HAMILTON-JEWELL for Crown Resorts Limited & Crown Sydney Gaming Proprietary Limited and Professor Horvath**

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

**MR J. STOLJAR SC appears with MS N. CASE for Melco Resorts & Entertainment Limited**

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

MS SHARP: Commissioner, before we start with Professor Horvath this morning, could I tender one further document - - -

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COMMISSIONER: Yes, of course.

MS SHARP: - - - which is exhibit AG54.

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COMMISSIONER: Yes. Thank you. I'll mark that as exhibit AG54. Thank you, Ms Sharp.

#### **EXHIBIT #AG54 DOCUMENT**

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COMMISSIONER: Yes, Professor Horvath, are you ready to proceed? Yes, thank you.

25

**<JOHN STEPHEN HORVATH, ON FORMER AFFIRMATION [9.59 am]**

#### **<EXAMINATION BY MS SHARP**

30

MS SHARP: Professor Horvath, you are a very distinguished physician, aren't you?

PROF HORVATH: That's a matter of your judgment, Ms Sharp. I hope so.

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MS SHARP: And in fact, you were the Commonwealth Chief Medical Officer from 2003 to 2009.

PROF HORVATH: That is correct.

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MS SHARP: You're also a strategic medical adviser to the Ramsay Health Care group.

PROF HORVATH: That is correct.

5

MS SHARP: Is it fair to say that a casino is a very long way away from your core area of expertise in medicine and health administration?

PROF HORVATH: Not totally. I spent the first 30-plus years of my life in a busy teaching hospital running a large program and having a large number of staff under my control. It's a 24/7 business with a high level of stress which is not dissimilar to hotels and casinos, Ms Sharp.

MS SHARP: Professor Horvath, it's correct that you were Kerry Packer's personal physician .....

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PROF HORVATH: Sorry, Ms Sharp, I missed the last bit of your question.

MS SHARP: Yes. It's correct that you were Mr Kerry Packer's personal physician for a number of years?

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PROF HORVATH: Yes, and I – it was a team effort. I led the team that cared for him for a period of time, yes.

MS SHARP: And in fact, you were the head of the royal Prince Alfred Hospital's Department of Renal medicine and is it right that you assisted in overseeing his kidney transplant?

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PROF HORVATH: That is correct, Ms Sharp.

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MS SHARP: And how closely were you involved in his care, Professor Horvath?

PROF HORVATH: I was closely involved in his care up until 2003 when I went to the Commonwealth as Chief Medical Officer.

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MS SHARP: Is it fair to say that you became friends?

PROF HORVATH: No, I don't believe so. Caring for someone in a complex situation, there are boundaries.

40

MS SHARP: And when did you first meet Mr James Packer?

PROF HORVATH: To be precise is difficult. It was either 1998 or '99, when Mr Packer was in hospital and Mr James Packer visited him. I don't remember – I presume we were introduced at that time.

45

MS SHARP: And how well did you come to know Mr James Packer in that period, that is, the period before your appointment to the Crown Resorts board?

5 PROF HORVATH: I – I would say moderately well, I got to know him over a period of time.

MS SHARP: Did you participate in social activities with him?

10 PROF HORVATH: No.

MS SHARP: Any sort of business relationship with him?

15 PROF HORVATH: No. Sorry, can I just amend that, just for completeness. I attended his second wedding.

MS SHARP: And when was that?

20 PROF HORVATH: If that – I don't remember the time. It was certainly before 2009. It was at the time of the Intervention of the Northern Territory because I recall being called to do some work at that time.

MS SHARP: So it was a time before your appointment to the Crown Resorts board?

25 PROF HORVATH: Yes.

30 MS SHARP: Can I take you to a document, please, Professor Horvath. It's the ASX Corporate Governance Principles and Recommendations. It's a public document INQ.100.001.0408, which is exhibit P22. Have you got that document in front of you, Professor Horvath?

PROF HORVATH: It is just coming, Ms Sharp.

35 MS SHARP: Wonderful. Could I take you – well, I will have the operator take you to pinpoint 0423.

COMMISSIONER: That is page 13.

MS SHARP: Yes, page 13.

40 PROF HORVATH: I have it, Ms Sharp.

MS SHARP: Thank you. Could I take your attention, please, to recommendation 2.3 which recommends that:

45 *... a listed entity disclose the name of directors considered by the board to be independent directors.*

Now, I will stop there; you are one of the independent directors, correct?

PROF HORVATH: That is correct, Ms Sharp.

5 MS SHARP: Could I take your attention please, Professor Horvath to the  
commentary and would you agree that to describe a director as independent carries  
with it a particular connotation that the director is not aligned with the interests of  
management or a substantial holder and can, and will, bring an independent  
10 judgment to bear on issues before the board?

PROF HORVATH: I agree with that statement, yes.

MS SHARP: And do you consider that you meet the requirements set out in that  
15 statement?

PROF HORVATH: I do believe I do, yes, Ms Sharp.

MS SHARP: And could you see a little further down, Professor Horvath, it states:

20 *A director of a listed entity should only be characterised and described as an  
independent director if he or she is free of any interest, position or relationship  
that might influence or reasonably be perceived to influence in a material  
respect the capacity to bring independence.*

25 Do you meet that requirement vis-à-vis the Crown Resorts board, Professor Horvath?

PROF HORVATH: I believe – I believe I do, Ms Sharp.

MS SHARP: And could I take you over the page, please, Professor Horvath, to  
30 pinpoint 0424, which is page 14. Can you see there's a box that sets out factors  
relevant to assessing the independence of a director?

PROF HORVATH: I do, Ms Sharp.

35 MS SHARP: Could I take your attention, please, to the second last dot point. Now,  
this is an example of a factor relevant to assessing independence. It is:

40 *Having close personal ties with any person who falls within the categories  
described above.*

And you can take it from me that includes management and substantial shareholders.  
Do you have close personal ties with James Packer?

PROF HORVATH: No, I don't.

45 MS SHARP: Could I take your attention, please, to the last dot point there. This is  
another factor relevant to independence:

*Has been a director of the entity for such a period that their independence from management and substantial shareholders may have been compromised.*

5 Now, Professor Horvath you have been a director of Crown Resorts for around 10 years now.

PROF HORVATH: That is correct, Ms Sharp.

10 MS SHARP: Do you say that in view of this factor I've just drawn to your attention you meet the requirements of independence?

PROF HORVATH: I currently do but for that very reason I regard myself as a part of the board renewal process that the chairman is undertaking.

15 MS SHARP: And in fact, there will be an annual general meeting next week.

PROF HORVATH: That is correct.

20 MS SHARP: And is it correct that you are standing for reappointment as a director?

PROF HORVATH: I am, Ms Sharp.

25 MS SHARP: Now, you've also been a director of Crown Melbourne since September 2010. Mr Poynton, who is a longstanding director of Crown Perth, said that his role as a director was ambassadorial, vis-à-vis Crown Perth. Is that how you regard your role as a director of Crown Melbourne, or do you regard it in some other way?

30 PROF HORVATH: No, I – I don't believe it is an ambassadorial role. I've had a major role in responsible gaming and its continued enhancements in its performance, and one of my major roles is to work with the VCGLR in looking at the various times that they've looked at improvements working closely with the Victorian Gaming Foundation. One of the reasons I am standing to stay on the board for a relatively short period is that a major international review of responsible gaming has  
35 been undertaken and I would like to assist with its implementation. Similarly, with my experience in OH&S, I regard that as an important role on the Melbourne board.

40 MS SHARP: It's correct, isn't it, that you have been a member of Crown Melbourne's compliance committee since 2010?

PROF HORVATH: That is correct, Ms Sharp.

45 MS SHARP: And do I take it that the compliance committee is a subcommittee of the Crown Melbourne board?

PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: And in fact, you've been the chair of that committee since 2017?

PROF HORVATH: That is correct, Ms Sharp.

5 MS SHARP: What is the role of the compliance committee?

PROF HORVATH: The role of the compliance committee is to ensure that the – all  
of the regulatory requirements set out by the VCGLR are appropriately met. It  
oversees – and other bodies such as AUSTRAC, and it receives regular reports from  
10 it and ensures that compliance by management has been achieved.

MS SHARP: How frequently has that committee been meeting?

PROF HORVATH: It's either three or four times a year.  
15

MS SHARP: Would you accept that bearing in mind the information you have been  
following from this Inquiry, that it looks like the compliance committee has missed  
some important issues over the years?

20 PROF HORVATH: Could you clarify - - -

MR CRAIG: Yes, Commissioner, the question is very broad. It's by reference to  
what - - -

25 COMMISSIONER: Yes, Mr Craig. Thank you, yes.

MS SHARP: Yes. I'll - - -

COMMISSIONER: I should have recognised your appearance, I'm sorry, Mr Craig.  
30 Thank you. You're appearing this morning for Professor Horvath?

MR CRAIG: That's correct, Commissioner. I think my learned friend has  
recognised my objection and will reframe the question.

35 COMMISSIONER: Yes. Yes, Ms Sharp is going to ask another question.

MS SHARP: Yes. I will put the question more narrowly, Professor Horvath. You  
have indicated in your statement that you recognise there is a need for improvement  
in relation to junkets, anti-money laundering and governance. Do you accept - - -  
40

PROF HORVATH: .....

MS SHARP: - - - that it appears that the compliance committee of you have been a  
member since 2010, has missed issues with respect to junkets, anti-money laundering  
45 and governance?

PROF HORVATH: Certainly, in hindsight, Ms Sharp, some of the material that has come out of the Inquiry suggests that there have been things that we did not attend to; that is correct.

5 MS SHARP: May we take it, Professor Horvath, that you are aware that one of the key objectives specified in the New South Wales Casino Control Act is to ensure that the management and operation of a casino remain free from criminal influence and exploitation?

10 PROF HORVATH: Absolutely, Ms Sharp.

MS SHARP: Do you accept that the reason for this statement of statutory purpose is because casinos are vulnerable to infiltration by organised crime?

15 PROF HORVATH: Yes, I accept that.

MS SHARP: And how long have you had that awareness, Professor Horvath?

20 PROF HORVATH: I think I've had that awareness since the time I was appointed to the board. I – I think that's an inherent – was an inherent understanding on my part.

25 MS SHARP: Now, given that you have been a member of the compliance committee at Crown Melbourne and also a director of the Crown Melbourne board, may we take it that you have read the VCGLRs Sixth Review report?

PROF HORVATH: I have, Ms Sharp.

30 MS SHARP: Can I just take you to that report briefly, Professor Horvath. This is an open document. It is exhibit J1. It is CRL.508.001.8052.

COMMISSIONER: Yes.

35 MS SHARP: And I will take you to page 134 of that document. I will just locate the pinpoint reference. If I could take you, please, to pinpoint 8189.

PROF HORVATH: I'm just waiting for - - -

40 COMMISSIONER: Do you have a hard copy?

PROF HORVATH: We don't have a hard copy and I haven't got it on the screen. I'm sorry, Ms Sharp.

45 COMMISSIONER: All right. Well, that will come up soon, I hope, Professor Horvath. Unless it has to go on to the confidential feed so that it's is capable for Professor Horvath to look at it. Yes. I think that's the only way you can do it. But



we're just – we're just adjusting the technology, Professor Horvath, so we can ensure you have access to it. It won't be long.

PROF HORVATH: Thank you, Commissioner. Thank you. It's up there now.

5

COMMISSIONER: All right. Thank you.

MS SHARP: Professor Horvath, could I take you to the second column, to the bottom under the heading Junkets, and you'll see there that the report states that the:

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*VCGLR, other regulators and law enforcement agencies are aware of the significant potential risks of money laundering through casinos, particularly through junket operations.*

15 PROF HORVATH: I see that, Ms Sharp.

MS SHARP: Do you – firstly, do you agree that there are significant potential risks of money laundering in casinos?

20 PROF HORVATH: Yes, Ms Sharp.

MS SHARP: And how long have you been of that understanding?

25 PROF HORVATH: I – the very fact that we have received regular reports in the compliance committee in Melbourne on money laundering activities, I assume that I was implicitly aware of it, because actions were taken to comply with AUSTRAC's regulations.

30 MS SHARP: I'm just not quite sure what you mean of an implicit awareness. Were you aware of those risks?

PROF HORVATH: Yes. Yes, Ms Sharp.

35 MS SHARP: And did you understand there was a particular risk of money laundering when it came to junkets?

PROF HORVATH: No, I can't say that I had a particular focus on the junkets. No.

40 MS SHARP: You'll agree that this report was published in August of 2018?

PROF HORVATH: Yes, that was brought to my – when I saw that report, and read it in detail, it focused the issue for me further.

45 MS SHARP: Can I show you a transcript of a very recent media interview with a fellow named Martin Purbrick, who was a former investigator with the Hong Kong Jockey Club. I will call up exhibit AF55. It's INQ.100.041.0001. And if we scroll

to the next page, please. Now, could I just highlight for you, about midway down the page, a statement of Mr Martin Purbrick, which commences “Well, I couldn’t”.

PROF HORVATH: Yes. Yes, I’ve got that, Ms Sharp.

5

MS SHARP: And what he says is:

*I couldn’t second-guess the executives in those companies, but if they had no idea that Macau casino junkets have a background in organised crime and have allegations of money laundering surrounding their business, then they clearly haven’t looked at the internet or the news for about 20 years.*

10

Now, as a director of a company which has, for many years, been doing business with Macau junkets, did you understand that many Macau junkets do have connections with organised crime?

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PROF HORVATH: No, I was not aware of that information.

MS SHARP: How did you miss that?

20

PROF HORVATH: I – I’m sorry. I – it’s not something I read.

MS SHARP: Were you aware that Crown Resorts was dealing with a large number of Macau-based junkets?

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PROF HORVATH: I was not aware of individual junkets up until the time of the newspaper allegations in 2019, other than the Suncity junket.

MS SHARP: Do you accept, now, that there is a significant risk that junket operators may have connections with organised crime?

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PROF HORVATH: I accept that is a possibility.

MS SHARP: Well, I want to drill down on this, if I can. Do you accept that there is a significant risk?

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PROF HORVATH: Yes, I do, Ms Sharp.

MS SHARP: Professor Horvath, prior to joining the board of Crown Resorts and Crown Melbourne, did you have any awareness of junkets?

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PROF HORVATH: No, I did not, Ms Sharp.

MS SHARP: When did you first become aware that Crown Melbourne had relationships with junkets?

45

PROF HORVATH: Shortly after I joined the board and, as a part of my orientation, the junkets were a part of the orientation. The precise content of that, I can't recall, except I did ask Mr Craigie – and I have a clear recollection of this – what an odd term – why do we use the term “junket”? And his reply was that it was within the  
5 VCGLR Act and the terms of our licence. The term “junket” was enshrined in legislation and how we dealt with them. And that was the extent of my understanding of junkets at that time.

10 MS SHARP: Did you understand what role junkets performed?

PROF HORVATH: Only to the extent that they facilitated, to the best of my recollection – this is some time ago – that they facilitated groups of people, usually from China, to come to the casino – to come to the resort, including the casino. I believe that was the extent of the information I received.

15 MS SHARP: Did you understand that the junkets provided credit to the patrons playing under the junkets?

PROF HORVATH: No. I don't believe I did at the time.  
20

MS SHARP: Are you aware of that now?

PROF HORVATH: I am, Ms Sharp.

25 MS SHARP: And when did you become aware of that?

PROF HORVATH: I can't be precise, but I think the best I can recall that, during the period where there was further steps taken by Crown to increase their due diligence, such as the Deloitte's report, during that period, the conduct – or the  
30 functions of the junkets became more clear to me.

MS SHARP: Does that mean you only became aware of it this year?

PROF HORVATH: Yes.  
35

MS SHARP: And - - -

PROF HORVATH: Or in the – in this – whether it is this year or late last year.

40 MS SHARP: And are you aware that where junkets provide the credit to the patrons, they are responsible for enforcing the debts that those patrons accrue?

PROF HORVATH: During that same period, I became aware of that fact.

45 MS SHARP: Were you aware of the fact that there are very tight currency controls in mainland China which make it very difficult to move large amounts of money out of mainland China?

PROF HORVATH: I have become aware of that. Yes.

MS SHARP: Again, it's this year you've become aware of that?

5 PROF HORVATH: I'm not sure whether – certainly, in the last few years. I can't be precise on that.

MS SHARP: And is it right to say that you, in around this last year, have become more focused on the possibility of junkets engaging in money laundering in order to  
10 move money from mainland China to the casinos in this country?

PROF HORVATH: That would be correct, Ms Sharp.

MS SHARP: But it was not a matter of which you were aware, say, prior to these  
15 media allegations being made in July of last year?

PROF HORVATH: That would be correct.

MS SHARP: Professor Horvath, do you agree that a licence to operate a casino is a  
20 privilege?

PROF HORVATH: Yes, definitely.

MS SHARP: Have you reflected at all on why it was formerly illegal to operate  
25 casinos in this country?

PROF HORVATH: Sorry. Ms Sharp, I don't understand the question.

MS SHARP: Have you ever reflected on why, in the past, it was illegal to operate  
30 casinos in this country?

COMMISSIONER: They were only legalised in about the early '90s, I think; is that right Ms Sharp?

35 MS SHARP: Yes.

PROF HORVATH: It's a difficult question. Can I answer it a little bit more broadly, Ms Sharp?

40 MS SHARP: Please do.

PROF HORVATH: The statistics on gaming, if I'm correct, about 70 per cent of  
45 Australians have indulged in some form of gaming over a period of 12 months, and I think it's 34 per cent indulge in gaming on a monthly basis. That's quite a – I don't indulge in any form of gaming. To not have a regulated industry – a highly regulated industry – drives gaming underground with absolutely no controls and no visibility. It's my understanding that there were illegal casinos prior to the legalisation of

casinos. And legalising them gave governments and the regulators appropriate vision and control of what goes on inside them and a level of – and providing a safe place for those people who wish to indulge in various forms of gaming.

5 MS SHARP: The point – I'm sorry.

PROF HORVATH: I hope that answers your question.

10 MS SHARP: Thank you, Professor Horvath. The point I was seeking to make is that one of the reasons why casinos remained unlawful for such a lengthy period in this country was because of the concern that, with casinos, would come organised crime. Were you aware of that?

15 PROF HORVATH: I was not aware that that was the reason, but it's not an illogical supposition.

20 COMMISSIONER: I think the point is that they would come within the casino. It's not the fact that organised crime hadn't made its way onto our shores prior to that but it was just that they would be in casinos. I think that's the point, is it, Ms Sharp?

MS SHARP: Yes.

COMMISSIONER: Yes.

25 PROF HORVATH: Yes. I agree.

COMMISSIONER: Yes.

30 MS SHARP: In view of the risks to casinos of infiltration by organised crime, do you agree that it is important that casino operators ensure that they only have business relationships with persons and entities of good repute?

PROF HORVATH: Yes, Ms Sharp.

35 MS SHARP: And were you aware that that consideration I've just stated is, in fact, a mandatory factor that the New South Wales regulator must take into account in determining whether to grant a casino operator a licence?

40 PROF HORVATH: Yes, Ms Sharp.

MS SHARP: And the same situation appertains down in Victoria; did you understand that?

45 PROF HORVATH: Yes, I do, Ms Sharp.

MS SHARP: Has the need for Crown to ensure that it only has business relationships with those of good repute been a matter to which you have given much attention over your years as a director of Crown Resorts and Crown Melbourne?

5 PROF HORVATH: Yes, it's one of the issues that is front of mind of, I think, management and the directors, yes, Ms Sharp.

MS SHARP: Has it been front of your mind, Professor Horvath?

10 PROF HORVATH: Yes, it has been.

MS SHARP: Did you consider that requirement may have a special significance in relation to junkets?

15 PROF HORVATH: In hindsight, I believe that that was something I should have paid more attention to and didn't, but I did not have sufficient visibility of the junket operation.

20 MS SHARP: Given the vulnerability of casinos to money laundering, what steps have you taken to familiarise yourself with the means by which money can be laundered in casinos?

25 PROF HORVATH: Well, a number of steps, Ms Sharp. From the very beginning of sitting on the compliance committee, I took a great deal of interest in the report at every committee meeting about the AUSTRAC legislation, our compliance, our reporting. I took comfort in that there had been no compliance issues raised by AUSTRAC during that period of time. During late 2017 we – when really following the China arrests, we reviewed a number of practices. I had an in-depth briefing from Ms Louise Lane on the proposed joint program going forward and the other  
30 enhancements.

They were the major steps. I've taken a very clear interest going forward with the recruitment of Promontory and the very root and branch approach they are taking from products through people and through processes. These were the major steps  
35 I've taken to familiarise myself and keep abreast of the issues.

MS SHARP: Have you undertaken any training in anti-money laundering obligations?

40 PROF HORVATH: I did the module that Crown has initiated, yes.

MS SHARP: And when did you do that, Professor Horvath?

45 PROF HORVATH: About two weeks ago.

MS SHARP: Is there some reason why you hadn't undertaken that training module many years earlier?

PROF HORVATH: Mainly because I thought that the reading of the material, the reports, the briefings I was receiving from management was sufficient to keep me up to date with issues. Perhaps in hindsight it would have been appropriate to have done it earlier.

5

MS SHARP: Do you agree that the deposit of very large volumes of cash at an Australian casino can be an indicium of money laundering?

PROF HORVATH: It is certainly a potential red flag. It is one of the products that is of concern.

10

MS SHARP: Would you agree that on any occasion where a deposit was made of several hundred thousand dollars in cash at a casino, that would be a red flag for money laundering?

15

PROF HORVATH: Yes, I would.

MS SHARP: Is that a matter of which you have been aware for the entire period you've been a director of Crown Resorts and Crown Melbourne?

20

PROF HORVATH: Absolutely. My understanding was that any sum greater than \$10,000 deposited in cash was – had to be reported through to the appropriate authorities.

MS SHARP: Professor Horvath, do you agree that since at least 2013 the VIP international business has been an important segment of Crown Resorts' overall operations?

25

PROF HORVATH: Yes, I would agree.

30

MS SHARP: And it's correct, isn't it, that when Crown Resorts pitched the Crown Sydney project to the New South Wales Government back in 2012, Crown Resorts told the New South Wales Government that the financial viability of the project was dependent upon attracting VIP high rollers to the Sydney casino?

35

PROF HORVATH: I – I'm – I can't recall the exact details of the proposal, but certainly in board conversations that was one of the issues, but clearly, also the components of that business plan were Australian high rollers, both local and interstate. I – I can't comment – I can't verify the component of the international segment. Yes.

40

MS SHARP: I will put the question in a slightly different way. At all times up to, say, the beginning of this year, was it your understanding as a director that the financial viability of Crown Sydney would rise or fall on whether Crown Sydney could derive a sufficient income stream from the VIP high rollers?

45

PROF HORVATH: Yes, that is correct.

MS SHARP: And to be clear, that is from overseas?

5 PROF HORVATH: I'm not aware that I, as a director, believed its viability was  
reliant solely on overseas. I – my recollection was that it is a combination of  
overseas, local and interstate VIP traffic.

MS SHARP: Can I just take you to the proposal that Mr Packer did put to the New  
South Wales Government. This is an open document, which I will call up. It is  
10 exhibit A136, INQ.010.004.0001. Have you got a letter from Mr Packer to Mr Chris  
Eccles dated 31 June 2013?

PROF HORVATH: It's on my screen, Ms Sharp, yes.

MS SHARP: Can I take your attention, please, to the second last paragraph on that  
15 first page.

PROF HORVATH: Would you mind blowing it up, Ms Sharp?

MS SHARP: Certainly, Professor Horvath.  
20

PROF HORVATH: Thank you.

MS SHARP: And can you see that the very last sentence of that second last  
25 paragraph states:

*The VIP gaming facilities at the Crown Sydney hotel are necessary to make  
such a world class project commercially viable.*

Now, that was consistent with your understanding, wasn't it?  
30

PROF HORVATH: That is correct, yes.

MS SHARP: Can I then take you over to page 3 of that document, pinpoint 0003;  
35 can you see the heading is Crown's Proven Track Record Will Result in an Increase  
in Sydney's Share of the International VIP Gaming Market?

PROF HORVATH: Yes, I see that, Ms Sharp.

MS SHARP: And do you see in the third paragraph, Mr Packer stated:  
40

*I believe that Crown Sydney will be able to almost treble the volume of VIP  
business coming to Sydney from Asia and, in particular, China.*

PROF HORVATH: Yes.  
45

MS SHARP: The focus of this letter was very much on generating revenue from the  
international VIP market; do you agree?



PROF HORVATH: It's certainly – I agree that there was a focus of increasing the traffic. I still don't have a view as to what percentage of the overall revenue base for the Sydney business was predicated on this level of international business.

5 MS SHARP: But in any event, Professor Horvath, you would agree that at all times you understood that the VIP international business segment was an important segment for Crown Resorts?

PROF HORVATH: Yes, I do, Ms Sharp.

10

MS SHARP: Can I turn now to the media allegations that aired from July of last year. It's correct that you did watch the 60 Minutes program at the time?

PROF HORVATH: I did, Ms Sharp.

15

MS SHARP: And you also read related coverage in the papers over that weekend?

PROF HORVATH: I did, Ms Sharp. I don't recall exactly – there was a lot and I don't recall exactly what I read but I did read a significant proportion.

20

MS SHARP: What was your reaction to that coverage at the time?

PROF HORVATH: I was deeply concerned for the welfare and integrity of our staff. I was concerned about the reputation of Crown. I was concerned about the accusations levelled at the business, and clearly very quickly sought answers from management in response to those allegations.

25

MS SHARP: And why do you say you were concerned about the reputation of Crown? What was it in these allegations that caused you to have a concern about Crown's reputation?

30

PROF HORVATH: Well, both the articles and the – and the – the television program and the promotions leading up to it suggested – made a number of allegations that reflected very poorly on our business.

35

MS SHARP: And did these allegations come as a complete shock to you?

PROF HORVATH: Yes, they did, because they were not consistent with my understanding of how we conducted our business.

40

MS SHARP: Crown Resorts' general counsel, Ms Mary Manos, told us that at the board meeting on 30 July last year, she said "A full-page advertisement was something that should be approached with caution". Do you agree that she said that?

45

PROF HORVATH: Or words to that effect, yes.

MS SHARP: Do you think that you approached the matter with sufficient caution?

PROF HORVATH: At the time I believe I did.

MS SHARP: Do you accept that by signing that ASX media release on 31 July  
5 asserted in that document?

PROF HORVATH: Yes, I do, Ms Sharp.

MS SHARP: And do you agree that signing on to that advertisement was ultimately  
10 a matter for your judgment?

PROF HORVATH: I do, Ms Sharp.

MS SHARP: Did you turn your mind at the time to why Barry Felstead and Joshua  
15 Preston had been asked to investigate the allegations rather than people from risk and  
audit investigating the allegations?

PROF HORVATH: Not so much turn my – they appeared to be the – the  
20 appropriate people at the time, Mr Felstead being the general – the CEO of  
Australian Resorts and overall responsible for all the activities that that encompasses,  
and Mr Preston being head of legal. And they also had the assistance of Mr Richard  
Murphy of MinterEllison. And that, at the time, appeared to me to be the appropriate  
team to investigate the allegations and bring a report forward to the board.

MS SHARP: Did you know at that time, Professor Horvath that it was, in fact, Mr  
25 Felstead, Mr Preston and Mr Johnston who had the final say as to which junket  
operators Crown would deal with?

PROF HORVATH: No, I did not.  
30

MS SHARP: Did it occur to you at the time that in having Mr Felstead and Mr  
Preston prepare an investigation report, they were, in a sense, investigating  
themselves?

PROF HORVATH: No, it did not occur to me at the time.  
35

MS SHARP: So it follows, doesn't it, that it didn't occur to you at the time that  
management may be a little self-interested in the investigation?

PROF HORVATH: I trusted management to act in the best interests of Crown and  
40 give us an honest appraisal to the board.

MS SHARP: Knowing what you know now, do you think that trust was somewhat  
45 misplaced?

PROF HORVATH: I believe we would have been – only in part. I believe that  
most of the material that was presented to us, and that we acted upon, was

appropriate. In hindsight, it would have been even more valuable to have the risk committee oversight the prepare of that report.

5 MS SHARP: Can I show you the ASX media release. If I could bring it up on the screen for you, Professor Horvath. It's exhibit A219, at INQ.100.010.0895, and if we could go to the next page, please. You would agree, wouldn't you, Professor Horvath, that this advertisement is in the most strident of terms and tone?

10 PROF HORVATH: The language was strong, yes, Ms Sharp.

MS SHARP: If I could put it colloquially, it comes out swinging, doesn't it?

PROF HORVATH: That could be an interpretation, yes, Ms Sharp.

15 MS SHARP: Do you accept now that a number of the assertions in this advertisement are wrong?

20 PROF HORVATH: No, I don't. The principal assertions I believe are correct. The – the media allegations made a number of very strong allegations that I believed needed to be appropriately refuted. I – at that time and I still hold, that we – the company does not turn a blind eye to money laundering. There were some functional errors, which I'm sure we will deal with, but it was not a blind eye which suggests some complicit action on the part of the directors or the business. I reject that we knowingly put our staff in China in danger, and I had an extensive conversation with  
25 Mr Bell on this issue yesterday. I reject the allegation around visa processing. There's no evidence that we, in any way, subverted the appropriate issuing of visas to this country. So they are issues that I felt at the time, and still do, strongly about. I accept that the commentary around Suncity, we – was an incorrect statement that was corrected later.

30 MS SHARP: And there, are you referring to the assertion that Suncity was listed on the Hong Kong Stock Exchange?

35 PROF HORVATH: Correct, Ms Sharp.

MS SHARP: Now, would you agree that one of the matters asserted in this advertisement was that the only junket the subject of the media allegations with which Crown continued to deal, was Suncity?

40 PROF HORVATH: That is – that was my understanding at the time, that is correct.

MS SHARP: But do you understand now that that is not correct?

45 PROF HORVATH: My understanding is, referring to the various media reports, that at that time it was only Suncity. I'm not aware that there was any others that were named in the advertisements that were currently being – there were other junkets operating at Crown but they were not ones that were mentioned in the article.

MS SHARP: Well, are you aware that Mr Preston told Deloitte during an interview that there were still “four live ones”, that is, junkets that Crown was dealing with at the time of the advertisement?

5 PROF HORVATH: I was not aware what Mr Preston told Deloitte, and my subsequent inquiries, I was informed that there were – and I don’t know the number, Ms Sharp – some junkets still operating at Crown at that time. But they were not subject – they were not mentioned in the media allegations at that time.

10 MS SHARP: Well, you know that one of the junkets mentioned at the time was the Neptune junket?

COMMISSIONER: In the media?

15 MS SHARP: Yes, in the media.

PROF HORVATH: I don’t have a specific recollection.

MR O’BRIEN: I object.

20

COMMISSIONER: Yes, Mr Craig – I’m sorry, I beg your pardon.

MR O’BRIEN: Sorry. Mr O’Brien. I think the assertion’s being made that – about the media allegations and the junkets mentioned in the media allegations - - -

25

COMMISSIONER: Right.

MR O’BRIEN: - - - but that assertion doesn’t align with what’s said in the advertisement, which relates only to the program. I think that, in fairness, the questions needs to proceed on that basis.

30

MS SHARP: Beginning – with respect, this advertisement extends beyond 60 Minutes, and it commences:

35 *The 60 Minutes program on Sunday night and related articles in the Fairfax press.*

COMMISSIONER: Do you accept that, Mr O’Brien?

40 MR O’BRIEN: I do, Madam Commissioner, but I direct attention to subparagraph (e)(2), which is specific to the program, which is, I believe, the assertion which is currently being asked about.

45 COMMISSIONER: Well, you may be able to read it that way. I don’t see the question is objectionable. The advertisement was clearly to deal with both the Fairfax press, being the printed media, and the 60 Minutes program, and the preamble to subparagraph (e) is that there were numerous examples of poor or

misleading journalism. That's a very big claim. I'm going to allow this to proceed. Yes. Thank you for your objection, Mr O'Brien. It's noted. Yes, Ms Sharp.

5 MS SHARP: Are you aware, Professor Horvath, that one of the junkets the subject of the media allegations in July 2019, was the Neptune junket?

PROF HORVATH: No. I'm not aware, Ms Sharp.

10 MS SHARP: Are you aware that, at the time of the media allegations, a junket operator with which Crown continued to deal was Yan To Chan, Y-a-n, T-o, C-h-a-n.

PROF HORVATH: I was not aware of the names of any of the other junket operators other than Suncity.

15 MS SHARP: Is your evidence that, in fact, you're not in a position, today, to tell us whether or not Crown was dealing, in July 2019, with other junket operators who were named in the media allegations?

20 PROF HORVATH: To the best of my knowledge, I can't give you any more clarity on that, Ms Sharp.

MS SHARP: Now, you were aware that one of the media allegations was that Crown was partnering with junkets; is that right?

25 PROF HORVATH: That's right, Ms Sharp.

MS SHARP: And is it right that you, in signing on to this advertisement, sought to dispel this allegation by stating that junkets were independent operators?

30 PROF HORVATH: That is the information that was provided to the board on which we acted.

MS SHARP: But do you now accept that Crown was partnering with junkets?

35 PROF HORVATH: Only – no. I – I have no knowledge of that, only some of the testimony that's been – and I haven't seen it in entirety. In this Inquiry, there has been suggestions that there has been some form of relationships that could be construed as partnerships, and I acknowledge that, Ms Sharp.

40 MS SHARP: And are you aware that Mr Packer told this Inquiry that he considered that Crown partnered with junkets?

45 PROF HORVATH: I didn't see that part of his testimony, Ms Sharp. But I accept your assumption.

MS SHARP: And you aware, aren't you, that, until August 2019, Suncity had a dedicated room in Crown Melbourne?

PROF HORVATH: I am aware of that, Ms Sharp.

MS SHARP: So when did you first become aware of that?

5 PROF HORVATH: I first became aware of – of the Suncity Room by the fact that there was signage outside the door of the room and, on the way to and from the chairman's offices and boardroom, I noticed it and, at some stage, asked one of the executives what that was. And I was informed that it was a dedicated room for that entity and they had a knowledge of their operations.

10 MS SHARP: And you were aware that that room was for the exclusive use of members of Suncity junkets?

15 PROF HORVATH: I took that to be the case. Yes.

MS SHARP: And did you know that, within that room, there were uniformed staff representatives of Suncity?

20 PROF HORVATH: No. I did not, no. I never entered the room and didn't have any knowledge of the operations of the room until this Inquiry.

MS SHARP: And so may we take it that you did not know, until this Inquiry, that Suncity operated its own cash desk in that room?

25 PROF HORVATH: No, I did not know that.

MS SHARP: And may we take it you did not know that Suncity and Crown Resorts had a revenue sharing agreement?

30 PROF HORVATH: No, I did not know that, Ms Sharp.

MS SHARP: Well, all those things I have mentioned to you; that's a partnership, isn't it?

35 COMMISSIONER: To your mind.

PROF HORVATH: It could be construed – it could be construed along those lines.

40 MS SHARP: Did you know that Meg-Star has a fixed and dedicated room at Crown Melbourne?

PROF HORVATH: No. I have no knowledge of that, Ms Sharp.

45 MS SHARP: That fixed room is in level 39 of one of the Crown Towers. Did you know that Crown has a revenue sharing agreement with Meg-Star?

PROF HORVATH: No. I was not aware of that, Ms Sharp.

MS SHARP: Mr Packer said he considered that to be a form of economic partnership. Did you know that?

PROF HORVATH: I didn't see that part of his testimony.

5

MS SHARP: See, it was really fair enough that the media asserted that Crown was partnering with junkets, wasn't it?

PROF HORVATH: I don't think that was an unfair assumption.

10

MS SHARP: Did you know about Crown Resorts platform junket strategy?

PROF HORVATH: No, I did not, Ms Sharp.

15 MS SHARP: Are you aware of it now?

PROF HORVATH: Only through some of the testimony at the Inquiry. Yes. Or not - - -

20 MS SHARP: And are you aware now - - -

PROF HORVATH: - - - in detail. Only the – sorry – only the terminology, not the content, because I didn't see that part of the testimony.

25 MS SHARP: And are you aware now that, in the period 2014 to 2016, Crown was providing in-house junket support to some of its platform junkets?

PROF HORVATH: No. I was not aware, Ms Sharp.

30 MS SHARP: Now, the advertisement also asserted that Crown Resorts had robust processes for vetting junkets, but that's wrong, isn't it?

PROF HORVATH: At the time, I believed it was correct, particularly as the majority of junket operators that were referred to in the media allegations had already  
35 ceased business with Crown as a result of compliance issues. I believe we had an effective processes to vet junket operators. In hindsight, with the help of the Deloitte's report, I think there are enhancements that clearly need to be made and, as a result, as you're aware, we have suspended operations with junket operators until these matters can be reviewed and resolved.

40

MS SHARP: I just want to go back to something you said earlier. You said that, at the time of the media advertisements, you did not, in fact, know who the decision-makers were in determining whether or not to deal with junkets.

45 PROF HORVATH: That's correct, Ms Sharp.

MS SHARP: Given that you did not know that, how were you in the position to form a view about whether or not Crown had a robust vetting procedure in place?

5 PROF HORVATH: I took that from the briefing and the review by Mr Preston, Mr Felstead and Richard Murphy to be the case.

MS SHARP: But they didn't tell you in that investigation report who the decision-makers were, did they?

10 PROF HORVATH: No, they did not.

COMMISSIONER: Just back to the question that Ms Sharp asked you: do you accept that it's wrong?

15 MR O'BRIEN: Commissioner, would you mind clarifying for Professor Horvath, the "it" in that question, if I might?

20 COMMISSIONER: Yes. The question that Ms Sharp asked you, Dr Horvath, was do you accept that it's wrong and that Crown, at that time, did not have robust systems in place in respect of reviewing junkets?

PROF HORVATH: In hindsight, Commissioner, our processes were not adequate.

25 COMMISSIONER: And so that translates into the claim that they were adequate, being – let me use a gentler word – I suppose, erroneous?

PROF HORVATH: I have to agree with you, Commissioner.

30 COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: Can I direct your attention, please, Professor Horvath, to paragraph 40 of your statement.

35 PROF HORVATH: Yes. Do you have a hard copy somewhere?

MS SHARP: You've you got that? Sorry?

COMMISSIONER: Not yet.

40 PROF HORVATH: We are having a little difficulty locating it.

MS SHARP: That's all right. I will read it to you, Professor Horvath. What you say is:

45 *The internal report confirmed that Crown's processes did not seek to inappropriately influence visa decisions made by immigration officials and Crown was focused on opportunities to provide a first class service to*



*customers. That was, and remains, consistent with my understanding of these matters.*

5 PROF HORVATH: That is consistent with my understanding. Yes, Ms Sharp.

MS SHARP: Are you aware that, as a consequence of these media allegations, the Commonwealth Government referred certain of the visa allegations to the Australian Commission for Law Enforcement Integrity?

10 PROF HORVATH: I'm aware of that, Ms Sharp.

MS SHARP: And have you read the report that that commission produced?

15 PROF HORVATH: Not in any entirety. I think I got a precis of it from Ms Manos.

MS SHARP: Could I take you to that report, please. And this is exhibit AC21. It's a public document, INQ.210.001.0003. And could I take you, please, to pinpoint 0014.

20 PROF HORVATH: Yes, I've got it, Ms Sharp.

MS SHARP: And could I direct your attention, please, to paragraph 25 and to the final point made on that page, where it says:

25 *From 2010 Crown representatives included a standard document for each visa application, which provided additional information and Crown's endorsement of the visa applicant.*

30 Did you understand that, not only did Crown submit visa applicants on behalf of patrons, but endorsed those applications?

PROF HORVATH: I had – I had seen comments along those lines, not prior to – not prior to this Inquiry but I have heard evidence to that effect during this Inquiry.

35 MS SHARP: But do you understand now that Crown vouched for those visa applicants?

PROF HORVATH: I don't know the terms of the endorsement, but it may well be that they vouched for them, yes.

40 MS SHARP: Could I take you to paragraph 35 of this report; it's pinpoint 0017. Do you see it states there that between July 2011 and October 2016 Crown supported 4220 visa applicants - - -

45 PROF HORVATH: Yes, Ms Sharp.

MS SHARP: So not only did Crown submit but Crown supported over 4000 visas applications; did you know that?

5 PROF HORVATH: Well, I'm not – just reading this, I can't see where it says they supported. There's a difference between lodged and supported. Whether - - -

MS SHARP: Yes - - -

10 PROF HORVATH: Whether it was just a physical lodging or some endorsement or vouching, I can't see that in this paragraph.

MS SHARP: So are you saying you still don't know that Crown endorsed the applications?

15 PROF HORVATH: Of those 4220 - - -

MS SHARP: Yes.

20 PROF HORVATH: - - - I'm not aware that they endorsed or vouched for them. All this table tells me is that they lodged them.

MS SHARP: So that comes as news to you, does it, that Crown Resorts supported or endorsed or vouched for the visa applicants?

25 PROF HORVATH: Ms Sharp, could you clarify, are we talking about the general statement or these 4220?

30 MS SHARP: Well, first of all, Professor Horvath, I'm just asking for your knowledge, leaving aside that document. So is it – as you give evidence today, is it right that you're not aware that Crown Resorts supported, endorsed, vouched for visa applicants?

35 MR CRAIG: Commissioner, I object. The language in paragraph 35 is a reference to supported visa applications. Now, my learned friend has used interchangeably the words, endorsed, vouched and supported without establishing - - -

COMMISSIONER: Yes, I will ask Ms Sharp to withdraw that question and ask another one. Thank you, Mr Craig. Yes, Mrs Sharp.

40 MS SHARP: Leaving aside that report, Professor Horvath, as you give your evidence today, you do not know whether or not Crown endorsed visa applications?

PROF HORVATH: That is correct, Ms Sharp.

45 MS SHARP: Well, I suggest to you that they did.

MR CRAIG: Is my learned friend, Commissioner, asking Professor Horvath to make that as an assumption, given his previous answer?

5 MS SHARP: I don't think I need to ask the question at all. I'll withdraw it. Can I take you to another document, please. This is exhibit S2, CRL.571.001.0043. Now, this isn't - - -

PROF HORVATH: Thank you, Ms Sharp.

10 MS SHARP: This isn't an email to or from you; this is an email that is ultimately sent to Jason O'Connor. Can I direct your attention, please – I'll have the bottom half of the email enlarged – do you see this is an email from DFAT to Stefan at Crown dated 20 October 2010?

15 PROF HORVATH: Yes, thank you. Yes.

MS SHARP: And you will see in that second paragraph that Mr Tudehope explains that he is currently the senior migration officer in charge of temporary entry.

20 PROF HORVATH: Yes, I see that.

MS SHARP: And can I take your attention to the next paragraph, where he says he was involved in formulating the original agreement between DIAC Guangzhou and Crown in 2003.

25 PROF HORVATH: I see - - -

MS SHARP: Yes, the original agreement with Crown was to provide priority processing to Crown clients who were part of the high roller scheme. And a little further:

35 *DIAC accepted that clients who could afford to enter this scheme would represent a reduced risk in terms of visa non-compliance and Crown also undertook to carry out background checks on all clients submitted.*

PROF HORVATH: Yes, I see that, Ms Sharp.

MS SHARP: Are you aware that Crown had agreed to carry out background checks on those visa applicants?

40 PROF HORVATH: No, I mean, all of this occurred before I was on the board, Ms Sharp.

MS SHARP: I accept that, Professor Horvath, but I'm asking about the evidence you are giving about visa applications. Now, can I take you to the last page – sorry, the last paragraph:

5 *An analysis of applications lodged by Crown reveals that very few are part of the high roller scheme. A significant number of Crown applicants that we speak to have no connection to Crown Casino or anybody who intends to gamble there. And it appears that Crown has become a visa agent lodging on behalf of travel agents and junket operators from all over China. More alarmingly, we continue to see significant levels of fraud in the case load and we refuse approximately 10 per cent of applications lodged by Crown. This does not represent a low level of risk and we have met with Crown on a number of occasions to discuss our concerns about the clients submitted.*

10 Were you aware of this?

PROF HORVATH: I was not, Ms Sharp.

15 MS SHARP: Now that you are aware of this, can I ask you to read paragraph 40 of your statement and tell us whether you wish to revise it in any way.

MR CRAIG: Well, Commissioner - - -

20 MS SHARP: I'll have paragraph 40 - - -

MR CRAIG: I object.

25 COMMISSIONER: Yes, Mr Craig.

MR CRAIG: Commissioner, Professor Horvath has been taken to a document dated 2010, to which he was not a party, recording the observations of somebody at that time. He is then asked to, in effect, fast forward nine years and answer whether there's any matter in paragraph 40 which he wishes to correct. Now, the first thing about paragraph 40 is its condition has been his state of mind as at a particular point in time. And there's no suggestion that the fact asserted or recorded in the 2010 document was prevalent or pertaining as at 2019 or otherwise informed his state of mind. And so - - -

35 COMMISSIONER: Can't he tell me that? You see, this is an Inquiry in which Professor Horvath has indicated what he has indicated, without going into the detail, Mr Craig, and the question posed is, having looked at that and now knowing that in 2010 this particular exchange took place between the company and the Department of Foreign Affairs and Trade, does he want to adjust anything he has said in 40. Now, he can say yes or no or maybe. I mean, I don't see it as unfair. It may be that Professor Horvath can deal with it and I have absolutely no doubt he can, Mr Craig, but thank you for your objection.

45 MR CRAIG: Thank you, Commissioner.

COMMISSIONER: Yes, Ms Sharp. Yes.

MS SHARP: Professor Horvath, do you have paragraph 40 of your statement in front of you?

PROF HORVATH: I do, Ms Sharp.

MS SHARP: And do you want to change anything?

5 COMMISSIONER: Having seen - - -

MS SHARP: Having seen this document?

10 PROF HORVATH: Well, it's difficult. I'm not a lawyer, Ms Sharp. I answered to the best of my honest ability, the questions in the subpoena for - - -

COMMISSIONER: Yes.

15 PROF HORVATH: - - - my state of mind at the time of the reference. And that certainly was not understanding as I honestly put it in 40. The material that you've put to me today certainly raises concerns in my mind as to whether there were any practices that I was not aware of at the time I made those statements. That's the clearest I can be.

20 COMMISSIONER: Yes, thank you, Professor Horvath.

MS SHARP: Thank you. I would now like to go to – I'm moving to a new topic now, I don't know whether this is a convenient time.

25 COMMISSIONER: Yes, it is a convenient time. Professor Horvath I'm going to take a short break for a little while. In terms of the visa processing that we have just discussed, I presume that you might have been aware that a number of companies make arrangements with the Department of Foreign Affairs and Trade to assist clients or dignitaries or others to be fast-tracked through immigration; would that be  
30 right?

PROF HORVATH: I'm well aware of that largely from my experience of working at the Commonwealth.

35 COMMISSIONER: Yes. And so far as fast-tracking is concerned, that's one thing. In terms of – there's no suggestion, as I apprehend it, in the document that you've just read other than the fact that the way in which it was structured exposed a problem back in 2010 that some of the applicants were not (1) high rollers and not  
40 people that you would want to give fast-tracking to, but you just wouldn't want to come into the country. That seemed to be the problem then, wasn't it?

PROF HORVATH: Yes, and I assumed from that email – and I don't know whether I assumed it correctly, Commissioner – that the – there was no attempt to subvert  
45 DFATs processing.

COMMISSIONER: No, I think - - -

PROF HORVATH: That those applications were appropriately rejected.

COMMISSIONER: Yes, I think Crown – the evidence seems to be that Crown arranged – and it may be that Ms Sharp may take you back to it, but I’m not sure –  
5 but Crown – I think Mr Craigie gave some evidence that Crown had put together, effectively, a document, which was signed off at the end by Crown for the applicants for this fast-tracking arrangement; you understand that?

PROF HORVATH: Yes, Commissioner.  
10

COMMISSIONER: And it was that arrangement that appears to have been referred to by the ACLEI report as those people that Crown was “supporting”, in inverted commas; you understand that?

PROF HORVATH: Yes, I do.  
15

COMMISSIONER: Yes. All right then. Anything further on that topic, Ms Sharp?

MS SHARP: No.  
20

COMMISSIONER: Yes, all right then. I will adjourn for about 10 minutes, Professor Horvath.

PROF HORVATH: Thank you, Commissioner.  
25

COMMISSIONER: Yes, thank you.

**ADJOURNED** [10.23 am]  
30

**RESUMED** [11.34 am]

COMMISSIONER: Thank you. Yes, Ms Sharp.  
35

MS SHARP: Professor Horvath, can I show you another document. This one is exhibit AC1. The position on confidentiality is reserved - - -

COMMISSIONER: Thank you.  
40

MS SHARP: - - - so I’ll pull it up on the confidential screen.

COMMISSIONER: Thank you.  
45

MS SHARP: It’s CPH.001.658.0001.

COMMISSIONER: It will come up shortly, I think. Yes.

MS SHARP: I will just wait for the correct document to be brought up. It's  
CPH.001.658.0001.

5

PROF HORVATH: I have that in front of me, Ms Sharp.

MS SHARP: In fact, I think – yes. I'll come – I'll come back to – well, while  
you're here, I'll go to that document. It's – you'll agree they're the minutes of the  
10 Crown Resorts board meeting for the 12th of December 2019?

PROF HORVATH: Yes, Ms Sharp.

MS SHARP: And you attended that meeting?  
15

COMMISSIONER: Have a look at the attendance.

PROF HORVATH: Yes, I did.

20 MS SHARP: ..... Yes. Can I take you to pinpoint 0031, that's page 4 of the  
minutes.

COMMISSIONER: Page 5.

25 MS SHARP: Yes. I'm sorry. Page 4 is the page I need to take you to.

COMMISSIONER: So it's 30 – 0030, is it?

MS SHARP: Yes.  
30

COMMISSIONER: Take us back a page. Thank you.

PROF HORVATH: Right. So we've got it. Thank you.

35 MS SHARP: Thank you. Yes. I see there's – sorry. I think we've got the – I don't  
know that I've got the right document up on the screen.

COMMISSIONER: Yes. All right.

40 MS SHARP: It doesn't correspond with the one I have.

COMMISSIONER: Yes. All right.

MS SHARP: Let me – let me try this again, if I can - - -  
45

COMMISSIONER: Yes, of course.

MS SHARP: This is CRL.701.001.0028. Sorry for the confusion, Professor Horvath.

COMMISSIONER: It will come up on the screen, I think.

5

MS SHARP: Yes. And it's exhibit AG54. Perhaps we can find it, because it's exhibit AG54.

COMMISSIONER: Yes. Those assisting will come around and assist the operator, Ms Sharp.

10

MS SHARP: Thank you.

COMMISSIONER: We shouldn't be too much longer.

15

PROF HORVATH: We don't have a hard copy here, Ms Sharp.

MS SHARP: Yes. I apologise for the delay. I'm hoping that it will be brought up shortly. What I will do – I understand the email is going to be sent to the operator. I will go back to the original document. If I can call this one up – just pardon me. If I could call up, please, CPH.001.658.0001, and then go to pinpoint 0067.

20

COMMISSIONER: Is that an exhibit?

MS SHARP: That's exhibit AC1.

25

COMMISSIONER: Thank you. Yes.

MS SHARP: I'm hoping it has come up on the screen for you, Professor Horvath.

30

PROF HORVATH: Not that – but I think I've got a hard copy.

COMMISSIONER: Yes, that's the page.

MS SHARP: Yes.

35

PROF HORVATH: Thank you.

MS SHARP: Good. All right. It took us a while to get there, but do you agree that what you now have in front of you is the strategic review of VIP business, 12 December 2019?

40

PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: And this was a document that was tabled at the 12 December 2019 directors meeting.

45



PROF HORVATH: Yes, Ms Sharp.

MS SHARP: And may we take it that you read this document prior to attending that meeting?

5

PROF HORVATH: I did, Ms Sharp.

MS SHARP: Now, it's correct, isn't it, that Mr Barton and Mr Felstead spoke to that document at the directors' meeting?

10

PROF HORVATH: I would – I would assume so. Yes.

MS SHARP: We seem to be having some trouble bringing up the – the minutes. I'll have one more go, but I'll read to you if I need to. If we can go to CRL.701.001.0028. And can I take you, please, to page 4 of those minutes. You will see there's a heading VIP Business Update.

15

PROF HORVATH: Yes.

20 COMMISSIONER: Just enlarge that.

PROF HORVATH: Yes.

25 MR CRAIG: Commissioner, just looking at the front page and the attendees at that meeting – at least on my version – if that, perhaps, in fairness, needs to be drawn to Professor Horvath's attention.

30

COMMISSIONER: Ms Sharp, Mr Craig raises the point as to whether Professor Horvath was present.

MS SHARP: Yes. Were you present at that meeting?

PROF HORVATH: Could we see the attendees?

35 COMMISSIONER: If we go back to the attendees.

MS SHARP: Maybe the apologies of the – yes. So I need to draw your attention, the minutes say that you were an apology for that meeting.

40 PROF HORVATH: Yes. I can tell you why I was an apology too. I was in Europe and I had connectivity issues.

COMMISSIONER: Thank you.

45 PROF HORVATH: It is rare I missed a meeting, but - - -

COMMISSIONER: Yes.

PROF HORVATH: - - - I was holidaying with my family and, yes, I had serious connectivity issues.

COMMISSIONER: Ms Sharp.

5

MS SHARP: But is it correct that you read this strategy paper at the time it was circulated to the directors?

PROF HORVATH: Yes. I'm absolutely certain I would have, in preparation for the meeting.

10

MS SHARP: And - - -

COMMISSIONER: If we go back to that, then.

15

MS SHARP: Yes, we'll go back, but - - -

COMMISSIONER: I think Professor Horvath has a hard copy of this document.

MS SHARP: Yes.

20

COMMISSIONER: You don't need to take him to the minutes, because he wasn't present.

MS SHARP: We'll go – yes. We'll will go back, Commissioner, now to CPH.001.658.0001 at pinpoint 0067.

25

COMMISSIONER: Yes. And Professor Horvath has the copy in front of him of – the hard copy.

30

PROF HORVATH: I'm just going to it, Ms Sharp.

COMMISSIONER: I think you have it in front of you.

PROF HORVATH: Yes, I do, thank you.

35

MS SHARP: Yes. Could I take you to a particular page of that document, which is pinpoint 0088, page 22, if that assists.

PROF HORVATH: I'm nearly there. Yes, thank you, Ms Sharp.

40

MS SHARP: Could I just draw your attention, please, to the last dot point on that page, and ask you to read it to yourself and tell me whether you agree with that proposition.

45

PROF HORVATH: Ms Sharp, I can't agree or disagree, because I don't know the context of how the analyst came to that conclusion.

MS SHARP: Well, let me take you to the executive summary in this document. If I could return you, please, to page 6, which is pinpoint 0072.

PROF HORVATH: Yes.

5

MS SHARP: Now, what - - -

PROF HORVATH: I have it, Ms Sharp.

10 MS SHARP: You'd agree – you'd agree, if I draw your attention to the second dot point, that what management was telling the board in December 2019 is that:

*Crown Sydney presents a significant opportunity to relaunch the Crown brand and capture a greater share of the global VIP market.*

15

PROF HORVATH: Yes, I agree with that. Yes.

MS SHARP: And was that consistent with your understanding at the time?

20 PROF HORVATH: Yes, Ms Sharp.

MS SHARP: Is it right that, as at December 2019, it was full steam ahead with Crown Resorts seeking a larger share of the global VIP market?

25 PROF HORVATH: The view of the business at that stage, Ms Sharp, was following the China arrests, where the global VIP market had virtually collapsed, that this was the time to relook at it and see how we can restart and move forward. And Sydney was clearly going to be a very exciting event and a potential to assist in rebuilding the global brand.

30

MS SHARP: And could I take you, please, Professor Horvath, to pinpoint 0089. And you'll see that's section 5, which is the review of Crown's VIP program play business.

35 PROF HORVATH: Yes.

MS SHARP: And could I ask you to look through the next six or seven pages and then tell me do you agree that there is absolutely nothing in this document about the need to consider the probity of junket operators with which Crown was dealing?

40

PROF HORVATH: This is a complex document, and very dense.

COMMISSIONER: I think you can assume, for the purposes of efficiency, that, as, presently, I understand from what counsel assisting has – senior counsel assisting has said, is that there is no entry in that section which requires consideration of the probity of the junket operator.

45

MS SHARP: Yes.

COMMISSIONER: And if you would assume that for the moment please, Professor Horvath. Yes, Ms Sharp.

5

PROF HORVATH: I will assume that, Commissioner.

COMMISSIONER: Thank you.

10 MS SHARP: With that assumption in mind, is it fair to say that, as at mid-December 2019, probity of junket operators with which Crown Resorts was dealing was not a matter of interest to Crown Resorts?

15 PROF HORVATH: No, I – I can't agree with you, Ms Sharp, because, by then, we had already put in train changes to our procedures: Ms Siegers had been recruited to significantly review our risk management profiles; Ms Halton had taken over the chair of the risk management committee and was reviewing its processes. Nick Kaldas, we were already in dealings with. So we had already moved forward on how we should – newer processes and more robust processes in this area. So I can't agree  
20 with you. It may not have been documented in that forward marketing plan, but it was certainly a part of the discussion.

MS SHARP: Could I take you, please, Professor Horvath, to page 24, which is  
25 pinpoint 0090, and this is a VIP program play SWOT analysis.

25

PROF HORVATH: Thank you, yes.

MS SHARP: Do you see under the heading Weaknesses there's a dot point about  
30 the difficulty in transferring funds into Australia?

30

PROF HORVATH: Yes, Ms Sharp.

MS SHARP: And what did you understand that to relate to?

35 PROF HORVATH: Well, that was one of the limiting factors of the success of the overall proposal that, you know, on this SWOT analysis, that was one of the risks to it being successful.

MS SHARP: And why was it difficult to transfer funds to Australia?

40

PROF HORVATH: Well, by this stage, it was in – end of 2019, quite clear that there had been currency – as I understand it from management, that there was currency restrictions of funds being transferred out of China.

45 MS SHARP: But this is expressed in terms of difficulty in transferring funds to Australia.

PROF HORVATH: Yes. From - - -

MS SHARP: What do you understand this to mean?

5 PROF HORVATH: That is what I understood it to mean, that global VIPs from – particularly from China or Macau would have difficulty in transferring funds to Australia with which to indulge in gaming.

10 MS SHARP: Did you understand in any way that the reference to difficulty in transferring funds to Australia was a reference to anti-money laundering restrictions in Australia?

PROF HORVATH: No, I did not. I didn't put that interpretation on it.

15 MS SHARP: Do you see under the heading Threats and do you see it says:

*Tightening AML regulations/closure of bank accounts.*

20 Now, this is identified as a threat. What did you understand that to mean?

PROF HORVATH: Certainly, the tightening of AML regulations I understood that to mean that the complexity of getting money into Australia, again, would make it more difficult for funds to be transferred and, therefore, would be difficult to conduct the business. I – that was my understanding of that dot point.

25 MS SHARP: What about the closure of bank accounts being identified as a threat to the business?

30 PROF HORVATH: At that time, I had – I don't – I don't recall having any thoughts about that particular issue.

35 MS SHARP: You see, what it looks like, Professor Horvath, is that management is telling the board, in December 2019, that tightening money laundering regulations was actually a threat to the VIP international business. Isn't that the only fair reading of this document?

PROF HORVATH: That is an interpretation.

40 MS SHARP: Well, it's only a fair reading, isn't it?

PROF HORVATH: That is one interpretation.

MS SHARP: It's the only fair reading, isn't it?

45 MR CRAIG: Well, I object, Commissioner. The witness has already answered the question as to the interpretation he took from the document. He wasn't at the meeting, so he was not aided by any contextual statement made at the meeting, and

he has been asked to accept for a second time a proposition that he has rejected. In my respectful submission, the question has been answered.

5 COMMISSIONER: Mr Craig, you know, sometimes people want to add to their answers and so in an Inquiry like this, unfortunately, it is the case that, Professor Horvath has said it is one interpretation and Ms Sharp's fair question is, "It's the only fair interpretation and only fair reading." So if Professor Horvath, who is eminently qualified to answer the question, disagrees, I'm sure I'll hear about it. Thank you, Mr Craig.

10 MR CRAIG: Thank you, Commissioner.

COMMISSIONER: Thank you, Ms Sharp. It has been put to you, Professor Horvath, that you've said it's one interpretation, and now Ms Sharp has put to you, 15 do you not agree, it's the only fair interpretation or reading of it?

PROF HORVATH: And I don't agree, Commissioner.

20 COMMISSIONER: Yes, thank you.

MS SHARP: Do you not agree, Professor Horvath, that here management is telling the board that anti-money laundering regulations are a threat to its VIP program play business?

25 PROF HORVATH: My interpretation is this is one of the issues that may or may not make the business more difficult to conduct.

COMMISSIONER: But they've called it a threat, haven't they; the management?

30 PROF HORVATH: The management have called it a threat, Commissioner.

COMMISSIONER: Yes, so what they seem to have put to the board is one of the threats you have to consider in the board's approach to this is that you have got the threat that business may be adversely affected because the AML regulations may 35 tighten things so that you can't get your money in the door. I think that's what it means, doesn't it?

PROF HORVATH: That is my interpretation.

40 COMMISSIONER: Yes. And you have to comply with the regulations and so, therefore, that's a consideration for the future of the business, as I understand it. Would that be right?

PROF HORVATH: That's my – that would be my interpretation, Commissioner.

45 COMMISSIONER: Yes, all right. Thank you. Yes, Ms Sharp.

MS SHARP: And did you understand that this reference to closure of bank accounts related to the closure of the Riverbank and Southbank accounts?

5 PROF HORVATH: No, because I had no knowledge of those two accounts at that time, Ms Sharp.

COMMISSIONER: This is last December.

10 MS SHARP: This is in December 2019, Professor Horvath. Is it your evidence you didn't know about the accounts even at that time?

PROF HORVATH: I'm – I am not sure at what time – I can't give you a correct time as to when I knew about those accounts. And - - -

15 MS SHARP: Can I assist you in this way: in early August 2019 there was a media publication that asserted that the Australian Federal Police were of the view that drug traffickers had laundered money through the Riverbank and Southbank accounts. Does that refresh your memory as to when you became aware of those accounts?

20 PROF HORVATH: I have no recollection of that media article at that time. So I can't – so it does not help me. I would like to assist you, Ms Sharp but I don't know when I became aware. It is relatively recently I became aware of those accounts.

25 MS SHARP: Tell me this: as a director – a longstanding director of the board of Crown Resorts, is the fact that in December 2019, senior management of the organisation identifying:

*Tightening AML regulations/closure of bank accounts –*

30 something that is consistent with a culture of compliance with respect to anti-money laundering obligations?

PROF HORVATH: Could you – could you repeat the question, Ms Sharp? I'm not quite sure what the question is.

35

MS SHARP: As a longstanding director of Crown Resorts, what does it say to you in terms of a culture of compliance with anti-money laundering obligations, that senior management is telling the board in December 2019 that a threat to the international VIP business is tightening AML regulations and closure of bank  
40 accounts?

PROF HORVATH: Well, if it – I – I wasn't at the meeting and I would need to know the context of it. If the context was that it's a threat to the business if money can't be laundered, then I would be very concerned. I took a different interpretation,  
45 that I was aware that AML regulations regularly are changing and tightening, and if the complexity, for that reason, of moving money to Australia makes the business more difficult, that would be an interpretation that I was more comfortable with.

MS SHARP: All right. Well, you know now that the Riverbank and Southbank bank accounts have been closed, don't you?

5 PROF HORVATH: Through the process of this Inquiry, I am aware they have been closed.

MS SHARP: And you know, don't you, that the CBA closed those accounts because of its concerns about money laundering?

10 PROF HORVATH: Through the process of this Inquiry, I've been made aware, yes, Ms Sharp.

MS SHARP: Now, does that assist you in understanding what the reference to closure of bank accounts is at page 24 of this document?

15 PROF HORVATH: In hindsight, with the knowledge gleaned from the Inquiry, that is, one can assume that that is what they were referring to.

MS SHARP: So now, as a director here today, does it trouble you in any way to read this document with the understanding you have today as to what closure of bank accounts means?

20 PROF HORVATH: Yes, that concerns me that they regarded that as a threat rather than perhaps an opportunity.

25 MS SHARP: And you will agree that this document dates from December 2019 which is several months after the media allegations in July?

30 PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: So what does this say about the culture of compliance with anti-money laundering obligations within your organisation?

35 PROF HORVATH: I believe that there were gaps that have become apparent then and subsequently, which we, as a board, acknowledge and that is why we are undertaking a very complex root and branch review of how we manage money laundering – sorry, threats of money laundering to the business. We – and it is very obvious from the current work that there are a number of steps from the product through to people and through practices that we are looking at.

40 MS SHARP: Would you agree, Professor Horvath, that since the publication of the ASX media release on 31 July last year, through until papers presented to the board in August and September this year, there has been a very distinct change in tone of Crown Resorts?

45 PROF HORVATH: I believe that is a correct observation, Ms Sharp.



COMMISSIONER: The change in tone is what, Professor Horvath; from what to what?

5 PROF HORVATH: There has been a progressive change in management with an independent chair. There has been the appointment of a CEO that is separate from the chair. The chair of risk, Ms Halton, has certainly taken a very strong view of those matters. A number of reports have assisted the board in highlighting the way forward and some of the enhancements that we are undertaking and, perhaps, our ears are a bit sharper, Commissioner.

10 COMMISSIONER: I understand.

MS SHARP: Professor Horvath, you accept now, don't you, that there are some serious problems with respect to junkets, money laundering and governance; is that correct?

PROF HORVATH: Could we take – could you repeat the question for me so I can give you an appropriate answer?

20 COMMISSIONER: You might break it up, Ms Sharp.

MS SHARP: Yes. Do you accept that there have been some serious problems with respect to Crown's dealings with junkets?

25 PROF HORVATH: I do accept that and that is why we initiated steps with the report from Deloitte and accepted all the recommendations that are now being implemented; that we accepted that we needed better interaction with law enforcement, with Nick Kaldas; and, ultimately, that we have suspended relations with all junket operators till we can reassess what future roles we will have with them, if any, Ms Sharp.

30 MS SHARP: Do you accept that there have been some serious problems with respect to Crown's treatment of money laundering risks?

35 PROF HORVATH: Only in part, Ms Sharp. I think, if I can answer your question fully, we have always strived to comply with the regulatory requirements with AUSTRAC. There has been demonstrated by the Inquiry some breakdown in some of the processes and procedures. We have noted that, and we have taken steps that, as a point, of Promontory to really look at a root and branch review of how we are managing our AUSTRAC requirements. But, more clearly, a much broader view of how we interact with not only junkets but all people who are spending time at the casino. We've written to all of our clients to say we won't accept cash transactions – cash deposits – because they are a – a potential difficulty in the area of money laundering, as has been pointed out by the Inquiry.

45 MS SHARP: Professor Horvath, I've only asked you whether you accepted there were problems. I haven't asked you to outline the series of reforms. It was a simple

question. Do you accept that there have been problems in the past with money laundering?

5 PROF HORVATH: There – there has – there has been – there has been some problems demonstrated by the Inquiry, yes, Ms Sharp.

MS SHARP: And do you accept, Professor Horvath, that there have been some very serious problems identified with respect to governance?

10 PROF HORVATH: There have been some governance issues in parts of the business; namely, in the VIP area; that is correct.

MS SHARP: Now, what I would like to understand is when you first became aware of these problems.

15 MR CRAIG: Perhaps if my learned friend could break them up into the three categories she has asked about, Commissioner.

COMMISSIONER: All right. If you could do that, please, Ms Sharp.

20 MS SHARP: Yes. I'm happy to do that, Commissioner.

COMMISSIONER: Thank you.

25 MS SHARP: Professor Horvath, when did you become aware that there were serious problems with respect to junkets?

PROF HORVATH: The serious issues around junkets, I would say, with the unfolding of the evidence at this Inquiry.

30 MS SHARP: The evidence in this Inquiry commenced in February. When, in time: was it February, March, July; when?

PROF HORVATH: I think it was an unfolding and iterative process, Ms Sharp. But as various bits of evidence became evident, it is clear that the board did not have visibility of the operational aspects of the junkets as – as I .....

MS SHARP: So is it when – is it when Mr Preston gave evidence in July?

40 PROF HORVATH: I can't give you an honest dated answer, Ms Sharp, because material – I haven't watched all the evidence – and material has been evolving throughout the Inquiry. The best I can answer to that is, as the Inquiry evolved, serious concerns have been raised, which I acknowledge, around how we manage our junket operation.

45 MS SHARP: And how about with respect to anti-money laundering; when did you first realise there was a problem here?

PROF HORVATH: The breakdown in processes around money laundering, that I was not aware of, again, came out during testimony in the Inquiry. We had - - -

MS SHARP: And was that in July?

5

PROF HORVATH: Well, again - - -

MS SHARP: Was that in July when Mr Preston gave evidence?

10 PROF HORVATH: Again, Ms Sharp, to give you an honest answer, it was in the iterative processes as various people gave different aspects of evidence that are cumulative and led me to understand where the deficiencies in our processes are currently and why we have taken, as a board, the actions, which I previously outlined to you, to, hopefully, remedy them.

15

MS SHARP: And when did you first realise there were problems with governance?

PROF HORVATH: The issue re governance, my first serious concern was when I read the draft report from the VCGLR on the China issue, and realised that there were substantive issues that did not reach the risk committee or the board.

20

MS SHARP: Now, may I ask you, are you now aware that there have been the following problems with money laundering at Crown Resorts: firstly, do you now accept that the Southbank and Riverbank accounts are riddled with examples of structuring, which is a form of money laundering?

25

PROF HORVATH: Ms Sharp, could you define for me what “riddled” is?

MS SHARP: That there are at least 100 examples of structuring within the bank accounts of Riverbank and Southbank.

30

PROF HORVATH: Yes, I acknowledge that. I’ve seen that review.

COMMISSIONER: I think you got a report the other day, didn’t you, from Mr Barton telling you there were 609 transactions on the assessment that he did.

35

PROF HORVATH: That is correct, Commissioner.

COMMISSIONER: And that’s only aggregation, not individual transactions; you understand that?

40

PROF HORVATH: That is correct, Commissioner.

MS SHARP: And you know now, don’t you, that massive cash deposits were being made in the Suncity Room over many years that were not the subject of reporting by Crown Resorts, at least up until 2017?

45

COMMISSIONER: Well, just pause there for a moment, please. Just pardon me. Pardon me, Professor Horvath. The words “were not the subject of reporting”.

MS SHARP: Yes.

5

COMMISSIONER: Could you just – I think it’s necessary to identify what you’re meaning by that.

MS SHARP: Yes. What I might do is approach that in a different way,  
10 Commissioner.

COMMISSIONER: Thank you, Ms Sharp.

MS SHARP: I apprehend what your concerns are.

15

COMMISSIONER: Yes. Thank you.

MS SHARP: Let me cycle back to that. Can I take you, please, Professor Horvath,  
20 to a document, which is exhibit BE82. It’s an open document. It’s  
CRL.606.001.0211. And I’ll just have that brought up on the screen. It’s  
CRL.606.001.0211. And could I highlight the top half of the document for you,  
please. Now, what I am showing to you, Professor Horvath, is an email from  
AUSTRAC to Crown Resorts in June of 2017, which states:

25 *It is clear that Crown is aware that Mr Chau is both a foreign PEP and has a  
substantial criminal history.*

Now, I’ll stop there. You understand that Mr Cheek Wa Chau is the junket operator  
for the Suncity junket?

30

PROF HORVATH: I am aware of that, Ms Sharp.

MS SHARP: So what we’ve got here, in June 2017, is AUSTRAC making this  
communication with Crown and then asking – and I’ll quote:

35

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

Was this drawn to your attention as a director of either Crown Melbourne or Crown  
Resorts in 2017?

45 PROF HORVATH: Not to the best of my knowledge.

MS SHARP: Given that Mr Chau was one of Crown's largest junket operators and operated a dedicated room at Crown Melbourne, being the Suncity Room, do you think this communication from AUSTRAC ought to have been drawn to your attention as a director of either Crown Melbourne or Crown Resorts or both?

5

PROF HORVATH: It – it depends on what the context of the entire exchange of emails. On just the bits that you have highlighted, it looks as though there – there are issues, but I don't know what the issues are; whether they are something that management should have dealt with; whether it was relatively technical matter or whether it was on more serious compliance issue. If it was a serious - - -

10

MS SHARP: Well, Professor Horvath, if I can stop you there. Do you have any doubt that this is a significant compliance issue that's being raised? They're saying:

15

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

20

PROF HORVATH: Ms Sharp, in light of the evidence that has come out of the Inquiry, I would agree with you. However, in 2017 at that – if I put on my – you ask me at that time – just from this email, I don't have enough information there's a serious compliance issue or a technical issue. I think with what we have seen now, it is most likely a compliance issue. And yes, in that circumstances, it should have been brought to our attention.

25

MS SHARP: Now, may we take it that you are familiar with what has become known as the blue cooler bag footage. This was the footage that was aired in the media in October of last year?

30

PROF HORVATH: I - - -

MS SHARP: Are you aware that – yes, you're aware that depicts events in the Suncity Room?

35

PROF HORVATH: I am now aware from the conduct of this Inquiry, yes, I am.

MS SHARP: Can I take you to some other photos taken in the Suncity Room at various times. First of all, can I take you to exhibit BE93, which is CRL.611.001.0056. It's an open document. Now, what I am showing you, Professor Horvath, are stills taken from a Crown Resorts security camera in the Suncity Room. And if I can highlight the top third of the document for a moment and go to the left-hand side. Highlight the left-hand-side of the document. You will see that the data there shows us that this image depicts the Suncity service desk on 5 January 2018?

40  
45

PROF HORVATH: That is correct.

MS SHARP: And you will see the very, very large volumes of cash sitting on the Suncity desk?

PROF HORVATH: I see that, Ms Sharp.

5

MS SHARP: So I will ask you to assume that on 5 January 2018, that's how much cash was placed on the desk in the Suncity Room.

PROF HORVATH: Yes, Ms Sharp.

10

MS SHARP: Let me show you another photo. If we can go to another open exhibit, which is BE – I've got the wrong number, sorry, but I'll call it up. It's CRL.611.001.0056. Sorry, I have given you the wrong number; it's CRL.611.001.0108. And again, can I highlight the data at the very top of the page. You will see – this isn't quite so clear, but can you see it also refers to the Suncity desk and this time the date is 9 February 2018.

15

PROF HORVATH: Yes, Ms Sharp.

20

MS SHARP: And what I'm showing you is little thumbprints of larger photographs. I will take you to a clearer photograph. It's .0112, and you see once again very, very large volumes of cash?

PROF HORVATH: Yes.

25

MS SHARP: Now, can I take you to a letter that Mr Preston wrote to AUSTRAC on 25 May 2018. If I could pull up CRL.609.007.8721. This is an open exhibit; it's BE89. And you see that the subject of that letter is Suncity junket.

30

PROF HORVATH: Yes, Ms Sharp.

MS SHARP: Can I take you, please, to a schedule, we can start off at .8725.

PROF HORVATH: I have that, Ms Sharp.

35

MS SHARP: And if I can draw your attention to item 10, do you see that what Mr Preston is doing is advising that Crown told Suncity on 17 April 2018 to remove the note-counting machine?

40

PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: And that all cash transactions had to be conducted at Crown's cage?

PROF HORVATH: That is correct, Ms Sharp.

45

MS SHARP: And can I take your attention, please, to item 13 on that same page, where Mr Preston says that Crown met with Suncity on 17 April 2018 to advise that

all customer transactions under the CCW – that’s the Suncity junket – must be done at the Crown cage.

PROF HORVATH: That is correct.

5

MS SHARP: And that no more than \$100,000 may be held at the administration desk.

PROF HORVATH: Yes, I see that, Ms Sharp, yes.

10

MS SHARP: Can I then take you over the page, please, and at the top of that page you will see it’s reported that two separate audits of cash in pit 86 – that’s the Suncity Room – were conducted on 20 April 2018 and 5 May 2018. The audit of April confirmed that \$5.6 million was found in pit 86. Were you made aware of that, as a director of either the Crown Melbourne or Crown Perth?

15

PROF HORVATH: No, Ms Sharp, I wasn’t.

MS SHARP: So you would agree that this is at a time after Crown had instructed Suncity not to keep cash at the cash desk?

20

PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: Why wasn’t Suncity shut down at this time by Crown?

25

PROF HORVATH: I can’t speculate on the reasons behind it, but it’s a valid question.

MS SHARP: Because these very large cash deposits that I’ve shown you images of, the blue cooler bag footage of which you are aware and keeping \$5.6 million in cash in the Suncity Room are all red flags for money laundering, aren’t they?

30

PROF HORVATH: Yes, I agree with you, Ms Sharp.

MS SHARP: So Crown is turning a blind eye to money laundering here, isn’t it?

35

PROF HORVATH: No, I don’t accept they’re turning a blind eye to it. I think these are instances of failure by some staff to follow operational procedures that were clearly outlined in our undertakings to AUSTRAC.

40

MS SHARP: And it’s right, isn’t it, that at no stage did Crown Resorts seek to shut down the Suncity Room?

PROF HORVATH: That is correct, Ms Sharp.

45

MS SHARP: Returning now to the Riverbank and Southbank accounts, were you made aware of the magnitude of funds which passed through these accounts?

PROF HORVATH: No, I had no visibility of either of those accounts till the evidence brought forward in the Inquiry.

5 MS SHARP: Do you know now the magnitude of funds moving through those accounts?

PROF HORVATH: I do – do, following the report to Mr Barton that he forwarded on to board members.

10 MS SHARP: That hundreds of thousands of dollars moved through those accounts.

COMMISSIONER: I think it's hundreds of millions of dollars.

15 MS SHARP: Sorry, hundreds of millions of dollars moved through those accounts every year; is that right?

PROF HORVATH: That is correct.

20 MS SHARP: And you're aware now that ANZ shut down some of these accounts in 2014 because of concerns about money laundering?

PROF HORVATH: I am aware of that fact through the course of the Inquiry.

25 MS SHARP: But it was something that was not drawn to your attention either as a director of Crown Melbourne or Crown Resorts at the time?

PROF HORVATH: That is correct, Ms Sharp.

30 MS SHARP: Should it have been drawn to your attention?

PROF HORVATH: I believe it should have been brought to the appropriate committee's attention, yes.

35 MS SHARP: Well, you were on the compliance committee at that time - - -

PROF HORVATH: Yes.

MS SHARP: - - - in Crown Melbourne, weren't you?

40 PROF HORVATH: That is correct. It should have been brought to the compliance committee and to the risk committee in Crown Resorts.

45 MS SHARP: Are you aware that ASB shut down the New Zealand bank accounts for one of these companies in 2017?

PROF HORVATH: No, I was not aware because I was not aware of those accounts.



MS SHARP: And you weren't – I think it must follow – aware that ASB shut down the accounts because of money laundering concerns?

PROF HORVATH: I was not aware.

5

MS SHARP: When did you first become aware that CBA shut down these bank accounts in 2019 because of their concerns about money laundering?

PROF HORVATH: Through the course of this Inquiry.

10

MS SHARP: So only this year you became aware of that?

PROF HORVATH: That is correct, Ms Sharp.

15 MS SHARP: Shouldn't that have been drawn to your attention as either a director of Crown Melbourne, a director of Crown Resorts, or the chair of the compliance committee?

PROF HORVATH: I believe it should have been, yes.

20

MS SHARP: Does it concern you that Mr Preston, the AML compliance officer for both Crown Melbourne and Crown Resorts, knew about the closure of these accounts but did not draw it to your attention in any of these capacities?

25 PROF HORVATH: It does concern me.

MS SHARP: Does it concern you that your then chief financial officer and now CEO, Mr Barton, knew about the closure of these accounts in both 2014 and 2019 but did not draw it to your attention in any of your capacities?

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PROF HORVATH: I have a concern that he did not understand the seriousness of the events, yes.

MS SHARP: And that's the present CEO of your organisation?

35

PROF HORVATH: That is correct.

MS SHARP: Do you continue to maintain confidence in Mr Barton?

40 PROF HORVATH: I do. I think he – he erred in his judgment regarding the issues that you outline, but other than that, I have no reason to lose confidence in him.

MS SHARP: Are you aware that at no point until after Mr Barton gave evidence to this Inquiry in September did anyone at Crown analyse the bank accounts at Southbank and Riverbank to investigate whether money laundering had taken place in those accounts?

45

PROF HORVATH: I'm not aware of the precise chronology. I am aware that the chairman, at a meeting, instructed that they be internally looked at very closely and a report furnished to her. But the precise chronology I don't – I can't give you chapter and verse on.

5

MS SHARP: You see, ANZ shut down the accounts in 2014. ASB shut down the account in 2017-18 and then CBA shut down the accounts in 2019. Nobody from Crown looked at what had happened in those accounts until after Mr Barton gave evidence to this Inquiry. Isn't that - - -

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MR CRAIG: Commissioner - - -

MS SHARP: - - - turning a blind eye to money laundering?

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MR CRAIG: Commissioner, before Professor Horvath - - -

COMMISSIONER: Yes, Mr Craig.

MR CRAIG: Thank you. Before Professor Horvath answers the question - - -

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COMMISSIONER: Yes.

MR CRAIG: - - - I don't understand the factual predicate of the question to be correct.

25

COMMISSIONER: I'm sorry, I missed what you said then, Mr Craig.

MR CRAIG: The factual predicate of the question is that no one looked at the issue until after Mr Barton gave evidence.

30

MS SHARP: The bank accounts - - -

COMMISSIONER: No, no, no. No, the premise was the actual hard copy bank accounts. They seemed to have been an anathema to a lot of people in this Inquiry because one of the problems has been that each of the people who have been giving evidence have not actually gone to the hard copy or even the virtual bank accounts to see the transactions until the evidence was given. So that's the premise, Mr Craig. It's not the issue.

35

MR CRAIG: Yes, so Commissioner – thank you. If the premise could be made clear to Professor Horvath, I would be grateful, in that way. Thank you, Commissioner.

40

COMMISSIONER: Well, I think – all right, then. If you would repeat what you said, please.

45

MS SHARP: Yes, I will repeat what I said. Bearing in mind that ANZ closed the accounts due to money laundering concerns in 2014, ASB closed the New Zealand account in either 2017 or '18 because of money laundering concerns. CBA shut the accounts in 2019 because of money laundering concerns, and nobody from Crown  
 5 Resorts looked at the actual bank accounts to see whether money laundering had occurred until after Mr Barton gave evidence. Don't you accept that Crown Resorts turned a blind eye to money laundering in these accounts?

PROF HORVATH: No, I can't accept that conjecture, Ms Sharp. I think that there was clearly a failure of systems and a failure to appropriately, by some people, do the due diligence. But I reject the concept of turning a blind eye, which would imply an active action on the part of the company. And I reject that.  
 10

MS SHARP: Well, what if I put it this way: that Crown Resorts just didn't care if there had been money laundering in those bank accounts?  
 15

PROF HORVATH: Again, I reject that. As a – my experience is that we do care. We take our obligations very seriously, and they're – clearly, our processes were not sufficient to deal with those issues at that time and that is why we are undertaking the steps that we are doing to remedy that situation. I think there is a difference between  
 20  
 - - -

COMMISSIONER: You see – sorry.

25 PROF HORVATH: - - - omission and commission.

COMMISSIONER: Yes, but one of the problems, I suppose, Professor Horvath, is this reference to turning a blind eye has probably had its genesis in some journalistic flair at some stage in the last 18 months but one of the problems that has been faced by Crown is that Ms Sharp's point is that effectively wouldn't it be the first thing  
 30 you, if you had been management and not board director, you would say, "Let me look at the accounts", surely?

PROF HORVATH: I think that's a reasonable proposition, Commissioner, that there is doubtless a closure of those accounts by the banks should have been a signal.  
 35

COMMISSIONER: And so if – and one just doesn't know – I think it was around 5 August or thereabouts that the article was written in the Fairfax press that these two accounts – the actual article detailed many of the things that have been the subject of evidence here, and I don't know how that was able to happen but it did. And so once that article was published on or around 5-6 August 2019, corporate governance would require, on one view of it, that the company said, "This is serious. They're making an allegation that we are turning a blind eye to money laundering. Let's have a look." You would agree with that proposition?  
 40  
 45

PROF HORVATH: Yes, I – I agree with that proposition, Commissioner.

COMMISSIONER: And so a lot has been said in the Inquiry also about the wonderful employees of Crown; you have heard that evidence, haven't you?

PROF HORVATH: I have.

5

COMMISSIONER: And so when you have wonderful employees – and no one is suggesting that you don't – it is what they deserve, that is, wonderful employees deserve good corporate governance and making sure that when criticisms are made, you take them seriously. You would agree with that?

10

PROF HORVATH: I would agree with that, Commissioner.

COMMISSIONER: And so, in terms of whether it's turning a blind eye or whether it's a different description of the conduct, the fact that it took Mr Barton's evidence and further steps to occur, to actually require the assessment of the actual bank accounts would be of concern to you, would it not?

15

PROF HORVATH: A very serious concern, yes.

20

COMMISSIONER: And so I know that you have spoken about restructure and reports and the like, but Ms Sharp is asking you about the culture within the organisation; you understand that?

PROF HORVATH: I do, Commissioner.

25

COMMISSIONER: And there's no suggestion that Crown is not a compliant company when it comes to reporting things to AUSTRAC. That's not part of the evidence; you understand that?

30

PROF HORVATH: Yes, Commissioner.

COMMISSIONER: It's a different level. It's about compliance culture that you actually look and say, "Do you think we should be doing this?" You understand that?

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PROF HORVATH: Absolutely.

COMMISSIONER: Yes, Ms Sharp.

40

MS SHARP: Can I show you an email, please, Professor Horvath. This is an open email. It's exhibit BK26. It's CRL.605.016.6849. Just before we go there, you understand that the board has recently decided to close all subsidiary bank accounts?

PROF HORVATH: That is correct.

45

MS SHARP: And that was because of the recognition of the risks of money laundering in accounts like that?

PROF HORVATH: That is correct, Ms Sharp.

MS SHARP: What I would like to do, if I can, is show you the next page of that email. And could I direct your attention to the bottom half. You will see an email  
5 from Roland Theiler to Alan McGregor of 8 April 2020?

PROF HORVATH: I'm having – what is the reference, I'm sorry, I'm having - - -

MS SHARP: Yes, the document reference is CRL.605.016.6849 and this is pinpoint  
10 6850.

PROF HORVATH: I've got the wrong - - -

COMMISSIONER: Could that be brought up on the screen. Yes, it's there now.  
15

PROF HORVATH: Thank you. I can see it on the screen now.

MS SHARP: Thank you, Professor Horvath. Could I draw your attention, please, to  
20 an email from Roland Theiler. Incidentally, he is one of the most senior executives in the VIP international team; that's right, isn't it?

PROF HORVATH: I'm – I don't know. I'm not aware of the name, I'm sorry. But I - - -

MS SHARP: This is a few months ago, on 8 April 2020 and he is emailing Alan  
25 McGregor. That's your current CFO, is it?

PROF HORVATH: That is correct.

MS SHARP: And what he says is:  
30

*How do you feel ANZ would react if customers deposited funds for debt repayments into our ANZ account in Hong Kong? Junkets have difficulties in remitting funds to us in Australia and this may provide them with an option.*  
35

What comment do you have to make about this email from April of this year?

PROF HORVATH: I don't have a comment because I don't know the context of it, and I don't know the legality of it. You know, I'm sorry, there's just not enough in  
40 there for me to – to make any comment on it.

MS SHARP: All right. I'll give you a bit more context. 2019, CBA has closed down the Riverbank and Southbank accounts. And Crown Resorts executives are looking for other account options. And, in that context, Mr Theiler sends this email  
45 to Mr McGregor. With that context, what do you say about this email?

PROF HORVATH: I'm still – yes. I'm not trying to be difficult. This is complex. I – you know, ANZ are the – the – where we bank. Whether this is a way to put money into an account there that it gets put in – then transferred to an appropriate account in Crown that – and it goes into SYCO and appropriate reporting. I just  
5 don't have enough content to be able to make a sensible contribution. I'm not trying to be difficult here. But I don't have enough knowledge of banking laws to comment on this email. This is shorthand.

MS SHARP: Well, Mr Barton told this Inquiry, in his September evidence, at page  
10 2796, that he thought this was an inappropriate email sent, but - - -

PROF HORVATH: Well - - -

MS SHARP: - - - you're saying that you can't assist one way or the other?  
15

PROF HORVATH: I mean, if Mr Barton said it's inappropriate, then, he, being the former CFO and knowledge of these matters, I would support what he says.

MS SHARP: You see, the issue is that this email is being sent from one very senior  
20 executive to another in April of this year. Does that suggest to you that there may remain a cultural problem at Crown Resorts in relation to compliance with anti-money laundering requirements?

PROF HORVATH: If that is the advice that – if this is the context in which Mr  
25 Barton has concerns about it, then I would have concerns.

MS SHARP: As a director of Crown Resorts and Crown Melbourne, do you accept that, in the past, those organisations have not been proactive in relation to anti-money laundering?  
30

PROF HORVATH: Only in – only insofar as we complied with the regulatory requirements which, at the time, we thought would be proactive. In hindsight, we need to be more proactive. We need to have a much broader view of our responsibilities in that area, and that is why some of the material that I've alluded to,  
35 we have undertaken.

COMMISSIONER: Can I just clarify a couple of things, Professor Horvath. The Riverbank and Southbank accounts were, apparently, opened to keep the patrons happy who couldn't disclose to their either colleagues or families that they were gambling. You understand that was the reason for setting those accounts up?  
40

PROF HORVATH: That is what I have heard at the Inquiry, Commissioner. Yes.

COMMISSIONER: And so the email that you've been referred to in respect of  
45 which Mr Barton made that observation about inappropriateness, is in the context of those three banks having closed the accounts; you understand that?

PROF HORVATH: Well, I – if it is in the context of those three banks, then the email is inappropriate.

5 COMMISSIONER: And you see that – I’m just really focusing on trying to work out why this would happen in an organisation that prides itself, at least from the directors’ positions, to say that they are compliant. You see, there must be some motivation to keep the customers happy, obviously; that’s one thing, isn’t it?

10 PROF HORVATH: Yes, Commissioner.

COMMISSIONER: And I’m not criticising anyone for trying to keep their customers happy, but here you have a suggestion that they could open an account or use the Hong Kong account for the debt repayments; you see that?

15 PROF HORVATH: Yes, I do, Commissioner.

COMMISSIONER: And that is from senior managers who obviously have a task of making sure, from the profit-making side of the business, that things will be profitable, that is, get the repayments of the debts in; you agree with that?

20 PROF HORVATH: I do, Commissioner.

COMMISSIONER: And so it may be, ultimately, that, in looking at this, you can see that perhaps – perhaps – and I’m not sure yet, of course – but perhaps they were blinded by the desire to ensure that the profitability of the company was their driving force without really thinking about the appropriateness of trying to open yet another account that may be destined for the same result as the others. Do you agree with that possibility?

30 PROF HORVATH: That is a – that is a very clear and reasonable possibility, Commissioner.

COMMISSIONER: Yes. And so that does really suggest the need for a recalibration of – I’m not quite sure what it is, but it’s probably a recalibration of, as Ms Korsanos said yesterday, putting compliance and legality first, or words to that effect. You’d agree with that?

PROF HORVATH: Totally agree. And removing the compliance and risk and monitoring functions from the operational aspects of the business. There’s got to be independence – a complete independence – in the ability for the compliance and risk functions to report to the board quite separately from the business unit that’s generating revenue. And that - - -

45 COMMISSIONER: Yes. Thank you. Yes. Thank you.

MS SHARP: Professor Horvath, have you, through your time as director of Crown Resorts and director of Crown Melbourne, endeavoured to follow the press in relation to those organisations?

5 PROF HORVATH: Not in detail.

MS SHARP: You did follow, quite closely, the media allegations last year; is that right?

10 PROF HORVATH: That was around – I mean the – the – the Fairfax Channel Nine issues were brought to our attention quite – and that was hard to avoid. I followed that grouping very closely. But in terms of day-to-day media, I see some, I miss some.

15 MS SHARP: How about the September 2014 Four Corners program called High Rollers High Risk?

PROF HORVATH: I – look, to be honest, I don't know whether I saw it or not or I think I saw it, because I read the transcript supplied to me. So whether my memory is contaminated, I – I can't give you an accurate answer to that.

MS SHARP: How about the March 2017 Four Corners program, Crown Confidential?

25 PROF HORVATH: No, I didn't see that.

MS SHARP: You see, allegations have been made for a very long time now that Crown has business relations with junkets connected to organised crime. Do you accept that those allegations have been made in the media for a period of a good many years?

PROF HORVATH: Yes, having read the transcripts. Yes, I accept that, Ms Sharp.

MS SHARP: Well, as a director of both Crown Melbourne and Crown Resorts, were you aware of those allegations back to 2014? Were you aware, in 2014, of those allegations?

PROF HORVATH: I may have been. I can't – as I said, I didn't – I can't recall seeing that particular program. I can't state definitely I was aware of them.

MS SHARP: So far as you're concerned, as a director, is it right that nothing changed in Crown's management of junket operators following the September 2014 allegations about junkets in the Four Corners program?

45 PROF HORVATH: Not that was brought to the attention of the board.

COMMISSIONER: Of either board?



PROF HORVATH: Correct.

MS SHARP: Do you agree that it's ultimately the responsibility of the board to set guidance on the type of junket operators with which Crown should deal?

5

PROF HORVATH: Yes, I accept that.

MS SHARP: And do you agree that it is for the board to set the company's risk appetite?

10

PROF HORVATH: I do agree with that, Ms Sharp.

MS SHARP: Has the board's risk appetite with respect to junkets changed in recent times?

15

PROF HORVATH: Certainly the – the risk appetite since Ms Siegers has determined what it is, has changed and is continuing to change by the very fact that we have stopped all activities – suspended junket activities, the risk appetite has changed significantly.

20

MS SHARP: And what's the board's current risk appetite for junkets?

PROF HORVATH: Until we've – and we haven't because of the Inquiry and lots of other things, I don't believe we have formally elucidated it, but we've clearly stopped doing business with junkets. We're undertaking the implementation of the reviews, and I think that there is a general acceptance that if we were to go back to dealing with junkets in the future, we, as a board, would have to be satisfied that the highest level of probity has been met that they don't have any significant criminal or illegal connections; they or their operators or the various financiers and connectivity attached to them.

25

30

MS SHARP: Tell me, Professor Horvath, have you read the Berkeley Research Group's due diligence report that was obtained by Crown Resorts in September of this year?

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PROF HORVATH: I've read the executive summary in detail and I've skimmed the rest. It's a very dense document, and I'm aware of it.

MS SHARP: I might take you to that document, if I can. It's a confidential document. It's exhibit AC28. It is CRL.703.001.0001. Has that come up on the screen for you, Professor Horvath?

40

PROF HORVATH: Yes, it has, Ms Sharp.

MS SHARP: And it's a confidential document, so I'll be a little circumspect in what I say to you, but could I take you to page 9, which is 0009; and you will agree that this page does relate to Alvin Chau?

45

PROF HORVATH: That is correct.

MS SHARP: Yes. Could I take you to – there's a dot point and then a little arrow with a heading.

5

COMMISSIONER: If you can just enlarge that.

PROF HORVATH: Could you enlarge it for me?

10 MS SHARP: Yes, I certainly will. And if you could just have regard to that first little arrow.

COMMISSIONER: Just highlight that, please.

15 MS SHARP: If we could highlight that.

COMMISSIONER: Thank you.

PROF HORVATH: Thank you.

20

MS SHARP: Then could I take you, please, to page - - -

COMMISSIONER: Wait a moment.

25 PROF HORVATH: Thank you, yes.

MS SHARP: Could I then take you to page 10, which is pinpoint 0010, and could I draw your attention, please, to a dot point in the middle of the page, commencing "Discrete sources" and have you read that.

30

COMMISSIONER: We will just have that, once again, highlighted, please.

PROF HORVATH: Thank you.

35 MS SHARP: Then could I take you to page 22 which is pinpoint 0022. Then could I ask you to read the first two paragraphs under the heading Reputation, and I will have those enlarged for you.

PROF HORVATH: Thank you, Ms Sharp.

40

MS SHARP: Then could I take you to page 25, pinpoint 0025 and could I draw your attention to the heading – the underlined heading at the bottom of the page and I will have those last two paragraphs highlighted for you, and ask you to read the first paragraph.

45

PROF HORVATH: Thank you, Ms Sharp.

MS SHARP: Could I then take you to page 29, pinpoint 0029, and I will enlarge the top half of that page and you will note the heading at the top of the page. And Professor Horvath, could I direct your attention to the second paragraph commencing:

5

*Sources were uniformly aware.*

PROF HORVATH: Yes.

10 MS SHARP: And can I then take your attention a little bit further down to the paragraph underneath that and the photos. If we could have that highlighted on the screen.

PROF HORVATH: Thank you, yes.

15

MS SHARP: And lastly, could I take you to page 31, pinpoint 0031, and if we could highlight the third paragraph, "According to sources". Now, you will agree that the purpose of obtaining this report was to have a comprehensive investigation undertaken?

20

PROF HORVATH: I am aware of that, yes, Ms Sharp.

MS SHARP: After reviewing those parts of the report, can you have any comfort at all that Mr Chau is a person of good repute?

25

PROF HORVATH: On the basis of what I have read and what you have highlighted, I would want a very thorough evaluation of those reports by ourselves. Prima facie, I agree with your contention that having read that material, although they are largely all allegations, he does not appear to be a person of good repute we should be doing business with. Going forward, I believe we need to use the resources that we are bringing to bear, the further evidence that we can glean before we make a final decision. But prima facie, I would think that this is not someone, going forward, we should be doing business with.

30

35 MS SHARP: You would agree that the decision as to whether to do business with somebody is ultimately a decision of judgment?

PROF HORVATH: That is correct, Ms Sharp.

40 MS SHARP: And you would agree that it is most unlikely that a person who is a convicted triad is going to put themselves up to be a junket operator?

PROF HORVATH: I would hope not.

45 MS SHARP: Yes. So you would agree that you might need to dig a little more deeply?

PROF HORVATH: I completely agree that, going forward, we need to look at the – to put it colloquially, the front man, the back man, the side man, and everybody connected with that activity.

5 MS SHARP: See, what I want to explore with you is your evidence that, in that Berkeley Research Group report, we were dealing with allegations. Do you think it's setting the bar too high to be requiring convictions before making a decision as to whether it's prudent to deal with somebody?

10 PROF HORVATH: No. No, I don't think we need convictions. I agree with you. I think demanding a conviction is not the bar I would personally set. And this is a personal opinion. It's not one that has been decided at board level. In the – because they were allegations, so I was trying to be accurate. We would need to really dig a lot deeper to – to, in fact, disprove these allegations to the satisfaction of our  
15 processes. That is the bar I would set. Unless we could disprove these allegations, then I don't think we should be doing business with this individual.

MS SHARP: Given the acknowledged risks of connections between junkets and organised crimes and the risk that junkets may play a role in money laundering, do  
20 you agree that Crown should adopt a precautionary approach when determining whether to have business associations with junkets?

PROF HORVATH: I totally agree, Ms Sharp. I think we should be very risk-averse when dealing with junkets.  
25

MS SHARP: So does that mean that you, as a director of Crown Resorts, would operate by the adage, when it doubt, rule it out?

PROF HORVATH: Look, I think that's a little imperfect, because there's levels of  
30 doubt. I think that if we can't establish to our satisfaction as an organisation that the people we are dealing with are beyond reproach, we shouldn't be dealing with them.

MS SHARP: I have no further questions.

35 COMMISSIONER: Mr Craig, do you have any questions by way of clarification?

MR CRAIG: Commissioner, can I perhaps raise one matter and then, having regard to the matter raised, it may or may not give rise to questions from my learned friend, Ms Sharp, or from you, Commissioner. I don't think it squarely falls into the re-  
40 examination category. Might I be heard on that matter?

COMMISSIONER: Yes.

MR CRAIG: Commissioner, as I understood a number of the questions being put by  
45 my learned friend, Ms Sharp, they proceeded on a predicate that no one at Crown looked at the banks statements for Riverbank and Southbank until after Mr Barton gave evidence.

COMMISSIONER: Yes.

MR CRAIG: Now, that, in our respectful submission, is contrary to other evidence before the Commission and, in particular, we rely upon, by way of example,  
5 transcript 2793, lines 10 to 45 of Mr Barton's evidence, the final sentence at paragraph 39(g) of his third statement, and exhibit CRL.663.001.0001. I raise those matters for the Commission now, if anything is to flow from them in terms of the questions to be put to Professor Horvath, but, in all candour, so that the Commission might consider that matter in the further questioning of witnesses to come.

10 COMMISSIONER: So is your point that somebody looked at them for a particular purpose. I think we have got some evidence about looking them for the SYCO analysis. Is that what you are referring to?

15 MR CRAIG: And also Mr Barton's evidence of the review of the accounts for the purpose of identifying structuring, Commissioner.

COMMISSIONER: Can you just say that again for me. I didn't hear you.

20 MR CRAIG: My apologies, Commissioner. Yes.

COMMISSIONER: That's - that's - - -

MR CRAIG: At transcript 2793, lines 10 to 45, Mr Barton also did give some  
25 evidence as to the review of those transactions for the purposes of identifying structuring.

COMMISSIONER: Yes, yes.

30 MR CRAIG: The point being, Commissioner, lest it go unsaid, insofar as the predicate was banks statements weren't looked at until after Mr Barton gave evidence, that's a predicate that I would challenge.

COMMISSIONER: Thank you. It's a matter for you, whether you want to ask  
35 Professor Horvath any questions about the banks statements and whether people looked at them. But I think you can be comfortable that whatever the evidence is in respect of the timing of looking at the bank statements for those purposes, Mr Craig, you can be comfortable that that won't be put inaccurately.

40 MR CRAIG: Thank you, Commissioner. And, having raised that matter, I have no questions for Professor Horvath.

COMMISSIONER: Yes. Thank you. Mr O'Brien, do you wish to ask any  
45 questions of Professor Horvath? I think that was a no. I think you're on mute.

MR O'BRIEN: Pardon me. I fixed that problem. I do not wish to ask any questions. Thank you.

COMMISSIONER: Thank you, Mr O'Brien. What about you, Ms Case?

MS CASE: No. Thank you, Commissioner.

5 COMMISSIONER: Professor Horvath, if I may ask you some questions about something that hasn't been raised thus far, it is your time as the head and the president of the New South Wales Medical Board, referred to in paragraph 5 of your statement. Do you remember saying that?

10 PROF HORVATH: I do, Commissioner.

COMMISSIONER: And, at that time – at that time, the medical board, or throughout your time, the medical board had a role to play in the, if I may use a general term, the licensing of medical practitioners?

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PROF HORVATH: That is correct, Commissioner.

COMMISSIONER: And so, from that perspective, there was, at the beginning of your term, in particular, a regulatory role for the board, as I understood it; is that right?

20

PROF HORVATH: That is correct.

COMMISSIONER: And at the time that you commenced as the president of the medical board, is it the case that the regulatory role, in looking into the conduct of medical practitioners under the relevant statutory regime, was assisted by regulatory support from the Department of Health?

25

PROF HORVATH: Not – to just clarify, it wasn't the Department of Health. It was a separate body known as, firstly, the Complaints Commission that had its own legislation, following Chelmsford and, later, it was changed to the Health Care Complaints Commission.

30

COMMISSIONER: So the Health Care Complaints Commission came in, in 1993, I think; is that right?

35

PROF HORVATH: I can't remember the date, but about then, Commissioner. The Complaints Commission, that was there - - -

40 COMMISSIONER: I think that's the date of the legislation.

PROF HORVATH: - - - was there prior to my joining the board in '87.

COMMISSIONER: In '87; is that right?

45

PROF HORVATH: That is correct, Commissioner.

COMMISSIONER: And so when you, therefore, joined the board in '87, you weren't the president. You were a member of the board, as I understand it; is that right?

5 PROF HORVATH: Initially – when I joined the board, I was initially deputy president, when I joined and, I think, it was within a year or 18 months when the president, Dr Amos became the Director-General, I was asked to become president and remained there for the remainder of my term.

10 COMMISSIONER: Thank you. And in that regulatory role, if I could just concentrate on that for a moment, you would agree, would you, that it was very important in that regime to have an independent body to assist with the investigation of what was going on with, for instance, complaints against medical practitioners?

15 PROF HORVATH: I think that was the strength of the New South Wales regime, compared to the regimes in other States, which didn't have a similar structure.

COMMISSIONER: And as I apprehend it, the independence of the regulatory body is that which you are referring to; is that right?

20

PROF HORVATH: Perhaps if I could best describe it, all complaints involving a medical practitioner were simultaneously shared by the board and first the complaints and then the Health Care Complaints Commission and, basically, whatever action was taken the highest bidder dominated, if I could put it that way.

25

COMMISSIONER: Yes, I see.

PROF HORVATH: If one – if one side said dismiss and the other said investigate, it was investigated and that was a legislative requirement.

30

COMMISSIONER: I understand. And so far as the work of those bodies – and I know it's nothing to do with casinos at the moment – but so far as those bodies are concerned, as I apprehend it, the focus was looking on the suitability of the practitioner to practise medicine; is that right?

35

PROF HORVATH: Correct, and it was initially – and there is some analogy here to some of your comments, Commissioner. Initially, when I became president, it was largely retrospective, that you dealt with complaints once they occurred.

40 COMMISSIONER: Yes.

PROF HORVATH: The current registration process, which is an Australian-wide one, has far more prospective elements to it, that you cannot be re-registered unless you have done your CME, unless you have current insurance, and you make certain declarations around your health and lack of criminal activity.

45

COMMISSIONER: Yes. And so sometimes it would be the case that there may be a real question of character but not of capacity. In other words, somebody might be a very capable and good medical practitioner but there may be a question about, for instance, an addiction to medication; would that be right?

5

PROF HORVATH: That's certainly a part of the process, yes.

COMMISSIONER: But that the commission or the board may have seen a public benefit in the practitioner continuing to practise but had to find a way to ensure that there was no danger to the public if that were to happen; you agree with that?

10

PROF HORVATH: That is enshrined in the various parts of the Act and the powers under the Act, that is correct.

COMMISSIONER: And so sometimes there would be conditions attached to the registration of the practitioner?

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PROF HORVATH: Yes.

COMMISSIONER: At other times there would be an appointment of a mentor and enabling the commission to have vision into the practice of the practitioner whilst being permitted to practise in this way; is that right?

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PROF HORVATH: That is absolutely correct, Commissioner.

25

COMMISSIONER: So that you could mould something for the continuation for the public benefit but at the same time satisfying you as the regulator, that you were the – the doctor was not endangering and complying with all the conditions that had been imposed – not endangering anyone and complying with all the conditions that had been imposed.

30

PROF HORVATH: That is absolutely correct. You have got it spot on, Commissioner.

COMMISSIONER: Thank you, Professor Horvath. And ultimately, I suppose, then, would you agree with the proposition that one of the – I think you've already agreed that one of the essential elements of that regime is to have a commission and a board of the regulator that was impenetrable by executive manipulation; do you agree with that?

35

PROF HORVATH: Correct.

COMMISSIONER: And so you need a strong regulator and you need a properly funded regulator to ensure that the public benefit is looked after?

40

PROF HORVATH: Correct.



COMMISSIONER: And if I could just move across to casinos, Professor Horvath, would you agree with that last proposition in respect of the strength of a regulator and the need for proper funding to ensure that the public benefit is catered for and looked after?

5

PROF HORVATH: Absolutely. I totally agree with that proposition.

COMMISSIONER: Professor Horvath, thank you for your evidence. I am now going to adjourn. We have concluded your evidence and if it be necessary, and I don't anticipate it will, but if it be necessary, those assisting would contact the solicitors who have been briefing the person representing you, Mr Craig, and ask you to return. But I am not anticipating that that would occur; you understand that?

10

PROF HORVATH: Thank you, Commissioner.

15

COMMISSIONER: Thank you, Professor Horvath. I will adjourn.

**<THE WITNESS WITHDREW**

20

**ADJOURNED**

**[1.21 pm]**

25

**RESUMED**

**[2.20 pm]**

COMMISSIONER: Thank you. Yes, Mr Bell.

30

MR BELL: Could I tender exhibit AB59, which is not a confidential document.

COMMISSIONER: Yes. I will mark that document exhibit AB59.

MR BELL: And I call Jane Halton.

35

COMMISSIONER: Yes, Ms Halton, would you prefer to make an oath or make an affirmation to give your evidence?

MS HALTON: An affirmation, thank you.

40

**<SARAH JANE HALTON, AFFIRMED**

**[2.21 pm]**

45

**<EXAMINATION BY MR BELL**

COMMISSIONER: Yes. Thank you. Yes, Mr Bell.

MR BELL: Would you please state your full name?

5 MS HALTON: Sarah Jane Halton.

MS SHARP: Your business address is known to those assisting this Inquiry. Would you state your occupation?

10 MS HALTON: Company director.

MR BELL: You were appointed as a non-executive director of Crown Resorts in May 2018; is that correct?

15 MS HALTON: That is correct.

MR BELL: And you are the current chair of the risk management committee of Crown Resorts?

20 MS HALTON: That is correct.

MR BELL: When were you appointed as chair of that committee?

25 MS HALTON: I took over, effectively, from the beginning of this year, I think in practice because of the retirement of the former chairman. On the books it probably says at the end of last year but in practice it has been for this year.

MR BELL: And when were you first appointed as a member of the risk management committee?

30 MS HALTON: I believe I got an appointment to the risk committee when I first joined the board. I could be corrected on that, Mr Bell, but that's what I believe.

35 MR BELL: Prior to your appointment to as a member of the risk management committee, what qualifications or experience did you have in risk management?

40 MS HALTON: Certainly I've had a significant background in matters of risk, Mr Bell. I was responsible for a number of policies that go to risk in the Commonwealth, when I was secretary, particularly in relation to my role in the Department of Finance but also in the Department of Health where, obviously, in that department we had a series of risk policies. I could go on, but I think you understand the gist of that.

45 MR BELL: Yes, thank you. You are also a current member of the audit and corporate governance committee of Crown Resorts; is that correct?

MS HALTON: That is correct.

MR BELL: And you are the chair of Crown Sydney Gaming Pty Limited, the licensee of the Barangaroo restricted gaming facility?

MS HALTON: That is correct. I have recently taken on that role.

5

MR BELL: When did you join the board of the licensee?

MS HALTON: When the licensee moved to - to include directors of the group board as opposed to the holding arrangement that was largely from members of management. So I mean, a few months ago is the short answer. I don't have the precise date with me. I'm sure we could provide that.

10

MR BELL: And you have also been approved by the Independent Liquor and Gaming Authority of New South Wales as a close associate of the licensee; is that correct?

15

MS HALTON: That is my understanding.

MR BELL: Can I ask you to look at exhibit AA255, which is INQ.010.006.0346.

20

MS HALTON: Yes, Mr Bell.

MR BELL: I take it you are aware that this is the current Crown Resorts code of conduct which came into force in July this year?

25

MS HALTON: Yes, Mr Bell, I am.

MR BELL: And if I could ask you to look at clause 1.1 at the page ending in .0349, you see that it's there stated that:

30

*It is imperative that our services are carried out lawfully, ethically, honestly and responsibly and at the highest standards of integrity and professionalism.*

You understand that this principle has been enshrined in Crown Resorts corporate governance documents for some time?

35

MS HALTON: Yes, I do.

MR BELL: Do you agree that it's a standard which applies to everyone at Crown Resorts?

40

MS HALTON: Yes, I do.

MR BELL: And can I take you to the current ASX Corporate Governance Principles, the fourth edition, which are exhibit P22, INQ.100.001.0408.

45

MS HALTON: Yes, Mr Bell, I have that.

MR BELL: And if I could ask you to turn, please, to page .0436.

MS HALTON: Sorry, page? I've got page - - -

5 MR BELL: Yes, page 26 of the document which is the page ending in .0436.

MS HALTON: Sorry, I don't understand the reference to .0436. I've got page 26, however, Mr Bell, if that's the page you're referring to.

10 COMMISSIONER: It's up at the top right-hand corner.

MS HALTON: Thank you, Commissioner; I've got it. Yes, I have that page.

15 MR BELL: So Ms Halton, I will be regularly referring to documents using the last four digits of that reference up there.

MS HALTON: Okay, thank you.

20 MR BELL: And do you see that under the heading Commentary in the left-hand column, it states that:

*Recognising and managing risk is a crucial part of the role of the board and management.*

25 I take it you agree with that principle?

MS HALTON: I absolutely agree, Mr Bell.

30 MR BELL: And in the right-hand column, do you see it refers to the role of a risk committee being usually - - -

MS HALTON: Yes.

35 MR BELL: - - - to:

*...receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks.*

40 MS HALTON: Yes.

MR BELL: I take it you acknowledge the importance of that - - -

45 MS HALTON: I do.

MR BELL: - - - role of the risk management committee of Crown Resorts in all aspects of its business operations?

MS HALTON: I do, Mr Bell.

MR BELL: And if you look at page .0437, the heading Commentary in the left-hand column, you see that the principles state that:

5

*One of the key roles of the board of a listed entity is to monitor the adequacy of the entity's risk management framework and satisfy itself that the entity is operating with due regard to the risk appetite set by the board:*

10 And I take it that you recognise the importance of that principle for Crown Resorts in all aspects of its business operations?

MS HALTON: I do.

15 MR BELL: And you agree that it follows from that principle that it's the role of the board to set the risk appetite for the entity?

MS HALTON: I do.

20 MR BELL: And may I ask you to look at the commentary on laying solid foundations for management and oversight at the page ending in .0416.

MS HALTON: I've got that page.

25 MR BELL: Do you see that in the right-hand column in about the middle of the page the principles state that:

*The board of a listed entity is responsible, whenever required, for challenging management and holding it to account.*

30

Do you see that?

MS HALTON: Yes, I do.

35 MR BELL: And do you see that it refers to footnote 15 on that page which refers to a statement by Commissioner Hayne in his report on the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, that:

40 *...boards cannot operate properly without having the right information and boards do not operate effectively if they do not challenge management.*

I take it you acknowledge the importance of that fundamental principle?

45 MS HALTON: I do, Mr Bell.

MR BELL: And you accept, among other things, that that principle applies to the risk management function and requires boards to constructively challenge and ask questions of management?

5 MS HALTON: That's right, Mr Bell.

MR BELL: And do you agree that an aspect of this is that the board has to ensure that management is held to account for risk failures?

10 MS HALTON: I do.

MR BELL: And do you agree that the board of a listed company has an important role in setting the tone and influencing and overseeing the culture of a company?

15 MS HALTON: Yes, I do, Mr Bell.

MR BELL: And do you also agree that it's necessary for the boards of listed entities to establish a strong risk culture that recognises that risk management is the responsibility of all staff?

20

MS HALTON: Absolutely I do, Mr Bell.

MR BELL: Are you familiar with the ASIC Corporate Governance Taskforce report on Director and Officer Oversight of Non-Financial Risks published in October 2019?

25

MS HALTON: Yes, I am, Mr Bell.

MR BELL: Can we look at that report; it's exhibit AG51, INQ.100.001.0557.

30

MS HALTON: Yes. We've now found that, Mr Bell.

MR BELL: And do you see, at page 2, that's the page ending in .0559, in the top left-hand corner.

35

MS HALTON: Sorry. Sorry. Could you just repeat that number again. I lost that number.

MR BELL: Yes. So it's page 2 of the document in - - -

40

MS HALTON: Yes.

MR BELL: - - - the bottom left-hand corner and the page ending in .0059 in the top right-hand corner.

45

MS HALTON: Yes. thank you, Mr Bell, I have that.

MR BELL: Do you see there at the top of the left-hand column, this is described as a review by ASIC “into Australia’s largest financial companies”.

MS HALTON: I have got that paragraph.

5

MR BELL: And, in the right-hand column, towards the bottom of the page, do you see that ASIC urges the:

10                   *...boards of all companies – whether or not in the financial services – to read this report.*

Do you see that?

MS HALTON: I do.

15

MR BELL: And you’ve read this report?

MS HALTON: Yes. I have, Mr Bell.

20 MR BELL: And can I can ask you to look at the conclusion reached by the taskforce, page 18, the page ending in .0575.

MS HALTON: Yes.

25 MR BELL: Do you see that ASIC states that:

*Risk appetite needs to be clearly expressed, reflecting actual appetite.*

Do you agree with that?

30

MS HALTON: Yes, I do, Mr Bell.

MR BELL: And if you look at page 19, the page ending in .0576, in the right-hand column under Better Practice, do you see that ASIC states that it thinks:

35

*...boards can do more to express their appetite in a way that is meaningful and in a way that aligns with their actual appetite.*

And that:

40

*Compliance with legal and regulatory obligations must be a high priority for boards.*

Do you agree with that?

45

MS HALTON: Yes. Yes, Mr Bell, I do.

MR BELL: If we turn to page 26, the page ending in .0583.

MS HALTON: Yes.

5 MR BELL: You'll see that this section of ASICs report asks whether boards are:

*...getting the right information to enable them to oversee and monitor non-financial risk management?*

10 MS HALTON: Yes.

MR BELL: And turning to page 34, the page ending in .0591, do you see that ASIC states in the heading that:

15 *Informal meetings should be conducted in a manner that avoids asymmetric information between board members?*

MS HALTON: Yes, I do see that.

20 MR BELL: And do you see that, further down that page, under the heading Better Practice, ASIC says that:

25 *Boards need to be mindful of the risks involved where informal conversations result in decisions or actions being agreed upon absent formal frameworks without the benefit of the entire board's views being considered. Boards should implement practices that minimise these risks, such as monitoring the subject of discussions that are not repeated in a formal meeting, and formally recording key decisions and action items.*

30 Do you see that?

MS HALTON: I'm not quite sure where, in the paragraph, you're reading from. I'm sorry, Mr Bell. Can you just point me to it precisely?

35 MR BELL: Yes, yes. I won't - - -

COMMISSIONER: Can you just slow down a bit please, Mr Bell.

MR BELL: Certainly.

40

COMMISSIONER: Thank you.

MS HALTON: Thank you, Commissioner.

45 COMMISSIONER: Yes. I understand - - -

MR BELL: I won't read it out again.



COMMISSIONER: - - - very much, Ms Halton. If you could just please pause, Mr Bell. Yes.

MR BELL: So are you on page 34 of the report?

5

MS HALTON: Yes, I'm on the page. I just wasn't sure where you were reading from. I'm sorry.

MR BELL: Okay. You see under the heading Better Practice.

10

MS HALTON: Yes. But it's one paragraph. Where were you?

MR BELL: You see it starts "Boards need to be mindful", and I read that part of the paragraph out. Do you see that?

15

MS HALTON: Okay. So you're five lines, or thereabouts, down; is that right?

MR BELL: Yes.

20

MS HALTON: Got it. Yes.

MR BELL: All right. And do you see that, at the bottom of the page, it says boards need to ask themselves:

25

*How are we ensuring that all directors have the benefit of material information obtained during informal –*

discussions:

30

*or meetings?*

Do you see that?

35

MS HALTON: "Conversations". "Conversations", I think it says, Mr Bell. But, yes, I do see it.

MR BELL: Sorry. I thought that's what I said. But in any event let's go to page 45.

40

MS HALTON: Yes.

MR BELL: That's the page ending in .0602. Do you have that page?

MS HALTON: I do.

45

MR BELL: And do you see that the principle that ASIC identifies there is that board risk committees:

*...need to meet often enough to oversee material risks in a timely manner.*

MS HALTON: Yes, I do see that.

5 MR BELL: Do you agree – do you agree with that principle?

MS HALTON: Yes, I do, Mr Bell.

10 MR BELL: And do you see that, in the top of the right-hand column, ASIC states that a board risk committee:

*...that meets quarterly has limited ability to respond to leading indicators in a timely manner or monitor time-sensitive issues.*

15 MR BELL: Do you acknowledge the force of that statement by ASIC?

MS HALTON: I also acknowledge the conclusion of that paragraph that says enough:

20 *...with enough regularity to ensure that issues are dealt with promptly.*

Yes, Mr Bell.

25 MR BELL: Yes, and turning to page 47, the page ending in .0604.

MS HALTON: Yes.

30 MR BELL: Do you see that the principle stated here by ASIC is board risk committee:

*...members need to ensure that they are providing informed oversight.*

I take it that you agree with that principle?

35 MS HALTON: Indeed.

MR BELL: And do you see that ASIC says:

40 *Without receiving adequate information, board risk committees cannot identify the root causes of issues that arise.*

MS HALTON: Correct.

45 MR BELL: I take it you acknowledge the – the wisdom of that observation?

MS HALTON: Yes. I would say that was a self-evident truth, Mr Bell.

MR BELL: Yes. Now, I take it that you conducted a process of due diligence before you accepted an appointment as a director of Crown Resorts?

5 MS HALTON: I did relatively extensive due diligence, Mr Bell. I'm happy to talk but that if you would like more detail.

MR BELL: In the course of your due diligence, did you become aware that there was a services agreement between Crown Resorts and Consolidated Press Holdings Proprietary Limited, dated July 2016?

10 MS HALTON: I was aware that there were a series of agreements, Mr Bell. In terms of actually reading that particular agreement, no, I did not read that agreement before I joined, but I was aware that it existed.

15 MR BELL: So you were aware, were you, that there was a services agreement between Crown Resorts and Consolidated Press Holdings dated July 2016?

MS HALTON: I don't know that I knew the date of it, Mr Bell, but I knew of its existence.

20 MR BELL: Were you aware that it had been referred to in the annual reports of Crown Resorts in 2017 and every succeeding year?

MS HALTON: Well, I think, indeed, Mr Bell, that is why I asked the question about it, because I had read about it in the annual report.

MR BELL: I will refer to Consolidated Press Holdings Proprietary Limited as CPH; do you follow?

30 MS HALTON: Yes, I do.

MR BELL: Now, can we look at the services agreement. It's exhibit Y13.

MS HALTON: Yes, Mr Bell. We have that document.

35 MR BELL: That's CRL.525.001.0001. Did you become aware, when you conducted your due diligence, that the purpose of the services agreement was to provide for Crown Resorts to pay CPH for services provided by certain CPH executives to Crown Resorts?

40 MS HALTON: Well, I think, as I said to you, Mr Bell, I didn't read the document before I agreed to join. I understood there was a services agreement. As it had been explained to me, when I inquired about the agreement, it was explained to me that there had been an historical practice of CPH providing assistance to the company at no charge. And that, essentially, that arrangement was put on to a more regularised footing. And if I can find the relevant part, which, of course, I will not be able to at  
45 this precise moment, but there was an acknowledgement, I think, in the document, to

that effect, that there had been this history and this meant that services – and there were a range of reasons that were expounded to me in relation to the reason for this which went to, as I said, a more structured relationship which had been put in place more recently.

5

MR BELL: So you did become aware that the purpose of the services agreement was to provide for Crown Resorts to pay CPH for services provided by certain CPH executives?

10 MS HALTON: Well, for services provided by CPH at nominated prices for tasks as requested, was my understanding. And where that made sense and was in the interests of Crown, was my understanding, Mr Bell.

MR BELL: And if you look at the schedule, schedule 1 at page .0024, were you  
15 aware at or about the time you joined the board that Mr Johnston and Mr Jalland were executives who were providing services under this agreement?

MS HALTON: No, I was not aware of that, Mr Bell.

20 MR BELL: When did you become aware of that?

MS HALTON: I think it would have been some time after I joined the board and I think it was actually in the context of, I think, what we call the Cannery matter which is otherwise known as the GST issue, so it was in that context that that became clear  
25 to me. And that was specifically in respect to the technical capacity of Mr Johnston, but also his history with the matter, which extended back over a long period.

MR BELL: Can you assist the Commissioner in identifying about when that might have been?  
30

MS HALTON: To be honest with you, I will struggle to recall this without misleading you, Mr Bell. I joined mid-year 2018. I have a sense it was not early. It was inside the first year; I can be confident of that. I don't know that I can pin it down more precisely, I apologise.  
35

MR BELL: And was it in that context that you also became aware that Mr Jalland was providing services under the services agreement?

MS HALTON: I wasn't aware that Mr Jalland was providing services at that point,  
40 no. I mean, I was certainly aware that Mr Arbib was providing services in terms of the communication activity, but not Mr Jalland.

MR BELL: So when did you become aware that Mr Jalland was providing services under the agreement?  
45

MS HALTON: Very, very much later and, to be honest with you, that was something that – I don't know, I actually don't even know how I became aware of

that. I mean, certainly, as I said, there was specific reference in the context of the tax case and my understanding was that this was - this agreement was in respect of activities that Crown needed doing and where there was a good argument for it to be done, but certainly in relation to Mr Jalland, it was certainly after I became aware of Mr Johnston, because there was specific discussion about that activity.

MR BELL: And if I could ask you to look, please, at clause 11.1 at page .0015.

MS HALTON: Yes.

MR BELL: Did you see that it makes provision for actual or conflicts of interest and a mechanism for resolving those.

MS HALTON: Yes, it does, yes.

MR BELL: And at some point, did you become aware that there was a provision to this effect in the agreement?

MS HALTON: At some point but, again, later on.

MR BELL: All right. You would have expected, wouldn't you, a provision along those lines in an agreement of this nature to regulate conflicts of interest?

MS HALTON: Yes, of course.

MR BELL: Yes. And if you look at clause 14.4, on page .0017.

MS HALTON: Yes.

MR BELL: At some point did you become aware that the agreement made provision for confidential information of Crown Resorts to be provided to CPH so that CPH and the executives could provide the services to Crown Resorts under the agreement?

MS HALTON: Yes. Yes, Mr Bell, I did.

MR BELL: And can I ask you to look at exhibit Y6, please.

MS HALTON: Sorry, Mr Bell, we're just turning pages here. Yes, I have that.

MR BELL: It's confidential link CRL.506.006.5500, but you see that these are minutes of a meeting of the board of Crown Resorts on 31 October 2018 which you attended?

MS HALTON: Yes.

MR BELL: Turn to page .5509, do you see that you joined with your colleagues on the board in approving and adopting the controlling shareholder protocol?

MS HALTON: Yes.

5

MR BELL: And did you understand that the reason that the protocol was perceived to be necessary was because it was no longer possible to provide information to Mr Packer personally under the services agreement because he was no longer on the board of either Crown Resorts or CPH?

10

MS HALTON: Yes, and as the minutes reflect, Mr Bell, essentially this was to regulate the provision of information. And I think that protocol has been fairly well traversed so far. But in terms of its provisions, yes, I understood that.

15 MR BELL: All right. And can I ask you to look at the protocol, at exhibit Y5, which is confidential link CRL.509.014.8430.

MS HALTON: I have that, Mr Bell.

20 MR BELL: And if you look at clause 2.10.

MS HALTON: Yes, Mr Bell.

25 MR BELL: On page .8433, I take it that you were aware at the time that this protocol authorised certain representatives of Crown Resorts to provide confidential information to Mr Packer and CPH?

30 MS HALTON: Yes, in the context that's outlined in that particular clause, which refers specifically to act in the best interests of shareholders as a whole.

30

MR BELL: Yes. And those people who were authorised included directors and officers and key management personnel; do you see that?

MS HALTON: I do.

35

MR BELL: And I take it that you were aware, after this controlling shareholder protocol was entered into in October 2018 that information was provided on a regular basis by board members and management of Crown Resorts to Mr Packer?

40 MS HALTON: No, I was not, Mr Bell.

MR BELL: You would have expected that to occur, wouldn't you, in light of that being the purpose of the protocol?

45 MS HALTON: Yes, Mr Bell, I would have expected that.

MR BELL: And are you aware that Mr Michael Johnston has given evidence to this Inquiry that in the second half of May 2019 at the time when the company of which he was the director was negotiating a sale of 19.99 per cent of the shares in Crown Resorts to Melco Resorts, Mr Johnston was reviewing confidential financial forecasts of Crown Resorts as part of the budget process in his capacity as a CPH executive under the services agreement?

MS HALTON: So Mr Bell, I did not see all of Mr Johnston's evidence but my understanding of what transpired in that evidence is consistent with the position that you just put.

MR BELL: Well, I will put it in terms of asking you to make assumptions in case you haven't heard all of the evidence. But can you assume that Mr Johnston has given evidence that he provided comments on Crown Resorts financial forecasts knowing that those forecasts had been specifically requested by Mr Packer? Make that assumption please.

MS HALTON: I can make that assumption, yes.

MR BELL: Would you also please assume that Mr Johnston has given evidence that the financial forecasts provided to him by Mr Barton were relevant to financial information which he subsequently provided to Melco Resorts prior to the sale to Melco.

MS HALTON: I'm making that assumption, Mr Bell.

MR BELL: Thank you. Can you also assume, please, that Mr Johnston has given evidence that at the time he was reviewing the financial forecasts provided to him by Mr Barton, he failed to declare CPHs interest in the financial forecasts or to notify Crown Resorts that the company of which he was a director was negotiating a sale of Crown Resorts shares to Melco Resorts?

MS HALTON: Yes, Mr Bell, I'm happy to assume that on your say-so.

MR BELL: All right. If you make all those assumptions and assume that that's the evidence that has been given to this Inquiry, does it concern you as a director of Crown Resorts that Mr Johnston failed to notify a conflict of interest in these circumstances?

MS HALTON: Well, I think the issue here, Mr Bell, is declarations of conflict are usually made in the course of meetings when an item is being discussed. And so the precursor to that question, it strikes me, is what is this issue discussed in a meeting and, hence, a conflict declared, which it was not. So, in terms of other declarations of conflict, perhaps you'd like to expand on your meaning.

45

MR BELL: No. What I'd really like is an answer to my question, please, Ms Halton, which was this: does it concern that you, as a director of Crown Resorts, that Mr Johnston failed to notify a conflict of interest in these circumstances?

5 MS HALTON: Sorry, I didn't hear the word "notify", Mr Bell. So, in terms of notification, so you're talking to relevant parties, that he did not – no. Well, I'm taking it that he did not notify, yes, it does certainly me, Mr Bell.

10 MR BELL: Thank you. And does it concern you that there appears to be a conflict between Mr Johnston providing services to Crown Resorts as a CPH executive in circumstances where he's also reviewing those decisions in his capacity as a director of Crown Resorts?

15 MS HALTON: I think that depends on the circumstances, Mr Bell. I mean, I think, in the circumstance I outlined to you previously, which is where there was a long history in respect of a difficult and complex taxation matter and where that was known to people in relation to those matters when they were being discussed, we sometimes do have conflicts and, if they're disclosed, I think they can often be managed. So, in that context, no, I didn't necessarily have a particular issue, because  
20 I think the benefit that was gained from that level of history and knowledge was significant and was an advantage to – you know, under the terms of this agreement. So, in that context, no, I did not think there was a particular issue, as long as we – we knew of it.

25 MR BELL: Well, let me provide another context for your consideration. What about in circumstances when Mr Johnston is working on budgets in his capacity as an executive of CPH and then – and then reviewing his own work and deciding whether or not to approve those budgets in his capacity as a board member. Can you see a potential for any kind of problem in that context?  
30

MS HALTON: So, I'm assuming he was working on budgets which were provided to the board, Mr Bell?

35 MR BELL: That's the hypothetical which I'm asking you to consider.

MS HALTON: A hypothetical. Thank you. Thank you for clarifying. Yes, I think if that is not disclosed, that is a potential problem. Yes, I do.

40 MR BELL: Is it the case that a decision has been made to suspend the provision of any further information under the controlling shareholder protocol in light of the evidence given to this Inquiry by Mr Johnston, as you understand it?

MS HALTON: Yes, that is my understanding, Mr Bell.

45 MR BELL: And, to your knowledge, has the board of Crown Resorts taken any steps to suspend the provision of confidential information to CPH under the services agreement?



MS HALTON: Yes, that is my understanding, Mr Bell.

MR BELL: So it's both the services agreement and the shareholding protocol which have been suspended in that manner?

5

MS HALTON: That – that is my understanding. Yes, that's correct.

MR BELL: Can I ask you to look at exhibit AA158. It's confidential link CRL.500.009.0008. Do you see this is an email from Ms Manos to Mr Alexander, dated the 31st of May 2019, the day after the Melco transaction was announced?

10

MS HALTON: Yes. I do see that, Mr Bell.

MR BELL: And do you see that, in the first bullet point, Ms Manos informed Mr Alexander that the independent directors wanted to meet separately from CPH to understand some potential ramifications of the transaction?

15

MS HALTON: Yes. I do see that, Mr Bell.

MR BELL: Now, as an independent director of Crown Resorts, did you have any concerns when you learnt about the sale of 19.9 per cent of Crown Resorts shares to Melco Resorts?

20

MS HALTON: Well, certainly, Mr Bell. The issue of the role of the independent directors versus the non-independent directors was a matter of some concern to me. Certainly, that transaction, as it was announced to us, which we had no prior – well, I had no prior warning, to be absolutely clear about this – it did raise – and I think Ms Manos's email, which goes to a list there in that confidential link, Mr Bell, I think, is a good but not necessarily entirely complete list of the matters that would have had to have been traversed in relation to that transaction.

25

30

MR BELL: Can you inform the Commissioner as to what it was that you were concerned about?

MS HALTON: Well, certainly, I was concerned that the balance, if you like, of – from a governance perspective, from an oversight perspective, of the roles and responsibilities of the independent versus non-independent directors, by definition, would have to change and, certainly, in terms of the responsibility that the independent directors had, and all directors had, to all shareholders, that – that transaction needed to be considered in respect of all of these elements. What were its implications? What were the steps that needed to be taken immediately or in the medium term? And you can see there's a reference to some of those matters that we were just discussing in terms of those agreements. I mean, all of those things needed to be considered as a matter of some priority.

35

40

45

MR BELL: And do you mean by that, that one among many of the issues that crossed your mind was the impact on regulatory agreements that Crown Resorts had with the regulator?

5 MS HALTON: Well, I mean, certainly, I was conscious that all of our relationships with all of our regulators actually needed to be on all fours and, I mean, obviously, the relationship with regulators is unbelievably important. We work in a highly regulated industry. And catching anybody by surprise on matters of this kind  
10 invariably brings into question how those relationships and issues will be managed going forward. And so, certainly, at the forefront of my mind was the need to ensure that there was an early discussion with regulators about those issues.

MR BELL: Yes. And, of course, a casino's licence to operate is one of its most important assets, isn't it?

15 MS HALTON: Well, I would actually argue it's its most important asset, Mr Bell. I mean, without its licence it does not operate and, yes, the hotel and the restaurants and everything – I mean, and they are fabulous facilities, no doubt, but its licence is its most precious asset.

20 MR BELL: And did it occur to you, in that context, that it was important that Crown Resorts consider what impact this transaction had on its licence conditions?

MS HALTON: Well, I certainly think the issue of regulatory certainty – and that  
25 means for the regulator as well as for the regulated – in these kind of contexts is important. I mean, Mr Bell, I have been a regulator for a fair proportion of my career, and regulators like to be kept informed about what's going on. So to the breadth of your point, yes, it's important that we talk to regulators about what is actually going on with the business and including who is occupying particular  
30 positions because, as you know, confidence comes from confidence not just in systems and processes, but also with individuals.

MR BELL: And just to be clear, that was one of the issues that occurred to you that needed to be taken into consideration in light of this transaction?

35 MS HALTON: In the broad, Mr Bell. Yes, in the broad.

MR BELL: Now, if I could ask you to look at exhibit CF10, please.

40 MS HALTON: Sorry. Mr Bell, I'm sure you're used to finding bits of paper by now. I apologise that it does take us a little bit of time.

MR BELL: No. Please don't apologise. This is CRL.501.025.6932.

45 MS HALTON: Yes.

MR BELL: You see it's the ASX media announcement which your colleagues on the board authorised for publication on the 31st of July 2019?

MS HALTON: Yes, Mr Bell.

5

MR BELL: And, prior to that announcement, were you aware that, up to October 2016, Crown Resorts and its subsidiaries had no business licence or other permission from the Chinese government to conduct any business activities in China?

10 MS HALTON: No, Mr Bell.

MR BELL: Prior to that announcement, were you aware that, up to October 2016, it was possible for operators of foreign integrated resorts to obtain a representative licence from the Chinese authorities to market their hotel and leisure facilities?

15

MS HALTON: No, Mr Bell.

MR BELL: Were you aware, prior to the announcement, that, in the period up to October 2016, Chinese business law advice obtained by Crown Resorts was interpreted by management to mean that the staff in China would be complying with the business laws of China if they conducted business activities there without a licence as long as they did not have an office?

20

MS HALTON: In terms of the detail of your question, no, Mr Bell. But what I was aware of was a view – and it was put to me by many people, including as part of my due diligence, before I joined the board – that Crown was complying with Chinese law. I mean, obviously – and if you'll just indulge me for a second - - -

25

MR BELL: By all means.

30

MS HALTON: - - - I inquired about the China detentions in quite some considerable detail before I decided I would join the board. And that included inquiries about legal compliance and the circumstances in relation to those detentions because, obviously, they were serious matters. And it was certainly put to me by everybody I spoke to that there was a view that there was compliance with Chinese laws.

35

MR BELL: Just to make sure that we are not at cross-purposes, my question is focusing not on the criminal laws of China, but on the business laws of China.

40

MS HALTON: No, no, no. I understand that. Yes, Mr Bell, I do understand that.

MR BELL: All right.

45 MS HALTON: Sorry.

MR BELL: So, just to be clear, if I may ask the question again - - -

MS HALTON: Yes.

MR BELL: - - - so there's no uncertainty about what your evidence is.

5 MS HALTON: Yes.

MR BELL: My question is were you aware, prior to the announcement in July of 2019, that, in the period up to October 2016, Chinese business law advice was interpreted by management to mean that business activities could be carried on in  
10 China without a licence as long as they were not conducting an office.

MS HALTON: That level of detail, no, Mr Bell, was not put to me. It was put to me that Crown was operating in – within the context and within the law of China, but not in respect of details, as you have just put them.

15

MR BELL: All right. Well, let's look at exhibit CF7, which is confidential link CRL.506.007.8870, and, Ms Halton, do you see that it's the board paper - - -

MS HALTON: Which – yes, the board paper. Which page are you on? Sorry.

20

MR BELL: In relation to the media allegations which you considered prior to agreeing to publish the board's response.

MS HALTON: Yes. Sorry. And which page were you on, Mr Bell?

25

MR BELL: I just wanted to, first of all, identify the documents.

MS HALTON: Okay. Got it.

30 MR BELL: And we have.

MS HALTON: Yes.

MR BELL: So if we could then turn to the specific pages, which is page .8882. You were informed in this board paper that Crown made a conscious decision not to open offices in mainland China, weren't you?

35

MS HALTON: In this document. Yes.

40 MR BELL: And you were informed, in the next bullet point, that other casino operators did have dedicated offices in China, weren't you?

MS HALTON: I am – yes, that is correct, in this document.

45 MR BELL: So you understood, prior to agreeing to publish the board's response, that Crown Resorts was operating in a different manner to other casino operators who had dedicated offices in China; correct?

MS HALTON: Correct.

MR BELL: And were you informed, prior to the announcement authorised by the board in July 2019, that, in the period from August 2015 to October 2016, Crown  
5 Resorts was conducting an office in Guangzhou, without any signage, which was leased in the name of two employees who were reimbursed for the rental?

MS HALTON: No.

10 MR BELL: Were you informed, prior to the announcement on the 31st of July 2019, that this office contained computers, customer information and gifts and was used to process visa applications for VIP gamblers from all over China?

MS HALTON: No.

15 MR BELL: Were you informed, prior to the announcement, that there'd been a previous unofficial office used in Guangzhou without any signage from at least 2012 until 2015?

20 MS HALTON: No.

MR BELL: Were you informed that this previous unofficial office was run from premises which were not legally registered, in a semi-residential building, which a Crown Resorts executive described as being "subject to random checks by authorities  
25 and posing many risks"?

MS HALTON: No.

MR BELL: Are you aware that Mr Craigie, the managing director of Crown Resorts  
30 at the time, has given evidence to this Inquiry that this unofficial office was apparently an attempt to disguise from the Chinese authorities the fact that Crown Resorts was conducting an office in Guangzhou and was not authorised by him?

MS HALTON: Well, consistent with what I said to you earlier, Mr Bell, I didn't see  
35 all the detail of that evidence, but I understand that to be consistent with the evidence as I understand it to have been given.

MR BELL: Okay. And are you aware that Mr Alexander, the executive deputy  
40 chairman at the time, has said that this unofficial office was not authorised by him either?

MS HALTON: I understand that to have been part of his evidence, yes.

MR BELL: And do you understand that Mr Packer, the executive chairman at the  
45 time, has given evidence that this unofficial office was not authorised by him either?

MS HALTON: I do understand that, Mr Bell.

MR BELL: And do you agree that if what I have put to you is correct in relation to this unofficial office, Crown Resorts was acting contrary to management's understanding of the business laws of China which were interpreted to mean that it would be legal to operate without a licence as long as you weren't conducting an office?

MS HALTON: You used the label "Crown", Mr Bell. What I'm unclear of is to who actually understood that point inside Crown. So in the broad, I think that is an accurate contention but in terms of who understood, you've just gone through who did not understand those matters. So - - -

MR BELL: My question was whether you agree that the entity was operating contrary - - -

MS HALTON: Yes.

MR BELL: - - - to management's understanding - - -

MS HALTON: I think that - - -

MR BELL: - - - and you do agree with that?

MS HALTON: I think that's correct, yes.

MR BELL: And do you agree that if this conduct by Crown Resorts management occurred in the way that I've described it, it was contrary to a core principle of Crown Resorts that all of its affairs be conducted legally, ethically, with strict observance of the highest standards of integrity?

MS HALTON: Yes, I do, Mr Bell.

MR BELL: And Mr Alexander has given evidence that if Crown Resorts was conducting an unofficial office in this way, contrary to the directions of Crown Resorts' senior management, while other casinos were openly conducting offices, in trying to operate under the radar like this may have, in fact, increased the risk to the staff in China if this conduct came to the attention of the Chinese authorities. My question to you is whether you accept that the fact that Crown Resorts was conducting an office in this way ought to have been drawn to the attention of the risk management committee of the board at the time?

MS HALTON: Well, yes, it certainly should have, Mr Bell.

MR BELL: And can we look again at the board paper which you considered prior to approving the announcement, exhibit CF7.

MS HALTON: Yes.

MR BELL: I think you are still there at page .8882.

MS HALTON: Yes, I am.

5 MR BELL: If the information I've put to you is correct, do you agree that it indicates that the information that the board was given in relation to whether offices were conducted in China was, to put it as neutrally as possible, incomplete?

10 MS HALTON: I think incomplete is a term you could ascribe to this document and that particular point, Mr Bell, yes.

MR BELL: And to your knowledge, has there been any review by the Crown Resorts board of how it came to be that Crown Resorts was conducting an unofficial office in Guangzhou contrary to its own understanding of the legal advice and its  
15 own ethical standards?

MS HALTON: Well, I am aware, Mr Bell and, again, I asked about this before joining the board, that – and, in fact, I asked what had been done to learn from the circumstances that the company found itself in, in that difficult period. What  
20 processes had been undertaken to review, to moderate, to modify the approach to doing the business. What I was told was that there had been a series of changes to oversight in relation to a whole series of parts of the business; that there had been changes that were regarded as being - we could have this discussion, I suspect - that were regarded as going to the core of what had been identified and I suspect that's  
25 not a formal process as you have just outlined it. But what was put to me was the contention that the lessons from this had been learned and taken on board.

MR BELL: I just want to make sure that the Commissioner is clear on the precise question that I asked you and your answer to it.  
30

MS HALTON: Yes.

MR BELL: To your knowledge, has there been any review by the Crown Resorts board about how it came to be that Crown Resorts was conducting an unofficial  
35 office in Guangzhou contrary to its own understanding of the business law and contrary to its ethical values.

MS HALTON: And thank you for that clarification, Mr Bell. To be fair, my inquiry was in the general about what had been learned and what had been changed.  
40 My inquiry was not as to the specific of the role of the board and that possibly is a deficiency in the inquiry I made. So I – I – not that I am aware of but I did not explicitly ask that question, Mr Bell.

MR BELL: So the Commissioner should understand that you're not aware of any  
45 review by Crown Resorts of how it came to be that Crown Resorts was conducting an unofficial office in Guangzhou contrary to its understanding of the business law and contrary to its own ethical standards; is that a fair way of putting it?

MS HALTON: To – yes, well, to the extent that we conceive of the word “review” as meaning a discrete activity undertaken to analyse a particular set of circumstances other than the nature of the discussion that I just outlined to you, I can’t say that that is not correct, Mr Bell, because I did not ask that question.

5

MR BELL: So the evidence given to this Inquiry indicates that in 2012 at least three executives of Crown Resorts who remain executives today were aware that the company was conducting an unofficial office in Guangzhou, in a semi-residential area, subject to random checks by authorities and posing many risks. And in addition to that, Mr O’Connor has given evidence to this Inquiry that, as far as he was aware, it wasn’t being kept a secret at Crown Resorts that these unofficial premises without any branding or signage, were operating in Guangzhou since at least 2012. In these circumstances, do you agree that the board of Crown Resorts needs to undertake a root cause analysis of how this state of affairs occurred?

10

15

MS HALTON: Are you talking about now, Mr Bell or are you talking about at the time?

MR BELL: Well, your evidence is, I think, that you’re not aware of any such analysis or review having been undertaken. My question is, in circumstances where there are still a number of executives who were aware of this matter and in circumstances where Mr O’Connor says it wasn’t a secret, do you think in those circumstances, in light of what the board knows now, it needs to conduct a root cause analysis of how this state of affairs occurred.

20

25

MS HALTON: So the trouble with doing a root cause analysis at this point, Mr Bell - and I’ve done a number of root cause analyses in my time - is that the further away from the event the less useful they are because (1) people’s memories have changed or people have moved on. I mean, there are, however, I think, things that can be drawn in terms of going forward. But to do a root cause analysis right this instant, I, well, personally would be sceptical that it would advance things very materially.

30

MR BELL: Well, do you accept that in circumstances where it wasn’t a secret that this unethical conduct was occurring, this conduct which was contrary to management’s own understanding of its legal advice, these circumstances suggesting a cultural failure in the business culture of Crown Resorts?

35

MS HALTON: So Mr Bell, I think there’s a different contention, which goes to what one needs to do in respect of culture and that is an ongoing matter of concern. What I was saying to you is I did not believe a root cause analysis of something that occurred eight years ago was necessarily going to be, you know, desperately helpful in charting a good path going forward. That doesn’t mean I don’t agree with you in respect of some elements of what you just said in respect of – and you’ve just gone to the principles, of how you might deal with these issues going forward.

40

45

MR BELL: And my specific question to you was, all of the circumstances I’ve suggested to you including the continuing presence of senior executives in the



organisation today, does that suggest to you that there was a failure in the business culture of Crown Resorts?

5 MS HALTON: Well, it certainly suggests that there was a failure of communication and it suggests that there was a failure of potentially some understanding, and culture may well be part of that, Mr Bell. That is entirely plausible.

10 MR BELL: Good. Thank you. Could I ask you to look at exhibit CF7 again, at page .8881.

MS HALTON: ..... document, Mr Bell.

15 MR BELL: So it should be the document that is in front of you. It's exhibit CF7; it's a board paper, CRL.506.007.8870, and if I could ask you to turn to page .8881.

MS HALTON: Yes.

20 COMMISSIONER: Can I just clarify something, Mr Bell, while you are doing that. Ms Halton, the answer you gave referred to the good sense in looking back to something that is quite some time ago. You said it was eight years ago. I think probably you meant four; is that right?

25 MS HALTON: Sorry, Commissioner, he was referring to something from 2012. That is a fair observation, yes. No, I was actually talking about the circumstance he was referring to. No, you are right in terms of the ultimate expression of that circumstance, that is a very fair point.

30 COMMISSIONER: And if someone had started to look at this within Crown, before you joined the board or even just after, let's say '17 or '18, closer to the time of the real crisis of the arrest of the employees, would you endorse the proposal that it might have been a good idea then, closer to the time, two years ago to have a look at that?

35 MS HALTON: Yes, I do endorse that, Commissioner.

COMMISSIONER: Yes, thank you. Yes, Mr Bell.

40 MR BELL: So Ms Halton, I was just directing your attention to page .8881 in the board paper - - -

MS HALTON: Yes.

45 MR BELL: - - - do you see that the second last point at the bottom of the page in relation to the legality of the activities in China states that:

*Legal and risk advices were obtained by management regarding these activities in China.*

MS HALTON: Yes, Mr Bell.

MR BELL: Yes. And if you could look at the board's advertisement at exhibit CF10.

5

MS HALTON: Yes.

MR BELL: CRL.501.025.6932, do you see that in relation to the detentions in China, among other things, you wrote:

10

*Also, at all relevant times Crown obtained legal and government relations advice from reputable independent specialists. The fact that staff were nevertheless detained and convicted is not an indication that the advice was wrong or disregarded, but an illustration of the challenges involved in anticipating how foreign laws can be interpreted and enforced.*

15

Do you agree that the implication of what you have written is that Crown relied upon the legal advice which it obtained at the time?

20 MS HALTON: That is the implication, Mr Bell.

MR BELL: Did you ask to see any of the advices which you were told had been obtained by management so that you could read and check them for yourself?

25 MS HALTON: No, because I'm not a lawyer, Mr Bell, and so my reading of legal advice isn't necessarily going to be, you know, definitive. However, I did rely on the assurances I was given by people who were lawyers, who had, as I understood it, scrutinised those advices.

30 MR BELL: And did you seek any assurances from management that Crown Resorts had in fact relied upon all of the legal advice which it had obtained from the external Chinese lawyers prior to the arrests?

35 MS HALTON: In precisely those terms, Mr Bell, no. I can't say that I did. Did I seek a set of blanket assurances as to the accuracy of the statements that were being made; yes, I did seek those assurances. So I didn't narrow them down and - you know, circumscribe them in a specific way to that specific detail but I did seek broad assurances as to the accuracy of the information that I was being given and upon which we were relying.

40

MR BELL: Yes. Were you informed prior to authorising the announcement in July 2019 that after the Crown Resorts staff were arrested in China, the internal lawyers of Crown Resorts realised that they didn't have a significant number of the legal and government relations advices which had been provided to VIP international executives?

45

MS HALTON: I've only become aware of that since this Inquiry has been underway, Mr Bell.

5 MR BELL: And have you also only learnt through the processes of this Inquiry that after the arrests, the internal lawyers of Crown Resorts had to request copies of all of the advices to find out what advice had, in fact, been given?

MS HALTON: Yes, Mr Bell, I am aware of that now.

10 MR BELL: And can I ask you to look at exhibit M for Mike 154, please.

MS HALTON: Yes, Mr Bell, I think I've got what you're referring to.

15 MR BELL: Yes, in the bottom right-hand corner, it's CRL.545.001.0128, and do you see that at the bottom of the page, there's an email from Mr Chen dated 24 February 2015 starting at the bottom of page .0128 and going over to page .0129  
- - -

20 MS HALTON: Yes.

MR BELL: - - - to the external lawyer in Beijing in which he says:

25 *The climate has gotten quite destabilised. We have competitors that have pulled their entire teams out of China. Could you please advise whether you think our executives should be avoiding entering China and whether we should be pulling staff out.*

30 I take it that you weren't informed prior to approving the announcement in July 2019 that the VIP international unit had sought advice in those terms from the lawyer in Beijing?

MS HALTON: No, I was not.

35 MR BELL: And if you look back at page .0128, do you see that the lawyer's response is:

40 *I agree that it seems prudent to limit travels of senior executives to mainland China at this point given that the regulatory environment is being tightened up and the picture is not entirely clear. I'm not sure whether it has come to the point that you have to pull the entire team out of China. One option is that you could have some key employees tentatively work outside China, eg, Hong Kong.*

45 I take it, Ms Halton, you weren't informed prior to approving the announcement in July 2019 that the VIP international business unit had obtained advice in these terms?

MS HALTON: No, Mr Bell, I was not.

MR BELL: And is the first you learnt about these emails through the hearings of this Inquiry?

MS HALTON: Yes, that's correct.

5

MR BELL: And do you think that you should have been informed about emails such as this before approving an announcement which implied that Crown Resorts had relied upon all of the legal advice which it had obtained?

10 MS HALTON: Well, I hadn't seen, obviously – and so I will make the obvious disclaimer, Mr Bell. I haven't seen the rest of the legal advice. But as to the broad principle that we should have been informed of the broad issues in respect of the legal advice and the circumstances around some of those decisions, yes, I would agree with your contention.

15

MR BELL: Yes. All right. Now, were you informed prior to authorising the announcement in July 2019 that Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the opinions which were being expressed in the advices of the external lawyers?

20

MS HALTON: Sorry, can you give me a slightly better reference to what you are talking about? Which – I did not follow your question, I'm sorry, Mr Bell, can you back up a second.

25 MR BELL: I will see if I can do it more clearly.

MS HALTON: Thank you.

30 MR BELL: I'm asking about what you were informed about before you approved the announcement in July 2019.

MS HALTON: Yes.

35 MR BELL: And I'm asking, in particular, if you were informed that Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the opinions being expressed by the external lawyers.

MS HALTON: So this is the external lawyers in respect of the draft of the advertisement, is that correct?

40

MR BELL: No, sorry, we're – I still haven't made myself clear. I do apologise.

MS HALTON: I'm sorry.

45 MR BELL: I'll try again. So what I'm asking you is this: did you know - were you told - - -

MS HALTON: Yes.

MR BELL: - - - before you approved the announcement - - -

5 MS HALTON: Yes.

MR BELL: - - - that Crown Resorts hadn't asked its internal lawyers to check the soundness of the opinions on Chinese criminal laws being provided by the external lawyers?

10

MS HALTON: Okay. Sorry, now I understand. No, I was not. I'm sorry, Mr Bell, I just wanted to be very clear what you were actually asking.

MR BELL: It's important that we're clear. And were you informed, prior to authorising the announcement, that Crown Resorts management had not sought confirmation from Crown Resorts internal lawyers about the soundness of the factual assumptions being made by the external lawyers?

15

MS HALTON: No, I wasn't. And in fact, if anything, Mr Bell, I would say that there was an implication that this was signed off - does that make sense, and hence my requirement - and I asked this many times for an assurance that this had both factual and legal clearance.

20

MR BELL: And I want us to be precise about what you knew and what you didn't know.

25

MS HALTON: Yes, thank you.

MR BELL: Now, were you informed prior to authorising the announcement that Crown Resorts management were relying upon VIP international executives who were not themselves lawyers to interpret the legal advice which had been obtained from the external lawyers?

30

MS HALTON: No, I was not.

35

MR BELL: And were you informed prior to authorising the announcement, Crown Resorts management didn't ever seek assurances from the VIP international executives about the factual assumptions being made by the external lawyers?

MS HALTON: No, we were not informed - well, I was not informed of that, Mr Bell.

40

MR BELL: Okay. Now, do you agree that if all of what I have suggested to you is correct, it indicates that the management by Crown Resorts of the legal advices being received about the Chinese criminal law prior to the arrests was inadequate from a risk perspective?

45

MS HALTON: Again, because I have not seen all of those legal advices, I am loath to make a sweeping comment on something I haven't seen, Mr Bell. It would seem, however, manifest that there was a breakdown in the process somewhere in respect of advices and who knew of advices and that is not as it should have been.

5

MR BELL: To your knowledge, has the board of Crown Resorts challenged the management of the Crown Resorts internal legal team to explain how this state of affairs occurred?

10 MS HALTON: In view – so which state of affairs, in terms of being – being – sorry, so - - -

MR BELL: Let's just summarise the points. Firstly, the internal legal team didn't have a significant number of the legal advices that had been provided; it had to ask for them after the arrests. Secondly, it's clear from at least one of the advices that I've shown you that Crown Resorts didn't rely upon that advice. Thirdly, I've asked you to assume that Crown Resorts management never asked its internal lawyers to check either the soundness of the opinions being provided by the external lawyers or the accuracy of the factual assumptions. Next, I've asked you to assume that management were relying upon VIP international executives who were not themselves lawyers to interpret that advice. Never sought assurances that the factual assumptions which those lawyers were providing were accurate. The first question that arises from that is whether you accept that this situation was not adequate?

20  
25 MS HALTON: It was not adequate.

MR BELL: And my second question is: are you aware whether the board of Crown Resorts has challenged the Crown Resorts legal team about that inadequate state of affairs?

30

MS HALTON: The board has challenged in respect of a number of matters to do with decision-making of a similar kind, Mr Bell. It is fair to say that in respect of that historical set of affairs, not in my experience, but to give you an example – well, sorry.

35

MR BELL: Well, I think you've answered the question, but if you want to offer some other observations I'm sure the Commissioner will be assisted.

MS HALTON: No, no. That's fine, please continue.

40

MR BELL: All right. Now, were you aware prior to approving the announcement by the Crown Resorts board that the allegations made in the media in relation to the China arrests included allegations that Crown Resorts had failed to heed warning signs from the Chinese government and thereby put its staff at risk?

45

MS HALTON: No, I was not aware of that.

MR BELL: Was it explained to you prior to approving the announcement that it was widely understood by Crown Resorts management prior to the China arrests, that there was a potential for arbitrary action by the Chinese authorities?

5 MS HALTON: No, that was not put to me as an understanding that management widely held, Mr Bell.

MR BELL: Was it explained to you prior to approving the announcement in July 2019 that it was widely understood by Crown Resorts management that China was a  
10 place where the law could be inconsistently applied.

MS HALTON: No, it was not put to me - that was not put to me in those terms, Mr Bell.

15 MR BELL: All right. Now, can we look again at exhibit CF7, CRL.506.007.8870.

MS HALTON: Yes, Mr Bell.

MR BELL: And - - -

20

COMMISSIONER: Can I just clarify something, if I may, Mr Bell.

MR BELL: Of course.

25 COMMISSIONER: Ms Halton, you've been asked a series of questions by Mr Bell about whether you were informed of things when you did your - effectively, your due diligence before joining the board. Do you remember that?

MS HALTON: Yes, I do.

30

COMMISSIONER: Is it right that the directors with whom you spoke in your due diligence were Mr Alexander and Professor John Horvath?

MS HALTON: Yes, that's right.

35

COMMISSIONER: And you did indicate that you spoke to management at the time  
- - -

MS HALTON: That's right.

40

COMMISSIONER: - - - that you were reviewing your position. With whom did you speak?

MS HALTON: I spoke with Mr Barton. I believe I spoke with Mr Preston. I  
45 believe I spoke with Ms Manos.

COMMISSIONER: So those five people were - you had discussions with those five people for the purpose of you asking questions to make your decision as to whether you should accept the invitation to be promoted as a director or put forward as a director of the company; is that right?

5

MS HALTON: In terms of within the company, Commissioner?

COMMISSIONER: Yes. Yes, that's what I'm asking you about.

10 MS HALTON: Within the company, that is correct.

COMMISSIONER: And I presume then that you also did some other work in respect of your investigations of whether you should or shouldn't become a director which were external to the company; is that what you are saying?

15

MS HALTON: Yes, that's correct, Commissioner.

COMMISSIONER: Is it possible for you to tell me the nature of those investigations that you conducted?

20

MS HALTON: Well, I'm happy to tell you the nature, Commissioner. I think for obvious reasons, the individuals I would prefer not to name.

COMMISSIONER: I understand that.

25

MS HALTON: I spoke with people who have particular expertise on matters Chinese. I spoke with people who have particular expertise in respect of issues around organised crime and money laundering. So I made a number of inquiries in a broad sense. Some of them were inquiries of people in uniform, Commissioner, and some of them were inquiries of people with those other broader professional experiences: serving and formerly serving, if I can describe it in that way to you.

30

COMMISSIONER: I understand. Thank you. Yes, thank you for that clarification. I'm sorry to interrupt you, Mr Bell.

35

MR BELL: Ms Halton, if you could look at page .8881 in the board paper and do you see that in the last bullet point, it states that:

40 *It was understood, based on legal and government relations advices, that promotion of gambling was that it was not illegal to promote gambling, if it was to groups of less than 10 and no kickbacks were being received.*

MS HALTON: Yes.

45 MR BELL: Do you see that?

MS HALTON: I do.



MR BELL: Was it explained to you prior to approving the announcement in relation to the first aspect, the size of the group being organised for gambling, that management understood that it would be illegal to organise more than 10 people to go on a gambling tour on one single occasion, but it would be legal to organise more than 10 people to gamble cumulatively on two or more occasions?

MS HALTON: I don't think it was put in exactly those terms, Mr Bell. But I think – I think there was that sense in the discussion around that point, if I can put it that way.

MR BELL: All right. And was it explained to you in relation to the second aspect, the issue of what is there described as a kickback, that management of VIP international understood that it would be illegal to get a kickback or a fee from the gambler directly but it would be legal for the employee to get a kickback or fee from his or her employer based on the gambler's turnover.

MS HALTON: Yes, I believe that is consistent with what was said.

MR BELL: And would you agree that both of those points appear to involve quite fine distinctions?

MS HALTON: I think – well, I think, yes, you could certainly put it that way, Mr Bell.

MR BELL: And do you agree that there was an element of risk in management relying on those fine distinctions being determined in Crown Resorts' favour having regard to management's view at the time that there was a potential for arbitrary action by the Chinese authorities and that China was a place where the law could be enforced inconsistently?

MS HALTON: Sorry, would you mind putting that question to me again as it had about ..... parts, Mr Bell.

MR BELL: So to be clear, I'm asking you about risk management.

MS HALTON: Yes.

MR BELL: And my question is: do you agree that there was an element of risk in management relying upon those two fine distinctions being determined in its favour in circumstances where management also believed that China was a place where there was a potential for arbitrary action and that it was a place where the law could be enforced inconsistently?

MS HALTON: What I struggle with in this, Mr Bell, is there is an element of risk in everything we do. We get out of bed, there's an element of risk; we cross the road. To your point, is there risk of doing business just about anywhere? Yes, there is. In

terms of quantifying the extent of that risk, I – I would struggle to answer the question. But if you want to say was there some risk? I mean, obviously, there was.

MR BELL: Well, let's put it in context if we can.

5

MS HALTON: Please.

MR BELL: If management was wrong about its - - -

10 MS HALTON: Yes.

MR BELL: - - - interpretation of these two fine distinctions, then its employees were at significant risk to their safety; correct?

15 MS HALTON: It is a fair contention, Mr Bell, that if you are wrong about any of your fundamental understandings when you're working in a foreign jurisdiction, that you are potentially exposing yourself to risk. Be those - - -

20 MR BELL: I really don't want to fence with you – I don't want to fence with you about this - - -

MS HALTON: Sorry.

25 MR BELL: - - - but do you agree that it's obvious that relying on these fine distinctions when they were interpreting Chinese criminal law, believing that China was a place where there was potential for arbitrary action and it was a place where the law could be enforced inconsistently, it meant that there was a risk; to be precise, a risk which meant that any escalation of the risk had to be brought to the attention of the Crown Resorts board?

30

MS HALTON: I completely agree with you, Mr Bell.

35 MR BELL: Great. And do you agree that also emphasised the importance of the board of Crown Resorts challenging management about the risks which the staff in China were facing?

MS HALTON: Well, I think the risk of the operation, more broadly, of which you could comprehend the staff. Yes, Mr Bell.

40 MR BELL: Now, could I ask you to look at exhibit AA185. CRL.569.001.0011.

MS HALTON: Thank you, Mr Bell. My trusty helper is doing a sterling job here.

45 MR BELL: Now, do you see – sorry. Yes. CRL.569.001.0011.

MS HALTON: Yes.

MR BELL: And you see it's an email from Mr Dixon to Ms Manos of the 10th of July 2019?

MS HALTON: Yes, I do see that.

5

MR BELL: And, among other things, Mr Dixon is informing Ms Manos about what occurred at an in camera meeting of the board, specifically, in relation to an issue concerning the China arrests?

10 MS HALTON: Yes, I do see that, Mr Bell.

MR BELL: And what it says is that:

15 *Concern was expressed by board members at some aspects of the document particularly surrounding the implications in the document that some executives of Crown had not fully conveyed to the relevant board committees and the full board the level of risk in Crown operating in China.*

MS HALTON: Yes.

20

MR BELL: Now, do you have a recollection of this in camera session of the board?

MS HALTON: In the broad. I mean, I cannot repeat it to you, chapter and verse, Mr Bell. But, yes, in the broad.

25

MR BELL: And who was it, among your colleagues, who was expressing these concerns?

MS HALTON: Well, I think, a number of us, and I certainly was one of them.

30

MR BELL: Right. I see. And are you able to add anything to assist us with understanding the substance of the discussions beyond what appears in the email?

35 MS HALTON: Look – look, what I would say to you – and it goes, I think, to some of your earlier questions about what you would expect to be told as part of proper governance and management and the expectation that things will be escalated, that there is a clear line of sight, particularly in the context of the kind of risk you've just been outlining, from the board and, by extension, its committees, as the working elements of the board, that those – those facts and those matters should be being brought forward, both for visibility, but also for guidance and decision. And I think  
40 it's what I would describe as governance 101: you want to know, and you – you have a responsibility to be actually managing these matters, and not to have been informed was a matter of concern. Even though this – I mean, as you understand, this is before I joined.  
45

MR BELL: Yes. And do you agree that it's a corollary of Commission Hayne's observations that the failure of this information to reach the board was not merely the responsibility of management, but also the responsibility of the board itself?

5 MS HALTON: Well, I agree with that, Mr Bell. The thing I would say to you, however, is that there have been occasions – and no doubt we will get there – where people have tested and asked questions and, notwithstanding, clearly, based on some of the evidence brought forward, information has not been forthcoming and, no doubt, we will get to – to those issues as well.

10 MR BELL: But, as a broad proposition, you would accept that, would you?

MS HALTON: Of course. Yes.

15 MR BELL: Yes. Now, could I ask you to look at exhibit M for Mike - - -

COMMISSIONER: Before you leave that. Ms Halton, this is on the 10th of July.

MS HALTON: Yes.

20 COMMISSIONER: 2019.

MS HALTON: Yes.

25 COMMISSIONER: I think that's before the publication of the media allegations.

MS HALTON: That's right.

COMMISSIONER: Two or three weeks beforehand.

30 MS HALTON: That's right.

COMMISSIONER: But it's after the Melco transaction had been notified to you.

35 MS HALTON: That's right.

COMMISSIONER: So you have – at the end of May, you have the surprise, I have no doubt, of the Melco transaction. Then you have this draft internal report that you were dealing with in a confidential or in camera meeting.

40 MS HALTON: Yes.

COMMISSIONER: And, at this time, had you been made aware at that stage of any press being interested in anything, or did that come a little bit later?

45 MS HALTON: No, there was no suggestion of that, Commissioner.

COMMISSIONER: All right.

MS HALTON: And you referred to the Melco transaction. You have to remember we had the Wynn issue before that.

5

COMMISSIONER: All right.

MS HALTON: So we had had a series - - -

10 COMMISSIONER: Yes, I hadn't forgotten that. That's referred to in the last part of the email there, I see.

MS HALTON: It is. It is.

15 COMMISSIONER: But can I just get the context that, at this time, before the media allegations are made, you, as one of the members, had been expressing a concern that the board had not been informed of these problems that you, no doubt, identified within the internal report that you'd read; is that right?

20 MS HALTON: And, to be clear, my concern was a process and governance concern, because I hadn't been there at the time.

COMMISSIONER: Yes.

25 MS HALTON: Others, who had been there at the had a more contemporaneous issue in respect of what they were and were not told. I wasn't there, so I couldn't have been told, if that makes sense - - -

COMMISSIONER: Yes.

30

MS HALTON: - - - but my issue went to governance.

COMMISSIONER: But the fact is that the context at that time was, before the media allegations burst on to the platform, we have the board being concerned - - -

35

MS HALTON: That's right.

COMMISSIONER: - - - about these very things. Yes. Thank you.

40

MS HALTON: Yes.

COMMISSIONER: Yes, Mr Bell.

MR BELL: So, Ms Halton, do you have exhibit M30, CRL.545.001.0611.

45

COMMISSIONER: Not yet. I just - - -

MS HALTON: I probably will in a minute, Mr Bell. Thank you, Mr Bell. I seem to have it now.

MR BELL: Do you see that it's an email from Mr Chen to Mr Felstead - - -

5

MS HALTON: Yes.

MR BELL: - - - dated the 26th of March 2013.

10 

MS HALTON: Yes.

MR BELL: If I could direct your attention to the last substantive paragraph where - - -

15 

MS HALTON: Yes.

MR BELL: - - - Mr Chen says this:

20 

*This is one thing that it's important to understand when it comes to the China team, they are living in constant fear of getting tapped on the shoulder in a country where due process is inconsistently applied. It's a risky place to be for all our team.*

25 

Now, Mr Packer and Professor Horvath, among others, have given evidence to this Inquiry that it's unacceptable for staff of an Australian publicly listed company to be expressing fears for their safety in performing the work that they've been required to undertake. Do you agree with them?

30 

MS HALTON: Absolutely.

MR BELL: And do you agree that the fact that the staff in China were expressing fears for their safety was a matter that ought to have been drawn to the attention of Crown?

35 

MS HALTON: Yes, I do.

MR BELL: And do you agree that the failure to draw this matter to the attention of the full board of Crown Resorts demonstrates a failure, for whatever reason, in the risk management processes of Crown Resorts?

40

MS HALTON: I think – yes, I do, Mr Bell. Absolutely.

45 

MR BELL: Now, were you aware, prior to the ASX media announcement on the 31st of July 2019, that, in February 2015, the Chinese authorities had announced a crackdown on foreign casinos luring its citizens to gamble overseas?

MS HALTON: No, I was not, Mr Bell.

MR BELL: Such a crackdown would be an obvious escalation of risk to the safety and the staff in China, do you agree, especially having regard to management's view about the potential for arbitrary action by the China's authorities and their views that China was a place where the law could be inconsistently applied?

5

MS HALTON: That was a statement. Would you like me to agree with it.

MR BELL: I'm asking you whether you agree that such a crackdown would - - -

10 

MS HALTON: Yes.

MR BELL: - - - be an obvious escalation in risk to the safety of the staff in China?

15

MS HALTON: Yes, I do agree.

MR BELL: And are you aware that Mr Felstead and Mr O'Connor have given evidence to this Inquiry that they were aware of the announcement, in February 2015, of the Chinese authorities and, if you're not aware of that, would you please make that assumption.

20

MS HALTON: I'll make that assumption. Thank you, Mr Bell.

25 

MR BELL: And would you also please assume that Mr Johnston has given evidence to this Inquiry that, in about February or March 2015, he became aware that reports of the Chinese authorities were cracking down on foreign casinos recruiting Chinese citizens to gamble overseas.

MS HALTON: I have made that assumption.

30 

MR BELL: Yes. And, please, also assume that the chairman of the risk management committee of Crown Resorts at the time, Mr Dixon, has said that he was not aware of the period – was not aware, in the period up to October 2016, of any reports of an announcement to the effect that foreign casinos were to be targeted as part of a Chinese government crackdown.

35

MS HALTON: Yes.

40 

MR BELL: And, please, also assume, would you, that a second member of the risk management committee at the time, Ms Danziger, has given evidence to this Inquiry that she was not aware that the Chinese authorities announced a crackdown on foreign casinos. So if you would, please, make those assumptions, do you agree that the failure to ensure that this escalation in risk was drawn to the attention of the risk management committee and, indeed, the full board of the Crown Resorts demonstrates a failure in risk processes and management of Crown Resorts at the

45

MS HALTON: I agree, Mr Bell.

MR BELL: Were you aware in, July 2019, that one of the allegations made by the media at this time, in relation to the China arrests, was that Crown Resorts instructed staff to falsely claim to the Chinese authorities that they were not working for Crown Resorts in China, but were working in other locations?

5

MS HALTON: I think that went to the document you showed me before, Mr Bell. No, I was not aware of that.

MR BELL: Well, I'm not sure what document you're referring to. You are referring to the email I showed you, are you?

10

MS HALTON: Yes. Is that what you are referring to? I apologise if I have misunderstood that.

MR BELL: I'm sorry. To be clear, what I was asking about was whether you were aware that one aspect of the media allegations made in July 2019 was that the media were saying that Crown Resorts instructed staff to falsely claim to the Chinese authorities that they were not working for Crown Resorts in China, but were working in other overseas locations?

15  
20

MS HALTON: I did not understand – sorry. Now, I'm completely confused. I do apologise Mr Bell. So you are saying that - - -

COMMISSIONER: That's all right. Let me see if I can assist. Did you know that, in the paper or in the program - - -

25

MS HALTON: Yes, yes.

COMMISSIONER: - - - in July 2019 or August 2019, it was alleged that Crown had instructed its staff to falsely claim that they really weren't working in China, they were working elsewhere, so that they could effectively hoodwink the authorities in China. Did you know about that allegation?

30

MS HALTON: I did not know of that allegation, Commissioner. I've become aware of that allegation.

35

COMMISSIONER: Yes. Thank you. And when did you become aware of it.

MS HALTON: I think, really, in the course of this Inquiry.

40

COMMISSIONER: I see. Yes. Thank you. And, of course, it was my word, "hoodwink", Ms Halton; that wasn't used in the press of course.

MS HALTON: All right. I know what you mean. Thank you.

45

COMMISSIONER: Yes, Mr Bell.



MR BELL: You would understand that an allegation of this nature amounts to an allegation of an ethical failure by Crown Resorts?

MS HALTON: Yes, I do.

5

MR BELL: And can I ask you to look at exhibit M139, please. CRL.545.001.0025.

MS HALTON: Thank you, Mr Bell. Yes, I have that document.

10 MR BELL: Do you see that it's an email from Mr Michael Chen to VIP international offices dated 9 February 2015, and please assume that recipients of emails to VIP international offices have included all of the staff in China.

MS HALTON: Right.

15

MR BELL: And just before the halfway mark on the page, there's a paragraph that starts this way:

20 *Just as we departed our all-hands meetings a number of articles came out this past weekend regarding the Chinese government seeking to crack down on Chinese gambling abroad.*

Do you see that?

25 MS HALTON: Yes, I do, I've got that.

MR BELL: Yes. And then a little bit further down the page, Mr Chen, in fact, in the next paragraph says:

30 *Let me share with you what we are doing.*

And then in point 2 he says:

35 *We will be applying for Hong Kong/Singapore work permits for all of our China staff that does not currently hold a foreign passport. This is purely a precautionary measure that will allow you to say that you work out of an overseas location and are on business travel to China.*

40 My question is whether you agree that this proposal was inconsistent with Crown Resorts fundamental principle that all of its business affairs be conducted ethically and in strict observance of the highest standards of integrity?

MS HALTON: Well, yes, Mr Bell. It's also a little unclear to me how it might be executed but that's a sidebar issue; yes, I do agree with you, Mr Bell.

45

MR BELL: Yes. Now, can I ask you to assume that Mr Drew Stuart, who was the general manager, risk and assurance of Crown Melbourne - - -

MS HALTON: Yes.

MR BELL: - - - from 2007 to 2018 - - -

5 MS HALTON: Yes.

10 MR BELL: - - - has given evidence to this Inquiry that he would have taken that fundamental principle, of acting ethically and in strict observance of the highest standards of integrity into account as a risk officer in identifying appropriate risk mitigation strategies for Crown Resorts or Crown Melbourne. Can you make that assumption?

MS HALTON: Yes.

15 MR BELL: And do you agree that this proposal by Mr Chen illustrates one problem with risk management strategies being dealt with on the ground, so to speak rather than being addressed through the risk management processes of Crown Resorts, namely, that there was a potential that strategies developed on the ground may focus insufficiently on the company's core values.

20

MS HALTON: And it also goes to delegation, Mr Bell, in terms of, you know, what you believe you've been authorised to do but, yes, I agree with the contention that you put.

25 MR BELL: Sorry, how does it go to delegation?

MS HALTON: Well, somebody who actually believes that they have the authority to do this as opposed to get agreement to do it.

30 MR BELL: That assumes that only one person was making this proposal, and that's not entirely clear, if I may put it that way.

MS HALTON: Okay. And you possibly have a better view of this than I, Mr Bell, but, yes, to your fundamental contention, I agree with you.

35

40 MR BELL: All right. Now, were you informed prior to approving the board's announcement to the Stock Exchange and media in July 2019 that in July 2015 a Crown Resorts employee in China had been questioned by the Chinese police about whether he was organising gambling tours and that the employee had falsely denied that to the Chinese police.

MS HALTON: No, I was not.

45 MR BELL: And were you informed prior to approving the board's announcement that the Chinese police had requested a letter from Crown Resorts in relation to the matter and that a Crown Resorts subsidiary had supplied such a letter which failed to mention that Crown Resorts conducted casinos?

MS HALTON: No, I was not.

COMMISSIONER: Can I just ask you: at the time then had you read the report that had been provided in draft, in respect of which the earlier email related?

5

MS HALTON: Sorry, which report, Commissioner?

COMMISSIONER: The VCGLR report, the draft report.

10 MS HALTON: The VCGLR draft; yes, I had read that.

COMMISSIONER: And did you not recall that there was mention in that in respect of the questioning of the employee?

15 MS HALTON: What I didn't recall was the conjunction of the two things, that there was some artefact produced. So I think as Mr Bell put it, there was questioning and then there was a letter provided. Is that correct; maybe I've misheard.

20 COMMISSIONER: But that you had been made aware by the VCGLR draft report, hadn't you, that an employee had been questioned in China?

MS HALTON: Well, my memory of that report was that there had been an interaction with staff. My memory of that report, Commissioner, was not to the level of detail as just put by Mr Bell.

25

COMMISSIONER: When you say "interaction" what do you mean?

MS HALTON: Had been questioned but not the business about the letter having been provided.

30

COMMISSIONER: Put the question of the letter to one side.

MS HALTON: Yes, okay.

35 COMMISSIONER: As at the date of the publication of the ASX announcement, you were aware that the Chinese employee in China had been questioned by the police, as I understand, from the content of the draft report that you read from VCGLR?

40 MS HALTON: So my understanding - and my memory may be imperfect here, Commissioner - in my understanding an employee had been questioned. I do not recall specifically in respect of by whom or the matter in respect of the correspondence or whatever the other letter was.

45 COMMISSIONER: I see.

MS HALTON: That might just be my imperfect memory.

COMMISSIONER: I see. So you can recall that there was some interaction, as you put it; is that right?

MS HALTON: That was the impression I had gained.

5

COMMISSIONER: And so at the time of the draft announcement being put before the board, you can – you did recall or you did not recall that there had been questioning or interaction, as you put it, between the authorities in China and one of your staff or one of Crown’s staff in China?

10

MS HALTON: So my memory at the time was that I had a sense that there had been – I will use the word “interaction” because that is the sense I had of it, but not the other material as put by Mr Bell. That, I did not have a memory of or recall. And maybe that is my imperfect memory, Commissioner.

15

COMMISSIONER: Yes, I see. In the draft report, as I understood it, it was notified that the person was questioned by Chinese police.

MS HALTON: Right, okay.

20

COMMISSIONER: And so that was something that probably would be discussed because of your email of the 10<sup>th</sup> – I withdraw that - the reference to the email of 10 July that we looked at a little earlier, was when you were asking questions about why it was that things hadn’t been elevated to the board. Do you remember that?

25

MS HALTON: Yes, I do.

COMMISSIONER: And was one of the things that you asked about at that time why it was that the questioning of a Chinese – I withdraw that – a questioning of a sales manager in China by the Chinese police had not been brought to the attention of the board?

30

MS HALTON: As I think I said in response to that question, my focus was on the generic question of why a series of matters had not been elevated, not in relation to one specific issue, so I was going to the question of governance writ large as opposed to a specific instance.

35

COMMISSIONER: So you did not raise the question of the Chinese police questioning the Chinese employee?

40

MS HALTON: No, I did not. Thank you.

COMMISSIONER: Yes. Yes, Mr Bell.

45

MR BELL: Were you aware at the time of approving the board’s announcement, that the questioning of the employee in China by the police and the requirement of

the Chinese police for a letter from Crown Resorts had occurred only a matter of three weeks after the arrest of 14 South Korean employees of casinos in China.

MS HALTON: No. No, I was not consciously aware of that, Mr Bell.

5

MR BELL: Would you agree that the questioning of a staff member in China about whether he was organising gambling tours by the Chinese police and the requirement by the Chinese police of a letter from Crown Resorts about that matter occurring only a few weeks after the arrest of 14 South Korean casino operators was an obvious escalation of the risk to the safety of the staff in China?

10

MS HALTON: Yes, Mr Bell, I would agree with that.

MR BELL: Are you aware and, if not, would you please assume that the evidence given to this Inquiry indicates that Mr Felstead knew about the questioning of the staff member in China and the requirement for a letter from Crown Resorts by the Chinese police but informed only one member of the board, Mr Michael Johnston, who did nothing about it?

15

MS HALTON: I understand that is the evidence that has been given, Mr Bell.

20

MR BELL: Do you agree that if what I have told you is correct, that the board as a whole needed to be aware of the questioning of the staff member in China and the provision of a letter by Crown Resorts, so that the board could consider whether the strategy in China remained within its risk appetite and if so whether any risk mitigation strategies were necessary?

25

MS HALTON: Yes, Mr Bell.

MR BELL: And do you agree that the failure to bring this matter to the attention of the board demonstrates a failure in the risk management processes of Crown Resorts at the time?

30

MS HALTON: I agree it's a risk management failure, yes, Mr Bell.

35

MR BELL: Now, Mr Packer, Mr Alexander, Mr Craigie and Professor Horvath have all given evidence to this Inquiry that if what I have stated is correct about the questioning of a staff member in China and the requirement for a letter from Crown Resorts by the Chinese police, it suggests a corporate governance problem because for whatever reason material information which the board needed to know was not shared by Mr Johnston with the full board. Do you agree with them?

40

MS HALTON: Yes, I do.

MR BELL: In relation to the corporate governance problems suggested by this event, has the board of Crown Resorts conducted any review to identify the root cause of the problem?

45

MS HALTON: I think we go back to the earlier question about root cause analysis, Mr Bell. Again, what I will say to you, is there have been a number of changes made in respect of governance and processes. They are founded, I believe, on an understanding of some of the failings of the past. Are they founded on a specific root cause analysis; no, not that I'm aware of.

MR BELL: Perhaps my use of the words "root cause" is a distraction to what I would suggest is the real issue here and that's this: in relation to this particular corporate governance problem which you have agreed occurred - - -

MS HALTON: Yes.

MR BELL: - - - has the board of Crown Resorts conducted any review into that corporate governance problem?

MS HALTON: Has it conducted a separately identified review? No, Mr Bell, it has not. Has it changed its processes including through the risk governance committee in relation to matters; yes, it has.

MR BELL: Well, just so the Commissioner is absolutely clear about your evidence - - -

MS HALTON: Yes.

MR BELL: - - - do you agree that there has been no review by Crown Resorts board about the corporate governance problem revealed by the fact that Mr Michael Johnston, for whatever reason, did not share this important information with the rest of the board?

MS HALTON: Yes, that is true, Mr Bell.

COMMISSIONER: Can I just go back - I'm sorry to do this, Ms Halton, but I just need to understand. You see, the VCGLR conducted its inquiry when it was doing its review of Crown, as you understood it, correct, into the China arrests?

MS HALTON: Yes. Yes, Commissioner.

COMMISSIONER: But it paused - perhaps for one reason that this Inquiry was ongoing, but it did provide Crown with a draft which contained a lot of material in respect of which you have seen exposed in this Inquiry; you would agree with that? Would you agree with that?

MS HALTON: Yes, sorry, Commissioner. Yes, I do.

COMMISSIONER: That's all right. So when I saw that email of 10 July 2019 before the media allegations, the board had been made aware of many of the alleged

deficiencies that at least the VCGLR saw in respect to the China arrests problem, hadn't it?

MS HALTON: Yes.

5

COMMISSIONER: And in that sense, I mean the VCGLR had already identified the issue of the employee being questioned and also it identified the provision of the letter by Crown Resorts; you understand that?

10 MS HALTON: Yes, I do understand from what I've been told, Commissioner, yes.

COMMISSIONER: Yes. And so at the time that you get to the media allegations breaking and then the response by the Crown board, the Crown board albeit it that it was in a confidential setting was, it seems, exquisitely aware that there were some  
15 real problems in respect of the China arrests; would you agree with that?

MS HALTON: Yes, Commissioner. And I might be able to add something which is not – is not the explicit answer to the explicit question put by Mr Bell which goes to governance, if you would find it helpful.

20

COMMISSIONER: Of course .

MS HALTON: Thank you. So, in that email, I believe, Mr Bell, there is also a reference to some issues in respect of corporate governance. There was done - - -

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COMMISSIONER: Perhaps, we'll – we'll bring it up and have a look at you speak. It's exhibit M something, Mr Bell.

MR BELL: I'm not sure what email.

30

COMMISSIONER: It's the 10th of July 2019.

MS HALTON: 10th of July.

35 COMMISSIONER: Yes. It will be brought up on the screen. You'll have to wait, Ms Halton, I'm afraid, because I don't have access to it unless it's on the screen.

MR BELL: It's AA185.

40 COMMISSIONER: Thank you so much. Exhibit AA185.

MS HALTON: Okay, we're getting - - -

45 COMMISSIONER: Just pardon me for a minute. Can I just have the balance of the reference.

MS HALTON: Thank you.

MR BELL: Sorry. I's CRL.569 – confidential link CRL.569.001.0011.

5 COMMISSIONER: Yes. Just wait while it comes up for me, if you wouldn't mind, Ms Halton, and I'll be able to follow you as you give your evidence. Just pardon me for a moment.

MS HALTON: Yes. Thanks. Thank you, Commissioner.

10 COMMISSIONER: Yes. Please proceed with what you were saying.

MS HALTON: Yes. Thank you.

COMMISSIONER: I think you said there's a reference to corporate governance.

15 MS HALTON: Well, that's right. So if you go to the second substantive paragraph in that email, Commissioner - - -

COMMISSIONER: Yes.

20 MS HALTON: - - - what you'll see is that it refers to:

*...also discuss the decision made at an earlier meeting, but put on hold while the Wynn Resorts issue was live, to commence a risk assessment process –*

25 etcetera.

COMMISSIONER: Yes.

30 MS HALTON: And so Mr Bell asked me a very explicit question about root cause analysis – and maybe this is the English language that divides us – but a root cause analysis is a very particular thing, and that very particular thing was not done. So I answered in that context. Now - - -

35 COMMISSIONER: I see.

MS HALTON: Essentially, however – so this is what I'd like to broaden and – and just give you a context for the second paragraph here, if I might.

40 COMMISSIONER: Yes.

45 MS HALTON: There had been a process of board review and self-reflection, and that actually included the views of board members about what should be done to strengthen the organisation from a governance perspective. And, in fact, the commentary relation to that, was, very clearly, that there needed to be changes made to the governance of the organisation, specifically – and this is essentially what is reflected in this second paragraph – which is to split the role of the chair of the board from the chief executive to actually get a proper approach. And you will see there –



so this had been being discussed amongst members of the board, and you can see that that discussion had progressed to the point where there'd been a conversation about who might be asked to position do specifications, to actually look, from a governance perspective, how we might recruit, etcetera, etcetera, etcetera. So, whilst, in terms of  
5 the very specifics of the question Mr Bell asked, what I can say is the concern about these governance matters was being discussed and, indeed, acted upon by the board. Now, as you will see in this note, it was – it was first discussed and then, as it says here:

10 *Put on hold by the Wynn Resorts issue was live.*

And then it was to recommence. And, of course, then we had – and we discussed this earlier – the Melco transaction issue. So this process was a fraction frustrated and, of course, it's now been eventually been given expression through the  
15 appointment of an independent chair and a separate CEO. So in terms of changes to the governance arrangements, this was actually being actively worked on and was occurring, albeit not necessarily at the speed some of us might have wished.

COMMISSIONER: I understand your point. And, of course, that's something that  
20 the advisers, or the proxy advisers, had raised in 2017 that there should be a separation of the CEOs role from that of the chairman; is that right?

MS HALTON: That is correct. That is correct.

25 COMMISSIONER: But what I was really asking you about was the top part of that email, and this is the position, as I read it: that by the time the allegations were made publicly in the 60 Minutes program and in the print media - - -

MS HALTON: Yes.

30 COMMISSIONER: - - - the board was already concerned about what had happened in China and the failure to be informed of the matters that you found within that draft internal investigation report; that's right, isn't it?

35 MS HALTON: That's correct.

COMMISSIONER: And you, of one of the people on the board, had asked that the chairman speak with Mr Felstead - - -

40 MS HALTON: Yes.

COMMISSIONER: - - - about the issues raised, and they were of very significant matters; were they not?

45 MS HALTON: Yes, indeed, chair – Commissioner.

COMMISSIONER: And so I wanted to look at the context of the advertisement

- - -

MS HALTON: Yes.

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COMMISSIONER: - - - in light of the knowledge that the board had, at the time of this publication – so you have the Melco transaction, you have this internal report, and then you have the eruption of these allegations in public. It was a fairly scorching month, I presume, but by the time you get to respond, the board is clearly concerned about what happened in China. You'd agree with that?

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MS HALTON: I think that's very fair, Commissioner.

COMMISSIONER: All right. Yes, Mr Bell.

15

MR BELL: In relation to the risk management failures identified in the China arrests with which you have agreed in your evidence today - - -

MS HALTON: Yes.

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MR BELL: - - - are you aware that both Mr Packer and Mr Alexander, the executive chairman and executive deputy chairman at the time, have given evidence that they are unable to offer any explanation or insight as to how those risk management failures occurred?

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MS HALTON: I haven't seen all of their evidence, Mr Bell, but I am sure I can take your word for it.

MR BELL: All right. Well, please make that assumption.

30

MS HALTON: Thank you. I shall.

MR BELL: And are you aware that Anne Siegers, the group general manager for risk and audit at Crown Resorts since December 2017 – and if you're not, please make this assumption – that she's given evidence to this Inquiry that, although she reviewed the risk management committee papers when she took on her position, she did so only from a going-forward perspective and didn't review past material risk failures such as the China arrests. If you could make that assumption also.

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40

MS HALTON: I will make that assumption, certainly.

MR BELL: And, to your knowledge, has there been any review by Crown Resorts Limited to identify how these risk management failures, which Mr Packer and Mr Alexander cannot explain, did occur?

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MS HALTON: Again, Mr Bell, I think, in terms of the use of the word "review" – and I really apologise if I sound like I'm splitting hairs here – has there been, in

terms of the structure of the risk arrangements going forward – and I have no doubt we will have some discussion about that: a consideration of matters as they were known to us at the time – and I would just preface this by saying – and we’ve already traversed this that there have been a number of matters that have come to light in the course of this Inquiry, which, by definition, have to be factored in to the approach to risk management, and I’m hoping we might discuss some of those things in due course. To say an explicit review; no, that is a fair enough observation. To say that the matters, as they were known, to wit, the absence of a very explicit appetite, a framework around the management of risk. So I would say to you that, I think, in the design – and Ms Siegers is very experienced in the risk domain – what she has done is bring a much – an elevated level of professional expertise to this issue. To the extent that that is informed by any retrospective look back, I would argue it’s chalk and cheese in terms of these issues and there’s still, obviously, a way to go, but not a specific review that I’m aware of.

15 MR BELL: All right. Do you agree that the risk management failures in relation to the China arrests, which you’ve agreed with and which Mr Packer and Mr Alexander can’t explain, appear, at least, in part, to be failures for whatever reason in the risk culture of Crown Resorts?

20 MS HALTON: I think that is certainly one very plausible explanation, Mr Bell.

MR BELL: And you’ve agreed that there was no review, as such, of these failures. So how can you be confident, as the chair of the risk management committee, that there’s been the fundamental change in the risk culture of Crown Resorts that’s necessary.

MS HALTON: So, Mr Bell, one of the things that I have been concerned about – and I’ve, as we’ve already canvassed, only just taken over responsibility for the risk committee – is a much broader contention in relation to culture. And you’ve – we’ve already traversed some of the broader corporate governance materials earlier on today, all of which, as you know, one, I am familiar with and, two, I agree with. There is a change in respect, for example, of the explicit responsibility for things around culture in the HR function. So someone’s been appointed to deal with that. There is, certainly – I mean, there are a series of changes – and I don’t want to go to that detail if that’s not what you wish right at this minute – but in terms of are we there yet, right this minute? I would argue that we’re on – we’re on our way, but there are a number of changes I wish to make in relation to reporting, but also to the cultural side of this, and that’s a matter for the entire board, not just the risk committee. So I would agree with you, we are not there yet. And if you will indulge me - and I apologise if I go on too long.

MR BELL: You take your time.

45 MS HALTON: Thank you. One of the things I’m very conscious of – and this is from my banking experience – that it is a serious matter to, basically, tackle a cultural issue. And there are many elements that go to that. Tone from the top is

unbelievably important and an unambiguous tone from the top about what we stand for and what we value is very, very important. And then the arrangements that, basically, align everything to do with how the organisation works that reinforce those issues around values and culture, and all the rest of it, all of those things – and I've  
5 been talking to the chairman about these matters and what I believe is required to get all of those things aligned. But, as I said, they're things that we can perhaps talk about in more detail. For some reason, Mr Bell, you've disappeared and I've got somebody else who's not on mute on the - - -

10 COMMISSIONER: I'm afraid he's still here.

MR BELL: I'm - - -

15 MS HALTON: He's – no, no, no. It was I've got someone called Natasha who, all of a sudden, appeared and I think she's not on mute. Anyway - - -

COMMISSIONER: All right.

20 MS HALTON: No?

MR BELL: I am definitely still here, Ms Halton

25 MS HALTON: Good. Thanks. No, now, I've lost you completely, Mr Bell. There you are. I'm sorry; that was very diverting.

30 COMMISSIONER: Ms Halton and Mr Bell, what I might do is to just adjourn the proceedings for today. I have sat on to, hopefully, assist the parties and everyone here. But, at the moment, I'm going to adjourn us until 10 o'clock tomorrow morning, Ms Halton. If you'd be kind enough to attend a little before 10, so we can ensure that the technology is all right. Thank you very much. I'll adjourn until 10 in the morning.

MS HALTON: Thank you, Commissioner. Thank you, Mr Bell.

35 COMMISSIONER: Thank you.

**<THE WITNESS WITHDREW**

40 **MATTER ADJOURNED at 4.17 pm UNTIL THURSDAY, 15 OCTOBER 2020**

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