



**INDEPENDENT LIQUOR AND GAMING AUTHORITY OF NSW**

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

**THE HONOURABLE PA BERGIN SC  
COMMISSIONER**

**PUBLIC HEARING  
SYDNEY**

**THURSDAY, 15 OCTOBER 2020  
AT 9.59 AM**

**Continued from 14.10.20**

**DAY 44**

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**

**MS R. ORR QC appears with MR R. CRAIG SC, MS C. HAMILTON-JEWELL and MR E. BATROUNEY for Crown Resorts Limited & Crown**

5 **Sydney Gaming Proprietary Limited and Ms Halton**

**MR D'ARVILLE appears for CPH Crown Holdings Pty Ltd**

**MS N. CASE appears for Melco Resorts & Entertainment Limited**

10 COMMISSIONER: Yes, thank you. Yes, Mr Bell.

**<SARAH JANE HALTON, ON FORMER AFFIRMATION [9.59 am]**

15

**<EXAMINATION BY MR BELL**

20 MR BELL: Do you agree that directors of publicly listed companies in Australia have an obligation to be completely truthful and completely accurate in their communications to shareholders.

25 COMMISSIONER: We will just pause for a moment because we can't hear you, Ms Halton. I'm terribly sorry. We'll just adjust the technology.

25

MS HALTON: Sorry, Commissioner, can you hear me?

COMMISSIONER: We can now. Thank you very much.

30 MS HALTON: That gives me the perfect opportunity, Commissioner. I would just like a clarification from you, if I might, before Mr Bell asks me a question. I've been handed a document in the room this morning. Mindful of your ..... to documents, out of an abundance of caution and prudence, would you advise me whether I'm allowed to have this document or whether I should hand it - - -

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COMMISSIONER: What is it?

MS HALTON: It's the VCGLR draft report. I got a message this morning that - - -

40 COMMISSIONER: Yes. Yes, you can have that document, of course.

MS HALTON: Thank you, Commissioner.

45 COMMISSIONER: Yes, just leave it there. It may be referred to, it may not. We'll just wait and see what happens. Thank you very much for bringing that to my attention.

MS HALTON: Thank you, Commissioner. Sorry, Mr Bell.

COMMISSIONER: Mr Bell.

5 MR BELL: Do you agree that directors of publicly listed companies in Australia have an obligation to be completely truthful and completely accurate in their communications to shareholders?

MS HALTON: Yes, I do, Mr Bell.

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MR BELL: Do you agree that directors of publicly listed companies in Australia have an obligation to be completely truthful and completely accurate in their communications to the Stock Exchange and to the media?

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

MR BELL: If you look at exhibit CF1, CRL.693.001.0025. If I could ask you to look at paragraph 8.

20 MS HALTON: Thank you.

MR BELL: You say there in reference to media coverage on 27 to 29 July 2019 that you watched the 60 Minutes program on the evening it was broadcast - - -

25 MS HALTON: Yes.

MR BELL: - - - and you also read the articles in the Fairfax papers over that weekend. Is that correct?

30 MS HALTON: That is – well, to the extent I saw the articles, yes, I read them, Mr Bell. I can't say that I saw everything but what I saw, I read.

MR BELL: Did you watch all of the 60 Minutes program?

35 MS HALTON: I did.

MR BELL: And I'm sure you watched that program and read those articles to make sure that you understood what the media were alleging against Crown Resorts; is that correct?

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MS HALTON: I did.

MR BELL: If you look at paragraph 7 of your statement, you see there you refer to events on Thursday, 25 July 2019. So we should take it, should we, that the articles in the Fairfax papers that you read over the weekend were on the weekend of  
45 Saturday, 27 and Sunday 28 July 2019?

MS HALTON: As I said, to the extent that I saw articles, yes, I read those articles, Mr Bell.

MR BELL: If you look at exhibit O53, INQ.500.001.2381.

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MS HALTON: Yes, Mr Bell.

MR BELL: You see this is an article from The Age on Saturday, 27 July 2019 headed Crown Unmasked: Gangsters, Gamblers and Crown Casino. How It All  
10 Went Wrong. No doubt you read that article?

MS HALTON: I didn't read The Age article on that day, I don't subscribe to The Age; I read things in the Fairfax papers that I was subscribed to which is the Sydney  
15 Morning Herald.

MR BELL: So you read - - -

MS HALTON: This one – that's right. This one - - -

20 MR BELL: If I could just get my question out.

MS HALTON: I'm sorry, I apologise.

MR BELL: So you read the article in the Sydney Morning Herald that weekend, did  
25 you?

MS HALTON: I believe it was in press clips, Mr Bell. I believe it was probably a day or two after its actual publication because I don't receive The Age.

30 COMMISSIONER: When you say press clips, is this a media monitoring - - -

MS HALTON: Yes, Commissioner.

COMMISSIONER: Yes. Thank you.

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MR BELL: Well, you can take it from me that the same article appeared in the Sydney Morning Herald and it's exhibit G3 - - -

MS HALTON: Right.

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MR BELL: - - - in this inquiry. So can we take it that you read this article in the Sydney Morning Herald?

MS HALTON: Over the weekend.

45

MR BELL: Now, if you turn to the page ending in .2392, you see at the bottom of the page - - -

MS HALTON: Mr Bell, hang on, I've just got to get there. Yes, I'm on that page now.

MR BELL: You see at the bottom of the page it says:

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*In late 2016 Crown's staff were arrested en masse. It's not as if they hadn't been warned. Months earlier, 15 Korean casino workers were arrested in China for promoting gambling.*

10 MS HALTON: Yes, Mr Bell.

MR BELL:

15 *After that 2015 warning Jiang says her colleagues were no longer nervous; they were scared.*

Do you see that?

MS HALTON: Yes, Mr Bell.

20

MR BELL: If you look at exhibit O54, which is INQ.100.010.1074.

MS HALTON: Yes, Mr Bell.

25 MR BELL: You see that's a transcript of the 60 Minutes program which you watched that weekend?

MS HALTON: Correct.

30 MR BELL: And if you could turn to the page ending in .1077, do you see that at paragraph - - -

MS HALTON: Hang on, Mr Bell, I have to get there. Yes.

35 MS ORR: I'm sorry to interrupt, Commissioner, but there appears to be a delay in getting these documents on the screen as well. We don't yet have that document on the screen.

COMMISSIONER: Yes, you are not alone, Ms Orr. I'm in the dark as well.

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MS ORR: Thank you, Commissioner.

COMMISSIONER: So we'll just wait. I'm terribly sorry. So we're just going to slow ourselves down a little bit and then we will - - -

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MS ORR: Thank you, Commissioner.

COMMISSIONER: Yes, thank you, Ms Orr. If you would be kind enough – there we are. 1074. Do you have that also, Ms Halton?

MS HALTON: I think we are on 1077, aren't we, Mr Bell?

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MR BELL: That's where I would like to go.

COMMISSIONER: All right. We will wait until that comes up for Ms Orr. 1077. Ms Orr, you have it now? Yes.

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MS ORR: Thank you, Commissioner. I do.

COMMISSIONER: Thank you. Yes, Mr Bell.

15 MR BELL: Do you see that it has paragraph numbers down the left-hand side of the page and starting at paragraph 66 is a voiceover:

20 *What could happen to Jenny and her colleagues by doing what Crown demanded by them became obvious in mid-2015 when Chinese police swooped on the staff of a Korean casino. The message it sent should have been loud and clear for Crown.*

And then 67, Steve Vickers in China:

25 *My experience has been that the Chinese government often sends a warning. A pebble is dropped in the water, the ripples go out and if you are tuned in, you can see that something has changed.*

Dropping down to 69, Steve Vickers:

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*To me, it's a wake-up call. That would be oops, things are, you know, things have happened.*

70, Nick McKenzie:

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*I mean, a bunch of Korean Casino operators were arrested in broad daylight. Isn't that one hell of a wake-up call?*

71, Steve Vickers:

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*That's a big rap on the knuckles from the Chinese Government but it's difficult to stop momentum sometimes.*

Do you see all that?

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MS HALTON: Yes, I've got that, Mr Bell.

MR BELL: So you understood when you watched this program and read that article that the media was alleging that Crown Resorts had failed to heed warning signs from the Chinese government, thereby putting staff at risk; correct?

5 MS HALTON: I understood that, Mr Bell.

MR BELL: And if I could ask you to look at MFIB.

10 COMMISSIONER: That's the document that I think is on your desk.

MS HALTON: Is it?

15 COMMISSIONER: I believe so, Ms Halton. Yes. If you just have a look at that for the moment. Thank you.

MS HALTON: Yes, certainly, thank you.

COMMISSIONER: And we will just wait for the question.

20 MR BELL: Now, is this a draft report which you reviewed in June 2019 and discussed at an in-camera session of the board of Crown Resorts?

MS HALTON: That is my understanding, Mr Bell, the one we discussed yesterday.

25 MR BELL: I would like you to turn to the fifth page of the document. For the record, that's the page ending in .0005 and if you would please read to yourself paragraphs 8 and 9 and tell me when you have done so.

30 MS HALTON: Yes, Mr Bell.

MR BELL: Now, you understood, when you read this draft report, that warning signs had been given by the Chinese authorities in 2015 to all foreign casinos actively marketing in mainland China, being signs which were brought to the attention of senior executives in Crown Resorts; correct?

35 MS HALTON: Well, as we discussed yesterday, Mr Bell – and I was very careful not to mislead you in respect of my specific memory of reading this report, I think I said to you in relation to one question you asked me yesterday I had memory of that. So what I don't want to do again is mislead you. I had a memory of the broad sweep  
40 of this but in terms of the line by line detail I would be misleading you if I said I remember every line of this document.

MR BELL: Well, I just wonder if you could please focus on my question and see if you could answer that. You understood, when you read this draft report, that there  
45 was a reference to warning signs being given by the Chinese authorities in 2015 to all foreign casinos actively marketing in mainland China being signs which were

brought to the attention of senior executives in Crown Resorts. Is that the case or is that not the case?

5 MS HALTON: Well, that was the contention in this draft report; that's right, Mr Bell.

MR BELL: And now I would like you to read paragraph 10 to yourself, please, and tell me when you have done so.

10 MS HALTON: Yes, and this is, I think, inter alia, what we discussed yesterday, yes.

MR BELL: All right. So you understood at the time you read this document that in early July 2015 one staff member of Crown Resorts was formally interviewed at the Chinese police station and requested to provide a letter from his employer  
15 confirming his employment; correct?

MS HALTON: Yes.

MR BELL: And you understood that Crown Resorts in Melbourne did provide such  
20 a letter authorised by Mr Felstead; correct?

MS HALTON: Yes.

MR BELL: If you could turn to paragraph number 16 on page 7. For the record,  
25 that's the page ending in .0007. Would you read paragraph 16 to yourself, please, and tell me when you have done so.

MS HALTON: Paragraph 16 is not on page 16, I'm sorry, Mr Bell. I must have  
30 misunderstood your directions.

MR BELL: I said to turn to page 7, paragraph 16.

MS HALTON: I'm sorry.

35 MR BELL: The page ending in .0007 for the record. If you'd read paragraph 16 to yourself and tell me when you have done so.

MS HALTON: Yes, thank you.

40 MR BELL: You understood at this time that there was a concern that the failure to report these activities to the chief executive officer of Crown Resorts and the board of Crown Resorts and Crown Melbourne demonstrated a governance and risk management failure; correct?

45 MS HALTON: Correct.



MR BELL: Now, having inquired about the China detentions in some considerable detail before you decided to join the board of Crown Resorts, you must have been seriously concerned when you read these matters; is that right?

5 MS HALTON: I had concern about these matters, Mr Bell, yes, I did.

MR BELL: And could I ask you to look at exhibit AA185, confidential link CRL.569.001.0011.

10 MS HALTON: Yes.

MR BELL: You told us yesterday that when the board met in camera to discuss the draft report, you were one of the executives expressing concerns about the implications in the document that some executives had not fully conveyed the level  
15 of risk in Crown operating in China to the board; correct?

MS HALTON: Except for your statement that I was one of the executives who expressed, Mr Bell, I agree with that statement. I was one of the directors.

20 MR BELL: I'm sorry. I meant directors, so I do apologise. But you told us yesterday that you were one of the directors expressing concerns; is that right?

MS HALTON: That's right. That's right.

25 MR BELL: And the board requested executive chairman, Mr Alexander, to speak to the CEO Australian Resorts, Mr Felstead, about the issues raised in the document  
- - -

30 MS HALTON: Yes.

MR BELL: - - - and asked Mr Felstead – could I just get the question out for the record just so we have got a clear record of your evidence.

35 MS HALTON: I'm sorry.

MR BELL: If I could finish the question before you answer, please. And the board requested executive chairman, Mr Alexander, to speak to the CEO Australian Resorts, Mr Felstead, about the issues raised in the document and asked Mr Felstead to speak to the document at the next meeting of the board; correct?  
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MS HALTON: That is what that says; correct.

MR BELL: And that was a serious step to take, reflecting the concern you held at the time, about the governance and risk management failures in relation to China resorts – China arrests; correct?  
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MS HALTON: Correct.

MR BELL: Now, can I ask you to look at exhibit CF10, which is CRL.501.025.6932. This is the response to the media allegations which you authorised for release to the stock exchange and the media in July 2019; correct?

5 MS HALTON: That is correct.

MR BELL: And you describe the media allegations as a Deceitful Campaign Against Crown; correct?

10 MS HALTON: That is the heading, correct.

MR BELL: And at the section headed Detentions in China in 2016, you commenced by saying that the 60 Minutes program rehashed content of an earlier Four Corners program. You were suggesting that the 60 Minutes program contained  
15 no new allegations; correct?

MS HALTON: Well, I would dispute that reading of that paragraph, Mr Bell. I'm happy to explain to you why I don't agree with that contention, if you would like me  
20 to.

MR BELL: Yes, by all means.

MS HALTON: So the first paragraph under the heading uses the word "also" and "some". So it's delimited in that way.  
25

MR BELL: All right. Thank you. And, at the end of this section of the advertisement, you attacked Jenny Jiang, a junior employee, by questioning whether she was paid for her appearance, didn't you?

30 MS HALTON: That was what the ultimate draft said. Yes, Mr Bell.

MR BELL: And you were aware, were you, at the time that you authorised this, that she was one of your employees who had suffered arrest and detention in China?

35 MS HALTON: I was aware that she was one of those employees. Yes.

MR BELL: And you questioned her objectivity on the basis that she had made an unsuccessful for compensation, didn't you?

40 MS HALTON: That is what the ad implies.

MR BELL: And nowhere in your announcement did you identify the concerns that you held at this time about the governance and risk management failures in relation to the China arrests, did you?  
45

MS HALTON: That is a fair observation, Mr Bell.

MR BELL: Even though you've said in evidence this morning that you knew that the media had alleged that Crown Resorts had failed to heed warning signs from the Chinese authorities that its employees were at risk and, thereby, disregarded their risk failure; correct?

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MS HALTON: Sorry. Would you mind repeating that, I was actually looking at – I apologise.

MR BELL: Yes, yes. You failed to identify the concerns you held, despite the evidence which you've given to the Commissioner this morning, that you knew that the media had alleged that Crown Resorts had failed to heed warning signs from the Chinese authorities and had, thereby, put its employees at risk?

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MS HALTON: Mr Bell, can I –

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MR BELL: I would like an answer to the question before you say anything else.

MS HALTON: Yes. That's – well, I'm just – that is correct, Mr Bell. But I would

- - -

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MR BELL: Thank you.

MS HALTON: Appreciate the opportunity.

MR BELL: Well, I think you've answered the question. If there is something else you would – something else you'd like to volunteer?

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MS HALTON: I would say at the bottom of the document, Mr Bell, that it talks about the improvements, the striving, to ensure the highest level of governance and highest standards, which is a commitment of the board.

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MR BELL: Having regard to the concerns which you, in fact, held at this time about the risk management and governance failures which had occurred, do you accept that your announcement to the ASX and the media was neither completely truthful nor completely accurate?

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MS HALTON: No, I don't, Mr Bell. I actually think that is a step too far.

MR BELL: Well, can I suggest if you were being completely truthful and completely accurate, knowing that the media had alleged that Crown Resorts had failed to heed warning signs, you would've acknowledged your concern about that very matter; do you agree?

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MS HALTON: That is your opinion, Mr Bell. I would say to you that, in view of the construction of the program, this is a rebuttal to the program, and there is the acknowledgement, in respect of governance, at the bottom of this document. If you

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would like to go back to the paragraph in relation to Jenny Jiang, I'm happy to discuss that further, if you wish.

5 COMMISSIONER: Just on the topic of Ms Jiang, it's a little rich, isn't it, to expect objectivity from a young woman who has been gaoled?

10 MS HALTON: Yes. And, Commissioner, if I might say – and, no doubt, you have these documents – the original draft of this announcement had a language which I considered to be completely inflammatory in relation to Ms Jiang – and unacceptable – and you may know, from the documents you've got, that I was the last person to agree to this advertisement, particularly in respect of the observations about Ms Jiang, which I thought were not acceptable.

15 COMMISSIONER: I do know that. It appears that Mr Jalland was the person who thought that it should go in; do you agree with that?

MS HALTON: There was a dispute – well, there was a discussion about his views versus mine, Commissioner; that is true.

20 COMMISSIONER: And the problem that arose, as I apprehend the board meeting, or the board discussions, was that it was thought by a number of directors, including yourself, that the references to Ms Jang objectivity, etcetera, should not go in, but that, because it had not been disclosed in the program that she had, on one view of it, understandably, asked for some compensation, that she should effectively referred to in this way. You agree with that?

25 MS HALTON: Yes, I do, Commissioner.

30 COMMISSIONER: And if you had your druthers, you wouldn't have put it in, as I apprehend it?

MS HALTON: You apprehend correctly, Commissioner.

35 COMMISSIONER: Yes. All right. But on the other topic of Mr Bell's reference to the concern that you had about the governance, etcetera, was that shared by – it's obviously a number of directors expressed concern, do you remember how many expressed concern at the board meeting in June?

40 MS HALTON: I would be misleading you, Commissioner if I gave you a number. I would say a small number, but I don't think I can be more precise than that.

COMMISSIONER: Yes. All right. Yes, Mr Bell. Can I just, before you do start. I'm terribly sorry, Mr Bell.

45 MR BELL: That's all right.

COMMISSIONER: When you highlighted the words “also” in the first paragraph under the heading Detentions - - -

MS HALTON: Yes.

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COMMISSIONER: - - - that was a reference to what had gone before, in that it reads “The program also rehashed”, and the reasonable reader might get the impression that what Crown was saying, and what you were saying as the author or, at least, the signatory, was that, look, this is all old news. You’d agree that that’s a reasonable reading?

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MS HALTON: I think you could read it that way, Commissioner. I think you could read it a number of ways, but that is a plausible reading of it. Yes, Commissioner.

15 COMMISSIONER: Yes, thank you.

MR BELL: Yesterday at transcript page 4249, line 40, I asked you this question:

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*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.*

And you said, on your oath:

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*No, I was not aware of that.*

To put it as neutrally as possible, the evidence you gave to this Commission yesterday was incorrect, wasn’t it.

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MS HALTON: Well, possibly, I was confused about the question, Mr Bell. As we’ve discussed, I was aware, in the broad, in relation to the – the – there were – “detention” is not the right word – the interview, I think, is what we discussed. But in terms of a specific warning to the company, which is what I understood you to ask me – but perhaps I’ve misunderstood you.

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MR BELL: Well, yesterday I asked you this precise question, in these terms:

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*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.*

And you said:

45

*No. I was not aware of that.*

This morning I asked you this question:

5           *You understood, when you watched this program and read that article, that the media was alleging that Crown Resorts had failed to heed warning signs from the Chinese Government and, thereby, put its staff at risk.*

And you said:

10           *Yes.*

Now, which was - - -

MS HALTON: Yes.

15 MR BELL: Which was the truthful answer and which was the incorrect answer?

MS HALTON: Well, I guess, Mr Bell, what I'd say to you is there were some warning signs. As to whether they were from the Chinese Government – I mean, I think – I think this is – as you know, this is quite complicated and quite murky. In terms of warning signs from the government, again, certainly, my understanding was – and we discussed this yesterday, in the broad, in relation to the interview of a staff member by, as I understood it, the police, but in terms of the specific – well, anyway – I'm sorry, Mr Bell. I'm – I'm – I'm getting myself confused, can you just restate - - -

25 COMMISSIONER: Don't worry, Ms Halton. No, just pause a moment and Mr Bell will take you back. Yes, Mr Bell.

MS HALTON: Thank you. Can you take me back, Mr Bell.

30 MR BELL: To be fair to you – I'll give you this one opportunity – you want to correct the evidence that you gave to the Commissioner yesterday?

MS HALTON: Look, can you reiterate the question from the transcript?

35 MR BELL: Yes, yes.

MS HALTON: Thank you, Mr Bell.

40 MR BELL: I will - - -

MS HALTON: And I'm .....

COMMISSIONER: Just pause. I'll have it brought up on the screen, Ms Halton.

45 MS HALTON: That would be fantastic. Thank you.

COMMISSIONER: Thank you. If we can, please.

MR BELL: It's page 4249, line 40.

5 COMMISSIONER: It won't be long.

MS HALTON: Thank you.

10 COMMISSIONER: Is that going to prove too difficult at the moment? Just let me see.

MS HALTON: I'm happy for Mr Bell to read it to me slowly and I will write it down, Commissioner, if that assists.

15 COMMISSIONER: Yes.

MR BELL: Let me do that. So line 40.

20 *Mr Bell: All right. Now, were you aware, prior to approving the announcement by the Crown Resorts board - - -*

COMMISSIONER: Just pause there.

25 MS HALTON: Sorry. Mr Bell, I don't write that quickly.

MR BELL: My apologies. I will start again:

30 *Mr Bell: All right. Now, were you aware, prior to approving the announcement - - -*

MS HALTON: Yes.

MR BELL:

35 *- - - by the Crown Resorts board - - -*

MS HALTON: Yes.

MR BELL:

40 *- - - that the allegations made in the media in relation to the China arrests - - -*

MS HALTON: Yes.

45 MR BELL:

- - - included allegations that Crown Resorts had failed to heed warning signs from the Chinese Government and, thereby, put its staff at risk?

Ms Halton: No, I was not aware of that.

5

So I'm giving you an opportunity, now, do you wish to correct the evidence that you gave to the Commissioner yesterday?

10 MS HALTON: So I was – to be explicit, Mr Bell, the language you've used is in relation to warnings from the Chinese Government. I didn't apprehend, in terms of what I had understood from the media articles, that there was a specific warning from the Chinese Government to Crown. Now, maybe I misread – and that is plausible – but I understood that there were general movements, but, in terms of specific warnings, from the Chinese Government – and as I said, maybe this is my  
15 misunderstanding – but, that, I did not understand in terms of specific warnings.

MR BELL: You're playing semantics, knowing that you gave untruthful - - -

MS HALTON: Well - - -

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MR BELL: No, let me finish the question before you answer.

MS HALTON: Sorry, I do apologise.

25 MR BELL: You're playing semantics because you know you gave untruthful evidence to the commission yesterday; is that correct?

30 MS HALTON: No, that is not correct, actually, Mr Bell. I'm sorry, I mean, it is true that I listen to words and think about what they mean in the context of my knowledge and understanding, Mr Bell.

MR BELL: Can I ask you to look at exhibit O53, and it's INQ.500.001.2381.

35 MS HALTON: Yes, which page, Mr Bell?

MR BELL: If you could turn to the page ending in .2393.

MS HALTON: 2393. Yes.

40 MR BELL: You see at the top of the page it says:

45 *Yet, behind the scenes, Crown was worried. Sources had confirmed it advised its Chinese staff to obtain foreign work visas to make it appear as if they were not working in China. Senior manager, Michael Chen, who has since left Crown assured staff that their company was in touch with its contacts –*

etcetera. Do you see that?



MS HALTON: Yes, do I.

MR BELL: And if I could ask you to look at that exhibit O54, transcript of the 60 Minutes article. It's INQ.100.010.1074. And if I could take you to the page ending  
5 in .1078. You will see in the paragraphs 76 to 79, which I will read to you, voice-over:

10 *That Crown's internal emails show it was becoming worried, but rather than down tools executives devised other plans to circumvent the Chinese gambling rules. Staff were told to be more under the radar, to meet VIP gamblers in smaller groups.*

Quote from document:

15 *We will be applying for Hong Kong/Singapore work permits for all of our China staff.*

Voice-over:

20 *And to obtain foreign travel documents so it looked like they weren't even working in China.*

A quote from the document:

25 *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.*

30 You understood when you watched this program and read the article I took you to, that one of the allegations being made by the media was that Crown had instructed its staff to falsely claim that they were not really working in China but were working elsewhere, didn't you?

MS HALTON: That was the claim, yes, Mr Bell.

35 MR BELL: Now, yesterday, at transcript page 4259, lines 29 to 39, the Commissioner asked you some questions and may I read them to you.

MS HALTON: Yes, please.

40 MR BELL:

45 *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?*

MS HALTON: *I did not know of that allegation, Commissioner. I had become aware of that allegation.*

COMMISSIONER: *Yes. Thank you. And when did you become aware of it?*

5

MS HALTON: *I think, really, in the course of this Inquiry.*

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.*

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MS HALTON: *All right. I know what you mean. Thank you.*

That evidence you gave to the Commissioner was also incorrect, wasn't it?

15 MS HALTON: Well, it – Mr Bell, I think I've already indicated to you that in terms of my memory of every single detail here – in fact, we discussed this yesterday in relation to the interim VCGLR report and what I said to you is that I didn't want to mislead you in terms of what I remembered. So to say that I was aware of this – I will be honest with you in respect of this particular item; I did not have a memory of  
20 it in detail. So the answer I gave yesterday was accurate. Now, in terms of your – anyway, I will stop there because no doubt you will want to ask me something else.

MR BELL: The two pieces of evidence cannot stand together, Ms Halton. Which is true: what you told the Commissioner yesterday or what you have told the  
25 Commissioner today?

MS HALTON: So Mr Bell, I indicated to you I did look at media articles and, indeed, I paid particular attention to the program. In terms of this particular issue, I did not have a memory of it and hence the advice – sorry, the evidence I gave  
30 yesterday. If that is a failing, I apologise for it, Mr Bell.

MR BELL: I will give you one opportunity and it's this: do you wish to correct the evidence that you gave to the Commissioner yesterday?

35 MS HALTON: Let me clarify the evidence, Mr Bell, and I'm happy to do this. It is plausible that I – when I read this, I should have remembered it and, therefore, I apologise if I did not remember it and, therefore, said something which, based on my memory, was inaccurate. The difficulty I have, Mr Bell, is that there are thousands of pages of material here. I gave evidence on the best of my memory. You have  
40 pointed to me something which clearly I read at the time and I should have remembered and I did not. And for that I apologise.

COMMISSIONER: Yes, thank you, Ms Halton. I think the position is, now that you have been reminded of the article and the detail of the program that you accept  
45 that you were aware of that at the time you read the article.

MS HALTON: Yes, yes. I accept that – I accept that Commissioner, and that’s my imperfect memory and I apologise for it.

COMMISSIONER: Thank you. Yes, Mr Bell.

5

MR BELL: Yesterday you agreed with me, didn’t you, that there had been a number of failures of risk management processes leading to the China arrests.

MS HALTON: I did agree with that, Mr Bell. My memory of that is very clear.

10

MR BELL: Do you agree that these were serious failures of risk management processes at the time?

MS HALTON: I think they were – well, and I think – yes, sorry. Let me not extemporise. Yes.

15

MR BELL: Thank you. And do you agree that these serious failures of the risk management processes had potentially catastrophic consequences for your staff in China?

20

MS HALTON: Well, they weren’t my staff at the time, Mr Bell. I was not a director at the time this was occurring. Those failures clearly did have terrible consequences for the staff at the time.

25

MR BELL: I’ve asked you to assume that both Mr Packer and Mr Alexander have been able to offer any insight or explanation as to how these serious failures in the risk management processes occurred, haven’t I?

COMMISSIONER: Have not been able to.

30

MR BELL: Have not been able to.

MS HALTON: Yes, you have asked me and I’m assuming therefore that’s for the next question, is it, Mr Bell? I’m assuming that.

35

MR BELL: And you agreed with me yesterday at transcript page 4270, line 14 that so far as you were aware:

40 *Crown Resorts had not carried out any specific review of the risk management failures which led to the China arrests.*

Do you recall giving that evidence?

MS HALTON: Yes, I do. I think you – didn’t you ask me about root cause?

45

MR BELL: No, this was a different question I asked you.

MS HALTON: Okay.

MR BELL: And you said that so far as you were aware:

5           *Crown Resorts had not carried out any specific review of the risk management failures which led to the China arrests.*

Do you recall giving that evidence?

10       MS HALTON: Yes, I do.

MR BELL: You say, as the head of the risk management committee of Crown Resorts, that you see no utility in Crown Resorts trying to work out how or why these serious failures in the risk management processes occurred.

15

MS HALTON: I said – well, and you have the transcript, Mr Bell and I – is that – and I can't read it for whomever has put it up; it'll have to be made larger.

MR BELL: This is a question I'm asking you today. It is not a question about what you said yesterday.

20

MS HALTON: Right - - -

COMMISSIONER: Let me see if I can assist here. Notwithstanding the intensity of this, I think, with the technology, if we can just go a little more slowly. And Ms Halton - - -

25

MS HALTON: Thank you.

MR BELL: Ms Halton, if you could just wait and just focus on the actual question that Mr Bell is asking. If you wish to explain something at another time or a little later I will, of course - - -

30

MS HALTON: Yes, thank you.

35

COMMISSIONER: I will, of course, give you the opportunity. And I understand that - - -

MS HALTON: Thank you.

40

COMMISSIONER: - - - you're trying to explain things but if you could just wait until the questioner finishes the question. Yes. Now, Mr Bell.

MS HALTON: .....

45

COMMISSIONER: Thank you.

MR BELL: Do you say, as the head of the risk management committee of Crown Resorts, that you see no utility in Crown Resorts trying to work out how or why these serious failures in the risk management processes occurred?

5 MS HALTON: It's not a yes or no answer, Mr Bell. So are you looking - - -

COMMISSIONER: Is there any utility?

MS HALTON: There is utility. Yes, there is.

10

COMMISSIONER: All right. Wait for the next question.

MS HALTON: Thank you.

15 MR BELL: Has it occurred to you that the board of Crown Resorts has left it to the regulator to carry out the Inquiry into these serious failures in risk management processes that you and your colleagues should have undertaken?

MS HALTON: It has occurred – that is one interpretation, Mr Bell.

20

MR BELL: All right. Now, you attended the Crown Resorts Limited annual shareholders meeting on the 23rd of October 2019, didn't you?

MS HALTON: Yes, I did.

25

MR BELL: I would like you to hear an excerpt from that meeting. Operator, can we place plea INQ.700.001.0018.

30 **RECORDING PLAYED**

MR BELL: Now, the shareholder's question was specifically about communications with Mr Packer, wasn't it? Can you hear me, Ms Halton?

35

COMMISSIONER: We can't hear you, I think you have muted yourself; that's what we are being told.

MS HALTON: No. No, we didn't touch anything. It was some – a technical glitch, Commissioner.

40

COMMISSIONER: Thank you, Ms Halton, you're back with us now.

MS HALTON: Great.

45

COMMISSIONER: Yes, Mr Bell.

MR BELL: The shareholder's question was specifically about communications with Mr Packer, wasn't it?

MS HALTON: Was he – yes.

5

MR BELL: And you said his question was for the independent directors, such as yourself, didn't he.

MS HALTON: He prefaced it that way. Yes.

10

MR BELL: And he asked whether Mr Packer was getting selectively briefed, didn't he?

MS HALTON: He did.

15

MR BELL: And he asked whether Mr Packer got special treatment and access to information, didn't he?

MS HALTON: He did.

20

MR BELL: And he asked whether, in effect, Mr Packer was being treated differently to every other shareholder, didn't he?

MS HALTON: He did.

25

MR BELL: You knew that Mr Packer was getting access to confidential information of Crown Resorts under the controlling shareholder protocol, didn't you?

MS HALTON: I – as I said to you yesterday, Mr Bell, I did not know Mr Packer was being given information under that protocol.

30

MR BELL: Well, it's not what you said yesterday.

MS HALTON: Yes, it is. In fact, I said I did not know he was being given information, Mr Bell. I was very clear about it. And, in fact, you asked me should I have been being told that he was being given information to which I responded, "Yes, I should have been."

35

MR BELL: Well, to be fair to you, and to be precise, you said this at transcript page 4233. First of all, at line 5, I asked you this:

40

*And did you understand that the reason 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?*

45

You said:

Yes.

MS HALTON: Yes.

5 MR BELL: - - - and then you volunteered some other information. Then I said:

*I take it you were aware that, after this controlling shareholder protocol was entered into in October 2018, information was provided on a regular basis by board members and management of Crown Resorts to Mr Packer?*

10

You said:

*No, I was not, Mr Bell.*

15 And then I said:

*You would have expected that to occur, wouldn't you, in light of that being the purpose of the protocol?*

20 MS HALTON: I would have - - -

MR BELL:

*Yes, Mr Bell. I would expect - - -*

25

That was your evidence yesterday.

MS HALTON: So, Mr Bell – so can I ask you a question, because you - - -

30 MR BELL: No, you cannot. You can't, I'm sorry. You need to answer my questions.

MS HALTON: All right. Well – okay.

35 MR BELL: That's how this works.

MS HALTON: Okay. You – you put it to me, but then I - - -

MR BELL: Now - - -

40

MS HALTON: - - - would need to be very clear about something.

COMMISSIONER: So just pause, please. If I could just let you know again that  
- - -

45

MS HALTON: Yes. I'm sorry.

COMMISSIONER: If you could just pause, please. You will be given every opportunity and your silk – your senior counsel – will be given every opportunity to clarify any matters that are regarded as appropriate to clarify. You don't have to argue the points. You just have to try your very best to give the answers honestly, as  
5 best you can. And some of them might feel, as I apprehend from what you're just saying, might feel unfair to you, but if they are, your counsel will, of course, intervene and object. Do you understand that?

10 MS HALTON: Thank you, Commissioner.

COMMISSIONER: And so we'll just go a little more slowly. And if you would proceed, Mr Bell, Mr Halton will do her best to answer the questions.

15 MR BELL: And, to be fair to you, my earlier question wasn't as precise as it should have been. But would you agree with this proposition - - -

COMMISSIONER: For which Mr Bell apologies.

20 MR BELL: Of course.

COMMISSIONER: Yes. Thank you.

25 MR BELL: But I do ask you this question: you did expect, didn't you, that Mr Packer would be getting confidential information on a regular basis by the board members and management of Crown Resorts having regard to the fact the protocol had been entered into?

MS HALTON: No, I did not, Mr Bell.

30 COMMISSIONER: Can I just indicate to you that you did inform me yesterday that you would have expected that Mr Packer would have been, in the light of the document, given information in accordance with the confines of that agreement. So if you just remember that you gave me that evidence yesterday, and I will ask Mr Bell to ask the next question. Yes, Mr Bell.

35 MR BELL: So, after the protocol was entered into in October '18, you expected that information would be provided on a regular basis by board members and management of Crown Resorts to Mr Packer. That's what you told us - - -

40 MS HALTON: No, I did not.

MR BELL: - - - yesterday; correct?

45 MS HALTON: No, I did not. That is not the questions I answered, Mr Bell. My – my interpretation of the question was not as you have just posed it. I am sorry, but if you – if you go to the questions, that is not the question I understood you to have asked.



MR BELL: All right.

COMMISSIONER: Well, just let me intervene here, and I will see if I can assist Ms Halton. Mr Bell asked you yesterday whether:

5

*...you were aware, after the controlling shareholder protocol had been entered into, in October 2018, that information had been provided to Mr Packer by board members and management on a regular basis?*

10 And you said:

*No, I was not.*

MS HALTON: Correct.

15

COMMISSIONER: In fact, you denied – you denied knowing about that. Mr Bell then asked you:

*You would have expected that to occur?*

20

And you said – he said:

*In light of that being the purpose of the protocol, you would have expected it to occur?*

25

And you said:

*Yes, Mr Bell, I would have expected that.*

30 In other words, I would have expected that to occur. Now, that's the evidence. And now you are being asked about the repetition. You're being asked do you recall that evidence. You do recall it now, do you?

35 MS HALTON: I recall answering what I understood to be a different question, Commissioner. I understood - - -

COMMISSIONER: All right. Now, I've read you the question, do you recall answering the one that was asked?

40 MS HALTON: No, that is not the question I believe I answered.

45 COMMISSIONER: I see. So if I can tell you that the transcript has been looked at and is accurate – and it may or may not matter in the long run, really, Ms Halton – but that's what you told me: you would have expected that, pursuant to the protocol, that the directors, or anyone who was authorised, would provide information legally under the protocol to Mr Packer. So that's what you told me. Yes, Mr Bell.

MR BELL: It has been read to you now a few times, Ms Halton. I will give you this opportunity: do you wish to correct the evidence you gave to the Commissioner yesterday on this issue?

5 MS HALTON: Well, having heard your interpretation, Mr Bell, of the question, I had heard the question as would I expect to have been told if information were to be – was being provided. And to which I said, “Yes. I would have expected to have  
10 been told.” That is what I heard and, clearly, I misheard what the question was. So the sequence, as I understood it, was you asked about the agreement, the protocol, and then you asked if they – as I understood what you asked, did I understand – did I expect that I would be told information was being provided, to which I answered – I believed the question – that question – to which I said yes.

15 COMMISSIONER: Well, I think what we can do is we can extract it and, certainly, in the circumstances, have it checked, Ms Halton, because of your memory of what you were addressing. But let me just ask you, it is the case, isn't it, that once the protocol was entered into, a legal document like it is, you would have expected that, having entered into it, the directors and the management would provide Mr Packer with the information in accordance with the terms of the protocol; would you not?

20

MS HALTON: I – I would have expected intermittent and not very frequent information, Commissioner.

25 COMMISSIONER: Well, that's - - -

MS HALTON: And I would have - - -

30 COMMISSIONER: That's not what I've asked you. I've just asked you – please.

MS HALTON: Yes. Sorry.

35 COMMISSIONER: You would expect – that's all right – you would expect, with Crown and CPH entering into this formal deed – formal agreement – that they were entitled, Crown was entitled and Mr Packer was entitled to receive information, that you would expect that they've entered into it, more probably than not, they would provide information in accordance with the legal document. Would you agree with that?

40 MS HALTON: There was a possibility – yes, under the agreement it provided for that, Commissioner; that is correct.

COMMISSIONER: And you would expect that they would provide it under the agreement in accordance with the agreement; would you not?

45 MS HALTON: I would have expected that, if it was provided, it to be provided consistent with that agreement, yes, Commissioner.

COMMISSIONER: Yes. Yes, Mr Bell.

MR BELL: So I'm not sure if you can still recall the exchange at the annual general meeting, but do you recall - - -

5

MS HALTON: I - - -

MR BELL: - - - that after a pause, Mr Barton interceded to answer a question which had been asked of you and the other independent directors?

10

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

MR BELL: And do you recall that Mr Barton referred to information provided to CPH to enable it to provide services?

15

MS HALTON: Yes, I do recall that.

MR BELL: And he referred to the fact that the existence of the arrangements, as well as the amounts being paid, had been disclosed in the accounts. Do you recall that?

20

MS HALTON: Yes, I do recall that.

MR BELL: So Mr Barton referred, in his answer, only to the services agreement, didn't he?

25

MS HALTON: I - I believe that to be correct, Mr Bell.

MR BELL: And you understood that Mr Packer was not entitled to information under the services agreement, because he was no longer a director of Crown Resorts or CPH; correct?

30

MS HALTON: And as - correct.

MR BELL: And you understood that Mr Barton had failed to inform the shareholders about the controlling shareholder protocol; correct?

35

MS HALTON: At the time, that did not enter my mind, Mr Bell.

MR BELL: I see. It didn't occur to you, this exchange that Mr Barton hadn't mentioned the controlling shareholder protocol?

40

MS HALTON: No, that's not what went through my mind, Mr Bell.

MR BELL: It didn't occur to you - I withdraw that. Did it occur to you that, for whatever reason, Mr Barton hadn't been completely truthful or completely accurate in the information that he provided to the shareholders?

45

MS HALTON: That is not what occurred to me, Mr Bell.

MR BELL: And did it occur to you, as an independent director of Crown Resorts, to  
5 correct what Mr Barton had said to ensure that the shareholders were given  
information which was completely truthful and completely accurate?

MS HALTON: That didn't – that did not occur to me, Mr Bell.

MR BELL: Do you accept responsibility for the fact that the shareholders of Crown  
10 Resorts were not given information which was completely truthful and completely  
accurate?

MS HALTON: I – on reflection, Mr Bell, it occurs to me, yes, that that answer  
15 could have been, and should have been, more complete.

MR BELL: I have no further questions.

COMMISSIONER: Yes. All right. Ms Sharp. Ms Halton, Ms Sharp will now ask  
20 you some questions.

MS HALTON: Thank you, Commissioner.

25 <EXAMINATION BY MS SHARP [10.56 am]

MS SHARP: Commissioner, could I just give me one moment while my trolley - - -

COMMISSIONER: Would you like me to adjourn for a short time?  
30

MS SHARP: A five-minute adjournment would be appreciated.

COMMISSIONER: All right. Yes. All right then. Ms Halton, I'll just adjourn for  
35 a few minutes so that rearrangement can occur at the bar table. I won't be very long.

MS HALTON: Any indication of how long, Commissioner?

COMMISSIONER: Yes. I can give you an indication. How long?

40 MS SHARP: Five minutes.

COMMISSIONER: Five minutes. If you need a little longer - - -

MS HALTON: So I could – I can go to the .... Commissioner?  
45

COMMISSIONER: Yes, yes, yes.

MS HALTON: Thank you.

COMMISSIONER: Yes, yes.

5 MS HALTON: Thank you.

**ADJOURNED**

**[10.57 am]**

10

**RESUMED**

**[11.03 am]**

COMMISSIONER: Yes, Ms Sharp.

15

MS SHARP: Thank you, Commissioner.

COMMISSIONER: Yes. Just wait a second.

20 MS SHARP: Ms Halton, can you hear me?

MS HALTON: I can, Ms Sharp. Can you hear me?

COMMISSIONER: Yes, we can, thank you.

25

MS SHARP: Thank you. Ms Halton, you told Mr Bell yesterday that you conducted some due diligence before deciding to join the board of directors of Crown Resorts, and you say that you spoke to some experts in relation to China and you also spoke with some serving and formerly serving people about organised crime and about money laundering. When you conducted your due diligence, did you become aware of the existence of junkets?

30

MS HALTON: Yes, Ms Sharp, I did.

35 MS SHARP: And what did you learn at that time, Ms Halton?

MS HALTON: That junkets were an established part of the casino industry; that there were vulnerabilities in respect of junkets, but there were junket operators who ..... a variety of ..... a series of different categories and they – but they were an established part of the casino industry.

40

MS SHARP: When you say that you understood there were some vulnerabilities, what were they?

45 MS HALTON: Well, that the issues in respect of vulnerabilities in respect of junkets were particularly raised in the context of some of the capital outflow constraints in respect of China. That's – there was a consistency across the two – two

sources of information that I had. And that these junkets were variously regulated in some places and that was for an abundance of caution on the part of those regulators, but that in Australia there were variable approaches to junkets, in terms of regulation or not by the regulators.

5

MS SHARP: And when you mentioned capital outflows a moment ago, what are you referring to there?

MS HALTON: Well, on the basis that the majority of the junkets, as I apprehended at that point, were organising people travelling from Asia and predominantly from China, as it was put to me at the time, and because of issues in respect of capital outflows – and you would be aware, no doubt, Ms Sharp, that there has been a distinction change in posture of the Chinese Government in respect to capital outflows, that this was one of the issues that was material to the operation of junkets.

15

MS SHARP: Did you read the Victorian regulator's Sixth Review report upon its publication in August of 2018?

MS HALTON: Certainly, that came in front of the board and it was in the board papers, yes, Ms Sharp.

20

MS SHARP: So you did read it at the time?

MS HALTON: In the board papers, yes, Ms Sharp.

25

MS SHARP: Can I just take you to some parts of it, please, Ms Halton. And I can have it brought up on the screen for you. This is a public document; it's CRL.508.001.8052, exhibit J1, Commissioner.

COMMISSIONER: Thank you.

30

MS SHARP: Has that come up on the screen for you, Ms Halton?

MS HALTON: The cover sheet is there, Ms Sharp.

35

MS SHARP: Good. Can I take you, please, to page 134 of that document, which is pinpoint reference 8189, and could I direct your attention, please, Ms Halton, to the second column - - -

MS HALTON: I can't read it, I'm sorry; it's too small for me to read, Ms Sharp.

40

MS SHARP: Okay, I will go slowly. If I could blow up the bottom quarter of the screen for the paragraphs under the heading Junket.

MS HALTON: Yes, they've just blown it up for me, Ms Sharp, thank you. Actually, the size they had it last time is okay.

45

MS SHARP: You will see that it states:

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

Now, is that consistent with your understanding as at the time you joined the board of Crown Resorts?

10   MS HALTON: Yes.

MS SHARP: That is, that there was significant potential risks of money laundering particularly through junkets?

15   MS HALTON: Yes, Ms Sharp.

MS SHARP: And if I can then take you – I think actually, unfortunately, it's not blown up any more. If we could have it blown up again.

20   MS ORR: Commissioner, I'm sorry to interrupt but I don't think Ms Halton caught the exhibit number and it might assist her to also have the hard copy.

COMMISSIONER: Yes.

25   MS ORR: I understood the exhibit number Ms Sharp referred to was exhibit J1.

COMMISSIONER: Yes, that's correct.

30   MS HALTON: That will allow Ms Halton to locate a hard copy of the document as well.

COMMISSIONER: Thank you, Ms Orr. In any event, it's writ large on the screen now, Ms Sharp.

35   MS SHARP: Yes. I will just wait until Ms Halton has the hard copy.

MS HALTON: We don't – I'm sorry, Commissioner, but we do not have that. I'm advised that we do not have that hard copy.

40   COMMISSIONER: All right, then. Thank you. We'll persevere with the screen. Thank you, Ms Sharp.

45   MS SHARP: In the final paragraph on the page, reference is made to a report of Mr – or actually, Dr Horton in 2016, who reviewed the Star Casino in Sydney. It's then stated:

*In the report, it was noted that the Australian Federal Police had advised that junkets present an –*

5 and then I need to take you over the page, if I can do that. And then going over the page:

*Junkets present an opportunity for the introduction of tainted funds at various entry points, including the junket participants, the junket operators and a source in Australia.*

10 Now, was that consistent with your understanding of the risks that junkets may present as at the time you joined the board?

15 MS HALTON: Sorry, Ms Sharp. I'm having trouble hearing you and it was unclear to me on the screen what you were referring to. Would you mind repeating that, please, and pointing me to exactly where you were reading from, because I couldn't tell. Sorry, we've just found another copy.

20 MS SHARP: All right. If I can take you back to page – I will use the page numbers for you – page 134. It's also highlighted on the screen, the very last paragraph on page 134 and then – can you read that?

MS HALTON: Sorry, I'm having a real problem hearing.

25 COMMISSIONER: I see.

MS SHARP: Yes.

30 COMMISSIONER: Just let's pause for a moment. Operator – just pardon me – is there a problem? Yes, I see.

35 MS HALTON: I'm – I'm getting intermittent voice, Commissioner. I don't know whether you can hear me. Would you – perhaps if Ms Sharp could speak slowly, I was getting every second word. Can we perhaps try again; I'm sorry.

COMMISSIONER: Ms Sharp, I think the sound is all right from this end, but we will persevere and if Ms Halton has a problem, she will let you know.

40 MS SHARP: Thank you, Commissioner. Ms Halton, could you please read to yourself the final paragraph of page 134 and the first paragraph on 135.

MS HALTON: So I think you said, Ms Sharp, could I read to myself a paragraph and did you say something about 5, which I am guessing you mean page 135?

45 MS SHARP: Yes, thank you, Ms Halton.

COMMISSIONER: 134 and 135.



MS ORR: Excuse me, Commissioner - - -

MS HALTON: And am I reading the top paragraph of - - -

5 MS ORR: I'm concerned - - -

COMMISSIONER: What I'm going to do – just pause. I'm going to take an adjournment and we are going to see if we can rectify the technological problems. I will adjourn and let me know when you are ready.

10

**ADJOURNED**

**[11.13 am]**

15 **RESUMED**

**[11.25 am]**

COMMISSIONER: Ms Sharp.

20 MS SHARP: Ms Halton, could I ask you to read the last paragraph on page 134 and the first paragraph on page 135.

MS HALTON: And by the first paragraph on 135, Ms Sharp, I'm assuming you're talking about the complete paragraph that starts "Junket"?

25

MS SHARP: Yes.

MS HALTON: Great, thank you.

30 MS SHARP: All the way down to there, yes.

MS HALTON: Thank you. Yes, thank you, Ms Sharp.

35 MS SHARP: Now, did you understand, at as the time you commenced as a director of Crown Resorts, that junkets did present an opportunity for the introduction of tainted funds into casinos?

MS HALTON: Yes, Ms Sharp.

40 MS SHARP: And did you understand at that same time, that junket operations in Australian casinos were vulnerable to exploitation by organised crime?

MS HALTON: Yes, Ms Sharp.

45 MS SHARP: Did you have an understanding at the time you commenced as a director at Crown Resorts that many of the junket operators that Crown dealt with were based in Macau?

MS HALTON: I don't think I did understand that, Ms Sharp. I think I understood there to be a predominance of Chinese junkets. I don't know that I – it was in – particularly concentrated in Macau. No, I don't think that that is a fair state of my understanding when I joined.

5

MS SHARP: At the time you conducted your due diligence, did you take any steps to familiarise yourself with junket operations in Macau?

MS HALTON: Not specifically in Macau, no, I did not.

10

MS SHARP: Have you done that now?

MS HALTON: In terms of the specifics of Macau, not in relation to Macau, in relation to a deepening understanding of junkets writ large, which possibly implies Macau but I can't say it was particularly focused on Macau.

15

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

20

MS HALTON: I do accept there is that risk.

MS SHARP: A significant risk?

MS HALTON: Yes.

25

MS SHARP: Do you agree that the grant of a licence to operate a casino is a privilege?

MS HALTON: Absolutely. Yes, Ms Sharp.

30

MS SHARP: Tell me, Ms Halton, have you – did you understand, or do you understand, that casinos were only granted licences to operate in Australia in the 1990s and prior to that time it was unlawful to operate casinos?

35

MS HALTON: That's not the fact as I understand it, Ms Sharp, no.

MS SHARP: When do you understand that the first casino was licensed in Australia?

40

MS HALTON: 1973 in Tasmania in Hobart. The Wrest Point Casino, was my understanding.

MS SHARP: Have you reflected upon why it was formerly unlawful to operate a casino in Australia?

45

MS HALTON: Yes.

MS SHARP: And why do you understand that was?

MS HALTON: My understanding of the history of gambling and gaming in Australia is .....

5

MS SHARP: We've lost you, Ms Halton. It appears that there is some problem with the link. I am terribly sorry, Ms Halton. The link cut out, and we, unfortunately, did not hear the answer to the last question. If you would like to provide that again for us.

10

MS HALTON: Certainly, Ms Sharp, and if it goes wobbly, please wave at me or something and I will stop. My understanding of the history of casinos in Australia is they were commenced in about 1973. That followed quite a long community debate about whether casinos should be an addition to the range of gaming and gambling that was allowed to be legal. Prior to that decision in Tasmania, there were a variety of illegal establishments and one of the arguments – but as I understood the history, there were several arguments for the legalisation of casinos, some of which were to do with economic development at a time which you would understand, the 1970s was a time of some economic downturn. And in addition to putting some of these activities in a place where they were visible, as opposed to invisible and conducted illegally.

15

20

MS SHARP: Yes. Do you understand that one of the reasons why casinos were formerly unlawful is because of a concern that through casinos would come organised crime?

25

MS HALTON: My understanding actually, Ms Sharp, is that the history of casinos was not just – and there certainly was a debate about organised crime, as I understood it, and there were a variety of moral and other arguments put, including by organisations such as Moral Re-Armament, in respect of gambling writ large. But the issue of casinos which were, I think, in the history considered a sort of American intervention was not just because – as in their prohibition of casinos was not just an issue to do with organised crime; it was to do with a moral argument as others as well but organised crime, clearly, was part of that history.

30

35

COMMISSIONER: But Ms Sharp just wants to know whether you agree with the proposition, that was one of the reasons.

MS HALTON: One of the reasons – yes. Yes, Commissioner. Sorry, I'm going on at length; I apologise.

40

COMMISSIONER: That's all right.

MS SHARP: And are you aware that one of the key objectives specified in the New South Wales Casino Control Act is ensuring that the management and operation of a casino remain free from criminal influence or exploitation?

45

MS HALTON: Yes, Ms Sharp.

MS SHARP: Do you understand that the reason for that statutory objective is because casinos are vulnerable to infiltration by organised crime?

5

MS HALTON: Yes, Ms Sharp.

MS SHARP: And you have been aware of that vulnerability for the entire time you have been a director of Crown Resorts?

10

MS HALTON: Yes, Ms Sharp.

MS SHARP: Do you agree that it is important that casino operators ensure that they only have business associations with people or entities of good repute?

15

MS HALTON: Yes, Ms Sharp.

MS SHARP: And are you aware that that is one of the mandatory factors that the New South Wales regulator needed to be satisfied of before granting the restricted gaming licence to Crown Sydney?

20

MS HALTON: Yes, Ms Sharp.

MS SHARP: And it is one of the factors that the Victorian regulator also needs to be satisfied of when it periodically reviews a casino licence down in Victoria?

25

MS HALTON: Yes.

MS SHARP: Is that a matter that you have had at the forefront of your mind during the entire period you have been a director of Crown Resorts?

30

MS HALTON: It has – yes.

MS SHARP: At the time of becoming a director of Crown Resorts, did you take any steps to familiarise yourself with the ways in which money can be laundered in casinos.

35

MS HALTON: Yes, Ms Sharp.

40 MS SHARP: And what steps did you take?

MS HALTON: A number. Firstly, I took advice from a number of the bodies I referred to in my answer, I believe, to the Commissioner yesterday. I talked also with the staff in relation to the things that they were concerned about. I considered the AML – the legislation, and a variety of other legal documents.

45

MS SHARP: Did you receive any specific training in AML at that time?

MS HALTON: Sorry, can you clarify the question; at what time?

MS SHARP: At around the time you joined the board, did you undertake any specific training in AML?

5

MS HALTON: I'm sorry to ask you to clarify the question, Ms Sharp. Are you talking about provided by Crown or by others?

MS SHARP: By anyone?

10

MS HALTON: So yes, is the answer but I would probably need to explain that to you.

MS SHARP: Please do.

15

MS HALTON: Thank you. As you know, I'm a director of a large deposit-taking institution, a bank. And certainly, AML issues are one of the issues that are canvassed and there were a number of discussions in that context in relation to AML. So I am privy to information – now, it's not specific to casinos, can I clarify that. But in terms of material in relation to money laundering writ large, yes, I was privy to that kind of information. And you could use the word "training".

20

MS SHARP: And that large deposit-taking institution is ANZ, is it?

25

MS HALTON: That's right.

MS SHARP: And have you undertaken at any time any training from Crown in relation to anti-money laundering?

30

MS HALTON: So I've certainly – the course that's available for Crown, I've certainly undertaken that, Ms Sharp.

MS SHARP: And when did you undertake that?

35

MS HALTON: When it was provided to directors. So a number of weeks ago – I could probably find for you exactly when it was but, you know, recently.

MS SHARP: You are aware, aren't you, that the deposit of very large amounts of cash – and I'm talking in the tens of thousands of dollars or the hundreds of thousands of dollars can be indicative of money laundering?

40

MS HALTON: Yes.

MS SHARP: And that's a matter you've been aware of at all times that you've been a director of Crown Resorts?

45

MS HALTON: Yes.

MS SHARP: Do you agree the VIP business has been an important segment of Crown Resorts' overall business operations?

5 MS HALTON: Ms Sharp, can I ask you to clarify that question in terms of the timeframe you're referring to?

MS SHARP: Since you have been a director.

10 MS HALTON: It has been a diminishing component of the business, but – sorry, again, I'm struggling to answer your question but the answer is it has been a component of the business and it has been a diminishing component of the business, but yes, it is a component of the business.

15 MS SHARP: Yes. So is it an important segment of Crown Resorts' overall business?

MS HALTON: Well, yes.

20 MS SHARP: And isn't it correct that in pitching Crown Sydney to the New South Wales Government, Crown Resorts told the New South Wales Government that the financial viability of the project depended on attracting international VIPs to the casino?

25 MS HALTON: And again, can I ask you to clarify that question, Ms Sharp? Are you referring to my knowledge of that as opposed to - - -

COMMISSIONER: Are you aware that that's what Crown did? It's obviously before you were a director but are you aware that that's what Crown did?

30 MS HALTON: I am aware of that in the broad, Commissioner. I'm not aware of the specifics, which is why I'm struggling with the – the question - - -

35 COMMISSIONER: No, that is all right. If you are aware that they broadly put to the government that the financial viability of the Barangaroo casino depended upon attracting international VIPs, I understand. Yes, Ms Sharp.

MS HALTON: Thank you, Commissioner.

40 MS SHARP: Given the importance of the VIP international business to Crown Resorts, what steps did you take to familiarise yourself with the operation of the VIP international business at the time you became a director of Crown Resorts?

MS HALTON: I received briefings on the operation of the VIP business from staff inside the business, Ms Sharp.

45 MS SHARP: And who were they?

MS HALTON: My memory would be Mr Felstead, Mr Barton and Mr Preston, from memory.

5 MS SHARP: Now, you've been asked some questions about the 60 Minutes program last year and related press coverage. What was your reaction when you saw that program and read those articles that last weekend in July of 2019?

10 MS HALTON: My reaction, Ms Sharp, was the presentation of the material – and I want to focus, if I might, on the 60 Minutes program because that was actually my principal focus and I think my – my failure of memory has already been drawn out by Mr Bell in relation to some of the printed material. My focus was on the – the 60 Minutes program and my – my view was that it – it was presenting what it implied was a completely contemporary catalogue which was not consistent with a number of the understandings I had about the operation of the business, recognising that my  
15 understanding of the operation of the business was, at that point, 18 months old, in terms of actually – in fact, it was probably less, wasn't it – in terms of being an actual director, 12 months.

20 MS SHARP: Did the allegations about money laundering and junkets come as a complete surprise to you?

MS HALTON: So in terms of the surprise – I mean, a number of the matters that were raised, Ms Sharp, I was aware of. And so, for example, the – the issues in relation to cash, I had been informed about those issues and I had also been informed  
25 about the steps that had been taken by the business to address a number of those issues.

MS SHARP: So what issues were you informed about in relation to cash?

30 MS HALTON: So I was informed about issues in respect of the management of cash in what I think is referred to as the Suncity Room, and I was informed that the processes had been changed in two – in fact, I think it was three respects but again my memory has already been proven to be fragile, Ms Sharp, so if I get this wrong, I will apologise in anticipation. One, my memory is that I was informed that the note  
35 – there was some note-counting machine and I think that they had been told to remove it. I think there was also a clearer instruction in relation to using the cage, and then there was a cash limit that had been imposed.

40 MS SHARP: And do you remember when, in time, you were informed of these matters in relation to the Suncity Room?

MS HALTON: I am going to struggle to remember precisely when, Ms Sharp; I do apologise.

45 MS SHARP: I will take you back to an email that Mr Bell asked you about. It's exhibit AA185, which I will bring up on the screen for you. CRL.569.001.0011.

MS HALTON: Yes, thank you.

MS SHARP: Yes. Now, I just want to understand that is it right that by 10 July  
2019, you did have some concerns that senior members of the executive had not fully  
5 conveyed to the board or its subcommittees certain risks in the international VIP  
business.

MS HALTON: Can I ask you to clarify the timeframe in relation to that, Ms Sharp?

10 MS SHARP: Yes. At the point of 10 – I'm using this email as a reference point.

MS HALTON: Thank you.

MS SHARP: By the time of 10 July 2019, did you have some concerns that  
15 members of the senior executive had not conveyed to the board or its subcommittee  
certain risks associated with the VIP international business?

MS HALTON: And again, if I can ask you to clarify, Ms Sharp, was the concern in  
20 respect of historical behaviour or was it a current concern that you refer to?

MS SHARP: Well, why don't you tell me what your concern was at that time?

MS HALTON: Thank you. So the issue here was in respect, as I understood it, of  
25 some of the history and the history was in respect of this – this matter. In terms of  
the VIP business, you just asked me in respect of the changes that I understood to  
have been made. My understanding was that changes had been made in respect of  
specific concerns and issues that had been identified, but those changes had occurred  
– I think it was – my understanding was that they had occurred in late 2017 and early  
30 2018.

MS SHARP: Now, I'm sorry if I wasn't clear. I wasn't asking you about changes.  
I will try to be as clear as I can.

MS HALTON: Thank you.

35 MS SHARP: As at 10 July 2019, what concerns did you have about the senior  
executive not providing information to the board or its subcommittees?

MS HALTON: Well, I understood at that point that we were being provided with  
40 information, Ms Sharp. My understanding was that we were getting good  
information about what was going on in the business as this had been identified as  
being a problem historically.

MS SHARP: I see. So your evidence is that at this time, that is, 10 July 2019, you  
45 thought there had been a problem in the past with the senior executive not providing  
certain information to the board and its subcommittees, but you did not think that by  
10 July 2019 that remained a problem?



MS HALTON: Yes. Can I explain a little – a little further? Thank you. I was concerned that there was – we’ve talked already about governance issues, and it goes to the bottom paragraph in this email. So that there was some issues in respect of governance, which goes also to information flows. I didn’t necessarily, to go to your  
5 earlier question, apprehend that there was at that point any particular issue with being informed about matters that you would normally expect to have been informed about.

MS SHARP: So at this time there were no alarm bells for you that the senior executive may not have been informing the board of all risks in relation to the  
10 international VIP business of which it was aware?

MS HALTON: At that point I think that’s a fair – yes, Ms Sharp.

MS SHARP: Now, you were aware, from watching the 60 Minutes program that the  
15 journalist alleged that they had been leaked tens of thousands of Crown’s internal documents. Did you pause to think about what that may have meant for the accuracy of what the journalists were alleging?

MS HALTON: Yes, I did.  
20

MS SHARP: And what did you think about that?

MS HALTON: What I thought was that I should talk with a whole series of people which was what I did.  
25

MS SHARP: Who did you talk with at the time?

MS HALTON: I talked with Mr Preston. I talked with Mr Felstead. I talked with Mr Barton. I am confident but I can’t be precise that I spoke with Ms Manos. I also  
30 believe I spoke – and I think it’s consistent with this document – with a couple of the directors and I’m happy to extend on that if you would like me to, Ms Sharp.

MS SHARP: Which directors did you speak to?

MS HALTON: And again, I will struggle to remember this; I’m pretty confident I spoke to Professor Horvath.  
35

MS SHARP: Did it occur to you that it would be useful to speak to Jason O’Connor who was the head of the VIP business team until his arrest?  
40

MS HALTON: I had not met Mr O’Connor and my understanding at that point was that he was, I believe, on leave, and I – I have not met Mr O’Connor.

MS SHARP: Ms Manos gave evidence to this Inquiry that, at the 30 July 2019,  
45 board meeting she told the directors that a full-page advertisement was a matter that should be approached with caution. Do you agree that she said that?

MS HALTON: I can't validate the exact words. I agree that she expressed a sentiment of caution, and it was a sentiment that I agreed with.

5 MS SHARP: And did you approach the matter with sufficient caution at the time?

MS HALTON: Yes. Again, I can extend if you wish, Ms Sharp.

MS SHARP: Yes. Please do.

10 MS HALTON: I was very concerned about these matters, Ms Sharp. And, indeed, I – I've already indicated I spoke to a number of the executives and, in fact, what I asked for from those executives was additional information in relation to our current processes, etcetera. I also asked what they believed was contained in those  
15 amongst other things, two memos in relation to AML procedures and processes, as I understood them. I – I was asking for, if you like, further evidence in relation to what my understanding of what our processes and practices were, both in relation to AML/CTF, but also in relation to junket operations.

20 MS SHARP: Did you feel at all pressured to sign on to this full-page ASX media release on the 31st of July 2019?

MS HALTON: Yes, Ms Sharp.

25 MS SHARP: Who did you feel applied that pressure to you?

MS HALTON: I think there was pressure from the executive chairman and some others.

30 MS SHARP: Who were those others?

MS HALTON: My memory will fail me but, certainly – let me just pause, so I can think about this very carefully, if I might, Ms Sharp.

35 MS SHARP: Please do.

MS HALTON: I don't want to mislead you about my memory on this, which is why I'm pausing, because I think it would be unreasonable of me to – I mean, as you know, Ms Sharp, memory is a difficult thing, particularly when you have heard now  
40 so much material. So there was a strength of view about the – the response. And I think it would be unfair of me to actually single anyone out, to be honest with you, Ms Sharp, in the context of the discussion, but, certainly, the chairman; I can be confident of that.

45 MS SHARP: Well, let me ask you this: do you feel that pressure came from the independent directors or from the CPH directors?

MS HALTON: I wouldn't – I wouldn't actually divide it in that way, Ms Sharp. That's not my sense of it. I think there were a number – a couple of independents who probably were as strong in relation to this issue as others.

5 MS SHARP: If you had your time over again, would you sign on to this release?

MS HALTON: Ms Sharp, I think with the benefit of hindsight, recognising it was a crisis, I would have chosen a different mechanism for communication.

10 MS SHARP: Tell me, did it occur to you at the time that Mr Felstead and Mr Preston were preparing the investigation board.

COMMISSIONER: Investigation report.

15 MS SHARP: Sorry – the investigation report for the board's consideration that, in a sense, they were investigating themselves?

MS HALTON: No. Again, could I extend, Ms Sharp?

20 MS SHARP: Yes. Please do.

MS HALTON: Thank you. I – I took comfort from several things. The first is – of which was that it wasn't just internal people who were preparing that report. In other words, it was also having the benefit of the insights of senior legal advice people  
25 who were very familiar with the business, who were part of the whole discussion about the class action, etcetera. So I did take comfort, particularly, from – from that engagement. In other words, that there was a separate pair of eyes on the work that was being done.

30 MS SHARP: And you did understand, didn't you, that these allegations all essentially related to the operation of the VIP international business?

MS HALTON: No, Ms Sharp. Would you like me to - - -

35 MS SHARP: Well, perhaps I can clarify. You understood that the allegations, in the main, related to junkets, to money laundering, to dealings in relation to visas to VIP customers, and to the arrests in China in 2016?

MS HALTON: In the main, yes.

40

MS SHARP: So did it occur to you at the time that these allegations all related to the operations of the VIP international business?

MS HALTON: No. Again, if I could extend, Ms Sharp?

45

MS SHARP: Please do.

MS HALTON: Thank you. My understanding was it wasn't just those historical issues. In fact, my understanding was that it was being presented, the program, in particular – I want to just clarify what I'm referring to here – was in relation to the 60 Minutes program, and it was being presented as a contemporary account of the  
5 operation of the business. And the language that was used was very much about presenting it all as contemporary and, particularly, in relation to the use of images in relation to individuals who were resident and are, I presume, still resident in Australia, I didn't see that as being confined to the VIP business.

10 MS SHARP: Thank you for clarifying that. So can I fairly take from that, that, at the time, you didn't think that these allegations were directed to the VIP international business?

MS HALTON: Not in totality.

15

MS SHARP: Can I take you to the media release I've been asking you about. It's exhibit A219, INQ.100.010.0895, which can go up on the public screen.

MS HALTON: And we don't have that?

20

COMMISSIONER: Yes. It's an annexure to your statement, Ms Halton.

MS SHARP: And I'll go to the second pinpoint – the second page, please.

25 MS HALTON: .....

MS SHARP: Has that come up on the screen for you, Ms Halton?

30 MS HALTON: Yes, it has. And I would, if you just wouldn't mind, we do, I think, have that here. So I would like to get the copy.

MS SHARP: Yes, take your time.

35 MS HALTON: Can you give me the reference for the hard copy, Ms Sharp?

MS SHARP: I only know it as its exhibit number, which is exhibit A219 and it's  
- - -

40 MS ORR: If I – excuse me, if I could assist. It's exhibit CF10, that might be an easier way for Ms Halton to find it.

COMMISSIONER: Yes. Thank you. CF10.

45 MS HALTON: It's not me finding it, of course, it's my poor assistant here, who is doing an absolutely marvellous job, but we do have to give her time, Ms Sharp. I do have it in front of me. Thank you.

MS SHARP: Now, you would agree, would you not, that this release is in the most strident of language?

5 MS HALTON: I would agree that a number of parts of it use language you could describe as strident, Ms Sharp.

MS SHARP: And if I were to put it colloquially, the ad comes out swinging; would you agree with that?

10 MS HALTON: I think you could probably describe it colloquially in that way.

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

15 MS HALTON: I understand that there is an error in the release. Yes, Ms Sharp.

MS SHARP: Well, is there just one error in the release?

20 MS HALTON: Well, that is my understanding.

MS SHARP: Just that one error?

25 MS HALTON: My understanding is there is an error in this release. Yes, Ms Sharp.

MS SHARP: Well, I will leave aside that part that deals with the detentions in China, because Mr Bell - - -

30 MS HALTON: Yes.

MS SHARP: - - - asked you about that. But is the one error you're referring to the assertion that:

35 *The Suncity junket is a large company listed on the Hong Kong Stock Exchange.*

MS HALTON: That is my understanding, Ms Sharp. Yes.

40 MS SHARP: All right. What about if I can take you to the left-hand column to subparagraph (e).

MS HALTON: Yes.

45 MS SHARP: To (ii):

*Crown does not now deal with any of the junket operators or players mentioned in the program apart from one local player.*

That's wrong, isn't it?

MS HALTON: Well, my understanding is that the players – sorry, as described there “mentioned in the program”, that that is accurate. ....

5

MS SHARP: Well, one of the junkets mentioned in the program was the Neptune junket, wasn't it?

MS HALTON: I did not understand it to have been mentioned in the program, Ms Sharp. And if I – if I've misread the – the, what do you call it – the - - -

10

COMMISSIONER: The transcript.

MS HALTON: Call it the transcript. Is it a transcript? I don't know whether media things, we call transcripts - - -

15

COMMISSIONER: Yes.

MS HALTON: Yes.

20

MS SHARP: Perhaps, as a matter of fairness to you, can I take you to the first paragraph under the heading.

MS HALTON: Which – sorry. Which - - -

25

MS SHARP: You see there's a heading Setting the Record Straight.

COMMISSIONER: At the top of the document. Up the top of the document.

MS HALTON: Yes. I do see that.

30

MS SHARP: Up the top of the document, on the left-hand-side. And can you see that, immediately after that, it says:

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

MS HALTON: Yes.

40 MS SHARP:

*- - - have unfairly attempted –*

45 you see that? So you understood this ad was a rebuttal, not only of the 60 Minutes program, but with the associated articles in the press at that time?

MS HALTON: Yes.

MS SHARP: Now, did you understand that, by the time this release had been published, it had been asserted that Crown had dealings with the Neptune junket?

5 MS HALTON: I don't believe – and, again, this will go to my poor memory, Ms Sharp – I don't believe I had visibility of the Neptune junket. And it is the case that the language – and when I checked, which I believe I did at the time – in relation to that particular statement as it is shown at (e)(ii), that that was consistent with what we think we've agreed we're calling the transcript of the program.

10 MS SHARP: All right. I'll take a step back. Do you accept now that it wasn't correct for Crown to assert that it was no longer dealing with the junket operators mentioned in the program and related press articles aside from Suncity?

MS ORR: I object to that question.

15

COMMISSIONER: Yes.

MS ORR: Commissioner, the reference in the advertisement, at (e)(ii), is confined on the junket operators or players mentioned in the program; the question was not.

20

COMMISSIONER: Yes. Yes, Ms Sharp.

MS SHARP: Well, there seems – is that the way you understand this, Ms Halton?

25 COMMISSIONER: Well, just I think you need to put another question for that. Ms Sharp, I will reject that question.

30 MS SHARP: Yes. Ms Halton, do you understand now that junkets that were referred to in the 60 Minutes program and associated press coverage up until 31 July, were junkets which Crown did, in fact, have a current relationship with in addition to the Suncity junket?

MS ORR: I object. I object to that question.

35 COMMISSIONER: It's allowable. Proceed please, Ms Sharp.

MS HALTON: So – sorry, because I'm now distracted. I'm sorry, Ms Sharp. Would you mind repeating that? I do apologise.

40 MS SHARP: Do you understand now that the media – that the 60 Minutes program and associated press coverage up until 31 July, asserted that Crown had dealings with junket operators in addition to Suncity with whom Crown was still dealing?

45 MS HALTON: I do now accept that, as a broad proposition, Ms Sharp.

MS SHARP: And it would be wrong to suggest that, at the time of those media allegations, the only junket operator with which Crown continued to deal was Suncity?

5 MS HALTON: That would have been an incorrect statement, if that's what you're asking me to agree with. Yes, it would have been.

MS SHARP: Now, you did understand, from the 60 Minutes program as well as the associated media coverage up to 31 July, that one of the allegations being made was  
10 that Crown partnered with junkets?

MS HALTON: I think that language was used. Yes.

MS SHARP: Do you now accept that that is correct?  
15

MS HALTON: No, I do not.

MS SHARP: Mr Packer told this Inquiry that Crown partnered with junkets. Do you say Mr Packer is incorrect in his understanding of the matter?  
20

MR D'ARVILLE: Commissioner, I object to that. I think if – if that's going to be put, it needs to be more precise.

MS SHARP: Mr Packer told us, at page 3697 of the transcript, that he considered  
25 that Crown partnered with junkets. Do you say Mr Packer is wrong?

MS HALTON: I – I disagree with that statement.

MS SHARP: So did you know that Suncity had a revenue sharing arrangement with  
30 Crown?

MS HALTON: I knew there was an agreement; the details of it, I did not know.

MS SHARP: Well, if you assume from me that Suncity had a revenue sharing  
35 arrangement with Crown, do you accept that they had an economic partner?

MS HALTON: No. I do not accept that definition, Ms Sharp.

MS SHARP: Are you – what definition of “partnership” are you using when you  
40 answer these questions?

MS HALTON: So my view of “partnership”, Ms Sharp, is it is a relationship of equals. And if I can use another example, we have a variety of people with whom we may have a turnover relationship, for example, restaurants, etcetera, etcetera.  
45 They are not our partners; they are our tenants. And a partnership, which is a relationship of equals, is how I regard that term.



MS SHARP: Were you aware, or are you aware now, of Crown's platform junket strategy?

MS HALTON: I wasn't aware. I am now.

5

MS SHARP: Now that you are aware of that platform junket strategy, do you still maintain that Crown did not partner with junkets?

MS HALTON: That is not the way I would use the term, Ms Sharp, which I've already indicated.

10

MS SHARP: Are you aware that that is the way that various Crown executives use the term?

MS HALTON: I am aware of that, Ms Sharp.

15

MS SHARP: So you do accept that, internally, senior Crown executives referred to junket operators as Crown partners?

MS HALTON: Yes. Marketing people, I believe.

20

MS SHARP: And you are aware, are you, that in the period 2014 to 2016, that Crown provided in-house junket support to certain of its platform junkets?

MS HALTON: Would you mind repeating that question, Ms Sharp?

25

MS SHARP: Are you aware now that, in the period 2014 to 2016, that Crown providing in-house junket support to certain of its platform junkets?

MS HALTON: I'm not aware of the detail of that, Ms Sharp. No.

30

MS SHARP: Could I take you, please, to exhibit O4, which is an open document, INQ.950.002.0112.

MS HALTON: Thank you, Ms Sharp. I have that document.

35

MS SHARP: You see that this is – and I'm not suggesting for one moment that you are a recipient of this document, but you can see it's a memorandum from Michael Chen dated 6 January 2014?

40

MS HALTON: Yes, I can see that, Ms Sharp.

MS SHARP: Can I take your attention, and I will have it blown up for you, that part of the document under the heading Restructuring Macau Junket Sales Team.

45

MS HALTON: Yes, on the first page; is that where you are looking, Ms Sharp?

MS SHARP: Yes. And you see there's a paragraph:

5 *In order to deliver critical support to two of our most important junkets, we have restructured the Macau junket teams to enable dedicated business support to Suncity and to the Guangdong Club.*

MS HALTON: Yes, I've read that, Ms Sharp.

10 MS SHARP: Is that something that you have only just been made aware of?

MS HALTON: This is the first time I've seen this, Ms Sharp.

15 MS SHARP: Does this cause you to change your answer about whether Crown was partnering with junkets?

20 MS HALTON: To be honest with you, Ms Sharp, unless I have a much clearer understanding of what is implied and meant and were the facts in relation to this, I don't believe I can comment and, certainly, the answer that I've given you would stand.

MS SHARP: Well, I'm just wondering why you are prepared to assert that Crown is not partnering with junkets, when you don't seem to be aware of important details about the relationship between Crown and junkets?

25 MS HALTON: So Ms Sharp, I've indicated to you what I believe a partnership implies. And certainly, in my dealings inside the business and the nature of the relationship as I have understood it and the material that I have reviewed, it does not meet my definition of "partnership". You have put in front of me a document from 2014 and I am aware that marketing people have used the label "partnership", I  
30 understand that. I do not know what is meant by this language in terms of whether it is marketing or – I don't know what it is, Ms Sharp, and I do not understand the arrangement so I do not feel that I am in a position to either comment on it or to change the way I view this because I simply do not have access to this information. I also don't know to the extent this was at a point in time and there may have been  
35 changes since. So I do apologise Ms Sharp that I can't give you more of a view but my – my answer stands.

40 MS SHARP: Well, let me ask you about this. You're aware that there was a dedicated room at Crown Melbourne called the Suncity Room?

MS HALTON: Yes, Ms Sharp.

45 MS SHARP: You are aware of that. And you are aware that within that room there were various Suncity staff members who wore Suncity branded uniforms?

MS HALTON: I have become aware of that latter point.

MS SHARP: And are you aware now that the Suncity Room had a sign outside of it called the Suncity Room?

MS HALTON: I have become aware of that.

5

MS SHARP: And you are aware now that Suncity operated its own cash desk in that room?

MS HALTON: Historically, yes, Ms Sharp, I am aware that was the case.

10

MS SHARP: Well, isn't that a form of partnership between Suncity and Crown?

MS HALTON: I – I – I – again, Ms Sharp, I'm sorry but I don't agree. Much as there are tenants in the food court – now, we've already traversed the changes that the business made before I joined in relation to, I think, some of the issues you have just raised but I – I wouldn't regard the people in the food court as being partners of the business, and nor do I in this case.

15

MS SHARP: What about the fact that Suncity and Crown had a revenue sharing agreement, does that cause you to change your mind?

20

MS HALTON: Well, as I've said, I mean in terms of turnover that's not an unusual relationship and you wouldn't describe those relationships as being partnerships.

MS SHARP: Well, Mr Packer told us it was an economic partnership. Does that change your view at all?

25

MS HALTON: That is Mr Packer's view. It is not my view, Ms Sharp.

MS SHARP: One of the matters asserted in that 31 July release that I've just taken you to is that Crown Resorts had a robust process for vetting junkets. Now, that wasn't correct at the time that statement was made, was it?

30

MS HALTON: That was not my understanding, Ms Sharp. My understanding - - -

35

MS SHARP: I'm asking you for your understanding now. With what you know now about what was going on as at early July 2019, do you accept that Crown did not, as at 31 July 2019, have a robust procedure for vetting junkets?

MS HALTON: I don't accept that, Ms Sharp but I would be happy to explain, if you would like me to.

40

MS SHARP: So I just want to understand exactly what it is you don't accept. You don't accept – so is it your position that in early July 2019, Crown did have a robust procedure for vetting junkets?

45

MS HALTON: That was my understanding, Ms Sharp.

MS SHARP: Now, I'm being very clear; I'm asking you for your understanding today. Knowing what you know now, do you say that back in early July 2019 Crown had a robust procedure for vetting junkets?

5 MS HALTON: I – I – I struggle – I'm sorry Ms Sharp that I'm pausing; I struggle with a yes or no answer on this.

MS SHARP: Why?

10 COMMISSIONER: Could you just give it a try, please, Ms Halton.

MS HALTON: Yes, thank you. Yes, I do accept that proposition.

15 COMMISSIONER: I think the question was knowing what you know now, do you say back in early July it did have a robust procedure?

MS HALTON: Sorry, we've got the negative and positive problem. I accept it was not robust, Commissioner.

20 COMMISSIONER: Yes. Yes, thank you. Yes.

MS SHARP: So bearing that acceptance in mind, do you agree that when, on 31 July 2019, Crown asserted in that release that it had a robust procedure for vetting junkets, that was not correct?

25

MS HALTON: So again – I'm struggling with the yes and no. I'm really sorry, Ms Sharp, I really am.

30 MS SHARP: It's either right or it's wrong at the time, Ms Halton. Is it right or is it wrong?

MS HALTON: At the time it was right.

35 COMMISSIONER: At the time you believed it was right?

35

MS HALTON: Yes, I'm sorry. Yes, Commissioner, that is exactly right.

40 COMMISSIONER: And at the time when you believed it was right, having looked at what you have seen now, you know it was wrong; correct?

40

MS HALTON: I – I accept it could have improved.

COMMISSIONER: Do you know it was wrong. You didn't have a robust process?

45 MS HALTON: I would – there was a process that was robust, Commissioner. It could have been better.

COMMISSIONER: Ms Sharp.

5 MS SHARP: Do you feel you were let down by management in the preparation of the investigation report and the advice they gave you in the lead-up to signing on to this 31 July 2019 release?

MS HALTON: Yes.

10 MS SHARP: You feel let down by Mr Preston, do you?

MS HALTON: Yes.

MS SHARP: And you feel let down by Mr Felstead?

15 MS HALTON: Yes.

MS SHARP: Is there anyone else you feel let down by?

20 MS HALTON: They're the principal people, Ms Sharp.

MS SHARP: Why do you feel let down by them?

25 MS HALTON: Because I think a number of the assurances and facts as they were presented were – have proven not to have been reliable.

MS SHARP: And what reflection do you have on the fact that they've proven not to be reliable?

30 MS HALTON: Well, there – there are a series of reflections, Ms Sharp. Most importantly in terms of the systems and processes going forward, they're important in terms of who should be responsible for a range of functions. They're important in terms of the approach to including junket approval and I would be happy to expound on that, if you would like.

35 MS SHARP: Actually, what I would like to ask you is do you continue to have confidence in Mr Felstead?

MS HALTON: No.

40 MS SHARP: Do you continue to have confidence with Mr Preston?

MS HALTON: No.

45 MS SHARP: Do you continue to have confidence with Mr Barton?

MS HALTON: Yes, I do, Ms Sharp.

MS SHARP: Now, you would agree that in a September 2020 board paper a proposition was put that Mr Preston and Mr Felstead's positions be removed?

MS HALTON: Yes.

5

MS SHARP: And as it happened, the board of directors voted against that proposal at that meeting, didn't they?

MS HALTON: I – I think it was not agreed. There was no vote, Ms Sharp.

10

MS SHARP: Have there been any developments since that board meeting?

MS HALTON: I think that's possibly a question for the chairman, Ms Sharp.

15

MS SHARP: No, I'm going to ask you, Ms Halton?

MS HALTON: Yes, my understanding is that there are discussions about that matter.

20

MS SHARP: And what are they?

MS HALTON: My understanding is the question is in relation to those – the position of those two individuals in the company going forward.

25

MS SHARP: Can I show you a document that was presented to the 12 December 2019 board of directors. This is exhibit - - -

30

COMMISSIONER: Could you just pause for a moment, so I may clarify something. Ms Halton, as at July the 31<sup>st</sup> when this document was produced – or about the 30th, who did you understand was the – or what was it that the company did to vet junkets?

35

MS HALTON: So – so, Commissioner, there – there was – and I think I've already indicated, there was quite an extensive process; that was my understanding. And I think I indicated in my earlier evidence that when these allegations were made, I actually sought further information in respect of what - - -

COMMISSIONER: Can I ask you to pause. I have to get this into my head.

40

MS HALTON: I'm sorry.

COMMISSIONER: And the reason I'm asking the questions as I am, it's just that I need to clarify something.

45

MS HALTON: Yes.

COMMISSIONER: I would just like you to tell me when the advertisement was published - - -

MS HALTON: Yes.

5

COMMISSIONER: - - - what process were you referring to when you said it was robust?

10 MS HALTON: Okay. There was – there were a series of checks. They were in respect of the individuals. There were a series of checks in relation to their bona fides, criminal history checks, identity checks. There were a series of data sources that were used to look at those individuals, including the Dow Jones Index, the Wealth-X index – actually, it’s probably not an index. But there were a series of inquiries, including good old-fashioned Google. But information sought in relation  
15 to materials that was thrown up, if I can use – we seem to be using the colloquial, information in respect of those individuals.

COMMISSIONER: Is that it?

20 MS HALTON: Financial information, there’s a great long list of things. I’m not doing it complete justice. But essentially, all of the material in relation to the history, the finance – the person’s financial credentials, any criminal history, any allegations, using a variety of data sources was gathered, as I understood it, and I – as I said, I inquired again in relation to those processes and the document that I received from  
25 Mr Preston – and it was either on the 1<sup>st</sup> or the 2<sup>nd</sup> of August in response to my inquiry before the advertisement, went back through all of those - - -

COMMISSIONER: No, you’re straying. You’re straying.

30 MS HALTON: Sorry, sorry. Yes, so all - - -

COMMISSIONER: Let me see if I can bring you back; I just want to understand. You’ve told me what information and where you got it, or where they got it.

35 MS HALTON: Yes.

COMMISSIONER: I just need to understand what you understood the process of vetting. I just wanted to understand why you said that you understood it was a robust process of vetting. What was the process?  
40

MS HALTON: So the process was to gather information to validate, to consider and then to form a judgment, which was not vested in just an individual, as to whether the person, or the – the junket operator, the junket, was suitable.

45 COMMISSIONER: And who did that?

MS HALTON: My understanding was that it was – my understanding at the time, Commissioner, was that it was our chief AML officer, Mr Preston, and Mr Felstead.

COMMISSIONER: And was that an understanding that was inaccurate?

5

MS HALTON: Yes, because I now understand that Mr Johnston was part of that process.

COMMISSIONER: All right. And so you understood that there was a gathering, a validation, a consideration and a judgment by Messrs Felstead, Preston and Johnston?

10

MS HALTON: Correct.

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

15

MS SHARP: Ms Halton, when did you lose confidence in Mr Preston?

MS HALTON: I think – I think, really, hearing his evidence, Ms Sharp.

20

MS SHARP: That was in July of this year?

MS HALTON: That's correct – is that when it was? I'm sorry, I don't have the diary in front of me but if that's when it was.

25

MS SHARP: And when did you lose confidence in Mr Felstead?

MS HALTON: I think at about the same time or a little later, whenever his evidence was, and then hearing some of the other evidence, and noting I haven't heard all of the evidence but I've heard enough in those instances to know that I do not have confidence in them.

30

MS SHARP: Was it in July that you realised for the first time that Crown really had some problems here?

35

MS HALTON: I – I think I really came to – yes. Yes.

MS SHARP: And to the extent that you're able to speak on behalf of your fellow directors, is it July where problems really dawned on everybody?

40

MS HALTON: I can't speak on behalf of all the directors, Ms Sharp. That would not be appropriate.

MS SHARP: Was it in July that you appreciated that some very significant reforms were required in relation to junkets, to AML and to reining in the VIP international team.

45



MS HALTON: Could you separate that question; there are three elements to it?

MS SHARP: Yes. Was it in July that you realised some very serious reforms were required in relation to junkets?

5

MS HALTON: No.

MS SHARP: Well, when was it?

10 MS HALTON: It was earlier than that.

MS SHARP: And when was that?

MS HALTON: I would say it was in the first half of the year.

15

MS SHARP: And how about AML?

MS HALTON: AML, I would say, was July.

20 MS SHARP: And what about reining in the VIP international business?

MS HALTON: My concern about the VIP international business predates all of that, Ms Sharp.

25 MS SHARP: And when did that concern first come to occupy your mind?

MS HALTON: When – and I can't tell you the precise time – when there was consideration being given to people operating in Singapore and Malaysia.

30 COMMISSIONER: Just pardon me. Was that a memorandum from Mr Felstead, was it?

MS HALTON: Yes, it was.

35 COMMISSIONER: And that was in about March of this year, was it not?

MS HALTON: I can't – I don't want to mislead you that I can remember exactly when it was, Commissioner.

40 COMMISSIONER: All right then. Perhaps the date is wrong, Ms Halton; we'll check it out. Yes, Ms Sharp.

MS SHARP: Could I take you now to the VIP strategy review paper that was presented to the board of directors meeting on the 12th of December 2019. It's exhibit AC1. And it is CPH.001.658.0001. The position is reserved, so it can be brought up on the confidential screen.

45

COMMISSIONER: Yes. It will come up on the screen. Just whilst that is happening, Ms Halton, can you tell me, when you said to Ms Sharp that the junkets – in relation to the junkets, it was the first half of this year.

5 MS HALTON: Yes.

COMMISSIONER: Can you tell me what happened to make you realise that?

10 MS HALTON: I think – I think it was an accretion of evidence, Commissioner. It wasn't a specific event. To be honest, if I reflect on it, the due diligence process that I had understood us to take, which, even if it's comparable on what others in the industry do, to my mind, was not consistent with what I believe is the expectation of the standard that should apply. And so my – my concern has been – and it goes to the questions you and others have asked – about what is the highest standard. And so  
15 my concern, I think, which was growing over a period, that we couldn't simply rely on these inverted commas "standard processes"; that we had to be a cut above that. That is why I decided, in my own mind – but I can't tell you exactly when that view crystallised – that we should be aspiring to be, you know, the best of the best on this matter.

20

COMMISSIONER: And when you said "the first half" of this year, just to remind you, this Inquiry commenced its public hearings on the 21st of January when my counsel assisting opened the proceeding, could you tell me if it was around about then?

25

MS HALTON: Look, I think this was something I was reflecting on over the Christmas period, to be honest with you, Commissioner. I had been reflecting on – and as, no doubt, many of us do when we get a slight amount of down time – what it was going to be necessary to do, going forward. And I was reflecting – and I don't  
30 want to speak for too long, because I know it irritates everybody. But what I was reflecting on was the – what had happened in the Banking Royal Commission and the importance of setting your sights on the highest possible standard and thinking about how that experience translated into this context and that the, you know, the industry standard or accepted approach didn't actually enable us to meet that kind of  
35 standard; it was that process of thinking. And, as I said, it was in that sort of – that time when, perhaps, I wasn't as – you know, focused on the day-to-day, if that makes sense so - - -

40 COMMISSIONER: Towards the beginning of the year then, perhaps?

MS HALTON: It was certainly while I was away, which was in – yes. And, as I said, it was a thinking process about what was needed, which was certainly in January.

45 COMMISSIONER: All right. Yes, thank you. So that's the junkets. Yes, Ms Sharp.

MS SHARP: This is around the time that Mr Alexander stepped down as the chair of Crown Resorts, was it?

MS HALTON: Yes, it was, Ms Sharp.

5

COMMISSIONER: Yes. Thank you. Yes. Ms Sharp, I'm sorry to deflect you.

MS SHARP: Now, I've asked to take you to this strategic review of the VIP business. Now, you attended the 12 December – you attended the 12 December  
10 2019 meeting, did you? Do you want to turn over the page to see?

MS HALTON: Well, that's my understanding, Ms Sharp. I've got – can you just – would you remind me - - -

15 MS HALTON: Your way - - -

MS SHARP: Yes. I've just been reminded that there is a numbering problem here. So I'm showing you the minutes of the meeting, I hope - - -

20 MS HALTON: Yes.

MS SHARP: - - - now.

MS HALTON: Yes. I have the minutes in my hand, but you've got a different  
25 document in your hand, which is why I am pausing.

MS SHARP: Yes. What I'll do – well, first of all, you do accept you attended the 12 December 2019 meeting?

30 MS HALTON: I believe that is the case, Ms Sharp.

MS SHARP: Now, I'll take you to that document. If we can go to pinpoint 0067.

MS HALTON: That's the page number; is that right?  
35

MS SHARP: Yes. It's – if you've have got the whole document – it will be a very lengthy one – and what you will need to do is locate the numbers in the top - - -

MS HALTON: Got it. Thank you.  
40

MS SHARP: Now, is this a document that you reviewed prior to the meeting?

MS HALTON: Yes, Ms Sharp.

45 MS SHARP: And is it fair to say you studied it reasonably carefully, given it was a strategic review of the VIP business?

MS HALTON: I studied it, Ms Sharp. Yes.

MS SHARP: Could I take you, please, to section 5 of that document, which commences at 0089.

5

MS HALTON: Yes, that's a cover page where it says "section 5"; is that correct, Ms Sharp?

MS SHARP: Yes. And, then, could you turn to the next page, which is 0090.

10

MS HALTON: Yes.

MS SHARP: And you'll agree that what appears here is a SWOT analysis?

15

MS HALTON: I do.

MS SHARP: So the strengths, weaknesses, opportunities and threats?

MS HALTON: Yes. Yes, Ms Sharp.

20

MS SHARP: Now, could I just draw your attention to the weaknesses, and to that last dot point:

*Difficulty in transferring funds to Australia.*

25

What did you understand that to refer to at the time?

MS HALTON: Sorry. I'm looking at in the wrong place. I do apologise. Would you mind just repeating.

30

MS SHARP: Certainly. It's pinpoint 0090, which is page 24 of the document.

MS HALTON: I have it, Ms Sharp.

35

MS SHARP: Could I direct your attention to the heading Weaknesses and the last dot point which states:

*Difficulty in transferring funds to Australia.*

40

MS HALTON: Correct.

MS SHARP: What did you understand that to be a reference to?

MS HALTON: Capital outflow restrictions in China.

45

MS SHARP: Are you sure that's the way you understood it?

MS HALTON: That was my understanding, Ms Sharp.

MS SHARP: Now, in the threats, one of the dot points was:

5           *Tightening AML Regulations; closure of bank accounts.*

What did you understand that to be a reference to?

MS HALTON: I understood two things: firstly, that there had been change in  
10 banking arrangements in relation to China, particularly UnionPay, and the  
relationship to the dot point that you've just pointed me to, in terms of difficulty in  
transferring funds to Australia. And that I was aware that, for a number of people –  
and we'd seen this, of course – sorry, I won't wander off – I was aware that a number  
15 of people who would have normally had bank accounts, would no longer be able to  
move their money, because of the tightening of capital outflow arrangements.

MS SHARP: But I'm asking you, now, about your understanding under the heading  
Threats - - -

20 MS HALTON: Yes.

MS SHARP: - - - the dot point:

25           *Tightening AML regulations; closure of bank accounts.*

What did you understand that to be a reference to?

MS HALTON: I – well, two things, if I might, Ms Sharp. I understood it to be an  
30 infelicitous description of the point up above, which is:

30           *Difficulty in transferring funds.*

Which went to the issue of capital outflow from China and the changed posture of  
35 the Chinese Government about citizens being able to move money offshore.

MS SHARP: Isn't the reference to "closure of bank accounts" a reference to CBA  
closing all of the Riverbank and Southbank accounts in December of 2019?

40 MS HALTON: Well, I didn't understand that, because I – and, certainly, I didn't  
know about that. So that was not the way I read this document, Ms Sharp.

MS SHARP: What I wanted to ask you was, did you have any concerns, at the time  
45 you read this page of the document, that the VIP business was identifying money  
laundering regulations as a threat to the business?

MS HALTON: No. Can I extend?

MS SHARP: Please.

MS HALTON: Thank you. My view was – and there was a conversation about the reality of what was happening with China changing its posture and that was affecting  
5 everything from what was happening in our real estate market to Chinese students,  
to, etcetera, etcetera. And, certainly, my reading of that was in respect of those  
changed views from the Chinese Government on capital outflow and, particularly, as  
I've said, changes to the Union Pay and all those banking arrangements. And I  
accept, if I read this again, that you could – and it was certainly infelicitous, but the  
10 document, and this particular component of the document, was about broader –  
broader issues. So that was my understanding of this, Ms Sharp.

MS SHARP: What does this document say about Crown's comfort in dealing with  
15 tainted funds?

MS HALTON: Well, I – I actually don't think it says anything about comfort with  
dealing with tainted funds, Ms Sharp.

MS SHARP: But it identifies tightening AML regulations as a threat to the  
20 business.

MS HALTON: I accept that is infelicitous. Entirely, I agree with you, it is  
infelicitous.

MS SHARP: What does this say about the culture of compliance within the  
25 organisation so far as money laundering is concerned?

MS HALTON: So – so I think – the culture of compliance is fundamental, and the  
culture which goes to risk is fundamental, and an understanding of what is, I think,  
30 the first line, which is what Mr Bell took me to yesterday to begin with, which is the  
code of conduct, that we are firstly and foremostly, law-abiding and that message to  
all of our staff. I do not believe that this is indicating a comfort with anything to do  
with money laundering.

COMMISSIONER: When you told me that you didn't – when Ms Sharp asked you  
35 about the closure of the bank accounts, and you said you didn't know the Southbank  
and Riverbank - - -

MS HALTON: Yes.  
40

COMMISSIONER: You didn't know about the Southbank and Riverbank accounts  
being closed - - -

MS HALTON: Yes.  
45

COMMISSIONER: - - - did you not know at that time, in December 2019, that the  
Southbank and Riverbank accounts had been, at any stage, closed?

MS HALTON: Yes. But I – well, sorry. Commissioner, to be completely clear: closure of bank accounts, I – I understood - - -

COMMISSIONER: No, no, no. Please, please, please.

5

MS HALTON: Okay. Yes.

COMMISSIONER: I'm just asking you about the evidence that you've given me already.

10

MS HALTON: Yes.

COMMISSIONER: You informed – and please wait – you informed me that, when Ms Sharp asked you about the closure of bank accounts and Ms Sharp referred to the closure of the banks by CBA, that being – and she suggested to you that that was the closure of the bank accounts being the Riverbank and Southbank, you indicated to me that you did not know about those, or those bank accounts being closed in that way. Did you not know about it by December 2019?

15

20 MS HALTON: On the – in terms of the – by the Commonwealth Bank. I'm sorry, Commissioner, perhaps I'm speaking too much in shorthand.

COMMISSIONER: I just want you to tell me whether you knew the bank accounts were closed at that time?

25

MS HALTON: Yes.

COMMISSIONER: You did?

30 MS HALTON: Yes.

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

MS SHARP: Now, can I take you to a document, which is exhibit BE89. I am told it's an open document. It's CRL.609.007.8721. Now, this is a letter that Mr Preston wrote to AUSTRAC on 25 May 2018. Now, you commenced as a director two days after this letter was sent, and I just want to ask you some questions about whether you were made aware of certain matters in this letter. Now, were you made aware shortly after the time you commenced as a director that AUSTRAC was in discussions with Crown about its relationship with Alvin Chau, otherwise known as Chau Cheek Wa, the junket operator for Suncity?

40

MS HALTON: No, not that I'm – no.

45 MS SHARP: Can I take you, please, to the schedule that Mr Preston attached to this letter, and if I could take you, please, Ms Halton to pinpoint 8725, and could I direct your attention, please, to item 10 at the top.

MS HALTON: Yes.

MS SHARP: And there you see Crown – Mr Preston says:

5           *Crown advised Suncity staff on 17 April 2018 to remove the note-counting machine.*

Now, you did indicate earlier today that you were aware of that. When did you become aware of that?

10

MS HALTON: I can't recall explicitly and specifically, Ms Sharp.

MS SHARP: Was it in 2018 or was it some time more recently?

15 MS HALTON: I would be misleading you if I told you when I became aware of that. I really can't recall.

MS SHARP: Can I take you to item 13 and Mr Preston again refers to a meeting with Suncity representatives on 17 April 2018 where:

20

*Crown advised that cash transactions under that junket had to be done at the administration desk and that no more than \$100,000 was to be held at the desk.*

25 Can I then take you over the page, Ms Halton, to the top of that next page, where Mr Preston refers to two separate audits being conducted in pit 86 – that's the Suncity Room – in April and May 2018, and notes that in one of the audits, \$5.6 million in cash was found in the Suncity desk. Now, were you made aware of that at about the time you became a director of Crown Resorts?

30 MS HALTON: In terms of that amount, no. No.

MS SHARP: Because \$5.6 million in cash is a red flag for money laundering, is it not?

35 MS HALTON: Yes.

MS SHARP: Isn't that precisely the kind of matter that the AML compliance officer for Crown ought to have made the board aware of it?

40 MS HALTON: Yes.

MS SHARP: Does it concern you that you were not made aware of that information at the time?

45 MS HALTON: Yes, noting as you've pointed out, I joined after this. But yes, it does.



MS SHARP: Yes. Because – and were you ever made aware that AUSTRAC had queried with Crown how it could continue to deal with Alvin Chau consistent with its obligations under the Anti-Money Laundering Act?

5 MS HALTON: No.

MS SHARP: Again, do you think that is a matter that you ought to have been made aware of at the same time as you ought to have been made aware that \$5.6 million in cash had been detected in that room?

10

MS HALTON: Yes.

MS SHARP: And you will agree that at no point did Crown seek – I withdraw that.

15 COMMISSIONER: Ms Sharp, what was the date on which Mr Alexander was made aware of that in an email; a little after that, was it?

MS SHARP: Yes, it was in May of 2018, and I will have my instructor dig up that document.

20

COMMISSIONER: Yes. Ms Halton, did Mr Alexander ever tell you about it?

MS HALTON: No.

25 COMMISSIONER: Thank you.

MS SHARP: Can I ask you some questions now about the Riverbank and Southbank accounts.

30 COMMISSIONER: Before you do that, I would just like to ask about Mr Preston. When you joined the board and since you've been on the board, I presume you have become aware of the very burdensome responsibilities that Mr Preston had across a range of areas of the business; is that right?

35 MS HALTON: Yes.

COMMISSIONER: And so he was probably wearing about seven or eight hats at the time that he was the AML compliance officer; would you agree with that?

40 MS HALTON: Yes, apparently.

COMMISSIONER: And I know that you were very disappointed in terms of the communications to you at the time of the advertisement, and I'm not at all suggesting that that's not well-founded but you would agree that when you have someone in that position who is not only in charge of compliance but also the chief legal officer and then doing all the things that he had to do, there was a very big burden upon him. Would you agree with that?

45

MS HALTON: Yes.

COMMISSIONER: And I suppose in any event, when taking into account aspects  
of responsibilities for shortcomings, there needs to be a review if the burden was too  
5 great on any particular individual, to meet the expectations of the company. Would  
you agree with that?

MS HALTON: Yes.

10 COMMISSIONER: And so in any review that might be conducted by the board  
and/or by Crown, feeding those sorts of considerations into an assessment of true  
responsibility would need to occur; would you agree with that?

MS HALTON: Yes.

15 COMMISSIONER: Yes, I'm sorry to interrupt.

MS SHARP: Are you aware, Ms Halton, of the magnitude of funds that moved  
through the Riverbank and the Southbank accounts?

20 MS HALTON: Yes.

MS SHARP: And what was that magnitude?

25 MS HALTON: It – it was in the many, many, millions, I've become aware of that.

MS SHARP: Do you understand it was in the hundreds of millions of dollars each  
year?

30 MS HALTON: Yes, I believe I am now aware of that, Ms Sharp.

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

35 MS HALTON: Recently.

MS SHARP: So this month or last month?

MS HALTON: I think – I – I actually think at the time when – when we first  
became aware of the existence of Riverbank and Southbank or thereabouts.

40 MS SHARP: When did you first become aware of the existence of the Riverbank  
and Southbank accounts?

MS HALTON: Following media reporting.

45 MS SHARP: Is that the media reporting in August of 2019?

MS HALTON: Yes.

MS SHARP: I might show you that media report, if I can. It's exhibit F65. It's  
5 INQ.100.010.0092. And what I am showing to you, Ms Halton, is an article from the  
Fairfax press dated 5 August 2019 and you will see the first paragraph is:

10 *Drug traffickers have used two private companies which were set up by Crown  
Resorts with Crown executives as director to bank suspected proceeds of crime,  
federal investigations have alleged.*

MS HALTON: I can see that, Ms Sharp.

MS SHARP: Would you agree that that is an explosive allegation?

15 MS HALTON: Yes.

MS SHARP: Could I take you over the page, please, and you will see at the top of  
that page:

20 *Investigators traced money from a number of suspected or convicted drug  
traffickers and money launderers flowing into the bank accounts of the two  
companies between 2012 and 2016.*

MS HALTON: I see that, Ms Sharp.

25

MS SHARP: Now, the evidence to this Inquiry is that in the months following these  
allegations no one at Crown Resorts looked at the bank accounts to consider the  
substance of these allegations. Are you in a position to tell us, as a director of Crown  
Resorts and a member of the risk committee, why nobody did that at that time?

30

MS HALTON: So Ms Sharp, that – that article led to inquiries about the accounts  
and about what was occurring in respect of those accounts; whether they were part  
of our transaction monitoring programs, which by definition includes scrutiny of  
transactions. In relation to the advice that was given, it was, yes, they were caught in  
35 our transaction monitoring programs. They were being reported in that context. And  
transaction monitoring was occurring in relation to those accounts.

MS SHARP: Do you know now that that is incorrect, and - - -

40 MS HALTON: I do.

MS SHARP: - - - and nobody was monitoring the bank accounts?

MS HALTON: I do. Yes, I do.

45

MS SHARP: So your evidence is management provided you with incorrect  
information?

MS HALTON: Yes.

MS SHARP: But the question I asked was slightly different. You've told me what you understood to be the everyday monitoring of the bank accounts. What I'm  
5 asking you is, why did nobody go back and review the accounts, the actual bank accounts, at that time to see if there was any substance to these allegations?

MS HALTON: I don't know why they didn't, Ms Sharp.

10 MS SHARP: Isn't it fair to say that that was turning a blind eye to the prospect of money laundering occurring in those accounts?

MS HALTON: No, I don't agree with that characterisation.

15 MS SHARP: But why did nobody go and have a look?

MS HALTON: I actually believe it was an absence of competence and oversight.

MS SHARP: Well, I just want to follow that up. Were you made aware at the time  
20 you became aware of this article, that ANZ had shut these accounts down in 2014 because of concerns about money laundering?

MS HALTON: No, I was not aware of that at that time.

25 MS SHARP: Do you know now that Mr Barton had been in discussions with ANZ about that matter in 2014?

MS HALTON: I'm aware of that now.

30 MS SHARP: Does it concern you that Mr Barton didn't make you aware at the time of these allegations in August 2019 that these accounts had previously been shut down because of concerns about money laundering?

MS HALTON: Yes.

35

MS SHARP: And did Mr Barton make you aware at the time of these allegations that the Commonwealth Bank was proposing to shut down these accounts because of its concerns about money laundering?

40 MS HALTON: No, not that I can recall, Ms Sharp.

MS SHARP: Are you aware now that Mr Barton was actively involved in discussions right up until the end of last year to try to keep these accounts open with  
45 CBA?

MS HALTON: Yes, I am now aware of that, Ms Sharp.

MS SHARP: Does it concern you that Mr Barton did not make you aware of these matters at around the time of these media allegations?

MS HALTON: Yes.

5

MS SHARP: Do you still have confidence in Mr Barton?

MS HALTON: Yes, Ms Sharp. I – I – I believe there are a number of issues that need to be discussed in relation to appropriate reporting going forward and judgment about those matters. But I – yes, I do have confidence in Mr Barton.

10

COMMISSIONER: Would that be a convenient time?

MS SHARP: Yes.

15

COMMISSIONER: Ms Halton, I am going to take the luncheon adjournment now, and I will adjourn until 2 pm.

MS HALTON: Thank you, Commissioner.

20

COMMISSIONER: Thank you.

**ADJOURNED**

**[1.00 pm]**

25

**RESUMED**

**[2.01 pm]**

COMMISSIONER: Yes, thank you, Ms Sharp.

30

MS SHARP: Ms Halton, could I show you a page of transcript of Mr Barton's evidence to this Inquiry. I will call it up; it's INQ.009.003.2771. And I will take you to pinpoint 2868.

35

MS HALTON: Sorry, Ms Sharp, I haven't got it.

MS SHARP: Has it come up now?

MS HALTON: No.

40

MS SHARP: I am told it is just loading, if we wait one moment.

MS HALTON: Thank you.

45

MS SHARP: Now, if you go to pinpoint 2868 and you will see I've taken you to page 2793 of the transcript. Now, could I take you to some of Mr Barton's evidence. Do you see there are line numbers that run down the left-hand side of the page?

5 MS HALTON: Yes.

MS SHARP: Could I take you to line 9 where I asked Mr Barton:

*Now, has that review happened?*

10

And to be fair, I'll take you to the top of the page. I asked Mr Barton a question in relation to paragraph 53 of his third statement where he said:

*With the benefit of hindsight, Crown should have been more proactive to its response to the article published in The Age on 6 August concerning Southbank and Riverbank. Crown should have undertaken a comprehensive review of the Southbank and Riverbank accounts to ascertain whether and if so to what extent those accounts may have been used to launder money.*

15

20 And I asked had that review happened. Then at line 11, Mr Barton said:

*There has been some analysis done on the transition through that account in the period up till 2019 to determine whether there was a series of subthreshold transactions similar to ANZ and it's identified that that was not extensive through the period up until 2019.*

25

And then I asked him:

*So you've done a review for structuring, have you?*

30

He said:

*That's correct.*

35 And then I asked him:

*Was that a comprehensive review?*

And he said:

40

*Yes, it was.*

And then I asked him at line 25:

45 *Now, you are aware of evidence before this Inquiry that shows that there are some unusual entries recorded in the Southbank and Riverbank accounts in*

*terms of identifying the purpose of transactions, for example there was one that said "house purchase".*

And Mr Barton said:

5

*I'm not familiar with that.*

Then I asked him:

10

*So we may take it that there has not been a review of the Southbank and Riverbank accounts to look at whether there have been any instances of possible money laundering save with respect to structuring.*

And Mr Barton said "Yes". So Ms Halton, even though Mr Barton told us in his statement that with the benefit of hindsight there should have been a comprehensive analysis of what had happened in the Riverbank and Southbank accounts, by the time he gave evidence to this Inquiry, that comprehensive review had not yet happened. Has it happened now?

20

MS HALTON: I am not aware of that.

MS SHARP: Are you aware that there has been a review of those accounts at least for the purpose of looking at whether structuring occurred in those accounts?

25

MS HALTON: Yes, I am.

MS SHARP: And are you aware of that because of a memorandum of Claude Marais to Ken Barton dated 29 September 2020?

30

MS HALTON: No.

MS SHARP: How are you aware of that?

35

MS HALTON: Because Mr Barton told me.

MS SHARP: And what did he tell you?

40

MS HALTON: He told me that he had looked at the accounts. He did not tell me in relation to – he made no comment in relation to any other party.

MS SHARP: And what did he tell you about his looking at the accounts? Are you talking about the actual bank accounts?

45

MS HALTON: That was my – yes, that was my understanding.

MS SHARP: And did he tell you over what period of time in the accounts he had reviewed?

MS HALTON: No.

MS SHARP: So you're unable to tell us whether it was a comprehensive review of all the accounts or just a sample of the accounts?

5

MS HALTON: No.

MS SHARP: And did he tell you what his findings were?

10 MS HALTON: Yes.

MS SHARP: And what were they?

15 MS HALTON: He informed me that he had looked back a number of years. He was not specific. And he informed me that he had seen a number of cash transactions that he thought potentially represented structuring.

20 MS SHARP: Are you aware that Claude Marais, in fact, found 609 examples of cash deposits which he concluded, on the basis of who those deposits were attributed to in the patron accounts, were 102 instances of structuring?

MS HALTON: No.

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

MS HALTON: No. I can't confirm the numbers. I'm sorry.

COMMISSIONER: I think Mr Marais also referred to aggregation, I think.

30 MS SHARP: Yes, yes. Just to make it perfectly plain, he looked only to those examples where Crown had, in fact, aggregated the deposits in the SYCO system, so it is possible that there were other examples of structuring that were not picked up by Mr Marais because he only used a subset of the data which is the data where there had been aggregation in the SYCO system. Did you know that?

35

MS HALTON: No.

40 MS SHARP: Even if we take it that there were 102 examples of structuring in the Riverbank and Southbank accounts in the period 2013 to 2019, that's a lot of examples of structuring, isn't it in.

MS HALTON: Yes.

45 MS SHARP: It's a systemic problem, isn't it?

MS HALTON: No.



MS SHARP: How is that not a systemic problem?

MS HALTON: A systemic problem, to my mind, means that it occurs at even intervals over the period. My understanding was, on the basis of Mr Barton's advice,  
5 that – and this is my understanding – was that it was concentrated in the earlier period and that, in fact, the number, particularly, of cash transactions, was substantially reduced towards the end of the period.

MS SHARP: But in any event, Crown was not aware, until very recently, as to the  
10 pattern of structuring in those accounts, because nobody had looked?

MS HALTON: Yes. I believe that to be correct.

MS SHARP: Can I show you an email, please, Ms Halton. This is an open email.  
15 It's CRL.605.016.6849. This is exhibit BK25.

COMMISSIONER: Thank you.

MS SHARP: And I'll take you to the second page of this email chain, if I can.  
20 Now, could I direct your attention, please, Ms Halton to the bottom of the second page. I'll have the bottom half of the document highlighted.

COMMISSIONER: I think Ms Halton has a hard copy.

MS HALTON: I do. Thank you, Commissioner.  
25

MS SHARP: Thank you. Could I draw your attention, please, to the email from Roland Theiler, dated the 8th of April 2020, to Alan McGregor. He is the current CFO of Crown Resorts?  
30

MS HALTON: Yes.

MS SHARP: And Roland Theiler is one of the most senior officers in the VIP international team? He's the senior vice-president of international business.  
35

MS HALTON: Yes.

MS SHARP: Now, you see it's dated April this year. And what – just to put it in context, by this time, CBA has shut the Riverbank and the Southbank accounts and Mr Theiler says to the CFO:  
40

*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.*  
45

Is this ringing any alarm bells for you?

MS HALTON: Yes.

MS SHARP: What alarm bells are they?

5 MS HALTON: Well, Mr Theiler, clearly hasn't got the message.

MS SHARP: Yes. And he's sending his proposal to the CFO of Crown. And do you see that the CFO of Crown replies. And he doesn't do anything to indicate any discomfort in the proposal by Mr Theiler, does he?

10

MS HALTON: Sorry. Let me just – so which is the response email? And, I'm sorry, Ms Sharp.

MS SHARP: The one directly on top.

15

MS HALTON: Above? Thank you.

MS SHARP: So if you go back to the second page - - -

20 MS HALTON: Yes.

MS SHARP: - - - you will see Mr McGregor replies on the 14th of April? He is not expressing any discomfort about that proposal, is he?

25 MS HALTON: Sorry. You said it was above. I'm struggling to find the one that you're talking about.

MS SHARP: Well, could I ask you to direct your attention - - -

30 MS HALTON: I – I've got it, thank you. I think. So is that – is that the one at Tuesday, 14 April, at 8.52 am; is it that one?

MS SHARP: That is so.

35 MS HALTON: Thank you.

MS SHARP: And my proposition to you is he hasn't expressed any discomfort with the proposal put by Mr Theiler.

40 MS HALTON: That is true. Yes.

MS SHARP: Would you expect to a CFO to express discomfort at that proposal?

MS HALTON: I would expect – yes, I would.

45

MS SHARP: So, given that expectation, do you think it might be that your CFO has not got the message?

MS HALTON: Yes.

MS SHARP: Can I take you to something you said at an interview with the Governance Institute of Australia in September 2019. And I will read it out to you.

5 It's a quote attributed to you:

10 *Cultures don't develop in a vacuum. I think culture is a communicable disease. You catch it from the person at the next desk. And it is really interesting to me that cultures persist in an organisation even if there are staff turnover. The only way you develop a new culture or reinforce the strengths and minimise the negatives over time is if you are constantly calling out what is not good and talking about what is good. The culture stuff is never easy, but it is so important. And this is not dissimilar to the private sector.*

15 Now, were they the words you said?

MS HALTON: Yes.

MS SHARP: And that remains your view?

20

MS HALTON: Yes.

MS SHARP: There's a culture problem here at Crown Resorts with money laundering, isn't there?

25

MS HALTON: No.

MS SHARP: Really?

30 MS HALTON: Would you like me to explain?

MS SHARP: Yes. I would like you to explain why you don't think there's a culture problem at Crown Resorts in relation to money laundering.

35 MS HALTON: Thank you. To start with, Ms Sharp, those comments you have just read to me were in respect of the public sector. I drew – said there was some parallels in the private. In terms of a cultural – and I referred the other day to the issue of the tone from the top and the tone from the top being very important in setting culture, including in respect of risk culture. So what I would say to you – and  
40 the reason I made the comment about not getting the message – is I believe there is ambiguity about the message in some quarters, and I believe that there is an issue in respect of all of the – and I made this comment yesterday – in relation to the need to align all aspects of the way the business works consistent with the kind of culture that we are talking about in respect of these matters.

45

MS SHARP: So, is there a culture problem at the moment at Crown Resorts?

MS HALTON: I think there is a cultural issue.

MS SHARP: And would that issue be a problem; a problematic issue?

5 MS HALTON: The culture is – do you want me to say “yes” or “no”? Or would you like me to answer in more detail, Ms Sharp?

10 MS SHARP: Well, I’d – I’d like your frank evidence about whether you think there’s a big problem with culture insofar as compliance with money laundering requirements and trying to prevent it occurring at Crown Casino is concerned.

15 MS HALTON: Thank you. I believe our staff, particularly our junior staff, are trained and trained clearly in respect of the – the code of conduct, which we have now referred to a number of times. I believe that they are trained to recognise the kinds of things that we have discussed. But what I do not believe is that all of the incentives necessarily align. So, to your point, in respect to that email, that email should have been unambiguously answered in a way that reflects those values. It was not. Now, I do not believe that cultural issue pervades all of the staff of Crown. I believe there are a number of parts, and I do believe that the leadership and  
20 unambiguous tone from the top is very important in dealing with this issue.

MS SHARP: There’s a problem in relation to senior management in relation to money laundering at Crown, isn’t there?

25 MS HALTON: No. I think - - -

MS SHARP: So we’ve just seen one of the most senior officers of the international business unit email the chief financial officer, in April of this year, proposing what, on any view, is a money laundering work-around with the - - -  
30

MS HALTON: I don’t - - -

MS SHARP: How can you say there’s not a problem with senior management, in terms of a culture of compliance with anti-money laundering?  
35

MS HALTON: Ms Sharp, that email, which is an email in respect of debt repayment, I will be surprised if that individual understood that that could be read in respect of money laundering. I accept - - -

40 MS SHARP: Ms Halton, does it really surprise you, given that that individual was notified that ANZ shut down the accounts in 2014 due to money laundering concerns and that CBA shut down the accounts in 2019 because of money laundering concerns, and they’re trying to open new accounts as a work-around?

45 MS HALTON: Ms Sharp, this was in respect of a deposit, not in relation to new accounts. I agree with you that the inquiry is tone deaf and not appropriate. I agree with you. But in terms of explicitly being in respect of money laundering, I do not

agree with that proposition. I agree with your proposition, which I comprehend – I  
apprehend – you’re making, that there needs to be an unambiguous culture in respect  
of money laundering. I completely agree with you. And I agree with you, if this  
person had reflected on this email before they send – sent it, with that in mind, they  
5 would not have sent it.

MS SHARP: See, you talk, at paragraph 41 of your statement to this Inquiry – your  
second statement, about a need to improve the resources for anti-money laundering.  
But you don’t say anything about the need to inculcate a culture of compliance with  
10 respect to the prevention of money laundering. Isn’t that - - -

MS HALTON: Well - - -

MS SHARP: - - - a key matter to address?  
15

MS HALTON: It is. I agree.

MS SHARP: And would you agree that there has been a problem with that culture  
in the ranks of senior management at Crown Resorts?  
20

MS HALTON: I agree with that.

MS SHARP: Now, it’s correct, isn’t it, that in July or August this year, the board  
resolved to suspend its relationships with junket operators?  
25

MS HALTON: Correct.

MS SHARP: Is that because there was recognition, by that time, that there had been  
due diligence failures in the past?  
30

MS HALTON: No.

MS SHARP: Not at all?

MS HALTON: Well, again, I struggle with “yes” and “no”. And I do apologise to  
you and the Commissioner, Ms Sharp. There was a recognition – and it goes to the  
comment I made earlier about the highest standard of probity. As you would know,  
at least one of those junket operators is licensed in a State, is operating globally,  
operates elsewhere in Australia and, on any analysis, the due diligence done in a  
40 number of those circumstances would likely have been the same as had been done. It  
was a recognition - - -

MS SHARP: Is that Suncity, you’re referring to?

MS HALTON: Yes, it is, Ms Sharp, it is. And in recognition of the need to be  
absolutely unambiguous about the standard that we’re setting in relation to due  
diligence, it was absolutely the right thing to suspend all of those relationships in

order that they can, if they are ever to continue, be put on what I would describe as the sort of industry standard basis – you know, the best standard possible, before they would continue.

5 MS SHARP: Now, Mr Barton told us in evidence before this Inquiry on either 23 or 24 September, that at that time Crown had not notified any of the junket operators that it had suspended relations with them. Doesn't that make the suspension rather hollow?

10 MS HALTON: No.

MS SHARP: Well, he apparently started notifying the junket operators of suspensions after - - -

15 COMMISSIONER: He gave his evidence.

MS SHARP: - - - he gave his evidence.

MS HALTON: Yes.

20

MS SHARP: Are you able to account for that delay?

MS HALTON: My – my belief, Ms Sharp, is that there was some considerable publicity about that decision. In terms of the administrative side of notification, given that there is no actual operation of junkets – there is no travel inbound and  
25 outbound – and in view of the many other issues that are being dealt with here, I – I cannot – because I have not asked him why he didn't commence doing that – but I can understand that it may not have been his first priority.

30 MS SHARP: Is it right that he only started notifying the junket operators of their suspensions because this Inquiry asked him about it?

MS HALTON: I don't know.

35 MS SHARP: Now, do you agree that it's ultimately a matter for the board to set guidance on the type of operators with which Crown should deal?

MS HALTON: Ultimately, yes.

40 MS SHARP: And do you agree that a function reserved for the board is identifying areas of significant risk and ensuring arrangements are in place to adequately manage those risks?

MS HALTON: Yes.

45

MS SHARP: And you agree, don't you, that it is for the board to set the company's risk appetite?

MS HALTON: Yes.

MS SHARP: Can you tell us what the board's present risk appetite is with respect to junkets?

5

MS HALTON: At the moment, Ms Sharp, and consistent, I think, with the terms of the risk appetite, we do not have an appetite for junkets and that is represented by the fact we have suspended all those relationships.

10 MS SHARP: Well, given that as a practical matter, junkets could not operate in your casinos at the moment anyway because of the travel restrictions, what is going to happen when those travel restrictions lift? What's your risk appetite to junkets going to be then?

15 MS HALTON: Our risk appetite, Ms Sharp would be – we would only contemplate any continuation or any – let's be clear, it's not a continuation – any readmission of a junket to our facilities would only be in the context of a level of scrutiny that's significant – well, I've already talked about our intention to be industry leading, and I would also say that it will obviously only be in a context where we have talked to  
20 all of the relevant regulators and we have also been informed by the Inquiry and its outcomes, particularly in respect of any regime that might be recommended by this Inquiry, if it were to be so.

MS SHARP: Would you agree – and I'm asking you this with your hat on as chair  
25 of the risk management committee and also as a director of the board - - -

MS HALTON: Yes.

MS SHARP: - - - that prior to June 2020, when the new risk management strategy  
30 was introduced, the Crown board's risk appetite was not properly documented by the board.

MS HALTON: There – no, Ms Sharp.

35 MS SHARP: Where was it documented?

MS HALTON: So there were a variety of risk documents. In fact, they were referred to in the VCGLR Interim China Report. They were not in the form that is my preference in relation to a clear and unambiguous framework, which is what that  
40 policy now comprehends. But certainly, there was – and I think the VCGLR draft report described it as extensive, they went to the implementation of that set of policies. But this policy is as, to my mind, it should be.

MS SHARP: Do you agree that prior to June of this year, the Crown board's risk  
45 appetite was not properly communicated by the board to management?

MS HALTON: No, Ms Sharp, I don't.

MS SHARP: And where do you say it was communicated to management?

MS HALTON: Well, it was certainly communicated to – because he was party to those discussions – to the former chairman, chief executive and it was certainly  
5 communicated to the business leaders. And those were the people we have already discussed.

MS SHARP: You have rejected my suggestion that the Crown board’s risk appetite prior to June 2020 was not properly documented by the board. Is that the view that  
10 you genuinely hold today?

MS HALTON: Yes, Ms Sharp, subject to the definition of “properly documented”.

MS SHARP: We can parse these words or we can have your frank assessment and I  
15 would ask for the frank assessment. Do you think the Crown board’s risk appetite was properly documented by the board prior to June of this year?

COMMISSIONER: In relation to junkets.

20 MS SHARP: In relation to junkets.

MS HALTON: So I think I’ve indicated, Ms Sharp that it was documented. I’ve indicated to you that from my perspective and one of the reasons, as the incoming chair of the risk committee, I asked – and working with Ms Siegers to produce what I  
25 regarded as being a much better practice approach to risk management and to actually outlining the risk appetite. So there was documentation historically. To my mind and to my standard, it was not adequate.

MS SHARP: Can I take you to Crown’s risk management strategy at June 2020.  
30

MS HALTON: Certainly.

MS SHARP: I understand the position is reserved with this document so if it could be brought up confidentially please. It is CRL.668.001.0019. That is exhibit W32,  
35 Commissioner.

COMMISSIONER: Thank you.

MS SHARP: Has that come up for you, Ms Halton?  
40

MS HALTON: The cover sheet has, Ms Sharp.

MS SHARP: Now, can I take you to page 6 of that document, which is pinpoint 0026. 6.1 deals with the role of the board and you will see it’s stated shortly under  
45 that heading:

*To fulfil its obligations, the board:*



- *clearly defines Crown's risk appetite.*

MS HALTON: Yes.

5 MS SHARP: Now, do you agree that to properly manage risk, the Crown board must clearly define Crown's risk appetite?

MS HALTON: Yes.

10 MS SHARP: Can I now take you to the section of this document which deals with risk appetite which is page 11, pinpoint 0031. Can you see the heading 7 Risk Appetite?

MS HALTON: Yes.

15

MS SHARP: Do you see that it says:

20 *The appetite definitions guide management risk-taking activities and communicate the board's expectations of a risk culture by establishing, first, a high level statement of the board's risk philosophy; second, qualitative statements and quantitative metrics and; third, the requirements for monitoring and reporting.*

MS HALTON: Yes.

25

MS SHARP: So that's what the board has set out to do, is it?

MS HALTON: Yes.

30 MS SHARP: Now can I take you, please, to 7.1, which is over the page at pinpoint 0032. Have you got that?

MS HALTON: Yes.

35 MS SHARP: So it appears that there are seven different risk categories, would you agree?

MS HALTON: In this document, yes.

40 MS SHARP: So which risk category do junkets fall into?

MS HALTON: So Ms Sharp, this is the document that was first agreed - - -

45 MS SHARP: No, no. Ms Halton, answer my question: which of the seven categories does junkets fall into?

MS HALTON: The third.

MS SHARP: That's regulatory legal, is it?

MS HALTON: Yes.

5 MS SHARP: And at 7.2, we have the qualitative statement for each risk category. If I can take you to regulatory legal, which qualitative statement applies to junkets?

MS HALTON: The first one.

10 MS SHARP: So that is:

*Maintain systematic compliance with regulatory, legal, statutory and contractual obligations?*

15 MS HALTON: Correct.

MS SHARP: How does that provide guidance with the board's risk appetite junkets?

20 MS HALTON: So, Ms Sharp, that – that, as I was attempting incorrectly to tell you, I apologise for leaping ahead. That was the document as agreed in the first run through the committee structure. This document I had asked to be amended to draw out the very specific issues. That, I am hoping, will actually have been done by the time the next risk committee actually occurs. I asked for this some time ago because  
25 as I observed at the time this was actually being agreed this, at the moment, is too ..... so essentially what had happened here and if you'd bear with me because I think it's material, was - - -

COMMISSIONER: What did you say, it was too what?

30

MS HALTON: Collapsed. Sorry, it was too aggregated, Commissioner. So – and, in fact, the conversation I had with the risk team about this issue after we initially – when this was going through, I didn't want to delay it being approved because I thought, to your broad point, Ms Sharp, that it was important that we get this into a  
35 format that I consider to be better practice. But what I had asked Ms Siegers and Ms Manos to do – I believe Mr Barton is familiar with this as well – was to actually disaggregate this particular category in relation to a number of issues of which junkets is one.

40 MS SHARP: So given that the risk management strategy says that it's for the board to clearly define risk appetite, could you clearly define to this Inquiry what the board's present risk appetite to junkets is?

45 MS HALTON: The risk appetite, Ms Sharp, is we do not have an appetite for dealing with junkets, and we have an appetite for considering any regime going forward that would only, if it were to be approved – and this would be in discussion with all of the regulators taking account of any of your recommendations and being

informed, for example, by things like the Singapore regime, that we would only consider dealing with any junket party if it actually could demonstrate that it basically was consistent with the highest standards.

5 COMMISSIONER: You see, Ms Halton, the reference to which you've been taken and the one about which you are speaking - - -

MS HALTON: Yes.

10 COMMISSIONER: - - - and hoping to be disaggregated, just as it presents at the moment, identifies, impenetrably, the quantitative metrics of a significant breach that may have a financial or reputational impact. Do you see that?

MS HALTON: I do.

15 COMMISSIONER: Now, I've spoken with Ms Siegers and others about these matters. And it does appear that the trigger in that passage there is "a significant breach". Do you see that?

20 MS HALTON: I do.

COMMISSIONER: And I presume that that's not acceptable.

MS HALTON: No. Indeed.

25 COMMISSIONER: And so you would want to know – I withdraw that. You would want your officers and employees to know that you, as a board, will not be tolerating breaches, full stop; correct?

30 MS HALTON: Correct.

COMMISSIONER: And so it needs a rewrite, doesn't it?

35 MS HALTON: Which I had already, as I think – thank – thank you, Commissioner – as I indicated - - -

COMMISSIONER: Does it need a rewrite?

MS HALTON: Yes. And it is being - - -

40 COMMISSIONER: You see, I have been dealing with this document for weeks and weeks. And I have been trying to get someone to tell me what you've just told me. It is clear as a bell that you need a rewrite on this, isn't it?

45 MS HALTON: Yes.

COMMISSIONER: All right. We can move on now, Ms Sharp, please.

MS SHARP: Do you agree, Ms Halton, that setting the level of proof required to assess allegations of impropriety connected to junket operators is part of setting the risk appetite?

5 MS HALTON: Yes.

MS SHARP: Now, Deloittes, or Deloitte, when it conducted its recent junket review, did not define that standard of proof. And Ms Whitaker, who conducted the review, told this Inquiry in evidence that it was up to Crown to decide what the  
10 standard of proof was. And she said the standard of proof needed to be defined by what good looked like. What standard of proof should be applied in assessing allegations of impropriety on the part of junket operators and those connected to them?

15 MS HALTON: So, Ms Sharp, to start with, it is not a criminal level of proof. And let me preface by saying I am not a lawyer, so I use that in a – in a general sense and not informed by any legal training. But, clearly, if, for example, there are allegations in relation to something, the notion that you would make an assessment without significant inquiry and, indeed, putting those matters to the person in respect of  
20 whom the allegation is made, strikes me as being fundamental.

I've indicated that one of the things – you know that we are currently recruiting for a financial crime head, and one of the things that has to occur in setting that level of proof, that level – that test – is a detailed discussion with all of the regulators in  
25 relation to how not only is it expressed, but then how it is implemented. And then there has to be an arrangement in the monitoring of its implementation to ensure that the standard of implementation is consistent with the board's risk appetite.

MS SHARP: It sounds, if I may suggest, that you are deferring making a decision  
30 about a standard of proof until discussions have occurred with the regulators. Isn't this a matter where Crown ought take responsibility for standard of proof?

MS HALTON: Well, I think we can have an opinion about the standard of proof, Ms Sharp. But I think it would be a foolhardy company in this industry, to basically  
35 assert that standard without seeking discussion with the regulators. And I've already indicated to you that the standard of proof that I would – I would regard – and I am not an expert at this – but the thing I would be testing is whether the standard of proof sets the bar sufficiently high that, to go to the language, there is not only a certainty that we are only dealing with people of good repute, but that we've actually  
40 bottomed out anything that is alleged in respect of any potential junket that we might deal with. And, you know, if I look at Singapore, where they've got a positive regime where the junket operator has to seek agreement in terms of their bona fides and their character, not – not many junkets, is my understanding, has gotten through that test.

45

MS SHARP: Now, can I take you to a document which is an open document. It's exhibit BJ129. I'll have it brought up for you. It's CRL.579.019.4759.

COMMISSIONER: Just before you go to that, I presume that you accept that, prior to you shutting down the junkets, there was no identification of a particular standard of proof to be applied to the process of due diligence; is that right?

5 MS HALTON: I – yes, Commissioner.

COMMISSIONER: And I think that’s where a lot of discussion has occurred with your co-directors, some of whom have one view, others of whom have another. But in terms of the processes that were in place before, I haven’t seen any documentation that mentions “standard of proof”. I could be wrong. But is this something that you  
10 have developed in more recent times during the course of the Inquiry to see if you can set some bar for it?

MS HALTON: Commissioner, it is explicitly something that I have been talking to  
15 the team about. There is not, as yet, a written expression of it and, as you know, we have to make sure that this is right. And I don’t want to - - -

COMMISSIONER: I’m just asking you when.

20 MS HALTON: Yes. When will we do it?

COMMISSIONER: No, when – is this something that you’ve developed in recent times, was the question.

25 MS HALTON: In terms of a document; there is not yet a document. It is - - -

COMMISSIONER: No, no, no.

MS HALTON: Yes. I’m sorry.  
30

COMMISSIONER: Developing the idea of having – just wait – developing the idea of having a standard against which you can measure the conduct. Is this something that’s been developed in recent times?

35 MS HALTON: Yes.

COMMISSIONER: All right. And is that because of the operation of the Inquiry or is it something else that has come to mind?

40 MS HALTON: It’s – it’s from something else, Commissioner. This is - - -

COMMISSIONER: And what is it?

MS HALTON: So it is – I talked to you about the reflection process I had in  
45 January of this year - - -

COMMISSIONER: Yes, you did.

MS HALTON: - - - about how you set these sorts of – everything to do with the operation of the business. And so it was part of my thinking – and there are a series of steps to be taken here, the first of which was getting an expression of risk appetite, but this is exactly the kind of thing I was talking to you about earlier, Commissioner.

5

COMMISSIONER: So this is something – the standard of proof to be applied to junkets was something that you were thinking about before you suspended the operation of the junket; is that right?

10 MS HALTON: Yes.

COMMISSIONER: And so did you discuss it with your colleagues on the board?

15 MS HALTON: I discussed it with, certainly, the chairman. I'm not sure that I discussed it with anybody else.

COMMISSIONER: You mean the present chairman?

20 MS HALTON: Yes.

COMMISSIONER: Yes, yes. And so at the time that all the operations with junkets were suspended, the board had not considered your idea of having this standard?

25 MS HALTON: Correct. Yes.

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

30 MS SHARP: Yes. Could I take you now to the document I referred to previously. Can I just confirm you have a Wealth-X dossier for Cheek Wa Chau in front of you?

MS HALTON: Yes.

MS SHARP: And you'll see this is dated 26 May 2016?

35 MS HALTON: Yes.

MS SHARP: Can you assume that this report was obtained by Crown in 2016 as part of its intelligence gathering exercise in relation to Mr Chau?

40 MS HALTON: I can assume - - -

MS SHARP: Now, can I – yes. Can I take you to the first page, which is pinpoint 4760.

45 MS HALTON: Sure.

MS SHARP: And do you see under the heading Biography it states that:

*Mr Chau appears to have been a former member of the 14K triad's Macau branch in the 1990s and was reportedly in charge of loan sharking and gambling under the leadership of Kuok Coi Wan. After Wan was sentenced to more than 14 years imprisonment in 1999, Chau started his own gang.*

5

Now, is that enough to rule Mr Chau out as a junket operator?

MS HALTON: Potentially, yes.

10 MS SHARP: Well, you've added a qualification there, which is "potentially". My question doesn't need a qualification; it's a "yes" or a "no". Is that enough to rule him out as a junket operator?

MS HALTON: Yes.

15

MS SHARP: Have you read the Berkeley Research Group report of 12 September 2020?

MS HALTON: Yes.

20

MS SHARP: And you've read what it states in relation to Mr Chau?

MS HALTON: I don't recall - - -

25 COMMISSIONER: Perhaps you show the - - -

MS SHARP: Yes.

COMMISSIONER: Perhaps you could show it - - -

30

MS HALTON: .....

MS SHARP: Yes, I will. I'm sorry. I won't take a shortcut. Could I show you, please, Ms Halton, CRL.703.001.0001. This is exhibit AC28. It's confidential or, I should say, position reserved. I'll have to be a little bit circumspect in the way I describe this document given the position is reserved on confidentiality. But can I just confirm this is the document you say you have read?

35

COMMISSIONER: Well, I don't - - -

40

MS HALTON: I have - - -

COMMISSIONER: - - - think Ms Halton said she could remember she read it. So - - -

45

MS SHARP: I'm sorry. So you can't - I may have misheard you. I apologise. It is that you can't remember whether you've read this?

MS HALTON: I have read the overview. In terms of all of the detail, I have only recently received this, Ms Sharp. So I have not got a detailed – I have not done a detailed reading of this document.

5 COMMISSIONER: All right.

MS SHARP: I'll just take you to a few parts of it, if I can. Could I start, please, at page 9 of the document, which is pinpoint 0009. And you'll see that this relates to Mr Chau?

10

MS HALTON: Ms Sharp, I cannot read it on the screen. It's too small for me.

MS SHARP: I'll have it enlarged. If I could have enlarged the top half of the document, please. Yes. Can you see now that it relates to Mr Chau?

15

MS HALTON: Yes, I can now. Thank you.

MS SHARP: Can I direct you to the arrow under the second dot point.

20

MS HALTON: Yes.

MS SHARP: Can you just read what's on the screen - - -

MS HALTON: Yes.

25

MS SHARP: - - - to yourself. And let me know when you have finished that.

MS HALTON: Thank you.

30

MS SHARP: Could I then take you to the next page, please. And what I'll do is have highlighted the third dot point commencing "Discrete sources". And could you read that to yourself. And let me know when you have finished, please.

MS HALTON: Thank you.

35

MS SHARP: Could I then take you to page 22, which is pinpoint 0022. And I'll have enlarged for you the paragraphs under the heading Reputation. And could you let me know when you have finished reading those.

40

MS HALTON: Thank you.

MS SHARP: Could I then take you to page 25, pinpoint 0025. And I will have highlighted for you the bottom half of the document under Issues Identified. And could I ask you to read the paragraph under the heading Alleged Receipt.

45

MS HALTON: Thank you.



MS SHARP: Could I then take you to page 29, which is pinpoint 0029. And you'll – can you read that heading?

MS HALTON: No. I'm sorry, I can't.

5

MS SHARP: I will have the top half of that document blown up. Can you read that heading now?

MS HALTON: Thank you.

10

MS SHARP: Could I ask you to look to the second paragraph:

*Sources were uniformly aware - - -*

MS HALTON: Thank you.

15

MS SHARP: Can you read that to yourself?

MS HALTON: Thank you.

20

MS SHARP: And then, lastly, could I take you to page 31, pinpoint 0031. Then could I blow up the third paragraph beginning "According to sources". And I will draw your attention in particular to what is said at the first line.

MS HALTON: Thank you.

25

MS SHARP: Now, having reviewed that report or those parts of the report with me, does this report give you any comfort whatsoever that Mr Chau is a man of good repute?

30

MS HALTON: No.

MS SHARP: Should Crown Resorts be dealing with this man as a junket operator?

MS HALTON: No.

35

MS SHARP: Do you agree that a precautionary approach should apply with respect to dealings with junkets given the need for Crown to only have business relationships with those of good repute?

40

MS HALTON: I do.

MS SHARP: Does that mean that Crown, in assessing junket operator relationships, should work by the adage, when in doubt, rule it out?

45

MS HALTON: Yes, Ms Sharp.

MS SHARP: Is that a clear statement of risk appetite in respect to junkets?

MS HALTON: In – not in the current draft, Ms Sharp, as we have discussed. I've already indicated that this is going to be – I think the word we've agreed is  
5 “disaggregated” and certainly the framing – whether we would use the vernacular in the way that you have outlined it, but the sentiment, I agree with.

COMMISSIONER: Have you read the evidence of Ms Siegers or did you listen to it?  
10

MS HALTON: No, I didn't, sorry, Commissioner.

COMMISSIONER: Ms Siegers discussed the matrix – the various documents that are risk matrix and risk appetite document – with me, and what I was trying to fathom is why it isn't appropriate to communicate in plain language, because I think  
15 you would understand that when you see problems of the kind that we've seen, you do need plain language to convert people to understand what you want from them, don't you?

MS HALTON: Yes, Commissioner, I agree with you.  
20

COMMISSIONER: And I'm not sure that it's acceptable these days to speak in plain language because I've seen words that the majority of us would need to go to the dictionary to understand. And that seems to me to be not fair to those of whom  
25 you expect good performance. So I'm just wanting to understand why it is you can't create a document that says: look, one, we don't break the law. Two, if you do, you're out or something along those simple lines.

MS HALTON: Yes. So Commissioner, could I – in an attempt to be helpful, could I say there's two components to – well, there's more than two, but two principle issues I'd like just to outline, if I might. Firstly, I agree with your sentiment entirely and that's why I had already asked some time ago for this to be disaggregated and I agree with your sentiment that language should be unambiguous. This document is really the province of people who are at the senior management level. You never use  
35 a document like this when it comes to working with our security staff, our people, our croupiers, our people who go about their business. And we have already discussed the need to align everything and we have already discussed the code of conduct, where I think as we discussed the very first thing this morning, it's absolutely unambiguous that we act lawfully and that's at the beginning of that document and then we have got AML/CTF as the first operative, if I can use that  
40 language, point.

But to your point, what you want is a clear line of sight between risk appetite and the way it's stepped out, and the language which makes it unambiguous, in language that  
45 can be understood. But I wouldn't expect that document to be rolled out as part of training for staff throughout the enterprise. But what I would expect is the language and the sentiment to be reflected in the messages all staff are given, which I would

say to you I think the code of conduct goes to. But in terms of the things that pervade training and – and auditing and review, yes, I agree with you.

COMMISSIONER: And if there are short messages, it might help.

5

MS HALTON: Brevity is clarity, Commissioner.

COMMISSIONER: Brevity is a great asset, I think.

10 MS HALTON: Agreed.

COMMISSIONER: Yes, Ms Sharp.

MS SHARP: What about this: when in doubt, rule it out?

15

MS HALTON: I – I agree with you, Ms Sharp.

MS SHARP: Can I ask you about one last matter. Now, the Inquiry has been provided with the board paper of 10 August 2020, that set out reforms that Crown Resorts was intending to pursue in relation to a number of issues identified in this Inquiry, and this Inquiry has been provided with the September board paper along the same lines. Recently, this Inquiry has also been provided with a document which I will show you now, which is exhibit AJ51, and I will bring that up on the confidential link; CRL.719.001.0005. And you will see this is a memorandum to Mr Barton to all of the directors dated 7 October - - -

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COMMISSIONER: It's from Mr Barton.

MS SHARP: Sorry, from Mr Barton to the directors dated 7 October 2020.

30

MS HALTON: I see that, Ms Sharp. I will just see if we can find a hard copy.

MS SHARP: Now, may we take it you have read this document before today?

35 MS HALTON: Yes, I have.

MS SHARP: And what this does is set out the times by which it's hoped to complete various reforms, if I can put it that way?

40 MS HALTON: Yes.

MS SHARP: Can I take you, please, to the chart that appears on the final page, and it's pinpoint 0008. So I will have that, for those viewing it on the screen, I will have it turned around. Can I have it enlarged a little bit. Now, you will see that at the top, there are some times, the weeks ending and the last week is 14 December this year.

45

MS HALTON: Yes.

MS SHARP: And that's the date that it's presently proposed that Crown Sydney opens?

MS HALTON: Yes.

5

MS SHARP: And if I understand this correctly, it's proposed that all of the reforms outlined in this memo are to have been implemented by 14 December?

MS HALTON: I believe you understand correctly, Ms Sharp.

10

MS SHARP: What do you say to the proposition that this all seems rushed?

MS HALTON: Well, I say to that proposition, Ms Sharp, that the joint program has been in prospect and development for some considerable time. It's already – in terms of the IT part of this, has been rolled out a number of the elements in Perth, to be trialled. And it is currently running in parallel to the existing systems. In other words, we are testing a number of these things. Essentially, the inquiries that I have made particularly about the need to roll out these systems with confidence for the opening of Sydney has given me confidence that basically that – because they're running them in parallel, it means when they are implemented for Sydney they are not a cold start.

15

20

They are also trialling and actually working with staff in terms of the training on the detail of that, and I believe that this demonstrates that that training will then be rolled out very shortly for staff who are currently being trained for Sydney. So I do not – having – having done quite a large number of implementations in my career, Ms Sharp, this does not seem to me to be rushed.

25

MS SHARP: I have no further questions.

30

COMMISSIONER: Yes, thank you. Can I just ask you, before I call upon Ms Orr, one of the things that you said to me at the outset of your evidence was that you had been a regulator throughout your career, I think you said. Is that right?

MS HALTON: For my sins, Commissioner, yes.

35

COMMISSIONER: Could you just explain to me what that was?

MS HALTON: So I have been, in my career, a regulator of a variety of things, some professions, the aged care industry, to give you some examples.

40

COMMISSIONER: And so in your regulatory role what was it that you did?

MS HALTON: So under the legislation that applied – let me take the aged care industry because it's hard to talk in generality. Certainly I was, under the legislation, the nominated – it was delegated, as you probably understand, delegated legislation to oversight the standards of residential care and that included also the accountability

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of providers in relation to moneys that they received and that those were applied appropriately. So there were several elements to it. There was a side to what the buildings looked like. There was a side to assurance in relation to the care standards that were being delivered and there was a side that went to were funds used  
5 appropriately for the purpose for which they were provided.

COMMISSIONER: And when was that?

10 MS HALTON: Well, I first became responsible in that way and I exercised those responsibilities from probably the late '90s. So that's probably the first occasion I would point to in terms of regulatory experience.

COMMISSIONER: And for how long did you do that?

15 MS HALTON: Are intermittently over the course of my career, I probably held regulatory responsibilities – I became responsible for regulatory matters probably in 1990 – it's either six or seven and I don't want to mislead you by giving you a precise date and then through to basically when I became finance secretary. So that would have been in 2014. So that's – do the maths for me, Commissioner. That's 20  
20 years.

COMMISSIONER: It's about a long time, I think, but - - -

25 MS HALTON: Yes.

COMMISSIONER: - - - what were you – that was with the aged care only from '96 to 2014?

30 MS HALTON: No. No, we were also, one of my responsibilities as secretary for the Department of Health was all the legislation that we were responsible for, where those responsibilities were delegated – were – were – the responsibility of the department as opposed to held by Ministers. And those things are usually given to, for example, secretaries of departments and then you can, as you would know, delegate some of those responsibilities to officers further down the organisation.  
35

COMMISSIONER: So I'm just trying to get a feel for your regulatory work that you said that you had carried out throughout your career. So you were, in fact, reviewing the aged care sector in respect of, presumably, bonds and the like; is that right?  
40

MS HALTON: Yes, so the – I mentioned finances; that was certainly one element.

COMMISSIONER: Yes, and also the nature of the buildings and whether they were appropriate to the standard, I presume; is that right?  
45

MS HALTON: Yes. Recognising – and not wishing to again to mislead you, Commissioner, that there are some matters which are in the purview of State

jurisdictions and there are some that were under the federal legislation. So it was obviously in respect of federal responsibilities.

5 COMMISSIONER: I understand. And so the aged care was one regulatory role. Then, when you were the secretary of the Department of Health, your department had some delegated role of regulatory work; is that right?

MS HALTON: Yes, that's right.

10 COMMISSIONER: And that regulatory work, was that carried out by yourself or your officers?

15 MS HALTON: It would depend on what the decision was, Commissioner. So, in some instances, I – because, as you understand, you cannot fetter a delegate, but you can certainly make a decision that you wish to exercise a decision under legislation. And so you can say to someone who might normally exercise a decision – and perhaps I can give you an example, would that help?

20 COMMISSIONER: Yes, of course.

25 MS HALTON: Yes. So some decision-making – and it might be in respect to the exercise of a decision in relation to a manufacturer of something – in some instances, the person who would make that decision would be lower down in the organisation – as to whether they met standards. And so the question about who would exercise those decisions – and one of the things that I was – I was always mindful of in those areas was, in some instances people would wish to appeal a particular decision. And so, in some instances, you would want a decision taken by someone to whom you had further delegated that decision in order, then, that if there were to be a review of that decision, that then you had someone further up – can I use the vernacular – the food chain, who, similarly, had power, but could then review that decision.

35 COMMISSIONER: And those were decisions, throughout your career as the secretary of the Department of Health, where these decisions were made from time to time and that's what you referred to as the regulatory role; is that right?

40 MS HALTON: Yes. So in – exactly. So where – where there were statutory responsibilities, under legislation, where those statutory responsibilities were as secretary were actually the responsibility of the secretary as opposed to a Minister, for example.

COMMISSIONER: Yes. And, in a sense, did you have any regulatory role throughout your career, about which you've been speaking, looking to the suitability of, for instance, medical practitioners to practise?

45 MS HALTON: So, in the time that I was responsible, we actually – and I know that Professor Horvath went through this with you yesterday – he talked to you about the way they used to be – and I think you were – you obviously have some knowledge of

this – that there was a State-based arrangement. And then it moved to a national arrangement. Now, we – we, in the department, were not the decision-taker in that respect. So that was not something governed by our legislation with responsibility to the bureaucracy. But there was a national - - -

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COMMISSIONER: Is it the case that you, in your role, over the years about which you have spoken, you did not have any requirement on yourself to look to the suitability of medical practitioners, for instance, to practise?

10 MS HALTON: Not to medical practitioners, but to aged care providers as to their suitability to actually – yes.

COMMISSIONER: To have a licence?

15 MS HALTON: To – to actually receive Commonwealth funding in respect of benefits for the care of the frail elderly.

COMMISSIONER: Yes. And so that was looking to see if they were satisfying everything that was expected of them under the legislation; that's what you were  
20 doing?

MS HALTON: Correct. And in a – yes. And in a – in a couple of cases, Commissioner, I took decisions under my responsibilities to remove those licences from those providers.

25

COMMISSIONER: Yes. And I suppose you had the capacity, as well, to make recommendations for structuring some licences that didn't need to be removed but need to be adjusted so that they were suitable; is that right?

30 MS HALTON: Well, I had the power under the legislation to impose conditions  
- - -

COMMISSIONER: I see.

35 MS HALTON: - - - Commissioner, on those licensees - - -

COMMISSIONER: Yes.

MS HALTON: - - - that went to – yes – a variety of issues.  
40

COMMISSIONER: And so you understand that the process at the moment is one of reviewing your company's suitability?

MS HALTON: I do.  
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COMMISSIONER: And you've heard all the problems that have been identified over the past months. If someone is assumed to be unsuitable, and the next question

is how does one make someone suitable, you would agree, wouldn't you, that it does need some hard work to identify what the cause of the unsuitability is and then to try to rectify it; would you agree with that?

5 MS HALTON: Yes, Commissioner.

COMMISSIONER: And so one of the problems that we're looking at, obviously, is your company has been authorised to open the casino last year, in November 2019; you understand that that's under the licence?

10

MS HALTON: I do.

COMMISSIONER: And that these questions of suitability have arisen in the last 12 months, or a little longer, by reason of the intervention of the COVID restrictions; you understand that?

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MS HALTON: Yes.

COMMISSIONER: And, as I read it, when I was first acquainted with your company's operations in this Inquiry, there was a plan to open the casino in February 2021; do you recall that?

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MS HALTON: I had understood that the plan was to open when the building was ready, not with a specific date of February, but maybe in my understanding is imperfect, Commissioner.

25

COMMISSIONER: And some of the documentation that was available in respect of the development at Barangaroo indicated that it was more probable than not that it would be February '21; did you know that?

30

MS HALTON: Well, no. As I said, my understanding was that the opening was around the facility being finished and, in fact, a number of - - -

COMMISSIONER: Do you not have a recollection of any of your documents of Crown having the numerals "2021" as an anticipated time for opening?

35

MS HALTON: My memory of 2021, Commissioner, was in respect to a large formal opening, but not in relation to the commencement of operation.

COMMISSIONER: I see. So anything that was read in your documents with 2021 would only relate to a large formal opening rather than the commencement of operations?

40

MS HALTON: That's correct.

45

COMMISSIONER: So 2021 would be a large formal opening, but it left open the prospect there'd be some other date in relation to the commencement of operations?



MS HALTON: Yes. Yes, that's correct. In fact, it was always anticipated, Commissioner, that the operations would commence on the completion of the building, we – well, I've always understood to be late this year but that you – I mean, if – if you think of this in terms of a soft opening, in other words that things had  
5 commenced and the formal opening, which, obviously, in COVID times, is not of the kind that it might otherwise be, would be occurring into the new year, once people had come back from Christmas vacations, etcetera, etcetera, but, certainly, there would be operations this year.

10 COMMISSIONER: And operations means what?

MS HALTON: It means all of the facility being up and running.

15 COMMISSIONER: Including the casino with the operation of the licence, whilst the suitability Inquiry continues; is that what you're saying?

MS HALTON: That has always been my understanding, Commissioner.

20 COMMISSIONER: And who made that decision?

MS HALTON: Well, it has been my understanding. I'm not conscious of someone having taken a decision, but that is my understanding.

25 COMMISSIONER: And so, in July, I think, the Inquiry might have been informed that there was some tentative expectation, but, at some stage, that must have turned into a certainty. I'm really trying to explore with you when it became a certainty and why.

30 MS HALTON: Because there was a clarity that the building would be finished, because, as you would understand with COVID, there has been some question about capital construction works, access to materials and any potential delay on site, courtesy of any COVID outbreak breaks. I can tell you, Commissioner, that we have managed to undertake construction looking after the health of workers, and we haven't had any. And, in fact, construction has continued on schedule.  
35

COMMISSIONER: So coming back to the question, when did it turn into – is it the construction company that's given you the certainty of the time that you'll open?

40 MS HALTON: It is the – the Crown – the person who is managing the construction side is a Crown employee who works with the building - - -

COMMISSIONER: Can I just ask you again.

45 MS HALTON: Yes.

COMMISSIONER: Is it the construction company that has given you the certainty of the time that you will open?

MS HALTON: I have not dealt with the construction company myself, Commissioner.

5 COMMISSIONER: So you can understand in July – late July, early August, we were advised that there was some tentativeness about the possible opening of this casino. It is now, as you are putting to me, I think, that this is a certainty; is that right?

10 MS HALTON: Well, other events notwithstanding, that – that is my understanding of the date, Commissioner, yes.

15 COMMISSIONER: And has any thought been given to the fact that it may be perhaps inappropriate to open a casino which is the subject of a suitability Inquiry, when you know that the suitability Inquiry is to continue, so that your representatives can be heard and not to report until the 1st of February?

MS HALTON: My understanding - - -

20 COMMISSIONER: Has any thought been given to it?

MS HALTON: In terms of a discussion, I'm – I'm very aware, Commissioner, that your report is due in February. In terms of that delaying the opening, no, that's not been something that I am aware of having been discussed.

25 COMMISSIONER: I'm not talking about the opening of the building or the opening of the restaurants - - -

MS HALTON: Yes.

30 COMMISSIONER: - - - and all the other wonderful assets. I'm talking about the proprietary or the good sense in opening a casino subject to a licence that is under a suitability review - - -

35 MS HALTON: Well, my understanding – sorry.

COMMISSIONER: - - - which is yet to hear from your counsel?

40 MS HALTON: I can just reflect to you, Commissioner, that that is my understanding.

COMMISSIONER: So I'll ask you just one more time. Has any thought been given to the propriety or good sense, whichever you wish, in proceeding to open a casino at a time when there is an Inquiry into the suitability of the licensee - - -

45 MS HALTON: No.

COMMISSIONER: - - - which is not due to conclude until the 1st of February?

MS HALTON: Not that I am aware of. No, Commissioner.

COMMISSIONER: All right. Thank you, Ms Halton. Now, Ms Orr, any questions of clarification?

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MS ORR: Thank you, Commissioner. There are a series of short questions I would like to ask Ms Halton.

COMMISSIONER: Yes. Please proceed, Ms Orr.

10

**<EXAMINATION BY MS ORR**

**[3.22 pm]**

15 MS ORR: You were asked some questions by the Commissioner about Crown Resorts' risk appetite and expressions of plain language in relation to that risk appetite. You referred, in your answers, to those questions to Crown's code of conduct. Could I take you to that code of conduct - - -

20 MS HALTON: Yes.

MS ORR: - - - Which is exhibit AA255, INQ.010.0006.0346.

25 MS HALTON: I'll be with you in just a second, Ms Orr. Don't Panic. Don't Panic. It's all right. Yes, Ms Orr.

30 MS ORR: Now, you referred, as I understood you, Ms Halton, to the code of conduct in relation to statements of principle in relation to anti-money laundering risk. Is it your understanding that the code of conduct contains a set of standards of conduct for Crown's employees?

MS HALTON: Yes, it is, Ms Orr.

35 MS ORR: Could I take you to the first of the articulated standards of conduct on page 2 of the document, pinpoint 0350.

MS HALTON: Yes, Ms Orr.

40 MS ORR: The first standard of conduct relates to anti-money laundering. Do you see that, Ms Halton?

MS HALTON: I do.

45 MS ORR: Could I ask you to read to yourself the articulation of this standard of conduct in relation to anti-money laundering for Crown's employees?

MS HALTON: I am familiar with this document, Ms Orr. Thank you.

MS ORR: Is this the plain language articulation of Crown Resorts' risk appetite in relation to anti-money laundering?

MS HALTON: Yes, I believe so.

5

MS ORR: Thank you. Could I move to another topic. You referred in one of your answers to the appointment of – the recruitment of the head of compliance and financial crimes. What is your role in that recruitment process?

10 MS HALTON: Thank you, Ms Orr. So I have worked with the chief executive to review the list of names produced by the head-hunter – I think there's no other way to describe other than to use that kind of vernacular description – and particularly to talk with the chief executive and, indeed, the chairman, about the attributes of that individual and particularly the range of skills that I believe we must have in that  
15 person to ensure that they can undertake the role to the high level that is needed. And that includes, particularly, issues around data analysis, Ms Orr.

MS ORR: Yes, perhaps if you could elaborate a little further on the attributes and skills that you are looking for in that person?

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MS HALTON: Thank you. This is a crucial role, and financial crime is a growing issue, as we know, and this person must be very experienced in issues in respect of financial crime. But they must have a level of understanding and sophistication in relation to how one can use data in order to ensure that patterns of behaviour are able  
25 to be seen and not just rely on manual processes. So the person has to have a number of skills and not just, for example, come from – and I don't want this to sound value-laden, but what I describe as an old-fashioned policing perspective. They need to understand the criminal content. They need to understand a whole series of things about the operation of the law. But they must also understand sophisticated  
30 transactions and the ability – have the ability to actually use sophisticated and complex data and systems in order that we have the best information that we can.

MS ORR: Thank you. Now, you were also asked, Ms Halton, a series of questions about culture. And in one of your answers, you said that you didn't believe all of the incentives necessarily align at present in relation to culture. Could I ask you to  
35 expand on that answer, please.

MS HALTON: Thank you. I indicated – and I believe this strongly – that you need all of the instruments that go to culture be pulling individuals in exactly the same  
40 direction. So you need people's workplace agreements. You need people's financial remuneration arrangements to be structured in that way. I have raised with the chairman and I just – if I could note, Ms Orr, that the CEO remuneration has now only, I believe, 25 per cent around financial outcomes. I've raised with the chairman, noting I am not a member of the remuneration committee, my view that  
45 there should be hard gates as part of remuneration arrangements such that if people do not comply in relation to the matters that we have been discussing, that there would not be – they will not qualify on any measure with requirements to be paid

their long-term or their short-term incentive. And I think – and this is to my mind extremely important.

5 What you don't want is to reward people for a business outcome if they get it at the expense of reputation and if they get it by cutting corners. So there should be a hard gate that says you must actually comply with these arrangements or you will not get those – those levels of remuneration. There's also, I believe, a need to make sure that all of the training and all of the messaging to staff is completely aligned, and that in the tone from the top, that the CEO and the board and the senior management are absolutely as one in relation to the pre-eminence of this particular issue in terms of 10 what goes to – and the Commissioner has raised it – our licence and our reputation. And that is fundamentally in relation to legal compliance, regulatory compliance and AML/CTF and all the issues that are comprehended therein.

15 MS ORR: You have said in that answer, Ms Halton, that you are not a member of the nomination and remuneration committee. Is there nonetheless a relationship between the nomination and remuneration committee and the risk management committee that you chair?

20 MS HALTON: Yes, Ms Orr, there is. I have met – I've been invited to meetings of the remuneration committee and, indeed, I have also asked for the chair of the remuneration committee on occasion to attend the risk committee, to ensure that there is no ambiguity in relation to what goes on across the two committees.

25 MS ORR: And could you explain what you see as the relationship between incentive payment structures and cultural change?

MS HALTON: Ms Orr, I – I have a very clear view that incentive payment structures must be aligned with the things that we say are important. And in that 30 context, we are saying that what is important is compliance with our legal and, indeed, our ethical obligations. So there should be no incentive payments paid in respect of anybody who does not behave in a way that is consistent with those standards that we set ourselves.

35 MS ORR: Is that part, Ms Halton, of what you described as inculcating a culture of compliance?

MS HALTON: Absolutely. I think I mentioned, Ms Orr, in my evidence that one of the things that has been agreed is that the head of HR will have a responsibility to 40 deal with culture. I think I've also indicated in my evidence that culture is an emerging issue and it is difficult, and I think Ms Sharp took me to some issues in respect of observations I have made in the past about that. We know that this is difficult, and it requires – given we're talking in the vernacular, a full-court press by all of the people who are concerned to agree and then to promulgate that culture.

45 MS ORR: Thank you, Ms Halton. Those are my questions, Commissioner.

COMMISSIONER: Thank you, Ms Orr. Mr d'Arville, any questions that you might like leave to ask?

MR D'ARVILLE: No, thank you, Commissioner.

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COMMISSIONER: Thank you. Ms Case, any questions?

MS CASE: No, thank you, Commissioner.

10 COMMISSIONER: Ms Halton, the question about the junkets being suspended in, I think it was August, was it, or thereabouts?

MS HALTON: Thereabouts; several months ago.

15 COMMISSIONER: And one of the junket operators was, presumably, Mr Chau.

MS HALTON: Suncity.

COMMISSIONER: Is that correct?

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MS HALTON: Yes.

COMMISSIONER: Suncity. You understand that the operator is identified as an individual with Crown - - -

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MS HALTON: Yes.

COMMISSIONER: - - - albeit it goes under the name Suncity?

30 MS HALTON: Yes.

COMMISSIONER: And in the advertisement – I withdraw that. I understand what you have informed me about of being pressured in respect of the advertisement and I don't need to you expound further on that. In the advertisement, there was a criticism of the journalists for being misleading in that they did not refer to the fact that Crown does not deal with any of the other junket operators other than the one local player. Do you remember that being said?

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MS HALTON: I do.

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COMMISSIONER: I presume that the one local player was the Suncity junket that you have called it, or Alvin Chau?

MS HALTON: No, I don't believe it was, Commissioner.

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COMMISSIONER: I see. So there were – so Alvin Chau was still an operator at the time that the advertisement was produced?

MS HALTON: That's my understanding.

COMMISSIONER: And the advertisement referred to the junkets in Macau being licensed; do you remember that?

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MS HALTON: I do.

COMMISSIONER: And I think you've agreed with being licensed or being regulated oversight in Macau; do you remember that?

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MS HALTON: I think I talked about regulated oversight in Singapore; I'm not sure that I talked about regulated oversight in Macau, Commissioner.

COMMISSIONER: Yes, you did. If you just have a look at the left-hand column there under junket operators, the second paragraph.

15

MS HALTON: I'm sorry. To be clear, you are referring to the ad - - -

COMMISSIONER: No, no. No, I am clear. You referred to Macau-based junkets there being licensed. What I'm asking you is in relation to Mr Chau, and Suncity. You've agreed in your evidence that Crown shouldn't be dealing with him.

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MS HALTON: Yes.

COMMISSIONER: Do you remember saying that to Ms Sharp just before the end of your evidence?

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MS HALTON: Yes.

COMMISSIONER: So at the time that this advertisement was published, and Crown was dealing with Alvin Chau, you should have been given information that enabled you to make the very judgment that you made in the witness box; would you not agree?

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MS HALTON: I do agree.

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COMMISSIONER: And so at the time that the advertisement went on the attack against the journalists, you were effectively kept in the dark, I presume, about Mr Chau's character and that has resulted in the process through which you have now been; you agree with that?

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MS HALTON: Yes, Commissioner.

COMMISSIONER: So if, at the time that all this erupted 16 months ago, if you'd had the information I would have expected Crown to go to the regulator in New South Wales and say, "We've got some problems." Would you agree with that, in response to the articles?

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MS HALTON: No, Commissioner.

COMMISSIONER: If Alvin Chau had been identified in the way it has been identified to you today and they had published the material about Alvin Chau and they had given you the information at the time of the publication, you would have been in a position to go to the New South Wales regulator and say, effectively, “Look there’s no need for an inquiry. There’s no need for public funds to be spent. We can tell you now we have got some problems.”

10 MS HALTON: I misunderstood your question, Commissioner. I agree with you. I agree with you. Absolutely.

COMMISSIONER: Yes, and so you as the decision-maker on the board, could have – well, I suppose it might have taken a bit of debate from what you tell me, but you as a decision-maker on the board would have been able to at least advocate to your board to say, “Look we need to go to the regulator to say we’re uncovered these problems. Some of this press is right; we need to fix this”. Correct?

MS HALTON: Correct.

COMMISSIONER: And you could have suspended the operations last year and saved yourselves – I withdraw that – you could have suspended the operations last year, could you not?

25 MS HALTON: We could have, yes.

COMMISSIONER: And so when you see over the years the press, in one sense – and I can understand this – hounding – hounding Crown to say: “Look, you’ve got problems with your junkets”, there needs to be an own mind to say “Look, we better look at this more closely because they keep telling us this; maybe there is something in it”. Do you think that’s an attitudinal refreshment that might be needed?

MS HALTON: I would agree with that, Commissioner.

35 COMMISSIONER: And I think to attack the press is, no doubt, a lot of people’s pastimes, but it doesn’t get them very far, I don’t think. But one of the problems in regulation, as you would understand from what you have told me of your life, is not to have a person being a partner with a regulator. I don’t think that you would want that. But you do want to have an honest and open discussion with a regulator, don’t you?

MS HALTON: I wholeheartedly endorse that sentiment, Commissioner.

45 COMMISSIONER: All right. And so I think, from the point of view of what you have told me today, I have the impression that if you had your way, this advertisement would not have been published with what you know now?



MS HALTON: Yes.

COMMISSIONER: Thank you, Ms Halton. Anything arising?

5 MS CASE: No, Commissioner.

COMMISSIONER: Anything arising from anyone else?

10 MS ORR: No, thank you Commissioner.

MR D'ARVILLE: No, thank you.

COMMISSIONER: I'm sorry we took a little longer with you, Ms Halton. Thank  
15 you very much.

MS HALTON: Thank you, Commissioner.

20 <THE WITNESS WITHDREW [3.39 pm]

COMMISSIONER: I will now adjourn until 10 am tomorrow, is it?

MS SHARP: Yes. Thank you, Commissioner.  
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COMMISSIONER: And that will be?

MS SHARP: Ms Coonan.

30 COMMISSIONER: Thank you very much. I'll adjourn till then.

**MATTER ADJOURNED at 3.40 pm UNTIL FRIDAY, 16 OCTOBER 2020**

**Index of Witness Events**

SARAH JANE HALTON, ON FORMER AFFIRMATION	P-4274
EXAMINATION BY MR BELL	P-4274
EXAMINATION BY MS SHARP	P-4300
EXAMINATION BY MS ORR	P-4371
THE WITNESS WITHDREW	P-4377

**Index of Exhibits and MFIs**