



Copyright in this document is reserved to the State of Western Australia. Reproduction of this document (or part thereof, in any format) is prohibited except with the prior written consent of the Attorney General or Perth Casino Royal Commission or as permitted by the *Copyright Act 1968* (Cth).

PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 23

10.02 AM FRIDAY, 06 AUGUST 2021

COMMISSIONER N J OWEN

COMMISSIONER C F JENKINS

COMMISSIONER C MURPHY

HEARING ROOM 3

MR MICHAEL FEUTRILL SC and MS MIA HENDERSON and MS ESTELLE BLEWITT as Counsel Assisting the Perth Casino Royal Commission

MR ANTHONY POWER as Counsel for Ms Maryna Fewster

MR NOEL HUTLEY SC and MS RACHAEL YOUNG as Counsel for Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd

MR ROBERT FRENCH and MS JOANNE SHEPARD and MR TIM O'BRIEN and MR YEW SIN as Counsel for Mr Barry Felstead

DR ELIZABETH BOROS as Counsel for Mr Ken Barton

MR PAUL D. EVANS as Counsel for the Gaming and Wagering Commission of Western Australia

MS FIONA SEAWARD as Counsel for the Department of Local Government, Sport and Cultural Industries

MR KANAGA DHARMANANDA SC and MR TIM RUSSELL and MR RICHARD LILLY as Counsel for Crown Resorts Ltd; Burswood Limited; Burswood Nominees Limited; Burswood Resort (Management) Limited; Crown Sydney Gaming Pty Ltd; Southbank Investments Pty Ltd; Riverbank Investments Pty Ltd and Crown Melbourne Limited

MR PETER WARD as Counsel for Mr John Poynton

MR STEVEN PENGLIS SC as Counsel for Mr Joshua Preston

10:02AM

COMMISSIONER OWEN: Please be seated. Now I think we have Mr Felstead.

Mr Felstead, could you just give us your full name for the record.

5

WITNESS: Barry Felstead.

COMMISSIONER OWEN: Do you wish to swear an oath or make an affirmation?

10

WITNESS: An oath, thank you.

MR BARRY FELSTEAD, SWORN

15

COMMISSIONER OWEN: Thank you, Mr Felstead. Please sit down. Mr French?

MS SHEPARD: Commissioners, my name is Shepard, I appear with my learned junior Mr French, and I will be taking Mr Felstead's evidence-in-chief.

20

COMMISSIONER OWEN: Thank you, Ms Shepard.

EXAMINATION-IN-CHIEF BY MS SHEPARD

25

MS SHEPARD: Mr Felstead, you prepared a statement dated 27 July 2021 in response to a summons dated 8 July 2021; that is correct, isn't it?

30

MR FELSTEAD: That is correct.

MS SHEPARD: Do you have a copy of that statement with you?

MR FELSTEAD: Yes, I do.

35

MS SHEPARD: Is that a document bearing document ID WIT.0011.0001.0001?

MR FELSTEAD: That is correct.

40

MS SHEPARD: And, for the record, that has annexure A, WIT.0011.0001.0069 and schedule WIT.0011.0001.0071. Mr Felstead, is there an amendment that you wish to make to your statement?

MR FELSTEAD: Yes, there is, Ms Shepard.

45

MS SHEPARD: Is that an amendment to paragraph 68 of the statement appearing on page 0019?

10:04AM

MR FELSTEAD: That is correct.

MS SHEPARD: What is the amendment that you wish to make?

5

MR FELSTEAD: Thank you. The line commencing --- the second line commencing "the effect of those clauses", I would like to strike it out, please, and replace it with the following:

10 At all times I knew there was an obligation of Crown Melbourne in accordance *with clause 22.1(ra)(i), (ii) and (iii)*.

MS SHEPARD: Is that the only amendment you wish to make to your statement?

15 MR FELSTEAD: That's correct.

MS SHEPARD: With that amendment, is your statement true and correct to the best of your information and belief?

20 MR FELSTEAD: Yes, it is.

MS SHEPARD: Commissioner, I tender that statement with its annexure and schedule.

25 COMMISSIONER OWEN: Thank you, Ms Shepard. The witness statement of Barry Felstead dated 27 July 2021 with the identifier number WIT.0011.0001.0001 will be admitted into evidence as an exhibit.

30 **EXHIBIT #WIT.0011.0001.0001 - STATEMENT OF MR BARRY FELSTEAD DATED 27 JULY 2021**

35 MS SHEPARD: Thank you, Commissioner. I understand that copies have been provided to my learned friends. And before I take my seat, so to speak, I note my learned junior Mr French will be taking objections and I will be dealing with any re-examination arising.

COMMISSIONER OWEN: Thank you, Ms Shepard.

40

Mr Feutrill?

CROSS-EXAMINATION-IN-CHIEF BY MR FEUTRILL

45

MR FEUTRILL: May it please the Commission.

10:05AM

Mr Felstead, my name is Michael Feutrill. I'm one of the counsel assisting the Commission, and I am going to be asking you some questions. I'm introducing myself because the room is full of lawyers, so you know who each person is.

5

MR FELSTEAD: Yes.

MR FEUTRILL: Can I start with the last matter, I don't know I quite caught the nature of the amendment you've made to paragraph 68 of your statement. Can I check to see I've got it right. Does that mean the first sentence is:

10

I do not recall ever seeing clauses 22.1(r) and (ra) before preparing this statement.

15 And the next sentence is:

At all times I knew there was an obligation on Crown Melbourne in accordance with clause 22.1(ra)(i), (ii), (iii).

20 And that is the end of the paragraph?

MR FELSTEAD: That is correct.

MR FEUTRILL: Obviously with your summons you received a fairly long list of topics or questions, and do I understand your statement to be your full response to each of those topics?

25

MR FELSTEAD: Yes, I do.

MR FEUTRILL: What I would like to do is take you through some of them, perhaps not all of those, certainly some where we need some clarification and I would like to see if there is further assistance you can give the Commission on some of the matters in addition to what you've had to say. Largely it will deal with the same subject matter, but there may be occasions where we go into other areas.

35

If I can start by getting a full picture of your role within the, I will call it the Crown Group, by which I mean Crown Resorts and all of its subsidiaries, you are employed or a director in that group between March 2004 and March 2020?

40 MR FELSTEAD: I would say employee. I wasn't a director from March 2004.

MR FEUTRILL: I beg your pardon?

MR FELSTEAD: I wasn't an employee from March 2004, I was an employee from 2004.

45

MR FEUTRILL: Your roles changed but you were in the group from that period?

10:08AM

MR FELSTEAD: Yes, I was.

5 MR FEUTRILL: From March 2013 you were the CEO of what everyone is referring to as Crown Perth?

MR FELSTEAD: From March 2013?

10 MR FEUTRILL: Yes.

MR FELSTEAD: Yes, I was the CEO of Crown Perth.

15 MR FEUTRILL: As I understand your statement, that included something referred to as the VIP international business, responsibility for that?

MR FELSTEAD: That's correct, yes.

20 MR FEUTRILL: And in August 2013 you were appointed as CEO of what is referred to as Australian Resorts?

MR FELSTEAD: Yes, that is correct.

25 MR FEUTRILL: And you were in that position, weren't you, until your employment with the group ended?

MR FELSTEAD: That is correct.

MR FEUTRILL: At the end of last year.

30 Now, as I understand it, again this is just to make sure we understand the employment structure correctly, throughout the period of your employment until 2013 your employer was Burswood Resort (Management) Ltd?

35 MR FELSTEAD: That is correct.

MR FEUTRILL: And then from 2013 you were employed by Crown Resorts directly; is that right?

40 MR FELSTEAD: Yes, I was.

MR FEUTRILL: Now, in your role as CEO of Australian Resorts, you had responsibilities for both Crown Perth and Crown Melbourne?

45 MR FELSTEAD: Yes, in addition to Crown Aspinalls as well in London.

MR FEUTRILL: I was going to come to that. There was another casino in London known as Aspinalls?

10:10AM

MR FELSTEAD: That is correct.

MR FEUTRILL: Did it also include, as it came online, the casino in Sydney as well?

5

MR FELSTEAD: That is correct.

MR FEUTRILL: Now, in your role as either CEO of Crown Perth or CEO of Australian Resorts, you held a number of positions as a director of companies within the group?

10

MR FELSTEAD: Yes, I did.

MR FEUTRILL: You were appointed to the Board of Burswood Ltd in 2007?

15

MR FELSTEAD: Yes, 2007, correct.

MR FEUTRILL: You were also appointed to the Board of Burswood Nominees that year?

20

MR FELSTEAD: Yes, I was.

MR FEUTRILL: And Riverbank Investments?

25

MR FELSTEAD: Yes, I believe I was, correct.

MR FEUTRILL: And a number of other companies within the Perth Casino group including Burswood Resort (Management).

30

MR FELSTEAD: That is correct.

MR FEUTRILL: I will call up an aide-memoire. It is really for the benefit of the Commission, PCRC.0010.0002.0001, which is an attempt to depict many paragraphs of your statement in a diagrammatic way to which I may return to from time to time draw your attention to aspects of it as it may be faster than finding the page in the statement.

35

MR FELSTEAD: Yes.

MR FEUTRILL: What we've effectively been through at this point in time is the diagram of Crown Resorts at the top middle of the page and the various company structures that fall under that. Now, you have referred in your statement at paragraph 6 to something you term as Crown Perth. A number of people have given evidence in this Commission. That appears to have been a general description used to describe the group of companies that fell under Burswood Ltd?

45

MR FELSTEAD: Yes, that is be correct. I would refer to that as a catch-all. I regarded myself as working for Crown Perth.

10:13AM

MR FEUTRILL: Yes.

MR FELSTEAD: Obviously I was employed by Burswood Resort (Management)
5 Ltd, we had the various other structures, but in terms of simplicity, I regarded myself
as working for Crown Perth.

MR FEUTRILL: That was in your role as CEO of Crown Perth?

10 MR FELSTEAD: That's correct.

MR FEUTRILL: And the ultimate holding company of that company is Crown
Resorts, obviously?

15 MR FELSTEAD: Yes, correct.

MR FEUTRILL: Do I take it from the way in which you've answered those
questions that within the Crown Group itself Crown Perth was considered a single
business unit?

20 MR FELSTEAD: Yes, it was considered a single business unit.

MR FEUTRILL: And in that regard was the management structure for which you
were responsible essentially dealt with in the same way as a single unit?

25 MR FELSTEAD: Yes, typically. Typically that would be correct.

MR FEUTRILL: So did it have, in that context, did it have a budget of its own as a
business unit?

30 MR FELSTEAD: Yes, it did.

MR FEUTRILL: And it would report financial results to the group as a single unit?

35 MR FELSTEAD: Yes, it did, as a single unit.

MR FEUTRILL: And were financial targets set by that division as a single unit as
well?

40 MR FELSTEAD: That is correct.

MR FEUTRILL: Now in your role as CEO of Crown Perth, you reported to the most
senior executives of Crown Resorts whether that was at the time a Chief Executive
Officer or the Executive Chair; is that correct?

45 MR FELSTEAD: That is correct.

10:14AM

MR FEUTRILL: So in 2020 that person was Mr Barton?

MR FELSTEAD: Yes, that's correct.

5

MR FEUTRILL: He was CEO, Managing Director of Crown Resorts at that time?

MR FELSTEAD: Yes, that is my recollection.

10 MR FEUTRILL: And from 2016 to 2020 was Mr Alexander?

MR FELSTEAD: Yes, that would be correct.

MR FEUTRILL: And he was Executive Chair at that time?

15

MR FELSTEAD: Yes, that was his role.

MR FEUTRILL: And from 2013 to 2016, it was Mr Craigie?

20 MR FELSTEAD: That is correct, yes.

MR FEUTRILL: He again was the CEO and Managing Director of Crown Resorts?

MR FELSTEAD: That's correct, yes.

25

MR FEUTRILL: At the time of your appointment as CEO, was the business unit then known as Burswood Entertainment Complex?

MR FELSTEAD: Yes, when I was first employed by Burswood Resorts
30 (Management) it was called Burswood Entertainment Complex.

MR FEUTRILL: At what point in time was it rebranded or renamed Crown Perth, approximately?

35 MR FELSTEAD: My recollection that was in or around 2012.

MR FEUTRILL: I just want to ask you in the period before 2013, who did you report to at that time.

40 MR FELSTEAD: Prior to 2013 I reported to Mr Craigie.

MR FEUTRILL: In what position was Mr Craigie at that time?

MR FELSTEAD: Mr Craigie was then, my recollection was --- he was head of the
45 entire property, so he was CEO of Melbourne, Perth, but I think his role, from
memory, was --- I think it was CEO Crown Ltd or Crown Resorts. I can't quite
recall. But he was the overall head of the business.

10:16AM

MR FEUTRILL: I see. I want to ask you some questions about the nomenclature Australian Crown Resorts and what that meant. In August 2013 you were appointed as the CEO of Australian Resorts?

5

MR FELSTEAD: That is correct. Do I understand from your evidence that was an amalgamation of the position of CEO of Crown Perth and Crown Melbourne?

MR FELSTEAD: Yes, it was.

10

MR FEUTRILL: Was Australian Resorts itself a single business unit within the Crown Group?

MR FELSTEAD: No, it was not a single business unit.

15

MR FEUTRILL: It was, at this time, two separate units, was it? The Crown Perth group and the Crown Melbourne group?

MR FELSTEAD: That is correct.

20

MR FEUTRILL: I see. So the Chief Executives of those properties reported to you as the CEO of Australian Resorts, is that the reporting line?

MR FELSTEAD: No, that is incorrect. What occurred back then was I was the CEO, effectively, title aside I was effectively the CEO of Crown Perth, the CEO of Crown Melbourne, and the operating heads of the business units in Crown Melbourne and Crown Perth reported through to me. There was no particular CEO of Crown Perth or Crown Melbourne when I was CEO of Australian Resorts.

25

MR FEUTRILL: So the title of the people reporting to you was Chief Operating Officer of each of those properties?

30

MR FELSTEAD: By and large, yes.

MR FEUTRILL: In your statement you referred that from I think October 2016 you assumed operational oversight of what is --- what you refer to as "VIP International".

35

MR FELSTEAD: That is correct.

MR FEUTRILL: Is the timing of that because Mr O'Connor was detained in China?

40

MR FELSTEAD: Yes.

MR FEUTRILL: Am I right in thinking that the expression "VIP International" is interchangeable with international commission business?

45

MR FELSTEAD: Yes, it's one in the same.

10:19AM

MR FEUTRILL: It's the business by where Crown ran international patrons were attracted to Australia to gamble at one of the properties operated by the Crown Group?

5

MR FELSTEAD: That is correct.

MR FEUTRILL: Whatever title you place on it, that consisted of junket operations in part?

10

MR FELSTEAD: Yes, it did.

MR FEUTRILL: And that involved junket representatives in part?

15

MR FELSTEAD: Yes, it did.

MR FEUTRILL: And something referred to as premium players?

20

MR FELSTEAD: Yes, that is correct.

MR FEUTRILL: And they are all from outside the Australian jurisdiction?

MR FELSTEAD: Yes, typically, yes.

25

MR FEUTRILL: Was there something else known as a privileged player?

MR FELSTEAD: No, that was not a term that we used, "privileged player".

30

MR FEUTRILL: Is the difference between a junket and premium player a question of who has the contractual arrangement with Crown?

35

MR FELSTEAD: Well, in both instances the players, either a premium player or a junket operator, had a contractual arrangement with Crown. The best way to characterise that would be a junket was a person who was controlling a group of players, and a premium player was someone who would come down solely on their own to play.

40

MR FEUTRILL: In your statement you mentioned that from 2016 the international commission business, with the exception of hosting and on-ground servicing of customers, was run out of Melbourne?

MR FELSTEAD: Yes, that is correct.

45

MR FEUTRILL: Is it the case that the international commission business was a separate business unit within the Crown Group?

MR FELSTEAD: Yes, it would be a separate business, along with many others, but, yes.

10:21AM

MR FEUTRILL: So it operated separately, did it, from the operations of each of the geographic locations as its own unit?

5 MR FELSTEAD: Sorry, could you rephrase that?

MR FEUTRILL: The international commission business, I think you've said, was its own business unit?

10 MR FELSTEAD: Correct, yes.

MR FEUTRILL: And so did it, for example, in the same way that we've been through with Crown Perth, have its own budget, reporting and financial targets?

15 MR FELSTEAD: Yes. Yes, it did.

COMMISSIONER JENKINS: Sorry to interrupt, Mr Feutrill, but it would assist me if some time period was put on this, because as I understand it, Mr Felstead's statement identifies different management obligations in respect of ICB at different points of time.

MR FEUTRILL: Yes, thank you, Commissioner. I'm coming to --- I may have overlooked that. I'm here referring to the period after 2016.

25 MR FELSTEAD: Yes.

MR FEUTRILL: And was the international commission business at that time regarded as part of the Australian Resorts business unit or group?

30 MR FELSTEAD: It was more regarded as part of Crown Melbourne that would provide a service to Crown Perth. So it was based in Melbourne. The key management was based in Melbourne and it operated like that.

MR FEUTRILL: Okay. And before --- I want to come back to this to cover a different point in time. Before 2016, what was the position with regard to Crown Perth and the operation of the international commission business?

MR FELSTEAD: Yes, from recollection prior to 2016, Crown Perth had a very small management team who were running the business, when I say "running" it, they were servicing the business in Perth. But the majority of, I guess, the international sales support was all coming out of Melbourne.

MR FEUTRILL: All right. I will come back to the structure of that particular business unit in a moment, but before I do, can I just ask you some questions about the periods during which you were employed by Burswood Resort (Management) Ltd and later Crown Resorts. Beginning with the period 2007 to 2013, in that period your employer was Crown Resorts Management?

10:24AM

MR FELSTEAD: Yes, it was.

MR FEUTRILL: Did you have a contract of employment with that company?

5

MR FELSTEAD: Yes, I did.

MR FEUTRILL: Was there a document that set out a description of your duties and functions?

10

MR FELSTEAD: From memory there would have been. I don't particularly recall now, but there would have been a document. It possibly would have been in my contract.

15 MR FEUTRILL: Okay, and was there a process by which performance targets were set for your personal performance each year?

MR FELSTEAD: Yes, there was.

20 MR FEUTRILL: Who was involved in the establishment of those targets?

MR FELSTEAD: That would be Mr Craigie. So Mr Craigie would establish my targets and review me on such.

25 MR FEUTRILL: Was there any involvement in that process by any members of the Board of Burswood Ltd?

MR FELSTEAD: Not that I can recall directly.

30 MR FEUTRILL: In that period, were you entitled to any incentives associated with your remuneration?

MR FELSTEAD: Yes, I was.

35 MR FEUTRILL: What were they?

MR FELSTEAD: From memory in that period, I would have been eligible for a short-term incentive, which was based on the yearly performance of the company, and I also believe I was a member of the --- I was a participant in the LTI, the long-term incentive, which was more a group-based incentive.

40

MR FEUTRILL: I see. And were those incentives connected to the financial performance of Crown Perth?

45 MR FELSTEAD: The short-term incentive was connected to the financial performance at Crown Perth. The long-term incentive was connected to the overall performance of Crown Resorts.

10:26AM

MR FEUTRILL: And in that period was the performance of the international commission business that went to Perth regarded as part of the financial performance of Crown Perth?

5

MR FELSTEAD: Yes, it was.

MR FEUTRILL: And for the long-term incentive, that is to say the group as a whole, that collectively picked up Crown Melbourne, Aspinalls and any other locations, did it?

10

MR FELSTEAD: From recollection, yes.

MR FEUTRILL: Now, in that period, did you have to your recollection any document by which you were given an authority to conduct the affairs of Crown Perth?

15

MR FELSTEAD: No, short of my employment contract.

MR FEUTRILL: I see. And did you understand there to be any limits on the extent of your authority to transact business on behalf of Crown Perth at that time?

20

MR FELSTEAD: Yes, there would have been limits on what I could sign, for example, there would have been limits on what decisions I could make, but generally I was in charge of the property, reporting through to Mr Craigie, and we would --- and the limits in terms of what I could and couldn't do were generally outlined in my contract.

25

MR FEUTRILL: I see. So if you reached the point where you needed to obtain authority from someone else to do, to transact the business you wished to do, who did you go to to obtain that authority?

30

MR FELSTEAD: From recollection, my first port of call would have been Mr Craigie.

35

MR FEUTRILL: At that time Mr Craigie was the CEO of Crown Resorts; correct?

MR FELSTEAD: Recollection, yes.

MR FEUTRILL: I will now ask you the same series of questions in respect of your period when you were CEO of Australian Resorts. In that period you were employed by Crown Resorts directly. In that period, so this is from I think 2013 onwards ---

40

MR FELSTEAD: Yes.

45

MR FEUTRILL: --- did you have formal contracts?

10:28AM

MR FELSTEAD: Yes, I did.

5 MR FEUTRILL: Again, did you have a document that set out the description of your duties and functions?

MR FELSTEAD: From memory it would have been broadly outlined in my contract.

10 MR FEUTRILL: Again, was there a process by which performance was set in each year?

MR FELSTEAD: That is correct.

15 MR FEUTRILL: Again, with whom did you deal when you were setting your targets for each year?

MR FELSTEAD: Typically that would be with Mr Craigie.

20 MR FEUTRILL: And I think in that period you became entitled to some executive incentives?

25 MR FELSTEAD: From memory, yes, I did. I became entitled to an LTI, a long-term incentive.

MR FEUTRILL: And the details of those are recorded in the annual reports of Crown Resorts, are they not?

30 MR FELSTEAD: Yes, that is correct.

MR FEUTRILL: Now, in that period again, now in respect of your function as the CEO of Crown Perth, were there any, to your knowledge, documents that delegate any authority to you for the purposes of transacting figures on behalf of Crown Perth?

35 MR FELSTEAD: No, I don't recall that.

40 MR FEUTRILL: So again, if you needed in that period to obtain authority from anyone where it said (inaudible) you understood under your contract, your employment contract, who did you see? Who did you ask for authority?

MR FELSTEAD: Typically, that would be Mr Craigie.

45 MR FEUTRILL: And after Mr Craigie had resigned?

MR FELSTEAD: It would have been Mr Alexander.

MR FEUTRILL: And after him?

10:30AM

MR FELSTEAD: After him, it would have been Mr Barton.

5 MR FEUTRILL: So in each instance, if you required authority to do something you did not think you had, the first person you sought authority from was the most senior executive of Crown Resorts?

MR FELSTEAD: That's correct, in their capacity as my direct manager.

10 MR FEUTRILL: And is it the case that the person who gave you your direct instructions, or directions insofar as you need them to manage Crown Perth, was also Mr Craigie and Mr Alexander, or Mr Barton?

15 MR FELSTEAD: It would have been those gentlemen in combination with the board.

MR FEUTRILL: All right. Now, insofar as you had a role in the oversight of the VIP international business, was there any separate document identifying what your role and function was for that business unit?

20 MR FELSTEAD: Sorry, could you repeat that question, please?

MR FEUTRILL: Insofar as you had a role in the oversight of the VIP international business, was there a separate document to that of your employment contract as CEO of Australian Resorts that identify what your role and duties was in respect of that business unit?

MR FELSTEAD: From recollection, no.

30 MR FEUTRILL: And in respect of the management of that unit, from whom did you take your instruction or direction when required?

MR FELSTEAD: The management of the international business, if there were things I needed escalated, I would typically escalate that to Mr Craigie, or Mr Johnson on occasions.

MR FEUTRILL: Mr Johnson at that time was a director of Crown Resorts; correct?

40 MR FELSTEAD: Correct.

MR FEUTRILL: And he is also a director of one of Crown Resorts' major shareholders?

45 MR FELSTEAD: That is correct.

MR FEUTRILL: But he was not in an executive role within the Crown Group, was he?

10:32AM

MR FELSTEAD: No, he wasn't. I probably would qualify my previous answer and say that was more an advisory role as opposed to an authoritative role.

5 MR FEUTRILL: I see. So you sought Mr Johnson's advice but not his direction, is that the substance of what you have said?

MR FELSTEAD: That would be a good way to characterise it.

10 MR FEUTRILL: After Mr Craigie had left the business, do I understand it to have been then Mr Alexander?

MR FELSTEAD: That is correct, yes.

15 MR FEUTRILL: After him, Mr Barton ---

MR FELSTEAD: That's correct.

MR FEUTRILL: --- to the extent there was any international business going on in
20 2020.

MR FELSTEAD: Yep.

MR FEUTRILL: All right, now after you were appointed as CEO of Australian
25 Resorts, where did you --- where were you --- where did you reside?

MR FELSTEAD: Yes, good question. I had a --- I spent time between Perth and
Melbourne. My family residence was in Perth. I had a permanent room in one of the
30 hotels in Melbourne.

MR FEUTRILL: And what about your place of work, effectively? Did you have an
office in Melbourne?

MR FELSTEAD: Yes, I did.

35 MR FEUTRILL: And did you retain an office in Perth as well?

MR FELSTEAD: Yes, I did.

40 MR FEUTRILL: And just in broad terms, what degree of your management time was spent in Melbourne and what degree was spent in Perth?

MR FELSTEAD: Physical time in Melbourne, I would say roughly probably 70 to
45 75 percent of my time would have been spent in Melbourne, on the ground.

MR FEUTRILL: And in terms of managing that business, is the magnitude or the proportion roughly the same?

10:34AM

MR FELSTEAD: Probably no, I wouldn't characterise it as that. I would have --- I spent a lot of time managing Perth or assisting to manage Perth remotely by various electronic means. But in physical time on the ground, I definitely spent far more
5 time in Melbourne from 2013 on.

MR FEUTRILL: All right. At the times that you were, and I appreciate this is going back into the annals of time somewhat for you, Mr Felstead, but when you were appointed as a director of Burswood Ltd, Burswood Nominees Ltd and Burswood
10 Resort (Management) Ltd, I gained the impression from your statement that effectively you considered it to be an office that went with your job as CEO of Crown Perth?

MR FELSTEAD: That is correct.
15

MR FEUTRILL: And do you recall the way in which you were appointed as a director?

MR FELSTEAD: No, I don't have a specific recollection of that.
20

MR FEUTRILL: Do you recall how you became aware you were to be a director of those companies?

MR FELSTEAD: I would have --- well, I don't have a specific recollection of that. All I can assume is that it was an historical practice that when you were the CEO of
25 one of the entities, you became on those boards. Now, who asked me to go on it, I don't recall, but typically that's what how --- that's how that would work.

MR FEUTRILL: All right, can I ask you another question then. This relates to --- I want to go back to some questions I asked you earlier. You remember I went
30 through a series of questions in relation to who you reported to and who you took instructions from when you were just the CEO of Crown Perth ---

MR FELSTEAD: Yes.
35

MR FEUTRILL: --- who you took, again when you were at Australian Resorts and before the VIP international business, in any of those management functions at any of those management times, when you needed authority to deal with the Crown Perth site, were there any occasions when you sought authority from any other structure
40 within the Crown Group, person or structure?

MR FELSTEAD: Not that I can recall. Typically my first --- I guess my first reference would have been Mr Craigie, but there would have been times I would imagine, where I can assume, that I would have had instructions or advice from one
45 of the various boards.

MR FEUTRILL: When you say "one of the various boards", are you referring there to one of the Crown Perth boards or the Crown Resorts structure above Crown Perth

10:37AM

boards?

MR FELSTEAD: It would have been either.

5

MR FEUTRILL: Either.

MR FELSTEAD: Yes.

10 MR FEUTRILL: So insofar as the Crown Perth structure goes, is the effect of your evidence that there were --- your recollection is there were occasions when you sought authority from either Burswood Nominees Ltd or Burswood Resort (Management) Ltd or Burswood Ltd?

15 MR FELSTEAD: Yes, there would have been occasions I would have done that.

MR FEUTRILL: All right. Now insofar as Burswood Ltd --- sorry, Burswood Nominees Ltd and Burswood Resort (Management) Ltd goes, those were companies of which you were a director, and another executive of Crown Resorts; that is correct, isn't it?

20

MR FELSTEAD: That is correct.

MR FEUTRILL: So in fairness to you, when you were seeking authority, presumably you weren't seeking authority for yourself, are you referring really to Burswood Ltd?

25

MR FELSTEAD: Yes, I would have been referring to Burswood Ltd because the board was --- it was a board of Burswood Ltd as opposed to Crown Perth or Burswood Nominees Ltd. So the board that met on a quarterly basis was Burswood Ltd.

30

MR FEUTRILL: And are you able to recall the nature of any decisions or any authorities sought from the Burswood Ltd board, as opposed to those where you sought authorities from Mr Craigie, Mr Alexander or Mr Barton?

35

MR FELSTEAD: There would have been instances into and around capital expenditure or projects that may --- we may have thought was something that was desirable that would have been, typically the board would give feedback on that. And then that would either get ratified in a way by that board and escalated through to the Resorts board for further discussions, sign-off, approval and the like.

40

MR FEUTRILL: In your observation, your experience, which of the boards, Crown Resorts or Burswood Ltd, was the final decision-maker on those capital expenditure decisions?

45

MR FELSTEAD: That would have been Crown Resorts.

MR FEUTRILL: So, just to get a sense of how it worked in practice, in a practical way, in your experience or observation, was the board of Burswood Ltd used as a sounding board to, if you like, sounding test in a Western Australian context, the strategy of Crown Resorts?
5

MR FELSTEAD: A strategy of Crown Resorts in relation to its Perth position?

MR FEUTRILL: Yes.
10

MR FELSTEAD: I think that would be a very good characterisation of that.

MR FEUTRILL: And so there was an element of influence, but ultimately the final decision lay with the Crown Resorts Board?
15

MR FELSTEAD: Yes, that would be correct.

MR FEUTRILL: You were, as you can see from this aide memoire, Mr Felstead, you wore a lot of hats. I appreciate that. One of the hats you wore was to sit as a member of the Executive Risk and Compliance Committee, the ERCC?
20

MR FELSTEAD: That's correct.

MR FEUTRILL: And what --- can you explain to the Commissioners your understanding of what the function of that body was?
25

MR FELSTEAD: Yes, the function of that body was --- risks would be managed --- risks would be identified and reported through the various business units. That would end up with --- ultimately, that would end up with the Executive Risk and Compliance Committee in Perth. That was a series of --- that committee consisted of a series of senior managers of Crown Perth, including myself. It was chaired by Mr Preston. Such issues would be discussed, debated, and from that particular committee, the minutes or a version of that would go on to papers for the Burswood Ltd board, which would be titled "legal risk and compliance".
30
35

MR FEUTRILL: And do you know of your own knowledge how that paper that was developed for the Burswood Ltd board was prepared? Were you the author or someone else?

MR FELSTEAD: I wasn't the author. I would read it before it would go out. That would typically be prepared by Mr Preston and/or his team, and I would read it before it would go to the Burswood Ltd board.
40

MR FEUTRILL: I see. And was it your remit or your responsibility to prepare the CEO's report for that board?
45

MR FELSTEAD: Yes, yes.

10:42AM

MR FEUTRILL: And who looked after the financial information?

5 MR FELSTEAD: The financial information would come from the CFO of Crown Perth at the time and later the CFO of Australian Resorts at the time.

10 MR FEUTRILL: All right. I think you --- I could be wrong about this, Mr Felstead, so if I am just correct me, but I think you also sat by invitation fairly regularly on the Crown Resorts Risk Management Committee?

MR FELSTEAD: Yes, from about --- I think it was from, I can't remember the period, but I did sit on that. I was an invitee to that.

15 MR FEUTRILL: And is it the case that the ERCC in Perth reported, in effect, to the Crown Resorts Risk Management Committee?

MR FELSTEAD: Yes.

20 MR FEUTRILL: So, to understand in a practical sense how the business was operated, the ERCC was reporting to the Burswood Ltd board on the risk management activities of Crown Perth?

MR FELSTEAD: Yes, it was.

25 MR FEUTRILL: And there was a way in which it also reported to the parent company's Risk Management Committee through your invitations, or was there some documentation prepared and sent as well?

30 MR FELSTEAD: Yes, there was documentation prepared and it was a similar thing for both Melbourne and for Perth. Risk documentation, a version of the ERCC committees in both properties would be prepared and formalised, and sent to the Crown Resorts Risk Committee, and discussed.

35 MR FEUTRILL: Did you participate at all in the meetings of Crown Resorts?

MR FELSTEAD: I was an invitee. I wasn't a member of the board. I was an invitee to the Crown Resorts Board meetings from roughly about the time I took up the position of CEO of Australian Resorts.

40 MR FEUTRILL: All right. Now do you know to your own knowledge the extent to which the Crown Resorts Risk Management Committee was, to use your terminology, escalating matters of risk management in connection with the Perth Casino to the board of Crown Resorts?

45 MR FELSTEAD: Yes, my recollection at the time was the chair of the Crown Resorts Risk Committee would give a update --- sorry, an update to the Crown Resorts Board each meeting and any issues of note would be discussed, debated and dealt with there if need be.

MR FEUTRILL: All right. Now, again I just want to ask this in a general sense. When one is dealing with risk, and you recall questions you were asked there was a reference to risk appetite, the process you've just described whereby risk --- matters of risk are referred ultimately to Crown Resorts Board, would you agree with me that
5 that is the opportunity, or the point at which the executives of the company receive some indication from the board of the appetite for risk?

MR FELSTEAD: Yes, I would agree with that.
10

MR FEUTRILL: So when something is escalated to the governing body, dealing with a matter of risk, and the executive said this is the risk, this is how we propose to control it, if the control is one that is unacceptable for the board, the executive would receive that information?
15

MR FELSTEAD: Yes, typically that would be correct.

MR FEUTRILL: And so if a matter relating to risk is not escalated to the governing body, the governing body doesn't have the opportunity then to provide that indication to the executive of the risk appetite?
20

MR FELSTEAD: Yes, that would be correct.

MR FEUTRILL: Now, insofar as your observations are concerned, if you are unable to answer this because you were not sufficiently familiar with the dealings of Crown Resorts, then please say so. Insofar as the escalation of risk associated with Crown Perth was concerned, in your experience and observation was essentially the same information being provided to Crown Resorts as was provided to Burswood Ltd.
25

MR FELSTEAD: Yes, I would say that would be correct.
30

MR FEUTRILL: In your observation, in terms of ---

MR FELSTEAD: Sorry, sorry, can I just clarify that?
35

MR FEUTRILL: Yes.

MR FELSTEAD: There was more detail provided to the Crown --- oh sorry, to the Burswood Ltd board in the papers, and the information that would go to the Crown Resorts Board would be probably more truncated.
40

MR FEUTRILL: In your observations or experience, were there any instances where, for example, something was escalated to the Burswood Ltd board and you received one response on risk appetite, and the same information was escalated to the Crown Resorts Board and you received a different indication on risk appetite?
45

MR FELSTEAD: No, I can't recall that.

MR FEUTRILL: I'd like to --- you recall --- well, the documents aren't yet available, Mr Felstead, for (inaudible) communication, I think you are probably aware, between your solicitor and the Solicitors Assisting the Commission regarding some propositions.

MR FELSTEAD: Was that coming out of the Bergin Inquiry?

MR FEUTRILL: Yes.

MR FELSTEAD: Oh, yes, yes.

MR FEUTRILL: Sorry, I've been a bit oblique. I will come back to those when we can put them up on the screen. But, before, just as a general matter, a general proposition, I am going to put something to you, if you don't, don't agree with it, of course, you can rephrase it --- if you are happy to agree with it, but would you agree with the proposition that casinos, this is casinos in general, they offer gambling for entertainment and they also undertake various financial functions that are similar to financial institutions?

MR FELSTEAD: Oh sorry, was that a ---

MR FEUTRILL: Yes. It's a long question.

MR FELSTEAD: No, I understood it. Yes, that is correct. I would agree with that.

MR FEUTRILL: And from your quite extensive experience in the casino industry you understand, do you not, that the operation of a casino is vulnerable to criminal infiltration?

MR FELSTEAD: Yes, I do understand that.

MR FEUTRILL: And I think, if I understand your view correctly, you would regard controls of the risks, for example, of some form of criminal infiltration as an important part of the management of a casino?

MR FELSTEAD: Yes, I would.

MR FEUTRILL: And at the time that you were the CEO of Crown Perth, you understood that it specifically was vulnerable to criminal infiltration?

MR FELSTEAD: Yes, as a casino, it was definitely vulnerable to criminal infiltration.

MR FEUTRILL: And did you at that time appreciate or enter your view point, that if criminals were permitted to infiltrate the Perth Casino, it had the potential to undermine public trust and confidence in the integrity and credibility of the licensee,

10:51AM

Burswood Nominees?

MR FELSTEAD: Most definitely.

5

MR FEUTRILL: Now again, via your quite lengthy experience in the casino industry, did you understand that the ingenuity, if you like, of the criminal community has no boundaries?

10 MR FELSTEAD: I was certainly aware of that.

MR FEUTRILL: And, therefore, the ways in which a casino may be vulnerable to criminal infiltration are many and varied; correct?

15 MR FELSTEAD: Yes, yes.

MR FEUTRILL: And so your licensee really has to be quite vigilant in terms of the controls to keep up with the criminals.

20 MR FELSTEAD: I would agree with that.

MR FEUTRILL: There are --- I am going to put some general things to you because if you are going to be in the casino business, you are quite clearly going to be exposed to that risk of criminal infiltration; correct?

25

MR FELSTEAD: Correct.

MR FEUTRILL: So it is a price of doing business in that industry, effectively?

30 MR FELSTEAD: Yes, it is certainly a factor of doing business.

MR FEUTRILL: Now, there are --- again you can feel free to disagree with this proposition if you wish, but there are ways in which you can conduct your business that are either more risky or less risky when it comes to the vulnerability of criminal infiltration?

35

MR FELSTEAD: Yes, I would agree with that proposition.

MR FEUTRILL: There are aspects of the business that you may wish to conduct that are also higher risk to criminal infiltration. I will give you an example, which is junkets. Would you agree that junket operations bring with it a higher risk of criminal infiltration than a formal patron walking off the street?

40

MR FELSTEAD: Yes, I would agree with that.

45

MR FEUTRILL: And would you agree then with the proposition that if one wishes to conduct as a casino licensee junket operations then one has to have in place adequate controls to meet that increased risk?

MR FELSTEAD: Yes, I would agree with that.

5 MR FEUTRILL: Can I come back now to ask you some questions --- I want to refer you to paragraph 85 of your statement to really unpack what appears to be quite a lot of information in there, Mr Felstead.

10 We return to one of the questions Commissioner Jenkins asked about the time frame. It is not completely clear to me what is before and what is after 2016 in this paragraph. So can I start with towards the end of the paragraph you say that from 2016, the ICP, with the exception of hosting and on the ground servicing of customers was run out of Melbourne.

15 MR FELSTEAD: That's correct.

MR FEUTRILL: Do I understand that to mean that if we are thinking of ICB before 2016, it was at least in part run out of Perth?

20 MR FELSTEAD: Yes, that would be a good way to describe it.

MR FEUTRILL: Now, in that period, and I appreciate that junkets were run at Perth for quite a long time, so if there is a sliding change, or there's a way you think you can identify it by reference to each period, but at least prior to 2016, who within the Crown Perth structure was the person responsible for that aspect of the business?

25 MR FELSTEAD: From memory, that was a gentleman by the name of Neil de Lima.

MR FEUTRILL: What was his job description, or job title?

30 MR FELSTEAD: I don't recall a specific title. It would have been along the lines of Vice President, International Operations Perth, something along those lines. Something with the word "President" and "vice" in it, most likely.

35 MR FEUTRILL: Already. The Burswood Entertainment Complex was a standalone business before it was acquired and ultimately taken over by Crown Resorts; correct?

MR FELSTEAD: Yes, it was.

40 MR FEUTRILL: So was this structure which you described, this individual in question in his position, a legacy from a pre-takeover period or was it developed after the takeover?

45 MR FELSTEAD: It was a legacy position, Mr Feutrill, to a degree. Prior to --- if I can add a bit of colour, that might help.

MR FEUTRILL: Please do.

MR FELSTEAD: Prior to PBL back then coming in in 2004, the Burswood International Resort Casino, I think that was the name of the property back then, had a large standalone international operation. It was actually the largest international
5 operation in Australia in terms of business. So they got a lot of business, a lot of junkets, a lot of premium players. They had their own credit team, they had their own sales team, they had their own management team.

As and when PBL came in, part of the sales team moved over to more a Crown sort
10 of group, and there were parts of the business which remained. So I think the way you expressed it before was correct, that was just a little bit of colour how that worked.

MR FEUTRILL: There was quite a lot of information in that answer and you spoke
15 quite quickly. I hope the stenographer got it all. I don't know if I caught all of the dates in it, if I summarise what I think you said and you can fix it if you think it's wrong. Am I right in understand prior to the takeover there was a standalone junket operation of some significance for the Perth casino operations?

20 MR FELSTEAD: Correct.

MR FEUTRILL: And I take it that would have been in a period before 2010?

MR FELSTEAD: That was before 2004. I was talking pre-PBL and post-PBL.
25

MR FEUTRILL: Okay, so let's break that up into a timeframe. So before 2004 a substantial standalone business in the international --- attraction of international customers?

30 MR FELSTEAD: It was a very large business, correct.

MR FEUTRILL: Takeover 2004, or thereabouts, what, if anything, then happened between 2004 and 2016 to the nature in which that business was operated?

35 MR FELSTEAD: There was no --- there was no direct sales team that was employed by Crown Perth, Burswood back in knows days that moved. There was still a management function for international operations in Crown Perth and there was still an administrative function for international operations in Crown Perth.

40 MR FEUTRILL: All right. So does that mean that prior to whenever the change occurred, Crown Perth had its own sales team for junket operations?

MR FELSTEAD: Yes, it did it had a sales team and international offices as well.

45 MR FEUTRILL: I see. Did it have a sales team and international offices somewhere presumably largely in Asia?

MR FELSTEAD: That's correct.

MR FEUTRILL: The changes that were brought about later resulted in the sales team moving into the orbit of Crown Melbourne; is that right?

5 MR FELSTEAD: Yes, the orbit of Crown Melbourne --- and they were responsible for both properties but it was more centred around Crown Melbourne.

MR FEUTRILL: And in your observation, was a consequence of that a diminishment of the amount of business that was arriving in Perth?

10

MR FELSTEAD: No. It wasn't a diminishment --- that wasn't the cause for diminishment, what actually occurred over time was that the Perth business, it started back in the mid-80s, it was a very, very strong business, they had enormous amounts of international volumes. Over time, that diluted. There were other casinos that

15

came on board. And by the time, if memory serves me correct here, from the time we came in about 2004 and 2005, the business was a fraction of what it used to be.

MR FEUTRILL: I see. So, this is my term, but you can adopt it if you wish, there was a degree of rationalisation taking place in respect to the Crown Perth international business in the period post-takeover?

20

MR FELSTEAD: Yes.

MR FEUTRILL: I want to ask you about some expressions which you've used in this paragraph which I don't completely understand. You have used the expression "hosting", what does that mean?

25

MR FELSTEAD: "Hosting" would mean when a premium player or a junket arrives on property, we generally would assign a host to the player, depending on the size or magnitude of the player or the junket.

30

MR FEUTRILL: So is a host an individual who is directly managing or is the direct point of contact between Crown Perth and the junket operator?

35

MR FELSTEAD: That would be the direct point of contact for things non-financial. So it would be --- an example would be a premium player comes over from Malaysia, for example. They are a big player. We would assign a host to that particular player that would take them shopping and the like. It was more --- a pure hosting role.

40

MR FEUTRILL: All right. And who had responsibility for the management of the hosts in Crown Perth?

MR FELSTEAD: So are we talking pre-2016?

45

MR FEUTRILL: My apologies. Let's start pre-2016 and we'll deal with post.

MR FELSTEAD: There was a dedicated team in Perth that would do that.

MR FEUTRILL: And who managed them?

5

MR FELSTEAD: That was under the ultimate control of Mr Neil de Lima.

MR FEUTRILL: Now was there any extent to which there could be, and I will use the expression "cross-pollination", meaning people with a financial role, cage, AML, credit, finance, would be involved in the hosting of international customers?

10

MR FELSTEAD: No, not that I can recall.

MR FEUTRILL: Was there, to your knowledge, any prohibition on that within the Perth Casino operating procedures?

15

MR FELSTEAD: I don't recall. I'm not aware of that.

MR FEUTRILL: What I mean to say is was there any point at which, for example, a member of the cage staff could come into contact directly, in a hosting way, with a junket operator?

20

MR FELSTEAD: Nothing springs to mind in relation to that. I think it would generally be in the role from a cage transactional perspective as opposed to a hosting role.

25

MR FEUTRILL: Again, was there any prohibition on that? If someone worked in the cage, could they also be involved in meeting and greeting patrons at the airport, for example?

30

MR FELSTEAD: I don't recall. I'm not aware that would typically happen.

MR FEUTRILL: The position after 2016, was it any different to what you just described?

35

MR FELSTEAD: No, not to my recollection.

MR FEUTRILL: So was the same individual involved in the management of the hosting component of the business after 2016 as opposed to de Lima.

40

MR FELSTEAD: No, Mr De Lima left the business in 2016, from memory. There were hosts still based in Perth, but they were reporting through to someone in Melbourne.

MR FEUTRILL: So a person in Melbourne then managed the hosting service, if I could call it that, in Perth; is that correct?

45

MR FELSTEAD: Yes, that's correct.

MR FEUTRILL: And who was that person?

MR FELSTEAD: That was Jacinta Maguire.

5

MR FEUTRILL: Right. Now you've used another expression which I would like to know a bit more about, which is "on the ground servicing of customers". Is that distinguished from hosting or part of the same exercise?

10 MR FELSTEAD: That was essentially hosting.

MR FEUTRILL: I see so compendious statement, hosting and on the ground servicing of customers is the same function?

15 MR FELSTEAD: Yes.

COMMISSIONER OWEN: Mr Feutrill, could I just clarify something.

20 You said that the international business in Perth was at one stage one of the largest in Australia but it then went into decline and it was --- the word you used was "it was a fraction" of its former self. Had that decline occurred before 2004?

25 MR FELSTEAD: Yes, Commissioner, my understanding it was. It was a decline --- I think it hit its peak I think in the late '80s from memory. I'm going on memory from things I've been made aware of. It was declining after that with other casinos coming online, especially in the region of Asia.

COMMISSIONER OWEN: Thank you.

30 MR FEUTRILL: You may have already answered this but I'm not sure if you have so forgive me if I'm repeating the subject matter, in paragraph 84 of your statement you've mentioned that, I take it was post 2016 period, but in general terms a pre-2016 period as well, a description of premium and junket players. Part of the paragraph I'm interested in is the "with the lion's share going to Melbourne". Are you able to
35 explain to the Commissioners on why the lion's share of the business was going to Melbourne?

40 MR FELSTEAD: Yes. Melbourne was always seen by our customers as a far more attractive destination for a variety of reasons. It may be it was a large urban property, it was certainly bigger than Crown Perth. Melbourne was seen as a physical location to be far more desirable for international customers and there were far more direct flights from the various Asian hubs into Melbourne.

45 MR FEUTRILL: In terms of the overall offering to international customers of the Crown Group, what was your perception of the Perth Casino's place in that function?

MR FELSTEAD: Perth's place in that function was I could describe it as Melbourne

was seen as an urban experience. Perth was seen as a more resort type experience.

5 MR FEUTRILL: So, in terms of marketing Crown Resorts or the Crown experience overseas, what was your understanding of the attractiveness or attributes that the Perth Casino added to the overall package?

10 MR FELSTEAD: Yes. Perth Casino would be pitched, as I said, a resort-style property. We would get a lot of people who wanted to come here and play golf, for example. We would get a lot of the customers who would come here who, we had purchased a large boat, so customers would want to go on that. Perth never had the restaurants or the shopping experience. That was always a down side for us. We tried to pitch Perth as a more, call it a fun destination for customers in terms of doing things outdoor. So customers might go to Margaret River, they might go on our boat, like I said, they might do helicopter trips to Rottnest Island and the like as
15 opposed to Melbourne's more shopping and urban-type experience. Sorry it was long-winded.

20 MR FEUTRILL: No, thank you for your answer. You mentioned also a gentlemen by the name of Michael Chen in paragraph 85. That is a reference to Mr Chen who was the executive vice-president of international marketing China and Macau region; correct?

25 MR FELSTEAD: Mr Chen ran the entire sales team. That was his role, including that, obviously, but his role was to run the entire sales team.

MR FEUTRILL: His position, as I understand it, was an overseas position. He was physically located in Asia?

30 MR FELSTEAD: Yes, he was. He resided in Hong Kong.

MR FEUTRILL: Again we're now in the period pre-2016 ---

35 MR FELSTEAD: Yes.

MR FEUTRILL: --- Mr Chen reported to Mr O'Connor?

MR FELSTEAD: Yes, he did.

40 MR FEUTRILL: And Mr O'Connor reported to you?

MR FELSTEAD: Yes, he did.

45 MR FEUTRILL: And you've referred I think to sales staff reporting to Mr Chen. They are sales staff I take it who were also located outside Australia?

MR FELSTEAD: That is correct.

MR FEUTRILL: So as far as --- you know what I mean when I say the China arrests

11:11AM

matter goes, the sales staff who were arrested and detained in China, were part of Mr Chen's team?

5 MR FELSTEAD: Yes, they were.

MR FEUTRILL: Would that be a convenient time?

10 COMMISSIONER OWEN: Yes. We will come back at 11.25.

ADJOURNED [11.11AM]

15 **RESUMED** [11.27AM]

COMMISSIONER OWEN: Thank you, Mr Felstead. Mr Feutrill.

20 MR FEUTRILL: May it please the Commission.

Mr Felstead, just returning to the subject matter of the international commission business and in particular its operations in China. I want to understand if I may in the period before 2016 were there any independent junket operations that came just to Perth Casino via the ICB business?

25 MR FELSTEAD: From recollection we had --- I think there may have been possibly one or two who would be utilised Perth that would not go to Melbourne. That's a memory.

30 MR FEUTRILL: I see. So, just to understand it in general terms, and then in the context of the lion's share going to Melbourne, is it the case that by and large, when a junket tour was organised, it would certainly go to Melbourne and it may come to Perth?

35 MR FELSTEAD: That would be a fair characterisation.

MR FEUTRILL: And there may also have been some specific junket operators who had a separate or a desire only to visit Perth, but I think your evidence is that would be a view?

40 MR FELSTEAD: Yes, that would be a small number.

MR FEUTRILL: So, in that framework, that is pre-2016 as well, and we can put a timeframe on it, for a period leading up to 2016; is that right?

45 MR FELSTEAD: That's correct, yes.

MR FEUTRILL: And you might recall you've given a statement, you gave

a statement to the Bergin Inquiry or another proceeding, I think, where you described a period as the relevant period being from 6 February 2015 to 14 October 2016.

5 MR FELSTEAD: Yes, I do remember that as a period.

MR FEUTRILL: I think was there of interest for that statement and the Bergin Inquiry because that period dealt with the period during which information was becoming available as to the what I might call a crackdown in China on gambling in
10 Macau?

MR FELSTEAD: Yes, that period was certainly in relation to information coming out of --- information coming to a head.

15 MR FEUTRILL: So in terms of the division of junket operations and the manner in which they were organised, that would apply to that period, that 2015/2016 period?

MR FELSTEAD: Yes, the 2015/2016 period, they were still getting junket business.

20 MR FEUTRILL: Perth directly?

MR FELSTEAD: Perth directly and Melbourne. Perth on a much lesser scale.

MR FEUTRILL: I don't want to confuse, Mr Felstead. So I think the substance of what you had to say was that most business went to Melbourne. Some junkets also came to Perth if they were going to Melbourne ---

MR FELSTEAD: Correct.

30 MR FEUTRILL: --- and there were a few that came directly to Perth in general terms?

MR FELSTEAD: That's correct as well.

35 MR FEUTRILL: And just to be clear, that was the state of play, if you like, in the period before 2016 and in particular 2015/2016?

MR FELSTEAD: That would be correct.

40 MR FEUTRILL: Within Crown Perth --- perhaps I should just start by saying, as the CEO for Australian Resorts and receiving direct reports from Mr O'Connor, I take it you were familiar in the way in which the international operations operated in both Australia and China?

45 MR FELSTEAD: Yes, I had a good working knowledge of the business.

MR FEUTRILL: Were there any other members of the executive in Perth who had the same level of understanding of the operations in China and Melbourne and Perth?

MR FELSTEAD: Mr Bossi would have had a knowledge of the operation in Perth, not probably to my degree.

5 MR FEUTRILL: All right. Would Mr Bossi, to your knowledge, have had an understanding of the way in which the junkets were marketed in China in that period?

MR FELSTEAD: I would say no.

10

MR FEUTRILL: Would others in the Perth office have an understanding of the information that Crown Resorts, I would say broadly speaking, was receiving from different sources about the crackdown in China on gambling?

15 MR FELSTEAD: I don't believe so.

MR FEUTRILL: So would it be fair to say, and I take it this is due to your role as CEO of Australian Resorts, you, insofar as Crown Perth was concerned, were the person who had the most information available to them about what was happening on the ground in China in that period?

20

MR FELSTEAD: Yes, that would be fair.

MR FEUTRILL: Can I ask you, I want to ask you a series of propositions. It is based, Mr Felstead, on me having read quite a bit of your evidence in the Bergin Inquiry. And you can obviously feel free to disagree with these. I want to get a sense of whether you accept these things, and partly they are based on conclusions that the Commissioner reached on the Bergin Inquiry herself. So --- and I'm going to use the expression "relevant period", and each time I use it I'm using it in the same sense in which you used it in your statement in Bergin, which is the 2015/2016 period.

30

MR FELSTEAD: Yes.

35 MR FEUTRILL: So, the first is that you knew at that time, or understood that the legal system in China was and is different to the legal system in Australia?

MR FELSTEAD: Yes, I did.

40 MR FEUTRILL: The second is that you knew and understood that China is a country where the law may be enforced inconsistently?

MR FELSTEAD: Yes, I was aware of that.

45 MR FEUTRILL: You said you knew that there is a risk in China of Chinese authorities taking arbitrary action?

MR FELSTEAD: Yes, I was aware of that.

MR FEUTRILL: And (inaudible) for Crown staff to be working in Australia?

MR FELSTEAD: Yes.

5

MR FEUTRILL: Now, again, in that relevant period you knew or understood that the --- and now I'm specifically referring to Crown staff marketing in China --- were being urged by Mr Chen to continue to make greater sales on behalf of Crown and the ICB business?

10

MR FELSTEAD: Yes.

MR FEUTRILL: Other than those five things I've just been through, who, other than yourself, within the Crown Group structure had that information available to them?

15

MR FELSTEAD: Mr O'Connor, members of the VIP working group, which would have included Mr Johnson, who would have been aware of those factors. Mr Craigie would have been aware of some of those factors in a broad sense.

20

I think the propositions about China being a riskier place to do business than some of the earlier propositions you made, I think that would have been broadly understood by the boards. That's probably all I can recall at this point in time.

25

MR FEUTRILL: Okay. Were these matters brought to your attention as a member of the ERCC in Crown Perth?

MR FELSTEAD: Not that I can recall.

30

MR FEUTRILL: What about the Executive Risk Management Committee?

MR FELSTEAD: No, not that I can recall.

35

MR FEUTRILL: And what of, and I'm going to refer here to --- when I say the directors of Burswood Ltd, I really mean the independent non-Crown executive members, what about those individuals?

MR FELSTEAD: No, not in a specific sense.

40

MR FEUTRILL: All right. Can I ask you, unfortunately I don't know that this document has been loaded on to the system. I'm going to have to put some things to you. I think it may be simpler to do this, if I may, by reference to the document and I will give you an opportunity to read it, Mr Felstead.

45

MR FELSTEAD: Yes.

MR FEUTRILL: Firstly, are you aware of correspondence that has passed between your solicitors and the Solicitors Assisting the Commission?

11:39AM

MR FELSTEAD: Yes, I am.

MR FEUTRILL: Were you given a copy of it and read it before it was sent?

5

MR FELSTEAD: Was this in relation to the Bergin Inquiry?

MR FEUTRILL: Yes.

10 MR FELSTEAD: Yes, I was.

MR FEUTRILL: All right, so PCRC.0002.0017.0001.

COMMISSIONER JENKINS: I think it is 0012.

15

MR FEUTRILL: Mr Felstead, were you provided with a copy of this letter before today?

MR FELSTEAD: I had a copy of this letter but I don't have a copy on me now.

20

MR FEUTRILL: If I can ask the operator to scroll to the schedule of responses to propositions. I want to draw your attention at this time to there are a number under the heading "Arrest of Crown staff in mainland China", beginning on, I think it is 7. It may be, Mr Felstead, if I could just give you an opportunity to read proposition 7 through to 28 in your own time, and then I will ask you some questions about them.

25

MR FELSTEAD: If you could scroll up, please. Scroll up, please. Next one, please. Next one, please. And the next one, please. And the next one, please.

30 I've read those, Mr Feutrill.

MR FEUTRILL: Thank you, Mr Felstead. You will see some of them are disputed. I want to focus on those that are not.

35 MR FELSTEAD: Certainly.

MR FEUTRILL: If you look at number 12, firstly, which is, I'm paraphrasing, there is an understanding that there was a crackdown in China, in the relevant period, again we are talking about the 2015 and 2016 period. You accept that you knew of that at the time?

40

MR FELSTEAD: Yes, I do.

MR FEUTRILL: And 21, which is to deal with the reports of the employers of South Korean casinos arrested in mainland China; you are aware of that?

45

MR FELSTEAD: Yes, I was.

MR FEUTRILL: And you are aware that was in connection with the crackdown that was happening in China at the time?

5 MR FELSTEAD: Yes. I was aware in relation to South Korea that that was a separate issue, they were doing things they shouldn't have been doing as opposed to a general crackdown.

10 MR FEUTRILL: Right, but you were aware that employees of a casino from South Korea had been arrested in June, around June 2015?

MR FELSTEAD: Yes, I was.

15 MR FEUTRILL: And you were aware, in 22, you'd received an email in June 2015 about being on high alert?

MR FELSTEAD: Yes, I was aware of that.

20 MR FEUTRILL: You were also aware, in July 2015, that some staff had been questioned by Chinese police?

MR FELSTEAD: I was aware of that.

25 MR FEUTRILL: Now, taking those matters into account and the risks that I took you through earlier, Mr Felstead, would you accept that urging Crown staff to continue to make greater sales, in the face of knowledge of questioning of staff in China by Chinese authorities, the arrest of the South Korean casino employees and a crackdown on foreign casinos in China, that it exposed Crown staff to an unacceptable risk of detainment for questioning or worse by Chinese authorities at the time?

30

MR FELSTEAD: My response to that, Mr Feutrill, would be that in relation to the things that were going on in China at the moment, we certainly took measures, which I believe at the time were adequate, in relation to ensuring that what we were doing was firstly legal, so what we were doing certainly was also not going to put the staff at risk. That would be my response to that.

35

40 MR FEUTRILL: I want to focus on not so much whether it was a matter of law in China legal or illegal, but really, having regard to the factors we addressed earlier concerning the inconsistent application of law in China and the arbitrary nature in which Chinese authorities can act, then having regard to the information that was available to you at that time, it must have been clear to you there was a considerable risk to the staff in China that they would be detained by Chinese authorities?

45 MR FELSTEAD: My view of the business that the staff were doing in China was there was always an element of risk in doing business in China. So there were areas --- so were particular time frames where there was a more heightened risk, I certainly

think there was a period where it was more heightened, but generally I was satisfied that the measures we had in place were adequate to look after the staff. And, hence, my frequent visits to China.

5

MR FEUTRILL: What were the measures that you had in place to look after the staff?

10 MR FELSTEAD: Two key things, one we received regular advice from WilmerHale, which is a large law firm over in China about what we were doing was legal, and the answer was "yes", with certain restrictions on it.

15 The second component was we also engaged a company, a government advice company, headed up by the ex-CIA chief in China, called Mintz who were giving us advice as well. They gave us particular advice in relation to South Korea. There were also numerous other international casinos operating staff in China. Some were operating offices in China. So, from my perspective, it was a combination of those factors that probably gave me a degree of comfort that we were not breaching Chinese law, and we were being sensitive to what was going on in the ground at the time.

20 MR FEUTRILL: Mr Felstead, I appreciate your answer, but largely what you have described as measures though were, as I understand your answer, the receipt of information, if you like, what the nature of the risk was. What, if anything, was being done to mitigate the risk to the staff in China that they were being supposed to by continuing to sell and market Crown Casino in China at the time?

30 MR FELSTEAD: Well, I don't want to repeat myself, and I won't, but it does really come back to what the staff were doing in China. So we had a set of protocols. The staff were informed to keep a low-key approach, which was in line with the advice we were getting. We were advised not to do --- so we didn't do offices over there. It was never an overt presence in China.

35 MR FEUTRILL: Is it the case that you, and I think I'm right in saying the evidence you've given is, if you like, the nature of the elements we've described of risk was not a matter escalated to the Crown Resorts Board at the time?

40 MR FELSTEAD: That's correct. I acknowledged that in my submissions --- sorry, not conversations, my evidence in the Bergin Inquiry.

MR FEUTRILL: Yes, that's where I think I've read it. So when it comes to your discussions with Mr Craigie, for example, he was the relevant executive at the time --

45 MR FELSTEAD: I think it was at the time.

MR FEUTRILL: --- were these matters of sufficient risk matters that you should discuss with Mr Craigie?

MR FELSTEAD: No, as I indicated in the Bergin Inquiry, I did not discuss that with Mr Craigie, and that was something I should have done.

5 MR FEUTRILL: And within the VIP international unit itself, were there discussions around the management of risk?

MR FELSTEAD: Within the VIP unit there definitely were discussions around the management of the risks.

10

MR FEUTRILL: And did those discussions go any more broadly than the VIP international group itself, in other words to the Chief Operating Officer of either Crown Melbourne or Crown Perth?

15 MR FELSTEAD: No, I don't believe so.

MR FEUTRILL: In the end, the staff in China, ultimately many of them were convicted of offences against the Chinese law, were they not?

20 MR FELSTEAD: Yes, from memory, it was gambling, convicted of.

MR FEUTRILL: That effectively was the same legal law about which you had received some advice from your external advisors?

25 MR FELSTEAD: My recollection was the advice we were receiving was in relation to a specific statute of the law. I think it was statute 303 from memory. Don't quote me on that, please. I think it was that, which stated how you could deal with customers in China, as in meeting with a certain number of people, not receiving any commission or kickback. I wasn't aware of --- I don't believe that the staff in China
30 were charged with that, I believe they were just charged with the overall crime of gambling.

MR FEUTRILL: I see. Now, is it your understanding that under the law of China at the time there were some laws that prohibited gambling?

35

MR FELSTEAD: I would have had a general knowledge of that, yes.

MR FEUTRILL: And was it your understanding that those laws prohibited gambling both inside China and outside China by Chinese citizens?

40

MR FELSTEAD: My understanding at the time would have been that it was illegal to gamble in China.

45 MR FEUTRILL: And do you understand that the effective nature of the crackdown of the Chinese authorities was to attempt to prevent Chinese citizens from gambling outside China?

MR FELSTEAD: My thrust of the interpretation of that was in relation to primarily government officials and certain high profile people and politically exposed people in China, gambling particularly in Macau. That was probably the main thing I took
5 from that.

MR FEUTRILL: And was it your understanding that that crackdown was in relation to the Government officials and PEPs by reference to a concern by the Chinese Government about money laundering?
10

MR FELSTEAD: My understanding at the time was it was more in relation to corruption.

MR FEUTRILL: Well, let's consider that for a moment. If an official is corrupt and they wish to dispose of their ill-gotten gains, as it were, one way they may do that is by laundering it through a casino; correct?
15

MR FELSTEAD: That is correct.

MR FEUTRILL: So it is reasonable to assume, is it not, that one of the concerns that the Chinese Government may have had concerned the laundering of corrupt money?
20

MR FELSTEAD: Yes, that may well be.

MR FEUTRILL: Now, is it your understanding at the time, now I'm talking about the relevant period yet again, that there were also laws of China and other countries, with China in particular, that restricted the amount of currency that could be removed from China?
25

MR FELSTEAD: Yes, I was aware of that.
30

MR FEUTRILL: Did that remain your understanding until you left employment with the Crown Group?

MR FELSTEAD: Yes, it did.
35

MR FEUTRILL: Would you accept that any patron of a Crown Casino that removes from China more than the permitted amount of currency in order to gamble at a casino in Australia would be exposed to prosecution by Chinese authorities for breaches of their home country's laws?
40

MR FELSTEAD: I would regard that as a logical conclusion.

MR FEUTRILL: Is it the case now that the VIP international business, at least to some extent, is or was founded on exposing Chinese nationals to breaching Chinese law by removing additional --- more than the permitted currency?
45

MR FELSTEAD: No. I wouldn't characterise it quite as that. I don't think it is as

defined as that.

MR FEUTRILL: All right. Well, the Chinese national could have an amount of
5 money in a bank account in Hong Kong, for example, that may not be subject to the
restrictions on foreign currency, but if the Chinese person wishing to gamble in
Australia had their funds located in China and they want to take more than the
allocated amount out of China, they would need to breach Chinese law, would they
not?

10

MR FELSTEAD: I think as a simple premise that would be correct.

MR FEUTRILL: Would you agree the proposition that the VIP international
15 business has the effect of, or had the affect of encouraging Chinese nationals to
breach the foreign currency exchange laws of China?

MR FELSTEAD: I would still say that would not be the key thrust of it, Mr Feutrill.

MR FEUTRILL: All right. You understand what I mean when I refer to the China
20 UnionPay card?

MR FELSTEAD: Yes, I do.

MR FEUTRILL: And you understand that to have been a system for --- a payment
25 system involving China UnionPay that was utilised at Crown Melbourne?

MR FELSTEAD: Yes, I do.

MR FEUTRILL: Is it your understanding that one of the advantages to patrons from
30 China of utilising the CUP card was that it could be used to obtain cash for gambling
purposes at Crown Casino in Melbourne?

MR FELSTEAD: My understanding of the China UnionPay process in Melbourne,
35 it was used for the purchase of goods, as in chips, and not cash directly.

MR FEUTRILL: All right, well, was it your understanding the system essentially
worked in this way: a patron with a CUP card would present it at the hotel for
payment of something recorded as a room charge?

MR FELSTEAD: I think it may be recorded as a cage transaction. I found that out
40 subsequently, but at the time I wasn't aware of that.

MR FEUTRILL: All right. But it was presented at the hotel?

MR FELSTEAD: That's my understanding, yes.

MR FEUTRILL: So the Chinese patron's credit card account receipt would refer to a
payment to Crown hotel, not Crown Casino?

12:00PM

MR FELSTEAD: I'm not sure in relation to that. I don't know the answer to that one.

5 MR FEUTRILL: All right. Leaving aside what the record of the transaction was on the patron's account, the effect of the transaction was cash would be released at the cage in the Crown Casino Melbourne?

10 MR FELSTEAD: What was released to the cage for chips was actually a thing called a chip purchase voucher, and that would be converted into chips for play on the tables, obviously.

15 MR FEUTRILL: All right. So whether it resulted in the intermediate step of cash being credited to the patron's account with Crown Melbourne, the ultimate effect was the card was presented for payment at the hotel and the patron received chips for gambling or tokens for gambling in the casino?

MR FELSTEAD: That's correct.

20 MR FEUTRILL: Now, you understood at this period, did you not, that a similar practice was adopted by other casinos?

MR FELSTEAD: Yes, that was my understanding.

25 MR FEUTRILL: Did you also understand that a similar practice was utilised in Macau involving shops in the vicinity of the casinos in Macau?

30 MR FELSTEAD: Yes, I was aware of a similar process, not quite like that, but it was a similar process that was occurring in shops in the casinos in Macau, in the actual casino itself.

MR FEUTRILL: Yes. And you understood, didn't you, that the practice in Macau was thought to violate Chinese anti-money laundering laws?

35 MR FELSTEAD: I don't think I had an opinion on that at the time, or a view on that at the time. I knew it existed, I knew what they were doing, but I don't think I turned my mind to the legality or illegality of it.

40 MR FEUTRILL: Do you recall receiving information from your VIP international group about media reports to that effect?

MR FELSTEAD: No, I don't have a recollection of that.

45 MR FEUTRILL: All right. Can I ask that we call up CWN.548.010.0692 and CRW.900.001.0033. Place them side by side. On the second one, operator, please scroll down a bit.

If you could read the email, Mr Felstead and the attachment.

MR FELSTEAD: Next page, please. Next page, please. Thank you.

5

MR FEUTRILL: Does this assist your knowledge in the relevant period regarding reports of the Chinese authority's views of the use of a CUP card in Macau?

MR FELSTEAD: No, not specifically.

10

MR FEUTRILL: All right. Do you recall having discussions with other Crown executives concerning the introduction of the CUP card to Crown Perth?

MR FELSTEAD: Yes, I do.

15

MR FEUTRILL: What do you recall of the nature of the proposal to introduce it for use in WA?

MR FELSTEAD: If my memory serves correct, there was a request from the international team to have a similar China UnionPay facility in Perth that was in Melbourne. I don't recall particularly what time that was or what year or around when that was, but there was definitely a request to have China UnionPay accessible to patrons in Perth as it was in Melbourne.

20

MR FEUTRILL: Now, the rules in Perth regarding the use of credit cards by international patrons to obtain gaming chips were different to those than in Melbourne, were they not?

25

MR FELSTEAD: I believe so.

30

MR FEUTRILL: The introduction of the CUP card in WA, was that intended to involve the same process that we dealt with earlier concerning Melbourne? That is to say, presentation at the hotel in exchange for chips or tokens at the cage?

35

MR FELSTEAD: No.

MR FEUTRILL: I'm not sure the mechanics, how it was going to work. It was more a conversation around can we use China UnionPay in Perth. I wouldn't have got involved in the mechanics of it.

40

MR FEUTRILL: Was it your understanding that there needed to be any amendment to the Western Australian regulatory framework to bring about Crown Perth's use of the CUP card?

45

MR FELSTEAD: No, I don't recall that. I do recall that Mr Preston was going to raise it with a regulator. That's my memory of that.

MR FEUTRILL: Did you request or have any follow-up discussions with Mr Preston

about his interactions with the regulator?

MR FELSTEAD: No, not that I can recall.

5

MR FEUTRILL: Did you understand whether or not Mr Preston was of the view that the then existing casino manual would have in its terms facilitated the use of CUP at that time?

10 MR FELSTEAD: No, I don't recall that.

MR FEUTRILL: Can I call CRW.701.004.3552. Can you please scroll, operator, to an attachment to that which is a letter of 1 April 2016 to the GWC.

15 Mr Felstead, can I ask you to look at this letter. It has a contact of --- sorry, keep scrolling.

MR FELSTEAD: Is this the one dated 1 July 2021?

20 MR FEUTRILL: No, it should be 1 April 2021 so it must be another attachment to that letter. This is not the relevant one. Operator, can you scroll it down. Always better when we had paper. Perhaps we can come back to that.

25 Just dealing --- can I ask you this: was your understanding regarding the use of the CUP card that it was a card that in effect patrons of the Crown Casinos wanted to be able to utilise with Crown Melbourne and Crown Perth?

MR FELSTEAD: Yes, broadly, yes.

30 MR FEUTRILL: And the reason --- your understanding of the reason they wished to use it was it provided them with the ability to disguise that they were using their credit to acquire gaming chips from Chinese officials?

MR FELSTEAD: No, that was not my perception or interpretation of that.

35

MR FEUTRILL: You didn't understand that the purchase of using a credit card in a hotel in order to obtain gaming chips in a casino was not considered desirable by the Chinese patrons because it allowed them to, if they wished, to demonstrate a different nature of the transaction?

40

MR FELSTEAD: No, no, that was not my understanding.

MR FEUTRILL: What was your understanding of your Chinese patrons' desire to utilise a CUP card in your casinos at that time?

45

MR FELSTEAD: My understanding of the Chinese patrons' desire to use the card was it was typically used as a top-up. When, say, for example, a client may bring X amount of funds over, they may lose the funds, they may look for a top-up, they

would use the card for that.

5 My understanding from the use of the China UnionPay all along was it was also a debit card, I wasn't aware of a credit facility on that. I thought it was a debit facility. And I regarded the card, using the card at Crown to purchase chips, as similar to a Chinese customer coming to Australia, a Chinese tourist coming to Australia and purchasing a Rolex watch or jewellery. I regarded it the same.

10 MR FEUTRILL: Why the intricate nature of the transaction? Why not simply present the card at the cage?

MR FELSTEAD: At the time I wasn't aware, but I did become aware later that there was a limit on --- sorry, you couldn't do a withdrawal within 50 metres of the casino.
15 So that was the rationale, I found out later, behind that.

MR FEUTRILL: It wasn't in fact introduced in Perth, was it, the CUP?

MR FELSTEAD: No, I don't believe so.
20

MR FEUTRILL: Who, to your knowledge, within the Crown Perth group was involved in discussions relating to the introduction of the CUP card in Perth?

MR FELSTEAD: From recollection, it was primarily Mr Preston, myself to a
25 degree, and that would be, I can't recall who else would have been involved in that.

MR FEUTRILL: Is it something you think the Chief Operating Officer of Crown Perth may have been made aware of?

30 MR FELSTEAD: I don't recall. I would assume. This is an assumption only that he would have been aware of it. He may have had a view, but I don't recall having discussions with Mr Bossi about that.

MR FEUTRILL: What about the general manager of cage?
35

MR FELSTEAD: Apologies, yes. The general manager of cage, I would expect he would have been made aware of that.

MR FEUTRILL: And at that time, who was the general manager of cage?
40

MR FELSTEAD: That was Mr David Brown.

MR FEUTRILL: Okay. And what about was there a department in Crown Perth at the time known as the Finance Department?
45

MR FELSTEAD: Yes, there was.

MR FEUTRILL: And what was their function?

MR FELSTEAD: Their function was they would do the monthly accounts, they would do --- they would look at the banking statements, they would process card transactions. So, yes, they may well have been involved in that as well.

5

MR FEUTRILL: Was there also another department known as Credit?

MR FELSTEAD: There was a --- not from 2016 on, Mr Feutrill, that was run from Melbourne, but prior to that there was a Credit Department there.

10

MR FEUTRILL: And what was the nature of their function?

MR FELSTEAD: The nature of their function prior to 2016 was to make recommendations on credit for overseas customers through a variety of mechanisms. They would look at creditworthiness, other casinos' limits and the like.

15

MR FEUTRILL: Were they exercising the same function with respect to domestic customers in that period?

20

MR FELSTEAD: Not from a credit perspective, but from a cheque cashing facility perspective, yes.

MR FEUTRILL: All right, I want to come back to the cheque cashing facility because I have some questions for you on how that worked, and it's not entirely clear from the manual.

25

Now you said, I think in answer to those --- my question, Mr Felstead, a number of times "would have", I think. You used the expression "would have". Do I understand from that that you don't have a clear recollection of who specifically was involved with the exception of Mr Brown?

30

MR FELSTEAD: That would be an accurate characterisation.

MR FEUTRILL: All right. At the time, who was leading, who would have been the lead person of the finance department in that period prior to 2016?

35

MR FELSTEAD: In Crown, that would have been ---

MR FEUTRILL: Crown Perth?

40

MR FELSTEAD: Crown Perth, that would have been Ms Vasula Kessell.

MR FEUTRILL: All right, who did Vasula Kessell report to?

45

MR FELSTEAD: From memory, Vasula Kessell reported to Mr McGregor, Alan McGregor.

12:17PM

MR FEUTRILL: He occupied the position of CEO of Crown Perth at the time, did he?

5 MR FELSTEAD: No, Mr McGregor occupied the role of CFO of Australian Resorts.

MR FEUTRILL: I see. Was there a CFO specifically --- this is 2016. Was there a CFO specifically attached to the Crown Perth group?

10 MR FELSTEAD: No, there was not.

MR FEUTRILL: And so the person exercising all of the accounting functions at that time in Perth was this lady you mentioned, Vasula ---

15 MR FELSTEAD: Kessell.

MR FEUTRILL: --- Kessell. Okay and who then, at that time was leading, up to 2016 that is, the credit group in Perth?

20 MR FELSTEAD: I think I indicated no one was leading the credit group. The credit group was run --- oh sorry, up until 2016?

MR FEUTRILL: Up until 2016, yes.

25 MR FELSTEAD: There was a --- we had a lady by the name of Heather Ryan who was there for a period of time, but she would work in conjunction with Melbourne in relation to credit, so she was more of an admin role on the ground in Perth.

30 MR FEUTRILL: Just in terms of the credit in Perth --- found in Perth function, was part of their function after 2016 to consider the creditworthiness of junket operators who were going to operate junkets in Perth?

MR FELSTEAD: Yes, but it was more, not trying to confuse you, Mr Feutrill, it was more that information was mostly coming out of Melbourne. This --- the operation -- - sorry, the role of this person in Perth was more of an admin role type. So a lot of the credit decisions back then were getting made out of Melbourne.

MR FEUTRILL: This is before 2016?

40 MR FELSTEAD: This is before 2016.

MR FEUTRILL: After 2016, did it change?

45 MR FELSTEAD: After 2016, it was only --- there was no credit control operative on the ground in Perth.

MR FEUTRILL: Do I understand that to mean there was not a person in Perth who was making decisions with respect to the credit for patrons after 2016?

MR FELSTEAD: That is my recollection.

5 MR FEUTRILL: Does that apply both to the international commission business and to the cheque cashing facility you described earlier?

MR FELSTEAD: Definitely the international business. I'm not certain on the cheque cashing facility. My assumption would be that would be the case.

10 MR FEUTRILL: All right, now can I ask you some more questions in connection with the international commission business? Again I will ask you some general questions because I know you have vast experience in running casinos in Australia.

15 Am I right in thinking that you understood, really up to the point where you left the Crown Group, that overseas patrons, some overseas patrons at least, use people referred to as money remitters or changers as a means of depositing funds in Crown Casino accounts?

20 MR FELSTEAD: Yes, I was aware of that.

MR FEUTRILL: And one of the reasons that patrons are attracted to using money remitters is it's a means of bringing about foreign exchange, bringing in --- exchanging currency in their home country for Australian dollars in Australia?

25 MR FELSTEAD: Yes, typically at a favourable rate.

30 MR FEUTRILL: At a favourable rate. And you understood, did you not, that it was a mechanism of bringing about that exchange that did not involve any currency moving across the border, if I can put it that way. That is --- perhaps I can go back one step.

MR FELSTEAD: No, I think I understand what you are getting at.

35 MR FEUTRILL: And the answer is?

MR FELSTEAD: Yes.

40 MR FEUTRILL: So was it your understanding that that the way in which a money changer operated is that a patron would see the money changed in their home country, provide their home country's currency to the money changer --- you are nodding ---

MR FELSTEAD: Yes, yes, so far I'm with you.

45 MR FEUTRILL: And then the money changer would make whatever arrangements the money changer wanted to make with their contacts in Australia, and the patron received credits to the value of the foreign currency in Australian dollars?

MR FELSTEAD: Yes, that would roughly be --- be my recollection of that.

MR FEUTRILL: Did you also understand, at that time, there to be a known
5 association between money changers or money remitters and organised crime?

MR FELSTEAD: I didn't turn my mind to that, no.

MR FEUTRILL: Whether you turned your mind to it or not, did you understand
10 there to be a connection? As in, that is to say that the services offered by money
changers were known to be utilised from time to time by organised criminals?

MR FELSTEAD: I think yes, from time to time, that may have been the case.

MR FEUTRILL: Is it your understanding when you were the chief executive officer
15 of Australian Resorts, correct?

MR FELSTEAD: My understanding when I was chief executive officer of
20 Australian Resorts was that there may have been occasions where a patron was using
a money changer for reasons as you described.

MR FEUTRILL: What I'm getting at, Mr Felstead, is the patron could be completely
innocent in the exercise. It may be that the money changer has an arrangement with
an organised criminal, so the funds that are used in Australia, for example, come
25 from an illegitimate source.

MR FELSTEAD: That may well be the case.

MR FEUTRILL: And you understood that to be a risk associated with the utilisation
30 of money changing services?

MR FELSTEAD: Yes, that would be a risk.

MR FEUTRILL: So you understood, at the time, that one of the risks to which the,
35 broadly speaking, the casino operations was exposed was that patrons utilising the
services of money changers may have involved, through the money changer, money
laundering?

MR FELSTEAD: Yes.

MR FEUTRILL: Again as a general proposition, I understand this to be the effect of
40 some of the evidence you've given previously, so again you can feel free to disagree
with me on this. Do I understand your evidence, or your understanding of the ---
perhaps I should ask you this first. I'm now referring to the Riverbank Investments
45 bank account.

MR FELSTEAD: (Nods head).

MR FEUTRILL: And do I understand from your evidence in the Bergin Inquiry your view to be that the practice of a casino operating an account that does not bear the name of the casino, or mention casinos in it, was common?

5

MR FELSTEAD: Yes.

MR FEUTRILL: In your experience in the casino industry?

10

MR FELSTEAD: Yes.

MR FEUTRILL: And do I understand it to be your evidence, it was common because some patrons wanted to maintain --- you used the term privacy --- when it comes to the purpose for which the funds were to be ultimately used?

15

MR FELSTEAD: That is correct.

MR FEUTRILL: And I then understand that you understand --- too many understands. You understood at the time that you were a director of Riverbank Investments and the other companies within the Crown Perth Group that the Riverbank Investments accounts existed?

20

MR FELSTEAD: Yes, I did.

25

MR FEUTRILL: And you understood that they were being used by patrons to deposit funds used for gaming at the Perth Casino?

MR FELSTEAD: Yes, and/or repayment of debts.

30

MR FEUTRILL: And/or repayments of debts. And you understood that the reason that the name of the company was "Riverbank Investments" was so that your patrons would be afforded that level of privacy; is that right?

35

MR FELSTEAD: I was probably more focused on the word "Riverbank" as opposed to what is "investment", so I didn't --- I never assumed that it was to disguise the fact they were making a bogus investment, for want of a better word. It was more of the privacy element.

40

MR FEUTRILL: Whatever the name, it doesn't mention casino, it doesn't mention Crown.

MR FELSTEAD: It certainly doesn't.

45

MR FEUTRILL: You understood the reason for that to be so that the patrons, effectively when the patrons sold their accounts to a third party, it wouldn't reveal that the funds were used for gaming?

MR FELSTEAD: That's correct.

5 MR FEUTRILL: Now, would you accept that then that by operating an account in that way, Riverbank Investments was facilitating patrons to mislead third parties into the use to which the funds were ultimately to be put.

10 MR FELSTEAD: I certainly didn't --- I didn't think of that at the time, but what you are saying is correct.

MR FEUTRILL: You may not have thought of it at the time, but that is in reality the purpose for which the account is established, is it not?

15 MR FELSTEAD: The account was established for the deposit of funds as we spoke about and it was established to give patrons, in my view, a degree of privacy.

20 MR FEUTRILL: Wouldn't you agree with me that really the word "privacy" is a euphemism, is it not? The real reason is to prevent the patron from having to disclose to a third party the purpose for which the funds are being used?

25 MR FELSTEAD: I don't agree with you --- oh sorry, I don't disagree with that premise, but all I can say is that was never the intent to my knowledge --- casinos, and I use many casinos in this, using operating accounts under a different name. I certainly appreciate the fact you are making, that that was the unintended consequence of it.

30 MR FEUTRILL: Mr Felstead, I'm not trying to suggest to you that it is right or wrong one way or the other, I'm trying to understand what the rationale for the existence of the account was. So the --- is it the case that, and this is probably not confined, I accept, to the Crown Group itself, if there was a common practice of utilising accounts of this nature, that it was effectively seen as offering a service to the patron of the Crown Group?

35 MR FELSTEAD: Correct.

MR FEUTRILL: So if all of your competitors in your mind were offering the same service, to be competitive you would need to offer it yourself?

40 MR FELSTEAD: I wouldn't have thought of it like that. I just --- my view, sorry, my thoughts around this was it was industry practice and Crown followed.

45 MR FEUTRILL: Now, am I right in thinking that the Riverbank Investments accounts, and the operation in the way we've just dealt with, was a service that went hand-in-glove with the international commission business?

MR FELSTEAD: The operation of the accounts was certainly important for the VIP business because that was their --- that was how they would deposit funds to redeem outstanding debt or for front money.

MR FEUTRILL: What I'm really asking you, Mr Felstead, I just want to understand, was the Riverbank Investments account and the common practice we have been traversing something that you understood to be a service that was desired by local patrons as much as international?

MR FELSTEAD: Yes, I would agree with that.

MR FEUTRILL: So it is the case is it that your understanding was that local patrons would equally want, in your terms, to have the ability to have the privacy in terms of the use of the funds?

MR FELSTEAD: Yes, that would be my understanding.

MR FEUTRILL: To your knowledge, who else in the Crown Perth group knew of the existence and operation of the Riverbank Investments accounts?

COMMISSIONER JENKINS: Sorry, can we just be particular as to what time period?

MR FEUTRILL: Sorry. In the period up to the closure of the account in 2019, so between 2014 and 2019?

MR FELSTEAD: Sure. That would have been Mr Preston, Mr Bossi, the finance team, the cage team. I'm trying to think who else would deal with the bank accounts. Obviously treasury, which was a group role. They set up the accounts so, but that was not a Crown Perth business unit. They are probably the ones that spring to mind. I'm sure there are others I've missed.

MR FEUTRILL: I just want to try and assist you with some titles. It might assist my understanding. I think you mentioned Mr Preston?

MR FELSTEAD: Yes.

MR FEUTRILL: Do I take it that is in his role or as part of the AML team?

MR FELSTEAD: That's correct.

MR FEUTRILL: And so who else within the AML team in Crown Perth would have had the knowledge of the existence and operation of the accounts?

MR FELSTEAD: Oh, I can't say definitely, but I would make an assumption that --- no, I don't want to do that. I think members of the AML team in general, I can't think of any names at the moment, would have known about the accounts.

MR FEUTRILL: How many members of the AML team were there at the time? In 2019?

MR FELSTEAD: Oh, in 2019, I think in Perth it was a group function. I think in Perth there were two or three on the ground, but I'm not 100 percent certain about that.

5

MR FEUTRILL: All right, can I ask just to clarify this --- prior to --- say for a period of time, say five years prior to 2014, the period during which you were CEO at Crown Perth, is the position any different in that period? In other words, were there differences between when you became CEO of Crown Perth in 2014 and the

10

MR FELSTEAD: That's a very hard one for me to answer, I can't really recall back that far but I would imagine going back to pre-2014, it would be a similar group of people who would have known about the Riverbank account.

15

MR FEUTRILL: All right. So we have the AML team, I think you mentioned, I may be putting words in your mouth, but I think you mentioned the cage?

MR FELSTEAD: Yes, the cage definitely would have known about the accounts.

20

MR FEUTRILL: And I think we've already established that Mr Brown was the general manager of the cage in Perth at the time?

MR FELSTEAD: That's correct, yes.

25

MR FEUTRILL: So I expect he would have had knowledge of these matters?

MR FELSTEAD: Definitely.

30

MR FEUTRILL: Were there other people in a management role who had some responsibility for the oversight and operation of those accounts other than Mr Brown?

MR FELSTEAD: There would have been the finance team in Perth, which I think I might have mentioned. They would have been looking at the accounts. There would have been, I think, pre-2016, the VIP international team that were there, primarily Mr de Lima, would have known about the accounts.

35

MR FEUTRILL: So, Finance was headed up by Ms Kessell?

40

MR FELSTEAD: Yes, she was the --- I think financial --- director of finance or financial control. I can't recall the exact title.

MR FEUTRILL: All right. And what about credit control?

45

MR FELSTEAD: Credit control would have known about it when they were there in the position, but obviously after I think it was 2016 that position no longer existed,

12:35PM

but they would have known about it, yes.

5 MR FEUTRILL: And you mentioned Treasury as well, I think. Is that a group function?

10 MR FELSTEAD: Treasury is a group function. And the role of treasury --- treasury managed the accounts. If you think of it like this, treasury is the owner of the accounts. They had negotiations with the bank, they set up the accounts and they would do all the negotiations with the bank.

MR FEUTRILL: All right. Who were the signatories on the account to your knowledge?

15 MR FELSTEAD: I don't know the answer to that.

MR FEUTRILL: You were a signatory, were you not, as a director of the company?

20 MR FELSTEAD: I may have been.

MR FEUTRILL: Now I think, again, I'm going to put a proposition to you, Mr Felstead, which I think is derived from reading your evidence elsewhere, which is that there were a similar set of accounts operated in Crown Melbourne by a company called Southbank Investments?

25 MR FELSTEAD: That's correct.

30 MR FEUTRILL: And under the regulatory regime in Victoria, the existence and operation of the Southbank Investments account required the approval of the regulator in Victoria; correct?

MR FELSTEAD: That is my understanding.

35 MR FEUTRILL: Yes. Your understanding is that the existence and operation of the Riverbank Investments accounts did not require approval of the GWC. I'm referring here to the Gaming and Wagering Commission; correct?

MR FELSTEAD: Yes, I was made aware of that.

40 MR FEUTRILL: You were made aware of that. At what point were you made aware of that?

45 MR FELSTEAD: I was made aware of that, I believe it was around the time of the Bergin Inquiry. I didn't really have any input, involvement with the bank accounts, the setting up or the operation of the accounts, that was done by a different area, but I was aware obviously, as media allegations came about and the Bergin Inquiry got going, I was aware of issues around that particular account.

MR FEUTRILL: All right. Were you --- was it your understanding and tell me when, if you had this understanding, it first arose, that the GWC were informed of the existence of the Riverbank Investments accounts?

5

MR FELSTEAD: That is my understanding.

MR FEUTRILL: And is it your also --- when did you acquire that understanding?

10 MR FELSTEAD: I can't recall specifically. It was later down the track. I think it was when the accounts were getting more public and more of a --- I was more informed of things then.

15 MR FEUTRILL: Now, as the CEO of Crown Perth, you understood that the casino accounts were provided to the GWC? Bank statements were provided to the GWC from time to time?

MR FELSTEAD: No, I don't recall that.

20 MR FEUTRILL: Did you understand at any time that bank statements of Riverbank Investments were provided to the GWC?

MR FELSTEAD: No, I don't recall that.

25 MR FEUTRILL: To your knowledge, at any time, and I mean at any time in the period that you are CEO of Crown Perth or CEO of Australian Resorts, was the GWC informed of the purpose for which the Riverbank Investments accounts were opened?

30 MR FELSTEAD: No, I don't recall that.

MR FEUTRILL: After the, let's say, in the middle period from 2019 when you would be aware there were some public allegations about the operations of the account, after that, to your knowledge, was the GWC informed of the reason for the existence of the Riverbank Investments accounts? By the "reason" I mean this issue of providing privacy.

35

MR FELSTEAD: No, I don't have a recollection of that.

40 MR FEUTRILL: Did it occur to you in that period in the middle of 2019 that providing full and frank disclosure to the GWC about the nature of the account was something the licensee should do?

MR FELSTEAD: Yes, I think that would have been a desirable thing to do.

45

MR FEUTRILL: And it wasn't, to your knowledge, done?

MR FELSTEAD: Not that I'm aware of.

MR FEUTRILL: Has it been done at any time up until the point in time you left the Crown Group, to your knowledge?

5 MR FELSTEAD: No, I don't recall that occurring.

MR FEUTRILL: Can I ask you to have regard to your witness statement and paragraph 138 of it.

10 You were asked, you might recall at one point (inaudible) some questions about the Riverbank accounts?

MR FELSTEAD: Yes.

15 MR FEUTRILL: And in 138 you make reference to them being closed, at least at one point in time by HSBC because you understood it was exiting the gaming business?

MR FELSTEAD: Yes, that's correct.

20

MR FEUTRILL: What was your understanding of the reason for HSBC exiting the gaming business?

MR FELSTEAD: My understanding at the time was HSBC, this is what I was informed at the time, did not want to do business with casinos. I'm not sure why, but it was a position, and I think, from memory, it was a position they took in relation to any gaming institution.

25

MR FEUTRILL: Do you recall it may have had something to do with the way in which the casinos operated accounts with the gaming operations?

30

MR FELSTEAD: No, I don't recall that.

MR FEUTRILL: Now, you referred in the next paragraph to the closure of the ANZ Riverbank Investments account in 2014?

35

MR FELSTEAD: Yes, in 139?

MR FEUTRILL: Yes. Now, you knew at the time, did you not that the ANZ closed them over concerns relating to money laundering?

40

MR FELSTEAD: No, I wasn't informed it was specifically in relation to money laundering. I was just aware the accounts had been shut.

MR FEUTRILL: Who made you aware that the accounts had been shut to your recollection?

45

MR FELSTEAD: No, I don't recall that.

MR FEUTRILL: Is it the case that you were informed by someone that the ANZ
5 accounts had been closed?

MR FELSTEAD: Yes, I do recall being informed of that at some point in time.

MR FEUTRILL: Did you ask the question why?
10

MR FELSTEAD: No, I don't believe I did.

MR FEUTRILL: I'm going to ask you whether you --- I will put something to you
that is somewhat, hypothetical, Mr Felstead, but on the assumption that not only you
15 and other members of the Crown Resorts group had an understanding that the
accounts of this nature were common in the casino industry, that they understood that
international patrons and others desired to have accounts for using gaming in
connection with the gaming that allowed them the privacy described, that the Crown
Group had an AML/CTF program in place, is it the case that opening a new account,
20 closing one account, was just a part of the ordinary business of the Crown Group?

MR FELSTEAD: It's a hypothetical? So what was the actual question, sorry?

MR FEUTRILL: Is it possible that no one turned their minds because no one was
25 considering the money laundering aspects of the operation of the account?

MR FELSTEAD: I mean, I don't really know the answer to that. I mean, all I could
suggest is because the accounts were being dealt with by a department at Crown,
maybe they turned their mind to it. I didn't really get involved in the accounts, I
30 didn't pay a lot of attention to it. Maybe I should have, but it's just not something I
did in my day-to-day business.

MR FEUTRILL: All right. Now, you've not made any mention here of the CBA
account that was closed towards the end end of 2019. But you remember that being
35 closed?

MR FELSTEAD: I was aware later on. I'm not sure when, but around about when
the allegations were getting made of some of these issues.

MR FEUTRILL: All right. Can we just walk through that a little bit then.
40

Allegations were made in mid-2019 about the Riverbank Investments account in the
media, that the Riverbank Investments account was being used to facilitate money
45 laundering?

MR FELSTEAD: Yes, I was.

MR FEUTRILL: And you were aware of that at the time?

12:46PM

MR FELSTEAD: Yes, I was.

5 MR FEUTRILL: After that, what did you do as the CFO of Crown Perth and CEO of Crown Resorts did investigate the veracity of those allegations?

MR FELSTEAD: Me personally, not a lot. I left that with Mr Barton and his team, that was something that they were handling.

10 MR FEUTRILL: Did you give any direction or instructions to anyone under you in the management structure to undertake an inquiry or investigation into the reasons or whether there was any substance to those allegations?

15 MR FELSTEAD: I don't recall giving an instruction.

MR FEUTRILL: Did you understand what Mr Barton's team were doing in respect of that? Was anything being done by his team to your knowledge to investigate the veracity of the allegations?

20 MR FELSTEAD: I don't know.

MR FEUTRILL: What did you understand that Mr Barton's team was doing at that time?

25 MR FELSTEAD: My understanding of Mr Barton and his team, the Treasury team I should say, was they had --- they were a team that would open up accounts, be responsible for closing accounts, negotiating with the banks and running the accounts in general.

30 MR FEUTRILL: Given that you were in a position as a CEO of Australian Resorts, did it not occur to you, for example, ask Mr Bossi, who was the COO of the Perth location, "What do you know about the Riverbank accounts, Mr Bossi"?

35 MR FELSTEAD: No, I didn't do that. It didn't occur to me.

MR FEUTRILL: What about Mr Brown who ran the cage, asking him what he knew about the operation of the accounts?

40 MR FELSTEAD: No, I didn't speak to Mr Brown.

MR FEUTRILL: Were you not in any way at all concerned about the allegations in the media at that time there may have been some truth to them?

45 MR FELSTEAD: Yes, there would have been of concern.

MR FEUTRILL: Given it was of concern to you, are you able to explain why none of the inquiries of the kind we've just been through were taken by you?

MR FELSTEAD: The only explanation I can give is that was something that was handled by others. That's just how I dealt with that one.

5 MR FEUTRILL: So is it your evidence that you didn't think it necessary because it was, if you like, in the hands of Mr Barton?

MR FELSTEAD: My evidence is that it was in the hands of others and they were dealing with it in an adequate manner, or hopefully in an adequate manner.

10

MR FEUTRILL: Were there any discussions then from an operational perspective -- - let me take it back one step.

To what extent at the time of the closure in 2019 was the operation of the Riverbank Investments account considered to be a necessary component of Crown Perth operating the casino?

15

MR FELSTEAD: My understanding of the Riverbank account was always a necessary component of operating.

20

MR FEUTRILL: All right, so on learning that the account would be closed some time in 2019, were you not interested in whether you could continue to operate in the same way with another bank?

25 MR FELSTEAD: No. As I said, I didn't turn my mind to that. I didn't get involved in that.

MR FEUTRILL: Did it occur to you that if allegations had been made publicly in the middle of 2019 and the CBA was closing the account, there may have been a connection between those two events?

30

MR FELSTEAD: No, I didn't put that together.

MR FEUTRILL: Did you become aware, in the course of the Bergin Inquiry, of the examination of Mr Preston concerning the Riverbank Investments accounts?

35

MR FELSTEAD: Yes, I did.

MR FEUTRILL: Did you become aware or understand, as a consequence of that evidence, that the statements of the Riverbank Investments account revealed transactions that provided an indication of at least one typology of money laundering?

40

MR FELSTEAD: Yes, I did.

45

MR FEUTRILL: Did you understand that typology to be referred to as structuring?

MR FELSTEAD: My understanding of that was it was smurfing.

5 MR FEUTRILL: Smurfing. Well, whatever term one puts on it, did you understand it to be a process by which a large sum of money is broken up into smaller sums, all of which are below the threshold for reporting to AUSTRAC?

MR FELSTEAD: Yes, I did.

10 MR FEUTRILL: When was the first time you became aware that the Riverbank Investments accounts, upon examination, revealed transactions of that character?

15 MR FELSTEAD: That would have been in the Bergin Inquiry. So, do I understand from your answer then that whatever Mr Barton was doing between the middle of 2019, 2020 to investigate this, no one within Crown in that period had discovered, upon an analysis of the Riverbank Investments account, that there was a number of transactions that upon a plain reading of the account reflected the possibility of money laundering?

20 MR FELSTEAD: I wasn't aware of anyone discovering that prior to the Bergin Inquiry.

25 MR FEUTRILL: When you became aware in the middle of 2020 then, were you not completely incensed that no one had brought it to your attention?

MR FELSTEAD: In the middle of 2020, yes, it was definitely a concern. It was something that was highly regrettable and shouldn't have happened.

30 MR FEUTRILL: What I mean to say is in a year --- one just had to read the accounts. In a year, no one had read them and brought them to your attention. You must have been incensed?

MR FELSTEAD: It was very disappointing that these things occurred.

35 MR FEUTRILL: Well, after Mr Preston gave his evidence and became aware of it, what steps were then taken to carry out investigation into the reasons for the account being used in that way?

MR FELSTEAD: Is this post the Bergin Inquiry 2020?

40

MR FEUTRILL: Yes, 2020.

45 MR FELSTEAD: In 2020 I believe that an external agency was utilised to look at it, try and work out what had occurred. Once again, I wasn't directly involved in that, but that is what I was led to believe.

MR FEUTRILL: And who had direct responsibility for that item of work?

MR FELSTEAD: I don't specifically recall, but I believe it may have been Mr Barton's team.

5 MR FEUTRILL: So Mr Barton didn't report to you in this period?

MR FELSTEAD: No, Mr Barton has never reported to me.

10 MR FEUTRILL: All right. Can I just go back to this question of knowledge of the operation of the account, did you understand, when you became aware of the transactions on the Riverbank Investments accounts, that throughout the operation of that account, no one in Crown Perth had made a suspicious matter report to AUSTRAC in relation to those transactions?

15 MR FELSTEAD: I wasn't aware whether --- about the details around suspicious matters or not.

MR FEUTRILL: Did you become aware in the middle of 2020 that in the operation of the Riverbank Investments account, and the internal Crown Perth SYCO software, members of the cage staff had aggregated the individual transactions and recorded them as a single large transaction in the SYCO?

MR FELSTEAD: Yes, I was made aware of that.

25 MR FEUTRILL: And did you understand, as a consequence of that, that the AML team when they reviewed their daily review of the SYCO records were not able to see there had been a number of smaller transactions that made up the larger amount?

MR FELSTEAD: Yes, I wasn't made aware of that.

30 MR FEUTRILL: Having become aware of that, did you make any inquiries of Mr Brown as the General Manager of Cage and Account as to how it was that people under his supervision had aggregated the amounts?

35 MR FELSTEAD: Personally, no, I did not make inquiries of Mr Brown.

MR FEUTRILL: Did you give any directions to Mr Preston or anyone else to make such inquiries?

40 MR FELSTEAD: I don't recall giving directions to Mr Preston. I believe Mr Preston went and did that anyway.

MR FEUTRILL: Is it your understanding Mr Preston made inquiries of Mr Brown regarding the operation of the cage?

45 MR FELSTEAD: My understanding was Mr Preston made inquiries of Mr Brown in relation to the issue of those transactions.

MR FEUTRILL: What is your understanding of when those inquiries were made?

5 MR FELSTEAD: To my understanding of those inquiries, they were made after it came to our attention that structuring or smurfing had occurred.

MR FEUTRILL: So, to put a time frame on it, was it the middle of last year?

10 MR FELSTEAD: It could be. I mean, it was round --- I think it was during the Bergin Inquiry, shortly after Mr Preston had given evidence. I'm not sure what date that was.

MR FEUTRILL: I see, so it had been some time between the middle of 2020 and the end of 2020 when you left?

15

MR FELSTEAD: Yes.

MR FRENCH: Just to clarify if the question is when Mr Felstead became aware, as opposed to when Mr Preston took his action.

20

MR FEUTRILL: I'm happy with that. I thought it was clear. Do you understand the nature of that objection? The question is whether you became aware of Mr Preston's inquiries --- at what point in time you became aware of that?

25 MR FELSTEAD: I became aware of Mr Preston's inquiries when --- shortly after he had given evidence to the Bergin Inquiry. Sorry, I think it might be during the evidence he was giving in the Bergin Inquiry.

MR FEUTRILL: Was that information provided to you by Mr Preston directly?

30

MR FELSTEAD: From recollection, yes.

MR FEUTRILL: All right. So to the best of your recollection, did you have a conversation with Mr Preston?

35

MR FELSTEAD: Yes. My recollection is yes.

MR FEUTRILL: What information to Mr Preston provide to you about the inquiries he had made of Crown?

40

MR FELSTEAD: From recollection, Mr Preston told me that there had been a series of transactions that had occurred on the Riverbank account and they had been aggregated by the cage, which was against procedure, and he was very upset about it.

45 MR FEUTRILL: Was any investigation undertaken as to the mechanism or reason why the cage staff had aggregated rather than following the procedure?

MR FELSTEAD: Not that I'm aware of. I know that Mr Preston had conversations

12:59PM

with the cage staff and Mr Brown in particular. The reason was given, I'm not sure what the reason was given as to why that occurred.

5 MR FEUTRILL: Is your evidence you can't recall what explanation was given for the process of aggregation by the cage staff?

MR FELSTEAD: I can't recall what a credible explanation was given. I do have a recollection that Mr Preston could not get a satisfactory answer as to why it occurred.
10

MR FEUTRILL: So when you say you didn't get a credible explanation, what was the incredible one you received?

MR FELSTEAD: My recollection of this was the cage could not provide any reason why they had done it.
15

MR FEUTRILL: Would that be a convenient time, Commissioners?

COMMISSIONER OWEN: Yes. We'll come back at 2 pm.
20

MR FEUTRILL: Thank you.

ADJOURNED **[1.01PM]**
25

RESUMED **[2.02PM]**

30 COMMISSIONER OWEN: Please, sit down. Thank you, Mr Felstead. Yes, Mr Feutrill.

MR FEUTRILL: May it please the Commission.

35 Mr Felstead, I want you to cast your memory back to the Bergin Inquiry and you might recall you were asked a series of questions, you were questioned at length regarding the Crown Resorts due diligence process concerning junket operations. Don't worry, I won't make you relive that, but there are aspects of it that have particular relevance to the Perth Casino I want to ask you about. And again I will put
40 some general things to you and if you don't agree you can agree, disagree or qualify.

From what I understand from the evidence you gave earlier today, at least from about 2016 the centre of the decision-making as regards who junket operators would be and I presume, therefore, junket representatives, were being made in Melbourne.
45

MR FELSTEAD: That is correct.

MR FEUTRILL: And do I also understand, not necessarily from what you said today, but partly from what you said today and other evidence you've given at other points in time that there was at that time, between 2016 and whenever effectively
5 junkets ceased, there was loosely termed a committee but really three individuals, Mr Johnson, Mr Preston and you, who were the ultimate decision-makers as to whether a new junket would be approved?

MR FELSTEAD: That is correct.
10

MR FEUTRILL: And the three of you also had responsibility for reviewing any existing junkets if there were matters concerning probity that arose in respect of them?

MR FELSTEAD: That was a larger group, Mr Feutrill, that was done in 2016. So just in brief, there was a review of every junket we had in 2016 after the detentions. That was myself, Mr Johnson, Mr Preston and quite a few others, including Mr
15 Craigie. That group did its review and then that group turned into a smaller group of myself, Mr Johnson and Mr Preston who would do all the new junket reviews.

MR FEUTRILL: All right. Now, what I was focusing on was after 2016, if
20 information became available to someone within the Crown Group about the probity of a then-existing junket operator, what is the case that you had an expectation that information would make its way to your committee of three?

MR FELSTEAD: Yes, or at least myself and Mr Preston.
25

MR FEUTRILL: All right. For consideration as to whether in light of that information you would continue to maintain a relationship with that junket operator?
30

MR FELSTEAD: That is correct.

MR FEUTRILL: As regards the decision as to when junket operators and which junket representatives would be approved to carry out junket operations in Perth at
35 the Perth Casino, is the effect of your evidence that that decision was being made by yourself, Mr Preston and Mr Johnson?

MR FELSTEAD: Yes, in the case of new junkets. That is correct.

MR FEUTRILL: As part of that process, was there any reporting to the Burswood Ltd board as to a decision first of all at the end of 2016 after the review had been conducted as to which junket operators had then been found suitable for you to
40 continue to do business with?

MR FELSTEAD: No, there was not.
45

MR FEUTRILL: And so far as new junkets were concerned, was there any reporting

to the Burswood Ltd board about decisions as to who had been approved and the reasons therefor?

5 MR FELSTEAD: No, there was not.

MR FEUTRILL: Was there any process by which, if you might like, if there was a borderline decision, someone who --- to which there was some information of questionable probity where you sought the authority from someone else within the
10 Crown Group as to whether that person should be approved?

MR FELSTEAD: In terms of new junkets, no, we never really came across a borderline scenario. In the case of existing junkets, there were junkets escalated through to the Risk Committee in terms of the dealings with those particular junkets.
15

MR FEUTRILL: When are you referring to the "Risk Committee", are you referring to the Crown Resorts Risk Management Committee?

MR FELSTEAD: Yes, I am.
20

MR FEUTRILL: So questions of that nature, would not have been, as I understand the structure, have been referred to the Perth Casino ERCC?

MR FELSTEAD: Not questions --- no, not questions of that nature. Yes, that's my
25 understanding.

MR FEUTRILL: So in practical terms any risks associated with continuing to operate junkets in Perth were not reviewed by Burswood Ltd?

30 MR FELSTEAD: That is correct.

MR FEUTRILL: Can I ask, it would be easier to show you an exchange, Mr Felstead, that took place between you and Commissioner Bergin as part of the Bergin Inquiry, it was part of the transcript, BGN.0002.0001.1251 and the page references
35 are 1331 to 1332.

As I said earlier, this really comes after a lengthy questioning of you, Mr Felstead, and the Commissioner asks at about --- sorry, this is the wrong reference. 1331 in the top right-hand corner of the Ringtail reference, and it is page 1333 of the transcript at the bottom so if that has confused anyone, it certainly confused me. Line
40 25 says: *COMMISSIONER: I get the impression*

MR FELSTEAD: Yes.

45 MR FEUTRILL: Read from there to the end of that page, and then over the page to the end of line 21. Which ends "I'd be fully supportive".

MR FELSTEAD: Sorry, the end of "I'm fully supportive"?

MR FEUTRILL: Start with "my view would be that would be an Australia-wide process", right through to the end of that passage, which is "I'd be fully supportive".

5

MR FELSTEAD: Yes, I've read that.

MR FEUTRILL: Would it be fair to say that your view this time, and let me know if it remains the case, was that although there was a due diligence on the probity of junket operators, you were accepting after the end of this questioning that there were some deficiencies in that process in that media organisations were able to identify information about the junket operators that Crown was doing business with you, or if they were available to you were not being escalated to you for consideration?

10
15 MR FELSTEAD: Yes, I would agree with that.

MR FEUTRILL: So the consequence of that was in effect that the Crown Group was carrying out junket operations with junket operators who had reputations for links to organised crime or in some cases people who had been convicted of criminal offences?

20

MR FELSTEAD: That is correct.

MR FEUTRILL: And notwithstanding those reputational aspects of those junket operators, for one reason or another neither you, Mr Johnson or Mr Preston had considered to cease carrying out junket operations with them?

25

MR FELSTEAD: Can you repeat the question?

MR FEUTRILL: Notwithstanding the evident links, at no point when you gave your evidence had Crown Resorts made a decision to cease operations with those junket operators?

30

MR FELSTEAD: With certain junket operators, that's correct.

35

MR FEUTRILL: The point I want to focus on is towards the end of that, you have indicated or expressed a view that there would be some benefit in having the regulators in each of the states, I take it that to mean, WA, Victoria and NSW as well, had an active role in the approval process for junket operators?

40

MR FELSTEAD: Yes, I think the point I was making there, Mr Feutrill, was I was looking at an independent body and I would assume the regulator would be involved in that, but would review junkets and will get access to information that casinos can't.

MR FEUTRILL: By that, do you mean for example access that would be available to, let's say, a law enforcement agency in Macau or Hong Kong or in mainland China

45

about the junket operators?

5 MR FELSTEAD: Yes, that may well be the case. A good example would be AFP, if we could look at that, that would give us certain of the information that we currently didn't have.

10 MR FEUTRILL: Do I understand it to be your view then that --- you are expressing the view that junket operators require a more regulated approval process because of the risks sorted with their connections with organised crime?

MR FELSTEAD: Yes, that would be a fair characterisation.

15 MR FEUTRILL: Do I understand you effectively to be saying that the casino operators themselves are not as well-equipped to ascertain information about junket operators as government authorities are?

MR FELSTEAD: Yes, that is correct.

20 MR FEUTRILL: In your view?

MR FELSTEAD: In my view.

25 MR FEUTRILL: So for how long have you held that view regarding the extent to which you think it would be beneficial for a government authority to have a role to play in the approval of junkets?

30 MR FELSTEAD: It's been a while. And it was pre-Bergin Inquiry. It was more about as Crown evolved and we did more and increased due diligence it was fairly apparent to me there were gaps in that. We weren't getting information that others would get, and one of the things we tried to set up was almost like --- I call it a casino working group, where you would get others from different agencies, whether it would be AUSTRAC, whether it would be AFP, various law enforcement agencies to come to the party and assist in that process because we were of the view that
35 would have been something good for everyone, the entire industry.

MR FEUTRILL: There was a time in Victoria, in the early part, I think before 2010, when the Victorian regulator was involved in approving junkets?

40 MR FELSTEAD: Yes, that's correct. That's my understanding.

MR FEUTRILL: And there was also a time before 2010 when the Western Australian regulator was part --- required approval of junkets?

45 MR FELSTEAD: Yes, I'm aware of that.

MR FEUTRILL: Do you recall that Crown Perth made a submission to the regulator here to remove the need for the regulator to approve junkets in WA?

MR FELSTEAD: I don't recall it specifically, but I'm certainly aware of it.

5 MR FEUTRILL: Were you involved in the decision to make that submission to the GWC in 2010?

MR FELSTEAD: I can't recall.

10 MR FEUTRILL: Insofar as the view you just expressed involving a government authority, was it a view you held in 2010 or is it something you developed after that?

15 MR FELSTEAD: It's probably developed more post that, in terms of the early way of vetting junkets was quite rudimentary. As time went on, we got a bit more sophisticated, we had access to third-party databases and the like, that's probably when I probably paid more attention to that. But around 2010, probably didn't have this view.

20 MR FEUTRILL: All right. I want to ask you another question which is something I really don't understand. If I can ask that we call up CRL.540.001.0114, which is your statement of evidence-in-chief in the Bergin Inquiry matter but in respect of a proceeding in the Federal Court?

MR FELSTEAD: Yes.

25 MR FEUTRILL: And if we could navigate it to page 0116 and paragraph 7 of that statement.

MR FELSTEAD: "During the Relevant Period"?

30 MR FEUTRILL: Yes, and which is the 2015/16 period we dealt with earlier today.

MR FELSTEAD: Yes.

35 MR FEUTRILL: I will let you finish reading it, Mr Felstead.

MR FELSTEAD: Yes, I've read that, Mr Feutrill.

40 MR FEUTRILL: I have a number of questions for you about this, and you may not know the answer to all of these.

The first is, is that your view you are expressing there, about it being a small portion of profit and a low margin component of Crown Resorts business, correct as of your evidence today?

45 MR FELSTEAD: Yes, it is.

MR FEUTRILL: And was that the case to your knowledge in respect of the

operation of international commission business for the Perth Casino in the period before the PBL takeover?

5 MR FELSTEAD: In the very early days of, call it, Burswood, my understanding was the junket business and the premium player business, or ICB, was a much larger portion of their overall business.

10 MR FEUTRILL: Larger proportion of profit, is that what you mean by that?

MR FELSTEAD: Based on the numbers that I've seen a long, long time ago, it would have been profit. They would have been a far greater percentage of profit back then, than we were now.

15 MR FEUTRILL: Does that similarly apply to the margins in respect of the business?

MR FELSTEAD: ICB has always been a low margin business but what happens is, back in the day, in Burswood once again, they were getting large volumes, which obviously the more volumes, the better you are going to do from a profit perspective, but it's always been a low margin business.

20 MR FEUTRILL: The question I really have from a financial stability and business perspective is, first, if I could say this proposition to you, which I think you have already accepted, which is that the international business comes with a risk of criminal infiltration?

MR FELSTEAD: Yes, I accepted that.

30 MR FEUTRILL: So it creates a risk for the casino operator in that regard. It is a low margin component of the business?

MR FELSTEAD: Correct.

35 MR FEUTRILL: That delivers a small portion of the profitability. In what way, or for what reason, if you like, was it seen as a component of the Crown Group's business? In other words, was the game worth the candle? Why was the game worth the candle?

40 MR FELSTEAD: The game worth the candle. Yes, it was still a profitable part of the business. It still made money, it was still a valuable business unit. But I guess the opportunity for Crown was if we could grow the business, that would flow on. But it is still, regardless, if I can use Melbourne as an example, the hotel business, for example in Melbourne, was traditionally larger from a profit perspective than the VIP business. Now, it's still a valuable business, but it's not at the scale of those. So

45 still worth pursuing in our view, but it was never in the scale of local gaming.

MR FEUTRILL: The scale of local gaming meaning?

MR FELSTEAD: Profit-wise.

5 MR FEUTRILL: Local gaming I understand to mean, does that include table games and the electronic games?

MR FELSTEAD: Yes, it does.

10 MR FEUTRILL: You might recall another matter I asked you about briefly earlier. Again it's something I need you to assist me to understand, Mr Felstead, which concerns the cheque cashing facility. In this regard could I ask that we call up CRW.529.002.0136, which is what I understand to be a portion of the casino manual operations. And this concerns section 3A, main bank. I don't know if you are familiar with the detail of these documents. If you are not, that's fine, I don't want to
15 ask you about the detail, I want to ask you about the process. We don't have it anyway. I will ask you about the process anyway. My apologies, I assumed it would have been loaded.

20 You mentioned earlier, and I think this was in connection with your credit teams identifying if someone was creditworthy, you could extend credit to the, and you draw a distinction between international players and the VIP international business and domestic, and the reason being the only credit extended to the domestic players is via this cheque cashing facility.

25 MR FELSTEAD: I wouldn't call it credit, but I see what you are getting at.

MR FEUTRILL: Okay, sorry. It is not patently obvious from reading the casino manual how this operates. Are you familiar with the way this works in practice?

30 MR FELSTEAD: Yes, I have a working knowledge of that, yes.

MR FEUTRILL: So if a patron wishes to access, and I'm now talking about a domestic patron, the cheque cashing facility at the Crown Perth casino, what do they need to do in order to access that facility?

35 MR FELSTEAD: What they would need to do is fill in an application. Let's say all the application is done, we do KYC, we do the usual checks, and then we would do a creditworthiness check on them. Typically, many years ago that used to involve getting information from the bank. We would look at their wealth, and then we
40 would say to that particular patron "Yes, you've been approved for, call it, a \$5,000 cheque cashing facility". The patron would go "Yes". They would come to the casino, they would need to produce a cheque, one of their own cheques in the first instance, so like a normal cheque, which I'm not sure people use anymore, that would produce a cheque and that cheque would be transacted on their account.

45 MR FEUTRILL: So in that scenario they present to the casino a personal cheque on drawing their own bank account? What is the nature of something referred to as a house cheque?

MR FELSTEAD: House cheque, that's in the case where the customer doesn't have a cheque on them. So the first time, they must use their own cheque. This was the policy back in the day. When they come in after that they can use a thing known as a counter cheque, which is a house cheque. What that is, they would go to the cage, cashier prints in "Mr Smith", "I'd like \$2,000", that will print out a document which is a counter cheque, which has got the bank name, BSB, the account number, it's a replica of the cheque, just not in the same format as the bank issues it.

10 MR FEUTRILL: I see. Let's say the patron has an unsuccessful outing to the casino and loses the \$2,000. What then happens to the house cheque?

MR FELSTEAD: That would be held in the main bank area I believe for typically I think it's about five and seven days to give them a chance to redeem. If they didn't redeem their cheque, that would go to the bank and get banked.

MR FEUTRILL: So the house cheque, as it were, is a negotiable instrument that you can present to the patron's bank and receive the proceeds of that cheque?

20 MR FELSTEAD: That is certainly how it worked when I was in the cage, yes.

MR FEUTRILL: In the course of the initial cheque cashing facility establishment, the patron arrives with a cheque for the limit of the facility; is that the gist of it?

25 MR FELSTEAD: No, I don't believe so. I think the rule was, this is back quite a while ago, was you had to produce a cheque for the first transaction. Didn't have to be for the full amount of the facility.

MR FEUTRILL: I see. And who made the decision? And let's break this into time periods again because I think you said that from 2016 the credit function had moved to Melbourne.

MR FELSTEAD: Yes.

35 MR FEUTRILL: So when a person wished to obtain a facility, who in the Perth Casino, if anyone, undertook the credit check on that patron?

MR FELSTEAD: This is post-2016?

40 MR FEUTRILL: Yes.

MR FELSTEAD: No, my understanding, and I could be wrong here because I know how it worked for international, I think for domestic it was still done out of Melbourne. That's my understanding.

45 MR FEUTRILL: From 2016?

MR FELSTEAD: Yes, I think that is correct.

MR FEUTRILL: And prior to 2016?

5

MR FELSTEAD: Prior to 2016 I believe it was done through credit control, credit control department in Perth.

10 MR FEUTRILL: All right. Now, patron arrives, wishes to have, say, \$10,000 in credit, produces a cheque of some description presumably to obtain some credit. And if again they have an unsuccessful outing at the casino and at some point during their session they wish to increase the limit, is it possible to do so?

15 MR FELSTEAD: Yes, it is. It is called a --- you are stretching my memory here from my cage days, I think it is called the TTO, "this trip only".

MR FEUTRILL: All right. Additional credit could be obtained by TTO for anyone?

20 MR HARTMANN: I think the witness said he wasn't talking about credit. If the question could be rephrased.

MR FEUTRILL: My apologies.

25 Is there a limit on how much the cheque cashing facility could be increased?

MR FELSTEAD: The rules that I can recall was typically, it was a maximum of 50 per cent. That was the general rule. But on occasion it would go over. On occasion it could be a smaller amount.

30 MR FEUTRILL: Who had authority to approve the increase in the facility at that time? In other words, during a session?

35 MR FELSTEAD: During a session there was a matrix of people who could approve. It would typically be someone of the vein of the table games manager, for example, depending on the amount it could be COO, could be the head of gaming, it could be me for a certain amount. It just really depended on the limit.

40 MR FEUTRILL: Am I right in thinking a TTO would involve the issuing of a house cheque?

MR FELSTEAD: Typically that would be correct.

45 MR FEUTRILL: So at the end of this particular session the patron has been very unsuccessful from his perspective and very successful from yours, and has managed to lose the initial amount of the --- extended for the original facility plus the TTO, at what point are the accounts settled? As the person leaves the casino or some other point?

MR FELSTEAD: In that scenario, and we made the assumption there was a \$10,000 cheque firstly, then \$5,000 counter cheque, both house cheques, the \$5,000 one and the \$10,000 one would be treated the same. So they would be held for a period of
5 five to seven days and banked after that.

MR FEUTRILL: So in respect of the additional component, the increased component, so far as the original credit cheque goes, the casino no doubt would be satisfied that the customer, the patron was good for the \$10,000 as it were?
10

MR FELSTEAD: Yes.

MR FEUTRILL: By what process would the casino be satisfied that they are good for the additional five?
15

MR FELSTEAD: Typically on the credit --- not the credit profile, the cheque cashing profile for the patron, quite often they would have a limit on there they could TTO to. Some may have a notation there, "No TTO". Some may have a notation up there, "TTO approved to 15,000, 20,000" whatever it might be. That's one of the
20 ways the staff making the determination, whether they grant such a TTO, would look at.

MR FEUTRILL: So it is theoretically possible by this process by which you produce house cheques with TTOs, but when a casino goes to present the house cheque to the patron's bank, there are no funds available to satisfy the instrument?
25

MR FELSTEAD: Yes, that's correct, and that would be the same as when a player in the first instance produces one of their own personal cheques, there may be no funds available or the player may have stopped the cheque for whatever reason.
30

MR FEUTRILL: Yes.

COMMISSIONER OWEN: Sorry, you talk about a redemption. But you hold the cheque, be it the patron's cheque or the house cheque, you hold it five to seven days, if it is not redeemed, then you bank it. What was the usual process for redemption, by what means would they come in to redeem?
35

MR FELSTEAD: Normally, Commissioner, they would do a telegraphic transfer or they may come in with a bank cheque, that was another way they would do it on occasion. Typically it would be a telegraphic transfer. Or in a lot of instances the patron is quite happy for the cheque to be banked.
40

MR FEUTRILL: Thank you for your assistance, Mr Felstead.

MR FELSTEAD: Apologies, it was a long time ago I was involved in that.
45

MR FEUTRILL: To your knowledge was the process any different when you were the CEO of Crown Perth?

MR FELSTEAD: No, I think it was roughly the same.

5 MR FEUTRILL: Can I ask that Mr Felstead be shown another document. This is
GWC.0002.0016.0260. It starts at page 14. Mr Felstead, this is not your letter. I
want to make it clear to you. I think Mr Preston signed it. But if I say to you that the
Crown Perth responded to inquiries the GWC made that arose out of the Victorian
Regulator Sixth Review, you would know what I'm referring to? It was a response to
that?

10 MR FELSTEAD: Yes, I would.

15 MR FEUTRILL: I'm not so much interested in your knowledge of the letter at the
time it was sent, I would like to draw your attention to some aspects of the overall
explanation of Crown Perth's Responsible Service of Gambling program at this time,
and get your understanding of whether you accept it reflects the view of yourself as a
CEO at that time.

20 So, if I may draw your attention to, and if you wish, Mr Felstead, you can take your
time and read the whole document, but at this stage I want to draw your attention to
page 29, 0029. The heading that begins "other harm minimisation strategies".

MR FELSTEAD: Yes, I have that here.

25 MR FEUTRILL: And, in particular, I want to ask you some questions around the
first one referred to on the top of the next page. Perhaps if the operator could put the
two pages side by side it would assist.

30 Now, the author of this letter, Mr Preston, was indicating to the GWC that one aspect
of Crown Perth's harm minimisation framework included limits on automated teller
machines, and it makes reference to the \$400 withdrawal limit and the fact that the
ATMs were located 40 metres away from the entry to the gaming floor.

35 MR FELSTEAD: Yes.

MR FEUTRILL: So you know what it means by the limits on the automatic teller
machines?

40 MR FELSTEAD: Yes, I do.

MR FEUTRILL: And does this reflect your view as of 2018 that one feature of the
Crown Perth Responsible Service of Gaming framework was that there was a level of
restriction on a patron's ability to withdraw funds in the gaming area?

45 MR FELSTEAD: Yes, it does.

MR FEUTRILL: And can I ask you to draw your attention to the next heading,

which is the "gaming machine standards". There is a reference there to the prohibition under the Casino Control Act to the approval of games played with poker machines.

5

MR FELSTEAD: Yes.

MR FEUTRILL: And so as of November 2018 did you understand a feature, or did you consider a feature of the Responsible Service of Gaming framework in the Perth Casino to be that part of the regulatory framework prohibited use of poker machines at the casino?

10

MR FELSTEAD: Yes, with a qualifier that I was always aware obviously that poker machines couldn't be used in the casino or anywhere in the State, for that matter. That was a Responsible Service of Gaming component, was a smaller one, not a key one. Nonetheless, it was an element of it.

15

MR FEUTRILL: When you say it was a smaller one, not a key one, are you making reference to the fact EGMs on the gaming floor, therefore there is an element of the electronic gaming taking place?

20

MR FELSTEAD: No, no, what I was referring to there was there would have been other things I would have seen as a larger RSG influencer than the particular machines we had compared to poker machines.

25

MR FEUTRILL: Okay.

MR FELSTEAD: Or features of those machines.

MR FEUTRILL: And then can I draw your attention to the next page under the heading "Speed of play", it is italicised?

30

MR FELSTEAD: Yes.

MR FEUTRILL: As of November 2018, was it your understanding that one aspect of the Responsible Service of Gaming framework for the Crown Perth casino was that under the Australian standards that applied to WA there was a slower speed of play required for electronic gaming machines used at the Crown Perth casino?

35

MR FELSTEAD: Yes, I was aware of that.

40

MR FEUTRILL: Was it your understanding that the reason it was considered to be part of a Responsible Service of Gaming framework was that the longer interval between the speed of play, in effect the less games a patron can play in a given period of time?

45

MR FELSTEAD: That's correct, yes.

MR FEUTRILL: One other feature of an electronic gaming machine is there is essentially an in-built margin to the house, if I can put it that way.

5 MR FELSTEAD: Yes, there is.

MR FEUTRILL: So in effect the slower a player is able to play, on average the less they will lose within a particular window of time?

10 MR FELSTEAD: Yes, that's correct.

MR FEUTRILL: Conversely, the more they can lose in the same period of time?

15 MR FELSTEAD: That's correct, or they would lose a similar amount, depending on their wallet, in a shorter period of time.

MR FEUTRILL: So it is a feature of Responsible Service of Gaming program because it provides a cheque against, or a balance against the amount an individual can lose in a given period of time?

20

MR FELSTEAD: Yes.

MR FEUTRILL: Now, were you aware that Mr Preston had provided his response to the GWC in 2018?

25

MR FELSTEAD: I don't recall this.

MR FEUTRILL: Can I ask that you be shown GWC.0002.0016.0281, and can we scroll. Again the number I think is 0003. It is obscured by the reference to the attachment.

30

MR FELSTEAD: Yes, "Dear Mr Ord".

MR FEUTRILL: "Dear Mr Ord", and you see your name and Mr Preston's name. If you can scroll down, operator, to the end of the letter.

35

MR FELSTEAD: I signed this. I'm aware of this.

MR FEUTRILL: So do you have a clear recollection of this event, or the process of seeking an amendment to the WA Appendix in the early part of 2019?

40

MR FELSTEAD: Yes, I do.

MR FEUTRILL: I just want to draw a couple of things to your attention. You no doubt recall that one of the aspects of this application was to reduce the speed of play from 5 seconds to 3 seconds?

45

MR FELSTEAD: That is correct.

MR FEUTRILL: So, in a period of less than six months after the earlier letter where Mr Preston had been expressing it as a virtue of the Responsible Service of Gaming, you were applying for the GWC to approve, effectively, an appendix that would
5 increase the players' speed of play?

MR FELSTEAD: That's correct.

MR FEUTRILL: In a way we've just described, the ability of a person to lose more
10 in a shorter period of time?

MR FELSTEAD: In isolation, that's a correct statement. Yes.

MR FEUTRILL: So I just want to ask you, there is a passage on page 9 under the
15 heading "Responsible Service of Gambling" so you clearly did turn your mind to this. What I'm interested to know is, in the first part of the second paragraph is a reference to expressing a view that the proposed amendments will not have any impact on gambling related harm.

20 First of all, is that a view you held in March 2019 to your recollection?

MR FELSTEAD: Yes, that was my view.

MR FEUTRILL: Does it remain your view now?
25

MR FELSTEAD: Yes, when it is taken in context, which I'm happy to elaborate on.

MR FEUTRILL: I will give you that opportunity.

30 MR FELSTEAD: Excellent.

MR FEUTRILL: So you've expressed that view. What was the foundation for the view you expressed as to not having any impact on gamble-related harm?

35 MR FELSTEAD: Yes. Firstly, I think the words "will not have any impact on gamble-related harm" is incorrect, should have been "minimal". I think you will find that I did a presentation to the GWC on the state of that, so that should not have read "any impact", it should be read "minimal impact" or "negligible". The same point. So that was incorrect. That was when we gave the presentation.

40 Sorry, the rest of the question was?

MR FEUTRILL: Given the words should read "minimal" rather than "would not have any", what are you trying to convey to the reader by the words "minimal
45 impact"? So why did you have the view that it would be minimal impact?

MR FELSTEAD: The reason I had the view it would be minimal impact was that we

currently had --- the majority of our machines on the floor were a new type of machine. So they were a machine with a feature in it. This is quite a reasonably lengthy explanation.

5

If you go back to 15 years ago, all machines on the floor were very basic. Most of them didn't have a feature on there, there were draw card, draw poker machine, a Keno machine, that type of thing, with a five-second spin cycle. Very, very simple.

10 As time evolved, the machines evolved, and the machines came with features. What that would mean is you would play a machine, and instead of just the result coming up, quite often you would get a feature. And a feature could last anywhere from 30 seconds to a minute to two minutes depending on the machine. What that actually did ---

15

MR FEUTRILL: Can I stop you there. What is a feature?

MR FELSTEAD: Oh, a feature. When you play a machine, I use the example of an eastern states machine, when you play a typical poker machine, wheels spin around, and you may have three symbols, say three dragons for example, that will give you free games. What will happen when you trigger that is you get free games. Typically you will get 10, 20, 25 free games. What that does, the player has no interaction, the wheels spin and whatever you get off the free games goes to the credit meter. So that lengthens the experience of that particular spin by a long, long way. What we will find in here was, as we were getting these types of machines with features, because the manufacturers weren't making old style machines anymore, all the machines had a feature, whether it was free spins, whether it was a jackpot, what it might be, that increased the spin rate on average to about to 9 to 10 seconds. So we've gone from 5 seconds, which was mandated, which is fine, it's gone to anywhere between 9 to 10 seconds on average. So the length of time between spins on average per player was much, much longer. That's the reason we went to do that. We didn't want to go back and say the old-style machines which were five seconds, we'll go and convert them into three seconds. Any new ones we would, but the reality is manufacturers and casinos don't buy old-style machines that don't have a feature, free games, jackpots, that type of thing. That's the reason for this in the first place, because our spin rate blew out from 5 to about 9.5 or 10 seconds, which I think I explained earlier in this particular note.

MR FEUTRILL: So I've got two questions for you that arise out of part of your answers there. The first is if the spin rate as you describe blew out to nine seconds, isn't that a positive effect then on player harm, because it would --- it essentially doubles the spin rate and therefore halves the amount of games that could be played in a given period of time?

45 MR FELSTEAD: Yes, you could say that.

MR FEUTRILL: So if manufacturers were designing and building games with these features in it, one could say that as a positive outcome for the Responsible Service of

Gaming, that has been negated by decreasing the spin rate?

MR FELSTEAD: Yes, you could say that.

5

MR FEUTRILL: All right. The second is I thought I heard you say in an answer earlier, that in part there was a poker aspect to the game, I can't remember exactly what the words you used, but do you mean by that there was a poker machine or some other form of poker?

10

MR FELSTEAD: No, what I was referring to, in the early days at Burswood, pre-PBL, the machines you had there, they were a draw poker type of game. So you would play a machine, there would be a series of cards on there, ace, king, queen, and you try and get a result off that. Or they were a simple game, as spoils would drop down, as per a Bingo, Keno type of game. So there were no machines you would see on the east coast, any iteration over here, as a poker machine. They were a pure gaming machine unique to WA and they were set at five seconds.

15

MR FEUTRILL: All right. Can I ask you to be shown CRW.008.044.0236 and if we could scroll to 0236. Again if the operator could scroll through the letter so Mr Felstead could see the signature page.

20

If we could go back to the start, the subject matter of the letter. Can I ask you, Mr Felstead, do you recall this letter to the GWC concerning cashless payments?

25

MR FELSTEAD: Yes, I do.

MR FEUTRILL: With respect to Responsible Service of Gaming, you recall I took you earlier to the description of the ATM machine restrictions in an earlier period whereby there was a limit of \$400 and they weren't within 40 metres. You recall this proposal was something different, you could obtain essentially cash within the casino through the EFTPOS process?

30

MR FELSTEAD: Yes, this was at a gaming table.

35

MR FEUTRILL: At a gaming table.

MR FELSTEAD: Yes.

MR FEUTRILL: In respect of this proposal, do you consider it to have any impact on Responsible Service of Gaming?

40

MR FELSTEAD: When we put this proposal up, or when we thought about this initially, that was obviously one of the key considerations we had because I thought that could have been an issue. We looked at the circumstances around this and some of the procedures we had in place. We got a third party's opinion on this, what we believe an expert opinion on this in terms of would this have a significant effect on the Responsible Service of Gaming negatively?

45

MR FEUTRILL: So, just in respect of that, first, who is the third party from whom you obtained the advice?

5 MR FELSTEAD: Yes, Crown I think it was back in 2019, engaged the services of a
--- and this would report to the Responsible Service of Gaming Board Committee,
we engaged the services of three, I don't like to use the words --- I guess you call
them gaming experts --- Responsible Gaming experts. There's a gentleman by the
name of Alex Blaszczynski, there was Lisa Nower who is based in, I think, Canada,
10 and a chap called Professor Paul Delfabro who is a Responsible Gaming expert
from, I think South Australia.

We wanted to put an expert panel in place and we engaged those people, and their
job was to give us advice firstly on our Responsible Service of Gaming framework,
15 our policies, our procedures, and this is one of the first issues that we ran by, whether
it was at the group entirety or Mr Blaszczynski, we got advice and that refined how
we did this.

MR FEUTRILL: Are you able to recall and explain to the Commission your
20 understanding of the differences between the position under the, call it ATM policy
and what applied upon approval of the EFTPOS facility?

MR FELSTEAD: You might rephrase that, please.

25 MR FEUTRILL: What were the differences between the ATM policy, which
required a restriction of \$400 withdrawals and 40 metres outside the footprint of the
casino, and what was the difference here with an EFTPOS facility at the gaming
tables?

30 MR FELSTEAD: Apologies, I understand the question. What would occur in this
one is you could take out, I believe it was \$400 per transaction. I think it was \$400
per transaction, I need to refresh my memory. That could only be done on a debit
card at the table via a PIN pad. So there was interaction with the dealer. It wasn't
anonymous. There was interaction with the dealer. They would process the
35 transaction. They would give you a voucher called a chip purchase voucher. The
voucher would be exchanged for chips. The voucher would be accounted for, and
that would form part of the drop.

MR FEUTRILL: So do I understand the essential difference to be, based on that
40 answer, that instead of the patron having to get up and physically leave the casino
and go to an ATM and make a withdrawal, they could do it at the table?

MR FELSTEAD: That's correct.

45 MR FEUTRILL: And did this apply equally to electronic gaming machines and to
table games?

MR FELSTEAD: No, it hadn't been rolled out on EGMs. I'm not sure whether that was going to get done in the future, but there was no --- this wasn't available on an EGM.

5

MR FEUTRILL: And if a person was playing EGMs at this time, would it be open to them to go to the cage and use their EFTPOS at the cage and obtain ticket in, ticket out vouchers to use on a gaming machine?

10 MR FELSTEAD: Yes. Yes, I believe that is correct. They could do that, whether it was a ticket in, ticket out voucher or cash, I don't recall, but they could do an EFTPOS transaction at the cage.

MR FEUTRILL: You, in the course of your time as the CEO of Crown Perth and
15 Australian Resorts, had contact with Mr sergeant from time to time?

MR FELSTEAD: Yes, I did.

MR FEUTRILL: Mr Sergeant, at that time, was the Director-General of the
20 Department that regulated the casino?

MR FELSTEAD: Yes, he was.

MR FEUTRILL: And he was also ---
25

MR FRENCH: Sorry, what time was this?

MR FEUTRILL: When you had contact with him as CEO of Crown Perth.

30 MR FRENCH: So throughout that whole period?

MR FEUTRILL: Yes, throughout the whole period.

MR FELSTEAD: Yes.
35

MR FEUTRILL: I think my friend is saying at one point he ceased to be the Director-General of the department towards the end of --- (overspeaking) ---

MR FELSTEAD: --- I think he retired.
40

MR FEUTRILL: But you understood him to be, up until the point he had ceased to be the Director-General, the Director-General?

MR FELSTEAD: Yes.
45

MR FEUTRILL: And Chair of the GWC?

MR FELSTEAD: Yes.

MR FEUTRILL: And after he ceased to be Director-General of the department, he took up a role as an ordinary member of the GWC?

5 MR FELSTEAD: Yes, I believe that to be correct.

MR FEUTRILL: I want to ask you some questions about your relationship with Mr Sargeant. Mr Sargeant accompanied you on a trip to Melbourne in 2012?

10 MR FELSTEAD: I don't recall him accompanying me. I have a recollection --- I think it was in my statement that I met up with Mr Sargeant in Melbourne and Mr Connolly. I don't recall him accompanying me.

MR FEUTRILL: I see. There was a visit by Mr Sargeant and Mr Connolly to
15 Crown Melbourne for the purpose of observing the ticket in, ticket out process in Melbourne.

MR FELSTEAD: I don't recall but that would sound about correct. Yeah.

20 MR FEUTRILL: And the Crown Group paid for the flights of Mr Connolly and Mr Sargeant on that occasion?

MR FELSTEAD: I'm not aware of that.

25 MR FEUTRILL: Mr Sargeant also travelled to Macau in 2013; do you remember that?

MR FELSTEAD: Yes, I do.

30 MR FEUTRILL: The purpose of that was for him to be educated about the competition that Crown Perth was facing from the casinos in the region?

MR FELSTEAD: That's correct, yes.

35 MR FEUTRILL: And Crown paid for his accommodation on that occasion?

MR FELSTEAD: Crown definitely paid for travel, I don't recall if it paid for his accommodation. But definitely paid for his travel.

40 MR FEUTRILL: Did you accompany Mr Sargeant on his observations of the competition whilst in Macau?

MR FELSTEAD: Yes, I do, yes.

45 MR FEUTRILL: And were there occasions when you went to entertainment with Mr Sargeant?

MR FELSTEAD: I would have had dinner with Mr Sargeant. I believe I said in my statement we saw a show. That was about the extent of the entertainment.

5 MR FEUTRILL: Do you remember the name of the show?

MR FELSTEAD: It was at City of Dreams, which was our sister casino and it was called House of Dancing Water.

10 MR FEUTRILL: Were the tickets to the entertainment paid for by Crown?

MR FELSTEAD: I don't recall but more than likely yes.

MR FEUTRILL: Do you recall where the dinner was?

15

MR FELSTEAD: No, I don't recall where the dinner was.

MR FEUTRILL: Again, was the dinner paid for by Crown?

20 MR FELSTEAD: I don't recall that.

MR FEUTRILL: You actually extended an invitation to Mr Sargeant for this trip, didn't you?

25 MR FELSTEAD: The circumstances were I extended an invitation to Mr Sargeant, I can't remember which format, and I was talking to Mr Sargeant, and I said, "Are you planning on going to Macau any time soon?" He said that, "That would be a good thing". I believe he checked with the minister, his minister, and there was no funding for it. So I said to Mr Sargeant at the time that this would be something we would be
30 prepared to pay for from an airfare perspective, and then Mr Sargeant obviously went off and got approval, and that's how the trip eventuated.

MR FEUTRILL: The purpose of the trip was to educate Mr Sargeant about the competition in the region; correct?

35

MR FELSTEAD: Yes, it was. I thought it was necessary for someone of Mr Sargeant's seniority and role within gaming regulation of the casino to know what is going on in the region. I thought that was very important.

40 MR FEUTRILL: And around the same time Crown was formulating a proposal, or had formulated a proposal to make to the State Government to reduce the amount of tax on international commission business; correct?

45 MR FELSTEAD: That process --- that is correct. That process kicked off in, I think, 2011, that was about a three-year process. So Mr Sargeant's trip would have occurred during part of that process.

MR FEUTRILL: And it was part of the process, wasn't it, to assist with the act of

persuading the Government to reduce that to educate the Director-General department about your competition?

5 MR FELSTEAD: Sorry, can you repeat that again?

MR FEUTRILL: Part of your process of persuading Government that there was a need to reduce the tax involved educating Mr Sargeant about your competition?

10 MR FELSTEAD: It would have been, yes, that was definitely part of it.

MR FEUTRILL: You were hoping to persuade him to your cause, "Look how difficult our job is, our competition in the region"?

15 MR FELSTEAD: I'm not sure I would have phrased it like that because this particular proposal for tax went through Treasury, so we had to present to the Treasurer, Minister for Racing and Gaming, and the Department, so there was other people involved in it --- (overspeaking) ---

20 MR FEUTRILL: I understand ---

MR FELSTEAD: --- (overspeaking) ---

25 MR FEUTRILL: It wouldn't have hurt if Mr Sargeant was on your side of this, would it?

MR FELSTEAD: Oh, look, I never regarded Mr Sargeant being on anyone's side, certainly not the casino's side. I've had a lot of experience with Mr Sargeant and that's not how he operates.

30 MR FEUTRILL: May it please the Commission, I have no further questions.

COMMISSIONER OWEN: Thank you, Mr Feutrill. Any applications for leave to examine?

35 MR PENGLIS: Yes. I seek leave to cross-examine Mr Felstead in respect of the evidence he gave just before lunch about a conversation with Mr Preston about his conversations with Mr Brown and no credible explanation for the aggregation.

40 COMMISSIONER OWEN: Thank you.

CROSS-EXAMINATION BY MR PENGLIS

45 MR PENGLIS: Can you see me in the back?

MR FELSTEAD: Hi, just.

MR PENGLIS: My name is Penglis and I appear for Mr Preston.

MR FELSTEAD: Nice to meet you.

5

MR PENGLIS: You recall just before lunch you gave evidence about a conversation that you had with Mr Preston after he gave evidence on the Bergin Inquiry in the (inaudible - mobile phone interference) issue, correct?.

10 MR FELSTEAD: Yes.

MR FEUTRILL: I think you said just before lunch that Mr Preston said he had spoken to Mr Brown and some cage staff; correct?

15 MR FELSTEAD: That is correct, yes.

MR PENGLIS: And I think it was your words that you used the word that there was no credible explanation information provided Mr Preston so far as he was concerned, is that correct?

20

MR FELSTEAD: Yes, that's what I said, yes.

MR FEUTRILL: Now you are aware, aren't you, that Mr Brown gave evidence in the Bergin Inquiry?

25

MR FELSTEAD: Yes, I was aware of that.

MR PENGLIS: Commissioners, I'm going to refer to some transcript. I'm told it's not uploaded yet. It is Mr Brown's evidence. I will refer to the transcript page but it is not before the Commission at the moment.

30

COMMISSIONER OWEN: Thank you.

MR PENGLIS: Mr Felstead, I want to read to you a couple of portions from the transcript of Mr Brown's evidence and just ask you some questions.

35

MR FELSTEAD: Certainly.

MR PENGLIS: All right, now, you know that Ms Orr was counsel for Crown in the Bergin Inquiry?

40

MR FELSTEAD: One of the counsel, yes.

MR PENGLIS: I'm reading --- for the purpose of the transcript, I'm reading the transcript of 4 September 2020, page 2138.

45

Now, Mr Felstead, Mr Brown was asked whether he recalled being questioned about

work done by the cage staff in Crown Perth in the period 2013 and 2016 in relation to transactions on the Riverbank bank accounts. Mr Brown said that he recalled that. And then Ms Orr asked him this:

5

Question: And you said in answer to one of the questions that you believed the *cage staff at Crown Perth were aware of their obligations in relation to anti-money laundering; do you recall that?* Answer: *Yes, I do.* Question: *Would you please explain for the inquiry what those obligations were?* Answer: *The cage staff under anti-money laundering are required to review any transaction to ensure that patrons are not doing anything that they perceive to be outside of the guidelines and to report anything that they believe to be suspicious.*

10

Now, as the CEO of Australian Resorts at the time, does that accord with your beliefs and understandings?

15

MR FELSTEAD: Yes, generally, it does.

MR PENGLIS: Further down on page 2139, Ms Orr continued to ask Mr Brown some questions and it was:

20

Question: *How were your staff made aware of your obligations that you've just explained?* Answer: *They were made aware through their ongoing training and ongoing annual training in regards to any sort of suspicious matter.*

25

Just pausing there, again as the CEO of Australian Resorts at the time, that would have accorded with your expectations and beliefs?

MR FELSTEAD: Yes, it would.

30

MR PENGLIS: Thank you. And then Ms Orr then asked:

Question: Did that online knowledge deal with the concept of structuring?

35

You this morning said your terminology was smurfing; correct?

MR FELSTEAD: Correct.

MR PENGLIS: But you understand that structuring and smurfing are effectively interchangeable?

40

MR FELSTEAD: Yes, I do.

MR PENGLIS: To which Mr Brown responded:

5

Answer: Yes, there is a component in regards to structuring of payments, yes.

Again, as the CEO at the time of Australian Resorts, that would have accorded with your belief and understanding?

10

MR FELSTEAD: Yes, that is correct, yes.

MR PENGLIS: Now, I want to go back to some earlier evidence that Mr Brown gave and now I'm reading from transcript page 2132. You recall that Ms Sharp was one of the counsel assisting the Bergin Inquiry?

15

MR FELSTEAD: Yes, I'm familiar with Ms Sharp.

MR PENGLIS: Ms Sharp asked Mr Brown this question:

20

Question: To the best of your knowledge in the period 2013 to 2016, is it right *that the people at the Crown Perth cage who did look at these actual bank accounts statements for Riverbank were not looking whether structuring or smurfing was taking place within those accounts?* Answer: *No, I don't believe that to be the case, no.*

25

What is your reaction as the then ---

MR FELSTEAD: Can you repeat the last one. "No" as in the --- (overspeaking) ---

30

COMMISSIONER OWEN: It's on the screen. It's about line 35.

MR PENGLIS: I think you should read it, Mr Felstead, as an agreement with the proposition that they didn't look at the bank statements. You can see that from the next ---

35

MR FELSTEAD: If I could just --- so 35?

COMMISSIONER OWEN: In the left-hand column there is a number 35.

40

MR FELSTEAD: Yes, thank you, Commissioner.

Yes, I see that statement here. That would not accord with what my instructions were.

45

MR FEUTRILL: Thank you. Then later down Ms Sharp asked:

Did things change at all in that respect after 2016?

You can see the answer. You can read it for yourself rather than hear me go on.
5 Under that, Mr Brown, and then over the page, please, operator. You can see that Mr Brown effectively said that so far as he was aware, he wasn't sure there was any change or any specific instruction.

10 MR FELSTEAD: Okay.

MR PENGLIS: So what do you say to the suggestion that effectively from through to and including the date of this evidence, 4 September 2020, the cage staff at Perth Casino were not looking at whether structuring or smurfing was taking place within those accounts?

15 MR FELSTEAD: That would be a surprise to me, I would suggest that the evidence that Mr Brown, what I've heard from yourself, gave to Ms Orr, was an actual statement of what was occurring. The information he's given to Ms Sharp, I just think he's incorrect here.

20 MR PENGLIS: May it please the Commission.

COMMISSIONER OWEN: Thank you, Mr Penglis.

25 Any other applications? Mr Ward?

CROSS-EXAMINATION BY MR WARD

30 MR WARD: Commissioner, I seek leave to cross-examine on matters arising out of Mr Felstead's statement in relation to the operation of the Burswood Board.

Mr Felstead, I appear for Mr Poynton in this inquiry.

35 MR FELSTEAD: Thank you.

MR WARD: Can I ask you first, this isn't clearly dealt with in your statement, but I just want to clarify which functions of Crown or Burswood were dealt with at the
40 national level rather than the local level. Perhaps if I could run through the functions. Finance was dealt with at a national level at Crown Resorts?

MR FELSTEAD: Finance as in budgeting, you are talking about?

45 MR WARD: Yes.

MR FELSTEAD: Budgeting was ultimately approved at the Crown Resorts level,

yes.

5 MR WARD: The overall budget for Crown Perth was dealt with by Crown Resorts Ltd board?

MR FELSTEAD: That was approved by the Crown Resorts Board, yes.

10 MR WARD: IT services were all dealt with nationally?

MR FELSTEAD: That's correct, yes.

MR WARD: And marketing was all dealt with nationally?

15 MR FELSTEAD: Yes, but I qualify those statements. That was done after I think we started to amalgamate or have group functions around 2016, 2015 on. So it wasn't always the case, but it used to be the case that Crown Perth had its own marketing department, its own finance department, own IT department and the like. But then it became a group function.

20 MR WARD: It became a group function.

MR FELSTEAD: Yes.

25 MR WARD: Thank you. And the hotels were also a group function?

MR FELSTEAD: Hotels were a group function, that's correct.

30 MR WARD: You've already mentioned the VIP stuff was all managed out of Melbourne; that's right?

MR FELSTEAD: Yes, after that particular period of time, correct.

35 MR WARD: And a lot of the HR services were managed out of Melbourne?

40 MR FELSTEAD: Yes, and no. I don't want to be vague here. We had a dedicated human resources manager in Perth whose only role was to look after Perth. We had a dedicated human resources manager whose only role it was to look after human resource in Melbourne. We did have some group roles around occupational health and safety, around our Indigenous Employment Program and around our Disability Program and there may have been a couple of others. So there were elements of it which were group, elements of it which were local.

45 MR WARD: And of those group functions that we've talked about, a lot of those reported up through the board committees of the Crown Resorts Board, didn't they? So perhaps if I can give you some specifics. You are aware the Crown Resorts Board had an Audit and Governance Committee?

MR FELSTEAD: Yes.

5 MR WARD: And that Audit and Governance Committee was responsible for the internal and external audit programs ultimately, wasn't it?

MR FELSTEAD: Yes, they had overall responsibility for that.

10 MR WARD: They set the framework for the audit programs?

MR FELSTEAD: Yes, they approved the framework is a better way to describe that.

15 MR WARD: They approved the framework represented up by executive management?

MR FELSTEAD: That's exactly right.

20 MR WARD: There was also a Finance Committee of the Crown Resorts Board that dealt with financing issues relating to the operation ---

MR FELSTEAD: I wasn't a part of that, but I believe there was, yes.

25 MR WARD: You are aware there was a Responsible Gaming Committee chaired by Professor Horvath at group level?

MR FELSTEAD: Yes, I am.

30 MR WARD: And that Responsible Gaming Committee had overall supervision of Responsible Gaming policies and frameworks?

MR FELSTEAD: Yes, from a policy and framework perspective. Yes.

35 MR WARD: And a Risk Management Committee that was chaired by Mr Dixon and later Ms Halton who had overall supervision of the risk framework across the group?

MR FELSTEAD: Yes, an approval of such.

40 MR WARD: You mention in paragraph 41 of your statement the risk management framework. That was applied by the ERCC, wasn't it?

MR FELSTEAD: Yes, yes, it was.

45 MR WARD: And you say in paragraph 48, I think it was that --- apologies, I've referred to the wrong paragraph number. Paragraph 43, that the ERCC assisted the board of Crown Resorts Ltd in the final sentence.

MR FELSTEAD: The ERCC's role was to assist the Burswood Ltd Board to monitor risk and compliance.

MR WARD: So that was via the ERCC carrying out assessment of risks in accordance with the framework set by the Risk Management Committee of the Crown Resorts Board and reporting that through to the Crown Resorts Board ultimately, wasn't it?

MR FELSTEAD: Yes. They also would be informing the Burswood Ltd board of developments during that, by the way of a legal risk and compliance package would go into the board packs.

MR WARD: You would receive that --- sorry, the risk and compliance report for the board pack before the rest of the Board received it, and you would review that in your capacity as CEO?

MR FELSTEAD: Yes, typically, yes.

MR WARD: And when you reviewed it, you would ensure that it not only identified the issues presented but also the solutions to the benefit of the board of Burswood Ltd, wouldn't you?

MR FELSTEAD: Typically yes, I would give an update on --- and that may be the following board meeting. So if there were issues raised in board meeting number one, I would typically apply a follow-up in the following board meeting or sooner if need be.

MR WARD: If there were any issues identified by the Burswood Ltd board, they were raised upwards to the Crown Resorts Board?

MR FELSTEAD: If there were issues raised of this nature in the Burswood Ltd board, that would end up in the Crown Resorts risk and the --- Risk and Audit Committee. Risk Committee, sorry. And that would ultimately find its way to the Crown Resorts Board, yes.

MR WARD: Mr Preston gave some evidence to the effect that the executive members of the --- sorry, I withdraw that. The executives who were members of the Burswood Ltd board had greater understanding and knowledge than the independent directors; would you agree with that?

MR FELSTEAD: Greater knowledge of what?

MR WARD: Of matters that were dealt with in the ERCC?

MR FELSTEAD: Yes, they would have.

MR WARD: And to the best of your knowledge, were there any matters that were -- - sorry, I withdraw that question.

Can I take you to paragraph 111 of your statement where you deal with internal audit reports.

5 MR FELSTEAD: I have that.

MR WARD: You say there that internal audit reports went through the ERCC and to the board of Burswood Ltd. They also went to the Crown Resorts Ltd Audit Committee, didn't they?

10

MR FELSTEAD: Yes, they did.

MR FEUTRILL: Who are the people who are responsible for the conduct of that internal audit process?

15

MR FELSTEAD: I can't think of their names now. We had an internal audit team. Ultimately --- sorry, in recent times, a lady by the name of Anne Siegers, who is our group head of risk and audit, so this would have been part of her responsibility and that would follow all the way through the various boards up until the Risk Committee, and then on to the Crown Resorts Board.

20

MR WARD: Did you ever have any reason to doubt the competence of Ms Siegers in carrying out her internal audit functions?

25 MR FELSTEAD: No, I found Ms Siegers to be a very competent operator.

MR WARD: There were no issues raised about the internal audit --- sorry, internal audits that she conducted?

30 MR FELSTEAD: Not that I can recall, no.

MR WARD: You say at paragraphs 191 to 193 of your statement that there were some discussions between the gaming --- discussions that you had with the GWC regarding modifications to EGMs in Victoria. Do you have that?

35

MR FELSTEAD: No, I don't.

MR WARD: 191 to 193 you refer to those discussions.

40 MR FELSTEAD: 191 is China arrests. Are we looking at the same one? 192 is ---

MR WARD: Sorry, 192 you deal with Mr Wilkie's allegations.

MR FELSTEAD: Yes, I do.

45

MR WARD: And then at 193 you are referring to disciplinary action concerning varying the operation of EGMs without approval.

MR FELSTEAD: Yes, yes. I see that.

MR WARD: Now, those matters that you discussed with the GWC there, they did
5 not concern machines of the type that were in use at Burswood Ltd, did they?

MR FELSTEAD: No.

MR WARD: And you told the non-executive directors of Burswood Ltd that that
10 was not an issue in WA, didn't you?

MR FELSTEAD: I don't recall that. I'm certain I would have.

MR WARD: Finally, in paragraph 53 of your statement, you refer to the Board of
15 Burswood Ltd setting strategic direction of the business operated by Burswood Ltd,
including in respect of the casino. You see that?

MR FELSTEAD: I do, yes.

MR PENGLIS: The Board of Burswood Ltd, to the extent it was involved in setting
20 that strategic direction, worked within parameters given to it effectively by Crown
Resorts and by the executives who were on the Board, did you not?

MR FELSTEAD: Yes.

MR WARD: So the independent directors might comment, but ultimately
25 responsibility sat with the executive directors and with Crown Resorts Board?

MR FELSTEAD: Ultimately that's the case, yes.

MR WARD: Thank you.

That's all, Commissioners.

35 COMMISSIONER OWEN: Any other applications?

CROSS-EXAMINATION BY MR EVANS

40 MR EVANS: If I might, Commissioners. Three topics, one quite brief, the others
might be slightly longer.

Mr Felstead, my name is Evans and I appear for the Gaming and Wagering
45 Commission.

Mr Feutrill took you to the concept of cheque cashing. I just want to clarify a couple
of matters, if I could, to ensure I understood your evidence correctly.

The first is that cheque cashing or something equivalent to it was available at the casino up to the date at which you ceased to be involved at the casino?

5 MR FELSTEAD: That is my recollection, yes.

MR EVANS: And as you explained it, I took it that cheque cashing facilities were available to domestic patrons, that is persons who were resident in WA ordinarily?

10 MR FELSTEAD: Yes.

MR EVANS: And did I take the tenor of your evidence to be in substance that a gambler would come to the cage, would ask for an amount of money, would sign a piece of paper, which was treated as a promise to repay that money in the future?

15

MR FELSTEAD: No. No, that's credit.

MR EVANS: I understand that. But to understand what was actually done, they signed a cheque, which would be held and which could be redeemed for payments in the future. That was your evidence, wasn't it?

20

MR FELSTEAD: No, not quite. I just want to be clear, I don't want to confuse anyone, we are talking about a cheque cashing facility, right?

25 MR EVANS: But the cheque was not actually cashed.

MR FELSTEAD: The cheque was not actually cashed, the player could redeem that cheque via a telegraphic transfer, via a bank cheque, via cash, or the cheque would be banked.

30

MR EVANS: Was the cheque presently dated or post-dated?

MR FELSTEAD: It was dated on the date of the transaction.

35 MR EVANS: But the understanding between the gambler and the casino was the cheque would not be presented for a number of days in the future?

MR FELSTEAD: That is correct.

40 MR EVANS: Thank you. Can I move on to another topic. There is quite a bit in your statement that deals with AML/CTF transactions for understandable reasons.

MR FELSTEAD: Yes.

45 MR EVANS: Can I bring up your statement at paragraph 89. The first part dealing with junket operators, junket players and premium players, these are necessarily customers who will be bringing in funds generally from overseas, although not

always from overseas, is to open a deposit account with the casino cage, that's your evidence in the paragraph?

5 MR FELSTEAD: That's correct, yes.

MR EVANS: The words are "so that all financial transactions can be transacted through that account"?

10 MR FELSTEAD: Yes.

MR FEUTRILL: And that account is maintained in the system which is known as SYCO within the Burswood system; correct?

15 MR FELSTEAD: That is correct.

MR EVANS: Consequently for the purpose of customer casino's monitoring of the transactions, SYCO plays a central role, doesn't it?

20 MR FELSTEAD: Yes, it does.

MR EVANS: Can I take you forward to paragraph 106, and your understanding is that the cage or anyone accepting cash were required to raise a report of any cash transaction exceeding the threshold?

25

MR FELSTEAD: Yes.

MR EVANS: And when you refer to "anyone accepting cash" were you intending to include in that Southbank Investments and Riverbank Investments?

30

MR FELSTEAD: No, no. I was referring to cash transactions that may have occurred in the casino. So it may be the cage, it may be at a table game, it may be in a retail outlet. That's what I was referring to there.

35 MR EVANS: Thank you. That is then consistent with Mr Preston's evidence, is it not, that Southbank Investments and Riverbank Investments --- and this is the evidence I should say to the Bergin Inquiry --- unequivocally that neither Southbank or Riverbank had any TTR reporting obligation?

40 MR FELSTEAD: No.

MR EVANS: No in that they do not have a reporting obligation?

45 MR FELSTEAD: No, there was no reporting obligation on those two entities. The reporting obligation was on the casino, either Crown Melbourne or Crown Perth, as a reporting agent for it, for a better word.

MR EVANS: Is it the case, and your understanding of the AML program, that on the

transfer of funds from the Riverbank account to the cage for entry into SYCO, there was a TTR obligation arising at that point?

5 MR FELSTEAD: No, there was not a TTR obligation at that point. It didn't involve cash.

MR EVANS: Yes, precisely. So, for monies which came into Riverbank there was no TTR obligation, and on the transfer of those funds from Riverbank to the cage
10 there was no TTR obligation?

MR FELSTEAD: That is correct.

MR EVANS: If the funds were aggregated at the point of which they were entered
15 into SYCO, there would be no evident link between the attribution of those funds to a particular patron and the source of those funds (inaudible)?

MR FELSTEAD: What that would do, that would void the ability to form a suspect transaction on that matter.
20

MR EVANS: Yes, thank you. So when at paragraph 128 you say that the Riverbank accounts were subject to the transaction monitoring program, that was critically dependent upon the accuracy and diligence of the cage team in translating information in those accounts to SYCO?
25

MR FELSTEAD: Yes, it was.

MR EVANS: Because the entire transaction monitoring program depends upon SYCO?
30

MR FELSTEAD: No, not the entire transaction monitoring program. The manual transaction monitoring programs at the cage don't, but it is certainly a key element of the transaction monitoring program.

MR EVANS: Thank you. I then take you to a question which you addressed, this is question 37 which was put to you and you addressed it as paragraph 79. And the question was put in relation to a number of topics, dividend and trust distributions payable by one or more Burswood Ltd from Perth casino to other Crown Group members; payments and the purpose for payments made to other Crown Group
40 members, and loans by Crown Perth to other Crown Group members. And at 79 in response you say:

*..... I had no direct involvement in and no specific knowledge of these matters
..... [and] no specific recollection of those matters now.*

45 Perhaps you could be shown --- perhaps the operator can bring up CRW.703.001.3302. Can it be brought up on this room only, please. This is the agenda for a Burswood Ltd board meeting.

MS SHEPARD: Before Mr Evans continues with his questioning, I can't see the document to which reference is being made.

5 COMMISSIONER OWEN: Can you see it now, Ms Shepard?

MS SHEPARD: Thank you, Commissioner.

10 MR EVANS: My apologies. This is a board pack from August board meeting. I was looking at the attached minutes. I accept that you weren't present this meeting, Mr Felstead. You were recorded as being an intended apology?

MR FELSTEAD: Yes.

15 MR EVANS: But you would have I assume had seen much of the contents attached to this in your role as CEO Australian Resorts. In particular I will turn your attention to the financial results section, part 2, and the "F21-F24 financial plan (incorporating F21 budget)", part 3.

20 MR FELSTEAD: Yes.

MR EVANS: You would have seen those because ultimately you would have been responsible for the preparation, oversight and delivery of those, would you not?

25 MR FELSTEAD: Yes.

MR EVANS: So if I can take you down to those. They commence at 3312 on my page. They are very small. I will do my best not to read anything out as I apprehend that Crown would have some sensitivities in relation to this, but just to understand,
30 this is effectively the consolidated performance statement for the operating entities within the Crown Perth business unit; is that correct?

MR FELSTEAD: Yes, it is.

35 MR EVANS: Now, it is heavily segmented in terms of revenue and expenses by different types of offering.

MR FELSTEAD: Yes, it is.

40 MR EVANS: And this is the year-to-date 30 June 2020. The budget figures, the actual figures, the variances and derived EBITDA margins, so that is earnings before interest, tax, depreciation and amortisation for each; is that correct?

MR FELSTEAD: Yes, it is.

45

MR EVANS: Somewhere in there, recognising these were management accounts and not audited as at August, the best view the business had of its financial

performance for the 2019/2020 financial year in Perth on a standalone basis; is that correct?

5 MR FELSTEAD: That is correct.

MR EVANS: I couldn't identify in here but there may be somewhere, is there included in the standalone business unit accounts an allocation for the corporate overheads of the Crown Group attributable to the unit?

10

MR FELSTEAD: I don't believe so. I can't actually recall. I don't believe so, no. I think that was a separate entity under Crown Resorts, I believe.

MR EVANS: Thank you.

15

COMMISSIONER JENKINS: Just on that, sorry to interrupt, Mr Evans, I was wondering, you talked about Crown Perth receiving services from Crown Melbourne say in relation to international business. So did Crown Melbourne charge Crown Perth for the cost of those services?

20

MR FELSTEAD: To a degree, yes. In some of the shared services we would have a marketing team over here and a marketing team in Melbourne. Crown Melbourne would pay for the marketing team located on site, and I believe there would be an allocation of some of the senior management which would go through to Crown Perth as well.

25

COMMISSIONER JENKINS: It wouldn't be individually itemised on an account as to services provided by Crown Melbourne or anything of that nature --

30 MR FELSTEAD: No. I don't believe so, Commissioner, no.

COMMISSIONER JENKINS: --- by head office?

MR FELSTEAD: No, I don't believe so, Commissioner.

35

COMMISSIONER JENKINS: Sorry.

MR EVANS: Not at all, Commissioner.

40 Perhaps I can take you to page 3318. This again is year to date 30 June 2020 actual figures. On the bottom line of that table, which summarises this is only payroll, one accepts, by effectively subunit of the business, regular tables, local premium, local VIP business, gaming machines, international business, food and beverage, conventions, hotels, others, marketing, loyalty program, support services --- there is a
45 considerable payroll for support services --- security and there is an "other" expenses corporate, which is a negative item. Does that reflect a contribution effectively by Perth Casino to the group in terms of services provided out of Perth?

MR FELSTEAD: Yes ---

MR EVANS: I think Mr McGregor is the more appropriate person.

5

MR FELSTEAD: Yeah, I think he will be the better one. I don't want to put my foot into it or give you a wrong answer.

10 MR EVANS: I will park that to next week. Can I take you to a more interesting topic at page 3340.

I understand this to represent a balance sheet for the Crown Perth business unit as at 30 June 2020; is that your understanding of what it is?

15 MR FELSTEAD: Yes, it would appear that way.

MR EVANS: All right. In there appear in the usual way as one finds in accounts a statement of current assets, including cash held, cash and cash equivalents held, statement of non-current assets which includes evaluation of property, plant and
20 equipment, that would be the casino and the hotel buildings and other infrastructure on the Burswood site?

MR FELSTEAD: Yes, that would be my understanding.

25 MR EVANS: An entry for licenses and mastheads, conveniently summarised parenthetically, "casino licence", so it is an intangible value for the casino licence?

MR FELSTEAD: Yes.

30 MR EVANS: Other goodwill, some tax assets. Perhaps slightly more interesting is when you go to liabilities, again presented in the conventional way. There are some current liabilities as one would expect, trade creditors, people yet to be paid, some tax, some provisions.

35 In non-current liabilities, however, there are three large items, "non-current inter-company payables - loan from PBL WA Pty Ltd". Now, these being consolidated accounts, I assume that PBL WA Pty Ltd is not a company which sits below Burswood Ltd?

40 MR FELSTEAD: I don't believe so. I'm probably not overly familiar with this particular document. It may be a question directed to Mr McGregor or Mr Barton.

MR EVANS: Can I take you to the next one, "non-current inter-company payables - loan from PBL Finance".

45

MR FELSTEAD: Yes.

MR EVANS: That is a number shown in parenthesis, that is it's a negative liability.

MR FELSTEAD: Yes, I can't shed any light on that.

5 MR EVANS: We'll park that for Mr McGregor. One thing you should be able to cast light on, perhaps it would assist if I take you to the bottom of that page which makes clear that the balances in the non-current liabilities are a loan from PBL WA Pty Ltd and a loan to PBL Finance and a loan to BetFair; do you understand those?

10 MR FELSTEAD: Yes, I can see them. Not overly familiar with what they are standing for.

MR EVANS: You would be familiar with the cash position of the local group and be very concerned, I would assume, with its ability to generate and maintain cash?

15 MR FELSTEAD: Yes.

MR EVANS: Can I take you to the next page. This is in landscape. I won't take you tediously through each line, but every month or so when there was surplus cash available in Crown Casino in Perth, it was the subject to what is colloquially known as the "Crown sweep", is that correct?

20 MR FELSTEAD: I'm not aware of that. I don't want to be evasive here, but this is very much Treasury function. And the first page you took me to, the P&L, I was very much across that. This is probably not my area of expertise.

25 MR EVANS: But it is the position that Crown Perth was not allowed to keep more money than was necessary under its control from time to time?

MR FELSTEAD: I'm not aware of that.

30 MR EVANS: Thank you, Mr Felstead. Thank you.

No further questions.

35 COMMISSIONER OWEN: Mr Evans, I don't know the answer to this, but I will put it on the record and people can check. The intercompany indebtedness to PBL Pty Ltd, there is a possibility that is now called Crown (Western Australia) Pty Ltd.

MR EVANS: That is possibly the case, yes, Commissioner.

40 COMMISSIONER OWEN: Which is interposed, as I recall, between Crown Resorts and the Burswood sub-group.

45 MR EVANS: That would make perfect sense, but what it would represent is funds moving up and down from the Burswood Ltd level towards (inaudible) which is ultimately the point of the question.

But this is a matter which obviously we will pursue with Mr McGregor next week.
Thank you.

5 COMMISSIONER OWEN: Any other applications? I know we have some counsel
not in the room.

CROSS-EXAMINATION BY MR DHARMANANDA

10

MR DHARMANANDA: (Inaudible) or not, I apologise for the slight delay.

15 Mr Felstead, my name is Dharmananda. I appear for the Crown Group. I have two
questions for you.

The first is, you were asked some questions recently about whether certain reports
were made by Riverbank or Southbank. Do you know what the relevant reporting
entities is for the purposes of the AML legislation?

20

MR FELSTEAD: Yes. It was Burswood Nominees and Crown Melbourne.

25 MR DHARMANANDA: Thank you. You were asked a number of questions about
the cheque cashing facility, both by Mr Feutrill and then by Mr Evans.

25

MR FELSTEAD: Yes.

30 MR DHARMANANDA: Are you aware that there is a section of the manual
concerned with the cheque cashing facility?

30

MR FELSTEAD: Not specifically, but I --- that would not surprise me.

MR DHARMANANDA: Mr Operator, has CRW.700.001.1250 been uploaded?

35 Does that seem familiar to you, Mr Felstead, or something like it in your time? Did
you ever have recourse to the manual at any stage?

MR FELSTEAD: I would have looked at the manual at some stage. I don't
specifically recall this but I definitely would have looked at the manual at some time.

40

MR DHARMANANDA: If you scroll down, please, operator.

45 You will see that under the heading "cheque cashing facilities" there is a reference to
the time frames for the banking or redemption of gaming cheques presented by
patrons, and specifically five banking days for local and interstate residents. Do you
see that, Mr Felstead?

MR FELSTEAD: Yes, I do.

MR DHARMANANDA: And that accords with your memory of how the facility operated?

5 MR FELSTEAD: Yes.

MR DHARMANANDA: To your knowledge, the manual was delivered to the GWC for review?

10 MR FELSTEAD: Yes.

MR DHARMANANDA: From time to time?

15 MR FELSTEAD: Yes, that would be my understanding. Thank you.

MR DHARMANANDA: Thank you. No further question.

20 COMMISSIONER OWEN: Thank you, Mr Dharmananda. No other applications for leave?

Thank you. Commissioner Jenkins.

25 QUESTIONS BY THE COMMISSIONERS

30 COMMISSIONER JENKINS: Thank you. Before I start there was one question from Mr Ward, the last question about paragraph 53 of your statement, and to be honest I don't think I caught the whole of the question or understood the answers. I was wondering if that could be clarified so I could see if I did have any issue arising from it.

35 MS SHEPARD: Commissioner, I hate to interrupt, I hadn't appreciated that there was a call for re-examination as well. If that's the case I will have questions and seeking leave to do so.

COMMISSIONER OWEN: The practice we've adopted is that the Commissioners will ask their questions and then you can re-examine.

40 MS SHEPARD: Certainly. My apologies.

COMMISSIONER JENKINS: Sorry, Mr Ward.

45 MR WARD: Commissioner, my question was directed to paragraph 53 and the reference in that paragraph to the strategic direction of the business being set by Burswood Ltd. My question was whether that strategic direction was, to the extent that Burswood Ltd was involved, whether that was done within the constraints

5 applied by Crown Resorts at the Crown Resorts level. Such that the input from the non-executive directors, I struggle to remember my exact words there, but the Crown Resorts Board and the executive directors provided that strategic direction, and the independent directors had the opportunity to comment but it was primarily driven from Crown Resorts Board. And I think the witness agreed with that proposition.

10 COMMISSIONER JENKINS: Thank you. Could I ask a follow-up question in respect of that.

The Burswood Ltd board operated as a board, they weren't separated into executive and non-executive directors, were they?

15 MR FELSTEAD: No, they weren't.

COMMISSIONER JENKINS: So whatever direction they gave in respect of the business, they gave as a board rather than as some directors having greater power or power of direction than other directors?

20 MR FELSTEAD: That's correct, Commissioner.

COMMISSIONER JENKINS: And whilst you were a member of the board, did they operate in practical terms as two different groups?

25 MR FELSTEAD: No, they didn't, Commissioner.

30 COMMISSIONER JENKINS: In respect of the international commission business, I want to put to you some things which Mr Bossi says about his involvement because I'm not quite sure that he and you are on the same page, so to speak, and I want to get your comment about what he says.

35 He says that he made you, and you were CEO of Crown Perth at the time, he commenced working for Crown in Perth, aware of the limitations of his knowledge with respect to ICB operations? Would you agree with that?

MR FELSTEAD: Yes, broadly, yes.

40 COMMISSIONER JENKINS: And he says that his operational involvement in ICB was limited; would you agree with that or not?

MR FELSTEAD: Yes, he was involved but not as much as mine, definitely.

45 COMMISSIONER JENKINS: And he says that ICB largely operated from CRL and Crown Melbourne; would you agree with that?

MR FELSTEAD: Yes, I would agree with that.

COMMISSIONER JENKINS: In particular I want to ask you about this. He says

that he had oversight of the members of the international team at Crown Perth until around mid-2013. I understand your evidence today was that you would put a different date on that.

5

MR FELSTEAD: Yes. I don't accord with Mr Bossi's view on that. I don't --- that would suggest that he had it and was taken off him. Is that the thrust of it?

10 COMMISSIONER JENKINS: The point more was I thought your evidence was that it was from 2016 that you took, or that the ICB business was really taken away from Perth, if you like, and centralised in Melbourne.

15 MR FELSTEAD: Elements of that were, Commissioner. We had a head of international --- sorry, I think it was a vice-president of international, who I guess was the manager on the ground until 2016, then he was --- he left the business. Then it became a function of Crown Melbourne.

COMMISSIONER JENKINS: He then goes on to say:

20 *From mid-2013 Mr Felstead became the CEO of Australian Resorts and he assumed direct responsibility of ICB, including of VIP and junket operations across the entire Crown Resorts group .*

25 Now, my understanding of your evidence was that that occurred from 2016, not from mid-2013. Am I right in that or am I wrong?

MR FELSTEAD: That is wrong, Commissioner. It was definitely 2013.

30 COMMISSIONER JENKINS: 2013. So you and Mr Bossi agree that it was from 2013.

MR FELSTEAD: Yes, I apologise if I led you to believe something else but it was definitely 2013.

35 COMMISSIONER JENKINS: At paragraph 85 of your statement you refer to 2016. For example, you say that from 2016 the ICB with the exception of hosting and on-the-ground servicing of customers was run out of Melbourne.

MR FELSTEAD: Yes.

40

COMMISSIONER JENKINS: I'm confused.

45 MR FELSTEAD: I think we have confused you. If we pick a date, in 2015, for example, we had a head of VIP who is based in Perth, and that particular person would look after the hosts in Perth, he would look after --- he had some degree of responsibility for credit control and he was working in conjunction with the team in Melbourne. Come 2016, that position no longer existed and all the functions there, including the hosting, apart from the staff on the ground, reported through to

Melbourne.

5 COMMISSIONER JENKINS: Well, I thought you'd agreed with Mr Bossi, just a moment ago, when he says that from mid-2013, you assumed direct responsibility for ICB, ICB including --- inclusive of VIP and junket operations across the entire Crown Resorts group. I suppose that is in terms of management.

10 MR FELSTEAD: That is in terms of overall responsibility. So I guess I was here and overseeing the entire ICB operation. Mr Bossi was assisting on the ground with the people that were here.

15 COMMISSIONER JENKINS: So if he gave evidence that he really had nothing to do with it from 2013, apart from the hosting and some extension of credit, would you agree with that or not?

20 MR FELSTEAD: Yes, would agree with that. I think I made an error here. The VIP management team in Crown Perth reported to the COO. That might not have been correct. Apologies for that.

25 COMMISSIONER JENKINS: Now, in relation to China, you said in evidence today that --- maybe I will just put to you what I heard. I heard you say in answer to a question from Mr Feutrill that Crown did not have an overt presence in China around 2015 time period. Did I hear you correctly?

30 MR FELSTEAD: I may have been referring to we were not operating in an overt manner. We had a presence in China, definitely. We didn't have an office. We didn't have any shopfronts in there. It was staff --- excuse me, staff based in China working in a low-key manner. That's what I was trying to allude to.

35 COMMISSIONER JENKINS: So you consider having over 15 staff members in mainland China, whose job is to market Crown casinos to Chinese nationals and who have budgets which they are encouraged to meet and/or exceed in terms of marketing, is not having an overt presence in China?

40 MR FELSTEAD: I would say we had a strong physical presence in China. I guess I was referring more to about the activities of the people there from an overt manner. We definitely had a strong presence in China. I won't deny that.

45 COMMISSIONER JENKINS: They were being encouraged to conduct their employment conduct on the quiet because Crown knew that it was not legal in China?

COMMISSIONER JENKINS: No. In respect of ICB (inaudible) necessary part of that business, is that your understanding too?

MR FELSTEAD: Yes, it is.

COMMISSIONER JENKINS: Why is that?

5 MR FELSTEAD: It is something that is done. All major casinos I'm aware of that deal in the IC business, ICB business, and some of them don't, they all provide credit. It started in Vegas many, many years ago. Most of the other casinos have followed suit, and it is just an accepted practice in the business to provide credit.

10 COMMISSIONER JENKINS: Tell me, they were charged by Crown, was interest charged on the debt?

MR FELSTEAD: No, it wasn't, Commissioner.

15 COMMISSIONER JENKINS: So it is an interest-free loan, in effect?

MR FELSTEAD: Yes, you could describe it as that.

20 COMMISSIONER JENKINS: And I think you would be aware that under the State Agreement, providing credit to gamblers in WA is prohibited unless it is with the consent of the GWC, the prior consent of the GWC?

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

25 COMMISSIONER JENKINS: Or its equivalent. Now, when you joined Crown in Perth, had that standing permission or consent already been given?

30 MR FELSTEAD: No, it had not. I believe that was approved at a later date. I started in 2005. Credit was not --- I don't believe it was available to overseas customers then. It was approved at a later date.

COMMISSIONER JENKINS: Did you have any involvement in that process?

MR FELSTEAD: I don't specifically recall. I may have.

35 COMMISSIONER JENKINS: In respect of credit then being given to Chinese gamblers in the 2010s and after that, recovery --- you were aware that recovery of debts from gambling was illegal in China?

40 MR FELSTEAD: I wasn't aware it was illegal to recover a debt in China.

COMMISSIONER JENKINS: If that is what the Bergin Report reports, you would say you weren't aware of that?

45 MR FELSTEAD: I wasn't aware it was illegal, no.

COMMISSIONER JENKINS: In answer to a question from Mr Feutrill, you disagreed with him that getting Chinese gamblers to exceed the limit of money they were permitted to take out of China for gambling was the key factor, but in actual

fact that answer you gave to Mr Feutrill wasn't responsive to his question, as I understood it.

5 My understanding was he asked whether you acknowledge that Crown knew or you knew that you were facilitating patrons breaching Chinese law, that is Chinese patrons, breaching Chinese law by taking money out of China for gambling.

MR FELSTEAD: Sorry, I missed the question.

10

COMMISSIONER JENKINS: Do you know, and --- did you know --- sorry, I will put it in a more timely fashion.

15 Did you know back in 2015/16, the relevant period I think is how it has been described, that Crown was by various methods, ie use of the Riverbank account, by the CUP process, facilitating patrons breaching Chinese law by taking money out of China for gambling?

20 MR FELSTEAD: No, I didn't make that distinction that we were facilitating breaking Chinese law.

COMMISSIONER JENKINS: You were a member of the VIP working group, or the VIP review working group, that it has been called variously?

25 MR FELSTEAD: Yes, I was.

COMMISSIONER JENKINS: And wasn't a --- or was it a purpose of that group to explore ways in which Chinese gamblers could remit money from China to Crown for gambling?

30

MR FELSTEAD: Yes, it was.

35 MR FEUTRILL: Wasn't that an issue because you knew, and Crown knew, that Chinese gamblers, Chinese residents, were not permitted to take money out of China for gambling?

40 MR FELSTEAD: It wasn't so much they weren't permitted to do it, Commissioner, it was more the difficulty the customers were expressing to us in the repayment of debts in China. Some of these customers would have had accounts overseas. We were just trying to explore ways, any legal ways, that money could be moved from a customer perspective.

45 COMMISSIONER JENKINS: And wasn't that because they could not move that money lawfully for the purpose of gambling out of China? Did you know that?

MR FELSTEAD: Well, I did know that there were restrictions around currency out of China. I didn't turn my mind to that particular issue per se, but that was always an issue for us, getting customers to pay their debts from China.

COMMISSIONER JENKINS: In respect of the CUP process, you said that you thought that the advantage of CUP was because there was a limit on the withdrawal of money within 50 metres of a casino or something of that nature, the casino floor.
5 Was that the effect of your evidence?

MR FELSTEAD: I mentioned that, Commissioner, in relation to why it was --- my understanding of why it was done at the hotel.

10 COMMISSIONER JENKINS: The purpose of doing it at the hotel, was it not, was to disguise the fact that the Chinese patrons are moving money out of China for gambling?

MR FELSTEAD: No. No, the purpose of doing it at the hotel was you couldn't do
15 the transaction at the casino cage.

COMMISSIONER JENKINS: In relationship of the Riverbank account you gave evidence of people in Perth who knew about the account. A different question is, who in Perth would have seen the transactions within the account? And can I ask
20 you that question and I think to some extent it might be reflected in an answer you gave Mr Feutrill, but just remind me again who, in your view, in the period 2013 to 2017/18 would have seen the transactions through the Riverbank account.

MR FELSTEAD: In Perth?
25

COMMISSIONER JENKINS: In Perth.

MR FELSTEAD: That would have been the cage personnel, typically cage management. That would have been the finance department, and they are the only
30 two I can think of that would have seen them in Crown Perth.

COMMISSIONER JENKINS: Sorry, my mind wandered there for a moment, Mr Felstead. So the cage staff?

35 MR FELSTEAD: The cage staff, yes.

COMMISSIONER JENKINS: Mr Brown was manager of the cage?

MR FELSTEAD: Yes, he was, yes.
40

COMMISSIONER JENKINS: So would he have seen the transactions?

MR FELSTEAD: I would imagine either he or he would have delegated to people within his team.
45

COMMISSIONER JENKINS: His team. What about Vasula Kessell?

MR FELSTEAD: Vasula or her team would have been looking at the accounts, the specific transactions going into the accounts, yes.

5 COMMISSIONER JENKINS: Now, you were referred to some evidence given by Mr Brown at the Bergin Inquiry, and you said in answer to Mr Penglis that essentially you disagreed with Mr Brown that staff within the cage should have been checking the Riverbank account for suspicious transactions; is that right?

10 MR FELSTEAD: Yes, yes, I said that staff in the cage should have been checking for suspicious transactions.

COMMISSIONER JENKINS: We've got a situation where Mr Brown says they weren't checking, you say they should have been checking; doesn't that highlight the importance of actually ascertaining who these people were and finding out whether they saw the suspicious transactions and deliberately aggregated them, saw the suspicious transactions and didn't realise they were suspicious, or had some other explanation of what occurred?

20 MR FELSTEAD: Yes, it does. An investigation needed to have occurred.

COMMISSIONER JENKINS: And by the time you left Crown at the end of 2020, had that investigation taken place?

25 MR FELSTEAD: I don't believe so.

COMMISSIONER JENKINS: And so you certainly can't tell the Commission why those suspicious transactions which have been identified in Riverbank occurred? Sorry, I shouldn't say that. That's wrong.

30 You can't tell us why they were not identified by Crown's staff and reported up the line?

MR FELSTEAD: I can't give you an explanation of that.

35 COMMISSIONER JENKINS: In respect of the closing of the ANZ account, why didn't you ask why the ANZ account was closing, that is the Riverbank Investments account?

40 MR FELSTEAD: With the banking and the Treasury Department that was just not something I turned my mind to, Commissioner. I had, and this is --- I'm not trying to make excuses, but I looked after certain issues, other people looked after others. And that was not something I did.

45 COMMISSIONER JENKINS: In 2014, this was a time when you were on the VIP Review Committee, wasn't it?

MR FELSTEAD: Yes, that would be correct.

COMMISSIONER JENKINS: You've agreed that it was a part of that group's purpose to assist patrons to remit money to Crown for gaming.

5 MR FELSTEAD: Trying to find ways to do that, yes, that was one of the purviews of the committee.

COMMISSIONER JENKINS: And the Riverbank account was one of the ways that overseas patrons could remit money to Crown for gaming in a way that suited them
10 because they didn't have to reveal that it was for the purpose of gaming.

MR FELSTEAD: Correct.

COMMISSIONER JENKINS: Doesn't it seem surprising to you that you didn't ask
15 and were concerned about the fact that the Riverbank account was being closed, because this was closing off one of the ways overseas patrons could remit money to Crown for gaming?

MR FELSTEAD: I think the key issue, Commissioner, was not so much the existing
20 accounts we had, which included Riverbank and other accounts, it was more about what are other ways we can find for patrons to remit money to the property.

COMMISSIONER JENKINS: You want to expand the ways? You would be very
25 concerned if they were contracting.

MR FELSTEAD: We had a problem --- as I mentioned earlier, we had a problem with customers in getting money to pay debts and we were looking at other ways to do that.

30 COMMISSIONER JENKINS: In a well-managed and governed operation, would you expect that as CEO of Australian Resorts would have been told that the Riverbank Investments account was being closed by the ANZ because it recognised suspicious transactions within that account, that is, suspicious transactions which raise questions as to whether money laundering was occurring in that account?
35

MR FELSTEAD: I think in an ideal world I would have been told a lot of things.

COMMISSIONER JENKINS: And then that the relevant governing boards would
40 have been told as well; would you agree?

MR FELSTEAD: I would agree with that, yes.

COMMISSIONER JENKINS: And, if Mr Preston and Mr Bossi and Mr Barton
45 knew that that was the reason why the ANZ account was being closed, you would have expected them to know that it was appropriate to report that up the line to you?

MR FELSTEAD: Yes. Yes.

COMMISSIONER JENKINS: Did you acknowledge that their failure to report it up the line to you reflected poor implementation of AML policy within Crown at that time?

5

MR FELSTEAD: I think what it reflected, Commissioner, was probably there was a siloed effect in terms of who was responsible for what. And I think that may have been to the detriment of some of these things.

10 COMMISSIONER JENKINS: In respect of a reduction of speed of play from five to three seconds, you gave an explanation, as I understand it, you were saying that in your view it wasn't a reduction in speed of play from five to three seconds, it was a reduction in speed of play from nine seconds to five seconds or something to that effect; is that right?

15

MR FELSTEAD: Words to that effect, yes.

COMMISSIONER JENKINS: Can I understand this. I have a dollar and I put it into the machine and hit a button and that's my commencement of play. When do you 20 say the next --- when does the play finish?

MR FELSTEAD: When the symbols stop rotating, spinning, whatever it might be. And there then maybe features and bonuses that mean I don't start a new game for nine seconds? Is that what you're saying?

25

MR FELSTEAD: Or longer, Commissioner, yes.

COMMISSIONER JENKINS: So I don't put another dollar in for nine seconds?

30 MR FELSTEAD: Sorry, Commissioner, that is on average. It could be a minute, it could be two minutes.

COMMISSIONER JENKINS: What I don't understand is if that is how the machine operates, why do you need permission to reduce the speed of play because what you 35 are saying to me is that the features you have introduced into the machine or that the manufacturers have introduced into the machine mean I can't play the machine quicker.

MR FELSTEAD: I think it is a bit of a technical issue. It involves when you don't 40 get a feature on the machine, it will go from five seconds to three seconds, but overall it averages out at five seconds plus.

COMMISSIONER JENKINS: So over what period of time does it average out?

45 MR FELSTEAD: Thousands and thousands of events.

COMMISSIONER JENKINS: Now can I put this to you. The explanation that you

gave does not say why there will be no impact on gambling related harm. Rather, it says why it is not a harm caused by reduction from five to three seconds, but in your view harm caused by reduction from nine seconds to five seconds; do you understand what I'm saying?

MR FELSTEAD: I think I do. I think I do. The statement I should have made in the letter to Mr Ord was a "minimal" or "negligible" as opposed to "no", so that was incorrect. I corrected that in my presentation. It's a very, very hard one for me to explain.

On the machines at the moment, so if I go back, this may make it a little simpler. If we had every machine in old format and they had no features, no free games, no jackpots and every machine was regulated at five seconds, so you press the button, something occurs. The cards get dealt, whatever it is. You can't play it again for five seconds. If we went and turned every one of those machines to a three-second game, that would have an impact on RSG. That would have a negative impact on RSG, there is no doubt about that. The fact is the older machines, we weren't planning on converting them into three-second games because you can't get the software to do that. So the five three-second games typically would stay at three seconds. This was in relation to new games, and part of the issue is that the manufacturer are doing, having more and more games, having more and more and more features on them. So you could see five years ago, a feature may last for 30 seconds. Some of them now will last for two minutes, three minutes. So it is more the nature of the ongoing development of the machines.

COMMISSIONER JENKINS: What I'm putting to you is that any decrease in play will result --- any decrease in speed of play will increase gambling related harms; isn't that correct?

MR FELSTEAD: Yes, that would be correct.

COMMISSIONER JENKINS: And in respect of this particular proposal, did Crown get any independent advice as to the effect on harm which was likely to be caused by the change before they went to the GWC and asked for it to occur?

MR FELSTEAD: No, we did not, Commissioner.

COMMISSIONER JENKINS: Thank you.

COMMISSIONER OWEN: I'm conscious of the time. We have an issue with the transcribers. So I think my questions can be directed to other witnesses so I won't take up time. I call on Ms Shepard. Ms Shepard, do you wish to re-examine?

MS SHEPARD: Yes, thank you, Commissioner.

RE-EXAMINATION BY MS SHEPARD

5 MS SHEPARD: I have four topics for re-examination and if I might take up
Commissioner Jenkins topic first in relation to EGMs. Sorry, EGM and Responsible
Gaming.

10 Can I ask the operator to bring up CRW.709.132.6302. That is the letter dated 7
March 2019 addressed to Duncan Ord from Mr Felstead.

Do you recall being asked questions about that letter earlier?

MR FELSTEAD: Yes, I do.

15 MS SHEPARD: And you were asked questions about the comments that you made
on page ending 6308, about a third of the way down, and you've just referred to this
comment in your answers to Commissioner Jenkins about it not having any impact
on gambling related harm; do you see that?

20 MR FELSTEAD: Yes, I do.

MR FEUTRILL: Which you indicated you corrected in a presentation to the GWC.
Before we get to that presentation, can I ask that the operator turn to page ending
6306. And about four-fifths of the way down there is point 5 and a paragraph
25 commencing "further, it is understood". Do you recall in the course of giving
evidence you referred Mr Feutrill to an earlier part of the letter in which it was set
out that the impact of these EGM product developments is such that currently the
actual EGM game speed at Crown Perth, allowing for all forms offer incorporated
games features, is approximately 9.5 seconds and that it would be sought to be
30 reduced to five seconds on average. If you go to point 6 and over the page end,
6307, you can see that, if the operator can turn to the following page.

MR FELSTEAD: Yes, I do see that.

35 MS SHEPARD: Is that the part of the letter that you were referring to in your
answers to Mr Feutrill earlier?

MR FELSTEAD: That was.

40 MS SHEPARD: Can I now ask that the presentation be brought up. That's
GWC.0002.0016.0269. That's the PowerPoint presentation given to the GWC on 26
March 2019. Do you recognise that document, Mr Felstead?

MR FELSTEAD: Yes, I do.

45 MS SHEPARD: And that is a presentation you attended at the GWC?

MR FELSTEAD: Yes, I did.

MS SHEPARD: Can I ask the operator to now turn to page ending 0284. If there is not a front page on it, it is the PowerPoint heading "Responsible Service Gambling". And do you see there it says "negligible impact in respect of gambling related harm for the following reasons"?

MR FELSTEAD: Yes, I do.

MS SHEPARD: Is that what you were referring to when you said to Mr Feutrill that you had corrected your reference to the impact to "negligible"?

MR FELSTEAD: Yes, it is.

MS SHEPARD: Can you see below that that the explanation given to the GWC as to the reasons for why the impact would be negligible is based upon the average speed of paid EGM games expected to remain above five seconds; do you see that?

MR FELSTEAD: Yes, I do.

MS SHEPARD: And you set out there the reasons why Crown came to that view?

MR FELSTEAD: Yes, I do.

MS SHEPARD: And so is it the case that in terms of representing the potential impact on Responsible Service of Gambling you were making representations as to the impact arising from the current standards, being five seconds, and not the creep of the additional increments in time to nine seconds being lowered to five seconds?

MR FELSTEAD: That is correct, yes.

COMMISSIONER OWEN: Sorry, Ms Shepard, while that is on the screen, how do you read grammatically --- how do we read that last bullet point, is it "low proliferation (single site)" and "low rate of problem gambling"?

MR FELSTEAD: Yes, that should be in there.

MS SHEPARD: Mr Felstead, do you recall being asked about the use of CUP cards at Crown Melbourne and also being asked about the same issue by the Commissioner just now?

MR FELSTEAD: Yes, I do.

MS SHEPARD: Do you recall it was suggested to you that a patron with a CUP card would present it at the hotel for it to be recorded as some other transaction to avoid it being displayed as a purchase of chips or for gambling; do you recall that question being put to you?

MR FELSTEAD: I do, yes.

5 MS SHEPARD: And do you recall answering that you recall seeing some time later a document which indicated it was recorded as a cage transaction?

MR FELSTEAD: Yes, I do.

10 MS SHEPARD: And it was also suggested to you that CUP would be presented at the hotel away from the casino, suggesting that it was to hide the nature of the transaction. You recall that?

MR FELSTEAD: I do, yes.

15 MS SHEPARD: And you answered that you thought it might have something to do with the casino regulations requiring withdrawal of money 50 m away, a withdrawal of any sort, 50 m away from the casino; is that correct?

20 MR FELSTEAD: That is correct, yes.

MS SHEPARD: Can I ask the following document be brought up, which is CRW.523.002.0001. That is a document headed "HOW TO PROCESS A MAIN CAGE PURCHASE FOR A GAMING GUEST"; do you see that?

25 MR FELSTEAD: Yes, I do.

MS SHEPARD: And about halfway down the page there is a heading "SCOPE" and it talks about the procedure applies to front office supervisors and duty managers who receive a request to process a main cage purchase; do you see that?
30

MR FELSTEAD: Yes, I do.

MS SHEPARD: And can you turn to page ending 0002. I will take you to 0004 first.
35

And you see up the top step 5 at the first bullet point, there is an instruction to those processing such transactions to "Process a payment on the guest's account using code 9220: Main Cage Payment NAB"; do you see that?

40 MR FELSTEAD: Yes, I do.

MS SHEPARD: Was that what you were referring to when you said you recall seeing a document which indicated that it was recorded as a cage transaction?

45 MR FELSTEAD: Yes, it is.

MS SHEPARD: And is there any reason to think that the bank would not know that that was a transaction to purchase chips at the cage of Crown Casino?

MR FELSTEAD: No, there is no reason they wouldn't think that.

5 MS SHEPARD: And can I ask the operator to turn back up to page 0002. And scrolling down the page, down the bottom there is a note. And do you see there it says:

10 *When processing the transaction in Crown Towers, it must be done on either the second or third terminal from the right (when standing in the lobby looking towards the reception desk). This is due to legal reasons relating to proximity to the Gaming floor.*

Do you see that?

15 MR FELSTEAD: Yes, I do.

MS SHEPARD: And was that the requirement that transactions be at least more than 50 m away from the main gambling floor; do you see that?

20 MR FELSTEAD: That is correct.

MS SHEPARD: And that is a Responsible Service of Gaming measure, isn't it?

25 MR FELSTEAD: Yes.

MS SHEPARD: Now you said you recall seeing this document later. Was that after you left the employment of Crown?

30 MR FELSTEAD: I believe so, yes.

MS SHEPARD: And this was not a document that you would have had close knowledge of at the time of your employment; is that right?

35 MR FELSTEAD: No, the process was started before I had involvement in this particular part of the business.

MS SHEPARD: Nonetheless, do those matters roughly accord with your view at the time that CUP was not being used to disguise the transactions being conducted?

40 MR FELSTEAD: Correct.

45 MS SHEPARD: You recall that you were questioned extensively about your evidence that the use of the name Riverbank Investments rather than Crown Casino was affording patrons their privacy. Do you recall that evidence?

MR FELSTEAD: I do.

MS SHEPARD: And you said that it was a long-standing practice amongst most, if

not all, casinos to provide such bank accounts; is that right?

MR FELSTEAD: That is correct.

5

MR FEUTRILL: And is it the case that the practice arose at a time when there may have been a stigma or moral taint associated with spending money on gambling or that it might raise questions about a person's character if money was seen to be spent on gambling?

10

MR FELSTEAD: Yes, that was the case back in the day.

MS SHEPARD: And you can think of other industries, can't you, Mr Felstead, where cash might be used for a service with moral taint, but if a credit card or similar was to be used, and the person conducting that transaction would not want to have that display on their bank statement?

15

MR FELSTEAD: I could probably turn my mind to a few industries like that.

MS SHEPARD: It might be that the person might not want to have bank statement with that detail shown to, for example, to their wife or family members; is that right?

20

MR FELSTEAD: I think that would be a very valid reason.

MS SHEPARD: And do you recall agreeing with a proposition that by not using the name "Crown" in the transaction, Crown might be facilitating the patron hiding the transaction from other people?

25

MR FELSTEAD: I beg your pardon, can you repeat that question? I didn't quite catch that.

30

MS SHEPARD: A proposition was put to you that by Crown allowing patrons not to use the name "Crown" in the transactions, that patrons might be hiding transactions from other people or third parties ---

35

MR FELSTEAD: Yes.

MS SHEPARD: --- and that Crown was facilitating that? Do you recall that proposition being put to you and you agreeing with it?

40

MR FELSTEAD: Yes, I do.

MS SHEPARD: Which of these other people did you have in mind when you agreed with that proposition?

45

MR FELSTEAD: I was primarily thinking our partners, I was thinking someone at the bank. That sort of thing.

MS SHEPARD: Not the legal authorities then?

MR FELSTEAD: No, that wasn't part of my thinking around that.

5

MS SHEPARD: Do you recall that you were questioned extensively about why you personally did not take steps to investigate transactions on the Riverbank account in the period from August 2020 in the time after Joshua Preston gave his evidence at the Bergin Inquiry? Do you recall that evidence?

10

MR FELSTEAD: I do.

MS SHEPARD: And do you recall yourself giving evidence at the Bergin Inquiry in about August 2020?

15

MR FELSTEAD: Yes, I do.

MS SHEPARD: Now would it be fair to say that the aftermath of giving evidence in the Bergin Inquiry, that that affected your standing at Crown?

20

MR FELSTEAD: Yes, it certainly did affect my standing at Crown.

MS SHEPARD: It is the case, isn't it, that you left the organisation on 31 December 2020 but your departure was announced some time before that? Do you recall that?

25

MR FELSTEAD: Yes, my departure was announced in the inquiry.

MS SHEPARD: That was in mid-November 2020, wasn't it?

30

MR FELSTEAD: I think it might have been a little earlier than that, Ms Shepard.

MS SHEPARD: It may well have been. Would it be fair to say that you were managed out during that period?

35

MR FELSTEAD: I think it would be fair to say that there was no longer a position for me. I was made redundant along with Mr Preston.

MS SHEPARD: Can you please explain to the Commission what practical authority you had in the months of September, October and November to instigate investigations into financial transactions of Crown?

40

MR FELSTEAD: I think it would be safe to characterise my activities during that period I was sidelined, I wasn't included in things. It was just, I was biding time I think it was the best way to describe that. I was not included in activities, in meetings and the like.

45

MS SHEPARD: Thank you. No further questions.

04:36PM

COMMISSIONER OWEN: Thank you very much, Ms Shepard.

5 Mr Felstead, there may be some tidying up for us to do. I will leave the summons in place but you are free to go and you have our gratitude.

MR FELSTEAD: Thank you to the Commissioners and everyone in the room.

10 **THE WITNESS STOOD DOWN**

COMMISSIONER OWEN: We will adjourn to 10.00 am on Monday.

15

**HEARING ADJOURNED AT 4.36 PM UNTIL MONDAY, 9 AUGUST 2021
AT 10.00 AM.**

Index of Witness Events

MR BARRY FELSTEAD, SWORN	P-2097
EXAMINATION-IN-CHIEF BY MS SHEPARD	P-2097
CROSS-EXAMINATION-IN-CHIEF BY MR FEUTRILL	P-2098
CROSS-EXAMINATION BY MR PENGLIS	P-2177
CROSS-EXAMINATION BY MR WARD	P-2181
CROSS-EXAMINATION BY MR EVANS	P-2186
CROSS-EXAMINATION BY MR DHARMANANDA	P-2194
QUESTIONS BY THE COMMISSIONERS	P-2195
RE-EXAMINATION BY MS SHEPARD	P-2205
THE WITNESS STOOD DOWN	P-2212

Index of Exhibits and MFIs

EXHIBIT #WIT.0011.0001.0001 - STATEMENT OF MR BARRY FELSTEAD DATED 27 JULY 2021	P-2098
--	--------