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PERTH CASINO ROYAL COMMISSION

PUBLIC HEARING - DAY 41

10.00 AM THURSDAY, 23 SEPTEMBER 2021

COMMISSIONER NJ OWEN

HEARING ROOM 3

MS PATRICIA CAHILL SC, MS VERITY LONG-DROPPERT, MS APARNA JAYASEKERA and MR LIAM O'SHEA as Counsel Assisting the Perth Casino Royal Commission

MS RACHAEL YOUNG as Counsel for Consolidated Press Holdings Pty Ltd and CPH Crown Holdings Pty Ltd

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

MS FIONA SEAWARD, MR ROB BATHURST and MR KEAHN SARDINHA as Counsel for the Department of Local Government, Sport and Cultural Industries

MR KANAGA DHARMANANDA SC, MR JOSEPH GARAS SC, MR LEON FIRIOS and MR JESSE WINTON 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

MS JOANNE SHEPARD as Counsel for Mr Barry Felstead

MR SIMON RUBENSTEIN and MR DAVID GRANT as Counsel for Mr Michael Neilson

MS DELANEY QUINLAN as Counsel for Deputy Commissioner Blanch

10:00AM

COMMISSIONER JENKINS: We have a crowd on the screen. Could one of you identify yourself as Mr Neilson?

5 WITNESS: I am Mr Neilson, Commissioner.

COMMISSIONER JENKINS: Thank you, Mr Neilsen. Could the other two people on the screen please identify themselves?

10 MR RUBENSTEIN: Commissioner, my name is Rubenstein and I am counsel acting for Mr Neilson. I have Mr Grant with me, who is the solicitor acting for Mr Neilson.

COMMISSIONER JENKINS: Thank you very much. Mr Neilson, before you give your evidence, you will have to take an oath or an affirmation. Which do you choose
15 to take?

WITNESS: The oath, please.

COMMISSIONER JENKINS: Do you have a Bible there?
20

WITNESS: My counsel has provided a Bible.

COMMISSIONER JENKINS: I have your name as Michael Neilsen. Do you have another name or not?
25

WITNESS: My middle name is James.

COMMISSIONER JENKINS: Thank you.
30

MICHAEL JAMES NEILSON, SWORN

COMMISSIONER JENKINS: Mr Rubenstein will examine you to commence.
35

MR RUBENSTEIN: Thank you, Commissioner.

EXAMINATION-IN-CHIEF BY MR RUBENSTEIN
40

MR RUBENSTEIN: Mr Neilson, you are here today in answer to a summons from the Perth Casino Royal Commission dated 9 December 2021; is that correct?

45 MR NEILSON: That's correct.

MR RUBENSTEIN: The Commission has provided you with a list of topics to be included in a witness statement to be adopted by you; is that correct?

10:02AM

MR NEILSON: That's correct.

MR RUBENSTEIN: Have you prepared a witness statement covering those topics?

5

MR NEILSON: Yes.

MR RUBENSTEIN: Do you have a copy of the witness statement with you?

10

MR NEILSON: I do.

MR RUBENSTEIN: The Commission has put a barcode on the witness statement. I will show you the copy with the barcode, which is WIT.0014.001.001. Can you see that?

15

MR NEILSON: Yes, I can see that.

MR RUBENSTEIN: Can you turn to the last page on your witness statement?

20

MR NEILSON: On my witness statement or the one with the barcode?

MR RUBENSTEIN: I think on your witness statement, yes. Is that your signature on that page?

25

MR NEILSON: It is.

MR RUBENSTEIN: How many pages are in that witness statement?

30

MR NEILSON: 15.

MR RUBENSTEIN: Have you read that witness statement recently?

MR NEILSON: I have.

35

MR RUBENSTEIN: Are there any corrections to that witness statement?

MR NEILSON: There was one very small correction. It is typo in paragraph 76, the penultimate sentence at the top of page 14. The penultimate sentence should read:

40

I don't recall whether they were provided to the WA gaming regulator.

The word "to" is missing.

45

MR RUBENSTEIN: With that correction, are the contents of your witness statement true and correct, to the best of your belief?

MR NEILSON: It is.

10:04AM

MR RUBENSTEIN: Commissioner, I tender that witness statement.

5 COMMISSIONER JENKINS: Thank you. The amended witness statement bearing that identifier will be an exhibit in the Commission.

10 **EXHIBIT #WIT.0014.001.001 - WITNESS STATEMENT OF MICHAEL JAMES NEILSON, WITH AMENDMENT, DATED 17/09/2021**

COMMISSIONER JENKINS: That completes your examination, Mr Rubenstein?

15 MR RUBENSTEIN: It does, Commissioner.

COMMISSIONER JENKINS: Thank you. Yes, Ms Long-Droppert?

20 MS LONG-DROPPERT: Thank you, Commissioner.

CROSS-EXAMINATION BY MS LONG-DROPPERT

25 MS LONG-DROPPERT: Mr Neilson, I am one of the Counsel Assisting the Commission. You have given a witness statement under summons in respect of some topics and you have also given evidence in the Bergin Inquiry last year; is that correct?

30 MR NEILSON: That's correct.

MS LONG-DROPPERT: You have a copy of your witness statement with you?

MR NEILSON: I have a copy of the witness statement for this Royal Commission.

35 MS LONG-DROPPERT: For this Royal Commission, yes. I may take you to some paragraphs at certain times, including this first question which relates to paragraph 5 of your witness statement, where you identify some of the roles you held within the Crown Group during your time in their employment. At subparagraph (c) you say you were General Counsel and Company Secretary of Crown Resorts Ltd from late
40 2007 to November 2017, correct?

MR NEILSON: That's correct.

45 MS LONG-DROPPERT: In your role as General Counsel of Crown Resorts, did you report to Mr Craigie as CEO?

MR NEILSON: That's correct.

10:06AM

MS LONG-DROPPERT: In respect of your role as General Counsel of Crown Resorts, you would agree you had a high level of responsibility to protect the Crown Group, including each of the respective properties, from legal risk?

5

MR NEILSON: Yes, I think I would agree with that.

MS LONG-DROPPERT: In your role as Company Secretary of Crown Resorts, you were accountable to the Crown Resorts Ltd board?

10

MR NEILSON: Yes.

MS LONG-DROPPERT: You commenced this role as joint General Counsel/Group Company Secretary in 2007. Am I right in saying this was precipitated by the Publishing and Broadcasting Ltd demerger in December 2007?

15

MR NEILSON: That's correct.

MS LONG-DROPPERT: In your role as Group Company Secretary, you were also the secretary of a number of wholly-owned subsidiaries of Crown Resorts Ltd?

20

MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: In relation to Perth Casino, you were Company Secretary of Burswood Ltd from December 2007 through until 2017; is that correct?

25

MR NEILSON: Yes.

MS LONG-DROPPERT: What did this role entail?

30

MR NEILSON: I was one of two Company Secretaries and my role was more the head office Company Secretary, if you like. I looked after ASIC filings and ASX filings with assistance from my team. I assisted with the distribution of board papers, with recordkeeping, maintaining the company register and occasionally assisting with particular agenda items for the board.

35

MS LONG-DROPPERT: In respect of your role in relation to board papers, was it your usual practice to read the board papers of Burswood Ltd before you distributed them to directors?

40

MR NEILSON: Not that I can remember, no.

MS LONG-DROPPERT: And, sorry, in respect of that role, how were you able to satisfy yourself that the Burswood Ltd board was adequately informed of relevant material?

45

MR NEILSON: My co-Company Secretary assisted with the preparation of the

papers and the collation of the papers. Me and my team really provided a centralised distribution process and recordkeeping process.

5 MS LONG-DROPPERT: In your view, Mr Preston was responsible at that time for reading the board papers to ensure that Burswood Ltd was properly informed of particular matters?

10 MR NEILSON: That depends on what time you are talking about. The secretary of Burswood changed over time. For most of my time, I think it was actually Mr McGregor.

15 MS LONG-DROPPERT: So depending on who might have been secretary at whatever time, it was the joint Company Secretary's role, not yours, to ensure the board papers reflected the information that Burswood Ltd board needed to be made aware of at the relevant time?

MR NEILSON: Yes.

20 MS LONG-DROPPERT: You were the Company Secretary of Burswood Nominees Ltd from December 2007 to 2017?

MR NEILSON: Yes, I think that's right.

25 MS LONG-DROPPERT: Did this role mirror your role in respect of Burswood Ltd?

30 MR NEILSON: My memory is that Burswood Nominees didn't meet as a separate board very often. Burswood Ltd was the active board that governed the Crown Perth entities, if you like. But Burswood Nominees only passed official resolutions and didn't really meet as a board in a true operational sense.

MS LONG-DROPPERT: Is that also your understanding in respect of Burswood Resort Management Ltd?

35 MR NEILSON: Yes.

MS LONG-DROPPERT: In respect of these two entities, can you describe what your role was as Company Secretary?

40 MR NEILSON: Again, it would have been recordkeeping, maintaining the register, filing the necessary documents with ASIC. When official decisions of those companies did need to be made, then either minutes or resolutions would have been prepared for the directors to have a brief meeting or to sign by way of a circular.

45 MS LONG-DROPPERT: In your roles as Company Secretary of the three Burswood entities, do you agree you were responsible to the respective boards?

MR NEILSON: Yes.

MS LONG-DROPPERT: Can I take you to paragraph 29 of your statement, please. You have identified eight different committees of the Crown Resorts board?

5 MR NEILSON: Yes.

MS LONG-DROPPERT: As I understand it, these are committees of the Crown Resorts board. What especially makes them committees of the board, as opposed to another type of committee?

10

MR NEILSON: They receive delegated authority from the board to deal with certain matters and they comprise board members, the committee members are board members.

15 MS LONG-DROPPERT: Also during your time as General Counsel and joint Company Secretary, there was a VIP committee; is that correct?

MR NEILSON: No, I don't --- there wasn't a committee by that name, certainly not a committee of the board.

20

MS LONG-DROPPERT: Yes, I understand it was not a committee of the board. I will come to that in a second. But there was a committee that convened that discussed matters to do with the International Commission Business?

25 MR NEILSON: There was a group of people who I think did that, but I wouldn't have called it a committee.

MS LONG-DROPPERT: That group of people did not have delegated authority from the CRL board to consider those matters?

30

MR NEILSON: No, not that I can remember.

MS LONG-DROPPERT: What was the genesis of this group of people?

35 MR NEILSON: Sorry, counsel, I'm just struggling to remember the genesis of the group. It was a desire, I think, by management to more closely monitor and understand the VIP business and deal with issues that came out of the VIP business.

MS LONG-DROPPERT: When you say "management", do you mean management at the respective properties?

40

MR NEILSON: I think it was the group, the Crown Resorts CEO, CFO, I think the Chair was involved in the decision to have that group meet on a regular basis. I am struggling to remember, I'm sorry. It was a long time ago and I'm just struggling to remember how it came about in the first place. Not the committee, that group in the first place.

45

10:14AM

MS LONG-DROPPERT: When you say "the Chair", who are you referring to?

MR NEILSON: Packer.

5

MS LONG-DROPPERT: If it is not a committee, would you describe these meetings as informal?

10 MR NEILSON: I didn't attend the meetings so --- I would, I think, but I didn't attend the meeting.

MS LONG-DROPPERT: But you did on occasion attend the meetings, didn't you, Mr Neilson?

15 MR NEILSON: No, I don't recall attending those meetings.

MS LONG-DROPPERT: In respect of those meetings, were the discussions minuted?

20 MR NEILSON: I don't know. I didn't attend, so I'm not sure.

MS LONG-DROPPERT: But if they were to have been minuted, it would have been your role as the Company Secretary of the Crown Resorts board at the time?

25 MR NEILSON: Well, it's hypothetical because I didn't attend. But not necessarily, no.

30 MS LONG-DROPPERT: I want to test your attendance, so I will jump forward in my notes. Can we please see CRL.579.019.5104. This may take a bit of time as I am jumping ahead. This is an email sent by Roland Theiler on 4 January 2017. Do you see that?

MR NEILSON: Yes.

35 MS LONG-DROPPERT: The subject line of the email is "VIP Meeting Documents".

MR NEILSON: Yes.

40 MS LONG-DROPPERT: The recipients of this email are Rowen Craigie, who I understand to be the CEO at this time. Is that correct?

MR NEILSON: Yes.

45 MS LONG-DROPPERT: Mike Johnston. Can you enlighten the Commission as to who Mike Johnston is, please?

MR NEILSON: Mike Johnston was the Crown Resorts Director and he was the

10:17AM

Finance Director of CPH.

MS LONG-DROPPERT: You are a recipient of this email?

5

MR NEILSON: Yes.

MS LONG-DROPPERT: Do you see that?

10 MR NEILSON: Yes, I do.

MS LONG-DROPPERT: Ms Tegoni?

MR NEILSON: Yes.

15

MS LONG-DROPPERT: Mr Felstead?

MR NEILSON: Yes.

20 MS LONG-DROPPERT: And Ms Maguire?

MR NEILSON: Yes.

MS LONG-DROPPERT: This email says:

25

Attached are profiles for the following customers to be discussed at today's
conference call.

Do you see that?

30

MR NEILSON: Yes.

MS LONG-DROPPERT: There are two "Junket - profiles" which have been updated
since the previous meeting. Do you see that?

35

MR NEILSON: Yes.

MS LONG-DROPPERT: This indicates that, at least in respect of consideration of
these profiles, there had been at least another meeting prior to this one to consider
them? Do you agree with that?

40

MR NEILSON: Yes.

MS LONG-DROPPERT: Then "Junket - new profiles". One of them is Chau Cheok
Wa of the now infamous Suncity. Do you see that, Mr Neilson?

45

MR NEILSON: Yes. And Qin Sixin?

10:18AM

MR NEILSON: I can see all that, yes.

5 MS LONG-DROPPERT: I might come back to this a little bit later, but I do have a couple of queries in relation to what you have told me about these VIP meetings. This would indicate to me that you were, at least in respect of this particular meeting, in attendance?

10 MR NEILSON: This is a different meeting. This is not the one I thought you were talking about, this is something completely different.

MS LONG-DROPPERT: How is it different? Can you explain to the Commission what is different about it?

15 MR NEILSON: Sure. So after Crown had a number of employees detained in China in October 2016, Crown implemented a process of monitoring very closely what VIP activity was taking place in the circumstances of having those people in detention. This only occurred for a period immediately following the arrests in October 2016.

20 MS LONG-DROPPERT: In respect of the period prior to October 2016, the matters of approval of junkets, and so on, were considered at the VIP committee meeting?

25 MR NEILSON: I don't think that's right. I'm not aware of that. Not this committee, anyway. This group of people was formed specifically to closely monitor the VIP business, in light of having people in detention in China who we were trying to have released.

30 MS LONG-DROPPERT: Thank you. In respect of the group of people you were talking about earlier in the examination, the group that included the Crown Resorts CEO, the CFO, and the Chair, the group of people that formed the informal group that considered VIP matters ---

35 MR NEILSON: Counsel, I didn't say those people were on the committee. You asked me the genesis of how that committee was formed and I tried to remember who was involved in the decision to form that group. They weren't on that group, that I can remember.

MS LONG-DROPPERT: Can you tell the Commission who was on that group?

40 MR NEILSON: I will struggle to remember all the people. The people who I can remember who were on that group would have been Mr Felstead, Mr Johnston, and I think Mr O'Connor. There were probably others that I can't remember.

45 MS LONG-DROPPERT: That group of people, to the best of your knowledge, did not report to the CRL board?

MR NEILSON: No.

MS LONG-DROPPERT: In respect of the VIP meetings that started to occur after October 2016, did those discussions get reported to the CRL board?

5 MR NEILSON: I don't think so. The fact that there was a process was known to the board but I don't think the detail of what happened at the meetings was reported to the board, to the best of my recollection.

10 MS LONG-DROPPERT: In respect of the matters to do with VIP and any relevant risk that was attendant to that issue or that area, how was the CRL board able to properly consider that risk?

MR NEILSON: Sorry, your question is unclear to me, counsel. I'm not ---

15 MS LONG-DROPPERT: Sure. In circumstances where the group of people who were considering matters to do with the VIP business were not reporting to the CRL board, how was the CRL board able to consider the risk that attended to that area?

20 MR RUBENSTEIN: I object to that question. That is asking this witness to comment on the state of mind of other people, which is something he cannot do.

25 COMMISSIONER JENKINS: I don't think it is. I think it is asking him to say how, as a matter of practice, that risk was brought to the attention of the CRL board, if at all.

MR RUBENSTEIN: If that is the question, then I withdraw my objection. But if it was a question that asked for him to comment on the view of the board, I maintain the objection.

30 COMMISSIONER JENKINS: Mr Neilson, consider the question in light of my interpretation of it.

35 MR NEILSON: Yes. So the VIP business was managed by management, the CEO and a group of people who managed the VIP business, and the head of the VIP business was Mr Felstead. Mr Felstead came to Crown Resorts board meetings, and there was a section in the regular --- what was called the CEO report in Crown Resorts board meeting papers that would deal with the VIP business. That committee or group that we talked about before was not, to my understanding, a decision-making group or a group that managed the business. It was a group that
40 looked at issues that came out of VIP and looked at ways of enhancing the VIP business. It wasn't managing the VIP business, to my recollection.

45 MS LONG-DROPPERT: In respect of any risks that might have been considered by that group, it was incumbent upon Mr Felstead to alert the CRL board of those risks in his CEO report?

MR NEILSON: That would have been one way he could alert the board to risks, but there was also a risk management process that both Crown Melbourne and Crown

Perth had, where risks were identified, analysed, recorded and then monitored, and that was reported up through the Risk Management Committee of Crown Resorts. So there was another mechanism whereby risks could be reported.

5

MS LONG-DROPPERT: I might come back to that later. In paragraph 31 of your statement, you explain your roles and responsibilities by reference to the CRL Board Charter. Can we have the Board Charter, please, CRL.622.001.0039, and scroll through to the duties of the secretary. Clause 4 is "Role of the Company Secretary".
10 My question is, I know that not all of the Company ---

MR RUBENSTEIN: Is it possible for --- thank you.

15 MS LONG-DROPPERT: Sorry. Thank you. My question is this: I know that not all the companies of which you were secretary had a charter or were subject to the ASX guiding principles as private companies, but, in your view, did you perform the same roles in respect of each of those companies as is outlined here?

MR NEILSON: I wouldn't say it was the same, no.

20

MS LONG-DROPPERT: In what ways did it differ?

MR NEILSON: I would have a role in some of those issues but not necessarily all.

25 MS LONG-DROPPERT: In respect of the balance of those issues, it would be undertaken by your co-Company Secretary, whoever that was at the time?

MR NEILSON: Yes.

30 MS LONG-DROPPERT: In paragraph 33 of your statement, you say part of your role was to advise on board governance and issues associated with the management and running of the board, and that your focus was to ensure that the board was properly and adequately informed, and to facilitate the smooth running of the board. I want to ask you about keeping the board adequately and properly informed. In your
35 view, how did you achieve that?

MR NEILSON: By working with CEO, CFO, Head of Development at Crown Resorts to ensure we had an agenda that covered the necessary items, and that papers were prepared to inform the board in respect of those items.

40

MS LONG-DROPPERT: I noted earlier, in respect of Burswood Ltd, it was not your usual practice to read the board papers. But in respect of the CRL board, was it your practice to read the board papers that were provided to that board?

45 MR NEILSON: I would read most of them, yes.

MS LONG-DROPPERT: You have said in respect of drafting the agenda, you consulted with the CEO and the CFO?

10:29AM

MR NEILSON: Yes.

5 MS LONG-DROPPERT: Would you always consult with them first before drafting the agenda for the CRL board?

MR NEILSON: I might have a go at a first draft and then circulate it for comments.

10 MS LONG-DROPPERT: You sought their input from a managerial perspective?

MR NEILSON: I'm sorry, I don't understand that.

MS LONG-DROPPERT: Sorry, I can rephrase it.

15 MR NEILSON: They were managers so, yes, I suppose it was a managerial perspective, although Mr Craigie was a board member as well.

20 MS LONG-DROPPERT: Thank you. You have been asked in your summons topics various questions about risk management and we have diverged into that area already this morning. We may come back to VIP later. I want to gain a better understanding of how risks were managed when you were General Counsel and Group Secretary, particularly in the context of the centralisation of functions at group level. Could you please turn to page 12 of your statement?

25 MR NEILSON: Yes.

30 MS LONG-DROPPERT: I understand the effect of your evidence at paragraph 68 to be, as at the time of the Publishing and Broadcasting Ltd demerger in late 2007, that the properties, being Crown Melbourne and Crown Perth, had their own dedicated internal risk management teams; is that correct?

MR NEILSON: That's my recollection, yes.

35 MS LONG-DROPPERT: The effect of your evidence at paragraph 69 is that in late 2007 when Crown Resorts became the parent company, the process at properties level should be replicated at group level?

MR NEILSON: Yes.

40 MS LONG-DROPPERT: But unlike at properties level, the parent company did not have a dedicated risk manager, so that responsibility fell to your team and, ultimately, your role as General Counsel; is that correct?

45 MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: So, in effect, you would have considered yourself the Risk Manager for Crown Resorts?

MR NEILSON: I never thought of myself that way. Certainly my team, which I was responsible for, was responsible for ensuring that process was run smoothly.

5 MS LONG-DROPPERT: Do you recall in 2008, after the demerger, that CRL adopted a risk management policy?

10 MR NEILSON: I don't recall that, although I have seen some documents that were supplied me overnight, but --- I identified the document, but I didn't separately remember that.

15 MS LONG-DROPPERT: Can we please have that up, operator. This is the risk management policy that was in force in 2008. Do you recall, Mr Neilson, that this risk management policy was in force for the entire time you were General Counsel of Crown Resorts Ltd?

MR NEILSON: I don't have a specific recollection of that, counsel, I'm sorry.

20 MS LONG-DROPPERT: But in your role as Company Secretary and General Counsel, you would have been aware of this document at the time?

MR NEILSON: I assume so, but I don't have a memory of it now.

25 MS LONG-DROPPERT: Can we please go to clause 1. I want to read to you the first paragraph of that clause. It says:

30 *While the Crown Board assumes ultimate responsibility for the risk management of Crown, it has delegated the oversight responsibility for risk management and internal control of major risks of the Company to the Crown Risk Management Committee.*

35 When it refers here to "ultimate responsibility for the risk management of Crown", did you understand at the time that meant the CRL board was responsible for the oversight and control of risks of each of its wholly-owned subsidiaries?

MR NEILSON: As I said, counsel, I don't have a memory of this particular document or how it came into being or was drafted. I mean, I can try to interpret the words now but that's all it is, an interpretation of the words now.

40 MS LONG-DROPPERT: During your time as General Counsel of CRL, was it your understanding that Crown Resorts, the parent company, was responsible for oversight and control of the risks of its wholly-owned subsidiaries?

45 MR NEILSON: I think Crown Resorts certainly had oversight of risk over the whole group, which included its main operation's subsidiaries, but it was conscious of there being what we thought was quite a robust risk management process at those major subsidiaries quite independently and that it had been carried on for a time before the

Crown Resorts entity was formed.

5 MS LONG-DROPPERT: But was it your understanding that the ultimate responsibility lay with the parent company?

MR NEILSON: I think that's right, counsel.

10 MS LONG-DROPPERT: Do you recall that it was an overall strategy of Crown Resorts Ltd after late 2007 to centralise management functions at group level?

MR NEILSON: I'm not sure that's right in late 2007. That evolved over time.

15 MS LONG-DROPPERT: From when do you consider that most management functions were centralised at group level?

MR NEILSON: I think that process was still ongoing even as I left in 2017.

20 MS LONG-DROPPERT: Do you recall, though, that it was a strategy of Crown Resorts to centralise management functions at group level while you were General Counsel?

25 MR NEILSON: I don't recall it being a strategy. I wouldn't have described it that way.

MS LONG-DROPPERT: How would you describe it?

30 MR NEILSON: I think it was just an evolution of the way the company was managed, how the group was managed.

MS LONG-DROPPERT: Part of the manifestation of that is the eight CRL committees with delegated authority; correct?

35 MR NEILSON: No, I don't think that's to do with the centralisation of functions.

MS LONG-DROPPERT: Can we go to PUB.0013.0001.0825, please. You will recognise this as the Crown Resorts Ltd annual report of 2014?

40 MR NEILSON: I do.

MS LONG-DROPPERT: As Company Secretary, were you involved in the drafting of this report?

45 MR NEILSON: Parts of it, yes.

MS LONG-DROPPERT: As General Counsel or Company Secretary, were you involved on the ultimate authorisation of this report going out to the market?

MR NEILSON: Ultimately, the board authorised that to go out to the market but I was involved in the process, to a degree, yes.

5 MS LONG-DROPPERT: Can we go to page 35, which is 0859. No, it's two pages back, please. You will see at "Principle 1", "Functions reserved for the Board".

MR NEILSON: Sorry, counsel, it's very hard for us to read here.

10 MS LONG-DROPPERT: Sure. I will ask the operator to bring it closer.

MR NEILSON: That's better.

15 MS LONG-DROPPERT: Thank you. Scrolling down, so we can see the full paragraph, please. You will see:

20 Functions reserved for the Board *The Board is responsible for guiding and monitoring Crown on behalf of its shareholders. In addition, the Board (in conjunction with management) is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.*

MR NEILSON: Yes, I can see that.

25 MS LONG-DROPPERT: The business risk that is referred to here are the business risks that accrue at the properties; correct?

MR NEILSON: I would interpret that as being across the whole business.

30 MS LONG-DROPPERT: Including, though, the risks that accrue at Crown Perth and Crown Melbourne?

MR NEILSON: That would be part of it, yes.

35 MS LONG-DROPPERT: Do you agree with this: principle 1, the way it is phrased, projects to the market that the CRL board is responsible for the risk of the group of companies?

MR NEILSON: Yes, I think that's right.

40

MS LONG-DROPPERT: Thank you. Can we go to page 0865, please, Principle 7. It says:

45 Crown has established policies for the oversight and management of material *business risks and has adopted a formal Risk Management Policy.* MR NEILSON: Yes, I can see that.

MS LONG-DROPPERT: It says at the final paragraph:

5 The policy sets out procedures which are designed to identify, assess, monitor *and manage risk at each of Crown's controlled businesses and requires that the results of those procedures are reported to the Crown Board.*

Correct?

10 MR NEILSON: Yes.

MS LONG-DROPPERT: Do you agree, then, that as at June 2014, the management of risk was a centralised function of Crown Resorts Ltd?

15 MR NEILSON: Well, there was a centralised function for risk management which --
- yes, there was a centralised function for risk management at Crown Resorts.

MS LONG-DROPPERT: I want to place the role of the management of risk into context by reference to the Risk Management Committee Charter. You referred to
20 the Risk Management Committee earlier in the examination.

MR NEILSON: Yes.

MS LONG-DROPPERT: The Risk Management Committee had delegated authority
25 from the CRL board to deal with issues of risk; is that correct?

MR NEILSON: I think that's right, yes.

MS LONG-DROPPERT: Ultimately, you would agree, it was the Risk Management
30 Committee's job to assist the board with the task of managing risk in the group of companies?

MR NEILSON: Yes.

35 MS LONG-DROPPERT: I wonder if you are familiar with this document, which is the Risk Management Committee Charter?

MR NEILSON: Again, I don't have any independent recollection of it, but I have
40 seen the documents that the Commission supplied overnight to have a quick look at.

MS LONG-DROPPERT: You were on the Risk Management Committee during your time?

MR NEILSON: No, I wasn't a committee member.

45 MS LONG-DROPPERT: But you attended committee meetings?

MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: You provided papers to the committee?

5

MR NEILSON: Papers were provided to the committee and my team was responsible for the collation and distribution of those papers, but my team also contributed to the content of those papers.

10 MS LONG-DROPPERT: Including you, personally?

MR NEILSON: Yes.

15 MS LONG-DROPPERT: Can we go, please, to the duties at clause 3. I will give you a moment to read those duties.

MR NEILSON: Yes, I've read those.

20 MS LONG-DROPPERT: Can you please explain to the Commission how the Risk Management Committee was able to discharge those duties?

25 MR NEILSON: It's as set out in my witness statement. It received a report twice yearly, to the best of my memory, which resulted from a series of processes starting at individual property level and their risk management committees, and in some cases where we had separate joint ventures or investments arising out of those businesses, being reported to a centralised, if I can call it that, group of managers, including both Crown Resorts and Crown Perth and Crown Melbourne executives who would, if you like, stitch the whole thing together and produce the matrix that ultimately went to the Risk Management Committee, which identified risks, identified controls and mitigation factors, which assessed consequence of likelihood ratings and, ultimately, provided a risk rating. Those were reviewed twice yearly, to my memory, and reported to the board --- to the committee, rather, the Risk Management Committee.

35 MS LONG-DROPPERT: This is the process you describe at paragraph 71 of your statement; is that correct?

MR NEILSON: I'm just reading that paragraph.

40 MS LONG-DROPPERT: Certainly, Mr Neilson.

MR NEILSON: Yes, that's right.

45 MS LONG-DROPPERT: The process you describe in paragraph 71 is your counsel team, being predominantly you and Ms Manos, were responsible for the production of --- you refer to it as a table or matrix, I will refer to it as a risk register. Is that correct?

MR NEILSON: There was a risk register and there was also a report against the

higher level risks.

MS LONG-DROPPERT: Yes.

5

MR NEILSON: So I would call the risk register the entire risk register, and the table or matrix would be the report of the high-level risks and developments in respect of those risks.

10 MS LONG-DROPPERT: The risk register outlines all risks, low and high, and the report against material risk would delve deeper into what your team, or in consultation with others, deemed to be the highest risks for the company?

15 MR NEILSON: It wasn't for my team to deem what the rating of the risk was. That was a function of a group who would come together and debate and form a view. We would be part of that but we certainly didn't get any final decision on the matter.

MS LONG-DROPPERT: The group you are referring to is the Risk Management Committee?

20

MR NEILSON: No, the group I'm referring to is the group I refer to at paragraph 71, which would involve Crown Resorts executives, but also Crown Melbourne and Crown Perth risk managers --- generally, they're risk managers --- who would input the feedback from their internal processes and their thinking behind their risk ratings at the property level.

25

MS LONG-DROPPERT: So that group would meet prior to the Risk Management Committee convening to have that discussion and to hash out those risks?

30 MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: Then, as a result of that discussion, the risk register would be updated?

35 MR NEILSON: Yes.

MS LONG-DROPPERT: And risk ratings would be given to particular items or particular risks?

40 MR NEILSON: Generally, they already had ratings, so they might be adjusted if people thought they were more or less risky, or if there had been another control identified over the risk or something like that. It would be updated, it wouldn't be redone every time.

45 MS LONG-DROPPERT: Was it at this meeting that it would be decided if any new risks would be added to the risk register?

MR NEILSON: So, remembering there was a process at Crown Melbourne and

Crown Perth beforehand, where their internal Risk Management Committees would have met and looked at their risk profile and they would have considered the question of potential new risks. So they would have brought any new risks on their register to us and we would have then looked at those risks, as well as any risks we might have identified as new risks.

MS LONG-DROPPERT: Then the final decision as to whether or not a new risk was added to the register would rest with this group that would meet prior to the RMC meeting?

MR NEILSON: If there was a new risk, yes. Any update to that risk register, that group would decide upon, correct.

MS LONG-DROPPERT: Then the risk register was given to the RMC as part of its committee papers?

MR NEILSON: Yes.

MS LONG-DROPPERT: Along with the report against material high risk?

MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: You said you weren't a committee member --- you weren't a member of the Risk Management Committee but you were in attendance at those meetings?

MR NEILSON: That's right.

MS LONG-DROPPERT: You took the minutes of those meetings?

MR NEILSON: Either I did or Ms Manos did. I can't remember now which of us. We divided up the committees a bit on who took the minutes.

MS LONG-DROPPERT: Insofar as any of the risks were discussed - sorry, I withdraw that. I will rephrase it. At the risk management meeting, there would then be discussion as to each of the risks identified in the risk register or only some?

MR NEILSON: I'm struggling a little to remember the detail of the discussion at the meeting, sorry. There was certainly discussion of some risks but I don't believe they went through every risk.

MS LONG-DROPPERT: To the extent that risks were discussed, that would have been minuted?

MR NEILSON: If it was a material discussion, it should have been minuted.

MS LONG-DROPPERT: Can we go back, please, to the Risk Management

Committee Charter at to clause 3.2. It says:

5 The Committee will assess the adequacy and effectiveness of internal control *systems*
for the mitigation of significant business risks

MR NEILSON: Yes, I can see that.

10 MS LONG-DROPPERT:

..... and approve and review internal control compliance processes for *compliance*
with relevant laws and regulatory requirements. MR NEILSON: Yes.

15 MS LONG-DROPPERT: The assessment described in 3.2(a), the assessment of the
adequacy of internal control systems, that assessment, in your view, occurred during
the discussion of the risk register at the RMC meetings?

20 MR NEILSON: Yes, that's right. Controls were part of the paperwork that was
provided.

MS LONG-DROPPERT: Any assessment of whether or not there were adequate
internal control compliance processes for relevant laws and regulatory requirements,
that was also undertaken during discussion at the Risk Management Committee?

25 MR NEILSON: Yes, in the context of that report that we've talked about earlier.

MS LONG-DROPPERT: Can we go back, please, to your statement at paragraph
75. You say:

30 The minutes of the Risk Management Committee meetings were provided to the
Crown Resorts Board at the next board meeting.....

MR NEILSON: Yes.

35 MS LONG-DROPPERT: The Crown Resorts Ltd board was not provided with the
risk registers or the reports against material high risk, were they?

40 MR NEILSON: I'm not sure about that, counsel. I don't remember whether they
were provided with that on occasions or not.

MS LONG-DROPPERT: But it was not your usual practice to provide the CRL
board with risk registers or the report against material high risk, was it?

45 MR NEILSON: Again, I'm not sure about that, I'm sorry.

MS LONG-DROPPERT: But, ordinarily, the way the CRL board would be
informed

about the consideration of risk would be through the provision of minutes of the RMC, correct?

5 MR NEILSON: I certainly remember that. They certainly got minutes. Mr Dixon was invited to speak.

MS LONG-DROPPERT: So they definitely got the minutes and you are not sure if they got the risk registers?

10

MR NEILSON: I'm not sure about that, whether they got that on occasions.

MS LONG-DROPPERT: And you are not sure as to whether or not they were provided, as a matter of course, the report against material high risks?

15

MR NEILSON: I don't think as a matter of course they were provided but they may have been provided at some time.

MS LONG-DROPPERT: Perhaps in an exceptional situation?

20

MR NEILSON: Maybe. Again, I have a very hazy recollection. As I say, it was some time ago.

MS LONG-DROPPERT: Perhaps, then, you will not agree with me when I say the CRL board would rely on the content of the minutes of the RMC meetings to discharge its responsibility as to risk?

25

MR NEILSON: I would have said that was --- I think that's probably right. That would be the primary thing they relied on.

30

MS LONG-DROPPERT: Perhaps, again, this is a matter about which you don't have memory, but would you agree it was the usual practice of the CRL board to simply note the minutes of the RMC?

35 MR NEILSON: There were so many meetings, I don't remember what happened at all of them, I'm sorry.

MS LONG-DROPPERT: Thank you, Mr Neilson. You have talked about the risk management processes at each of the properties, that they had their own risk management processes?

40

MR NEILSON: That's my understanding, yes.

MS LONG-DROPPERT: I want to go through the risk management process at Crown Perth level. Crown Perth had its own risk management committee, correct?

45

MR NEILSON: I believe so. I don't know that it was called that. They had a committee that I think had that function.

10:57AM

MS LONG-DROPPERT: Yes, lowercase risk management committee. I think it was called the Executive Risk and Compliance Committee. Does that ring any bells, Mr Neilson?

5

MR NEILSON: That does ring a bell, yes.

MS LONG-DROPPERT: Thank you. This was the committee of Crown Perth which provided risk and compliance oversight of the Perth Casino operations?

10

MR NEILSON: I think so, yes. I didn't participate on that committee but I did see some papers from it.

MS LONG-DROPPERT: You were aware of its existence?

15

MR NEILSON: Yes.

MS LONG-DROPPERT: You were aware that this was the committee that - sorry, I withdraw that. As far as you are aware, did this committee keep its own risk register for the operations of Crown Perth?

20

MR NEILSON: That's my understanding, yes.

MS LONG-DROPPERT: This was the risk register that was fed into the meeting that occurred with that group of people prior to the RMC meeting?

25

MR NEILSON: Yes, that's my understanding. Yes.

MS LONG-DROPPERT: Is it your understanding that the ERCC reported to the board of Burswood Ltd?

30

MR NEILSON: Again, that's my understanding, yes.

MS LONG-DROPPERT: The way in which it did that was primarily through a document entitled the Legal Risk and Compliance Report?

35

MR NEILSON: I'm not sure about that, I'm sorry.

MS LONG-DROPPERT: In the course of collating the board papers for the Burswood Ltd board, do you recall seeing a Legal Risk and Compliance Report?

40

MR NEILSON: I don't have a specific memory of that, I'm sorry.

MS LONG-DROPPERT: What did you understand to be the purpose of the ERCC updating the Burswood Ltd board?

45

MR NEILSON: It was to --- in a similar way that the Crown Resorts internal risk

management group, if I can call them that, reported to the Risk Management Committee, it was a way for the Crown Perth management to report to the Crown Perth board on their risks, their identification of risks, their controls and mitigating circumstances, their rating of risk, any new risks, any risks that had ceased to be relevant. So it's a similar sort of process to the Crown Resorts process we have been talking about earlier.

MS LONG-DROPPERT: So it was incumbent upon the Burswood Ltd board to consider the updates?

MR NEILSON: Incumbent on? I'm sure the board considered the updates. If a paper is put before a board, it should consider the paper, yes.

MS LONG-DROPPERT: The Burswood Ltd board was expected to assess its accuracy?

MR NEILSON: Expected by who?

MS LONG-DROPPERT: Was it its duty to assess the accuracy of the ERCC or was that a duty that fell to the CRL board?

MR NEILSON: I'm not sure I would describe either board as having the duty to assess the accuracy.

MS LONG-DROPPERT: Do you consider the Burswood Ltd board should have appropriately challenged management at Crown Perth in respect of the contents of the updates?

MR NEILSON: I think it's a board's duty to assess the information in front of it and, yes, to test it, to seek clarification of it, if necessary. That's all part of the board function.

MS LONG-DROPPERT: In the course of that assessment, if they had any concerns about ERCC risk and compliance oversight, what was Burswood Ltd's role in respect of those concerns?

MR NEILSON: Their board supervised their management and their board, if they wanted management to do something or to change something or to take an action, they were able to tell them to do so.

MS LONG-DROPPERT: Including to give direction to the ERCC?

MR NEILSON: Yes, to the managers that comprised that committee, yes.

MS LONG-DROPPERT: I am wondering how that fits in with the centralisation of the function of risk management at CRL level. Can you explain that tension to the Commission, please?

MR NEILSON: The same risk profile that went via that report to the Burswood Ltd board would be fed up into the Crown Resorts risk profile and assessed by the Crown Resorts board --- the Crown Resorts Risk Management Committee, I'm sorry.

5

MS LONG-DROPPERT: Both Burswood Ltd and the Crown Resorts Risk Management Committee had a role to play in the oversight of risk at Crown Perth?

MR NEILSON: Yes, I think that's a fair statement.

10

MS LONG-DROPPERT: Am I right in thinking, then, that there is no real clear demarcation of responsibilities in respect of risk management between the Burswood Ltd board, or there wasn't --- sorry, I will rephrase that. There was not, during your time at CRL, at Crown Resorts, a clear demarcation of responsibilities between the risk management that was the responsibility of Burswood Ltd and that which was the responsibility of the RMC in respect of Crown Perth?

15

MR NEILSON: That's probably right. There was probably an overlap of responsibility, an overlap of oversight.

20

MS LONG-DROPPERT: At paragraph 77 of your statement, you describe another review, in addition to the ones we have been speaking about this morning. Is that correct?

25

MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: Can you explain what that review entailed?

30

MR NEILSON: Yes. Well, it's as set out in my statement, that Mr Craigie asked Mr Barton and I, in advance of Crown Perth board meetings I think, I think that was the timing, to sit with the Crown Perth CFO, Crown Perth General Counsel, Crown Perth Risk Manager, Crown Perth Internal Auditor, and go through those papers --- sorry, I've forgotten the name of the body again, the one we talked about earlier, but with them and ask questions and probe and act a little bit like a risk management committee, if you like.

35

MS LONG-DROPPERT: What was the upshot of these reviews? Who did you report to?

40

MR NEILSON: I might say that those reports covered more than just risk. Those set of papers covered a whole lot of other things other than just risk. There was internal audit, litigation reports and other things. But if any items, any material items of concern or of action came out of those reviews, I would report those to Mr Craigie.

45

MS LONG-DROPPERT: In respect of audit, did you have any contact with Rachel Murray, the internal audit manager at Crown Perth?

11:06AM

MR NEILSON: Occasionally, yes. She would attend those meetings. She was in attendance at those meetings.

5 MS LONG-DROPPERT: As part of the review process you describe in paragraph 77?

MR NEILSON: Yes, that's right.

10 MS LONG-DROPPERT: Did you have any other contact with her, aside from these meetings?

MR NEILSON: I don't remember. I may have but I don't specifically remember, I'm sorry.

15

MS LONG-DROPPERT: That's okay. You may not remember this either, but the internal audit managers at Crown Perth were involved in the creation of three major documents. Do you recall that?

20 MR NEILSON: No, sorry.

MS LONG-DROPPERT: I will test if this rings any bells. The strategic audit plan?

MR NEILSON: I don't remember that, I'm sorry.

25

MS LONG-DROPPERT: The internal annual audit report?

MR NEILSON: I don't remember that either, I'm sorry.

30 MS LONG-DROPPERT: The quarterly audit report?

MR NEILSON: I don't remember those. They may have been things I knew about, but I don't now, I'm sorry.

35 MS LONG-DROPPERT: Thank you, Mr Neilson. Commissioner, I am about to launch into a lengthy new topic. Perhaps this would be a convenient time?

COMMISSIONER JENKINS: Yes. Mr Neilson, we will now take morning tea. I know it's a bit past your morning tea time but we will give you 15 minutes, maybe, to have some lunch. We will resume again at 25 minutes past 11 our time, which is 25 past 1 your time, I understand.

40

MR NEILSON: Thank you.

45 COMMISSIONER JENKINS: We will now adjourn.

ADJOURNED

[11:08A.M.]

RESUMED

[11:26A.M.]

5

MS LONG-DROPPERT: Mr Neilson, one more question on the topic of risk management structure and structure in general. Do you know why the board of Burswood Ltd did not have any committees?

10

MR NEILSON: No, I can't --- I don't know, I'm sorry.

MS LONG-DROPPERT: In your statement you say that as company secretary, you were the company secretary of a number of wholly-owned operational subsidiaries within Crown Resorts Ltd?

15

MR NEILSON: That's right.

MS LONG-DROPPERT: One of those subsidiaries was Riverbank Investments Pty Ltd?

20

MR NEILSON: Yes.

MS LONG-DROPPERT: The purpose of that company was to own and operate a bank account?

25

MR NEILSON: That's my recollection. One or more bank accounts, yes, that's my recollection.

MS LONG-DROPPERT: That account has been the subject of investigation in the Bergin Inquiry?

30

MR NEILSON: I'm not across everything in the Bergin Inquiry, but I think that's right.

35

MS LONG-DROPPERT: Do you recall that in 2013, Riverbank Investments had an account with HSBC?

MR NEILSON: I'm not sure about that, I'm sorry.

40

MS LONG-DROPPERT: Do you recall that the Riverbank Investments account with HSBC was closed in 2013?

MR NEILSON: I don't remember that, I'm sorry.

45

MS LONG-DROPPERT: Do you remember that Riverbank Investments Pty Ltd subsequently opened an account with ANZ?

MR NEILSON: No, I don't remember that sequence of events, I'm sorry.

5 MS LONG-DROPPERT: But you are aware that at one time during your time as Company Secretary with Riverbank Investments, it held an account with ANZ?

10 MR NEILSON: Yes, I think --- yes. I mean, I'm hesitating because I have seen documents that the Commission sent me overnight, so I'm trying to think what I knew before I saw those documents. I think I knew they had an ANZ account. I knew that because it was before Bergin, you're right.

MS LONG-DROPPERT: You might recall that in early 2014, ANZ raised concerns about transactions in the Riverbank account?

15 MR NEILSON: Well, again, I had documents put to me at Bergin and you have sent me some documents as well. I do have a recollection of a meeting with ANZ but more broadly than that, my memory is hazy.

20 MS LONG-DROPPERT: Perhaps I can take you to some correspondence relating to the ANZ closure of the Riverbank account, which might jog your memory. Can we please bring up CRW.529.008.8581. This is an email from you, dated 3 March 2014, to Debra Tegoni and Scott Howell. You say:

25 I will give you a call about this.

Do you see that?

MR NEILSON: I can just see that. It's very small on our screen.

30 MS LONG-DROPPERT: And underneath ---

MR NEILSON: Yes, I can see that now.

35 MS LONG-DROPPERT: Underneath, you have also sent an email to Joshua Preston, ccing in Craig Spence?

MR NEILSON: Yes.

40 MS LONG-DROPPERT: On Monday, 3 March 2014 saying:

Josh, Can you please give me a call about this asap, as I think we will need your help in dealing with it. Craig may be able to give you some background to the problem.

45 MR NEILSON: Yes.

MS LONG-DROPPERT: Can you explain to the Commission who Craig Spence is,

11:30AM

please?

MR NEILSON: My memory was, he was the CFO at Crown Perth at that time.

5

MS LONG-DROPPERT: Scroll down, please. You are forwarding an email to these parties and the email is on the second page of this document. Can we go to the start of this document, please, second page. You will see the email chain begins with an email from Paul Birch of ANZ to Mr Ken Barton on 28 February 2014, correct?

10

MR NEILSON: Yes.

MS LONG-DROPPERT: It says:

15 Ken, find a proposed Agenda for the discussion on the bank accounts etc.

Correct?

MR NEILSON: Yes.

20

MS LONG-DROPPERT: Then on 1 March 2014, Ken Barton emails you and Mr Costin, saying:

Looking at this agenda we may need more time to prepare.

25

Correct?

MR NEILSON: I can see that, yes.

30 MS LONG-DROPPERT: Ken Barton was the CFO of Crown Resorts?

MR NEILSON: Yes, that's right.

35 MS LONG-DROPPERT: This email is attended with three attachments which will also put this line of correspondence into context. The first is the agenda that is referred to by Mr Paul Birch. Can we please bring that up, CRW.529.008.8583. Do you recall seeing this agenda, Mr Neilson?

40 MR NEILSON: Only as part of the documents that you and Bergin have sent me. I should say the Bergin Inquiry.

45 MS LONG-DROPPERT: Your evidence is that you have an independent recollection of a meeting that occurred with ANZ. Do you consider this to be the agenda for that meeting?

MR NEILSON: I don't remember it being the agenda of that meeting. It looks to be a document that was intended to be an agenda for a meeting with ANZ, I don't know whether it was the actual agenda.

MS LONG-DROPPERT: Do you recall how many meetings you attended with ANZ during your time as General Counsel with Crown Resorts?

5 MR NEILSON: No, but I didn't attend any meetings with ANZ.

MS LONG-DROPPERT: This would be as an attachment to the email from Mr Birch to Mr Barton, the agenda that Mr Birch was referring to in his email to Mr Barton? Do you accept that?

10

MR NEILSON: That's what it appears to be.

MS LONG-DROPPERT: Another attachment to the source email is CRW.529.008.8585. Could we bring that up, please? This is an email chain as well, starting on 27 February 2014, from Mr Birch to Mr Barton. Do you see that?

15

MR NEILSON: I can see that email, yes. Do you want me to read it, counsel?

MS LONG-DROPPERT: Yes, please, Mr Neilson.

20

MR NEILSON: Yes, I've read that now.

MS LONG-DROPPERT: I will bring that back one step. In that email from Paul Birch to Mr Barton, he says:

25

Thanks for your time yesterday. As discussed I have attached a letter on the *Riverbank Investments account closure. Before we go to the next document, it is subject to a non-publication order, so we cannot put it up on the screen.* CRW.529.008.8586. Do you agree that this is the letter Mr Birch is referring to in his email to Mr Barton, in respect of the closure of the Riverbank Investments account?

30

MR NEILSON: It appears to be, counsel.

35 MS LONG-DROPPERT: Can we go back, please, to CRW.529.008.8585. At the top of this email chain, Mr Barton is emailing you, attaching that letter, to say:

We will need to get Scott Howell involved to demonstrate why we should keep *the accounts open.*

40

Can you explain to the Commission why Mr Barton is emailing you about this?

MR NEILSON: No. You'd have to ask Mr Barton.

45 MS LONG-DROPPERT: What relevance did this have to your role at Crown Resorts?

MR NEILSON: The best I can think of is because I was the General Counsel, the senior lawyer in the group.

5 MS LONG-DROPPERT: So you would agree, then, that this was because this was --
- sorry. That the closure of the Riverbank account was in relation to a risk and
compliance issue and that is why he was emailing you?

MR NEILSON: I don't know that, no.

10

MS LONG-DROPPERT: But you have said he was emailing you in your role as
General Counsel?

MR NEILSON: I was guessing that would be the reason why he would be asking me
15 to be involved.

MS LONG-DROPPERT: That is because the closure of the Riverbank Investments
account by ANZ was a legal and compliance issue?

20 MR NEILSON: I'm not sure about that, I'm sorry. I don't know that that's right.

MS LONG-DROPPERT: But you did not have a financial role at CRL, did you?

MR NEILSON: No.

25

MS LONG-DROPPERT: Your role as General Counsel was in relation to legal and
compliance issues?

MR NEILSON: Yes, that's true.

30

MS LONG-DROPPERT: And the management of risk?

MR NEILSON: Amongst other things, yes.

35 MS LONG-DROPPERT: So you would agree, if he was emailing you in your
capacity as General Counsel, it was because the closure of the ANZ Bank accounts
was in respect of a legal and compliance issue?

MR NEILSON: That may have been why he was sending it to me, yes.

40

MS LONG-DROPPERT: Can we go back to the source email, please,
CRW.529.008.8581 --- sorry, back to 8583, the second attachment I took you to,
which is the source email for the agenda. The source email for the agenda, please. I
beg your pardon. Sorry, I am getting my documents mixed up. My apologies,
45 operator.

It is CRW.529.008.8581 and it is actually the second page. Again, Mr Barton is

emailing you an agenda in respect of discussion of these bank accounts because you are the General Counsel of CRL, correct?

5 MR NEILSON: I assume so. You'd have to ask Mr Barton what he was thinking when he sent me the email.

MS LONG-DROPPERT: Going to the first page of this email chain, you will see the way you dealt with it, Mr Neilson. At this time, do you recall that Mr Preston was
10 the General Counsel at Crown Perth?

MR NEILSON: I believe he was at that time, yes.

MS LONG-DROPPERT: Craig Spence was the CFO at Crown Perth; you have
15 given evidence of that?

MR NEILSON: That's my recollection.

MS LONG-DROPPERT: You were asking Josh for assistance in dealing with this
20 matter, correct?

MR NEILSON: That's what the email says, yes.

MS LONG-DROPPERT: You understood it to be a problem?
25

MR NEILSON: That's the way I've described it in the email, yes.

MS LONG-DROPPERT: The reason you were asking Mr Preston for assistance was
30 because at that time you understood it to be a legal and compliance issue?

MR NEILSON: Counsel, I don't remember this email, so I am speculating as to what I was thinking when I sent the email. I have no recollection of this email, other than that I have seen it in the course of dealing with the Bergin Inquiry and with your
35 inquiry.

MS LONG-DROPPERT: Based on the words you use in this email, you would agree that you understood it as a legal and compliance issue?

MR NEILSON: That's a possibility.
40

MS LONG-DROPPERT: Not only that, you understood it to be a legal and compliance problem?

MR NEILSON: I'm not sure about that. I can't comment.
45

MS LONG-DROPPERT: In the first email chain, you are sending the email and agendas --- sorry, the email with all of its attachments to Ms Tegoni. Ms Tegoni was the Manager of Legal and Regulatory Services at Crown Melbourne, correct?

11:41AM

MR NEILSON: Yes (inaudible).

MS LONG-DROPPERT: I beg your pardon? Sorry, Mr Neilson?

5

MR NEILSON: I would have referred to her as General Counsel but you are probably right with your title.

MS LONG-DROPPERT: Right, so General Counsel. Thank you. And Mr Howell,
10 who was cash transactions and reporting manager at Crown Melbourne at the time?

MR NEILSON: Yes, I think that's right.

MS LONG-DROPPERT: Mr Howell was the person who Mr Barton said would
15 need to be called in to assist with pitching to ANZ why the accounts should remain open?

MR NEILSON: I'm not sure if that was the words in the email but, yes, he said we would need to get Scott involved.

20

MS LONG-DROPPERT: Here, again, you are advising legal and regulatory services --- sorry, you are advising the General Counsel of Crown Melbourne of this issue because you understood it to be a legal and compliance issue?

MR NEILSON: I'm not sure. That's possible, yes.

25

MS LONG-DROPPERT: In view of this correspondence, I wonder whether you will agree with these propositions: as at 3 March 2014, when you sent these emails on to General Counsel at Crown Perth and Crown Melbourne, you knew that ANZ had
30 concerns about transactions that were occurring in the Riverbank accounts?

MR NEILSON: I don't remember that that's right.

MS LONG-DROPPERT: By referring the matter to you in your capacity as General
35 Counsel, Mr Barton was treating this issue as a legal and compliance issue?

MR NEILSON: I don't know whether that's right either.

MS LONG-DROPPERT: And this was a problem that was attended to by risk to the
40 broader CRL group of companies?

MR NEILSON: I don't know that that's right either.

MS LONG-DROPPERT: In respect of the meeting that is referred to in this chain of
45 emails, you may not recall but it was eventually pushed back to the end of March 2014. Do you have an independent recollection of that meeting?

11:44AM

MR NEILSON: I have a very vague recollection of the meeting, but I couldn't have told you precisely when it occurred.

5 MS LONG-DROPPERT: Do you recall what was discussed at that meeting?

MR NEILSON: Not in any detail, only a very vague memory of the discussion at the meeting.

10 MS LONG-DROPPERT: Do you accept that part of what might have --- sorry, that part of what was discussed was why ANZ should keep the Riverbank accounts open?

MR NEILSON: I don't remember that, no.

15 MS LONG-DROPPERT: Do you accept that, based on Mr Barton's email to you, that it was likely that was discussed?

MR NEILSON: I think that was the purpose of the meeting but --- so, therefore, it's possible that that was discussed.

20

MS LONG-DROPPERT: So you understood the purpose of the meeting to be Crown putting its case as to why ANZ should keep the Riverbank account open?

MR NEILSON: Again, I have no independent recollection of the lead-up to the meeting. I'm interpreting these documents to mean that.

25

MS LONG-DROPPERT: Jumping ahead, can we please bring up CRL.557.001.0807_R. This email chain is an email from Mr Costin on 29 April 2014. The recipients are you, Ms Tegoni, Roland Thielier, Craig Spence, Vasula Kessell, David Brown and it is copied to Mr Barton. The subject is "ANZ Closure of Accounts". Can you see that?

30

MR NEILSON: I can see that, yes.

35 MS LONG-DROPPERT: It says:

Following on from our meeting a few weeks back with ANZ regarding the *Riverbank Investments Accounts*, Ken and I had a meeting with our relationship manager this afternoon. MR NEILSON: Yes, I can see that.

40

MS LONG-DROPPERT: And:

ANZ have advised that they will be closing the Riverbank Investments accounts.

45 Do you see in the third paragraph:

The closure of the Riverbank accounts was expected and these accounts are in *the process of being transitioned to CBA*.

5 Do you see that?

MR NEILSON: I see that, yes.

10 MS LONG-DROPPERT: The expectation that is referred to in this email is the decision or the flagging of the decision to close the accounts in late February 2014?

MR NEILSON: I don't know. I assume so. I don't know.

15 MS LONG-DROPPERT: And that if it had been the purpose of the March 2014 meeting to persuade ANZ to keep the Riverbank accounts open, Crown was unable to assuage the concerns of ANZ at that meeting?

MR NEILSON: If that was the purpose, that would appear to be what this email is saying.

20

MS LONG-DROPPERT: I want to ask you about another part of that paragraph, where it says:

25 Can customers be advised by relevant people that multiple cash deposits in *branch under the \$10,000 reporting threshold will not be accepted in the new CBA accounts*.

Do you see that?

30 MR NEILSON: I see that, yes.

MS LONG-DROPPERT: I think your evidence in the Bergin Inquiry was to the effect that the responsibility for ensuring that deposits under the \$10,000 threshold occurred were the responsibility of internal --- sorry, of the AML Compliance department at Crown Perth; is that correct?

35

MR NEILSON: I'm not sure whether that's exactly what I said, but I don't think there was an AML Compliance department at Crown Perth. But, yes, it would have been a Crown Perth legal and compliance responsibility, the general AML compliance, including these sorts of transactions.

40

MS LONG-DROPPERT: When you say "these sorts of transactions", what sorts of transactions do you understand them to be?

45 MR NEILSON: Well, this is a type of transaction that needs to be looked out for, needs to be monitored in the course of an anti-money laundering program, to my understanding.

MS LONG-DROPPERT: You held that understanding in 2014 as well?

MR NEILSON: Yes.

5

MS LONG-DROPPERT: Sometimes those transactions are referred to as aggregation, as a money laundering typology?

MR NEILSON: I don't know that I've heard those expressions.

10

MS LONG-DROPPERT: The second half of that sentence says:

.....we don't want this process to occur again with CBA in six months time *deciding to close the Riverbank and Southbank accounts due to the suspect transactions.*

15

Do you see that there, Mr Neilson?

MR NEILSON: I can, yes.

20

MS LONG-DROPPERT: So you accept the ANZ accounts were closed due to those suspect transactions?

MR NEILSON: No, I can't. I don't know whether that's right. I can see what's in the email but I don't know whether that's right.

25

MS LONG-DROPPERT: What other interpretation is available of those words, Mr Neilson?

MR NEILSON: I don't think that comment is about why the ANZ closed their account.

30

MS LONG-DROPPERT: Right. But Mr --- sorry.

MR NEILSON: Certainly that's one interpretation you could take of that phrase.

35

MS LONG-DROPPERT: What is another interpretation?

MR NEILSON: I'm not sure, I'm sorry, counsel.

40

MS LONG-DROPPERT: I put to you that the only interpretation is that the process Mr Costin is referring to here is the process of ANZ closing its accounts with Riverbank Investments Pty Ltd due to suspect transactions.

MR NEILSON: It's certainly an interpretation that's open.

45

MS LONG-DROPPERT: Then, you will recall, Riverbank Investments Pty Ltd opened replacement accounts with the Commonwealth Bank of Australia?

MR NEILSON: I don't. I'm not sure whether that's right. I mean, that would appear to be what's planned here but I don't recall that.

5 MS LONG-DROPPERT: In view of what Mr Costin is saying here about suspect transactions, do you recall if any measures were taken to ensure those suspect transactions did not occur in this Commonwealth Bank account owned by Riverbank Investments Pty Ltd?

10 MR NEILSON: I don't recall whether any specific action was taken --- no, I don't recall this email and I don't recall this line of communication. Crown Perth and Crown Melbourne had anti-money laundering programs there. There would have been processes in place already. I am not sure whether anything additional occurred at this time because I just don't have a memory of this particular line of
15 communication.

MS LONG-DROPPERT: In view of all of that, I wonder if you agree with me when I say the following: the use of the Riverbank account in 2014, the bank account of a wholly-owned subsidiary of Crown Resorts, by Crown patrons for suspicious
20 transactions presented a material risk to Crown Resorts.

MR NEILSON: I'm not sure. I don't know. I can't comment on that, I'm sorry. I don't know that that's right.

25 MS LONG-DROPPERT: You don't have a view on whether that --- sorry. How about we go with the hypothetical then. If the Riverbank account was being used for suspicious transactions, that then presented a material risk for the parent company, Crown Resorts Ltd?

30 MR NEILSON: It would depend on the nature of them. I would need to know a lot more information before I drew a conclusion on that.

MS LONG-DROPPERT: So it would depend the nature of the suspicious
35 transaction?

MR NEILSON: It's all hypothetical but, amongst other things, yes.

MS LONG-DROPPERT: If the account was being used for suspicious transactions, that risk should have been considered at CRL board level?
40

MR NEILSON: It would depend. I'd need a lot more information to be able to comment on that.

45 MS LONG-DROPPERT: What about the fact of ANZ raising concerns in 2014 that a bank account of a wholly-owned subsidiary of Crown Resorts was being used by Crown's patrons for suspicious transactions, do you consider that was a material risk for Crown Resorts?

MR NEILSON: I don't remember that being raised and, again, I'd need to know more information about that before I drew any conclusion about its material.

5 MS LONG-DROPPERT: Based on the information we have seen today, do you believe the concern raised by ANZ should have been considered at Crown Resort's board level?

10 MR NEILSON: No, not necessarily. I'd need, again, to know more information than (inaudible).

MS LONG-DROPPERT: Do you consider the fact of ANZ deciding to not do business with a wholly-owned subsidiary of an ASX-listed company is something the parent company should have been aware of?

15 MR NEILSON: Well, I'm not sure you have correctly characterised what I think has happened or what appears to have happened but, again, not necessarily.

20 MS LONG-DROPPERT: How have I incorrectly characterised it?

MR NEILSON: I'm not sure that ANZ is saying they don't want to do business with a Crown Resorts subsidiary. I think what they've said here is they're going to close one bank account.

25 MS LONG-DROPPERT: Were you aware of Riverbank Investments Pty Ltd having more than one account with ANZ?

MR NEILSON: It may have. I'm not sure.

30 MS LONG-DROPPERT: Not long after this correspondence, there was the first annual meeting of the Risk Management Committee in 2014. At that meeting, there was an annual review of the risk profile for 2014. Can we please bring up CRW.507.006.7406. You will see you are the author of that report, Mr Neilson?

35 MR NEILSON: It's very small on our screen. I'm just waiting for it to get bigger. Just scroll down a bit, thank you.

MS LONG-DROPPERT: Scroll up, thank you.

40 MR NEILSON: That's a memo from me to the Risk Management Committee.

MS LONG-DROPPERT: This is one of the documents you referred to earlier in the examination that formed part of the Risk Management Committee's assessment of risk?

45 MR NEILSON: That would appear to be so, yes.

MS LONG-DROPPERT: Have you had an opportunity to look at this report as part of the materials that have been provided to you in advance of this examination?

5 MR NEILSON: Sorry, only very briefly. It only came late yesterday.

MS LONG-DROPPERT: Scroll down a little bit, please. You see that the only material suggestion in relation to the annual review of risk profile is the addition of a new visitation risk?

10

MR NEILSON: Yes, I can see that.

MS LONG-DROPPERT: We can scroll through every page but I want you to take it from me that there is no mention of the ANZ closure of the accounts in this document.

15

MR NEILSON: Right.

MS LONG-DROPPERT: Do you accept that, Mr Neilson, or would you like me to take you through?

20

MR NEILSON: I'm happy to accept that from you, counsel.

MS LONG-DROPPERT: Thank you. Can I take you to CRW.507.006.7058_R, please. This is the report against material risks?

25

MR NEILSON: Yes.

MS LONG-DROPPERT: Of which you are the author?

30

MR NEILSON: Yes.

MS LONG-DROPPERT: This is the document we spoke about earlier, which delves more deeply into the risks which are attended to a higher level of risk; is that correct?

35

MR NEILSON: It would appear that's what it's going to be, yes.

MS LONG-DROPPERT: Again, I am happy to take you through it but, in view of efficiency, will you accept from me that there is no mention of the closure of the Riverbank account by ANZ on the basis of suspicious transactions in this document?

40

MR NEILSON: I'm happy to accept that from you, counsel.

MS LONG-DROPPERT: Can we go to CRW.507.011.4884_R. This is the minutes of the meeting that was held on 15 May 2014, of which those committee papers form part of the material presented.

45

MR NEILSON: Yes.

12:00PM

MS LONG-DROPPERT: Scrolling through, we find, again, that the closure of the Riverbank account by ANZ on the basis of suspicious transactions is not discussed in this meeting. Do you accept that, Mr Neilson?

5

MR NEILSON: It's not referred to in the minutes anyway.

MS LONG-DROPPERT: Not referred to in the minutes?

10 MR NEILSON: It's very hard to read this but I'll accept it again from you, counsel.

MS LONG-DROPPERT: If it is not referred to in the minutes, then you accept it was not discussed in any material way?

15 MR NEILSON: That's most likely right.

MS LONG-DROPPERT: These are the minutes that would have been presented to the board of Crown Resorts Ltd?

20 MR NEILSON: Should have been in the normal course, yes.

MS LONG-DROPPERT: Can we go, please, to CRL.512.001.5015-R. These are the minutes of the meeting of the board of directors of Crown Resorts on 29 May 2014. You are present there as Company Secretary. Do you see that, Mr Neilson?

25

MR NEILSON: Yes.

MS LONG-DROPPERT: Going to page 7, please, at the top of the page, the minutes of the meeting of the Risk Management Committee held on 15 May 2014 were taken as read and it was resolved to note those minutes?

30

MR NEILSON: I'm just reading. Yes, I can see that.

MS LONG-DROPPERT: If Mr Dixon was to have spoken to those minutes or raised anything, it would have been minuted? You would have minuted it in these minutes?

35

MR NEILSON: I should have, yes.

MS LONG-DROPPERT: So the absence of any discussion minuted probably indicates there was no further discussion at this meeting?

40

MR NEILSON: Probably, yes.

MS LONG-DROPPERT: We see, at a risk management level, the closure of the ANZ Bank accounts of Riverbank Investments was not considered, at least at the meetings that immediately followed that event? Do you agree with that?

45

MR NEILSON: That's what the minutes tend to indicate.

5 MS LONG-DROPPERT: We have heard evidence in this Commission that some of the --- sorry, that directors of the CRL board, including Ms Coonan, were not aware of Riverbank Investments until 2019. Can you explain why you decided not to include the closure of the Riverbank accounts as part of the material given to the RMC?

10 MR NEILSON: I have no recollection of that, sorry.

MS LONG-DROPPERT: Can you explain to the Commission why you did not elevate the issue to the CRL board for consideration?

15 MR NEILSON: Again, I don't have any memory of those events at the time.

MS LONG-DROPPERT: Do you agree that your decision not to raise the issue of the closure of the Riverbank accounts at RMC level deprived that committee of the opportunity to assess that risk?

20 MR NEILSON: If it wasn't raised at the committee or the board by anybody, then they wouldn't have had the opportunity to assess it, that's right.

MS LONG-DROPPERT: That applies again, equally, at CRL board level?

25 MR NEILSON: Yes, that's right.

MS LONG-DROPPERT: In hindsight, do you consider that this was a failure on your behalf?

30 MR NEILSON: No. I don't have enough information to form that view, with the wonderful benefit of hindsight.

MS LONG-DROPPERT: Do you consider it a failure of the system that was in place to deal with risks at Crown Resorts?

35 MR NEILSON: Not necessarily, no.

MS LONG-DROPPERT: In view of the findings about the use of the Riverbank accounts for suspicious transactions in the Bergin Inquiry, do you consider that you failed in your role as General Counsel to properly identify the risk that was attended to by the closure of those accounts by ANZ in 2014?

45 MR NEILSON: No.

MS LONG-DROPPERT: Thank you, Mr Neilson. I will take you to another topic we spoke about earlier, which is the VIP business of Crown Resorts. I need some clarity in respect of which entity considered applications for junket operators at

Crown Melbourne and Crown Perth?

MR NEILSON: Junket operators?

5

MS LONG-DROPPERT: Yes.

MR NEILSON: Yes.

10 MS LONG-DROPPERT: Sorry, could you describe by which --- how were junket operators approved for Crown Melbourne and Crown Perth during your time as General Counsel?

MR NEILSON: I'm not sure, I'm sorry. That wasn't a matter that came before me.

15

MS LONG-DROPPERT: It wasn't a matter that came before you during your entire tenure or only prior to October 2016?

MR NEILSON: No, it wasn't a matter that came before me in my entire tenure. Oh, I'm not sure about prior to 2007, counsel.

20

MS LONG-DROPPERT: Sorry, Mr Neilson, you misheard me. I said 2016, so October 2016.

25 MR NEILSON: I did hear you but prior to 2007, when I was General Counsel for Crown Melbourne, in that business it's possible I knew more about that process then but I just don't remember it now, being so long ago, I'm sorry.

30 MS LONG-DROPPERT: Can we please bring up the document we looked at earlier, CRL .579.019.5104, which is subject to a non-publication order. In the discussion of customers after October 2016 at these VIP meetings, am I correct in thinking that this discussion involved assigning of risk rating to particular patrons?

MR NEILSON: I don't remember that, sorry.

35

MS LONG-DROPPERT: Do you recall anything about the nature of the discussions about patrons at these meetings?

40 MR NEILSON: I recall that we did look at lists of patrons. At a high level, the focus of those meetings were to determine whether dealing with those patrons was something that would hinder our efforts to have our staff released from detention in China. But as to specifics of individuals and what we discussed about them, I can't remember, I'm sorry.

45 MS LONG-DROPPERT: Is it your evidence that you had no involvement with the VIP business prior to October 2016?

MR NEILSON: When you say "no involvement", that's a very broad concept. So I

12:09PM

had no involvement in day-to-day business operations at the VIP department, which really was a part of Crown Melbourne and Crown Perth. But, you know, issues around VIP would come up in CEO reports and in management meetings, those sorts of things.

5
MS LONG-DROPPERT: As General Counsel, you had no role to play in assessing whether particular VIP patrons may have presented a particular risk to Crown Resorts?

10
MR NEILSON: No, I wasn't involved in that process.

MS LONG-DROPPERT: Can we please bring up document CRW.709.134.9159. This is an email you sent to Barry Sargeant, the CEO of Racing and Gaming.

15
MR DHARMANANDA: This is a document to which an application for an NPO order has been made.

COMMISSIONER JENKINS: Can you explain why?

20
MR DHARMANANDA: I think it is for the private screen presently, Commissioner. As I understand it, the protocol was that it has been communicated to solicitors assisting the Commission. I am not presently able to identify the detailed basis for that.

25
COMMISSIONER JENKINS: Obviously I can only see at this point the front page of the email. We will leave it off the public screens for the time being.

MR DHARMANANDA: (Inaudible) the bottom of it, Commissioner.

30
COMMISSIONER JENKINS: Thank you, Mr Dharmananda. Yes, Ms Long-Droppert?

MS LONG-DROPPERT: Thank you, Commissioner.

35
Scrolling down, please, we see that Four Corners has submitted some questions in respect of Crown's VIP business through Crown Resorts?

MR NEILSON: Yes.

40
MS LONG-DROPPERT: Scrolling up, please, you have attached Crown's response and sent it through Mr Sargeant. Do you see that?

MR NEILSON: I can see that, yes.

45
MS LONG-DROPPERT: If I can bring up ---

MR NEILSON: It's a thing called Response to Four Corners.

MS LONG-DROPPERT: Yes. Can we bring up, please, CRW.709.134.9161. I assume this should only be displayed on the private screens as well. That is the attachment to that email?

5

MR NEILSON: Appears to be, yes.

MS LONG-DROPPERT: Do you recall if you were the author of that document?

10 MR NEILSON: No, I don't remember.

MS LONG-DROPPERT: Do you recall if your team was responsible for creating that document?

15 MR NEILSON: No, I don't remember that.

MS LONG-DROPPERT: Would queries of this kind from media outlets be dealt with by the General Counsel team in the ordinary course of events?

20 MR NEILSON: Not usually, although we might have been asked to help.

MS LONG-DROPPERT: In any event, you agree that you were happy to disseminate this response to the CEO of Racing, Gaming and Liquor in Western Australia, correct?

25

MR NEILSON: I don't have a specific memory of that communication but it was my habit to keep our gaming regulators informed of media inquiries like this, that were likely to result in a media story, to ensure they were informed in advance of such things.

30

MS LONG-DROPPERT: As a response to a media outlet, as General Counsel, you would have had regard to this before it was disseminated to Four Corners?

MR NEILSON: Sorry, that was not clear to me, that question.

35

MS LONG-DROPPERT: In your role as General Counsel, you would have reviewed this document before it was made public?

MR NEILSON: Generally, that would have been a role that I played, yes.

40

MS LONG-DROPPERT: Let me ask you this, Mr Neilson: if you personally had very limited involvement with the VIP and junket business, how were you able to satisfy yourself as to the voracity of these answers?

45 MR NEILSON: I'm not sure about this particular document but, in general terms, there would have been a number of people involved in this, including probably people either from Crown Melbourne or from the VIP business, or Crown Perth.

MS LONG-DROPPERT: Do you agree this document was provided to Mr Sargeant as a means by which to give him comfort around the investigation being conducted by Four Corners?

5

MR NEILSON: I'm not sure that's right. It would be more just to alert Mr Sargeant as to what our response was going to be.

MS LONG-DROPPERT: Do you agree with this: in September 2014, Crown was being investigated by Four Corners as to possible criminal infiltration via junkets?

10

MR NEILSON: All I can remember is there was a story on Four Corners. I don't remember in detail the content of that story and what it covered.

MS LONG-DROPPERT: Can we go back to the email, please, CRW.709.134.9159. I want to run you through some of the questions four Corners was asking Crown Resorts at this time:

15

What measures does Crown take to eliminate its exposure to infiltration by, or *association with organised crime via its joint venture in Macau, Melco Crown?*

20

Do you see that?

MR NEILSON: I can see that, yes.

25

MS LONG-DROPPERT: The second question:

What measures does Crown take to eliminate its exposure to infiltration by, or *association with organised crime via the commercial agreements into which its joint venture in Macau, Melco Crown, enters with VIP gaming promoters, VIP room managers, licensed junket operations and unlicensed junkets and sub-agents?*

30

Do you see that?

MR NEILSON: I see that, yes.

35

MS LONG-DROPPERT: The rest of the questions continue in a similar vein, Mr Neilson. So, on the basis of receiving these questions from Four Corners, you accept that in 2014 Four Corners was investigating Crown as to the potential criminal infiltration of --- the criminal infiltration of junkets at Crown Resorts?

40

MR NEILSON: I'm not sure whether that's right. It's talking about our investment in Melco Crown. It's talking about what measures we take to eliminate exposure to infiltration as a result of that investment. So I'm sorry, I don't remember these questions other than I can read them on the page. So I'm not quite sure what conclusion to draw about Four Corners' investigation.

45

MS LONG-DROPPERT: But you would accept, though, that Four Corners is asking Crown Resorts questions as to the potential for criminal infiltration by --- sorry, the potential for criminal infiltration by organised crimes into its junket operations?

5

MR NEILSON: Via its joint venture in Macau, yes.

MS LONG-DROPPERT: If junkets at Crown Resorts were being infiltrated by criminals, that would present a significant risk to Crown Resorts; would it not?

10

MR NEILSON: I would think that would be a risk for Crown Resorts, yes.

MS LONG-DROPPERT: The potential for that risk to occur --- sorry. Risks do not have had to have materialised in order for them to become a risk. You also account for potential risks in your role as General Counsel; correct?

15

MR NEILSON: I think that's a general principle of risk management, yes.

MS LONG-DROPPERT: Thank you. Can we bring up CRW.507.011.5681, the next lot of minutes from the Risk Management Committee in 2014. This is the minutes of the Risk Management Committee on 25 November 2014 and we can scroll through them slowly but you can also take it from me that there's no consideration of the criminal infiltration of junket operations at Crown Resorts in these minutes.

20

25

MR NEILSON: I'll accept that from Counsel.

MS LONG-DROPPERT: Thank you. Do you accept then that there's no consideration of the risk of criminal infiltration directly following --- sorry, at Risk Management Committee level, directly following the Four Corners investigation?

30

MR NEILSON: I accept that there's no minute of any discussion.

MS LONG-DROPPERT: Therefore, by extension do you agree that there's no consideration by the CRL board in relation to criminal infiltration and what risk it might present to the company?

35

MR NEILSON: Not by these minutes, no.

MS LONG-DROPPERT: Do you recall why you decided to not raise this as a potential risk at the Risk Management Committee in November 2014?

40

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

MS LONG-DROPPERT: Thank you. I want to fast forward to 2016, this is subject to a non-publication order. It's CRW.710.004.8085 and if we can please go to the start of this email chain. This is an email from Ms Tegoni to Mr Preston and it's

45

carbon copied to you. This is January 28, 2016, so prior to the China arrests, and Ms Tegoni says these are the named individuals to whom the media requests relate. And you will see one of them is Mr Richard Yong.

5

MR NEILSON: Yes, I can see that.

MS LONG-DROPPERT: Do you have any recollection of this patron?

10

MR NEILSON: No, I'm sorry.

MS LONG-DROPPERT: Do you recall anything about this media request?

15

MR NEILSON: No.

MS LONG-DROPPERT: Do you accept that these patrons are being investigated by media outlets as at 28 January 2016?

20

MR NEILSON: I don't know. I don't accept that because I'm not sure that's what the (inaudible).

MS LONG-DROPPERT: Or at least that media are making requests about particular patrons, about these particular patrons?

25

MR NEILSON: It would appear they're making requests about those patrons, according to Deb in the email.

30

MS LONG-DROPPERT: Thank you. Can we please bring up CRW.710.004.8645, also subject to a non-publication order. This is a week later, 5 February 2016, and this is an email from Ms Fielding directed to you and carbon copied to Ms Tegoni and Mr O'Connor. Do you see that, Mr Neilson?

MR NEILSON: It's very small but I think I can see that.

35

MS LONG-DROPPERT: The subject line is Yong and Phua and you will see that there's some discussions about those two patrons in the body of this email?

40

MR NEILSON: It's just been made bigger for me, thank you. Do you want me to read that?

MS LONG-DROPPERT: Yes, please. So Ms Fielding is requesting for your input, sorry, your comments before she sends it through Howard, Mr Michael B, Andrew Spry and Kevin; do you see that?

45

MR NEILSON: I see that up the top, yes.

MS LONG-DROPPERT: I mean, as lawyers we all understand that documents may be settled by our seniors before being disseminated more widely. Is this the process

that's going on here?

5 MR NEILSON: I'm really not sure. I don't remember this email and I don't remember these patrons, I'm sorry. I know Ms Fielding in her role --- I'm still halfway through reading it. I'm not sure. Sorry, Counsel. I'm not sure.

10 MS LONG-DROPPERT: Do you recall that you made the decision that Mr Yong was not able to attend Crown Melbourne?

MR NEILSON: I don't remember that.

15 MS LONG-DROPPERT: But if it had been you, this would be an example of your involvement in the VIP business?

MR NEILSON: If that's what happened, that might be an example of that, yes.

20 MS LONG-DROPPERT: And if we go to CRW.710.004.8111, this is a non-publication order document as well, please. And this is the final --- sorry, Ms Fielding is forwarding you the final version of the email with the subject line "Yong and Phua" to say that she spoke with Kevin before sending it and that he was aware that it was coming.

25 MR NEILSON: Yes.

MS LONG-DROPPERT: And then the body of the email is, in essence, the same as the one I just showed you. Do you accept that in this email it's preventing Mr Yong from gambling or soliciting anyone to gamble on his behalf at Crown Melbourne?

30 MR NEILSON: By a quick read of it that's what it looks to be.

MS LONG-DROPPERT: And this patron poses a significant enough risk to ban him from doing those things?

35 MR NEILSON: Apparently that looks to be what the email's talking about.

40 MS LONG-DROPPERT: And do you agree that in view --- do you agree that it carried with it a reputational --- sorry, the decision to ban Mr Yong carried with it a reputational risk to Crown Resorts?

MR NEILSON: I'm not sure whether that's right or not.

45 MS LONG-DROPPERT: Right. He was the subject of a media request at the end of January 2016; correct?

MR NEILSON: Yes. So there was (inaudible) publicity risk of some kind.

MS LONG-DROPPERT: Thank you. Can we bring up the minutes of

CRW.507.011.4624 and these are the minutes of the RMC meeting that occurred --- the next RMC meeting that occurred after this banning of Mr Yong on 22 June 2016. Do you see that, Mr Neilson?

5

MR NEILSON: Yes, I can see that.

MS LONG-DROPPERT: Can we scroll through to reputational risk, if there was any consideration of that in these minutes. Can we go back one page, please, to page 2, under the heading "Brand Reputation Image". You see there's no mention of Mr Yong being banned from Crown Melbourne there?

10

MR NEILSON: Can you make it bigger for me, Counsel? I'm sorry, it's very hard to see.

15

MS LONG-DROPPERT: Sorry, certainly, Mr Neilson.

MR NEILSON: No, there's no mention, you're right.

MS LONG-DROPPERT: You can take it from me there's no independent mention of Mr Yong's banning in these minutes, please, Mr Neilson?

20

MR NEILSON: I accept that, yes.

MS LONG-DROPPERT: Can you explain to the Commission why this matter was not brought to the attention of the RMC?

25

MR NEILSON: I don't have any independent recollection of that particular meeting or the minutes that are in front of me. But a matter that Crown Melbourne was dealing with I would have thought if it was going to bring up as a material issue, it would have been raised in Crown Melbourne's process.

30

MS LONG-DROPPERT: But earlier on in the examination you accepted that Crown Resorts Ltd takes ultimate responsibility for the risks of the group. Should it not then have also been considered at Crown Resorts Ltd board level?

35

MR NEILSON: If it had been considered material enough, if it comes through the risk management process that we discussed earlier, yes, that's right.

MS LONG-DROPPERT: And in respect of the criminal infiltration of junkets and the VIP market, in general, how did Crown Resorts deal with that risk during your time as General Counsel?

40

MR NEILSON: Through the process that we've talked about at length earlier in this hearing.

45

MS LONG-DROPPERT: Right. And do you agree that the failure to bring these matters --- to bring matters such as this of the banning of Mr Yong, for example, to

the CRL board's attention, diminished its ability to properly oversee the risk of criminal infiltration at its properties?

5 MR NEILSON: Not necessarily.

MS LONG-DROPPERT: How was it able to otherwise do it if it wasn't then brought to its attention?

10 MR NEILSON: As I've outlined previously, we discussed previously there was a process by which it was determined and assessed on the materiality of risk. Based on that process, the risks which were considered high, or significant, were brought to the attention of the committee in the manner in which we've already talked about.

15 MS LONG-DROPPERT: Right. And in respect of the October 2016 arrests and the decision to then convene a VIP meeting, which you discussed earlier.

MR NEILSON: Yes.

20 MS LONG-DROPPERT: The change in process indicate that there are reliance on properties to deal with criminal infiltration prior to that was not working?

MR NEILSON: No.

25 MS LONG-DROPPERT: Thank you, Mr Neilson. I just have a few more questions in respect to board charters. You're aware that the Burswood Ltd board does not have a charter?

30 MR NEILSON: That's probably right. Memory is imperfect on that but I don't recall it having a charter.

MS LONG-DROPPERT: And I've shown you the CRL board charter earlier today and the RMC charter. Who is the author of those documents?

35 MR NEILSON: I'm not 100 per cent sure but my guess would be that Mary Manos prepared those after the demerger.

MS LONG-DROPPERT: And to your mind, is the corporate charter of a board an important document underpinning governance?

40

MR NEILSON: Yes.

MS LONG-DROPPERT: And you then --- can you explain then why Burswood Ltd does not have a charter or ---

45

MR NEILSON: I can only suggest that as a wholly-owned subsidiary, it would be rare, in my experience, for wholly-owned subsidiaries to have charters.

MS LONG-DROPPERT: Do you agree the existence of a board charter might have helped with the demarcation of responsibilities, particularly as to risks between Burswood Ltd and CRL?

5

MR NEILSON: Maybe.

MS LONG-DROPPERT: And do you accept that it was in your power as company secretary to recommend to Burswood Ltd that it had a board charter?

10

MR NEILSON: I could have done that, yes.

MS LONG-DROPPERT: Thank you. No further questions.

15 COMMISSIONER JENKINS: Thank you, Ms Long-Droppert. Mr Bathurst, any questions?

MR BATHURST: No questions.

20 COMMISSIONER JENKINS: Mr Evans?

MR EVANS: Can I just ask one quickly, Commissioner?

25 **CROSS-EXAMINATION BY MR EVANS**

MR EVANS: Mr Neilson, my name is Evans, I act for the Gaming and Wagering Commission. Can I just clarify one aspect of your evidence? I can probably wait for the transcript but I'm impatient. My learned friend talk you to the Four Corners email of Mr Sargeant; do you recall that?

30

MR NEILSON: Yes, I do.

35 MR EVANS: Am I correct in understanding that your evidence was that you thought that the Four Corners investigation was concerned with the Melco joint venture in Macau ---

MR NEILSON: Sorry, Mr Evans.

40

MR EVANS: And not with Australia's Crown operations?

MR NEILSON: No, I was just commenting on the particular questions Counsel took me to in that email. I don't have any independent recollection of the particular item of the Four Corners piece that was done. But I had read the questions and that was my interpretation of those questions.

45

MR EVANS: Can I take you back to that document, CRW.709.134.9159, to the third

and fourth bullet points on that page.

MR NEILSON: Do you want me to read those, Mr Evans?

5

MR EVANS: Can you read them? Yes. It may be enlarged for you to facilitate that.

MR NEILSON: It's been enlarged. I can see, thank you. Yes, I've read those.

10

MR EVANS: I draw your particular attention to the reference to investigations into its junket operated in Australia.

MR NEILSON: Yes.

15

MR EVANS: That's a question clearly posed about Australia, isn't it?

MR NEILSON: Yes, it is.

20

MR EVANS: If I scroll the page down to page 9160, can you read the first bullet point?

MR NEILSON: Yes.

25

MR EVANS: That's arguably a question about Australia, is it not?

MR NEILSON: Yes, it is.

30

MR EVANS: Can we go to the response which you apparently attached, which is CRW.709.134.9161.

MR NEILSON: Yes, it's been made bigger. Thank you.

35

MR EVANS: Now, as an initial question, can you indicate who within the Crown organisation would have had the authority to and did in fact authorise the making of this release?

MR NEILSON: I can't tell you who did in fact because I don't remember this particular document but generally the CEO would have authorised that.

40

MR EVANS: At the time that would be Mr Barton; is that correct?

MR NEILSON: Mr Craigie.

45

MR EVANS: Sorry, Mr Craig, my apologies.

MR NEILSON: Mr Craigie.

MR EVANS: Craigie, that's right. Thank you. Can I just take you down to the

bottom of that page under the heading "Junket Operators" and ask you to read the first and third paragraphs.

5 MR NEILSON: Sorry, did you say the first and third?

MR EVANS: First and third, yes.

MR NEILSON: Yes, I've read that.

10

MR EVANS: Now it's clear from that, isn't it, whoever penned this and authorised its release, understood that the question was posed in relation to the Australian operations?

15 MR NEILSON: It would appear so.

MR EVANS: And answered in relation to the Australian operations?

MR NEILSON: Yes, that's right.

20

MR EVANS: No further questions.

COMMISSIONER JENKINS: Yes, Ms Young.

25 MS YOUNG: Commissioner, with your leave, a matter of clarification?

COMMISSIONER JENKINS: Certainly.

30 **CROSS-EXAMINATION BY MS YOUNG**

MS YOUNG: Mr Neilson, my name is Young and I appear for BBH Crown Holdings and Consolidated Press Holdings. Can I please have the operator pull up, and I understand this has an NPO, CRL.579.019.5104.

35

MR NEILSON: Yes.

MS YOUNG: You recall in your evidence you were taken to this and so I understand your evidence you described this as an example of a meeting which occurred only after the China arrests in October 2016; correct?

40

MR NEILSON: Yes, I think that's right.

45 MS YOUNG: To your recollection, Mr James Packer first ceased as a director of Crown Resorts in December 2015?

MR NEILSON: To the best of my memory, I think that's right.

MS YOUNG: He was not appointed as a director again until August 2017?

5 MR NEILSON: I think my memory is that he was announced to become a director earlier than that but there was a period of time that he had to go through approval for gaming licensing purposes. So I think people knew earlier than that he was going to become a director but I think he actually became a director late.

10 MS YOUNG: Yes.

MR NEILSON: You say August, although I was not in my role any longer at that time.

15 MS YOUNG: If I can ask the operator to pull up PUB.0013.0001.1261. Mr Neilson, do you see that there? It's the annual report of Crown Resorts from 2017.

MR NEILSON: Yes.

20 MS YOUNG: If I could ask the operator, please, to go first to PDF 75, which is page 1335, and if I could ask, please, for the operator to scroll down to the table headed "30 June 2016, Crown Directors". Just to blow up that table there, please. Mr Neilson, can you see the note that's at the bottom of that table that commences:

25 Mr Packer ceased as a director on 21 December 2015.

MR NEILSON: I can see that, yes.

30 MS YOUNG: Can we turn back to PDF 39, which is page 1299, and go down the left-hand column, it's the third bullet point from the bottom.

MR NEILSON: Yes.

35 MS YOUNG: Sorry, operator, under the heading "Significant events after balance date", that first dot point there, can you see that, Mr Neilson?

MR NEILSON: Yes, I've seen that.

40 MS YOUNG: On 3 August 2017, Crown announced the appointment of Mr Packer had become effective.

MR NEILSON: I can see that, yes.

MS YOUNG: That was the later date you were referring to in your answer just now?

45 MR NEILSON: That seems to be right, yes.

MS YOUNG: If the Commission please.

COMMISSIONER JENKINS: Mr Dharmananda?

MR DHARMANANDA: No.

5

QUESTIONS BY THE COMMISSION

10 COMMISSIONER JENKINS: Mr Neilson, that just leaves me. I want to clarify a
few things with you. In your evidence you said that you did not have enough
information to assess whether it was a failure by yourself not to raise the ANZ's
concerns which led to the closure of the Riverbank account at the RMC or at the
15 CRL board level. I want to know what further information would you need in order
to make that determination?

MR NEILSON: I would need to know more detail about the reasoning behind
ANZ's closure and the facts and the circumstances around that.

20 COMMISSIONER JENKINS: So given what you were told in, at least, or by April
2014, about that issue, should you have made inquiries in order to find out whether
ANZ's concerns did identify a potential risk that should be reported to the RMC,
Crown Resorts Ltd or Burswood Ltd?

25 MR NEILSON: I'm not sure, Commissioner. As I said to Counsel, I don't remember
those events or those communications. I do have a vague memory of meeting with
the ANZ but I don't remember what I was advised after the meeting and what
occurred at that point. I see the emails but I don't have a recollection.

30 COMMISSIONER JENKINS: Is there any particular reason why you don't have a
recollection, Mr Neilson?

MR NEILSON: It was seven and a half years ago, Commissioner.

35 COMMISSIONER JENKINS: How many meetings did you go to with banks about
closures of accounts?

MR NEILSON: Not many but I went to a lot of meetings and had a lot of emails and
a lot of correspondence and involved in a lot of projects.

40

COMMISSIONER JENKINS: Would you agree with me, though, that it would be a
fairly rare occasion where a bank said that it wanted to close an account used by
Crown because of suspicious transactions on it?

45 MR NEILSON: I don't remember that that's what they said, that it was because of
suspicious transactions on it. I would agree with you that it's not a common
occurrence for a bank to close an account.

COMMISSIONER JENKINS: You don't agree with me that at least by 29 April, when you received that email, which referred --- you were shown where it is highlighted in red:

5

Can customers be advised by relevant people that multiple cash deposits in *branch under the \$10,000 reporting threshold will not be accepted in the new CBA accounts, as we don't want this process to occur again with CBA in six months time deciding to close the Riverbank and Southbank accounts due to the suspect transactions.*

10

Are you suggesting that by that time, being 29 April 2014, you did not know that ANZ wanted to close the Riverside, or had closed the Riverbank account, because of suspect transactions of that nature?

15 MR NEILSON: I don't recall that but that is an interpretation of this document. I would concede that.

COMMISSIONER JENKINS: What other interpretation could you have come to?

20 MR NEILSON: Well, it would depend on what I knew about the reasons for the ANZ closing the account, which I don't have a recollection of, I'm sorry.

COMMISSIONER JENKINS: My understanding is that neither can you account for why you did not make inquiries as to why the ANZ Bank was closing the account?

25

MR NEILSON: No, I don't remember its circumstances at all, Commissioner. I'm sorry.

30 COMMISSIONER JENKINS: Can I ask you about a related matter. At the RMC meeting on 15 May 2014 there was yourself, there was Debra Tegoni, there was Craig Spence and there was Joshua Preston all present. Do you agree that all of those people were aware of what had occurred in respect of the Riverbank account and ANZ?

35 MR NEILSON: From the emails that would appear to be right, yes.

40 COMMISSIONER JENKINS: Would it not make sense then for someone, one of those people, at a Risk Management Committee meeting, to have said, "Oh, why aren't we discussing the risk that's been raised by ANZ and suspect transactions on the Riverbank account"?

MR NEILSON: Yes, it may have. I can't account for why that wasn't done.

45 COMMISSIONER JENKINS: Was there any discussion beforehand to the effect that it was not going to be raised?

MR NEILSON: Not that I can remember.

5 COMMISSIONER JENKINS: Could we then have a look, please, at
CRW.709.134.9161. These are the answers to the Four Corners inquiries and the last
page, please, and the bottom of the large page which refers to the AML answers.
Could they just be pulled that up and Mr Neilson be given the opportunity to read
those.

10 MR NEILSON: Yes, Commissioner, I've read that.

COMMISSIONER JENKINS: You saw these answers at the time, didn't you, in
September 2014? That has been established by the email chain?

15 MR NEILSON: Yes.

COMMISSIONER JENKINS: This was five months after ANZ had closed the
Riverbank account because of suspect transactions, of multiple deposits under the
\$10,000 threshold limit. Reading that response, why did you think that that was a
20 full and frank response to the questions asked by Four Corners?

MR NEILSON: I don't remember the response or the preparation of the response, so
I can't tell you what my state of mind was at the time, Commissioner. I'm sorry.

25 COMMISSIONER JENKINS: So you are also telling us that you can't recall
whether it occurred to you, "Oh, that seems a bit odd", in respect of having regard to
what happened five months ago in the ANZ Riverbank account?

MR NEILSON: I can't recall that, I'm sorry, Commissioner.
30

COMMISSIONER JENKINS: In respect of the meeting in March 2014 with ANZ,
can you just exhaust your memory, please, as to who was present at that meeting, for
Crown, not for ANZ, for Crown?

35 MR NEILSON: Mr Barton, to my memory, was there, and Ms Tegoni was there. I
think Mr Preston was there but he would have had to have been on the phone. I'm
not sure about others from Crown whether they were there. It's possible but I don't
remember it.

40 COMMISSIONER JENKINS: Can you exhaust your memory, please, as to what
was said by ANZ about the closure of the Riverbank account?

MR NEILSON: Look, I only have a very vague memory of the actual discussion at
the meeting. The one memory I do have is there was discussion around how funds
45 were transferred from overseas into Australia insofar as how it was recorded, if you
like, and how it was reported. Other than that, I don't have a memory of any specific
transactions being discussed.

COMMISSIONER JENKINS: Do you recall what the issue was in respect of the recording of overseas transactions into the account?

5 MR NEILSON: My only vague memory, Commissioner, is it had to do with the operation of the international funds transfer requests were required to be reported to AUSTRAC and the interplay between the bank's obligations and our obligations. But I don't remember the specifics, I'm sorry.

10 COMMISSIONER JENKINS: Moving to the final topic, in relation to your AML training at Crown, can you tell me what it was?

MR NEILSON: Do you mean with regard to what its content was?

15 COMMISSIONER JENKINS: No, what courses you did, if any?

MR NEILSON: My vague, vague memory is that there was a component done at induction when new employees started but I have a memory that there were sessions for existing employees. Crown Melbourne, which I'm probably more familiar with than Crown Perth, had a training college where employees could go for training.

20 COMMISSIONER JENKINS: Sorry, sorry, Mr Neilson. I will stop you because I think you might have misunderstood my question. My question is what was your training? Did you do any of those courses and if so, when?

25 MR NEILSON: I don't remember doing any anti-money laundering courses, no.

COMMISSIONER JENKINS: Thank you, Mr Neilson. I don't have any other questions of you. Ms Long-Droppert, anything arising from that long?

30 MS LONG-DROPPERT: Nothing, Commissioner. Thank you.

COMMISSIONER JENKINS: Mr Rubenstein?

35 MR RUBENSTEIN: One moment, please. I will take some instructions from my instructor.

COMMISSIONER JENKINS: Certainly.

40 MR RUBENSTEIN: Commissioner, no re-examination.

COMMISSIONER JENKINS: Thank you, Mr Rubenstein. Mr Neilson, thank you very much for your attendance of where you are today. Your evidence has now concluded for the afternoon. We will leave the summons in place just in case there are some further questions, but certainly for the time being, you are free to go about your business. Thank you very much.

THE WITNESS STOOD DOWN

12:56PM

COMMISSIONER JENKINS: We will adjourn until 2pm.

5

ADJOURNED

[12:56P.M.]

10 **RESUMED**

[2:02P.M.]

COLIN JOHN BLANCH, SWORN

15

COMMISSIONER OWEN: Ms Quinlan?

MS QUINLAN: May it please the Commission, I am Quinlan for Deputy Commissioner Blanch.

20

COMMISSIONER OWEN: Thank you.

EXAMINATION-IN-CHIEF BY MS QUINLAN

25

MS QUINLAN: Deputy Commissioner, hopefully in front of you will be document WIT.0008.0001.0001, which is your witness statement.

30 DC BLANCH: Correct.

MS QUINLAN: Do you see that in front of you there?

DC BLANCH: I do.

35

MS QUINLAN: Are you able to identify that is 16 pages long with 65 paragraphs? You also have a hard copy in front of you. I will come to the reason why in a moment.

40 DC BLANCH: Yes, it is.

MS QUINLAN: You signed that on 9 June 2021?

DC BLANCH: I did.

45

MS QUINLAN: There is an index and also a table attached to that witness statement; is that right?

DC BLANCH: Yes, there is.

5 MS QUINLAN: Are there any corrections you would like to make to that witness statement?

DC BLANCH: Yes, there is.

10 MS QUINLAN: Can I take you to paragraph 28, please. I understand there are three corrections you would like to make to that paragraph?

DC BLANCH: There are. The second sentence, "the movement of funds" should be "is supported" rather than "are".

15 Further on in that sentence, there is a misspelling of "frequent". It says "fuent" instead.

20 Then the sentence that starts, "This provides national and international established criminal networks to ability", it should be "the ability to commingle" rather than "to ability".

MS QUINLAN: Thank you. Can I take you to paragraph 46, please. I understand there are three corrections you would like to make to that paragraph?

25 DC BLANCH: Yes, there are. The first one is the misspelling "linkes". It should be without the "e".

30 The second sentence should read, "Hawala is potentially an illegal form of international remittance".

MS QUINLAN: So, remove the words "traditional", "form" and "of", and insert the word "potentially" after "is"?

DC BLANCH: Yes.

35

MS QUINLAN: Lastly, 49b.

DC BLANCH: Yes. Remove the words "lack of" and just be "the opaqueness of casino holding accounts".

40

MS QUINLAN: Thank you, Deputy Commissioner. Can I ask, is this witness statement true to the best of your knowledge, information and belief?

DC BLANCH: Yes, it is.

45

MS QUINLAN: I would like to tender that statement, please, but I would also seek a non-publication order in relation to paragraphs 15 and 16, where it refers to the MOU between WA Police and Crown, and also discussions in relation to a review of the

MOU. I understand there aren't any objections to that.

5 COMMISSIONER OWEN: Thank you. The witness statement of Colin John Blanch, dated 9 June 2021, bearing the identifier number WIT.0008.0001.0001, with the corrections that have been outlined in that exchange with counsel, and noting a non-publication order in relation to paragraphs 15 and 16 of the statement, is admitted into evidence as an exhibit.

10 MS QUINLAN: Thank you, Commissioner.

15 **EXHIBIT #WIT.0008.0001.0001 - WITNESS STATEMENT OF COLIN JOHN BLANCH DATED 9/06/2021, WITH CORRECTIONS, AND NPO RE PARAS 15 & 16**

20 MS CAHILL: Deputy Commissioner Blanch, can you go to paragraph 18 of your statement, please, at page 0004, where you identify the three main types of casino banning notice. Can I clarify in relation to table 1 annexed to your statement, at page 0017. In the second last row there is a reference to statistics for trespass offences. Do you see that there?

25 DC BLANCH: I do.

MS CAHILL: Can I ask you, is that statistic there reflecting the number of offences, relating back to paragraph 18, for entering the casino when a person is the subject of one of these casino banning notices?

30 DC BLANCH: Yes.

35 MS CAHILL: In paragraphs 21 to 25 of your witness statement, at pages 0005 to 0006, you explain you attended a meeting of the GWC on 16 February 2021, consequent upon Mr Ord seeking advice from the Commissioner of Police, as explained in paragraph 21, about how to improve reporting of suspicious transactions in the context of the AML/CTF Act. My question is this: does WAPOL continue to engage with GWC in respect of that topic?

40 DC BLANCH: Western Australia Police ceased engaging with GWC due to this Royal Commission. The intention is to reengage post, when decisions are made about what the forward landscape will be.

45 MS CAHILL: At page 0007, paragraph 29, you explain about the ways in which criminals typically launder money through casinos. Can I ask you about subparagraph 29b, the second sentence of that subparagraph. Can you explain for me in a little more detail how a customer has the ability to use their patron account ID number to reduce the visibility of the customer, value of funds held and transaction details?

DC BLANCH: A third party can deposit cash into a patron ID number. So, someone who wants to provide money to be laundered, in the case of a laundering case, does not necessarily need to be the player but they can provide cash into a patron ID, so you don't know the source of those funds or the intention of them.

MS CAHILL: Dropping down to paragraph 30, you explain in terms that junkets are attractive to organised crime groups for the purposes of money laundering. The Commissioners may benefit from a slightly more detailed explanation from you verbally about why that is so.

DC BLANCH: In relation to junket tours, it's more about how organised crime works. Organised crime require two things; one is to move money from one place to another without it being noticed or, also, return the money to themselves with a different source of funding, so a more legitimate source of funding.

With a junket tour, because casinos in Australia have a third party or a broker, if you will, who is the junket operator, the money is pooled together. So the identities and the source of funding, when it is pooled together, the detail isn't apparent to law enforcement. So I'm talking from the perspective of a law enforcement officer. It is not apparent whose money it is, if it's being moved from one place to another, and does it return, does it get let out into the community, what is the intention of those people in a junket, how are they going to use that money, is it for gambling or for other purposes. All those reasons that we would normally ask a casino in an ordinary gambling environment aren't readily available when it's a junket, because the contract is between the casino and the junket operator. There is that wall of vagueness, if you will, for law enforcement to the actual gamblers themselves about the origins of the money, the use of the money, the transport of the money and whether it is, in fact, criminal proceeds.

MS CAHILL: Turning to page 0009, paragraph 39 of your statement, you refer here to WA Police's involvement in checking applicants to conduct junkets and how that involvement ceased in April 2000. In the second sentence of the paragraph when you say --- you have just pointed out that the involvement ceased in 2000. You say:

There was at the time no mandate for WA Police involvement in this process.

Can I ask what you mean there by "no mandate"?

DC BLANCH: I was advised, and this was records I sought from our organisation, that there was nothing in legislation or policy at the time of WA Police or as part of the Casino Control Act or the policy at the time that required a check to be done through WA Police to assist them with information around junket operations.

MS CAHILL: At paragraph 40, you go on to say, in substance, that if junkets recommenced in this jurisdiction, WA Police would seek to be involved in the probity checking of those people who were involved in those operations. Can I ask

you this: what do you see the probity checking on the part of WA Police would involve in practical terms?

5 DC BLANCH: The ability for WA Police to check intelligence, both nationally and globally, in 2000 was limited. In 2021 and ongoing, our ability to obtain intelligence and/or evidence or information about individuals nominated either on a junket operation or sources of funds, is greatly improved than what it was. So that probity would involve identities, networks involved, sources of money, countries of origin
10 and associates here in Australia. We would be able to do quite an extensive check on who those junket operators and participants were.

MS CAHILL: Do you mean by reference to intelligence holdings to which WA Police presently has access?

15

DC BLANCH: Correct.

MS CAHILL: Do you envisage it would involve GWC having to collect any information it does not presently collect?

20

DC BLANCH: I think that's subject to a forward discussion, particularly involving GWC, AUSTRAC, WA Police and national law enforcement, to sit down and work out exactly what we would like collected, to make sure we have the right amount of information to make the best intelligence check.

25

MS CAHILL: Is there anything that occurs to you presently, without having had that conversation, that you say, well, I see that as something it would be useful to obtain from GWC by way of information?

30 DC BLANCH: When you say "from GWC", I assume we are talking about information they collect from the casino?

MS CAHILL: In their capacity as regulator, yes.

35 DC BLANCH: One thing we would certainly want is the number of times they have attended here, the associates they have attended with, whether the junket operator, if it was a recommencing of junket operations, was a local person in WA, details about that individual and where they came into --- how they came into Australia, I should say, how long they have been here, and probably their pattern of play and/or
40 attendance at casinos around the country.

MS CAHILL: What about Crown Perth, do you think if WA Police were to become involved in probity checking of junket operations in the future, there would be any information you would envisage would be useful to obtain from Crown Perth or
45 Perth Casino, the operator, that you don't presently collect?

DC BLANCH: Well, I think the value of a regulator is that the regulator has far greater access to normal business operations of a casino that we would seek. The

police force are more interested in people committing an offence. We have to be satisfied to get to that level, and we would rely on a regulator to advise us that the level of information they had obtained started to meet a threshold of being
5 reasonably suspected of committing a crime. Other than the casino coming direct to us, I don't think our role is to probe a casino of all of their holdings.

MS CAHILL: If I understand you, in summary, you say that if there is additional information to be provided on the casino side, if you will, you would see it preferable
10 for that to come through GWC to WA Police?

DC BLANCH: Yes.

MS CAHILL: At paragraph 43, page 0010, you refer to WAPOL's online access to
15 AUSTRAC's systems and you explain that provides WA Police with real-time, you call it, access to AUSTRAC information. Can you explain to the Commissioners, please, how that real-time access is of particular assistance to WA Police?

DC BLANCH: Much of Australia's organised crime is sourced from overseas or
20 people arriving from overseas to conduct business, and I'm talking about high-level organised crime. One of the benefits they rely on is slow-moving government processes, policing processes. They operate very quickly. They come in, they do their business and they leave. So, having access to an alerting function through our financial regulator, from the Commonwealth, we can detect those alerts early and act
25 quickly. The important thing for us is to detect individuals who might be here doing that organised crime before they go because that's where the problem starts, when they've left.

MS CAHILL: At paragraph 46, you refer to the Hawala system being used by
30 criminal networks in the (inaudible) operations. I wonder if you could explain in a little more detail how the Hawala system works?

DC BLANCH: If I can go back to my earlier corrections, that should read "(money
35 transfer without money movement)". Apologies, I just read that.

MS CAHILL: You refer to the fourth line, the words in parenthesis should read
"(money transfer without money movement)" rather than "(money transfer with money movement)"?

40 DC BLANCH: Yes. Sorry, can you repeat the question?

MS CAHILL: Yes. I want you to explain to the Commissioners in a little more detail how the Hawala system works.

45 DC BLANCH: Hawala is a very traditional way of moving money. It was used well before banks in trade across the globe. It's a trust-based system. It's when you have individuals in various countries who have a need for money, so they offset the account. If someone needs money here and someone needs money in another

country, they just do the transaction in location, so the transfer doesn't actually occur --- sorry, the movement of the money doesn't have to physically occur across boundaries or even a bank transfer doesn't need to occur.

5

The important thing for Hawala, when organised crime look at that as a plan or a strategy to use to go under the radar of regulators, is they look for others who have a need for money in another jurisdiction, so they will offset it.

10 The way they can do that is if a drug trafficker is here in Western Australia and earns lots of money from the sale of those drugs, they have an extraordinary amount of cash. There might be a legitimate need for cash in a business here or someone needs to invest their money, so they might have their money overseas in the country of origin of that drug trafficking network. Through, usually, a third broker, an
15 alternative remittance broker, they will work out there is almost a perfectly matching offset between the two. So that cash that was earned from drug trafficking here goes into the legitimate investment and the money they would have used for that investment, rather than transferring it from that foreign country, goes to the source drug trafficker in that country of origin. So it's an exceptional way to move money
20 without being caught by a regulator.

MS CAHILL: How would you see it operating in a practical sense in a casino like Perth Casino?

25 DC BLANCH: There could be a person who has travelled from overseas into Western Australia who wants to gamble large amounts of money because they're a gambler, a legitimate gambler, and they're a wealthy person and they need access to Australian dollars to gamble quickly. Their country of origin may not allow large transfers out of their country. They may have restrictions on the amount of money
30 they can send out, flight of capital problems.

If you have the right broker, they can actually arrange for drug trafficking money to be given to that person, wittingly or unwittingly, to gamble with, as long as they hand their money in their country of origin over to the person that organised it, and
35 then it finds its way back to the trafficker. Many of the people often involved in Hawala are legitimate business people.

MS CAHILL: When you say in the first paragraph of 46:

40 In the absence of formal Junket Operations, criminal entities and links to *established criminal networks will use Hawala*.

Are you contemplating there that individual high-rollers would come and gamble using that system, potentially?

45

DC BLANCH: The advice I gave the GWC at that meeting in February was exactly that: don't get too focused on junket operations. Junket operations are essentially the broker taking on some of that risk for the casino. However, the individual

high-rollers are still in existence. If there are no junket operators, the high-rollers still will want to spend their money here. Again, to avoid some of the regulations, and it might not be money laundering from drug trafficking, it might be restrictions
5 in their own country on moving large amounts of money, the best way to bypass that to get money into Australia is Hawala.

10 MS CAHILL: Is there any risk you perceive for Hawala being used in respect to domestic patrons of casinos, including Perth Casino?

DC BLANCH: Well, Hawala is still the way for them to get the money out. When the domestic drug trafficker earns all the money and it goes to the legitimate gambler, the domestic drug trafficker still has to contact overseas and receive the money from the legitimate gambler overseas. So that is the domestic side moving
15 their money. Hawala is an offset. It's actually in and out at the same time. They call it a mirror transfer as well.

MS CAHILL: Do you see the use of Hawala as a potential risk in Western Australia, particularly with relevance to the Perth Casino, or an actual risk?

20 DC BLANCH: Hawala is an overall money laundering risk to Western Australia. It includes the casino but it's not exclusive to the casino. Hawala is a significant organised crime technique for money laundering in WA and it's not just the casino.

MS CAHILL: Thank you. At paragraph 51, page 0013, you start to talk about crypto currency. You refer to the prospect that Perth Casino will move to a cashless transaction base at some time in the near future. Can I ask you, what is the likely impact of that move on the risk of money laundering occurring at or through the Perth Casino?

30 DC BLANCH: Can I just make another correction?

MS CAHILL: Yes.

35 DC BLANCH: The second sentence, "This will increase the visibility of value moving in and out of the casino." "Value" not "cash".

MS CAHILL: Thank you.

40 DC BLANCH: Apologies, if you can just ask that question again?

MS CAHILL: I am interested to understand is, with that move to a cashless transaction base, what you consider to be the likely impact of that on the risk of money laundering occurring at or through Perth Casino?

45 DC BLANCH: Cash is one of the greatest forms of value that is very difficult to track the origin of. As we have seen --- well, I have seen in law enforcement over many years, suitcases of cash going into banks, casinos, alternative remittance

operators, being transported in trucks, and the origin is very difficult to determine. When, in a money laundering sense, it gets placed into a system, whether that is banks, whether that is in the form of crypto currency, there is a trail. It's not always a
5 fantastic trail to identify, but at least it provides an avenue of inquiry for investigations to commence. So electronic forms of value are a better starting point for law enforcement, if there is suspected money laundering, than cash alone.

10 MS CAHILL: So I can understand it, can I take you back to the question before last, where we were talking about Hawala. If Perth Casino were to move to an exclusively cashless transaction base, how would it specifically effect the risk of the use of Hawala at the Perth Casino?

15 DC BLANCH: It will remove the risk of Hawala at the casino, but not in the State of WA. So the Hawala can operate. The person can receive large amounts of cash. They still have to place it into a system at some point to get it into casino credits.

20 MS CAHILL: Finally, at paragraph 58, on page 0015, you begin to talk about additional information that would assist in addressing key strategic risks, is how you have identified it. In the first instance, in paragraph 58 you talk about additional reporting requirements by casinos to AUSTRAC. Can I ask you what specifically you had in mind there, as regards additional reporting requirements?

25 DC BLANCH: The current reporting requirements are an international funds transfer, being one, which is of any amount coming in; the threshold transaction report, which is the \$10,000 or over; and the suspicious matter report, which is the assessment of the individual managing the transaction, to determine whether or not something is suspicious about it.

30 What is not often clear to AUSTRAC and to law enforcement is, again, the tracing of the money and the entry and exit points of the money, and whether it's passed between different persons, what it has been used on, how it's spent, the gambling records as to whether or not it's a legitimate gambling process. Now, that can
35 sometimes be contained into suspect matter reports but as algorithms and technology get better, the reliance on people reduces and algorithms should be able to detect strange patterns of money.

40 I think casinos in Australia have come a long way in understanding suspicious movements of money. It's about that very clear reporting on algorithm identification of suspicious transactions. That's where I think law enforcement regulators, both Commonwealth and State, and casinos themselves could work together on a very clear set of algorithms.

45 By algorithms, I mean detections of money movements and the way it's moved between individuals and/or entry and exit. There could be a very clear sequence provided that they must report on any of those triggers being hit.

MS CAHILL: To make sure I understand that, instead of it being left predominantly

in the hands of the reporting entity to make a sometimes impressionistic or subjective decision about whether a transaction is suspicious or not, you are advocating for an objective set of quite detailed criteria that are agreed, against which reporting entities like casinos must report?

DC BLANCH: If I can say, the SMR process has always been plagued by a lack of money laundering knowledge. Money laundering can be quite complicated, it can be well hidden by organised crime and it may not be apparent to someone who is relatively junior, sitting in a cashbox receiving cash. It might not give that clear appearance of money laundering. So, absolutely, I would support using technology to identify a suspicious transaction and mandate the requirement of the reporting on each and every occasion on an agreed basis.

MS CAHILL: How do you see that giving rise to the benefits you identify in paragraphs 59 to 61? Is that simply because you are more likely to raise suspicious matter reports when previously transactions were not being reported, and it just increases the (inaudible) both AUSTRAC and the law enforcement agencies who share that information?

DC BLANCH: And it creates resilience in the system. I believe organised crime are quite mature, particularly some of the countries in Asia. The organised crime elements in there have been at this for a long, long time. They will study our laws, they will study our regulations and they will find ways through it. The harder you make it, the more resilient the system becomes because they will look elsewhere. They take the path of least resistance.

MS CAHILL: Nothing further, Commissioners, thank you.

COMMISSIONER OWEN: Thank you, Ms Cahill. Are there any applications to cross-examine? Mr Garas?

MR GARAS: Thank you, Commissioner.

35

CROSS-EXAMINATION BY MR GARAS

MR GARAS: Deputy Commissioner Blanch, my name is Garas and I appear for the Crown companies. I have a few questions for you.

Can we bring up on the private screens, please, CRW.709.149.5257. Can you confirm, Deputy Commissioner, that is the Memorandum of Understanding you refer to in your statement?

45

DC BLANCH: Can I just have the last page, please?

MR GARAS: Can we go forward, please, to page 5265. Are you looking for the

signature?

DC BLANCH: Sorry, to see the signature.

5

MR GARAS: 5265, please.

DC BLANCH: That's it, yes.

10 MR GARAS: Thank you. Can we go to page 5261, please. Deputy Commissioner, I am being very vague about discussing the contents of it, obviously, because it is sensitive. But if you look at clause 7 there, are you aware of the frequency and volume with which Crown provides the sort of information referred to in clause 7 there?

15

DC BLANCH: I can't give you a number but I know WA Police and Crown have a very good relationship that results in significant amounts of information exchanged or coming to us, coming to WA Police.

20 MR GARAS: Have you found that Crown has been very cooperative in relation to the provision of that information?

DC BLANCH: Yes.

25 MR GARAS: Can we bring up CRW.701.005.8192 on the private screens, please. This is a letter from what was back then Burswood to the Commissioner of Police in 2009. I direct your attention to the last paragraph, third line down, where there is reference to a request for consideration being given to allocating additional police resources to the Kensington branch for a permanent WA Police presence to be
30 located at Burswood during peak times. First of all, have you seen this letter or are you familiar with (inaudible)?

DC BLANCH: No, I'm not.

35 MR GARAS: Can we go forward to page 8199. This is the conclusion but, in particular, the second paragraph down restates the request for a permanent WA Police presence at Burswood during peak times. In particular, the first bullet point identifies obviously creating a visible deterrent in relation to various kinds of behaviour, including illegal behaviour. Then the second-last bullet point identifies
40 keeping police fully informed of individuals frequently and activities occurring on the site which may be beneficial to various police units.

I will take you very briefly to the response, CRW.707.005.0538, on the personal screens again, please. This was the response received in June of that year. Can we
45 go forward to page 0546. You see it was sent by the then Deputy Commissioner. The second paragraph records the fact that based on, essentially, resourcing considerations and constraints, the WA Police was not in a position to accommodate that proposal. In no way am I being critical of the police here. What I am interested

in understanding is would you consider it beneficial to have a permanent police presence at the casino during peak times?

5 DC BLANCH: As an entertainment precinct, which is what I would consider the casino complex, I understand the police and casino engagement, particularly around disorderly behaviour, is what it should be. It's working well. We regularly do send patrols around there, but I believe a permanent presence is not in the interests, at this time, of WA Police or the community.

10

MR GARAS: Thank you. No further questions, Commissioners.

COMMISSIONER OWEN: Any further applications? Mr Evans?

15

MR EVANS: Thank you, Commissioners. Just briefly.

CROSS-EXAMINATION BY MR EVANS

20

MR EVANS: My name is Evans, I act for the Gaming and Waging Commission. Could I ask a couple of questions to clarify some aspects of your evidence.

25

I understand from your statement that much of your evidence in relation to matters prior to 2018 is obviously based on inquiry, as you were not based in this jurisdiction at that time. So your evidence in relation to the history of the relationship between the GWC, the casino and the police prior to that time is information that has been supplied to you. Is that correct?

30

DC BLANCH: Correct.

35

MR EVANS: Is it your understanding from your inquiries that prior to about 2000 there was, in fact, a police position funded through the Gaming and Wagering Commission to support, effectively, inquiries into activities at the casino? Are you aware of that?

DC BLANCH: I'm not aware of that, no.

40

MR EVANS: Since that time, or at any time, have your inquiries indicated that police have dedicated specific resources to investigation into activities at the casino?

DC BLANCH: Sorry, in the timeframe?

45

MR EVANS: At any time prior to your appointment and certainly since your appointment?

DC BLANCH: Yes, they have.

MR EVANS: And are those resources criminal intelligence resources or are they investigative resources?

5 DC BLANCH: They would be a combination of intelligence, investigations and more recently financial investigations.

MR EVANS: I think in your report you indicate that serious and organised crime, financial crimes and also most recently money laundering have taken an active
10 interest in criminal activities; is that right?

DC BLANCH: Sorry, can you ---

MR EVANS: Sorry, you indicate in paragraph 8 that you have a serious and
15 organised crime and financial crimes division which investigates serious, organised and financial crimes. Are those parts of your organisation which are effectively interested in activities at the casino?

DC BLANCH: That's one of the roles of those functions is to investigate money
20 laundering, including casinos but also any institution that manages money.

MR EVANS: And you also have a money laundering squad, as I understand it?

DC BLANCH: Yes, we do.
25

MR EVANS: I understand the money laundering squad very recently reached out to GWC, I think, and/or the casino in order to establish a liaison with GWC. Are you aware of that?

30 DC BLANCH: I'm aware of a couple of officers that reached out to GWC recently, yes, prior to, I understand, or shortly before the meeting that I had.

MR EVANS: That's correct. Now to your understanding, is that the first occasion such liaison had been established?
35

DC BLANCH: I don't know the answer to that.

MR EVANS: Thank you. Just to understand, you have a good understanding of the role of casinos and junkets generally in what I might call the financial crimes
40 landscape in Australia through your ACIC involvement, I understand it?

DC BLANCH: I have a good understanding of how organised crime works, not necessarily how casinos work.

45 MR EVANS: But of their role in relation to money laundering?

DC BLANCH: Yes.

MR EVANS: And that, in fact, is the source of the evidence which you give at paragraphs 26 and following, really, isn't it?

5 DC BLANCH: Yes.

MR EVANS: Now, ACIC published a number of publications, some of it during your tenure, including publications in relation to financial crime in Australia and in relation to --- sorry, serious financial crime in Australia and, the other one, organised
10 crime in Australia, both in 2017. Were you involved in those publications?

DC BLANCH: The AUSTRAC publications?

MR EVANS: No, those are the ACIC publications.
15

DC BLANCH: Sorry, yes. Yes.

MR EVANS: I was interested to see that junkets are not mentioned at all in either of those publications, casinos are only mentioned once in only one of them. Is that your
20 understanding?

DC BLANCH: I don't have them before me.

MR EVANS: So just to understand the scale of the issue which is being addressed:
25 Do you regard casinos and junket operations as being a principal risk or merely one of many risks which is the subject of police activity?

DC BLANCH: One of many risks.

MR EVANS: Thank you. Now, one of the matters which you were discussing, and Ms Cahill was asking you some questions, was, as I understood it, really was the role of a regulator in exchanging what would broadly be described as intelligence information, that is not operational or investigative materials because you obtain, at the moment, operational and investigative materials under your MOU with Crown; is that right?
30
35

DC BLANCH: I think it's for the police. In my view, it's for the police to determine whether or not it ends up being information intelligence or evidence. That determination isn't made. It's --- what I was saying earlier was a regulator can obtain
40 information from the casino and based on their skills and knowledge, we can then have a conversation about where that fits into the world of is it evidence, is it intelligence that would help us do our further investigation or is it just information that doesn't serve any purpose.

MR EVANS: So the role that you're contemplating there is not that all of the information gathered by the regulator would be transmitted to you as a matter of course by way of broad intelligence gathering, but there will be some level of analysis considered on an intermediary level before the transmission of that
45

information?

5 DC BLANCH: I don't believe WA Police has any business in looking into a commercial organisation's whole of information holdings. If the casino want to come forward with information that they consider to be criminal, of course we would accept it. But we would rely on a regulator to have the full access to that information and to make assessments of that to then engage us if they reached the same conclusion.

10 MR EVANS: So just to understand that in relation to the information requirements which were in place in relation to junket operators prior to about 2010, the regulator came into possession of certain information in relation to junket operators as a matter of routine, that is the fact that they were visiting and their passport identifying
15 information. Is that information which WA Police would seek as a matter of routine or only after a measure of analysis and consideration by the regulator?

DC BLANCH: Going forward, WA Police would, for a junket operation, given the risky nature of it, potentially being money laundering, we would prefer to have the
20 information of the junket operations.

MR EVANS: So your preference would be from an intelligence gathering perspective, to obtain information in relation to each junket operator and each junket participant as a matter of routine?

25 DC BLANCH: It would be subject to a volume discussion. Again, I think this would require all parties together to set some boundaries, to have a clear memorandum of understanding across everyone because we are looking for the high-risk events. If there are a large number of patrons and it's not something that we're
30 terribly concerned with, we would have to land on whether or not we needed everything or just ones that posed a risk. It might be a value decision. If they're bringing in \$20 million I would say yes, we'd want to see it. If there was sub-\$500,000, depending on the volume, probably not of interest.

35 MR EVANS: And by necessary extension that would extend, would it not, to what is called in the casino the other aspect of International Commission Business, that is high roller players as individuals?

DC BLANCH: Absolutely.

40 MR EVANS: I think in your evidence in relation to the operation of Hawala, you indicated that plainly, foreign nationals, including individual foreign nationals who were engaged in high-value transaction at the casino, presented a Hawala or mirror money transfer risk; is that correct?

45 DC BLANCH: I talked about foreign nationals because Hawala, whilst offsetting can occur within Australia, we are a federated country so you can pass over borders without border checks. So Hawala risk really applies where you're trying to conceal

the movement of money over foreign borders.

5 MR EVANS: Yes. The extension of that, which I think you've partially addressed, is whether the same is true when I call high-value domestic gamblers who might be involved in cash transactions or value shifting. Is that a logical extension of your position?

10 DC BLANCH: One of my early answers was about how organised crime need to use institutions like casinos and the first one is moving money from one location to another. But the second part to that was returning the money back to them with the appearance of it being legitimate income and so that second part relates to domestic high rollers.

15 MR EVANS: It's fair to say, isn't it, that these risks in relation to casinos are not new risks?

DC BLANCH: No. I think there's been reports on them since well before 2000.

20 MR EVANS: Yes. Thank you. Do I take you to say that it is now the case that WA Police access through foreign intelligence information is now considerably better than it was in 2010?

DC BLANCH: Yes, it is.

25 MR EVANS: That would facilitate, obviously, the integration of intelligence which might be received from the casino or from the regulator into WA Police and broader intelligence holdings; is that correct?

30 DC BLANCH: Yes.

MR EVANS: At paragraph 40 of your statement, you indicate that were junket operations --- and I use junket in the broader sense there to include actually individual foreign commission business, to be recommenced:

35 WA Police would seek to be involved in the probity checking of those *involved in such operations*.

I think that includes down to the individual participants; is that correct?

40 DC BLANCH: Yes.

MR EVANS: "With veto rights over the approval process." We had some evidence from Mr Lee a couple of days ago about cooperation between the casino and the police in relation to what I call the active conduct of intelligence gathering and possibly operational activities where persons of interest might actually be facilitated to undertake activities at the casino in order to monitor those activities. Is that a factor in relation to the probity checking you're contemplating in paragraph 40?

DC BLANCH: Can you ask that question again?

5 MR EVANS: Would you grant somebody probity in order to see who they were and what they were doing, under paragraph 40?

DC BLANCH: No. There's an operational decision but it may be the case.

10 MR EVANS: Maybe the case, thank you. In table 1, which is attached to your statement, you identify Crown crime statistics at the casino, and I take it that is specifically the casino precinct that's being referred to in table 1. Is that an identified statistical entity in itself from a police reporting perspective?

15 DC BLANCH: It would be a downloaded from our information management system which would just include the words "Crown Casino" so it could be anywhere in that precinct.

20 MR EVANS: There's not an identified category of what I might call financial crimes other than fraud and forgery in that list. Is it the case that these statistics don't capture AML, CTF or other financial crimes or are they subsumed in some other category?

25 DC BLANCH: This refers to the location being at the Crown Casino. Money laundering offences that are investigated at a higher level occur in lots of places over some time and we usually arrest that person in a location that's not the casino.

MR EVANS: Thank you. Understand. No further questions. Thank you, Commissioners.

30 COMMISSIONER OWEN: Thank you. Any other applications? Commissioner Jenkins.

35 COMMISSIONER JENKINS: Can I just clarify, Deputy Commissioner, are you saying that in respect of those statistics they are people who have been arrested at Burswood?

DC BLANCH: Sorry, the offences occurred there and they've probably been arrested shortly after given the nature of those offences.

40 COMMISSIONER JENKINS: Thank you. Can I ask, in relation to junkets or international business, we've heard evidence about the fact that GWC and the Department were comforted by the fact that Border Force and/or the Department of Immigration would carry out checks on people coming into Australia. I wanted to find out whether WAPOL was involved in any sense in that process. That is do the
45 Commonwealth authorities ever contact the local Western Australian Police Force about people who might have been here previously and what might --- what intelligence the local police would have before granting visas?

DC BLANCH: I'm not aware of any further granting of a visa.

5 COMMISSIONER JENKINS: There's also been discussion about international
visitors coming in on private jets otherwise than through sort of the main
international terminal and thereby avoiding Customs inspections or Customs
inspections to the same rigour that the ordinary international traveller would face.
Does the Western Australian Police have any input into the level of such inspections
or ---

10 DC BLANCH: No, we don't.

COMMISSIONER JENKINS: Or how they occur or anything of that nature?

15 DC BLANCH: No, we don't.

COMMISSIONER JENKINS: You were asked by Mr Evans about whether you
knew about the secondment of a police officer to the regulator quite some years ago.
You said you didn't but what I would like to know is whether is that a model which
20 the Western Australian Police currently employ, that is do they have any police
officers seconded to regulators?

DC BLANCH: No, we don't.

25 COMMISSIONER JENKINS: So would it be something which the Western
Australian Police would consider now or is it not something that is any longer in the
repertoire, so to speak?

30 DC BLANCH: I don't think that would be as useful as a regular intelligence briefing
by police officers who had experience in money laundering. One of the challenges
of law enforcement officers, either retired or current, who go and work in a place like
that is you lose currency very quickly. Organised crime change their methods
rapidly and you have to be at the forefront of money laundering to understand how
they're operating. So putting someone in somewhere doesn't necessarily solve that
35 problem.

COMMISSIONER JENKINS: Thank you. Those were the questions that I had.

40 COMMISSIONER OWEN: Thank you. Deputy Commissioner, I've just got one
question for you and it relates to junkets and high rollers. I think you said that when
you met the GWC in February this year you cautioned them against becoming too
focussed on junkets and that individual high rollers presented --- also presented a risk
that ought to be looked at.

45 DC BLANCH: Yes.

COMMISSIONER OWEN: I'm sure you're aware that later in February of this year,
the Gaming and Wagering Commission made a direction banning junkets.

DC BLANCH: Yes.

5 COMMISSIONER OWEN: But they went a little further and included premium
player activity and privilege player activity, which, as I understand it, is where the
casino as an arrangement with a foreign national, a foreign passport holder, to either
pay the commission on their gaming turnover or provide accommodation, et cetera.
So there's an arrangement in relation to the individual. Is that --- does that, as far as
10 the concerns that caused you to make that comment to the GWC or is this issue of
individual high rollers broader than that?

DC BLANCH: No, it's not broader than that, except to say the comment that I made
was more that organised --- and this is from the perspective of organised crime rather
15 than high rollers. Organised crime go out of their way to replicate legitimate
behaviour. That is their role. They replicate legitimate behaviour so it's harder to
find. So my comment was more intended to say if you have the right regulations in
place, the right technology detecting strange movements of high rollers, meaning if
the money came in with a high roller and didn't go back with that person or they
legitimately lost it, instead it stayed here or vice versa, you've got to find the
20 organised crime in the high roller because the money is there. So my intent was to
not stop high rollers, I never suggested that. What I actually said was the organised
crime will be hidden in the high rollers, if that makes sense.

COMMISSIONER OWEN: Yes. And on a similar theme, you drew a distinction
25 between the Hawala mechanism, which is no value movement, but through offsetting
the same impact or effect on the one hand and more, if I could put it, the more
traditional use by organised crime or another, sorry, another use of organised crime
of money laundering issues which does move cash and you said there were two
aspects to that. One is the movement in this case into Australia of cash in a way that
30 avoids detection, that's the one side. And the other is getting the money back in what
is cloaked in the aura of legitimacy. In answer to a question from Mr Evans you
spoke about domestic high rollers and you said where they come into play it's in the
second (inaudible) which is getting the money back under the cloak of legitimacy.
Did I understand you correctly in that?

35 DC BLANCH: Correct. So in the context of casino winnings being used to disguise
illicit income from drug trafficking sales, as an example. You can go to the casino
and play safe and win at the casino. So you get the money back as casino winnings.
Again, that can be captured in algorithms of the casino to see that and they do that
40 quite well.

COMMISSIONER OWEN: Yes. What I'm asking is whether or not that is the form
of money movement, money laundering, could that also play a part in the offsetting
arrangements in Hawala. For example, you did say --- I think you said in answer at
45 the end of that answer to Mr Evans that the money would then go back to the drug
dealer. So could that be a part of the offsetting arrangement as well?

DC BLANCH: If I understand that question, organised crime are agnostic to their money laundering methodologies and that's one thing I have learned in my career of investigating money laundering. They will use Hawala offsetting --- which is
5 offsetting, structuring, tread-based money laundering, bulk cash movements, crypto currency, and they will mix them up and the way they will decide which ones to use is the one that we're not looking at. So the reason why I'm not giving you a direct answer as to whether or not they could do it with Hawala and at the end --- on the domestic side, is they absolutely will. But it's depending on which one generates the
10 greatest scrutiny from law enforcement. So they use them all. So the techniques that we apply in WA Police is really about being agnostic to the money laundering technique but following the money itself.

COMMISSIONER OWEN: Thank you. Anything arising?

15

MS CAHILL: No. Thank you, Commissioner.

COMMISSIONER OWEN: Ms Quinlan, do you wish to re-examine?

20 MS QUINLAN: No, thank you.

COMMISSIONER OWEN: I'm just wonder, there were, I think, a couple of additional corrections made during the course of --- perhaps the easiest way to deal with this is if you could send in a list of the corrections and we can just include it in
25 some form as an addition to your statement.

All right, thank you. Deputy Commissioner, thank you very much for your evidence. That has been of great assistance to us and building up our understanding of this part of the issue. Thank you very much indeed. And you are now free to go with our
30 gratitude. Thank you.

DC BLANCH: Thank you.

35 **THE WITNESS STOOD DOWN**

COMMISSIONER OWEN: We will adjourn until 10am tomorrow.

40

ADJOURNED AT 2.59 PM UNTIL FRIDAY, 24 SEPTEMBER 2021 AT 10.00 AM

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