

THE (FALLEN) STAR ENTERTAINMENT

Case overview

In 2018, The Star Entertainment Group Limited (Star Entertainment) was touted as the global leader in the casino and gaming industry by the Dow Jones Sustainability Index, with a strong commitment to corporate social responsibility and ethical practices through philanthropic contributions. However, by the end of 2022, Star Entertainment was battered by civil proceedings and multiple class action lawsuits. In 2023, it reported a half-year loss of A\$1.26 billion. This cascade of legal challenges followed two separate inquiries into its casinos in New South Wales and Queensland, Australia, which concluded that Star Entertainment was unfit to hold casino licences in these states.

During the inquiries, rampant misconduct and dysfunctional corporate governance came to light, involving the utilisation of China UnionPay cards, dealings with the Suncity junkets, engagement with third-party remitters, the conduct of Entertainment's international VIP team, and deficiencies in its anti-money laundering and counter-terrorism financing regime. These issues were highlighted in a report by KPMG.

The objective of this case study is to facilitate a discussion of issues such as corporate governance and risk management issues of casino operators; corporate culture; duties and responsibilities of the board of directors and management; board structure and composition; money laundering; and regulatory oversight and enforcement.

About The Star

The Star Entertainment Group Limited (Star Entertainment) is an Australian public company listed on the Australian Stock Exchange.¹ It was established on 2 March 2011 under the name of Echo Entertainment Group Limited (Echo Entertainment) following the demerger of Tabcorp Holdings Limited's casino operations.² As part of its aspiration to become Australia's leading integrated resort company, Echo Entertainment rebranded itself as Star Entertainment in 2015.³ This renaming aimed to establish brand consistency across all of its casino

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operations.⁴ In addition to its casino operations, the group offers a wide range of services including hospitality, entertainment, and accommodation facilities across three major cities in Australia – Sydney, Gold Coast, and Brisbane.⁵ Across these cities, Star Entertainment operates three casinos – The Star Sydney, The Star Gold Coast, and Treasury Brisbane. In 2022, the revenue generated from these gaming facilities amounted to A\$1.53 billion.⁶

Corporate structure

Star Entertainment conducts its operations through a complex corporate structure through which it controls more than 40 entities, most of which are wholly-owned subsidiaries.⁷ Most of these entities were incorporated in Australia, with five entities incorporated in Hong Kong, Macau, and Singapore.⁸ The key entities within Star Entertainment holding casino licenses includes The Star Pty Ltd for The Star Sydney, The Star Entertainment QLD Limited for Treasury Brisbane, and The Star Entertainment QLD Custodian Pty Ltd for The Star Gold Coast.⁹

The stars of Star Entertainment

As of 13 September 2021, Star Entertainment's board comprised seven directors, consisting of six non-executive directors (NED) and one executive director (ED). The board has established four committees, namely the Audit Committee (AC), Risk and Compliance Committee (RCC), Remuneration Committee (RC), and the People, Culture and Social Responsibility Committee (PCSRC). Prior to financial year (FY) 2023, Star Entertainment did not disclose the independence status of the NEDs, except that it indicated that all directors on the RC are independent.¹⁰

The Chairman, John O' Neill AO (O' Neill) was appointed as a NED on 28 March 2011 and is a member of the AC, RCC, RC, and PCSRC.¹¹ Previously, he served as the Managing Director (MD) and Chief Executive Officer (CEO) of the State Bank of New South Wales, Chairman of the Australian Wool Exchange Limited and director of Tabcorp Holdings Limited, an Australia-based gambling entertainment company. He currently holds the position of Chairman at Queensland Airports Limited and Bate Smart Advisory Board.¹²

Another NED, Gerard Bradley AO (Bradley) was appointed on 30 May 2013 and is a member of the AC, RCC, and RC.¹³ He is said to have "extensive experience in public sector finance in both the Queensland and South Australian Treasury departments",¹⁴ having served for 14 years as Under Treasurer and Under Secretary of the Queensland Treasury Department. He also served as a NED of Pinnacle Investment Management Group Limited.¹⁵

The third NED, Ben Heap (Heap) was appointed on 23 May 2018. Heap is described as "an experienced company director with wide-ranging experience in asset and capital management in the finance sector and in technology and digital business".¹⁶ He is the founding partner of H2 ventures, a venture capital investment firm, Chairman of the CBA New Digital Business and a NED of Colonial First State. He was previously MD for UBS Global Asset Management in Australasia and prior to this, Head of Infrastructure for UBS Global Asset Management in the Americas. He chairs the RCC and is a member of the AC and PCSRC.¹⁷

The fourth NED, Katie Lahey AM (Lahey) was appointed on 1 March 2013. Lahey chairs the PCSRC and is a member of RCC and AC.¹⁸ She is said to have "extensive experience in the retail, tourism and entertainment sectors and previously held chief executive roles in the public and private sectors."¹⁹ She is the director of Carnival Corporation & plc, and is a member of the National Indigenous Culinary Institute Advisory Board.²⁰ She was previously the Chair of Carnival Australia and the Chairman Australasia of Korn Ferry International.²¹

The fifth NED, Sally Pitkin AO (Pitkin) was appointed on 19 December 2014. Pitkin has over 20 years of experience as a NED and board member across a wide range of industries in the private and public sectors.²² She is said to have "extensive experience in the gaming industry".²³ She is a former lawyer and senior corporate partner

with a national law firm and was the Chair of Super Retail Group Limited and a NED of Link Administration Holdings Limited. She chairs the RC, and is a member of the PCSRC and AC.²⁴

The last NED, Richard Sheppard (Sheppard) was appointed on 1 March 2013. Sheppard chairs the AC and is a member of RCC. He is said to have an “extensive executive career in the banking and finance sector including an executive career with Macquarie Group Limited spanning more than 30 years”.²⁵ He was previously the MD and CEO of Macquarie Bank Limited and chaired the boards of a number of Macquarie’s listed entities. He has also served as Chairman of the Commonwealth Government’s Financial Sector Advisory Council. He is the Chairman and a NED of Dexus Property Group and a NED of Snowy Hydro Limited.²⁶

Matt Bekier (Bekier) was appointed as an ED on 2 March 2011, and subsequently served as the MD and CEO of Star Entertainment on 11 April 2014. He was previously the Chief Financial Officer (CFO) of Tabcorp Holdings Limited and held various roles with McKinsey.²⁷

The executive team of Star Entertainment comprised of nine members. Among them, Bekier, Harry Theodore (Theodore), Paula Martin (Martin), and Gregory Hawkins (Hawkins) were primarily involved in the context of this case.

Theodore was appointed CFO in November 2019. He is responsible for Star Entertainment’s finance, strategy, investor relations, and IT functions. Prior to this role, he held various positions in commercial and finance functions, and was the Head of Gaming and Food and Beverage in the equities research team at the Royal Bank of Scotland. He was also a lawyer with Allens Arthur Robinson.²⁸

Martin assumed the role of Chief Legal and Risk Officer in August 2019. She is said to have 15 years of experience in the gaming industry, first with Tabcorp Holdings Limited and continuing with Star Entertainment. In addition, she also has commercial law and regulatory background specialising in telecommunications, information technology, and competition law areas.²⁹

Hawkins was appointed Chief Casino Officer (NSW) in July 2020 and is responsible for The Star Sydney’s gaming strategy and gaming revenue growth.³⁰ His duties encompassed managing the international and domestic rebate business, the local premium business, and the Online Social Gambling Unit of Star Entertainment.³¹ He is said to have over 22 years of experience spanning key Australasian and Asian gaming markets and “extensive operational and strategic gaming experience and provides valuable insight into the Asian VIP and premium mass market sectors”.³² He is formerly the Chief Executive of Crown Melbourne and was based in Macau where he oversaw the development and operation of hotels and casino.³³

The executives of Star Entertainment who sat on the board of The Star Sydney only met as a board to pass statutory accounts for formal purposes.³⁴ All key decisions affecting The Star Sydney were the responsibility of the board and senior management of Star Entertainment.³⁵

In addition, Star Entertainment appointed its senior executives as directors and company secretary of The Star Sydney. As of 13 September 2021, Theodore and Bekier held positions as directors of The Star Sydney.³⁶ They were not considered independent directors due to their executive roles within Star Entertainment.³⁷

Wayward Star

“It’s something I’ve reflected on, and I feel [there was a culture where the business goals took priority over compliance goals] from time to time”

– Oliver White, former Star Entertainment’s in-house lawyer³⁸

In 2019, China UnionPay (CUP), a financial services provider offering various payment cards, contacted the National Australia Bank (NAB).³⁹ CUP highlighted transactions occurring at Star Entertainment’s premises that

could potentially breach their contractual agreement.⁴⁰ NAB, serving as CUP's Australian local partner, supplied Star Entertainment with payment terminals that had access to CUP's electronic payment network.⁴¹ Hence, Star Entertainment was subjected to CUP's regulations as part of their supply agreement. One of the CUP's scheme rules prohibits the use of CUP cards for gambling activities by Chinese nationals when processed through payment terminals issued by CUP's partners.⁴² This was to comply with the money laundering and capital flight regulations of the People's Republic of China's (China).

Instead of adhering to the prescribed regulations, Star Entertainment made concerted efforts to obfuscate transactions that facilitated gambling activities since June 2013.⁴³ The company adopted a process allowing patrons to swipe their CUP cards at the hotel, with the transferred funds then used to obtain chips or chip purchase vouchers. This was referred to as the CUP process. David Aloï (Aloï), the then cashier service manager, promulgated the acceptance of CUP's debit cards at the Astral Hotel's (now known as The Grand Star Hotel) VIP arrival lounge.⁴⁴ The decision to accept CUP's debit card at the hotel was part of a deliberate effort to circumvent Australia's laws that prohibit the use of credit or debit cards for the provision of money or chips within gaming facilities, which was only relaxed on 21 December 2018.⁴⁵

The CUP process

The CUP process first involved making a transaction at the payment terminal with the CUP card at The Star Sydney hotel's VIP arrival lounge.⁴⁶ The transaction amount would then be credited into the customer's hotel account as hotel-related expenses and an invoice would be issued to the customer.⁴⁷ The customer's front money account would then be credited with the amount of funds transferred and the customer would be issued chips or chip purchase vouchers for gambling purposes at The Star Sydney's gaming facilities.⁴⁸ The fictitious invoices served to depict a customer staying at the hotel, when in fact, their purpose was to facilitate the fund transfer process.⁴⁹ The process "obscured the true nature of the transactions",⁵⁰ rendering The Star Sydney susceptible to potential exploitation by money launderers.⁵¹ Despite implementing a mandatory screening process to identify and verify customer identities, this screening process only involved public domain searches on the customers and no further checks were conducted to corroborate the sources of funds or the wealth accumulated by the customers.⁵²

Despite Aloï expressing reservations about the CUP process and raising concerns to Brett Houldin (Houldin), the then general manager of group finance, Houldin pressured Aloï to "get it done".⁵³ Additionally, while Martin, the then Chief Legal and Risk Officer of Star Entertainment, demanded that the practice of generating fictitious invoice should cease when it was brought to her attention by Andrew Power (Power), the then general counsel of Star Entertainment, the transfer of funds using the hotel's payment terminal was allowed to continue.⁵⁴

Searching the galaxy for workarounds

During the early stages of the practice, The Star Sydney observed that funds transacted by customers using CUP cards through the hotel's terminal for gambling were not immediately received in The Star Sydney's bank account.⁵⁵ Although funds were not received, The Star Sydney issued customers with receipts, allowing them to exchange it for gambling chips. This meant that The Star Sydney was extending credit to customers before actual funds were transferred.⁵⁶ Without seeking approval from the authority or seeking external opinion on the legality of the procedure, The Star Sydney adopted a temporary solution known as the cheque cashing facility (CCF) to address the issue of time lag. This procedure was proposed by Adrian Hornsby, the then general manager of credit and collections at Star Entertainment, and Oliver White (White), the then general corporate counsel of Star Entertainment.⁵⁷

Under the temporary CCF, The Star Sydney issued counter-cheques signed by the patrons, containing the bank details of the relevant overseas bank.⁵⁸ In the proposal, White noted that the authority might consider the

use of temporary CCF as a breach of the Casino Control Act. Despite this, Bekier and John Redmond, the then CEO and MD of Echo Entertainment, verbally approved the temporary CCF workaround.⁵⁹ This workaround was subsequently employed to facilitate the CUP process.

Tapping out from CUP

The CUP procedure continued until it caught the attention of CUP in 2019. In June 2019, CUP enquired, through NAB, about several suspicious transactions and requested Star Entertainment to provide specific details as well as corresponding corroborative evidence of those transactions.⁶⁰ NAB intermediated the enquiry and requested the information from Paulina Dudek (Dudek), the then senior treasury manager, who subsequently reported it to Sarah Scopel, the then group treasurer of Star Entertainment, and White. Forwarding the response drafted by White, Dudek responded by categorising the suspicious transactions as hotel accommodation services purchased by patrons and attached the artificial invoices as supporting documents.⁶¹ On 27 August 2019, CUP again requested for similar information regarding suspicious transactions that occurred in Star Entertainment's Queensland and Sydney casinos.⁶² However, the same response was provided. Unsatisfied, CUP requested for specific breakdowns of the transactions but The Star Sydney responded that the supporting documents had already been provided.⁶³ NAB continued to represent CUP and requested again on 22 October 2019 for detailed information on another set of suspicious transactions.⁶⁴ Similarly, Star Entertainment continued to reiterate that transactions were related to general hotel expenses and made no reference to any gambling activities.⁶⁵

On 6 November 2019, NAB informed Star Entertainment that China's central bank was not satisfied with the explanations received from CUP.⁶⁶ Consequently, NAB received a warning from CUP, indicating that CUP may direct NAB to cease accepting any transactions made with CUP cards at The Star Sydney. In the event that NAB failed to comply with the directive, CUP threatened to terminate its relationship with NAB and impose a fine.⁶⁷ NAB then requested for a further breakdown and corroborating evidence to confirm that CUP cards were not used to fund gambling expenses.⁶⁸ Throughout the correspondence with NAB, some responses from Star Entertainment to NAB were drafted by Theodore, the then CFO of Star Entertainment.⁶⁹ Some misleading responses had been approved by Theodore before its dissemination.⁷⁰ Similar information requests were made until CUP issued a warning letter to NAB and demanded remedial actions to be completed by 9 March 2020.⁷¹

When Theodore came to know of the warning letter, he gave instructions to stop the CUP process with effect from 7 March 2020.⁷² Throughout the period when the CUP process was operational, the non-executive directors were apparently not notified of any risks and issues that occurred.⁷³

Missing risk

According to the FY2021 annual report, Star Entertainment adapted its risk management framework from ISO31000.⁷⁴ Since 2017, the company has identified major risks that could impact the achievement of its strategic objectives and disclosed the corresponding mitigating strategies in its annual reports.⁷⁵ It did not identify money laundering as a major risk in its operations. Following a series of media allegations which prompted regulatory reviews and investigations, Star Entertainment was found to have failed in addressing the risks associated with money laundering, terrorism financing, and corruption within its casinos.⁷⁶

“The 2013 assessment was plainly an unsophisticated risk assessment for a process through which around \$900 million ultimately flowed from overseas banks to the casino.”

– Adam Bell, the Head of the Inquiry of The Star Pty Ltd⁷⁷

Before the CUP process became operational, an assessment of its money laundering and terrorism financing risks was requested by Aloï.⁷⁸ The 2013 assessment by David Kelley (Kelley) who was the anti-money laundering (AML)/counter-terrorism financing (CTF) compliance manager at that time, concluded that the proposed CUP

process posed no significant risks.⁷⁹ However, it was later discovered that the assessment had been conducted using inadequate assessment methodology and documentation. Kelley failed to evaluate the process and identify potential money laundering or terrorism financing risks.⁸⁰ Furthermore, the assessment did not identify existing controls or specify measures required to mitigate risks associated with the CUP process.⁸¹

In addition to the AML/CTF risk assessment, The Star Sydney sought external legal advice from a reputable law firm, King & Wood Mallesons (KWM) to determine whether its proposed CUP process would contravene any applicable regulations, potentially resulting in a breach of its casino license and the law.⁸² KWM advised The Star Sydney to amend its Internal Control Manual (ICM) to expand its scope to allow funds via electronic funds transfers (EFT) to be credited to patrons' account with The Star Sydney.⁸³ While the law prohibits the use of credit and debit cards for gambling purposes, it permits The Star Sydney to establish deposit accounts for customers and utilise these accounts to credit amounts received through methods such as cheques or traveller's cheques.⁸⁴ Despite the absence of a specific definition for the term "money" in the law, KWM pointed out that the regulator had previously approved The Star Sydney's ICM, granting permission to accept funds via "hexagon, telegraphic transfer, or direct deposit"⁸⁵ for customers' deposit accounts.⁸⁶ Given that The Star Sydney is required to conduct its operations in accordance with the ICM, which must be approved by the independent liquor and gaming authority of NSW, KWM advised that it was imperative for The Star Sydney to seek approval for allowing funds via EFT.

While The Star Sydney sought approval from the authority and eventually obtained it, they omitted material information during their meetings with the authority in an attempt to obfuscate the true purpose of the amendment.⁸⁷ Graeme Stevens (Stevens), the then regulatory affairs manager, who represented The Star Sydney in requesting approval, was aware that the sought-after amendment was related to the CUP process, which was in breach of the CUP's rules. Specifically, Aloï believed that had they disclosed all pertinent information, the authority would not have approved the amendment.

Black Hole

"I would have expected a mature AML program to have in place a comprehensive AML and counter-terrorism financing risk assessment methodology and risk assessment. Our engagement found that not to be the case."

– Mr Jeff O'Sullivan, a KPMG Partner⁸⁸

In November 2017, KPMG was engaged by Star Entertainment to review its AML/CTF programme.⁸⁹ This followed the appointment of Paul McWilliams (McWilliams) as the Chief Risk Officer with the responsibility of managing risks associated with AML and CTF. McWilliams reviewed the last assessment report of Star Entertainment's AML/CTF programme dated 21 August 2015.⁹⁰ He identified limitations in the scope of the review and deemed the AML/CTF programme as non-compliant, with remedial actions had to be taken.⁹¹ Coupled with the requirement of the AML/CTF Act mandating the periodic independent review of Star Entertainment's identification, management, and mitigation of AML/CTF risks (Part A), the AML/CTF review was initiated. The scope of the review was expanded to include the independent assessment of Star Entertainment's customer identification procedures (Part B).

Draft reports on Parts A and B were provided on 3 May 2018 to McWilliams, Micheil Brodie (Brodie), the then general manager of compliance, and Skye Arnott (Arnott), the then compliance manager.⁹² This was to ascertain the factual accuracy of the results obtained from interviewing 37 employees across Star Entertainment's casinos and the review of over 400 documents.⁹³ The accuracy of the reports was confirmed by the three individuals and KPMG issued two finalised reports on 16 May 2018.⁹⁴

The reports highlighted serious deficiencies in Star Entertainment's AML/CTF programme. These include the lack of documented risk assessment methodology and AML/CTF assessments, especially for its junket operation which accounted for 12% of its earnings.⁹⁵ It was also noted that customers could walk into Star Entertainment's casinos with hundreds of thousands of dollars in cash but would not be assessed as higher risk.⁹⁶ Additionally, the AML/CTF programme did not account for CTF.⁹⁷ Moreover, its transaction monitoring programme (TMP) to detect and assess risks of customers transactions was found to be inconsistently applied across Star Entertainment's properties.⁹⁸ This limited the effectiveness of the TMP. It was also noted that there were inadequate AML/CTF resources in Star Entertainment.⁹⁹

On 23 May 2018, the AC of Star Entertainment met and were presented with the executive summaries of the KPMG reports.¹⁰⁰ The committee was informed that the reports were still undergoing review by the management.¹⁰¹ Further, given that the issues presented in the summary had limited context, they were informed that the outcomes of the management review should be read in tandem with the KPMG reports for the board to adequately assess the reports.¹⁰² Nevertheless, the committee members accepted the KPMG's findings and that the recommendations needed to be considered and addressed.¹⁰³

"Mr Bekier was sat down, turning the pages of the report, essentially berating us for the whole entire time of that meeting."

– Mr Alexander Graham, a then KPMG Director¹⁰⁴

While the AC was receptive to the KPMG reports, this was not echoed by Star senior management, especially Bekier. Bekier expressed visible dissatisfaction when the executive summaries were presented to the board and questioned the factual accuracy of the reports.¹⁰⁵ O'Neill, then non-executive Chairman, also objected to the tone of the KPMG reports.

In the initial meetings with KPMG following the release of the reports, both Alexander Graham, a director at KPMG, and Jeff O'Sullivan described their interactions with Bekier as hostile and tense as he scrutinised the report and listed his disagreements.¹⁰⁶ These sentiments were shared by McWilliams and Martin. While Bekier acknowledged that the meetings were very uncomfortable, he claimed that he was not being rude but rather attempting to clarify the highlighted issues.¹⁰⁷

Star Entertainment's management raised 22 specific queries with KPMG regarding the reports.¹⁰⁸ However, KPMG ultimately stood by its findings and Star Entertainment relented by implementing the proposed recommendations.¹⁰⁹

Behind the sun

On 14 September 2018, Australian Transaction Reports and Analysis Centre (AUSTRAC), Australia's AML and CTF regulator, requested Part A of the KPMG reports from Star Entertainment.¹¹⁰ Multiple requests were made over a period of 16 months as Star Entertainment rejected each request on the basis of legal professional privilege.¹¹¹ It was only on 20 January 2020 that Star Entertainment conceded and provided the report.¹¹²

Despite the adverse findings in the KPMG reports, no one from the company evaluated if the findings should be raised to AUSTRAC and the authority.¹¹³ Section 674 of the Corporations Act 2001 and Australian Securities Exchange's (ASX) Listing Rule 3.1 also require a company to disclose any information that the company assess to have material financial impact on its shares to the market. However, Star Entertainment's legal team and company secretary did not proactively advise the management and the board as to whether the KPMG reports should be disclosed.¹¹⁴

The beginning of trouble

“I’m going to call it out early, Suncity is operating a business model under our noses which is problematic for the Star Entertainment Group with regards to AML/CTF Laws”

– Andrew McGregor, Senior Investigator of Star Entertainment¹¹⁵

Junkets play a significant role for casinos in attracting international high-net-worth individuals to gamble at the casino’s establishments.¹¹⁶ On 30 June 2017, The Star Sydney entered into a rebate agreement with Kit Lon Iek (Iek), an employee of Suncity, the largest junket operator in Macau. Iek also served as the junket promoter. This agreement was acknowledged by Chad Barton, the then CFO, on behalf of The Star Sydney. While the rebate agreement provided Iek with access to an exclusive VIP gaming room called ‘Salon 95’, Clause 6 of the agreement provided that The Star Sydney ultimately “retains sole operational and management control”¹¹⁷ of the VIP Salon, including “the operation of the Cage”.¹¹⁸ The term “Cage” referred to an enclosed area for cashier activities. In August 2017, following a request from a junket staff to “set up a cage with two windows and a service counter with two seats”,¹¹⁹ internal communications began between key representatives of Suncity and Star Entertainment. These included Michael Whytcross (Whytcross), the then general manager of commercial finance and international marketing. The key representatives did not find the request controversial and accommodated it.¹²⁰

On 12 October 2017, Stevens submitted a proposal to Liquor & Gaming New South Wales (L&GNSW).¹²¹ The proposal was to install windows and a service desk in accordance with Suncity’s request to enhance its service for its customers.¹²² However, Stevens’ submission did not make any reference to the Cage. He allegedly knowingly misled the regulator as he knew that the indication of a cage operation could affect Star Entertainment’s ability to hold a casino license.¹²³

On 12 March 2018, White received queries from Wallace Liu, assistant vice president of VIP international operators at Star Entertainment, on AML requirements for the “cash desk” in the junket. In response, White made it clear that Suncity was neither allowed to operate a cage nor handle cash transactions at their service desk as they did not have the license to do so.¹²⁴ However, Suncity continued to push for the handling of cash transactions at the service desk.¹²⁵ Hence, Brodie was brought in by White to conduct an AML/CFT assessment. On 6 April 2018, Brodie approached Marcus Lim (Lim), the then senior vice president of international marketing, for more information regarding The Star Sydney’s arrangement with Suncity.¹²⁶ Instead of providing the information, Lim hurried to ensure that Salon 95 was operational as soon as possible, citing Suncity’s CEO, Alvin Chau, as a major source of revenue and highlighting his connections with other joint venture partners of The Star Sydney.¹²⁷

While Salon 95 was operational by 18 April 2018, the risk assessment led by Arnott was only completed and signed off by McWilliams on 27 April 2018. The assessment pointed out significant risks with serious consequences due to the potential violation of both the AML Law and Casino Control Act. The assessment also included controls proposed by Arnott, which mainly focused on prohibiting cash-chip exchanges.

A shaky start to Salon 95

Since the commencement of Salon 95, The Star Sydney have had troubles tracing the sources of money entering and leaving its premise. From 18 April 2018, CCTV footages revealed multiple occasions of bags and suitcases containing large amounts of cash being handled at the service desk at Salon 95. In early May, the surveillance team flagged out a plaque, worth A\$100,000, being exchanged for an equivalent amount in cash that breached Arnott’s controls.¹²⁸ The surveillance team also flagged unknown individuals who were not recorded as junket participants entering Salon 95. This raised grave AML/CTF concerns in relation to KYC requirements and prompted the first warning letter sent by Hawkins, the then MD of The Star Sydney, to Iek to comply with the rules and controls in place on 10 May 2018.¹²⁹

However, the issues continued when another cash transaction was observed by a surveillance staff. This prompted an investigation by Andrew McGregor (McGregor), the then senior investigator of Star Entertainment, which was concluded on 16 May 2018. He found that The Star Sydney faced difficulties in connecting large sums of cash entering Salon 95 with the junket's patrons.¹³⁰ This indicated "clear and obvious money laundering risks".¹³¹

Prior to the investigations, McGregor already forewarned Power about the gravity of AML/CTF risks associated with the operation of Salon 95.¹³² Power then sent an email to Hawkins highlighting the legal and regulatory risks.¹³³ He suggested to "cease all cash transactions at the service desk until there was a clear set of permitted and prohibited activities laid out."¹³⁴ This message was also relayed to senior management, including Bekier, White, Martin, and Kevin Houlihan (Houlihan), the then group investigations manager of Star Entertainment.¹³⁵ Despite being informed, The Star Sydney elected for Salon 95 to continue its operations with a set of standard operating procedures (Service Desk SOP).¹³⁶ The final version of the SOP was introduced on 23 May 2018.¹³⁷

RFS – Red flag Suncity and red flag Star

Days after the release of the Service Desk SOP, tip-offs were received from cashier staff regarding continued cash transactions at the service desk.¹³⁸ This prompted a second warning letter from Hawkins, which was delivered to Suncity on 8 June 2018.¹³⁹ However, Salon 95 and its service desk continued to operate.¹⁴⁰

On 15 June 2018, more surveillance footages were captured. The CCTV footage showed Suncity staff carrying large amounts of cash proceeding towards a blind spot and disappearing from view for a period of time. This raised suspicion about the activities undertaken at the blind spot, as there was no legitimate reason for them to congregate in that area.

Despite this, The Star Sydney renewed their agreement with Iek on 21 June 2018.¹⁴¹ In addition, during a board meeting on 26 July 2018, management briefly mentioned some concerns occurring in Salon 95 and the corresponding measures in place.¹⁴² However, detailed disclosures regarding the activities and concerns relating to Salon 95 were lacking.¹⁴³ As a result, the directors could not arrive at an appropriate decision to address the adverse misconduct in Salon 95 as the gravity of the misconduct was not fully disclosed.¹⁴⁴

From March 2019 to May 2019, Stevens and Will Kumarasinghe, the then assurance manager for gaming operations, was tasked by Brodie to review Suncity's compliance with the Service Desk SOP.¹⁴⁵ Stevens concluded that it was satisfactory in his report on 23 May 2019.¹⁴⁶ However, several incidents related to the inappropriate storage of cash and cash transactions were brought to his attention through an email on 24 June 2019 from Ian Tomkins, the then senior regulatory manager.¹⁴⁷ In particular, some of these incidents had taken place before he concluded his report.¹⁴⁸ These concerns raised "contradicted his findings" and it was accepted that his conclusion was "highly problematic".¹⁴⁹

The end of Salon 95?

Angus Buchanan (Angus) joined The Star Sydney in May 2019 as a due diligence programme manager. He had previously worked with Hong Kong Jockey Club (HKJC), the sole licensed horseracing and sport wagering services provider in Hong Kong.¹⁵⁰ In HKJC, he finalised an April 2018 report into Suncity and Alvin Chau.¹⁵¹ On 12 June 2019, he shared this report with senior management including Martin, White, and Houlihan.¹⁵² Despite the report raising concerns about Suncity's integrity and possible connections with triads and organised crime, senior management did not raise it with Bekier or the board.¹⁵³

Media allegations regarding Suncity also emerged at the end of July 2019. It was revealed that HKJC had its own "deep mistrust" of Suncity and had blacklisted them.¹⁵⁴ Furthermore, an article published by The Sydney Morning Herald and The Age reported Suncity's possible connections to organised crime and Suncity's retreat

from the Australian casino market.¹⁵⁵ It was also revealed that Crown Resorts (Crown), a rival Australian casino of Star Entertainment which is associated with Suncity, was found to have breached AML laws.¹⁵⁶ This revelation surfaced after media alleged that Crown had links to organised crimes.¹⁵⁷

From end of July 2019 till 16 August 2019, Star Entertainment's share price dropped 15% from A\$3.88 to A\$3.30.¹⁵⁸ An article published on 16 August 2019 featured a response from Bekier who announced that Salon 95 will be shut down.¹⁵⁹ Following that announcement, the share price rose around 6% from A\$3.30 to A\$3.49 that same day.¹⁶⁰ However, Bekier did not disclose that Suncity was provided with a new private gaming room, Salon 82, that replaced Salon 95.¹⁶¹ He said this was because Salon 82 was not to have the "special privileges" of Salon 95.¹⁶²

Following the media allegations, management formed a focus group of senior leaders from different departments. The focus group's role was to monitor the media and assess information as it unfolds, update risk assessment in areas of potential vulnerability, act on recommendations arising from a review of the allegations of anti-money laundering and counterterrorism failings against fellow casino operator Crown, and coordinate responses to regulator inquiries.¹⁶³ The AC also requested for a paper to be presented to the board regarding the media allegations. The directors wanted to be kept in the loop and understand if Star Entertainment could face similar allegations as Crown.¹⁶⁴

On 15 August 2019, a board paper was prepared by Arnott, Brodie, Martin, and Whytcross.¹⁶⁵ The paper examined the allegations made against Crown and The Star Sydney, The Star Sydney's areas of improvement, and their risk mitigation plan.¹⁶⁶ However, it made no disclosure about the fact that various members of senior management held a copy of the HKJC report that contained "serious adverse information" about Alvin Chau and Suncity.¹⁶⁷ The board paper also did not disclose Suncity's repeated breaches of controls and activities in Salon 95.¹⁶⁸ This gave an impression that "there were no problems with Star Entertainment continuing to deal with Suncity and Alvin Chau".¹⁶⁹ This was despite the fact that the authors of the board paper were aware that the report did not include various disclosure about Suncity and Alvin Chau, as outlined above.¹⁷⁰

In light of the media allegations, L&GNSW also reached out to The Star Sydney on 29 July 2019 to request for a risk assessment to be conducted.¹⁷¹ This was intended to assess any risks from The Star Sydney's associations with the junkets and to review current mitigating procedures in place to address ongoing risks as a result of these associations.¹⁷² Power reassured the regulator on 31 July 2019 that current processes were "robust".¹⁷³ However, he did not highlight issues regarding Suncity and Salon 95.¹⁷⁴ This prompted L&GNSW to request for more information.

The Star Sydney provided its response on 10 September 2019 after a further probe by the regulator on 6 September 2019.¹⁷⁵ This response was vetted by many members of senior management and approved by Bekier and Martin before it was sent to L&GNSW.¹⁷⁶ Yet, it was noted that the response was "narrow, technical and inappropriate".¹⁷⁷ Furthermore, the content mainly focused on defining specific words in the regulator's inquiry and "made no mention of Alvin Chau, Suncity, or any of the steps that had been taken to manage Suncity in relation to the operation of Salon 95".¹⁷⁸

Shining a light on risk assessment

By 21 August 2019, Star Entertainment had decided to continue the business relationship with Suncity with an "improvement team" to oversee the business relationship.¹⁷⁹ In early September 2019, The Star Sydney moved Suncity to a new private gaming salon called Salon 82. Arnott was tasked to perform an updated risk assessment. However, this risk assessment, which would be the first update to its preceding risk assessment in April 2018, was never completed.¹⁸⁰

It was only on 2 September 2020 when Angus was instructed by Houlihan to provide a due diligence assessment of Alvin Chau.¹⁸¹ This was to provide a recommendation about how Star Entertainment “might proceed in its relationship” with Suncity.¹⁸² The report also assessed The Star Sydney’s business relationship with Alvin Chau, and the effectiveness the joint AML/CTF programme during this business engagement.¹⁸³

On 1 October 2020, the first due diligence report was completed. It was confirmed that Alvin Chau was a member of the 14K triad society, one of the biggest Chinese organised syndicates.¹⁸⁴ Although the latest information suggested that he was no longer an active member, there were suspicions that Alvin Chau and/or his subordinates continued to have close connections with triad entities that provided assistance to his VIP junket business.¹⁸⁵ Angus also concluded the report by expressing concerns regarding the company’s decision to maintain a business relationship with him.¹⁸⁶

However, this memorandum subsequently went through two amendments after feedback was given by both Power and Houlihan, both of whom were Angus’ superiors.¹⁸⁷ Between the first version of the memorandum and the last iteration on 7 January 2021, Angus made certain changes. He removed his opinion that “given the extent of Suncity’s continued non-compliance, The Star’s response was somewhat weak and not proportionate to the risk”.¹⁸⁸ This pertained to breaches by Suncity at the service desk around May 2018.¹⁸⁹ He also removed his concluding opinion where he had expressed concerns regarding the continued engagement with Alvin Chau.¹⁹⁰ There were also other deletions from the memorandum, including criticisms of The Star Sydney’s own due diligence process and the “Buchanan Chronology” which included “important and material” information of Star Entertainment’s relationship with Suncity from 2011 to 2019.¹⁹¹ Instead, in his 7 January 2021 memorandum, Angus used Steven’s “highly problematic” report dated 23 May 2019 to support the continuation of business relationships with Suncity.¹⁹²

Starry-eyed business relationships

In the due diligence assessment of Suncity and Alvin Chau, The Star Sydney had to assess whether a person was of a “good repute”.¹⁹³ It was found that The Star Sydney’s had applied the wrong test, as they “did not appropriately consider whether those junket operators and funders were not of good repute”.¹⁹⁴ Instead, the assessment revolved around addressing the question of “whether it can be clearly proven that Alvin Chau and Iek were of bad character”.¹⁹⁵

To this, Commissioner Patricia Bergin Senior Counsel (SC) commented that the industry practice among Australian casino operators was one where substantive proof of wrongdoing or criminality was required before they would cease relationships with an entity.¹⁹⁶ They noted that the rationale was that if business relationships were terminated simply based on allegations, competitors could “steal” these partnerships to the casino’s detriment.¹⁹⁷ Hence, it was noted in a NSW report that these insights provided by Commissioner Patricia Bergin SC “provide guidance in trying to understand the actions of Star Entertainment”.¹⁹⁸ It was said that “their approach likely reflected the prevailing attitude in the industry whereby business interests took precedence over compliance and probity considerations”.¹⁹⁹ The report also noted that it may be the reason why Star Entertainment also “misapplied the appropriate test”.²⁰⁰

The workaround

In the late 2017, due to recent changes in Macau’s AML legislation and increased regulations, Star Entertainment’s bank accounts in Macau were closed. In the 26 September 2017 board paper prepared by Bekier and John Chong, the then president of international marketing, it was noted that the closure of bank accounts “posed both financial and operational risks”.²⁰¹ It was estimated to have a A\$21.5 million annual EBITDA impact unless a solution was found.²⁰²

Hence, The Star Sydney approached Kuan Koi, a junket operator and patron with The Star Sydney for further discussion.²⁰³ This resulted in the Initial Kuan Koi Arrangement (The Initial Arrangement) in January 2018.²⁰⁴ Patrons who intended to repay CCF debts in Macau could make payments to Kuan Koi, who would then transfer these funds to The Star Sydney. The agreement required Kuan Koi “to conduct his activities in accordance with the laws of the jurisdictions”²⁰⁵ and to keep “due and proper records of the payments made by customers”.²⁰⁶ However, it did not require Kuan Koi to conduct KYC checks on patrons or verify their sources of wealth and funds.²⁰⁷ In the NSW report, it was also noted that The Initial Arrangement “does not identify whether, and if so, how Kuan Koi was to transfer the funds he received in Macau to his front money account with The Star”.²⁰⁸

Furthermore, The Initial Arrangement was originally intended only to involve payments of CCF debts. However, in February 2018, an amendment was made to the agreement to include front money deposits prior to play.²⁰⁹ In response, White sought advice from HWL Ebsworth (HWLE), and they advised him that the only implication of such an amendment was “the need to update its AML/CTF program to assess the risks and to design mitigation methods”.²¹⁰

In January 2018, Arnott undertook a AML/CTF risk assessment on The Initial Arrangement and characterised the risk as “low”.²¹¹ When The Initial Arrangement was extended to include front money deposits in February 2018, Arnott’s updated risk assessment “did not change much from the previous draft”²¹² even though she noted that there were significant money laundering risks with limited KYC procedures.²¹³ The only risk control she proposed to mitigate this was the use of an “international depositor identify form” to identify the parties in the transaction.²¹⁴ In a subsequent investigation, it was found that there were difficulties keeping track and monitoring the deposits made by patrons with Kuai Koi.²¹⁵ Moreover, Whytcross did not know who was required to complete the form.²¹⁶ The form also only required minimal customer details. Information about sources of wealth and funds were not required.²¹⁷

The board was only informed of the arrangement in an 8 February 2018 board paper.²¹⁸ The paper stated that McWilliams had also assessed the AML/CTF risks to be low, and external legal advice had been sought. Given such details, the board approved The Initial Arrangement.²¹⁹

Modified Kuan Koi arrangement

In March 2018, Bank of China (BOC) Macau had blocked all of Kuan Koi and his associates’ Macau accounts.²²⁰ The original problem resurfaced as The Star Sydney was unable to accept deposits in Macau again.²²¹ To counter this, The Initial Arrangement with Kuai Koi was modified in April 2018, leading to the Modified Kuan Koi Arrangement (The Modified Arrangement).²²² Under the new arrangement, patrons would utilise other third party remitters that would provide remittance services and The Star Sydney would reimburse service fees to the patrons, through separate payments to Kuan Koi.²²³ Due to the inclusion of third party remitters, The Modified Arrangement “posed even higher money laundering risks”.²²⁴ However, Star Entertainment did identify and quantify these risks.²²⁵

EEIS, the long-term solution

The arrangements with Kuan Koi were intended to be “temporary”.²²⁶ EEI Services (Hong Kong) Limited (EEIS) was regarded by Star Entertainment to be their long-term solution.²²⁷ In the 26 September 2017 board paper, Bekier and John Chong recommended Star Entertainment to “activate” EEIS, Star Entertainment’s wholly owned subsidiary so as to establish a Macau marketing subsidiary (MMS).²²⁸ It was delayed as White wanted EEIS to be fully operational before they implemented it.²²⁹ The proposed EEIS structure entailed setting up MMS to collect repayments of debts.²³⁰ In addition, EEIS would be established as a licensed money lender and licensed remittance agent, changing the nature of payments from customers to being repayment of loans from repayment of gambling debts.²³¹ In May 2018, the board of Star Entertainment approved the commencement of EEIS.²³²

With EEIS, the payments by third party remitters from the Modified Arrangement were deposited into EEIS' NAB accounts.²³³

In 2019, NAB discovered that there were “material discrepancies” between the stated purpose of the accounts and its actual usage.²³⁴ Moreover, there was no evidence of transaction monitoring on EEMS bank accounts.²³⁵ During the subsequent investigation, it is clear that proper monitoring did not occur until NAB began to investigate.²³⁶ Whytcross and Arnott, both serving as the AML/CTF compliance officer for EEIS, provided testimonies highlighting deficiencies in the transaction monitoring of the EEIS NAB accounts.²³⁷ Whytcross disclaimed responsibility for overseeing the operations of EEIS and its transaction monitoring program, attributing that responsibility to Arnott.²³⁸ Meanwhile, Arnott had “very little understanding of what transactions were occurring in the EEIS NAB account”.²³⁹ This was despite the huge number of deposits by third party remitters, amounting to approximately A\$104 million.²⁴⁰

From June 2019 to July 2020, EEIS also issued loans amounting to A\$213 million to patrons of The Star Sydney and junket operators.²⁴¹ It was contended that The Star Sydney may have breached the Casino Control Act. According to the Act, should EEIS operate as an agent of The Star Sydney, it could be deemed to have breached the prohibitions on lending or provision of credit outlined in section 74(1)(b).²⁴² However, ultimately, it was concluded by NSW Independent Casino Commission (NICC) that The Star Sydney did not breach the provision.²⁴³

“We weren’t looking at the bank accounts in enough detail. And there may not have been as much monitoring of repayments of loans as there should have been.”

– *Skye Arnott, the then Chief Financial Crime Officer of Star Entertainment*²⁴⁴

The VIP team – Very ignorant party?

The international VIP team was in charge of the international VIP rebate business (IRB) at Star Entertainment, contributing approximately 11.9% of Star Entertainment’s net revenue in 2019.²⁴⁵ However, issues arose with several senior personnel in the international VIP Team.

Firstly, John Chong led the international VIP Team up till March 2018.²⁴⁶ His employment was subsequently terminated, and the reasons for his dismissal was detailed in a document produced by Kim Lee, Chief People and Performance Officer at Star Entertainment.²⁴⁷ In the document, Kim Lee expressed concerns that “he had a fundamental lack of understanding of what was instructed by the CFO”,²⁴⁸ and that he was “completely ignorant of company policies”.²⁴⁹ In addition, it had been raised internally that John Chong had “poor leadership and management” over the VIP team, and was constantly promoting “poor behaviour that drives division among the departments”.²⁵⁰

However, there were no investigations made to substantiate those concerns raised, and John Chong was not given the chance to speak for himself. The only reason provided by Bekier to the board for John Chong’s termination was “redundancy”.²⁵¹

After John Chong’s termination, Lim, president of international VIP Sales, took over as leader of the international VIP Team from April 2018.²⁵² There were a series of allegations made against Lim between 2017 and 2019.²⁵³ These include gambling at a casino in Macau in 2017, misusing credit card expenses in 2018, and receiving commissions from junket operators for collecting money owed to them in 2019.²⁵⁴

The latest issue was brought up by a whistleblower in May 2019, and an investigation called Operation Great Wall was commenced by Houlihan.²⁵⁵ The whistleblower was interviewed in July 2019 and it was only five months later that an independent investigator was hired to conduct a background check on Lim.²⁵⁶ The investigator’s report found that one of Lim’s relatives controlled a company that provided junket support services to Star

Entertainment.²⁵⁷ This association gave rise to a conflict of interest and a second interview with the whistleblower was conducted on 20 December 2019. In that meeting, the whistleblower provided documents to support his allegations but Houlihan did not agree.²⁵⁸ Following this, Houlihan agreed with Martin to conduct a formal face to face interview with Lim to seek a formal response to these allegations.²⁵⁹ However, he did not do so and Lim was subsequently terminated in January 2021 due to “redundancy of the role”.²⁶⁰ He was also not given the chance to challenge the allegations made against him. Furthermore, the board was not aware of the allegations of misconduct and the investigation into those allegations.²⁶¹

Hwa Ryong (Simon) Kim (Kim) was the senior vice president of international marketing at Star Entertainment and the principal relationship manager for Suncity. In March 2020, Kim disappeared. Following his disappearance, a series of allegations were made against him. These included misappropriation of funds, defrauding a customer of his winnings at the Suncity junket, issuing a A\$13.3 million false transfer instruction to Suncity, and involvement in a fraud on Suncity amounting to A\$4 million. Although the issues were known to Houlihan, no investigations were initiated as there was no evidence provided by the whistleblower to support his claims. Similarly, the board was also not informed of these allegations.

Investigations begin

On 10 October 2021, The Sydney Morning Herald, The Age and 60 Minutes, jointly released a report that raised concerns about suspected activities at Star Entertainment such as money laundering, organised crime and large-scale fraud.²⁶² The report, mirroring previous media allegations against its rival Crown in 2019, caused Star Entertainment’s share price to tumble by almost 25%, dropping from A\$3.94 to A\$3.04 on the same day.^{263,264}

On November 2021, L&GNSW launched an inquiry against The Star Sydney. The purpose of the inquiry was to review The Star Sydney’s compliance with regulations and their suitability to hold a casino licence.²⁶⁵ In June 2022, Australia’s Queensland state also announced that they would conduct a review into the suitability of Star Entertainment’s Queensland operations to hold a casino licence.²⁶⁶ This announcement sent Star Entertainment’s share price down 6% on the same day.²⁶⁷

The reviews found Star Entertainment unfit to hold casino licences in both states.^{268,269} Regarding the L&GNSW inquiry, the NSW Independent Casino Commission fined The Star Sydney A\$100 million and suspended its casino license for 90 days with effect from 21 October 2022.²⁷⁰ To preserve the livelihood of the 8,000 employees, the regulator invited an independent manager to continue the casino’s operations instead of permanently revoking its license.²⁷¹ On 9 December 2022, the Queensland’s government also imposed similar penalties on Star Entertainment.²⁷² The state also delayed the licence suspension to 1 December 2023 to provide Star Entertainment with the opportunity to “get its house in order”.²⁷³

On 30 November 2022, AUSTRAC launched civil lawsuits against The Star Pty Ltd and The Star Entertainment QLD Limited for “alleged serious and systemic non-compliance with Australia’s AML/CTF laws”.²⁷⁴ It was reported by the Australian Broadcasting Corporation that “there is virtually no limit to the potential maximum fine”²⁷⁵ due to the innumerable violations by the Star Entities.²⁷⁶ Following the announcement, Star Entertainment’s share price slid roughly 6% over the week from A\$2.50 to a low of A\$2.36.²⁷⁷

Individuals on the chopping block

On 13 December 2022, the Australian Securities and Investments Commission (ASIC) filed civil charges in the Federal Court against 11 current and former directors and officers of Star Entertainment for alleged breach of their duties under Section 180 of the Corporations Act.²⁷⁸

The board

“They are required to bring an inquiring mind to business operations. It is not ‘set and forget.’”

– Joseph Longo, ASIC chairman²⁷⁹

Among the individuals facing charges are Bekier, O'Neill, Lahey, Sheppard, Bradley, Pitkin, Heap and Zlatko Todorovski.²⁸⁰ ASIC claims that the board members were in favour of deepening business relationships with certain individuals with reported criminal connections rather than addressing money laundering risks.²⁸¹ As ASIC Chairman Joseph Longo (Longo) says, “If you’re a director of a company, then part of your job is to address foreseeable, observable risks. We’re not talking about a situation of a subtle risk, or a risk that is a surprising risk. We’re actually talking about risks that go to the core of the business that are readily foreseeable.”²⁸²

Senior management

“Large corporations can’t really function well unless boards of directors can rely on what they’re told by senior executives.”

– Joseph Longo, ASIC chairman²⁸³

The remaining three individuals are former senior executives, namely Martin, Hawkins and Theodore.²⁸⁴ ASIC asserted that Martin and Theodore allowed the submission of misleading responses to NAB regarding the use of CUP cards on Star Entertainment’s premises.²⁸⁵ It also alleged that the three individuals hid these issues from the board.²⁸⁶ ASIC also claimed that Hawkins, together with Martin and Bekier, breached their duties as they did not “adequately address the money laundering risks that arose from dealing with Suncity as well as continue to deal with them despite becoming aware of reports of criminal links and did not appropriately escalate these concerns to the board.”²⁸⁷ Longo said, “On the senior executive side, we want them doing their job, responding to those queries and inquiries coming from the directors and escalating issues, because the directors can’t be expected to do their job unless they’re told what is going on.”²⁸⁸

Each individual charged faced different counts, from Heap with two to Bekier with seven.²⁸⁹ If proven guilty, they can be barred from future directorships and face penalties of over A\$1,000,000 for each breach.²⁹⁰

The fallen stars

Since 2021, there have been significant changes to the board and executive team of Star Entertainment due to the resignations of key individuals as shown in Figure 3. Bekier was the first among the many to announce his resignation. While most of the previous board members of Star Entertainment resigned prior to the civil charges filed by ASIC, Heap and Lahey announced that they will step down from their positions once additional directors are appointed, citing that it is crucial for the board to maintain a sufficient number of directors while the company carries out its reformation efforts.²⁹¹ The resignation of Heap was also after several calls for his removal from corporate and risk governance experts such as Helen Bird from Swinburne University and Professor Elizabeth Sheedy from Macquarie University.²⁹²

Figure 3: Resignations of key individuals²⁹³

Individual	Position before resignation	Resignation Date
Matt Bekier	Managing Director and Chief Executive Officer of Star Entertainment, Director of The Star Sydney	28 March 2022
Harry Theodore	Chief Financial Officer of Star Entertainment, Director of The Star Sydney	6 May 2022

Individual	Position before resignation	Resignation Date
Paula Martin	Chief Legal & Risk Officer and Company Secretary of Star Entertainment, Company Secretary of The Star Sydney	6 May 2022
Greg Hawkins	Chief Casino Officer (NSW) of Star Entertainment	6 May 2022
Andrew Power	Group General Counsel of Star Entertainment	13 May 2022
Graeme Stevens	Group Compliance Manager of Star Entertainment	13 May 2022
John O'Neill	Chairman of Star Entertainment (Following Matt Bekier's resignation)	20 May 2022
Micheil Brodie	General Manager, Social Responsibility of Star Entertainment	20 May 2022
David Aloï	NSW Regulatory Manager of Star Entertainment	20 May 2022
Skye Arnott	Chief Financial Crime Officer of Star Entertainment	23 May 2022
Kevin Houlihan	Group Investigations Manager of Star Entertainment	15 June 2022
Sally Pitkin	Non-Executive Director of Star Entertainment	30 June 2022
Gerald Bradley	Non-Executive Director of Star Entertainment	31 October 2022 ²⁹⁴
Richard Sheppard	Non-Executive Director of Star Entertainment	22 November 2022 ²⁹⁵
Katie Lahey	Non-Executive Director of Star Entertainment	30 December 2022 ²⁹⁶
Ben Heap	Non-Executive Director and Chairman of Star Entertainment (Following John O'Neill's resignation)	31 March 2023 ²⁹⁷

Source: Bell, A. (2022, August 31). *Review of The Star Pty Ltd: Volume 1*.

The newly revamped board

Following the resignation of key individuals, the board underwent a renewal process. Star Entertainment also improved its disclosure by indicating the independence status of each NEDs starting from FY2023. As of 31 March 2024, the board of Star Entertainment consists of seven members, six of whom are independent non-executive director (INED), and one serving as an ED.²⁹⁸

David Foster (Foster) was appointed as an INED on 15 December 2022 and subsequently assumed the role of Chairman on 31 March 2023. With over 25 years in financial services, including serving as CEO of Suncorp Bank during the global financial crisis, Foster has led significant turnarounds and restructuring efforts before retiring in 2013. He brings a wealth of experience serving on boards across diverse industries, including financial services, retail, government, education, and professional services. Currently, Foster serves as a director of Bendigo and Adelaide Bank Limited.²⁹⁹

Michael Issenberg (Issenberg) joined the board as an INED on 11 July 2022. With over 40 years of experience in the hotel and casino industries, Issenberg is an experienced executive and non-executive director. He currently serves as Chairman of Tourism Australia and director of TFE Hotels. Previously, he served as Chairman of Reef Corporate Services Limited and CEO of Mirvac Hotels.³⁰⁰

Anne Ward (Ward) was appointed as an INED on 18 November 2022. She brings considerable experience in complex governance, transformation, and risk management across highly regulated sectors, including casinos. Ward also serves as the Chairman of ASX-listed ecommerce group Redbubble Ltd and Symbio Holdings Ltd. Previously, she was a commercial lawyer for 28 years and was General Counsel for Australia at the National Australia Bank.³⁰¹

Deborah Page AM (Page) was appointed as an INED on 13 March 2023. Page is a Chartered Accountant with dual audit partner and CFO experience during her executive career. She has extensive experience as a company director gained across ASX listed, private, public sector, and regulated entities. She currently serves as a NED at Brickworks Limited and Growthpoint Properties Australia Limited.³⁰²

Toni Thornton (Thorton) was appointed as an INED on 17 October 2023. She is an experienced executive with more than 15 years' corporate finance and strategic advisory experience, and 13 years' experience in audit at board-level. She currently serves as a NED of G8 Education Limited and significant private companies including Millovate Pty Ltd and Habitat Early Learning. Previously, she served as a NED of South Bank Corporation Devcorp.³⁰³

Peter Hodgson (Hodgson) was appointed as an INED on 7 February 2024. Hodgson is an experienced director with extensive global financial services experience and a strong business track record. Currently, he serves as Chairman of ASX-listed Judo Bank and the Centre of Evidence and Implementation, and as a director of Planum Partners. He previously held senior executive roles in Australian and global financial institutions, including Chief Risk Officer and Group MD (Institutional) at ANZ Banking Group.³⁰⁴

Robert Cooke (Cooke) is the sole ED on the board. He was appointed as CEO on 17 October 2022 and subsequently as MD of Star Entertainment on 18 November 2022. Cooke had an 11-year executive career in lotteries, race wagering and sports betting at Tatts Group Limited. Furthermore, he has led four ASX listed companies in a business career spanning more than 30 years. Prior to joining Star Entertainment, Robbie was CEO and MD of Tyro Payments, an Australian based payments fintech which he successfully led to Initial Public Offering in 2019.³⁰⁵

What is to come?

Four class action lawsuits were filed against Star Entertainment in the Supreme Court of Victoria by different law firms: Slater and Gordon, Maurice Blackburn, Phi Finney McDonald, and Shine Lawyers.^{306,307,308,309} There were slight differences in each lawsuit such as the eligibility of group members with regards to the dates of shareholdings and terms of the lawsuit. However, all lawsuits were filed in relation to Star Entertainment's alleged misleading conduct and improper disclosure obligations as an ASX-listed company which resulted in shareholders purchasing their shares at an inflated price. On 19 September 2023, the court appointed Slater and Gordon to act as the primary representative for the class action lawsuits.³¹⁰

Will Star Entertainment prevail in its legal battles and regain investors' confidence with the strength of its newly revamped board's diverse expertise and governance capabilities?

Discussion questions

1. What were the key contributory factors to the scandal at Star Entertainment? Explain how they contributed to the scandal.
2. What were the major breaches at Star Entertainment?
3. "The board sets the culture in an organisation." How far do you agree with this statement with reference to Star Entertainment? Explain.
4. Critically evaluate the board structure and composition of Star Entertainment prior to the scandal. To which extent could the board structure and composition have affected the board's apparent lack of effectiveness? What other factors could have contributed to its effectiveness? Explain.
5. John O'Neill was the board chairman and served on all the board committees. Do you think a board chairman should chair or be a member of board committees? Explain.
6. Critically evaluate the current board structure of Star Entertainment. Do you believe that the new board structure is an improvement? Explain.
7. What are the key risks that a business like Star Entertainment are likely to face? Evaluate Star Entertainment's risk management framework. What were the major failings? What improvements would you recommend?

8. A recurring theme is the lack of reporting of key information by senior management of Star Entertainment to the board. Who is responsible for this? What steps should a board take to mitigate such a risk?
9. Critically evaluate the role as well as the involvement of the relevant authorities and regulators in overseeing and supervising the casino industry in Australia.
10. How does the media aid in promoting good corporate governance in companies? Are there factors that may limit the effectiveness? To what extent did the media play a role in exposing the problems at Star Entertainment? Explain.

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