Article Information

Authors: Lis Boyce, Marisa Orr, Alastair Macphee
Service: Corporate & Commercial, Corporate Governance, Head Office Advisory
Sector: Corporate & Commercial

Star ruling highlights corporate governance hazards

The Federal Court of Australia handed down its decision in Australian Securities and Investments Commission v. Bekier on March 5.[1]

ASIC brought civil penalty proceedings against 11 current and former directors and executives of the Star Entertainment Group in relation to Star's management of money laundering risks. The court found liability against Star's former managing director and CEO Matt Bekier, and former general counsel and chief legal and risk officer Paula Martin, but not against the nonexecutive directors.

Justice Michael Lee's judgment has been widely described as a landmark governance case. While the facts arose in the casino sector, the decision is fundamentally about governance architecture, particularly in regulated organisations.

The principles it establishes apply with equal force to banks, insurers, superannuation trustees, Australian financial services licensees and any business operating where regulators and other stakeholders expect effective risk governance and personal accountability.

Recent enforcement developments show that the matter continues to evolve. Bekier was fined $700,000 on June 17, and banned from managing corporations for six years for breaches of his directors' duties. On July 14, Bekier and Martin appealed the combined penalties of $1.1 million, and on Aug. 10, Martin secured a stay of her $400,000 ASIC fine, pending appeal. These outcomes underscore the continuing relevance of the Star decision for regulated financial services businesses.

This article examines the Star Entertainment decision through a financial services lens, noting that the Australian Prudential Regulation Authority, or APRA, is currently consulting on updates to the cross-industry Prudential Standard 510, which covers governance, reflecting themes that also underpin APRA's fit and proper and conflicts of interest standards. It then identifies practical implications for executives and boards in regulated entities and sets out what lawyers should now be discussing with their financial services clients.

Not Just a Casino Case

Much of the early commentary on the decision has focused on directors' duties and the failings of Star's board and management team. That focus, while understandable, risks obscuring the broader significance of the judgment for entities in other heavily regulated sectors.

The court's analysis is not confined to gaming regulation. It addresses how material risks are identified, synthesised and escalated within complex organisations, and what happens when governance systems that appear adequate on paper fail to deliver critical information to decision-makers in a form that demands action.

Those themes are immediately recognisable to any financial services institution grappling with the expectations of ASIC and those of APRA under the financial accountability regime, or FAR, and seeking to implement prudential standards in their organisational structures, processes and culture.

For regulated entities, the resonance is clear: The judgment also examines governance through outcomes, not simply through organisational charts, charters and management certifications.

Accountability

One of the most significant aspects of the decision for the financial services sector is the court's treatment of accountability. Justice Lee assessed the conduct of the general counsel and chief legal and risk officer not simply by reference to her formal title, role description or reporting line, but also by reference to her proximity to material risks, her access to information not available to the board, her responsibility for synthesising and framing risk, and her influence over whether matters were escalated.

This reasoning aligns closely with the philosophy underpinning FAR. Organisations covered by that regime must clearly disclose the responsibilities of accountable persons, whether responsibility is individual or shared, and the outcomes expected from the exercise of those responsibilities.

ASIC and APRA, the regulators, have stated that they will query accountability statements that do not appear consistent with other governance documentation.[2] The Star decision reinforces that accountability follows knowledge and influence, not simply formal reporting lines and role descriptions.

For financial services executives, this means that structural separation between legal, risk and compliance does not insulate individuals from personal exposure if the practical effect is that material risks fall between roles and are not identified and managed appropriately.

Star makes clear that deferring escalation because "someone else owns the risk" is unacceptable where a person has knowledge, proximity and influence, at least when the person deferring escalation is a senior member of the in-house team with board access.

Risk Appetite

At its core, the Star judgment revealed an organisation where commercial imperatives were allowed to displace compliance, without considering the risk that, ultimately, the organisation could lose the right to conduct its business at all.

The China UnionPay issues in the Star case illustrate this clearly. Matters that were properly questions of legal compliance and risk management were treated as operational problems to be worked around, rather than escalated through appropriate governance channels. Misleading external communications were prepared and sent with the knowledge of senior legal leaders. The board was not informed of what was occurring or of the material reputational, legal and — ultimately — existential risks that had arisen as a consequence.

For financial services institutions, this raises uncomfortable questions that may be familiar to executive teams. When does commercial pragmatism influence decision-makers to cross the line into regulatory exposure and other material risk? How does management know it has crossed that line? And, critically, who is responsible for telling the board about related risks?

Control Effectiveness

Most financial services businesses invest significant resources in control design and testing. The Star decision challenges the assumption that the existence of controls equates to governance effectiveness.

The evidence before the court demonstrated that policies, reporting, committees and external assurance all existed. Yet information reached the board in fragmented ways, if at all, and risks were never escalated in a form that demanded board attention and a board decision.

This shifts the discussion from compliance documentation, structures and processes to operational effectiveness. For institutions subject to the cross-industry Prudential Standard 230, which covers operational risk management, requiring boards and senior management to ensure operational risk controls are effective in practice, the Star decision provides a cautionary example of what regulators will scrutinize. That is, not whether the framework exists on paper, but whether it delivers the right information to the right people at the right time, and otherwise operates effectively.

Nonfinancial Risk

Financial services regulation has moved beyond purely financial risk to encompass operational risk, conduct risk and culture. The Star decision can be viewed as a case study in each of these categories.

The governance failures identified by Justice Lee were not failures of financial modelling or capital adequacy. They were failures of conduct: misleading communications, failures of risk framing and escalation, operational workarounds that circumvented legal obligations, and a culture in which repeated yellow flags were normalised rather than escalated.

For institutions operating under APRA prudential standards and the cultural expectations embedded in FAR, the Star decision reinforces that regulators will assess governance not by the sophistication of frameworks, but by whether those frameworks translate into disciplined behaviour and genuine accountability in practice.

Questions Arising From Star

The decision invites regulated entities to confront a series of practical questions. What risks within the organisation never reach the board? Where do issues become known but not escalated? Are board papers highlighting key risks or burying them?

Could management explain, if asked by a regulator, why a particular matter did not require board attention? Where does accountability become diffused between legal, risk and compliance? Are controls being tested for effectiveness, or merely to confirm that they exist?

These are not abstract governance questions. They directly engage issues that APRA and ASIC may scrutinise when assessing FAR compliance, and the effectiveness of risk and governance culture within accountable entities.

Implications for Lawyers

For lawyers, the Star decision creates an immediate opportunity and expectation to engage financial services clients on the effectiveness of governance frameworks before regulators ask questions.

This could include so-called wargaming exercises to ensure that the pathway from risk identification to board decision is deliberate, documented, understood and actively used. Lawyers should be advising on how clients document reasonable steps under FAR, particularly where accountability maps create shared or overlapping responsibilities.

Governance reviews should be conducted proactively, not reactively, examining whether committee terms of reference, management papers, board and committee minutes and other decision records reflect what is actually happening within the organisation.

Board reporting protocols deserve particular scrutiny: Are papers designed to inform the board or to insulate the authors from risk, and are they oppressive in size? Is the board proactively considering what information directors need to see, and how they want it presented, and ensuring that management complies with the board's requirements?

The interaction between legal, risk and compliance functions should be examined for gaps where material risks might be identified by one function, but not synthesised or escalated by another.

Star also has implications for how lawyers advise on legal professional privilege in governance contexts. Where a general counsel also acts as company secretary or sits within a combined legal and risk function, the boundaries between legal advice, risk management and operational reporting must be clearly maintained and documented.

Conclusion

For regulated financial services businesses, the Star decision is a reminder that governance is increasingly being assessed through outcomes, rather than simply through organisational charts, role descriptions and structures. Regulators and courts are questioning whether the right information reached the right people at the right time, and whether those with responsibility took reasonable steps to make that happen.

The institutions best placed to withstand regulatory scrutiny will not necessarily be those that have the most sophisticated governance frameworks, but rather those that can demonstrate disciplined and consistent escalation, clear accountability and effective information flows in practice.

The Star decision reinforces that accountability regimes, whether under the Corporations Act, FAR or prudential standards, share a common expectation. Knowledge, combined with influence, creates an obligation to act, and silence in the face of material risk is not a neutral position for senior executives.

For in-house leaders, executives and boards alike, the message is the same: Governance fails not just when risks are unknown, but also when they are known but not escalated appropriately.

---

[1] ASIC Bekier [2026] FCA 196. The Federal Court's declarations of contravention with respect to Bekier and Martin were handed down on 17 June 2026: [2026] FCA 756.

[2] https://www.apra.gov.au/cross-industry/financial-accountability-regime/apra-connect-far-reporting-forms-instruction-0.

Disclaimer: This publication is for general information only and is not legal advice. You should seek specific legal advice for your own circumstances.