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**VICTORIA POLICE SUBMISSION
(PUBLIC)**

**PARLIAMENTARY JOINT COMMITTEE ON LAW ENFORCEMENT INTO
FINANCIAL RELATED CRIME**

TOR - examine the effectiveness of current Commonwealth law enforcement legislation and administrative arrangements that target serious and organised financial related crime, including money laundering and identity fraud.

a) *The character, prevalence and impact of financial related crime in Australia.*

The Victoria Police Fraud and Extortion Squad has observed an increasing prevalence of financial related crime associated with higher dollar value amounts and higher victim impacts, particularly in scams (including Ponzi Schemes) and mortgage fraud. Employee related fraud, false invoicing, the procurement of loans with false details, credit card fraud, investment fraud and trust account fraud are significant contributors to the overall major fraud environment in Victoria.

b) *The methods and practices used by the perpetrators of financial related crime (including the impact of new technologies).*

The latest methods and practices seen in Victoria include card skimming, identity fraud, the making and use of false supporting financial documents and internet scams. Without doubt, technology has created further opportunities for offending with the ease of money transfers on the internet, the use of E-commerce sites, desktop publishing and the ability to perpetrate offending from remote worldwide locations.

See also the following Victoria Police comments in this document:

*Para c) **The involvement of organised crime - Eastern European offenders targeting Melbourne.***

*Para e) **In relation to identity fraud – credit card fraud in particular.***

c) *The involvement of organised crime.*

The Victoria Police Fraud and Extortion Squad have observed the increased proliferation of organised overseas crime gangs committing offences within Victoria, particularly dealing with card fraud. These gangs are operating with increased sophistication, using intelligent business practices and actively recruiting professional advisors, such as accountants and lawyers to service their offending.

A recent phenomenon in Australia known as ‘cash trapping’ involves gang members obtaining a visa card or a legitimate third party debit card for an ATM attack.

In April 2014, Operation WHITEBAITE conducted by Victoria Police Fraud and Extortion Squad concluded with the conviction of four members of a Romanian organised crime syndicate (fly in / fly out) who engaged in cash trapping/forking/fork attacks on ATM’s throughout Melbourne between December 2012 and March 2013. Their crimes netted approximately \$180,000 from 248 ATMs across the State, causing major disruption and damage to equipment.

d) *In relation to money laundering – the large number of high denomination banknotes in circulation.*

No submission

e) *In relation to identity fraud – credit card fraud in particular.*

There has been a significant increase in deception offences in Victoria since June 2013 driven by offenders committing multiple low value transactions with stolen credit cards in person and in store. This trend is likely to be driven by newer cards that are easier to use with fewer security features.

- The physical theft (and possession) of credit cards by offenders to commit deception offences has substantially increased. Analysis has found the most common method to steal credit cards are by theft of handbags, wallets, theft from motor vehicles and mail boxes.
- Increased technology, lack of guardianship and the perception that credit card fraud is a victimless crime is driving Deception offences. Victoria Police does not have the ability to directly impact these causal factors; however there are opportunities to influence key stakeholders to increase guardianship to prevent future offending.
- The increasing use of new card technology such as ‘Tap and Go’ and the removal of PINs and signatures provides motivation for offenders to physically steal credit cards to commit multiple transactions with little risk of being caught or challenged for identification. Victoria Police has not observed an increase in any sophisticated or organised approaches to committing deception offences, supporting the increasing shift towards committing multiple transactions in store. Victoria Police is likely to experience an increase in thefts targeting credit cards for the purpose of multiple in store transactions.
- The major banks provide a Zero Liability Policy to customers who are victims of fraudulent transactions. This policy is clearly advertised in conjunction with ‘Tap and Go’ technology. Widespread promotion of the Zero Liability Policy is expected to motivate offenders who are likely to see that the victim will not be at a personal loss. Anecdotal

information from the Victoria Police Fraud & Extortion Squad and Victoria Police E-Crime Squad suggests that financial institutions factor fraudulent activity into their profit and loss margins and currently the loss associated with 'Tap and Go' is far out weighed by the profits generated. If losses are budgeted for, Victoria Police are likely to find it difficult to develop strategies in partnership with financial institutions to improve guardianship. As part of a recent intelligence gathering exercise, National Australia Bank, Commonwealth Bank, ANZ, Westpac and Visa were all contacted via email and/or phone for consultation during recent analysis of this issue by Victoria Police. No responses were received prior to the finalisation of a recent intelligence product. Without engagement by financial institutions it is difficult to understand the full extent of fraudulent activity and the impact new technology and policies have on the criminal environment.

- It is highly likely deception related crime will further increase and become more lucrative if the transaction limit is increased beyond the current "Tap and Go" limit of \$100. Any increase beyond this amount without revised security procedures is likely to contribute to a further increase in deception offences reported to Victoria Police.

f) *The operation and effectiveness of Commonwealth legislation, administrative arrangements and law enforcement strategies.*

No submission

g) *The role of the Australian Crime Commission and the Australian Federal Police in detecting financial related crime.*

No submission

h) *The interaction of Commonwealth, State and Territory legislation and law enforcement activity.*

- In March 2010, Task Force Chamonix, was established to respond to organised card skimming and associated criminal offences. The Task Force involved the Australian Crime Commission, State and Territory police agencies (including the Victoria Police Fraud and Extortion Squad), the Australian Federal Police, Australian Customs and Border Protection Service, and the Australian intelligence community. Chamonix focused on the activities of a transnational, high-threat serious and organised crime group involved in EFTPOS card skimming across several jurisdictions, leveraging networks to entities in more than 30 countries. Card skimming intelligence led to 54 arrests by the partner agencies. Chamonix significantly disrupted card skimming in Australia and prevented an estimated \$98 million in further losses to the finance sector and its customers. Lessons learnt from the operation also informed a national education campaign, run by the Australian Payments Clearing Association, to help retailers safeguard against card skimming. Future partnership approaches to information sharing and the development of collaborative responses

will be critical in addressing intelligence gaps and reducing the commission of deception offences.

- Commonwealth money laundering offences associated with financial crime and involving structuring and layering are not commonly charged by Victoria Police as State based legislation is more concerned with dealing with the proceeds of crime (the handling of stolen or tainted property). Victoria has State based legislation (Crimes Act 1958 s.194 & s. 195) contained in *Division 2A - Money laundering etc.* These offence sections are concerned with dealing with the proceeds of crime and dealing with property suspected of being the proceeds of crime and are most commonly used when police deal with unplanned finds of suspicious cash and valuables. They do not directly address structuring or layering offences. Victoria does not have money laundering provisions that mirror Commonwealth offences. When working in joint agency environments the Australian Federal Police have primacy work in the enforcement of money laundering and the recovery of criminal assets on behalf of joint efforts.

i) The extent and effectiveness of relevant international agreements and arrangements.

- The Victoria Police Fraud and Extortion Squad experiences increasing difficulties with the obtaining of Mutual Assistance Requests (MARs), due to the time taken to process these matters within Australian borders. There are examples where MARs have taken in excess of 12 months to process within Australia, prior to being forwarded to the relevant country for consideration. More and more overseas jurisdictions are now requesting MARs, for basic information that was freely provided in the past.

j) The need for any legislative or administrative reform.
No submission

k) Any related matters.

Industry Responsibility

- Industry needs to recognise the role they play in the prevention of financial crime particularly financial institutions. Fraud is one of the most under-reported of all crimes.
- Some businesses such as the insurance industry are leaders in crime prevention and have shown leadership in fraud prevention.¹ Other businesses have failed to implement obvious crime-prevention initiatives e.g. some significant retailers that do not use electronic tag technology or other proven theft deterrents, and most service stations do not use pre-pay

¹ Roach Anleu, S., Mazerolle, L. and Presser, L. (2000) "Third-party policing and insurance: The case of market-based crime prevention". *Law and Policy*, 22 1: 67-87.

technology that has been widely adopted in other countries. Business crime surveys indicate a low rate of adoption of security measures, with as many as half or more of all businesses lacking the most basic security, such as bars and shutters, toughened glass, and alarm systems.²

- There is inadequate consultation with police by financial institutions such as the banks or credit card companies in relation to the implications of any new product e.g. "tap and go" that they might introduce. The impact to the community due to associated criminal activity is not considered. Engagement with police prior to such initiatives would greatly assist in having standard practises across industry. Simplicity of structures and processes is essential and "bureaucracy" is often a barrier to effective joint action.
- The measures that could be put in place re the security and use of credit cards are not necessarily standard practises with all financial institutions. New or renewed card activation practises range from strong to non-existent. The excuse to not have these activation practises in place comes down to cost efficiencies which do not reflect the profit margins that the banks are reporting. There are numerous other examples re 24/7 monitoring and reporting that vary and also ATM attacks where methodology is identified and reported to banks and not rectified.
- There are good examples to learn from in other jurisdictions, such as the Strike Force Picadilly initiative in NSW. This responded to an upsurge in "ram" raids in Sydney, and subsequently use of explosive gases, to remove ATMs. New South Wales police created a partnership with key private sector stakeholders, including the Australian Bankers' Association, the Shopping Centre Council of Australia, cash-in-transit firms and the ATM Industry Association. A significant reduction in "ram" raids was sustained over several years, and explosive gas attacks were eliminated in the first year.³
- The establishment of the National Fraud Exchange in a partnership between the Commonwealth Attorney General and the four top banks i.e. Commonwealth, NAB, Westpac and ANZ, is an excellent initiative.
- Victoria Police is keen to engage with industry and in particular financial institutions to address ways to reduce financial crime.

End of Submission

² Prenzler (2013) p. 12; Australian Institute of Criminology (2002) *Crimes against business: A Review of victimisation, predictors and prevention*, Canberra. .

³ Prenzler, T. (2011) "Strike Force Picadilly and ATM Security: A Follow up study." *Policing: A Journal of Policy and Practice*, 5(3), 236-247.