

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Australian Securities and Investments Commission

Question: BET 79

Topic: Boiler room scams

Reference: Hansard page no. 23 - 03 June 2015

Senator: Xenophon, Nick

Question:

Senator XENOPHON: The paradox seems to be these crooks seem to be doing very well operating internally. So we have done some good work in terms of international boiler room scams, but there are still people getting hurt within Australia.

Mr Day: Absolutely. But, as I say, in terms of those types of scams, we are talking about pure fraud. In those circumstances, those are matters really for the police forces—the Australian Federal Police and the relevant state police—and they do very good coordination there.

Where we are needed to assist, where there may be potential corporate offences—corporations offences and financial services offences, as Mr Tanzer pointed out—we have been involved and we will assist.

Mr Medcraft: I was just discussing with the minister that one of the big issues with this area is that often a lot of it happens from offshore—things boiler room falling in from offshore—and enforcement often is quite problematic in terms of going across jurisdictions. We have some ideas that we are exploring with the government that are likely to make that even more effective.

Senator XENOPHON: If you are able to give more information, you can take it on notice, but if it is still in a policy coordination stage—

Mr Medcraft: Just to mention that we are thinking about how we can possibly be smarter.

Senator XENOPHON: Could you also take on notice how you are going to publicise this to warn people about these sorts of scams.

Mr Medcraft: Yes.

Senator XENOPHON: My final question relates to my good friends at Qantas. I will put some questions on notice and forward this to you. It relates to correspondence I have had with the chairman, Mr Clifford, in relation to the information that I raised at the AGM—since I am a shareholder of Qantas. I think I bought \$500 worth of shares. Embarrassingly, the share price has gone up since I bought the shares.

Answer:

BET 79

ASIC treats boiler room fraud and cold calling scams seriously. We acknowledge that they can cause significant losses for consumers. We urge consumers to be wary of scam activity and not pay funds to entities perpetrating scams. We encourage people to invest with licensed financial services providers, and not with people who cold call them with offers that sound too good to be true.

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ASIC has a number of initiatives to combat boiler room fraud and cold calling scams, including activities based overseas.

We warn consumers about these operations on our MoneySmart website. MoneySmart contains a blacklist of unlicensed overseas entities that we are aware have previously targeted Australians with scams. MoneySmart also contains a list of fake regulators and exchanges to warn the public not to deal with these entities.

There are a number of jurisdictional limits on ASIC's ability to pursue people and entities perpetrating treats boiler room fraud and cold calling scams. This includes that these entities may be based overseas, be involved primarily in fraudulent conduct which is more appropriately investigated by police authorities, or be offering a form of gambling which does not fall within ASIC's financial product regulatory responsibilities.

Unfortunately, people who invest in these scams will often lose all of their money, and, given these jurisdictional limitations, ASIC will generally be unable to get any funds back. We encourage people who have been the victim of scams to report the scams to the Scamwatch website: www.scamwatch.gov.au.

ASIC's regulatory strategy to combat boiler room fraud and cold calling scams has been based on disruption and prevention to try and minimise the success of these offshore operators. This regulatory strategy is faster, more targeted, and less resource intensive.

ASIC liaises with the major Australian financial institutions once we become aware of suspected bank accounts used by the operators of these scams. The major financial institutions can then notify their customers and prevent future transfers to these accounts.

We also cooperate with domestic and international law enforcement agencies to share information and intelligence.

In addition, ASIC participates in the Serious Financial Crime Taskforce that was announced by the Treasurer, the Hon Joe Hockey MP, on 5 May 2015. The Australian Government established the taskforce to fight serious and organised financial crime. The Government will provide \$127.6 million over four years for investigations and prosecutions that will address superannuation and investment fraud, identity crime and tax evasion.

The taskforce will facilitate information exchange between taskforce members, which also include the Australian Taxation Office, Australian Crime Commission, Australian Federal Police, Attorney-General's Department, Australian Transaction Reports and Analysis Centre, Australian Securities and Investments Commission, Commonwealth Director of Public Prosecutions and the Australian Border Force.