



SCAM RELATED REPORTS OF MISCONDUCT

September 2022

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Key Messages

ASIC saw a significant rise in crypto and scam reports of misconduct (ROMs) from members of the public in 2020-21 with scammers taking advantage of heightened uncertainty. Large numbers of scams continue to be reported.

The scams numbers peaked in the first quarter of 2021, being an average of 37% of all ROMs across those three months, and 25% for 2020-21. In 2021-22 we saw overall ROMs received down by 24%, and scam ROMs also down, representing 21% of all ROMs received for the year.

ROMs involving crypto also peaked during 2020-21, representing 13% of all ROMs received in that year. This has also dropped in 2021-22, down to 10%.

A key challenge is that scams are often generated offshore. This diminishes viable intervention options. Our approach is aimed at disruption.

Background

Statistics and Trends

There was a 24% decrease in total ROMs received in the 2021-22 financial year compared to the previous financial year. After a spike in 2020-21, this has steadied since April 2021, seeing a reduced number of ROMs now being received.

In 2021-22 we received 1,773 ROMs relating to scams, down 34% on the 2,687 the previous year. Across the 2021-22 year scam ROMs were consistently representing 20 – 25% of ROMs received each month, with a peak of 32% in January 2022. In the last three months of 2021-22 there was a small upward trend for scam ROMs.

In 2021-22 we received 803 ROMs relating to crypto, down 44% on the 1,443 the previous year. Across the 2021-22 year crypto ROMs were consistently representing 10% of ROMs received each month. In 2021-22 81% of crypto ROMs appeared to relate to scam behaviour, down from 93% the previous year. Again, in the last three months of 2021-22 there was a small upward trend for crypto ROMs.

QlikSense intelligence from data (use as a guide): half of scam ROMs received in 2021-22 related to conduct that appeared based overseas. The biggest category of scam reported was investment scams (broad category), followed by crypto scams.

- 50% investment scams
- 17% fake bond/IPO/term deposit/MIS scams
- 15% Forex scams
- 6% impersonating licensees
- 33% of scam ROMs received involving crypto scams
- 18% other scams

ASIC Action

Warnings issued

ASIC has seen scams increase in sophistication with significant losses to bond scams. – impersonating well-known financial service firms offering high yield bond investments. We issued warnings about Imposter bonds; Telstra bonds; Qantas bonds; Fixed term deposits; Treasury bonds; Green bonds.

ASIC issues stand-alone specific warnings about high risk scams and trends:

- impersonation scams using fake contact details
- misuse of ASIC's name/logo/employment at ASIC
- follow-up scams
- fake news articles promoting investment scams
- overseas websites impersonating licensees - limestonefx.com
- self-managed super funds rollover scams
- SMSF and crypto warning

ASIC recommends that individuals exercise caution when pursuing new investment opportunities and always undertake due diligence and research prior to entering into any investment. Consumers should always check that they are dealing with a licensed or authorised person holding an AFSL or ACL using the ASIC official professional registers at www.asic.gov.au and the Financial Adviser Register on the Moneysmart website at moneysmart.gov.au. AFCA has a list of members on its website www.afca.org.au.

Crypto-assets are speculative, high-risk investments, and people investing in crypto-assets must be prepared to lose all the money they invest. They must be aware that a large number of crypto assets fail, do not increase in value, or turn out to be fake, non-existent investments. If individuals have fallen victim to such a scam, they should report it to their bank or financial institution and lodge a report of misconduct with ASIC.

ASIC's response

Disruption: As the majority of scams are conducted offshore, targeting and eliminating such activity is a costly exercise, and often simply not possible. Disruption is far more effective and includes notifying ADIs and the AFCX of scam bank accounts to prevent ongoing use of mule or fraudulent accounts. ASIC has recently undertaken a three week trial with a third-party provider (Netcraft) of its services to disrupt and take down fraudulent and scam websites. Results of the trial have been extremely positive and we see significant opportunity for ASIC and across Government in the use of this type of service on an ongoing basis.

Collaboration: ASIC meets with various government bodies and agencies, plus industry participants, industry associations and consumer groups to share insights and information about emerging scam trends. We meet with APRA, AUSTRAC, ACCC, ACIC, AFP and partner agencies on the Serious Financial Crime Taskforce (ATO, AUSTRAC, CDPP, AGD, Australian Border Force, etc) to share information and pursue joint scams-related initiatives. ASIC works with the AFCA to obtain information regarding complaints about scams; and with the banks and payment providers as they have an important role to play in disrupting scams and in protecting their customers from the harm caused by scams. We receive intelligence from IOSCO pertaining to IOSCO member Scams and Fraud measures in response to COVID-19. ASIC also works with industry and social media platforms to disrupt scams, our engagement with Google has led to their recent announcement to limit advertising of financial products on Google in Australia to only licensed entities.



ASIC
Australian Securities &
Investments Commission

FOI 207-2022

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Scams Working Group: ASIC established the SWG to determine regulatory priorities and actions, regulatory tools and appropriate responses and which team is best placed to take such action.

Monitoring: Since March 2020, ASIC has increased its daily environmental scans and intelligence gathering exercises, reviewing social media, blogs, news sites and the dark web.

Education: ASIC's MoneySmart page offers independent advice and information about making financial decisions during this challenging time, as well as warning about scam activity. ASIC's News Centre provides updates to regulatory changes through COVID-19.