

## NOTICE OF FILING

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BANK AUSTRALIA LIMITED ACN 006 434 162  
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A handwritten signature in blue ink that reads "Sia Lagos".

Registrar

### Important Information

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## SUPPLEMENTARY STATEMENT OF AGREED FACTS AND ADMISSIONS

FEDERAL COURT OF AUSTRALIA  
DISTRICT REGISTRY: MELBOURNE  
DIVISION: GENERAL

No VID 1368 of 2024

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION  
Plaintiff

HSBC BANK AUSTRALIA LIMITED (ACN 006 434 162)  
Defendant

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## A. INTRODUCTION

1. This Supplementary Statement of Agreed Facts (**SSAFA**) is made jointly by the Plaintiff (**ASIC**) and the defendant (**HSBC Australia**) pursuant to s 191 of the *Evidence Act 1995* (Cth), in relation to proceedings commenced by ASIC against HSBC Australia on 13 December 2024 (**Proceedings**).
2. The facts, and the admissions made, are agreed to and made solely for the purpose of the Proceedings and do not constitute any admission outside of the Proceedings.
3. ASIC and HSBC Australia have previously agreed a Statement of Agreed Facts and Admissions dated 22 May 2026 (**Liability SAFA**). Unless otherwise stated, capitalised terms used in this SSAFA have the same meaning as in the Liability SAFA.
4. Unless otherwise stated, the facts set out below relate to the Relevant Period.

## B. CIRCUMSTANCES OF THE CONTRAVENTIONS

5. The circumstances of the contraventions are addressed in detail in the Liability SAFA.
6. In summary, the contraventions comprise the following conduct of HSBC Australia:
  - 6.1 **Controls (Liability SAFA, Part E):** for a period of 12 months (from 29 May 2023 to 29 May 2024), HSBC Australia failed to have adequate prevention and detection controls to manage the risk that Customers were exposed to, of falling victim to Unauthorised Payments, to a reasonable standard in respect of the IAT payment rail;
  - 6.2 **ePayments Code (Liability SAFA, Part F):**
    - 6.2.1 for a period of approximately 44 months (from January 2020 to August 2023), HSBC Australia failed to have adequate systems and processes to ensure that there was not widespread and/or systemic non-compliance with the:
      - (i) timeframes under the ePayments Code for completing investigations of reports of unauthorised transactions;

- (ii) requirements under the ePayments Code to apply the Liability Rules to unauthorised transactions;

6.2.2 for a period of approximately 59 months (from January 2020 to November 2024), HSBC Australia failed to have adequate systems and processes to identify, track and report the extent to which it was complying with the requirements of the ePayments Code; and

6.3 **Reinstatement of blocked accounts (Liability SAFA, Part G):** for a period of approximately 52 months (between January 2020 and April 2024), HSBC Australia failed to have in place an adequate system or process to ensure that Customers were advised of the process to reinstate full access or use of their accounts, within a reasonable time after Account Restrictions or Digital Blocks had been applied following a report of an unauthorised transaction, having regard to the facts in each case, including the appropriateness of reinstating full access in all the circumstances.

## C. FINANCIAL POSITION OF HSBC AUSTRALIA

7. HSBC Australia is an Australian unlisted public limited company. HSBC Australia is part of the HSBC Group and an ultimate subsidiary of HSBC Holdings plc (**HSBC Holdings**), one of the largest banks in the world by total assets.

8. The financial position of HSBC Australia between 2020 and 2025 was as follows:

Year ending 31 December	2020 \$m	2021 \$m	2022 \$m	2023 \$m	2024 \$m	2025 \$m
<b>Income</b>	1,030.2	1,064.9	1,217.0	1,417.5	1,538.8	1,635.7
<b>Expenses</b>	(715.2)	(757.0)	(813.3)	(831.1)	(937.3)	(977.4)
<b>Profit before tax</b>	315.0	307.9	403.7	586.4	601.5	658.3
<b>Total assets</b>	47,040.8	50,056.6	55,463.2	58,864.9	65,317.8	64,597.6
<b>Total Liabilities</b>	44,176.4	47,071.5	52,292.5	55,590.4	62,109.5	61,302.7
<b>Equity</b>	2,864.4	2,985.1	3,170.7	3,274.5	3,208.3	3,294.9

9. During the Relevant Period, HSBC Australia was Australia's 10<sup>th</sup> largest retail bank by total resident assets and its share of total resident assets was \$61.223 billion, approximately 1.2% of the Australian banking sector. By cash and deposits, HSBC Australia was Australia's 7<sup>th</sup> largest retail bank, its share being \$4.288 billion.
10. HSBC Australia's annual turnover (within the meaning of s 5 of the Credit Act and s 9 of the Corporations Act) applicable to calculating maximum penalties in the 12-month period to:
- 10.1 31 January 2020 was \$1,115,274,413; and
- 10.2 31 May 2023 was sufficiently high that 10% of annual turnover was greater than an amount equal to 2.5 million penalty units.
11. Changes in annual turnover between these periods were driven by changes in large institutional transactions undertaken by a related entity of HSBC Australia.
12. The financial position of HSBC Holdings between 2020 and 2025 was as follows:

Year ending 31 December	2020 \$m	2021 \$m	2022 \$m	2023 \$m	2024 \$m	2025 \$m
<b>Income</b>	41,612	50,480	48,135	62,611	62,440	64,424
<b>Expenses</b>	(34,432)	(34,620)	(33,330)	(32,070)	(33,043)	(36,428)
<b>Profit before tax</b>	8,777	18,906	17,528	30,348	32,309	29,907
<b>Total assets</b>	2,984,164	2,957,939	2,966,530	3,038,677	3,017,048	3,233,034
<b>Total Liabilities</b>	2,779,169	2,751,162	2,770,502	2,846,067	2,824,775	3,027,368
<b>Equity</b>	204,995	206,777	196,028	192,610	192,273	205,666

#### **D. FINANCIAL GAINS AND/OR BENEFITS OF CONTRAVENING CONDUCT**

13. The parties cannot precisely quantify the gains and/or benefits made from HSBC Australia's contravening conduct.
14. Nonetheless, as a result of the contravening conduct HSBC Australia made certain cost savings and/or did not incur certain capital expenditure until a later date. In particular:

- 14.1 in respect of the failure to implement controls as set out in Part E of the Liability SAFA, by not implementing controls on the IAT payment rail addressed in paragraphs 72 to 74 of the Liability SAFA until after the FC Relevant Period, HSBC Australia did not incur the costs associated with the implementation of the Key Controls until a date after the FC Relevant Period; and
- 14.2 in respect of the breaches of the ePayments Code as set out in Part F of the Liability SAFA:
- 14.2.1 HSBC Australia did not implement adequate systems and processes to comply with obligations under the ePayments Code between January 2020 and August 2023; and
- 14.2.2 the teams within HSBC Australia responsible for investigating reports of unauthorised transactions during the Relevant Period were not adequately resourced to deal with the increased volume of reports of unauthorised payments (as set out in paragraphs 76 to 78 of the Liability SAFA), which resulted in increasing and significant number of investigations which exceeded the timeframes in the ePayments Code during that period. By way of example, HSBC Australia increased the number of dedicated fraud staff by 65 FTE positions since 2023.

## **E. HARM AND/OR LOSS CAUSED**

15. As a result of the contravening conduct, Customers were at greater risk of suffering both financial loss and non-financial harm from Unauthorised Payments. Some Customers did suffer those harms.
16. The parties are unable to quantify precisely the financial loss suffered as a result of HSBC Australia's contravening conduct. Even with adequate prevention and detection controls in place, the risk of Unauthorised Payments cannot be eliminated. Accordingly, even if the contraventions had not occurred, it is likely that some Customers would nonetheless have suffered loss as a result of Unauthorised Payments.
17. There is also an interrelationship between the harm suffered in respect of each contravention. For example:

- 17.1 the inadequacy of HSBC Australia’s controls on the IAT payment rail increased the risk to Customers of experiencing Unauthorised Payments and lodging reports of unauthorised transactions (**UARs**), which contributed to delays in investigations and reinstatement of Customers’ accounts;
  - 17.2 delays in investigations and failures to apply the Liability Rules compounded the initial harm suffered by some Customers as a result of scams, including loss of interest and feelings of distress and uncertainty; and
  - 17.3 delays in advising some Customers of the process to reinstate access to bank accounts also had the potential to exacerbate the distress and financial loss suffered by Customers as a result of scams.
18. To illustrate the loss and harm suffered by Customers, reference is made to five example Customers of HSBC Australia, who have been de-identified for the purpose of this SSAFA:
- 18.1 **Customer A:** Customer A is a 51-year-old Customer based in New South Wales, who worked as a dental technician. Customer A lost approximately \$47,000 (representing almost all of her savings at the time) to a scammer masquerading as a HSBC representative in September 2023;
  - 18.2 **Customer B:** Customer B is a 25-year-old Customer based in New South Wales, who worked as an architectural assistant on a part time and casual basis while completing his Masters’ Degree. He lost a total of approximately \$50,000 (representing his life savings at the time) to scammers masquerading as representatives of HSBC and Commonwealth Bank in June 2023;
  - 18.3 **Customer C:** Customer C is a 57-year-old Customer based in Victoria. Customer C is the husband of Customer D. They live together with their two children. Customers C and D lost approximately \$48,000, which was transferred out of their home loan account, to a scammer masquerading as a HSBC representative in October 2023;
  - 18.4 **Customer D:** Customer D is a 56-year-old Customer based in Victoria. Together with Customer C, she lost approximately \$48,000 to a scammer in October 2023; and

18.5 **Customer E:** Customer E is a 41-year-old Customer based in Victoria. He lives with his wife and two children. He lost approximately \$50,000 to a scammer in October 2023.

19. Each of the Customers A to E has had, or is planned by HSBC Australia to have, all funds returned to them either by way of recall, payments from HSBC Australia or as part of the redress program referred to in Section I below. For each Customer A to E, HSBC Australia returned a substantial proportion (being 90% or more) of the funds between September and November 2024 after Customers A to D had lodged an internal complaint with HSBC Australia and after Customers A to E had lodged a complaint against HSBC Australia with the Australian Financial Complaints Authority (**AFCA**). These customers have received, or HSBC Australia intends to provide, compensation, including for lost investment earnings for the period of time that they did not have access to their funds.

#### **E.1 Failure to have adequate controls**

20. As a result of HSBC Australia's conduct described in Part E of the Liability SAFA, Customers who used Online Banking in the period 29 May 2023 to 13 December 2023 or Mobile Banking in the period 29 May 2023 to 29 May 2024 were exposed to an increased risk of Unauthorised Payments in circumstances where the fast IAT payment rail used for transactions between two HSBC Australia accounts posed a higher fraud risk as set out at paragraphs 42 and 50 of the Liability SAFA.

21. When sophisticated scam activity undertaken by external actors occurred during the Relevant Period, HSBC Australia's inadequate controls on the IAT payment rail exposed Customers to increased risk of experiencing financial loss as a result of Unauthorised Payments:

21.1 during the period 8 January 2020 to 30 August 2024, HSBC Australia received a total of 1,022 reports of UARs, which are set out at Annexure A to the Liability SAFA; and

21.2 \$25.8 million out of a total of \$34.6 million of reported unauthorised transactions made from Customers' accounts during that period were via the IAT payment rail.

22. In addition to direct losses suffered as a result of Unauthorised Transactions using the IAT payment rail, Customers were also exposed to indirect financial harm. For example, some Customers:
- 22.1 lost the ability to earn interest that they would otherwise have earned on lost funds;
  - 22.2 were charged additional interest on their loans as a result of losing money from loan or mortgage accounts. For example, Customers C and D were charged interest on their Home Loan Account but could not transfer money into the account to pay down their debt. They subsequently transferred approximately AUD \$50,000 from an interest-bearing US savings account to meet home loan repayments (and thereby lost the interest that would have otherwise accrued on those funds); and
  - 22.3 had to borrow money or realise other assets to pay expenses and meet home loan obligations. For example, Customer A had to borrow approximately \$20,000 from friends and family to pay solicitor fees associated with a divorce.
23. In addition, some Customers suffered non-financial harm including emotional distress and inconvenience as a consequence of the scam and/or associated financial constraints over the Relevant Period:
- 23.1 Customer A said that the scam and its aftermath took a severe emotional toll and she experienced shame after the scam happened. Both she and her daughter were required to undertake additional shifts at work to earn money;
  - 23.2 Customer C said that he found being a victim of a scam to be highly stressful and embarrassing. He also experienced feelings of guilt as he had originally taken the call from the scammer;
  - 23.3 Customer D said that she suffered incredible stress and was constantly concerned that she would be unable to pay off the interest accruing on her Home Loan Account; and
  - 23.4 Customer E reported feelings of panic and shame as a result of the scam, as he felt that he had been responsible for losing his family's money.

24. By reason of the contraventions, each of Customers A to E were exposed to increased risk of harm occurring. However, these harms would not necessarily have been avoided had there been no contravention.

## **E.2 Breaches of the ePayments Code**

25. During the period 8 January 2020 to 30 August 2024, HSBC Australia received a total of 1,022 UARs (which are identified in Annexure A to the Liability SAFA). The extent of HSBC Australia's breaches of the ePayments Code is demonstrated by the following matters:

- 25.1 HSBC Australia advised Customers of an Extra Time Request for 587 UARs (57%). In the case of 328 UARs (being 56% of these Extra Time Requests), HSBC Australia took more than 21 days to issue the Extra Time Request;
- 25.2 the mean average number of days it took HSBC Australia to advise Customers of an Extra Time Request was 28 days. Excluding UARs in which HSBC Australia advised a customer of an Extra Time Request within 21 days, the average number of days was 34 days;
- 25.3 HSBC Australia took more than 21 days to complete its investigation into 979 UARs (being 96% of all UARs);
- 25.4 the mean average amount of time HSBC Australia took to complete its Investigation into a UAR was 144 days;
- 25.5 HSBC Australia took more than 100 days to complete its Investigation into 677 UARs (being 66% of all UARs);
- 25.6 HSBC Australia took more than 200 days to complete its Investigation into 220 UARs (being 22% of all UARs);
- 25.7 HSBC Australia took more than 21 days to advise the Customer of the Investigation Outcome for 805 UARs (being 79% of all UARs);
- 25.8 HSBC Australia took more than 45 days to advise the Customer of the Investigation Outcome for 753 UARs (being 74% of all UARs);

- 25.9 the mean average amount of time HSBC Australia took to advise the Customer of the Investigation Outcome was 176 days;
  - 25.10 HSBC Australia took more than 100 days to advise the Customer of the Investigation Outcome for 615 UARs (being 60% of all UARs);
  - 25.11 HSBC Australia took more than 200 days to advise the Customer of the Investigation Outcome for 318 UARs (being 31% of all UARs);
  - 25.12 HSBC Australia did not advise the Customer of the Investigation Outcome for 199 UARs (being 19% of all UARs); and
  - 25.13 HSBC Australia failed to comply with the prescribed timeframes in cl 38.4 and 38.5 of the 2016 ePayments Code and cl 18.1 and 18.2 of the 2022 ePayments Code for 968 UARs (being 95% of all UARs).
26. Further, as set out in paragraph 88 of the Liability SAFA, during the Relevant Period until August 2023, HSBC Australia did not:
- 26.1 refer to the Liability Rules in conducting and finalising its investigation of reports of unauthorised transactions;
  - 26.2 as a result, consistently consider or apply the Liability Rules in relation to unauthorised transactions; and
  - 26.3 refer to relevant clauses of the ePayments Code (including the Liability Rules) in reporting on the outcome of its investigation of the reports of unauthorised transactions to Customers.
27. HSBC Australia's breaches of the ePayments Code contributed to some of the Customers who made UARs suffering non-financial harm, including emotional distress and inconvenience over an extended period. For example:
- 27.1 Customer A said that it felt like no one at HSBC Australia could help her. She had to repeatedly visit branches and call for updates. She said she felt extremely frustrated and stressed by the experience;
  - 27.2 Customer B said he felt hopeless and powerless throughout what he considered to be a prolonged investigation process, and felt that there was a general lack of care from the HSBC team;

- 27.3 Customer C said he felt extremely frustrated by HSBC Australia's response, especially the lack of communication about the investigation and the lack of general action in relation to the recovery of funds. He formed the impression that HSBC Australia could not care less about helping him recover his funds;
- 27.4 Customer D said she experienced significant stress from the uncertainty of what was happening while the investigation was going on. She said the conflicting information she received from HSBC Australia led to a rollercoaster of emotions. She lost sleep and as a result her demeanour with her clientele in her workspace suffered; and
- 27.5 Customer E reported experiencing frustration from repeated efforts to engage with HSBC Australia in relation to the scams and the recovery of the funds, and lost trust in HSBC Australia and the banking system as a result of the experience.

### **E.3 Reinstatement of blocked accounts**

28. A total of 585 Customers had some form of Account Restriction or Digital Block applied on one or more payment channels by HSBC Australia to prevent further unauthorised transactions after those Customers had reported unauthorised transactions on their accounts (which are identified in Annexure F to the Liability SAFA) (**Blocked Customers**).
29. HSBC Australia's conduct described in Part G of the Liability SAFA contributed to some Blocked Customers suffering financial harm including:
- 29.1 being unable to make payments due to Account Restrictions or Digital Blocks being placed on their account; and
- 29.2 incurring additional costs, such as interest and loss of interest earnings from other accounts.
30. HSBC Australia's conduct described in Part G of the Liability SAFA contributed to some Blocked Customers also suffering non-financial harm, including:

- 30.1 inconvenience from having to set up accounts with other banks and redirect or set up recurring payments from HSBC accounts to the new bank accounts;
- 30.2 having to attend a branch to set up automatic mortgage deductions;
- 30.3 having to take time off work in order to attend a branch to regain account access; and
- 30.4 frustration at not being able to regain access to funds and accounts.

**F. PRIOR CONDUCT**

- 31. HSBC Australia has not previously been found to have engaged in any contraventions of a similar nature to those the subject of the present proceeding.

**G. PRIOR OPPORTUNITIES TO IDENTIFY AND RECTIFY CONTRAVENING CONDUCT**

- 32. HSBC Australia did not adequately address the matters the subject of contraventions in circumstances where, as identified below, there was an awareness within HSBC Australia of the following matters at various points in time during the Relevant Period:

- 32.1 the increased risks associated with scams;
- 32.2 the Key Controls were available and would enhance its ability to manage the risk of Unauthorised Payments;
- 32.3 the backlog of cases under investigation; and
- 32.4 the inadequacy of systems and processes to ensure that customers were advised of the process to reinstate full access or use of their accounts.

**G.1 Controls**

- 33. Prior to 29 May 2023, HSBC Australia, including senior management, was aware of the following matters:

- 33.1 that there was a risk to Customers of Unauthorised Payments through the typologies referred to at paragraphs 46 and 47 of the Liability SAFA;

- 33.2 that there were heightened fraud risks associated with the functionality to send payments through fast payment rails;
- 33.3 that there were increasing numbers of HSBC Australia accounts that were being used for the purposes of facilitating the movement of money obtained through fraudulent transactions;
- 33.4 prior to 2020 there had been a lack of investment in fraud controls and modernisation of fraud controls was required to address evolving and emerging fraud risks, and to more efficiently prevent and detect fraud. A book of work had been established to introduce new technology capabilities, enhance existing systems and refresh current models by end 2021 / early 2022;
- 33.5 as the roll out of new fraud controls progressed globally, it was essential to monitor markets that did not have biometric data capabilities as it was possible fraudsters would channel attacks to those markets; and
- 33.6 that there were gaps in HSBC Australia's controls to detect and prevent Unauthorised Payments on the IAT payment rail which could be addressed by one or more of the Key Controls.
34. Prior to 29 May 2023, the increase in scams (including Unauthorised Payments) in Australia and at HSBC Australia was brought to the attention of HSBC Australia's Board of Directors.
35. Throughout the FC Relevant Period, HSBC Australia maintained fraud detection controls on the IAT payment rail, including SAS EFM Fraud Rules, which were updated on an ongoing basis. However, it accepts that those controls were not adequate.
36. The IAT payment rail accounted for 5.4% of all transactions on Mobile Banking and Online Banking, excluding bill payments, being 452,074 transactions out of a total 8,296,755 in the period between 1 January 2023 and 31 May 2024, making the IAT payment rail the third largest of five payment rails by number of transactions.

## **G.2 ePayments Code**

37. During the Relevant Period, HSBC Australia, including senior management, was aware that:

- 37.1 there was a backlog of fraud cases under investigation which was contributing to a 'sub-optimal' experience for customers who were the victims of fraud on their accounts;
- 37.2 there were an increasing and significant number of payment fraud, account takeover and scam cases under investigation which remained open for periods exceeding the 21-day and 45-day timeframes in the ePayments Code;
- 37.3 prior to August 2023, HSBC Australia's timelines for responding to complaints or reports of unauthorised transactions were set without reference to the ePayments Code and were inconsistent with the ePayments Code;
- 37.4 HSBC Australia was not complying with certain provisions of the ePayments Code for all Customers, in particular:
  - 37.4.1 the requirement, pursuant to clause 38.4 of the 2016 ePayments Code or clause 18.1 of the 2022 ePayments Code, to complete the Investigation and advise the Customer of the Investigation Outcome, or advise the Customer of an Extra Time Request, within 21 days;
  - 37.4.2 the requirement, pursuant to clause 38.5 of the 2016 ePayments Code or clause 18.2 of the 2022 ePayments Code, to complete the Investigation within 45 days of receiving the UAR unless there were exceptional circumstances; and
- 37.5 as at April 2024, there was no evidence of controls having been implemented to comply with ePayments Code obligations and the teams involved in investigating reports of unauthorised transactions did not understand the timing requirements under the ePayments Code and had no understanding of the Liability Rules under the ePayments Code.

38. The steps HSBC Australia took to attempt to resolve the backlog of cases under investigation by the FIM and FCMI teams over the Relevant Period included:
- 38.1 increasing capacity for the FIM and FCMI teams that were responsible for investigating reports of unauthorised transactions;
  - 38.2 from around the first half of 2021, reallocation of new investigations from the FCMI team to the FIM team;
  - 38.3 referring additional cases to HSBC Australia's External Investigative Reporting;
  - 38.4 improved processing by consolidating data from disparate systems and simplifying the process to investigate scams, including across different teams; and
  - 38.5 staff training and reviews of HSBC Australia's offshore Fraud Operations team to ensure they were resourced appropriately to support with alerts and customer contact.
39. Despite these steps, during the Relevant Period, a significant portion of the investigations of reports of unauthorised transactions undertaken by HSBC Australia did not comply, and did not have in place adequate systems or processes to comply, with the timeframes or application of the Liability Rules referred to in the ePayments Code.

### **G.3 Reinstatement of blocked accounts**

40. From no later than December 2023, HSBC Australia, including senior management, was aware that HSBC Australia's systems and processes for advising Customers of the process to reinstate access or use of their accounts were inadequate and that this could adversely impact Customers who were the subject of account blocks or restrictions.

## **H. REMEDIATION**

41. Since 2023, HSBC Australia has taken steps to significantly enhance its capabilities for responding to fraud, including:

- 41.1 enhancements to its fraud detection and prevention capabilities, including through the integration of new technology;
  - 41.2 improvements to processes for investigating and responding to reports of unauthorised transactions in accordance with the ePayments Code; and
  - 41.3 improvements to the process by which customers are able to get back to banking following an account restriction or block,  
  
(together, **Remediation Program**).
42. Since 2023, responsibility for addressing and responding to fraud has been centralised in a specialised fraud division which has an increased dedicated fraud staff from 39 FTE positions in 2023 to 104 FTE positions in 2025.
43. There has also been a 35% uplift in technology and process dollar investment between FY23 and FY25.
44. HSBC Australia implemented the Key Controls on the IAT payment rail at the end of the FC Relevant Period as follows:
- 44.1 for payments made through Mobile Banking, Fraud Rules using information provided by BioCatch and Threatmetrix were implemented on 14 March 2024 and real-time interception capabilities in SAS EFM were implemented on 30 May 2024;
  - 44.2 for payments made through Online Banking, Fraud Rules using information provided by BioCatch and Threatmetrix and real-time interception capabilities were implemented in May 2024, although Customers could not make payments to new payees until 1 June 2024 when Online Banking was reintroduced after the implementation of Banking 2.0.
45. Additional steps taken include:
- 45.1 implementing a new fraud monitoring and detection platform (**Feedzai**) in September 2025 to replace HSBC Australia's previous fraud monitoring platform, SAS Fraud Management and Fraud Detection Software (SAS EFM). Feedzai leverages machine learning and predictive model-based decisioning to monitor and intercept potentially fraudulent

transactions. It utilises data from multiple sources including Threatmetrix and BioCatch, which enables real-time detection and interception;

- 45.2 implementing a bespoke web-based workflow system (**SmartOps**) in April 2025 which centralises fraud case management to a single platform. SmartOps enables the fraud teams and management to track the inventory and progression of fraud cases, as well as compliance with the ePayments Code. The SmartOps system also monitors compliance with ePayments Code obligations and generates automatic reminders for impending response and reporting deadlines;
- 45.3 internally developing updated mandatory training and liability decision guides which set out the key processes and rules to be followed when determining liability for unauthorised payments;
- 45.4 establishing, in February 2025, a dedicated customer facing Fraud Connect team, which is available 24 hours a day, seven days a week and serves as a specialised first point of contact for customers affected by fraud and scams. The Fraud Connect team also provides advice on getting back to banking, is equipped to remove blocks applied to cards and/or accounts, and is instructed to proactively support Customers in re-establishing access to key banking services;
- 45.5 implementing various technologies in conjunction with HSBC Australia's telecommunications providers to reduce the risk of impersonation scams;
- 45.6 participating in BioCatch Trust, which builds on the existing BioCatch capability by allowing participating banks to share certain fraud-related risk indicators with each other. This can provide HSBC Australia with a more complete picture of risk indicators from the sending and receiving side of a transaction (where the recipient bank is also a participant of the BioCatch Trust); and
- 45.7 introducing, in 2025, an automated name-checking step performed by HSBC Australia before payments are processed, which checks whether the payee account details broadly match the receiving bank's account records, thereby reducing the risk of misdirected payments.

46. In addition, from May 2025, HSBC Australia's Business Risk team undertook a review of HSBC Australia's obligations under the ePayments Code. The project involved identifying each of HSBC Australia's 403 obligations under the ePayments Code and mapping each one to a specific policy, process and/or control mechanism and then reviewing those controls to identify effectiveness, operational ease of use and any areas for improvement. The controls were categorised with respect to each obligation as 'materially compliant', 'materially compliant with enhancements', or 'non-compliant'. The first tranche of the project, which covered HSBC Australia's obligations under Chapter C Liability Rules regarding mobile and online banking and clauses 17 and 18 of the ePayments Code, is now complete. The second tranche, which addresses the balance of HSBC Australia's obligations, is ongoing and currently due for completion in September 2026.

## I. REDRESS

47. In August 2025, HSBC Australia commenced implementing a large-scale remediation program (**Redress Program**) to redress 1,045 Customers (including the UAR Customers) who had reported an unauthorised transaction in the period January 2020 to November 2024 (**Redress Customers**). The Redress Program was designed to ensure adherence with the ePayments Code and ASIC's Regulatory Guide 277 (**RG277**), so that, if eligible, Customers would receive redress as part of the Redress Program.

48. At the time of commencement of the Redress Program, a number (45%) of UAR Customers had already had their funds returned in full (either via recovery with assistance from HSBC Australia and/or payments from HSBC Australia via reimbursements, goodwill payments, complaints handling, AFCA settlement or AFCA determination). These customers received payments at various points of time between 2020 and 2025, including after ASIC had commenced its investigation of HSBC Australia in March 2024 and after ASIC had commenced the Proceeding.

49. The Redress Program is designed to address Redress Customers in three phases. The first was focused on the 419 customers who were still in a net loss position. The second addressed the 487 customers who had incurred financial loss but had already received some form of financial compensation from HSBC Australia equal to or in excess of that loss, but were included in the Redress Program to ensure any lost investment earnings associated with a delay in receiving compensation were

assessed and paid, if considered appropriate. The third addresses 138 of the 139 customers who made a complaint either through AFCA or HSBC Australia's complaints handling process, and whose complaints were resolved by agreement. One customer's case will not be re-assessed as their complaint was the subject of a binding AFCA determination in favour of the customer.

50. Phases 1 and 2 cover 87% of the Redress Customers. As at 12 May 2026, Phases 1 and 2 Redress Customers found to be not liable or to have shared liability have received payments totalling \$7,146,365.91.
51. Of the 419 Phase 1 Redress Customers:
  - 51.1 214 (51%) were assessed as 'HSBC liable';
  - 51.2 137 (33%) were assessed as 'shared liability'; and
  - 51.3 68 (16%) were assessed as 'customer liable'.
52. All Phase 1 Redress Customers who were assessed to be not liable for the losses resulting from an unauthorised transaction have, if they are customers of HSBC Australia, had those amounts refunded directly to their account and, to the extent that they are no longer customers of HSBC Australia, have been requested to provide account information and to the extent account information has been provided, have had funds remitted to their nominated accounts.
53. In addition, Phase 1 Redress Customers who were assessed to be not liable for the losses, or were assessed as 'shared liability' will also be compensated for lost investment earnings (or part thereof) associated with a delay in reimbursement of payments. Phase 2 Redress Customers who were identified as having sustained lost investment earnings will also be compensated for that loss.
54. HSBC Australia has calculated the lost investment earnings between the date of the Unauthorised Transactions and redress being received by applying an interest rate at least equal to or above the rate that the customer would have received with reference to the account subject to the Unauthorised Transaction. The calculation of payments to be made on account of lost investment earnings for Phases 1 and 2 is scheduled to be finalised by June 2026.

55. Phase 1 Redress Customers who were assessed as 'customer liable' will not receive any reimbursement.
56. Phase 3 commenced in April 2026 and is likely to be completed by July 2026. Phase 3 is following the assessment process for Phase 1.
57. Once Phase 3 is finalised, the Redress Program will be complete.
58. As at 21 May 2026, HSBC Australia had made payments to customers totalling \$27,915,700.56, which consisted of:
  - 58.1 \$7,148,535.65 reimbursed under the Redress Program since August 2025;
  - 58.2 \$14,300,289.88 reimbursed to customers between 2020 and 2025 prior to the Redress Program; and
  - 58.3 \$6,466,875.03 being amounts recalled by HSBC Australia from other financial institutions and returned to customers between 2020 and 2025 prior to the Redress Program.
59. Some of the reimbursements referred to at [58.2] were made to Redress Customers after they commenced a complaints process against HSBC Australia using HSBC Australia's internal complaints process and/or a complaint to AFCA.

## **J. COOPERATION**

60. HSBC Australia has cooperated during ASIC's investigation, including by voluntarily providing information and records to assist with ASIC's investigations and making staff members available to meet with ASIC on a voluntary basis both of which resulted in the investigation being completed expeditiously. However, there were some issues with the quality of the notice responses initially provided by HSBC Australia some of which took a substantial period of time to rectify.
61. HSBC Australia initially contested the Proceedings. After evidence was filed by both parties, HSBC Australia admitted the contraventions as set out in the Liability SAFA, agreed with ASIC the terms of the Liability SAFA, and has agreed with ASIC an appropriate penalty for the admitted contraventions. By its admissions, HSBC Australia has avoided the need for a contested trial on liability and relief.

Dated: 22 May 2026

Signed by Alexandra Tighe, lawyer for ASIC:



Signed by Caitlin Murray, lawyer for HSBC Australia:

