Australian Securities and Investments Commission

Office address (inc courier deliveries):
Level 5, 100 Market Street,
Sydney NSW 2000

Mail address for Sydney office:
GPO Box 9827,
Melbourne VIC 3001

Tel: +61 1300 935 075

www.asic.gov.au/

29 January 2025

Dear superannuation trustee

Protecting Australians against scams and fraud

This letter outlines our guidance for superannuation trustees in preventing, detecting and responding to scams and fraud against members.

Disrupting investment scams is a priority for ASIC. We recently completed several pieces of work to drive industry progress on anti-scam practices. In 2023 and 2024, we reviewed and published reports on the anti-scam practices of the four major banks and smaller banks. We also reviewed the anti-scam practices of superannuation trustees.

This letter details our observations of weak trustee practices relating to scams and fraud learned from that review and engagement with industry and other stakeholders, and sets out our expectations for improvement.

Risk of scams and fraud in superannuation increasing

Over the coming decade, an increasing number of superannuation fund members will reach preservation age. While all members are vulnerable to scams and fraud, members who have reached preservation age face fewer frictions in accessing their funds and tend to have higher account balances. These factors can make them attractive targets.

Across the whole financial system, technological innovations and data breaches—including breaches involving identity documents—continue to heighten the risk of scams and fraud. The Australian Financial Complaints Authority (AFCA) recently reported that it was seeing increasing instances of more sophisticated scam activity in the superannuation industry. AFCA noted that while the number of scam-related complaints in superannuation was still small, the loss claimed was sometimes very significant: see Protect your super from scammers on the AFCA website.

ASIC's observations about trustees' approach to scams and fraud

Superannuation trustees play a critical role in combating the risk of scams and fraud—they are the first line of defence to trillions of dollars in members' retirement savings.

Our recent review of trustees' practices in preventing, detecting and responding to scams identified several areas of weak trustee practices. The review distinguished between fraud (or unauthorised transactions) and scams. In the case of a scam, a member has been tricked into either:

- transferring funds out of their superannuation account to a scammer, or
- aiding a scammer to make a transfer (e.g. by providing a scammer who may be impersonating the superannuation fund with a one-time password).

The review found that trustees were overly reliant on anti-fraud measures and had limited focus on the specific risks and harms associated with scams. For example, they focused on confirming that the person requesting a transfer was the member rather than looking for flags to indicate that the member may have been tricked.

We found that trustees did not have sufficient oversight of their external administrators' anti-scam and anti-fraud practices. For example, in our engagement with trustees, they frequently referred in general terms to their administrators' systems and processes, but sometimes lacked knowledge about key details. One of the trustees we engaged with was unable to identify whether its administrator undertook basic interventions, such as engaging with members over scams.

Trustees in our review also lacked many of the foundational anti-scam practices that ASIC identified in relation to banks in REP 761 *Scam prevention, detection and response by the four major banks* and REP 790 *Anti-scam practices of banks outside the four major banks*. For example, none of the trustees had:

- a scams strategy
- dedicated reporting on scams—though some did include references to scams within broader fraud reporting regimes, or
- reviewed their scam prevention, detection and response capabilities.

Trustees generally reported that they had not seen many, if any, instances of scams impacting their members. Several trustees told us that this was the reason for their limited focus on scams.

The low number of detected scams could be driven by the high proportion of Australians in the accumulation phase—they are subject to inherent frictions when attempting to access funds. A lack of visibility of where stolen funds are sent to may also play a role. However, the low number could also be due to shortcomings in trustees' processes for detecting scams and the lack of focus on scams as a subcategory of fraud. This could lead to trustees missing reports of scams.

Trustees must ensure they capture and record scam attempts accurately, so they have the necessary data to properly assess the real risk of scams to members. This observation is similarly applicable to fraud.

Trustees should act now

As banks, telecommunications providers and other financial service businesses increase their anti-scam and anti-fraud capabilities, superannuation trustees must do the same or risk becoming a soft target.

We request that you:

- conduct a preliminary assessment of your anti-scam and anti-fraud measures—including for services provided by external administrators—to identify any areas for improvement
- read REP 761 on scam prevention, detection and response by the four major banks and REP 790 on anti-scam practices of banks outside the four major banks, and address the baseline measures that we have set out, in addition to the areas of risk and weakness identified in this letter
- consider whether it is appropriate to allocate the scam (and fraud) management key function to one of your accountable persons as you prepare for the incoming Financial Accountability Regime, and
- leverage industry bodies and bilateral relationships to share information and promote improvements across the industry.

If you have any questions about this letter, please contact Susan Wieczkiewicz, Senior Manager, Superannuation and Life Insurance at susan.wieczkiewicz@asic.gov.au.

Yours sincerely,

Simone Constant
Commissioner
Australian Securities and Investments Commission