



# **Westpac Australia's First Bank**

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***Identity fraud - How to be certain about who  
you are dealing with***

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# Overview

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- Current and emerging threats
- What is identity fraud
- Quantification of identity fraud
- Implications of identity fraud
- What is being done
- What can consumers do
- Conclusion

## The nature of fraud is changing due to a number of internal and external factors

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Internal	External
<ul style="list-style-type: none"><li>➤ Fewer more empowered employees</li><li>➤ Extended more diverse and flexible workforce</li><li>➤ Speed and transparency of processing through automation</li><li>➤ Extended self service and Internet functionality</li><li>➤ Reliance on third parties (outsourcing, joint ventures)</li></ul>	<ul style="list-style-type: none"><li>➤ Technology that creates a more seamless environment</li><li>➤ Organised crime that is more sophisticated and mobile</li><li>➤ Multi-channel fraud</li><li>➤ Increased risk of corruption of insiders</li><li>➤ Regulatory focus and legislative change</li></ul>

## Identity fraud takes many forms

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- Two main types:
  - False identity - person does not exist
  - Identity take-over - offender assumes identity of real person
- Identity take-over fraud normally occurs through an initial compromise of consumer information:
  - mail theft
  - dumpster diving/trolling through rubbish
  - criminals purporting to be 'direct marketers' via telephone and extracting information
  - relatives/friends
  - car/home break-ins
  - lost/stolen possessions - purses, wallets etc

## The impact and level of identity fraud is growing

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- 27.3 million victims of identity fraud in US over last 5 years costing over \$50 billion (USD) - *2003 US Federal Trade Commission (FTC) survey*
- Cost to US financial institutions is expected to increase by 30% per year, totalling \$8 billion by 2005 - *Celent Communications report, 2001*
- 4 in 10 of US financial institutions cited identity fraud as # 1 threat against industry in next 12 months - *American Bankers Association (ABA) 2002 Deposit Account Fraud Survey Report*
- Pilot conducted in 1999 between NSW Births, Deaths and Marriages and Westpac identified that 13% of certificates validated were false
- The cost of identity related fraud in Australia is estimated to be in excess of \$4 billion per annum - *2001 Commonwealth Attorney General's Department report*

## Other implications of identity fraud

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- Linkages to other crimes including money laundering and terrorist financing
- Impact to consumers from identity take-over
  - Costs of re-establishing identity - FTC survey reports costs of \$5 billion in out-of pocket expenses
  - Identity take-over not limited to bank accounts - renting property, obtaining medical care, employment, using details for other forms of service

## And there are interdependencies between issuers and users that make the problem difficult to address

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- Both Private and Public sector issue documentation which both will accept as a means of identifying individuals
  - eg. Banks rely on birth certificate and drivers licence to identify individual for credit card - credit card can be used as a means to identify individual for the issue of a birth certificate or drivers licence
- Net effect is a cyclical web of interdependencies across sectors
- Requires improved co-operation and whole of industry approach to identification

## Industry - what is being done

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- AUSTRAC Proof of Identity Steering Committee - commissioning of survey to estimate cost of identity fraud in Australia
- ABA Fraud Task Force
- Federal government launch of feasibility study into the validation of documents that are used for identification purposes
- Review of Financial Transactions Reports Act - likely to align to Financial Action Task Force (FATF) recommendations
- Monitoring of progress on solutions such as biometrics and smart card technologies

## What Westpac does to reduce impact

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- Contribution to industry initiatives
- Customer education
- Validation of NSW/VIC birth certificates
- Use of sophisticated fraud systems - data matching
- Other forms of verification of identification at account opening
- Use of data modelling to predict high risk applications for credit
- Detection for electronic channels
- Partnerships with law enforcement to investigate identity fraud related crimes

## What can consumers do?

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- Protect personal documents
- Do not divulge personal information
- Report to bank or utility if statements not received
- Use padlocks on letter boxes
- Check statements and report unauthorised transactions to your bank
- Use up-to-date anti-virus and firewall protection to personal computers
- Report fraud to Police

## Conclusion

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- Identity fraud is a growing problem worldwide - attractive to criminals given faceless channels and tightening of other channels
- Identity fraud is a personal crime with linkages to other crimes
- There are significant interdependencies between private and public sectors requiring a whole of industry approach
- Consumers play a key role in avoiding the risk
- There are a number of key industry initiatives to progress improved controls
- No silver bullets