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Ref: NE4699

5 April 2000

Ms Melissa Stutsel
Principal Research Officer
House of Representatives Standing Committee on
Economics Finance and Public Administration
Parliament House
CANBERRA ACT 2600

N C A
NATIONAL
CRIME
AUTHORITY

Dear Ms Stutsel

Inquiry into Identity Fraud and the Integrity of the TFN System

The National Crime Authority is pleased to provide a submission to the above Inquiry. Identity fraud is an extremely significant issue, at a national and international level. The Authority is most concerned about the apparent ease with which false identities may be established and used to facilitate organised criminal activity. This occurs through the creation of a fictitious identity and also through the theft or fraudulent use of an existing person's identity.

Reliable estimates of the extent and the impact of identity fraud on the Australian community are difficult to obtain. As the Committee is aware, identity fraud is causing considerable concern in the private sector, due to the substantial economic impact of major frauds. In the United States, the Secret Service estimated that actual losses associated with financial crimes involving identity fraud investigated by this agency totaled US\$745 million in the 1997 financial year (having risen from US\$442 million in the 1995 financial year).¹ In addition to the financial impact, the 'human costs' to victims of identity fraud can be substantial.

From a law enforcement perspective, identity fraud significantly impacts upon the ability of agencies to effectively detect, investigate and prosecute crime. The use of false identities by criminals undoubtedly results in some crime going undetected. Where offences are identified, muddying of the evidentiary trail by false identities means greater time and resources need to be expended to successfully investigate and establish a case.

A wide variety of false identification has been detected in NCA Task Force investigations, including false birth certificates, passports, drivers' licences and learner's permits. Some false documents and/or complete identities have been created in Australia, whilst others have originated overseas and been used in Australia.

¹ U.S. Government Accounting Office, *Identity Fraud: Information on Prevalence, Cost, and Internet Impact is Limited* (Briefing Report, 05/01/98, GAO/GGD-98- 100BR), www.gao.gov.

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Whilst an individual obtaining one of these false documents may not seem of great importance, a major issue is the cumulative effect once the first item of false identification is obtained. In particular, development of a chain of identity may be used to frustrate the financial sector's '100 points' identification system. For example, a fake birth certificate (70 points) may be used to obtain a false drivers' licence (40 points), thus enabling the 100 points to be met and bank accounts opened. The establishment of bank accounts in false names and the use of false sender details for offshore remittances (IFTIs) has enabled criminals to circumvent financial transaction monitoring and reporting regimes and successfully remit millions of dollars in proceeds of crime.

Some other key areas of law enforcement concern regarding identity fraud include:

- Registration of business names using false identities. Creation of businesses or companies with false proprietors enables a wide variety of offences to be committed, from taxation fraud and money laundering, to State frauds and evasion of State employment provisions.
- Criminals obtaining SIM (Subscriber Identity Module) cards in false names. This increasingly common practice frustrates law enforcement ability to conduct effective telecommunication interception. False State, Commonwealth and international documents are used to obtain the cards.
- Credit cards obtained in false names. Significant levels of credit card fraud are being identified nationally, particularly by the NCA Blade Task Force (targeting South East Asian crime). False credit cards may also form one step in the chain of identity creation.
- Difficulties verifying the authenticity of identification documents. Due to the accessible nature of increasingly sophisticated desk-top publishing software, it is becoming more difficult for the 'untrained eye' to detect counterfeit documentation. Around Australia, more effective procedures for checking interstate and international documents are needed.
- Potential opportunities for corruption in agencies issuing identification documents.
- Increased opportunities to facilitate crimes involving identity fraud through the Internet, due to the high degree of anonymity it affords users. All forms of fraudulent identification (national and international identity documents) are also readily available via the Internet.

Please find attached a confidential case study, which highlights the detrimental impact of identity fraud in just one area of Task Force investigations. In this joint NCA/ATO investigation, conducted under the Swordfish National Task Force, false identification has been used by overseas-born criminals to establish false bank accounts and companies, enabling large-scale tax evasion and the offshore remittance of substantial sums of proceeds of crime. Other employer obligations have been evaded and legitimate businesses must find it extremely difficult to compete. The NCA is working with the ATO and other partner agencies to identify strategies which may be developed to minimise this fraudulent activity in future.

I note here that this investigation is ongoing. Efforts have been made to extradite one person and further briefs of evidence have been submitted to the Commonwealth DPP. Some of this information is in the public arena, however in order not to risk prejudicing current prosecutions, it is requested that this case study be treated by the Committee as a confidential document.

The Authority submits that the development of integrated national and international strategies to improve the detection, investigation and prevention of identity fraud must be pursued as a high priority.

If you require any further information regarding this letter, please contact Chief Investigator Stephen Emes on 02 9373 2402 or Ms Christine Howlett, Assistant National Coordinator on 02 9373 2410.

Yours sincerely

Peter Lamb
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