



Ref No IER - Super

28 October 2010

TO ALL TRUSTEES
APRA regulated superannuation funds

Dear Trustees

MANAGING THE RISK OF ROLLOVERS AND TRANSFERS TO SMSFs

APRA, the ATO and ASIC continue to work together to reduce illegal activity involving self-managed superannuation funds (SMSFs). On 5 February 2010, a letter to trustees was issued by APRA titled “Managing the risk of the illegal early release of superannuation benefits - Transfers and Rollovers into SMSFs”. This document outlined a number of recommendations that many trustees may have already integrated into their benefit payment processes.

Since that letter the ATO has developed a new SMSF member verification system which will be ready for use from 3 November 2010. This system will provide greater transparency for trustees and their administrators when performing transfers and rollovers into SMSFs.

The ATO will also be updating the information included on the www.superfundlookup.gov.au (SFLU) website to provide clarity in relation to the complying and regulatory status of SMSFs and identification of SMSFs that they have concerns about. The ATO will also provide additional assistance to trustees and administrators in a wider range of situations, for example rollovers to SMSFs that have a status of ‘ABN cancelled’ or ‘Non-complying’.

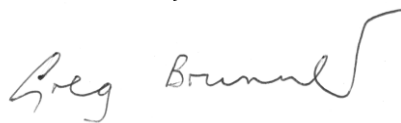
The new SMSF Member Verification System

The new SMSF member verification system will allow trustees (or where applicable their authorised administrators) to complete an online search to confirm if an individual is a member of a nominated SMSF as part of the rollover process. This system is available through the ATO Business Portal accessed with an AUSkey or ATO Digital Certificate.

The new SMSF member verification system will assist to confirm SMSF membership in a timely manner. As a result, requests for additional documentation such as a trust deed should not be necessary. This new system will provide trustees and administrators with a level of confidence that an individual is recorded by the ATO as a member of a particular SMSF. However these checks do not override a trustee’s responsibilities in the processing of a transfer or rollover request, such as conducting adequate Proof of Identity checks to ensure you are dealing with the correct member.

The following attachment is an update to the guidance provided in the letter issued on 5 February 2010 and contains several other changes in addition to the new SMSF Member Verification system.

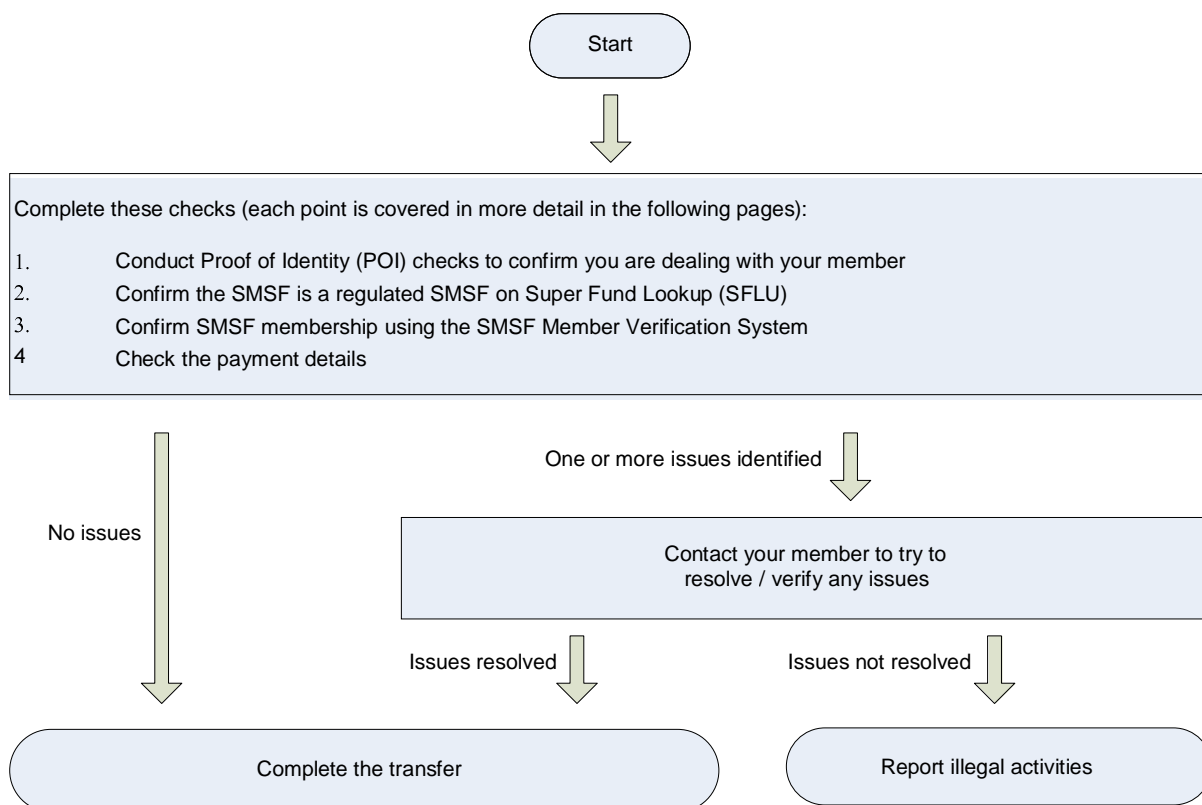
Yours sincerely

A handwritten signature in black ink that reads "Greg Brunner". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Greg Brunner
General Manager
Supervisory Support Division

ATTACHMENT A

Overview of Suggested Process



Trustees (and/or administrators) should consider starting this process as soon as possible after receiving a transfer/rollover request. This is to allow time to resolve any issues and/or report concerns if appropriate.

It is advisable to complete the checks for transfer/rollover request for all SMSFs, paying particular attention to transfer/rollover requests for new SMSFs. New SMSFs are displayed in Super Fund Lookup (SFLU) with a status of '**Registered - status not determined**'.

If you do not encounter any issues, the transfer/rollover request should be processed as normal.

Identification of issues arising from these checks does not mean that the transfer/rollover request is invalid. Any issues identified while undertaking the checks should be recorded. Trustee or Fund representatives should attempt to resolve issues by contacting the member concerned where appropriate.

If after contacting the member you suspect that there is illegal activity being conducted, you should

- contact the ATO and AUSTRAC (i.e. a Suspect Transaction Report - SUSTR) to report illegal early release of superannuation.
- contact the ATO, APRA and AUSTRAC in the case of Identity fraud.
- advise your member to contact the State Police if they have been the victim of identity fraud.

1. Proof of Identity (POI) checks on your member

The purpose of POI checks is to reduce the risk of identity fraud.

Protecting your fund and your members		
Check	What to look for	What this might mean
The member information	Match the member's information provided with information stored on file, for example: <ul style="list-style-type: none"> • name • address • mobile phone number • member number • date of birth • signature • passwords • TFN 	Failure to match the information could identify someone trying to impersonate your member.
	Check the PO Box provided has not been identified as suspicious. A suspect PO Box list is maintained and provided by the ATO. If you do not receive this list and would like to, contact the ATO by email at Super-IER@ato.gov.au	The PO Box may be associated with illegal activity.
For forged documents	Check for irregularities on the identification documents.	The documents could be fraudulent.
	Check for repeated use of numbers where the identifiers should be different (e.g. document identification, account number, client identification) in documents.	The documents may be fraudulent. These may be copied, resulting in key identification numbers being the same in each copy.
	Check for unusually high use of a Justice of the Peace (JP) for identification documents or transfers/rollover requests from different or unrelated members.	Someone may be forging documents using a copy of a JP certification.

Prevention measures

- Distribution of personal information on member statements increases the risk of identity fraud. When sending out member statements, consider the following:
 - how often correspondence is sent to the member
 - removing non-essential personal information from the members statement that may be used for POI - e.g. the member's TFN, date of birth and employment details
 - removing fund identifiers from public view - e.g. use plain envelopes
 - reducing the size of envelopes to ensure that they can fit in the majority of mail boxes
- You can refer to Federal and State authorities e.g. Federal Attorney-General's Department <http://www.crimeprevention.gov.au> for further strategies to prevent identity fraud.

2. Confirm the SMSF is a regulated SMSF on Super Fund Lookup

The purpose of the SMSF check is to confirm that the transfer/rollover is to a regulated SMSF.

- APRA-regulated funds are permitted to transfer/rollover benefits to an SMSF only if it is a regulated SMSF.
- Always check the online version of SFLU before making a transfer/rollover to an SMSF. The ATO regularly updates SFLU with the latest information about SMSFs and will investigate and remove an SMSF from SFLU if appropriate.

Protecting your fund and your members		
Check	What to look for	What this might mean
The SMSF is listed on SFLU	Match the details provided on the transfer/rollover request to the information in SFLU: <ul style="list-style-type: none"> • ABN • Name • SMSF address 	<p>Failure to provide matching information may indicate an attempt to use the identity of the SMSF to facilitate a transfer/rollover where there is actually no SMSF.</p> <p>If the fund does not appear on SFLU, it may already have been removed by the ATO.</p>
	Check to see if the SMSF has a similar name to an APRA regulated public offer fund (i.e. listed as an ATO regulated fund with a very similar name to an APRA public offer fund).	<p>This may indicate an attempt to 'pass off' the SMSF as the public offer fund to increase the confidence in the 'bona fides' of the transfer/rollover request and reduce the level of checks undertaken.</p> <p>A different address, mailing details, or banking details could also alert you to a 'passing off' attempt.</p>
	The SMSF does not have an ABN	<p>This might not be a regulated SMSF.</p> <p>Contact Super-IER@ato.gov.au for further advice before processing any rollovers or transfers to this fund.</p>
Previous release enquiries	Check to see if the member has previously made enquiries for release on: <ul style="list-style-type: none"> • financial hardship grounds, and / or • compassionate grounds 	Someone may be seeking to transfer the money into an SMSF where they can access it, having failed to access the money legitimately.
The Status of the SMSF in SFLU	Status is 'Election to be regulated is being processed'	<p>Do not transfer or rollover to this fund until the SMSF is recorded on SFLU as a regulated fund.</p> <p>The election to be regulated is currently being processed. This takes up to seven days.</p> <p>Check Super Fund Lookup for the most recent information about the status of SMSF.</p>

Protecting your fund and your members		
Check	What to look for	What this might mean
	<p>Status is 'Registered - status not determined'</p> <ul style="list-style-type: none"> • Check for previous unsuccessful transfer or rollover attempts. • Check to see if the member has made 3 or more previous transfer/rollover requests or has multiple requests under \$10,000. 	<p>These funds are eligible to receive transfers and rollovers.</p> <p>These SMSFs are generally new and have not lodged an SMSF annual return with the ATO.</p> <p>Previous unsuccessful transfers or rollovers may indicate attempts to illegally access super. This could also be an indication of identity theft.</p> <p>Multiple attempts to transfer or rollover small amounts may indicate someone is 'siphoning' off the member's super benefits over a period of time. They may also be attempting to remain under the Anti-Money Laundering (AML) reporting requirements.</p>
	<p>Status is 'Complying'</p>	<p>Process the transfer or rollover as normal if no other issues are identified.</p> <p>The SMSF has lodged its annual return and has been issued with a Notice of Compliance by the ATO.</p>
	<p>Status is 'Non-complying'</p>	<p>It would be prudent to ensure your client understands the financial implications of rolling over into a non-complying fund.</p> <p>This SMSF has been issued with a Notice of non-compliance by the ATO.</p> <p>Contact Super-IER@ato.gov.au for further advice before processing any rollovers or transfers to this fund.</p>
	<p>Status is 'Regulation details withheld'</p>	<p>Do not transfer or rollover to this fund.</p> <p>The SMSFs details have been withheld because an issue has been identified.</p> <p>Contact Super-IER@ato.gov.au for further advice before processing any rollovers or transfers to this fund.</p>

Protecting your fund and your members		
Check	What to look for	What this might mean
	Status is 'Regulation details removed'	<p>Do not transfer or rollover to this fund.</p> <p>The regulation details of this SMSF have been removed because the fund has failed to lodge returns. This may mean the fund is no longer operating.</p> <p>Advise the individual to contact the ATO for further information by phone on 13 10 20 between 8am and 6pm, Monday to Friday.</p>
	ABN details 'Suppressed'	<p>Contact the member for further information regarding any transfer or rollover requests.</p> <p>Contact the ATO on 13 10 20 to confirm if the fund is regulated before undertaking any transfer or rollover requests.</p>
	ABN is 'Cancelled'	<p>Do not transfer or rollover to this fund.</p> <p>The ABN for this fund has been cancelled. This fund may no longer be operating.</p> <p>Contact Super-IER@ato.gov.au for further advice before processing any rollovers or transfers to this fund.</p>

3. Confirm the applicant's membership of the SMSF using the SMSF Member Verification system

The purpose of confirming membership is to verify that the applicant is a member of the SMSF.

- Use the SMSF Member Verification System located in the ATO Business Portal to confirm the individual is recorded by the ATO as a member of the SMSF. This should reduce your reliance on documents to provide this assurance.

Protecting your fund and your members		
Check	Results Shown	What this might mean
Confirm membership using the ATO Business Portal	SMSF membership confirmed	<p>The individual is a member of the SMSF.</p> <p>Complete all your checks. Process the transfer or rollover in accordance to your processes if no other issues are identified.</p>
	No match found	<p>SMSF membership records cannot be confirmed for the details entered.</p> <p>The following steps may help to resolve:</p> <ol style="list-style-type: none"> 1. Check all the details to ensure that all data has been entered correctly. 2. Contact the member to confirm all details are correct and that they have advised the ATO that they are a member of the SMSF. <p>Attachment B provides an example of the type of advice that trustees could provide to members.</p> <p>If you think that you are dealing with illegal activity contact the ATO:</p> <ul style="list-style-type: none"> ○ by email at Super-IER@ato.gov.au ○ by phone on 13 10 20 between 8am and 6pm, Monday to Friday
	SMSF ABN not found	<p>The ABN entered does not belong to an SMSF or the ABN details have been suppressed.</p> <p>The following steps may help to resolve:</p> <ol style="list-style-type: none"> 1. Check the ABN has been entered correctly. 2. Verify the ABN is for an SMSF on Super Fund Lookup. 3. Confirm the ABN with your member. <p>If you think that you are dealing with illegal activity, contact the ATO:</p> <ul style="list-style-type: none"> ○ by email at Super-IER@ato.gov.au ○ by phone on 13 10 20 between 8am and 6pm, Monday to Friday

Protecting your fund and your members		
Check	Results Shown	What this might mean
	SMSF details withheld	<p>Do not transfer or rollover to this fund.</p> <p>The SMSF's details have been withheld because an issue has been identified.</p> <p>Contact Super-IER@ato.gov.au for further advice before processing any rollovers or transfers to this fund.</p>
	Election to be regulated is being processed	<p>Do not transfer or rollover to this fund until the SMSF is a regulated fund.</p> <p>The election to be regulated is currently being processed. This takes up to seven days.</p> <p>Check Super Fund Lookup for the most recent information about the status of SMSF.</p>
	Details not available	<p>Do not transfer or rollover to this fund.</p> <p>The details of this SMSF are not available because the fund has failed to lodge returns. This may mean the fund is no longer operating.</p> <p>Advise the individual to contact the ATO for further information by phone on 13 10 20 between 8am and 6pm, Monday to Friday.</p>

4. Check the payment details

The purpose of checking the transfer/rollover payment is to verify that the payment is valid and is being made to the correct SMSF bank (or other authorised deposit-taking institution) account.

- Promoters of illegal activities often seek to ensure payments are made directly to them so that they can abscond with it or take their cut before passing the remainder to the member.

Protecting your fund and your members		
Checks	What to do	Purpose
Cheque payments	Issue the cheque in the same name of the SMSF as it appears on SFLU. Cross cheques and add 'account payee only' to your cheque. This means that the cheque can only be paid to a bank (or other authorised deposit-taking institution) account and should only be paid into the account of the payee on the cheque.	An IER promoter may seek to have the cheque paid directly to them so they can abscond with it or take their 'fees' before giving the rest to the member.
	Mail the cheque to the same address as the contact address on SFLU.	An IER promoter may seek to have the cheque sent directly to them so they can abscond with it or take their 'fees' before giving the remainder to the member.
EFT payments	EFT payments should be made to a bank (or other authorised deposit-taking institution) account registered in the name of the SMSF. You should seek to verify this in accordance with your procedures.	An IER promoter may seek to have the EFT payment paid directly to their account so they can abscond with the payment or take their 'fees' before giving the rest to the member.

Resolving Issues

Note: The identification of issues arising from the checks does not automatically mean that the transfer/rollover request is invalid but there may be concerns which should be reviewed.

There may be valid explanations for some issues that may arise. For example, mismatching information could arise from a simple mistake or may be caused if the member has changed their details without notifying you.

Where issues or concerns are raised in the completion of any of the checks listed in this document, trustees should undertake further activities to try to resolve them. In general, contacting your member will be the most effective approach in ascertaining the validity of the transfer request. Remember to conduct POI checks before interacting with your member.

In APRA's view, the trustee would not be in breach of the SIS 30 day portability requirement where there is either:

- an inexplicable mismatch between information on the application form and the fund's data, or the SFLU database or the SMSF member verification system; or
- a suspicious matter has been referred to the ATO IER group and it remains under investigation.

Report illegal activities and fraud

If after attempting to resolve the issues you suspect there may be illegal activities or fraud, it would not be prudent to process the transfer/rollover request. Report any suspected illegal activities to the relevant authority and/or regulator, as detailed below.

a. Report to the ATO

Ensure that you report to the ATO when you detect any illegal activity or you have any suspicions about a transfer/rollover request to an SMSF. You can contact the ATO for further advice or assistance:

- Email the ATO at Super-IER@ato.gov.au
- Phone the ATO on **13 10 20** between 8:00am and 6:00pm, Monday to Friday.

The ATO will investigate reported suspect rollovers and if appropriate take action including the removal of a SMSF from SFLU.

b. Report to APRA

It is recommended that the APRA Contact Centre is informed of all illegal activity. The APRA Contact Centre will then use this information to monitor and manage trends that are occurring within the industry.

APRA Information Hotline:
1300 13 1060
9am-6pm, Monday-Friday (AEST)

Postal address:
GPO Box 9836,
Sydney NSW 2001

Internet: using the portal contained on [APRA's website](http://www.apra.gov.au) - www.apra.gov.au

c. Report to AUSTRAC

Superannuation funds are reporting entities under the AML/CTF Act and therefore trustees are required to report suspicious matters to AUSTRAC. All identity theft and suspect transactions should be reported to AUSTRAC.

d. Report to the Police

If a fund becomes aware of identity fraud, it should be reported to the relevant authorities - the ATO, APRA and AUSTRAC.

Contact any of your members who have been the victim of the identity fraud attempt and advise them to contact the relevant State Police, ATO, financial institutions and any other superannuation funds they hold an account with.

ATTACHMENT B

Advice that trustees could consider providing to members where the information in the member's application does not match the data on the SMSF member verification system

<Dear Member>

We are unable to transfer your superannuation to a self-managed super fund (SMSF). When we process these requests, we undertake checks in accordance with our duties as a trustee of your super savings. These checks help us safeguard these savings. One of these checks is to confirm if you are a member of the SMSF using the ATO's SMSF membership verification system.

The SMSF membership verification system has shown that there is no match between the information provided on your super transfer form and the member details of your SMSF currently held by the ATO.

You can update the membership details of your SMSF by:

- contacting the ATO on **13 10 20** between 8am and 6pm, Monday to Friday. Changes will usually be processed within 24 hours. Ensure that the new member and an authorised contact for the SMSF are available to talk to the customer service representative to complete proof of identity checks;
- having the registered tax agent for your SMSF contact the ATO to update your SMSF's membership records. Changes will usually be processed within 24 hours ;
- accessing the Australian Business Register online. This is available to SMSFs [registered for online services](#). Changes will usually be processed within 24 hours;
- completing the [Change details for superannuation entities](#) (NAT 3036) form and mailing it to the ATO following the instructions. Changes may take up to 28 days to process.

<Yours sincerely>

<Trustee>