

Submission reference: 2015/01

16 January 2015

Consultation on Draft SPG 223 – Fraud Risk Management

In our submission to APRA, ASFA outlined its support for the purpose of draft Prudential Practice Guide SPG 223 – *Fraud Risk Management* in terms of assisting RSE licensees in complying with the requirements to identify, assess and manage material risks and to develop prudent practices in relation to the management of fraud risk.

Although ASFA is broadly comfortable with the contents of draft SPG 223, we identified certain sections where we believe the guidance provided could be expanded to assist RSE licensees further. These include:

- Selection of outsourced providers – our submission provided guidance regarding the various matters RSE licensees should consider prior to the selection of an outsourced service provider.
- Engagement contracts – we recommended that RSE licensees should ensure all outsourced arrangements are documented in contracts which set out the requirement for the outsourced provider to provide reports (regular, exception and on-demand) to the RSE licensee on the effectiveness of their risk management controls and any incidents of suspected or actual fraud involving any client.
- Monitoring and supervision of third parties – we recommended that ongoing monitoring and supervision of outsourced providers in relation to fraud should be established to ensure that the fraud risk management controls remain adequate and are operating effectively.
- Loss recovery – we recommended that an RSE licensee should ensure that, in the event of loss arising from fraud, any claim can be initiated under the outsourcing contract, professional indemnity or other insurance policy.

Our submission also included useful examples of fraud response/management controls which we recommend should be incorporated into SPG 223 (in addition to the examples of fraud prevention and fraud detection controls already outlined in the draft guide).