

allocated \$78 million and a further \$8.7 million will be provided by the South Australian government for the Riverine Recovery Project which will allow wetland areas to undergo a more natural wetting and drying cycle through the

yesterday.
"While recent rain means there is water in the system now, the reform must continue." South Australian River Murray Minister Paul Caica said the Riverine environment was a significant element of the

native wetland species," he said.
"It is also expected to improve both the health of the river and water security by providing for more efficient and flexible management of the system."

AAP

Super fraud foils ASIC

For months after he was refused a licence, an illegal operator accepted funds from investors, writes **Mark Ludlow**.

The Brisbane fraudster who used an elaborate Ponzi scheme to fleece \$15 million from 200 investors was able to operate for 10 months after the Australian Securities and Investments Commission (ASIC) knocked back his application for a financial services licence.

James Lovell, sentenced in the Brisbane District Court last week to 13 years' jail for fraud and forgery, duped investors, including do-it-yourself superannuation investors, into thinking he was a licensed securities trader.

The case is among a number in which the DIY super sector has been targeted by fraudsters attracted by the \$432 billion in assets held by the funds.

For eight years, Lovell convinced investors he was delivering spectacularly high returns on investments when, in fact, he was spending their money on his expensive lifestyle.

But even after his application for a licence was rejected in September 2008, Lovell still lured investors into giving him money for his Ponzi scheme, court documents reveal.

Investors — the majority of whom lost all their money — are angry the corporate regulator did not act on Lovell and his Mirtna Holdings companies sooner.

Lovell's operations were closed only in July 2009, after a tip-off to the Australian Federal Police (AFP) and ASIC.

ASIC defended itself, saying fraudsters such as Lovell could go to extreme lengths to strip investors and cover their tracks.

"They will often operate outside the regulatory framework overseen by ASIC and use techniques to deceive investors into thinking that their conduct is lawful," a spokesman said.

"Their deception can allow them to operate for a long time without ASIC being aware of their operation."

Asked how Lovell was able to continue operating after his licence application was rejected, the spokesman said ASIC had

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not received a complaint.

Lovell applied for a financial services licence in late 2008 as part of a plan to control DIY super funds for investors.

"Unfortunately, due to the very complex nature of these types of matters, it is often difficult to prove at an early stage that a Ponzi scheme may be in operation, especially if there is a lack of victims that have come forward," the spokesman said.

ASIC said it was making inquiries into Mirtna after Lovell's application was received. But Lovell — who knew his

companies were insolvent by this time — continued to fleece hundreds of thousands of dollars from new investors.

One of these was Sydney-based Maria Cuci-Panetta and her family. Ms Cuci-Panetta invested \$320,000 in Lovell's company in April 2009, only two months before he was shut by the AFP and ASIC. She and her family lost all their cash.

"You would think he would be on their radar by then," Ms Cuci-Panetta told *The Australian Financial Review*. "Why didn't ASIC catch on? Why did they let this happen?" The court heard that of \$15.5 million given by investors to Lovell, about \$11 million was lost.

DIY funds are not entitled to federal compensation for fraud as they do not pay a special levy that gives the big funds protection, and some victims have lost large sums.

Consumer Action Law Centre co-chief executive Caroline Bond said there was an expectation ASIC should have been on high alert about Lovell once he applied for a financial services licence.

"Ideally, you would have hoped the regulator would be out there closely monitoring the activities, especially on the people they knocked back for a licence.

"Unfortunately, a lot of the real disaster investment schemes look incredibly legitimate to investors," Ms Bond said.

"We expect dodgy investments to look dodgy, but quite often they don't."

Lovell will be eligible for parole in 2015.

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HEALTH PAYMENTS INDEX

12 months to April 2011 vs 12 months to April 2010

+\$639 MILLION

The annual increase in Private Health Insurance payments on behalf of members was +\$639 Million.

+5.8% INCREASE

The latest snapshot of Private Health Insurance payments for the 12 month period shows a 5.8% increase.

TOTAL PAYMENTS \$11.75 BILLION

(The average premium increase announced by the Federal Government on 1 April 2011 was 5.56%.)

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