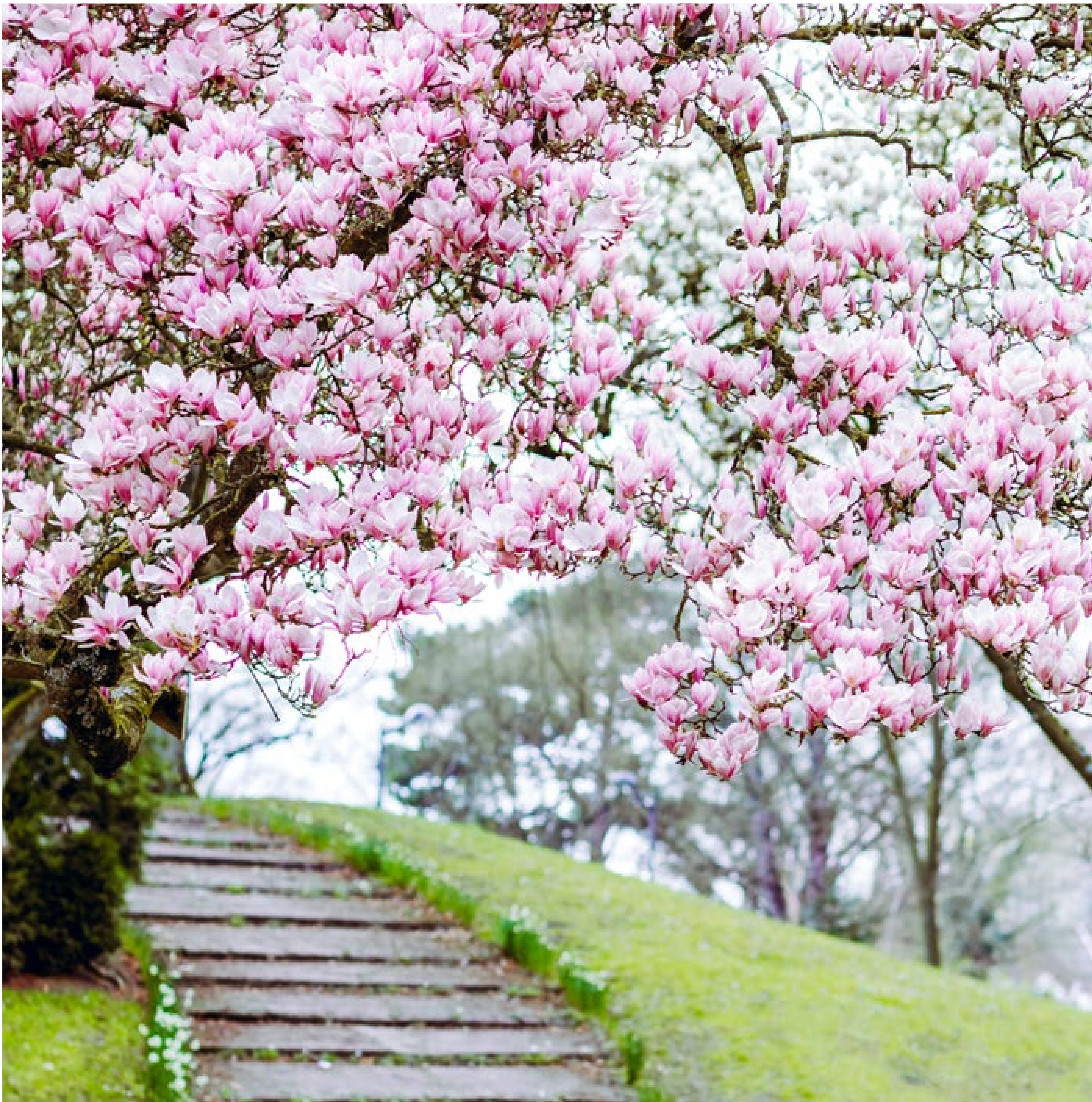

Quarter 3 / 2023

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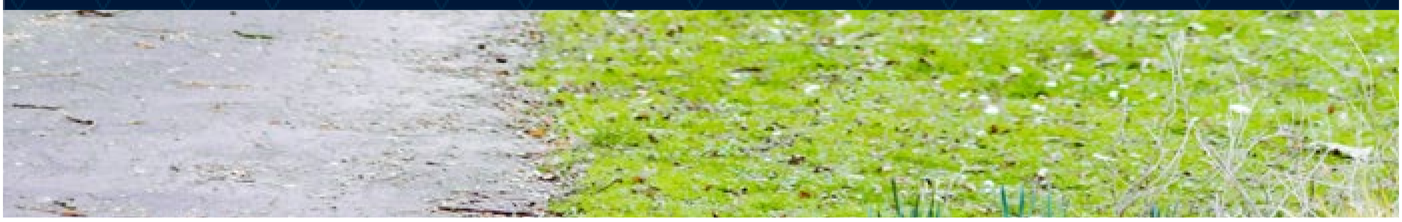
Extra Mile



Insight / Guidance / Dedication

Welcome to the Spring edition of the Extra Mile.

In this quarter's edition we cover off a wide range of topics.

Nikko Asset Management explain how they address Environmental, Social and Governance issues when managing their portfolios. Including how they engage with the companies they are invested in, to help create a more sustainable future.

We continue to learn more about the development of AI technologies. Hyperion Global outline how AI's rapid evolution is presenting opportunities within their portfolio. Along with some interesting case studies on how Tesla and Microsoft are utilising AI to create the driverless cars of tomorrow and enhance consumer experiences.

Then we delve into the darker side of AI to understand some of the scams that are emerging globally. Importantly we note that AI driven investment scams are one of the fastest growing categories of scam – so stay alert.

Investing in the stock market can be daunting so we look at how to approach it and provide some key points to consider.

We also have an interesting piece from accountants Ashton Wheelans which looks at how proposed increases to trust tax rates will affect trusts next year.

We welcome you to share this newsletter with friends and family as there may be something there that resonates with them.

As always if there is anything that you would like to discuss further, please contact your financial adviser.

Hope you enjoy the read.

Editor
Richard Maloy

Contents

Ashton Wheelans Trust Tax Rate

The impacts of the proposed trust tax rate change

You may have heard of the changes to Trust tax rates made in the 2023 Government budget announcement. As many of our clients have Family Trusts we've asked Sam Grice from Ashton Wheelans to explain what this means in practical terms. ED

Earlier this year, the 2023 Budget announced that there would be 'no major tax changes', however one major change stands out.

The trustee tax rate will increase from 33% to 39% from 1 April 2024, aligning it with the top individual tax rate. It is estimated that the increase would raise an additional $350 million of tax revenue across 177,000 trusts which recorded taxable income last year.

We have not yet seen an increase in the rate at which resident withholding tax (RWT) is deducted from domestic interest and dividends, the effective rate is still 33% (ICA rate 28% + RWT rate 5%). Previously, New Zealand dividends and interest would typically carry no further tax liability for trustees, however due to the rate misalignment, trustees will now need to pay an additional 6% in cash once the tax return is filed. Furthermore, trusts with large investment holdings (this includes shares in small to medium sized family companies), could now be subject to provisional tax. The IRD are most likely to be working on this topic at present and so we will monitor any developments.

Further cash flow planning may be required to ensure trusts have cash available to meet their tax obligations.

However, income distributions to beneficiaries will still be taxed at the beneficiary's marginal tax rate. This means trusts can distribute income in the year its earned (and the associated tax credits), to beneficiaries to utilise their lower marginal tax rates. Under the current rules, individuals do not enter the 39% tax bracket until they earn $180,000. Below is an example to illustrate the impact of the 39% trust tax rate in dollars and cents. In both examples a family trust earns fully imputed gross dividend income of $360,000. The ABC Trust retains all the income and the XYZ Trust distributes all the income to its two beneficiaries in equal distributions of $180,000. The beneficiaries of XYZ Trust have no other income.

	ABC Trust	XYZ Trust	Beneficiary 1	Beneficiary 2
NZ Dividend Income	360,000	360,000		
Income Distributed		(360,000)	180,000	180,000
Taxable Income	360,000	-	180,000	180,000
Tax at the relevant rate	140,400	-	50,320	50,320
Less Tax Credits:				
Imputation Credits	100,800	-	50,400	50,400
Dividend Withholding Tax	18,000	-	9,000	9,000
Further Tax Payable /(Refund)	**21,600**	-	**(9,000)**	**(9,000)**

In this example the ABC Trust would need to pay tax of $21,600 in cash and the trust is now also a provisional taxpayer, meaning it will now have to pay its tax in advance across three installments. The beneficiaries of XYZ Trust both receive refunds of $9,000 and have surplus imputation credits to carry forward and offset against future income. Overall, the XYZ group is nearly $40,000 better off than ABC. This is an indication of how the rules work, not tax advice. We've also assumed that the trust deed of XYZ allows for income distributions of this nature.

As the implications of the new trust tax rate will depend on your individual scenario and the details of how an individual trust is set up we recommend you seek advice from your own accountant for your particular situation. ED

ESG – More Important Now Than Ever

From floods in Pakistan and heatwaves in China to drought in Ethiopia and hurricanes in the US, the devastating extreme weather events of 2022 underscored the need for all investors to focus on sustainability.

Nikko AM's Global Shares team based in Edinburgh explains how they take Environmental, Social & Governance (ESG) issues under consideration when choosing investments.

nikko am
Nikko Asset Management

The Future Quality investment approach helps us to identify those companies we think are well positioned to sustain high returns into the future while creating value for all stakeholders and our planet. Our underlying belief is that the market will increasingly recognise that these companies will not only weather future challenges but be able to deliver solutions to the problems that we face.

ESG analysis is undertaken by each portfolio manager and analyst, and it is fully integrated into the stock selection process. This ensures that we can robustly evaluate the materiality of each factor and its potential impact. We rely on our four-pillar Future Quality analysis, which includes in-depth evaluations of ESG factors, to determine their effect on the company's risks and returns. Our research includes an analysis of a company's corporate governance, social practices, the environmental sustainability of its products or services, and its ability to fund its growth and ESG commitments.

Engaging across the board

In creating a sustainable portfolio, picking the right stocks is only part of the job. It is also crucial to make sure the chosen companies remain committed to pursuing sustainable practices. Our investment team engages with investee companies to help promote better ESG practices if we believe there is room for standards to improve (see our case study below). These meetings can occur at any point in the investment process — from initial research through to portfolio inclusion and beyond — and can involve the whole portfolio.

An example of significant engagement in 2022 was when our team contacted all our investee companies to discuss the issue of climate change. There were several specific objectives:

- To ensure that investee companies understood Nikko AM's commitment to supporting the transition to a low carbon future, as well as our stewardship priorities and those of our clients.
- To ensure that the investee companies were aware of our obligations and expectations as signatories of industry initiatives such as Climate Action 100+ and the Net Zero Asset Managers initiative.
- To ensure our team had a baseline understanding of the strategies being employed by each of the investee companies during the transition to a lower carbon environment.
- To verify greenhouse gas emissions under Scope 1 (direct emissions), Scope 2 (indirect emissions), and, where possible, Scope 3 (indirect emissions from a company's value chain, such as suppliers) that have been reported by our primary third-party ESG data vendor, as well as to learn about any associated reduction targets.
- To establish whether management had performed assessments of the physical and transition risks associated with climate change and/or the effect of carbon pricing, were it to be introduced.

The team received good responses from many investee companies. As expected, some are further along this journey than others. Overall, our portfolio has a significantly lower carbon footprint than the benchmark. Given the importance of climate change, this is an issue the team will continue to raise with investee companies in the years to come.

Case Study — Helping to build a more sustainable future

Carlisle Companies is a US building products group held in some of our Global Equity portfolios. It has been divesting non-core segments of its business and allocating capital to higher-return products that aim to meet customers' environmental and energy requirements.

We believe this new direction for the group could benefit all stakeholders and lead to strong share price appreciation over time. It also makes sense from an ESG perspective, as buildings account for about 28% of greenhouse gas emissions globally and Carlisle's products help reduce heat and energy loss.

We engaged with management towards the end of 2021, highlighting a number of ESG improvements the company could make. We followed this up in June 2022 when we met the Head of Investor Relations and the Vice President of Sustainability. It was evident that Carlisle had progressed on its ESG journey. The company had committed itself to adopting Science Based Targets, a UN-backed initiative to get companies to reduce their greenhouse gas emissions to prevent the worst effects of climate change. It now has a 2030 goal of reducing scope 1 and 2 emissions by 70% and an ambition to set further targets for 2050, including those that fall under Scope 3.

We reiterated our previous recommendations and discussed disclosure requirements from European investors in relation to the EU's Sustainable Finance Disclosure Regulation. The Vice President of Sustainability responded that our requests would be explored further.

Although progress has been made, it is clear that the firm will need to make more changes to reach net zero. Carlisle is partnering with universities and technology leaders to undertake carbon sequestration and develop new bio-based and recyclable products. We will continue to engage with the company to help it adopt best practices in 2023 and beyond.

Tips for investing in shares and growing your wealth for the long term

Investing in the stock market can be a great way to grow your wealth over the long-term. In this article, we'll explore the best ways to invest in the stock market and discuss the best strategies for long-term investing.

1. Understand the stock market
Before you start investing in the stock market, it's important to understand how it works. The stock market is a complex system of buying and selling stocks, and it's important to understand the risks and potential rewards of investing in the stock market. Take the time to educate yourself about the companies you're interested in or alternatively work with an adviser who can guide you along the way.

2. Create a plan and stick to it
Creating a plan is an important part of any investing and the stock market is no different. Your plan should include your investment goals, your risk tolerance, and your time horizon. Its also important to be clear on why you are considering buying a certain stock or fund. Take the time to write it down. It's important to review and update your plan regularly to ensure that it reflects your current financial situation and goals.

3. Diversify your portfolio
"Diversification is the only free lunch in investing" – Harry Markowitz, Nobel Laureate. Diversifying your portfolio is an important strategy for long-term investing in the stock market. This means investing in a variety of stocks and other assets to reduce the risk of loss. Diversification can help protect your portfolio during market downturns and ensure that you have exposure to a variety of industries, sectors and geographic regions.

4. Invest for the long-term
Investing for the long-term is a key strategy for success in the stock market. This means holding onto your investments for many years, even during market downturns. Historically, the stock market has provided strong returns over the long-term, and investing for the long-term can help you take advantage of this trend.

5. Consider managed funds, index funds or ETFs
Managed funds, Index funds and ETFs are popular investment options for investors to get diversified exposure to the stock market. Managed funds are run by investment professionals who will research and buy a selection of different stocks based on their opinion of those companies. Index funds and ETFs track a specific index, such as the NZX 50, and provide exposure to a variety of stocks. All these funds can be a great way to diversify your holdings over a wide range of different companies both locally and globally.

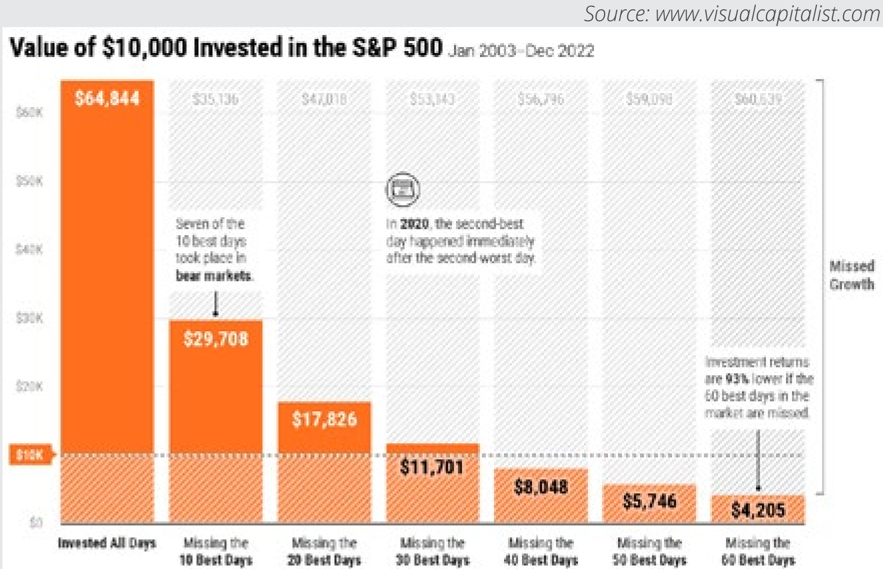
6. Avoid market timing
Remember its time in the market that's important not timing the market.

Market timing is the practice of trying to predict when the market will rise or fall and making investment decisions based on those predictions. Market timing is a risky strategy and can lead to missed opportunities and losses. Instead, focus on long-term investing strategies and stick to your plan.

7. Consider working with a financial advisor
Investing in the stock market can be complex, and it may be worth considering working with a financial advisor to help you create a plan and make investment decisions. A financial advisor can provide guidance on the best investment options for your individual situation and help you stay on track with your long-term investment goals.

Remember by understanding the stock market, creating a plan, diversifying your portfolio, investing for the long-term, considering diversified funds, avoiding market timing, and working with a financial advisor, you can develop an effective investment strategy that meets your needs and achieves your goals. Investing in the stock market involves risk but you can help reduce some of the risks by following these basic steps.
It's important to carefully review your investment options and consult with a financial advisor before making any investment decisions.

Source: www.visualcapitalist.com



Investing into the benefits of Artificial Intelligence

The Hyperion Global Growth Companies Fund (Managed Fund)[1] is well positioned to benefit from any inflection point from artificial intelligence/ machine learning (AI/ML) usage. The release of ChatGPT has created meaningful hype but many of the broader use cases are real and embedded within market-leading companies. Many of our portfolio holdings have been employing AI/ML for up to 10 years. We believe the dominant technology franchisees are well placed to capitalise on this trend and do not see a need to speculate on emerging companies with nascent technologies at this stage.

We believe AI tools, such as large-language models (LLMs), will become commoditised over time whereas proprietary datasets that companies control and train these models on will not be. Those that have the largest and most high-quality data (1P) will win, including Platforms with proprietary, first-party data and high usage rates. AI models trained on these data will produce superior results.

We believe the majority of the Hyperion Global Strategy holdings should benefit from advancements in AI/ML including Microsoft, Tesla, Meta, Amazon, ServiceNow, Palantir, Workday, Salesforce, Spotify, Block, Intuit, Alphabet, and Airbnb. In our view, the benefits far outweigh any disruption risk across the portfolio.

We believe there are three key benefits from AI/ML usage:

1) Productivity benefits. This includes automating processes such as product development and go to market. It should be a meaningful internal efficiency tool for these organisations.

2) Incremental revenue opportunity. We expect management teams will engage with customers in order to monetise AI/ML capabilities. They will price these services through additional pricing tiers, modules or subscriptions. For example, Microsoft is currently trialling this.

3) Strengthen their sustainable competitive advantages. The already dominant platforms will have more and better data to train their models, resulting in a better offering than their smaller competitors. This should create a virtuous loop of more customers being enticed to the stronger offering leading to greater volumes of data created for training large AI models and a more compelling offering.

We believe the portfolio is well placed to benefit from advancements in AI/ML and it should be a material tailwind over the medium term.

- Tesla Inc.: has made significant advancements in AI/ML over the past decade through its investments in Full Self-Driving software, Neural Networks, Dojo supercomputers, and the Tesla Bot. The company has significant advantage through its development of both AI software and hardware, including its fleet of over 4.5 million vehicles which generate significant volumes of real-world driving data.

[1] The Hyperion Global Growth Companies Fund changed its name to the Hyperion Global Growth Companies Fund (Managed Fund) on 5 February 2021 in order to facilitate quotation of the fund on the ASX.

- ServiceNow Inc.: introduced a number of generative AI features, including providing connectors to existing LLMs and through developing domain-specific LLMs (i.e. for ITSM, CSM, etc.) that will be trained on ServiceNow-specific data.
- Amazon Inc.: has embraced AI/ML across all aspects of its business to improve operations and enhance the customer experience. These include personal product recommendation algorithms, Alexa-enabled voice shopping, supply chain optimisation, fraud detection and customer service.
- Microsoft Corporation: Microsoft AI, powered by Azure, provides billions of intelligent experiences every day in Windows, Xbox, Microsoft 365, Teams, Azure AI, Power Platform, Dynamics 365 and Microsoft Defender.
- Workday, Inc.: AI and ML have been embedded in Workday's HR and Financials offerings for almost a decade, and leverages 1P data (in a multi-tenant cloud) from its over 60 million users and more than 600 billion transactions per year. Workday's scale is difficult to replicate, creates a virtuous cycle, and offers distinct advantages to its clients.
- Spotify Technology SA: introduced a new AI DJ that will further personalise the audio experience for Spotify users. Spotify is also investing in creating an AI voice platform with the potential to lower hurdles to creating audio-specific content.
- Block, Inc.: plans to deploy 30 applications for generative AI in its Square ecosystem, helping its merchant customers gain greater insight from data generated from their payments system.
- Intuit Inc.: Intuit's proprietary generative AI operating system (GenOS) and custom-trained financial LLMs generate 58 billion ML predictions per day (730 million AI-driven customer interactions per year) and specialise in solving tax, accounting, marketing, cash flow, and personal finance challenges for its 100m+ customers around the world.
- Intuitive Surgical, Inc.: With over 20 years of usage and more than 10 million procedures performed within a closed system, Intuitive Surgical is using AI/ML technologies to deliver insights to surgeons that increase the consistency of patient outcomes.
- Airbnb, Inc.: Incorporating AI into the centre of the app by building on available LLM infrastructure to provide the best-in-class multi-modal interface with finetuned personalised recommendations and AI-augmented customer service (improved speed, accuracy, and consistency). The role of Airbnb is to be the ultimate host.
- Palantir Technologies Inc.: core offerings have always revolved around the use of software and AI/ML to help governments and large enterprises make better use of their structured and unstructured data from disparate data bases. Palantir's new AI Platform specifically aims to address privacy/security concerns in the adoption of LLMs by applying industry-leading guardrails to define permissions and controls.
- Salesforce, Inc.: Salesforce has mobilised its entire company around the generative AI opportunity through GPT integrations for its cloud products (Sales GPT, Service GPT, Slack GPT), AI Cloud as an enterprise focused bundle of core CRM products (real-time data, analytics, and automation across applications and workflows), Einstein GPT Trust layer (industry standard for AI data privacy and security), and generative use cases in sales, marketing, commerce and for developers.
- Alphabet Inc.: has utilised AI/ML functions for many years, targeted at offering users more personalised and relevant experiences, increasing engagement and usage of its existing products. This year, the company has released its AI chatbot, Bard, and its Google AI search enhancement, Search Generative Experience (SGE).
- Meta Inc.: has incorporated AI/ML solutions across the platform through the development of advanced algorithms that rank feeds and search results, creating new text-understanding algorithms that keep spam and misleading content at bay, and automatically caption videos through speech-recognition systems. Building on Meta AI's key principles of openness, collaboration, excellence, and scale, the company is focused on pushing the boundaries of AI to create a more connected world.

Case Studies

Tesla:

Hyperion has always held the view that Tesla Inc. is more than an automotive company and a significant part of its value lies in the cutting-edge AI hardware and software that it develops and deploys. Tesla has made significant advancements in AI/ML over the past decade through its investments in Full Self-Driving software (FSD), Neural Networks, Dojo supercomputers, and the Tesla Bot. Compared to its competitors, Tesla has a unique advantage in that it has a fleet of over 4.5 million vehicles feeding real-world driving data into its AI model. The company is then able to train and improve its models extremely quickly before implementing upgrades across its entire fleet via over-the-air updates. Additionally, Tesla's capabilities in AI would enable the Tesla Network (an Uber-like rider-sharing network of fully autonomous vehicles) which would revolutionise the global transport market and represent one of the greatest organic growth drivers ever seen. The same technology is also currently being integrated into the Tesla Bot, a bi-pedal humanoid robot capable of performing routine tasks, which would change the way people work around the world.

Microsoft:
Microsoft has been at the forefront of cutting-edge AI and ML, integrating these powerful, innovative technologies to improve product efficiencies and user experience. Microsoft's AI platform, Azure AI, combines the fastest available graphic processing units with network architecture purpose built to enable AI model training and inference at scale. The company is also leveraging off its partnership with OpenAI, through the creation of next-generation AI models across consumer and enterprise products, including the Bing search engine, sales and marketing software, GitHub coding tools, Azure cloud and the Microsoft 365 productivity bundle. Microsoft remains committed to investing in the development of AI/ML technologies, announcing in January 2023 the third phase of the company's long-term partnership with OpenAI through a multiyear, multibillion dollar investment, positioning the company to leverage off generative AI as an accelerant for transformation.

Deepfake Imposter Scams Are Driving a New Wave of Fraud

AI could turbocharge the cybertheft economy. The world's banking industry is scrambling to contain the risk.

By Nabila Ahmed, Adam Haigh, Ainsley Thomson, and Ellie Harmsworth – This article originally appeared on Bloomberg.

Computer-generated children's voices so realistic they fool their own parents. Masks created with photos from social media that can penetrate a system protected by face ID. They sound like the stuff of science fiction, but these techniques are already available to criminals preying on everyday consumers.

The proliferation of scam tech has alarmed regulators, police and people at the highest levels of the financial industry. Artificial intelligence in particular is being used to "turbocharge" fraud, US Federal Trade Commission Chair Lina Khan warned in June, calling for increased vigilance from law enforcement.

Even before AI broke loose and became available to anyone with an internet connection, the world was struggling to contain an explosion in financial fraud. In the US alone, consumers lost almost $8.8 billion last year, up 44% from 2021, despite record investment in detection and prevention. Financial crime experts at major banks, including Wells Fargo & Co. and Deutsche Bank AG, say the fraud boom on the horizon is one of the biggest threats facing their industry. On top of paying the cost of fighting scams, the financial industry risks losing the faith of burned customers. "It's an arms race," says James Roberts, who heads up fraud management at Commonwealth Bank of Australia, the country's biggest bank. "It would be a stretch to say that we're winning."

The history of scams is surely as old as the history of trade and business. One of the earliest known cases, more than 2,000 years ago, involved a Greek sea merchant who tried to sink his ship to get a fraudulent payout on an insurance policy. Look back through any newspaper archive and you'll find countless attempts to part the gullible from their money. But the dark economy of fraud—just like the broader economy—has periodic bursts of destabilizing innovation. New tech lowers the cost of running a scam and lets the criminal reach a bigger pool of unprepared marks. Email introduced every computer user in the world to a cast of hard-up princes who needed help rescuing their lost fortunes. Crypto brought with it a blossoming of Ponzi schemes spread virally over social media.

The AI explosion offers not only new tools but also the potential for life-changing financial loss. And the increased sophistication and novelty of the technology mean that everyone, not just the credulous, is a potential victim. Covid-19 lockdowns accelerated the adoption of online banking around the world, with phones and laptops replacing face-to-face interactions at bank branches. It's brought advantages in lower costs and increased speed for financial firms and their customers, as well as openings for scammers.

Some of the new techniques go beyond what current off-the-shelf technology can do, and it's not always easy to tell when you're dealing with a garden-variety fraudster or a nation-state actor. "We are starting to see much more sophistication with respect to cybercrime," says Amy Hogan-Burney, general manager of cybersecurity policy and protection at Microsoft Corp.

Globally, cybercrime costs, including scams, are set to hit $8 trillion this year, outstripping the economic output of Japan, the world's third-largest economy. By 2025 it will reach $10.5 trillion, after more than tripling in a decade, according to researcher Cybersecurity Ventures.

The Cost of Scams

In the Sydney suburb of Redfern, some of Roberts' team of more than 500 spend their days eavesdropping on cons to hear firsthand how AI is reshaping their battle. A fake request for money from a loved one isn't new. But now parents get calls that clone their child's voice with AI to sound indistinguishable from the real thing. These tricks, known as social engineering scams, tend to have the highest hit rates and generate some of the quickest returns for fraudsters.

Cloning a person's voice is increasingly easy. Once a scammer downloads a short sample from an audio clip from someone's social media or voicemail message—it can be as short as 30 seconds—they can use AI voice-synthesizing tools readily available online to create the content they need.

Public social media accounts make it easy to figure out who a person's relatives and friends are, not to mention where they live and work and other vital information. Bank bosses stress that scammers, running their operations like businesses, are prepared to be patient, sometimes planning attacks for months.

What fraud teams are seeing so far is only a taste of what AI will make possible, according to Rob Pope, director of New Zealand's government cybersecurity agency CERT NZ. He points out that AI simultaneously helps criminals increase the volume and customization of attacks. "It's a fair bet that over the next two or three years we're going to see more AI-generated criminal attacks," says Pope, a former deputy commissioner in the New Zealand Police who oversaw some of the nation's highest-profile criminal cases. "What AI does is accelerate the levels of sophistication and the ability of these bad people to pivot very quickly. AI makes it easier for them."

To give a sense of the challenge facing banks, Roberts says right now Commonwealth Bank of Australia is tracking about 85 million events a day through a network of surveillance tools. That's in a country with a population of just 26 million.

The industry hopes to fight back by educating consumers about the risks and increasing investment in defensive technology. New software lets CBA spot when customers use their computer mouse in an unusual way during a transaction—a red flag for a possible scam. Anything suspicious, including the destination of an order and how the purchase is processed, can alert staff in as few as 30 milli-seconds, allowing them to block the transaction.

At Deutsche Bank, computer engineers have recently rebuilt their suspicious transaction detection system—called Black Forest—using the latest natural language processing models, according to Thomas Graf, a senior machine learning engineer there. The tool looks at transaction criteria such as volume, currency and destination and automatically learns from reams of data which patterns suggest fraud. The model can be used on both retail and corporate transactions and has already unearthed several cases, including one involving organized crime, money laundering and tax evasion.

One problem for companies: Every time they tighten things, criminals try to find a workaround. For example, some US banks require customers to upload a photo of an ID document when signing up for an account. Scammers are now buying stolen data on the dark web, finding photos of their victims from social media, and 3D-printing masks to create fake IDs with the stolen information. "And these can look like everything from what you get at a Halloween shop to an extremely lifelike silicone mask of Hollywood standards," says Alain Meier, head of identity at Plaid Inc., which helps banks, financial technology companies and other businesses battle fraud with its ID verification software. Plaid analyzes skin texture and translucency to make sure the person in the photo looks real.

Meier, who's dedicated his career to detecting fraud, says the best fraudsters, those running their schemes as a business, build scamming software and package it up to sell on the dark web. Prices can range from $20 to thousands of dollars. "For example, it could be a Chrome extension to help you bypass fingerprinting, or tools that can help you generate synthetic images," he says.

Like pollution from a factory, new technology is creating an externality, or a cost imposed on others.

As fraud gets more sophisticated, the question of who's responsible for losses is getting more contentious. In the UK, for example, victims of unknown transactions—say, someone copies and uses your credit card—are legally protected against losses. If someone tricks you into making a payment, responsibility is less clear. In July the nation's top court ruled that a couple who were fooled into sending money abroad couldn't hold their bank liable simply for following their instructions. But legislators and regulators have leeway to set other rules: The government is preparing to require banks to reimburse fraud victims when the cash is transferred via Faster Payments, a system for sending money between UK banks. Politicians and consumer advocates in other countries are pushing for similar changes, arguing that it's unreasonable to expect people to recognize these increasingly sophisticated scams.

Banks worry that changing the rules would simply make things easier for fraudsters. Financial industry leaders around the world are also trying to push a share of the responsibility onto tech firms. The fastest-growing scam category is investment fraud, often introduced to victims through search engines where scammers can easily buy sponsored advertising spots. When would-be investors click through, they often find realistic prospectuses and other financial data. Once they transfer their money, it can take months, if not years, to realize they've been swindled when they try to cash in on their "investment." In June, a group of 30 lenders in the UK sent a letter to Prime Minister Rishi Sunak asking that tech companies contribute to refunds for victims of fraud stemming from their platforms. The government says it's planning new legislation and other measures to crack down on online financial scams.

The banking industry is lobbying to spread the responsibility more widely in part because costs appear to be going up. Once again, a familiar problem from economics applies in the scam economy, too. Like pollution from a factory, new technology is creating an externality, or a cost imposed on others. In this case it's a heightened reach and risk for scams. Neither banks nor consumers want to be the only ones forced to pay the price.

Chris Sheehan spent almost three decades with the country's police force before joining National Australia Bank Ltd., where he heads investigations and fraud. He's added about 40 people to his team in the past year with constant investment by the bank. When he adds up all the staff and tech costs, "it scares me how big the number is," he says.

"I am hopeful, because there are technological solutions, but you never completely solve the problem," he says. It reminds him of his time fighting drug gangs as a cop. Framing it as a war on drugs was "a big mistake," he says. "I will never phrase it in that framework—of a war on scams—because the implication is a war is winnable," he says. "This is not winnable."

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