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## Beware of fraudulent wire transfer requests

By Mike Read, Marketing and Sales Manager, ABA Insurance Services Inc.

**In 2006, we published a SafeAlert bulletin which reported on a large “deposit and wire back” scam that affected a community bank and one of its commercial customers to the tune of almost \$1,000,000. In this particular instance—as with these types of tricks in general—consumers are duped by lucrative offers to make money by depositing checks into their account and then wiring a portion of the funds to a third party. It is only a short time after the wire is sent that it is learned the checks deposited were altered or counterfeit.**

**Though four years have passed since that article, fraudulent wire transfers are just as prevalent today despite increased vigilance for fraud on the part of consumers and bankers. While much has been written about these schemes and how to avoid them, bogus wire requests continue to be a source of loss for community banks, even those who follow verification procedures.**

Recently, a community bank and several of its customers were targeted in a relatively straight-forward scam. A caller purporting to be a legitimate bank customer contacted the bank, asking that the customer’s home and business phone numbers be changed. The imposter apparently provided satisfactory security information to the bank’s customer service representative, who thereby completed the request.

Several days later, a person posing as the customer called to request a transfer of funds between accounts and a corresponding international wire transfer of over \$350,000. The bank representative, following the bank’s standard wire transfer verification procedures, instructed the caller to fax a signed wire transfer request to the bank, which the imposter did immediately. Before the wire was sent, the bank placed a verification phone call to what they believed was the valid phone number of the account holder. They received confirmation and sent the wire.

Days later, a second victim was targeted. Earlier, the victim’s phone and fax numbers were changed as they had been in the first case. A caller claiming to be the valid account holder requested a wire transfer. The bank, again following procedure, faxed a wire transfer request form to the caller. The person called back the next day stating he had not received the form. He provided an alternate fax number and ultimately received the form. It was completed and faxed back to the bank. However, because the request form was apparently faxed to an alternate number, the bank took the additional step of comparing the signature on the form with the signature card used to open the account originally. Noticing the signatures did not match, the bank called the customer using the phone number on the signature card—NOT the number in the bank’s computer system (which had been changed)—and the fraud began to unravel. A similar attempt on a third victim was subsequently thwarted.

It can be difficult to detect fraudulent activity. Sometimes even the most benign event can be the start of a serious problem. Here, the bank followed their verification procedures and still suffered a loss.

## SIDE NOTES

### REMEMBER TO ENROLL OR RENEW YOUR MEMBERSHIP IN THE ABA (AMERICAN BANKERS ASSOCIATION)

The regulatory reform bill will greatly change the regulatory environment for banks, and ABA will help you understand the major changes and outcomes of the bill. ABA members have full access to ABA’s regulatory experts and ABA’s Regulatory Reform Center at [aba.com/RegReform](http://aba.com/RegReform). Be sure to renew your membership for the 2010-2011 dues year to maintain access to these and other valuable member benefits:

- ≡ **Profit-sharing Opportunity.** Banks that are insureds of ABA Insurance Services and are ABA members are automatically shareholders of American Bankers Mutual Insurance, Ltd. and receive checks when a profit-sharing distribution is declared. To date, \$71.5 Million has been declared with an average check amount of \$3,900 in 2010.
- ≡ **FREE Frontline Compliance Training** keeps your employees up-to-date on compliance with regulations that impact their jobs.
- ≡ **Mortgage Solutions** such as preferred pricing from Fannie Mae and Freddie Mac.
- ≡ **ABA’s Experts-On-Call Program** has experts who are go-to sources for bankers needing information and insights on the banking industry.

For ABA membership information, call 1-800-BANKERS or visit [www.aba.com](http://www.aba.com).

**BANKS AID ELDERLY VETERANS WITH CRIME PREVENTION.** ABA has partnered with the Senior Housing Crime Prevention Foundation to support an initiative aimed at helping veterans in nursing homes to prevent crimes. Learn how your bank can apply for and support this program, call the ABA at 1-800-BANKERS.

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## Beware of fraudulent wire transfer requests, continued

While it is impossible to prevent all criminal activity, **a bank's best defense is to educate frontline employees to be on the alert for suspicious or unusual activity and immediately bring it to their supervisor's attention.** For instance, does the transaction follow the pattern of typical account behavior? The victim in this case was a longtime customer of the bank and had never wired money at all during their relationship, let alone internationally.

**The old adage "know your customer" continues to be relevant,** even in today's electronic age. Encourage your staff to ask questions and explain the recent scams we have seen.

Certainly not every wire transfer is fraudulent. However, we continue to see large losses associated with bogus transfers and we encourage you to closely scrutinize all requests as part of your normal verification procedures.

For more information, contact Jason Hollander, Senior Attorney or Mike Read, Marketing and Sales Manager, at ABA Insurance Services at 1-800-274-5222.

## Welcome Jennifer Lang, our new Senior Underwriter.



**Jennifer Lang** recently joined our underwriting team as Senior Underwriter. She brings 12 years of experience underwriting Professional Liability products for publicly traded companies at Genesis Professional Liability Managers—a wholly owned subsidiary of GenRe/Berkshire Hathaway. She also has 4 years of experience as a Marketing Account Manager for Life Equity, purchasing life insurance policies on behalf of institutional investors and creating portfolios of assets uncorrelated to the stock market.

According to Jennifer, "The best part of both jobs was developing relationships with brokers and helping them find insurance solutions for their clients. I hope to work just as closely with bankers, agents and brokers here at ABA Insurance Services."

Away from the office, she keeps busy with the activities of her four children and currently serves on the Advisory Board for the Cleveland Heights Hockey League as well as the Executive Board of the Roxboro Enrichment Arts program.

Jennifer graduated from the University of Vermont with a BA in History and earned her MBA at Cleveland State University. She is an avid tennis player, playing in college and now hoping to get back into competitive play through the U.S. Tennis Association.

Contact Jennifer at 1-800-274-5222 or [klang@abais.com](mailto:klang@abais.com) to discuss D&O and Bond coverages for your bank.