

***BANK FRAUD DEVELOPMENTS***  
***(SCHEMES, SCAMS AND SCUM)***

Presented by  
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LEONARD  
STREET  
AND  
DEINARD

UNCOMMON WISDOM  
COMMON SENSE®

## How Bad Is It?

- In 2010, 73% of banks reported check fraud losses totaling over \$890 million (over \$1 billion in 2008)
- Attempted fraud exceeded \$11 billion
- 70% of business payments still by check
- 60% of business fraud involves an employee, not detected for 18 months
- Imprisonment rate 2%

# Counterfeit Cashier's and Official Checks

## The Hook

My Dear Brother, Take my salaam and respect. I know this letter will be strange to you, but you are advised, to please cooperate with me so that we can finalize this business. I am Zazi Haji, The personal assistant to late minister of Finance in Iraq, who was killed by the united state war against Iraq. But presently I am on exile in Nigeria. But before the death of my chairman, he has already secured the sum of \$32M (thirty two million United State Dollars) that has been mapped out for the developing of some villages in the country, but it was so unfortunate he could not complete this deal. I as the secondman has successfully removed this money from my country, and since no country can accept us I have decided to deposit this fund in a Security company Overseas. Sir if you are interested in this transaction, you can contact my attorney Hon. Usman Karim on his email [usman2\\_karim@yahoo.com](mailto:usman2_karim@yahoo.com) so that he can explain more to you. Be informed that I have all the certificate and documents to prove that the said amount belongs to me and you only need to help me transfer this money into your account, for I do not like the country you can contact me on my private email box [abdul\\_haji2003@yahoo.com](mailto:abdul_haji2003@yahoo.com) with you telephone numbers so that we can discuss better. Regards Zazi Haji

## The Hook

Marie Eckert of Miller Nash LLP, suggested I contact your firm on behalf of my client regarding a civil action for real estate loan breach. She is out of the office until September 15, and will not be able to provide any services. She advises that my client will be better served by a Minnesota law firm. It will be a privilege to have you represent my client.

I await your email.

Sincerely,  
Sandra Adams  
Adams Realty, Inc.

## The Hook

Dear Counselor:

My Name is (Japanese Name), President of (Japanese Company Name). (Company) is a special steel manufacturing company in Japan, located at (address of company being impersonated). We have a claim against a company in your country for breach of contract.

We seek legal counsel to assist in collecting funds owed us from this customer.

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We believe that by retaining local counsel in our company, this customer will pay us sums owed in order to avoid litigation. We stand ready to provide all supporting documents to substantiate our case for settlement or litigation purposes. Should you wish to pursue this matter with us, please send your retainer agreement with a schedule of fees and any other information that you deem necessary by return e-mail. If you are unable to represent our company, please be so kind as to refer us to a reputable firm or individual practitioner that will be able to assist us. Thank you in advance for your assistance in this matter.

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**Don't Try to Outsmart the  
Scammers**

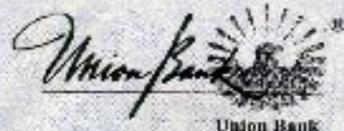
## Law Firms As Victims

- Minnesota - \$400,000
- New York - \$197,750
- Georgia - \$197,530
- Hawaii - \$500,000
- Texas - \$367,000

Texas Attorney Richard T. Howell, Jr.:

“I’m a capital ‘D’  
Dumbass.”

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER



# CASHIER'S CHECK

*Cmy*  
**3536751**

DATE  
09-03-98  
SEP 24 8 2 39  
CANCELED  
ENDORSEMENT  
COUNTERFEIT

Issued by Integrated Systems Inc., Englewood, Colorado  
Wells Fargo Bank Ltd., N.A., Los Angeles, Ca  
**\$2,860.00\*\*** 18-19 1220

PAY  
TO  
THE  
ORDER  
OF  
**RALPH HENRY**

DRAWER UNION BANK

*[Signature]*  
AUTHORIZED SIGNATURE

REMITTER **HENRY JONES**

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK HOLD AT AN ANGLE TO VIEW

⑈ 3536751 ⑈ ⑆ 22000496 ⑆ 056500007 ⑈ ⑆ 0000286000 ⑆

## Regulation CC (12 CFR Part 229)

Funds from cashier's checks (including official checks) must be made available for withdrawal the first business day after deposit.

# What Bankers Should Not Say

- “Yes, that check is good.”
- “Your check has cleared.”
- “The funds are good.”

## Better to say

- “The funds are available for withdrawal.”

## Even better:

- “The funds are available for withdrawal subject to the terms of your account agreement.”

## UCC 4-214

Bank has the right to charge back the account.

# Inside Information Scams





# Identity Theft

- Customer Education
- Multi-factor authentication

# Payroll Check Fraud

- Temporary or transitional employees
- Holder in due course rule
- Pay other ways—direct deposit, stored value cards

# Phishing, Vishing and Pharming

- Official looking email directs victim to website where personal information is supplied
- Victim directed to call telephone number and supply information
- Redirection to illegitimate website through technical means

# Financial Exploitation of Vulnerable Adults

- Symptoms
- Family members
- Responses

# Cyber Attacks

- Distributed denial of services (DDoS) attacks saturate bank websites and overload servers
- Distraction of dealing with the attack can leave bank vulnerable in other areas
- Customer service vs. customer security

# Patco Const. Co., Inc. v. People's United Bank

- Were bank's procedures commercially reasonable?
- System used user ids, passwords, device cookies, risk profiling, challenge questions, dollar amount rule, and e-fraud network subscription
- Bank did not use some of vendor's options—out of band authentication, user-selected picture, tokens, and risk score monitoring

- Bank reduced dollar amount rule from \$100,000 to \$1
- When system warned of fraud, bank did not monitor
- Bank ignored high risk scores generated by system

## Experi-Metal, Inc. v. Comerica Bank

- Company VP forwards a phishing email to controller, who responds and supplies user information
- Info used to put through 93 wire transfers totaling \$1.9 million in six and a half hours
- In previous two years company had executed only 2 wire transfers

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- Recipients of transfers were Moscow, Estonia and China
  - Good faith is not “pure heart and empty head,” but “honesty in fact and observance of reasonable commercial standards of fair dealing”

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Choice Escrow and Land Title, LLC v. BancorpSouth Bank, Case No. 10-03531-CV-S-JTM (W.D. Mo. March 18, 2013)

- Choice sued Bank for putting through an unauthorized \$440,000 transfer
  - In 2009 Bank required its customers to use “Dual Control” for electronic transfers (one customer employee enters and approves the transfer, a second employee logs in and releases funds)
  - Choice waived Dual Control
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- After receiving warning of possible scams, Choice asked Bank if international transfers could be limited
  - Bank again offered Dual Control, Choice again declined
  - Choice had previously sent authorized wires exceeding \$400,000

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“The tension in modern society between security and convenience is on full display in this litigation. Choice understandably feels as though it did nothing wrong, but yet is out \$440,000. BSB, as well, feels as though it has done nothing wrong. In essence, both parties are correct—yet someone must bear the risk of loss.”

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