

Below are a couple of fraud scenarios to be on the lookout for, compliments of Alloya Corporate FCU.

As fraudsters develop increasingly sophisticated ways to con consumers out of their hard-earned money, we, in turn, must elevate our awareness and advance our fraud prevention tactics. At Alloya, our compliance and fraud prevention experts are continuously monitoring evolving fraud trends to keep our members informed.

## Fraud Trends to Watch

- **Large-Dollar IRA Check Deposit Fraud** – Fraudsters use counterfeit cashier's checks or business checks referencing IRA or traditional IRA terms, which prompt the victim to deposit the check at their credit union and then wire funds to an account under the control of a criminal.
- **Government Fraud Alerts** – Offices within the U.S. Department of the Treasury and the U.S. Department of Homeland Security recently published alerts about several fraud schemes.
- **Donation & Charity Scams** – Fraudsters leverage catastrophic events to establish bogus charities aiming to trick consumers.
- **Fraudulent Payments to Hong Kong** – Fraudsters instruct victims to transfer funds to an account in Hong Kong for a fake investment opportunity, typically related to business, property or cryptocurrency.

## Large-Dollar IRA Check Deposit Fraud

### ***The Scheme:***

Fraudsters use counterfeit cashier's checks or business checks referencing IRA or traditional IRA terms, which prompt the victim to deposit the check at their credit union and then wire funds to an account under the control of a criminal. Unfortunately, in many cases, the wire becomes unrecoverable by the time the credit union receives the returned check deposit, resulting in significant fraud losses.

### ***The Solution:***

Alloya strongly encourages your credit union's frontline staff to vigilantly monitor for any irregularities with members' transaction activity. Specifically, when a large check is deposited and a subsequent wire transfer request is made, your staff should be trained to ask members questions and evaluate the activity for potential fraud.

Regulation CC provides provisions for delaying the availability of funds from large check deposits through exceptions (§ 229.13 Exceptions). Alloya recommends reviewing these processes with your staff to ensure they understand when extended holds should be placed on such deposits.

## Government Fraud Alerts

Offices within the U.S. Department of the Treasury and the U.S. Department of Homeland Security recently published alerts about the following fraud schemes.

### **The Scheme: Mail Theft-Related Check Fraud**

On February 27, 2023, the Financial Crimes Enforcement Network (FinCEN) published an alert on a surge in mail theft-related check fraud. FinCEN has observed an increase in fraudulent negotiation of checks stolen from the mail and has provided a list of red flags for credit unions to watch out for to detect, prevent and report such fraudulent activity (FIN-2023-Alert003).

### **The Scheme: Fraudulent Payment Requests Involving OFAC**

On March 2, 2023, the Office of Foreign Assets Control (OFAC) issued a warning regarding current imposter fraud schemes where criminals impersonate OFAC officials and demand payments to release held funds or pay restitution related to an incident. These criminals contact their victims via telephone, email and/or letter (OFAC Alert).

### **The Scheme: Fraudulent Phone Calls Spoofing HSI**

On March 28, 2023, Homeland Security Investigations (HSI) issued an alert to

warn consumers of scammers spoofing phone calls to display false caller ID information to present themselves as government employees (Fraud Alert).

***The Solution:***

Alloya encourages your credit union to review and implement necessary measures to protect against potential losses and comply with regulatory requirements. Educating members is an essential step in mitigating fraudulent payments.

## Donation & Charity Scams

***The Scheme:***

Fraudsters leverage catastrophic events to establish bogus charities aiming to trick consumers. When earthquakes devastated Turkey in February 2023, a vast number of kind-hearted consumers wanted to provide humanitarian aid to help the unfortunate people whose lives upended.

***The Solution:***

Alloya recommends sending funds only to reputable, known charitable organizations in the wake of a natural disaster or catastrophic event. If the beneficiary organization is not known, thorough research should be conducted first. To avoid losses for your credit union and your members, watch for the following red flags.

- **Unusual transaction patterns:** Does the payment request deviate from your member's normal transactional behavior? Does it involve unusual currencies or countries that your member has not previously been associated with?
- **Suspicious third parties:** Does the transaction involve third-party intermediaries or facilitators, especially those that are not well-known or trusted in the industry?
- **Inconsistent or incomplete information:** Is there incomplete or inconsistent information about the beneficiary or the purpose of the donation?

- **Unverified organizations:** Is the charity, non-profit or organization legitimate? How old is the website domain? If the domain was created within the last year according to whois.com, there is a higher probability of fraud.
- **Requests for secrecy:** Have you asked the member whether anyone told them not to disclose specific information about the payment, or to provide false information about the purpose of the funds transfer? Requests to keep the transaction secret, to lie about the payment, or to not involve legal or regulatory authorities can be a sign of fraud.

## Fraudulent Payments to Hong Kong

### ***The Scheme:***

Fraudsters instruct victims to transfer funds to an account in Hong Kong for a fake investment opportunity, typically related to business, property or cryptocurrency. Financial institutions in Hong Kong follow recommended rules issued by The Hong Kong Association of Banks. According to these rules, when handling mis-transferred funds, the financial institution must obtain debit authority from the account owner. As such, these institutions cannot accept an indemnification agreement or a recall request for the recovery of funds involving a fraudulent wire transfer. The only other option available to a victim is to hire legal counsel to obtain a court order in Hong Kong to direct the institution to release the funds back to the victim.

### ***The Solution:***

Alloya recommends evaluating payment requests for potential fraud if the member wants to send an international wire to Hong Kong for a business, property or cryptocurrency investment opportunity, and they do not typically send international wire transfers. Below are some sample questions you can ask your members to assist with your evaluation.

- What is the specific nature of the investment?
- Have you ever met the beneficiary or party you are dealing with in person?
- Were you solicited by any party to invest money?
- What is the website for the person/entity you are dealing with?

- Check the website domain at whois.com to determine the age. If it is one year or less in age, it is not an established business and there is a higher risk of fraud.
- What is your connection to Hong Kong?
- Do you understand that international wire transfers are difficult to recover?
- It can take up to 10-15 business days for a beneficiary institution to act on a recall request. International wire transfers rarely are recovered.

Scammers often instruct victims to withhold information or to lie about why they are sending money. With international wire transfers, it is important to stress the difficulties with recovering funds. Once the funds are posted to a beneficiary account, it becomes the property of the beneficiary.