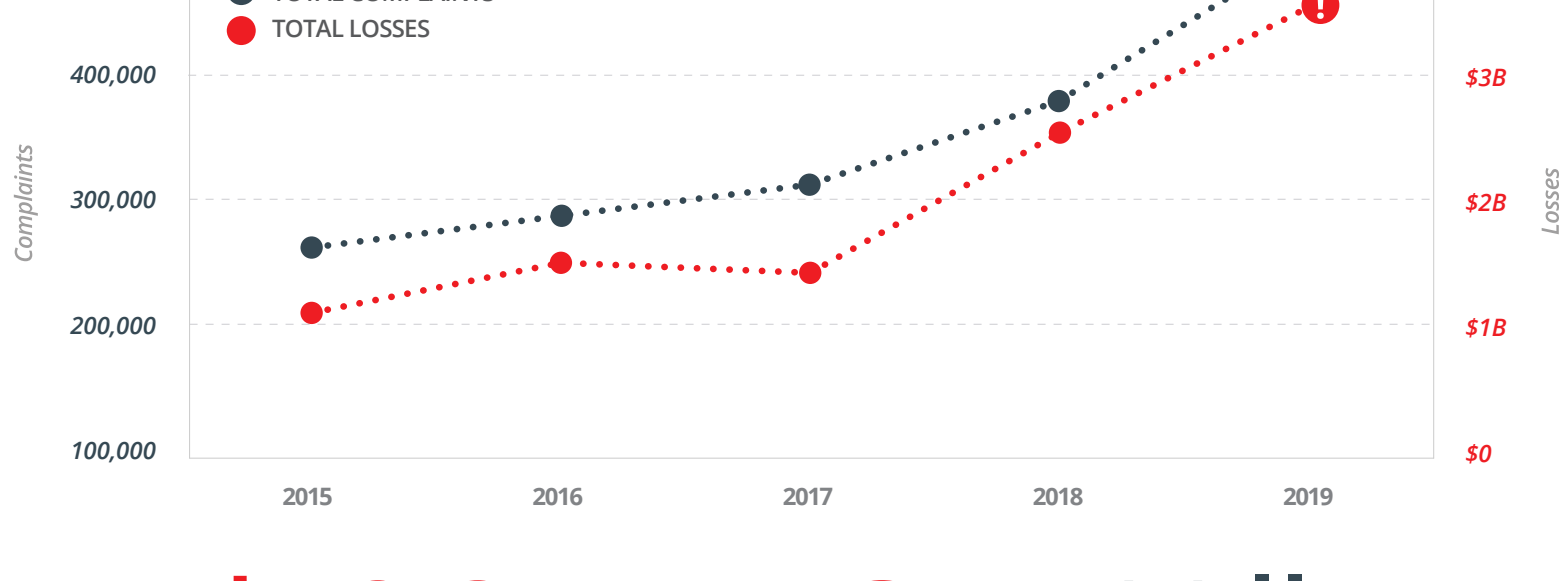


# FRAUD SCHEMES & SCAMS



Fraudsters use a number of deceptive strategies to defraud financial institutions and their customers.

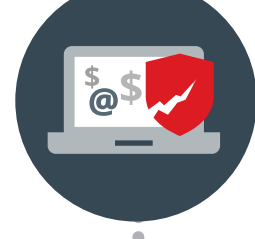
## Fraud instances and losses reached a five-year high in 2019. <sup>1</sup>



**\$10.2 BILLION** in total losses from 2015-2019. <sup>2</sup>

“Criminals are getting so sophisticated. It is getting harder and harder for victims to spot the red flags and tell real from fake.”

<sup>2</sup> Donna Gregory, Internet Crime Complaint Commission (IC3) Chief



## Business Email Compromise

A fraudster intercepts and redirects a transfer of valuables (e.g. wires, gift card purchases) from a financial institution or an organization they serve. <sup>3</sup>



Business Email Compromise (BEC) schemes can be linked to other types of criminal activity including **romance, lottery and employment scams**. <sup>4</sup>



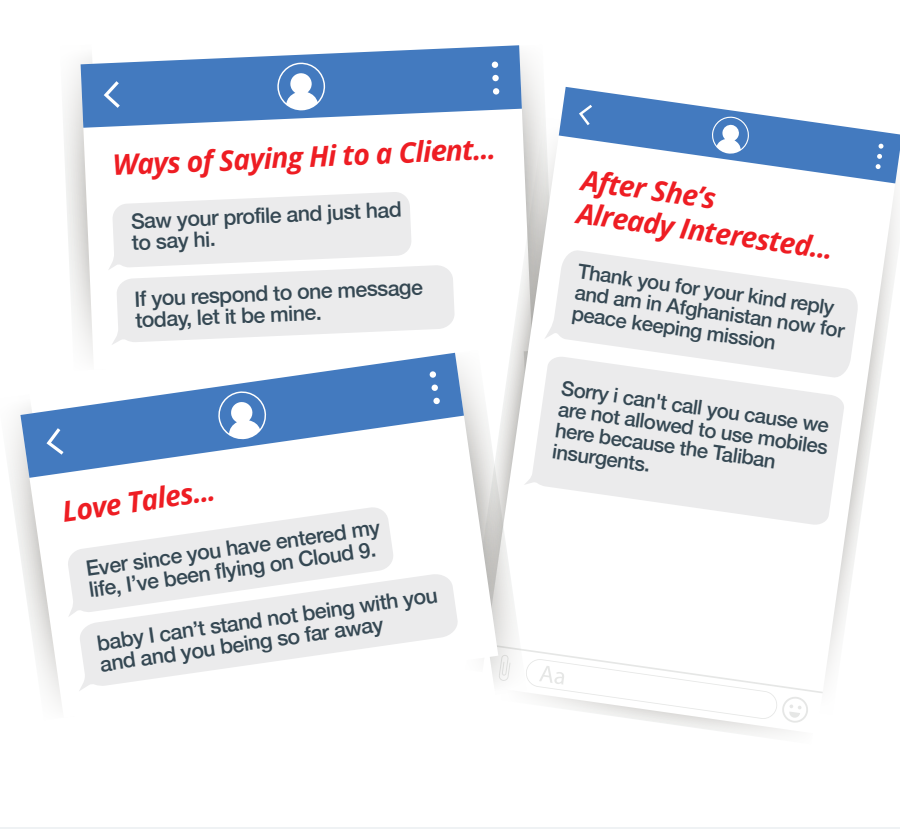
**\$26B** in domestic and international exposed dollar loss from June 2016 to July 2019. <sup>5</sup>



## Romance/Confidence Scams

A fraudster manipulates emotionally vulnerable victims into transferring funds or sending account information. <sup>6</sup>

### EXCERPTS FROM A Scammer's Script <sup>7</sup>



over **19,000** COMPLAINTS identified as romance/confidence fraud in 2019. <sup>8</sup>



over **\$475M** in LOSSES associated with those complaints in 2019. <sup>9</sup>

Often originate overseas where the fraud is part of an underground economy.



Experienced scammers recruit teams of workers.



Scammers claim they live locally but work abroad.



Workers defraud victims with scripts from a playbook, sharing the profit with their superior.



## Lottery/Sweepstakes/Inheritance Scam

Criminals use a fake jackpot or purported large fortune from an unknown family member to convince victims to send funds or share personally identifiable information. Such schemes can be large, coordinated criminal endeavors. <sup>10 11 12</sup>

### Sweepstakes Scam Indictment 2020 <sup>13</sup>

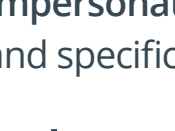
Joint investigation between the USPS, FBI, and federal partners.



Three convicted criminals operating from Costa Rica.



Impersonated federal judges and specifically targeted seniors.



\$11M stolen for insurance, taxes and import fees.

OVER **\$48M** IN LOSSES reported in 2019.



OVER **7700** VICTIMS in 2019.



## Employment Scam

A fraudster poses as a potential employer, convincing victims to process financial transactions, or forward them money or personally identifiable information. <sup>14 15</sup>



- Scammers post fake ads on popular job boards.
- After receiving applications, the criminal contacts victims for a phony interview.
- The scammer convinces the victim to unknowingly launder funds, provide personal information, or pay upfront fees.

There are no quick ways to get rich.

If an investment opportunity seems too good to be true, it probably is.

— Special Agent Ben Williamson FBI <sup>16</sup>

## Sample Employment Scam Correspondence

“I want you to head right away to your bank and get the check cashed. Deduct your first-week pay which is \$500, and Deduct extra \$100 for the Money Gram sending fee and proceed to the nearest Money Gram outlet around you to make payment to my wife travel agent.”

“The Human resources have just reviewed your resume due to the one you posted on www.allstarjobs.com.”



“You are now scheduled for an interview with the hiring manager of the company. Her name is Mrs. Ann Jernigan; you are required to set up a yahoo mail account(mail.yahoo.com) and a yahoo instant messenger.”

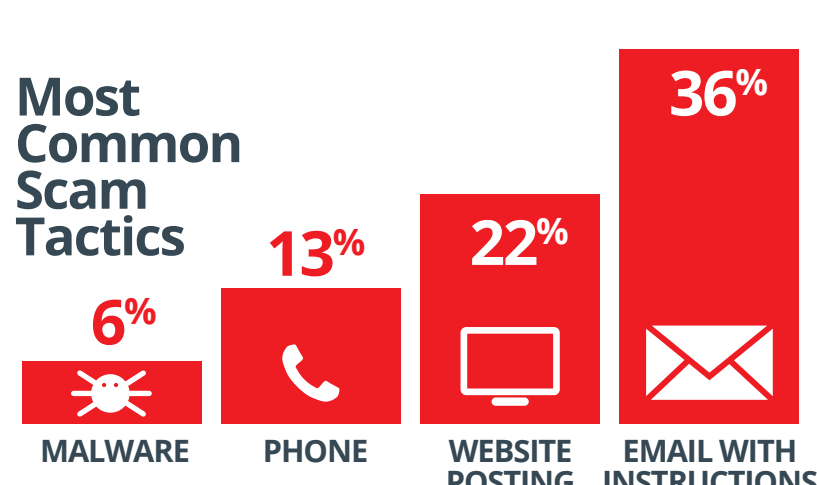
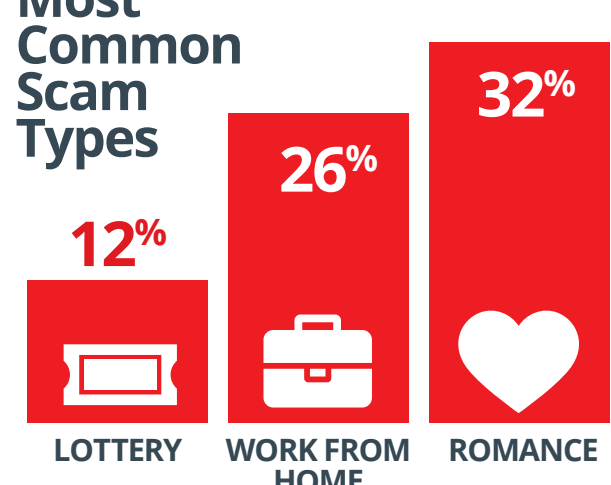
## SCAM SURVEY

In February a survey of 741 FinCEN, Updated Advisory on Email Compromise Fraud Schemes Targeting Vulnerable Business Processes, 2019, www.fincen.gov/sites/default/files/advisory/2019-07-16/Updated%20BEC%20Advisory%20FINAL%200508.pdf

**40% SAID:** more than a third of their deposit fraud losses were from scams.



**63% SAID:** Scams are most frequently funded with a fraudulent check.



## Sources:

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- United States Department of Justice, Members of \$11 Million International Telemarketing Scheme Sentenced to Prison, 2020, www.justice.gov/opa/pr/members-11-million-international-telemarketing-scheme-sentenced-prison
- IC3, Cyber Criminals Use Fake Job Listings to Target Applicants' Personally Identifiable Information, 2020, www.ic3.gov/media/2020/200121.aspx
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- FBI, Lengthy Prison Term for Advance Fee Fraudster, 2015, www.fbi.gov/news/stories/advance-fee-fraudster

## More Resources:



### eBook UNDERSTANDING FRAUD SCHEMES & SCAMS

This guide will help those combating fraud within financial institutions learn more about scam scenarios, including BEC fraud, romance, employment, loan and lottery scams.



### Blog COMBATING EVOLVING BUSINESS EMAIL COMPROMISE SCHEMES

Learn about the challenge of BEC schemes and how a financial crime management system using advanced technology can help prevent and mitigate losses.