

Fake President Fraud on the increase

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Despite repeated warnings there is a continued rise in the number of fraud reports known as 'Fake President Fraud'. These have been costing organisations up to £250,000 or more and have become one of the most widely used fraud schemes, affecting organisations of all sizes.

Mechanics of the fraud

The fraudsters target finance managers, accounts payable clerks, and other employees responsible for bank transfers. With the help of a fake identity, usually imitating a senior member of staff, they persuade their targets to make an emergency bank transfer under the pretext of a highly confidential nature such as an impending acquisition. These type of frauds are well-planned, highly researched and usually carried out by well orchestrated criminal organisations. The perpetrators develop an in-depth knowledge of their target's market, operations, staff structure including key individuals and often their likely clients. They use this knowledge to develop a convincing cover story which will persuade their victims that the fraudulent payment instructions are coming from an authentic and legitimate source.

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Four stages of the fraud:

1. Contact

Once the target employee has been identified, the fraudsters will impersonate a company executive or a trusted partner of the company to make contact via phone (imitating the voice) or email (imitating the email address).

2. Payment request

The fraudster will make an urgent or exceptional payment request, typically to an overseas bank account.

3. Persuasion

The fraudster will make use of one or a combination of the following elements to persuade the target to follow their instructions:

- Authority – ensuring expediency of execution and obedience of the victim.
- Secrecy – establishing a confidential basis isolates the victim from seeking advice from colleagues.
- Trust – the 'chosen' employee is specially selected by the 'CEO' to perform this role.
- Urgency – promotes the likelihood of by-passing standard protocol.

4. Funds transfer

The bank transfers will usually be executed manually and will adhere with the standard protocols and procedures used by companies for exceptional cases.



What should you do now?

The risk of Fake President Fraud can be minimised in your organisation by:

- Promoting awareness amongst your employees of the current frequency and traits of the Fake President Fraud (particularly those in areas likely to being targeted).
- Enhancing organisational compliance around the approval processes connected to financial transfers.
- Only using the contact information from a secure source (such as an internal contact list) for the 'call back' to verify the legitimacy of the request.
- Respecting standard working procedures and protocols dictating the process of raising payments and treating any 'urgent' or 'confidential' requests with suspicion.
- Remaining vigilant and encouraging employees to use their intuition, recommending that if there is any suspicion or doubt, it is always best to check.

Is Fake President Fraud covered by my insurance policy?

Previously, Fake President Fraud and other first and third party fraud incidents were covered in a 'Fraud Policy' or 'Crime Policy' and would be triggered by a 'forged or altered payment instruction, order or invoice'. Following the increased number of fraud cases of this nature, insurers are now more reluctant to cover such incidents and are more regularly restricting this cover.

If you are unsure about your current insurance protection then you can take advantage of our free Crime Insurance Policy Health Check. We will assess your current cover against this and a wide range of other loss types.

Protean is a Lloyd's Broker focusing on the investment, financial services and technology sectors. We have trading agreements with a range of insurers who still offer a comprehensive fraud/ crime policy wording and can assist in the event of such cover being required. Please contact us for further information or if you have any queries. ○

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For more information regarding Fake President Fraud please contact:

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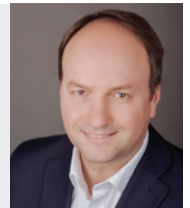


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