



HOME	DEPOSIT INSURANCE	CONSUMER PROTECTION	INDUSTRY ANALYSIS	REGULATION & EXAMINATIONS	ASSET SALES	NEWS & EVENTS	ABOUT FDIC
------	-------------------	---------------------	-------------------	---------------------------	-------------	---------------	------------

[Home](#) > [News & Events](#) > Special Alerts

Special Alerts

SA-17-2003
March 26, 2003

TO: CHIEF EXECUTIVE OFFICER (also of interest to Security Officer)
SUBJECT: Scam Involving Counterfeit Official Checks
Summary: *Counterfeit official checks supposedly drawn on insured financial institutions are being used in a scam that induces people to transfer funds as part of a supposed sale transaction.*

The Federal Deposit Insurance Corporation (FDIC) has recently become aware that counterfeit official checks supposedly drawn on insured financial institutions throughout the United States are being used as part of a scam to defraud consumers. Consumers and financial institutions have sustained financial losses from unwitting participation in this type of fraudulent transaction.

Through reports on counterfeit items forwarded to the FDIC by individuals and financial institutions, the FDIC has put together the following general outline of how the scam occurs.

The scam begins when an individual (seller), who has announced the availability for sale of a large consumer item (car, large appliance, etc.), receives an e-mail from a "buyer" offering to purchase the item. In this scam, most of the sales announcements have been placed on the Internet. The "buyer" tells the seller, either in the initial e-mail or later, that payment will be made with an "official check" and may mention that the check will be purchased by a third party, based in the U.S., who owes the "buyer" money. All of the "official checks" used in these scams have been counterfeit.

These "official checks" are made out for an amount greater than the negotiated purchase price for the item. The "buyer" may mention the discrepancy before sending the seller the check but, in some cases, has not addressed the issue and the seller has asked about it. The "buyers" have given various explanations for the discrepancy, including transportation charges, import/export fees, or that the third party mistakenly purchased the "official check" for an incorrect amount. The "buyer" will then ask the seller to wire the excess funds to the "buyer's" financial intermediary immediately after depositing the "official check," or will ask the seller to send a cashier's check in the amount of the excess funds. The "buyer" will provide the seller with the required wire transfer or mailing information. The "buyer" often will say that the funds need to be returned immediately because of a family emergency (death, illness, etc.).

The FDIC has received reports that a number of unsuspecting sellers have mistakenly accepted a counterfeit official check as payment, believing the item to be authentic. The seller will deposit the "official check" into an account at his or her bank and instruct the depository bank to wire the excess amount to the "buyer's" bank. When the funds are transferred to the "buyer's" bank, the transaction is usually to or through a U.S.-domiciled financial institution. The funds are usually transferred again to a financial institution in Africa, the Middle East or another part of the world.

Discovery that the "official check" is counterfeit usually occurs before any funds are lost by the seller. Some counterfeit checks are of poor quality and are rejected by the seller upon receipt. In other cases, when the seller presents the counterfeit check to the depository bank for deposit, he or she may ask bank personnel about the authenticity of the "official check," or bank personnel may notice a problem with the check and recommend calling the drawn-upon bank to verify its

authenticity. Some banks have advised sellers to wait several days to ensure that the "official check" is paid by the drawn-upon bank before transferring the excess funds to the "buyer" or otherwise using the funds. *Financial institutions should encourage their customers to verify the validity of official checks before releasing any merchandise, transferring funds to a third party or spending any of the proceeds.*

The FDIC urges financial institutions to review Federal Reserve Board Regulation CC - Funds Availability (12 CFR Part 229), which provides guidelines and requirements concerning when deposited funds are to be available to bank customers. Institutions are also encouraged to review internal controls regarding funds availability to ensure policies and procedures are adequate to limit exposure to financial and reputation risk associated with this type of fraudulent activity.

Information about this scam may be forwarded to the FDIC's Special Activities Section, 550 17th Street, NW, Room F-4040, Washington, DC 20429, or transmitted electronically to alert@fdic.gov.

For your reference, FDIC Special Alerts may be accessed from the FDIC's Web site at www.fdic.gov/news/news/SpecialAlert/2003/index.html. To learn how to automatically receive FDIC Special Alerts, Financial Institution Letters and other announcements through e-mail, please visit www.fdic.gov/news/news/announcements/index.html.

Michael J. Zamorski
Director

Distribution: FDIC-Supervised Banks (Commercial and Savings)

NOTE: Paper copies of FDIC Special Alerts may be obtained through the FDIC's Public Information Center, 801 17th Street, NW, Room 100, Washington, DC 20434 (1-877-275-3342, option 5, or (703) 562-2200).

Last Updated 03/26/2003

communications@fdic.gov

