

A computer monitor is shown from a low angle, with its base and stand visible. The monitor is on a dark surface, and the background is a light blue gradient. The text is overlaid on the image.

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Investments: topical financial
scams and misappropriation

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Internal Fraud : The Executive Fraud Triangle

“Trusted persons become trust violators when they conceive of themselves as having a financial problem which is non-shareable, are aware this problem can be secretly resolved by violation of the position of financial trust, and are able to apply to their own conduct in that situation.

¹Donald R. Cressey, *Other People's Money* (Montclair: Patterson Smith, 1973) p. 30.



Internal Fraud : The Threat from Within

Internal or employee frauds are when fraud is committed against a company or an organisation by a person working for it.

The fraud triangle

originated from Donald Cressey's hypothesis

The Fraud Triangle:

A framework for spotting high-risk fraud situations

Pressure

Financial or emotional force pushing towards fraud

FRAUD

Opportunity

Ability to execute plan without being caught

Rationalization

Personal justification of dishonest actions

Internal Frauds

Banks and financial institutions

- Theft from Customers;
- Credit Abuse ;
- Money Laundering ;
- Procurement Fraud ;
- Trading Fraud ;
- Expenses and Payroll ;
- Data Theft.



Internal Fraud :

How does it impact the bank or financial institution

- The impact of such events can be devastating, not least the financial implications.
- As well as the huge financial losses, the damage to the reputation of the bank can be significant.

Internal / External Fraud : Fake President Fraud

- **How the fraud works ?**
 - 1. Establish contact**
 - 2. Urgent and exceptional request**
 - 3. Persuasive dialog**
 - 4. Transfer order**

Fake President Fraud

In 2014, tire manufacturer **Michelin** was robbed of **1.6 million euros** by means of "fraud to the president". The previous year, **Eurocopter, Groupe Zannier, Valrhona, Vinci** and **Saint-Gobain** were also victims, in France?

In the US Groups such as **Coca-Cola, Hilton, Virgin or Nestlé** were also hit by fraudsters in 2013. Last year, **Mattel** lost \$ 3 million, which the company was able to recover from the intervention of the authorities Chinese and May 1st holidays that had slowed down the transaction.

Social engineering

But why is CEO fraud proving so effective?

because this type of email can more easily bypass spam filters and antivirus security systems.

It doesn't need attachments carrying malware, it's just a conversation. **It's very low-tech** and a big departure from the large, automated malware attacks we're used to.

TOP 5 Frauds

TOP 5 DES TENTATIVES DE FRAUDES



10% des entreprises attaquées subiraient un préjudice supérieur à 100 K€

87% des entreprises redoutent en priorité un impact sur leur trésorerie

1. Fake President Fraud;
2. Cyberfrauds (ransomware, virus, trojan etc...)
3. Fake Suppliers (Vendors) Fraud;
4. ID Fraud
5. Fake customer's fraud

What about small businesses

Small businesses are particularly vulnerable to fraud because they lack the resources to implement complete systems of internal controls and properly segregate accounting duties among their limited staffs.

Your company is defrauded just because you offered the opportunity to one of your “trustee” employee.

Be Wise : don't give the opportunity

Stay Safe : Stay "fraudless"

If you have any doubt : just DO NOT.

Remember :

- 1. If it is too good to be true : it probably is !**
- 2. There is no free lunch.**
- 3. If you receive a mail or a phone call from "your Boss" always call him back on verified phone number. At least convey the information to your immediate supervisor.**
- 4. Strictly follow internal procedures: No exception !**

Thank You !

