



Financial Frauds and Regulation

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Recent Scams and modi-operandi

- **1. Identity theft**

- ✓ Phishing (Mails)
- ✓ Vishing (VoIP)
- ✓ Smishing (SMS)

In which you are provided a link to click

- ✓ Pharming (DNS ou DNS Cache Poisoning)

Recent Scams and modi-operandi

- 2. Modern Ponzi Schemes

- ✓ HYIP (High Yield Investment Program)
- ✓ Phony Ancient Manuscripts Investments (Aristophil)
- ✓ Self-Liquidating Loans (Ponzi Schemes on loans)

In 2015, 61 Ponzi schemes have been dismantled in the USA : **one per week**, resulting in \$ 800 million in losses to investors, according to the "Ponzitracker" site. The most affected states are Texas, California and Florida.

Recent Scams and modi-operandi

- 3. CEO's Scam or « Fake President » Fraud

✓ How the fraud works :

By using a fake identity, this scam consists in convincing the employee of a company to make an emergency bank transfer to a third party, in order to obey an alleged order of a leader under the pretext of a debt to pay, a provision in contract or a deposit, for instance.

Recent Scams and modi-operandi

- 3. CEO's Scam or « Fake President » Fraud

(Source : Deloitte – Luxembourg)

“These type of frauds are created by well organized criminal organizations with a complete knowledge regarding the market, structure and customers of the companies they are attacking. This knowledge is used to give them all necessary arguments to convince their victim and act in the wanted direction.”

Typical Scenario :

- a) Establish contact
- b) Urgent and exceptional request
- c) Persuasive dialog
- d) Transfer order

Since 2010, banks & big companies lost over 600 million €

Recent Scams and modi-operandi

4. Invoice Re-direction Fraud : IBAN change

Key Details :

1. EU businesses are increasingly experiencing attempted invoice re-direction fraud.
2. This involves a creditor's beneficiary details being fraudulently altered.
3. The business is misled into believing that a beneficiary's bank account details have been changed and so funds that are due to be paid out are transferred to a fraudulent account.
4. Attempts such as this could be successful if the change of details request is not confirmed directly with the source supplier- use a phone number from your files, not from the letterhead of the suspect letter.

Recent Scams and modi-operandi

4. Invoice Re-direction Fraud : IBAN change

The email notifying the change of details may be in the name of someone that the receiver is used to dealing with, however the fraudsters will have created a bogus email account and the sender's name which will carry a minor variation, see following examples:

james.ryanabcd@hotmail.com (genuine)

jamesryanabcd@hotmail.com (bogus)

liz.smythabcd@stantons.com (genuine)

liz.smythabcd@stantonz.com (bogus)

Recent Scams and modi-operandi



This Ad is brought to persons involved in Panama Papers by



Recent Scams and modi-operandi

6. Bank bankruptcy

Landsbanki Lux (a subsidiary of the Icelandic bank)
Investments of the bank lost the bulk of their value,
hence the complaints from investors who were promised
a risk-free investment.

Insurance company bankruptcy

- Excell Life (Elix 36 Fund)

The paradox of prudential under/over regulation ?

- **Are we under regulated ?**

So that we experience scams, frauds, misappropriations, lack of liquidity, financial & insurance sectors' bankruptcy, corruption etc, exposing the economy to future financial crises.

- **Are we over regulated ?**

The other side of the regulation paradox is that crisis resulting with unanticipated high costs may induce over-regulation and stagnation.

Actual trend in regulation?

- Due to the high level of financial crimes :
- The estimated amount of crime proceeds laundered by using offshore companies located in non cooperative countries.
- The high level of indebtedness of many countries

**The trend of financial/AML
regulation is on the rise**

Are we overregulated ?

- The answer is clearly : yes
- Why : because we declared war on money laundering.
- But : regulation is costly especially for the financial sector and obligated persons.
- For very small companies, the problem seems insurmountable.

What to do?

- No choice : just comply
- But AML/TF regulation has to be adapted to the size of the company.
- transform this constraint into opportunity !
- Have a (small) audit of your company and put in place AML procedures adapted to the size of your company.
- Take advantage of this change to adapt the way you work to the last technologies.



Thank You !

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