

CASH MANAGEMENT

3rd QUARTER 2024

PAYMENTS NEWSLETTER

FOR TREASURY CUSTOMERS

Nacha Operating Rules Effective October 1, 2024

- **Codifying Expanded Use of Return Reason Code R17** - allows RDFIs to return an entry believed to be fraudulent using Return Reason Code R17.
- **Expanded Use of ODFI Request for Return/R06** - allows an ODFI to request a return from the RFI for any reason.
- **Additional Funds Availability Exceptions** - provides RDFIs with an additional exemption from the funds availability requirements to include credit ACH entries that the RDFI suspects are fraudulent.
- **Timing of Written Statement of Unauthorized Debit** - allows a WSUD to be signed and dated by the Receiver on or after the date on which the Entry is presented to the Receiver, even if the debit has not yet been posted to the account.
- **RDFI Must Promptly Return Unauthorized Debit** - requires that when returning a consumer debit as unauthorized in the extended return timeframe, the RDFI must do so by the opening of the sixth Banking Day following the completion of its review of the consumer's signed WSUD.

PROMINENT CURRENCY SCAMS:

What They Are and How to Avoid Them

A prominent virtual currency scam continues to be a cause for concern for financial institutions. These scams are referred to as “pig butchering,” as they resemble the practice of fattening a hog before slaughter. The victims in this situation are referred to as “pigs” by the scammers, who leverage fictitious identities, the guise of potential relationships, and elaborate storylines to “fatten up” the victim into believing they are in trusted partnerships. The

scammers then refer to “butchering” or “slaughtering” the victim after victim assets are stolen, causing the victims financial and emotional harm. In many cases, the “butchering” phase involves convincing victims to invest in virtual currency, or in some cases, over-the-counter foreign exchange schemes — all with the intent of defrauding them of their investment.

How Pig Butchering Scams Work

Pig butchering scams are sophisticated and often follow a well-orchestrated process to deceive victims and steal their money. While there are some variations, these scams typically follow a similar pattern:

1. **Creating a fake persona:** Scammers create online identities, often posing as successful investors or attractive singles on dating apps and social media.
2. **Initiating contact:** Scammers will contact potential victims via dating apps, LinkedIn, or even random phone calls and texts.
3. **Building trust:** Scammers spend weeks or months building a relationship with the victim, often faking romantic interest.
4. **Introducing investments:** Once trust is established, the scammer steers the conversation toward investments, often involving cryptocurrency or foreign exchange.
5. **Prompting deposits:** The scammer convinces the victim to download a supposed investment app or investment platform.
6. **Manipulating further investment:** Once the victim has made an initial deposit, the scammer uses manipulated data and fake reports to show huge returns on the investment.
7. **Vanishing act:** Eventually, when the scammer has extracted as much money as possible from the victim, they abruptly cut off all communication and disappear.

People from all walks of life have fallen victim to the scam, which typically is run by organized criminal groups based in Southeast Asia that often rely on workers who have been trafficked into forced labor. The gangs carefully research their victims and spend months or

years gaining their trust. Often, they allow victims to withdraw large sums of money to boost their confidence that the investment scheme is legitimate.

Key Takeaways

- Pig butchering scams use fake online personas to trick victims into fraudulent investments.
- Scammers gain trust, manipulate emotions, and exploit financial vulnerabilities to steal money.
- Real-life examples show the devastating financial and emotional impact on victims.
- Spotting signs like unsolicited messages and verifying information can help avoid scams.



If you encounter one or more of the warning signs above, ignore the person or politely end the conversation while blocking the contact. Remember, legitimate

investment opportunities rarely come from unsolicited messages or chance encounters online. If someone you don't know recommends an investment or encourages you to invest, proceed with extreme caution. If scammed, you should contact us immediately and report any information you have to law enforcement.

IMPORTANCE OF DAILY ACCOUNT REVIEW AND RECONCILIATION

Financial management is a cornerstone of any successful organization. It involves planning, organizing, controlling, and monitoring financial resources to maximize value and ensure stability. From monitoring cash flow and detecting potential fraud to looking for errors and verifying transactions, it's wise to check your bank account every day.

Early Detection of Errors and Fraud

Daily reviews help to identify discrepancies, errors, and unauthorized transactions promptly. ACH transactions that contain the SEC Codes CCD and CTX and checks presented for payment must be returned the same day they are presented to ensure funds can be credited back to your account.

It is important that you are a part of timely detection in preventing financial losses and mitigating risks.

Strengthened Internal Controls

Internal controls help safeguard your organization and further its objectives by tracking progress towards various goals and targets, ensuring compliance with laws and

regulations. Strong internal controls help reduce risk in your organization by protecting the company's resources and play an important role in detecting and preventing fraud. It is important to remember that implementing controls is not the same as compliance, so it's critical to identify and implement strong controls, as well as to make sure employees maintain compliance with control protocols, such as by performing internal reviews or audits.

If you have questions about the newsletter or would like more information on fraud mitigation tools and service offerings, please contact your banker today!!