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We wish to alert you to a scam that several firms insured by XL have reported. We have heard that other LPL carriers have received similar incident reports. The scenarios are not exactly alike but roughly follow this story line.

A foreign corporate client hires the firm via email or the internet to collect a large debt that a US company allegedly owes the client. The client encourages the firm not to initiate collection efforts because the debtor has promised to pay the funds very soon. Shortly thereafter, the firm receives payment from the debtor in the form of a very real appearing cashier's check that arrives via overnight mail. The firm deposits the check in its client trust account and receives its local bank's conditional approval to utilize the funds. Then the client urgently requests that the firm wire a large portion of the funds to a foreign bank account to satisfy a separate financial obligation of the client. When the cashier's check finally reaches the Federal clearinghouse, it is determined that the cashier's check is fraudulent and the funds are disapproved. By then, the "client" has received the wire transfer and has made off with the funds. The firm is faced with a shortage in its client trust account and may be sued by its bank for the overdraft.

We wish to remind our firms of the importance of taking reasonable steps to choose new clients carefully. We also suggest that our firms withhold wire transfers until the Bank confirms that it has unconditionally released the funds.

Kind Regards,

Greg Hayden
Vice President