



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

July 25, 2003

Notice 03-39

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

Fraudulent Federal Reserve Note Schemes

DETAILS

In a supervisory letter (SR 03-14) dated July 16, 2003, the Federal Reserve Board announced that it has become aware of the growing use of altered Federal Reserve Notes as part of illicit investment schemes. The notes are in face amounts of \$1 billion, \$100 million, or \$50 million or some other large amount and have “coupons” attached to them. (A sample picture of a note is shown in the SR letter.)

Except for coins, U.S. currency is in the form of “Federal Reserve Notes.” The notes are designed and printed by the Bureau of Engraving and Printing of the U.S. Department of the Treasury and are circulated through the 12 Federal Reserve Banks in the United States. There should be no confusion between the phony notes and legitimate U.S. currency.

Federal law enforcement authorities have asked the Federal Reserve to advise individuals, banking organizations, and other entities who have been contacted regarding the phony Federal Reserve Notes to contact the local offices of the agencies. This includes the field offices of the Federal Bureau of Investigation, U.S. Secret Service, U.S. Bureau of Immigration and Enforcement, or Internal Revenue Service’s Criminal Investigation Division.

ATTACHMENT

The Board's SR letter dated July 16, 2003, is attached.

MORE INFORMATION

For more information, please contact a senior special investigator in the Board's Special Investigations Section of the Division of Banking Supervision and Regulation at (202) 452-6488 or (202) 452-2289. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at <http://www.dallasfed.org/banking/notices/index.html>.



**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

SUBJECT: Fraudulent Federal Reserve Note Schemes

Over the past several years, the Federal Reserve has issued various advisories relating to bogus investment schemes involving phony "prime bank" notes, letters of credit, and guarantees, and other financial instruments. In May 2002, in [SR letter 02-13](#) the Federal Reserve once again highlighted the dangers associated with investment schemes that promise very high rates of interest that are, among other things, supposedly generated through secret trading programs involving financial instruments. That SR letter listed the general characteristics or "red flags" of illicit financial instrument investment scams.¹

Since the issuance of the Federal Reserve's last pronouncement about fraudulent investment schemes in 2002, Board staff has become aware of the growing use of altered Federal Reserve Notes as part of illicit investment schemes. The notes are in face amounts of \$1 billion, \$100 million, or \$50 million or some other astronomically large amount and have "coupons" attached to them. They often look like the picture to the right.

Except for coins, U.S. currency is in the form of "Federal Reserve Notes." The notes are designed and printed by the Bureau of Engraving and Printing of the U.S. Department of the Treasury and are circulated through the 12 Federal Reserve Banks in the United States. These notes are familiar -- they are the money in our pockets -- and are in general circulation in this country and abroad in \$1, \$2, \$5, \$10, \$20, \$50, and \$100 denominations. It would appear that there should be no confusion between the phony notes and legitimate U.S. currency. However, fraudsters often falsely claim that the altered Federal Reserve Notes that they hold are somehow very special (for example, they are part of a secret trove of notes issued by the Federal Reserve under unusual circumstances that have been hidden for decades in secret locations abroad) and are not known to the public because they are so secret. The fraudulent notes -- one example of which is set forth above -- are worthless.²

Board staff is also aware that wrongdoers have been falsely claiming that the "notes" can be taken to banks and other financial institutions to be used to collateralize loans or traded as part of an investment program. They cannot be used for any purpose whatsoever because they are entirely bogus.³

Federal law enforcement authorities have asked the Federal Reserve to advise individuals, banking organizations, and other entities who have been contacted regarding the phony Federal Reserve Notes to contact the local offices of the agencies. This includes the field offices of the Federal Bureau of Investigation, U.S. Secret Service, U.S. Bureau of Immigration and Enforcement, or Internal Revenue Service's Criminal Investigation Division.

Reserve Banks are asked to distribute this SR letter to the domestic and foreign banking organizations supervised by the Federal Reserve in their districts. Questions concerning this matter should be directed to a senior special investigator in the Special Investigations Section of the Division of Banking Supervision and Regulation at (202) 452-6488 or (202) 452-2289.

Herbert A. Biern
Senior Associate Director

Cross-Reference: [SR letter 02-13](#)

Notes:

1. SR letter 02-13 can be found on Federal Reserve's website at <http://www.federalreserve.gov/boarddocs/SRLETTERS/2002/sr0213.html>.
2. Other samples of doctored Federal Reserve Notes and examples of Federal Reserve Note scams can be found at <http://www.ny.frb.org/bankinfo/fraudscams/pg2.html>.
3. Sometimes Federal Reserve Notes are altered to become "Federal Reserve Bonds" rather than notes. The Federal Reserve does not issue bonds of any nature.

