

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

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December 7, 1971

To the Chief Executive Officers of All State Member
Banks in the Second Federal Reserve District:

Information recently received reveals that banks are being victimized by persons depositing forged checks and by bogus wire transfers of funds. These checks, normally drawn in large amounts upon reputable large corporations, are deposited to the account of the payee, and no attempt is made to withdraw funds until 10 days or more after deposit. The quality of the forgeries is so good that perpetrators of this fraud are apparently confident the forgeries will not be detected.

A careful review of large deposits made to recently opened accounts, particularly when cash withdrawals or certified checks are requested, may be advisable.

With respect to bogus wire transfers of funds, a recent situation involved a \$2 million wire transfer (with valid code) that was purportedly sent by a bank on the West Coast to a bank on the East Coast. The transfer was for a company account recently opened in a branch of another East Coast bank. Among other apparently normal transactions at the branch, a cash withdrawal was made and a wire transfer to a third East Coast bank was requested. A cash withdrawal was scheduled from the last bank, but was stopped by law enforcement agencies that had reason to suspect that the West Coast bank had not actually made the original wire transfer.

In view of the foregoing, it is suggested that State member banks carefully review the validity of large wire transfers of funds.

Alfred Hayes,
President