



# THE FINANCIAL INTELLIGENCE UNIT

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## **FRAUD TYPOLOGY: PHISHING AND CHEQUE FRAUD**

### **SUMMARY:**

On 10 February 2024, the Financial Intelligence Unit received a Suspicious Transaction Report from a local commercial Bank. The Bank informed that a local law firm (the Firm) deposited a cheque in the amount of US\$300,000.00 into an account at the local commercial bank (the Bank), representing funds intended for a potential client seeking legal services. However, within one week of the deposit, the Firm processed an outgoing wire transfer of US\$298,000.00 to an international recipient, citing the reason as 'client funds returned to sender' at the client's request. One month later, the original cheque was returned by the Bank due to its ineligibility for clearing, resulting in the Firm's account being overdrawn. In response, a recall was placed on the outgoing wire transfer, and the full amount was successfully retrieved, rectifying the overdraft situation. This incident raises concerns regarding lack of customer due diligence and the risk associated with international wire transfers, particularly in situations where cheque clearance and fund availability are not immediately confirmed

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### **TIMELINE OF EVENTS:**

#### **Deposit of Funds by Third-Party Entity:**

- On the 1st of January, the firm processed a deposit of a large cheque issued by "Commonwealth Brews LTD", acting on behalf of a potential client. The involvement of a third-party entity, Commonwealth Brews LTD, in facilitating the deposit of funds introduces an element of risk, as the firm is relying on an intermediary to manage client-related financial transactions.

#### **Unverified Outgoing Wire Transfer:**

- On the 14th of January, the firm proceeded to initiate an outgoing wire transfer of the full deposit amount, minus a deduction of \$2,000, which is assumed to be retained as payment for the firm's services. The wire transfer was directed to an international entity based in a foreign country. This action, conducted without proper verification of the cheque's authenticity, constitutes a failure of due diligence in confirming the availability of the funds.

#### **Returned Bank Draft and Wire Recall:**

- On the 20th of February, the bank draft issued by “Commonwealth Brews LTD” was returned due to its ineligibility for clearing, indicating that the cheque was either invalid or drawn from an account with insufficient funds. This event prompted The Bank to initiate a successful recall of the outgoing wire transfer.
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## **POSSIBLE FRAUD TYPOLGIES:**

### **1. Phishing Scheme:**

- Open-source research into the address associated with the outgoing wire transfer revealed that it was linked to a known phishing scheme targeting legal service providers. Phishing schemes typically involve the use of deceptive emails, websites, or communications to obtain sensitive information. In this case, the fraudulent address indicates that the wire transfer may have been part of a broader effort to manipulate the firm into disbursing funds to an unauthorized third party under false pretenses.

### **2. Cheque Fraud and Misrepresentation:**

- The cheque involved in the transaction was drawn in a manner designed to misrepresent the identity of the issuer, appearing as if it was issued by a reputable local entity. This deliberate misrepresentation of the cheque’s origin constitutes cheque fraud, where the fraudulent actor seeks to deceive the firm by presenting a seemingly legitimate financial instrument, thereby facilitating the unauthorized transfer of funds.

### **3. Wire Fraud**

- The firm came close to falling victim to **wire fraud** as a result of conducting a wire transfer to an **unknown third party**. This transaction, conducted without sufficient verification of the recipient's identity or the legitimacy of the request, highlights vulnerabilities in the firm’s wire transfer procedures. Had the transaction not been flagged and recalled, the firm would have experienced significant financial losses, demonstrating the risks associated with insufficient due diligence in international financial transactions
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## **OUTCOME AND RECOMMENDATIONS:**

### **1. Enhanced Due Diligence**

- All potential clients should be fully vetted using open-source intelligence as well as verifying the identities of all the people involved.
- Further due diligence should be carried out when dealing with cold emails with no referrals.

### **2. Verification of Source of Funds:**

- There was a clear misrepresentation based on the name of the cheque being “commonwealth brew ltd’ instead of the correct “commonwealth brewery ltd”.
- Communication with the bank regarding the clearance of funds from the cheque should have been completed before a wire was carried out.

### **3. Transaction Reporting:**

- The transaction should have been filed and reported to the Financial Intelligence Units (FIU) or other relevant regulatory bodies.

All relevant intelligence and documents obtained by the FIU were forwarded to Law Enforcement Authorities for investigation. A Spontaneous Disclosure was also forwarded to the relevant Foreign Financial Intelligence Unit.