# The “Fake President” Fraud: What It Is and How Multinational Companies Can Protect Themselves

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By Rebecca L. Marks

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Have you heard of the “fake president” fraud? Despite the name, it has nothing to do with politics; it is a worldwide financial scam that has affected hundreds of multinational companies, especially companies in Europe. It started a few years ago, but it is still claiming victims, so multinational companies may want to keep it on their radars. Given that the fraudsters may not be brought to justice and the money may never be recouped, employers may want to focus on prevention, which involves ensuring that policies are well crafted and, most importantly, that employees are well trained.

One victim was the French cinema company Pathé, which lost 19 million euros when two of their Dutch subsidiary’s senior employees were convinced by an imposter board of directors to transfer funds for a fake acquisition in Dubai. There are dozens of other well-known victims in many countries with losses in the millions of dollars.

Here’s how the “fake president” fraud generally works, but of course the precise details can vary:

The scammer identifies a multinational company and a target individual at a subsidiary of the company who might have access to company bank accounts, like a payroll accountant or controller.
The target gets an email, a direct phone call, or both from someone claiming to be the chief executive officer or president of the parent corporation. If the target looks them up, the identifying information will be correct. These scammers do their homework! Having heard a recording of one of these phone calls (in French), I was struck by the fact that the scammer’s accent was perfect—distinguished and

sophisticated; it was exactly as one might imagine a chief executive of a French multinational corporation would sound.

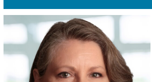
The scammer tells the target that the company is in the process of completing a large acquisition or similar deal that is not yet public knowledge and therefore highly confidential. The scammer also tells the target that he or she may not disclose the information to anyone, not even his or her supervisor.

The scammer tells the target that he or she needs “earnest” money, a first deposit, or even greater amounts to secure the deal, and that the target was chosen because of his or her ability to be discrete, and of course, his or her loyalty to the company. Most importantly, the scammer emphasizes that the transfer of money is all very urgent or the company’s competitor may beat the company to the deal.

If flattery does not work, the caller/emailer becomes more officious and demanding, and tells the target that if the deal falls through, it will be the target’s fault. The scammer may even threaten the target’s job.

The scammer then provides the bank details and the amount to transfer. The employee complies, and the money disappears.

Multinational companies may want to make it a point to update their trainings and ensure that all employees with access to company funds know the steps they must take to verify any requested transfer of funds and the consequences if they do not follow protocol. Organizations can encourage employees to be skeptical and inform them that, despite calls for secrecy, they must always have someone more senior clear any unusual transfer before it can be made. Finally, if the employees are still unsure whether to fulfill the request, companies can designate someone internally to whom any unusual transaction request can be referred.



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