

## **FRAUD ALERT**

I was recently advised of a new wave of trust account frauds. Note this is a fraud, and not a scam, in that bogus cheques are prepared by the fraudsters using the lawyer's trust account information. The bogus cheques (usually in amounts of less than \$20,000) are then cashed (deposited) by the fraudster with the hope that they will be honoured by the financial institution.

Current information is that there have been 6 recent incidents in Alberta and 3 in Manitoba. These incidents have either been identified by the financial institution(s) (usually after the cheque cleared the trust account), or by law firm staff, and to date, the financial institution(s) have covered the shortfalls. In all cases, the financial institution(s) required the firms to close their trust account and open a new one because the security system was compromised (cost of time and money to the lawyer).

In light of these incidents, it is recommended that all firms be even more vigilant in monitoring their accounts. The following is essentially a reproduction of an article in Manitoba's May 2011 *Comminque* which provides some suggestions as to what you can do to protect your trust (and general) bank accounts from similar frauds.

1. Do your monthly trust reconciliations on a timely basis to identify fraudulent withdrawals from your trust account as soon as possible. Your ability to recover the stolen funds from your financial institution may be affected by the length of the time it takes you to notice and report the fraudulent withdrawal.
2. Keep your cheque books and cheque stock locked up.
3. Never sign cheques in blank and do not use a signature stamp.
4. When ordering cheques, get a continuous set of cheque numbers. This will make it easier to notice and track cheques written out of sequence.
5. Talk to your financial institution about setting up your accounts so they can be monitored on-line daily on a read-only basis. On-line monitoring can be a very useful safeguard. However, Law Society Rules only permit withdrawal of trust funds using a trust cheque. Therefore, on-line transfers and withdrawals of trust monies are not permitted. If your financial institution is not prepared to allow read-only access, and won't let you have restrictions on transfers, bill payments and withdrawals from the trust account, you may have to consider moving your trust account to a more accommodating financial institution.

*Fraudsters are out there and targeting lawyers' trust accounts.  
Your vigilance can help protect you from becoming a victim.*

If you experience any similar incidents, please obtain copies of the cheques and contact John Allen, CA at 569-8242.