



Fox Rothschild LLP
ATTORNEYS AT LAW

FEBRUARY 2012

SECURITIES INDUSTRY PRACTICE

ALERT

EMAIL IS GREAT...UNTIL IT IS A FRAUD

By Joshua Horn

FINRA recently put brokerage firms on notice of a new email scam involving requests for the withdrawal or transfer of funds. This latest scam should put all broker-dealers on notice to review your policies and procedures governing withdrawal or transfer requests to third-party accounts, particularly if they allow such requests to be made through email.

Such policies and procedures, FINRA suggests, should be geared toward ensuring that the email actually originates with a client and toward responding to red flags. These red flags include, among other things, requests that are out of the norm for the client in question, requests that funds be transferred to an unfamiliar third-party account, requests of an urgent nature or those designed to deter verification of the transfer instructions.

Considering the depth and skill of hackers, you cannot necessarily trust that a reply email to confirm

the instruction is actually going to the client, as opposed to a hacker.

It seems to me that the best approach, short of barring acceptance of email requests, would be to use some old-fashioned technology — the telephone. All too often we tend to stand behind emails because it is such an easy thing to employ. Yet, faced with this new area of fraud, a simple confirmatory call to a client will go a long way to ensuring the viability of the request.

If the request is not valid, think of how happy the client will be that you thought enough to call. In other words, some simple client service could go a long way to protecting you and your clients.

If you have questions regarding this Alert, please contact Joshua Horn at 215.299.2184 or jhorn@foxrothschild.com or any member of Fox Rothschild's Securities Industry practice.



Fox Rothschild LLP
ATTORNEYS AT LAW

© 2012 Fox Rothschild LLP. All rights reserved. All content of this publication is the property and copyright of Fox Rothschild LLP and may not be reproduced in any format without prior express permission. Contact marketing@foxrothschild.com for more information or to seek permission to reproduce content. This publication is intended for general information purposes only. It does not constitute legal advice. The reader should consult with knowledgeable legal counsel to determine how applicable laws apply to specific facts and situations. This publication is based on the most current information at the time it was written. Since it is possible that the laws or other circumstances may have changed since publication, please call us to discuss any action you may be considering as a result of reading this publication.

California Connecticut Delaware District of Columbia Florida Nevada New Jersey New York Pennsylvania

www.foxrothschild.com