



International Trade Assoc of Greater Chicago March 21, 2012



Strategies for Preventing Scams, Fraud & Deceit in Your International Business

CS role in protecting U.S. firms from Harm: Commercial Fraud Prevention
**How to screen & respond to unsolicited sales leads
from potential overseas buyers**



'Business' of Fraud Increasing

- Alongside growth of legitimate business opportunities for U.S. companies, significant upsurge in fraud. CS receives several emails/calls a week relating to commercial fraud.
- Local police are under-resourced and sheer volume makes pursuit of criminals difficult. Complicated by relative anonymity of perpetrators: fake names, fake identity documents and often working from Internet cafes.
- Handful of successful arrests of a few particularly audacious offenders – but usually impossible to retrieve victims' money.
- **Focus on prevention of harm.** Many U.S. companies request assistance after they've sent money/samples/visa invitation letter.

Today's Objectives



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

- Identify “red flags” on sales inquiries.
- Develop an *efficient* internal screening process to handle international sales inquiries – evolving and ongoing.
- Discover due diligence resources – free and fee based.
- Identify other financial/banking resources available to help you sleep better at night.



<p>I.</p> <p>Initial Screen</p>	<p>II.</p> <p>Information Gathering</p>	<p>III.</p> <p>Making an Offer</p>	<p>IV.</p> <p>Financial/ Banking Tools</p>
<ul style="list-style-type: none">•Red Flags•One-Page Description	<ul style="list-style-type: none">•Questions to Ask•Due Diligence Resources	<ul style="list-style-type: none">•Formal Quote•Resources	<ul style="list-style-type: none">•Considerations in Getting Paid•Terms of Payment•Types of Payment

Step 1: Look for Red Flags



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

- Free email account
- Urgency of inquiry
- Inquiry does not match with the company/market characteristics
- Too good to be true
- Asking for upfront fees (customs, visa fees)
- Buyer requires seller to ship product with buyer's freight forwarder and pay the forwarder directly by wire transfer
- Pressure to host a large banquet or buy gifts for company executives – Requirement that you travel to sign contract
- Unwillingness to provide information

Three Main Types of Fraud (often overlapping)

MONEY – The old faithful. Fraudsters come up with a story that convinces a U.S. company to send money. Registration fee, lawyer's fee, contract fee, etc. Often payment relatively small (few hundred to few thousand dollars) and is last thing standing in way of large contract.



SAMPLES – Criminals act like real customers and seem on the verge of making a big order. Request samples before placing order. (These are later re-sold on local market.)



ATTEMPTED VISA FRAUD – Fraudsters act like real customers, often asking informed questions, correspond for months on email/ by phone. Potential order value usually very high – especially compared to size of U.S. company (SME's are a favorite target). Close to clinching the deal when buyer makes seemingly reasonable request – wants to visit the United States to see the product before buying and requests visa invitation letter. Word on the street is that helping someone get into Europe fraudulently is worth several thousand dollars.

Screen out scams



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

From: "mike john" <mike_john212@yahoo.com>

To:

Subject: PAYMENT AND SHIPPING

I am still very much interested in your Industrial Trailer. I'm willing to pay \$3500.00 for the Industrial Trailer. I'm presently located in Netherland but not to worry everything will go on well. As regards the shipping I contact a shipping company they will be contacting you as soon as you have the payment, you are to send the balance so they can be on ground to pick up the Industrial Trailer as soon as we seal this transaction. The reson why I decided to use another shipping company is that I have also purchase some other items in u.s.a that i want to shipped to my location. As regards the payment, there is a client of mine in US that is oweing me \$6,700.00 I would instruct him to make out a cashier check to you although the money is more than the value of the Industrial Trailer but I'm willing to trust you with the money. As soon as you have payment you can send the remaining balance to the shipping agent via western union money transfer...Thanks in anticipation. Mike.



Screen out scams

From: whoytra@yahoo.com.cn
Sent: Wednesday, July 05, 2006 8:45 PM
To:
Subject: RE:schedule

Hello, thank you for your kindly response, but you know the question you mentioned are our secret in business, although we can tell you, and you know our cooperate partner must be unsatisfied and accuse us. So we can't able to you anything, but we can give you everything about our document of our company following:

National tax code: 420103789309397
Business license code: 4201002140450
Bank code: 77610188000030739
Legal representative person code: 420100-00297476-1
People's Republic of China organizations and agencies code: 78930939-7

Thank you for your understanding our position, by the way, do you need us reserve room and meet you in the airport after you have make a decision in 10th of July. With regard to the another business partner, you know we want to tell you, but we can't do that. Do you expect us tell another one your details information. If you are our business partner, look forward to hearing from you soon. Best Regards,



These ARE NOT Proof of Bona Fides

- **Documents showing business registration.** Documents are easily falsified and it is difficult for a U.S. company to verify documentation when they are new to the market. Also, registering a company involves no background checks so even fraudsters can have real business registration certificates. More recently we've seen fraudsters use the name of a legitimate company, by whom they pretend to be employed.
- **Photocopies of passports.** Passports can be falsified and even a real passport is not necessarily proof that the person involved is honest.
- **Photos of personnel involved in the deal.** This is a frequently used ploy. Photos of the local business and local lawyers are often sent. These are often taken off the internet.
- **Apparent knowledge of sector.** Again, per capita GDP is \$1500/year, so it's worth it for fraudsters to spend time researching a sector if even one company can be induced to send several hundred dollars.
- **Use of known references.** For example, one fraudster used my name as a reference with several companies.
- **Visits to offices/meeting real people.** Rarely, we've had U.S. companies do their own due diligence in person. Later, they found that the 'officials' they met were imposters or the sites they visited weren't real.



Step 2: Email One-Page Company/Product Description

- Describes company
- Describes products
- Selling terms
- Payment method
- Bank reference requirements

Result: Set initial parameters for potential sale



Step 3: Gather Information

- Can you provide COMPLETE company contact information and business details?
- How long has the company been in business?
- Who and where is the end user?
- Can the company provide references (supplier, customer, bank)?

Result: Established credibility of the potential buyer



Internet Resources for checking the “Bad Guys” and Embargoed Countries

- Bureau of Industry & Security (BIS) – www.bis.doc.gov
- Office of Foreign Assets Control (OFAC) –
<http://www.treasury.gov/offices/enforcement/ofac/>

Step 4: Due Diligence



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

Free Research

- Internet search
- U.S. Commercial Service Inquiry
- International company databases
 - Kompass
 - Europages

For-fee Research

- Credit check
- <http://www.glo-bis.com/>
- U.S. Commercial Service program -ICP
- http://export.gov/salesandmarketing/eg_main_018198.asp

Result: Determined the inquiry is serious

Step 5: Formal Quote



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

- Seller's & buyer's name and address
- Buyer's reference
- Prices of items: per unit and extended
- Weights and dimensions of quoted products
- Discounts, if applicable
- Terms of sale or Incoterms used (include delivery point)
- Terms of payment
- Validity of quotations
- Estimated shipping date
- Estimated date of arrival

Result: Provided offer to the potential buyer



Internet Resources for Incoterms, Export Documents & Other Topics

- www.iccwbo.org/index_incoterms.asp
- www.export.gov/illinois
- www.exportassistance.com
- www.I-b-t.net
- www.export.gov



Consideration in Getting Paid

- Nature of Products
- Nature of Transaction
- Type of Buyer
- Location of Buyer
- Size of Transaction



Terms of Payment

- Cash in advance
- Letter of credit
- Open account

Types of Payment



U.S.
COMMERCIAL
SERVICE
United States of America
Department of Commerce

- Check
- Bank Draft
- Wire Transfer
- Credit Card

Remember Red Flags

If it sounds too good to be true, it probably is...



- Pro-active contact by email, especially to SME's in less well known states, and less well known sectors;
- Large deal size versus size of company. Fraudsters know that for an SME, esp. in hard economic times, a several million dollar deal creates a temptation to take a chance – especially if value of sample/amount of fee requested is only hundreds or thousands.
- Urgency of deal – company has to send money now or lose opportunity.
- Involvement of religious figures, political or legal figures – copious use of titles.
- Request for visa invitation letter – especially before any significant purchase has been made.
- Spurious sense of veracity purposely created by avalanche of 'documents'.
- **Absolutely anything involving gold – esp. gold dust.** I have yet to be contacted about even one gold deal that turned out to be legitimate.



**U.S.
COMMERCIAL
SERVICE**
*United States of America
Department of Commerce*

Thank you!

Jeff Graber
Senior International Trade Specialist
U.S. Commercial Service – Chicago
Phone: 312-353-7711
Jeffrey.Graber@trade.gov
www.export.gov/illinois; www.export.gov