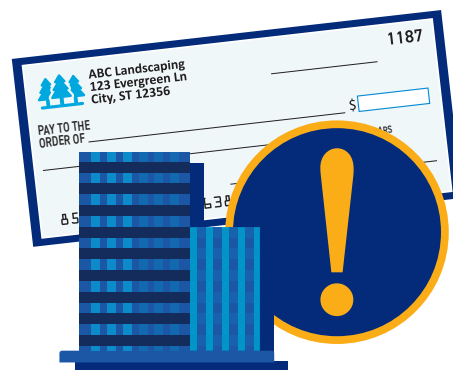


HELP YOUR BUSINESS CUSTOMERS PREVENT CHECK FRAUD

Criminals may target business accounts for check fraud because of their typically large average balances and high transaction volumes. Proactive steps can help mitigate check fraud and protect accounts from the risk of financial losses and negative operational impacts.

Financial institutions can offer customer education about:

- The fraud risks associated with paper checks
- Awareness of alternative payment methods
- Sound practices when using checks and what businesses can do to help prevent check fraud
- Steps customers can take if they suspect check fraud



FRAUD RISKS ASSOCIATED WITH PAPER CHECKS

Criminals may focus on business accounts based on the perception of higher reward with less risk. Checks may be stolen, altered or counterfeited using stolen information. It can be helpful for businesses to understand the methods and tactics the criminals use in order to perpetrate check fraud so they can be prepared to identify and prevent it.

Financial institutions may consider using real examples of check fraud cases to help their business customers understand how check fraud occurs, the vulnerabilities of checks and potential risks associated with them. In addition, financial institutions may offer alternative payment methods as it makes sense for their business needs.



SOUND PRACTICES WHEN USING CHECKS

Implement controls for check usage. Business customers can implement various controls for the storage and issuance of checks that may help mitigate fraud risk, such as:

- Using check stock with security features — such as micro-printing and watermarks
- Printing checks with a consistent font that is not as easy to duplicate
- Keeping check stock in a secure location and maintaining security in the fulfillment process
- Using dual controls for issuing and approving checks (a second person approves issuance of the check)
- Limiting the number of people authorized to access and issue checks
- Separating duties by having different people issue or sign checks and reconcile accounts
- Conducting regular audits and procedure reviews



HELP YOUR BUSINESS CUSTOMERS PREVENT CHECK FRAUD

Secure delivery of issued checks. Due to the surge in [mail-theft-related check fraud](#), mailing checks should be avoided. However, if it is necessary to mail a check, use security envelopes or packages that obscure the check, decreasing its likelihood of being intercepted. It is also important to avoid leaving outgoing checks in locations — such as public mailboxes — where they may be stolen more easily.

Use secure account practices. Minimizing the impact of check fraud requires its prompt identification. Businesses can be encouraged to stay ahead of check fraud through frequent account reconciliation and transaction monitoring. Financial institutions may choose to offer services that can help their business customers increase the security of their accounts, such as account and transaction alerts, as well as the Positive Pay check verification service.

Employee training. Education can help employees prevent and identify check fraud. It is beneficial to train employees on scams such as phishing, how to identify red flags that could indicate potential check fraud, and how they should handle fraud if it occurs.



RESPONDING TO CHECK FRAUD

In addition to implementing proactive prevention practices, it is also important to be prepared for how to handle suspicious activity and check fraud if it happens. Financial institutions can help their customers feel prepared by educating them on **(1) what to do first** and **(2) their resources** for handling fraudulent events. The first steps may include contacting the financial institution and reviewing account activity to identify if there are other unauthorized transactions. Resources and support may include providing business customers with external contact information to report fraudulent activity, such as the Federal Bureau of Investigation's Internet Crime Complaint Center or [IC3](#), law enforcement or the [Federal Trade Commission](#).



HELP YOUR BUSINESS CUSTOMERS PREVENT CHECK FRAUD

CONCLUSION

Financial institutions can play a valuable role in educating their customers and equipping them with the resources they need to fight check fraud. Businesses often look to financial institutions for their expertise in this area. Preventing check fraud is mutually beneficial for financial institutions and businesses seeking to reduce losses, improve operational efficiency and strengthen payment security.

The Federal Reserve has created a downloadable resource that business customers can use as a point of reference to help them prevent check fraud:

[Preventing Check Fraud: A Resource for Businesses](#)

The check fraud mitigation toolkit was developed by the Federal Reserve to help educate the industry about check fraud and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.