MYTHS and MYTH BUSTERS

<table>
<thead>
<tr>
<th>Myth</th>
<th>Myth Buster</th>
<th>What to do?!</th>
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<tbody>
<tr>
<td>Myth 1</td>
<td>Using encrypted email is sufficient protection against fraud.</td>
<td>NO! It is not sufficient if you are sending the email to the wrong address or individual.</td>
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<tr>
<td>Myth 2</td>
<td>Once an email is encrypted it is encrypted forever.</td>
<td>NO! Sending an email through encrypted email does NOT mean that forwards of that email will also be encrypted.</td>
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<tr>
<td>Myth 3</td>
<td>Wiring instructions can be trusted if they are received via encrypted email or fax.</td>
<td>NO! Cyber criminals can and do send wiring instructions via encrypted emails and/or fax.</td>
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<td>Myth 4</td>
<td>Changes in wiring instructions is the only cause to warrant exercising additional caution.</td>
<td>NO! There are many red flags to watch for.</td>
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<tr>
<td>Myth 5</td>
<td>My E&amp;O Insurance will cover me for cyber fraud.</td>
<td>NO! General Liability and E&amp;O Policies generally have exclusions for cyber fraud.</td>
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<tr>
<td>Myth 6</td>
<td>All Cyber Fraud Insurance is the same.</td>
<td>NO! Not all Cyber Fraud Insurance is alike.</td>
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### Good Rules of Thumb

<table>
<thead>
<tr>
<th>ALWAYS</th>
<th>NEVER</th>
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<tbody>
<tr>
<td>• Use a Wire Confirmation Checklist</td>
<td>• Send wiring instructions through unencrypted email</td>
</tr>
<tr>
<td>• Send or request that wiring instructions be sent via:</td>
<td>• Honor request for changes to outgoing wiring instructions without properly investigating the request. This includes verbal confirmation with the rightful wire recipient at a known, previously verified number.</td>
</tr>
<tr>
<td>– Encrypted email including attachments, or</td>
<td>• Relay wiring instructions through third parties (real estate agents, mortgage brokers, etc.)</td>
</tr>
<tr>
<td>– A landline fax, or</td>
<td></td>
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<tr>
<td>– USPS or overnight mail delivery, or</td>
<td></td>
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<tr>
<td>– Hand delivery</td>
<td></td>
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<tr>
<td>• Confirm wiring instructions verbally with:</td>
<td></td>
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<tr>
<td>– A known party directly associated with transaction (buyer, seller, lender), and</td>
<td></td>
</tr>
<tr>
<td>– A known and previously verified telephone number</td>
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### Incoming Wires

**Good Rule of Thumb:** NEVER send wiring instructions by unencrypted email. Send ENTIRE email via encrypted email, or use a landline fax, USPS, overnight delivery, or hand delivery.

**Consider performing the following 3 Steps:**

**STEP 1: Proper Identification:**
- Before sending wire instructions, confirm with the sender the identity of the person or institution that will actually be wiring the funds, and get a contact person and name.
- Only send wire instructions directly to the recipient or person designated by the recipient.
- DO NOT relay wire instructions through third parties (e.g., real estate agent). They may forward the instructions via insecure means.

**STEP 2: Verbal Confirmation:**
- Confirm with the sender of the wire, using a known verified number, that they received the wiring instructions you sent.
- Verbally confirm wiring instructions and keep record of the contact name, the number called, and the time called.
- Instruct the sender of the wire to call your office to confirm that the wire was sent.

**STEP 3: Delivery Verification:**
- Upon receipt of the wire, confirm the same with sender.

### Outgoing Wires

**Good Rule of Thumb:** Consider whether a wire is appropriate and makes sense. Would a check be safer?

**Consider following the following 3 Steps:**

**STEP 1: Proper Identification:**
- Determine the intended recipient, and verbally verify the contact name and telephone number for confirming wiring instructions or changes in wiring instructions.

**STEP 2: Verbal Confirmation:**
- Upon receipt of wire instructions and before wiring funds, call the verified contact to confirm wiring instructions. Keep a record of person called, number called, and time called.

**STEP 3: Delivery Verification:**
- Call recipient to confirm that you have sent the wire, and ask that they call you to confirm when they have received the wire.

### Other Potential Measures or Considerations

- **Use of USPS**
  - Sending your wiring instructions and other sensitive information through regular mail, especially to a Buyer or a Seller is still an acceptable manner to communicate.

- **Use of a PIN (Personal Identification Number)**
  - Buyer/Seller Funds: Assign each party a unique PIN in initial correspondence with them.
  - Require the PIN to confirm wire instructions, changes in wire instructions or to release or discuss NPI.
  - DO NOT SHARE PIN, and instruct Buyer/Seller NOT TO SHARE PIN.
  - Do not use a system to assign the PIN. A formula for assigning the PIN can be deciphered.

- **Use of an Affidavit at Closing to Direct the Disbursement of Funds**
  - If the Buyer and/or Seller is present at closing, you can obtain the affidavit at closing.
  - If the Buyer and/or Seller is not at closing, require that an original, notarized affidavit be sent to you prior to closing.

- **Keep Records:** Making and keeping record of above steps (and any other you may implement) insures that you or your employees will follow the prescribed steps for every transaction.

- **Use a Wire Confirmation Checklist**

- **Use of a Zero Balance Account for Wires**
  - This involves the use of a separate trust account with a zero (or minimal) balance.
  - Funds are transferred between this account and your usual trust account.
  - Downside: adds another trust account to manage in compliant manner.

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**Proper Identification. Verbal Confirmation. Delivery Verification.**

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### Red Flags

“Red Flags” are things to look for that should give you reason to **EXERCISE ADDITIONAL CAUTION.**

- Red Flags warrant additional investigation and verification.
- Red Flags may be legitimate but can only be deemed as such if proper investigation and proper verification are conducted.

#### Watch for the Following, More Prevalent Red Flags:

- International Wires
- Changes to Wiring Instructions: Few individuals or entities change their bank accounts in the middle of a transaction
- Similar but Different Email Addresses: Many cyber criminals communicate by using similar but different email addresses
- Wires to a Different Geographic Location than the intended recipient
- Wires to Accounts NOT in the Name of the Intended Recipient
- Wires intended for an Individual Recipient, sent to a Corporate Account
- Wires intended for a Corporate Recipient, sent to an Individual's Account
- Broken English: Many cyber criminals are outside of the United States. English may not be their first language.
- Unreasonable Requirements or Demands: Extraordinary pressure or requirements related to the delivery of a wire is generally a sign that the requesting party does not want you to investigate their request.

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invtile.com/wire