

To: All Members of the North Carolina State Bar

From: Peter Bolac, Trust Account Compliance Counsel

Last week the Bar received multiple reports of fraudulent activity relating to wired funds in real estate transactions, with losses as high as \$200,000. Here is a redacted sample of what we have received:

"On a closing that took place on Friday morning, before we disbursed, we received an email and a phone call from a lady purporting to be our out-of-state seller asking us to wire funds to her bank account. On Monday we learned that the seller's email was compromised and bad actors had inserted themselves in her place. We attempted to retract the wire and we learned late yesterday that the bank did not retract the wire and will not communicate further without a subpoena."

This firm had two-level authentication practices in place to protect against fraudulent wires, but the hackers emailed and called the firm to confirm the wiring instructions as was required. The hackers gained access to the email account of one of the parties to the transaction and learned the necessary information in order to assume the identity of one of the parties and initiate the fraudulent transaction. Another defrauded firm noticed after the fact that the email address of the hacker was different from the actual seller's email address by one letter.

One way to protect against this fraud is for the lawyer to initiate the phone call to confirm the emailed wiring instructions, calling only the number in the client file even if a different number is provided via email.

Please be vigilant when communicating over email and consider whether your firm's wiring procedures are strong enough to detect and prevent these fraud attempts. If your firm has been the subject of an attempted or successful fraud, please contact me at the State Bar at pbolac@ncbar.gov or (919) 828-4620.

Peter Bolac, Trust Account Compliance Counsel
North Carolina State Bar