

The First State Bank of Kiowa

Customer Newsletter

Customer Fraud Awareness
Volume 4

Regulation E

Electronic Fund Transfer (EFT)

This law is designed to protect **consumers** making electronic fund transfers. The term "Electronic Fund Transfer" (EFT) generally refers to a transaction initiated through an electronic terminal, telephone, computer, or magnetic tape that instructs financial institutions either to credit or debit a consumer's asset account. The law and regulation establish the basic rights, liabilities, and responsibilities of consumer who use electronic fund transfer services and of financial institutions that offer these services.

Business/Commercial Clients are not covered by Regulation E

As a result, it is critical that business/commercial clients implement sound security practices within their places of business to reduce the risk of fraud and unauthorized transactions from occurring. Good practices can keep business/commercial client's information secure.

CATO

Corporate Account Takeover (CATO) is a form of identity theft in which criminals steal your valid online banking credentials or gain access to your computer. The attacks are usually stealthy and quiet. Malware introduced onto your systems may go undetected for weeks or months. Account-draining transfers using stolen credentials may happen at any time and may go unnoticed depending on the frequency of your account monitoring efforts.

First State Bank of Kiowa provides some protection against Corporate Account Takeover because it does not allow customers to originate wires or ACH transactions within the online banking application. Customers may only transfer funds between linked accounts they have ownership of.

What is an EFT?

The electronic exchange or transfer of money from one account to another, either within a single financial institution or across multiple institutions initiated through electronic based systems:

- Point of Sale transfers
- Automated Teller Machine Transfers (ATM)
- Direct deposits or withdrawal of funds
- Transfers initiated by telephone
- Transfers resulting from debit cards
- Transfers initiated through internet banking/bill pay.

Reg E Coverage?

- **Consumer Account:**
 - ✓ ***Protected*** by Regulation E.
 - ✓ Any fraudulent or unauthorized transactions are protected.
 - ✓ Consumer accounts have 60 days after unauthorized or fraudulent transaction occurs to dispute the charge. Once that time has passed, the customer has no recourse.
- **Business/Corporate Account**
 - ✓ ***NOT protected*** by Regulation E.
 - ✓ Special consideration should be made by the business to ensure adequate internal security controls are in place.

How CATO Works

Corporate Account Take Over

Typically, compromise of the customer is carried out via a “spear phishing” email which directly names the recipient correctly and contains either an infected file or a link to an infections Web site. The email recipient is generally a person within the company who can initiate funds transfers, or payments on behalf of the business. Once the user opens the attachment, or clicks on the link to open the Web site, malware is installed on the user’s computer which usually consists of a Trojan keystroke logger, which harvests the user’s corporate online banking credentials. Many types of spear phishing have been used by criminal groups including

messages impersonating the Better Business Bureau, US Court System, Microsoft Update, and UPS, to name a few.

The customer’s online credentials are either uploaded to a website where the fraudster can later download them, or, if the bank or customer are using a two-factor authentication system, the Trojan keystroke logger may detect this, and immediately send an instant message to the fraudster alerting them of the secure web activity. The fraudster then accesses the financial institution through the use of the captured user name and password or through hi-jacking the secure web session.

The fraud is carried out when the fraudster creates another user account from the stolen

credentials or directly initiates a fund transfer masquerading as the legitimate user. These transfers have occurred through wire or ACH that are directed to the bank accounts of willing and unwilling individuals. Often within a couple of days, or even hours of recruiting money mules and opening accounts, money is deposited and the mule is directed to immediately forward a portion of the money to subjects in Eastern Europe by various means.

It is the responsibility of the business to incorporate appropriate safe-guards to protect against CATO.

The First State Bank of Kiowa

is committed to protecting your personal information

If you feel your account has been jeopardized or you have questions regarding your account, please call or visit a customer service representative at any of our branch

First State Bank of Kiowa
546 Main St. /PO Box 105
Kiowa, Ks 67070-0105



Phone: 620-825-4147
Bookkeeping: 620-825-4100
Fax: 620-825-4790

Lobby Hours

9:00-3:00 Monday, Tuesday,
Thursday, Friday
9:00-6:00 Wednesday
Closed Saturday

Drive-thru

8:00-4:00 Monday, Tuesday,
Thursday, Friday
8:00-6:00 Wednesday
8:00-12:00 Saturday