Alert 2001-3
OCC Alert
Type: Fraudulent Investment Programs
Subject: Fictitious Financial Programs Erroneously Attributed to the Federal Reserve
Date: March 30, 2001

TO: Chief Executive Officers of All National Banks;
All State Banking Authorities; Chairman, Board of Governors of the Federal Reserve System;
Chairman, Federal Deposit Insurance Corporation;
Conference of State Bank Supervisors; Deputy Comptrollers (Districts); Assistant Deputy Comptrollers; District Counsel and Examining Personnel

RE: Proposals to banks and municipalities to participate in investment programs reportedly sponsored by the Board of Governors of the Federal Reserve, the Chairman of the Federal Reserve, or district Federal Reserve Bank.

The Office of the Comptroller of the Currency is aware of an increasing volume of bogus proposals currently being promoted and directed toward banks and municipalities to leverage investment portfolios through some type of secondary market activity. These programs are purported to generate high yields, up to 10 percent per month or more, at no risk to the original investment because they are allegedly managed by the Federal Reserve, the U.S. Central Bank, or are under the personal supervision of the Chairman of the Board of the Federal Reserve System.

The Federal Reserve System of the United States does not support, issue, or supervise any such programs. These types of programs have no financial validity and will place the participant at extreme financial risk and reputation risk.

The scenarios currently being proposed may utilize deposit, trust, or safekeeping accounts at major financial institutions which are stated to be totally under the investor's control at all times. Control of the account is not assured due to the following: ambiguous wording in the documentation, changes in the program immediately prior to or after startup, or other seemingly insignificant events that will provide the opportunity for access by persons other than the investor's legally authorized employees. The request is usually based on a scenario requiring immediate action to protect the investment or take advantage of a unique investment opportunity.

These programs are fictitious. They appear to be
"too good to be true," and they are. We strongly suggest that you exercise caution to ensure that any proposal presented to you is legitimate by

1. obtaining directly verifiable references from the promoters,
and
2. verifying the facts presented with reputable investment advisors and banks known by you.

Any information which you may have concerning this matter should be brought to the attention of:

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