

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:

Mail Office of the Comptroller of the Currency
Enforcement & Compliance Division
250 E Street, SW, Washington, DC 20219
Fax (202) 874-5301
Internet <http://www.occ.treas.gov>
E-mail alertresponses@occ.treas.gov

Brian C. McCormally
Director
Enforcement & Compliance Division