

>> Claudia Bourne Farrell: Good morning. Welcome. I'm Claudia Bourne Farrell from the Press Office. Today, you'll be hearing from David Vladeck, the director of the FTC's Bureau of Consumer Protection. He'll introduce you to a guest and co-law enforcer from the Royal Canadian Mounted Police. We also have two other guests. After their brief opening statements, we'll take questions from the people in this room and then from the callers on the phone. Would you turn off your PDAs and phones? Thanks. David?

>> David Vladeck: Move this up a little. Never seen such a short podium. Good morning and thanks for coming. Last year, more than 14,000 consumers complained to the Federal Trade Commission about being cheated by scams that used money payment systems -- wire payments, that is -- and companies like MoneyGram to steal their money without leaving any tracks. These consumers were swindled out of almost \$140 million through a variety of money transfer scams, including false promises about sweepstakes or lottery winnings, guaranteed loans made regardless of credit history, jobs as mystery shoppers, and even fake cashiers checks like the ones we display over here. For consumers scammed by crooks working out of Canada, nearly two-thirds of them said that they paid using money transfers. These numbers show that money transfers are big business. But they also can be risky business, with tens of thousands of consumers being ripped off each year. We work extensively with our law enforcement partners, in Canada and elsewhere, to put a stop to these money transfer scams. I'm very pleased that my colleague, Kerry Petryshyn of the Royal Canadian Mounted Police, is here to talk to us today about Canada's law enforcement efforts, which we applaud. I'm also pleased to have with me here today two consumers who traveled here from Illinois and from Tennessee to share their stories involving money transfer fraud with us today. I commend them for having the courage to stand up and tell their stories, and you'll hear from them shortly. We have good news to report today. An important federal court settlement with MoneyGram International that has the potential to change the way that company does business and to reduce money transfer scams, both cross-border and in the United States. MoneyGram is the second-largest money transfer business in the United States, just behind Western Union. It has outlets through the United States and in 190 countries around the world. It is truly a global company. Under the terms of the settlement, MoneyGram will be subject to a strict injunction, requiring it to prevent and to root out fraud. It will also pay \$18 million back to consumers who were swindled in these scams. So what went wrong at MoneyGram? Let me tell you what our investigation found. First, we estimate that for at least three years, as much as 80% of the money flowing from the United States to Canada through the MoneyGram system was for fraud. 80%. Second, although most of the MoneyGram agents did their jobs honestly, 10% of MoneyGram's Canadian agents accounted for nearly all of the complaints against Canadian agents. Those suspect agents received a staggering \$93 million from consumers in the United States. This is a graph that shows the volume. 10% of the agents were responsible for over 95% of the complaints in Canada, against Canadian agents. Just by the way, seven of those agents have been prosecuted in the United States or in Canada, or have otherwise been sued. So action against those agents are being pursued, as well. Third, we believe MoneyGram knew what was going on, but took no action to prevent it. How did MoneyGram know? Well, for one thing, consumers told MoneyGram. From 2004 to 2008, MoneyGram received over 41,000 consumer complaints from U.S. consumers. But there's more. MoneyGram knew about these problems because it was warned by the company's own internal fraud department and by law enforcement agencies that something was seriously amiss. These danger signals were loud and clear and unmistakable. But MoneyGram, nonetheless, took no action, other than to profit from these ongoing scams. The FTC settlement with MoneyGram is a terrific victory for consumers. The injunction requires the company to take major changes in the way it does

business. To help combat future scams, MoneyGram must implement a comprehensive anti-fraud program, carefully screen prospective agents to weed out the bad apples, and to train and monitor its agents about fraud. MoneyGram will also have to monitor carefully its transactions to look for patterns of suspicious activity, to suspend or terminate the agents when an investigation reveals there are problems. We are hopeful that this kind of sweeping reform will put an end to these kinds of wire fraud scams. For those consumers who are scammed, the settlement requires MoneyGram to pay \$18 million in consumer redress. That is MoneyGram's share of the scam proceeds, and we're taking all of it. Consumers who filed complaints with the FTC or with MoneyGram between 2004 and 2008 should hear from the FTC about redress within the next few months. Now, what is the lesson of this settlement? I think it is this -- use money transfers with caution. Remember that your money is picked up just minutes after you make the transfer. It's very tough to recover money once that's done. It simply disappears. Some bright line tips to remember -- don't send money through a wire transfer to someone you don't know in the U.S. or in a foreign country. You wouldn't hand over a bundle of cash to someone you don't know. A money transfer is no different. Don't send a money transfer to someone who claims to be a relative or a close friend in the midst of a crisis unless and until you make certain that they are who they say they are. Don't send money transfer to someone who asks you to keep the transaction secret. Don't send a money transfer to someone who tells you that it's the only form of payment that they will accept. And this is a serious problem. Don't send a money transfer after you get a check -- even what looks to be a valid certified check -- that's supposed to cover salary, prize or lottery winnings, or taxes and fees. Those are fake checks, just like the one over here. Finally, if you've been scammed by a money transfer, don't be ashamed. It happens to an awful lot of people. These are very sophisticated scams. So get mad, but also get angry and get even. Report the scam to the transfer company so it can investigate it, and please file a complaint with the Federal Trade Commission, either online at FTC.gov, or by phone at 1-877-FTC-HELP. Our investigation into MoneyGram was aided substantially by consumer complaints. Finally, I'd like to thank our law enforcement partners, both in Canada and U.S., for their help in dealing with these frauds and in this case. I'd especially like to recognize the FTC's team that worked on this case from our Midwestern regional office -- Steve, Todd, Karen, Joannie, Al and Doug did a terrific job. And I'd like to especially thank our partners from the U.S. Postal Inspection Service, and from the Royal Canadian Mounted Police and the Competition Bureau Canada for their invaluable contribution to this case. Let me turn the podium now over to my friend, Kerry Petryshyn, of the Royal Canadian Mounted Police.

>> Kerry Petryshyn: Good afternoon, everyone. And it's a pleasure to be here in Washington, D.C., with our fellow law enforcement colleagues. While I realize it's of little comfort to victims of recent fraud scams, statistics do indicate that the vast majority of money transfers and other payment options are legitimate transactions that provide people around the world with a convenient way to make a purchase or send funds. And only a small percentage, as was mentioned, are actually criminal in nature. Fraud, however, is the real problem that we can't forget. In Canada, governments, businesses and individuals lose billions annually. Professional scammers, as was mentioned, use sophisticated schemes to trick intelligent people and convince them to part willingly with their hard-earned money. Wire transfers are but one means by which fraud is perpetrated. As with cyber-facilitated fraud or telemarketing fraud, one key method to significantly reduce victimization is awareness. I wholeheartedly endorse the safety checklist that Mr. Vladeck presented and, of course, when private sector businesses implement stronger security procedures and policies, the end result is enhanced consumer protection. I, therefore, commend the

Federal Trade Commission on its settlement with MoneyGram and the significant steps that they've taken to protect both American and Canadian citizens. From a law enforcement perspective, partnerships are key to detecting and disrupting crime trends. The more information we have, the more likely it is that we'll be successful in gathering enough evidence to shut down a criminal operation. The Canadian Anti-Fraud Call Center is a central repository in Canada for fraud complaints, and is jointly managed by the Royal Canadian Mounted Police, the Ontario Provincial Police and the Competition Bureau Canada, which is somewhat similar to the Federal Trade Commission here in the U.S. Its purpose is twofold. First, it's to provide education and awareness information to the public about fraud. And secondly, it's to collect victim complaint data. This information is used by our Intelligence and Analysis Unit to develop statistics to track fraud trends and activity. It's also used to create intelligence reports, which link seemingly unrelated frauds from Canada, the U.S. and around the world. These reports are then disseminated amongst various law enforcement agencies. We also have a national mass marketing fraud strategy in Canada, which is based on three key pillars -- the first being intelligence. Intelligence gathering. The second is enforcement and prosecution. That's catching the bad guys and getting them into court and sending them to jail. And the third and final pillar is awareness and education, as I mentioned. We stress heavily in Canada on education and awareness, because if we can prevent the offense before someone's lost their money, it saves everyone. We also have a national mass marketing beyond the strategy, excuse me, the strategy supported by six partnerships across the country. And they're made up of law enforcement and nonlaw enforcement agencies from both Canada and the United States. These partnerships share information and intelligence with one another in an effort to shut down criminal mass marketing fraud operations. The operations that try to capitalize on committing frauds in cities and towns across multiple municipal, provincial, or state and international boundaries. The RCMP is working together with law enforcement agencies and with our public and private sector partners to monitor emerging crime trends. I'll tell you now about a few recent success stories that we've had in Canada. Just last week, for example, in Calgary, Alberta, after 20-month long investigation with regards to a multimillion-dollar telemarketing scam that had ties to a MoneyGram outlet, it led to one of our offices there arresting and charging several individuals. The scam operated by contacting potential victims in the United States by phone or by mail, and telling them they've won the lottery, a typical lottery scam. The scammers then told the victim they'd need to pay their legal and processing fees to claim their winnings. The primary suspect in this investigation operated a MoneyGram outlet under the name of Hip-Hop Clothing Company. We've laid now 261 charges against 9 suspects in that case. This success would not have been possible without the cooperation of the Canadian Border Services Agency, the United States Postal Inspection Service, and local authorities in Canada and the U.S., including the Federal Trade Commission. Another recent example was a case from Vancouver, British Columbia, in Canada, that worked closely with the Seattle office of the Federal Trade Commission and our Project Emptor. In that case, four residences were searched, one MoneyGram outlet, as well. Two arrests were made and criminal extradition proceedings are now pending. We also have a case called Project Infinity in which we recently made 15 search warrants and arrested 8 subjects. In Montreal, with our Project COLT, we searched 18 MoneyGram outlets and 7 Western Union locations. Several were shut down. And a spinoff of that, those searches resulted in four persons being arrested and charged. As well, I'd also like to mention that the RCMP works continuously with the Federal Trade Commission, and the FTC provides us tremendous support with regards to Safe Web Act requests. I'm just going to provide you with a few statistics now. The most common scam methods reported by Americans to the Canadian Anti-Fraud Call Center in Canada include prize pitches or lottery

scams, which account for 57% of the complaints, loan scams for 12% and job scams for another 12%. Each of these scams capitalizes on the vulnerability of people during tough economic times, when perhaps their guard's down, or you're a little more willing to take a risk. Other less prominent fraud schemes include emergency scams and romance scams. Wire transfers, through companies such as Western Union and MoneyGram, were identified by American victims as a means of payment in 63% of those complaints. Our combined efforts are working, though. Complaints from U.S. citizens to our Canadian Anti-Fraud Call Center are nearly half of what they were in 2006, showing a consistently steady decline. That can be said about the number of victims and the reported dollar loss, as well. Once again, I must stress the value of our partnerships. None of these investigations would have concluded successfully without the cooperation and input of law enforcement agencies and other government agencies from both sides of the border. Our cross-border relationships are truly collaborative and focused on putting the scammers out of business wherever they may be. Thank you very much.

>> David Vladeck: One theme that that I think emerges from Kerry's presentation and from my own is just how important it is that law enforcement agencies hear from consumers who have been victimized by these scams. And today, you're going to hear from two such people who have had the courage not just to file complaints with the Federal Trade Commission, but also to come here today and tell you their own stories. I'd like to begin with Louise Pratt from Illinois. Louise, could you come on up?

>> Louise Pratt: Well, I'm an 82-year-old grandma, and here's my story. On the morning of December 19th, '08, I got a phone call in the morning. "Hi, Grandma." I was thrilled because it was my grandson and I'd get to talk to him. I said, "Hi, honey, what's up? Are you okay?" And he said, "No, not really." He said, "I'm in Ontario with a couple buddies and I had a car accident, and I'm in jail. And they won't let me out. I hit a pole, which hit a business and they just won't let me out. And, Grandma, I can't stay here, it's awful. I just can't stay here another night." So I said, "Well, how would I get money? What do you need?" "\$5,000." "Well, how would I get that to you?" "Well, that Wal-mart near you has a MoneyGram, and you could go there and send it." I wanted to help him, so I did that and sent it up to that. As far as I was concerned, it was still Greg on the phone. Now, for a little backtrack here, Greg was on his second tour of duty in Iraq in 2006. And his vehicle was bombed, the driver killed, and Greg was very seriously hurt. When they sent him back to Germany, he had several operations there and then he was sent to Walter Reed, where he had a very serious operation. And then they sent him back to do his tour of duty in Germany and he was given the Purple Heart. And he had a lot of rehab in Germany. So our family was very grateful that the Lord blessed us and gave Greg his life back -- gave us his life. But he suffered a lot and when I thought he needed help, naturally, a grandma's going to do that. She's going to send money. So after getting the money, which was pretty fast, he called again and wanted another \$5,000, because the man who owned the business that the pole fell on wouldn't let him out of jail. Finally, the light bulb went on in my head. I said, "Greg, what was your grandfather's first name?" Dead silence. He said, "Grandma, there are a whole lot of people in back of me waiting for this phone. I'll call you as soon as I get out, if you'd please send the money. I just can't stay here." I said, "Greg, what was your grandfather's first name?" So he hung up and I heard no more from him. But the point of why I'm here is that these thieves know what they're doing. And they're playing on emotions of grandparents or people in trouble who are looking for a certain thing. And they need more stringent requirements. And, of course, I'm sure that's what this is all about. First, I thought it might even be an inside job,

and it still might. I don't know. But these scams create financial hardships, especially for older people on a fixed income. And we're just completely emotional victims. Thank you.

>> David Vladeck: We'll hear next from Kay Corbin from Tennessee. Come on, Kay.

>> Kay Corbin: Thank you. This spring, I was looking for a part-time job. I'd just had a new baby, so I was looking for a little bit of extra income. And I'd been cleaning houses at the time up until then. I got this letter in the mail from a company called Shopper Fix, and they were hiring secret shoppers in my area. So my job would be to make some small purchases at some local stores and evaluate their customer service. And then they had forms included in the letter that I had to fill out and then send back. And there was a check also included that would cover my salary and my expenses. So I called the phone number on that letter, and the representative asked me for my check number, and she knew me by my check number. She knew my name, my address and everything where I was, so I thought it was pretty valid. And then she told me to cash the check and then call back for the rest of my assignment when I had my cash. So I went to the bank and I deposited the money -- or deposited the check -- and then the next day, I called and asked if the check had cleared and my bank told me it had cleared. And so I went to draw the money. I decided not to say anything to the tellers, to see if they would be suspicious of the check. And not one of them ever said anything about it, which was -- so that's why I thought it was real, because they knew that I didn't keep very much money in my account. So the teller actually had to go, you know, to the vault to get this \$5,000, so I thought, well, they must have it, because they wouldn't give it to me if they hadn't had the money. Well -- so then after I got the money, I called back, I got the details of my assignment. I was to make two large transfers through a MoneyGram to evaluate their customer service. It was company funds, and the company would just get their funds back, and then just make some small purchases. So I did that, I filled out the forms. I sent them with the receipts, and then I called with the confirmation numbers. And they congratulated me, said, "Welcome aboard and your next assignment is on the way." And then several days later, my bank called me and said, "That check was fraudulent. Your bank is overdrawn almost \$5,000. What are you going to do about it? If you can't pay it right now, you're gonna be turned into a collection agency, you'll be put under investigation." They weren't helpful to me at all. And then I called MoneyGram, their customer service line, talked to a representative. Their fraud department took my complaint, but they said they couldn't do anything else to help me. So then, I actually got a hold of the phone number for the receiving agent in Canada and I called them, and they just said, "Your money's already been picked up. We can't help you with anything else." I asked them lots of questions. They wouldn't help me with anything else. And so they never called me back. MoneyGram never got a hold of me with anything else having to do with that. And so I was forced to take out a \$5,000 loan to repay the money so I wouldn't be under investigation, and then so I just have this huge loan and a new family, and it's just really put us under a lot of burden.

>> David Vladeck: What's unfortunate about this is the stories you've heard are just the tip of the iceberg. There are tens of thousands of other Americans who suffered very much the same kind of injury. We'd now like to take questions directed to me or Kerry. Yes?

>> Male Speaker: MoneyGram has put out a statement saying that they don't agree with the FTC's allegations regarding our fraud prevention in the past. And I was just wondering what kind of agreement on facts did you reach with MoneyGram?

>> David Vladeck: We can prove everything in our complaint, and if MoneyGram really felt strongly that the allegations in the complaint were not correct, they shouldn't settle this case. We should duke it out in court. And we're ready to do that.

>> Male Speaker: Okay. Well, I guess they're saying that they don't agree -- that they're implying that that they did better fraud pre-- How do you know that they were aware of this fraud?

>> David Vladeck: Well, there are really three key attributes. One of them is the volume of complaints were astonishingly high and growing every year. Second, we know because employees in MoneyGram's fraud department told us that they raised concerns with MoneyGram which were ignored, and we have evidence that backs that up, both in documents and in terms of interviews with MoneyGram's own employees, part of MoneyGram's fraud department. And third is MoneyGram knew that we started investigating them two years ago. And so, you know, we are quite confident that we can back up with hard evidence every allegation made in our complaint. Did you have a follow-up? Okay. Other questions?

>> Claudia Bourne Farrell: David, ask the operator if she has people in her queue.

>> David Vladeck: Okay. Just -- Operator, do you have questions in your queue? That's easy.

>> Operator: At this time, if you'd like to ask a question, press star, then the number one on your telephone keypad. Your first question comes from the line of Kevin. Your line is open.

>> Kevin: Yes. In the comments, the gentleman from the Royal Canadian Mounted Police -- Western Union was mentioned and that there was a lot of complaints against them. Is it likely that they're -- or is there an investigation, some action possibly involving Western Union, also?

>> David Vladeck: You want to take the first stab at that?

>> Kerry Petryshyn: In Canada, we don't currently have any investigations or any charges pending with Western Union outlets. However, we have been working extremely closely with the fraud department, fraud investigators from Western Union in Canada. In fact, so much so that they've joined one of our strategic partnerships that I mentioned earlier in my presentation. So they're working closely with us to help clean up their end of things.

>> David Vladeck: And that was Kerry Petryshyn from the Royal Canadian Mounted Police. This is David Vladeck. The FTC does not comment one way or another on any investigation or any matter. It is true that there have been a fairly high volume of complaints against Western Union, as well as MoneyGram, but I'm not going to confirm or deny whether we have an investigation pending.

>> Kevin: Thank you.

>> David Vladeck: Operator, are there any other questions?

>> Operator: Yes, there is. Your next question comes from the line of Laura Stone. Your line is open.

>> Laura Stone: Oh, hi, there. I just have a question for the RCMP. It's twofold. One is what's the timeline of when you started investigating? David, you mentioned that was two years ago, and then when were charges laid and when was the settlement reached? And I also want to know how these people were nabbed. What was the key to the investigation?

>> David Vladeck: You want to go first?

>> Kerry Petryshyn: I guess -- This is Kerry Patryshyn speaking. From the RCMP's perspective, usually where it starts is what David mentioned earlier, is victim complaints. We start to notice it in our intelligence and analysis unit of the Canadian Anti-Fraud Call Center, which starts to point to suspicious areas where there seems to be a connection between complaints and activities. And then we will pass that information on, if it happens to be an RCMP location or if it's another municipal or provincial police agency, we pass it on to them for follow-up. But we do notice that it does pop up quite predominantly in our intelligence and analysis reports when there's a particular agent, wire transfer agent that is processing transactions at a volume that's much greater than the average or is out of the ordinary.

>> Laura Stone: So it's been about a two-year process for this particular --

>> Kerry Petryshyn: It can be.

>> Laura Stone: Okay.

>> Kerry Petryshyn: Our laws are a little bit different in Canada in the way we gather our evidence and the way we put it together. We don't have a grand jury, for example. We have provincial prosecutors who deal with our cases. So sometimes that can cause a delay in the time it takes to get to court. It also depends on where the number of victims are. It can take a considerable amount of time getting statements from victims if they happen to be across Canada or across the United States or North America, for that matter. So our prosecutors, when they want to -- when they're prepared, it's the prosecutors in Canada that recommend charges going to trial. So we put the evidence together for them, present it to the prosecutors, who then decide if and when we're going to proceed on our criminal prosecution. So sometimes, that can take -- our investigation can take perhaps six months to a year. And it can maybe rest with the prosecutor for another six months to a year while they determine an available time to proceed with the case.

>> Laura Stone: And why are cross-border schemes so popular, instead of just keeping it within one country?

>> Kerry Petryshyn: I guess it's that the criminals -- we find that, for example, our information, from the information we've gathered at the Canadian Anti-Fraud Call Center, shows that more than 80% of these scams are committed by organized crime groups. Maybe not the traditional type of organized crime group you might have seen from movies, but organized crime groups in so far as they're a collection of people with a common purpose, a plan, a business plan half the time, and they've got it laid out, it's tried and true, they've practiced it, improved on it. And they're like a call center, many of them. They have the binder with the right questions to ask and they flip through it and they feed off of what the victim is giving them for information, and it's quite professional in the way they do this. So they also know that municipal police agencies maybe have different policies, different pressures, with regards to

what types of crimes they can investigate. So they play with that and they will spread their activity across a broad area with several police agencies and including international borders, knowing that different laws, different policies are going to slow the process down and make it harder for us to gather the evidence we need and arrest the individuals before they can hit too many victims.

>> David Vladeck: Let me just add two quick points. One is we're seeing actually a reduction in cross-border fraud and money scams, but an increase in the same kinds of scams within the United States. So part of the problem here is that money transfers are like sending cash. Once it reaches its destination, it disappears, it's hard to trace. And that's one of the reasons why these scam artists like these money transfers. The second thing, of course, is that cross-border fraud is harder for the law enforcement agencies to really go after. Notwithstanding this very helpful collaboration between the FTC and the Canadian law enforcement authorities and other law enforcement partners. So I think we're making a dent in it. I think the collaboration has done a lot of good. But what we're seeing, at least domestically, is that the scam artists are engaging in more intra-U.S. scams rather than going cross-border.

>> Laura Stone: Thank you.

>> David Vladeck: Operator, is there another question?

>> Operator: Again, if you would like to ask a question, press star, then the number one on your telephone keypad. There are no further questions.

>> David Vladeck: Unless there are further questions from the audience here, we'd very much like to thank you all for coming. We'd especially like to thank our colleagues, Louise and Kay, coming in from Tennessee and Illinois to help us today. They'll be around if you have questions, as will myself and Kerry. Thank you very much.