

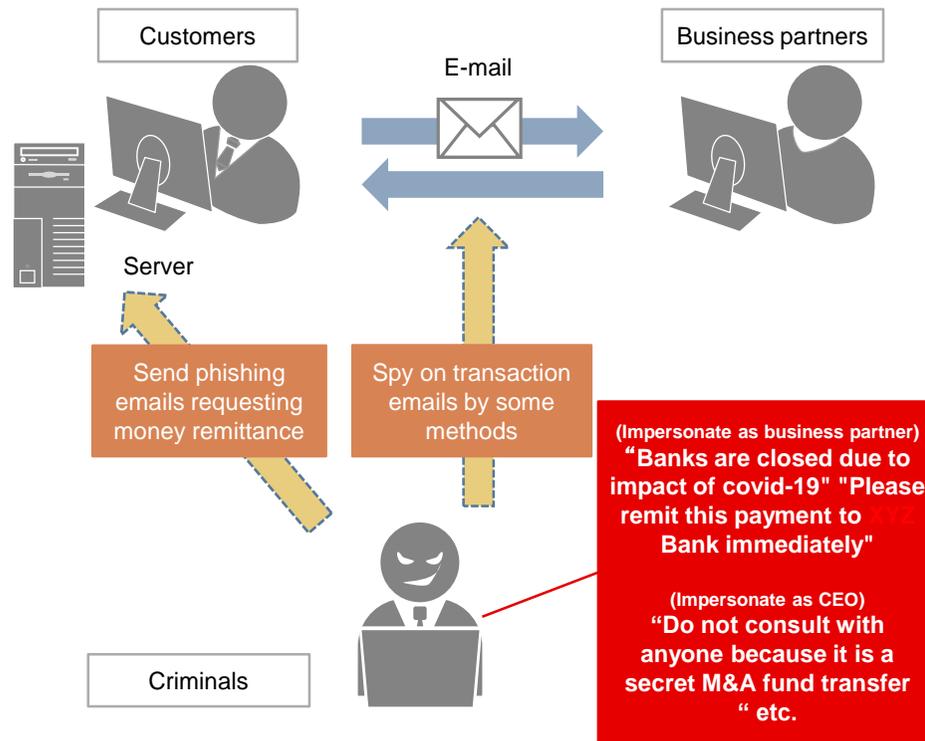
# What is Business E-mail Compromise (BEC)? Beware of foreign remittance fraud!

## What is Business E-mail Compromise (BEC)?

~ Japanese companies (including overseas subsidiaries) are suffering frequent damages

### Business E-mail Compromise (BEC):

A fraud in which criminals steal funds from customers by impersonating business partners and request money remittance to a fraud account. Recently, methods other than e-mail are expanding and complicated.

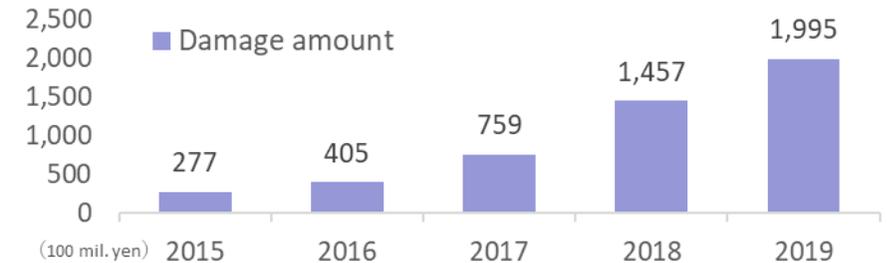


The pattern of impersonating is complicated such as pretending to be an authoritative third party e.g. a lawyer etc. Furthermore, instead of e-mails, criminals use artificial intelligence (AI) generated voices to make "phone calls" that closely resemble the voice and tone of CEOs, known as deep fake voice attacks. Therefore, we need to be careful.



## Trend of BEC damage amount

(created based on US BEC damage status / damage amount movement, FBI aggregate data)



[Source] FBI Internet Crime Report, converted into yen for 2015-2019 (calculated with a 5-year average of TTM of 112 yen)



The above figure shows amount of BEC damage in the US compiled by the FBI. Not only in the US, BEC damage has been frequently reported in other overseas countries, and it is likely that subsidiaries of Japanese companies suffer more losses overseas than in Japan (\* 1)

## Example of response when BEC damage occurs at overseas subsidiary

### Parent Company

- Treasury officers at the head office report and explain cases at the board of directors
- Establish an internal team to investigate cause and build a recurrence prevention structure
- [For listed companies] Disclosure of business performance revision due to extraordinary loss depending on the amount of damage
- Support cash flow of subsidiaries (capital increase, parent loan, etc.)
- Increased burden on head office side due to review of authority of subsidiaries

### Overseas Subsidiaries

- [To bank] Request for remittance reinstatement
- Submit damage reports to police at both the head office and overseas, and consult with a corporate lawyer.
- Scrutinize cash flow, increase capital (if necessary), consider parent loan/external borrowing
- Review HR related rules and educate local employees for enhancing their awareness
- Review governance structure (limit the approver to President, review on payment flow, etc.)
- Review overall security of the structure

(\*1) BEC damage amount in Japan: 1.4 billion yen (FY2019, JBA hearing)

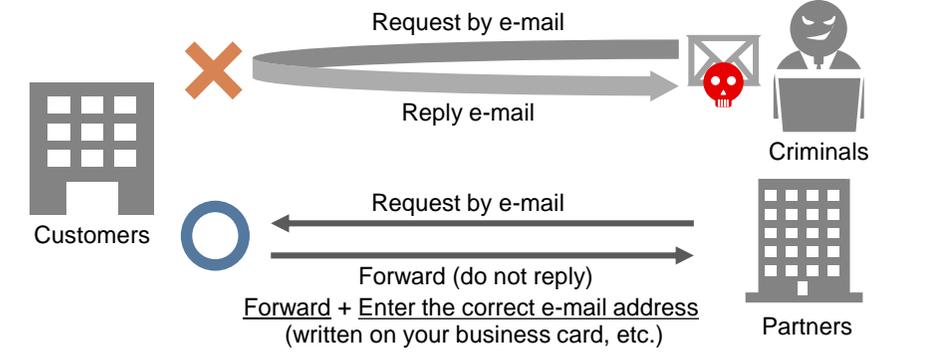
# Measures to prevent BEC damage

The Three Measures	
1	<b>Internal security</b> <div style="text-align: right; background-color: red; color: white; padding: 2px;">System</div> <ul style="list-style-type: none"> <li>Reconfirmation of information security environment</li> <li>Applying multi-factor authentication</li> <li>Establishing a structure to detect unauthorized logins to in-house emails and systems</li> <li>Do not set an easy password</li> </ul>
2	<b>Thorough confirmation of facts with the other party (basic operation)</b> <div style="text-align: right; background-color: red; color: white; padding: 2px;">Sales / Purchasing</div> <div style="text-align: right; background-color: red; color: white; padding: 2px;">Treasury / Accounting</div> <ul style="list-style-type: none"> <li>Confirm the request for "account change" by methods other than e-mail such as telephone or fax.</li> <li>In the case of e-mail, set and confirm the correct address written on the business card etc.</li> <li>In the case of "secret" or "urgent" instructions, do not respond independently, but share and confirm information within the company.</li> </ul>
3	<b>Review of fund management / approval process at the time of remittance (internal control)</b> <div style="text-align: right; background-color: red; color: white; padding: 2px;">Treasury / Accounting</div> <ul style="list-style-type: none"> <li>Review of fund management authority when the approver for bank transactions is absent</li> <li>Create an internal verifying system, such as multiple approving person for remittance</li> <li>Strengthen confirmation when creating a remittance template</li> </ul>

Please be careful with following situations!
<ul style="list-style-type: none"> <li>( ) Received an 'urgent' e-mail requesting for an immediate money remittance.</li> <li>( ) Requested to transfer money to a bank account with no previous record due to reasons such as "the account is incorrect" or "the account cannot be used due to an audit" (unfamiliar country / region)</li> <li>( ) Currency and sending country are different. (e.g. request to send USD to British Bank for the first time).</li> <li>( ) Never verified the destination BK account (only contact by e-mail).</li> <li>( ) Received a request when person in charge / authorized person was absent due to business trip or vacation.</li> <li>( ) Never asked anyone to double-check whether the invoice / remittance application, including the imprint and signature, are correct. (BEC's imprints and signs are often unclear)</li> <li>( ) Never confirmed that e-mail address correctly matched with the one written on the business card. (e.g. replying e-mails without manually entering correct address)</li> <li>( ) Never consulted with anyone in the company when receiving 'secret' remittance request. (Accounting staff has not reconfirmed with PIC in sales / purchasing/ parent company)</li> <li>( ) Computer in-use has not implemented or updated the latest antivirus app.</li> </ul>

In order to avoid BEC damage, it is necessary to share information across the company! (Not only accounting / finance, but also sales / purchasing / international departments, domestic and overseas subsidiaries, etc.)

- 2 **Point**
- When reconfirming changes on account information, use methods other than e-mail e.g. telephone as much as possible
  - If the only contact channel is e-mail, please **avoid replying directly**, and forward it by retyping the "correct e-mail address (written on your business card etc.)". (You may notice the BEC by doing this)



## Initial response when damage occurs

1	<b>Urgent request for reinstatement (to the bank)</b>	✓ It is essential to request the receiving bank for reinstatement immediately.
2	<b>Report of damage to police</b>	✓ It is important to submit a damage report not only to the Japanese police but also to the local police (the country where the receiving bank is located). In some cases, the receiving bank will require you to submit a damage report when refunding.
3	<b>Security inspection and implementation of countermeasures</b>	<ul style="list-style-type: none"> <li>✓ Quick response is required to prevent secondary damage.</li> <li>✓ Confidential / customer information in system may also have been hacked. Recommend system inspection.</li> <li>✓ Investigate and prevent the cause of unauthorized access. Change the passwords of the parties who send and receive the relevant transaction emails all at once.</li> </ul>
4	<b>Others</b>	✓ Prohibit usage of the e-mail addresses that leaked to the criminals.

We must build a framework in advance that allows immediate internal consultation for any suspects. Some companies are alerting on BEC measures through in-house newsletters. We encourage you to internally communicate and introduce BEC countermeasures in your company as well.

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