



CBAI’s Efforts to Combat Check Fraud Continue to Gain National Attention

The results of CBAI’s recent member survey concerning check fraud and its observations and recommendations to the federal banking regulators were highlighted in an April 30, 2024, American Banker article titled, **‘Like wildfire’: Rising check fraud pits small banks against big banks.** The article opened with the statement, “A group of community bankers in Illinois are pushing regulators to get tougher on their enforcement of “know your customer” laws with the big banks, which they said have done too little to combat the dramatic rise in instances of check fraud last year.”

The article focuses not only on the unfortunate experiences of Illinois community banks, which have seen a dramatic rise in the amount of fraudulent checks, as well as check fraud losses, but also on similar experiences with check fraud by community banks in Minnesota, Ohio and Texas. In a March 28th 16-page letter to the regulators, CBAI and its members placed the blame for much of check fraud in the banking industry on the largest banks’ failure to know their customers and opening fraudulent accounts into which these fraudulent checks are being deposited. CBAI’s letter identified an intersection between check fraud and a bank’s CAMELS rating and urged the regulators, the OCC in particular, to address the big banks’ management failures (the M in CAMELS) in their compliance with “know your customer” regulations.

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