CHICAGO
PAYMENTS SYMPOSIUM

# CHICAGO
## PAYMENTS SYMPOSIUM

Panel:

**Scams, Security & Information Sharing**

# AARP Fraud Watch Network



What We Help You Do

Stay Informed · Find Support · Have a Voice

*aarp.org/fraudwatchnetwork*

# Outreach and Education
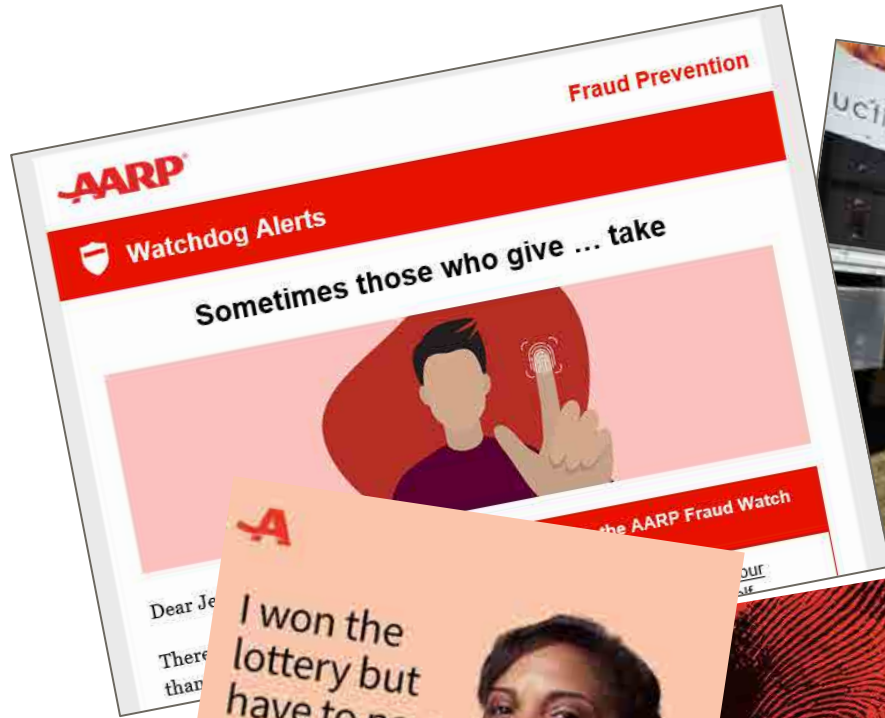
# AARP's Fraud Victim Support

## Fraud Helpline

**877-908-3360**

**Monday through Friday
7:00 a.m. to 7:00 p.m. CT**
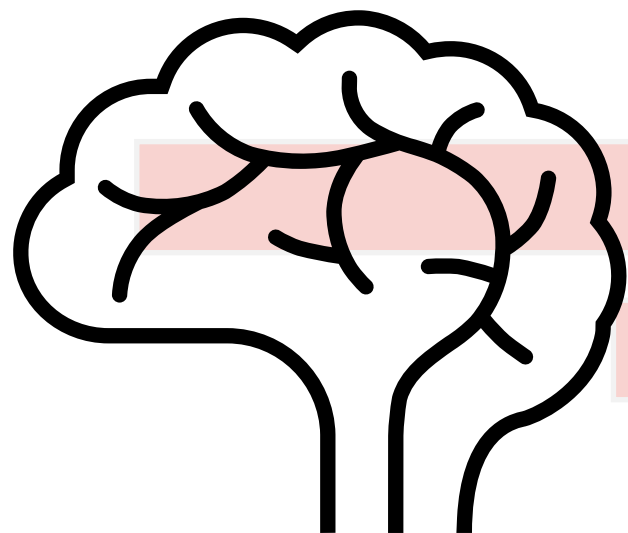
## Support Group

**aarp.org/fraudsupport**

**Online small group fraud victim
support sessions**

# Why scams are successful

# THE ETHER

## aka: The Amygdala Hijack

# The criminal's playbook

Unexpected contact

Yields high emotion

Urgency

**EVADES LOGIC**

**SUCCESS**

(It's not the victim's fault)

# Focus on the criminal and the crime

Fraudster

Scammer

Con artist

Criminal

Perpetrator

She gave him her money.

A criminal stole her money.

# The Path Forward

Choose words with intention → Support victims → Broaden portrayals → Humanize through storytelling → Go after the criminals

# We can't…

educate

arrest

engineer

…our way out of this crisis

**WE MUST ALL WORK TOGETHER**

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THE **FEDERAL RESERVE**
*FedPayments Improvement*

**COLLABORATE. ENGAGE. TRANSFORM.**

# Chicago Payments Symposium

Mike Timoney
VP, Payments System Improvement

Federal Reserve Financial Services

October 10, 2024

# Fraud Landscape Summary

Biggest challenges include both "old" and "new" forms of fraud attacks

**Rise of Historic Threats** →

**Check Fraud**

**Account Takeover**

**Evolving Threats** →

**Scams**

**Synthetic Identities**
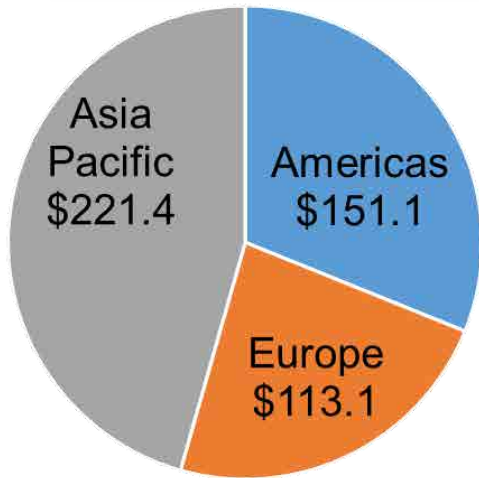
**Money Mules**

**New Account Fraud**

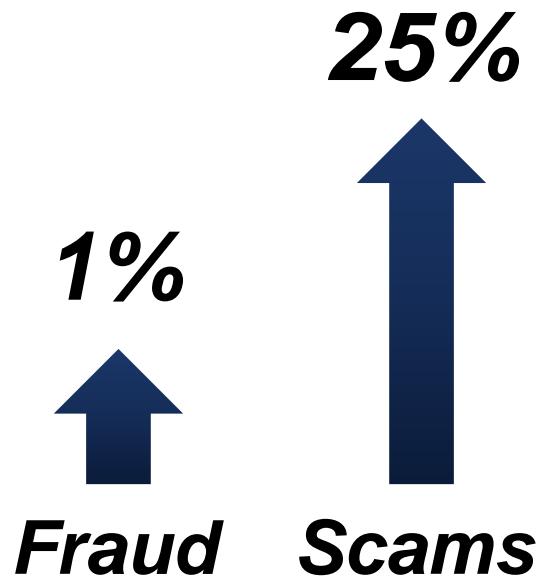**Future Concerning Threats** →

**GenAI Deep Fakes**

**Scripted Attacks**

# Fraud Landscape Loss Summary (2023)

## Global Fraud Loss $485B

Asia Pacific $221.4

Americas $151.1

Europe $113.1

Nasdaq Verafin - 2024 Global Financial Crime Report

## Loss Increase Over 2022

**1%** Fraud

**25%** Scams

iC3 – Loss Report

## Top Scam Losses

1. **Investment Related $4.5B**
2. **Imposter $2.7B**
3. **Business/Job Opportunities $491M**

Federal Trade Commission – Report Fraud Data

# Scams Definition & Classification Work Group

## Challenge

- **Multiple operational definitions of scams**
- **Lack of necessary detail in existing classification approaches**

## Response

- ✓ **Align on an industry-recommended operational scam definition**
- ✓ **Build a classification structure that is detailed enough to document scam nuances and tactics**
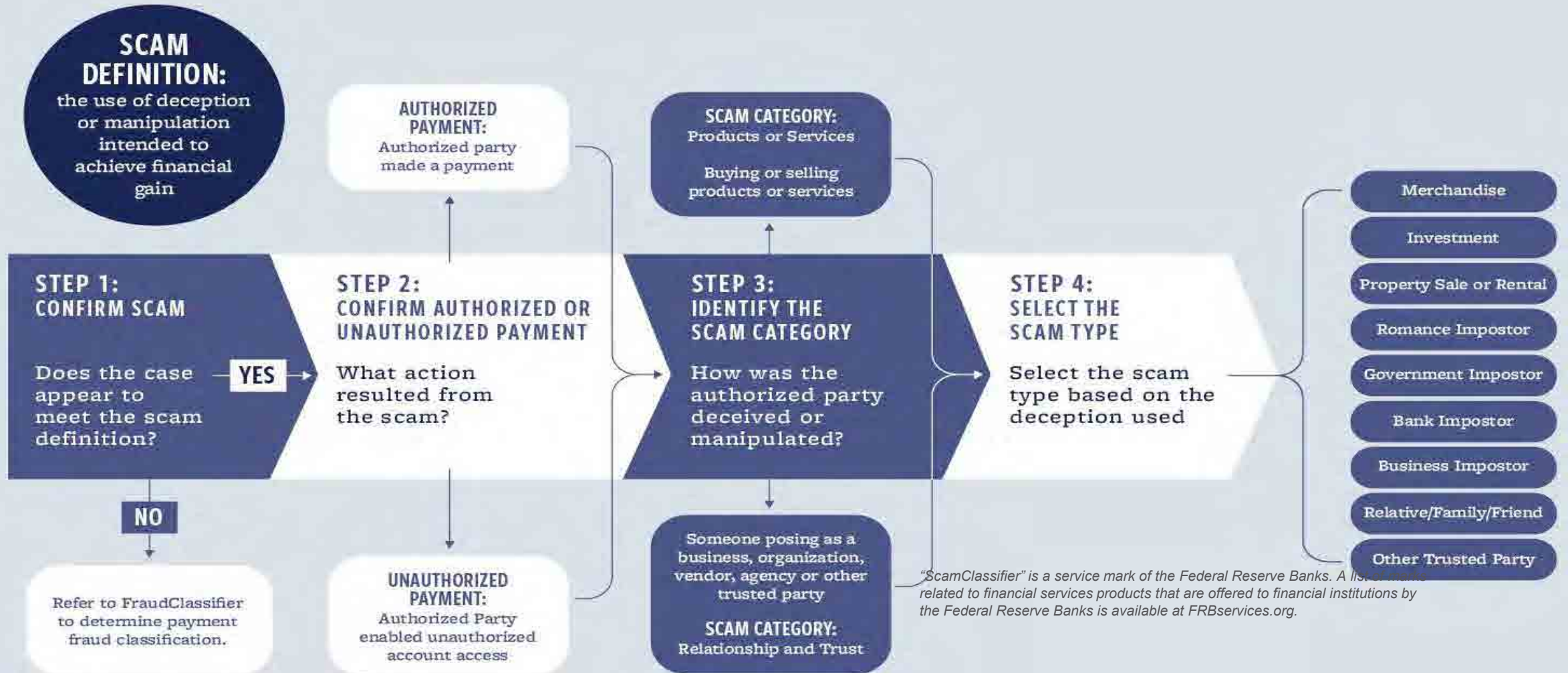
## Industry Value

- ✓ **A shared understanding of the term "scam" and the different scam types**
- ✓ **More consistent scam reporting**
- ✓ **Insights to help improve mitigation**

*Work group participants are listed on **FedPaymentsImprovement.org***

**THE FEDERAL RESERVE**
*FedPayments Improvement*

# SCAM CLASSIFIER

The ScamClassifer℠ model supports consistent and detailed classification, reporting, analysis and identification of trends in scams. It uses a series of questions to differentiate and classify scams by categories and types, and provides a view of the full impact of scams by including cases that resulted in authorized payments, as well as unauthorized payments from account access. The model also can be used to capture attempted scams.

**SCAM DEFINITION:** the use of deception or manipulation intended to achieve financial gain

**AUTHORIZED PAYMENT:** Authorized party made a payment

**SCAM CATEGORY:** Products or Services

Buying or selling products or services

**STEP 1: CONFIRM SCAM**

Does the case appear to meet the scam definition?

— **YES** →

**STEP 2: CONFIRM AUTHORIZED OR UNAUTHORIZED PAYMENT**

What action resulted from the scam?

**STEP 3: IDENTIFY THE SCAM CATEGORY**

How was the authorized party deceived or manipulated?

**STEP 4: SELECT THE SCAM TYPE**

Select the scam type based on the deception used

- Merchandise
- Investment
- Property Sale or Rental
- Romance Impostor
- Government Impostor
- Bank Impostor
- Business Impostor
- Relative/Family/Friend
- Other Trusted Party

**NO**

Refer to FraudClassifier to determine payment fraud classification.

**UNAUTHORIZED PAYMENT:** Authorized Party enabled unauthorized account access

Someone posing as a business, organization, vendor, agency or other trusted party

**SCAM CATEGORY:** Relationship and Trust

# Scams Information Sharing Work Group

## Challenge

- Fraudsters repeat the same tactics across organizations

- Can be challenging to identify effective, timely mitigation approaches

- Information sharing is incomplete, leading to fragmented approaches and sharing models

## Response

- ✓ Develop recommendations for fraud information sharing approaches
- ✓ Will consider data types, methods and benefits of information sharing

## Industry Value

- ✓ Stronger management of scams
- ✓ Faster reaction to fraud trends
- ✓ Enhanced industry awareness

*Work group participants are listed on FedPaymentsImprovement.org*

For Immediate Release | March 19, 2024

# ABA and U.S. Postal Inspection Service Announce Partnership to Combat Check Fraud

ABA, USPIS release infographic with consumer tips

# Mitigating Check Fraud: Tips from USPIS

Aired: February 1, 2024



CHECK WASHING & CHECK THEFT SCAMS ⚠

HOW TO PROTECT YOUR MAIL

HOW TO PROTECT YOUR CHECKS

WHAT TO DO IF YOU'RE A VICTIM?

File a report immediately with:
- Your bank
- Your local police department
- The United States Postal Inspection Service

# ABA Fraud Mitigation Outreach

## Messaging the Hill

## Public / Member Training

**Testimony Hearing on Scams & Fraud**

...the CFPB outlined changes to regulations implementing the Fair Credit Reporting Act (FCRA), which could have a significant impact on banks work to detect and prevent fraud...

**Statement for the Record - Zelle**

"Consideration should be given to establishing a grant program for state, local and tribal law enforcement focused on financial crimes..."

**Senate Banking Committee**

• ABA been asked to provide periodic updates to Senate Banking Committee

# Out with the "Old" and In with the New

# ABA **F**raud **I**ndicator e**X**change



**Current State:**

A fraudster can successfully attack victims across various banks, exploiting **delays in account closures** and **gaps in information sharing** across the industry.



Fraud attack      Victims at various banks      Account closure

**Future State with Data Sharing:**

The first bank to identify indicators of fraud **alerts the industry** to help other **banks avert losses for subsequent victims** until the fraudulent account is closed.



Fraud attack    Victim    Protected customers at various banks    Account closure

# CHICAGO
## PAYMENTS SYMPOSIUM

Panel:

# Scams, Security & Information Sharing

# Chicago Payments Symposium

**Oct 10, 2024**

# Meet Your Presenter:

## Jaime Zetterstrom
VP, Product

- Over 25 years telecom experience

- Executive Board Member of the Communications Fraud Control Association (CFCA)

- Former Co-Chair of the Handset Trafficking Task force of CFCA

- Speaker and Affiliate member, FS-ISAC

- Somos featured by Datos as innovative Fintech solutions

- Active member of The Knoble, an alliance formed to fight against human crime

SOMOS

# SOMOS®

## Global Provider of Number Management & Identity Information Services for over 7 billion identities!

### Deep Experience Administration Services

**Supporting over 1,400+ Service Providers to offer critical connections assets**

North American Number Plan Administrator

Toll-Free Number Administrator

8XX

Reassigned Numbers Administrator

### Global Number Intelligence Solutions

**Full suite of Authentication Enablement and Identity Management Solutions serving multiple industries.**

Fraud Mitigation, Compliance & Data Integrity

Routing Optimization

Connected Asset Management

# Global Telecom Fraud Is on the Rise $38.95B & SCAMS is a Growing Threat for Financial Institutions

**2023 Estimated Global Telecom Fraud Loss:**

**The major growing fraud threat to Financial Institutions is SCAMS**

$38.95 Billion (USD)*

Compared to 2021, Fraud losses increased 12%*

Fraud Loss is 2.5% of 2022 Global Telecom Revenue
$1.56 Trillion (USD) (up from 2.2% in 2021)*

81% of Global financial Institutions identify *Improve Fraud Management & Prevention* as a Critical-High Priority**

25.5% of the world's population has lost money to SCAMS or identity fraud*

*CFCA Fraud Loss Survey Report 2023      **Forrester True Cost of Financial Crime Compliance Study, 2023

SOMOS®

# Global Telecom Fraud Is on the Rise $38.95B & SCAMS is a Growing Threat for Financial Institutions



25.5% of the world's population has lost money to SCAMS or identity fraud*

*CFCA Fraud Loss Survey Report 2023

SOMOS®

# 99 Problems and Telecom is a lot of them

Customer Trust

Data Privacy Concerns

End User Verification

Phishing Attacks (email)

Brand Reputation Rebuilding

Vishing Attacks (phone call)

Competition from Fintechs

Data Management

Smishing Attacks (SMS/Text)

Economic Volatility

Spoofing

Digital Transformation

Cybersecurity Threats

Regulatory Compliance

Social Engineering

SOMOS®

# 99 Problems and Telecom is a lot of them

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Social Engineering

SOMOS®

Section 222(d) of the Telecommunications Act of 1996, which is a U.S. law, addresses the sharing of information related to telecommunications services.

Specifically, it allows for the sharing of certain information between (companies that provide telecommunications services) and other entities, such as under specific conditions.

SOMOS®

INCOMING CALL

**ABC BANK**
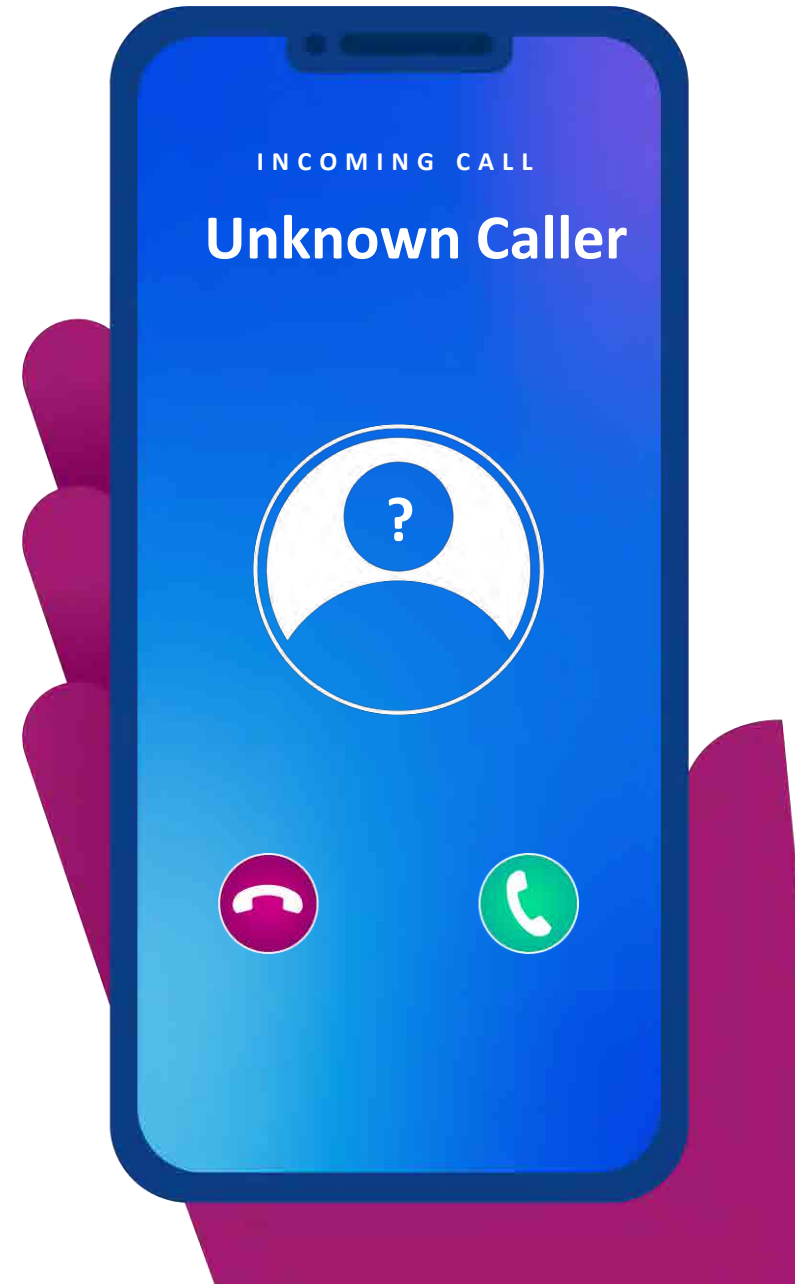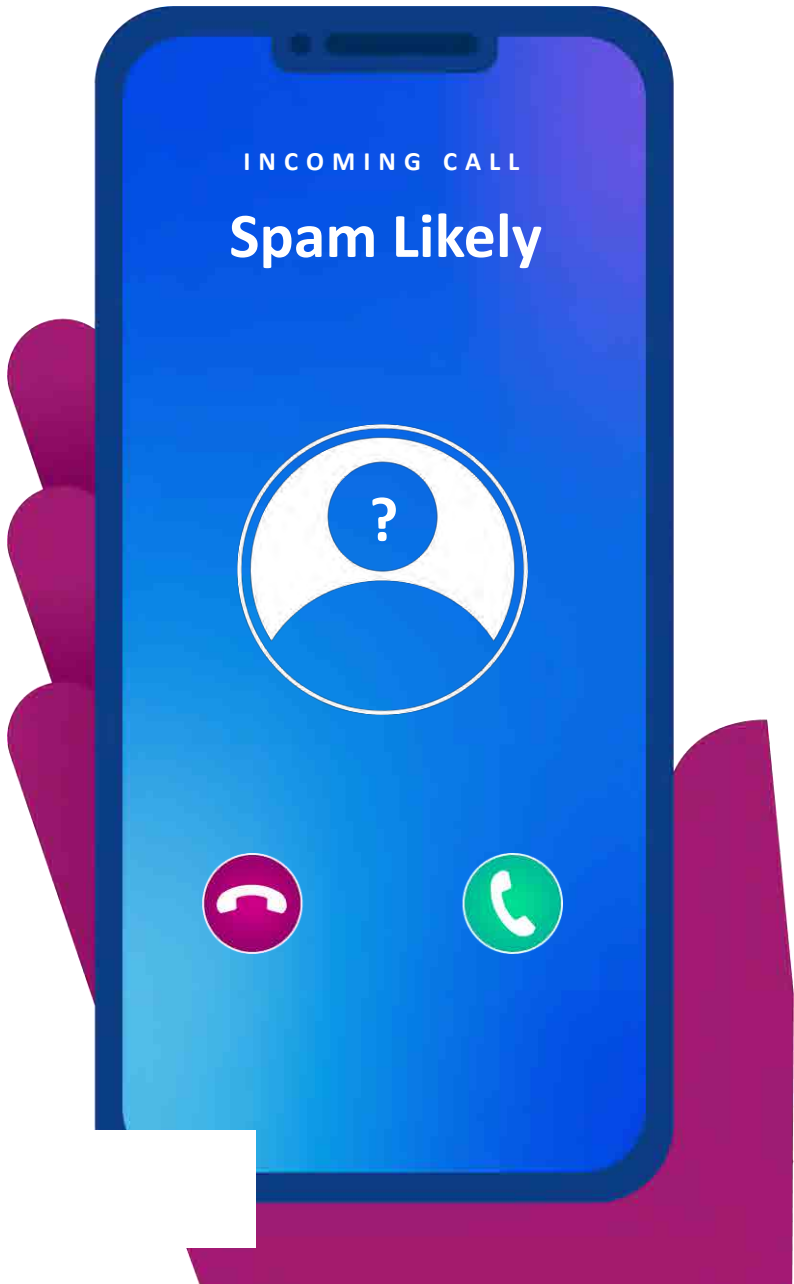
# Somos is committed to stopping scams!

**Let's connect today:**

**connect@somos.com**

SOMOS®

somos.com

# CHICAGO PAYMENT SYMPOSIUM

October 10, 2024

LexisNexis
RISK SOLUTIONS

**MAANAS GODUGUNUR**

**Senior Director of eCommerce and Payments, Market Strategy**

**LexisNexis® Risk Solutions**

# 24 years of **strong growth**

**2000**
- Formed Risk & Information Analytics Group (RIAG) as part of LexisNexis, with 12+ years of public records collection
- Acquired RiskWise and PeopleWise

**2005-2007**
Established solutions lines in key verticals, implemented new scoring platform and new analytic products

**2009**
RIAG changes its name to LexisNexis Risk Solutions

**2012**
Acquired EDIWatch to accelerate growth in Health Care

**2015**
Acquired BAIR Analytics

**2018**
Acquired ThreatMetrix

**2020**
Acquired ID Analytics, Emailage, Accuity merged

**2004**
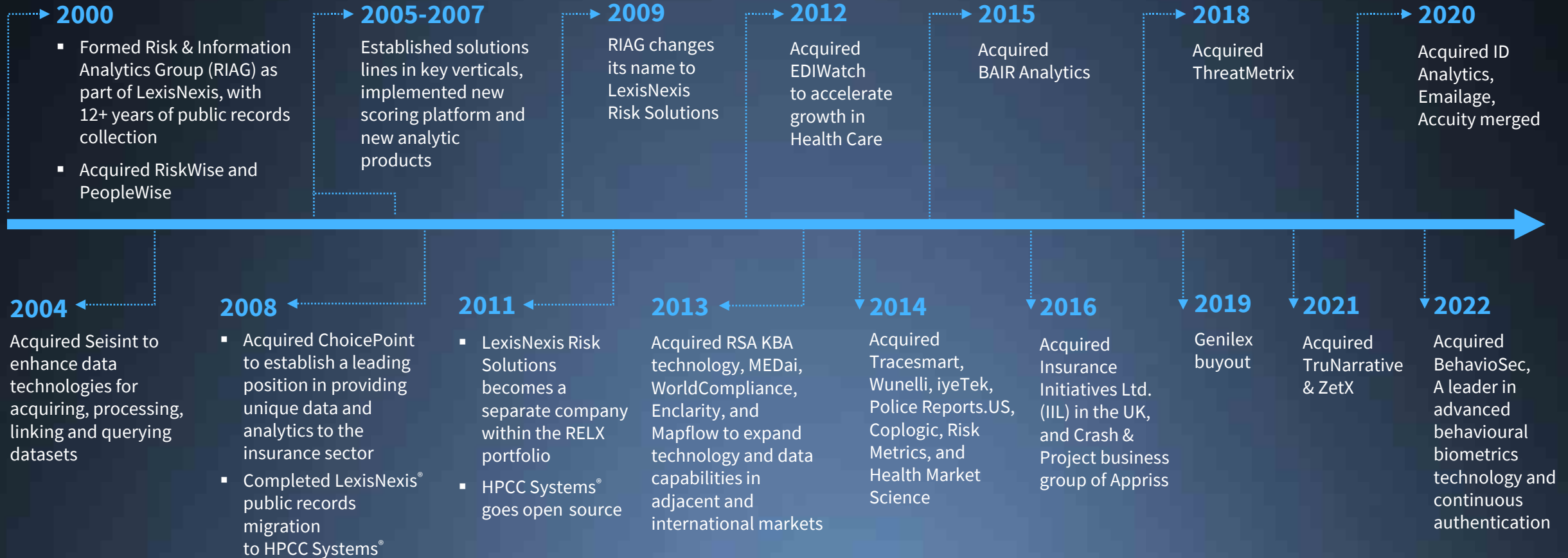Acquired Seisint to enhance data technologies for acquiring, processing, linking and querying datasets

**2008**
- Acquired ChoicePoint to establish a leading position in providing unique data and analytics to the insurance sector
- Completed LexisNexis® public records migration to HPCC Systems®

**2011**
- LexisNexis Risk Solutions becomes a separate company within the RELX portfolio
- HPCC Systems® goes open source

**2013**
Acquired RSA KBA technology, MEDai, WorldCompliance, Enclarity, and Mapflow to expand technology and data capabilities in adjacent and international markets

**2014**
Acquired Tracesmart, Wunelli, iyeTek, Police Reports.US, Coplogic, Risk Metrics, and Health Market Science

**2016**
Acquired Insurance Initiatives Ltd. (IIL) in the UK, and Crash & Project business group of Appriss

**2019**
Genilex buyout

**2021**
Acquired TruNarrative & ZetX

**2022**
Acquired BehavioSec, A leader in advanced behavioural biometrics technology and continuous authentication

LexisNexis®
RISK SOLUTIONS

CONFIDENTIAL

# Our Product Vision

## Support across the customer journey

We seek to create the best capabilities for great customer interactions and fraud intelligence.

We are committed to providing the widest array of data, attributes and risk signals **across all customer interaction channels and customer journey**s.

*NAO • Logins • Payments • Account Management*

## Flexible and adaptive capabilities

We build and deliver capabilities that are **fully configurable, orchestrated through workflow policies , and can adapt based on machine learning models** to the risk challenges of our customers and the overall threat landscape.

## Enabling customer centric experiences

Enabling **customer experience is at the center of our vision** and drives our evolution of capabilities. We look to provide the best real time and batch risk capabilities to allow our clients the best experience for their end customer.

## Investments in innovation

We follow a three pronged product development investment approach with

**Internal product development business cases,**

**Acquisitions of key capabilities and**

**Technology partnerships**.

LexisNexis®
RISK SOLUTIONS

# Our Key Differentiators

## Comprehensive Product Suite

Extensive native enterprise fraud capabilities available through a **single API access to the Dynamic Decision Platform**

## Expansive Data Assets

More comprehensive global data assets and **unique linking capabilities** for both **digital and physical identities**

## Global Fraud Consortium

Superior digital and physical identity consortium networks that provide **cross-industry view of fraud and risk signals**

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# PAYMENTS LANDSCAPE AND EVOLVING TRENDS
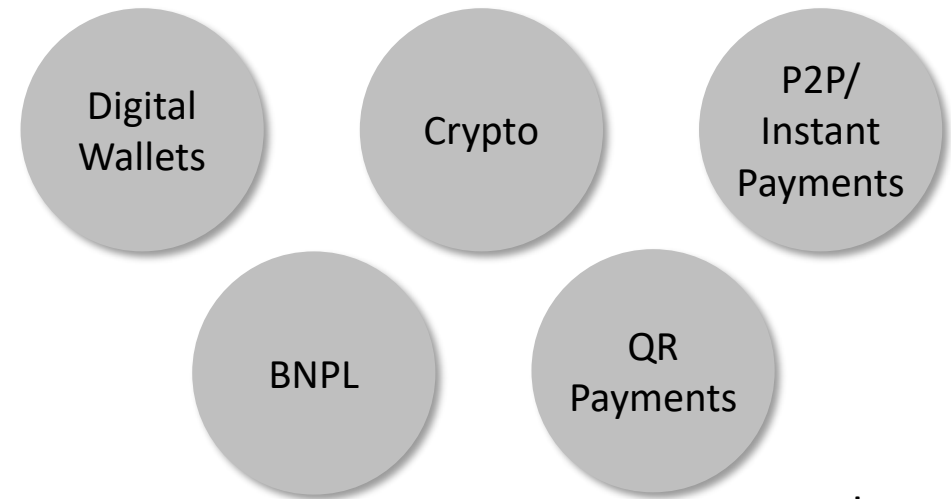
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# PAYMENTS LANDSCAPE

**The Ever-Changing Payments Landscape:** In today's fast-paced world, the payments landscape is in a constant state of flux. As technology advances and consumer preferences shift, the industry becomes increasingly dynamic and complex. Businesses must stay agile and innovative to meet the evolving demands and expectations of their customers.

## TRADITIONAL PAYMENT METHODS

- Cash
- Checks
- Money Orders
- Bank Transfers
- Cards
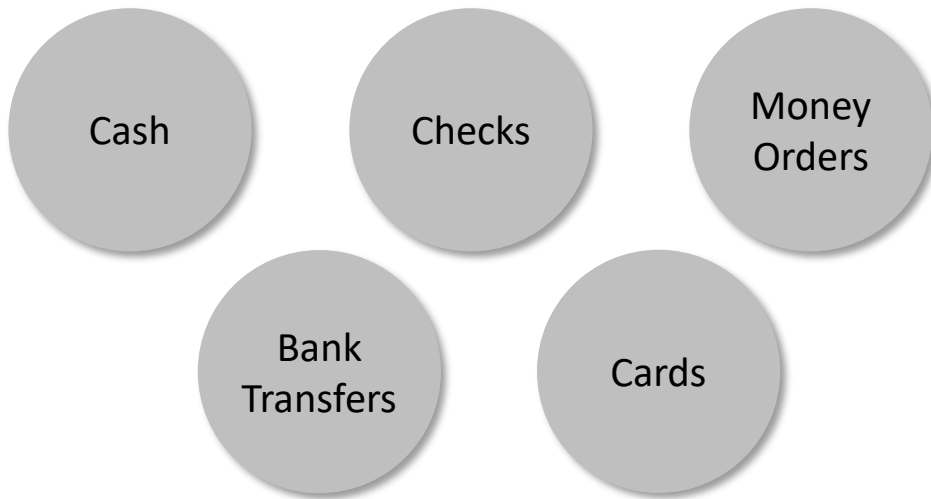
## NEW-AGE DIGITAL PAYMENT METHODS

- Digital Wallets
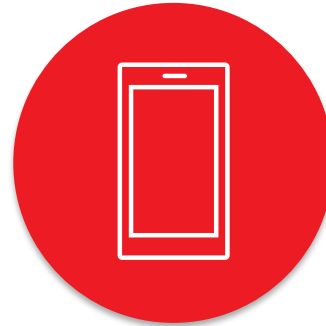- Crypto
- P2P/ Instant Payments
- BNPL
- QR Payments

and more…

# KEY TRENDS

## DIGITALIZATION

The shift towards digitalization and ecommerce has created new challenges that need to be addressed through a comprehensive risk management strategy

## MOBILE

Mobile devices are enabling large swaths of the global population to get online which has made mobile devices a key target for bad actors and an important tool in fighting fraud
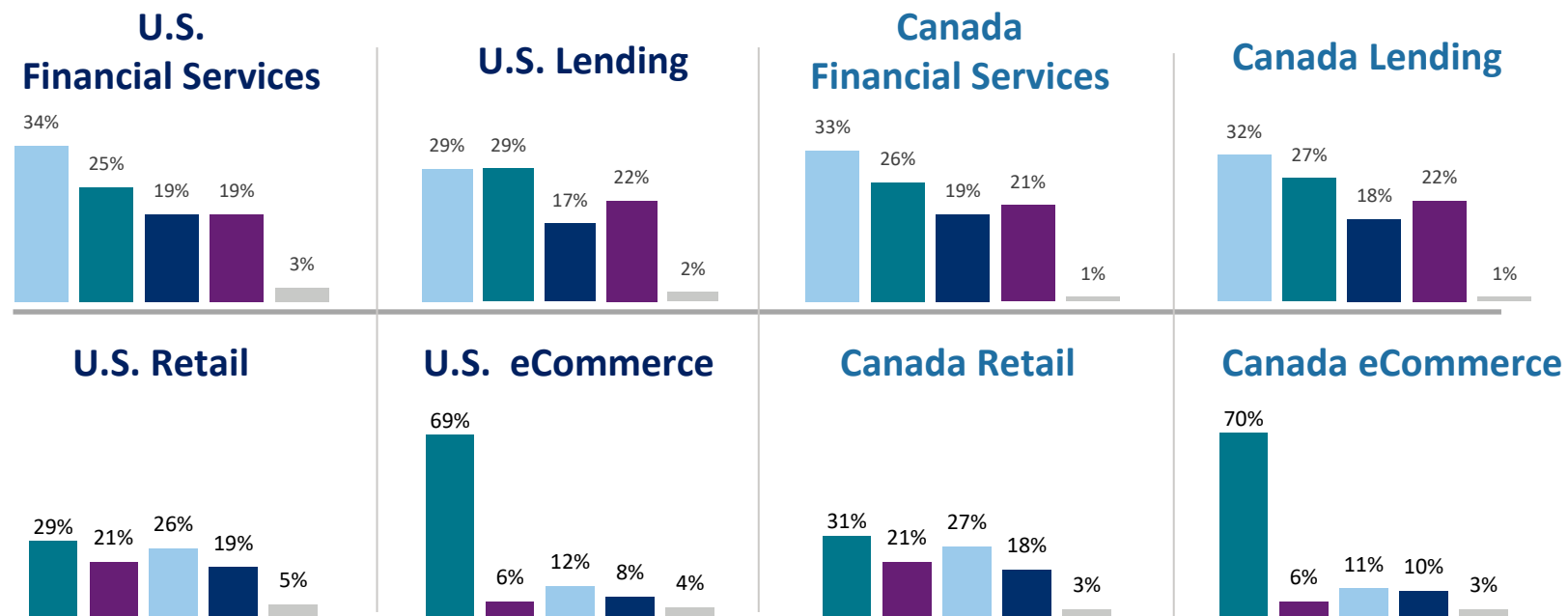
## FRAUD IS GLOBAL

Technology has removed geographical boundaries not only for businesses and consumers, but also for fraudsters and bad actors

# EVOLVING TRENDS IN CONSUMER CHANNELS

**Revenue Channel Shift:** As customer preferences have shifted towards digital channels and experiences, driven by technology and further accelerated by the COVID-19 pandemic, so too has revenue distribution by channel

## DISTRIBUTION OF REVENUE BY CHANNEL

Legend: ■ In-Person  ■ Online  ■ Telephone  ■ Mobile Channel  ■ Other (Self-Service Kiosk, Mail)

**U.S. Financial Services** — 34%, 25%, 19%, 19%, 3%

**U.S. Lending** — 29%, 29%, 17%, 22%, 2%

**Canada Financial Services** — 33%, 26%, 19%, 21%, 1%

**Canada Lending** — 32%, 27%, 18%, 22%, 1%

**U.S. Retail** — 29%, 21%, 26%, 19%, 5%

**U.S. eCommerce** — 69%, 6%, 12%, 8%, 4%

**Canada Retail** — 31%, 21%, 27%, 18%, 3%

**Canada eCommerce** — 70%, 6%, 11%, 10%, 3%

*Source: LexisNexis® Risk Solutions True Cost of Fraud™ Study 2023*

### KEY INSIGHTS

# >40%

of revenue for financial institutions, retail and ecommerce in North America comes from **digital channels**

# EVOLVING TRENDS IN PAYMENT TYPES

**Changing Payment Trends:** Increasing mobile device use and technological improvements have enabled the development and adoption of alternate payment methods such as digital wallets, P2P payments, BNPL etc.

## DISTRIBUTION OF TRANSACTION VOLUME BY PAYMENT METHOD

- ■ Credit Transaction
- ■ Debit Transaction
- ■ Mobile/Digital Wallet
- ■ Virtual/Social Media (bitcoin, Facebook pay, etc.)
- ■ Direct Deposit/Cash
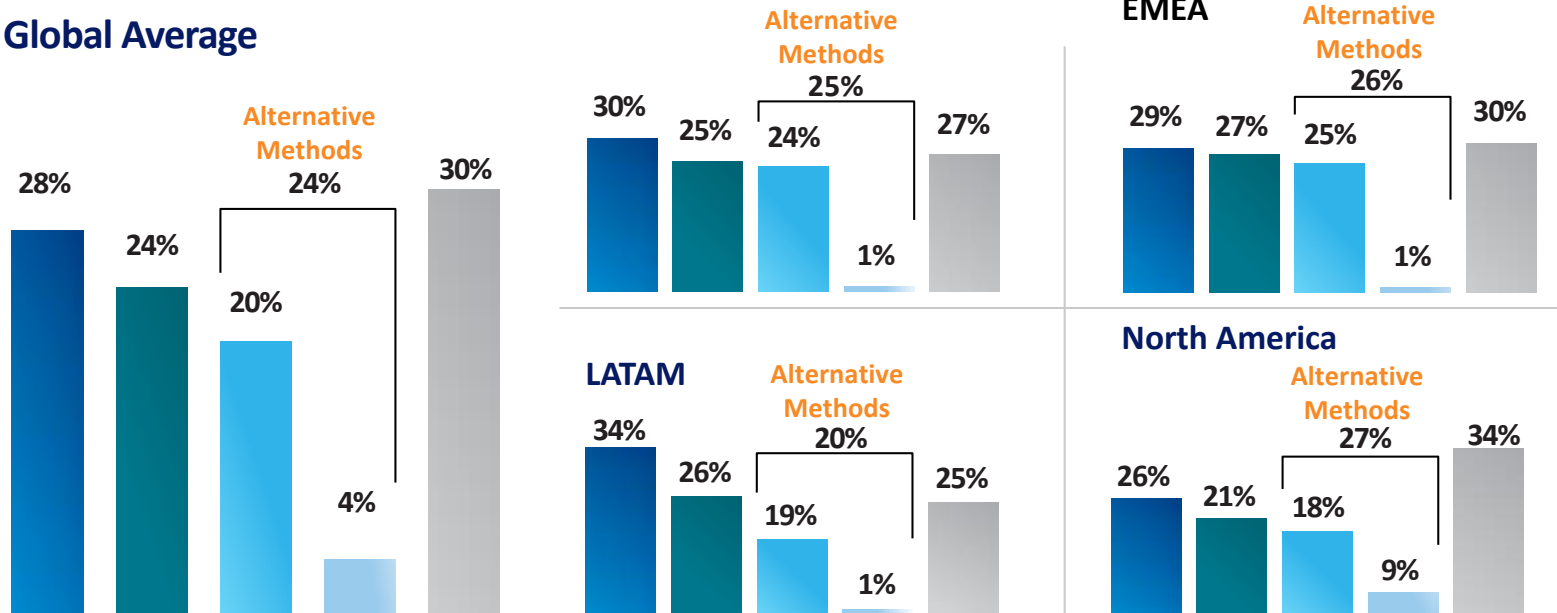


Source: LexisNexis® Risk Solutions Global State of Fraud & Identity Report 2022

## KEY INSIGHTS

# ~25%

of transaction volume can be attributed to Alternate Payment Methods, which have been quickly gaining popularity globally

**It is estimated that for every fraudulent transaction, the cost to business is over 3x the lost transaction value**



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**RISK SOLUTIONS**
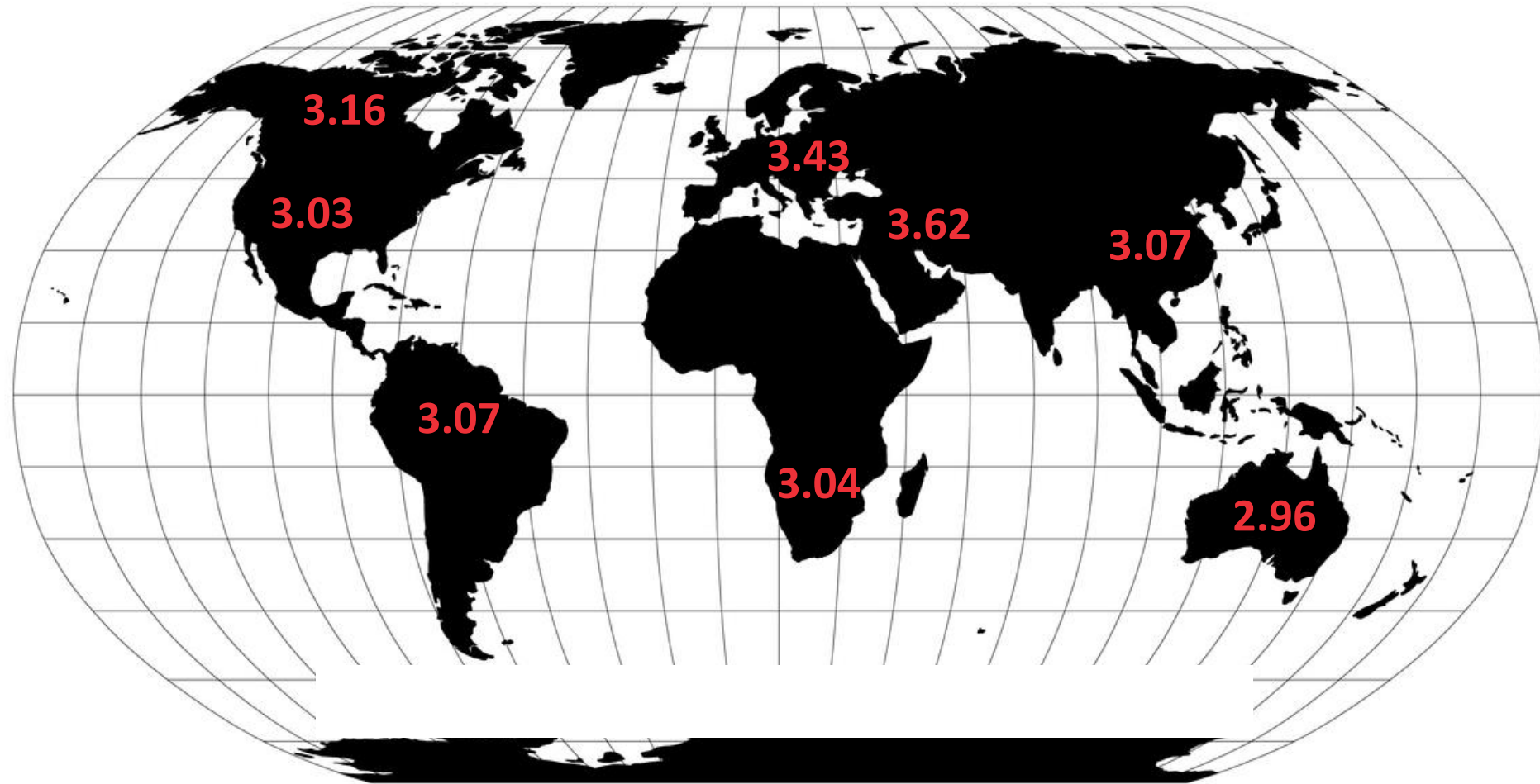
# PAYMENTS DEFENCE: MULTI-LAYERED FRAUD STRATEGY

## FRAUD LOSSES (AS % OF REVENUE) BY STRENGTH OF FRAUD PREVENTION MEASURES



- 1.04%
- 0.67%
- 0.77%
- 0.46%
- 0.57%
- 0.39%

Limited        Medium        Broad

■ eCommerce & retail        ■ Financial Institutions
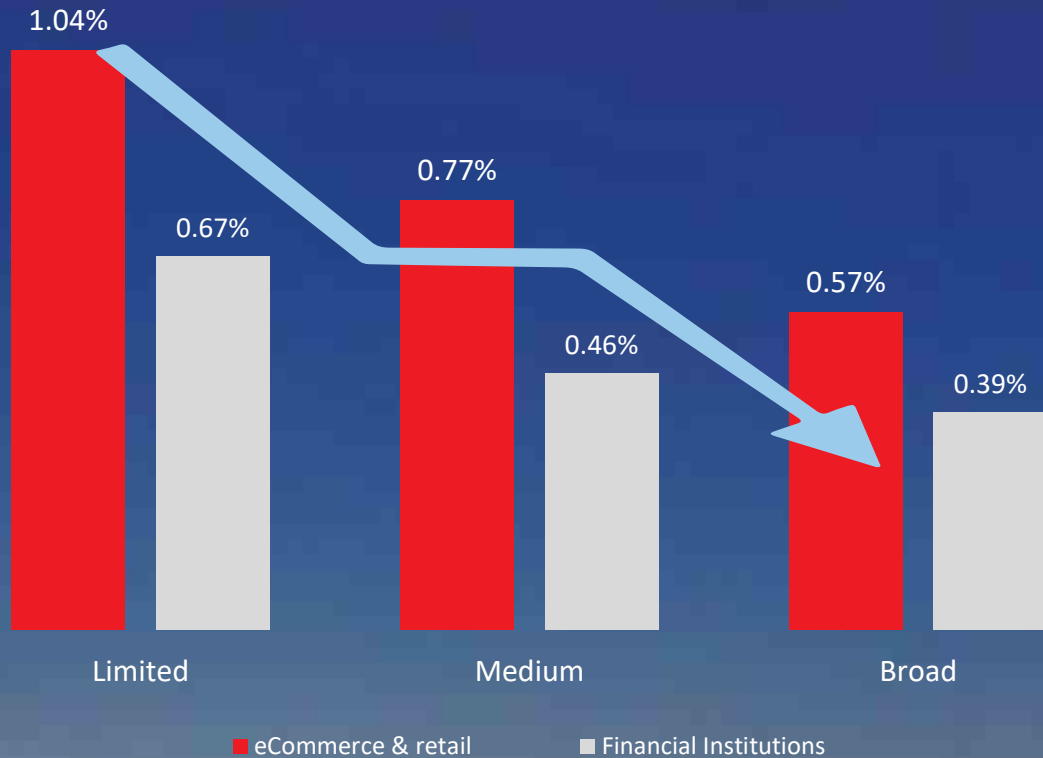
## Implementing A Broad Range Of Solutions Is More Effective At Preventing Fraud

Organizations that build a more robust, multi layered approach against fraud throughout customer journey stages report lower fraud losses. Having proper fraud management solutions in place may also help to increase compliance and limit liability in cases of fraud: these same organizations see slightly lower fraud losses.

## >40%
Difference in fraud loss
of most mature vs. least mature organizations

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