

Top Ten Fraud Risks That Impact Your Financial Institution

Presented by

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Agenda

- Education on understanding the fraud risk
- Take away.....
- Education to help keep the criminals out of our credit unions and away from our members



What keeps you awake at night?



What is your credit union hearing as it relates to fraud?



Fraud Exposures

- Debit Cards
- Credit Cards
- ACH
 - RDFI
 - ODFI
- Wire (outgoing)



Fraud Exposures

- Loan fraud
- Teller counter
- ATM
- Home banking
- Bill payment
- Mobile device
- Other.....



Fraud In the News

- High profile data breaches and more to come in 2015.
- Media highlights.....Cybersecurity Risk.....
 - Retailers – Target, Home Depot, and more
 - Entertainment – Sony Pictures
 - Financial Institutions – J.P. Morgan Chase & Co.
 - Health Insurance – Anthem Inc.



Fraud In the News Continued

- Criminals find the weakest link – we need to identify and close those gaps.
- ID theft – increase in phishing – email, text messaging and phone calls – using social media sites, call centers and use of ID from data breaches.



Top Fraud Trends in 2015

- Technology- Will increase the sophistication of fraud schemes.
 - Technology will also help catch fraud in 2015.
- More massive data breaches.
 - Improving information security is a top priority.



Top Fraud Trends in 2015

- Whistleblowers Protection – more people will step forward to report fraud..
 - Help prevent and mitigate crimes.
- Card security features will evolve.
 - Address card present – microchip and move to address card not present fraud.



Top Fraud Trends in 2015

- Digital currencies will share up fraud risks for retailers and consumers.
 - consumers face an increased risk of fraud by dishonest sellers, since the transaction is often not insured or protected by an agreement with a financial institution.



Hot Fraud Trends

How the bad guys are breaking in.....

- **Phishing, email, text messaging or phone calls**
- **System intrusions (includes third-parties)**
- **Identity theft**
- **Social media/network**



Hot Fraud Trends

What the bad guys put in their pockets.....CASH!

- **Cash/Money fraud**
- **Payment card fraud**
- **Wire fraud**
- **ACH fraud**
- **Loan check fraud**



Top Fraud Risks

- System intrusions – Cyber risk to internal systems and external systems – credit unions, third-party vendors, retailers, and others.
- Recruitment fraud – recruiting individuals to participate in exchange for a financial benefit.
- New account fraud – Taking over someone's ID and applying for membership and then applies for a loan or a debit card or online services.



Top Fraud Risk

- Wire fraud – Bad guys continue to find the weak link and focus on call forwarding phone numbers and using the CU call center to provide help with the challenge questions.
- ACH fraud – Using the routing and account number to create an ACH credit or ACH debit from the ODFI or the RDFI. The ACH ends up being unauthorized.



Top Fraud Risks

- Paper check fraud – Cashing of forged or counterfeit checks continue to be cashed or deposited. Implementing check fraud solutions to help combat the fraud along with check holds are critical today.
- Credit card payments – Returned NSF/closed account/unauthorized.
– These could be paper or ACH debits



Top Fraud Risks

- Verified by Visa – MasterCard Secure Code
 - Members being phished
 - Malware installed
 - Understanding the ECI (Electronic Commerce Indicator) codes
 - Expand taken criteria



Top Fraud Risks

- Card data breaches
 - Gift cards –
 - No merchant category code to help identify this type of fraud.
 - Card present fraud
 - Card-not-present fraud
- Internal fraud
 - Employee dishonesty



Best Practice



- Don't wait until your credit union or members notice or experience fraud.
- Act early by having a holistic approach in place to help detect suspicious activity.
- Reputation risk is critical when it comes to fraud.



Best Practice

- Focus on the attacks – get to the root causation.
- Utilize multiple layers of authentication.
- Perform 3rd party vendor due diligence.



Best Practice

- Industry information sharing is key in 2015 and beyond.
- Key message....Network and Education - engage experts.



Fraud Changes

- Fraud continues to evolve.
- Attacks are changing.
- Cybercriminals are more sophisticated.



Fraud Changes

- Treating the attacks as a “business”.
- Focus needs to change.....
 - Compliance vs. Security.....
- **What’s on your mind????**



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