Fraud Fighting 101

The BUSINESS of Fraud. Don’t let it put you out of business.
Fraud Fighting 101

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Fraud Fighting

Agenda:

• Types of Fraud
• Things you can do
• Things the Bank Does
• Services Provided by the Bank
Payments Fraud

Checks
Credit Cards
ACH (Debits / Credits)
Wire Transfers
2014 AFP Payments Fraud Survey

HIGHLIGHTS Of Survey Results

60% of organizations were exposed to actual or attempted payments fraud in 2013.

27% of financial professionals that experienced payments fraud in 2013 report the number of fraud incidents increased from 2012.

16% of financial professionals from organizations that experienced payments fraud report a decrease in fraud incidents in 2013 compared to 2012.

82% of survey respondents report that checks were the primary target for fraud attacks at their companies.

43% of survey respondents from organizations exposed to fraud attacks, report credit/debit cards were targeted.

The typical financial loss incurred by companies due to payments fraud in 2013 was $23,100.
Payment Fraud is Everywhere

<table>
<thead>
<tr>
<th>Percent of Organizations Subject to Attempted or Actual Payments Fraud in 2013</th>
<th>All (2013)</th>
<th>All (2012)</th>
<th>Revenue at least $1 billion</th>
<th>Revenue less than $1 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checks</td>
<td>82%</td>
<td>87%</td>
<td>86%</td>
<td>72%</td>
</tr>
<tr>
<td>Credit/debit cards</td>
<td>43</td>
<td>29</td>
<td>42</td>
<td>36</td>
</tr>
<tr>
<td>ACH debits</td>
<td>22</td>
<td>27</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>Wire transfers</td>
<td>14</td>
<td>11</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>ACH credits</td>
<td>9</td>
<td>8</td>
<td>9</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: 2014 AFP Payments Fraud and Control Survey
Losses are significant

Fraud Losses

- 39% < $25,000
- 37% $25,000 - $249,999
- 17% > $250,000

Source: 2014 AFP Payments Fraud and Control Survey
Check Fraud Loss

Counterfeit Checks
- What is a counterfeit check?
- Ways to prevent counterfeit checks.

Check Washing
- What is check washing?
- Ways to prevent
Card Fraud Losses

Check Card/Credit Card Fraud

- What is check card fraud?
- Ways to prevent:
  - Keep your card safe
  - Only use safe/secure websites
  - Do not give out your PIN
  - Monitor use of your card
  - Monitor activity regularly
  - Restrict usage
    - Dollar
    - Types of purchases
Prevent Account Compromises

Wire Fraud

- What is wire fraud?
- Ways to prevent
  - Internal controls
  - Dual control
  - Segregation of duties
  - Review transactions

What is ACH fraud?
Businesses must return ACH transactions within 24 hours.
Check transactions should be returned same day.
Online transactions are often real time.
Review bank balances and transactions DAILY.
Trust, But Verify

Dual control with account balancing
Control use of signature facsimile stamp
Importance of signature card and designating authority
Bank statement/Notice diversion
PHISHING AND MALWARE

What is PHISHING?
Phishing Email Example:

Your Online Banking is Blocked

We recently review your account, and suspect that your Bank Of Tuscalo account may have been accessed by an authorized third party. Protecting the security of your account is our primary concern. Therefore, as a preventative measure, we have temporarily limited access to sensitive account features.

To restore your account access, we need you confirm your identity.

To do so we need you to follow the link below and proceed to confirm your information:

http://www.bankoftuscaloosa.com

Thank you for your patience as we work together to protect your account.

Thank you.

You can help us provide you with the most relevant information by taking a moment to tell us your e-mail preferences. And of course you can unsubscribe at any time. Remember, Bank Of Tuscaloosa is committed to your security and protection. To find out more, take a look at our Information Security section under Privacy and Security on the Web site
Example: Phishing Website


Bank Of Tuscaloosa

Please Log In

User ID:
Password:
Login

FDIC Deposit Insurance

Veriﬁed by VISA

ACTIVATE VERIFIED BY VISA
Enroll your Visa Check Card or Credit Card in Verified by Visa today. Learn More >

Now More Convenient
Download our Business Loan and Line of Credit Application Download It Now >

Announcements:

- Business OnLine Access - Financial control at your ﬁngertips 24/7!
Total Estimated Losses from Phishing (1H 2013)

United States

- Total Estimated Losses from Phishing (1H 2013): $254 million
- Percentage of global phishing attack volume: 52%
THINGS YOUR BANK CAN DO
Measures Banks Have in Place

Phishing detection and takedown services – services that identify phishing sites and take action to limit access.

Threat intelligence – tools and services for the collection and analysis of suspicious activity from online customers to detect potential malware infection.

Transaction monitoring and profiling – methods and tools to determine the risk of a given transaction based on analysis of that transaction against the customer’s transaction behavior profile.

Working with the FBI, Secret Service, ATF, Interpol, & Local Law Enforcement Authorities.
What Can Your Bank Do?

Commercial Online Banking Solution:
• Security tokens required at time of transaction, reducing wire and ACH fraud attempts

Monitor user behavior based on location

Secure transmissions with encryption

Firewalls and Virus Protection (internal)

Challenge response questions

Automatic sign-off (no activity)
What Can Your Bank Do?

Anti-Phishing Initiatives:

Contract with a security company to monitor and remove fraudulent Websites

Use services to help prevent account hijacking

Security awareness training for customers and front-line employees
Things You can Do
How Do I Protect My Business?

Computer system and security software up to date

Personal firewall in place for broadband Internet connection

Use secure sites for online transactions

Request paperless statements for your bank accounts

Periodically obtain & review credit reports to check for fraudulent activity

Look for skimmers
How Do I Protect My Business?

Use secure sites for online transactions

Do not use public “hot spots” for online transactions

Passwords and PINs include numbers and special characters

Reconcile all banking transactions on a daily basis

Change the password a few times each year

Delete incoming email requesting personal information or providing web site links
How Do I Protect My Business?

Avoid using an automatic login features that save usernames and passwords for online banking

Never give out personal information over the phone, especially if you did not initiate the call

Initiate ACH and wire transfer payments under dual control, with a transaction originator and a separate transaction authorizer

Immediately escalate any suspicious transactions to your bank. Immediate escalation may prevent further losses
Protect My Business with Social Networking

Train your employees to recognize scams
Keep your employees updated on the latest threats
Always update your software
Keep antivirus on the PC and patched at all times
Keep track of which websites your employees are visiting
Leverage malware protection tools such as Trusteer Rapport, offered free of cost by CB&T.
Available Protection tools from the Bank
## Protection tools from the Bank

<table>
<thead>
<tr>
<th>Fraud Type</th>
<th>Bank Service</th>
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</thead>
<tbody>
<tr>
<td>Malware</td>
<td>Trusteer Rapport</td>
</tr>
<tr>
<td>Check Fraud</td>
<td>Positive Pay</td>
</tr>
<tr>
<td>Payee Alteration</td>
<td>Payee Match</td>
</tr>
<tr>
<td>ACH Fraud</td>
<td>ACH Positive Pay</td>
</tr>
<tr>
<td>Unauthorized Transactions</td>
<td>Dual Control</td>
</tr>
<tr>
<td></td>
<td>Transaction Limits</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>Lockbox</td>
</tr>
<tr>
<td>Unauthorized Access</td>
<td>Treasury Gateway</td>
</tr>
</tbody>
</table>
Tools To Protect your business

Reduce Malware Attacks

- Trusteer protects against online fraud and software attacks on your computer. It’s downloadable software that helps prevent fraudsters from stealing your username, password, and other sensitive login information. It also assists in protecting your online communication and prevents malware from tampering with your transactions. CB&T offers the software free of charge to anyone.
Tools To Protect

Online Banking:

• Password security at sign-on
• Token security
• View account activity in real-time (intraday)
• User Access and Controls
  • Using the internet is an effective way to process ACH and Wire transactions but *safeguards need to be in place*
  • Set specific permissions by user and by account
  • Daily limits for ACH origination
  • User security & dual approval process
  • Segregation of duties is highly encouraged!
Tools To Protect

Early Fraud Detection:

• **Positive Pay** provides you with the confidence of knowing that only the checks you issue will be paid. This service interfaces with the teller system and notifies the teller if the check is not valid.

• **ACH Blocks/Filters Service** was designed to protect you against unauthorized ACH transactions posting to your account.

• **Controlled Disbursement Accounts** allow for early notification of the dollar amount of checks clearing the account each day. By providing a presentment of checks clearing early in the day, you can reduce the time they spend calculating a daily cash position. This account reduces check-clearing uncertainties, which enables companies to maximize investment opportunities or to minimize borrowings.
Tools To Protect

Improve Account and Audit Control:

- **Sweep & Zero Balance Accounts** allow businesses to concentrate cash. This allows a customer to segregate investments & disbursements for whatever reason, i.e., payroll, payables, geographical areas.

Eliminate Transportation Risks:

- **Remote Deposit Capture** takes advantage of the benefits of Check 21 technology by providing businesses with the ability to scan and electronically deposit checks into their bank account without ever leaving the office. Create new opportunities to consolidate, reduce costs, save time and improve cash flow with Remote Deposit Capture.

- **Remote Vault Deposit** allows business owners to safely and securely manage large amounts of cash directly into the safe. The safe counts and stores the funds until a guard comes on location for a regularly scheduled pickup.
Tools To Protect

Reduce Possibility of Diversion of Funds:

• **Lockbox Services** are designed for commercial customers who receive payments via US MAIL. By outsourcing the payment collection process the company can reap many benefits such as reducing internal labor, improving security of incoming payments, protection against natural disasters.

• **Deposit Reconciliation** focuses on deposit tracking. Corporate customers will benefit from this service by maintaining control over a high volume of deposits from different locations. Deposits are made to a single account. A serial number in the MICR line of the deposit ticket identifies deposits from different locations. The bank provides reporting by serial number.
Questions?