



ICBA Check Fraud Task Force:

Understanding the processes, people, and technology needed to combat check fraud at your institution



Our speaker



Kerry Cantley
Vice President, Digital Banking Strategy
kcantley@miteksystems.com



During this session

- How do you identify fraud patterns?
- Outsmarting fraudsters and the challenges we face
- Process challenges
- People challenges
- Technology challenges
- Q & A

The cost of fraud

\$5B

Synthetic
identity fraud

Synthetic identity fraud is projected to cost businesses nearly \$5 billion this year.

Source: Mastercard

80%

Payments
fraud

80% of organizations experienced payments fraud in 2023.

Source: [2024 AFP Payments Fraud and Control Survey](#)

\$24B

Check
fraud

Check fraud losses are expected to reach \$24B this year - a 50% increase from the last time it was measured in 2018.

Source: Frank McKenna

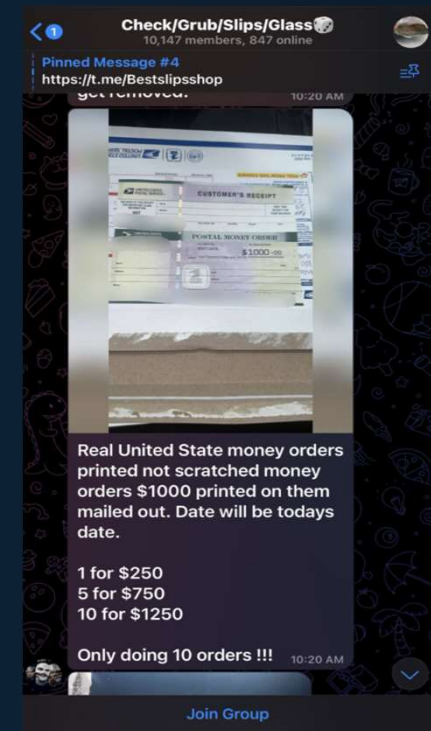
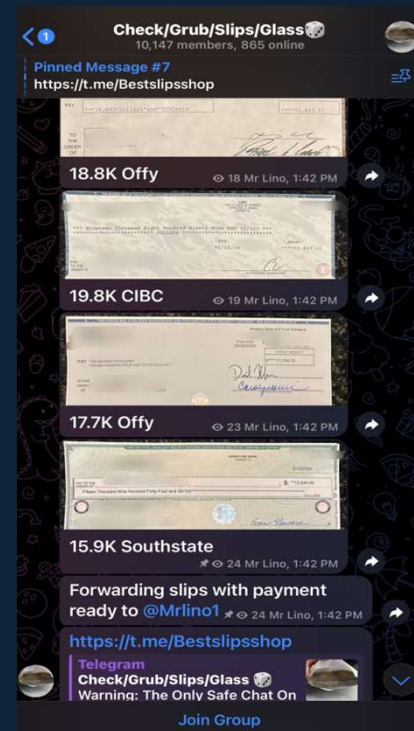
How do you identify fraud patterns?

- Transactional
- Looking across all channels
- “Norm” vs out of pattern
- It goes beyond the dollars and cents
- Compromised/stolen activity
- Legacy commercial products



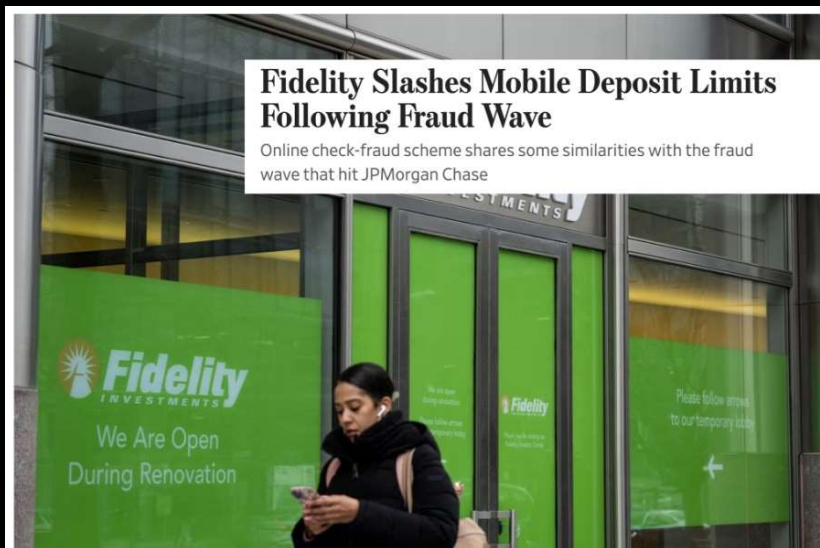
Outsmarting fraudsters and the challenges we face

- Fraudsters communicate and share best practices
- Fraudsters test and learn
- Fraudsters will use a single account to flood the industry. Closing mule accounts is huge!
- Managing to a fraud loss plan, doesn't keep the fraudsters out - they know your thresholds
- Participate in fraud detection as a community to quickly adapt and react



Process challenges

90+ minutes on average to review a check fraud case.



The deposit limits focus on cash-management accounts, a type of brokerage account used to make purchases, pay bills online and withdraw funds from ATMs. PHOTO: BLOOMBERG NEWS

61% of consumers indicate that they would be **likely, or somewhat likely**, to leave their **FI** if unauthorized or **fraudulent transactions** occurred on their **checking account**.

Source: Whitepaper: Check Fraud's Hidden Costs: Uncovering the True Impact on Consumers, S&P Global,

Process improvement best practices

- When evaluating improvements in your organization, understand process first.
- Review both inputs and outputs as you consider improvements.
- Keep customer experience in mind.
- Apply technology to your target state in a way that supports your process and your people.

Check fraud process considerations

- Image analysis is important.
- Layering transaction and customer data improves detection and reduces false positives.
- Move process before post, when possible.
- Leverage technology, consortiums, and improved processes to reduce returns cycle time between banks to reduce deposit losses.
- Consider how process improvements can reduce claims and customer complaints.
- Engage the customer to validate checks (lean on other payment best practices, like CC).

People challenges

The **financial services sector** has the **highest** activity **costs** linked to insider threats. The average annual activity cost for financial services businesses is **\$20.68 million**.

Between 2023 and 2024, there was a **28% increase** in insider-driven data exposure, loss, leak, and theft events.

Source: www.stationx.net/insider-threat-statistics

CRIME

Bank teller opened fraudulent accounts, withdrew stolen money, Justice Department alleges

Prosecutors say the suspect would open fraudulent accounts in customers' names, then transfer money to the account and withdraw it for her personal use.

25% of insider threat incidents are caused by criminal or malicious insiders

i.e., employees or authorized individuals who misuse access for harmful, unethical, or illegal activities.

Who are the next generation of Fraud Fighters for banks?



Retired Law Enforcement



Criminal Justice College Recruits with experience in the field



Retired Secret Service and other Investigative Agencies (DHS)



Internship programs with Data Science and Criminal Justice Degree College



Hiring from within, through job share or training programs or employees with a minimal years of service

Building the team

KYE (Know Your Employee) - Character is just as important as credentials when hiring



Recruit



Develop



Retain

Developing your first line of defense against fraud enables your team to make better decisions about whether or not a transaction poses a significant risk.

Technology challenges

62% of consumers are surprised when fraudulent checks are not caught by the bank and charged to their accounts.

Solving for technology challenges



Customer
Communication



Review of
false-positives



Operations

Putting forth a customer-centric approach that ties your technology and operations together through a concise dashboard yields for better fraud detection and a better customer experience.

Solving technology challenges: consortiums

“If you have an apple and I have an apple and we exchange these apples, then you and I will still each have one apple. But if you have an idea and I have an idea and we exchange these ideas, then each of us will have two ideas.”

-George Bernard Shaw



Consortium best practices

Enable the latest security technology to prevent data breaches.

- Encryption at Rest
- Controlled Access Management
- Industry Standards and Compliance requirements must be adhered to
- User Group to maintain collaborative discussions and consortium priorities

Multi-layered approach to check fraud detection



Engage the customer



Utilize advanced check security features



Employ machine learning, computer vision, and AI



Improve operational efficiencies



Leverage the power of consortia



Key takeaways

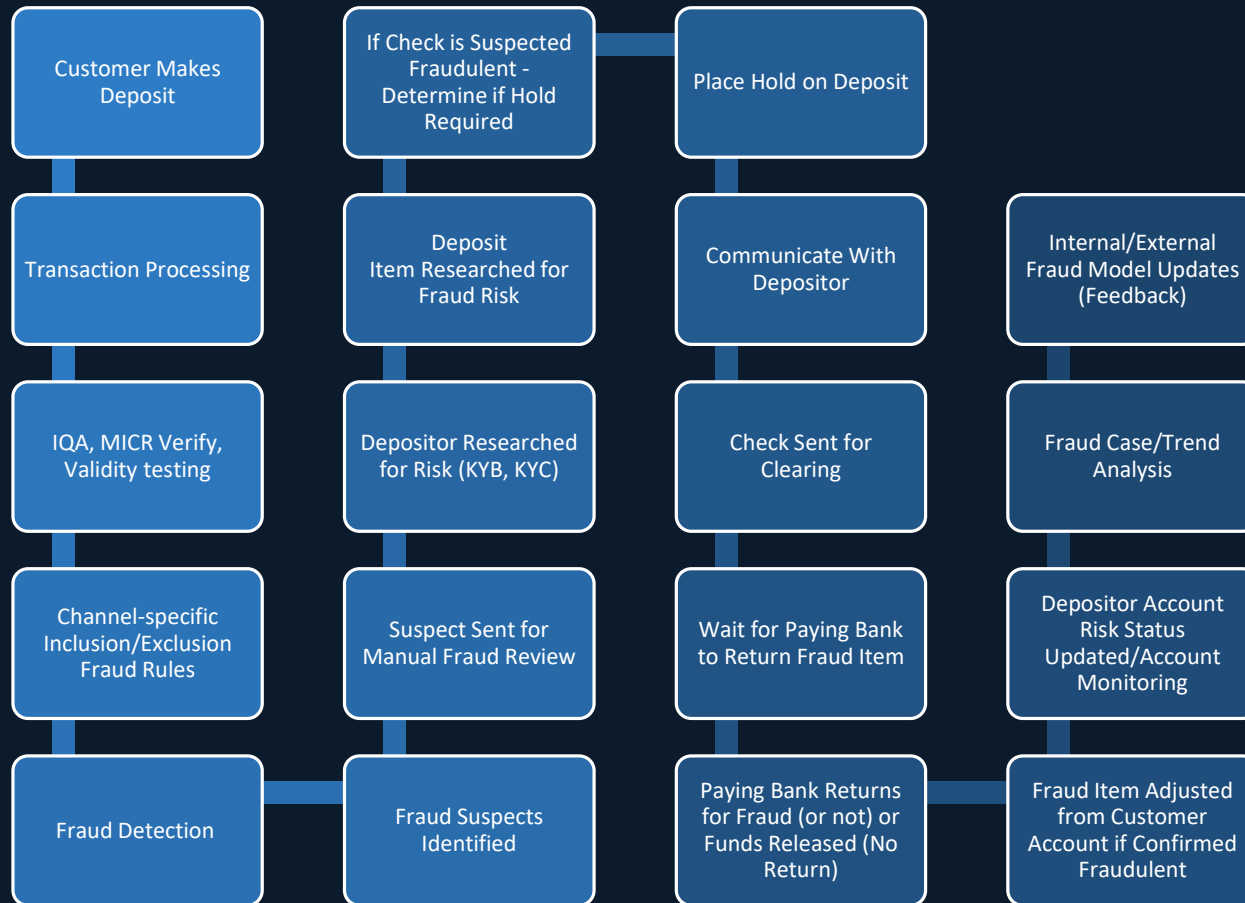


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Thank you

Deposit Fraud Detection/Review Flow



In-Clearing Fraud Detection/Review Flow

