



OUTSMARTING PAYMENT FRAUD: COMMON EXPOSURES

And How to Protect Against Them

February 2017

ABUS

N: 83/45

Patented



LAST CHANCE:
2017 Treasury Fraud & Controls Survey



2017 B2B Payments & Working Capital Management Survey



Leading Practices: Working Capital Management, Managing Globalization



The Digital Corporate Bank: Land and Expand Strategies Easing the Corporate Experience | Part 2: Expand



How Banks and Corporates Benefit from SWIFT gpi

About the Presenters



Craig Jeffery, CCM, FLMI
Founder & Managing Partner
Strategic Treasurer



Isaac Zaubi
Publications Manager
Strategic Treasurer

Advise

- Treasury Technology
- Working Capital Optimization
- Treasury Security
- Financial Risk Management
- Compliance
- Bank Connectivity & Onboarding
- Bank Fee Management

Strategic Treasurer

is a consulting firm advising on treasury, financial risk and risk technology issues. Their seasoned treasury consultants efficiently work alongside financial executives in treasury, finance, and other related areas within corporate, government, education, and not-for-profit entities.

Inform

- Industry Surveys
- Analyst Reports
- Benchmarking
- Whitepapers
- Webinars
- E-Books
- Videos

Topics of Discussion



Just How Prevalent is Payment Fraud?



What Types of Payment Fraud are Firms Currently Experiencing?



Who is Behind Most Fraud Activity?



How are These Fraud Attempts Typically Carried Out?

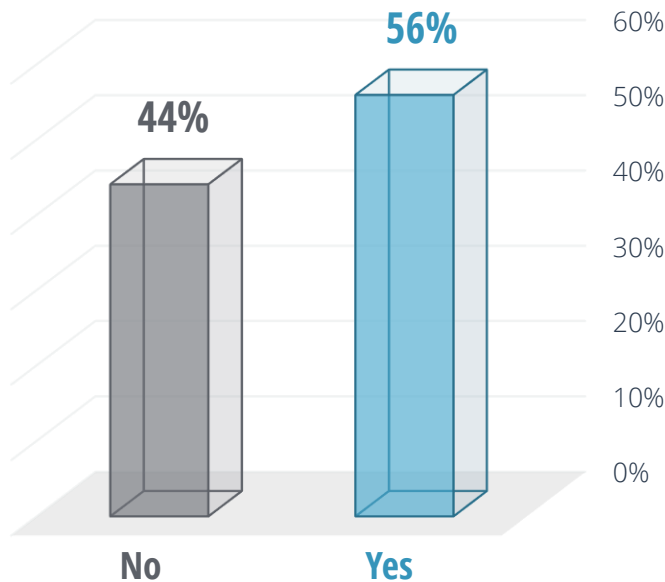


What are the Exposure Points & how can Treasury Protect Themselves?

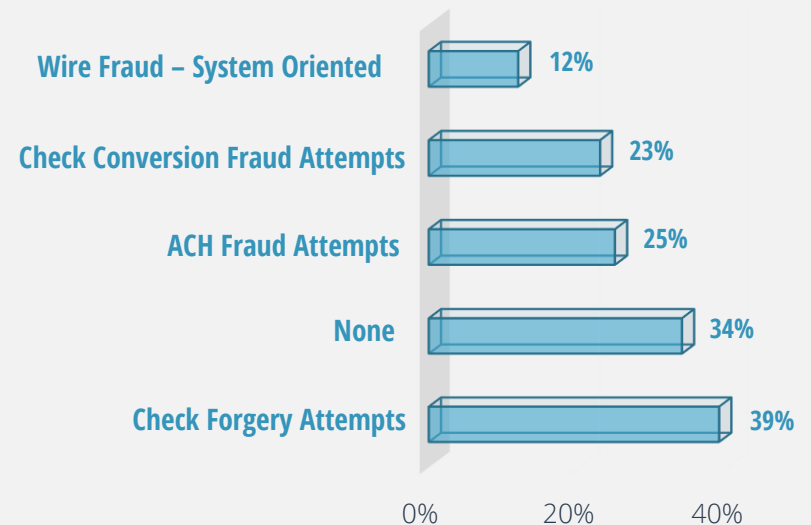
Payment Fraud: Frequency of Attempts

Payment fraud is occurring against organizations in alarming numbers in a variety of ways.

Has your company experienced any payment fraud attempts in the last 12 months?*



Have you experienced any of the following in the past 2 years? (Check all that apply)*



*Data obtained from Strategic Treasurer & Bottomline Technologies 2016 Treasury Fraud & Controls Survey

Payment Fraud: Frequent Fraud Approaches



While Payment Fraud can occur in a multitude of ways and through numerous channels, there are several approaches that stand out among the rest.



Check Fraud



Wire/BEC Fraud



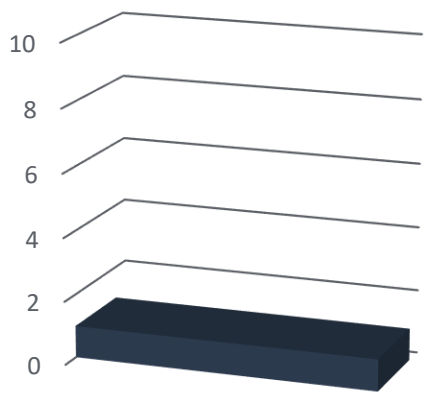
System-Level Fraud



ACH Fraud



Check Fraud



CHECK FRAUD

Typical Payout Range:

\$1K-2K

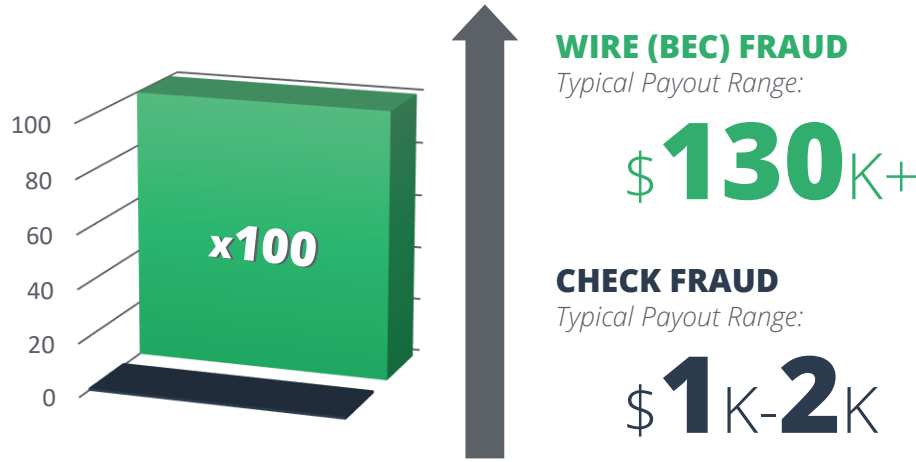
The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.

The average company losses due to check fraud (the most commonly attempted method of fraud) average between \$1,000-\$2,000 dollars.

*Bottomline Technologies & Strategic Treasurer 2016 Treasury Fraud & Controls Survey



Wire/BEC Fraud



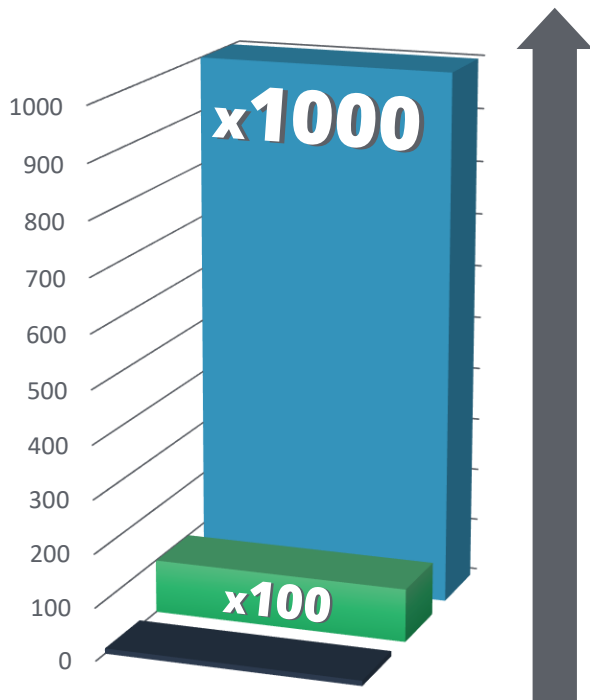
At two orders of magnitude greater than check fraud, the average payout for Wire or Business Email Compromise (BEC) Fraud is close to \$130,000 dollars.

The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.

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System Level Fraud



SYSTEM FRAUD

Typical Payout Range:

\$1M-10M+

WIRE (BEC) FRAUD

Typical Payout Range:

\$130K+

CHECK FRAUD

Typical Payout Range:

\$1K-2K

System-level fraud, or the complete takeover of an organization's internal systems, have the potential to pay out \$1,000,000-\$10,000,000 depending on the size of the organization being targeted.

The risk/reward calculus for criminals has changed as the potential payouts are larger than ever. While many corporates are on the watch for check fraud, **the larger targets remain unplanned for and vulnerable to attack.**

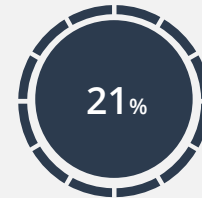
The above values are taken from calculations off of FBI, Banking Data and Strategic Treasurer estimates.

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Payment Fraud: Frequency & Success Rates

CHECK FORGERY

Over one in five firms that were targeted for check forgery suffered a loss in the past two years.



MAN IN THE EMAIL/IMPOSTER FRAUD

These attempts resulted in 8% of firms overall suffering a loss (>10% who were targeted).



SYSTEM LEVEL FRAUD

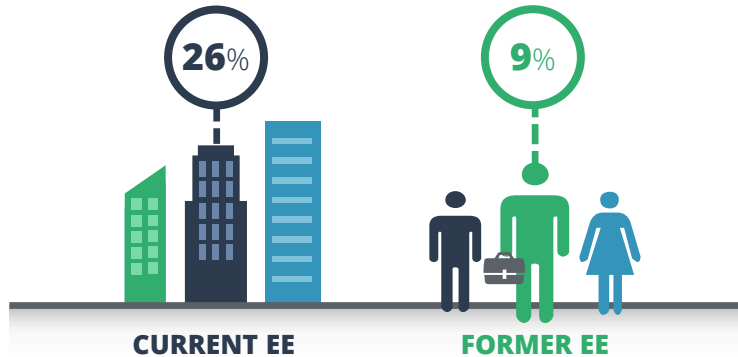
These massive breaches do not occur often, but result in massive losses when they are successful.

Example: Bangladesh

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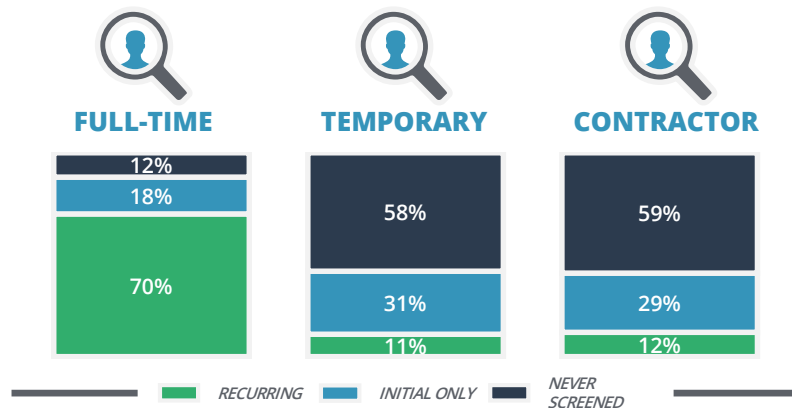
Payment Fraud: Who is Behind Fraud Activity?

From Whom Did You Experience Fraud?



Over 1/3 of respondents identified their corporation's **employee** roster (current + former) as the source of fraud. 59% of firms also claimed non-EE as a source and 11% claimed unknown and/or other sources as well.

EE SCREENING...



Limited or no background checks, especially for temporary employees and contractors, have left many corporations vulnerable to attack. Given how much damage can be done by someone with critical inside information, the lack of screening in this area is troubling.

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Business Email Compromise

- **Assume Control.**
- **Mimicry.**
- **Timing.**
- **Act.**
- **Urgency.**
- **Escape.**



System Level Fraud

- **Group Effort.**
- **Exploit Weaknesses.**
- **Destruction of Layers.**
- **Timing.**
- **Quick Escape.**





Central Bank of Bangladesh

Situation

- **\$951mm Messages Sent**
- **\$101mm Wired**
- **\$850mm Stopped by AML**
- **\$20mm Recovered**
- **\$81mm Net Loss with some Residual Recovery**
- **No Further Recovery Expected**

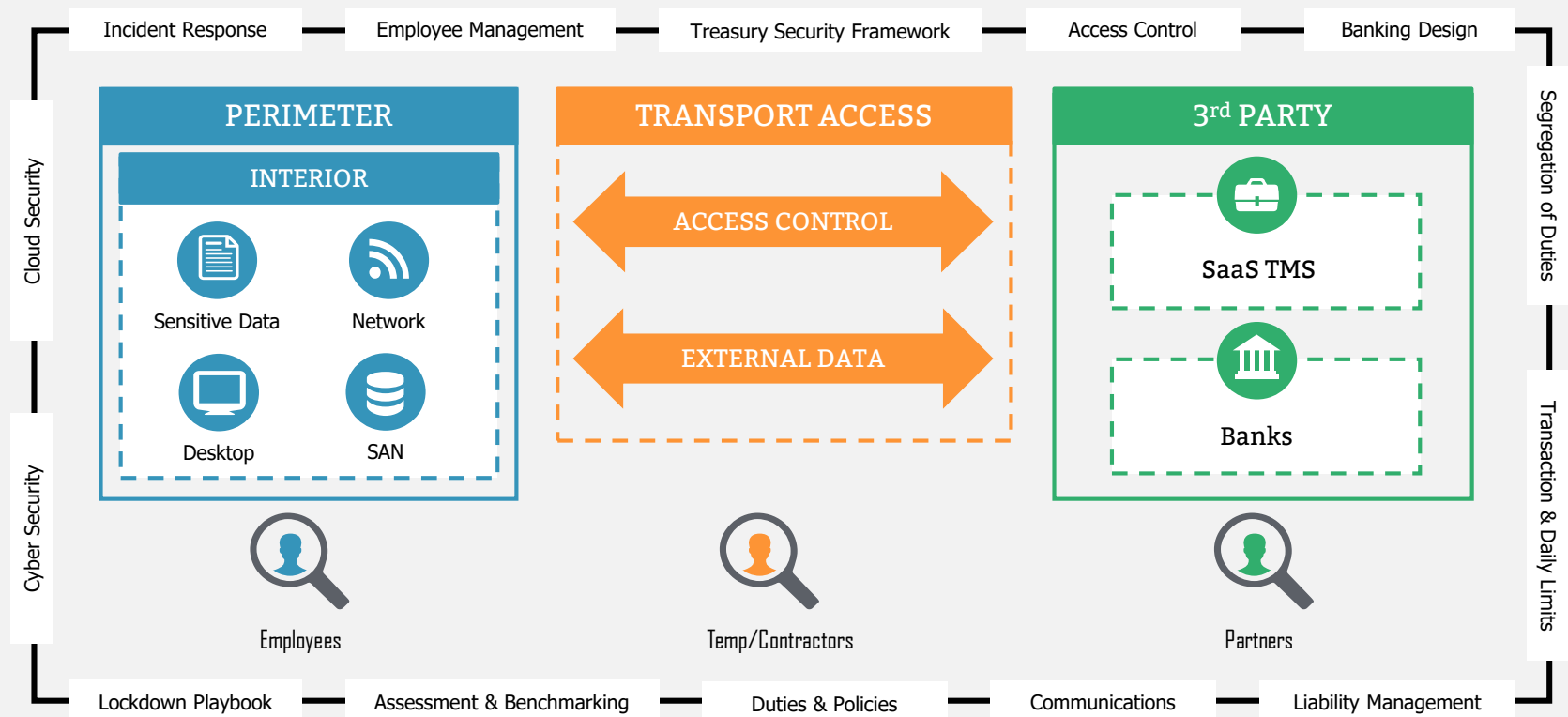
Protection Gaps

- **Perimeter**
 - Firewall
 - Routers
- **Interior**
 - IDs
 - Passwords
 - Keys
- **System**
 - Left open (test mode)
- **Other**

Results

- **\$81mm Stolen**
- **“Early Retirement”**
- **Massive Continued Negative Press**

Payment Fraud: What are the Areas of Exposure?



Payment Fraud: What can Treasury do to Protect Themselves?



-  **Educate** yourself about the methods and techniques used by criminals to initiate payment fraud.
-  **Identify** all of the access points and areas of exposure within your organization.
-  **Identify** additional points of exposure externally (partners, 3rd parties, etc.).
-  **Develop** a framework to protect against fraudulent attacks.
-  **Create** a layered approach works best, so that multiple blocks are set up to prevent any fraud attempt.
-  **Test and Evaluate** your security regularly to ensure it is up to date and running smoothly.

Payment Fraud: What can Treasury do to Protect Themselves?



FOUR PILLARS

of TREASURY SECURITY

1. ASSESS & ARCHITECT

- Greater Awareness



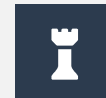
2. PREPARE & PREVENT

- Stronger Defense Posture



3. MANAGE & MAINTAIN

- Ongoing Training
- Testing



4. RESPOND & RECOVER

- Reporting
- Response (Fast, Appropriate, Lockdown)
- Rework (Restore to New Operating Model)



Please submit any questions you have into the chat box provided on your screen. We will do our best to answer all attendee questions.

For any questions that are not answered within the allotted time frame, the individual(s) with an outstanding question will have a response emailed to them within several business days.

To learn more about payment fraud and effective methods of combating it, ask about Strategic Treasurer's Treasury Security Series.

Topics Include:

- Mapping the Battlefield
- Establishing a Treasury Security Framework
- Key Security Policy Points
- Fraud in Action
 - [Check Fraud](#)
 - [A/P Vendor Fraud](#)
 - [Imposter Fraud](#)
- For more information, contact Strategic Treasurer at SecurityCourse@strategictreasurer.com

About the Firm



Since Strategic Treasurer was founded in 2004, we've helped hundreds of corporate clients face real world treasury issues. Our team of senior consultants are in fact experienced corporate practitioners who have "hopped the desk" to the consulting side. Strategic Treasurer consultants are known not only for their expertise in the treasury space, but also for their responsiveness to client issues, thorough follow-through on each project, and general likability as temporary team members of your staff. Our focus as a firm centers on maintaining true expertise in the treasury space. Through constantly refreshing our knowledge and intentionally learning about leading solutions, our understanding is both global in scope and rich in detail.

 **Craig Jeffery, CCM, FLMI**
Founder & Managing Partner

Email: craig@strategictreasurer.com
Direct: +1 678.466-2222

 **Isaac Zaubi**
Publications Manager

Email: Isaac.zaubi@strategictreasurer.com
Direct: +1 678.466-2236

 **Atlanta Office**
Headquarters

525 Westpark Drive, Suite 130
Peachtree City, GA 30269
Website: strategictreasurer.com