PAYMENT SECURITY

ASSESSING & RESPONDING TO AN ESCALATING THREAT

CRAIG JEFFERY
Founder & Managing Partner
Strategic Treasurer

ALEXA COOK
Consultant, Strategic Treasurer

WHAT

The current situation, the threat levels of various types of fraud, and the tactics for constructing a solid defense.

WHEN

Tuesday, December 15, 2020
11:00 AM – 12:00 PM EST

WHERE

Live Online Presentation
Replays at StrategicTreasurer.com

Certified Treasury Professional®

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Strategic Treasurer

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ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS

CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.

ALEXA COOK

Alexa brings a wealth of knowledge to clients based on her domestic and global background in financial reporting, forecasting, cash management, compliance, bank fee analysis, technology solutions, connectivity, and more.

Alexa worked at a Fortune 500 automotive company and managed a full-blown technology implementation and a multilateral netting program that spanned across more than 30 countries with six different currencies. She was also selected for the company's leadership fast-track and tasked with an expatriate assignment in Germany, where she worked alongside leadership in a manufacturing plant. Alexa received a Bachelor of Science in Finance, followed by an MBA from Oakland University in Rochester, MI.

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TOPICS OF DISCUSSION

KEY AREAS OF FOCUS

With fraud on the rise and payment processes scattered throughout different departments, a treasurer must function as the ‘superintendent’ of payment security, overseeing the policies, controls, and practices others are putting into action.

FRAUD IN CONTEXT

CURRENT STATE

CRIMINAL PLAYBOOK

FRAUD TYPES

LEVERAGING TECH

RESPONDING TO VULNERABILITIES

SECURITY PRINCIPLES

LOOK AT TWO

EXPOSURE POINTS

IN THE PAYMENT PROCESS

CASE STUDY

WIRECARD

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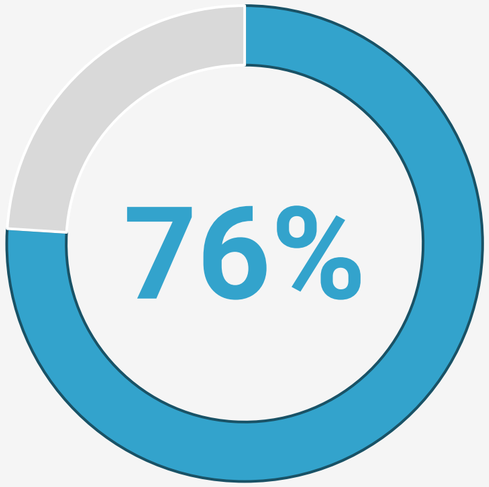
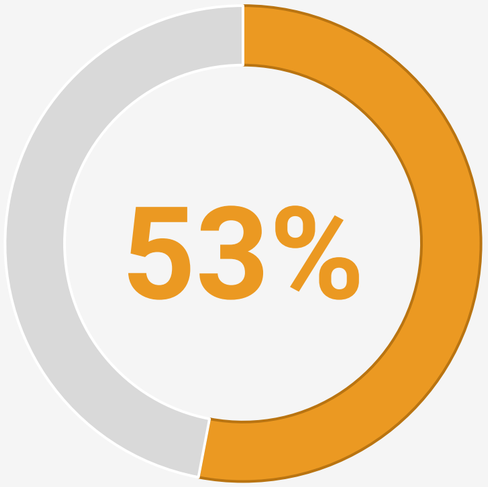
THE CURRENT STATE OF FRAUD

NOT AS SECURE AS WE THINK WE ARE

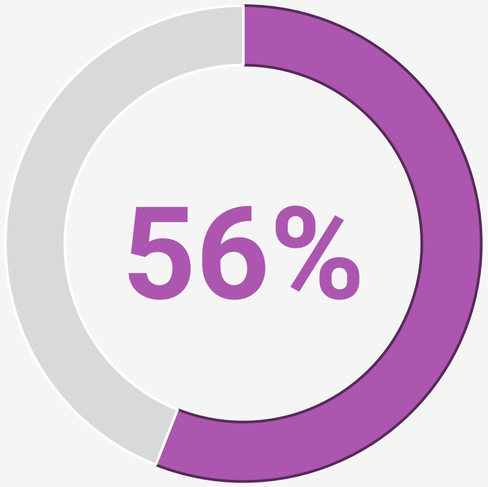
> *I am convinced that there are only two types of companies: those that have been hacked and those that will be. And even they are converging into one category: companies that have been hacked and will be hacked again.*
>
> *- Robert Mueller, Former FBI Director*



Felt the threat level of fraud had increased or significantly increased in the past year.



Companies had experienced fraud over the course of the past year.



Stated that they were in a better or significantly better position regarding fraud compared to the prior year.

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CRIME PAYS

AND CRIMINALS ARE NOT GIVING UP

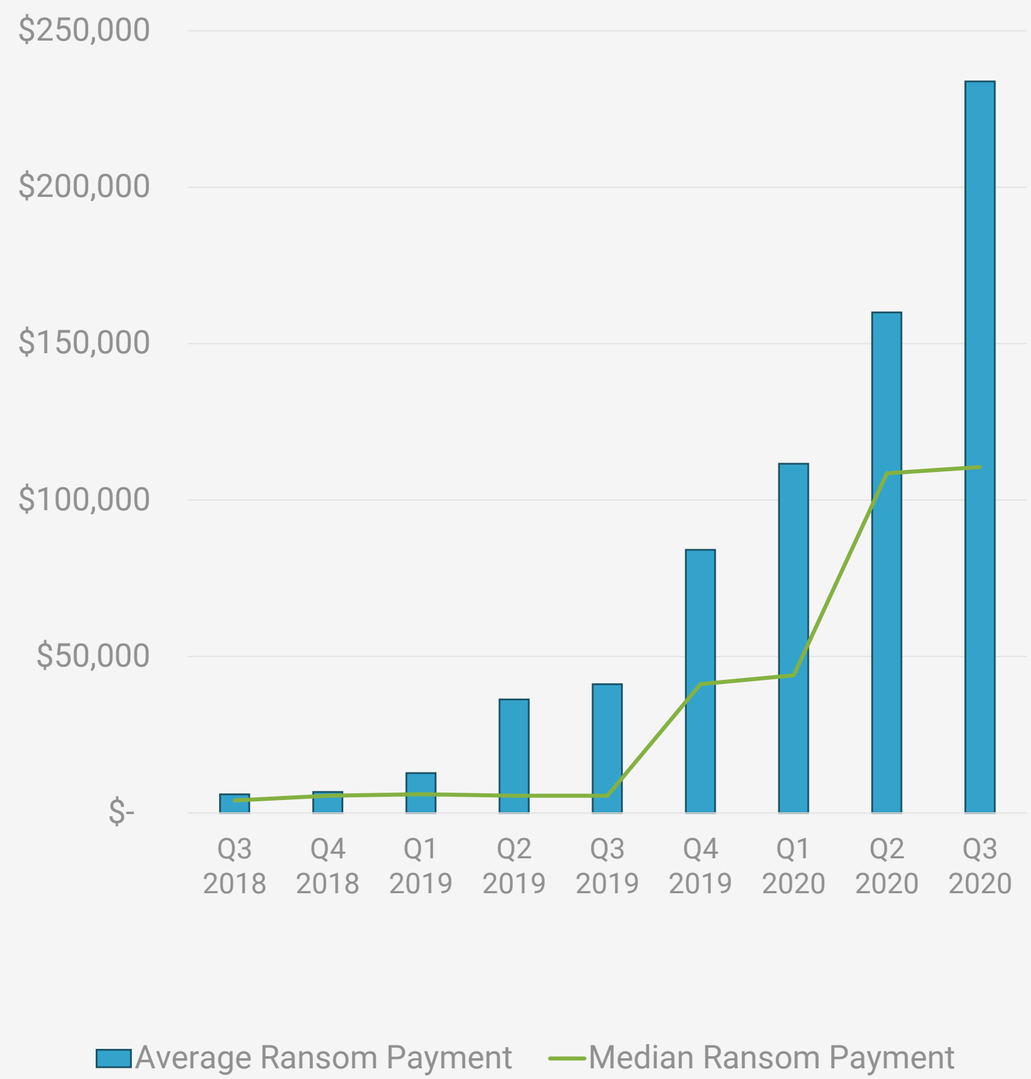
Automation has helped criminals scale their attempts and improve their success rates.

Business Email Compromise (BEC)
9 out of 10 firms experienced attempts, with 18% experiencing a loss

Ransomware
Over a quarter of firms experienced attempts, with 19% incurring a loss

System Level Fraud
About a third of firms experienced attempts, with 20.5% incurring a loss

Ransom payments increase by more than a third in the last quarter.



Source: ST Survey, Coveware Quarterly Ransomware Report

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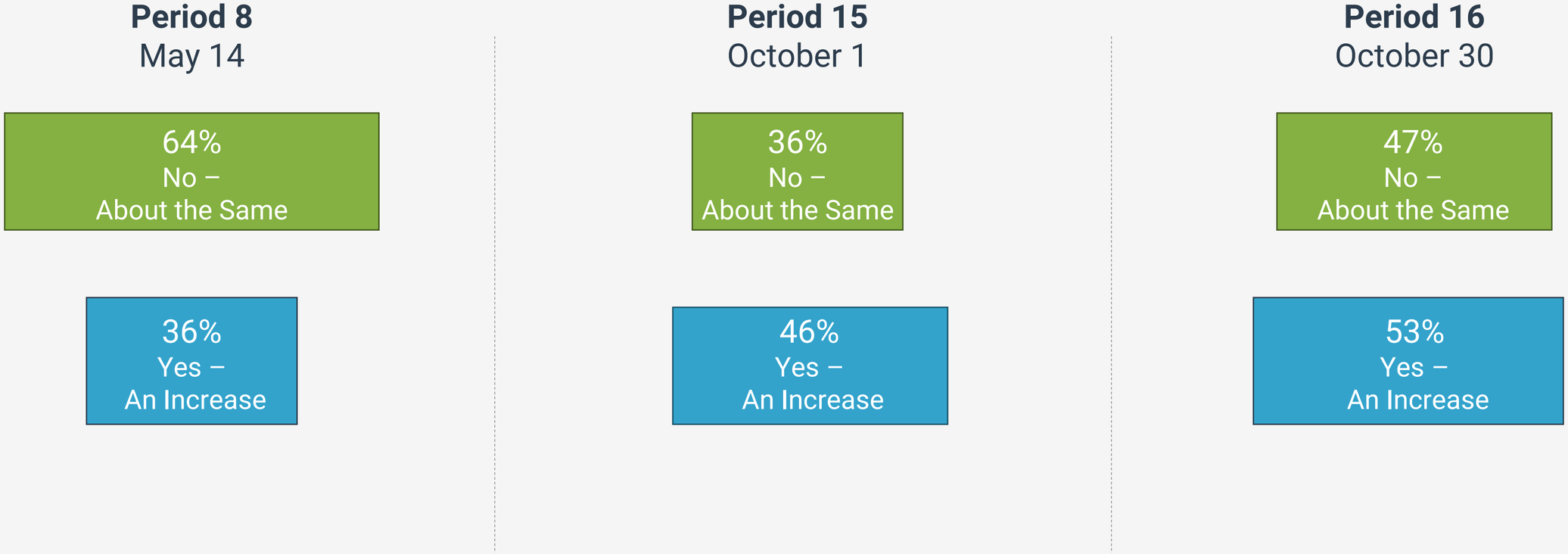
WFH FRAUD INCREASE

MEASURING FRAUD THROUGHOUT THE PANDEMIC

The Global Recovery Monitor Survey is an ongoing survey of the impact of COVID-19 and response of treasury. Respondents were asked if their organization had seen a change in attempts of fraud or cyberfraud at various points throughout the pandemic.



Note: “unsure” responses not displayed

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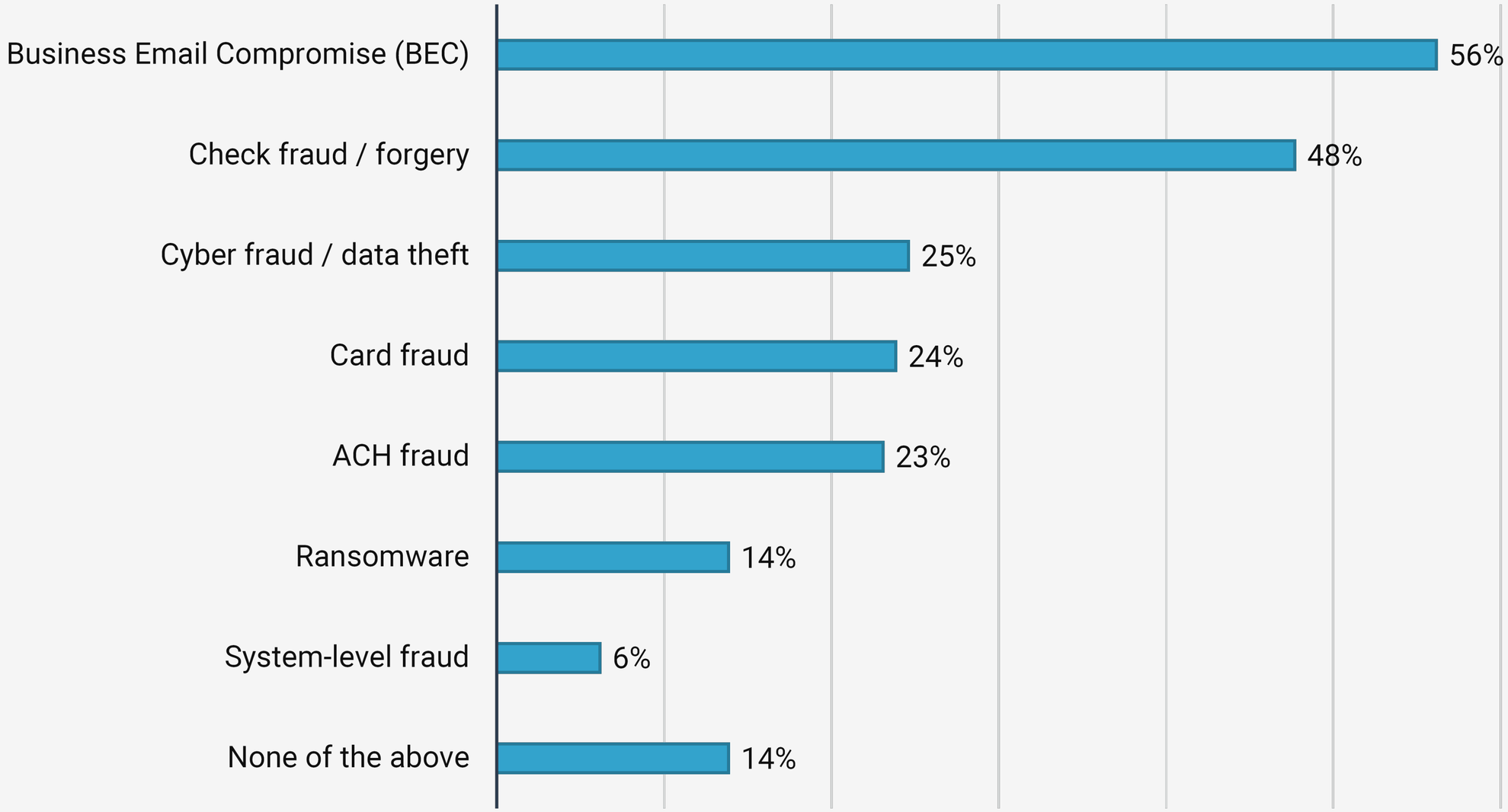
POLL QUESTION

Thinking of the last twelve months, which of the following types of fraud has your company experienced (both unsuccessful or successful)?

(Select all that apply)



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CYBERCRIMINAL METHODOLOGY

TODAY'S CRIMINAL OPERATES EFFICIENTLY

PERSISTENT
Constantly adjusting their attack methods until they find an angle that is successful.

SOPHISTICATED
Attempts are increasingly more convincing and better executed with intricate technology.

TARGETED
Broad tactics are still being utilized, but activities are also being tailored to identify weaknesses and penetrate vulnerable individuals.

AUTOMATED
Use software to increase efficiency and effectiveness by continually probing targets and uncovering weaknesses.

ADAPTIVE
They are not abandoning their tried-and-true methods, but they are consistently adding new methods and adjusting to be most effective.

PATIENT
They will watch for the ideal time to strike and are willing to steal encrypted data today with the confidence that technological advances will allow for an eventual payout.

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THE CRIMINAL PLAYBOOK

WHILE THE METHODS CHANGE RAPIDLY, THE ELEMENTS DO NOT

It’s a simple game plan, but it is often used in combination to increase the criminal’s payoff or chances of success.

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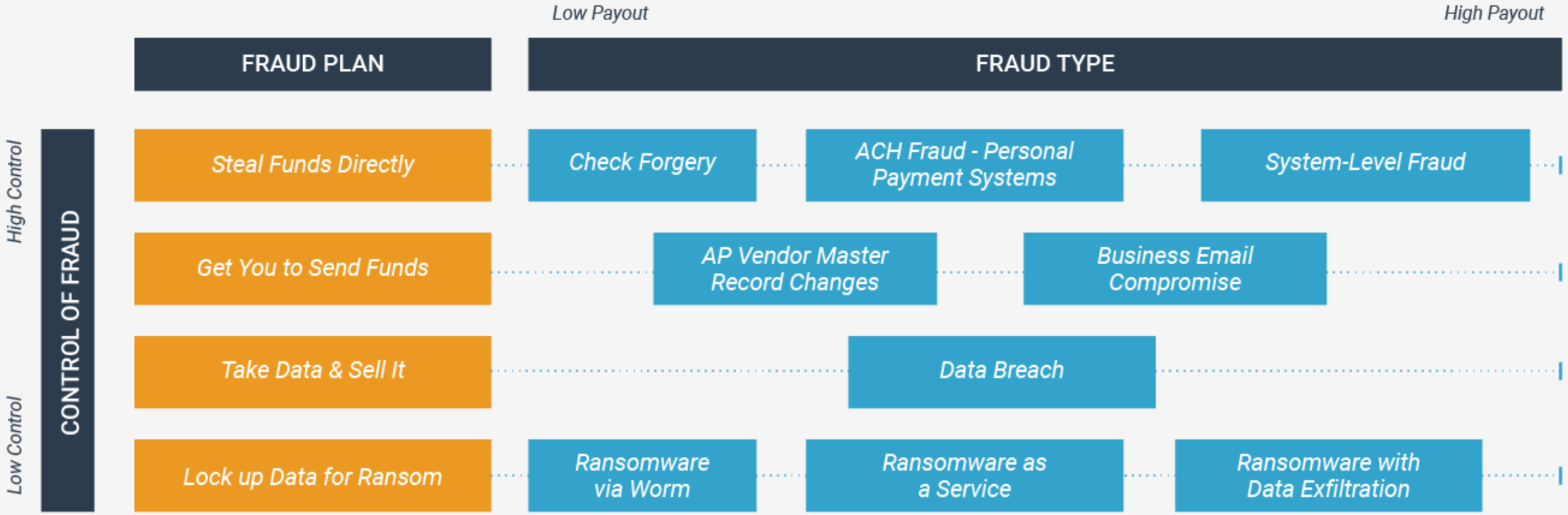
FRAUD TYPES

AND ASSOCIATED INTENTIONS



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LEVERAGING TECHNOLOGY

CRIMINALS ARE USING IT – SO SHOULD YOU

Treasury doesn't need to fully understand all the technical details behind a system, but they do need a comprehensive understanding of major factors.

- **Where and How Your Payment Data Is Saved**
- **The Methods for Processing Your Payments Data**
- **The Shape Your Data Takes When Processed**
- **Who Has Permission to Approve and Release Payments**
- **Who Has Access to Your Payments Data**
- **How You Can Control Who Receives a Payment**

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12 SECURITY PRINCIPLES

PAYMENT SECURITY FRAMEWORK

Speed Matters

Encryption & Control Keys

Challenge & Verify

Update Continuously

Readiness & Response

Exact & Specific Accountability

Control/Dual Controls

Layers

Awareness, Understanding & Testing

Monitoring

Principle of Least Privilege

Secure Removal & Deletion of Data

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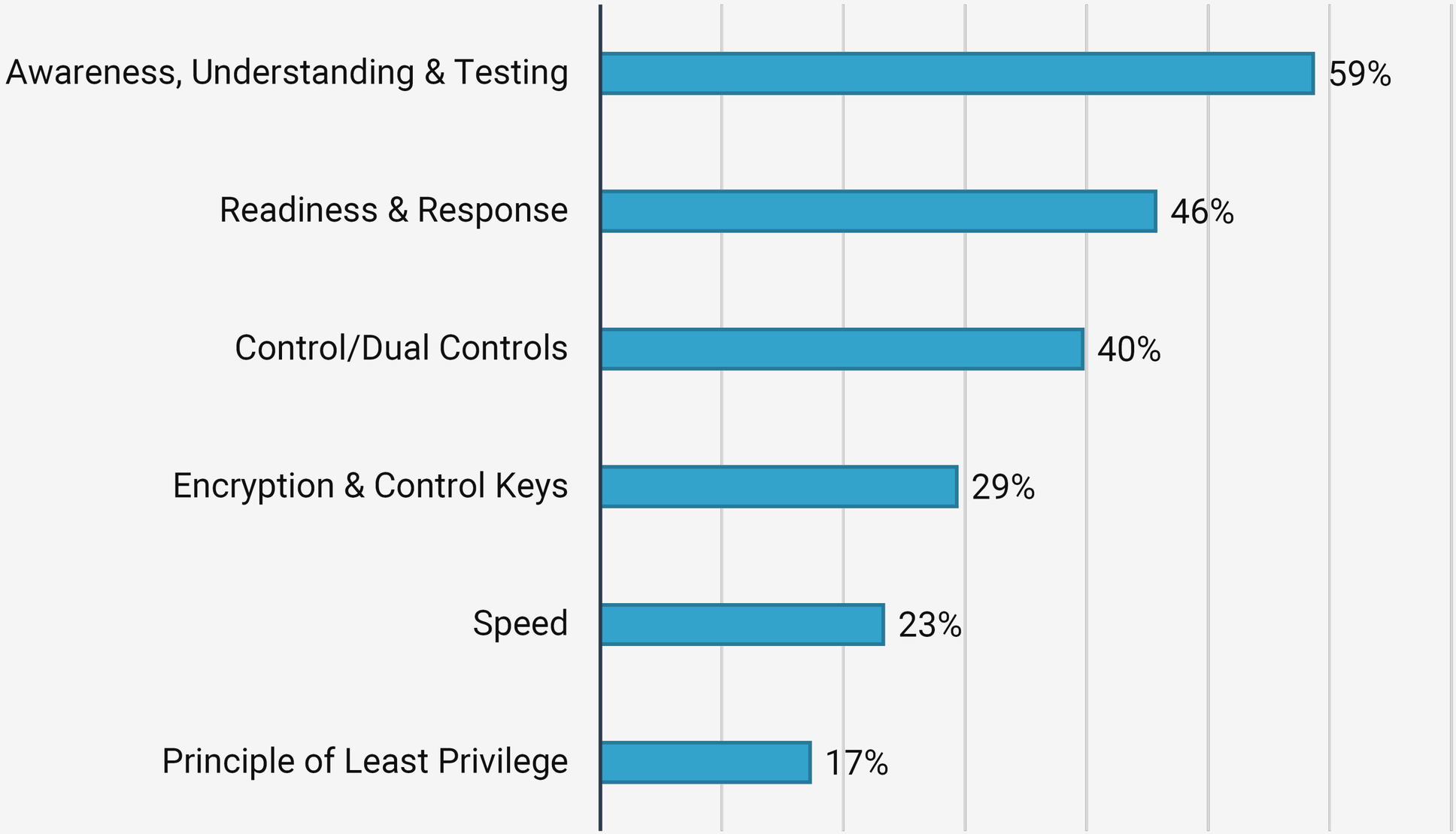
POLL QUESTION

Where is the largest opportunity for improving security principles in your organization?
(Select all that apply)



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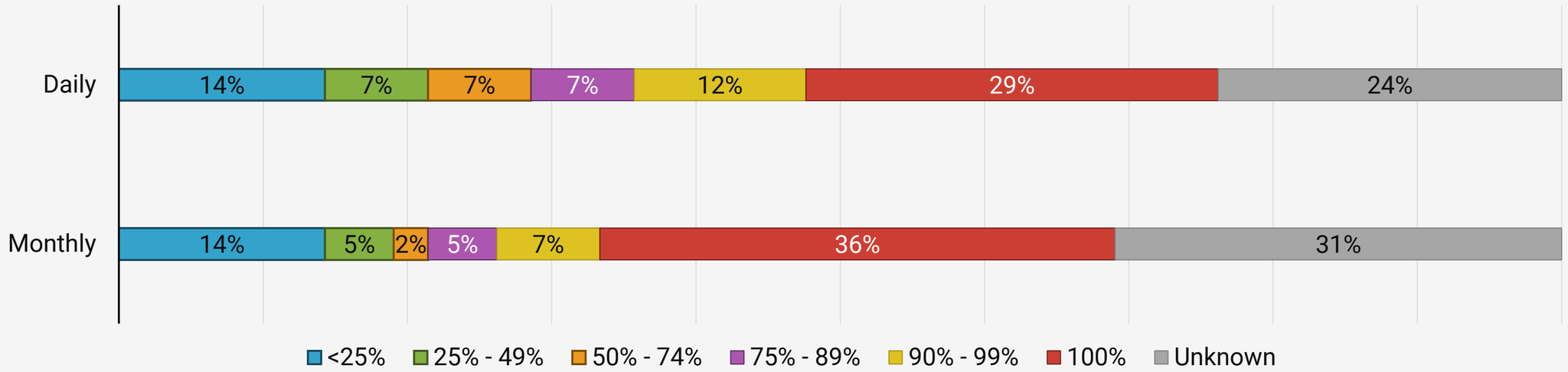
SPEED MATTERS

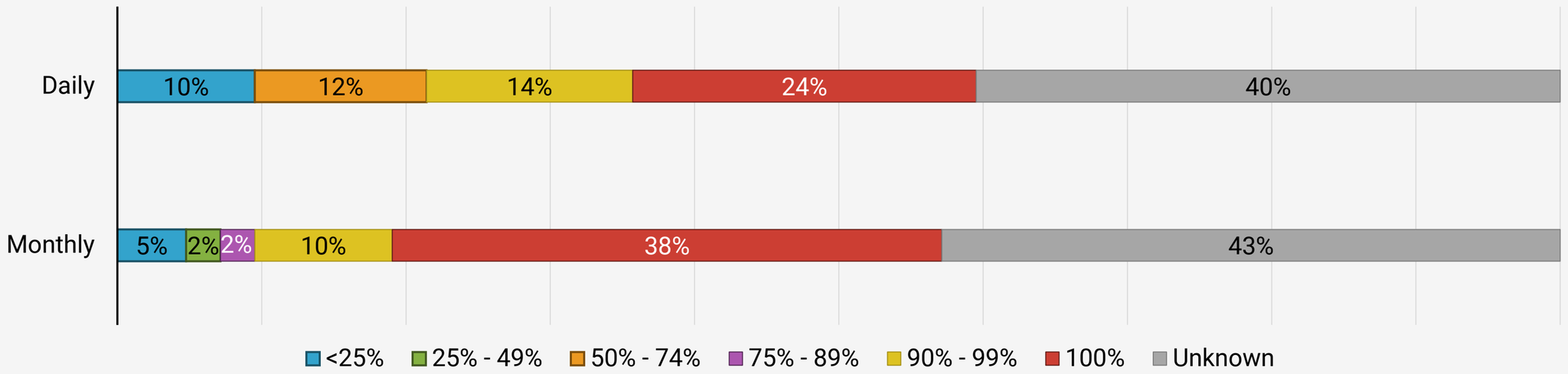
VISIBILITY & RECONCILIATION

Slow response allows for funds to be exfiltrated out of banking system.

What percentage of your bank accounts do you have VISIBILITY to on a daily or monthly timeframe?



What percentage of your bank accounts are RECONCILED on a daily or monthly timeframe?



Source: 2020 TF&C Survey

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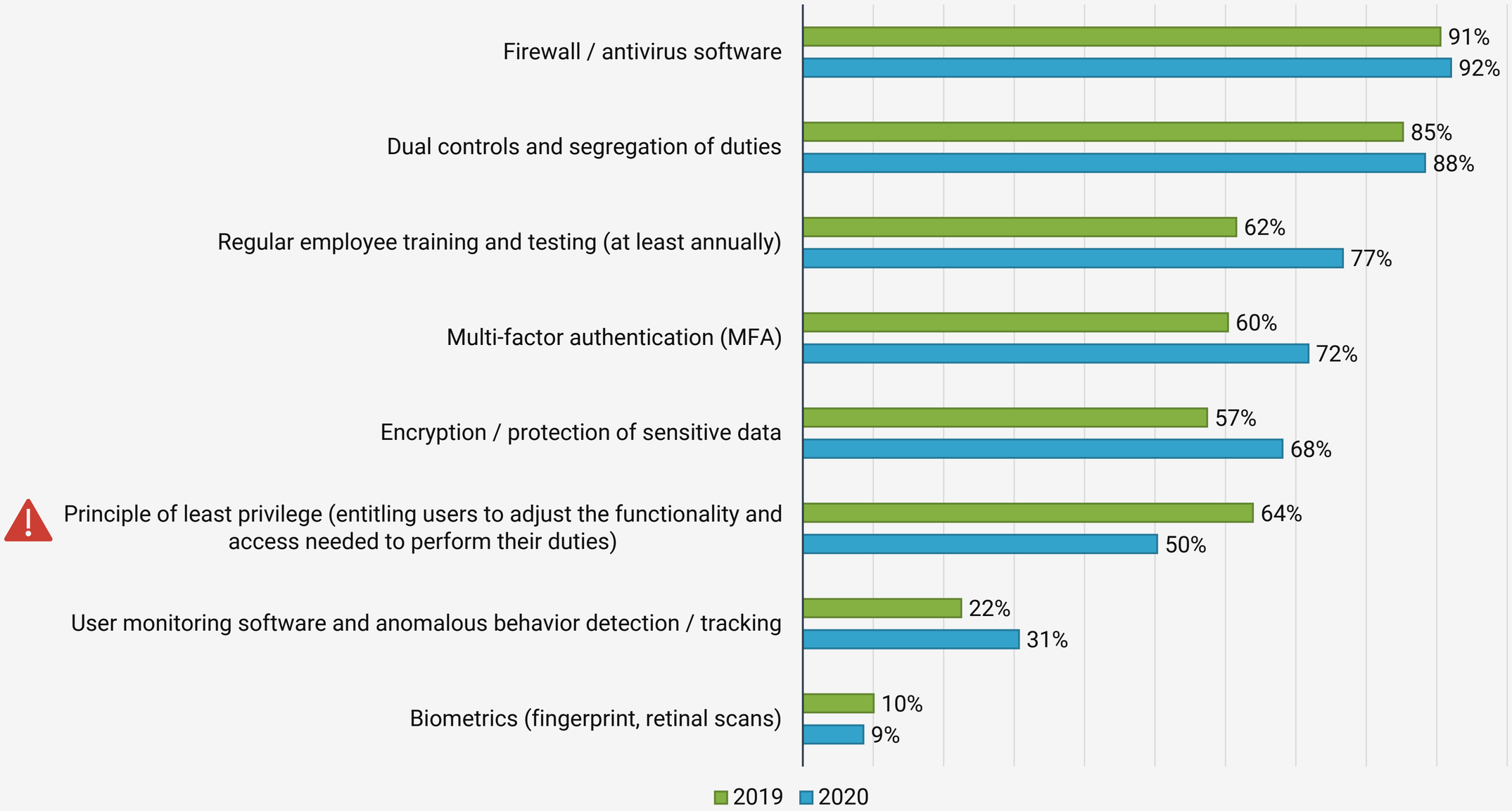
CONTROLS

GROWING USE, BUT ROOM FOR WIDER ADOPTION

What controls does your organization have in place to prevent fraud / cyber-attacks?



Source: Treasury Perspectives Survey

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RISKS IN THE PAYMENT PROCESS

MANAGING THE FULL SCOPE OF EXPOSURES

Incident Response — Employee Management — Treasury Security Framework — Access Control — Banking Design

Cloud Security — Cyber Security

CORPORATE PERIMETER

INTERIOR

- Sensitive Data
- Network
- Desktop
- SAN

TRANSPORT ACCESS

ACCESS CONTROL

EXTERNAL DATA

3rd PARTY

- SaaS TMS
- Banks

Segregation of Duties — Transaction & Daily Limits

- Employees
- Temp/Contractors
- Partners

Lockdown Playbook — Assessment & Benchmarking — Duties & Policies — Communications — Liability Management

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TREASURY ACCESS POINTS

THE “GATES”

While many security elements of the payment process are not directly related to treasury, a few areas of exposure do fall withing treasury’s role. To ensure proper handling, treasury needs to have their own security framework outlining the management of their own vulnerabilities and controls.

BANK ACCOUNT MANAGEMENT

- Tracking
  - Every Bank Account
  - Every Signer
- Account-Level Controls
  - Debit Filters
  - Vendor Verification
  - Banking Services

ACCOUNT ARCHITECTURE

- Intentional Organization
  - Header Account
    - Collection Accounts
      - Concentration Account
        - Disbursement Accounts
    - Special Categorization

CONTROLS

- Account-Level & Transaction-Level
- Allow Lists
- Block Lists
- Debit Filters
- Debit Blocks
- Positive Pay
- ACH Positive Payment/Electronic Pre-Authorization
- Reconciliation
- Automated Detection Processes

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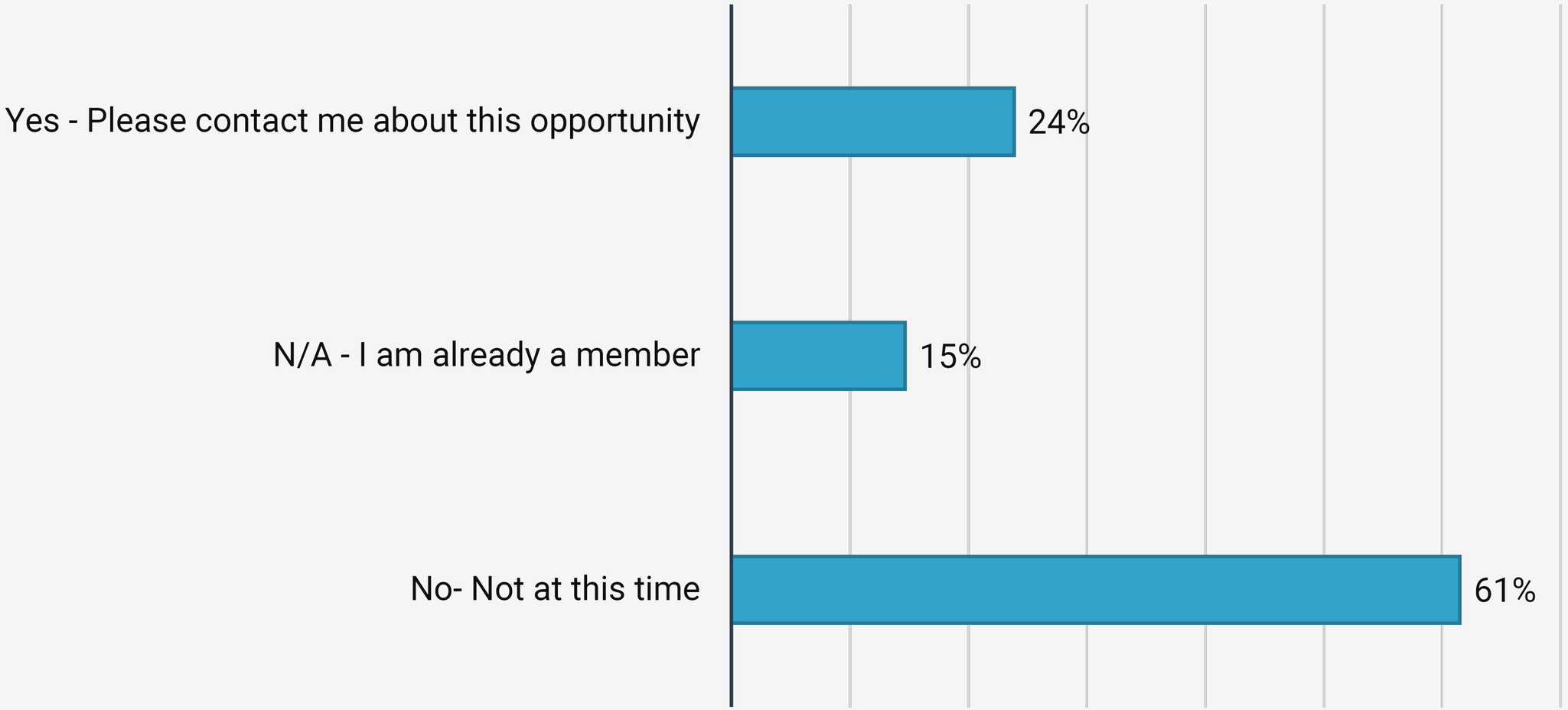
POLL QUESTION

Would you consider joining our Treasury Ambassador program?

Members annually complete a number of our surveys in return for exclusive data access, private webinars, and enhanced prizes for participating.



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CASE STUDY

WIRECARD

WHAT HAPPENED

- Ernst & Young refused to sign off on financial statements in June of 2020
- E&Y audits showed €1.9B ($2.1B USD) missing from financial statements

FAILURES OF DEFENSE

- Internal controls were insufficient/ faulty as several parties were creating fictitious activity
- Proper bank account management would have detected ‘missing’ cash

FRAUD METHODS

- Investigation still ongoing
- Falsified financial statements, inflating revenue and overstating cash
- Collusion is suspected and charges being pursued

OUTCOME

- It was determined the funds never existed
- Wirecard dropped over 60% in value in a single day and declared bankruptcy
- The CEO resigned and was arrested

For more information on this cases study and what treasury groups can learn from it, please see our video on YouTube.

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TAKE-AWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE

FOCUS ON TRAINING

- Educate and test staff on threats - can be easy to forgo in the work from home (WFH) environment

ASSESS PAYMENT PROCESSES

- Identify and address security issues

IMPROVE SECURITY PRINCIPLES

- Set out to improve at least 2 principles in the first half of 2021

BENCHMARK YOUR SECURITY

- Not a once and done exercise - reexamine every 12-24 months

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LET’S CONNECT.

DON’T LET THE LEARNING END HERE…
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.

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EBOOK

We couldn’t fit everything from the Payment Fraud eBook into this webinar. Check out the full version by downloading the eBook today!

Request eBook

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