



Alternatives for Managing Commercial Payments Risk

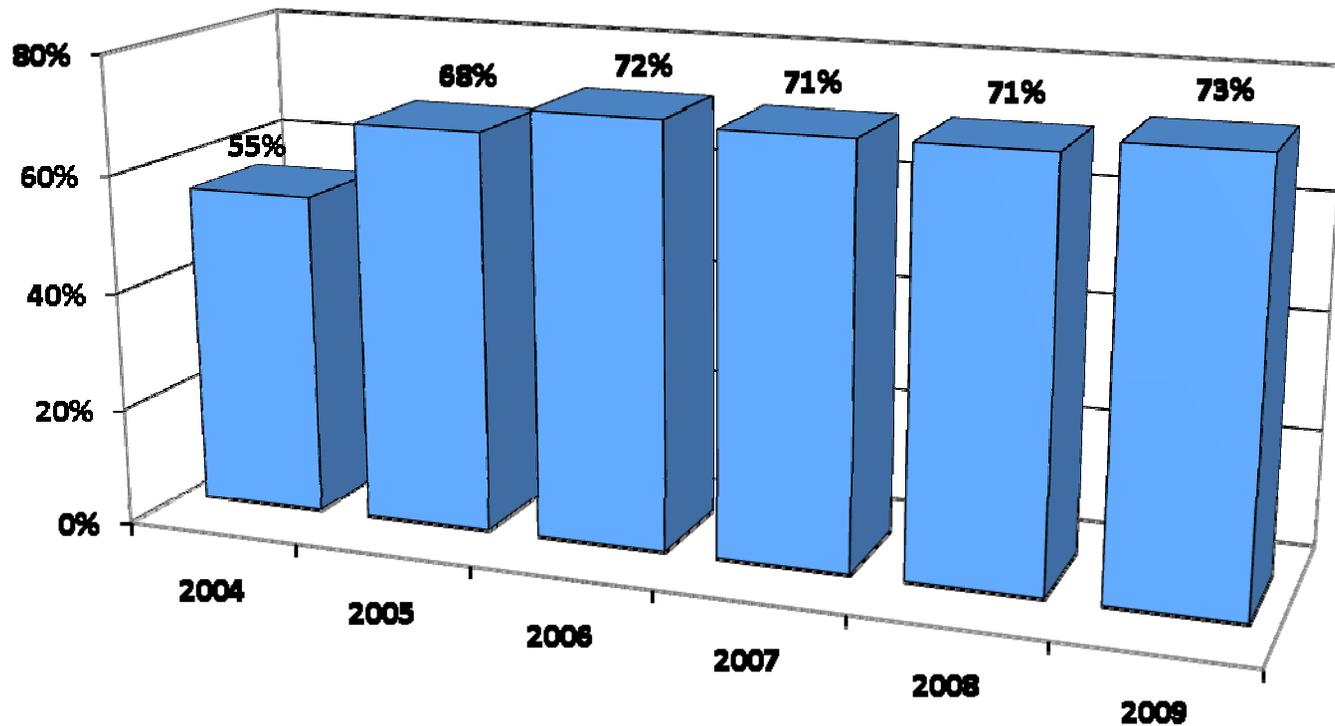
FDIC Commercial Payments Fraud Symposium

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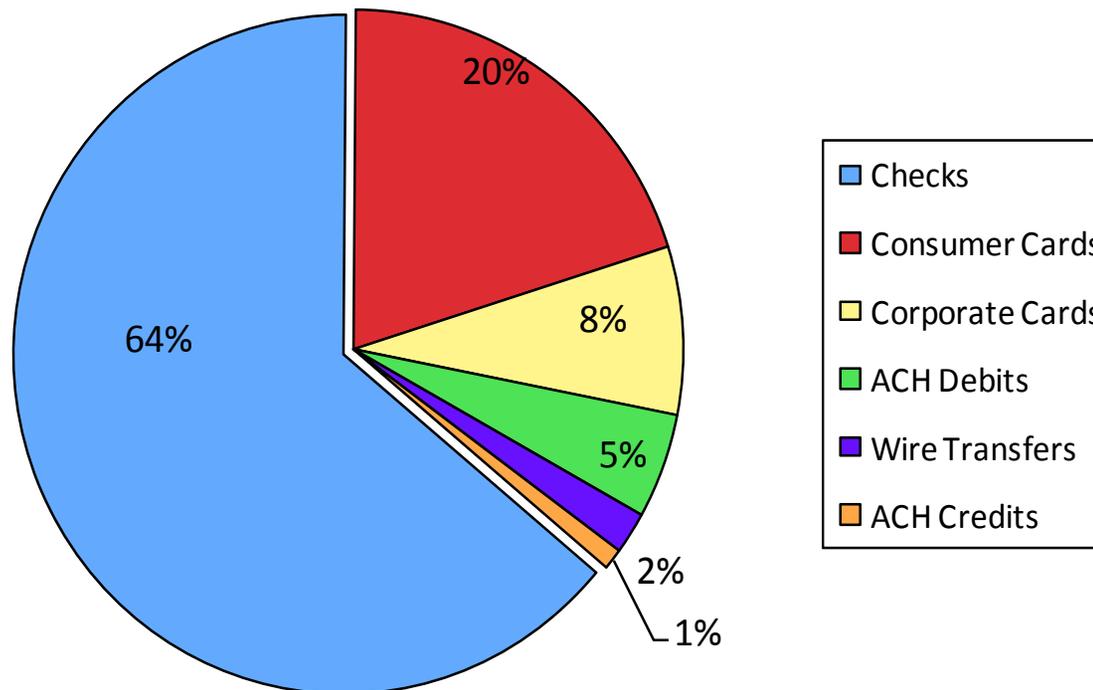
The Business of Fraud Continues to Thrive

Percent of Organizations Subject to Attempted or Actual Payments Fraud

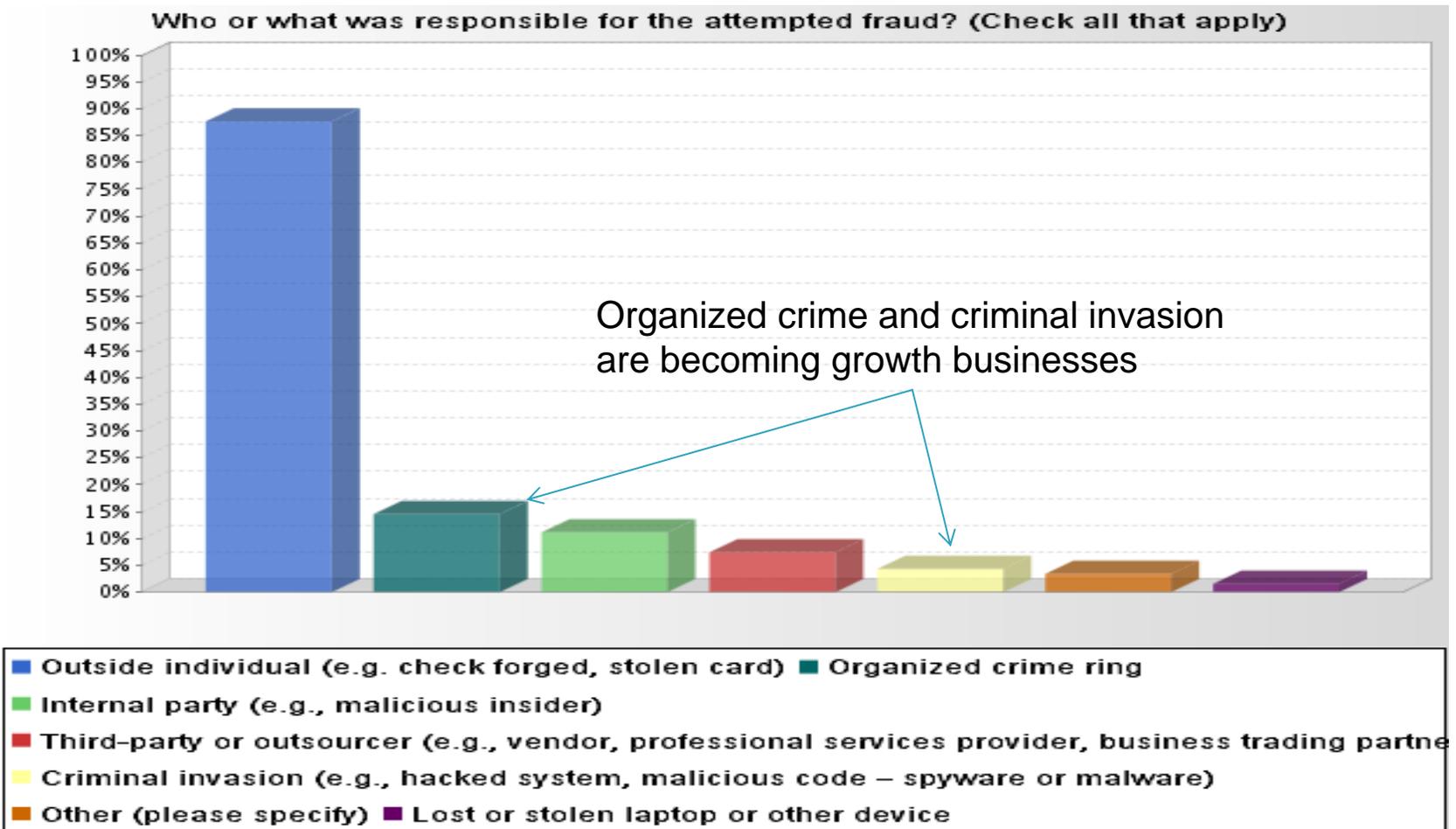


Checks continue to be the favorite way for criminals to commit payments fraud—and is their largest source of income

Payment Type Organizations Cited as the Largest Source of Financial Loss from Payments Fraud

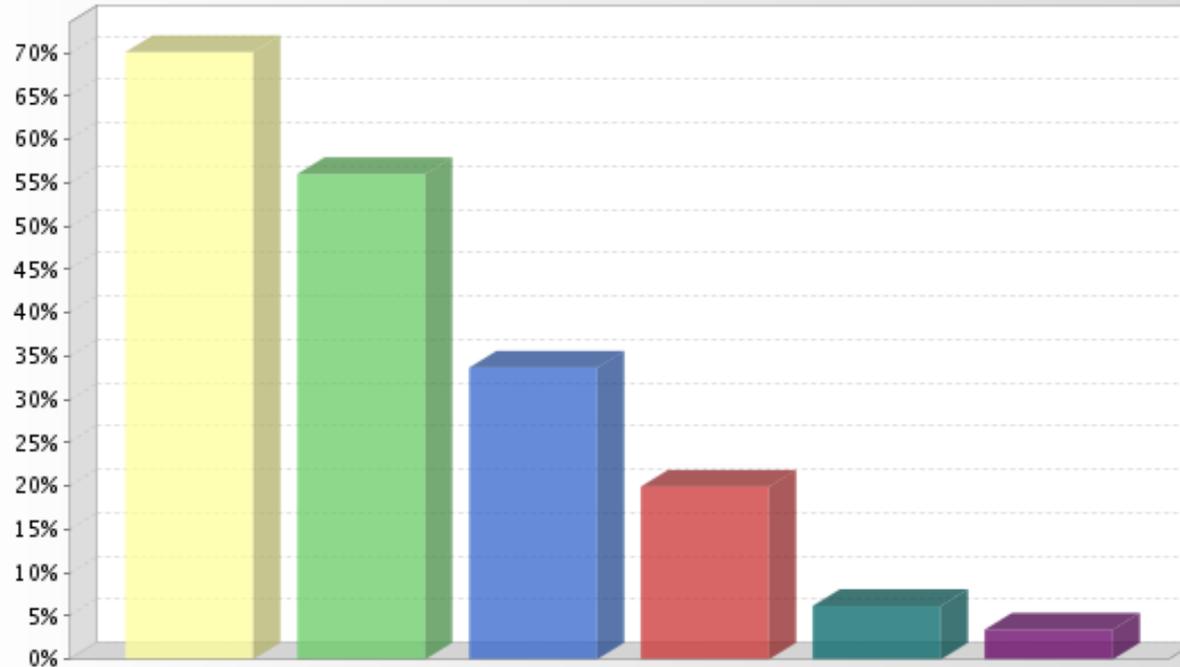


So, who's working so hard to commit these payment frauds?—mainly criminal entrepreneurs, but some new threats are emerging



The technique most favored by check fraudsters is counterfeiting

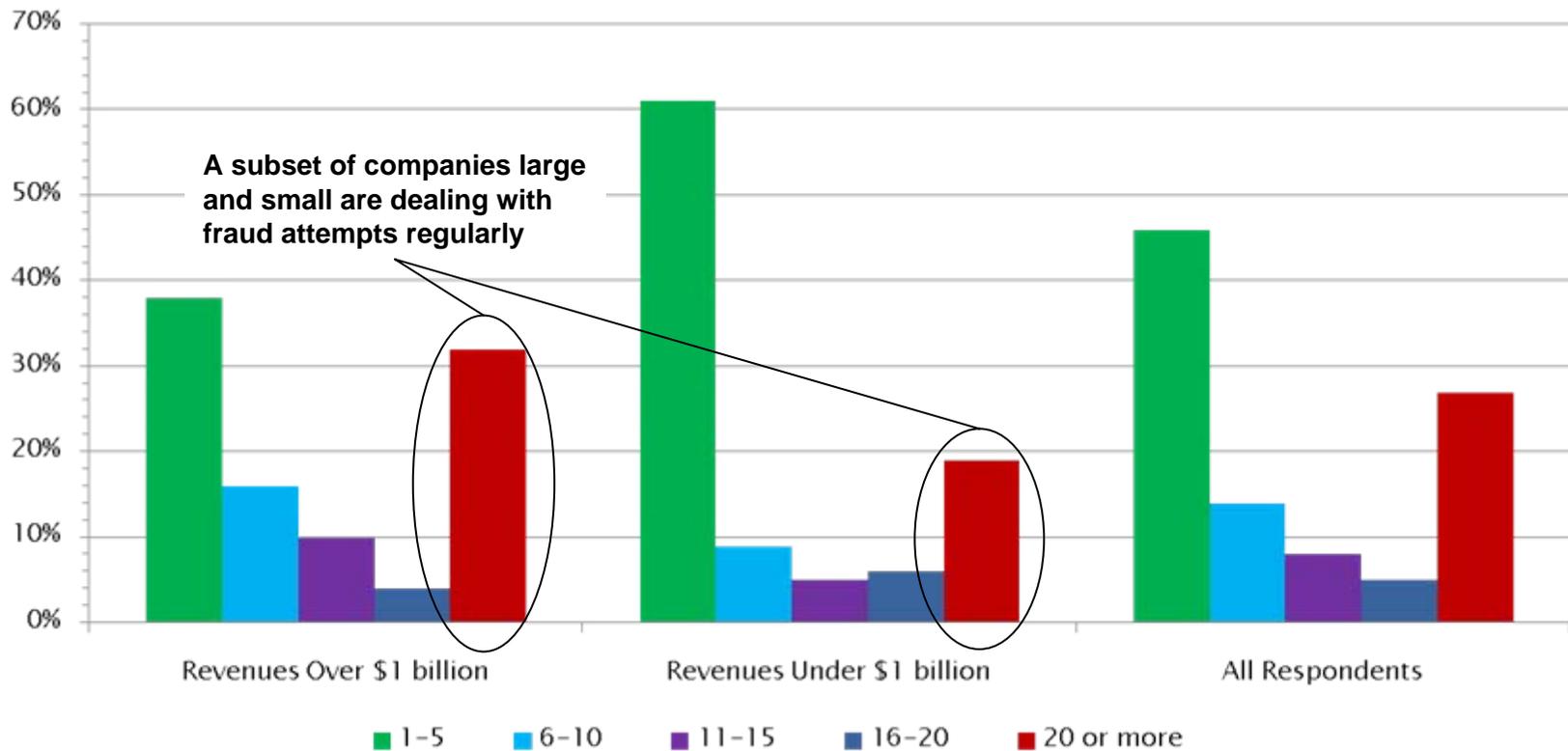
In 2009, did your organization experience any of the following types of attempted or actual check fraud? (Check all that apply)



- Counterfeit checks (other than payroll) with your organization's MICR line data
- Payee name alteration on checks issued
- Dollar amount alteration on checks issued
- Loss, theft or counterfeit of employee pay checks
- Other (please specify)
- None of the above

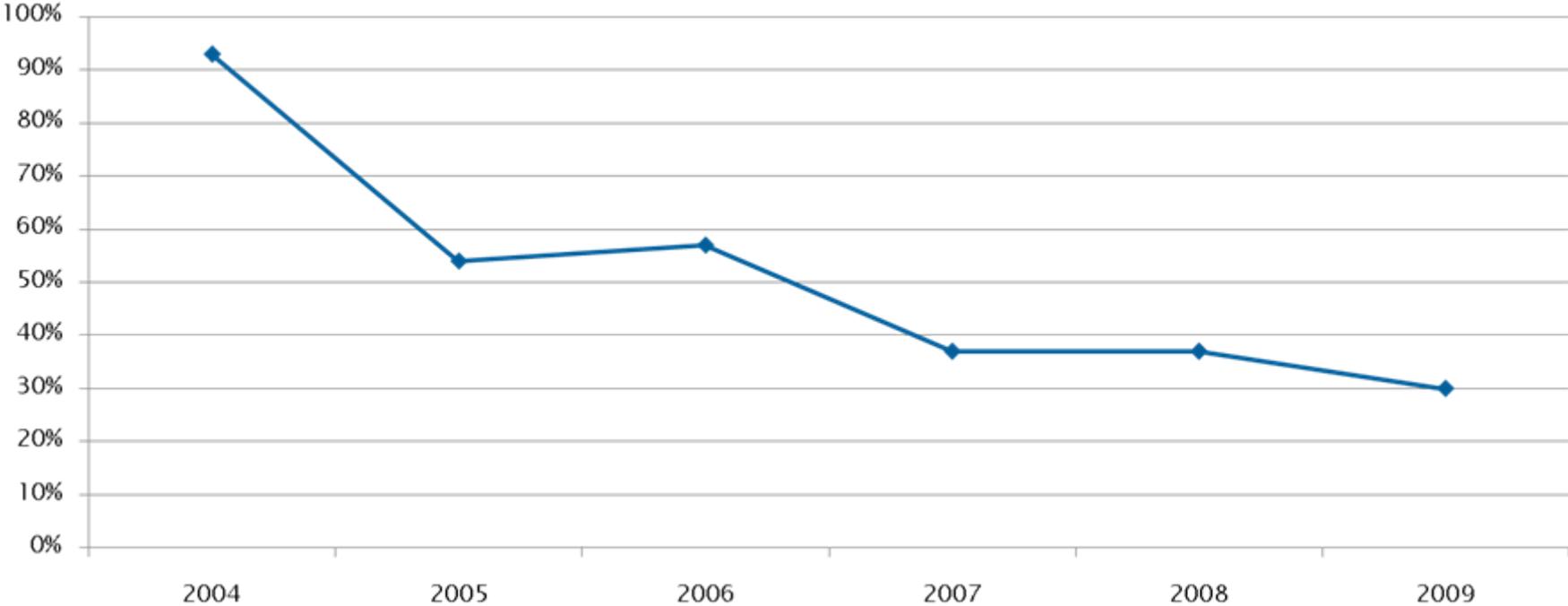
Criminals are actively using checks to commit fraud and are keeping some organizations particularly busy

Distribution of the number of times organizations were the victim of attempted or actual check fraud in 2009



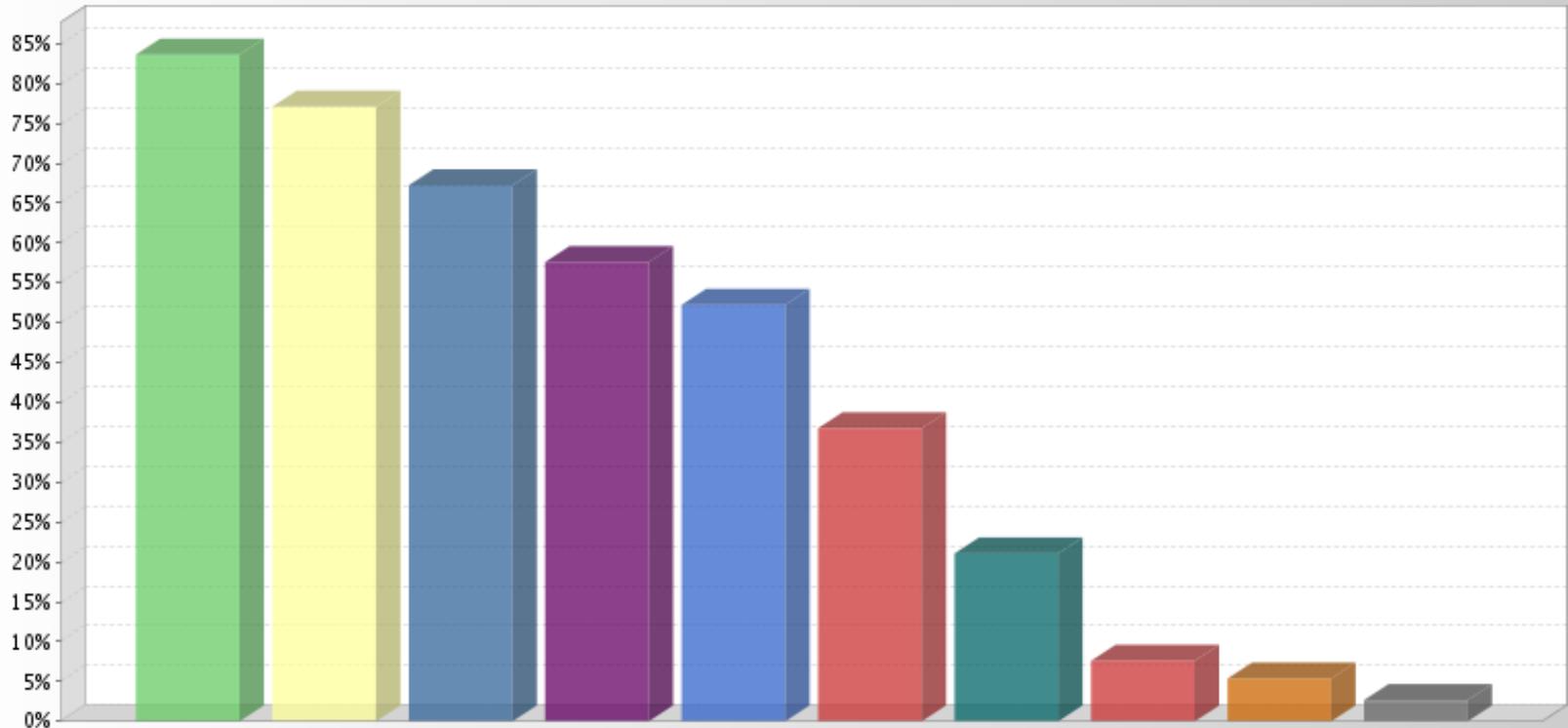
Organizations targeted for fraud have been making steady improvement in controlling fraud losses

% Organizations Targeted for Fraud and Suffered Financial Loss



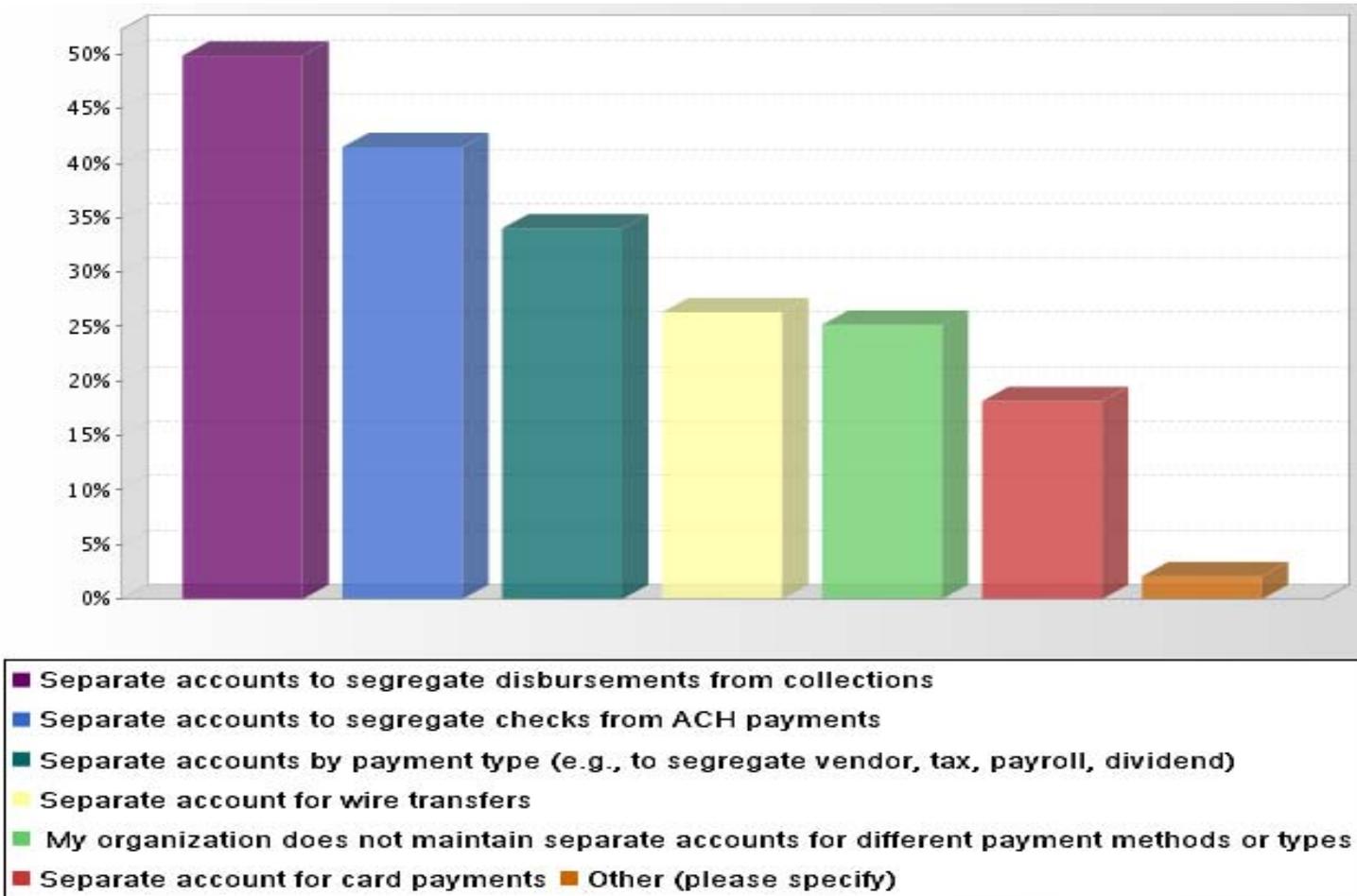
So what tools are organizations using to protect themselves?

Which of the following fraud control procedures or services offered by your banks do you use to protect your bank accounts? (Check all that apply)



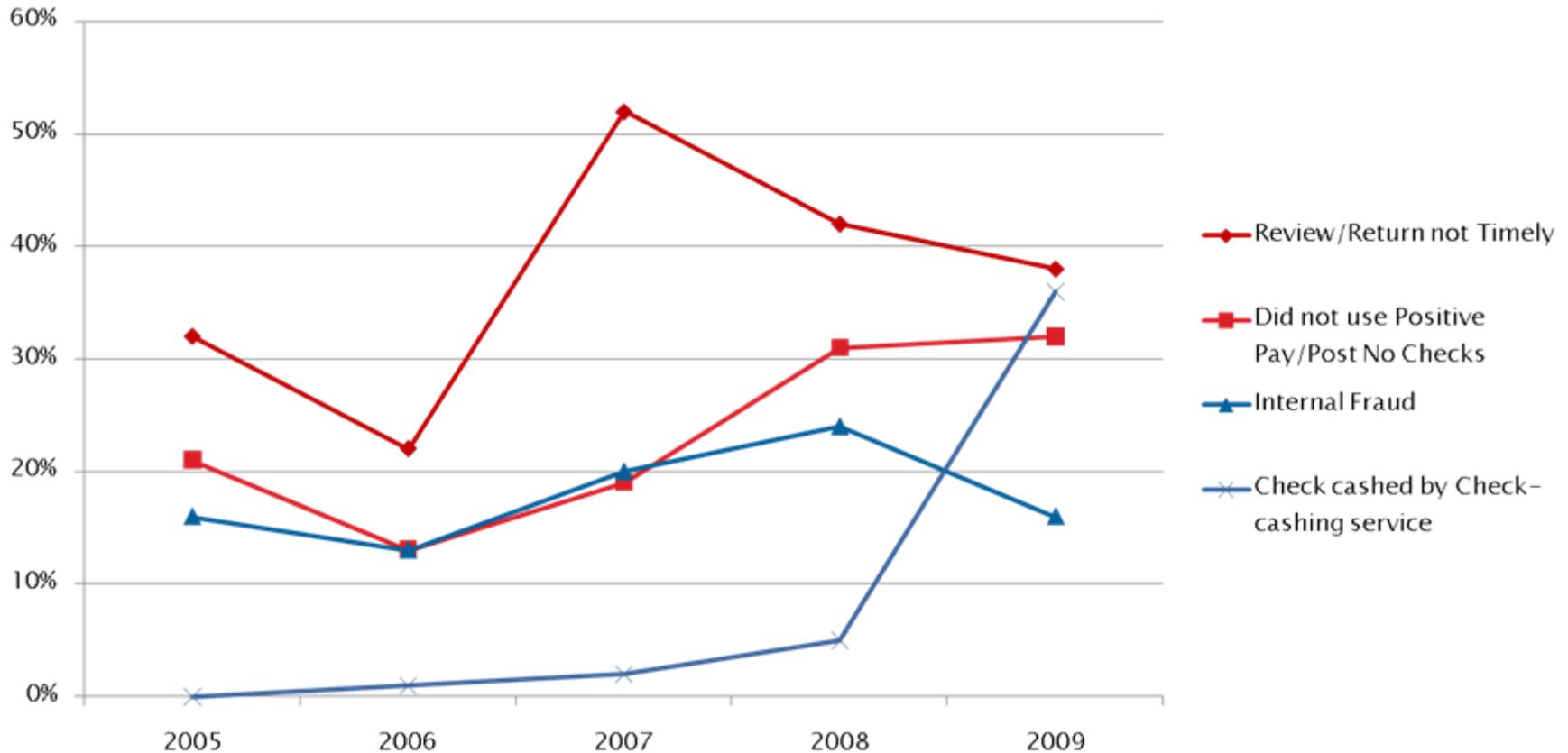
■ Positive pay/Reverse positive pay ■ ACH debit blocks ■ Internal processes (e.g., daily reconciliation) ■ ACH debit filters
■ Payee positive pay ■ "Post no checks" restriction on depository accounts ■ ACH positive pay
■ Non-bank fraud control services ■ Universal Payment Identification Code (UPIC) for ACH credits ■ Other (please specify)

Most organizations also rely on a variety of account-level techniques and processes to control fraud

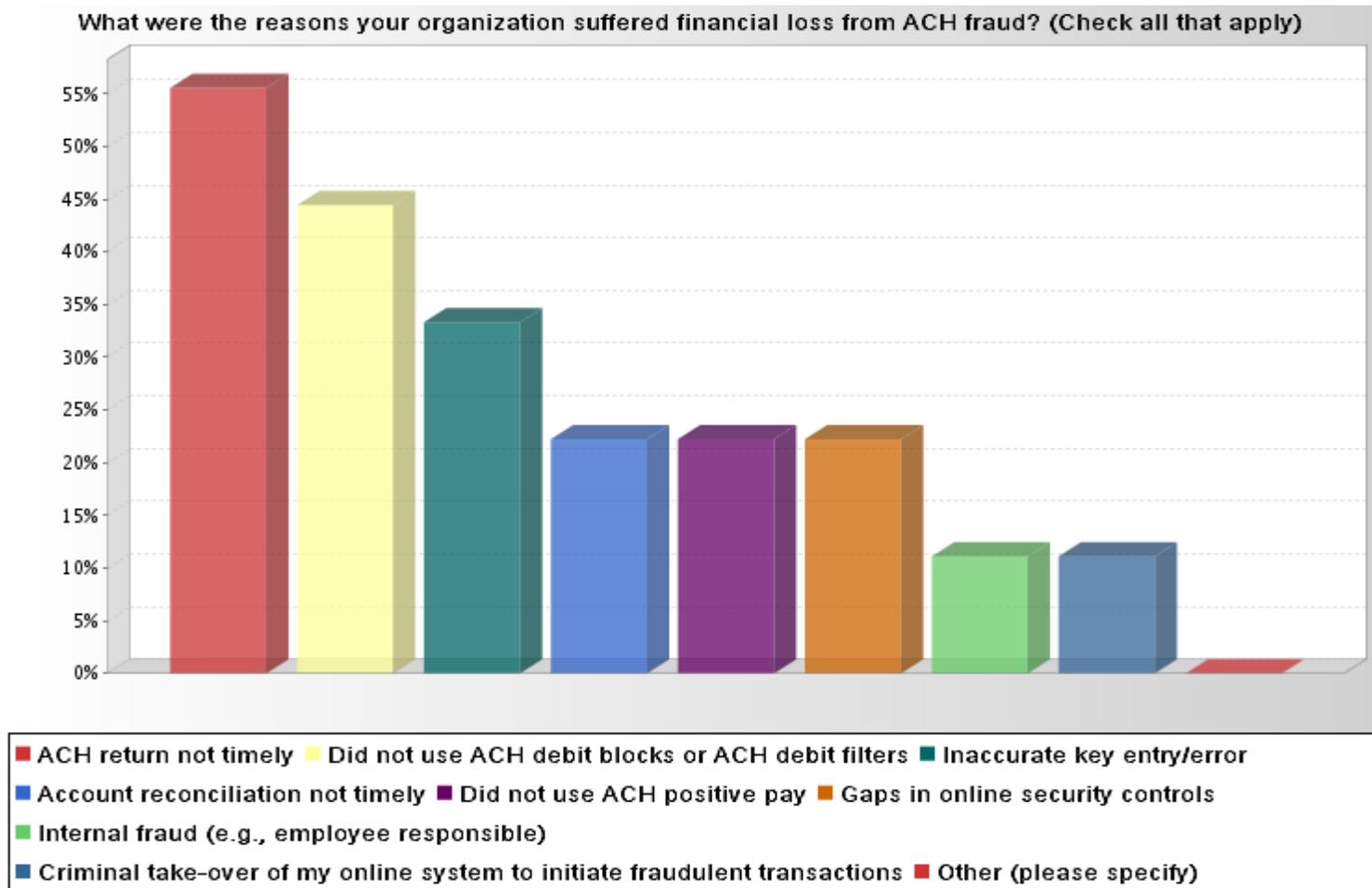


Many tools to prevent check-fraud losses are available, but organizations must use them...and avoid checks as much as possible

Cause of Loss Due to Check Fraud

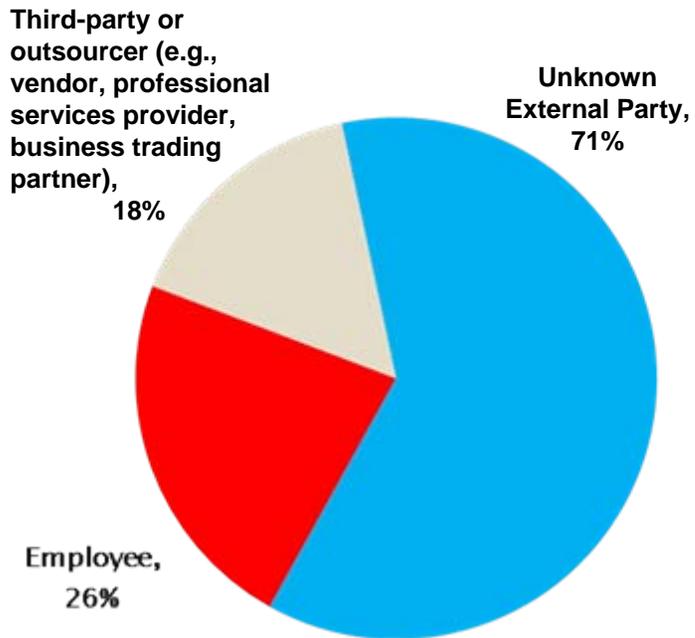


Just like checks, many of the ACH-fraud losses incurred by organizations may be avoidable

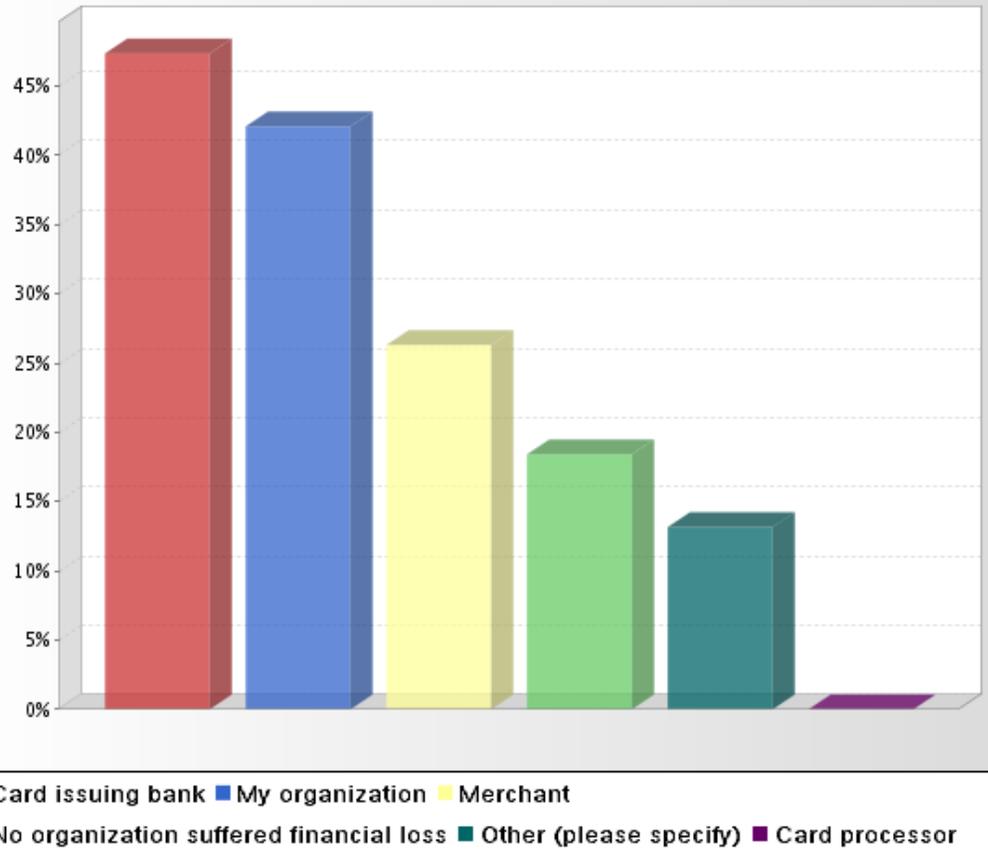


When commercial cards are used to commit fraud, it's usually done by an unknown fraudster and in most cases it's someone other than the cardowner taking the hit

What party was responsible for the fraud?



Which party/parties suffered financial loss as a result of fraud associated with corporate/commercial cards? (Check all that apply)



Takeaways

- Organizations need to remain vigilant—payments fraud remains a major threat
- Understand that fraud is no longer just an entrepreneurial exercise—organized crime and cyber criminals are emerging threats you need to protect against
- Reduce exposure to fraud and losses by shifting more transactions from checks to ACH and commercial cards
- USE the tools and techniques available to you—you can't prevent all fraud attempts, but you can prevent a lot of the potential losses
- [Note to Regulators/Rule Makers—Please make sure any new network initiatives do not reduce the effectiveness of fraud-control services]