



American
Bankers
Association®

ABA Deposit Account Fraud Survey

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2015 ABA Survey Methodology

The 2015 Deposit Account Fraud Survey is the 11th biennial industry study conducted by the ABA.

Scope of Survey:

- First and third party fraud against deposit accounts at banks
- DDA fraud loss vs. loss avoidance due to banks' prevention measures
- Banks' resources devoted to prevention, detection, investigation, and prosecution of deposit account fraud

- Conducted between May and August 2015 to collect data for calendar year 2014
- Sample frame: commercial and savings banks
- Two versions of the questionnaire were used:
 - Banks with less than \$500 million in assets completed an abridged version of the section on fraud losses and loss avoidance*
- Standard version: 139 questions
Abridged version: 111 questions

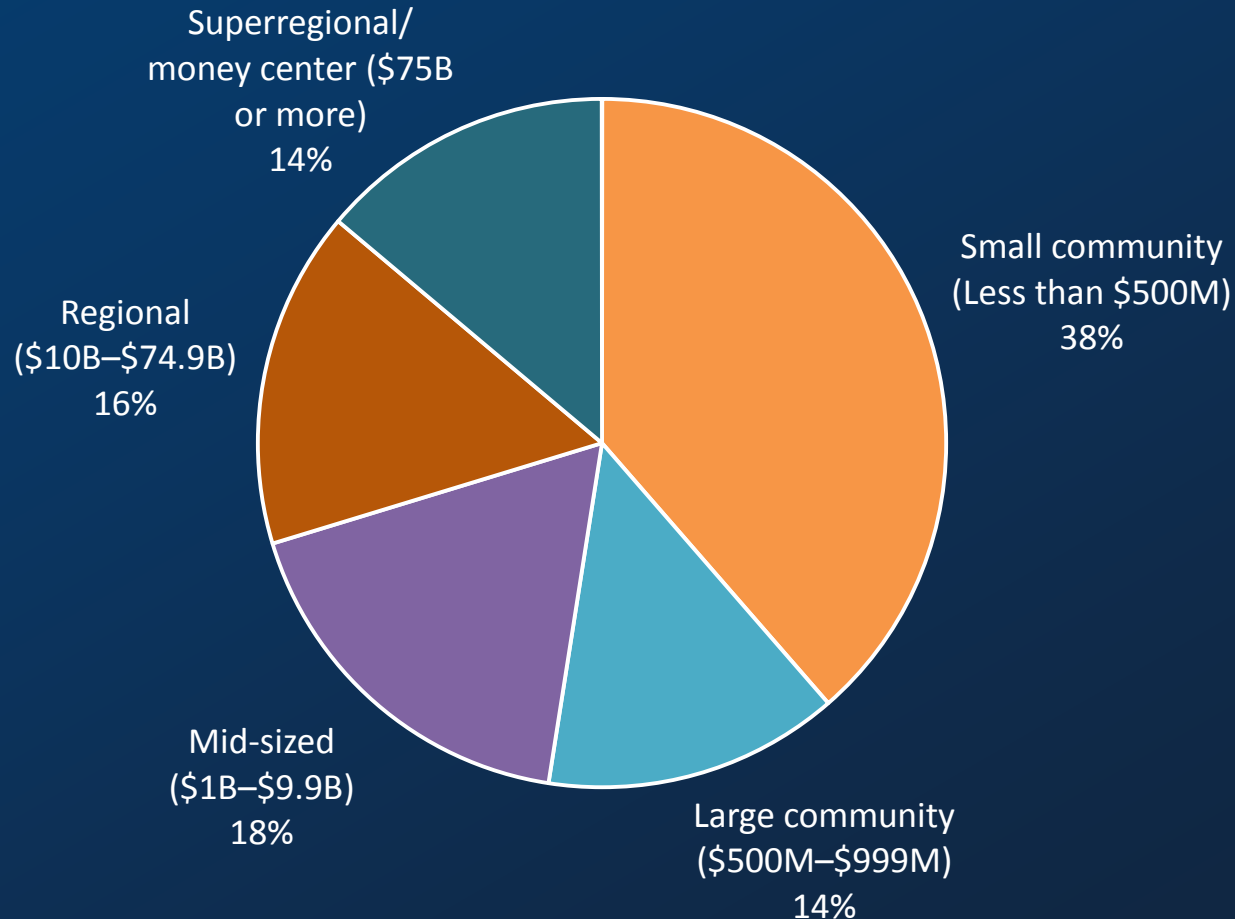
2015 Survey Methodology

Transaction Account — A deposit account that allows a customer to deposit and/or withdraw funds upon demand. Include consumer and business accounts (i.e., large corporation, middle-market, and small business). Report the number of transaction accounts to include demand deposits, savings accounts, NOW accounts, sweep accounts, and money market accounts, but exclude time accounts such as CDs, IRAs, and brokerage accounts. The number of transaction accounts is commonly reported by corporate controllers or the DDA systems support team.

Channels covered by the survey — Check, debit card, online banking (billpay, ACH, wire), wire not originated online, mobile apps, and telephone banking/call centers

In total, 101 banks participated in the 2015 survey

Distribution of Survey Participants by Bank Asset Size



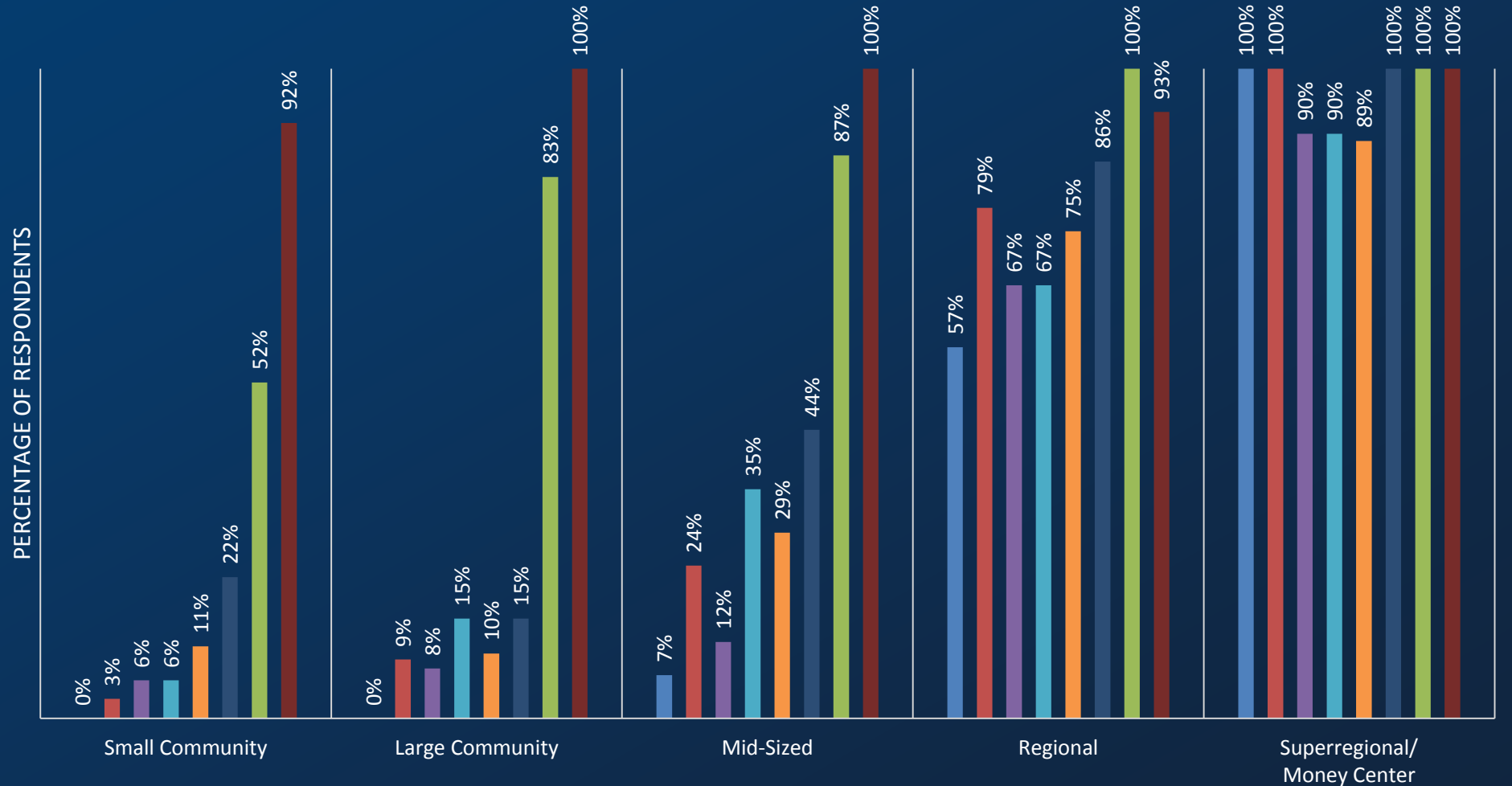
2014 leading loss category: debit card fraud

Percentage of banks that experienced deposit account fraud losses in 2014:

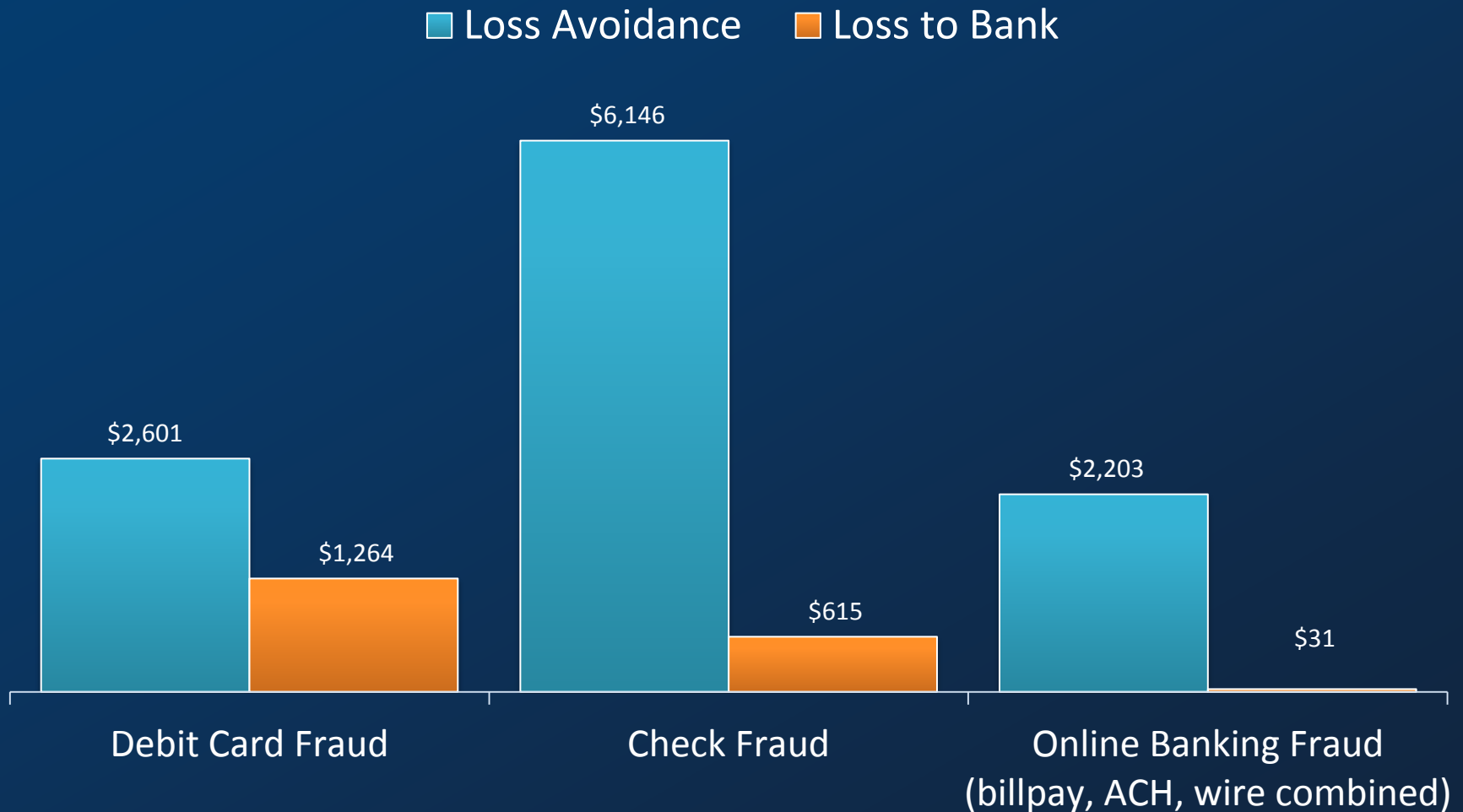


Fraud loss experience by bank asset size

- Telephone banking/call centers
- Remote deposit capture (RDC)
- ACH fraud (not initiated online)
- Wire fraud (not initiated online)
- Online banking
- Mobile banking apps
- Check
- Debit card

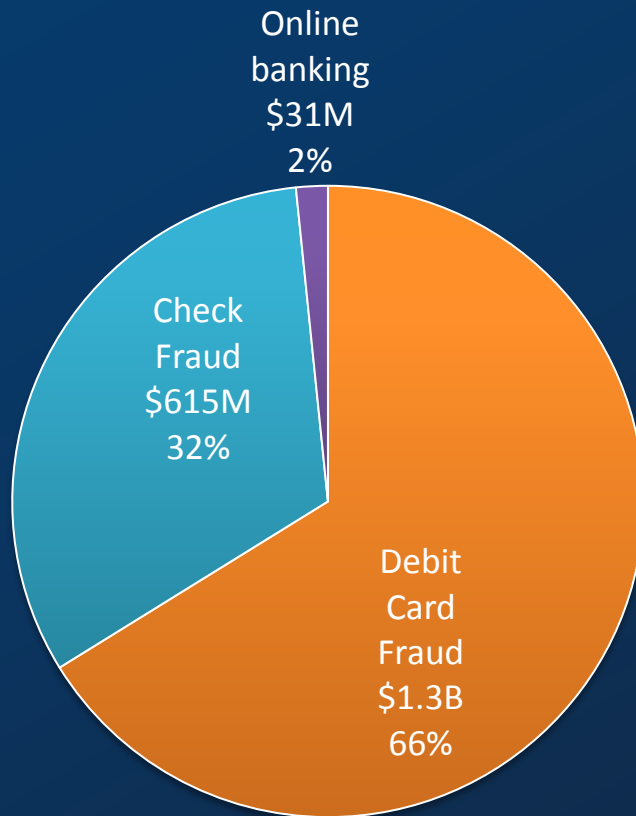


2014 Industry loss and loss avoidance due to DDA fraud (in \$ millions)

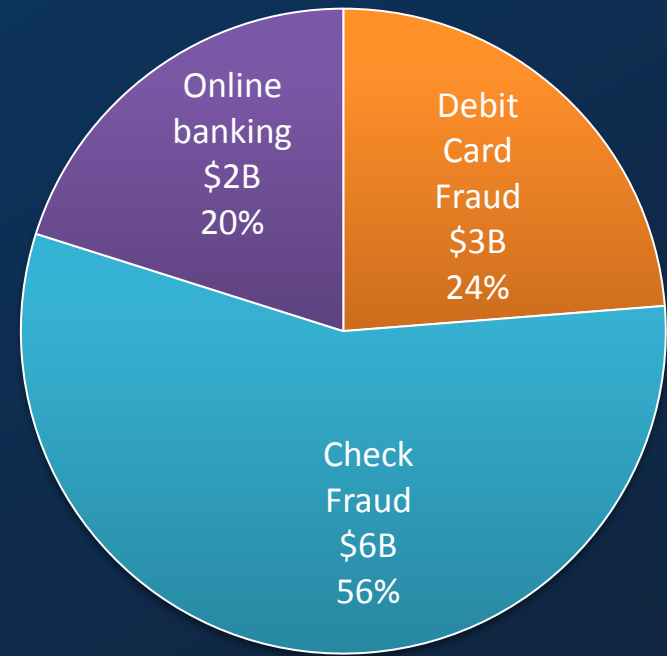


2014 Industry loss and loss avoidance due to DDA fraud, by channel

Estimated Loss Amount:
\$1.91 Billion

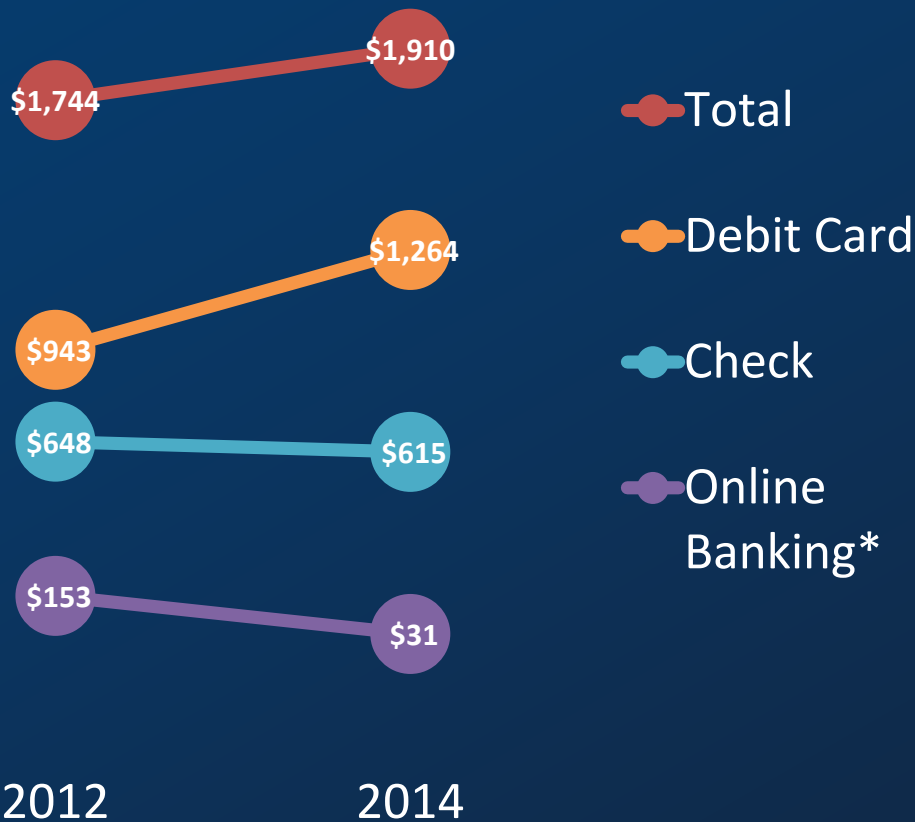


Estimated Loss Avoidance Amount:
\$10.95 Billion

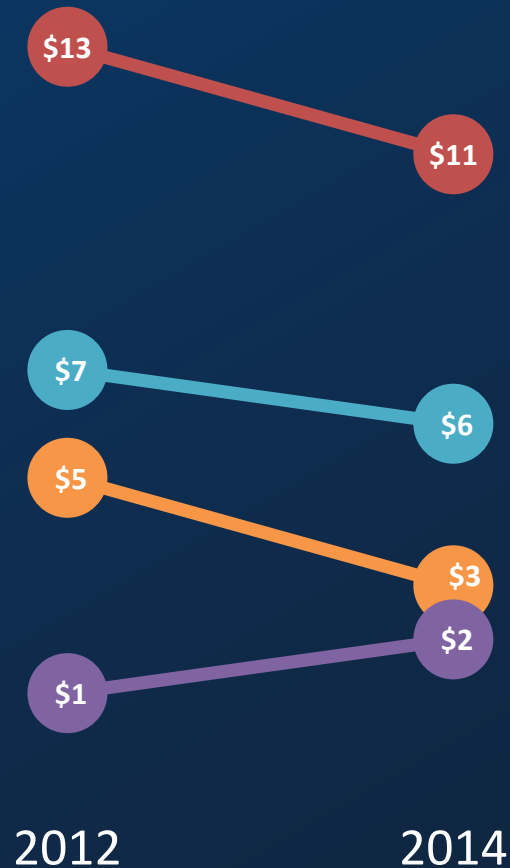


Industry DDA fraud trend: 2014 vs. 2012

Fraud Losses in \$ Millions



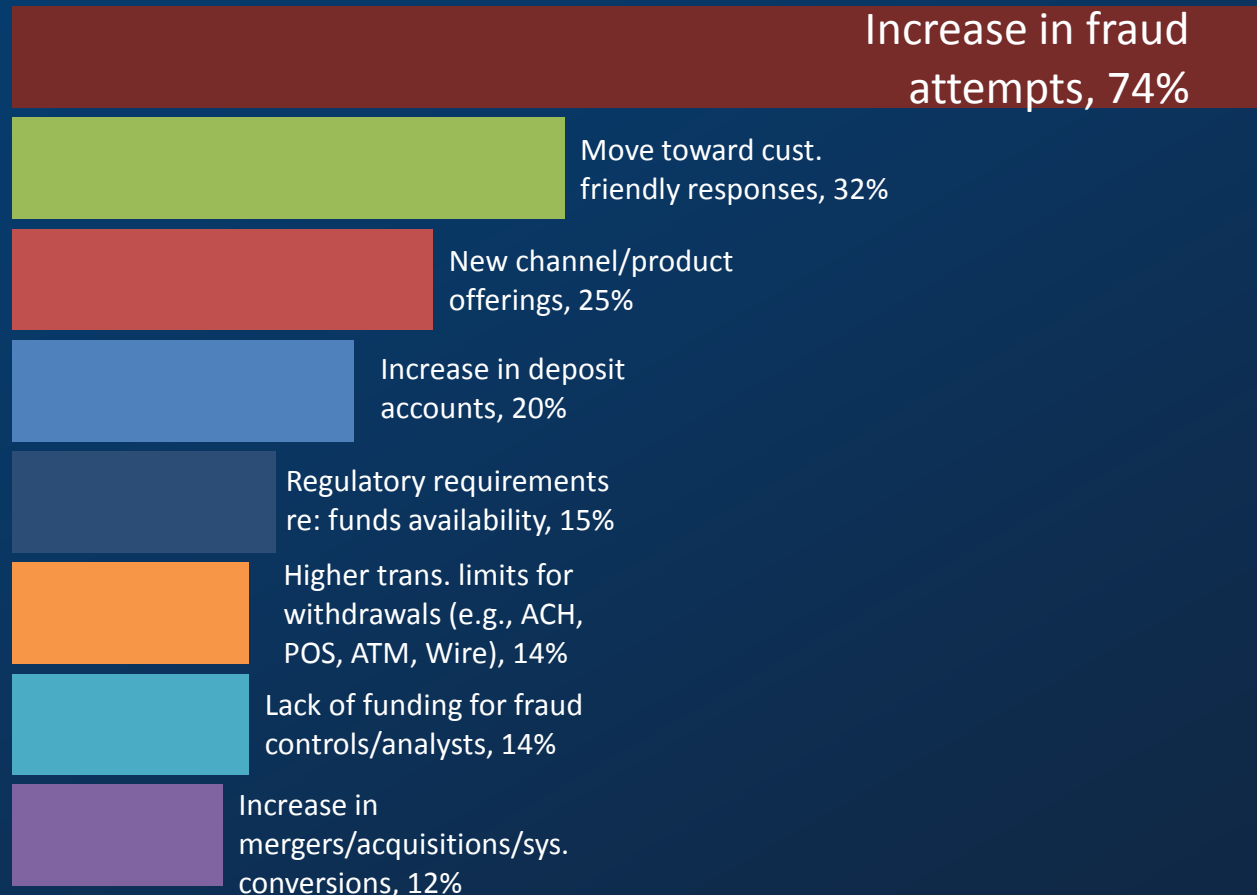
Loss Avoidance in \$ Billions



* Online billpay, wire, and ACH combined.

Primary drivers of increased fraud losses in 2014 compared to 2013

Percentage of Respondents



How fraudsters moved funds out of bank accounts

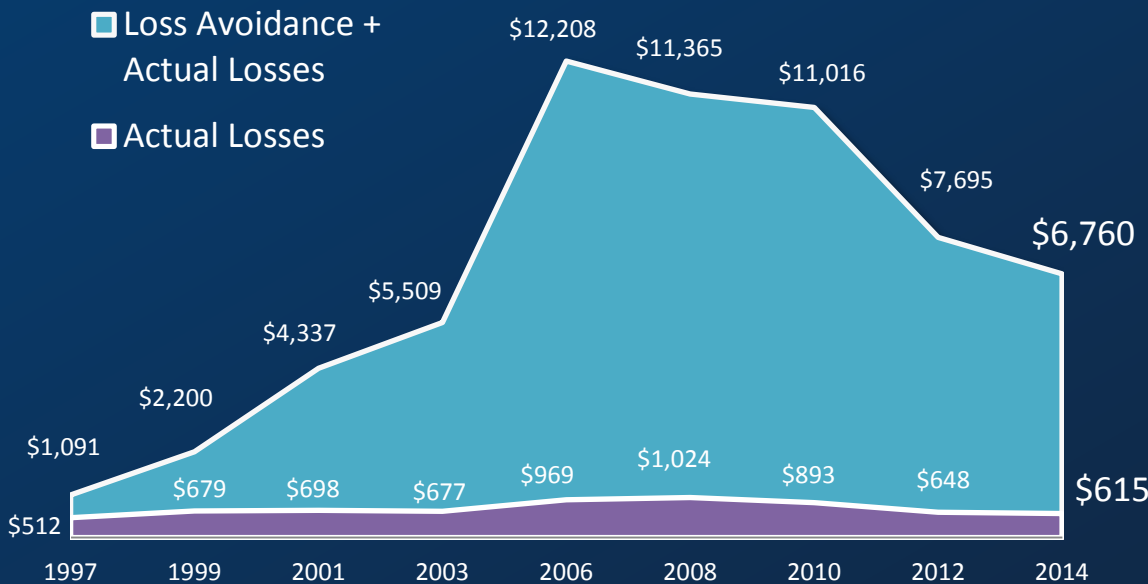
% of 2014 DDA Fraud Losses by Funds Withdrawal Channel

	Small Community	Large Community	Mid-Sized	Regional	Superregional/ Money Center	All Respondents
% Based on dollar amount						
Over-the-counter	14.2	29.1	36.7	16.4	14.5	19.8
ATM proprietary	0.0	1.4	3.2	11.2	19.0	2.8
ATM non-proprietary	5.8	0.0	0.8	12.8	0.0	4.8
Online banking, including mobile online (Billpay, ACH, and Wire, P2P or B2B)	0.4	0.0	0.0	18.0	9.0	2.6
Mobile banking apps	0.0	2.1	0.0	1.0	9.0	0.8
Wire (not initiated online)	0.8	0.0	8.3	1.0	0.0	1.7
ACH (not initiated online)	0.0	0.0	0.0	0.0	0.0	0.0
In-clearing/on-us and internal transfers	2.9	5.4	13.0	4.4	0.0	4.7
Point-of-sale (POS)	74.5	61.9	37.2	35.2	45.0	61.9
Other	1.3	0.0	0.8	0.0	3.5	1.0

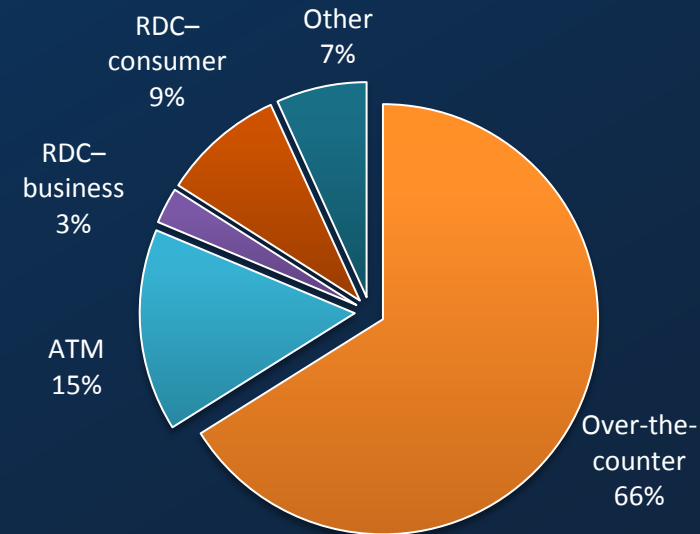
Check fraud against bank accounts

- Leading check fraud categories: Counterfeit and Return Deposited Items (RDIs)
- Losses per case: \$1,087 (\$1,367 in 2012)
- Consumer accounts' share of fraud losses: 69%; small businesses' share: 14%

Industry Losses in \$ Millions

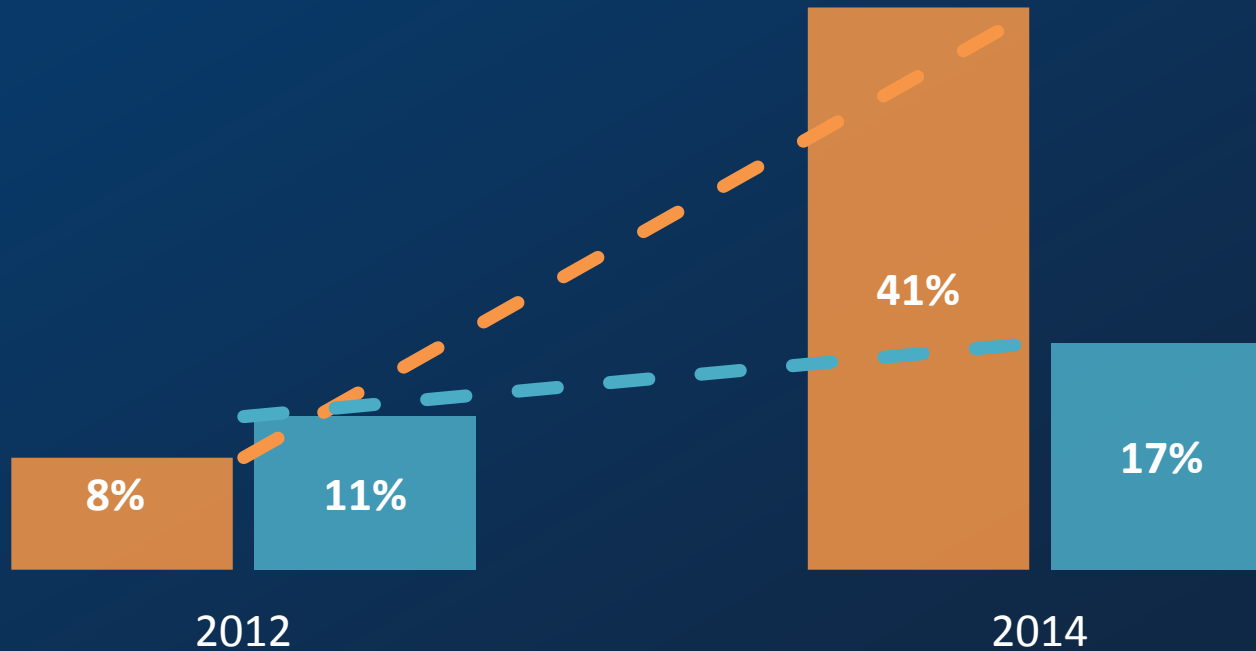


Losses by Deposit Channel



Banks having losses from remote deposit capture (percentage of respondents)

- Consumer Accounts
- Business Accounts
- Linear (Consumer Accounts)
- Linear (Business Accounts)



Debit card fraud losses at banks

Leading Fraud Categories

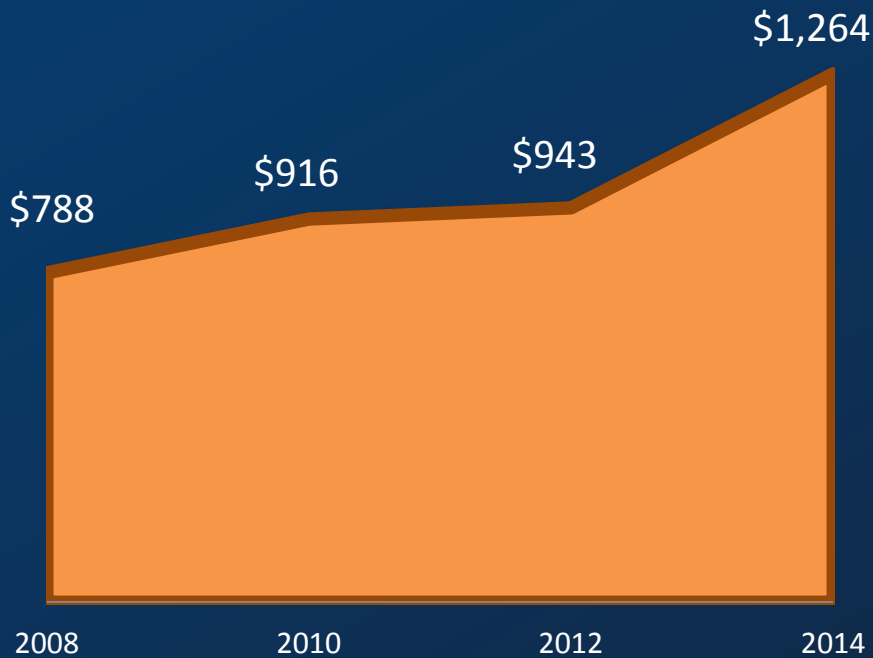
Signature:

Counterfeit, Card not present

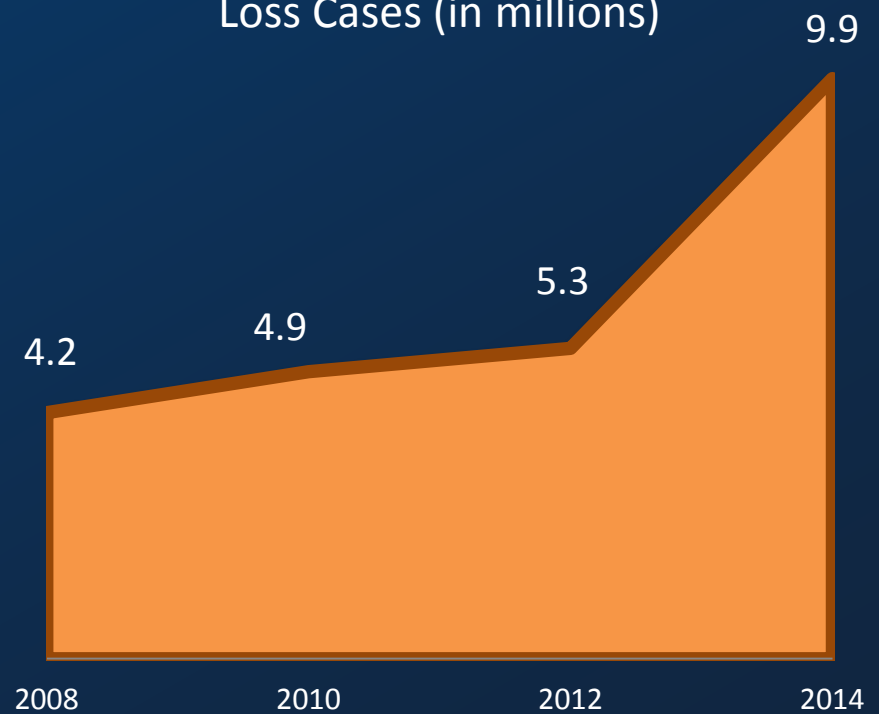
PIN:

Counterfeit, Lost or stolen card

Loss Amounts (in \$ millions)

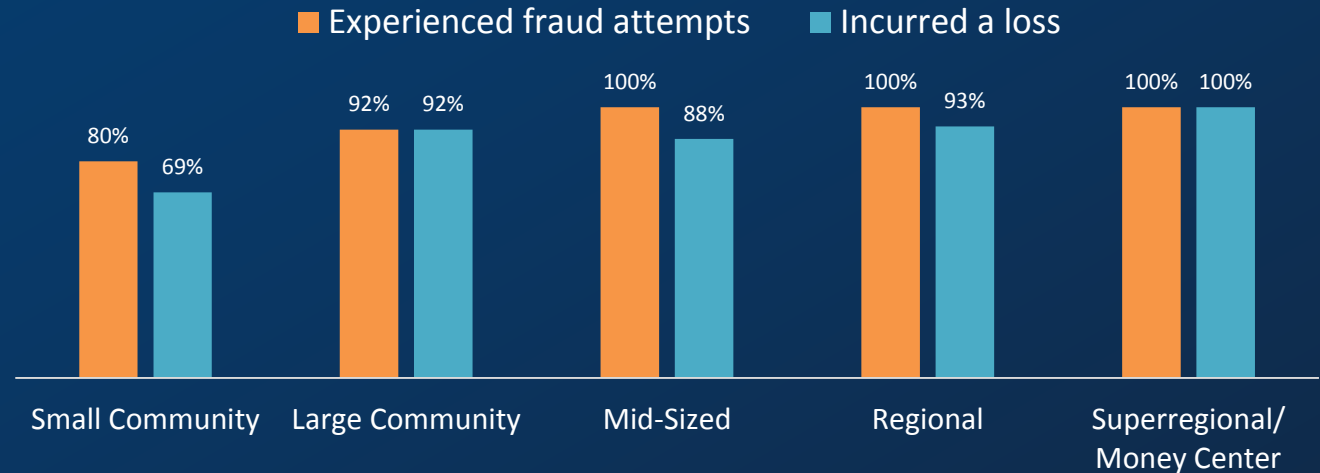


Loss Cases (in millions)

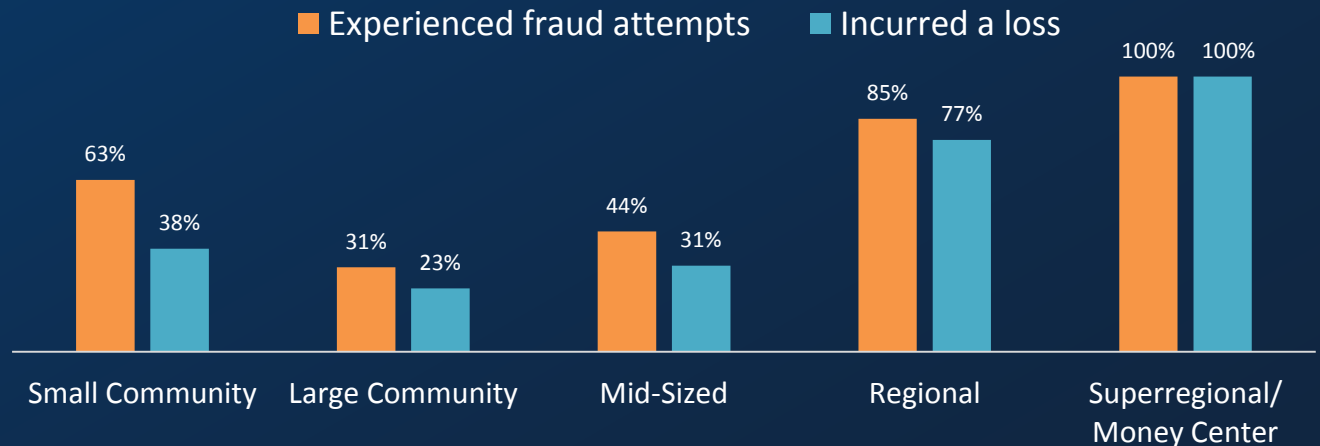


Data breaches and skimming (percentage of respondents)

BANKS THAT HAD DEBIT CARD RELATED FRAUD DUE TO DATA BREACHES (by institution size, 2014)



BANKS THAT HAD DEBIT CARD RELATED FRAUD DUE TO SKIMMING (by institution size, 2014)

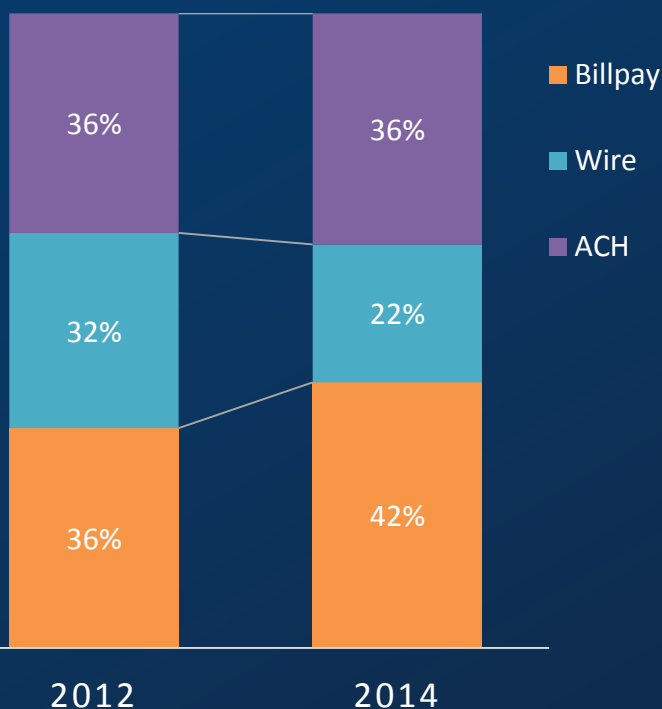


Perceived pros and cons in migrating to EMV/chip cards

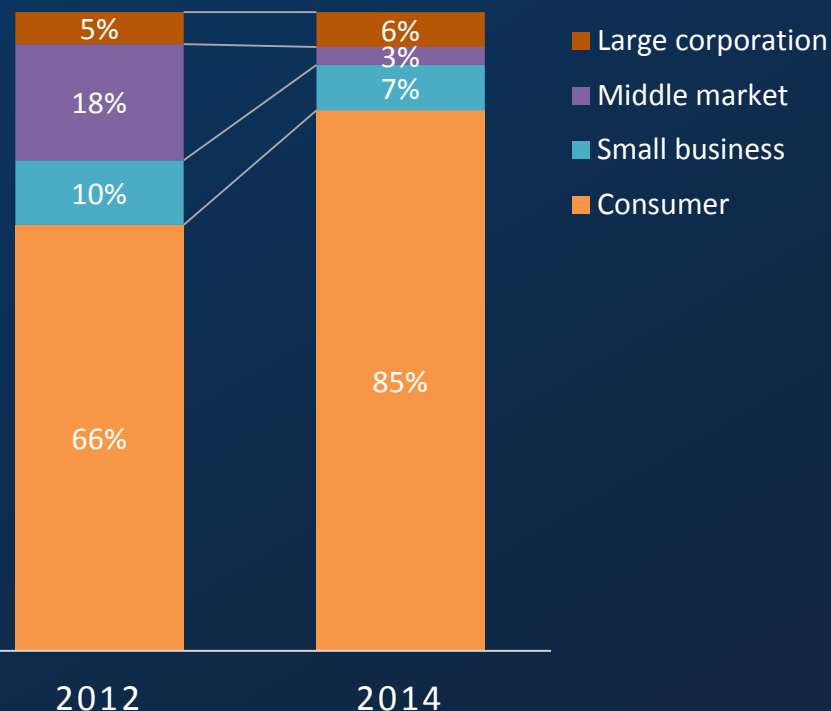
- Reduction in counterfeits
- Liability shift
- Fraud moving online/card not present
- High cost to issue the cards
- Customer education and potential dissatisfaction with the change
- Merchant technology
- Other thoughts?

Online Banking: Respondents reported preventing more than 90 percent of online banking fraud in 2014

SOURCE OF ONLINE BANKING FRAUD LOSSES, 2014 vs. 2012
(percentage of total losses)

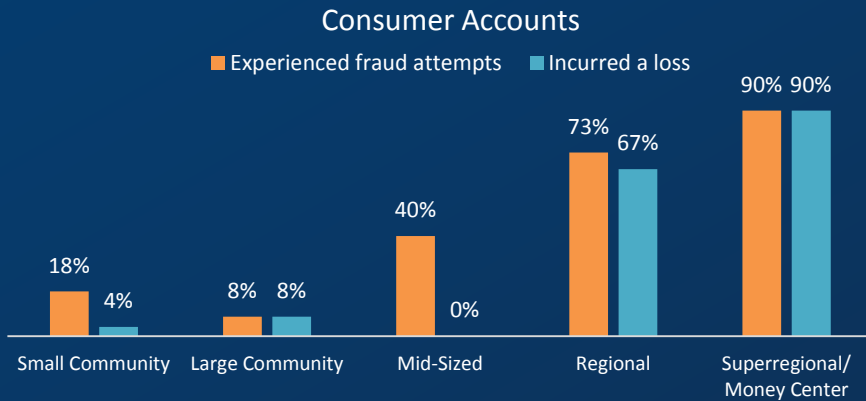


ONLINE BANKING LOSSES BY CUSTOMER TYPE, 2014 vs. 2012
(percentage of total losses)

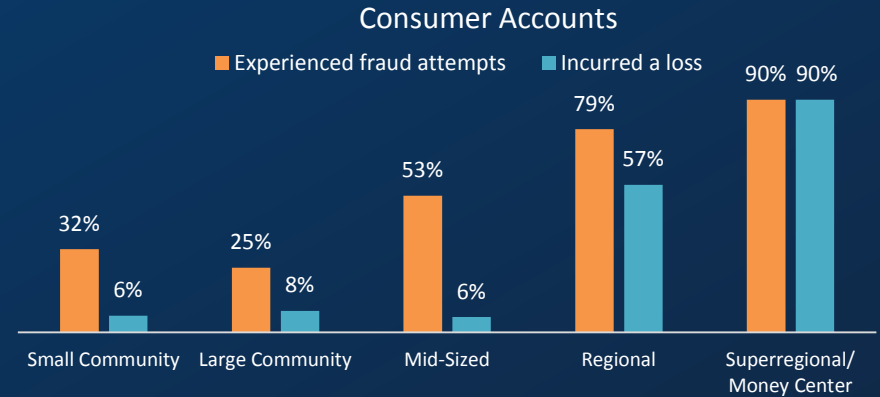


ACH Fraud: 2014 experience, online vs. offline and by customer type (percentage of respondents)

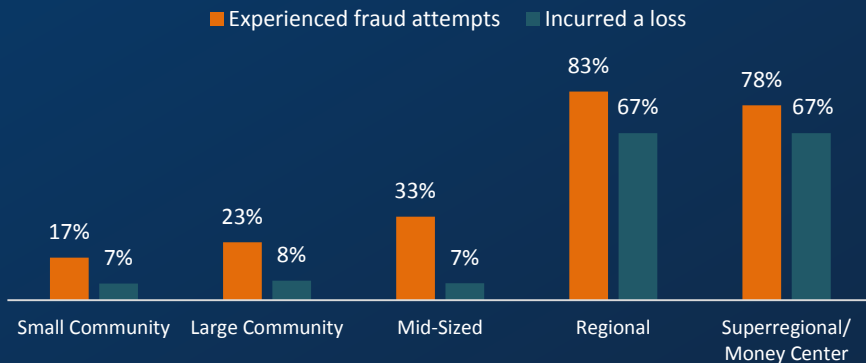
Online



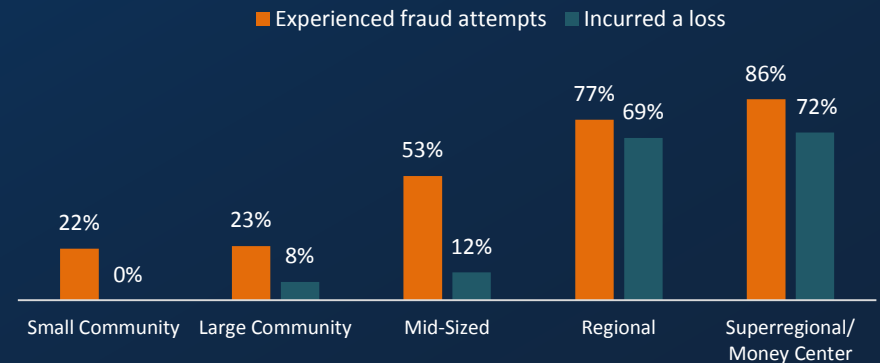
Offline (call center, branch, fax, email)



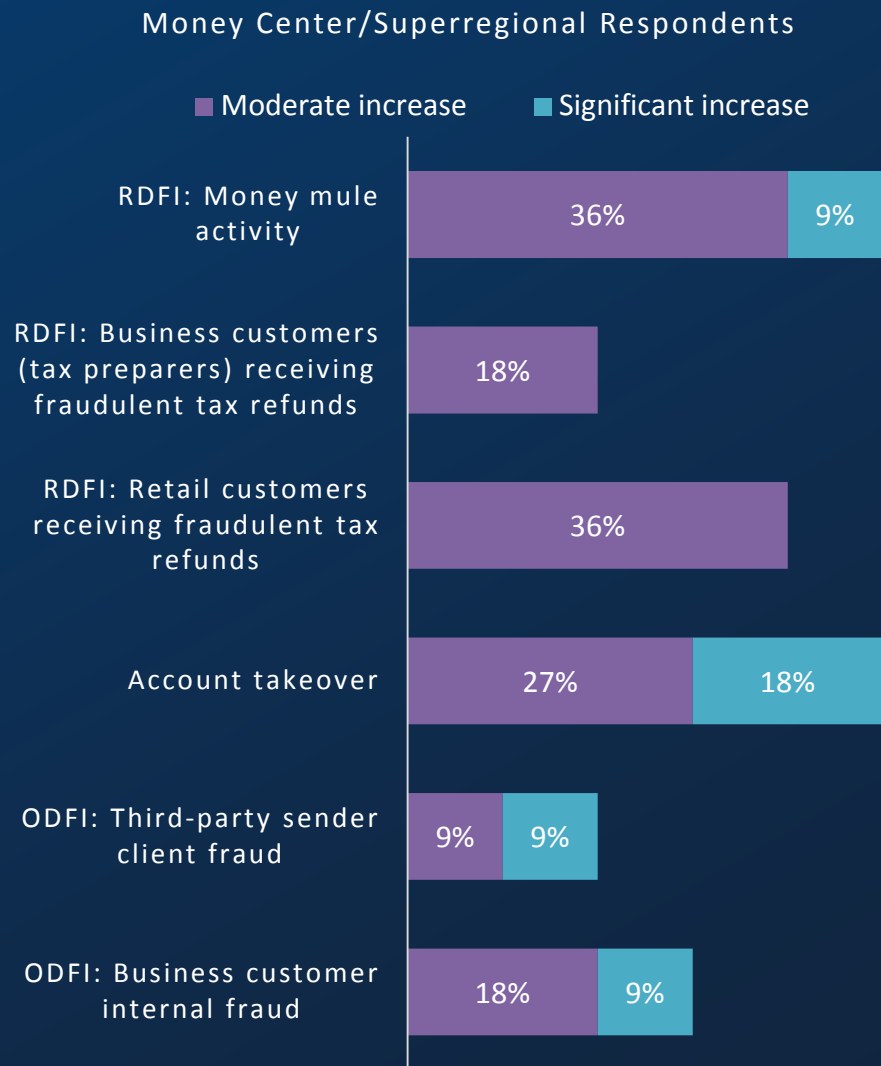
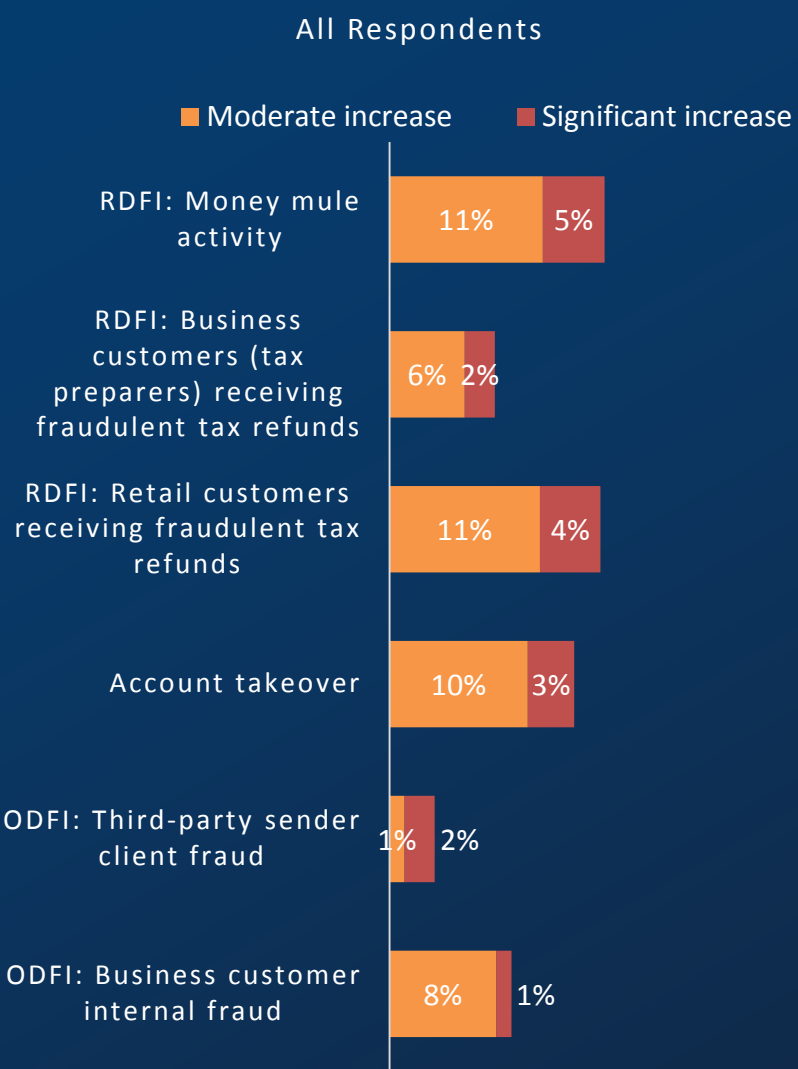
Business Accounts



Business Accounts

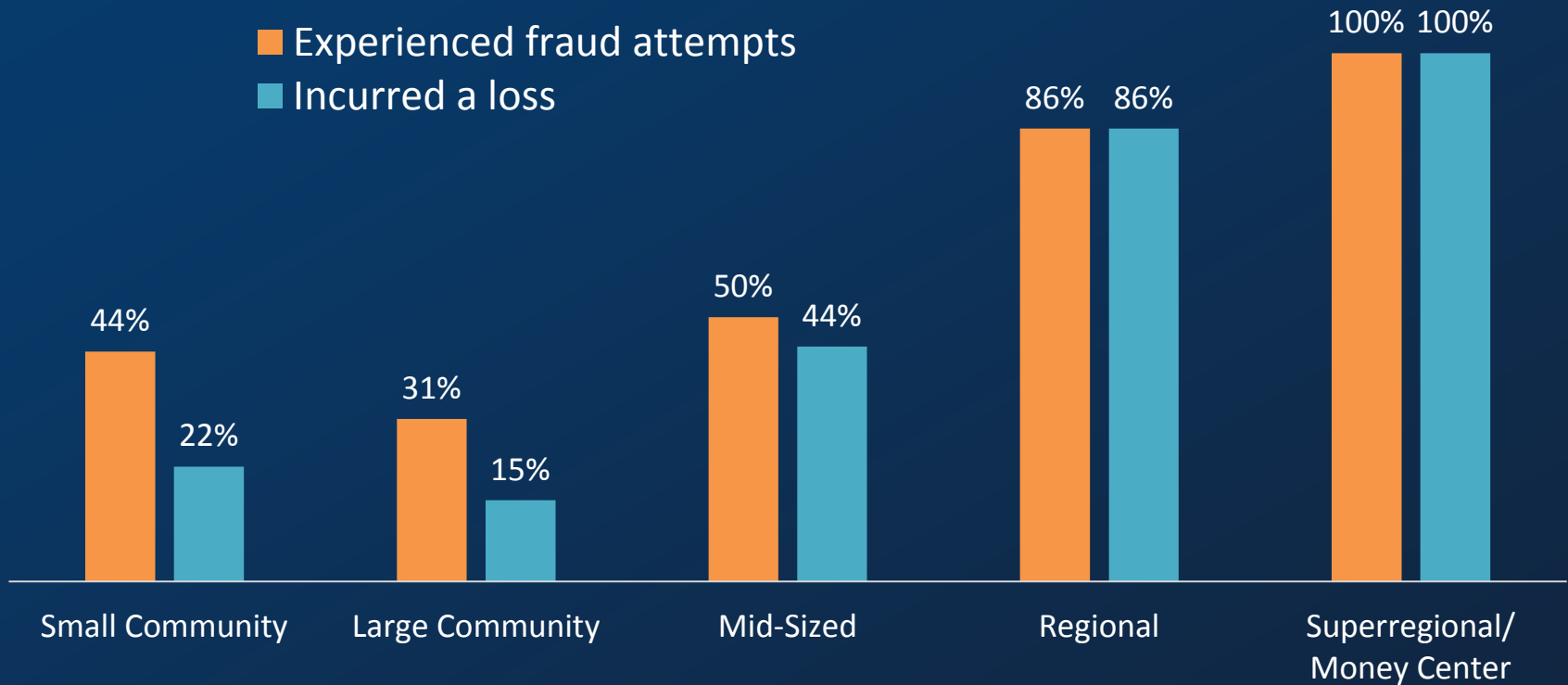


Banks reported experiencing an increase in ACH fraud attempts in 2014 compared to 2013 (percentage of respondents)



Mobile banking apps fraud in 2014

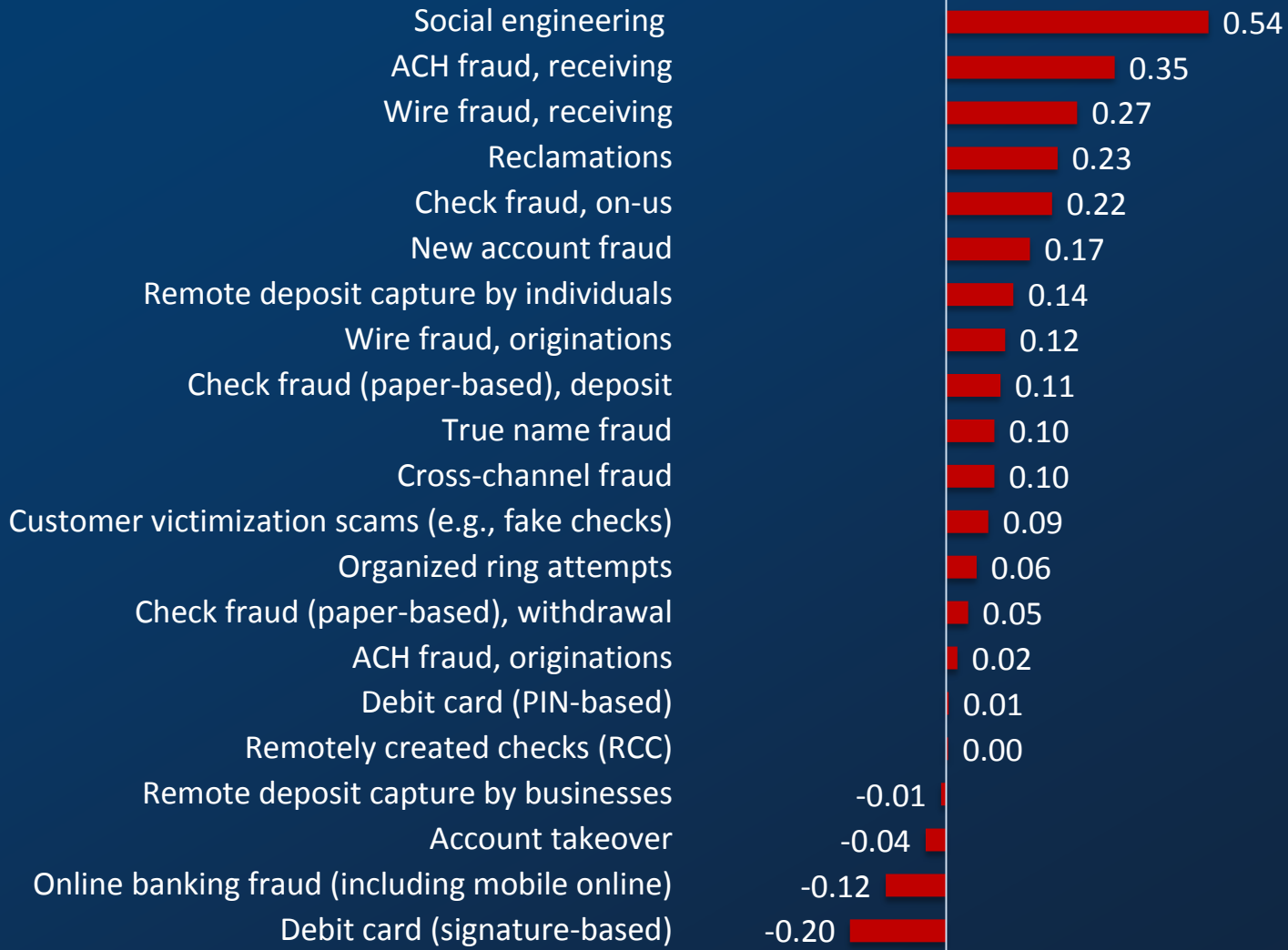
Percentage of Respondents





Deposit Account Fraud Prevention

Changes in perceived threat to the industry in the next 12 months, 2015 compared to 2013



Changes in perceived threat levels: 2015 average over 2013 average

Potential weak links

- Onboarding of new customers
- Authentication
- Monitoring and controls
- Funds availability
- Middle market/small business customers
- Call centers/contact centers
- Internal fraud
- Others thoughts?

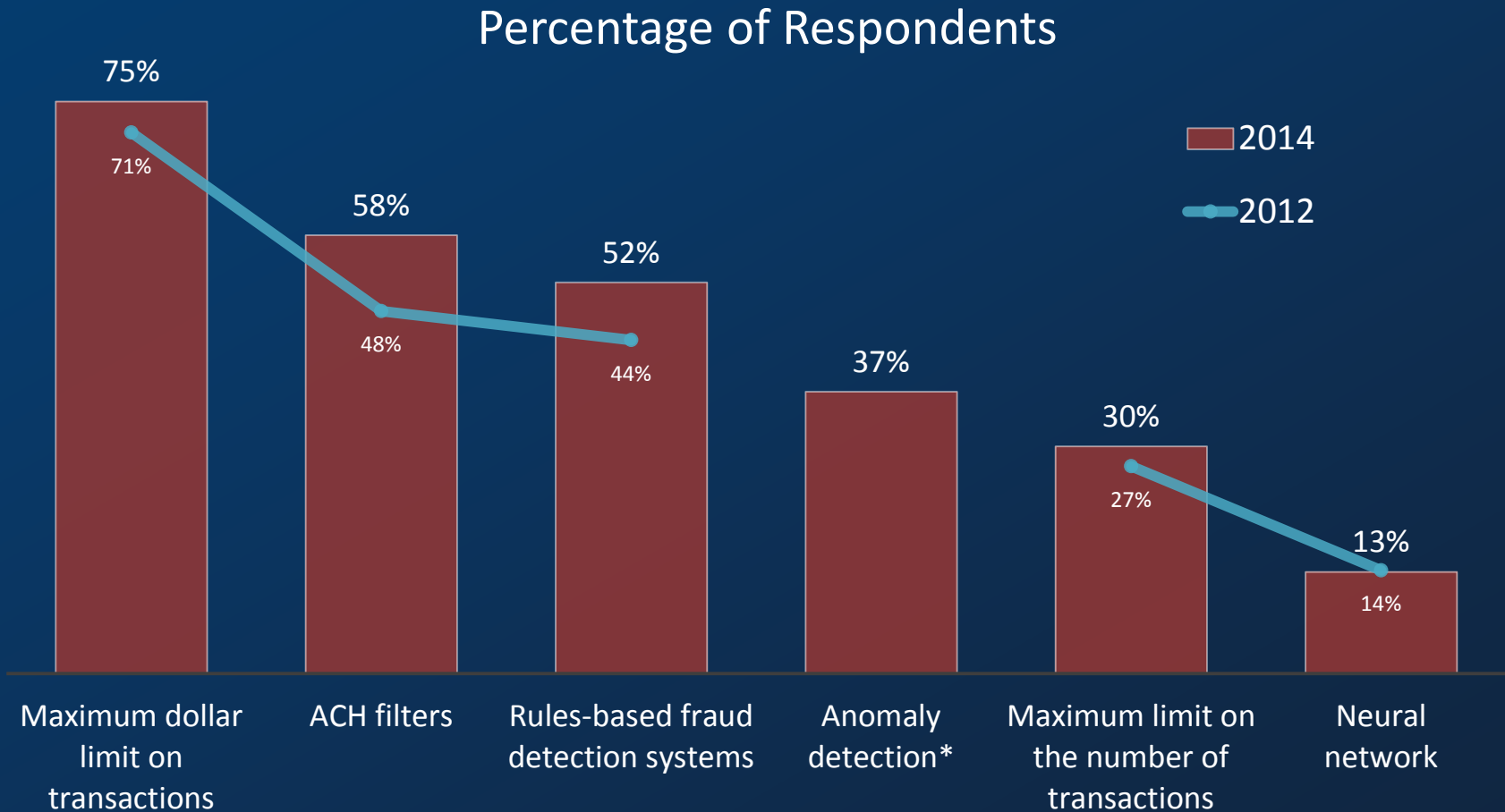
Reported effective tools for fraud prevention

Check	RDC	Debit Card	Wire
<ul style="list-style-type: none"> • Behavior (anomaly)-based and rules-based detection software • KYC • Positive Pay • Call-back verification • Employee education • New account screening • On-us fraud software 	<ul style="list-style-type: none"> • Compare check images/check data from all channels to detect duplicate presentment • Run RDC items thru deposit fraud filters • Restrict type of RDC items • Have daily transaction or item level dollar limits 	<ul style="list-style-type: none"> • Fraud monitoring system • Neural network analysis • Block and reissue exposed cards • Block transactions from high risk countries • Rules-based transaction blocking 	<ul style="list-style-type: none"> • Call back verifications • Authentication procedures • Wire transactions are for existing customers only • Dual controls • Staff training • KYC

Reported effective tools for fraud prevention

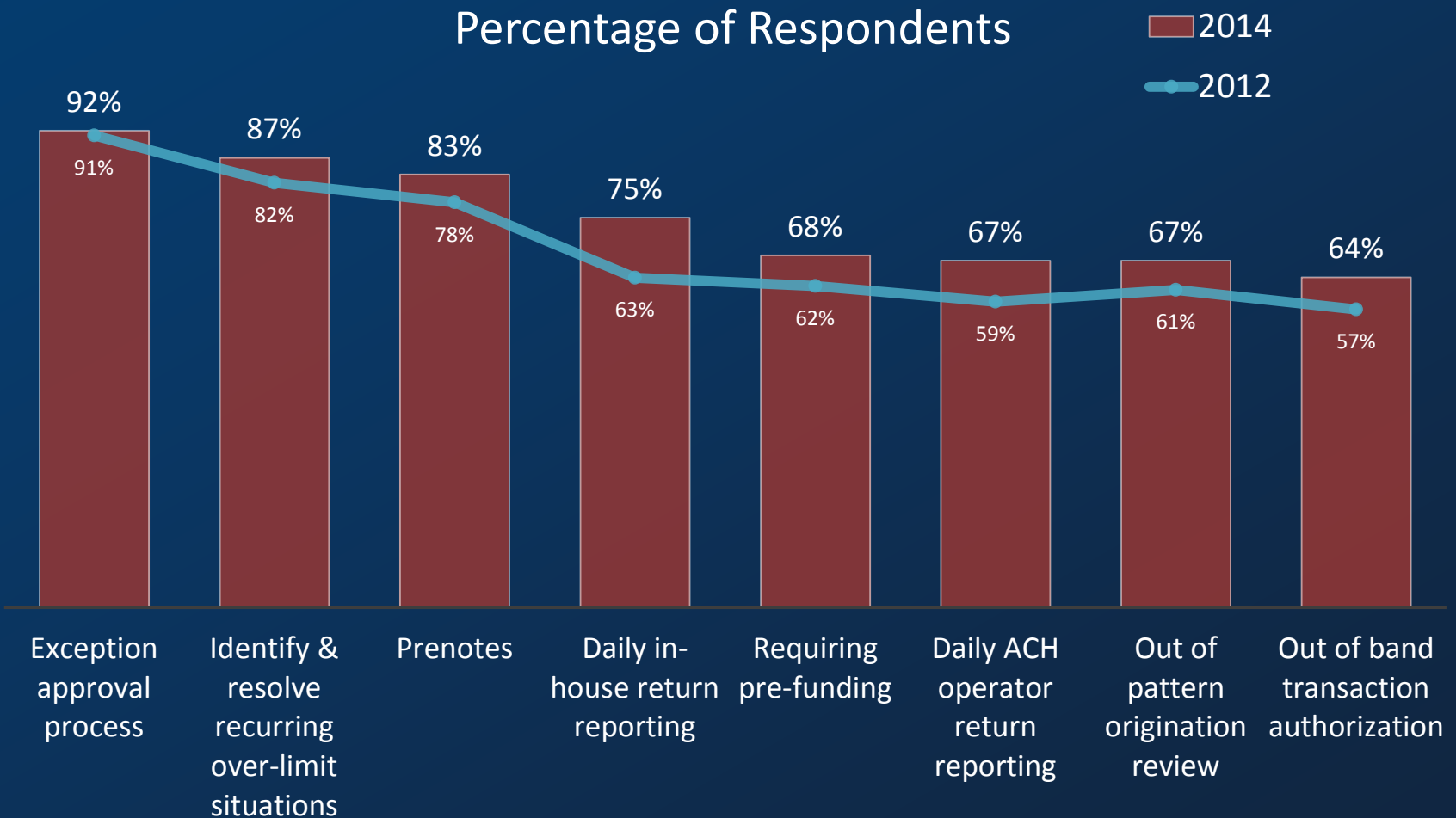
Mobile Banking Apps	Telephone Spoofing	ACH
<ul style="list-style-type: none"> • Transaction anomaly detection • Fraud detection software • Limits on mobile deposits • Biometric profiling • Facial recognition • User behavior-based anomaly detection software (e.g., the angle at which a person holds the smart phone or tablet and voice print) 	<ul style="list-style-type: none"> • Use Increased customer verification procedures • Use suspicious activity reports to detect and prevent telephone spoofing 	<p>ODFI</p> <ul style="list-style-type: none"> • ACH positive pay • Call back procedures • Multi-factor authentication • Fraud detection software • Dual control procedures • Prefunding <p>RDFI</p> <ul style="list-style-type: none"> • Positive pay • ACH blocks

Examples of ACH fraud prevention tools used by banks



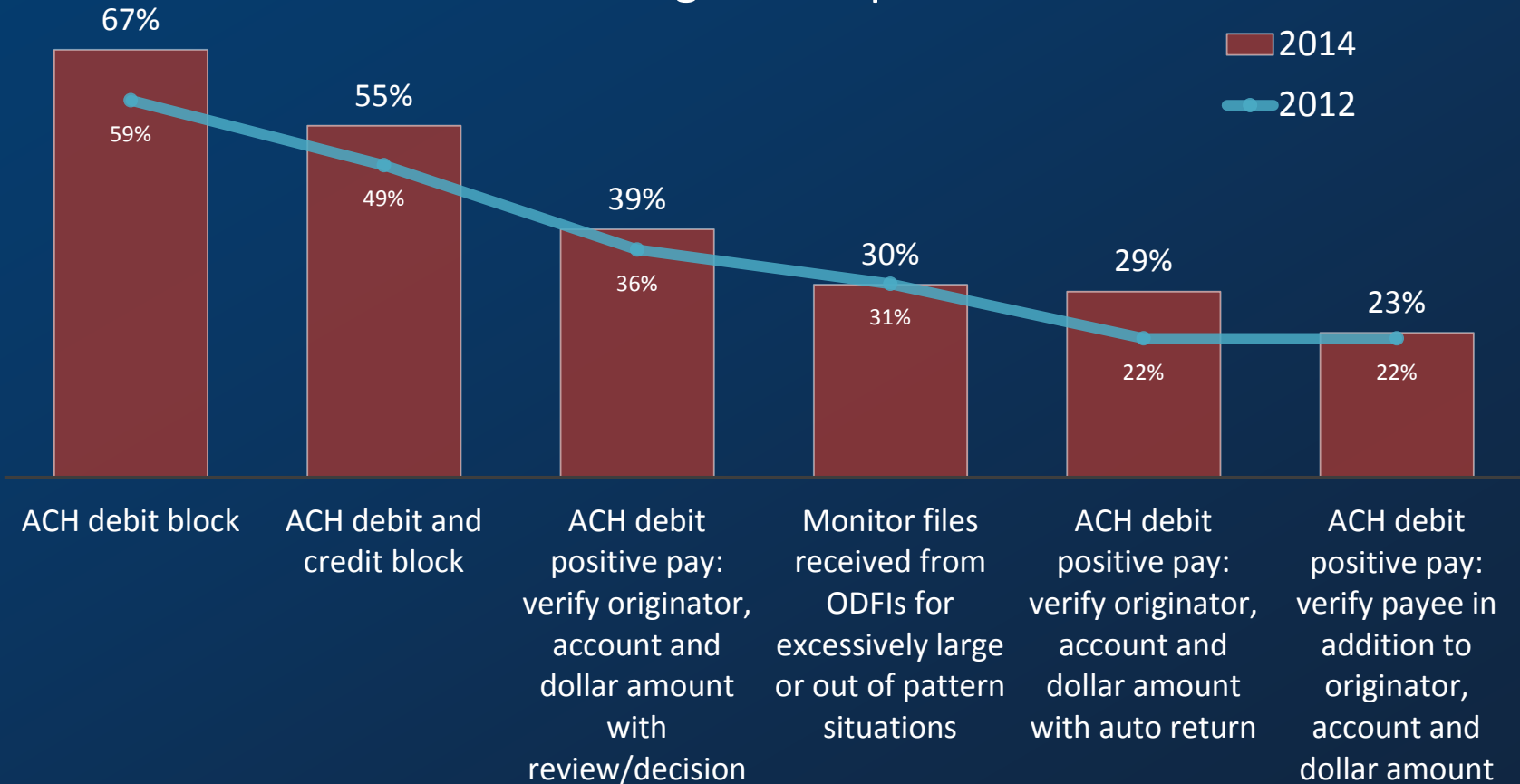
*Not available for 2012.

Examples of ACH fraud prevention tools used by ODFIs

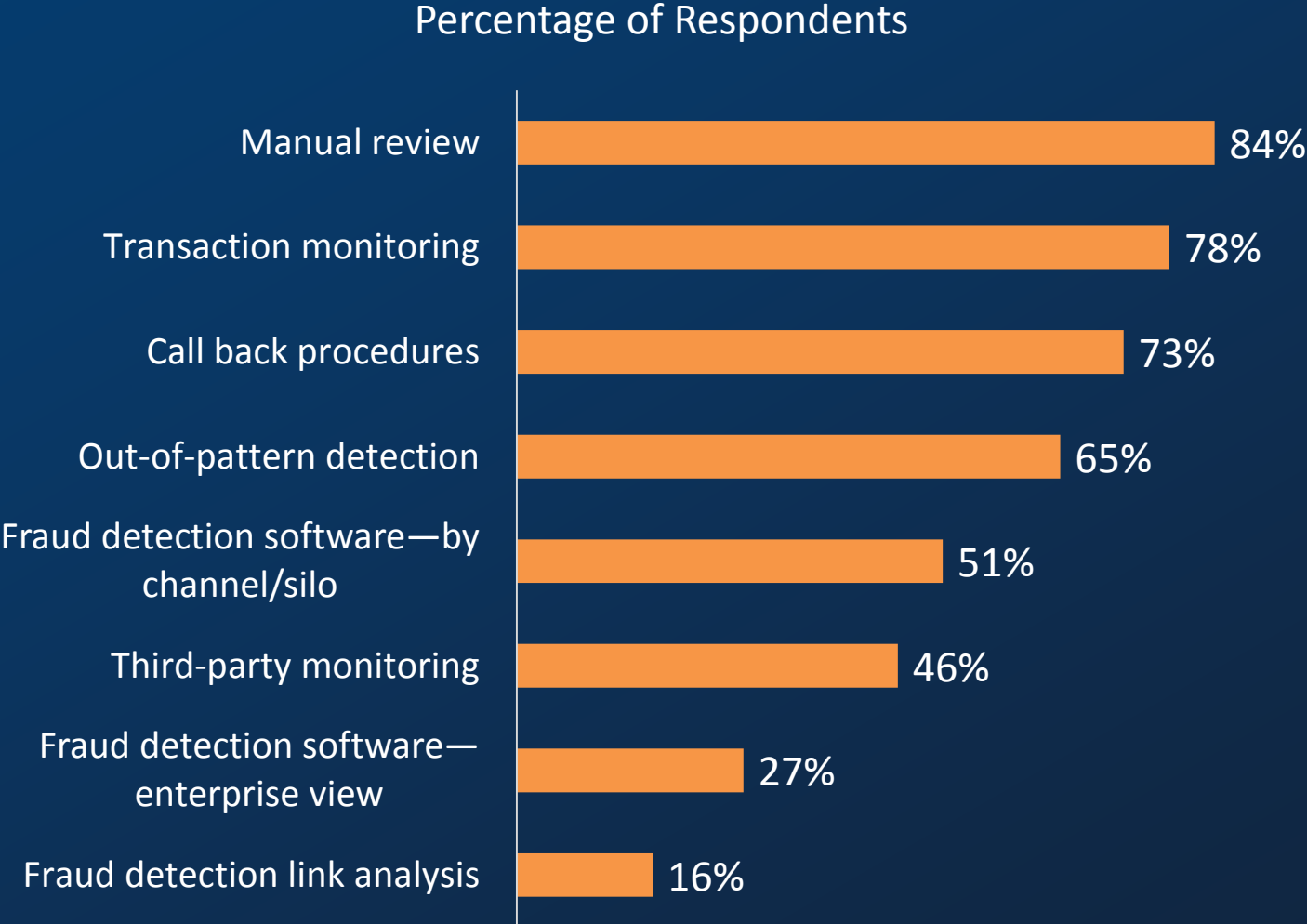


Examples of ACH fraud prevention tools used by RDFIs

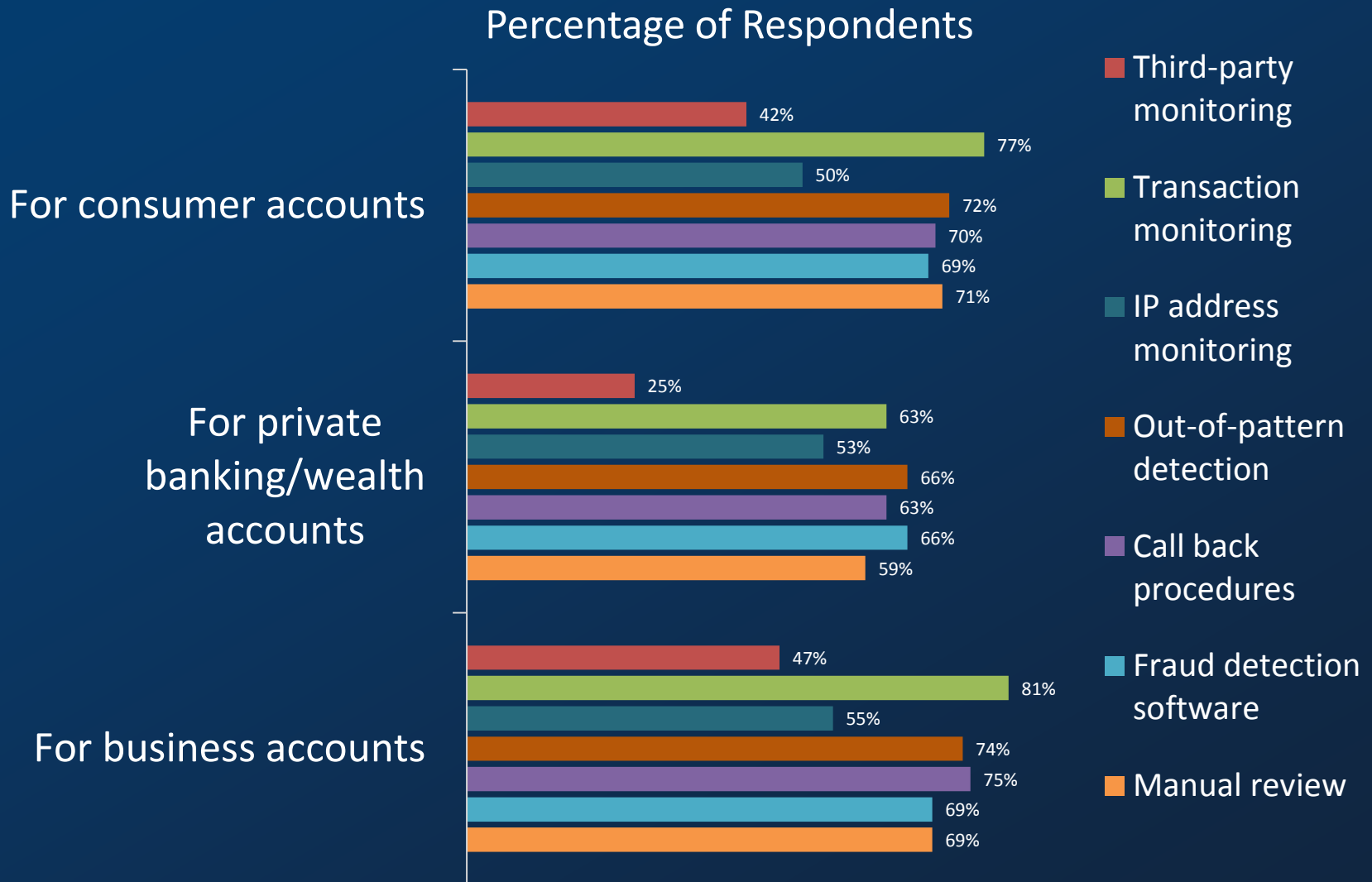
Percentage of Respondents



Tools used by banks to monitor and detect cross-channel fraud

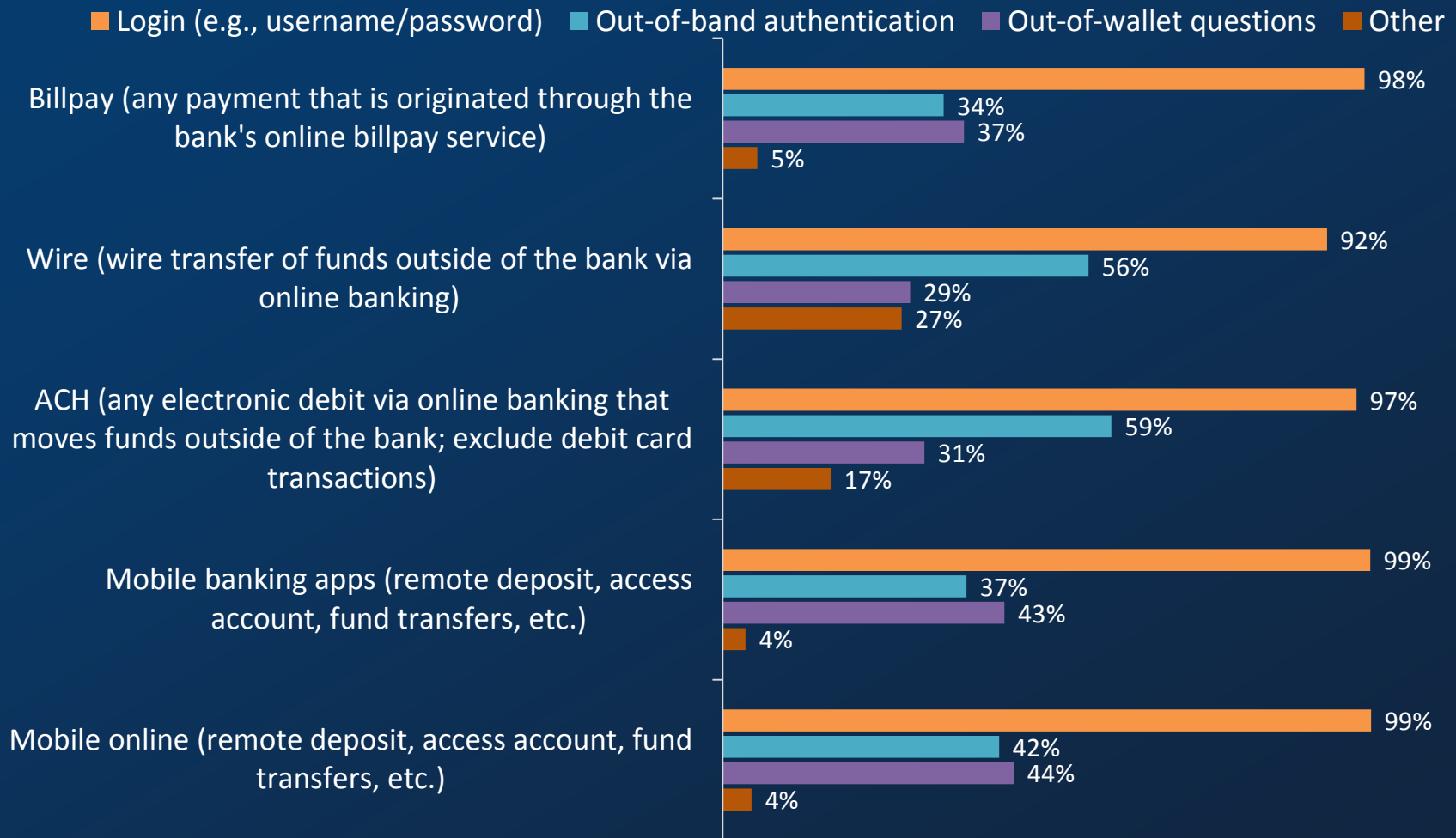


Tools used by banks to identify and detect account takeover



Authentication methods used by banks for selected digital banking products

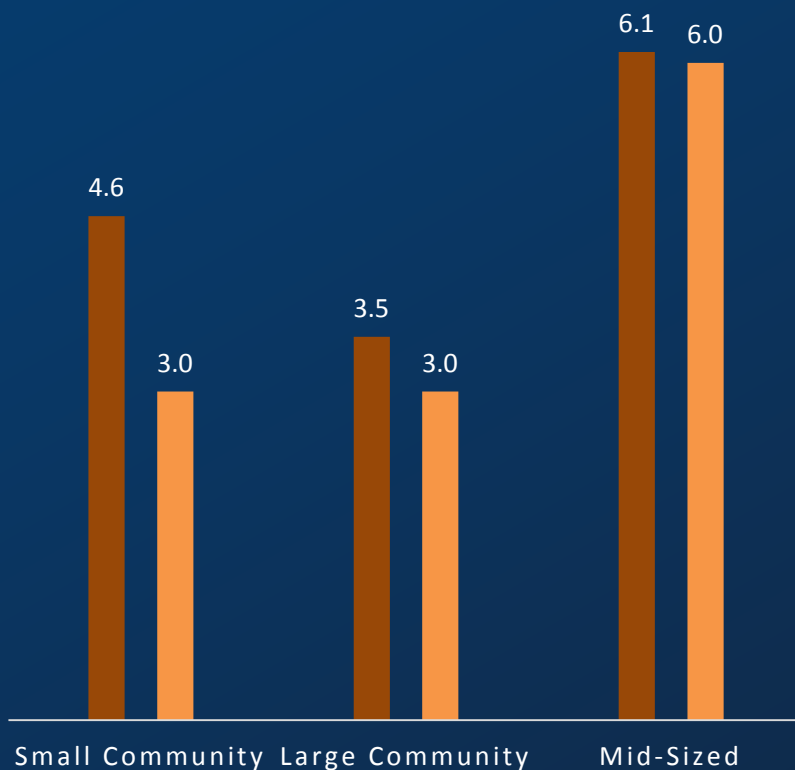
Percentage of Respondents



Fraud-related staffing levels per bank: community and mid-sized banks

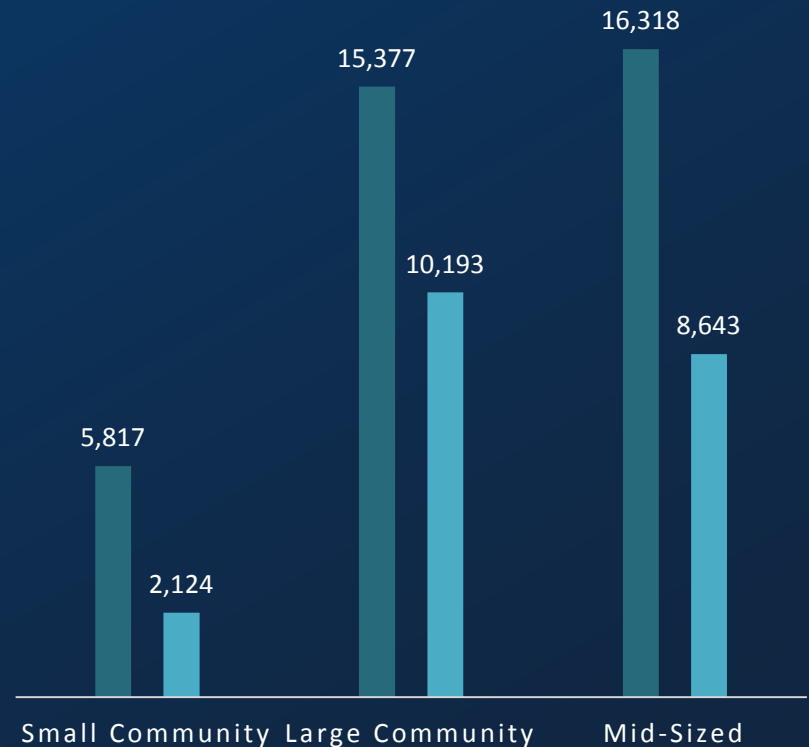
Fraud-Related FTEs per Bank

■ Mean ■ Median



Open Transaction Accounts per Fraud-Related FTE

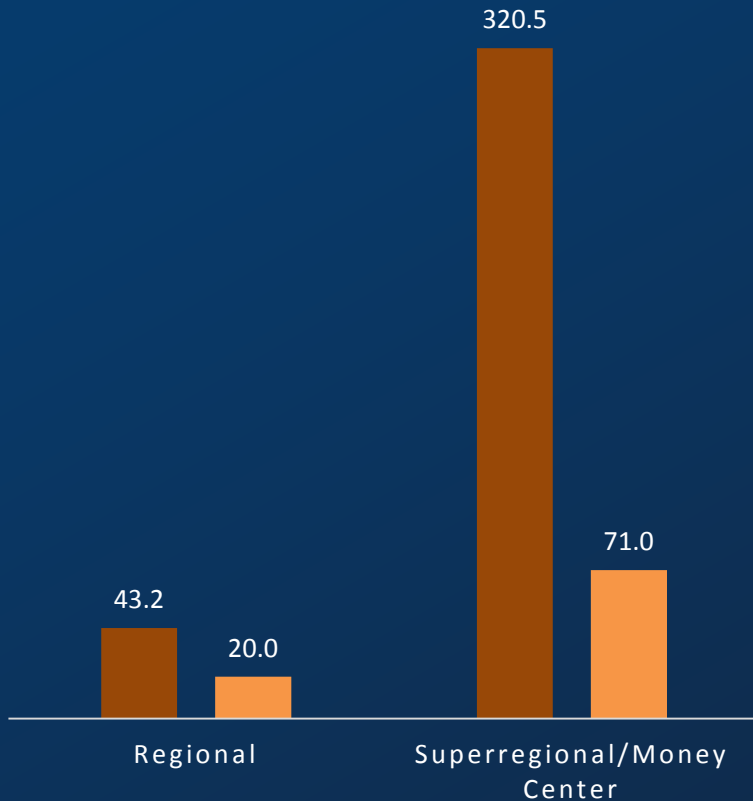
■ Mean ■ Median



Fraud-related staffing levels per bank: regional and superregional/money center banks

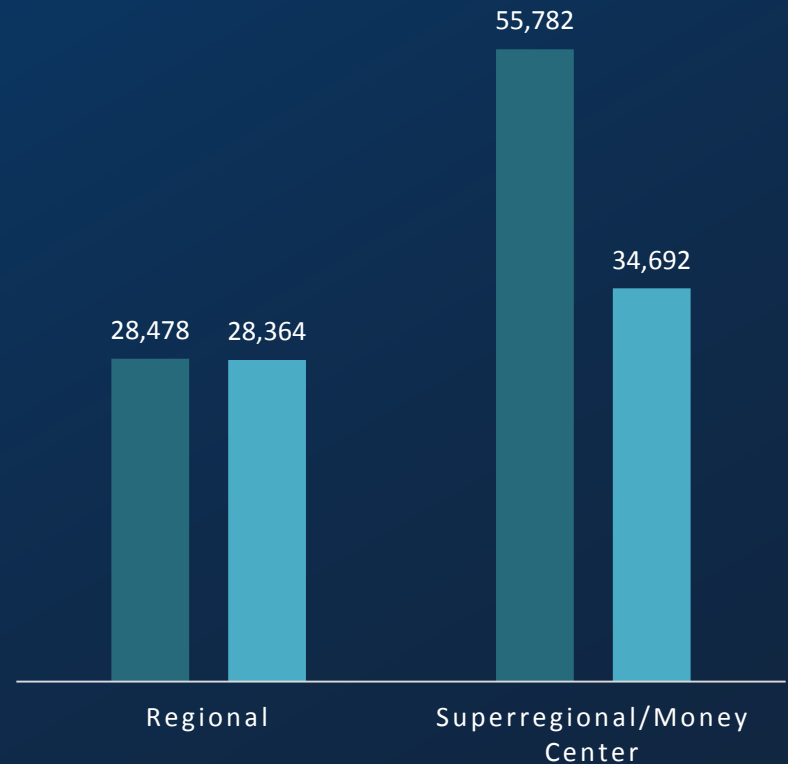
Fraud-Related FTEs per Bank

■ Mean ■ Median



Open Transaction Accounts per Fraud-Related FTE

■ Mean ■ Median



Deposit account fraud-related expenses

EXPENSES PER BANK (INTERNAL AND EXTERNAL) FOR PREVENTION, DETECTION, INVESTIGATION, AND PROSECUTION OF DEPOSIT ACCOUNT FRAUD (percentage of respondents, by asset size)

		Small Community	Large Community	Mid-Sized	Regional	Superregional/ Money Center
Salary/staffing expenses	Less than \$5,000	7.7%	8.3%	—	—	—
	\$5,000–\$9,999	11.5%	—	—	—	—
	\$10,000–\$49,999	38.5%	33.3%	7.1%	—	—
	\$50,000–\$99,999	15.4%	25.0%	—	—	—
	\$100,000–\$249,999	15.4%	33.3%	35.7%	—	—
	\$250,000–\$499,999	3.8%	—	42.9%	—	—
	\$500,000–\$999,999	—	—	14.3%	30.8%	—
	\$1 million–\$9.9 million	7.7%	—	—	61.5%	54.5%
	\$10 million–\$19.9 million	—	—	—	7.7%	18.2%
	\$20 million–\$29.9 million	—	—	—	—	9.1%
\$30 million or more	—	—	—	—	18.2%	
Non-salary expenses	Less than \$5,000	19.0%	—	—	—	—
	\$5,000–\$9,999	19.0%	41.7%	7.1%	—	—
	\$10,000–\$49,999	42.9%	41.7%	—	8.3%	—
	\$50,000–\$99,999	4.8%	8.3%	14.3%	8.3%	—
	\$100,000–\$249,999	9.5%	8.3%	21.4%	—	—
	\$250,000–\$499,999	—	—	35.7%	16.7%	—
	\$500,000–\$999,999	—	—	21.4%	16.7%	10.0%
	\$1 million–\$9.9 million	4.8%	—	—	50.0%	50.0%
	\$10 million–\$19.9 million	—	—	—	—	10.0%
	\$30 million or more	—	—	—	—	30.0%



Questions?