



Fraud Containment

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Check Fraud

- Check fraud growing but not at the same rate
 - 1993 - \$5 billion
 - 1996 - \$12 billion
 - 2003 - \$20 billion
 - 10% growth in 2007
- 75% of B2B payments made by check
- 2% imprisonment rate on check fraud
- Rates are highest at community banks and midsize banks
- Positive pay is inconvenient for customers and only catches fraud at the end of the payment lifecycle

Online Fraud

- Credit card fraud is down, but debit card fraud up
- Online U.S. credit card fraud increased from \$2.3 billion in 2003 to 3.2 billion in 2007
- Organized crime and terrorist group are well-orchestrated
- What about phones?

Integrity Missing

- Is the check real?
- Check imaging - how do you know the image is real?
- Can you prove the image hasn't been manipulated?
- Disconnect from the physical world

Observations

- Bad checks that get into the payment system leave incentives in place for criminals
- Bad checks make check clearing system inefficient
- Controls need to be implemented to prevent checks from getting into the system
- Trusted timestamping (think digital watermark) is a logical direction ANSI X9.95 is industry standard

Summary

- Controls need to be preventative and systemic
- Internal collaboration - information security fraud and investigations
- Global collaboration - people, process & technology
- Financial Services Information Sharing and Analysis Center is a good public/private sector model to follow
- Don't assume your computer network has a border - you need to care about what's inside



Thank You!

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