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ALL ABOUT FRAUD

presented to

ICBA
July 2022

PRESENTED BY

J. BRANCH WALTON

BRANWALT@GMAIL.COM 954-821-2515

Retired

OUSA

Dir of Corp Sec

NABS/PPI

FLETC

J. Branch Walton

branwalt@gmail.com

Thompson Consulting Group

DHS/FEMA instructor

The Session Topics

1. Introduction to Fraud and Fraud Prevention: What It Is and Why It Matters.

2. The Who, What, When, Where, Why, and How of Fraud.

3. Developing Fraud Focused Crime Prevention Programs for Your Employees, Customers, and Community.

June 15 is World Elder Abuse Awareness Day

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My Three Goals

1.

Introduction to Fraud and Fraud Prevention: What It Is and Why It Matters.

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- "Institutions must show empathy for the financial and emotional toll that identity fraud takes on its victims, who expect — and deserve — to be treated with respect, regardless of their situation."

(*Kathy Stokes, director of fraud prevention programs at AARP)*

What is the difference between fraud and identity theft?

- **Identity Theft** involves stealing a person's identity or personal information.
- **Identity Fraud** is committed when a person uses such personal information or assumes the stolen identity to commit unlawful activities.
- Identity theft does not always result in Identity Fraud.

It's All About…

Google "Alexis Conran - 'The Real Hustle' "

Why This Matters to Your Bank:
Identity Fraud Hit 42 Million People in 2021

- Fraud involving existing credit cards increased 69 %.

- Identity fraud involving existing checking, savings, insurance or other accounts increased 73%

A "shareholder"

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My Favorite Resources for ID Fraud Info

- **https://www.ftc.gov** see state & metro maps
- **https://www.komando.com/security-privacy**
- **www.aarp.com**
- **https://www.ic3.gov**

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Identity Theft/Fraud

It's Not Going Away!!

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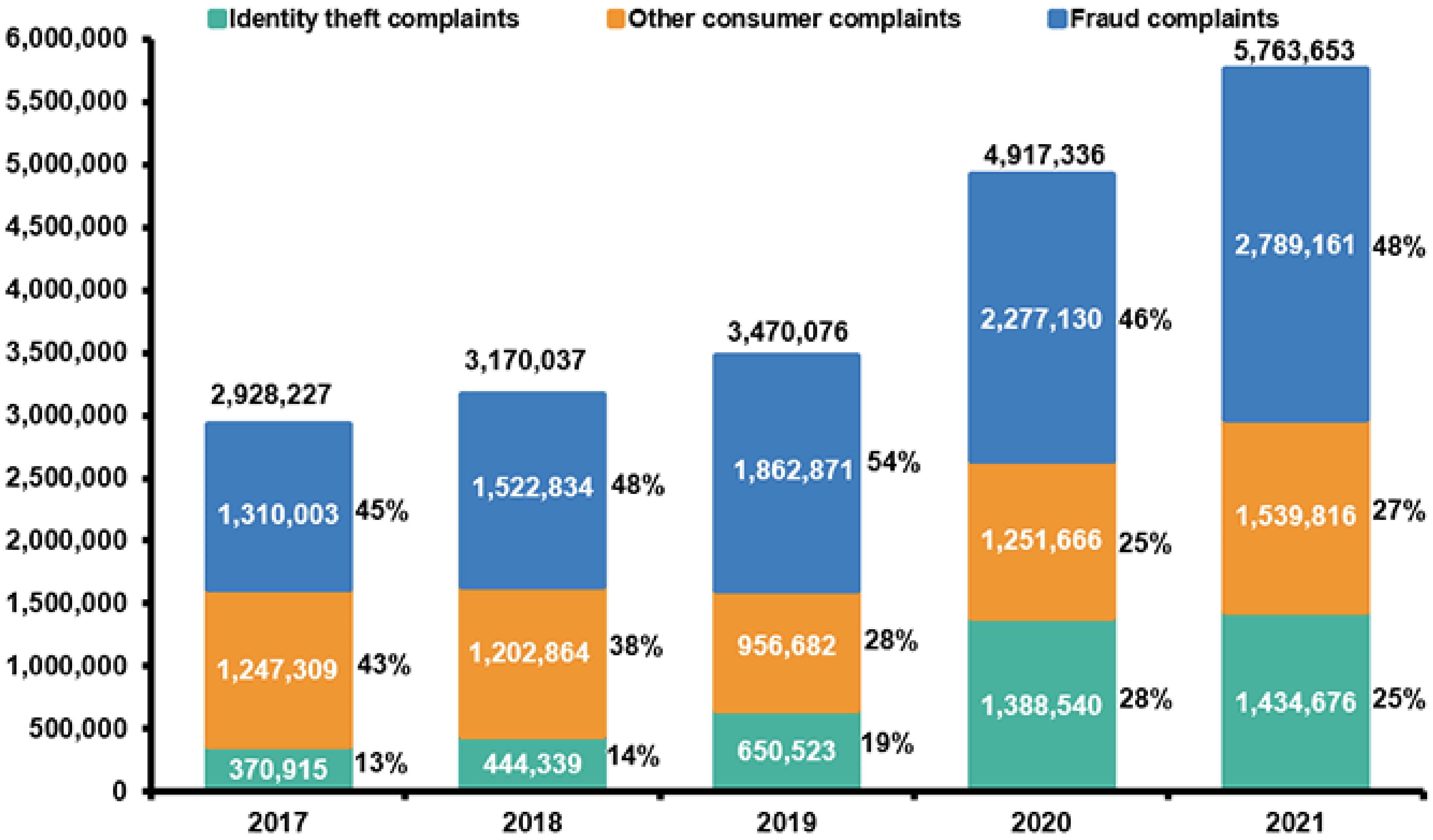
Identity Theft And Fraud Reports, 2017-2021 (1)

Source: Federal Trade Commission, Consumer Sentinel Network.



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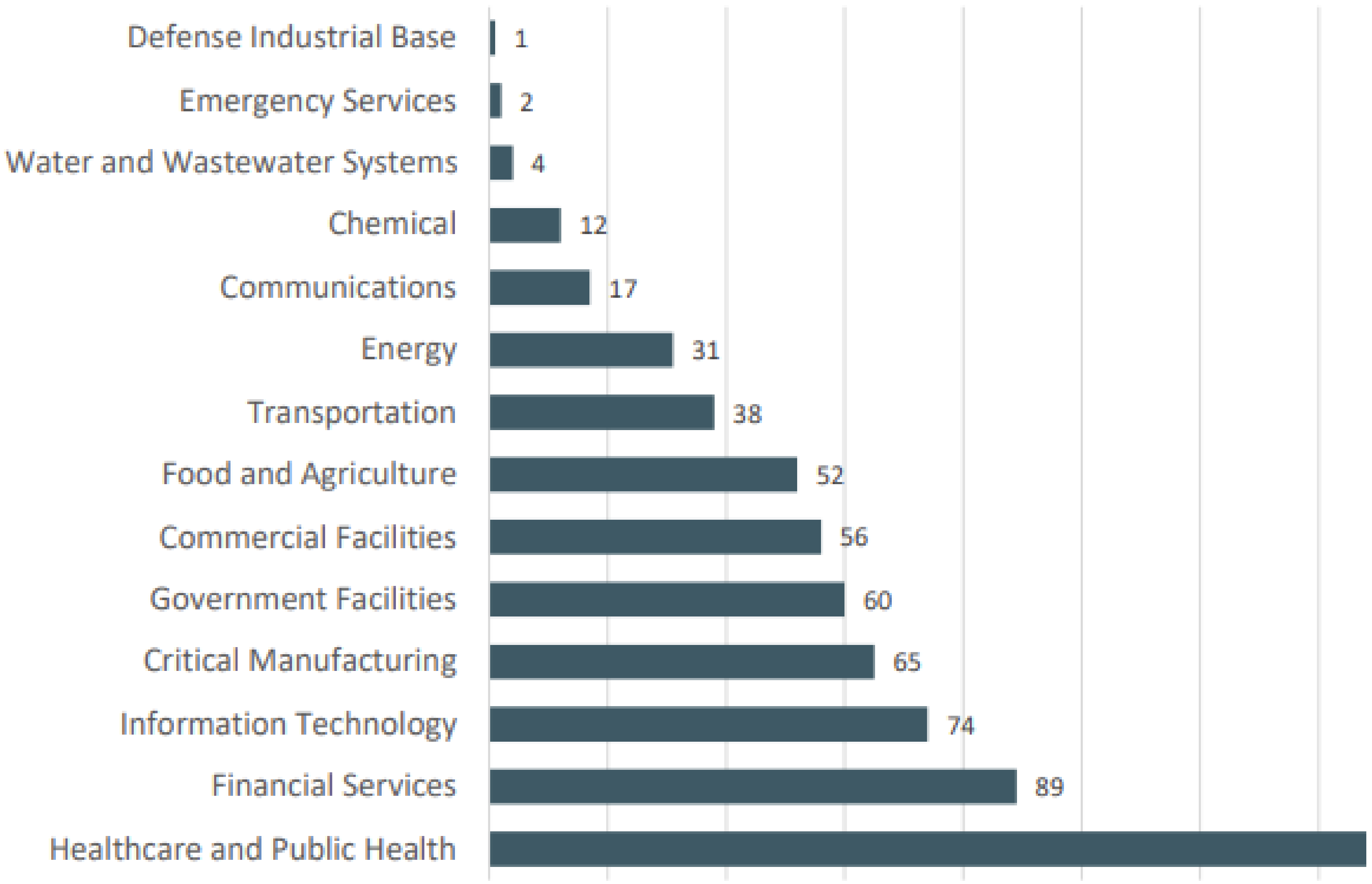
Source: Federal Trade Commission • ftc.gov/data

Note: Of the 2,184,531 total fraud reports in 2020, 46% included usable consumer age information.

Infrastructure Sectors Victimized by Ransomware



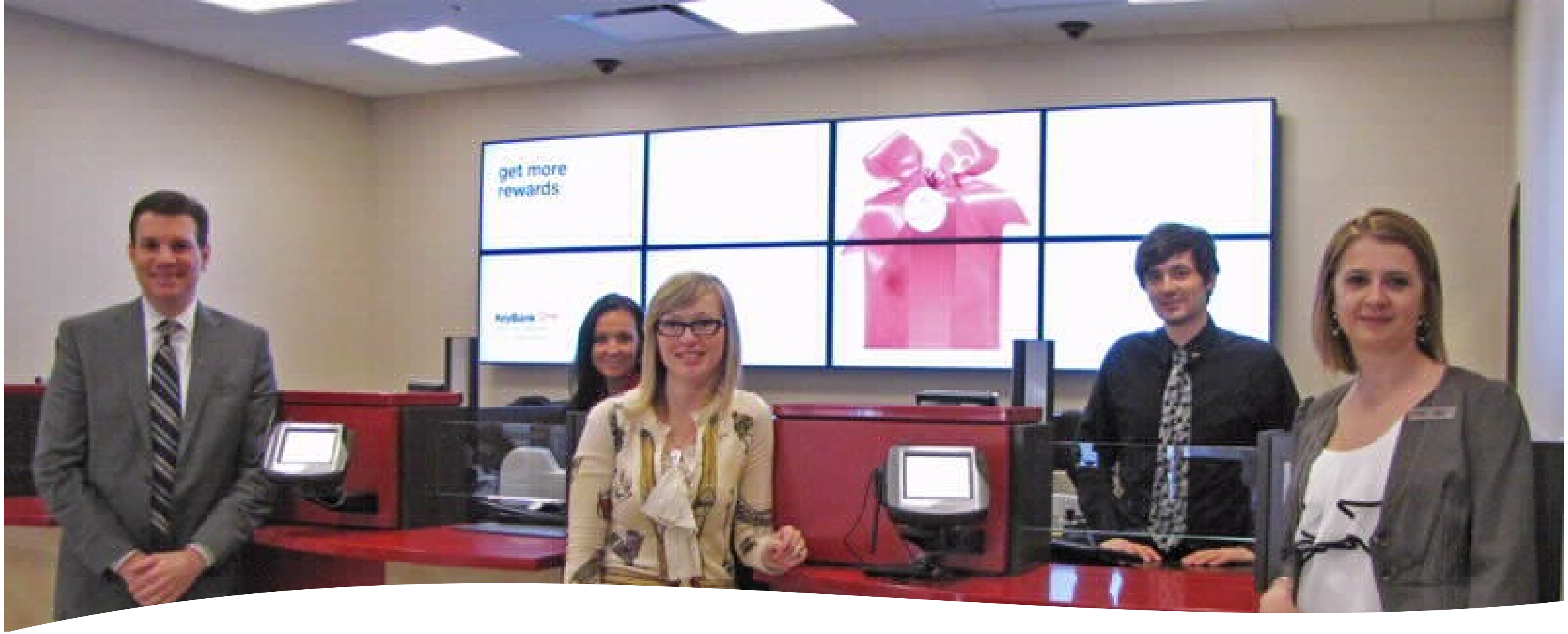
Bank Specific Frauds

Source: https://www.openriskmanual.org/wiki/Internal_Fraud

- Unauthorized activity
  - Transactions not reported (intentional)
  - Trans type unauthorized (w/monetary loss)
  - Mismarking of position (intentional)
- Theft and Fraud
  - Fraud / credit fraud / worthless deposits
  - Theft / extortion / embezzlement / robbery
  - Misappropriation of assets
  - Malicious destruction of assets
  - Forgery
  - Check kiting
  - Smuggling
  - Account take-over / impersonation / etc.
  - Tax Non-Compliance / evasion (willful)
  - Bribes / kickbacks
  - Insider trading (not on firm's account)

Recent Headlines

- Scammers Pretend to be U.S. Customs and Border Protection.
- Scammers are offering student loan forgiveness.
- The FBI warns of scammers soliciting donations related to the Ukrainian crisis.
- Applying for jobs? Be on the lookout for scams.
- Not enough baby formula means plenty for scammers.
- Did you get a text from your own number? That's a scam.
- Donating with Crypto? Watch out for scams.
- Spilling the tea on the latest COVID-19 cure claim



To report, all you need is reasonable belief.

Bank employees have a front-row seat to observe and report signs of criminal activity targeting **<u>elderly</u>** customers.

Do your employees know what to look for, report, and how to report?

(Training tips follow in 3rd session)

BANK FRAUD: Title 18 U.S. Code § 1344

Whoever knowingly executes, or attempts to execute, a scheme or artifice—
(1) to defraud a financial institution; or
(2) to obtain any of the moneys, funds, credits, assets, securities, or other property owned by, or under the custody or control of, a financial institution, by means of false or fraudulent pretenses, representations, or promises; shall be fined not more than $1,000,000 or imprisoned not more than 30 years, or both.

Are You Familiar With These?

- ***The Fraud and Scam Reduction Act 3/22***
- ***The Senior Safe Act 5/18***
- ***The Red Flags Rule 9/10*** *(amended)*

The Fraud and Scam Reduction Act

March 2022

- Expands activities to address mail, telephone, and internet fraud, particularly such scams targeting older adults.

- Establishes a Senior Scams Prevention Advisory Group (Will focus on educating employees of retailers, **financial-services companies**, and wire-transfer companies on how to identify and prevent scams that affect older adults.

- Federal Trade Commission (FTC) must establish an advisory office in the Bureau of Consumer Protection.

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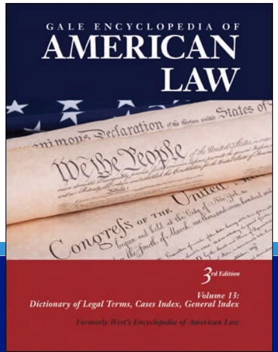

The Senior Safe Act

protects “covered financial institutions” (investment advisers, broker-dealers, and transfer agents – and their eligible employees) from liability in any civil or administrative proceeding in instances where those employees make a report about the potential exploitation of a senior citizen …….

See: Investor.gov (Securities and Exchange Commission)

The inspiration for the **Senior Safe Act** was Maine's Senior $afe training program, an initiative launched in 2014 by the Maine Council on Elder Abuse Prevention that is **designed to train financial professionals** to detect and report cases of suspected senior financial abuse.

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FINRA and Senior Safe Act (2018)

Financial Industry Regulatory Authority (FINRA)

- “Trusted contact” rule
- Elder financial abuse - *lets a broker or financial adviser place a 15-day hold on disbursements from a client’s account*

Senior Safe Act (2018) is broader than the FINRA rules.

- Protects banks and financial advisers from liability and privacy violations

FTC's Identity Theft Prevention Program: Main Requirement of Red Flags Rule

....establish an identity theft prevention program to develop policies and procedures for the following 4 areas:

1. Identify identity theft red flags with a risk assessment to document how identity theft may occur in your daily business operations
2. Detect the identified red flags **(26 specific red flags are given)**
3. Prevent identity theft after the red flags are detected
4. Update the identity theft prevention program to address new threats

Once the program is developed, it is extremely important to train the appropriate staff to become familiar with the program, identity theft threats, and steps to be taken.

Fighting Identity Theft with the *Red Flags Rule*:
A How-To Guide for Business 9/14

https://www.ftc.gov/business-guidance/resources
/fighting-identity-theft-red-flags-rule

- Federal law requires banks, investment brokers, mutual funds, and other creditors to adopt identity theft prevention programs.
- The Red Flags Rule tells you how to develop, implement, and administer an identity theft prevention program.

Red Flags for Bankers

- Uncharacteristic withdrawals
- Look for nervousness
- Seeking guidance from someone (on phone or behind them in lobby)

<u>Ask questions!</u> Fraudster may have told them what to say…"new car", "home remodeling", etc.

How Do They Get Your Personal Information?

Official info collectors

- Financial accounts
- Health records
- Education records
- Government accounts
- Employment records, etc.

Unofficial info collectors

- Google
- Facebook, etc.
- Gift/give away registration
- Survey responses
- Misc. logon accounts

Some Current Concerns

Mail-related check fraud has been rising since August 2021

Source: Evidence-Based Cybersecurity Research Group Georgia State University, which has been tracking the trend.

Where do they get it?

Additional Findings

- **New account fraud increased 109%** enabling criminals **in possession of consumer information** to, at times, open multiple unauthorized accounts ranging from merchant accounts to credit cards.
- **Account takeover losses increased 90%** as criminals highjacked victims' online lives.
- Fraud affecting existing credit cards rose 69%, while fraud on existing non-card accounts, including checking, savings, insurance or utilities, jumped 73%.

source:

https://www.komando.com/kims-column

Feb 26, 2022

"Incoming!
10 Russia-Ukraine war scams
hitting your email, phone, and social media."

"Here's a list of scams we can expect to see as the Russia-Ukraine war heats up."

A Russian attack on our satellites could take down a ton of critical sectors, like:

- Internet traffic
- Banking
- Water treatment facilities
- Power plants
- The power grid

Secondly, we may also see lone-wolf attacks against smaller businesses.

Approx 70k Computer Experts Have Left Russia. 100k More Expected 4/5/2022

Russian talent is primed for poaching. A 2020 Global Skills Index report published by Coursera, a leading provider of open

online courses, found that people from Russia scored highest for skill proficiency in technology and data science.

Source: By Liudas Dapkus
Associated Press

Identity Theft in 2021: Adapting and Evolving

see **www.giact.com**

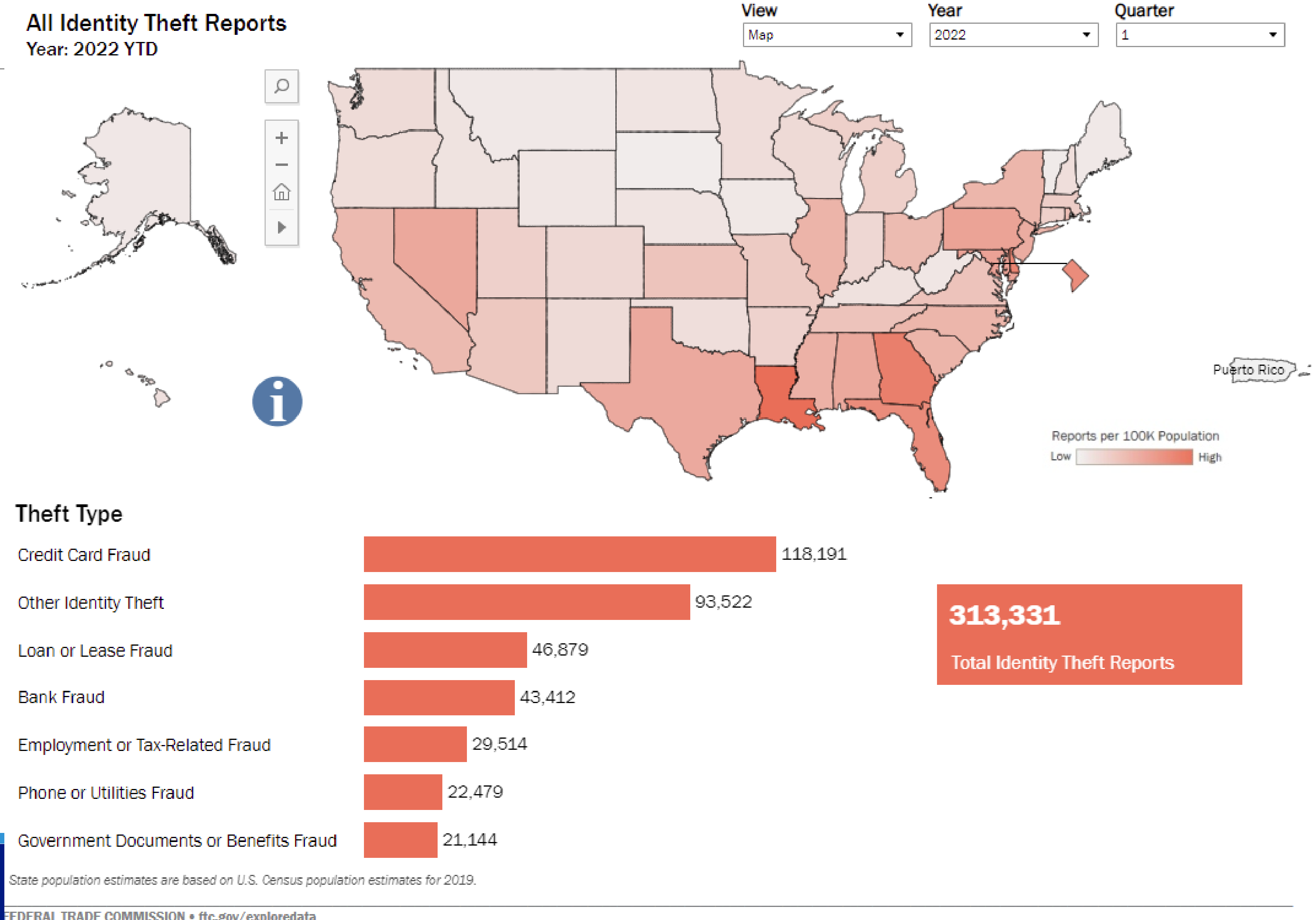
GIACT, in conjunction with Aite-Novarica, announces the release of the 2022 report on identity theft. 6/2022

https://public.tableau.com/app/profile/federal.trade.commission/viz/FraudandIDTheftMaps

Fraud and ID Theft Maps

Plus state by state stats

By Federal Trade Commission



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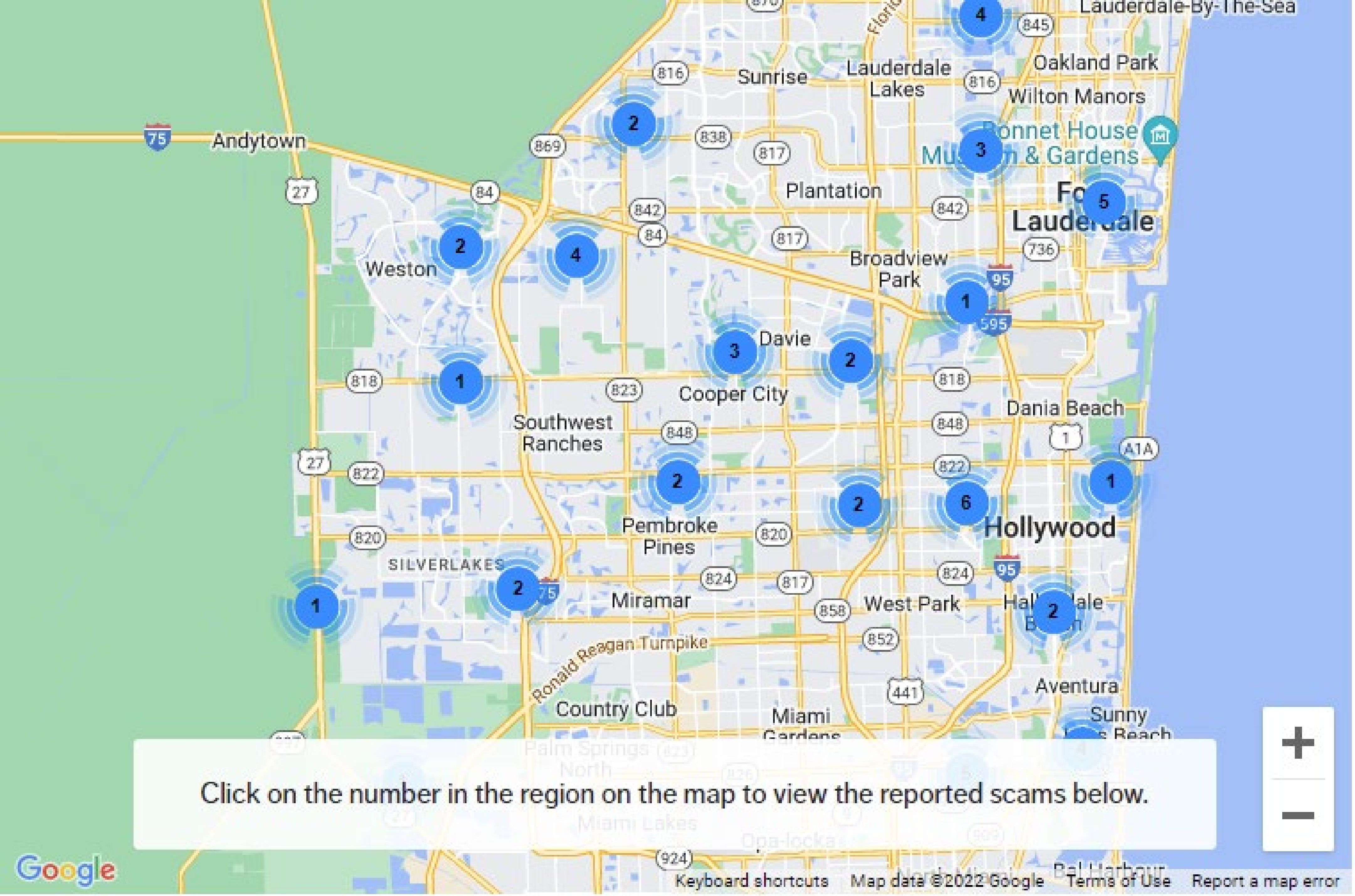

AARP SCAM MAP

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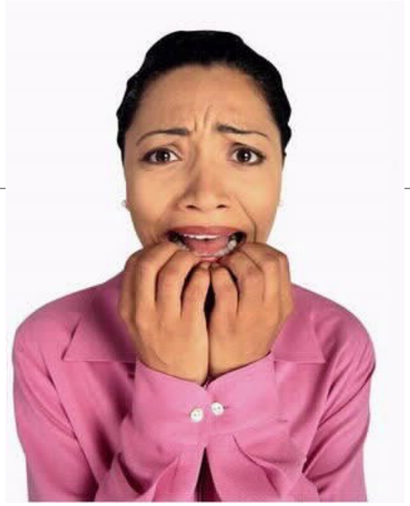
SCAMS ARE ..

Fear based



or

Opportunity based

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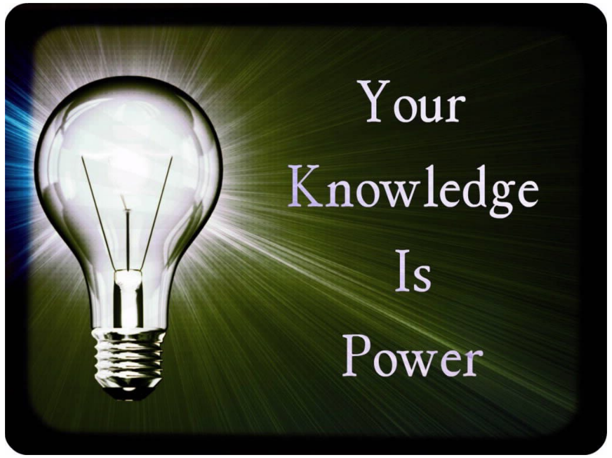
Preventing Fraud Requires:



Increasing our

1. Cognitive skills

(knowledge)

And

2. Emotional awareness

(self awareness)

For More Information

Barry Thompson

Thompson Consulting Group, LLC

315.342.5931

info@tgrouponline.com

www.tgrouponline.com