



Positive Pay and Fraud Prevention

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A study from the ABA says.....

- ▶ Fraud against bank deposit accounts amounted to \$25.1 billion in 2018, up from \$19.1 billion in 2016, according to ABA estimates.
- ▶ This amount includes \$2.8 billion in losses to the industry and \$22.3 billion in fraud prevention, i.e., fraudulent transactions that were stopped by banks' prevention measures. The loss amount does not include the expense banks incurred during 2018 for prevention, detection, investigation, and prosecution of deposit account fraud.
- ▶ In 2018, check fraud accounted for 47 percent or \$1.3 billion of industry deposit account fraud losses, closely followed by debit card fraud losses—signature, PIN, and ATM combined—44 percent or \$1.2 billion. The remaining 9 percent or \$265 million of losses were attributable to electronic banking transactions, including billpay, P2P transfers, wire and ACH transactions.

A study from the ABA says (cont).....

- ▶ **Survey respondents rated customer victimization scams (e.g., fake check scams, Internet job scams, lottery scams), phishing emails and business email compromise schemes, social engineering (including recruitment of money mules via social media), elder financial abuse, and ATM/gas pump skimming as the leading risks to the industry and its customers in the next 12 months.**

The problem with checks:

- ▶ Account number is on EVERY check for ANYONE to see
- ▶ Sample account signatures are on every check written
- ▶ Check stock is easy to duplicate
- ▶ Possible exposure to numerous individuals in check delivery process
- ▶ Payment instructions may be altered
- ▶ Checks stolen: mail stolen, burglary of office, payee's property stolen, dishonest or disgruntled employee without ACH payroll

Are you able to eliminate all check writing from your AP processing?

NO

“It’s the bank’s problem, not mine.”

- ▶ **Who’s at risk?**

The bank and you.

- ▶ *You are a target!*

- ▶ **While it may be the bank’s loss, it’s still your problem.**

- ▶ **When an account is compromised, the bank will likely require you to open a new account and close the compromised account. This causes:**

- ▶ **Time spent with the bank to open new account and obtain documents.**

- ▶ **Time spent to change account number on all payables/receivables.**

- ▶ **Time spent with the bank to review outstanding items that need to be paid.**

- ▶ **Cost of new check stock.**

It’s not if, but when this is going to happen to your business?

Things Mike has seen with his own eyes:

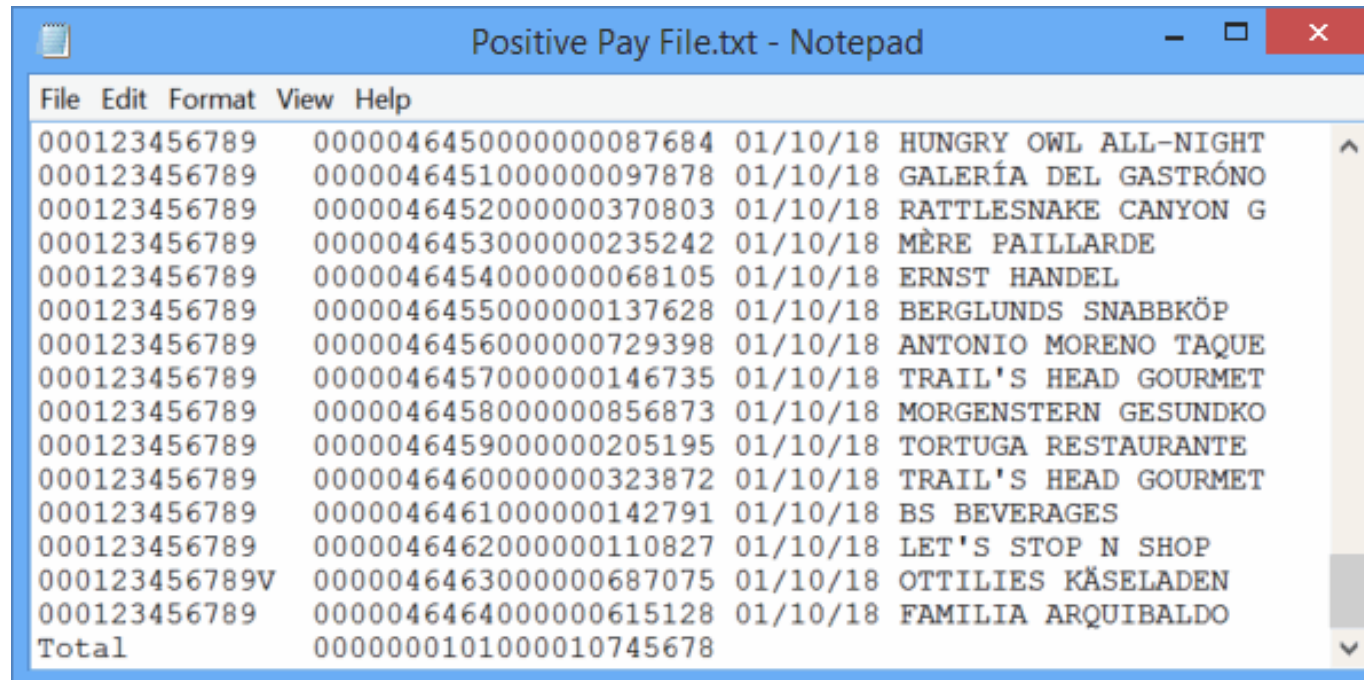
- ▶ **President Joe and the thieving janitor**
- ▶ **Horse lady loses \$2,400**
- ▶ **Fast food franchisee not using direct deposit**
- ▶ **Big brand box helps employee double dip**
- ▶ **Tribal housing authority counterfeit \$20,000 check**
- ▶ **Mining company shouts, “Eureka!” when they stop \$250,000 in fraud from hitting their account**

So are we ever going to talk about
Positive Pay?

I suppose...

Let's start with checks:

▶ Traditional Positive Pay



```
Positive Pay File.txt - Notepad
File Edit Format View Help
000123456789 0000046450000000087684 01/10/18 HUNGRY OWL ALL-NIGHT
000123456789 0000046451000000097878 01/10/18 GALERÍA DEL GASTRÓNO
000123456789 0000046452000000370803 01/10/18 RATTLESNAKE CANYON G
000123456789 0000046453000000235242 01/10/18 MÈRE PAILLARDE
000123456789 0000046454000000068105 01/10/18 ERNST HANDEL
000123456789 0000046455000000137628 01/10/18 BERGLUNDS SNABBKÖP
000123456789 00000464560000000729398 01/10/18 ANTONIO MORENO TAQUE
000123456789 0000046457000000146735 01/10/18 TRAIL'S HEAD GOURMET
000123456789 00000464580000000856873 01/10/18 MORGENSTERN GESUNDKO
000123456789 00000464590000000205195 01/10/18 TORTUGA RESTAURANTE
000123456789 00000464600000000323872 01/10/18 TRAIL'S HEAD GOURMET
000123456789 0000046461000000142791 01/10/18 BS BEVERAGES
000123456789 0000046462000000110827 01/10/18 LET'S STOP N SHOP
000123456789V 00000464630000000687075 01/10/18 OTTILIES KÄSELADEN
000123456789 00000464640000000615128 01/10/18 FAMILIA ARQUIBALDO
Total 0000000101000010745678
```

Check Barcoding

THIS DOCUMENT IS ALTERATION PROTECTED AND REFLECTS FLUORESCENT FIBERS UNDER UV LIGHT

Advanced Software Design Corp.

100 York Boulevard, Ste. 210
Richmond Hill, ON L4B 1J8
Tel: 905-709-8664 Fax: 905-709-8663

Check Date CHECK NO: 10409

Financial Institution Name

Any Branch Name
Branch Street
Branch City, ON M1A 2X4

VENDOR NO:



3341317349

PAY One Thousand Two Hundreds Thirty Four Dollars

\$ 1,234.56

To the order of

PAYEE LIMITED
123 Second Street South
Payee City, State
ZIP

AUTHORIZED SIGNATURES

John Sign

Printed Security Features ASDC US Patent 6,233,340

⑈ 2083010409⑈ ⑆ 123456789⑆ ⑆ 12⑈ 233⑈ 44⑈

ACH Positive Pay

- ▶ **It comes in various forms:**
 - ACH blocking and filtering
 - Online ACH policy parameters
- ▶ **ACH Standard Entry Class Codes**
 - Most commonly used: PPD and CCD
 - Other SEC code examples:
 - WEB, TEL, BOC, ARC...
- ▶ **NACHA Rule Book OG 150 states, “Most CCD/CTX entries need to be returned by the RDFI so that the return entry is made available to the ODFI no later than the opening of business on the second banking day following the Settlement Date of the CCD/CTX entry.”**



Ask your
questions.