



THE **FEDERAL RESERVE**
FedPayments Improvement

 **COLLABORATE. ENGAGE. TRANSFORM.**

The Landscape of Scams

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11/14/23

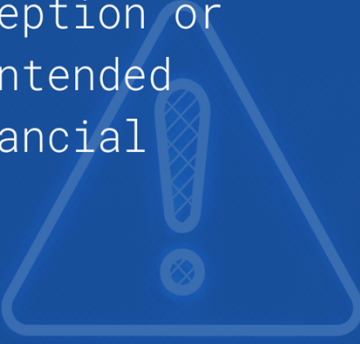
SCAMS – A GROWING PROBLEM

Define Scams to Fight Scams

scam

[skam] noun.

the use of deception or manipulation intended to achieve financial gain.

A faint, light blue warning sign icon is visible in the background of the definition box. It consists of a triangle with a large exclamation mark inside, and a small circle with a cross inside at the bottom.

- **Straightforward definition**
- **Applies to multiple scam types**
- **Promotes a common understanding**
- **Help advance more consistent identification and classification**
- **Can benefit multiple industries**

SCAMS – ADDRESSING THE PROBLEM

Scams Definition & Classification Work Group



Challenge

- Multiple operational definitions of scams
- Lack of necessary detail in existing classification approaches

Response

- ✓ Align on an industry-recommended operational scam definition
- ✓ Build a classification structure that is detailed enough to document scam nuances and tactics

Industry Value

- ✓ A shared understanding of the term “scam” and the different scam types
- ✓ More consistent scam reporting
- ✓ Insights to help improve mitigation

Work group participants are listed on [FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org)

SCAMS – A GROWING PROBLEM

Scams are Designed to Steal Money/Goods



**Social Engineering
and Malware**



Playing on Emotions



**Creating a Sense
of Urgency**



**Manipulation of
Account Owner(s)**

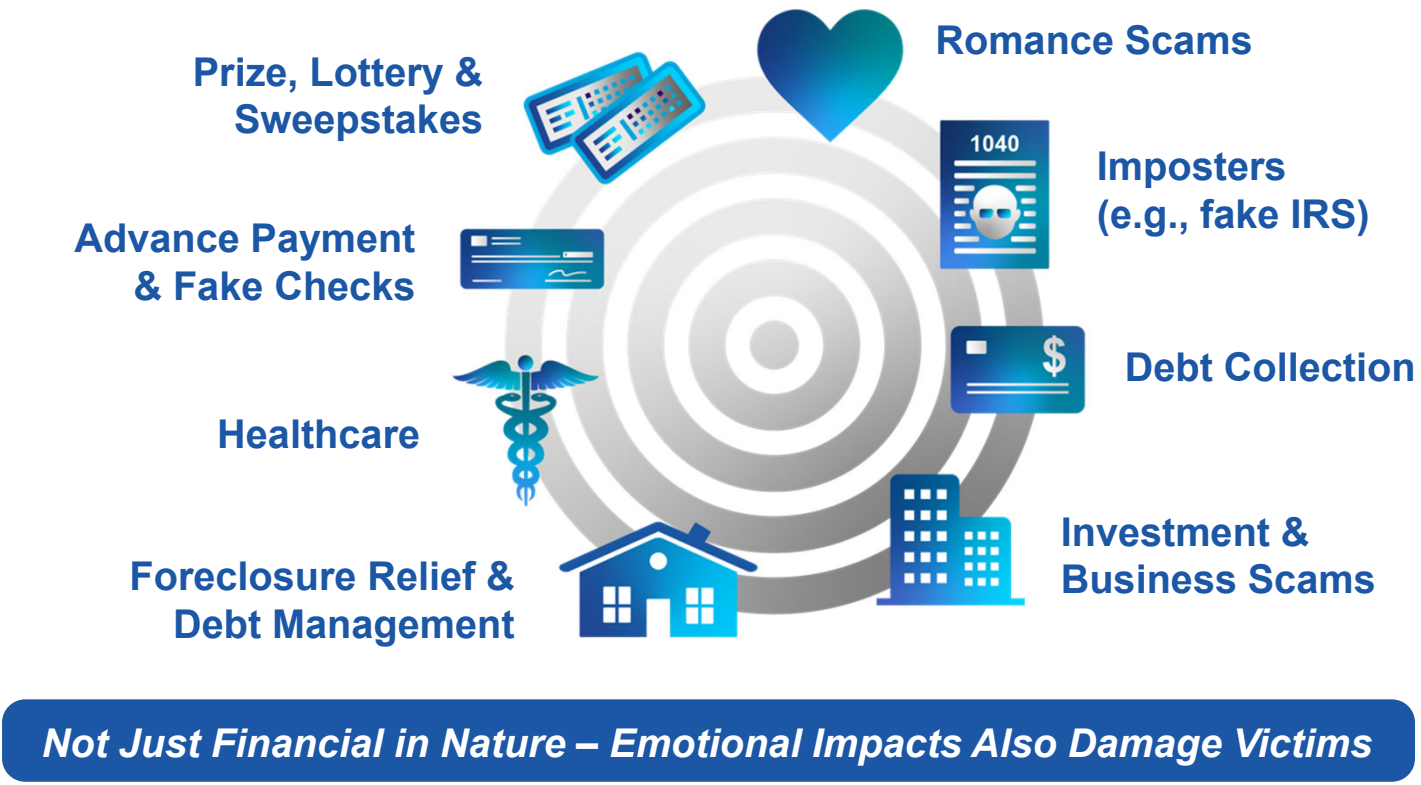
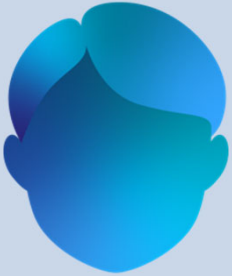


**Targeting Security
Weaknesses**

SCAMS – A GROWING PROBLEM

Fraudsters Target Consumers

Leading Consumer Scams



[Top 10 Consumer Scams of 2022](#)

[5 Trending Consumer Scams of 2022](#)

[FTC Top Scams](#)

SCAMS – A GROWING PROBLEM

Businesses Also Are Impacted by Scams

Leading Business Scams



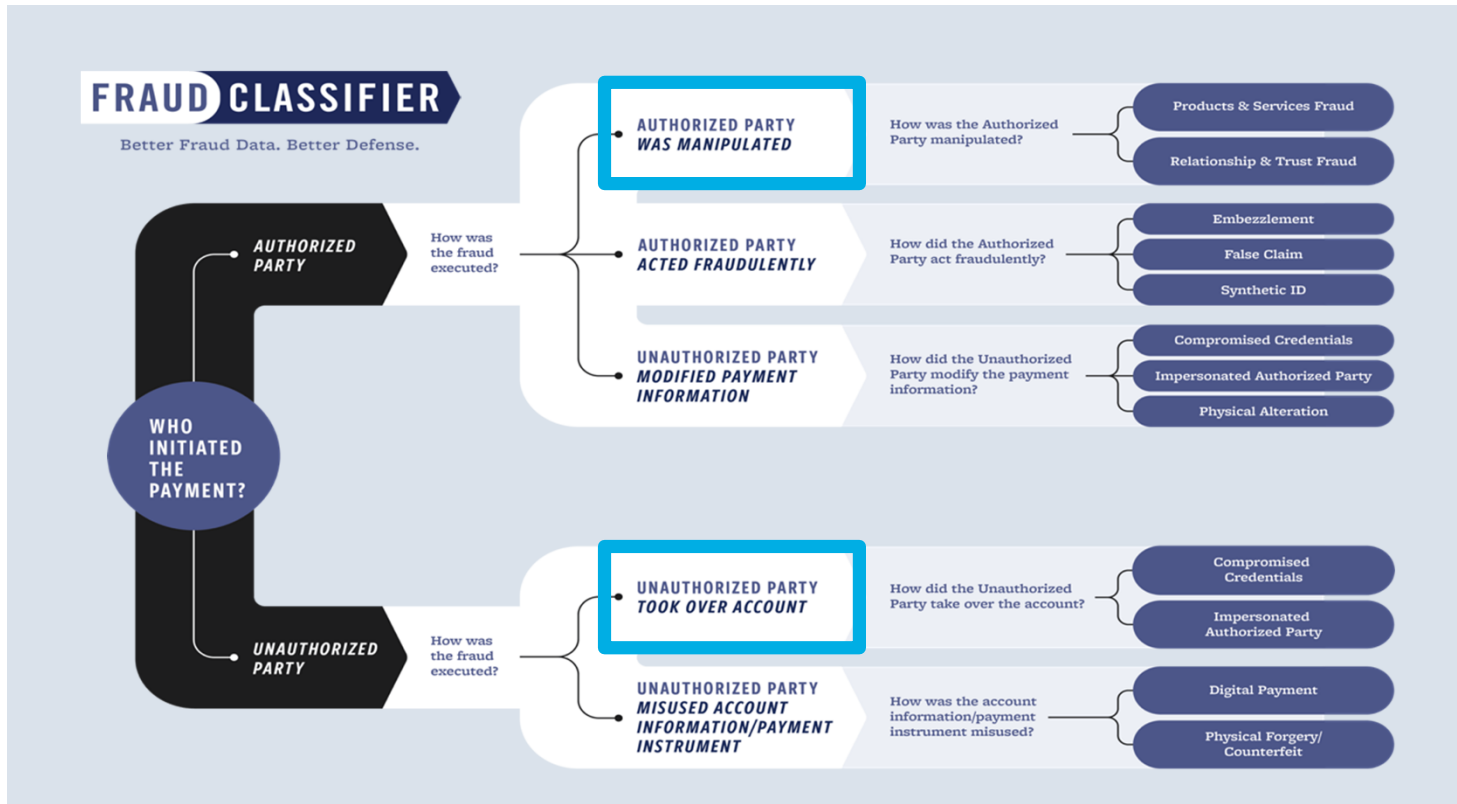
Fraudsters Continue to Deploy Schemes to Swindle Businesses Out of Cash

[Top Scams Targeting Small Business](#)

[Business Scams 101: Common Schemes](#)

SCAMS – A GROWING PROBLEM

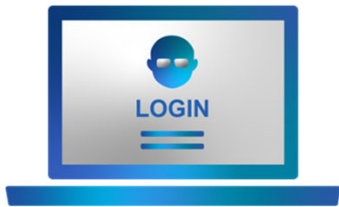
Scam Payments Can Be Authorized or Unauthorized



“FraudClassifier” is a service mark of the Federal Reserve Banks. A list of marks related to financial services products that are offered to financial institutions by the Federal Reserve Banks is available at [FRBservices.org](https://www.frb.org/services).

SCAMS – A GROWING PROBLEM

Many Factors Contribute to Significant Scam Growth



**Data Breaches
Increased Availability
of Personally Identifiable
Information (PII)**



**Shift to
Digital Channels**



**Technology
Advances**



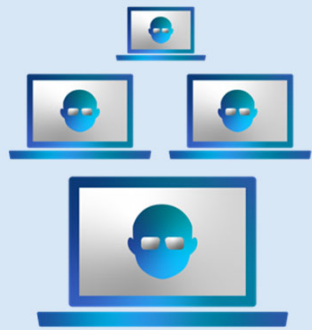
**Convenience of
Digital Transactions**



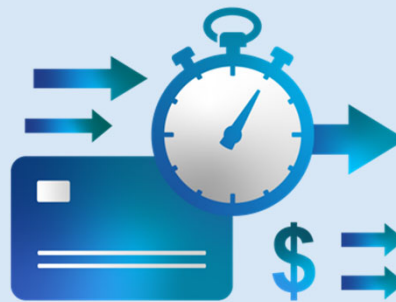
**Emotional
Vulnerabilities**

SCAMS – A GROWING PROBLEM

Innovative Fraud Schemes Can Defeat Traditional Fraud Controls



Criminal Groups
Increasingly Target
Individuals & Businesses



Instant Payments
Introduction Encourages
Greater Urgency



Fraudulent Authorized Push
Payments Often Are Harder
to Identify

SCAMS – ADDRESSING THE PROBLEM

How Do We Slow Down the Fraudsters?



Education

- Consistent Messaging
- Disrupt Payment
- Encourage Reporting
- Provide Resources
- Frontline Training



Fraud Information Sharing

- Perpetrators / Crime Ring Activity
- Emerging Trends
- Mule Account Information



Technology

- Reduce Scam Outreach
- Monitor Payments
- Validate Accounts
- Generate Customer Alerts
- Streamline Recovery
- Identify Mule Accounts

SCAMS – ADDRESSING THE PROBLEM

Information Sharing Can Help Mitigate Fraud Losses



Consumer Awareness of
Current Fraud Trends
Reduces Victimization



Broader Access to Fraud
Information Helps Train Fraud
Models to Proactively Identify
Suspicious Transactions



Sharing of Information
Across Industries Can
Help Mitigate Fraud
Across Organizations

SCAMS – ADDRESSING THE PROBLEM

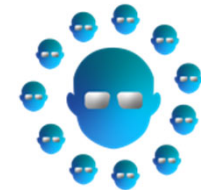
Recent Industry Developments Create a Favorable Environment to Advance Information Sharing Efforts



New Technologies



**Shift Toward Consumer
Consent Sharing
and Open Banking**



**Fraud Continues to
Grow & Accelerate**



Convergence



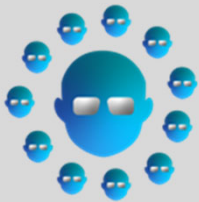
Legislative Momentum



**Cross-Border
Coordination**

SCAMS – ADDRESSING THE PROBLEM

Scams Information Sharing Work Group



Challenge

- Fraudsters repeat the same tactics across organizations
- Can be challenging to identify effective, timely mitigation approaches
- Information sharing is incomplete, leading to fragmented approaches and sharing models

Response

- ✓ Develop recommendations for fraud information sharing approaches
- ✓ Will consider data types, methods and benefits of information sharing

Industry Value

- ✓ Stronger management of scams
- ✓ Faster reaction to fraud trends
- ✓ Enhanced industry awareness

Work group participants are listed on [FedPaymentsImprovement.org](https://www.fedpaymentsimprovement.org)

SCAMS – ADDRESSING THE PROBLEM

What Are Others Doing to Help Mitigate Scam Activity?



What types of fraud trends are you seeing?



How have you educated customers?



Which mitigation strategies have been successful?



Do you offer guidance to customers after they have been victimized?

Get Connected. Stay Engaged.



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