



## Stay Engaged with ACH Risks

by [Steve Brown](#)

Being a workaholic is bad, right? Well, a new study recently reported by the Wall Street Journal finds the problem is not necessarily working long hours, but working a lot and not being engaged. Researchers presume that workaholics who enjoy their work reach out for support when needed, which helps mitigate health risks such as high blood pressure. This is a good thing since bankers may find themselves working longer hours due to ACH and wire fraud.

Schemes to perpetrate ACH or wire transfer fraud, including corporate account takeover, are a big concern because they tend to have a greater impact in terms of loss per incident. Since ACH and wire transfer payments are executed quickly, victims have a much smaller window to discover the crime, report it, or reverse a transaction. Increasingly sophisticated cyber-criminals are using business [email compromise scams](#) frequently because they are cheap, easy and effective. Recall this is where thieves send an email to the finance group pretending to be a top executive and demanding immediate wire transfer of funds.

Last year alone, wire fraud outpaced online fraud, check fraud and credit card fraud. It accounted for more than \$50B in annual losses, according to FBI estimates, industry reports and fraud executive interviews conducted by a fraud industry consultant. The top 10 fraud types combined accounted for about \$181B in annual losses.

Enhanced fraud practices like phishing and email scams are becoming convincing enough to sway even the savviest business customers of your bank. In fact, scam artists can usually extract a higher payday from businesses. Indeed, given the growing focus on business attacks and the increased sophistication, wire fraud losses are about \$63k per occurrence, but can cost as much as \$1mm. Worse yet, you can expect this number to increase.

Similarly, fraud cases are growing in ACH, as these electronic payments have become one of the primary means of noncash payment in recent years. According to the [2016 Federal Reserve Payments Study](#), ACH payments have been growing at 8.8% per year. Now that same-day ACH credits are available and same-day ACH debits are becoming available this month, it is widely expected that more cyber-criminals will flock there for a fast, high-value, non-reversible payday.

Given the growing demand for ever-increasing speed of payment, despite the potential for risk, community banks are in a difficult spot. Your customers may want you to provide and support these services, while also helping them mitigate the potential risks. To limit the success and impact of such attacks, community banks might consider revisiting some tried and true proactive steps:

**Implement solid authentication technologies & protocols.** Multi-factor authentication helps validate that all parties in a transaction are who they say they are. While hardware tokens and multi-step identity validation might be overkill for smaller consumer payments, it makes more sense for larger transactions.

**Take a 2nd look at the transaction's risk.** Of course, taking a risk-based approach is what you do in all areas of your business already. So, making sure this is applied rigorously here is not a stretch and filling any gaps in this process could prevent big problems in the future.

**Monitor transactions & behavior over time.** New behavioral analytics and transaction monitoring tools are becoming more accessible and available to community banks. You may want to consider embracing these technologies to get a better, data-driven read on what is typical for each customer's account activity, and to more easily take action when needed. No doubt, with all of this on your plate, you will be sure to stay engaged.

## BANK NEWS

### Loan Growth

Large banks have been speaking at a banking conference and many are saying loan demand is likely to slow in coming months. They note companies are paying down bank loans given stronger equities and are adopting a wait-and-see attitude given political and tax cut uncertainty.

### Fintech Charter

The OCC indicates it is not yet ready to take fintech firm applications for bank charters, as it is still looking into the process

### Cryptocurrency

Bitcoin has now lost 35% of its value in the past week, after China banned cryptocurrencies and began to crack down on bitcoin exchanges and the CEO of JPMorgan called it a "fraud."

### Tech Lending Shift

The CFPB now says lenders can use alternative data such as employment and bill payment histories when evaluating whether to originate a loan or provide other credit products to consumers. The move boosts online lending methods and could usher in a new wave of opportunity for community banks to leverage and more quickly review loan information on potential customers.

### M&A Activity

1) Peapack-Gladstone Bank (\$4.2B, NJ) will acquire wealth management firm Quadrant Capital Management (NJ) for an undisclosed sum. Quadrant has over \$400mm in client assets under management & offers financial planning, investment, tax retirement and insurance advice services to its clients.

### BSA Sanctions

The Office of Foreign Assets Control (OFAC) announced sanctions against an Iranian technology company for malicious cybercrimes related to distributed denial of service attacks (DDoS) against US banks.

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