



## CNP Is Responsible For 80% Of US Fraud

payments fraud protection

**Summary:** The pandemic has impacted financial institutions in many ways, especially with the explosion of digital payments. This increase caught the attention of cybercriminals, as eight out of every ten fraudulent transactions entail a card not present (CNP). Here are four steps community financial institutions can take to help prevent CNP fraud.

In the early 1920s, Italian immigrant, Charles Ponzi made a name for himself in finance. Unfortunately, it wasn't a good one. Mr. Ponzi took in roughly \$20MM by promising to generate significant profits by arbitraging discounted postage stamps. This would yield investors a 50% profit within 45 days on their investment or a 100% profit within 90 days of investing. In reality, of course, he merely paid early investors with money from those who came after them.

Ponzi schemes remain on the banking industry's radar, but smaller forms of fraud actually pose the greatest threat to financial institutions these days, particularly card not present fraud (CNP). With consumers increasingly gravitating to mobile and online shopping, [merchants are expected to lose more than \\$206B between 2021 and 2025](#) alone, according to a recent study from Juniper Research. As a result, businesses worldwide are expected to spend more than \$11.8B annually on efforts to detect and prevent fraud by 2025. Since the holidays are upon us, we wanted to share some of the latest CNP findings, along with four steps your institution can take to help prevent CNP fraud.

### The COVID effect on fraud

When the pandemic's stay-at-home orders ground everything to a halt, the impact hit credit and debit card issuers. Payment cards fueled digital transactions and by the end of 2021, digital transactions are expected to reach \$6.6T. But, as consumers shifted their purchasing to mobile and online payments, criminals were right behind them. Around one-third of US consumers were affected by fraud during the pandemic, according to some estimates. Alarmingly, nearly [80% of all US fraudulent transactions are CNP](#) these days.

### The balancing act

The increase in CNP fraud has clearly heightened the need for community financial institutions (CFIs) to step up their efforts to identify and combat all fraud. Yet, it is not always that easy — it is a balancing act. It is equally important to pay attention to the customer experience, to avoid unnecessarily declining charges.

### Steps to fight CNP fraud

1. **Artificial intelligence-based software.** While it has been said before, it is worth reiterating that artificial intelligence (AI) is one way to create a balance between fraud detection and customer experience. AI-based fraud prevention software and platforms that are connected across multiple institutions and organizations can help to identify CNP fraud more efficiently. These systems utilize AI to review factors such as a customer's typical behavior and provide risk alerts when the data does not match. Also, since credit reporting agencies, such as Equifax, are not only relying on, but also investing in such systems themselves,

the ability to tie into the fraud mitigation systems of these organizations makes them an increasingly appealing option.

2. **Educate customers about the risks** of CNP fraud. Send out notifications about the rise in CNP fraud activity as well as the importance of closely monitoring credit card charges and statements in a timely manner.
3. **Inform customers about fake websites** designed to mimic legitimate organizations. Customers should be made aware of the rising sophistication level of these phishing efforts. It has become increasingly difficult to differentiate such imposter sites from legitimate ones. As these instances increase, CFIs should remind customers to be diligent about their security measures by checking things such as a website's URL and its contact page to ensure its legitimacy. Blatant spelling and grammar errors are often a sign that the site is fake.
4. **Keep reminding employees**, particularly customer-facing employees, of the importance of keeping an eye out for unusual activity in customer accounts. While this may seem obvious, communicating this regularly will keep it on top of mind for your employees.

CNP fraud has been around for many years. Yet, the high adoption of digital payments over the past 18 months has increased this type of fraud to new heights. Timely reminders can help your institution and your customers to stay safe during the holidays and beyond.

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## ECONOMY & RATES

Rates As Of: 12/13/2021 06:39AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.06	0.01	-0.03
6M	0.13	0.03	0.04
1Y	0.27	0.02	0.16
2Y	0.69	0.12	0.56
5Y	1.26	0.10	0.89
10Y	1.47	0.02	0.55
30Y	1.85	0.06	0.21
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OBER	
0.05	3.25	0.07	

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