

The landscape of payments fraud: Trends, Threats and Prevention

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Payments System Improvement

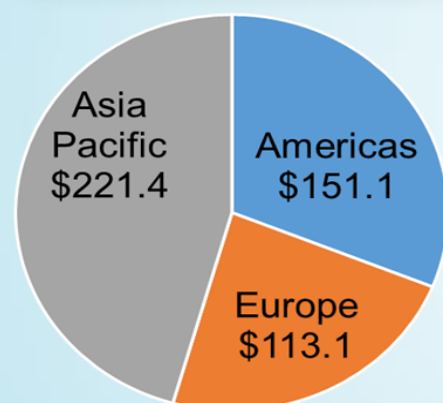
Overview of Role and Purpose

- Federal Reserve Financial Services (FRFS) Vision: Deliver a contemporary and trusted payment system that works for everyone
- Payments System Improvement Mission: To facilitate material, end-to-end advances in the U.S. payment system that promote integrity, efficiency, and accessibility



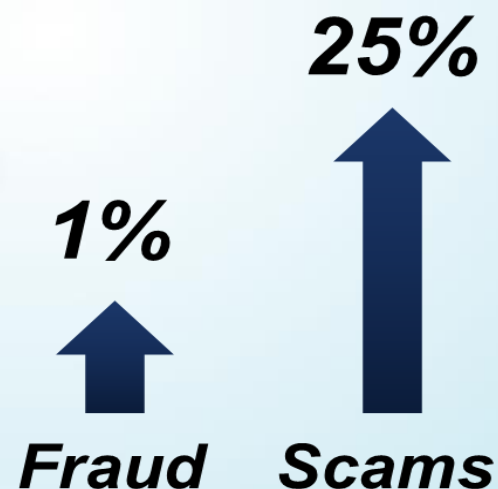
Fraud Landscape Loss Summary (2023)

**Global Fraud
Loss \$485B**



Nasdaq Verafin - 2024 Global
Financial Crime Report

**Loss Increase
Over 2022**



iC3 – Loss Report

**Top Scam
Losses**

- 1 Investment Related**
\$4.5B
- 2 Imposter**
\$2.7B
- 3 Business/Job Opportunities**
\$491M

Federal Trade Commission – Report Fraud Data

Fraud Landscape Summary

Biggest challenges include both “old” and “new” forms of fraud attacks

***Rise of Historic
Threats***



**Check Fraud
Account Takeover**

Evolving Threats



**Scams
Synthetic Identities
Money Mules
New Account Fraud**

***Future Concerning
Threats***



**GenAI Deep Fakes
Scripted Attacks**

Check Fraud and Account Takeover

Rise of Historic Threat: Check Fraud

Check Usage Falling; Check Fraud Rising²



Over **10 billion** checks processed in 2023¹



Check usage down but average check amounts **increase**¹

Check fraud loss reached

over \$20B

in 2023³



Sources: ¹Federal Reserve Payment Systems Check Services Report; ²FinCEN SAR Stats; ³Nasdaq 2024 Global Financial Crime Report

Rise of Historic Threat: Check Fraud

Why Does Check Fraud Continue to be an Issue?

***Scams and
Money Mules***



***Manual Detection /
Tech Not Prioritized***



***Mail Theft /
High Volume in
Circulation***



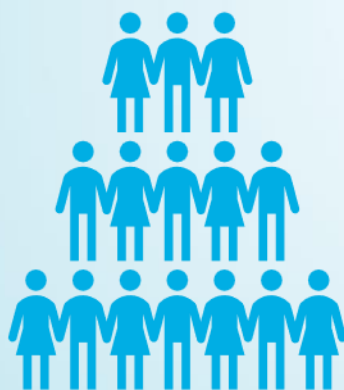
***Organized Crime /
Vulnerable Target***



Rise of Historic Threat: Check Fraud

Key Focus Areas for Check Fraud Prevention

People



Processes



Technology



Rise of Historic Threat: Account Takeover

~\$13B in losses
15% increase
YoY¹



Phishing, Smishing, and
Vishing



“Credential Stuffing” /
brute force attacks



Default/simple
passwords

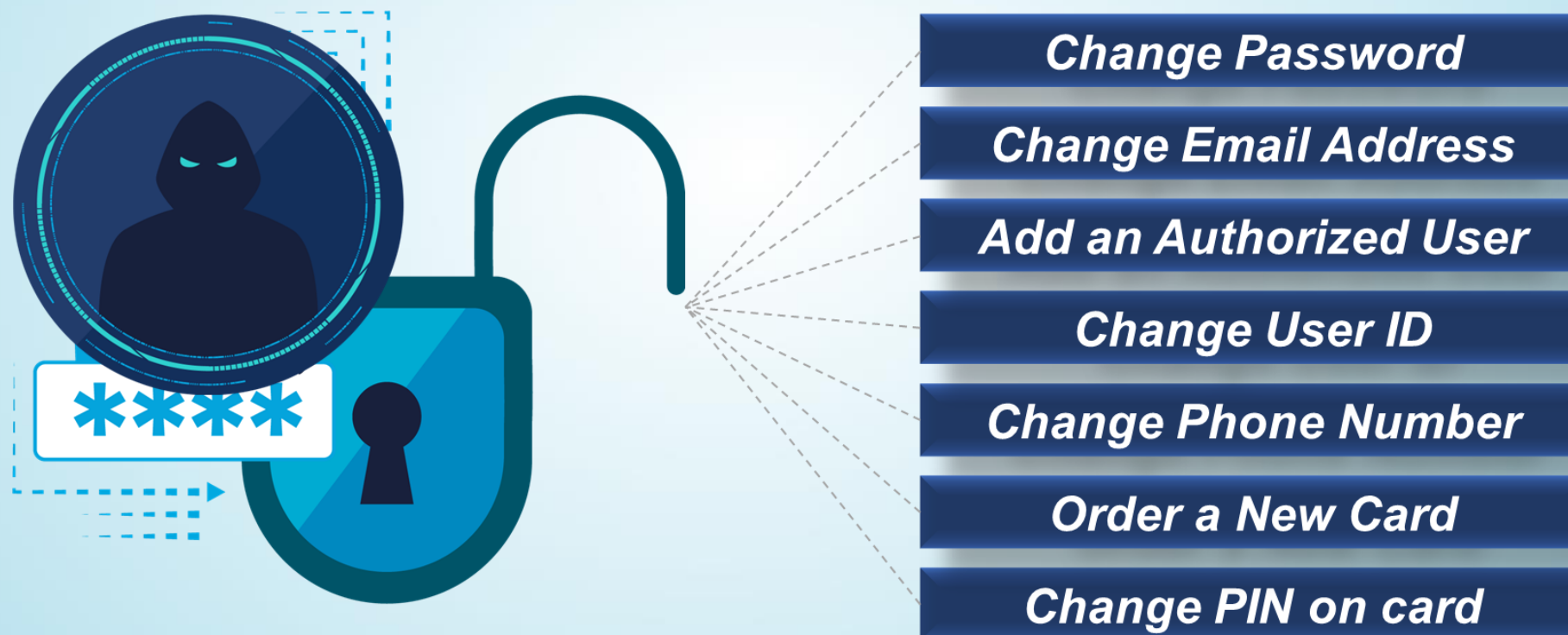


Insiders

Sources: ¹Javelin 2024 Identity Fraud Study; [Datos Insights](#)

Rise of Historic Threat: Account Takeover

What Else Do Bad Actors Do with ATO?

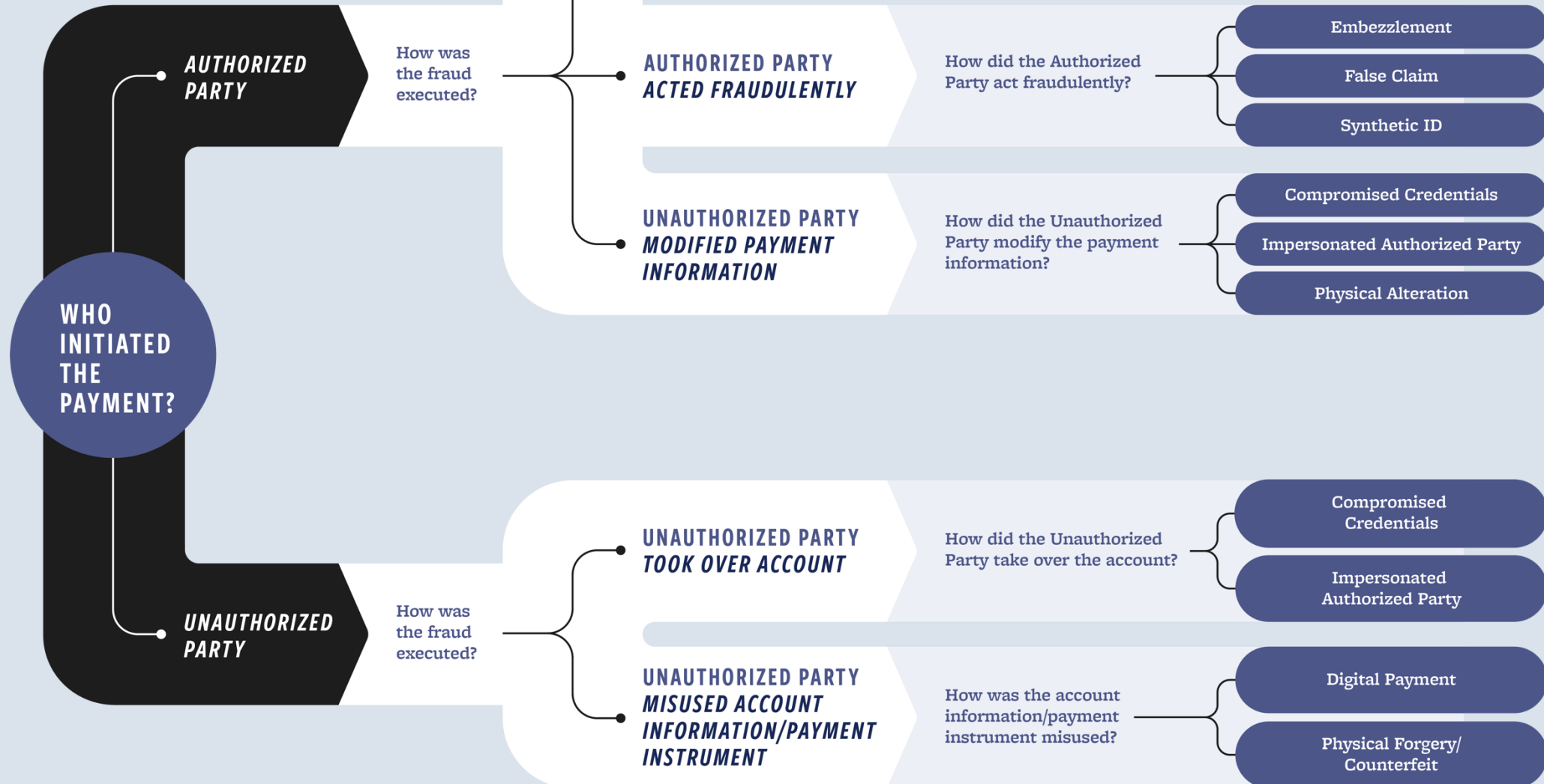


Source: Javelin 2024 Identity Fraud Study

Scams

FRAUD CLASSIFIER

Better Fraud Data. Better Defense.



Evolving Threat: Scams

Scams Occur Across Multiple Products & Channels



Federal Trade Commission – Report Fraud Data

Evolving Threat: Scams

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

Evolving Threat: Scams

How Do We Slow Down the Fraudsters?



Education



Fraud Information
Sharing



Technology

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

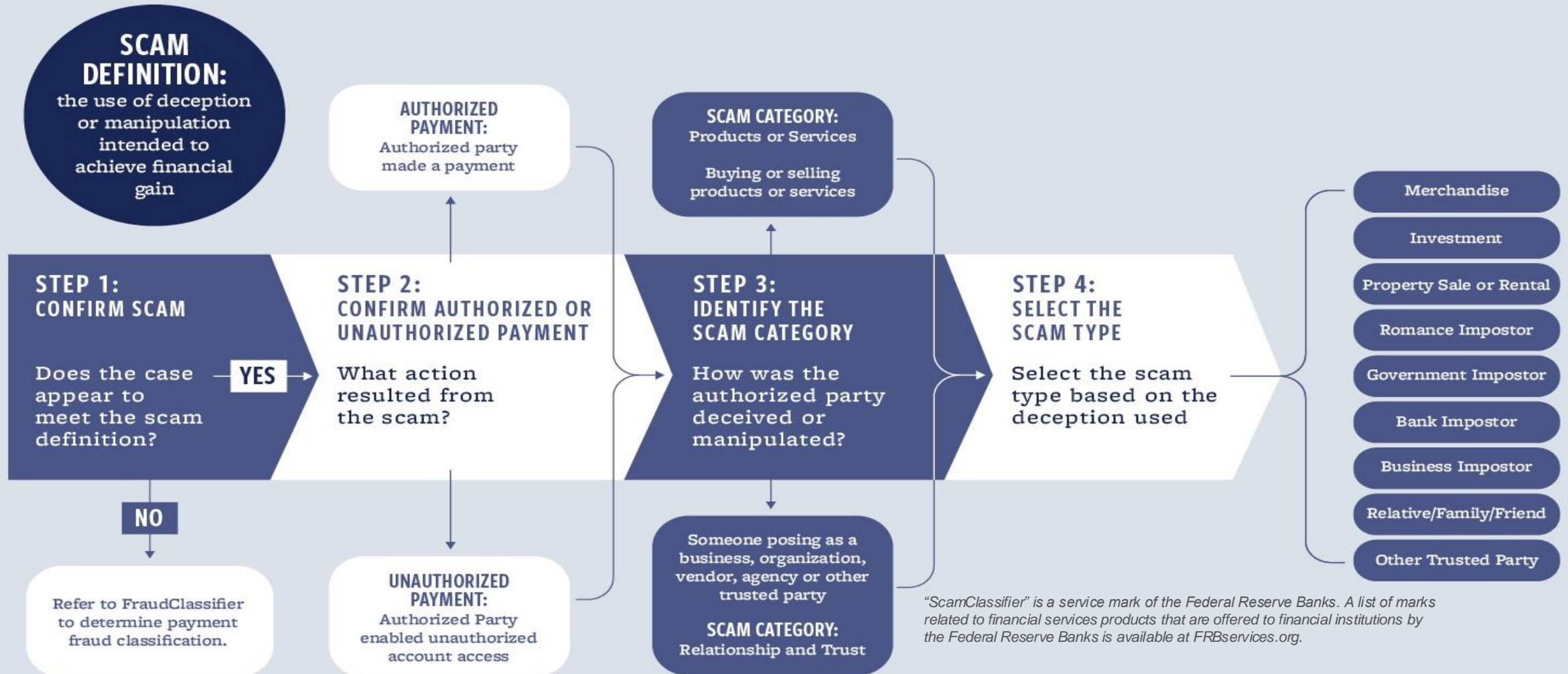
Industry Value

- ✓ 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

SCAM CLASSIFIER

The ScamClassifierSM model supports consistent and detailed classification, reporting, analysis and identification of trends in scams. It uses a series of questions to differentiate and classify scams by categories and types, and provides a view of the full impact of scams by including cases that resulted in authorized payments, as well as unauthorized payments from account access. The model also can be used to capture attempted scams.



Fraud Information Sharing

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

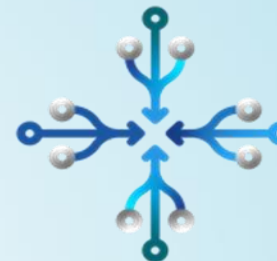
Work group participants are listed on FedPaymentsImprovement.org

Fraud Landscape

Potential Impacts to the Fraud Landscape



***Global Regulatory
and Policy
Frameworks***



***Contributory
Information Sharing
& Data Analytics***



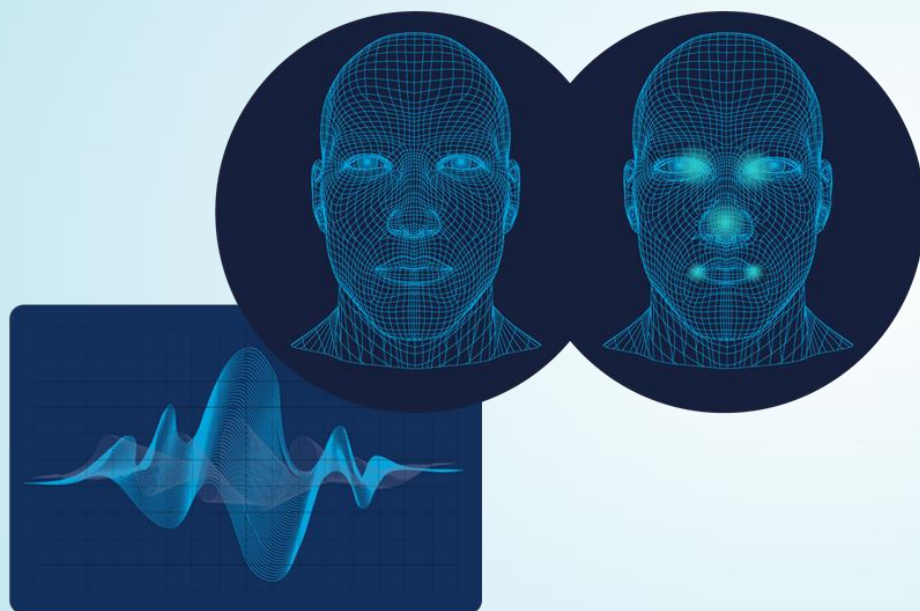
Safety Expectations



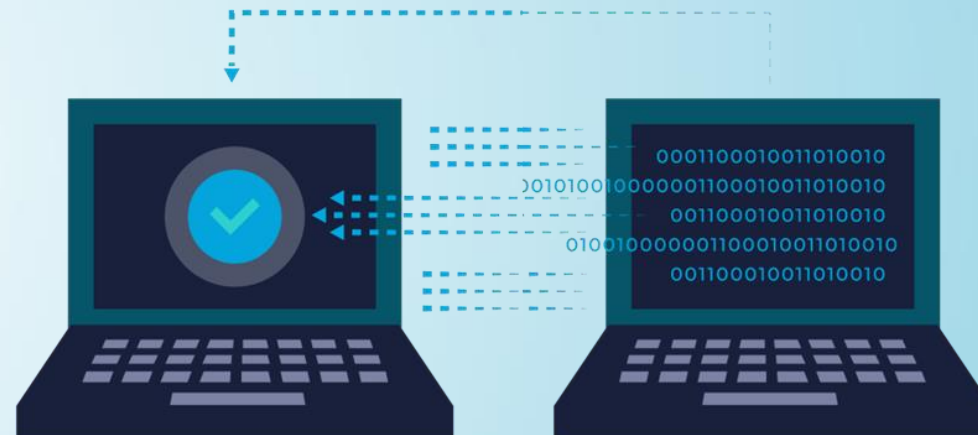
Convenience Needs

Future Concerning Threats

GenAI Deep Fakes & Scripted Attacks



**Generative AI
Deep Fakes**



**Scripted Attacks
and Bots**

Fraud Mitigation

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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