

# CURRENT FRAUD TRENDS

**Zach Douglass**

Director  
Allied Solutions



# Agenda

## Current Fraud Trends

- ATM/ITM Attacks
- Card Fraud
- Check Fraud
- Limits
- Overdraft Lawsuits
- Importance of Education



# ATM/ITM ATTACKS



# HOOK AND CHAIN ATTACKS

## ATM/ITM Attacks



- Skilled Crews – in/out under 3 minutes
- Safe Slot Reinforcement Kits
- Security Gates/Bollards
- Alarm Components
- Consider relocating ATM/ITM from last lane

# JACKPOTTING

## ATM/ITM Attacks

- Installation of malicious software and/or hardware
- Physical breach first
- Change keys
- Encrypt hard drive
- Software / Security patches
- Alarm components



# TRANSACTION REVERSAL FRAUD

## ATM/ITM Attacks

- Tricking ATM/ITM into thinking that cash was not taken
- Break cash slot door
- When cash is being presented remove most, not all the bills
- Transaction time out- bills go to reject and transaction is reversed
- Repeat until empty
- Work with ATM/ITM manufacturer for security patches

# SKIMMING

## ATM/ITM Attacks

- Overlay skimmers attach on outside of ATM
- Throat skimmers attach inside the ATM
- Deep insert skimmers go into the card reader (This has been most common recently)

- Work with ATM/ITM manufacturer to ensure anti-skim hardware/software is current
- ATM shuts down if detected
- Inspect ATM/ITMs daily
- Also occurring at Point of Sale (POS) and gas pumps
- **BLOCK FALLBACK!**

# CARD FRAUD





# The Many Arms of Card Fraud



# CARD-NOT-PRESENT (CNP) CARD FRAUD

- 3D Secure 2.0- Authentication and Authorization Process
- Reviewing Electronic Commerce Indicator (ECI) Codes
- Visa's ECI codes for who is liable in the event of fraud:
  - ECI 5 fully authenticated – card issuer is liable
  - ECI 6 attempted authentication – issuer not participating or system unavailable – card issuer is liable
  - ECI 7 merchant liable
- MasterCard's ECI codes for who is liable in the event of online fraud:
  - ECI 00 3-D Secure authentication either failed or could not be attempted-merchant liable
  - ECI 1 attempted authentication – merchant liable
  - ECI 2 fully authenticated- successful – issuer liable
  - ECI 6 applies to 3-D Secure 2.0 only – merchant liable

# FALLBACK FRAUD

## CARD FRAUD

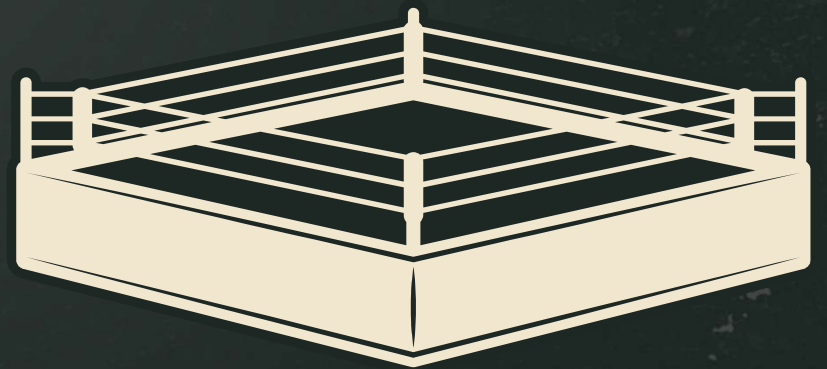
- United States is only country that allows fallback
- Defeats the purpose of having chip cards
- Recommend blocking at ATM/ITM, and either block at POS or having a strategy with your card processor
- If you see common merchants- report them to card association

# **BIN ATTACKS**

## **CARD FRAUD**

- AKA Enumeration Attacks, Brute Force Attacks
- Use of technology helps fraudsters try card numbers
- Make cards are issued in Random Order, not sequential
  - Even if its every 17, 43, etc. it is not truly random
- Work with card processor to see if they have rules/detection for BIN attacks- Attempts against one or several merchants involving numerous transactions attempted

# CHECK FRAUD





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- Utilize check holds
- Check Fraud Tools like Advanced Fraud Solutions- True Checks
- See if RDC vendor offers color image review- easier to spot different inks
- Make sure fraud tools communicate across channels (RDC/ATM/Branch)

# DOLLAR LIMITS



# LIMITS

- Know your limits for every channel
- Limits based on membership types (underwriting)
- Set them based on actual member use
- Review periodically
- Adjust based on fraud and/or member complaints
- Know your credit union's risk tolerance

# OVERDRAFT LITIGATION



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- Breach of Contract claims- omission of terms and/or ambiguous language in terms and conditions
- Charging multiple NSF fees on same transaction- review verbiage
- Available balance vs. Actual Balance (impact of holds)
- APPSN- Approve Positive, Purportedly Settle Negative
- Review your disclosure with counsel
- Move disclosure from public facing website



# IMPORTANCE OF EDUCATION



# EDUCATION IS KEY

- Educating yourself
  - Networking events like this
  - Industry Groups
  - Webinars
- Educating your staff
  - Frontline staff has most visibility towards members
  - Everyone is a Risk Manager
- Educating your members
  - Members are, and will always be the weakest link with fraud
  - Work with your marketing departments to push out more member fraud education

# THANK YOU!

## STAY IN TOUCH

Zach Douglass  
Zachary.Douglass@alliedsolutions.net

## LET'S CONNECT



Allied Solutions LLC