Building The Better Bank

TD Bank
America's Most Convenient Bank®

Fraud Detection and Prevention

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Prevention vs. Detection

- Prevention controls are designed to keep fraud from occurring

- Detection controls are designed to detect fraud

What is Fraud?

An illegal act involving the obtaining of something of value through willful misrepresentation.

Common myths about Fraud

❑ It wont happen to me.

❑ It is not a big deal.

❑ We have our controls in place.

❑ Someone else will take the loss.

Types of Fraud

- **Check Fraud**

- **Cyber Crimes**
  - ACH Fraud
  - Wire Fraud

Types of Cyber crimes

- Hacking

- Trojan Horse

- Phishing

- Spyware

- Key Logger

Hacking

Illegal intrusion into a computer system without the permission of the owner.

- **Virus Dissemination**
  - Virus, Key Logger, Trojan Horse

- **Email**
  - High school friend, unknown sender

- **Hyperlink**
  - They know what you like

- **Software Download**
  - Games, screen savers,

Trojan Horse

- Virus hidden in a file or a program

- Downloaded from Internet

- Downloaded from email

Spyware

- **Spyware** is a type of malware that is installed on computers and collects little bits information at a time about users without their knowledge. The presence of spyware is typically hidden from the user, and can be difficult to detect. Typically, spyware is secretly installed on the user's personal computer

- Watch sites you visit

- Read you email

Key Logger

- **Keystroke logging** (often called **key logging**) is the practice of tracking (or logging) the keys struck on a keyboard, typically in a covert manner so that the person using the keyboard is unaware that their actions are being monitored. There are numerous key logging methods, ranging from hardware and software-based to electromagnetic and acoustic analysis.

- From a virus

- USB Port

- Purchase online

Phishing

- **phishing** is the criminally fraudulent process of attempting to acquire sensitive information such as usernames, passwords and credit card details by masquerading as a trustworthy entity in an electronic communication. Communications purporting to be from popular social web sites, auction sites, online payment processors or IT administrators are commonly used to lure the unsuspecting public. Phishing is typically carried out by e-mail or instant messaging,[1] and it often directs users to enter details at a fake website whose look and feel are almost identical to the legitimate one

- A technique of pulling our confidential information from the bank account holders by deceptive means.

- Fake login page

- Deceptive login, (looks like bank website)

- Sometimes link to real website

- Phishing email with a link verify important information

Vishing

- Are attacks in which bank customers are contacted by email or phone and told that their checking accounts have been compromised. Instead of referring to a website you are given a toll-free number to call.

ACH Fraud

- Best Prevention tool: Internal Controls

- Written ACH Procedures

- Required Verifications

- Dual control

- Prompt Review and reconciliation of accounts

- Debit Blocks and Filters

ACH Debit Blocks and Filters

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- Protects against unauthorized, Fraudulent or erroneous ACH Debit Activity

- Rejects the transactions, so they never hit your account

- Debit Blocks

- Debit Filters

Wire Fraud

- Best Prevention tool: Internal Controls

- Written Wire Transfer Procedures

- Required Verifications

- Dual control

- Prompt Review and reconciliation of accounts

Prevention

- Watch for warning signs

- Listen to employees

- Follow established hiring practices

- SCAN computers often

- Follow policies and procedures

- **<u>Strong Internal Controls</u>**

Fraud Detection

- Bank reconciliations

- Positive pay

- ACH Debit Blocks and Filters

- Alerts

- Audits

- Watch for warning signs
  - Something is different

- Alert Employees

Internal Controls

- Shred documents when discarding

- Lock important information and items
  - (Signature Stamps, Check Stocks, Statements)

- Limit Access

- Limit Authorities

- Educate your team on the importance of policies and procedures

- Dedicated Treasury Work Station

- Positive pay

- ACH Debit Blocks and Filters

- Use Dual Control

Internal Controls

Segregation of Duties

Separate Basic Functions

- Initializing a Transaction

- Authorizing a transaction

- Maintaining records

- Reconciliation

Ways to Stop internet fraud

- Segregate responsibilities for entries and approvals

- Use of Dual controls

- Use multi-factor authenacation tools (secure id token, digital certificates, smart cards)

- Delete exiting employees user ids and authorities

- Adopt and enforce strict and effective internal controls

- Require passwords changed periodically

- Always signoff your computer when leaving station.

- Create strong passwords

- ACT Now

Passians

Passwords

- Change passwords often

- Don't share passwords and User IDs

- Don't write them down

- Be careful where you hide them
  - (In desk drawer, side of monitor, under keyboard, under phone, excel file)

- Don't use easy to guess at passwords (birthday, maiden name)

Do and Don'ts

- Don't use pop or flash drives

- Don't allow software down loads

- Don't click on hyperlinks

- Don't allow employees to add hardware or software

- Don't open and email from a unknown sender.

- Don't leave sensitive material out

- Don't use save login features

Do and Don'ts

- Do limit online access

- Do change passwords often

- Do scan often for viruses and spyware

- Do update anti-Virus software

- Do use a firewall

- Do Shred documents

- Do update and review controls with employees

- Do run random audits

- Do secure all check stock

Collusion

- Team effort to defraud

- Audit routinely

- Provide ways for individuals to whistle blow

- Make changes in controls

Fraud opportunities

- Disregard for internal controls

- The absence of controls

- Ineffective controls

Check Fraud

- Oldest form of deposit account fraud

- Counterfeit checks

- Altered checks

- Forged signatures

- Organized Crime

Positive Pay

Key Features and Benefits

- Protects against unauthorized check activity

- Maintains Controls on accounts

- Rejected Transactions never hit your account

- Allows authorization of a specific item review

Payee Positive Pay

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- **Enhanced fraud protection** —Payee name

- **Teller Payee** — Payee names can be reviewed at the branch teller window

Anti Fraud Resources

- FBI   http://www.fbi.gov/majcases/fraud/fraudschemes.htm

- FDIC   http://www.fdic.gov/consumers/consumer/index.

- US Secret Service http://www.secretservice.gov/

Recap

- Use Strong Internal Controls

- Scan for Viruses and Spyware

- Educate Employees

- Use Positive Pay

- Use ACH Debit Blocks and Filters

- Act Now

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