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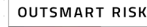
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APP Fraud: UK Government And UK Supreme Court At Odds

Nigel Brigden, Alain Raes, Guillermo De La Fuente, Andrew Burlison

Tuesday, 29 August 2023



A Word From Today's Chairman

John Bertrand
Consulting Director
Request to Pay





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Today's Agenda



- 11:00 - Chairman's introduction, John Bertrand
- 11:05 - The UK Supreme Ruling impact and PSR, Nigel Brigden, Expert Evidence International Limited
- 11:10 - Will international payments confirm Payee, Alain Raes, iPiD
- 11:15 - Impact of instant payments, Guillermo De La Fuente, SITA Treasury
- 11:20 - Technology following the payment flow, Andrew Burlison, Veridas
- 11:25 - Audience Q&A
- 11:45 - Session close



Today's Speakers



Nigel Brigden

Expert Witness

Expert Evidence

International Ltd



Alain Raes

Founding Partner & CCO

iPiD



Guillermo De La Fuente

Senior Manager
Insurance & Risk

SITA Treasury



Andrew Burlison

Business Development
Director

Veridas

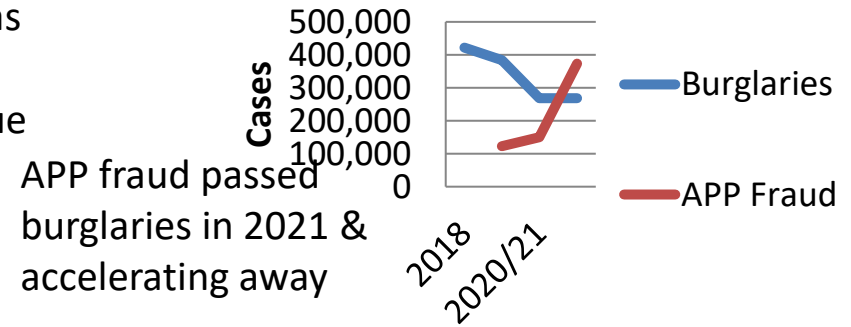
Characteristics of UK APP Fraud Market

APP is well established in the UK. 82 per cent of bank accounts use instant payments which is becoming the new norm. Fraud has grown 70 per cent over the last few years. Passing burglary in 2021 & credit card fraud in 2022.

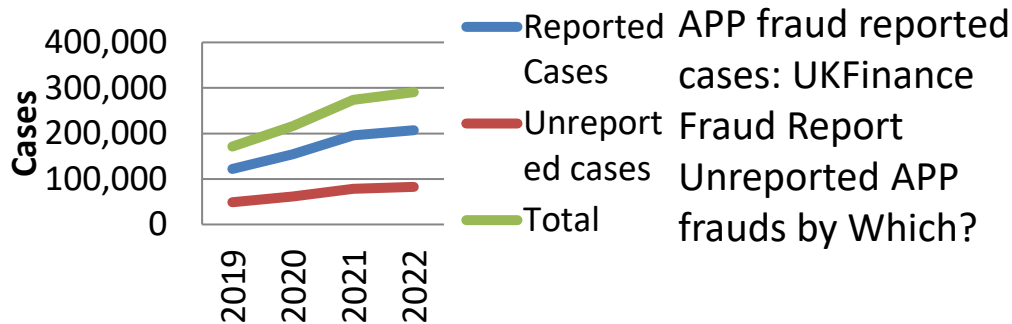
Faster Payments	2020	2021	2022
Value (£'M)	£2,101	£2,595	£3,241
Growth		24%	25%
Volume ('M)	2,850	3,417	3,935
Growth		20%	15%

Faster Payments volume growth was 25% over the last two years and value increased 18%

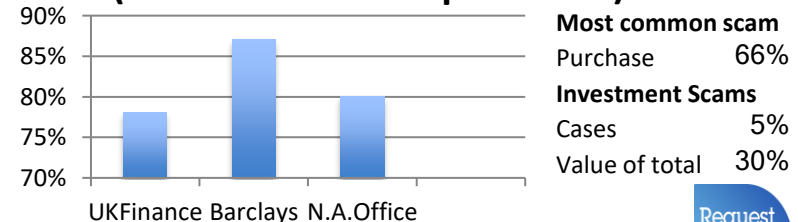
Burglaries vs. APP Fraud



Total APP Fraud Cases 2019 to 2022



Source APP frauds: (80% Social media platforms)



950,000 APP fraud cases over four years, virtually all unresolved.

Higher than unresolved burglaries 584 per day vs. unresolved scam cases at 700

Scams + Investigation costs = £1billion/year & comes with emotional/psychological distress



Worldwide Instant Payments & Fraud Market

Payment Systems, worldwide, are superbly designed for speed and transactions take milliseconds

International Bank Account Number (IBAN) does not verify actual bank account ownership

Retrieving international payment transactions is difficult even for non-fraud amounts



- EU 2023 mandatory the use of Instant Payments directive. Only 11% of payments are instant.
- EU 2024 mandatory Confirmation of Pay (CoP) directive.
- SEPA schemes, managed by the EPC, are used daily by 530 million people and 25 million firms.

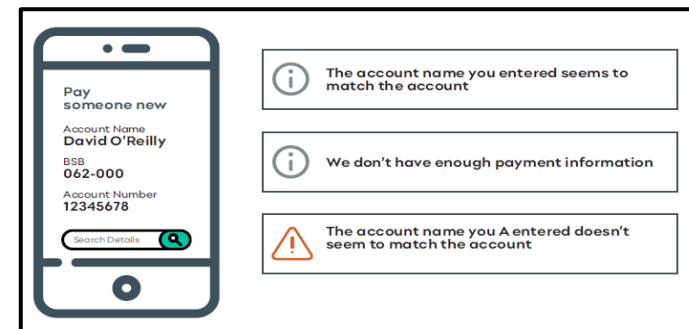


- Federal Reserve switched on instant payment, FedNow, July 2023 with 35 banks & credit unions.
- FedNow commitment for 9,000 banks & credit unions 'over time'.
- In 2022 payment fraud resulted in £1.3 billion loss.



- Australians lost £1.5 billion to scams in 2022.
- Australian Security and Investment Co (ASIC) reported major banks reimbursed 2 to 5% of scam losses.
- Australian Government Announced May 2023 a £30 million a national anti-scam center.

Instant Payment Systems, worldwide, are moving from domestic (pound to pound) to international (pound to euro or US Dollar or Australian Dollar), to meet increasing e-commerce demand. For example identifying the name given ->



PUSH PAYMENT FRAUD

- ▶ Personal experience – conversations with my Bank's fraud department.
- ▶ What are the banks doing?
- ▶ See Internet Banking websites. Education by Banks

Philipp v Barclays Bank 2023
– decision of The Supreme
Court
A landmark case.

**MY BANK'S FRAUD DEPARTMENT
UNAWARE OF IT!
TRAINING?**



PAYMENTS ARE FACING PRESSING ISSUES

Poor Customer Experience

Customers shouldn't have to feel **anxious** and **confused** when they pay cross-border

Scams and fraud on the rise

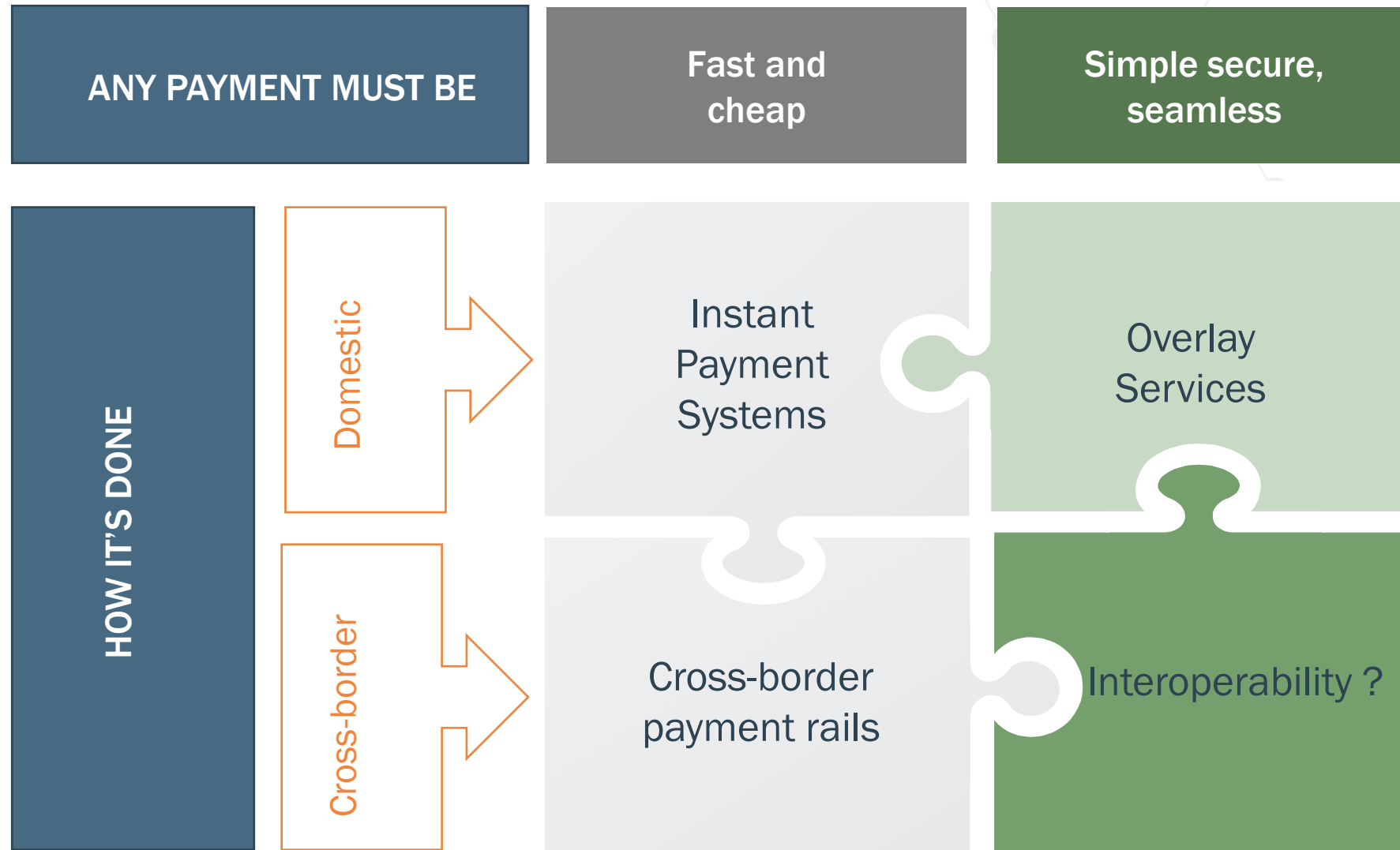
Fraudsters are taking advantage of the fact the most **payment systems do not verify the beneficiary's name**

Too many payments fail

3%-6% payments need to be reversed or fixed because of data errors

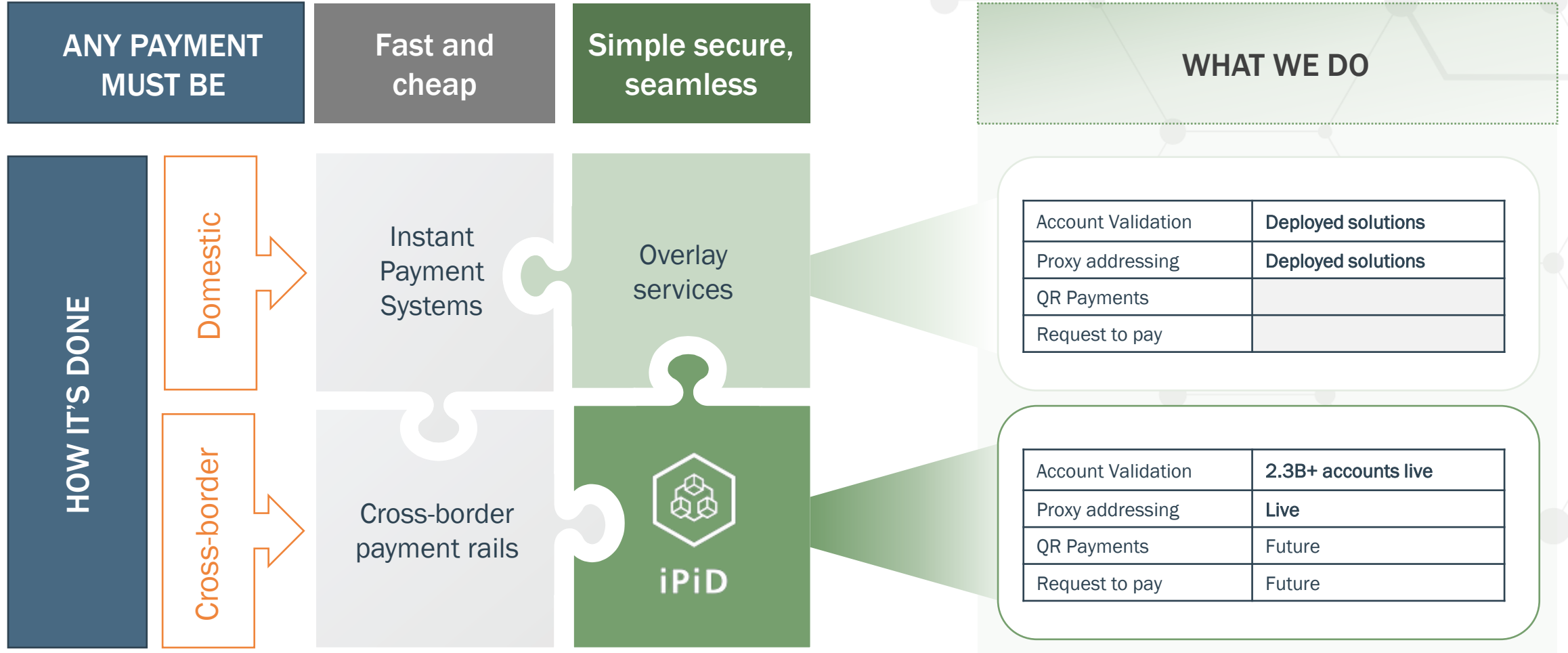


INVESTMENT PATTERN OF THE PAYMENTS INDUSTRY





iPiD ENABLES GLOBAL ACCESS TO OVERLAY SERVICES





ENABLING YOU TO REDUCE COSTS AND RISKS

1.5\$ - 12\$

Saved per transaction

3% - 6%

of cross-border transactions that fail because of data errors

\$50 - \$200

cost to fix a failed cross-border payment

Compliance lapses

Absence of AML & CFT checks on actual receiver

Misdirected payments

Sender unintentionally sends money to the wrong account

Authorised Push Payment (APP) fraud

Sender tricked into paying fraudster account

**Removing critical risks for up to
1 in 50 transactions**

Identify mismatch between the recipient's name provided by the sender and the account holder name

FRAUD example I

Sent: Monday, February 06, 2017 9:58 AM

To: FinanceHelpdesk <FinanceHelpdesk@sita.aero>; ... pn_Oo.Htoon@sita.aero>; ...
< shurgchiev@sita.aero>

Cc: Amita Dasare (Contractor) "; Ohn Thi "; Aye Thida "; Ummayama "; Hana Melicharova01 "; Aye "; Tin Ohn ",

Subject: RE: Please Let us Have Your Payment Plan for the Following Remaining OSD FY 2016

Dear Timur, Dear Mergen,

The information reaching us now, please note that our IBAN has been upgraded to receive large funds in our overseas account, kindly update the IBAN number below for the rest 4 invoices for payment asap.

ACCOUNT/IBAN NO. : NL65 INGB 0007 0719 93

Thanks

Myintzu



Myint zu

Airport Finance Manager

M : +95 450014142 | Tel : +95 19770550-9(Ext:146)

Yangon Aerodrome Company Limited

Heads up!!!! **Alert!!!**

From: Guillermo De_La_Fuente

Sent: Thursday, February 9, 2017 9:42 AM

To: ... Sottoriva@sita.aero>

Subject: FW: Please Let us Have Your Payment Plan for the Following Remaining OSD FY 2016

Here is the reason:

myintzu@yangon.aero

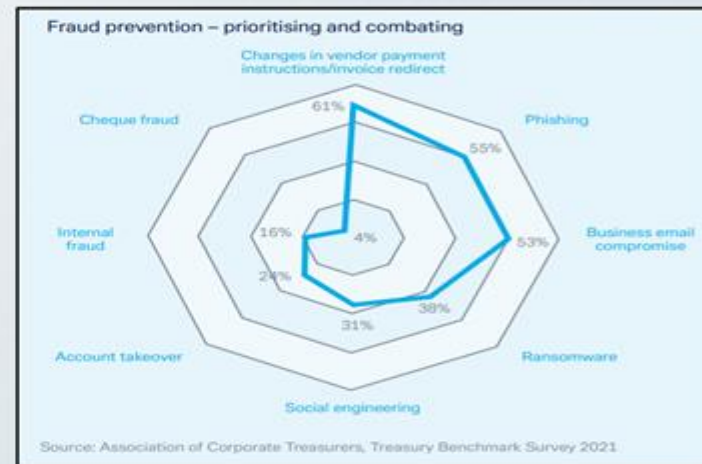
myintzu@yangon-aero.ml

2 different myintzu !!!

Remember: sopping is the most common type of cyber fraud !!

ACT findings on fraud

In 2021, the Association of Corporate Treasurers (ACT) and Deutsche Bank partnered on a survey designed to help treasurers benchmark their practices and operations against their peers. Incorporating responses from more than 200 corporates globally, the survey found that the most "popular" fraud scenario for the participants was "changes in vendor payment instructions". This scenario often facilitated by business email compromise, social engineering and/or internal fraud.



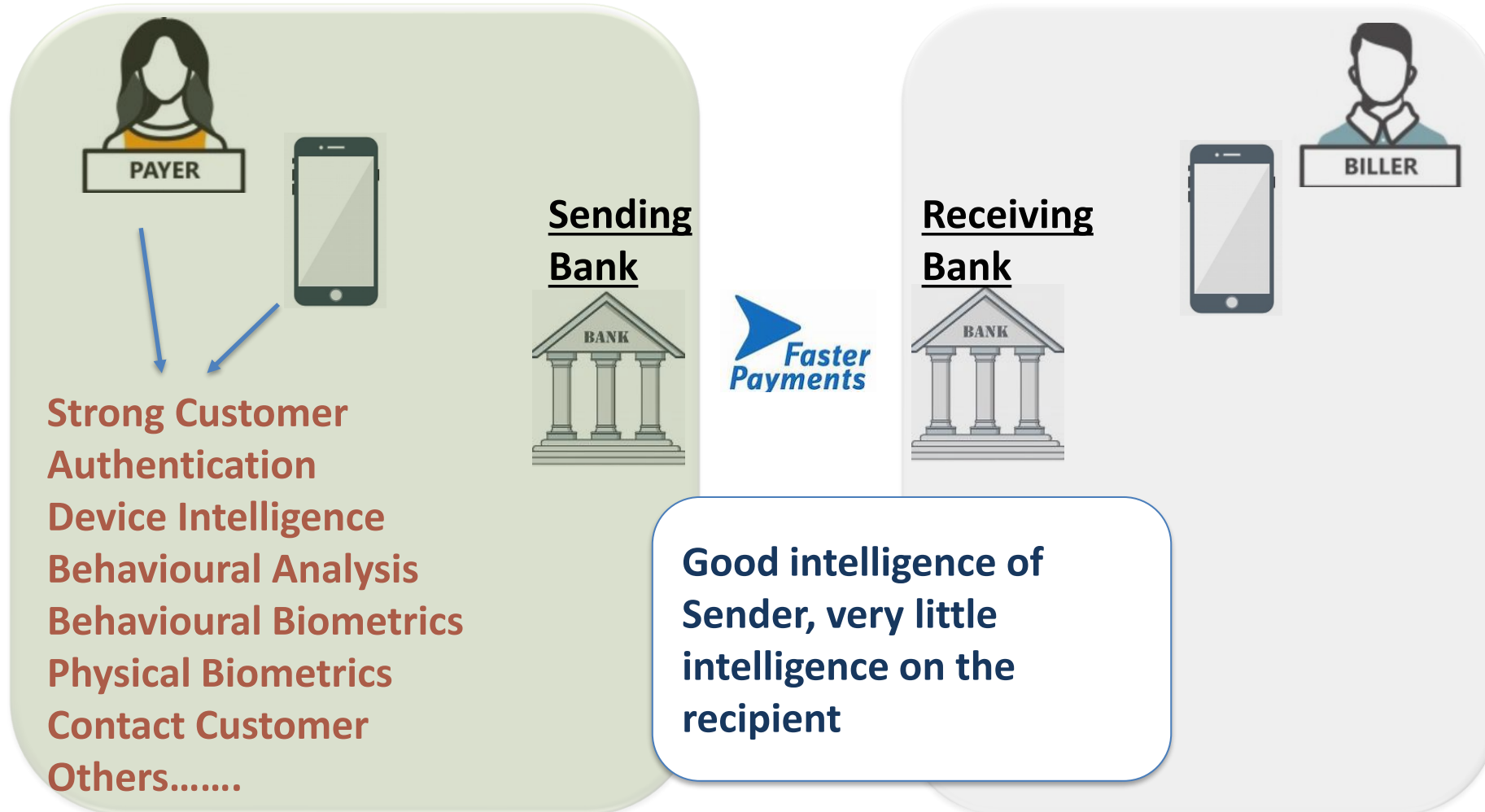
In a surprise opinion, in the United States District Court for the Eastern District of Virginia, there was a ruling in January 2023 that 1st Advantage Federal Credit Union (1st Advantage) must pay almost \$700,000 to Studco Building Systems for a business email compromise (BEC) fraud loss. The credit union is not even the bank for the customer that got scammed with a spoofed email by the fraudster. How did this happen?

Unless the appeals court reverses this opinion, we could see many more BEC fraud loss cases using this approach of suing the receiving bank, and this could be retroactive to a large number of previous BEC cases (subject to the statute of limitations). Remember, in 2022 alone, the FBI's IC3 2022 report shows \$2.7 billion in losses and almost 22,000 cases in the U.S. So, this decision is a potential **game changer**. And for most of these cases, there has been no reimbursement by the sending bank.

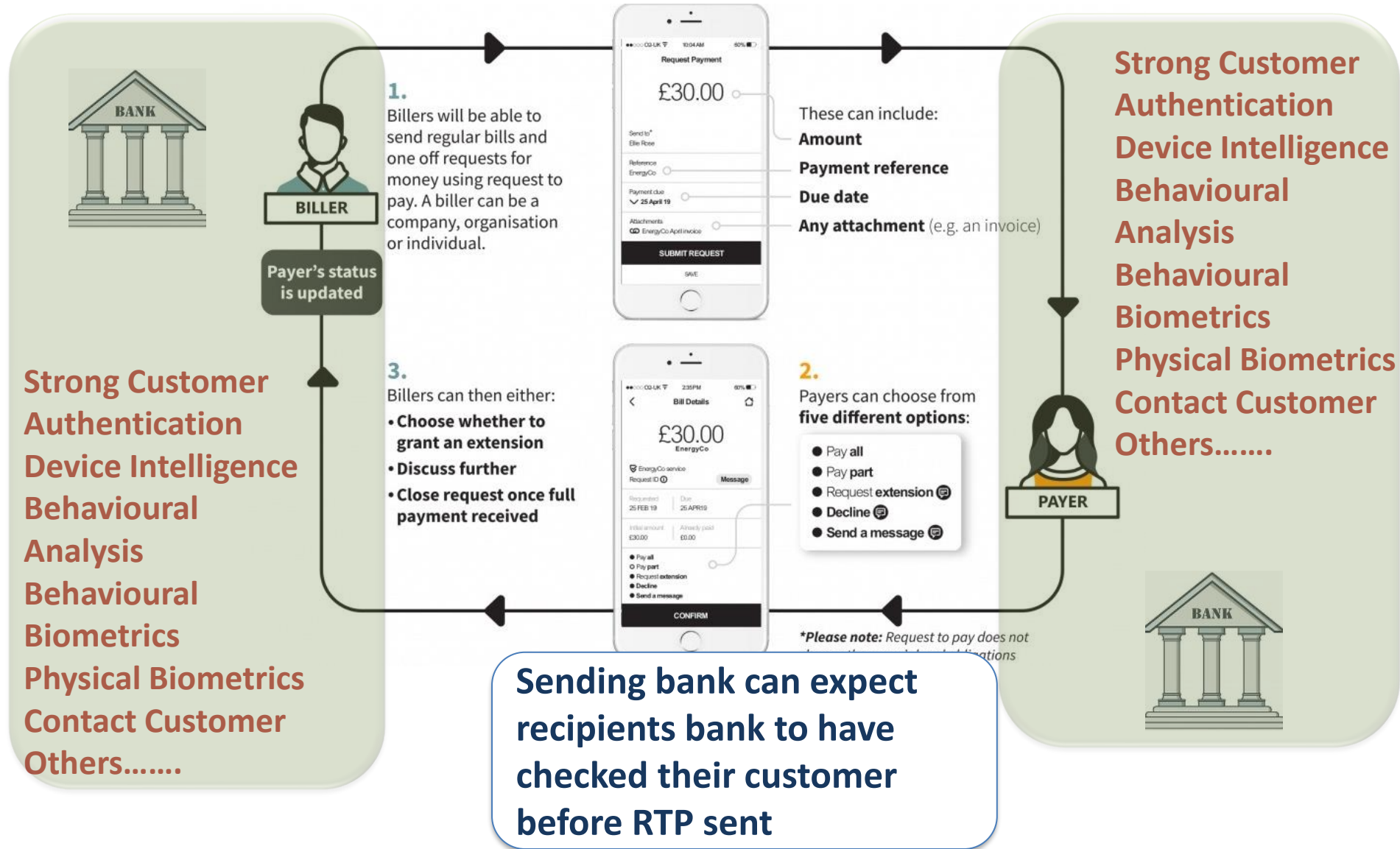


Federal Court Holds Financial Institution Liable for Business Email Compromise Loss

Typical P2P faster payment



P2P Using Request to Pay - Intelligence on both parties



Summary / Take outs

- We need to **verify with whom we are dealing** as digital is for all – both good and bad actors
- We are **all vulnerable**
- We **need to take action** both individually and collectively
- By 2026 **instant payments becomes global payment norm:**



RT1 (real time payments)
R2P (Request to pay)
IXB (Cross Border Payments)
FPAD (Fraud, Pattern and Anomaly Detection)

UK Government and Law together can lead the world in making APP domestic & international payments much better protected from being misdirected and scammed.





Comments, Questions & Answers



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レールライン

Yokohama Line Subway



観光案内所

Question & Answer

问讯处 詢問處 안내소

西口

West Exit

西出口 서쪽



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Forthcoming Events

- Thu, 31 Aug (11:00-11:45) The Use Of DLT In Capital Markets
- Mon, 4 Sept (11:00-11:45) Living With American Power
- Wed, 6 Sept (09:00-09:45) Financial Centres Of The World 2023: Focus On Warsaw

Visit <https://fsclub.zyen.com/events/forthcoming-events/>

Watch past webinars <https://www.youtube.com/zyengroup>