# VERAFÎN

BENCHMARKING REPORT | Q1 2022

# Cloud Insights: Wire Fraud



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# **Executive Summary**

In recent years, Verafin has observed a significant increase in wire fraud incidents across the industry, including cases of Business Email Compromise (BEC), targeted consumer scams, and the financial exploitation of elderly persons. In almost all cases, fraudsters have facilitated these illicit activities through authorized push payment fraud scenarios to circumvent the enhanced authentication controls present in many digital platforms. This trend is likely to continue as fraudsters leverage advanced social engineering techniques.

Given our unique position in the industry, Verafin often receives requests to provide benchmarking statistics around these challenges. Through the power of the Verafin Cloud, we have gathered insights into key trends by analyzing our consortium-based data set, representing \$4T in collective assets from 2100 financial institutions. This report describes attempted wire fraud trends and statistics observed in the

Verafin Cloud from Q2 2020 to Q3 2021. We analyzed four key segments (business, title company, person, and elderly person), domestic and international wire transactions, and benchmarking metrics, including basis points and quarterly transaction statistics. The analyzed data originated from rich wire transactions via FedWire and SWIFT and included cases of true fraud identified in the Verafin Cloud.



# **CLOUD & COUNTERPARTY STATISTICS**Benefits of Big Data

The amount of data within the Verafin Cloud continues to grow, with increases in wire and ACH volume by count and value, as well as significant gains in the number of identified counterparty profiles. Counterparty profiles are critical to detecting authorized push payment fraud, as the risk in these scenarios is associated with the potential mule on the other side of the transaction. By identifying safe and risky counterparties, financial institutions can more effectively manage the risk associated with payments fraud.



# TRENDS OVERVIEW Basis Points Decline, Median Value Rises

Attempted wire fraud by value and occurrence basis points decreased during the analysis period. Median attempted wire fraud value increased from \$7.8K in Q2 2020 to \$10K in Q3 2021. Elderly persons experienced the most wire fraud attempts by occurrence, while businesses experienced the majority by value. Domestic attempted wire fraud was more prevalent by occurrence than international.



### **BUSINESS WIRE FRAUD**

### Ten Higher-Risk Segments

By basis points, attempted wire fraud against businesses declined in value and occurrence. In Q3 2021, the median value for attempted business wire fraud was \$32.9K, down from \$38.8K in Q2 2020. Ten industry segments accounted for the majority of wire fraud by occurrence and value, with Finance and Insurance, and Professional Services being the top two for both measures. Cloud-based evidence explained away an increasing percentage of business wires with a new beneficiary.



# PERSONAL WIRE FRAUD

### Seniors at Risk

By basis points, attempted wire fraud against persons increased in value and occurrence. In Q3 2021, the median value for attempted wire fraud against persons was \$5.9K, up slightly from \$5.37K in Q2 2020. Elderly persons (people aged 55 or older) are preferred victims, accounting for 65% of attempted occurrences and 66% of attempted wire fraud value in Q3 2021. Cloud-based evidence explained away an increasing percentage of person wires with a new beneficiary.



### DOMESTIC WIRE FRAUD Four States Form Majority

By basis points, attempted domestic wire fraud decreased in value and occurrence. In Q3, the median value of a domestic wire fraud attempt was \$9.9K, up from \$7.5K in Q2 2020. In the same quarter, the top destination states for attempted wire fraud by occurrence and value were California, New York, Florida, and Texas. Cloud-based evidence explained away an increasing percentage of domestic wires with a new beneficiary.



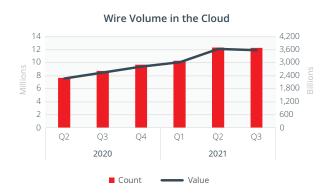
### INTERNATIONAL WIRE FRAUD

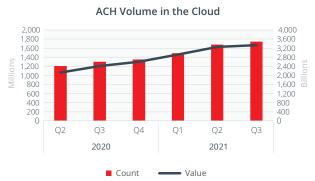
### Hong Kong, Thailand Top Lists

By basis points, attempted international wire fraud decreased in value and occurrence. In Q3, the median value of an international wire fraud attempt was \$11.8K, up from \$9K in Q2 2020. The top destination for attempted wire fraud by occurrence was Thailand, while Hong Kong was first by value. Cloud-based evidence explained away an increasing percentage of international wires with a new beneficiary.

# Verafin Cloud Statistics

Wire and ACH volumes in the Verafin Cloud saw steady increases from Q2 2020 to Q3 2021, representing continued growth of institutions leveraging Verafin's payments fraud solutions. This information also provided the fraud cases used in this report.





# Counterparty Statistics

Counterparties are critical to understanding the risk associated with payments fraud. The ability to identify safe counterparties as well as potential mule accounts is key to an effective fraud prevention program.

At Verafin, our big data set allows for a more complete picture of customer transactions, interactions, and relationships, including counterparties that are not Verafin customers. Using information extracted from rich data across the Cloud, Verafin resolves details about entities to form counterparty profiles, helping investigators expedite reviews and better assess the risk associated with activity.

Wire-only counterparty data is a strong evidence for wire fraud detection due to the low-volume nature of wires as a payments channel. At Verafin, we harness this evidence and supplement our approach with ACH counterparty data, especially when identifying potential demographics for accounts related to a financial institution that is not a Verafin customer. In this scenario, the high-volume nature of ACH as a payments channel allows for more accounts to be profiled.

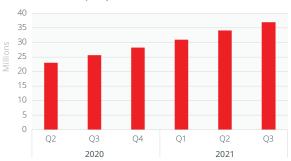
The amount of counterparty profiles within the Verafin Cloud grew significantly during the analysis period. The number of ACH and wire counterparty profiles grew from 113.6 million in Q2 2020 to 207 million in Q3 2021. For wire alone, the number of counterparties grew from 23 million to 37 million in the same six quarters. As the number of counterparties in the Cloud rises, Verafin's analytics can leverage this data for increasingly powerful payee risk analysis to determine the risk associated with a wire sent to a particular receiving account.

### Counterparty Profiles in the Cloud (ACH & Wire)



The number of ACH and wire counterparty profiles grew from 113.6M in Q2 2020 to 207M in Q3 2021.

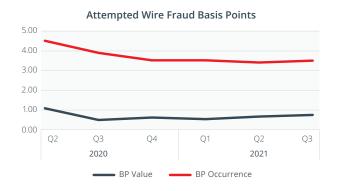
### Counterparty Profiles in the Cloud (Wire)



# Wire Fraud Insights — Overview

Our analysis of wire fraud trends focused on four segments — business (excluding title companies), title companies, persons, and elderly persons (individuals aged 55 years or older).

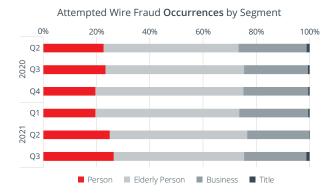
By basis points, attempted wire fraud declined in value and occurrence from Q2 2020 to Q3 2021. From the perspective of quarterly transaction statistics, the mean value of attempted wire fraud declined from Q2 2020 to Q3 2021, but the median value increased in the same period.

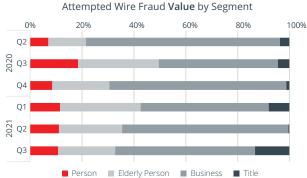




Elderly persons comprised the majority of attempted wire fraud occurrences by segment (49% in Q3 2021). Combining this statistic with attempted wire fraud against persons revealed that individuals represent 75% of all attempted wire fraud occurrences in Q3 2021. However, businesses and title companies represented the majority of attempted wire fraud value in Q3 2021 at a combined 67%.

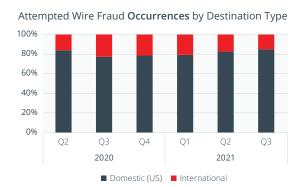
Businesses and title companies represented the majority of attempted wire fraud value in Q3 2021 at a combined 67%.

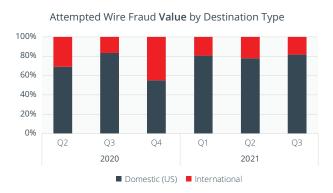




# Wire Fraud Insights ... continued

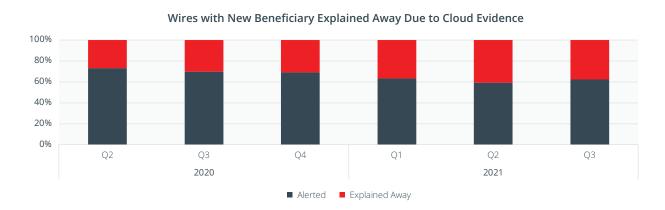
Domestic attempted wire fraud was more prevalent by occurrence than international attempted wire fraud during the analysis period. By value, domestic attempts also comprised the majority.





When leveraging a cloud and consortium-based approach to wire fraud detection, the amount of data available to analytics is crucial. As the size of the available Cloud dataset grows, more alerts can be explained away by cloud-based evidence. From Q2 2020 to Q3 2021, cloud-based evidence explained away an increasing percentage of wires with a new beneficiary. In this scenario, cross-institutional analytics were better able to determine if beneficiaries that were new to the payer could be trusted, based on the consortium-based data in the Verafin Cloud.

From Q2 2020 to Q3 2021, cloud-based evidence explained away an increasing percentage of wires with a new beneficiary. In this scenario, cross-institutional analytics were better able to determine if beneficiaries that were new to the payer could be trusted based on the consortium-based data in the Verafin Cloud.



# **Business Wire Fraud Insights**

From Q2 2020 to Q3 2021, attempted wire fraud against businesses declined in terms of basis points by value and occurrence. The mean value for attempted business wire fraud significantly and consistently exceeded the median value for all quarters. Both measures declined over the analysis period. Analysis by NAICS code showed that, in Q3 2021, ten industry segments accounted for the majority of

wire fraud occurrences, with the top two being Finance and Insurance (25%), and Professional Services (15%). The same ten industry segments also represented the majority of wire fraud attempts by value, with Finance and Insurance (34%), and Professional Services (21%) also being the top two by value. Cloud-based evidence explained away an increasing percentage of business wires with a new beneficiary.

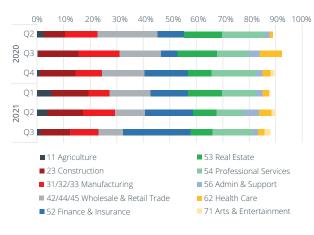
### **Attempted Business Wire Fraud Basis Points**



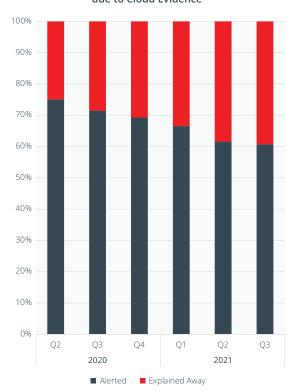
# Attempted Business Wire Fraud Quarterly Transaction Statistics



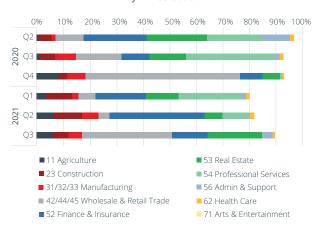
# Percent of Attempted Wire Fraud Occurrences by NAICS Code



# Business Wires with New Beneficiary Explained Away due to Cloud Evidence



# Percent of Attempted Wire Fraud Value by NAICS Code

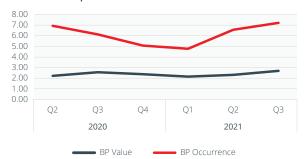


# Personal Wire Fraud Insights

By basis points, attempted wire fraud against persons increased from Q2 2020 to Q3 2021, both in terms of occurrence and value. The mean and median value of attempted wire fraud against persons increased over the analysis period, although the median was consistently and significantly lower than the mean for all quarters.

When analyzing attempted wire fraud by age of payer, elderly persons (people aged 55 or older) are preferred victims, accounting for 65% of occurrences and 66% of attempted wire fraud value in Q3 2021. Cloud-based evidence explained away an increasing percentage of person wires with a new beneficiary.

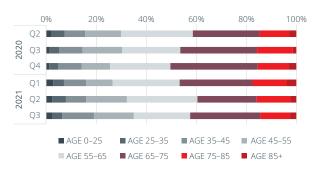
### **Attempted Person Wire Fraud Basis Points**



### **Attempted Person Wire Fraud Quarterly Transaction Statistics**



### Percent of Attempted Wire Fraud Occurrences by Age of Payer

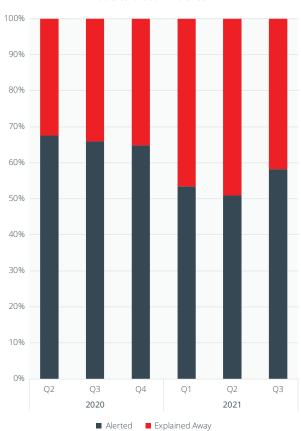


When analyzing by age of payer, people aged 55 or older are preferred victims, accounting for 65% of occurrences and 66% of attempted wire fraud value in Q3 2021.

# Percent of Attempted **Wire Fraud Value** by Age of Payer



# Person Wires with New Beneficiary Explained Away due to Cloud Evidence



# Domestic Wire Fraud Insights

For this report, domestic wires are wire payments with a destination within the U.S. By basis points, attempted domestic wire fraud decreased in value and occurrence from Q2 2020 to Q3 2021. In terms of quarterly transaction statistics, the mean and median value of attempted domestic wire fraud increased in the analysis period, with median values being consistently and considerably lower

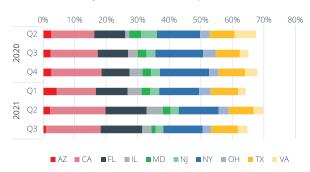
than the mean values for all quarters. In Q3 2021, the top destination states for attempted wire fraud within the U.S. were California, New York, Florida, and Texas, representing a combined 51% of attempted occurrences, and 60% of attempts by value. Cloud-based evidence explained away an increasing percentage of domestic wires with a new beneficiary.

# Attempted Domestic Wire Fraud Basis Points 5.00 4.00 3.00 2.00 1.00 Q2 Q3 Q4 Q1 Q2 Q3 2020 2021

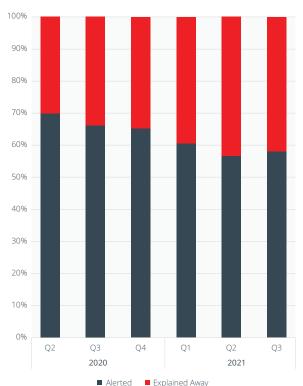




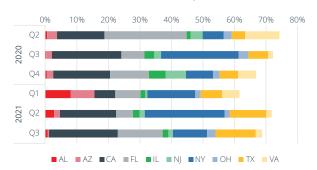
BP Occurrence







# Percent of Attempted Domestic Wire Fraud Value by Destination State (Top Ten)



# International Wire Fraud Insights

For this report, international wires are wire payments with a destination outside the U.S. By basis points, attempted international wire fraud decreased in value and occurrence from Q2 2020 to Q3 2021. Considering quarterly transaction statistics, the mean value of international wire fraud attempts decreased over the analysis period — however, the median  $\,$ value increased over the same six quarters. Mean values were consistently higher than the median values for all quarters. Across the analysis period, the top ten destination countries for fraudulent wires, by occurrence, were:



5. Ghana 8. Singapore 2. Mexico 3. Hong Kong 6. Great Britain 9. Turkey

By value, the top ten destination countries were:

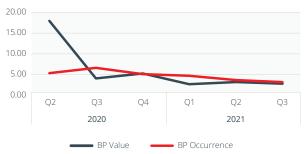
1. Hong Kong 4. Thailand 7. China 10. Nigeria

2. Indonesia 5. Cameroon 8. Great Britain

3. Singapore 6. Mexico 9. Turkey

Cloud-based evidence explained away an increasing percentage of international wires with a new beneficiary.

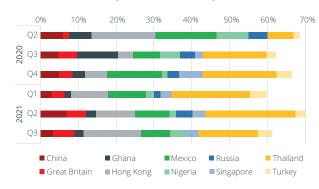
### **Attempted International Wire Fraud Basis Points**



### Attempted International Wire Fraud **Quarterly Transaction Statistics**

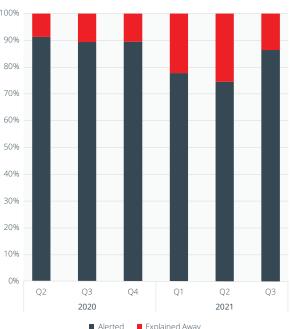


### Percent of Attempted International Wire Fraud Occurrences by Destination Country

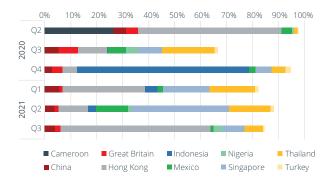


The mean value of international wire fraud attempts decreased over the analysis period — however, the median value increased over the same six quarters.

International Wires with New Beneficiary Explained Away due to Cloud Evidence



### Percent of Attempted International Wire Fraud Value by Destination Country



# Case Study

# Halting the Cost of Compromise



Using Verafin, the paying financial institution determined that the payee had received a fraudulent wire 30 days before at another financial institution that was also using Verafin.



# Verafin Prevents a Major Business Wire Fraud Attempt

BEC is a growing concern for many financial institutions as criminals target corporate customers and wire payments for their gain. The following anonymized case study highlights a BEC scenario observed in the Cloud, and how Verafin's robust Wire Fraud solution efficiently and effectively prevented loss.

Specialty Grocery LLC, a wholesale food retailer, was purchasing seafood from their longstanding supplier, Beach Industries Inc. The CEO and Controller received an email from their contact at Beach Industries Inc. informing them of a late payment. The email also stated that, due to mailing issues, Beach Industries Inc. could not accept checks — they needed an ACH or wire payment.

The Controller responded, asking Beach Industries Inc. for an address to complete the details for a wire. They received the wire instructions and initiated the payment with approval from their CEO — unaware that *the Beach Industries Inc. email account had been compromised.* 

Using Verafin, the paying financial institution determined that the payee had received a fraudulent wire 30 days before at another financial institution that was also using Verafin. The institution also detected a name mismatch for the recipient — previous transactions were for Tina Wicks, while the current transaction was being sent to Beach Industries Inc.

The paying financial institution took decisive action in the Verafin application, stopping the wire before funds were transferred.

By analyzing customer behavior, demographic, historical and third-party data, Verafin provides high-quality alerts to improve wire fraud detection. Our cross-institutional analytics increase your confidence that a wire payee has an established history and is not associated with past fraudulent activity. This powerful evidence minimizes risk while reducing false positive alerts.

# Effectively Prevent Loss with Robust Wire Fraud Detection

The dollar value and international nature of many wire transfers make them inherently risky. With criminal schemes such as BEC becoming a growing problem, financial institutions need enhanced monitoring to prevent loss.

Verafin's efficient and effective real-time Wire Fraud solution applies industry-leading, cloud-based analysis to a wide range of risk factors indicative of fraudulent wire activity to generate high-quality alerts that help you take quick and decisive action.

### Intelligently Segmented Agents.

A wire that is considered unusual for an individual may not be risky for a business. Verafin's wire fraud agents are segmented by payer — person, elderly person, business and title company — allowing for more targeted analysis based on the specific fraud risks and scams for that group. With segmented wire agents, investigators have greater control over the type and risk value of the alerts they receive which can be individually configured according to your institution's clientele and risk tolerance.

### Cross-Institutional Wire Receiver Analysis.

Verafin utilizes cross-institutional data in the Verafin Cloud to analyze if the receiving account of an outgoing wire transfer has a trusted history of activity. This unique evidence helps boost your confidence, minimize risk, and greatly reduce false positive alerts.

### This process leverages:

- Over 140 million wires, with 4 million added each month
- 40 million unique payee accounts, with 950,000 new accounts added each month
- 40% of the payee accounts are from the top 10 largest financial institutions in the United States

## Real-Time Inline Analysis.

Analyzing a potentially fraudulent wire transfer once it is gone is often too late. Verafin integrates directly with the industry's prominent wire transfer systems to analyze wires in real time. By alerting you to potentially suspicious wires inline, Verafin gives you the option to stop the transfer directly from the application before it is released to the Federal Reserve.

### Visual Wire Details.

Verafin provides investigators with all details pertaining to the wire transfer in one location. Quickly interpret the full range of wire transfer information with historical transfer graphs, interactive flow of funds diagrams and visual transaction overviews that include payer, value, payee, and receiving institution data.

### **Uncover Third-Party Scams.**

You are alerted when it appears your customer is being victimized by a known criminal deposit scam — such as BEC — before the funds are transferred.

## Wire Fraud Performance:

By the Numbers



VERAFIN ALERTS ON 2%
OF ALL OUTGOING WIRES



VERAFIN DECTECTS

90%

OF WIRE FRAUD

RY VALUE



VERAFIN REDUCES FALSE POSITIVES BY 75%

# VERAFÎN

### About Verafin

Verafin is the industry leader in enterprise Financial Crime Management solutions, providing a cloud-based, secure software platform for Fraud Detection and Management, BSA/AML Compliance and Management, High-Risk Customer Management and Information Sharing. 3500 banks and credit unions use Verafin to effectively fight financial crime and comply with regulations. Leveraging its unique big data intelligence, visual storytelling and collaborative investigation capabilities, Verafin significantly reduces false positive alerts, delivers context-rich insights and streamlines the daunting BSA/AML compliance processes that financial institutions face today.

Verafin is the exclusive provider for Texas Bankers Association, Western Bankers Association, and CUNA Strategic Services, with industry endorsements in 48 U.S. states.

### Learn more

For more information on this topic, or how Verafin can help your institution stay a step ahead of financial crime, call 866.781.8433.

To access Verafin's archive of webinars, white papers, success stories and other materials focusing on fraud detection and BSAVAML compliance topics relevant to financial institutions across the country, check out our online Resource Center at www.verafin.com

