



Electronic Payments Core of Knowledge

PARTICIPANT GUIDE

Stop! In the Name of Fraud: Instant Payments Risk & Mitigation

Welcome to:

Stop! In the Name of Fraud: Instant Payments Risk & Mitigation

Program Description

As the popularity of RTP® and FedNow® grows, people are thinking over how to address fraud in the credit-push fraud era. This session will examine the unique challenges of instant payments, fraud reporting requirements and strategies to minimize credit fraud

AAP/APRP Credits: 1.4

Objectives

- Nacha's Risk Management Strategies
- FedNow® & RTP® Risks
- FedNow® & RTP® Risk Mitigation
- FedNow® Fraud Reporting Requirements
- RTP® Fraud Reporting Requirements

Ground Rules

Please keep the following ground rules in mind to help create a more effective learning experience for everyone. We will discuss additional participation instructions during the online session.

1. Log on to class at least 10 minutes before the scheduled start.
2. Turn off email and phones and clear other distractions away from your training area.
3. Participate and prepare to be called on by name. The online learning environment lends itself to interaction. Participation will keep you engaged and move the class along.
4. Raise your hand if you have an immediate question or comment. Asking questions helps other participants clarify or reinforce concepts.
5. Be patient in waiting for a response to your chat message.

Technical Assistance

Your course invitation email contains step-by-step instructions for logging into this event.

If you are having technical difficulty, please call 800.500.0100

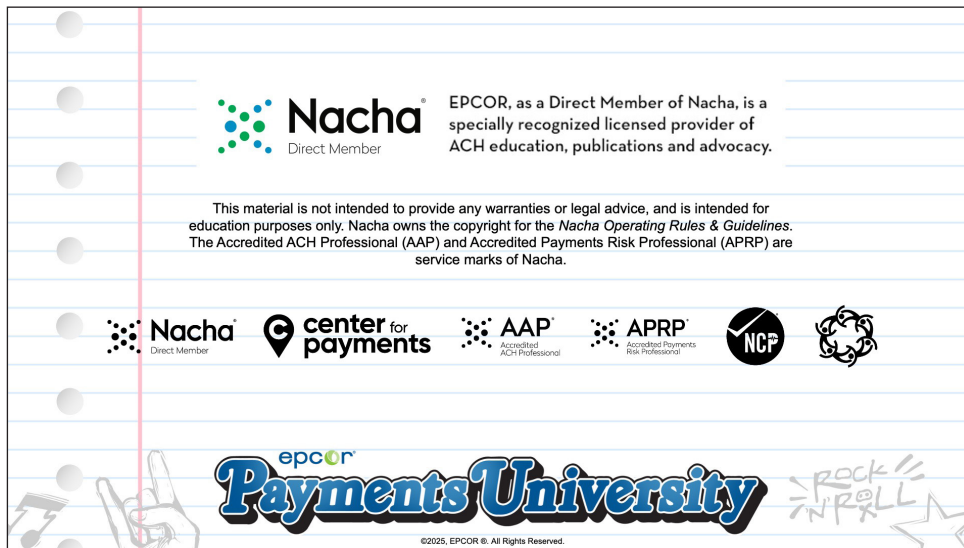


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Direct Member

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Nacha® Direct Member center for payments AAP Accredited ACH Professional APRP Accredited Payments Risk Professional NCP

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**Stop! In the Name of Fraud:
Instant Payments Risk & Mitigation**
Agenda

- 1** Nacha’s Risk Management Strategies
- 2** FedNow® & RTP® Risks
- 3** FedNow® & RTP® Risk Mitigation
- 4** FedNow® Fraud Reporting Requirements
- 5** RTP® Fraud Reporting Requirements

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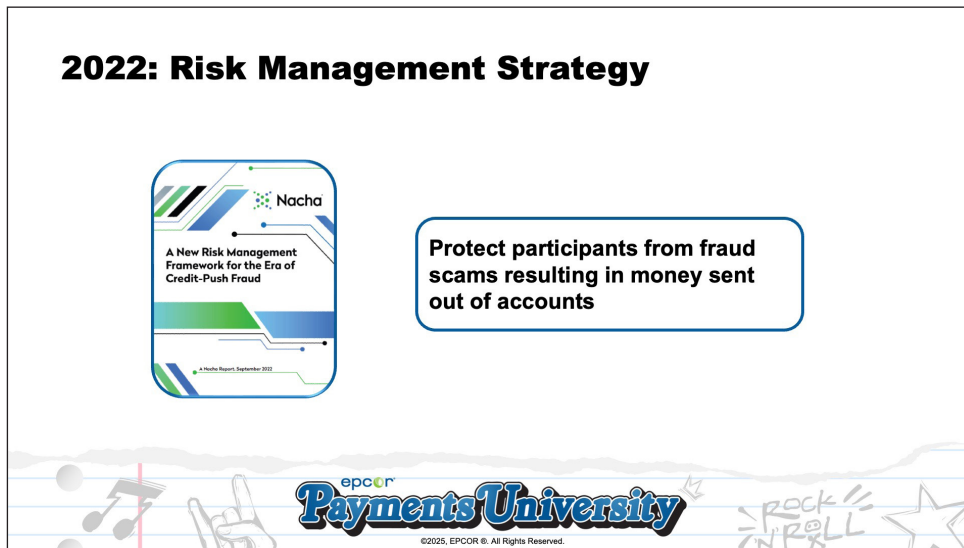


Nacha's Risk Management Strategies

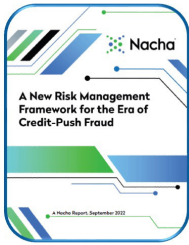
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2022: Risk Management Strategy



Nacha
A New Risk Management Framework for the Era of Credit-Push Fraud
A Nacha Report, September 2022

Protect participants from fraud scams resulting in money sent out of accounts

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Credit-Push Fraud Scams



Account Takeover

Vendor Impersonation

Business Email Compromise (BEC)

Payroll Impersonation

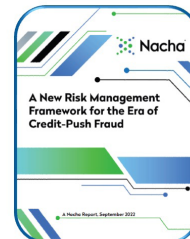


Risk Management Framework Objectives

Increase awareness of credit-push fraud schemes

Strengthen controls surrounding ACH origination

Improve recovery of funds after fraud has occurred




FedNow & RTP Risks

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Participation Types

- Receive Only
- Send & Receive
- Send & Receive with Receive RFP



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Primary Risks



Operational

Settlement & Liquidity

Fraud & Cybersecurity

Compliance & Legal

Reputational & Strategic



Operational Risks

System downtime or failures

Integration challenges

Scalability issues

Lack of staff readiness



Settlement & Liquidity Risks

Real-time settlement requirements

Intraday Liquidity Strains



Fraud & Cybersecurity Risks



Final & irrevocable payments

Increased attack surface

Spoofing & Social engineering



Compliance & Legal Risks

Regulatory uncertainty

KYC/AML pressures

Dispute resolution complexity



Reputational & Strategic Risks



Account holder expectations

Competitive pressure

Misaligned product offering



FedNow & RTP Risk Mitigation

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Operational Risk Mitigation

- Disaster recovery & business continuity plans
- Strong vendor & integration management
- 24/7 support readiness
- Regular testing & staff training

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Settlement & Liquidity Risk Mitigation



Real-time liquidity monitoring & management

Collaborate with correspondents or liquidity agents

Liquidity stress testing



Fraud Risk Mitigation

Real-time fraud detection

Authentication & access controls

Customer education & controls



Compliance & Legal Risk Mitigation



Real-time OFAC screening

Clear dispute & error handling policies

Regulatory & rule compliance



Reputation & Strategic Risk Mitigation

Phased roll-out

Account holder communication & expectations

Alignment with business strategy



FedNow Risk Mitigation Tools



Negative List

Net Send Limit

Value and Velocity Thresholds



FedNow Fraud Reporting Requirements



FedNow Key Fraud Reporting Requirements



(OC 8, Appendix C)

FedNow participants will be **required to report transactions** processed through the FedNow Service that they have investigated and **confirmed to be fraudulent**. The Federal Reserve Banks will **notify** the other financial institutions involved in the transaction so they can take appropriate action.



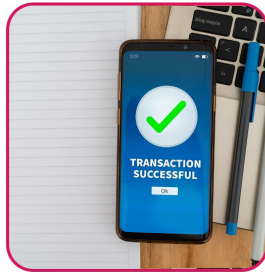
FedNow Key Fraud Reporting Requirements

(OC 8 Appendix C Definitions)

1.2.1 Unusual Payment Order means any payment order sent or received by a FedNow Participant through the FedNow Service that **was authorized by a FedNow Sender** when sent to the FedNow Service but that a **FedNow Participant learns otherwise** may have resulted from fraudulent activity.



FedNow Key Fraud Reporting Requirements



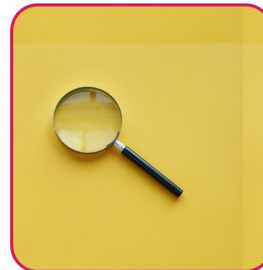
(OC 8 Appendix C Definitions)

1.2.2 Reportable Transfer means a funds transfer completed, in part, through the FedNow Service based on an Unusual Payment Order and that the FedNow Participant believes in good faith was the result of fraudulent activity.



FedNow Key Fraud Reporting Requirements

2.2.1 Before reporting a Reportable Transfer, a FedNow Participant shall investigate each Unusual Payment Order it sent or received to ascertain whether the Unusual Payment Order resulted in a Reportable Transfer.



FedNow Key Fraud Reporting Requirements



2.2.2 Following the investigation, each FedNow Participant shall, as prescribed in the FedNow Service's operating procedures,

(a) report each Reportable Transfer to the FedNow Service and to the other FedNow Participant that was a party to the Reportable Transfer; and

(b) correct any report of a Reportable Transfer it made based on any new information it receives, including in response to additional facts provided by another FedNow Participant or its customer.



FedNow Key Fraud Reporting Requirements

2.2.3 The Reserve Banks will provide **Nonvalue Message** capabilities within the FedNow Service and other procedures for FedNow Participant to report a Reportable Transfer to the FedNow Service and to another FedNow Participant that was a party to the Reportable Transfer.



FedNow Key Fraud Reporting Requirements



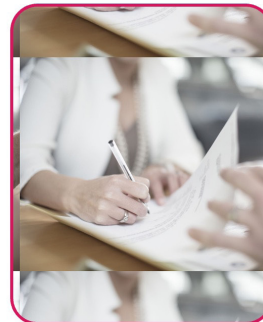
2.2.6 Each FedNow Participant is required to **identify one or more authorized persons to receive reports** of Reportable Transfers and to field inquiries related to Reportable Transfers. The Reserve Banks may provide another FedNow Participant with **contact information** for these authorized persons in connection with a Reportable Transfer.



FedNow Key Fraud Reporting Requirements

3.1 Each FedNow Participant shall use reasonable efforts to:

(a) investigate inquiries from its customers and other FedNow Participants about Reportable Transfers, including to remediate exceptions, such as errors, unauthorized transfers, or rejections, in each case associated with a Reportable Transfer, a FedNow Participant report of a Reportable Transfer, or any related action taken by a FedNow Participant



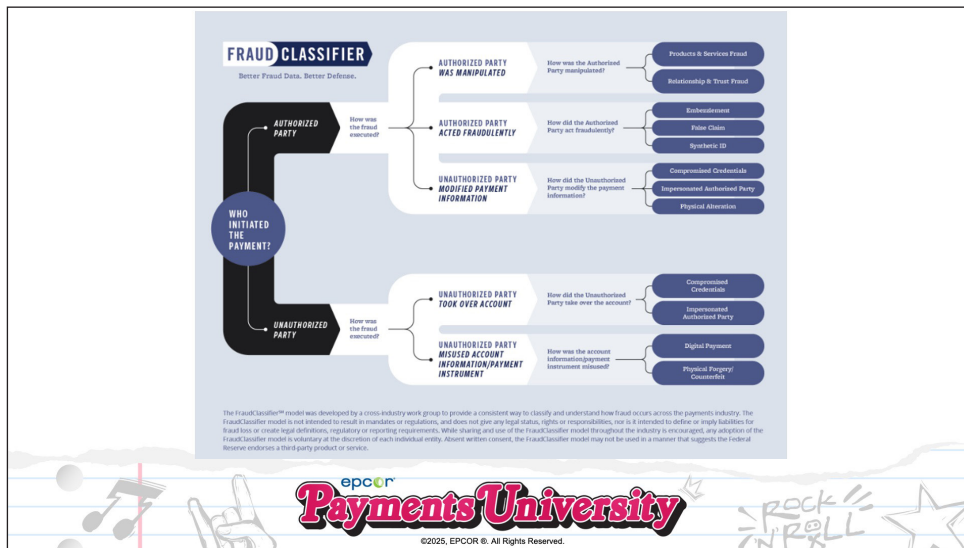
FedNow Key Fraud Reporting Requirements



3.1 Each FedNow Participant shall use reasonable efforts to:

(b) assist another FedNow Participant in its investigation of exceptions associated with Reportable Transfers, correct reports of Reportable Transfers, and correct any other action taken by the FedNow Participant in connection with a Reportable Transfer.





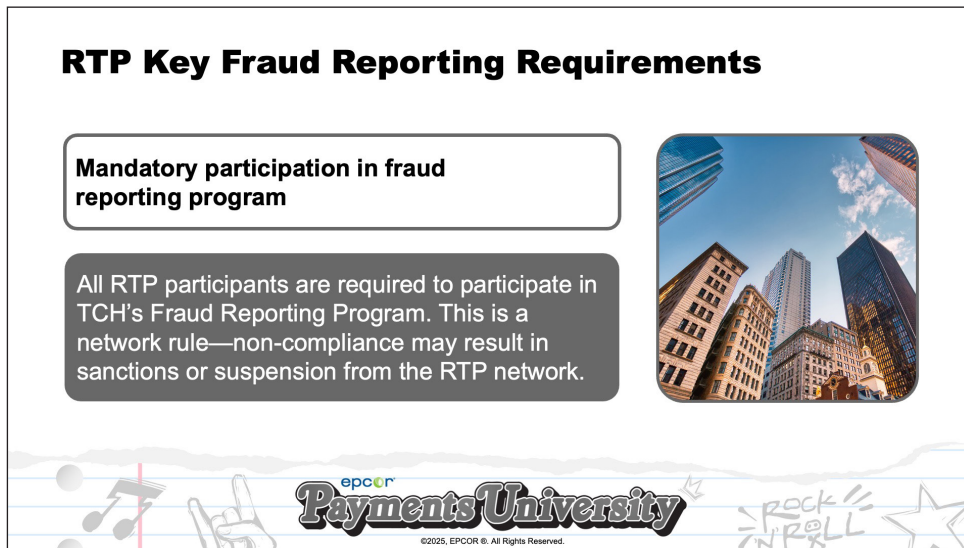


RTP Fraud Reporting Requirements

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RTP Key Fraud Reporting Requirements

Mandatory participation in fraud reporting program

All RTP participants are required to participate in TCH's Fraud Reporting Program. This is a network rule—non-compliance may result in sanctions or suspension from the RTP network.



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RTP Key Fraud Reporting Requirements



A fraudulent RTP Payment is defined as a Payment that the Sending Participant has determined was not authorized by the Sender based on the Participant's investigation of the means by which the Payment was instructed to the Participant.



RTP Key Fraud Reporting Requirements

RTP Operating Rules

II.G.1 Participants **must act on alerts** from TCH regarding suspected fraud in connection with the RTP System in accordance with the Risk Management and Fraud Control Requirements.



RTP Key Fraud Reporting Requirements



II.G.1 Participants that receive fraud notifications from TCH are expected to take reasonable steps in a timely manner to:

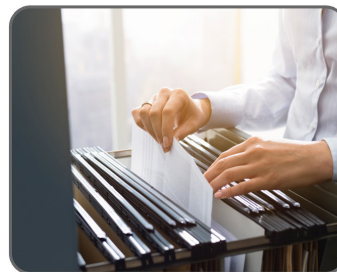
(a) Incorporate the information into existing fraud prevention processes, procedures or programs

(b) Use the information to take appropriate action with respect to particular Customers, to the extent TCH has provided the notice on an individual Participant level.



RTP Key Fraud Reporting Requirements

II.G.2 Participants must report fraudulent activity involving the RTP System to TCH and the other Participant involved in a fraudulent RTP Payment in accordance with the RTP Technical Specifications and Risk Management and Fraud Control Requirements.



RTP Key Fraud Reporting Requirements



Participants must report a fraudulent RTP Payment to the Receiving Participant by sending a Request for Return of Funds message (camt.056) with the "FRAD" reason code.



RTP Key Fraud Reporting Requirements

Participants must report material findings regarding unauthorized Payments or authorized Payments sent in response to a Request for Payment that the Sender claims was deceptive or misleading to: RTPEenforcement@theclearinghouse.org.



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Thank You for Attending!

EPCOR is your best resource for:

Expertise—

Payments professionals are just a phone call away to help you resolve issues and understand the complex rules and regulations regarding all types of electronic payments.

Diverse Programs—

More than just the *ACH Rules*, you get a variety of programs on fraud, risk, audits and more to protect your organization against loss and penalty.

Keeping Pace with the Evolving Payment Landscape—

You have a voice in industry issues through EPCOR and you stay connected with industry initiatives that influence policy.

Visit epcor.org for a complete list of classroom and online learning events.

CERTIFICATE OF COMPLETION

This certificate is awarded to:

on

In completion of:
**Stop! In the Name of Fraud: Instant
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This course is worth 1.4 AAP/APRP
continuing education credits.



James Carrick
Vice President, Education, EPCOR

