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Discussion Points

• Electronic payment systems
  • Risk
  • Risk mitigation
  • Red flags
  • Technical compliance
  • Innovation

• Final Thoughts
Electronic Payment Systems

• Mobile Banking
• Automated Clearing House
  • International ACH Transactions
• Wire Transfer
• Prepaid Cards
• Remote Deposit Capture
Mobile Banking

• What is mobile banking?
  • The ability to conduct banking with a mobile phone device
  • Payments are referred to as mobile payments or M-Payments

• Types of mobile banking
  • Direct mobile banking
  • Indirect mobile banking

• Risk
  • Access control
  • Near field communications (NFC)
  • Third party anonymity
    • With indirect arrangement
Mobile Banking

• Risk Mitigation
  • Identifying the payment channel
  • Establishing customer profiles
  • Setting transaction limits
    • Dollar volume
    • Geographic restrictions

• Red Flags
  • Unusual activity
  • Accounts for phone companies
Mobile Banking

• Technical Compliance
  • CIP
  • Suspicious activity reporting
  • Potential for concentration accounts

• Innovation
  • Near field communications (NFC) technology
  • Person to person mobile payments
Questions
Automated Clearing House (ACH)

• What is ACH?
  • A payments system that facilitates the clearing of electronic items between banks

• Examples
  • Direct deposit of payroll
  • Clearing bank checks
  • Clearing electronic transactions
Automated Clearing House

• Risk
  • Unauthorized Returns
    • Survey/Wachovia
  • Invalid Returns
    • Phishing
    • Fraud

• Risk Mitigation
  • Establish strong originator underwriting standards
    • Credit and AML due diligence
  • Identify and monitor high-risk activity
  • Compliance testing
  • OCC Bulletin (2006-39) - ACH Risk Management Program
    Gap Analysis Tool
Automated Clearing House

• Red Flags
  • Unauthorized returns
  • Invalid returns
  • Consumer complaints
  • Accounts opened and closed quickly

• Technical Compliance
  • CIP
  • Suspicious activity reporting

• Innovation
  • What’s new?
Questions
International ACH Transactions

• What is an IAT?
  • A cross border ACH transaction requiring the Standard Entry Classification (SEC) code
  • Identifies international ACH transactions

• Risk
  • OFAC Entity
  • Gambling
  • Fraud

• Risk Mitigation
  • Effective risk assessment
  • Resources for identifying high-risk geographies
    • [www.kyc.com](http://www.kyc.com)
International ACH Transactions

• Red Flags
  • Receiving the IAT is the red flag

• Technical Compliance
  • OFAC
  • Suspicious activity reporting

• Innovation
  • Segregation
  • How to use the information
Questions
Wire Transfer

• What is a wire transfer?
  • Fedline/Correspondent
  • Domestic v. international

• Risk
  • Unauthorized originator
  • Multiple channels for requesting a wire transfer

• Risk Mitigation
  • Multi-factor authentication
  • Customer authorization verification processes
  • Secured access to web site forms
  • Dollar limit thresholds
  • Customer agreements
Wire Transfer

• Red Flags
  - Wire request by any electronic means
  - Wire request not fitting customer profile
  - Wire request to foreign country

• Technical Compliance
  - OFAC
  - Suspicious activity reporting
  - Travel rule

• Innovation
  - Expanding methods of request
  - Ability to identify wire activity in a customer’s statement
Questions
Prepaid Cards

• What is a prepaid card?
  • Gift cards
  • Payroll cards
  • Benefit cards

• Risk
  • Anonymity
  • Portability
  • International access
  • ATM access
  • Excessive vendors
Prepaid Cards

• Risk Mitigation
  • Strong due diligence on the vendor
  • Aggressive monitoring
  • Geographic restrictions
  • Daily sales limits

• Red Flags
  • Foreign activity
  • Similar addresses
  • Unusual account names
  • ATM activity
Prepaid Cards

• Technical compliance
  • CIP for bank’s customer
  • CTR for cash loads at bank
  • Suspicious activity reporting
  • OFAC
  • Due diligence

• Innovation
  • Competition with M-payments
  • Collaboration with M-payments
Questions
Remote Deposit Capture (RDC)

• What is RDC?
  • Scanning checks for electronic deposit to account
  • Typically used by commercial customers

• Risk
  • Duplicate presentments
  • Fraudulent presentments
  • Errors caused by poor readers
Remote Deposit Capture

• Risk Mitigation
  • Due diligence
    • Conduct site visit
    • Develop customer profiles
    • Verify customer controls
    • Establish customer selection criteria
  • Monitoring
    • Adherence to customer profile
    • Double presentments

• Red Flags
  • Variance from customer profile
  • Double presentments
  • Increase in returned deposited items
Remote Deposit Capture

• Technical Compliance
  • Suspicious activity reporting
  • Customer due diligence

• Innovation
  • Consumer applications
  • Mobile phone scanners
Final Thoughts

• Evaluate and understand the product/service
• Perform risk assessment
  • Customer
  • Product
• Conduct appropriate due diligence
• Implement adequate controls
• Contact your regulator
Questions
Additional Questions/Comments?

Please send your additional questions or comments to the BSA Coalition at: http://www.bsacoalition.org/QuestionForm.cfm

For further resources go to: http://www.bsacoalition.org/