



... Deposit Risk Assessment in the Era of Multi-Channel Banking

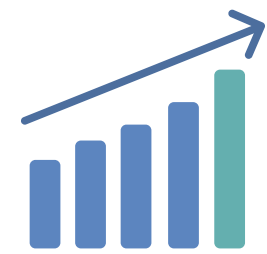
HOW TO REDUCE FRAUD LOSSES—AND DELIGHT YOUR
CUSTOMERS WITH FAST, CONVENIENT BANKING EXPERIENCES

March 2023

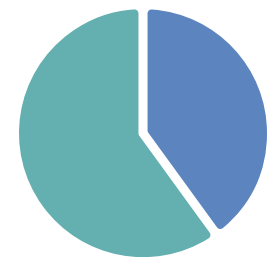
••• Banks are losing the battle against deposit fraud.

Traditional deposit fraud tactics like check fraud continue to pose significant challenges to financial institutions (FIs) of all sizes.

Deposit fraud continues to rise:



38% of FIs report first-party check and deposit fraud increased more than 20% in 2021¹



60% of all attempted fraud against U.S. bank deposit accounts is made up of check fraud²



$\frac{2}{3}$ of organizations were prey to check fraud in 2021³



¹ What's Top of Mind for Fraud Executives TRENDS, SCAMS, AND TALENT, Aite-Novarica, August 2022

² Deposit Account Fraud Survey, American Bankers Association, January 2020

³ AFP® Payments Fraud and Control Report, 2022

••• Faster banking means faster fraud.

New and emerging banking technologies like same-day ACH offer speed and convenience for consumers.

They also open the door to new fraud risks.

Seeing a lucrative opportunity for theft, criminals are devising new tools for attacking modern payment systems.

Common payments fraud tactics include:



Counterfeit, forged or altered checks



Duplicate deposits*

* Even well-intentioned customers can inadvertently make duplicate deposits (e.g., deposit a check via their mobile banking app, forget they did so—and then deposit the physical check at the ATM or teller window).





Three Negative Impacts of Deposit Fraud



... 1 Deposit fraud losses are growing:

63%

63% increase in ACH fraud losses in 2021

50%

50% increase in first-party check fraud losses in 2021¹



Fraudulent deposit activity reduces net income for FIs in a variety of ways, including:

- Increased non-sufficient funds (NSF) losses
- Challenges validating wire transfers
- Administrative costs



...2 Deposit fraud diminishes operational efficiency.

Fraud staff at financial institutions are experiencing overwhelming workloads because of the time required to investigate fraud cases, leading to:



Poor allocation of resources



Added costs due to process inefficiencies



...3 Deposit fraud threatens customer retention.

Consumers have become accustomed to the digital world's immediacy—and they expect their deposited funds to be instantly available.

As FIs strengthen their deposit risk assessment strategies to combat high rates of fraud, the added controls make it difficult to provide customers with a seamless deposit experience.





Verify Deposit Risk

(formerly known as Real-time *Deposit Chek*[®] Service)

**VERIFY DEPOSITS AND EXPEDITE FUNDS
AVAILABILITY**



••• Modern fraud prevention demands a modern solution.

To stay competitive, FIs need a unique deposit risk assessment tool that can help:



Safeguard against fraud losses: Detect deposit fraud before it occurs



Improve staff efficiency:
Minimize time spent
investigating fraud



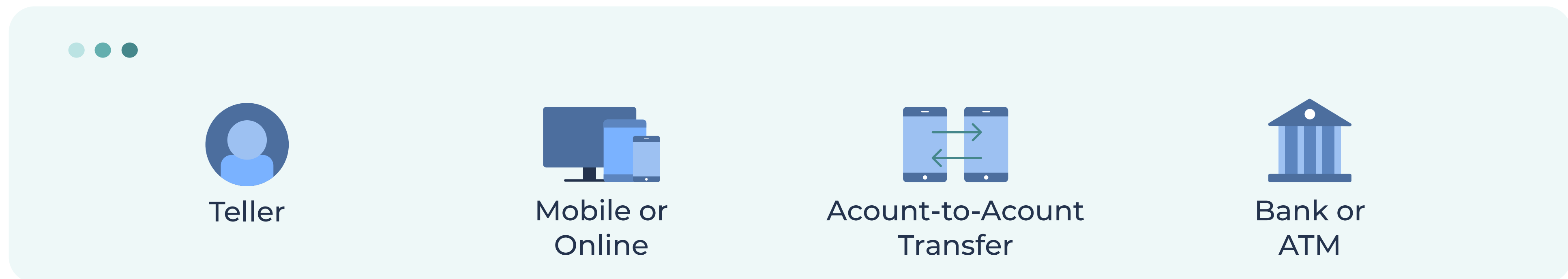
Enable convenient banking experiences:
Allow customers to make deposits and quickly access funds—via multiple channels



••• Combat deposit fraud and maintain a positive customer experience.

Verify Deposit Risk improves deposit risk assessment without disrupting the customer experience:

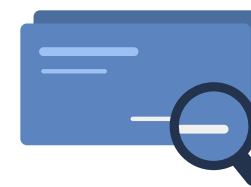
- Advance notice of high-risk deposits confirms the status of an account and predicts the likelihood that an item will be returned
- Real-time deposit screening across all channels ensures quick availability of transactional and new account deposits



••• Bundled capabilities enable smarter deposit risk assessments.



Participant Model & Scored Accounts: Scores indicate the likelihood a payment will return unpaid



Counterfeit/High-Focus Item Detection: Indicates if an item is suspected to be counterfeit based on prior transaction and return activity



Duplicate Item Detection: Indicates if an item may have also been deposited at another FI or cashed at a non-bank location



Account Owner Authentication (AOA)*: Validates that the individual being inquired upon can transact on the account.

*AOA is available within **Verify Deposit Risk** for an additional fee.



••• Superior data drives superior results.

Early Warning® screens off-us and/or on-us deposits against our *National Shared Database*SM resource to provide clear visibility into:

- Risk associated with ACH and paper check transactions
- Historical status for transactions drawn on an FI participant account



At the end of 2021, the *National Shared Database*SM resource:

13 billion
processed 13 billion
transactions

\$33.8 billion
alerted customers to \$^{33.8} billion in
high-risk transactions¹

¹ National Shared DatabaseSM Report, 2021

*National Shared Database*SM
Resource

The Trusted
Custodian® Role
of Early Warning –
June 2022





Use **Verify Deposit Risk**
to improve your deposit
risk assessment strategy



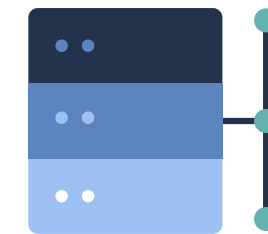
How **Verify Deposit Risk** works



1: A customer makes a check deposit through an ATM, teller, or mobile channel, or initiates an online funds transfer.



2: You (the depository bank) submit a real-time inquiry to Early Warning seeking information on the deposited item and validate account ownership with Account Owner Authorization (AOA).



3: Early Warning leverages the *National Shared DatabaseSM* resource to provide insights on:

- account status
- potential risk of accepting the deposit (risk score)
- type of account and account ownership validation



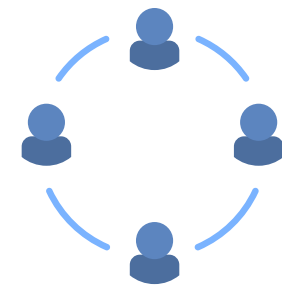
4: You make an informed decision to release or hold the deposit based on the **Verify Deposit Risk** response and your institution's risk tolerance.



... 4 ways **Verify Deposit Risk** can help your organization



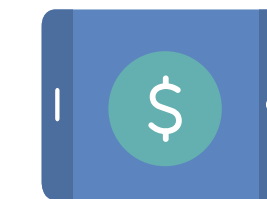
Reduce losses due to fraud: Point of presentment screening and early detection of potential returns reduces NSF costs and helps prevent duplicate deposits.



Grow your customer base: Expedited deposited funds



Balance risk, efficiency, and compliance: Configure the solution's business logic to align with your institution's risk tolerance



Deliver a seamless customer experience: Automated, real-time deposit screening alerts customers who may be fraud victims and expedites funds availability across all channels





Can Early Warning help you enhance and strengthen your payments fraud mitigation strategy?



••• About Early Warning®

Early Warning is a fintech company owned by seven of the country's largest banks. For more than three decades, our identity, risk and payment solutions have been empowering financial institutions to make confident decisions, enable payments and mitigate fraud. Today, Early Warning is best known as the owner and operator of the Zelle Network®, a financial services network focused on transforming payment experiences.

With a partner like Early Warning, FIs are empowered with an accurate, comprehensive solution that:

- ✓ Provides breadth and depth of deposit data, enabling a holistic view of a consumer's banking behavior
- ✓ Leverages real-time, predictive analytics that enable better-informed decisions
- ✓ Ensures faster decisions and reduced friction which translates to a better customer experience





Early Warning[®]