UNDERSTANDING & PREVENTING FRAUD

Regions Treasury Management

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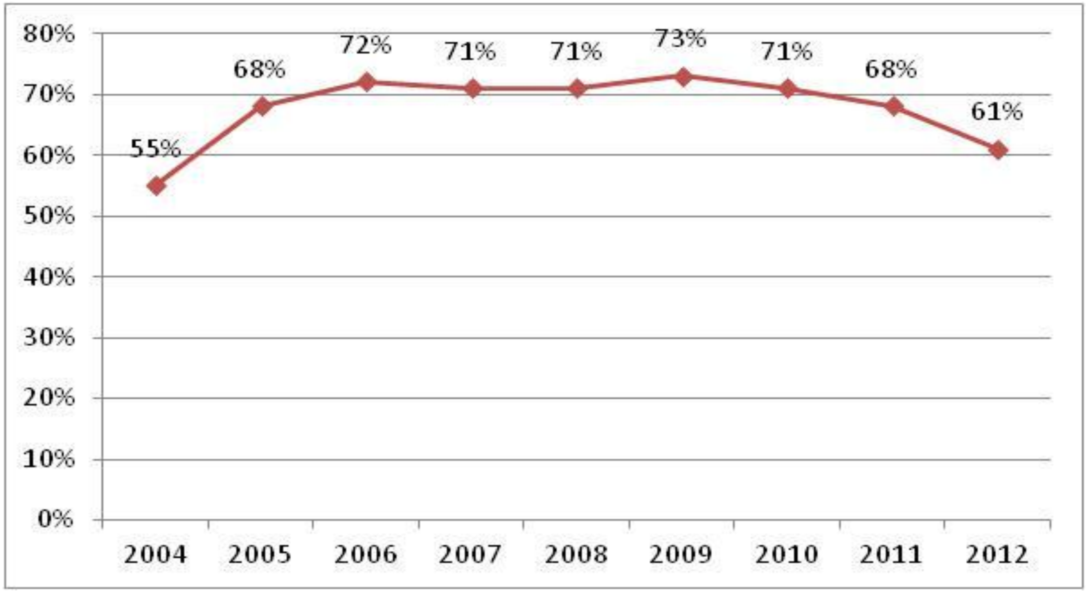
Fraud is a Prevailing Threat

Percent of Organizations Subject to Attempted and/or Actual Payments Fraud



Nearly two-thirds of organizations have been victims of fraud

- 50% of organizations with less than $1 billion in annual revenue experienced payments fraud
- 67% of organizations with over $1 billion in annual revenue experienced payments fraud

Losses Impact the Bottom Line

- Organizations in the U.S. **lose about 5% of their revenue** to fraud

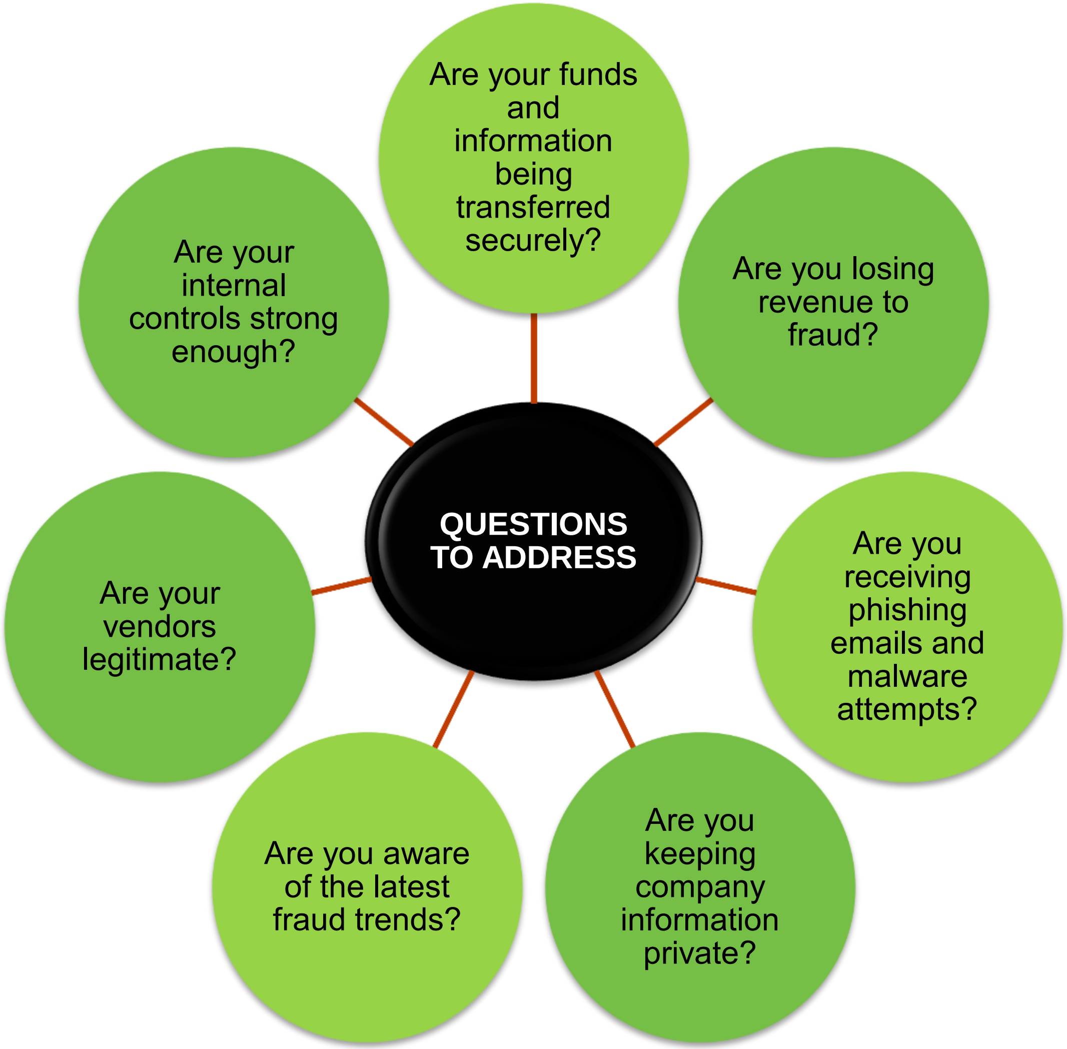
- **Checks are the most vulnerable** payment type to fraud attacks

- Many fraud incidents within a small business **involve employees**

- The average fraud scheme goes **undetected for 18 months**

Typical loss due to fraud -- **$20,300**

Education is Key to Prevention



QUESTIONS TO ADDRESS

Are your funds and information being transferred securely?

Are you losing revenue to fraud?

Are you receiving phishing emails and malware attempts?

Are you keeping company information private?

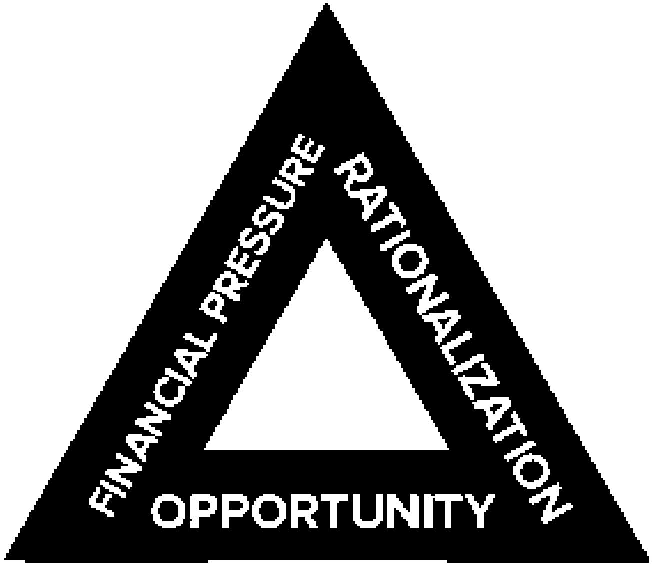
Are you aware of the latest fraud trends?

Are your vendors legitimate?

Are your internal controls strong enough?

Bookkeeping Fraud can Greatly Impact Small Businesses

- Perpetrated by a trusted employee
- Arises when full authority has been given to issue and reconcile payments which is especially common in small businesses
- May also be associated with investment schemes, sales schemes or identity theft



Red Flags:

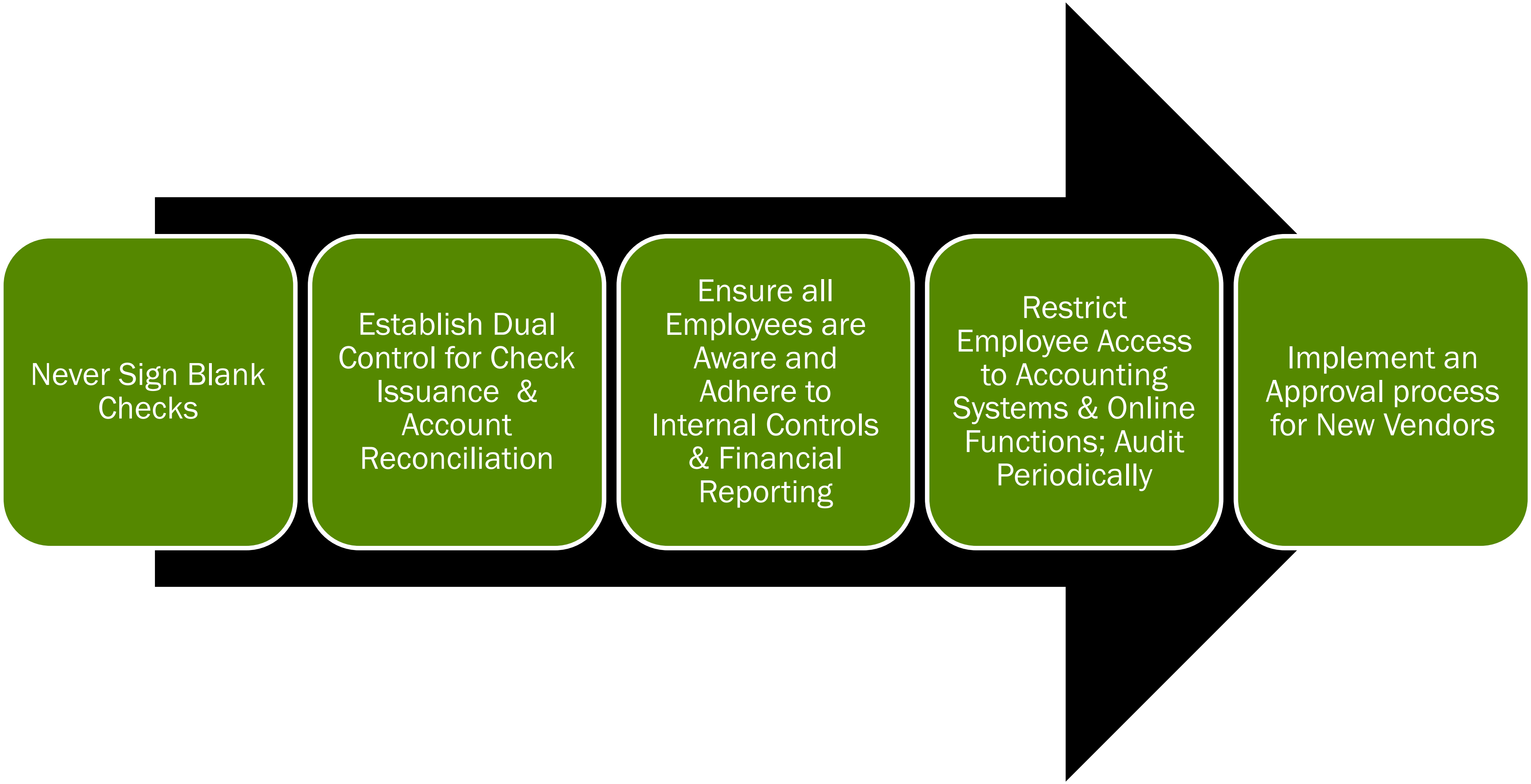
✓ Living beyond their means

✓ Financial difficulties

✓ Unusually close association with vendors or customers

✓ Excessive control issues

Preventing Bookkeeping Fraud



Never Sign Blank Checks

Establish Dual Control for Check Issuance & Account Reconciliation

Ensure all Employees are Aware and Adhere to Internal Controls & Financial Reporting

Restrict Employee Access to Accounting Systems & Online Functions; Audit Periodically

Implement an Approval process for New Vendors

Payments Best Practices

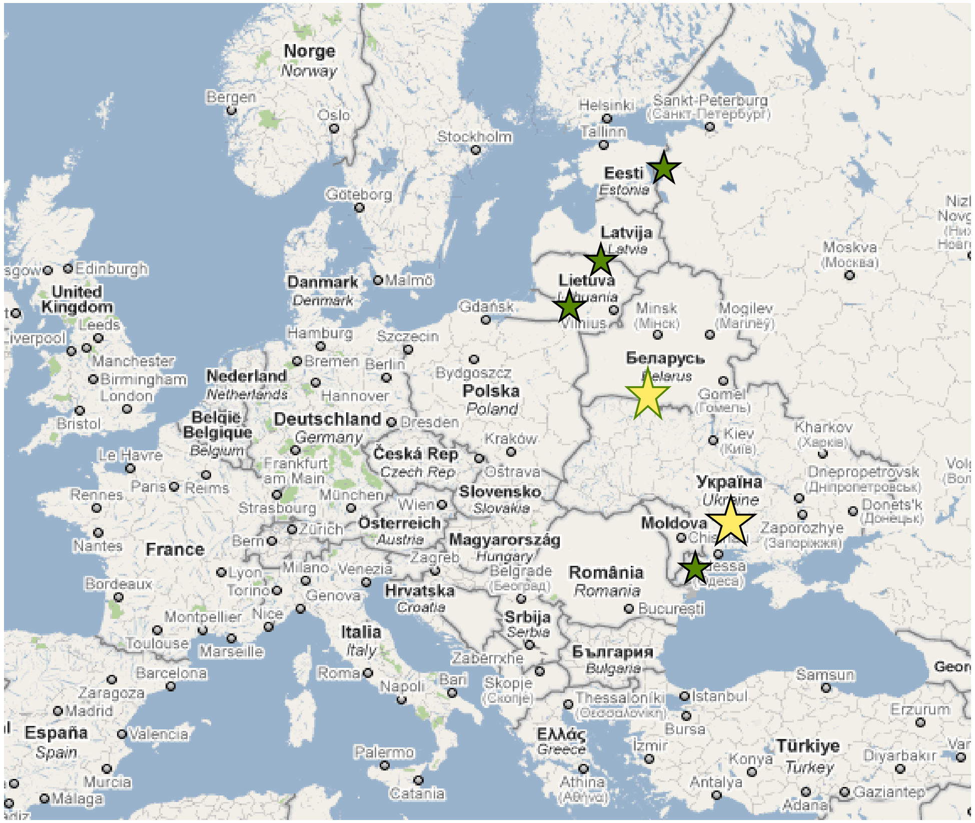
- Reconcile accounts in a timely manner.
- Convert paper payments to electronic.
- Securely store check stock, deposit slips and bank statements then destroy securely.
- Place stop payment on any check that has left your possession.
- Utilize Positive Pay services for checks and ACH.

Cyber Attack Target: Business Accounts

- High dollar balances in checking accounts
- Money can be moved quickly
  - Real-time using Wire Transfer
  - Near real-time using ACH
- Commercial computers represent a target-rich environment for other corporate information

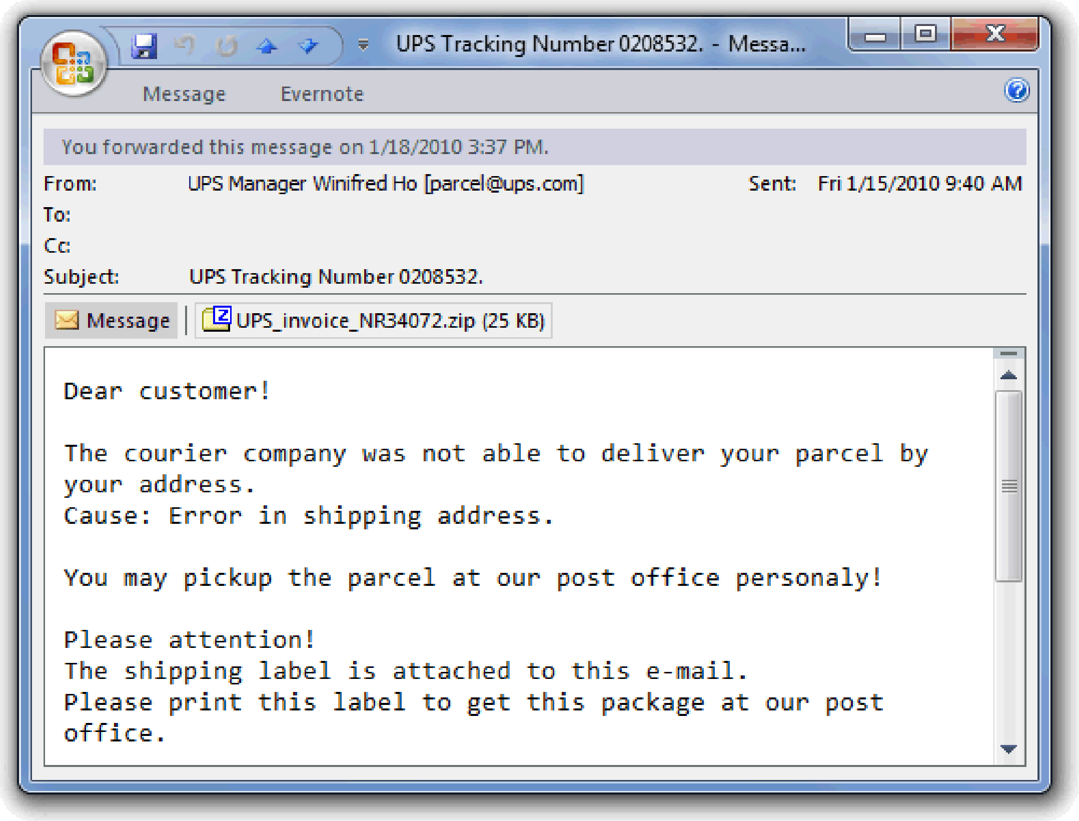
Where Are the Fraudsters?

- Ringleaders and Malware authors are in Russia and Ukraine
- Software is for sale on the Darknet (underground internet)
- Command and Control servers along with botnet servers are for rent
  - These are used to disperse the malware
- The actual thief may be in the house or office next door



Methods of Attack

- Phishing emails with malicious links or attachments
- Banner ads on prominent surf engines and news sites
- Social networking sites (your friends may not be your friends)
- Probing for un-patched, vulnerable machines and attacking directly



UPS Tracking Number 0208532. - Messa...
Message
Evernote

You forwarded this message on 1/18/2010 3:37 PM.

From: UPS Manager Winifred Ho [parcel@ups.com]

Sent: Fri 1/15/2010 9:40 AM

To:

Cc:

Subject: UPS Tracking Number 0208532.

Message
UPS_invoice_NR34072.zip (25 KB)

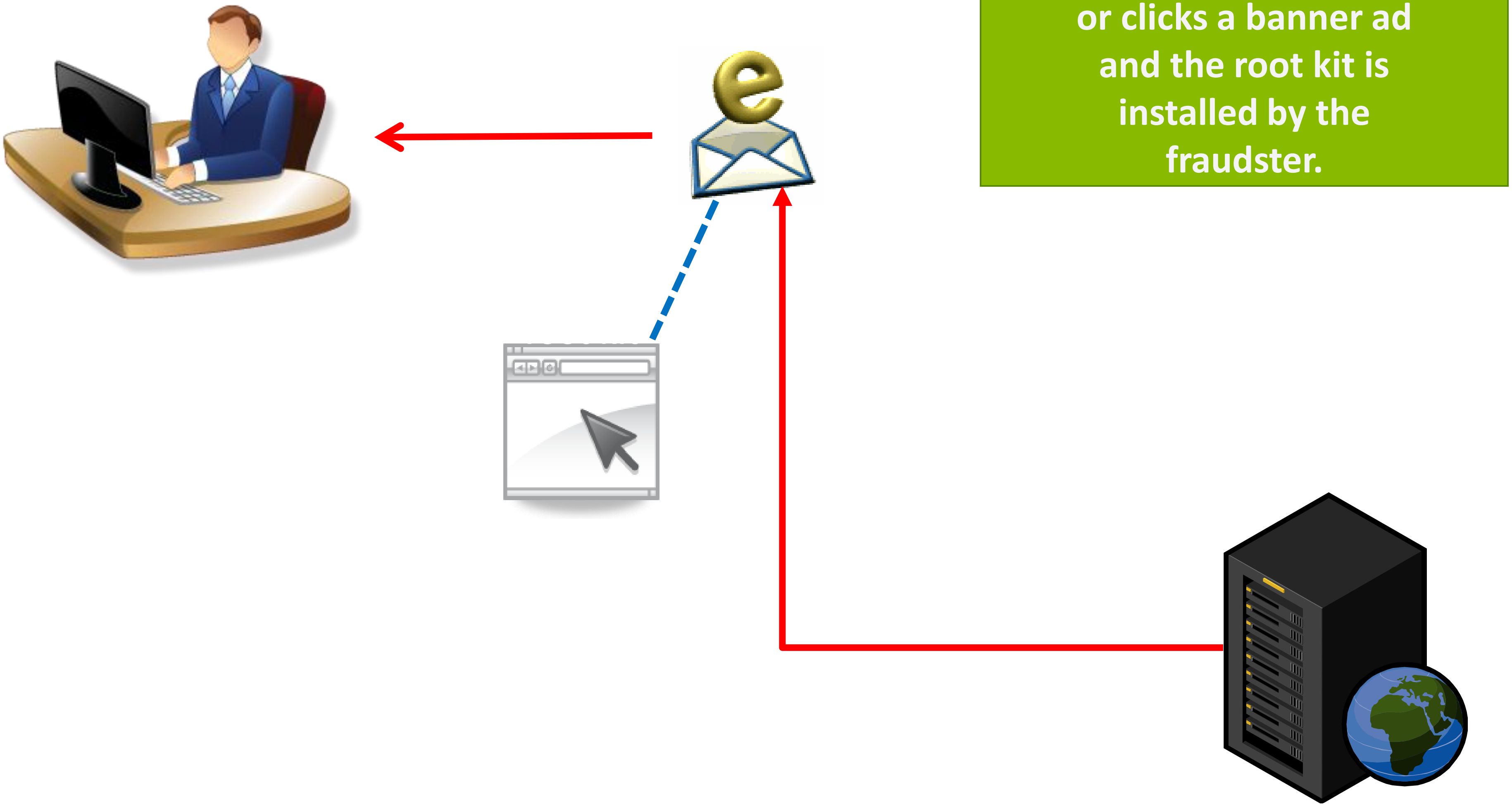
```
Dear customer!

The courier company was not able to deliver your parcel by
your address.
Cause: Error in shipping address.

You may pickup the parcel at our post office personaly!

Please attention!
The shipping label is attached to this e-mail.
Please print this label to get this package at our post
office.
```

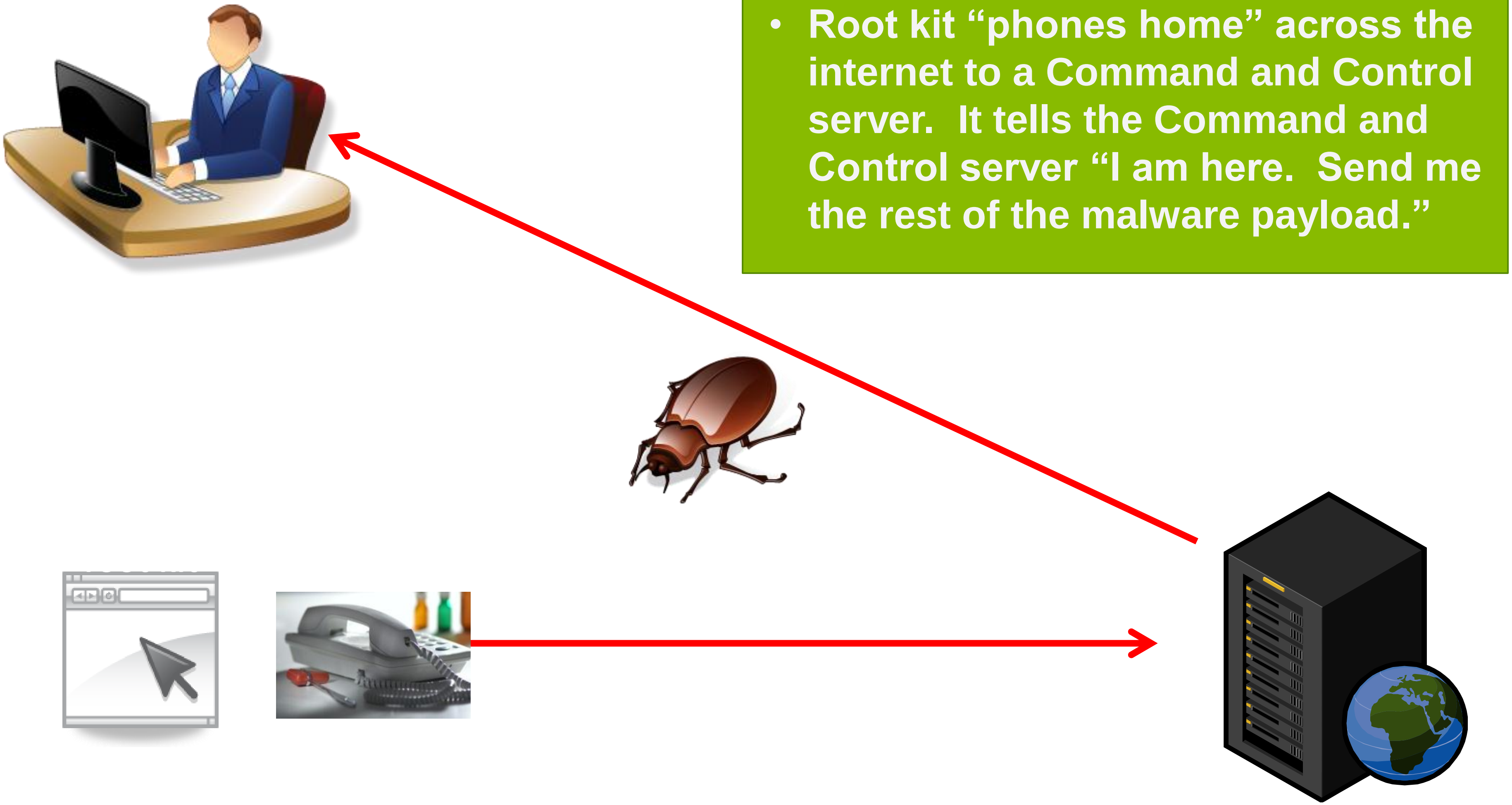
Methods of Attack



User opens email, clicks a malicious link or clicks a banner ad and the root kit is installed by the fraudster.

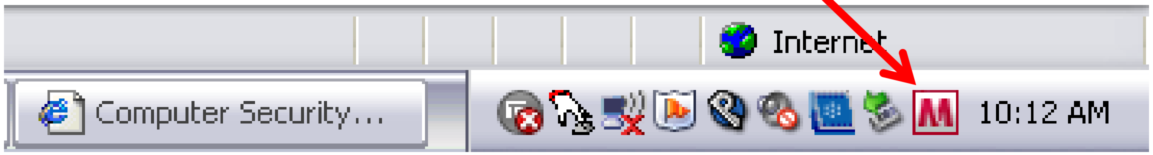
Methods of Attack

- Root kit installs itself deep within the client’s operating system.
- Root kit “phones home” across the internet to a Command and Control server. It tells the Command and Control server “I am here. Send me the rest of the malware payload.”



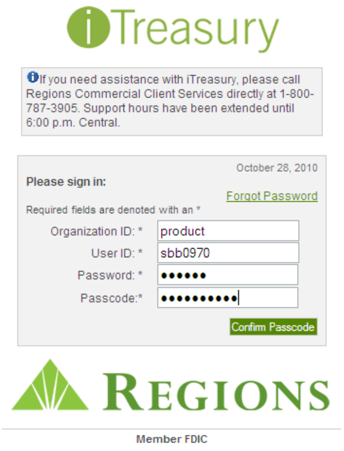
Methods of Attack

Malware disables anti-virus software. (The indicator in the system tray isn't necessarily affected, so the user doesn't know that anti-virus has been disabled.)



Methods of Attack

Software (malware) is running in the background as a service. It waits for the user to connect to iTreasury, or any online banking service. As soon as that happens, an instant message is sent out to the criminal, alerting him that the user is online.



If you need assistance with iTreasury, please call Regions Commercial Client Services directly at 1-800-787-3905. Support hours have been extended until 6:00 p.m. Central.

October 28, 2010

Please sign in:

Forgot Password

Required fields are denoted with an *

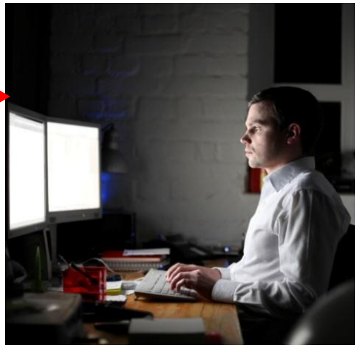
Organization ID: * product

User ID: * sbb0970

Password: * ••••••

Passcode:* •••••••••••

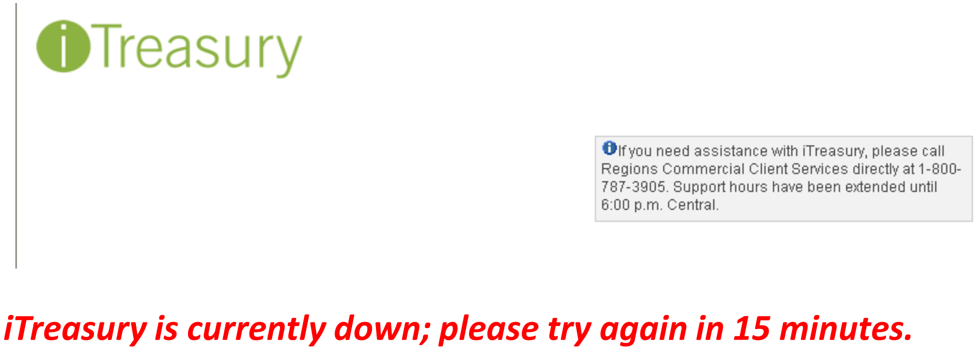
Member FDIC



Methods of Attack

User enters logon credentials and token pin and malware executes a “man in the browser” attack

- Code is injected onto the user’s web page with a message such as “iTreasury is down” or “OnePass is down;” “please try again in 15 minutes”



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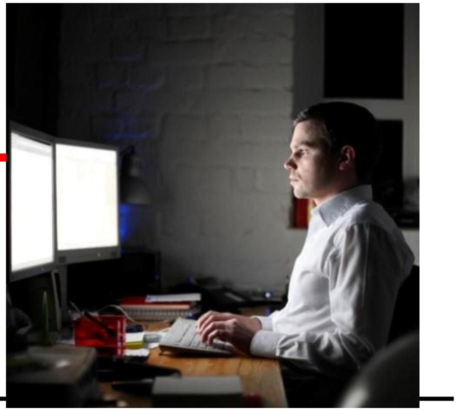
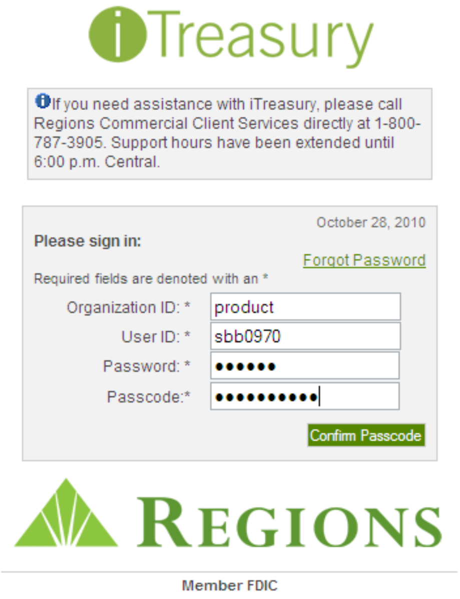
iTreasury is currently down; please try again in 15 minutes.



Methods of Attack

Meanwhile, key logging software in the malware has captured the logon credentials which are sent via Instant Messaging to the bad guy.

Methods of Attack



iTreasury

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October 28, 2010

Please sign in:

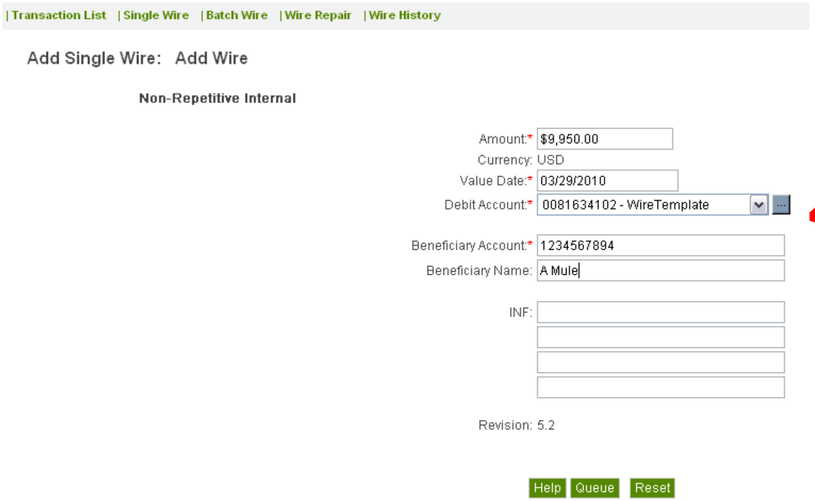
Forgot Password

Required fields are denoted with an *

Organization ID: *	product
User ID: *	sbb0970
Password: *	••••••
Passcode:*	••••••••••

The criminal now logs on to the financial service.

He now has the ability to do everything that the user is entitled to do.

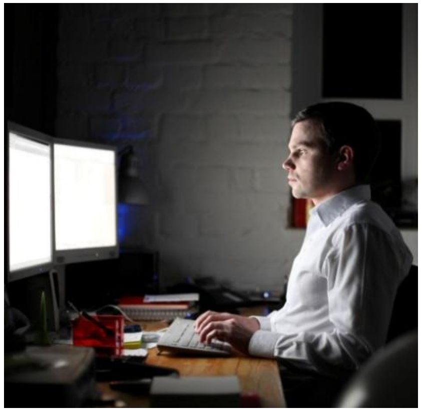


| Transaction List | Single Wire | Batch Wire | Wire Repair | Wire History

Add Single Wire: Add Wire

Non-Repetitive Internal

Amount:*	$9,950.00
Currency:	USD
Value Date:*	03/29/2010
Debit Account:*	0081634102 - WireTemplate
Beneficiary Account:*	1234567894
Beneficiary Name:	A Mule
INF:	
Revision:	5.2

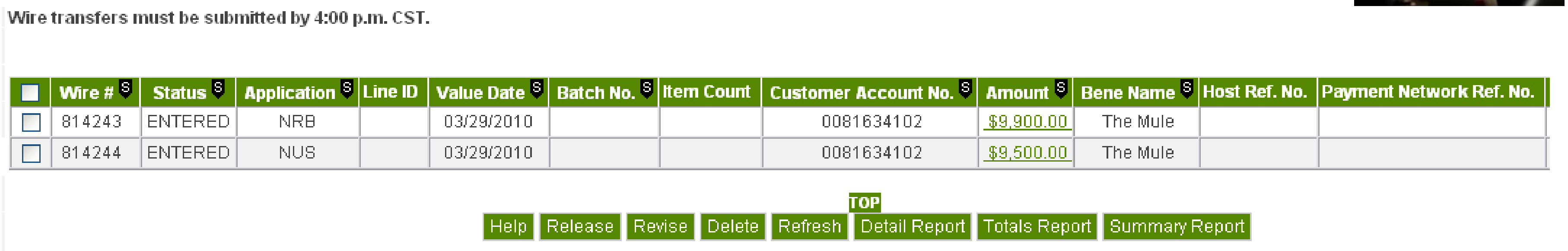


Methods of Attack

For any financial service requiring a token for ACH and Wire Transfer release, the criminal can create the transaction and wait for another opportunity to release the transaction.

IF the client is using dual authorization and the approver is NOT infected, then there won't be fraud.

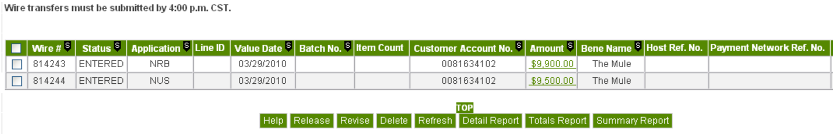
Also, with the introduction of Regions OnePass and Regions Out of Band Authentication, Regions is help prevent this type of fraud.



Wire transfers must be submitted by 4:00 p.m. CST.

☐	Wire #	Status	Application	Line ID	Value Date	Batch No.	Item Count	Customer Account No.	Amount	Bene Name	Host Ref. No.	Payment Network Ref. No.
☐	814243	ENTERED	NRB		03/29/2010			0081634102	$9,900.00	The Mule		
☐	814244	ENTERED	NUS		03/29/2010			0081634102	$9,500.00	The Mule		

Methods of Attack



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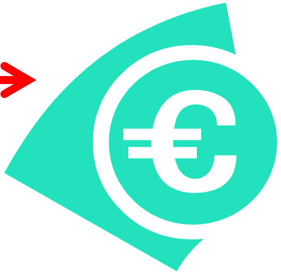
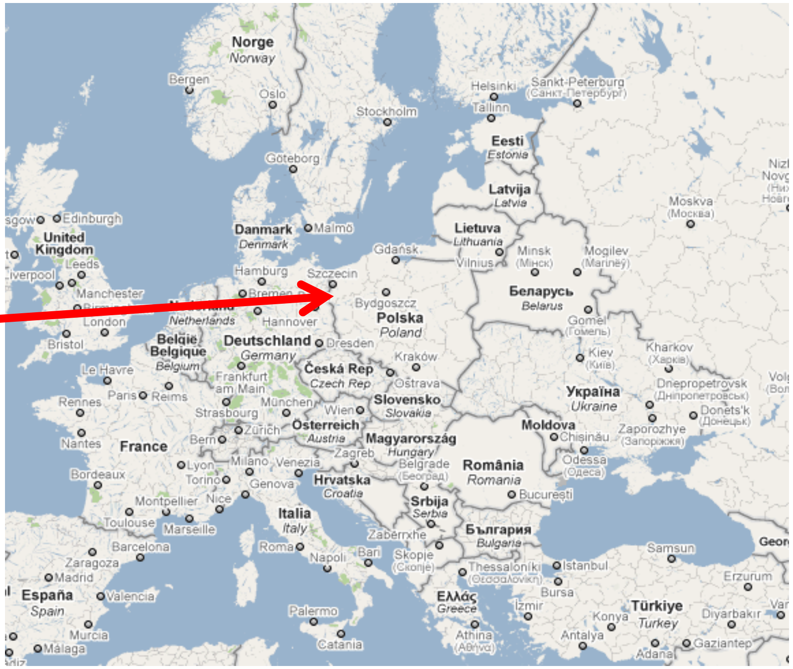
□	814244	ENTERED	NUS		03/29/2010			0081634102	$9,500.00	The Mule		

Money is usually sent to mules, who are recruited to accept Wire Transfers and/or ACH payments. The mules then withdraw the funds and wire the money outside the U.S.





Internet Banking Best Practices

- Dual Control for transaction initiation
  - Wire and ACH
  - E-mail Alerts for Approvals
- Daily reconcilement
- Secure environment
  - Dedicated PC and/or limit web surfing
  - Firewall, Anti-virus, Anti-malware, Anti-spyware
- Use strong passwords and protect them
- Don’t click on links in suspicious e-mails

Additional Resources

Fraud Prevention Best Practices for payments, online and bookkeeper fraud can be found at regions.com/stopfraud

Other resources:

- Internet Crime Complaint Center
  www.ic3.gov

- Safe Checks Fraud Bulletin
  http://www.safechecks.com/services/fraudbulletin.html

Surveys and Other Sources Cited:

2013 AFP Payments Fraud and Control Survey
Association of Certified Fraud Examiners (acfe.com)