

Trends in P2P Payments & Fraud

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Empowering
the Financial World



What Is Moving the Industry?



Increased Desire for Convenience



Technological Advancements



Maturing Millennial Generation



Moving Towards a Cashless Society

The market and consumer behavior are shifting....

The Person-to-Person Payment Landscape

As smartphone adoption continues to grow, the P2P market grows with it.



Cash is on its way out¹

24% make most/all of their transactions with cash, compared to **36%** in 2011



Smartphone adoption rates have skyrocketed²

up from **35%** in 2011 to **77%** in 2017

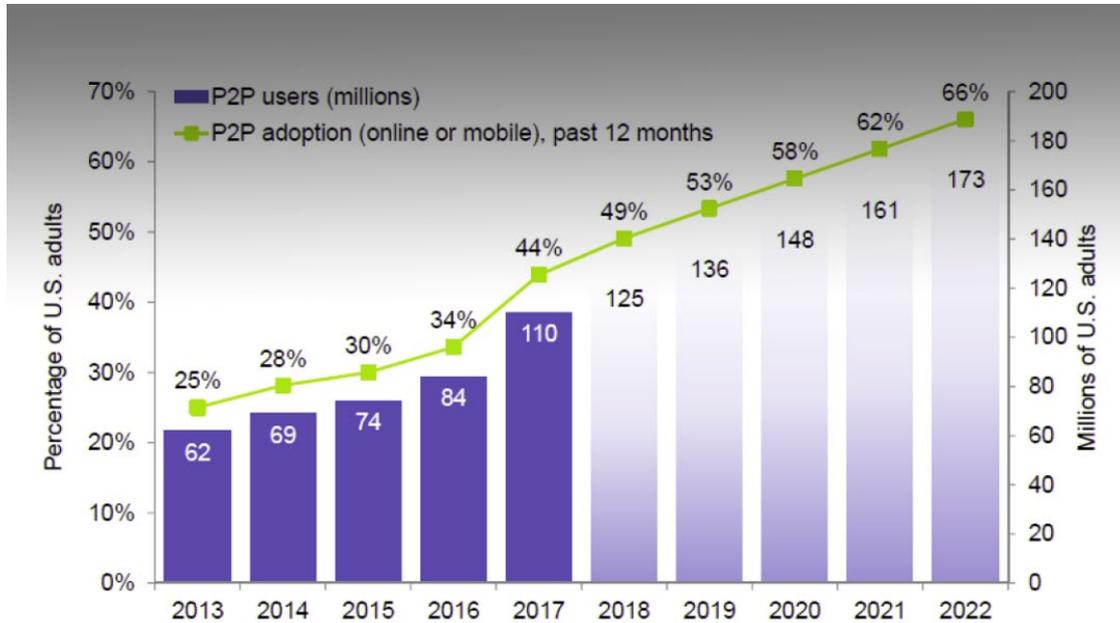


There is huge demand for P2P payments¹

The market is estimated at more than **\$1.2 trillion**

Growing Market for Person-to-Person Payments

Two-Thirds of Consumers Will Make P2P Payments in 2022



Source: Javelin Strategy & Research, 2018

1. According to Javelin, in 2017, 44% of U.S. consumers used a digital P2P service in the previous 12 months, up from 34% in 2016.
2. Javelin Strategy and Research predicts two of every three adults will use a digital P2P service annually by 2020*.
3. Of the nation's top 28 banks, 75% offered mobile P2P in 2017, up from 50% in 2016.
4. Top use cases for P2P payments include rent, splitting bills, gifting, paying an individual for entertainment or dining, paying an individual for a service such as babysitting or landscaping.

*Source: What Banks Can Do To Make Zelle's P2P Rollout Successful, February 2018

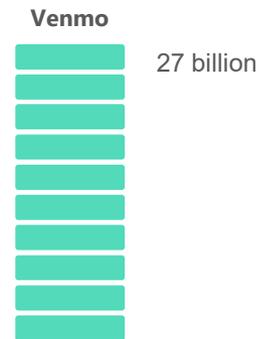
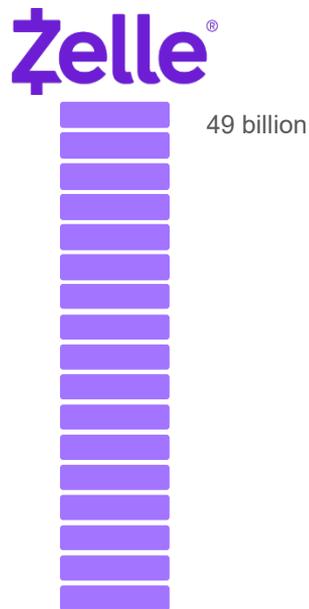
Zelle Volume Almost Doubles Venmo!

November 1, 2019

Zelle closed out Q3 2019 with continued growth in transaction volume. For Q3 2019 Zelle volume hit 49B while Venmo achieved just 27B in volume. Analysts expect that pace of growth to continue throughout 2020.



- *"One of the main hurdles new apps face is building trust and a sizable audience," said eMarketer Forecasting Analyst Cindy Liu. "But Zelle has leapfrogged the early stages of adoption by having the benefit of being embedded into the already existing apps of participating banks."*



Millennials and More



zelle[®]
breaks
through to
non-
millennials:
50% of
new P2P
users over
45-years-old

- Zelle design philosophy holds more appeal to older adults.
- Zelle users over 45-years-old account for **26%** of the current user base.
- **29%** of new P2P users are between the ages of 55-72.
- **21%** of new P2P users are between the ages of 45-54.

*Early Warning surveyed 1,500 U.S. consumers between October and early December 2018.

P2P for Financial Institutions: Slow Adoption Until Zelle®

Pre 2017

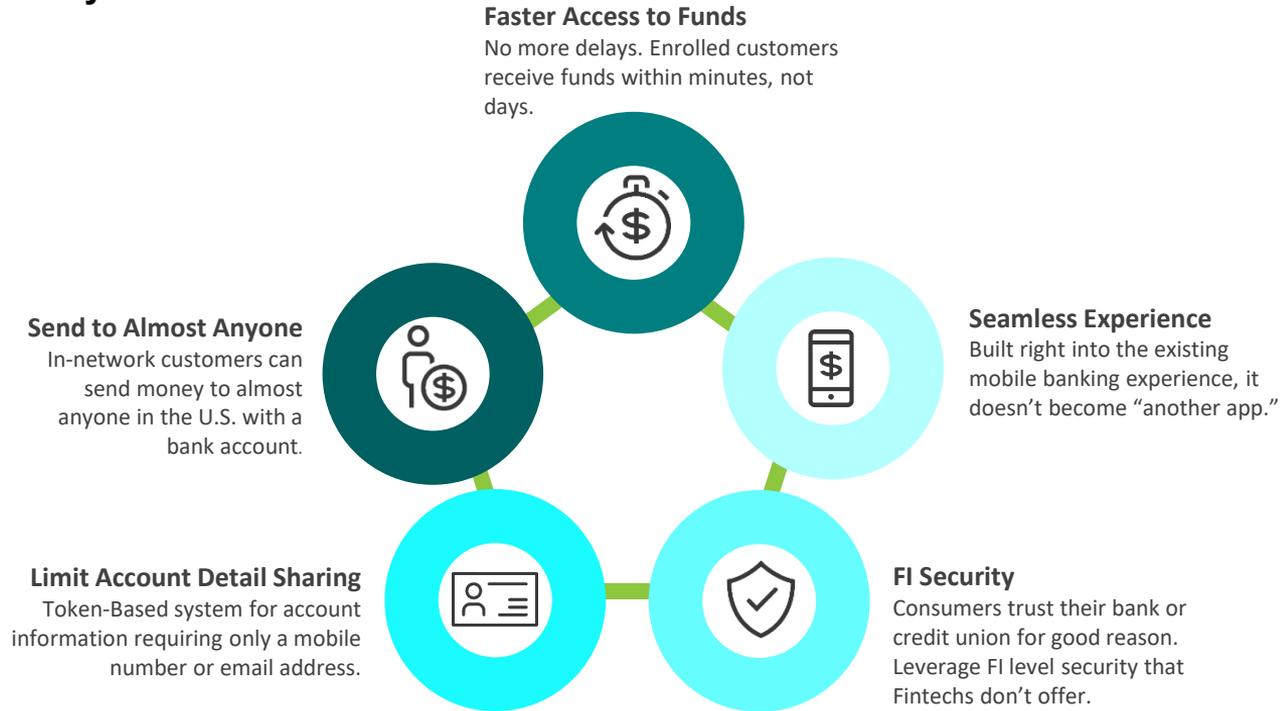
- Financial institutions, wearied by non-banks scooping up more of the P2P space decided to offer the service themselves.
- Results were dreadful. Only **1.2% of active digital banking users were making P2P payments**, regardless of device.
- Just **12% of FIs offering a mobile app enable P2P payments** in the app.
- P2P is labeled “low volume” and “huge disappointment.”

2017 and beyond

- Enter Zelle, a bank-controlled P2P network, who has partnered with 600 FIs to bring personal payments
- Zelle year-over-year payment values increased by 58%; Year-over-year transaction volume increased by 73%
- Over 254 financial institutions online today and processing transactions
- 5,516 FIs are represented in the Zelle Network via their customers using the Zelle app
- One in two adults with a U.S. FI account have access to Zelle in their mobile banking app

Value Proposition

What's in it for your members?



Do Faster Payments Mean Faster Fraud?



Faster payments will bring changes throughout the payments industry, and these changes may entice criminals, especially as the window to verify a transaction shrinks.



When payments are faster and funds settle in real-time the opportunity for review closes, meaning fraud can occur in real-time as funds are withdrawn instantly from the destination bank.



Solution: Measures such as automated fraud monitoring, which involves machine-learning and device-fingerprinting tool. Plus, educating FIs, fintechs, and consumers.



Press Releases: Invitation to Attack

When real-time payments go live, payment providers kick up campaigns which provide details that fraudsters can use for their attacks.

- Dates and participating financial institutions contribute to awareness.
- Dates allow fraudsters to prepare (and to attack early when systems are most vulnerable).
- Listing participants allows fraudsters to know where they can originate transactions and later cash out.



Money Mules & Synthetic Identity: Cause for Concern in Real-Time Payments



MULE ACCOUNTS

For real-time payments, fraudsters aim to get the money out quickly. To do so, they often establish mule accounts to receive and obtain funds.



SYNTHETIC IDENTITY

With synthetic identity, fraudsters gather shreds of a range of entities to establish a new account.



FBI INVOLVEMENT

The mule account problem is growing so quickly that the FBI launched a PSA campaign in 2018 to educate victims who fall prey to scams without realizing they are being used as mules.



PREVENTION

Real-time payment fraud prevention requires monitoring the holistic view of outgoing and inbound transactions.

Real-Time Payments Require Real-Time Decisions

IBM Counter Fraud Management for Safer Payments

- **Fulfills requirement for all real-time capable products in the FIS Digital Payments suite**
- **Real-time, in-session payment decisioning**
 - Approve
 - Approve and alert
 - Decline
- **Machine Learning rule creation allows agile response to fast-moving fraud**
 - Decision Engine houses rule hierarchy and scores cases
- **Profiling Engine utilizing configurable Counters, Patterns, Calendar profiles, Collusion profiles and Events**
- **Operates completely in memory for fast decisioning**
- **Data for Decisioning**
 - Member, payee, funding account, payment, session characteristics
 - Daily Limit failures
 - Payment attempts that fail for real-time debit violation
 - Enrollment and transactional OOBA tendencies
 - Velocity scenarios
 - Related product data
 - Email risk intelligence payload
- **Fully hosted at FIS, but with various model offerings to meet changing client needs**

FIS Fraud Prevention: Impressive Decline in Fraud

Clients with Zero Fraud
March – June 2019



40%

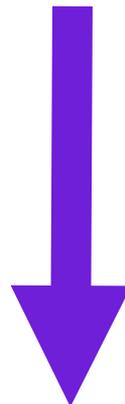
With the introduction of real-time interdiction, 80% of FIS clients had zero fraud in June, a 57% improvement from March.

Fraudsters Targeting FIS
March – June 2019



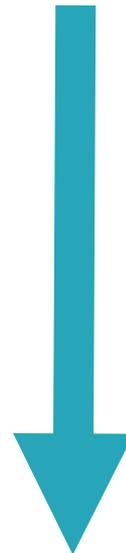
70%

Basis Point \$ Exposure
March – June 2019



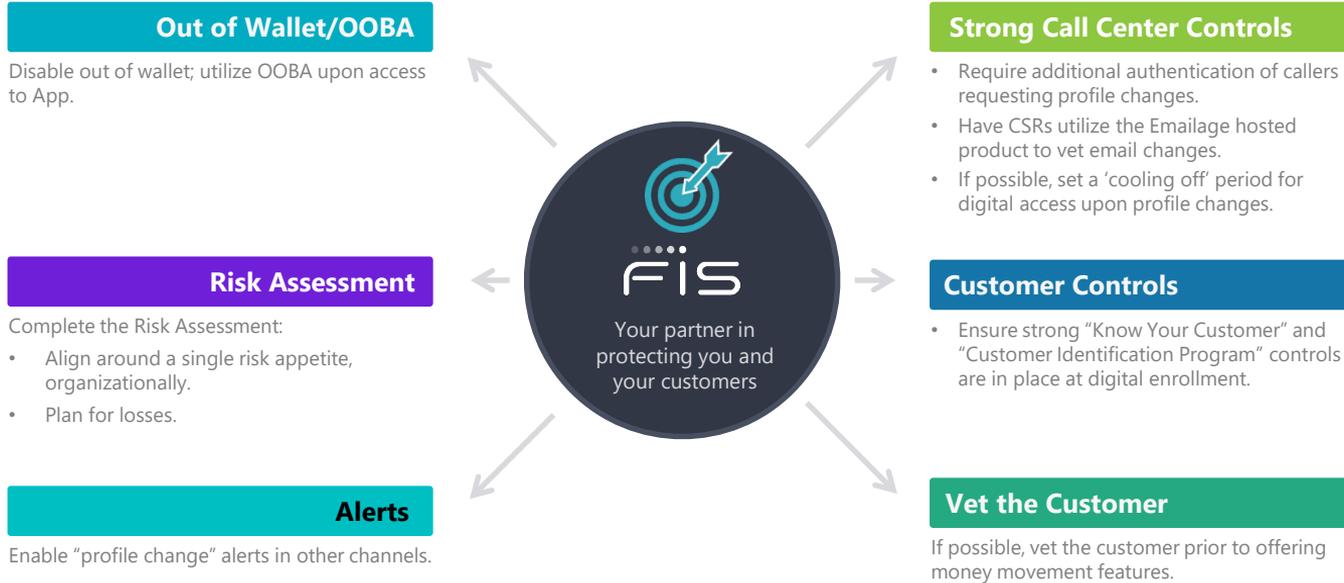
72%

False Positive Alerts
March – June 2019



90%

FIS Fraud Prevention Best Practices



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