

fortify your defenses: combat check fraud with positive pay

The cost of fighting fraud is rising for U.S. banks, with every dollar lost to fraud now costing \$4.36 in related expenses such as legal fees and recovery.¹

As the financial industry undergoes swift digitization, the sophistication of fraudulent activities is evolving at a rapid pace. From identity theft to cyberattacks, fraudsters are adept at exploiting vulnerabilities, causing substantial financial losses for both financial institutions and accountholders.

In fact, 65% of businesses were victims of payments fraud attacks/attempts in 2022.²

Of those who were victims of payments fraud in 2022, nearly half (44%) were unsuccessful in recouping any of the stolen funds and the majority of organizations recouped less than 10% of the funds stolen.³

Today, checks are considered the payment method most vulnerable to fraud, with check fraud accounting for \$177.4 million in losses in 2023 (up from \$153.4 million in 2022) and 63% of people reporting they faced check fraud in 2022 alone.⁴

With the rise of check fraud in the U.S. comes an urgent need for banks to implement robust security measures and innovative technologies to detect, prevent, and combat this growing threat.

As fraud continues to run rampant, how can you help protect your accountholders?



positive pay technology

Did you know Positive Pay is used by 83% of organizations to guard against check fraud, making Positive Pay the most used method to protect accountholders from fraudulent checks?⁵

Positive Pay is an automated technology that monitors checks and ACH transactions (the second-highest payment type susceptible to fraud) processed for payment. Positive Pay not only empowers your commercial accountholders to reject unauthorized transactions, but also identifies potentially fraudulent payments that businesses can then approve or reject.

In addition to preventing fraud, your commercial accountholders can easily and efficiently research and reconcile issued checks across all of their accounts with positive pay. Positive Pay activity is also visible to your financial institution in back-office reports, simplifying research requests and customer service.

the power of positive pay

When looking for a Positive Pay solution, consider one that offers:

- Visibility to checks flagged as potentially fraudulent (exceptions)
- Efficient and convenient access to decision check exceptions on desktop and mobile devices
- Historical reporting on all exceptions
- Check issue management from uploading to reconciliation
- Notifications indicating exceptions are ready to review
- Pending cut-off notifications if any exceptions are awaiting decision
- The ability to quickly identify suspicious items
- Access to check images for comparison



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An additional module (available from Jack Henry™) allows Treasury Management to present exceptions related to payee name mismatches for the business client to decision. This capability requires additional services from SilverLake System® and 4Sight Imaging Solutions.

For the convenience of your business customers, exceptions can be decided on either desktop or mobile devices. Exception reports can also display check images, making it fast and easy for your accountholders to research and decision exceptions.

providing guidance to your accountholders

When looking to report payments fraud, nearly 80% of organizations will seek assistance from their banking partners for guidance regarding what steps they can take to minimize the impact of fraud.⁶

As financial institutions are increasingly being sought out for guidance, it's important you have the tools you need to help protect your accountholders.

In addition to Positive Pay, consider offering incoming commercial businesses a “fraud checkup,” either in their RFP or as a part of their onboarding. This can include demos of fraud solutions for each payment type, explanations of how exceptions are handled, timing to action exceptions, and teaching customers about setting their defaults to “not pay” if decision deadlines are missed.⁷

fortify your defenses

The rise of sophisticated cyber threats has propelled Positive Pay to the forefront of treasury management practices – acting as a formidable deterrent against check fraud and protecting your accountholders from potential financial losses and your financial institution from reputational damage.

As cyber criminals continually devise new methods to exploit vulnerabilities, fortifying your defenses against fraud and bad actors is critical to your success in today's ever-evolving industry.



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connecting possibilities

[Get in touch](#) with our team to learn how Positive Pay can help you protect your financial institutions and your accountholders from check fraud.

For more information about Jack Henry, visit jackhenry.com.

sources

1. *Survey finds fraud costs are rising for banks*, ABA Banking Journal, accessed December 29, 2023.
2. *2023 AFP Payments Fraud and Control Survey*, Association for Financial Professionals, accessed December 29, 2023.
3. *2023 AFP Payments Fraud and Control Survey*, December 29, 2023.
4. *All Fraud Reports by Payment Method*, Tableau Public, accessed December 29, 2023.
5. *2023 AFP Payments Fraud and Control Survey*, December 29, 2023.
6. *2023 AFP Payments Fraud and Control Survey*, December 29, 2023.
7. *2023 AFP Payments Fraud and Control Survey*, December 29, 2023.