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Your source for payments education

# From Fraud Detection to Fraud Prevention:

## Why Identity Matters

Alexander Hall, Trust and Safety Architect - **Sift**

Kaleb Winn, Sr. Payments Success Manager - **Boulevard**

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# Your Speakers:

Alexander Hall
Trust and Safety Architect
**Sift**

Kaleb Winn
Sr. Payments Success Manager
**Boulevard**

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# Key Takeaways

1. Understanding Identity Trust in fraud prevention
2. Differentiating legitimate users from fraudsters
3. Strategies and best practices
4. Future trends and innovations

# Fraud continues to evolve.

- Payment Fraud:
  - Expected to rise to $107 billion in 2029
  - A 141% increase ~~over 5 years~~
- Account Takeovers
  - 3% account takeover rate
  - Driving MFA Adoption to 12%
- Social Engineering
  - Verified users are coerced into detrimental actions
  - 34% of Gen Z consumers report having participated in, or know someone who has participated in, payment fraud.

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# “Identity” has changed, too…

- Data breaches provide fraudsters with compromised information
  - Payment Information
  - Identity Information
  - Account Information
- Active v. Passive Datasets
  - Fraudsters excel in their ability to manipulate accurate information.
  - Behaviors are more difficult to emulate
- The focal use case dictates the relevant information
  - Payment Fraud
  - Account Takeovers
  - Social Engineering

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# Impact to a business is growing.

- Financial Losses
  - Global chargeback volumes are projected to reach 377 million transactions by 2026.
  - Average Chargeback Value Increased from $235.57 in Q1 of ‘23 to $374.01 in Q1 of ’24.
  - Promo code abuse cost merchants an estimated $89 billion.
  - Fraudulent returns and claims resulted in a $103 billion loss for retailers in 2024.
- Brand Reputation
  - 68% of consumers would no longer use a site where they had been a victim of payment fraud.
- Customer Satisfaction
  - Overzealous fraud practices lead to high-friction journeys for users.
  - Inaccurate decisioning leads to customer insult.

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# Strategic Considerations

- Holistic Monitoring
  - Pressures applied by bad actors dictate the necessary response.
  - Deep collaboration and cross-department reporting is a must.
- Expansive Data
  - In-house data is not enough.
  - Active v. Passive Datasets
- Dynamic Automation
  - Fraudsters excel in their ability to identify thresholds and rules-based processes.
  - AI / ML Logic empowers dynamic processing.

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# Holistic Monitoring

## Insights Across the Customer Journey

| USE CASE | CUSTOMER JOURNEY INSIGHT |
| --- | --- |
| Account Creation | New user, signed up, one previous transaction/no transaction |
| Account Takeover | Passed MFA; fast changed payment billing address (CA) |
| Payment Fraud | Medium risk score; added a 3rd payment method |
| Money Movement | Multiple transfers to same user |
| Chargeback Fraud | Low score; only one transaction to review |
| Policy Abuse | Low score; but multiple transactions in short period |
| Content Scams | New user; but flagged with high risk "key word" |

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# Expansive Data

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# .....and Trust.

## Next Evolution of Fraud Decisioning is Decisions with DIMENSION

| USE CASE | CUSTOMER JOURNEY INSIGHT | (+) | GLOBAL IDENTITY INSIGHT | = | CAN I TRUST? |
|---|---|---|---|---|---|
| Account Creation | New user, signed up, one previous transaction/no transaction | (+) | Identity age is >5yrs; minimum global block rate | = | TRUST |
| Account Takeover | Passed MFA; fast changed payment billing address (CA) | (+) | Consistent F&D with payment and billing address in FL | = | BLOCK |
| Payment Fraud | Medium risk score; added a 3rd payment method | (+) | Multiple global block/watch decisions from same industry | = | BLOCK |
| Money Movement | Multiple transfers to same user | (+) | Recipient user has >5yr identity age; low global block rate | = | TRUST |
| Chargeback Fraud | Low score; only one transaction to review | (+) | Linked to global identity with low chargeback rates | = | TRUST |
| Policy Abuse | Low score; but multiple transactions in short period | (+) | Low global block/watch rates across multiple industries | = | TRUST |
| Content Scams | New user; but flagged with high risk "key word" | (+) | Global identity age is >3yrs; allowed in similar industries | = | TRUST |

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# Identity Trust

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# Future Trends and Innovations

- **“Visa Gives AI Shopping Agents ‘Intelligent Commerce’ Superpowers”**
  The system allows users to securely upload their card information to an AI agent. Users can provide payment instructions and set customizable parameters, enabling the AI agent to find and purchase items or services on their behalf. **- PYMNTS.COM**

- **“Real time comes of age”**
  Real-time payments systems are now available in more than 100 countries, with 575 billion RTP transactions expected by 2028, representing 27% of all electronic payments globally. **- Mastercard.com**

- **“Customers are flocking to alternative payments”**
  Digital wallets, BNPL, A2A, and cryptocurrencies are gaining traction, driving financial inclusion and meeting diverse customer needs. **- LexisNexis.com**

# Summary & Key Takeaways

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# Thank you

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- Don’t forget to submit your session evaluation!

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