

# WHY CRIME?

## Financial Fraud Action UK report – Q4 2016

### Financial fraud soaring yet seven in 10 businesses leave themselves at risk

October 28, 2016

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- Prime targets are senior management in SMEs, employees in large companies

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#### PRESS OFFICE //

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# WHY CRIME?

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### Latest industry data shows fall in financial fraud

September 28, 2017

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- Total losses on card, remote banking and cheque fraud were 8 per cent lower in H1 2017 than in H1 2016
- Industry successfully stopped more than two-thirds of attempted financial fraud preventing over £750 million of fraud
- Banking industry and government to launch next phase of Take Five to Stop Fraud campaign to help customers spot the most common financial scams as criminals increasingly target them as the weakest link

Financial fraud losses of £366.4 million in the first half of 2017 were 8 per cent lower year-on-year, figures from UK Finance show. The data, which covers payment cards, remote banking and cheques, also shows that the industry prevented over £750 million of fraud during the same period, or 67 per cent of attempted fraud. This compares with £400.4 million of losses and £678.7 million of prevented fraud in the first half of 2016.

Fraudsters are increasingly trying to use customers' compromised personal and financial information to carry out fraud. Details are primarily stolen through online attacks, such as data hacks and malware, as well as through impersonation scams directly targeting customers.

#### FEATURED //



#### Fraud the Facts 2017

The definitive overview of industry fraud

[View](#)
[Download](#)

#### FEATURED //



#### Annual Review 2017



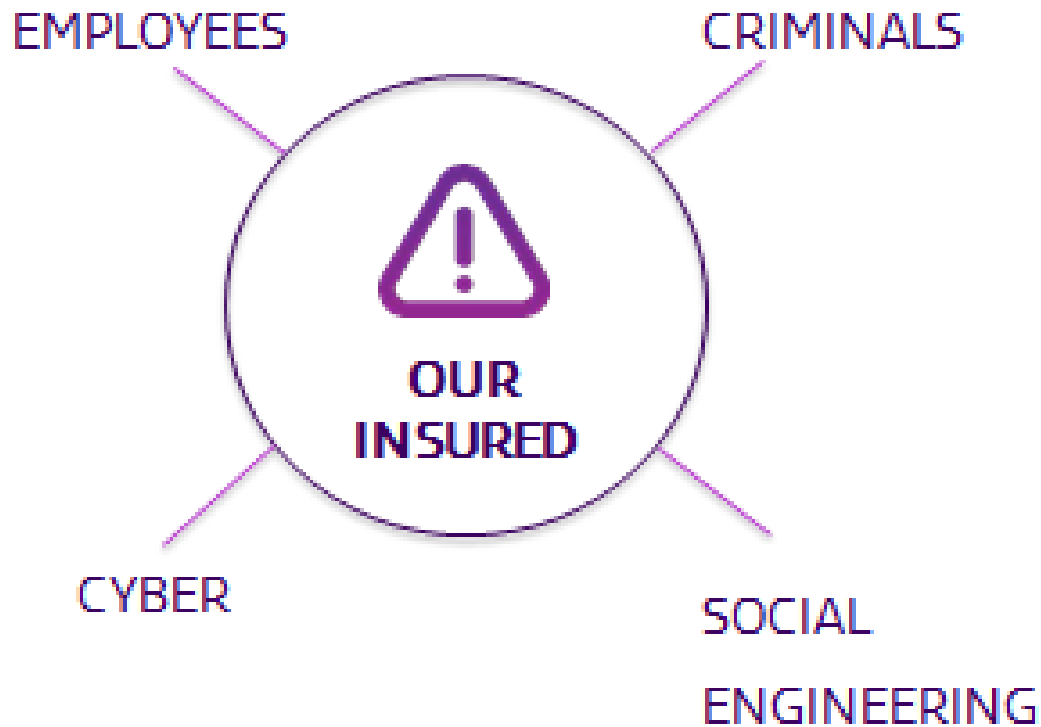
**WHY NOW?**

**A steep learning curve?**

**‘I NEED CYBER’**

@Many in our industry

# EVERYONE HAS A FRAUD EXPOSURE



# OUR CLIENTS HAVE EVOLVED

**The coconut represents old style IT security;**  
Like a fortress this fruit is hard outside but soft inside.

**The mango represents the new cyber age approach to IT security.**

Organisations that work towards the mango model and harden the core of their IT:

- Understand their important data, like products, clients and contracts
- Can identify their key processes like research & development, sales tools etc.
- Protect their critical applications; finance, HR
- Can identify other vital infrastructures and systems
- They have a business continuity or disaster recover plan that includes a Cyber event
- They know which Cyber event will impact them the most.



**REMEMBER FIDELITY?**



LOVE IS THE SWEETEST THING...



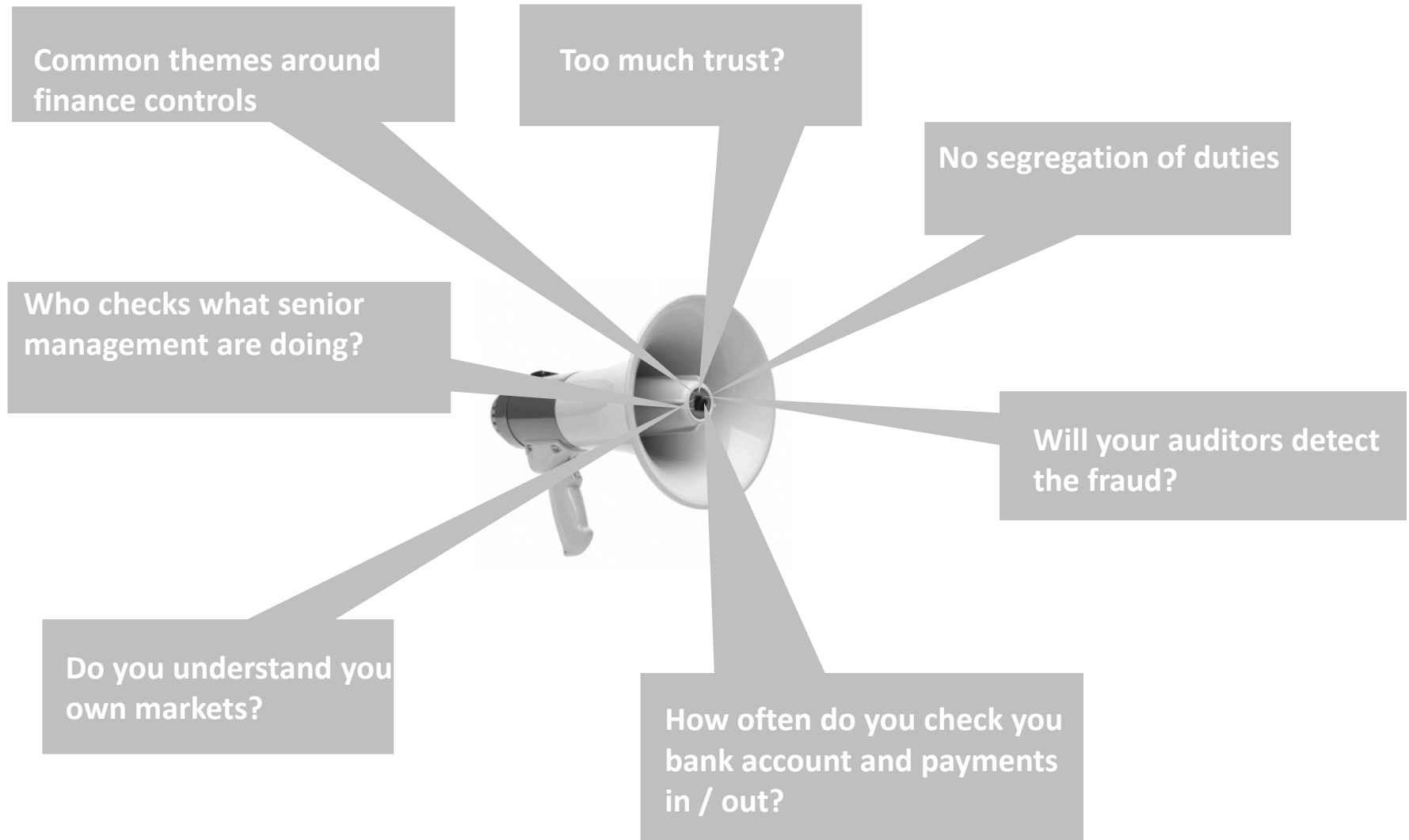
‘THAT HR GIRL IS REALLY HELPFUL, ISN’T SHE?’





# HOW COULD THESE LOSSES HAVE BEEN AVOIDED?

However far less of a large loss issue – financial controls improving



**OLD FASHIONED CRIME.....**

THEY FOUND THE NEEDLE IN THE HAYSTACK!



THE REPEAT ORDER, ANOTHER £160,000 WON. OR WAS THAT LOST?



# WE DON'T NEED COMMERCIAL CRIME



**‘SOCIAL ENGINEERING’ ARRIVES.....**



## THIS DOESN'T ADD UP ...

# Invoice

**To:**  
Client Name  
Company  
Company Address Line 2  
Company Address Line 3  
Post Code  
Country

**Your Company Name**  
Company Address  
Company Address Line 2  
Company Address Line 3  
Post Code  
Country

Company Registration No: If Applicable  
VAT Registration No: If Applicable

### Invoice Details

|   |                |   |                |   |           |
|---|----------------|---|----------------|---|-----------|
| 1 | Invoice Number | 0 | Tax Date       | 4 | 1/1/2011  |
| 2 | PO Number      | 0 | Terms          | 5 | 28 Days   |
| 3 | Reference      | 0 | Payment Due By | 6 | 29/1/2011 |

| Description   | Rate    | Quantity | Net     | VAT % | VAT     | Gross   |
|---------------|---------|----------|---------|-------|---------|---------|
| Sample Item 1 | £ 10.00 | 1.00     | £ 8.00  | 20.00 | £ 2.00  | £ 10.00 |
| Sample Item 2 | £ 15.00 | 3.00     | £ 36.00 | 20.00 | £ 9.00  | £ 45.00 |
| Sample Item 3 | £ 22.00 | 4.50     | £ 79.20 | 20.00 | £ 19.80 | £ 99.00 |

|             |                |
|-------------|----------------|
| Net Total   | £ 123.20       |
| VAT Total   | <u>£ 30.80</u> |
| Gross Total | £ 154.00       |

Registered Office Address: Address Line 1, Address Line 2, Address Line 3, Post Code, Country

THE CEO HAS CALLED – HE NEEDS MONEY TRANSFERRED!



‘WE NEED TO TALK ABOUT YOUR ACCOUNT’



# PROTECTING YOU

## A number of frauds could be eradicated by simple checks and controls

- Where you have stock or valuable assets there is no better control than good physical security – locks, safes, alarms – and restrict the value if possible.
- Always be vigilant – even an internal request to transfer money should be ratified. Regardless of whom is asking.
- Ensure management are ‘on board’ with risk controls – there is no point having rules if management can circumvent them.
- Payment diversion frauds – these can all be eradicated if the Finance team paused, took time out, and dialled their normal contact on a separate phone line.
- Ensure fraud is addressed at board level – with communication and training of the issues to all within the organisation.



# CYBER THEFT

Then versus now.....





# EMAIL CLOAKING?



‘IT IS EASIER TO TAKE ORDERS OVER THE NET’



‘FISHING or PHISHING?’ and now SMISHING!!!



# Cyber issues

Issues to consider:



Understand that continual attention is required to your IT systems



Identify the typical fraudsters techniques - web page scraping; phishing; vishing; trojan horses



Do not rely on your bank or finance house to make good any losses



What systems can help strengthen your banking mechanisms? E-mail cloaking – highlight any mail from outside your organisation.



Boardroom matter, highlight to finance staff, train and communicate

**THE 'WTF' INCIDENT**

**I MEAN OF COURSE -**

**'WHAT'S THIS FRAUD'**

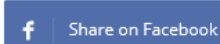
## OUR BOOKING SYSTEM IS ROBUST





# THIS IS HAPPENING, AND IT IS BEING REPORTED

## SMEs lose £9bn in invoice fraud



***UK small and medium sized businesses (SMEs) are losing more than £9bn from invoice fraud every year.***

The annual cost of [fraud in the UK](#) could be as high as £193bn a year, far higher than a government estimate of £50bn, according to a new report.

### Sample the FT's top stories for a week



You select the topic, we deliver the news.

The latest Annual Fraud Indicator, based on research from Portsmouth university, has estimated that private sector losses could be as high as £144bn a year — much larger than the public sector figure of £37.5bn. It also counted the cost of fraud against individuals.

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## RSA EXPERIENCE OF RECENT CRIME POLICY LOSS

40% employee

60% third party

# COMMERCIAL CRIME COVER IS VITAL

## Commercial Crime has a broad Insuring Clause

- RSA Commercial Crime – Insuring Clause reads – criminal, fraudulent or dishonest taking ‘by any person’
- Cyber frauds are unlikely to be covered under Fidelity wordings or under ‘Crime’ extensions to Management Protection contracts
- Cyber wordings are evolving – on Theft cover – be careful to read the terms and conditions
- Be cautious on ‘knowingly surrendered’ exclusions – these will really impact the cover where an Insured has been duped
- Be cautious on ‘social engineering’ exclusions or sub limits.

**The Devil is in the detail**



## BUT MOST INSURED'S TAKE THIS APPROACH



# COMMERCIAL CRIME COVER CHALLENGES

Why do the majority of businesses fail to buy the cover ?

- Client perception – it won't happen to me
- Cost – often deemed as plc protection
- Access – no etrade
- Advice – brief note in 'Uninsured' portion of renewal report
- Insurer's can ask a lot of detail





**WHAT'S NEXT?**

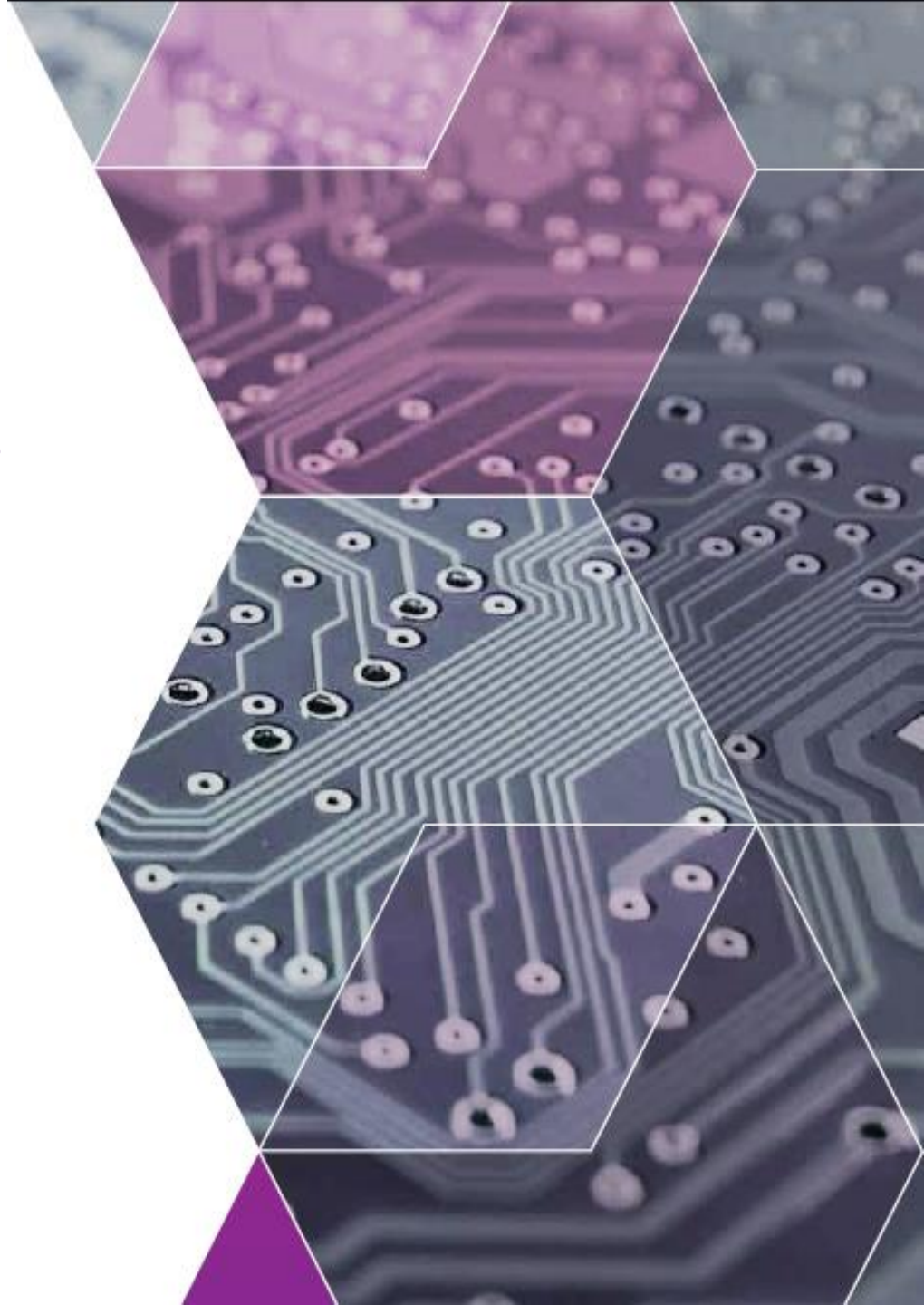




# WHAT'S NEXT?

- It's PROFESSIONAL ADVICE
- It's potentially life threatening to a business
- You don't know what you don't know
- RESILIENCE is the key – both for the insurance industry and our clients
- RSA have the capability and desire to help our brokers and their clients.

**CII Harrogate Summary**



**ANY QUESTIONS?**