

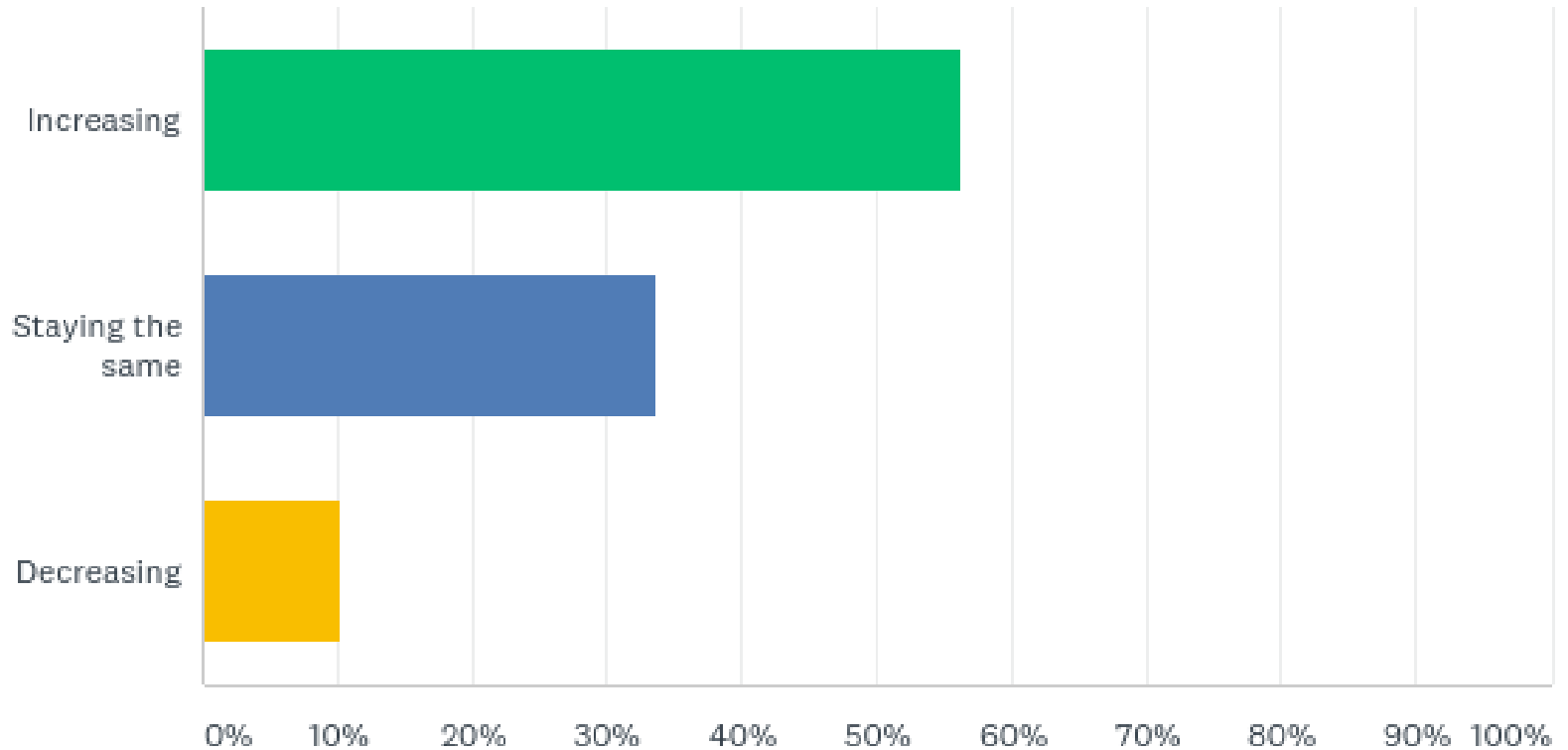


The State of Check Fraud in Financial Institutions – H1: 2017 Market Research

Completed by OrboGraph

Q1: Overall, how would you describe check fraud trends for your organization and why?

Answered: 128 Skipped: 3



Q2: Please complete the matrix with responses related to fraud ATTEMPTS for your organization, based on 2017 trends for each paper-originated negotiable item type.

Answered: 131 Skipped: 0

	SIGNIFICANT INCREASE	MODERATE INCREASE	SAME LEVEL	MODERATE DECREASE	SIGNIFICANT DECREASE	TOTAL
Personal checks	6.87% 9	29.77% 39	51.15% 67	11.45% 15	0.76% 1	131
Business checks	18.32% 24	43.51% 57	31.30% 41	6.87% 9	0.00% 0	131
Money orders	4.76% 6	7.94% 10	66.67% 84	11.11% 14	9.52% 12	126
Government & Treasury checks	0.78% 1	9.38% 12	67.19% 86	13.28% 17	9.38% 12	128
Bill payment checks	3.88% 5	24.03% 31	58.91% 76	8.53% 11	4.65% 6	129
HELOC checks	0.79% 1	4.72% 6	77.17% 98	8.66% 11	8.66% 11	127
Pre-authorized drafts/Remotely created checks	7.87% 10	28.35% 36	53.54% 68	5.51% 7	4.72% 6	127

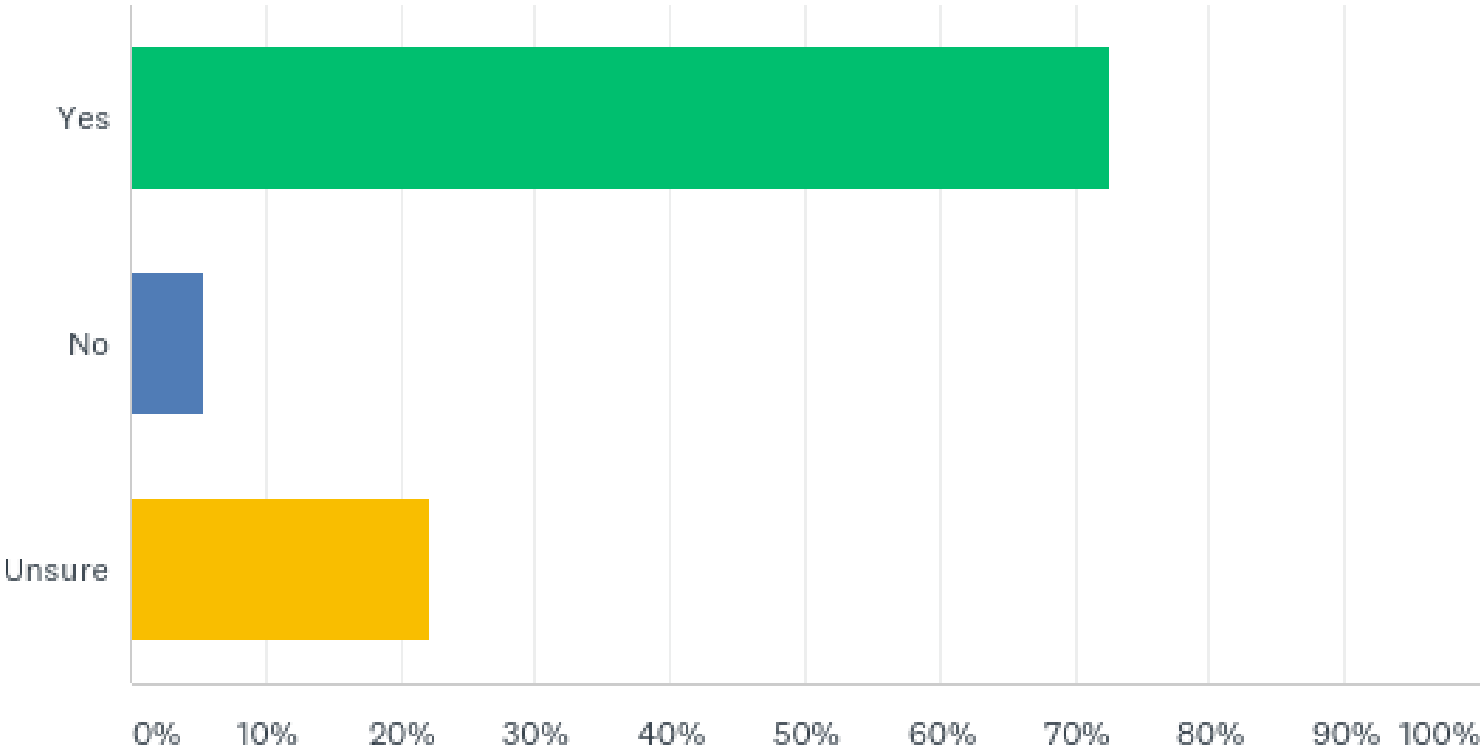
Q3: Please complete the matrix with responses related to fraud LOSSES for your organization, based on 2017 trends for each paper-originated negotiable item type.

Answered: 131 Skipped: 0

	SIGNIFICANT INCREASE	MODERATE INCREASE	SAME LEVEL	MODERATE DECREASE	SIGNIFICANT DECREASE	TOTAL
Personal checks	6.87% 9	31.30% 41	49.62% 65	9.16% 12	3.05% 4	131
Business checks	9.92% 13	38.93% 51	40.46% 53	7.63% 10	3.05% 4	131
Money orders	2.36% 3	5.51% 7	70.08% 89	11.81% 15	10.24% 13	127
Government & Treasury checks	1.56% 2	6.25% 8	69.53% 89	12.50% 16	10.16% 13	128
Bill payment checks	0.78% 1	19.53% 25	60.94% 78	14.06% 18	4.69% 6	128
HELOC checks	0.79% 1	2.36% 3	75.59% 96	12.60% 16	8.66% 11	127
Pre-authorized drafts/Remotely created checks	3.94% 5	18.90% 24	60.63% 77	10.24% 13	6.30% 8	127

Q4: Do you believe these trends in check fraud LOSSES will continue in the foreseeable future for your organization?

Answered: 131 Skipped: 0



Q5: Are check fraud losses incurred by your corporate/treasury customers a pain point for your organization?

Answered: 128 Skipped: 3

ANSWER CHOICES	RESPONSES	
Critical issue	9.38%	12
Moderate issue	49.22%	63
Low priority issue	41.41%	53
TOTAL		128

Q7: Rate the overall fraud LOSS trends based on process workflow of paper-originated items.

Answered: 131 Skipped: 0

	SIGNIFICANT INCREASE	MODERATE INCREASE	SAME LEVEL	MODERATE DECREASE	SIGNIFICANT DECREASE	N/A	TOTAL
Inclearings	7.75% 10	25.58% 33	55.04% 71	6.98% 9	2.33% 3	2.33% 3	129
Teller deposits	6.20% 8	34.11% 44	45.74% 59	9.30% 12	1.55% 2	3.10% 4	129
Consumer RDC (Mobile)	19.85% 26	35.11% 46	29.01% 38	3.82% 5	1.53% 2	10.69% 14	131
Commercial RDC (Desktop)	3.10% 4	11.63% 15	61.24% 79	6.20% 8	2.33% 3	15.50% 20	129
Commercial RDC (Mobile)	2.36% 3	8.66% 11	49.61% 63	6.30% 8	1.57% 2	31.50% 40	127
ATM deposits	7.81% 10	24.22% 31	38.28% 49	3.13% 4	0.78% 1	25.78% 33	128
Kiosk deposits	1.56% 2	1.56% 2	31.25% 40	0.00% 0	0.78% 1	64.84% 83	128
Retail remittance	0.78% 1	2.34% 3	44.53% 57	2.34% 3	1.56% 2	48.44% 62	128
Wholesale lockbox	3.10% 4	1.55% 2	36.43% 47	0.78% 1	1.55% 2	56.59% 73	129
Money Services Businesses (MSB) deposits	2.36% 3	6.30% 8	51.97% 66	0.79% 1	0.79% 1	37.80% 48	127

Q8: Specify the estimated dollar range of ON-US check fraud losses for your organization (for 2017).

Answered: 127 Skipped: 4

	UNDER \$10K	\$10K-25K	\$25K-\$50K	\$50K-\$200K	\$200K-\$500K	\$500K-\$1M	\$1M-\$5M	OVER \$5M	TOTAL RESPONDENTS
Counterfeit	65.60% 82	11.20% 14	8.80% 11	11.20% 14	2.40% 3	0.80% 1	0.80% 1	0.00% 0	125
Forgery	65.60% 82	18.40% 23	5.60% 7	6.40% 8	3.20% 4	0.00% 0	0.80% 1	0.00% 0	125
Alteration	72.95% 89	13.93% 17	5.74% 7	6.56% 8	0.82% 1	0.00% 0	0.00% 0	0.00% 0	122

Q9: Specify the estimated dollar range of TRANSIT check fraud losses for your organization (for 2017).

Answered: 124 Skipped: 7

	UNDER \$10K	\$10K-25K	\$25K-\$50K	\$50K-\$200K	\$200K-\$500K	\$500K-\$1M	\$1M-\$5M	OVER \$5M	TOTAL RESPONDENTS
Counterfeit	64.46% 78	17.36% 21	4.96% 6	5.79% 7	4.96% 6	0.83% 1	1.65% 2	0.00% 0	121
Forgery	72.36% 89	12.20% 15	7.32% 9	3.25% 4	4.07% 5	0.00% 0	0.81% 1	0.00% 0	123
Alteration	75.00% 90	10.00% 12	7.50% 9	2.50% 3	4.17% 5	0.00% 0	0.83% 1	0.00% 0	120

Q10: How satisfied is your organization with the current systems in place for preventing fraud on checks and paper-originated payments?

Answered: 131 Skipped: 0

ANSWER CHOICES	RESPONSES	
10 Completely Satisfied	8.40%	11
9	11.45%	15
8	19.08%	25
7	12.98%	17
6	7.63%	10
5 Neutral	19.85%	26
4	9.16%	12
3	5.34%	7
2	3.82%	5
1 Completely Unsatisfied	2.29%	3
TOTAL		131

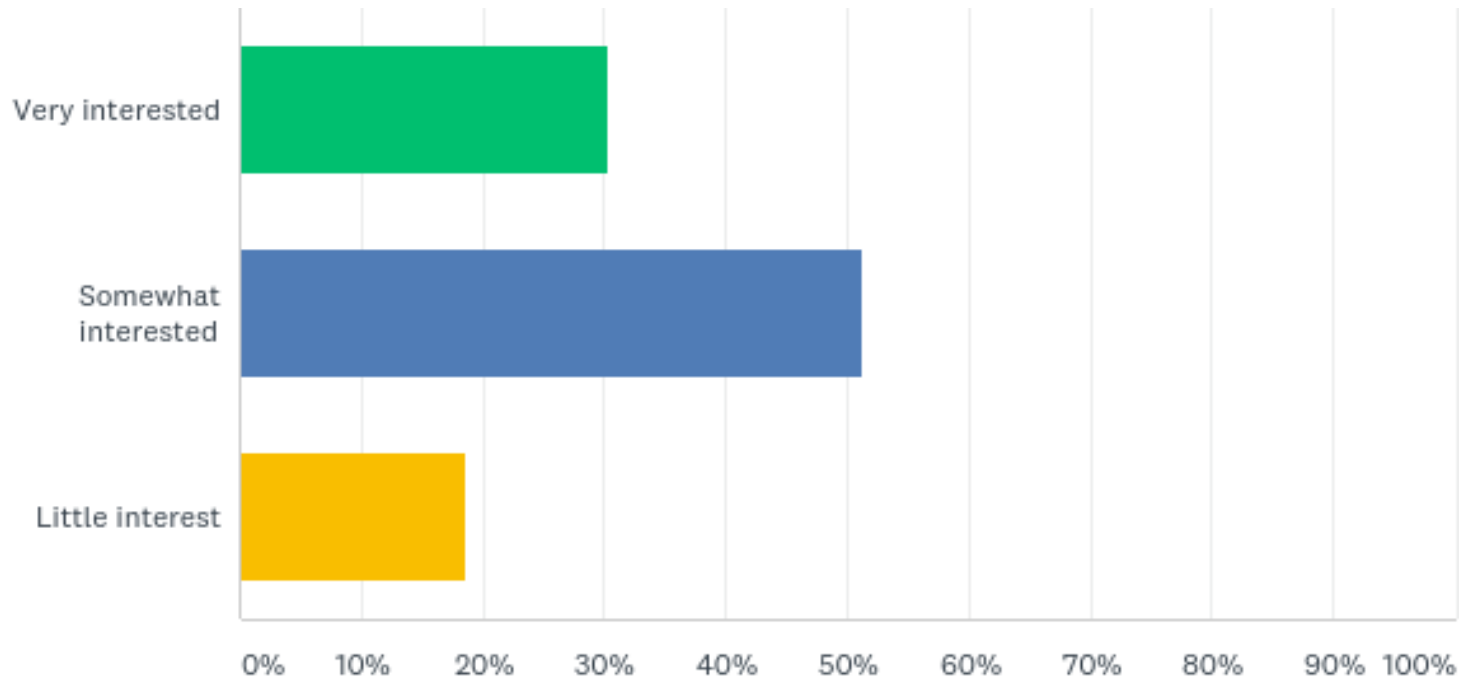
Q13: How important is automatically validating fields on the check for payment negotiability as well as ensuring compliance to Reg CC and UCC? (based on each field type)

Answered: 129 Skipped: 2

	IMPORTANT	SOMEWHAT IMPORTANT	NOT SO IMPORTANT	TOTAL
Compare payor/maker field to blacklist names or payee	56.69% 72	31.50% 40	11.81% 15	127
Verify amount is correct for posting (CAR/LAR/Index compare)	68.22% 88	27.91% 36	3.88% 5	129
Compare that CAR equals the LAR amount	64.06% 82	32.03% 41	3.91% 5	128
Verify back endorsement is present	57.81% 74	36.72% 47	5.47% 7	128
Verify there is a restrictive endorsement	50.39% 64	39.37% 50	10.24% 13	127
Confirm signature presence	70.08% 89	24.41% 31	5.51% 7	127
Validate date is not stale or post-dated	43.75% 56	46.09% 59	10.16% 13	128
Validate payee is correct deposit account name	74.80% 95	22.83% 29	2.36% 3	127
Verify the item quality is acceptable	68.50% 87	27.56% 35	3.94% 5	127

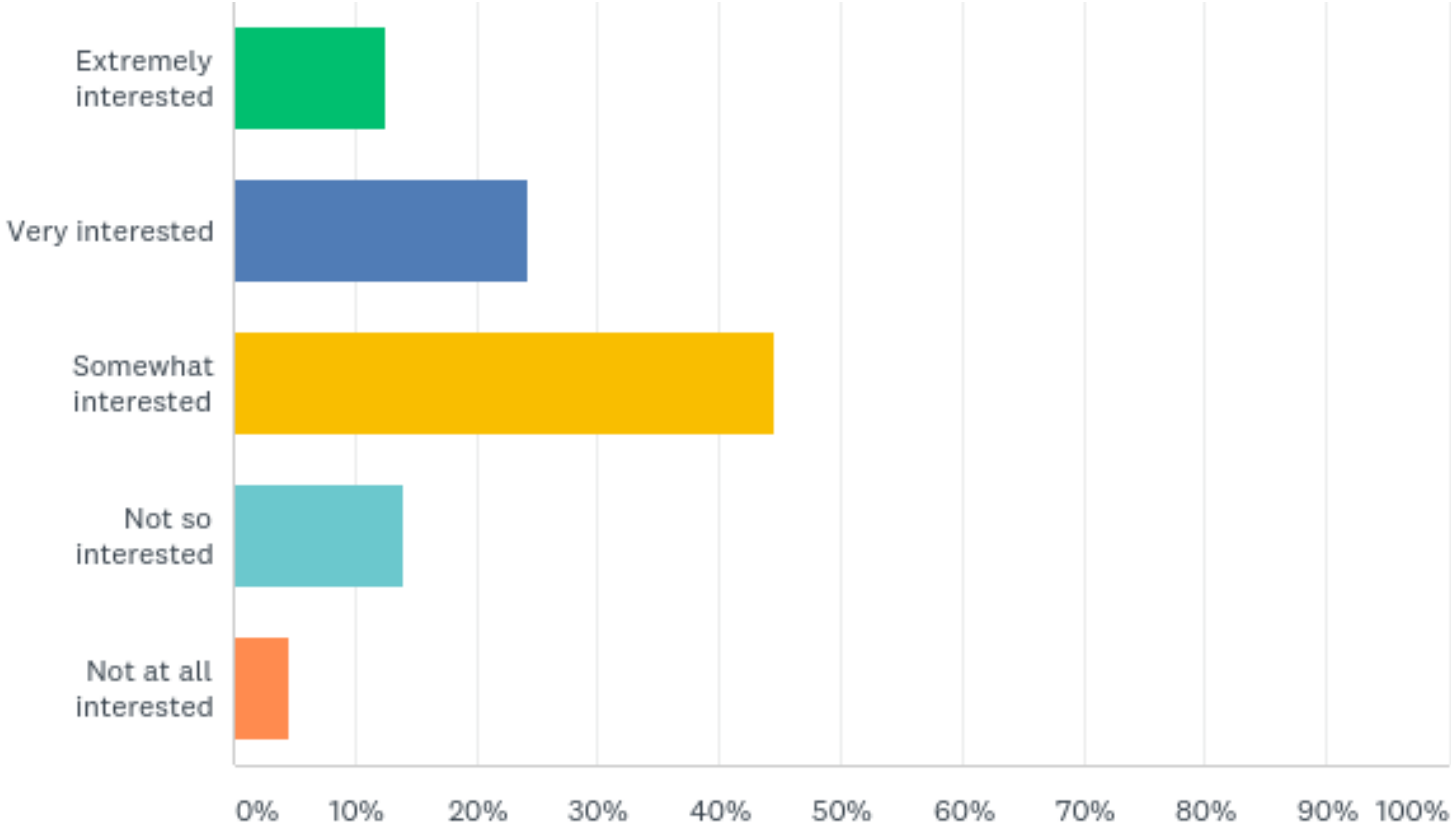
Q14: ECCHO has completed a new sample warranty claim letter (see ECCHO website) and has documented ECCHO Rule 8/9 in detail. How interested is your organization in improving the warranty and claims process of fraudulent checks?

Answered: 129 Skipped: 2



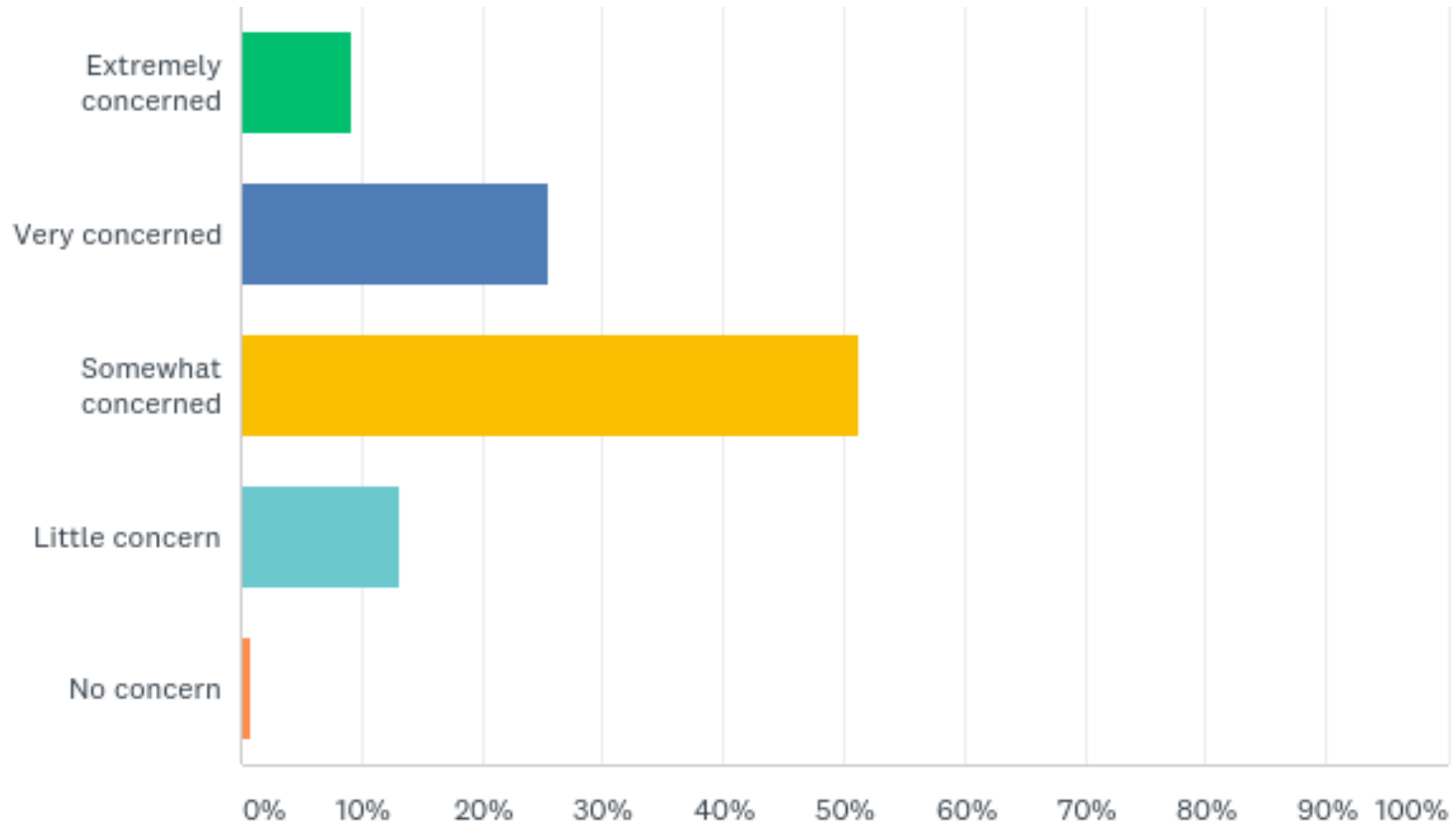
Q15: Would your organization be interested in a service which aggregates fraudulent check images from multiple banks at a service bureau, then utilizing the images for detection of transit (deposit) or on-us fraudulent activity?

Answered: 128 Skipped: 3



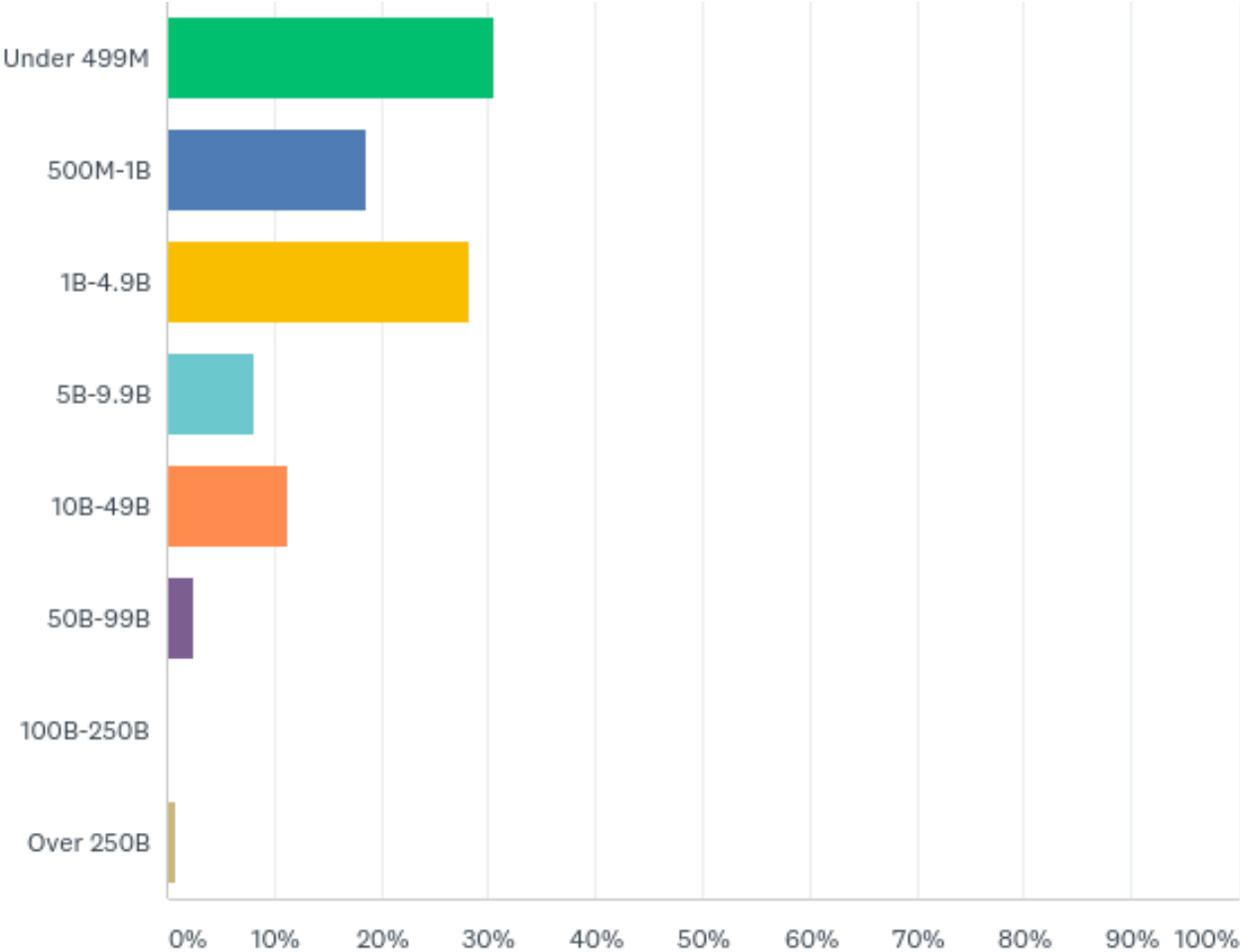
Q16: Regulation CC changes, effective July 2018, defines ECIs and provide a new indemnification. How concerned are you related to the fraud potential of ECIs? (See ECCHO memo)

Answered: 129 Skipped: 2



Q17: Asset size of your financial institution:

Answered: 124 Skipped: 7



Q17: Asset size of your financial institution:

Answered: 124 Skipped: 7

ANSWER CHOICES	RESPONSES	
Under 499M	30.65%	38
500M-1B	18.55%	23
1B-4.9B	28.23%	35
5B-9.9B	8.06%	10
10B-49B	11.29%	14
50B-99B	2.42%	3
100B-250B	0.00%	0
Over 250B	0.81%	1
TOTAL		124

Q18: Select which answer best describes your position or department:

Answered: 122 Skipped: 9

ANSWER CHOICES	RESPONSES	
Senior management	27.05%	33
Fraud strategic	4.92%	6
Fraud tactical	10.66%	13
Operational	45.90%	56
Technical	5.74%	7
Compliance	2.46%	3
Product	1.64%	2
Audit	1.64%	2
TOTAL		122

Q19: How is your primary check capture system for over-the-counter (OTC) work implemented for your financial institution?

Answered: 121 Skipped: 10

ANSWER CHOICES	RESPONSES	
In-house teller capture, installed on premise at bank and/or branches	22.31%	27
In-house branch capture, installed on premise at bank and/or branches	39.67%	48
In-house teller capture, application hosted at a service bureau	15.70%	19
In-house branch capture, application hosted at a service bureau	14.05%	17
Check capture outsourced to a service bureau	4.13%	5
Other (please specify)	4.13%	5
TOTAL		121