

How Fraudsters are Targeting Financial Institutions with Synthetic Identities

FPC Member Meeting
September 2021

Panelists:

Mike Timoney, Vice President of Secure Payments (Federal Reserve Bank of Boston)

Paul Benda, Senior Vice President for Operational Risk and Cybersecurity (American Bankers Association)

Joel Williquette, Senior Vice President of Operational Risk Policy (Independent Community Bankers of America)

Chip Kohlweiler, Vice President of Security (Navy Federal Credit Union)

Operational Risk

Operational Risk includes risks such as cyber, data and physical security, natural disasters, pandemics or other internal and external forces.



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Operational Risk includes risks such as cyber, data and physical security, natural disasters, pandemics or other internal and external forces that should be addressed in a community bank's disaster recovery, business continuity, incident response, or pandemic plans.

In some cases, Operational Risk can also result from inadequate or failed procedures, systems, or policies due to employee error, system failure, fraud or criminal activity.

Please note: many of the documents on these pages are accessible for ICBA bank members only. Please login to access.



Cyber & Data
Security



Natural Disasters



Pandemic
Response



Physical Security

Alert



CRISIS PREPAREDNESS
**Hurricane Readiness and
Recovery Resources**



RISK MANAGEMENT
**Protecting Your Customers
and Bank with Sheltered
Harbor**



RISK MANAGEMENT
**The Benefits of a .BANK
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TECHNOLOGY
**Preparing for the End of
Microsoft's Internet
Explorer**



VENDOR MANAGEMENT
**ICBA IT Vendor Outsourcing
Toolkit: What community
banks need to ask before
outsourcing**



TECHNOLOGY
**Carnegie Cyber Security
Toolkit: The ideal resource
for community banks**



INDEPENDENT COMMUNITY
BANKERS of AMERICA
The Nation's Voice for Community Banks®

ICBA testifies on need for simple PPP forgiveness

Sep 2, 2021 | NewsWatch Today

ICBA told Congress that the Paycheck Protection Program needs a simple, easy-to-use forgiveness process to ensure the program works as intended for small-business borrowers.

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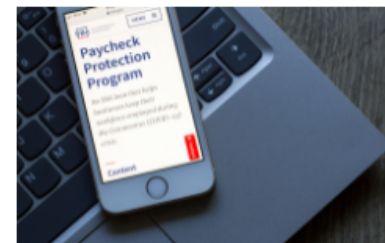


ICBA Offers Financial Preparedness Tips to Help Speed Recovery Following a Natural Disaster

Sep 1, 2021 | Press Release

In recognition of National Preparedness Month in September, the Independent Community Bankers of America (ICBA) and the nation's community bankers are offering tips to help Americans secure their financial documents before disaster strikes.

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ICBA to Congress: PPP Forgiveness Should Be Straightforward

Sep 1, 2021 | Press Release

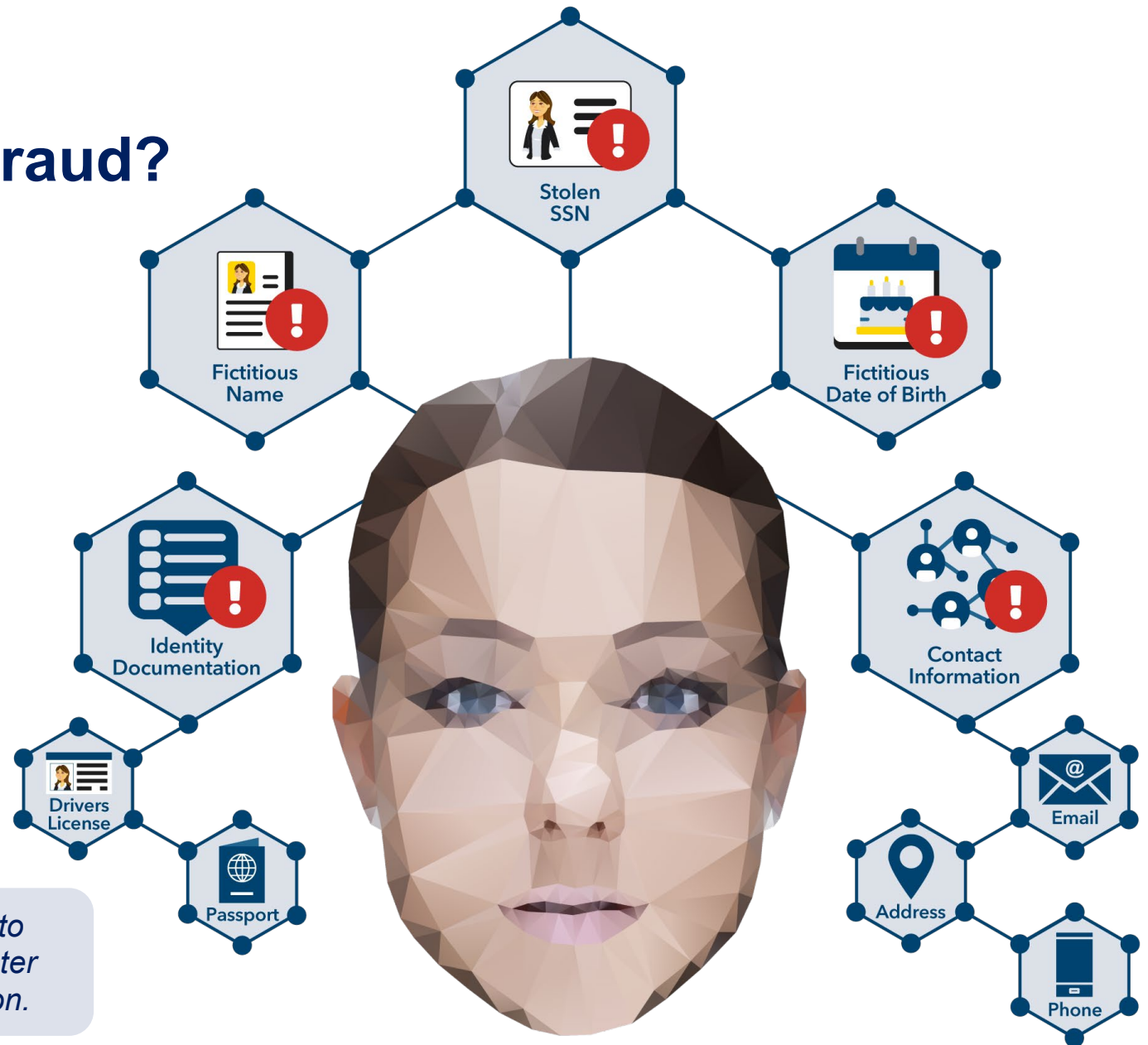
The Independent Community Bankers of America (ICBA) today told Congress that the Small Business Administration's Paycheck Protection Program needs a simple, easy-to-use forgiveness process to ensure the program works as intended for small-business borrowers.

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THE REAL PROBLEM OF A FAKE IDENTITY

What is Synthetic Identity Fraud?

- The use of a combination of personally identifiable information to fabricate a person or entity in order to commit a dishonest act for personal or financial gain
- Different from conventional identity theft – implied identity not typically associated with a real person



The Federal Reserve led a focus group of industry experts to develop this industry-recommended definition in order to foster improved awareness, measurement, detection and mitigation.

THE REAL PROBLEM OF A FAKE IDENTITY

Why Synthetic Identity Fraud is a Cause for Concern

Resulted in
2018 annual
loss of \$14.7B
to financial
institutions ¹

Fastest-
growing
type of
financial
crime in
the U.S.

Often
miscategorized
as a credit loss,
accounting for
20% of all credit
charge-offs ²

14.4 million
consumers
directly impacted
in 2018 ¹

Children's
social security
numbers (SSNs)
used over 50 times
more than
adult SSNs ³

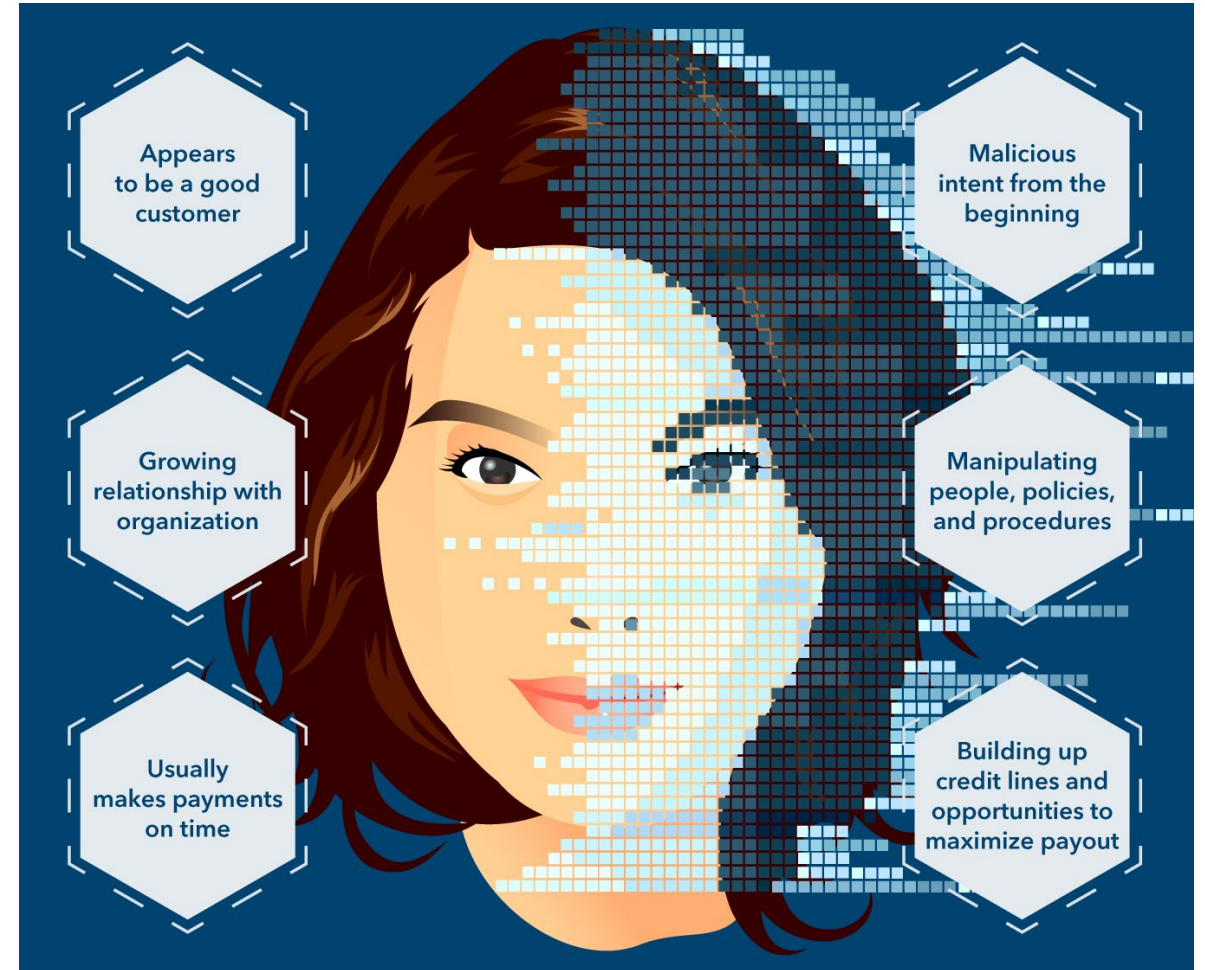


Sources: ¹ [Pymnts.com](https://www.pymnts.com), ² [LexisNexis](https://www.lexisnexis.com), ³ [Carnegie Mellon CyLab](https://www.carnegie Mellon.edu/cylab)

THE REAL PROBLEM OF A FAKE IDENTITY

Challenges in Detecting Synthetic Identity Fraud

- Onboarding validates information, but not the customer's complete identity
- Customer identity typically not reauthenticated after account opening
- Payment behavior may not indicate fraudulent activity
- Limited ability to detect with conventional fraud models



THE REAL PROBLEM OF A FAKE IDENTITY

Pervasiveness of Synthetic Identities

Synthetic identities are used to defraud multiple industries (e.g., payments, healthcare and government), making synthetic identity fraud one of the most far-reaching types of fraud.



BEGINNING TO SOLVE THE PROBLEM

The Federal Reserve's Efforts To Fight Synthetic Identity Fraud

- Continue research and outreach to increase industry awareness and understanding
- Advance fraud mitigation through development of an industry toolkit
- Improve data quality and availability through industry collaboration

