

# Quarterly Cloud Insights: Wire Fraud





## Table of Contents

Executive Summary.....	1	Persons Under 55 & Elderly Persons (55+) Wire Fraud Insights.....	7
Verafin Cloud Statistics.....	2	Domestic Wire Fraud Insights .....	8
Wire Fraud Insights—Overview .....	3	International Wire Fraud Insights.....	9
Business Wire Fraud Insights .....	5	Case Study: Online Romance—Real Consequences.....	10
Personal Wire Fraud Insights.....	6	Effectively Prevent Loss with Robust Wire Fraud Detection.....	11

# Executive Summary

Criminals are prolific and persistent in their attempts to defraud their victims. At Verafin, we know the first step in protecting financial institutions from these pervasive threats is understanding how, to whom, and where fraud is occurring as criminals evolve their wire scams. As the industry continues to watch and wait for any changes in the discussion around a **potential liability shift**, staying a step ahead of fraud is the right strategy.

Financial institutions need solutions that give them the ability to see outside of their own four walls. Using siloed fraud prevention approaches that cannot see beyond your own customer transactions can leave your institution at risk.

In this report we take a deep dive into the latest wire fraud trends impacting the industry, providing valuable insights into evolving trends from Q4 2020 to Q4 2022. Our informative report examines increases in occurrences and value of wire fraud attempts against individuals and key business segments, while also sharing insights into top international and domestic destinations for attempted wire fraud.

This report leverages Verafin's consortium of over 2400 financial institutions, which improves detection of payment fraud and reduces false positives through our Consortium Analytics approach. Consortium Analytics deliver the power of over 300 million account profiles to better assess counterparty risk, reduce false positives by identifying lower-risk accounts, and alerts you to true risk when a payment is destined for a receiving account unknown to the network. The continued growth in our data for wire and ACH transactions, and resulting growth in account profiles, further strengthens this approach. Verafin's consortium approach to payment fraud detection provides financial institutions with a powerful means to address today's challenging financial crime problems.

I hope you find this report informative and insightful.



**Colin Parsons**  
Head, Fraud Product Management

## About this Report

As the industry leader in anti-financial crime management solutions, Verafin uses our consortium of 2400 financial institutions in the Verafin Cloud, to obtain insights into financial crime trends. In this report we provide benchmarking statistics for wire fraud and related scams, such as Business Email Compromise (BEC).

This report describes attempted wire fraud trends and statistics observed from Verafin Cloud data from Q4 2020 to Q4 2022.<sup>1</sup> We analyzed four key segments (business, title company, persons under 55, and elderly persons<sup>2</sup>), as well as combined trends for persons of all ages, domestic

and international wire transactions, and benchmarking metrics, including basis points and quarterly transaction statistics. The analyzed data originated from rich wire transactions and cases of attempted fraud identified in the Verafin Cloud.

<sup>1</sup> Due to continual refinement of our Cloud data, values in this report may differ slightly from those presented in reports for previous quarters, with no significant variation in trends observed.

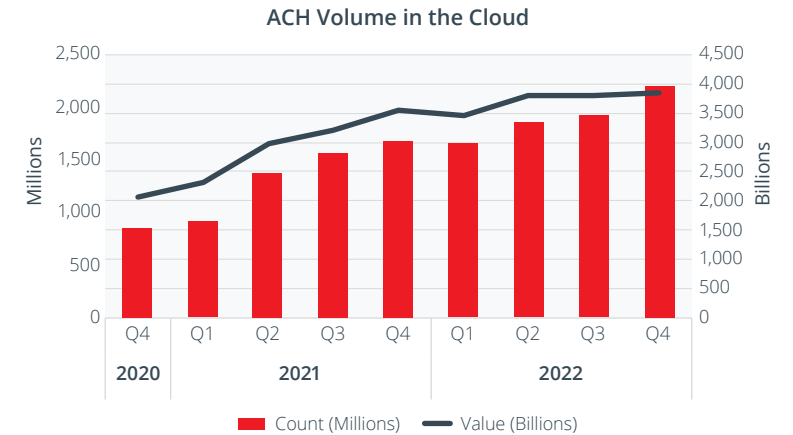
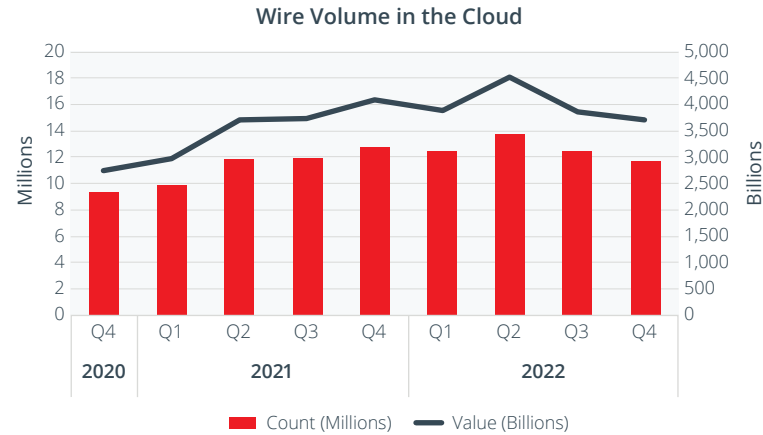
<sup>2</sup> Individuals aged 55 or older



## Verafin Cloud Statistics

Wire volume in the Verafin Cloud remains consistent for both count and value, while ACH volumes continued to increase over previous quarters.

Continued insights into data from the Verafin Cloud strengthens our consortium approach and provides greater insight into emerging trends impacting institutions and their customers.

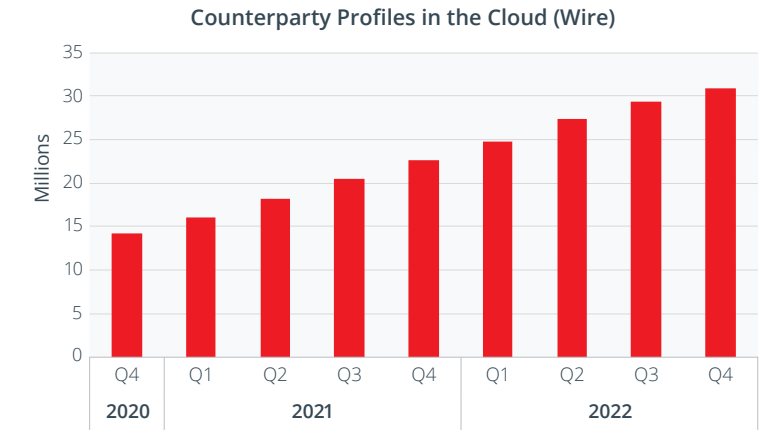
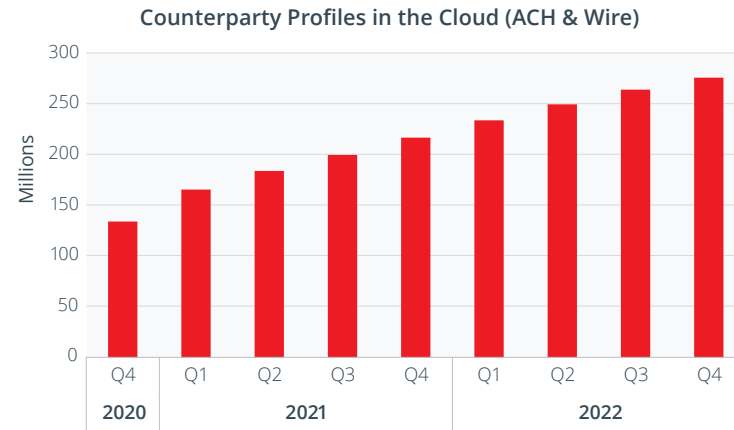


## Counterparty Statistics

Counterparties are critical to understanding the risk associated with payment fraud. The ability to identify low-risk counterparties and high-risk accounts such as money mules, is key to an effective fraud detection program.

At Verafin, our consortium data set allows for a more complete picture of customer transactions, interactions, and relationships, including counterparties that are not Verafin customers. Using information extracted from rich data across the Cloud, Verafin resolves details about entities to form account profiles, helping to better assess the risk associated with the payment. As the size of our Cloud data set increases, so too does our ability to reduce false positives for more effective and efficient investigations.

Wire-only counterparty data is a strong evidence for wire fraud detection due to the low-volume nature of wire as a payment channel. At Verafin, we harness this evidence and supplement our approach with ACH counterparty data, especially when identifying potential demographics for accounts related to a financial institution that is not a Verafin customer. In this scenario, the high-volume nature of ACH as a payment channel allows for more accounts to be profiled.



The amount of account profiles within the Verafin Cloud grew significantly during the analysis period. **The number of ACH and wire account profiles grew from 215.8M in Q4 2021 to 275.4M in Q4 2022. For wire alone, the number of account profiles grew from 22.6M to 30.9M**

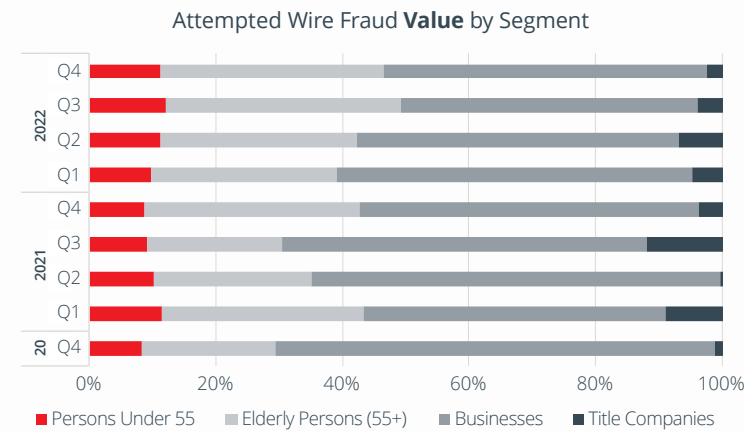
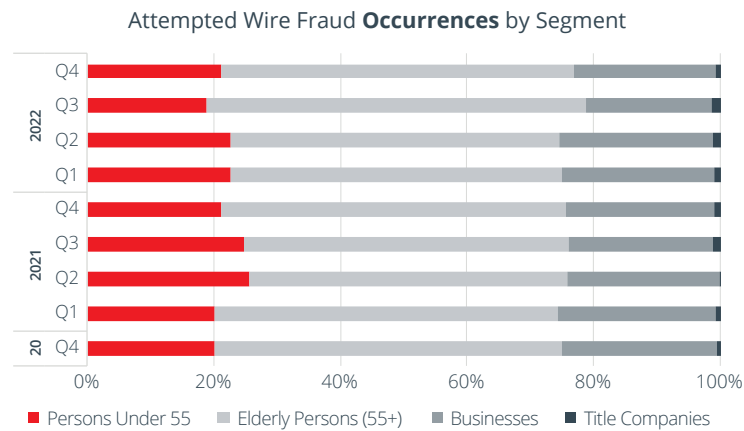
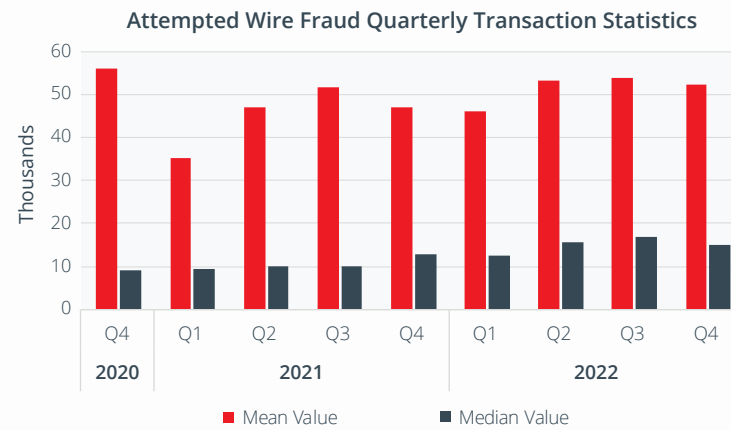
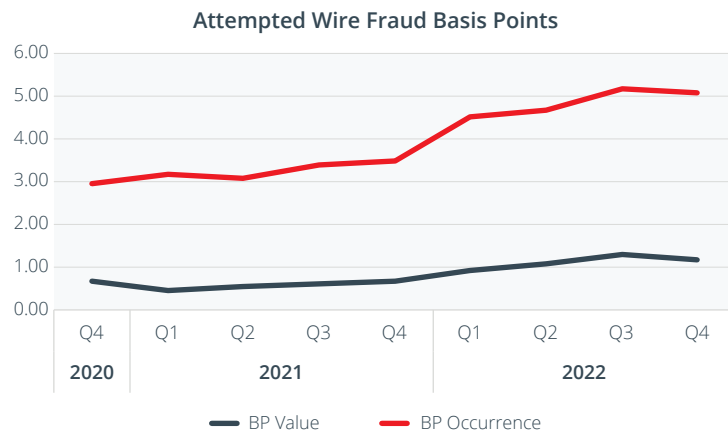
**over the same period.** As the number of counterparties in the Cloud rises, Verafin's analytics can leverage this data for increasingly powerful Consortium Analytics to determine the risk associated with a wire sent to a particular receiving account.

# Wire Fraud Insights — Overview

Our analysis provides an in-depth overview of wire fraud trends, which focuses on four segments—businesses (excluding title companies), title companies, persons under 55, and elderly persons (individuals aged 55 years or older).

By basis points, attempted wire fraud increased in both value and occurrence from Q4 2021 to Q4 2022. From the perspective of quarterly transaction statistics, the mean and median value of attempted wire fraud increased from Q4 2021 to Q4 2022, with the median rising 17% and the mean rising 11%.

When analyzing occurrences by segment, elderly persons saw the most significant volume of wire fraud attempts at 56%. Businesses saw the largest volume of wire fraud attempts by value in Q4 2022, with 51%.



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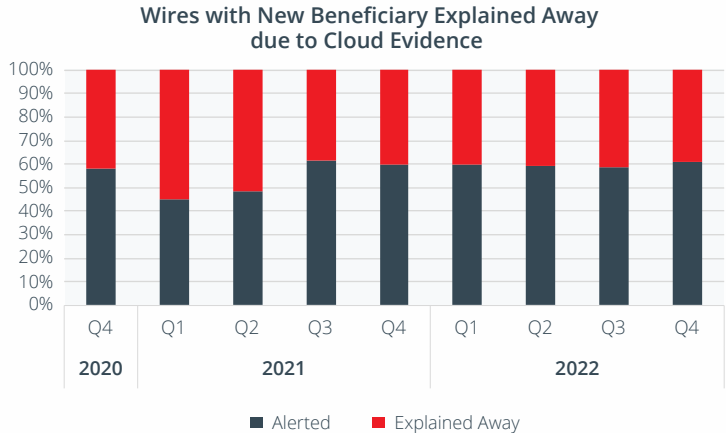
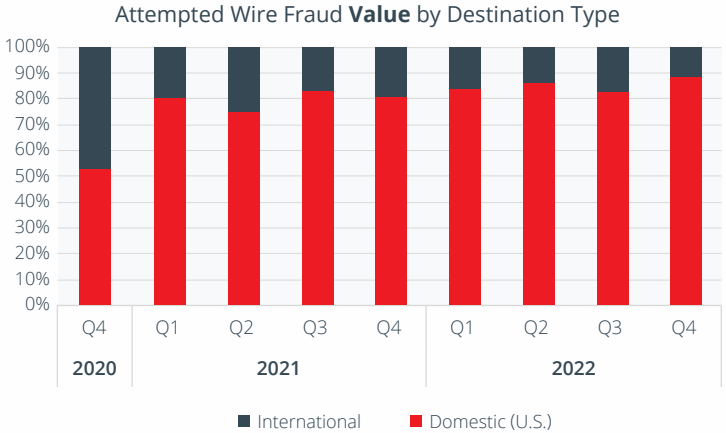
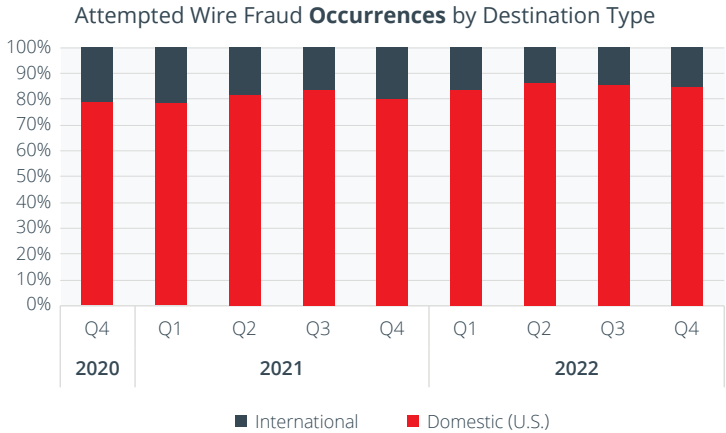
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# Wire Fraud Insights — Overview... *continued*

Domestic wire fraud attempts continue to be significantly more prevalent than international attempts. Attempted wire fraud occurrences domestically increased from Q4 2021 (80.4%) to Q4 2022 (85.0%) and domestic attempts by value increased from Q4 2021 (81.3%) to Q4 2022 (88.7%). Internationally there were significant decreases from Q4 2021 to Q4 2022, with a 24% decrease in wire fraud attempts by occurrence and a 40% decrease in wire fraud attempts by value.

When leveraging a consortium approach to wire fraud detection, the amount of data available to analytics is crucial. As the size of the Verafin Cloud dataset grows, more alerts can be explained away by cloud-based evidence.

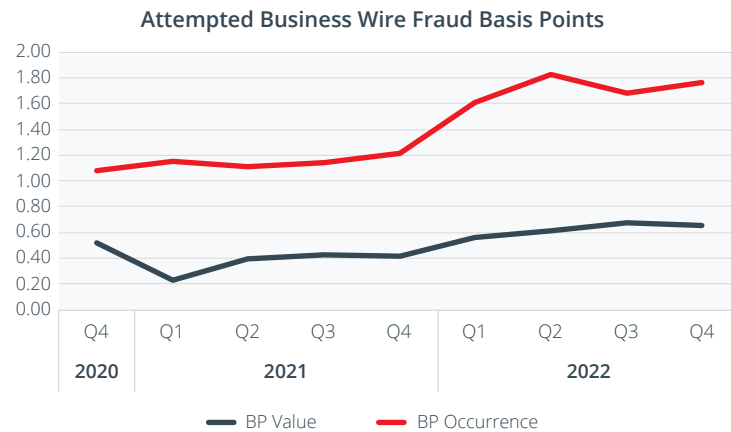
From Q4 2021 to Q4 2022, cloud-based evidence explained away an average of 39% of wires with a new beneficiary. In this scenario, consortium analytics were better able to determine if beneficiaries that were new to the payer were low risk based on the consortium data in the Verafin Cloud.





# Business Wire Fraud Insights

From Q4 2021 to Q4 2022, attempted wire fraud against businesses increased in terms of basis points by value and occurrence. The mean value for attempted business wire fraud increased from Q4 2021 to Q4 2022, rising from \$107K to \$121K. The median value decreased during this period, from \$34.7K to \$30.8K.

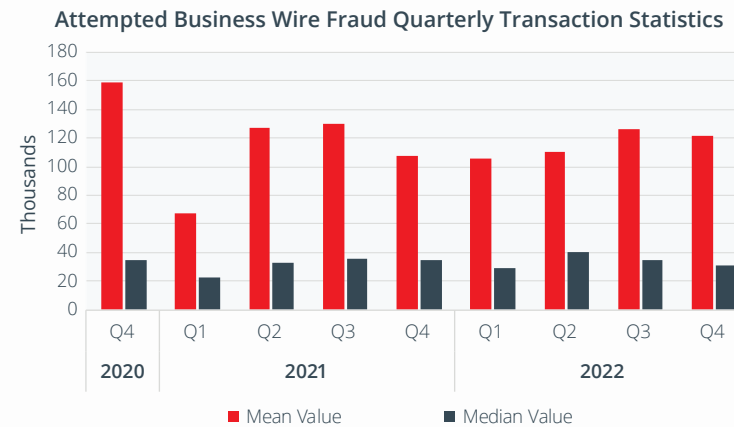


## Percent of Attempted Wire Fraud Occurrences by NAICS Code

Q4 2022

- 16.8%** Professional Services – 54
- 16.1%** Finance & Insurance – 52
- 15.0%** Wholesale & Retail Trade – 41 / 42 / 44 / 45
- 10.8%** Construction – 23
- 9.6%** Real Estate – 53
- 7.0%** Manufacturing – 31 / 32 / 33
- 6.5%** Other – 81
- 3.1%** Admin & Support – 56
- 2.9%** Accommodation & Food Services – 72
- 2.5%** Arts & Entertainment – 71

Analysis by NAICS code showed that ten industry segments accounted for the majority of attempted wire fraud, with Professional Services (16.8%) and Finance and Insurance (16.1%) leading by occurrence, and Professional Services (27.8%) and Real Estate (23.8%) leading by value.

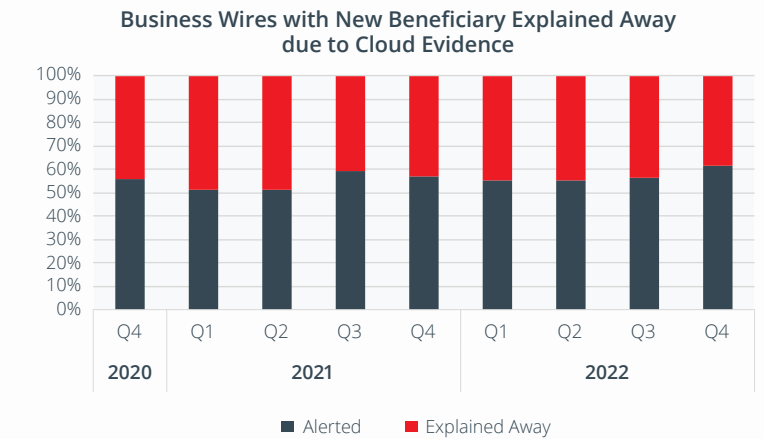


## Percent of Attempted Wire Fraud Value by NAICS Code

Q4 2022

- 27.8%** Professional Services – 54
- 23.8%** Real Estate – 53
- 11.3%** Finance & Insurance – 52
- 7.5%** Wholesale & Retail Trade – 41 / 42 / 44 / 45
- 6.6%** Construction – 23
- 4.7%** Manufacturing – 31 / 32 / 33
- 3.8%** Natural Resource Extraction – 21
- 2.8%** Admin & Support – 56
- 2.4%** Public Admin – 92
- 2.3%** Agriculture – 11

Compared to Q4 2021, attempted wire fraud value grew 205% for the Real Estate industry in Q4 2022. Cloud-based evidence explained away an average of 38% of business wires with a new beneficiary from Q4 2021 to Q4 2022.

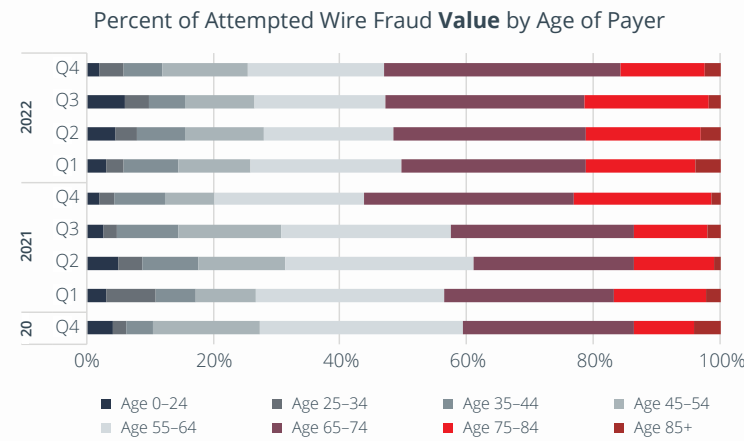
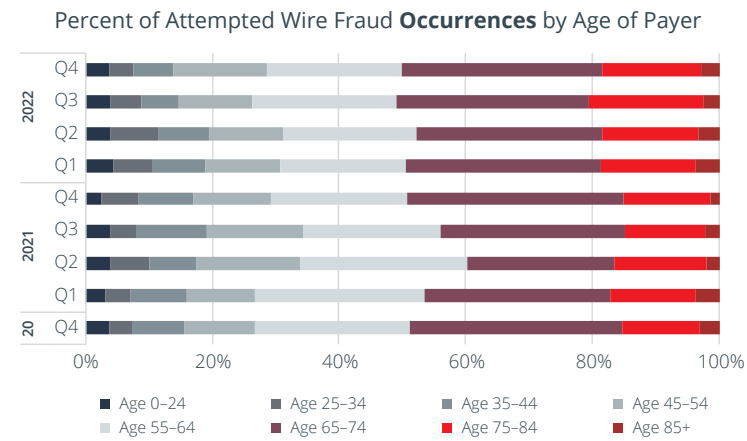
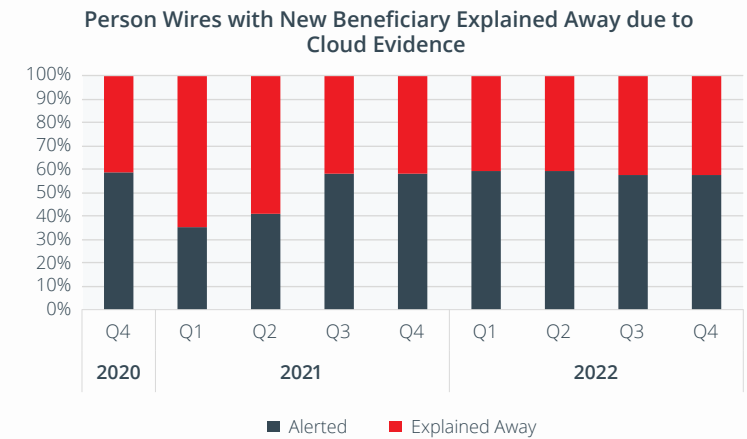
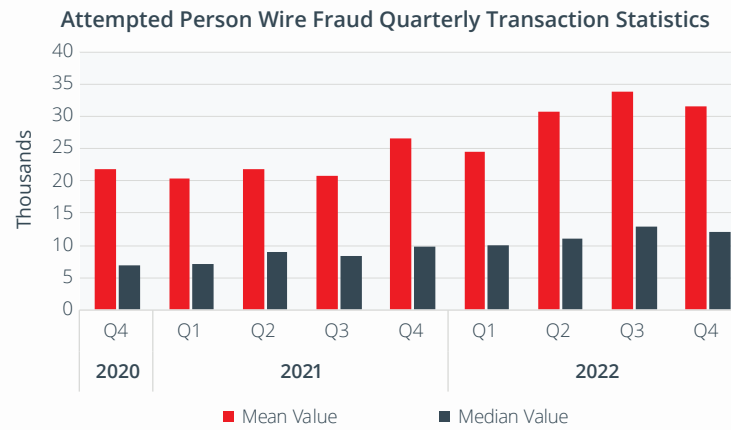
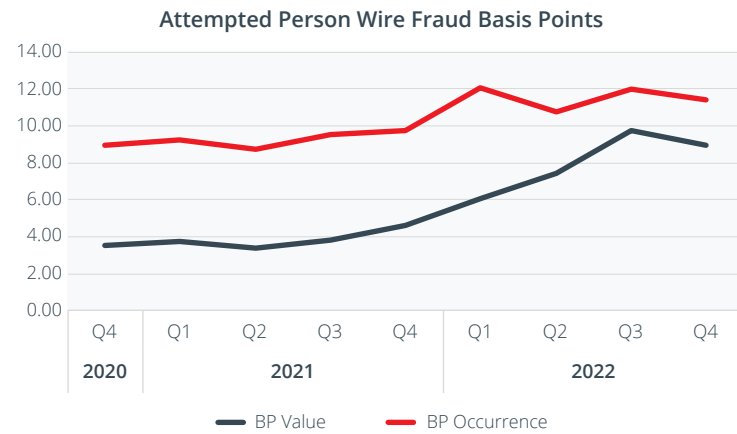


# Personal Wire Fraud Insights

This section examines trends for persons — people of all ages. By basis points, attempted wire fraud against persons increased from Q4 2021 to Q4 2022, both in terms of occurrence and value. The mean and median value of attempted wire fraud against persons increased from Q4 2021 to Q4 2022, with the median rising from \$9.9K to \$12K, and the mean

seeing a significant increase during this timeframe from \$26.5K to \$31.6K. Analysis of attempted wire fraud by age of payer demonstrated that people aged 55 or older accounted for 71.3% of occurrences and 74.5% of attempted wire fraud value in Q4 2022.

More specifically, the segment for people aged 65 to 75 saw the most wire fraud attempts by occurrence (37.7%) and value (37.4%). Cloud-based evidence explained away an average of 42% of person wires with a new beneficiary from Q4 2021 to Q4 2022.





# Persons Under 55 & Elderly Persons (55+) Wire Fraud Insights

This section provides further insight into age-related trends for wire fraud attempts, examining persons under 55, and elderly persons (55+).

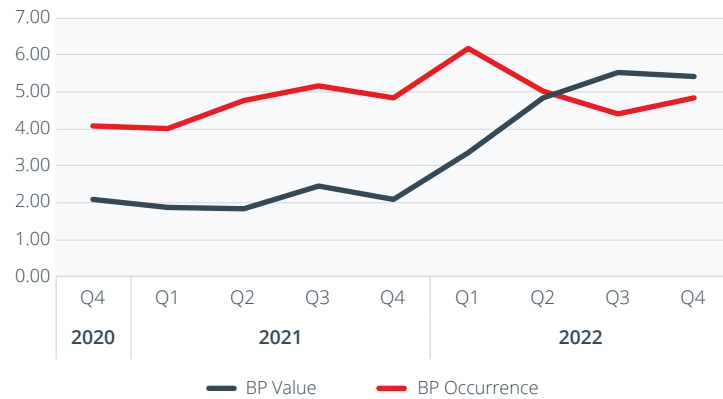
By basis points, attempted wire fraud against persons under 55 increased by occurrences and increased by value from Q4 2021 to Q4 2022. Q4 2022 saw a total of \$13.4 million in attempted wire fraud by value for persons under 55. The mean value of attempted wire fraud for those under 55 saw a 46% increase from Q4 2021 to Q4 2022, with the median

value also increasing 44% during this period. From Q4 2021 to Q4 2022, cloud-based evidence explained away an average of 43% of wires with a new beneficiary for persons under 55.

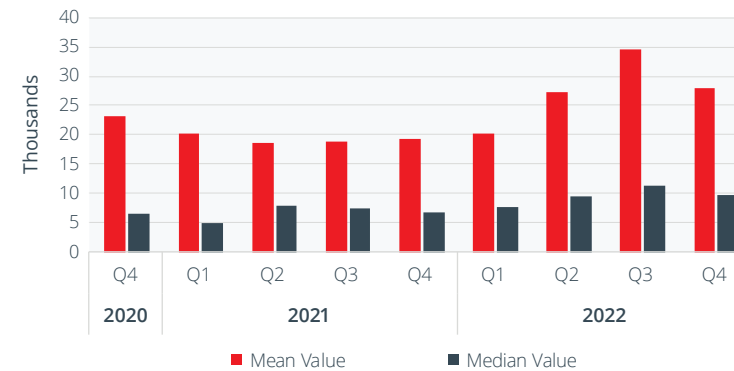
Elderly persons also saw increases by basis points in both occurrence and value from Q4 2021 to Q4 2022. In Q4 2022, wire fraud attempts against elderly persons totalled \$41.9M across the Verafin Cloud. The mean value of attempted wire fraud for those over 55 increased from Q4 2021

(\$29.3) to Q4 2022 (\$33K), with the median value also increasing from \$11K in Q4 2021 to \$15K in Q4 2022. From Q4 2021 to Q4 2022, cloud-based evidence explained away an average of 41% of wires with a new beneficiary for elderly persons.

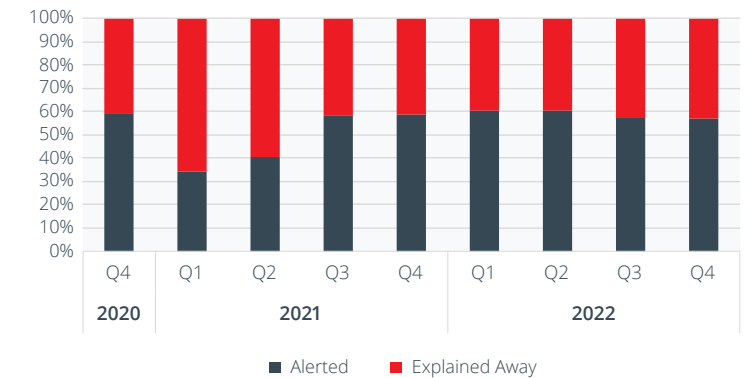
Attempted Wire Fraud Basis Points — Persons Under 55



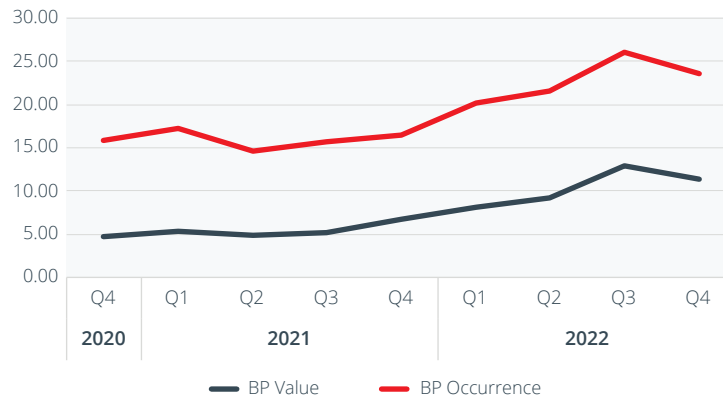
Attempted Wire Fraud Quarterly Transaction Statistics — Persons Under 55



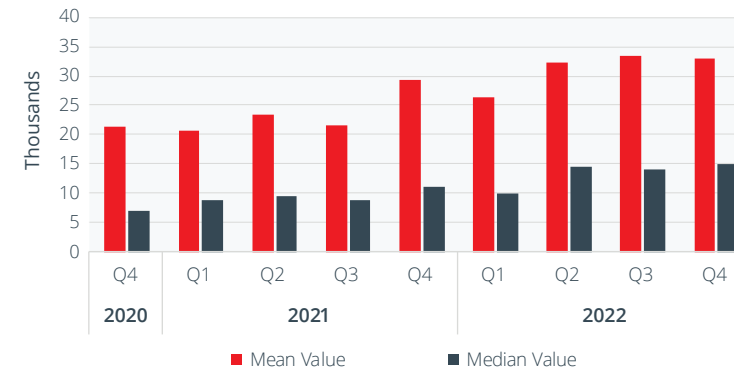
Wires with New Beneficiary Explained Away due to Cloud Evidence — Persons Under 55



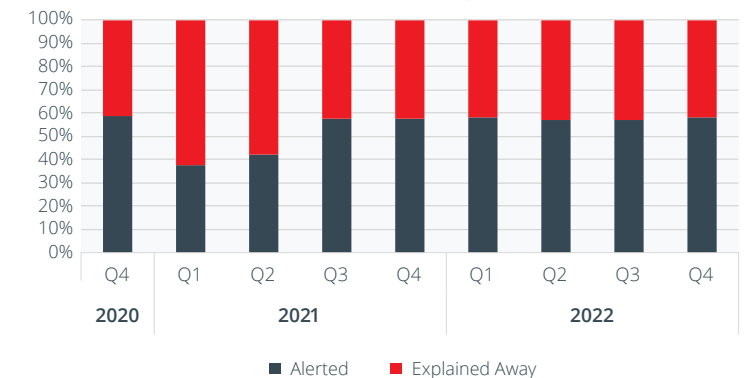
Attempted Wire Fraud Basis Points — Elderly Persons (55+)



Attempted Wire Fraud Quarterly Transaction Statistics — Elderly Persons (55+)

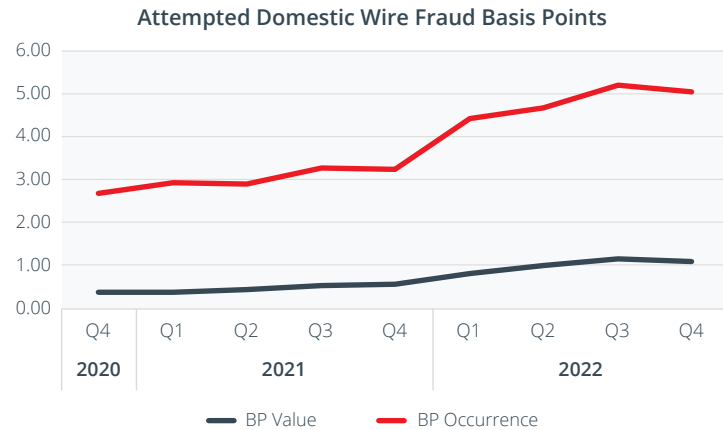


Wires with New Beneficiary Explained Away due to Cloud Evidence — Elderly Persons (55+)



# Domestic Wire Fraud Insights

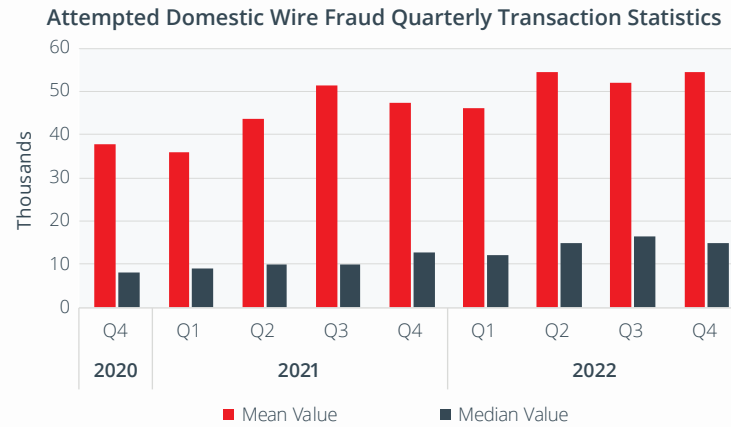
For this report, domestic wires are wire payments with a destination within the U.S. By basis points, attempted domestic wire fraud increased in value and occurrence from Q4 2021 to Q4 2022.



**Percent of Attempted Domestic Wire Fraud Occurrences by Destination State** Q4 2022

- 22.6% California
- 21.0% New York
- 9.3% Florida
- 5.9% Texas
- 3.1% Georgia
- 3.1% New Jersey
- 2.2% Pennsylvania
- 1.9% Ohio
- 1.8% Massachusetts
- 1.7% North Carolina

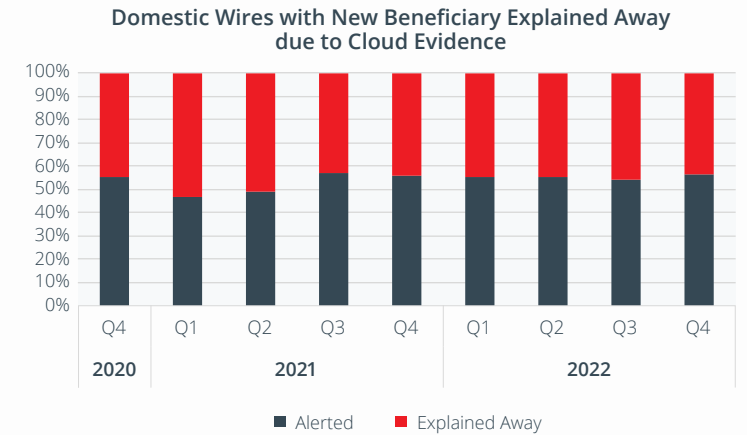
The mean value of a domestic wire fraud attempt increased from Q4 2021 to Q4 2022, reaching \$54.4K—a new high since the start of reporting. The median value also increased from Q4 2021 (\$13K) to Q4 2022 (\$15K).



**Percent of Attempted Domestic Wire Fraud Value by Destination State** Q4 2022

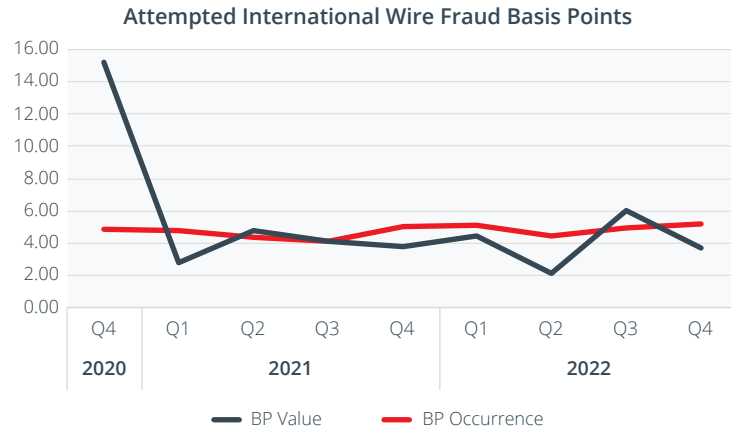
- 27.0% New York
- 13.7% California
- 6.9% Florida
- 6.2% Texas
- 4.8% South Carolina
- 4.6% Massachusetts
- 4.2% Pennsylvania
- 4.0% Georgia
- 3.2% Minnesota
- 2.6% Maryland

In Q4 2022, the top destination states for attempted wire fraud for occurrence and value within the U.S. were **California, New York, Florida, and Texas**. From Q4 2021 to Q4 2022, cloud-based evidence explained away an average of 43% of domestic wires with a new beneficiary.



# International Wire Fraud Insights

For this report, international wires are wire payments with a destination outside the U.S. By basis points, attempted international wire fraud increased in occurrence and decreased in value from Q4 2021 to Q4 2022.

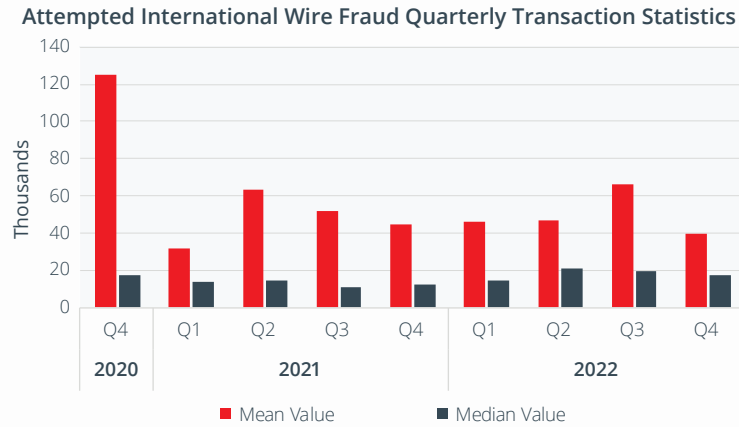


Percent of Attempted International Wire Fraud Occurrences by Destination Country

Q4 2022

- 25.8% Hong Kong
- 10.8% Mexico
- 8.3% Thailand
- 5.8% China
- 4.4% Nigeria
- 3.9% Canada
- 3.3% Philippines
- 3.1% United Kingdom
- 2.5% Moldova
- 2.5% Turkey

The median value of an attempt was \$17.3K, a significant increase of 34% from Q4 2021 to Q4 2022. By occurrence, international wire fraud attempts were most frequently destined for Hong Kong, Mexico, or Thailand.

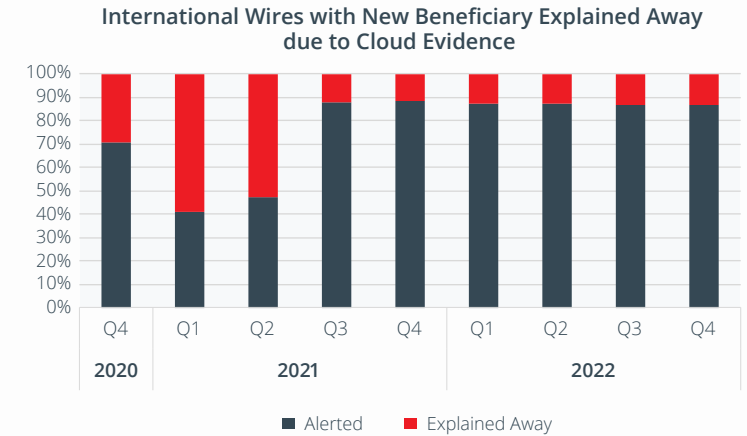


Percent of Attempted International Wire Fraud Value by Destination Country

Q4 2022

- 55.2% Hong Kong
- 8.4% South Africa
- 6.6% Thailand
- 5.8% China
- 4.7% Mexico
- 3.3% Israel
- 1.8% United Kingdom
- 1.5% Turkey
- 1.3% Australia
- 1.3% Cambodia

By value, the top destinations for wire fraud attempts were Hong Kong, South Africa, and Thailand. From Q4 2021 to Q4 2022, cloud-based evidence explained away an average of 14% of international wires with a new beneficiary.



# Case Study

## Online Romance—Real Consequences

### Verafin Alerts Prevent Major Losses from Wire Fraud Attempt

*This anonymized case study highlights a scenario observed in the Verafin Cloud where an individual was targeted by a romance scam, and how Verafin's Wire Fraud solution detected the suspicious activity and alerted a financial institution to the fraud.*

Charlotte thought she met the man of her dreams — turns out, she was entering into a financial nightmare. After meeting Simon online several years prior, Charlotte spent much of her time talking to him, forming a deep bond. However, this bond was then exploited by Simon, who would use Charlotte's feelings against her, turning her into an unwitting money mule, and vector for fraud.

As part of his ruse, Simon asked Charlotte to help him transfer funds to some friends, claiming they were facing payroll challenges from working overseas. Charlotte complied and began attempting to transfer funds to crypto wallets, sending them to Vause Crypto Exchange.

Charlotte's activity generated an alert from Verafin's targeted Unusual Outgoing Wire - Person analytic, citing Payee Risk. Given her previous banking history with Phonse Financial, Charlotte was not seen as a risky account. However, while Vause Crypto Exchange was a known account within Verafin's network of 2400 financial institutions and over 300 million

profiled accounts, it was deemed risky as the funds were being sent to a crypto exchange. Verafin's Unusual Outgoing Wire - Person analytic flagged these transactions as "Likely Crypto", a concern given the potential risk of wiring funds to anonymized crypto wallets. Suspecting fraud, Phonse Financial was worried about Charlotte's activity and contacted her for further information.

After Phonse Financial discovered Charlotte was a likely victim of an online romance scam, she was directed to cut off all contact with Simon. Phonse Financial also closed her account for her safety.

However, despite warnings from the bank, Charlotte continued attempting to transfer fraudulent funds to Simon, opening a new account at Phonse Financial. When further questioned on why she continued trying to send funds despite their warnings, she stated her trust in Simon was greater than her trust in the bank. Armed with the Verafin's alerts and recognizing the potential loss for their customer, Phonse Financial again stopped the transfers.

While Charlotte faced repercussions from her actions, her wallet did not. With Verafin's quick and decisive alerts, Phonse Financial was able take action and prevent over \$93K in losses. Verafin prevented both Phonse Financial and Charlotte from facing significant financial hardship.



With Verafin's quick and decisive alerts, Phonse Financial was able take action **and prevent over \$93K in losses.**

# Effectively Prevent Loss

## with Robust Wire Fraud Detection

Financial institutions are facing rising threats from consumer wire fraud and Authorized Push Payment scams, such as Business Email Compromise. Combining behavioral analytics with consortium insights, Verafin's Wire Fraud solution provides financial institutions with powerful wire fraud prevention.



### The Industry's **LEADING SOLUTION**

[Click here](#) to learn more about Verafin's Enhanced Payments Fraud Detection using consortium data.



Our unique approach uses a massive consortium data set, representing 2400 financial institutions and over 300 million profiled accounts, to provide comprehensive insight into wire payment risk—beyond the limitations of an individual institution and without sharing Personally Identifiable Information (PII).

#### **Profiling Payer & Payee Accounts.**

Verafin's Consortium Analytics use rich demographic and payment transaction data to create account profiles for every payer and payee involved in wire payments across our network of 2400 financial institutions, including entities banking beyond those institutions who interact with our consortium. Numbering over 300 million, each account profile encapsulates the nature of a payer or payee and the extent to which their activity is known and legitimate. Together, this allows Verafin to consider the risk of the accounts on both sides of a wire to improve fraud detection and reduce false positives, customer friction and operational costs.

#### **Analyzing Risk Across Transactions.**

Using insights from over 300 million account profiles, Verafin's wire fraud analytics consider the complete picture of risk across the entirety of a transaction. Wires involving known accounts with a history of legitimate activity across the consortium are analyzed as lower risk, while wires involving unrecognized accounts are analyzed as higher risk — representing potential mules or other accounts opened to facilitate fraud. This allows your institution to effectively detect potentially suspicious wires and allow legitimate transfers to proceed uninterrupted.

#### **Protection Against Money Mules.**

As financial institutions across our consortium identify wires as fraudulent, Verafin includes suspected mule accounts in any future analysis, ensuring your institution is not wiring payments to suspected money mules. Verafin also alerts you to a potential mule account in your customer base when another institution within our network blocks a fraudulent wire destined for your institution.

#### **Global Coverage.**

Verafin uses insights from across our consortium, such as identified money mule accounts, to enhance wire fraud prevention for our entire network of financial institution customers. All member financial institutions benefit from this global coverage, regardless of their location.

#### **Cross-Channel Intelligence.**

Verafin reduces false positives by providing a holistic view of your customers' activities and relationships across multiple payment channels.

# VERAFIN

## About Verafin

Verafin is the industry leader in enterprise Financial Crime Management solutions, providing a cloud-based, secure software platform for Fraud Detection and Management, AML/CFT Compliance and Management, High-Risk Customer Management, and Information Sharing. More than 3800 banks and credit unions use Verafin to effectively fight financial crime and comply with regulations. Leveraging its unique big data intelligence, visual storytelling, and collaborative investigation capabilities, Verafin significantly reduces false positive alerts, delivers context-rich insights and streamlines the daunting AML/CFT compliance processes that financial institutions face today.

Verafin is the exclusive provider for Texas Bankers Association and CUNA Strategic Services, with industry endorsements in 48 U.S. states.

## Learn more

**For more information on this topic, or how Verafin can help your institution stay a step ahead of financial crime, call 866.781.8433.**

To access Verafin's archive of webinars, white papers, success stories and other materials focusing on fraud detection and BSA/AML compliance topics relevant to financial institutions across the country, check out our online Resource Center at [www.verafin.com](http://www.verafin.com).

