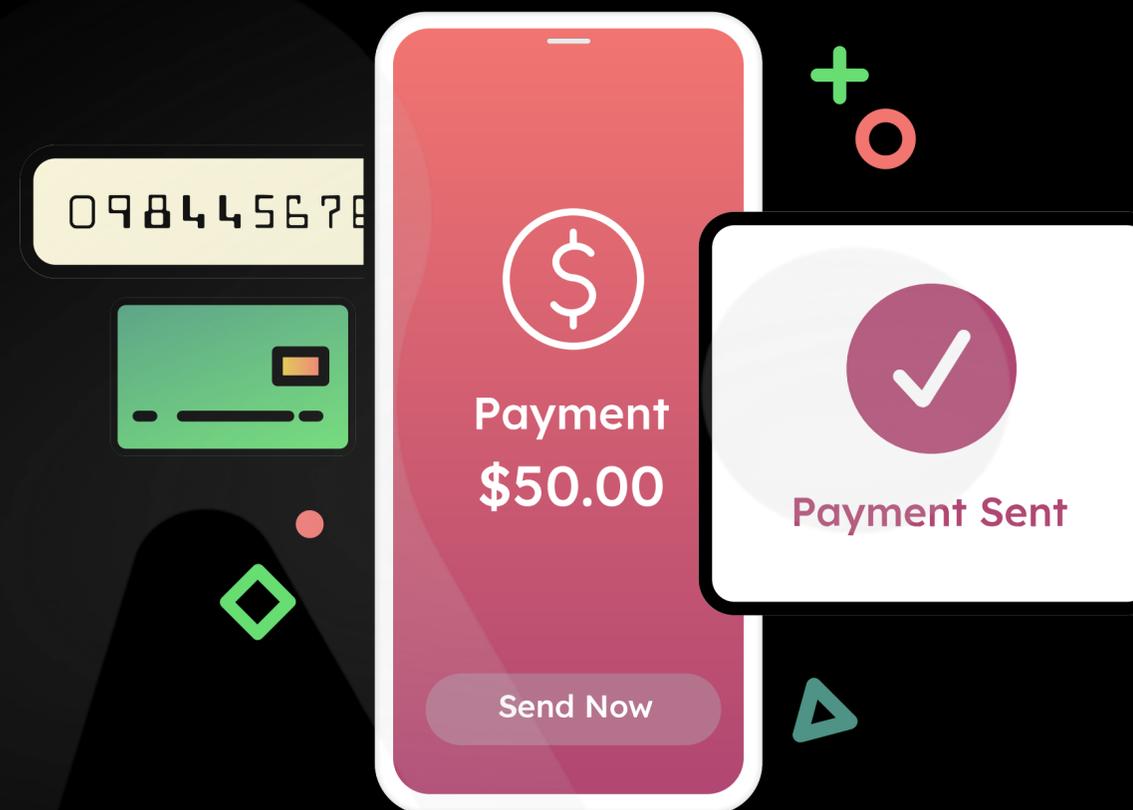


3 COMMON MYTHS ABOUT

Real-Time Money Movement & Fraud

Real-time money movements are reshaping the financial ecosystem.

By facilitating immediate transfers, real-time money movement (RTMM) systems clear and settle funds within seconds, 24/7, from anywhere in the world. The speed, convenience, efficiency, and cost-effectiveness of RTMM systems have made them extremely popular among global consumers and businesses. In fact, The *2023 McKinsey Global Payments Report* predicts that by 2027, more than half of all payment transactions will occur in real-time, a threefold increase from today.¹



Yet despite the clear benefits and excitement around RTMM, the U.S. has lagged far behind other developed nations in its adoption.² The complexity and size of the U.S. market, combined with high anxiety around the fraud controls needed for protecting money and consumers have driven hesitation—and understandably so. Because RTMM is relatively new, it’s difficult to predict the fraud patterns and vectors targeting. Social engineering styles of attacks, such as Authorized Push Payment (APP) fraud, are growing in leaps and bounds, which experts attribute exclusively to the growth of RTMM.³ The risk of loss is also greater: once a real-time payment has been accepted, the transaction is irrevocable.

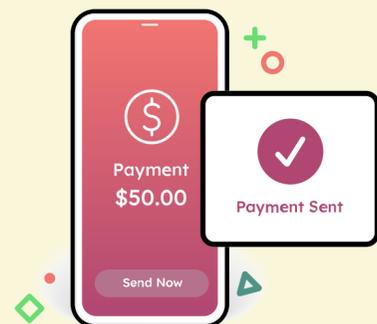
“

About 195 billion real-time payment transactions were recorded globally in 2022—a year-over-year growth of 63%. At the same time, the availability of real-time transactions leaves banks and financial intermediaries vulnerable to attacks, especially APP scams. **Authorized push payment scams grew 92% in many countries in 2022**—from 14% to 26.9% of all types of fraud.

- *Bank Info Security, June 2023*

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AUTHORIZED PUSH PAYMENT SCAMS GREW 92% IN MANY COUNTRIES IN 2022



Push payment scams (2021)

Push payment scams (2022)



2. <https://ctmfile.com/story/india-leads-in-real-time-payments-while-the-us-is-lagging-behind>

3. <https://www.bankinfosecurity.com/app-scams-see-rise-as-adoption-real-time-payments-increase-a-22302>

Real-Time Money Movements & Fraud

Fraud professionals are facing a critical tipping point. The rise of RTMM and its associated fraud risks are highly visible: in 2020 alone, 18M Americans fell prey to scams involving digital wallets, with many headlines calling out popular payment apps like Zelle, Cash App, and Venmo as being dens of opportunity for fraudsters.⁴

At the same time, RTMM systems are soon to be a must-have for any financial institution (FI). Consumers demand the convenience and flexibility of instantaneous, cashless, mobile-first payments. It's a crucial evolution in a competitive banking landscape, and it's making that landscape even more competitive by helping smaller banks gain ground.

Beyond meeting consumer demand, by implementing RTMM systems banks gain enhanced cash flow management and liquidity, reduction in settlement risk, and streamlined operations. **It's a win for consumers and a win for FIs—but is it also a win for fraudsters?**

Just like fast-moving money leads to fast-moving fraud, a fast-changing economy leads to fast-changing “facts.” In NeuroID's work with fraud prevention leaders across the FI ecosystem, we've heard firsthand how the confusion and uncertainty around RTMM and fraud is causing many to hesitate. Here's a look at the top three myths we've encountered, and why they're likely hindering your adaptability at this pivotal moment in the changing financial world.

“ In the U.S., a market where regulators strongly favor non-intervention, the Federal Reserve is launching its highly anticipated FedNow system to expand real-time access in the U.S.—a highly significant milestone for real-time.

- *GlobalData & ACI Worldwide Report, 2023* ”

“ Small banks, in particular, have been reluctant to sign on to the big-bank-controlled RTP system. Industry experts predict that more banks and credit unions will now sign up for FedNow and that the existence of two competing systems—known in paymentspeak as “rails”—will speed innovation and the widespread adoption of instant payments in the U.S., a relative laggard when compared to Europe, India and Brazil.

- *Forbes, 2022* ”



MYTH 1

Real-Time Payments Are More **Vulnerable** to Fraud

With instant money movement comes instant fraud. With no way of recovering the money, RTMM systems can seem like a lose-lose quagmire of risk. Headline-making real-time fraud scams have even drawn the attention of the Consumer Financial Protection Bureau (CFPB), and new types of social engineering and AI-based vulnerabilities make instant money movement seem especially risky.⁵

“Fraudsters like faster payments just as much as companies and consumers do. When bad actors can move money quickly, leverage instant settlement, and strike at any time, fraud becomes that much more attractive. In response, businesses using faster payments need to establish and solidify safeguards.”

- *Modern Treasury Journal*, 2023



TRUTH

Real-Time Money Movement Isn't **Risky**—but Gaps in **Outdated Fraud Prevention** Are

There's a big difference between the inherent riskiness of RTMM and the exploitability of outdated countermeasures. **It's not the payment method itself that's vulnerable: it's the identity and fraud stacks that aren't equipped for the speed and complexity of real-time transactions.**

Avoiding RTMM adoption due to fraud risk is no longer an option. FedNow and other RTMM evolutions are expected to eventually take over traditional methods of payments, and fraud prevention must adjust to the new world. FedNow has an aggressive growth initiative, built in recognition of one simple fact: The U.S. can't afford to continue to lag behind in both consumer and competitive demands in a global economy.

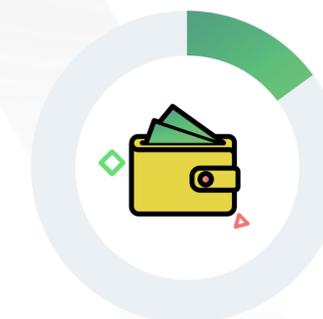
Consumers don't care about the complexities of industry collaboration or government regulations that have made the U.S. market more difficult to scale: nearly 80% of them want to make payments to businesses faster and more direct. Today, 41% of Americans don't use cash for any purchases (up from 29% in 2018) and 15% of Americans don't even bring their "old-school wallet" when leaving home, instead relying on purely mobile wallets.

This consumer-led creation of a cashless economy puts pressure on U.S. FIs to evolve along the same rapid trajectory towards RTMM adoption—even as they struggle with the emerging fraud trends inherent to our instant-access age.



41%

of Americans don't use cash for any purchases



15%

of Americans don't bring their "old-school wallet" when leaving home



Traditional fraud detection methodologies have relied on historical data and batch processing and manual reviews. These techniques, effective in an era where payments were subject to a 3-day ACH delay, allowed time for anti-fraud teams to park the transaction and review it manually. Old systems had the luxury of days for fraud review, but in a real-time setting you need real-time, determinate decision-making.

The Bottom-Line

Real-time money movement, with its speed and irrevocability, poses new fraud challenges. But these challenges are solvable. Focus on implementing fraud prevention tactics designed for this real-time era:



Start incorporating more no-friction, high-impact data signals into the top of your fraud stack and decision off of them first. Reduce the overall pressure on costly, high friction PII-based assessments.



Increase investment in predictive analytics to reduce reliance on manual reviews and increase your ability to make accurate decisions in real-time.



Take inventory of the modernity and dynamism of your fraud stack. Evaluate where there's duplicative coverage and explore tools that provide new layers of insight to help increase your confidence in real-time decisioning.



Everyone understands that the risk of fraud is higher than it used to be, and there's this misconception that companies are more at risk of fraud when they use instant payments versus a more traditional next-day settlement method. **That isn't true. Instant payments just put more pressure on companies to ensure their payments governance and risk controls are running at the same pace as their payments**, which requires verifying and validating payments against sanctions lists, bank account databases, payment policies, and AI fraud algorithms at machine speed instead of at human speed.

- *Treasury & Risk, 2023*



MYTH 2

Americans' **Appetite** for Real-Time Money Movements is **Slow**

The U.S.'s slow adoption of RTMM, despite the obvious benefits and fast-pace of global adoption, must mean that we aren't ready for the challenges. If only 18% of banks and 12% of credit unions currently offer RTMM systems, that must be a sign that they're not really needed or wanted.⁶ Besides, consumers already have peer-to-peer apps like Venmo, CashApp, and Paypal—their needs for digital money movement are met.

“The existence of tools like Venmo, Paypal and Zelle has led many to believe that peer-to-peer (P2P) payments have been solved, and FedNow poses a bigger opportunity in the B2B payments space. **However, the majority of The Clearing House (TCH) transactions are still driven by consumer use cases**, like defunding digital wallet accounts, early wage access (15% of the total volume on TCH RTP), insurance payouts and instant refunds.

- Forbes

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TRUTH

Financial Institutions Have Been Slow to Adapt—but Consumers Have Not

Younger consumers will inherit \$85T in assets over the next 20 years, which positions Generation Z (anyone born between 1997 and 2012) to soon be in control of the economy.⁷ As the first cohort of digital natives, more than 66% of Gen Z use digital wallets almost exclusively and 51% expect digital transactions to soon fully replace physical ones. And that's just Gen-Z—consumers across generations: overall, nearly 80% of U.S. consumers want to make payments to businesses faster and more direct.⁸ There's an unmistakable trend in favor of real-time, digital transactions, including RTMM.⁹ The inclusion of The U.S. Department of the Treasury's Bureau participation in FedNow also underscores the potential impact of RTMM.¹⁰

The Bureau is responsible for Social Security payments, veterans benefits, and tax refunds—meaning these large payments will drop into consumers' bank accounts much faster. **With this wide-reach into the public sector, the Bureau's use of FedNow will showcase its convenience directly for consumers**, which is expected to make RTMM even more appealing to end-users. While in other countries, the central bank has mandated the use of an official instant-payments system, there's no signs of that to come with FedNow—but these kinds of strategic deployments are creating a new level-playing field for adoption.



>66%

more than 66% of Gen Z use digital wallets almost exclusively



51%

of Gen Z expect digital transactions to soon fully replace physical ones



80%

nearly 80% of all consumers want to make payments to businesses faster and more direct.

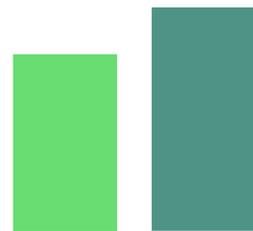


7. <https://www.neuro-id.com/resource/blog/3-takeaways-from-canapis-the-great-wealth-transfer-webinar/>

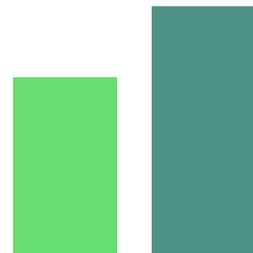
8. <https://fedpaymentsimprovement.org/news/blog/federal-reserve-study-sheds-light-on-rising-consumer-demand-for-faster-payments/>

9. <https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045>

10. <https://explore.fednow.org/explore-the-city?id=3&building=news-center&postId=45&postTitle=dave-lebryk-of-u.s.-treasury-on-federal-use-of-the-fednow-service>



26% increase
in Zelle
transaction
volume in
2022



40% increase
in number
participating
in FIs

Despite the slower pace of RTMM solution roll-out in the U.S., the demand is clearly here. MasterCard Send, Visa Direct, Zelle, and FedNow have made the strongest strides in RTMM offerings, with **Zelle surging to a 26% increase in transaction volume in 2022, as the number of participating FIs increased by 40%.**¹¹ And all this is despite the fact that Zelle has “opened the door to fraud and scams on a tremendous scale”¹² and been called out publicly for fraud riskiness by everyone from U.S. Senators to The New York Times. The appetite for RTMM solutions is so strong that despite headlines such as *Zelle fraud is rising. And banks aren’t coming to the rescue* (CNN) consumers are willing to risk their money for the convenience. While payment apps like Venmo are popular for peer-to-peer digital transactions, they’ve only sharpened consumers’ appetites for instant bank transactions—the **majority of whom would rather use their own trusted banks to process these transactions.**¹³ The demand for large dollar transactions is high as Americans get accustomed to using their phone instead of their checkbook, and Zelle, Visa Direct, MasterCard Send, Paypal, Venmo, etc. all have a few thousand dollars as their transaction limits. FedNow will change all that—and it will bring consumers’ expectations with it.

For FIs, RTMM systems aren’t just about meeting an immediate consumer demand—they’re about securing the future. With Gen Z exhibiting high loyalty towards FIs they trust, meeting their needs with RTMM adoption means establishing a long-term, wide-reaching, and fiercely loyal customer base.¹⁴

“

The U.S. is a big place . . . to reach everyone, it’s hard. **FedNow will help support the US growth of instant payments, and it will enable the smaller institutions to compete with the larger financial institutions.** I think that’s that’s where FedNow will be very successful as it is supporting those institutions that want to offer great products and services to their consumers that they’re used to only seeing in the larger banks.

- Craig Ramsey, Global Head of Real-Time Payments at ACI Worldwide, 2023

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11. <https://www.pymnts.com/news/mobile-payments/2023/zelle-network-transaction-volume-increased-26-in-2022/>
 12. <https://www.pymnts.com/bank-regulation/2023/senators-warn-regulators-on-zelle-fraud-risks/>
 13. <https://www.bounteous.com/insights/2023/04/18/money-moves-are-you-ready-fednow-service-rollout>
 14. <https://www.neuro-id.com/resources/blog/3-takeaways-from-canapis-the-great-wealth-transfer-webinar>

The Bottom-Line

Americans are ready for RTMM solutions. It's time for FIs to catch up. This isn't just a singular problem, but represents a greater need for future-forward infrastructure. Having a reliable, real-time fraud decisioning solution builds the groundwork for staying ahead of evolving fraud strategies. Keeping the demands of new, digital native consumers in mind, look for:

-  Frictionless fraud signals that are designed for the digital natives' demands of security without sacrificing user experience.
-  Independent of PII; tools that are global and just as accurate for customers with low to no financial history, like many Gen-Z consumers.
-  Adaptable, top-of-onboarding analytics that can help you fast track (or apply friction), depending on applicant riskiness.

“

At this stage, moving forward with a strategy and a plan for how and when you are going to participate is just as important, if not more so, than being live today. **Because it's no longer if, but when, it is the right time to implement . . . Over the next decade, we can expect the . . . FedNow will make up a larger piece of overall payment volumes.**

Community banks need to view instant payments participation as a requirement to keep pace with changing times and customer expectations. Volume may not climb exponentially right away, but it is important to plan now so you don't fall behind and miss this timely opportunity.

- *The Independent Community Bankers of America®*, 2023

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MYTH 3

I Can **Wait-and-See** Before Taking on Real-Time Payments.

Many FIs have been waiting for the FedNow roll-out before taking the first steps to RTMM integration. With regulatory gaps and fraud concerns, it seems easier to just let others lead the charge and figure out the problems before taking on RTMM systems themselves. After all, risk-aversion is in the blood of every fraud professional: what do you have to lose by waiting for RTMM fraud-kinks to be worked out by others first?

“

Card-issuing banks that take a timid approach to payments innovation could **lose out on 4.6% of total global card and online payments revenues, or \$89 billion, in the next three years**. Conversely, banks that rethink their strategies and capitalize on consumers' trust in their stability and security could expand revenues and market share.

- Accenture Global Research, 2022

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Providing instant payments on the business side will be of more immediate interest for many banks and credit unions because it is something that these customers are already primed for . . . **as institutions adopt FedNow, the laggards will see some of their business customers go elsewhere. It's that important.**

- The Financial Brand, 2023

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TRUTH

Real-time Money Movement is a Competitive Necessity

The wait-and-see approach to RTMM is a dangerous strategy. The question isn't if you'll need to adopt RTMM systems, it's how to safely shift to real-time—and if your competitors have a more aggressive timeline than you do, it's real revenue at stake. While the fraud vulnerabilities and integration issues are intimidating, losing out on the many growth opportunities should be just as scary.

The traditional banking industry, with its trusted names and too-big-to-fail messaging, still carries consumers' trust (including the credit-skeptical Gen Z). But that isn't a guarantee.¹⁵ Personalization, faster onboarding, low-friction approvals, one-stop shops, and user-friendly processes give challenger banks a distinct advantage. And now, those agile FIs are adding real-time payments to the mix.

But fintechs and challenger banks are still working to build better reputations (especially in the face of recent banking collapses).¹⁶ Incumbents' comforting names are reassuring in unstable times, but banks can't count on consumer trust alone for a competitive edge, especially when switching banks is as easy as clicking a button. **15% of consumers say RTMM availability would be a top factor in changing banks, and 19% call out the availability of one-click mobile wallets without a third-party provider.**¹⁷ Consumers are looking to their trusted FI for a low-risk solution—why are you waiting to give it to them?

The Bottom-Line

Knowing you need to act quickly to stay competitive does not solve the question of how to safely integrate RTPs. That's where a trusted fraud prevention partner and strategic fraud stack comes in.



15. <https://www.neuro-id.com/resources/ebook/3-strategies-for-navigating-the-new-banking-landscape>

16. <https://www.neuro-id.com/resources/ebook/3-strategies-for-navigating-the-new-banking-landscape>

17. <https://www.accenture.com/content/dam/accenture/final/industry/banking/document/Accenture-Payments-Gets-Personal.pdf>

The Power of Behavioral Analytics to Support Real-Time Money Movement

The danger of fraud has held many FIs back from committing to RTMM systems, but now the danger of indecision is just as harmful. FIs must respond to the demand for real-time and navigate the challenges of curbing fraud. But they don't have to do it alone.

NeuroID evaluates risk in real-time by analyzing user intentions (fraudulent or genuine) at the beginning of your application or account management fields. We are the proven leader in supporting secure real-time money movements.



Behavioral Analytics Expertise: NeuroID has pioneered the realm of behavioral analytics, focusing on understanding user intent through online behavioral patterns. This modern approach to fraud detection enables NeuroID to differentiate between legitimate users and potential fraudsters based on their online actions, and decision in real-time for secure and efficient RTP integration.



Real-Time Fraud Detection: NeuroID is primed for detecting fraud in instantaneous environments. Traditional fraud detection systems, reliant on historical data and batch processing, are ineffective for immediate fraud prevention. NeuroID behavioral analytics are optimized for real-time.



The Power of Behavioral Analytics to Support **Real-Time Money Movement**



Significant Fraud Detection Proof-Points:

NeuroID recently identified over 100,000 dormant fraudsters and potential savings of \$10 million based on prior year's data for a payment processor. Behavioral Analytics ability to decide on approvals, denials, or reviews in less than a second significantly alleviates the pressure on your fraud framework.



Proactive vs. Reactive Approach:

NeuroID's approach is proactive, focusing on immediate predictive and deterministic responses. In a landscape where payments can't be clawed back, the ability to decision in real-time is crucial.

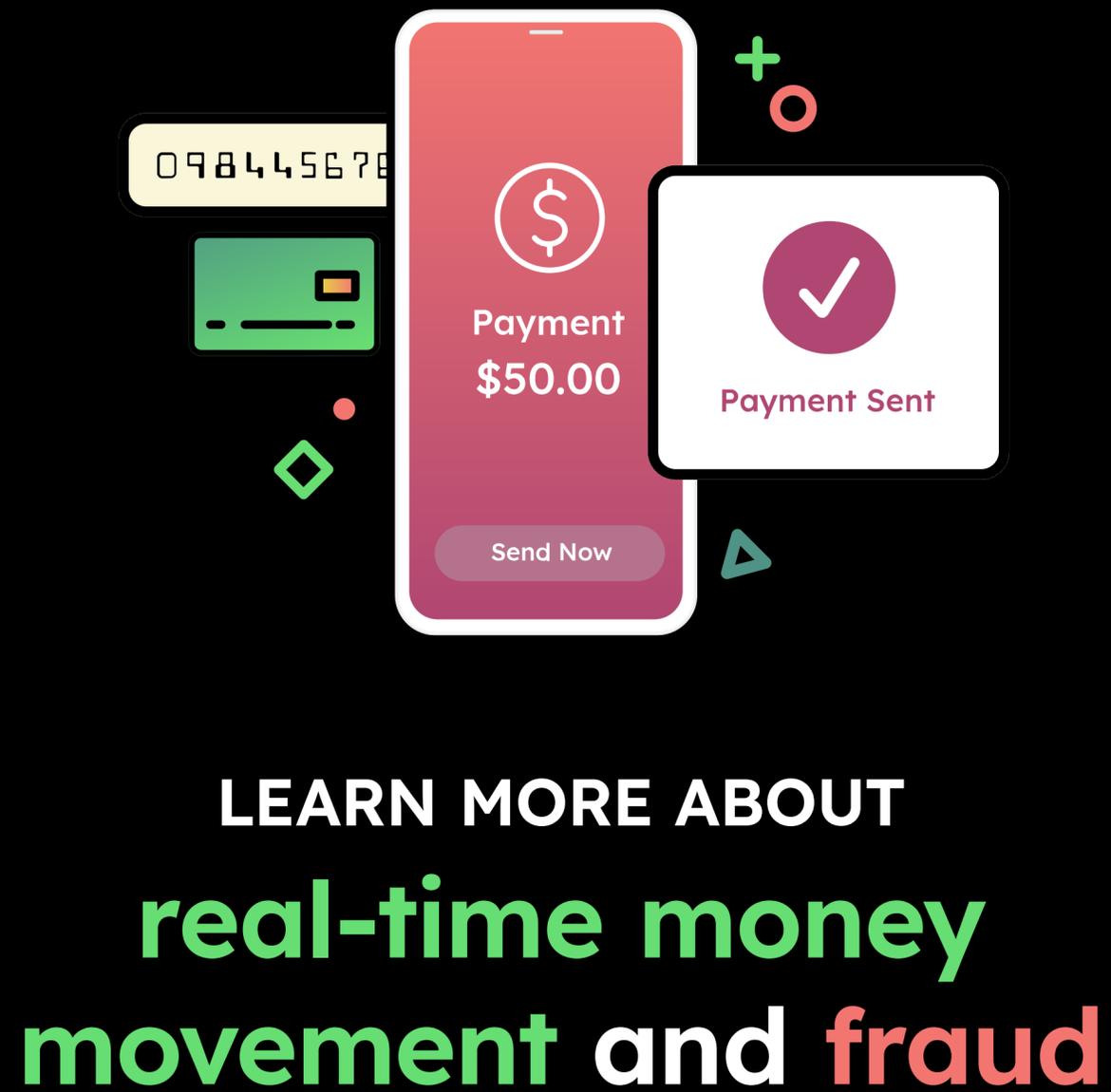


Integration of Multiple Signals: Efficient fraud protection involves combining various signals, such as user behavior, device information, and personally identifiable information (PII), to create a comprehensive fraud detection matrix. This multi-signal approach enhances the accuracy and reliability of fraud detection. Behavioral Analytics are a wholly unique signal, providing crowd-level insights you can't get from any other solution.



FIs need real-time fraud detection tools to safeguard their RTPs. NeuroID, with its specialized behavioral analytics and tailored products, offers a **robust solution to this pressing challenge.**





LEARN MORE ABOUT

**real-time money
movement and fraud**



About NeuroID

NeuroID is a behavioral analytics company that is redefining identity orchestration by bringing human behavioral signals into the digital world.

NeuroID solutions assess the intent of the consumer, fraudster, or bot on the other end of a digital device to ascertain their digital integrity. Our flagship products—ID Crowd Alert™ and ID Orchestrator™—use patented neuroscience-based analytics to measure intent so our customers can unlock top of funnel identity screening and authentication capabilities in real-time, in order to better provide exceptional customer experiences to genuine applicants.

A pioneer in the behavioral analytics field, NeuroID helps some of the largest digital brands in the world optimize their identity orchestration, continually monitor crowd-level behavior, detect sophisticated fraud ring attacks in real-time, and enact the right level of either fast-track or friction for potential customers. All of this happens even before customers hit 'submit' in their onboarding journey. The result is scalable, safe, and seamless digital identity screening based on this pre-submit data that works through a simple javascript and never collects customer data or causes unnecessary friction. ID Crowd Alert and ID Orchestrator have translated more than a trillion behavioral data points to help reduce friction, increase conversion, eliminate false positives, and minimize false declines for a robust and revenue-driving holistic identity orchestration that seamlessly integrates with any fraud stack.