



Treasury Strategies Sees Possible Bank Failures Due to Fraud Losses

For Immediate Release

October 15, 2009 (Chicago, IL) – Treasury Strategies predicts the possibility of a U.S. bank failure due to fraud losses sometime in the next three years. This prediction was made during Treasury Strategies' annual Bank Executive Networking Forum held last week in San Francisco.

"There is a good likelihood that both community banks and even regional banks will fail due to fraud losses," said Dave Robertson, a Partner of the firm. The statement surprised some bank executives attending the event.

Treasury Strategies reached this conclusion based on its assessment of industry readiness and a projection of the massive losses criminal enterprises can inflict.

"Technology advancements have enabled perpetrators to develop more sophisticated schemes that can be executed more rapidly and on a broader scale," said Barry Barretta, a Principal with the firm.

"What's most striking to us is that the fraudsters appear to be making business decisions using a longer investment horizon than the banks they are attacking. For example, fraudsters are investing in sleeper accounts and placing moles as employees who acquire inside information on control procedures," continued Barretta.

The industry must act aggressively to combat fraud risk. Treasury Strategies recommends four steps banks can take to fight fraud.

- 1. Ensure Sufficient Capital**

Ensure institutions have sufficient capital to underwrite and manage the risks of its payments operations. "Some smaller institutions are taking on payment processing volumes and risks that are inappropriate to their capital levels," Barretta noted.

- 2. Upgrade Risk Management Capabilities**

Banks must comprehensively review and strengthen risk management processes, governance and policies. At many banks, risk management is fragmented and incomplete, with weaknesses and inconsistencies across geographies, channels and platforms.

- 3. Collaborate as an Industry**

As the banking industry consolidates, leaders must seize the initiative to collaborate - both to identify fraud schemes and to authenticate transaction flows among trusted parties.

- 4. Educate Clients about Schemes**

The weak link in the fraud chain is often the bank's customer. Banks must educate clients about fraud schemes and deliver more comprehensive solutions so customers can detect and prevent fraud.

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“Criminals see fraud as a game – they only need to beat the weakest bank to succeed. With the growing sophistication and magnitude of fraud schemes, it’s never been more critical to stay ahead of the crooks,” noted Robertson.

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