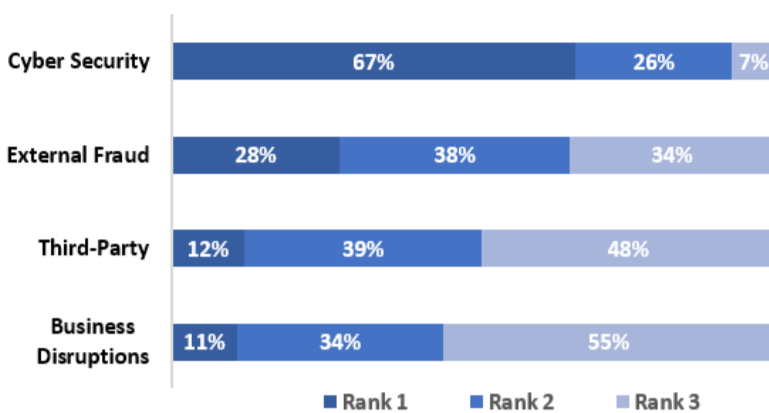


Key Findings from Federal Reserve Financial Services 2021 Payments Risk Management Research Study

Survey of 120 risk management professionals in June 2021

1. Cybersecurity is a top concern of payment risk management

Top Operational Risks

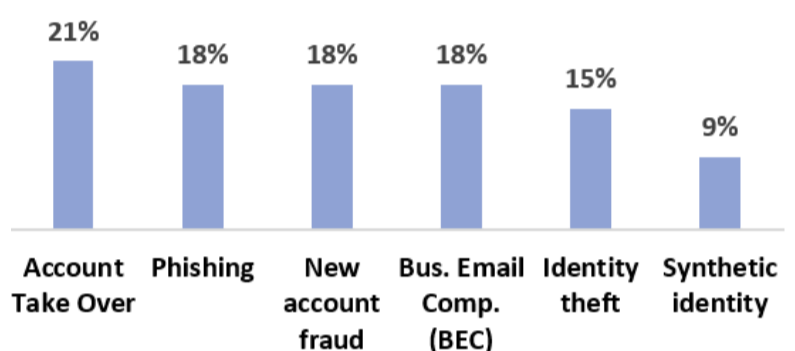


- Cybersecurity operational risk remains high
- Growth in remote office work creates more vulnerable targets
- New computing models (e.g. cloud, distributed networks) create new cyber security risk and uncertainty

2. Account takeover has become common with ample accounts from which hackers can choose

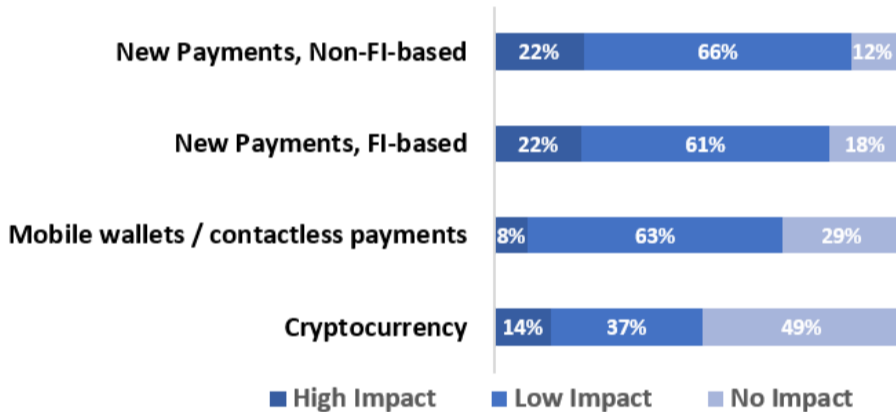
- Social distancing created a boom in online shopping, mobile app usage and digital access to new and existing accounts
- Increased online account activity has resulted in more opportunity to compromise credentialed accounts
- Credit push payment methods are especially vulnerable to compromised credentials and legitimate account takeover

Biggest Payment Risk Problem



3. New payment types amplify risk challenges for financial institutions

Greatest Impact Risk Profile

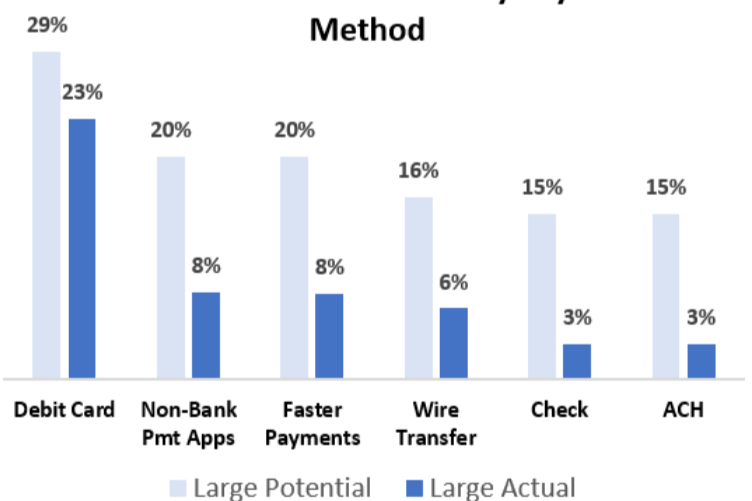


- Non-financial institution control of customer relationships increases the payment risk for financial institutions
- Financial institutions can lower their overall payment risk profile by offering and taking control of new electronic payment services

4. Some loss concern on faster/person-to-person (P2P) payments, but actual losses still highest in cards

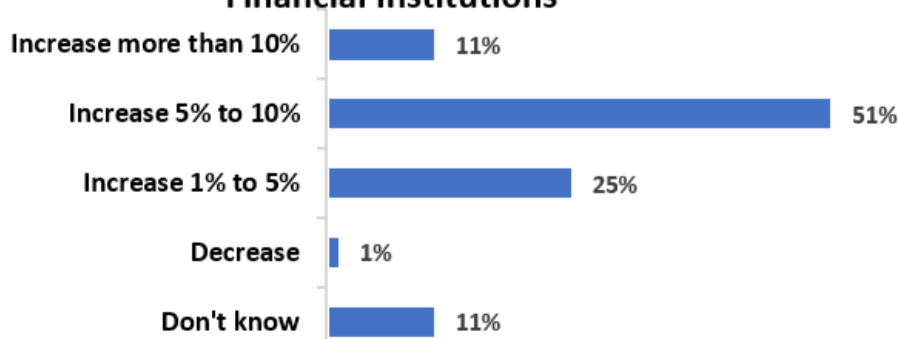
- Card payment losses are larger, as expected, but before-the-fact fraud detection will be even more critical for emerging instant payments
- Ex-ante transaction screening is important to financial institutions as they move into P2P payments to provide the ability to find fraud before it hits the account

Potential vs. Actual Losses by Payment Method



5. Most financial institutions are planning on high single-digit expansion of fraud and risk tool investing

Outlook on Fraud & Risk Tool investing by Financial Institutions



- Investments in fraud and risk tools are expected to grow
- Financial institutions will be looking to their service providers to provide tools that help mitigate these risks

For more information visit our [Risk Management Toolbox on FRBservices.org](https://www.frbfinancialservices.org/risk-management-toolbox).

Note: The survey conducted in this summary was conducted, paid for and assessed by Federal Reserve Financial Services, which sells various payment solutions including Fedwire®, FedACH® and the instant payment FedNow(SM) Service, currently in development. Accordingly, these statements and findings contained in this summary should be treated as marketing information and not independent research.