MORDERN STRATEGIES AND TECHNOLOGIES FOR MITIGATING FINANCIAL FRAUD



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Outline

What is Financial Fraud?

Types of Financial Fraud

The Digital Financial Ecosystem

Technologies for Mitigating Financial Fraud

Fraud Triangle

Strategies for Mitigating Fraud

Top Financial Fraud mitigation Challenges

Conclusion



What is Financial Fraud?

Financial fraud can be broadly defined as an intentional act of deception involving financial transactions for purpose of personal gain

It encompasses **criminal offences** that involve deception and dishonesty to obtain some benefit or to cause detriment to some person or organization.

Deceit, trickery specifically: intentional perversion of truth in order to induce another to part with something of value or to surrender a legal right





Consumer Fraud



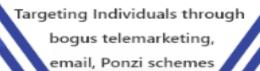
Asset Misappropriation

Skimming of cash and cash larceny & Misuse of company assets



Insurance & banking Fraud

Bogus health insurance claims, business insurance claims, and fraudulent bankruptcy







Financial statement fraud

Overstating revenue, earnings and assets along with Understating Labilities



Intellectual Property Theft

Theft of intellectual property and trade secrets

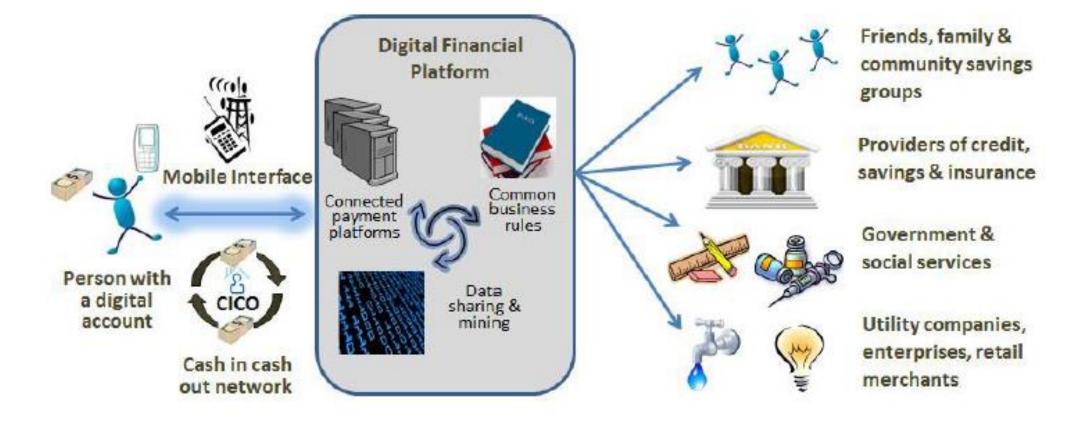


Corruption

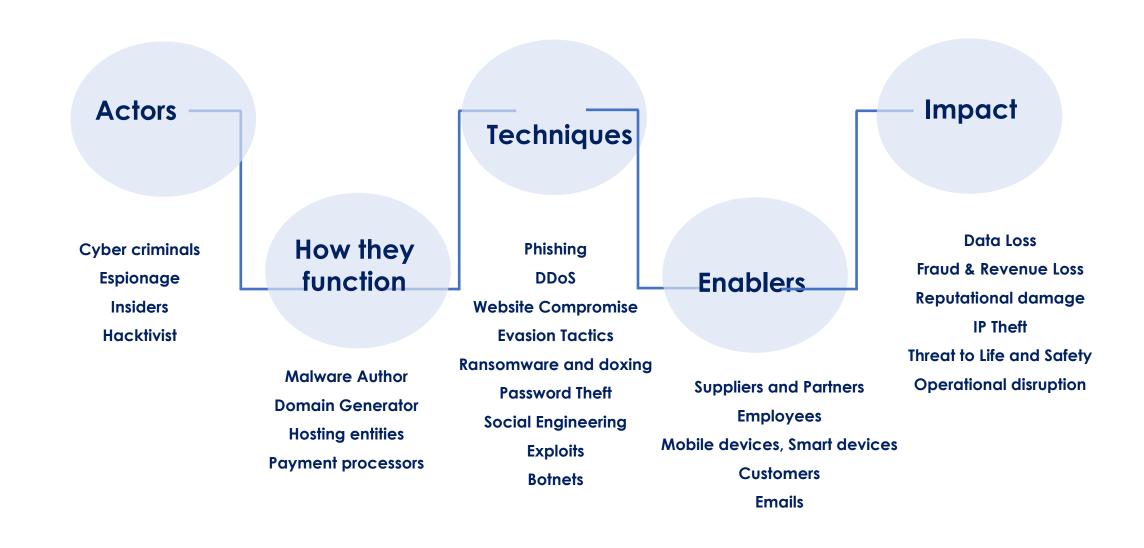
Includes bribery, extortion, intimidation, kickbacks, theft, and other forms

The Digital Financial Ecosystem

The financial ecosystem comprises a broad range of financial services accessed and delivered through digital channels, including payments, credit, savings, remittances and insurance. It also includes mobile financial services.



The Digital Financial Services Threat Landscape



The FRAUD Triangle

Opportunity

Internal Controls:

- None in Place
- Not Enforced
- Not Monitored
- Not Effective

No Segregation of Duties

Too Much Trust

Poor "Tone at the Top"

Rationalization

"I don't get paid what I'm worth!"

"Everyone else is doing it!"

"If they don't know I'm doing it, they deserve to lose the money"

"I intended to pay it back"

"Nobody will miss the money"

Pressure / Motivation

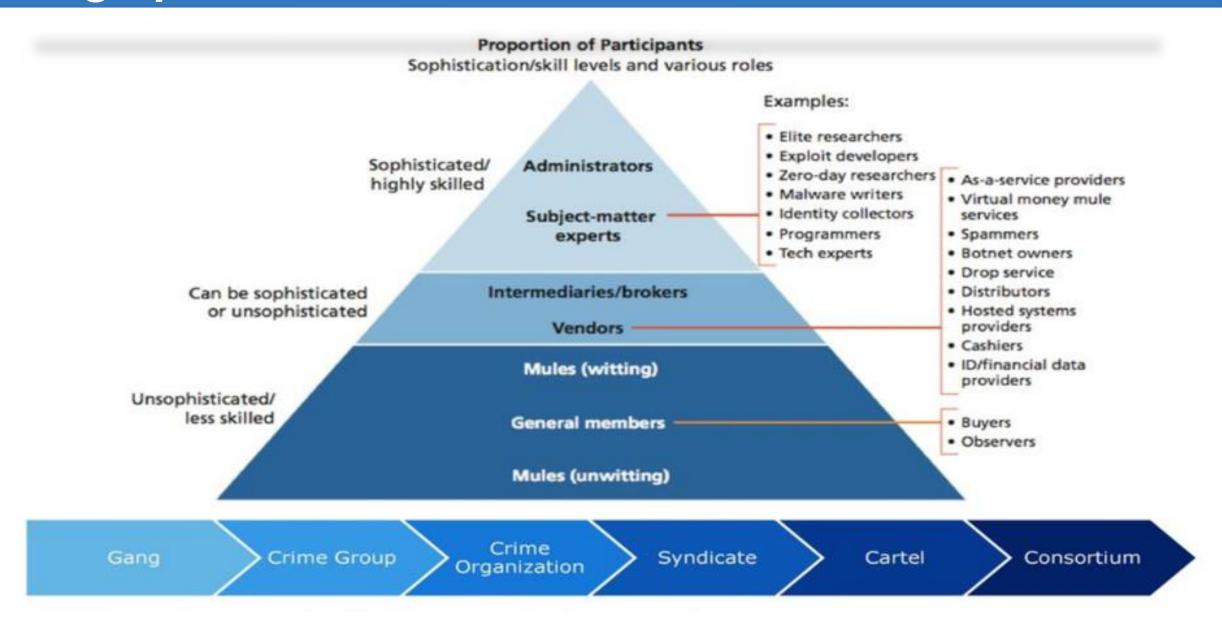
External Pressure/Motivation:

- Debt, Greed
- Lifestyle Needs
- Life Pressures
- . Illicit Activities: Vices, Gambling, Drugs

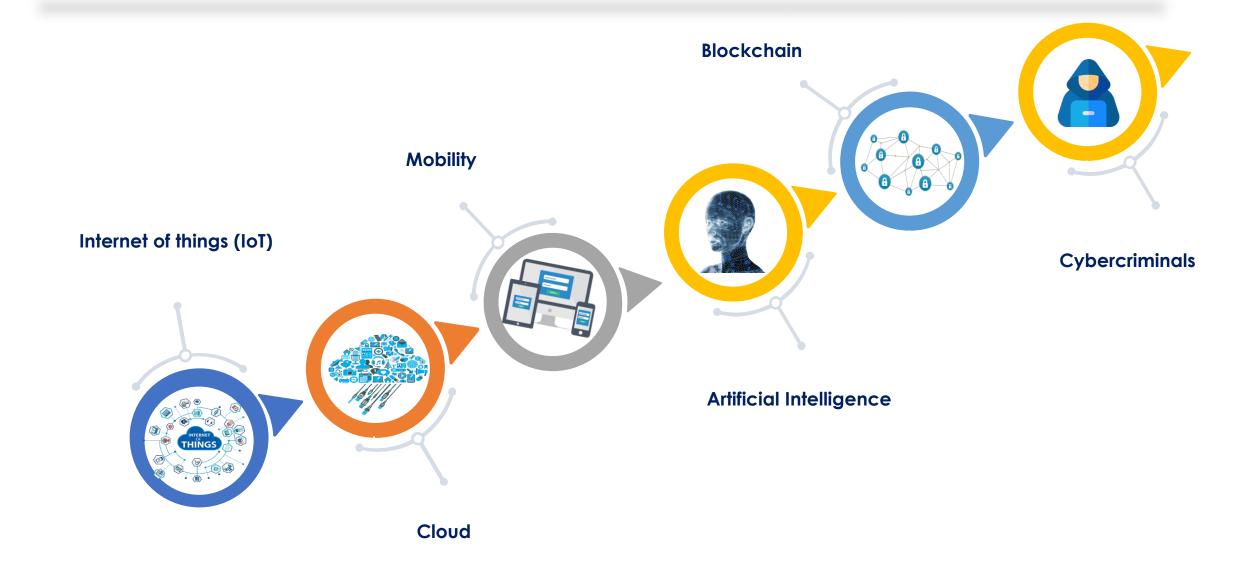
Internal Pressure/Motivation:

- Pressure to Perform
- Too Much Work

Category of Financial Fraudsters



Financial Fraud Escalators



IMPACT OF FRAUD ON ORGANISATIONS



Personal liabilities and penalties



Data breaches



Loss of capital



Loss of Customers



Reputational damage



Losing competitive advantage

Strategies for Mitigating Financial Fraud

CORPORATE GOVERNANCE

Executive management direction and support is critical in the fight against fraud

ETHICAL CULTURE

Familiarize employees with your company's standards for ethical conduct

FRAUD RISK MANAGEMENT POLICIES

Put sound and appropriate fraud detection, prevention, investigation, resolution, and reporting policies and procedures in place, and communicate them to employees



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FRAUD MITIGATION TOOLS

it is important to have an end-to- end security, and there are many tools to choose from. Arm yourself from the many weapons in your arsenal to guard against criminal masterminds and help implement internal controls.

REGULATORY COMPLIANCE

Ensure appropriate policies and procedures are in place pertaining to your company's obligations to regulations, as applicable



EMPLOYEE TRAINING

Ensure that employees receive fraud training appropriate for their roles and levels. They must be able to recognize signs of fraudulent activity and know how to report it.

Multi-Layered & Integrated Fraud Mitigation Strategy

Governance

- Polices
- SLA / OLA
- Guidelines
- Processes
- SoW

- SOPs
- Standards
- Baselines
- Contracts
- SRD / FRD

People

- Background checks
- Job rotation
- Audits
- Leave
- Security / Process awareness
- Supervision / spot checks
- Maker Checker
- Segregation of duties

- Penalties and Sanctions
- Privilege Control
- Staff Welfare management / Rewards
- Health & Safety
- Education & Training
- Whistleblowing -Anonymous

- Technical
- Operational
- Organizational
- Risk Assessment

- Procedural / Administrative
- Governance
- Audit
- Inspection

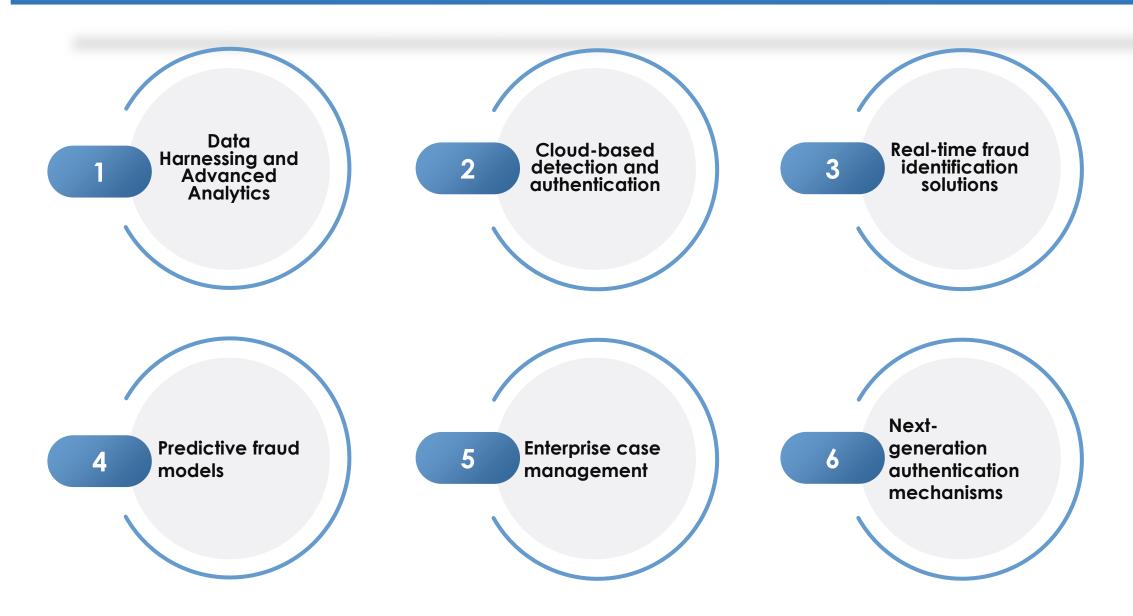
Technology

Control

- Perimeter Security
- Secure Connectivity
- Vulnerability Assessment tools
- Identity & Access Management
- Privilege Account Management

- File Integrity Monitoring
- Encryption
- Data masking
- Data Loss Prevention
- Network Access Control
- Internal Employee Fraud Management

Modern Technologies to tackle Financial Fraud



Top Financial Fraud Mitigation Challenges



Changing Fraud Pattern over time

This one is the toughest to address since the fraudsters are always in the lookout to find new and innovative ways to get around the systems to commit the act



Skills Gap

A skills gap is a major roadblock on the way towards the effective implementation of these solutions. Many organizations lack qualified financial Fraud experts who know how to manage fraud tools and analyze complex fraud cases.



Complexities in Regulation

Regulatory expectations continue to increase to match program design to real world risks presented by customers, products, and geographies.



Dramatic Shift to Remote services

The dramatic shift to remote services, which took root when the pandemic broke out, has reshaped the businesses and the financial services industry. Providers of fraud prevention systems had to quickly adjust their activities to new challenges and more stringent requirements of regulators and customers.

THANK YOU