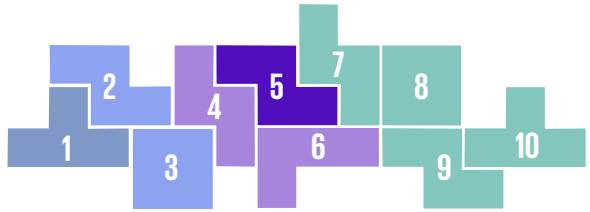
05 Averting Fraud and Scams



Regulatory Signals

- "Fast & Furious"
- Reprioritizing Enforcement
- Trends

Traditional frauds and scams are giving way to a new generation of rapidly evolving AI-enhanced activities carried out at scale, significantly raising the importance of effective risk management and reporting.

"The speed and sophistication with which fraudsters are now able to exploit AI and emerging technologies is outpacing traditional defenses. To effectively mitigate these threats, regulators, companies, governments, and law enforcement must break down silos and collaborate more openly—sharing the data they sit on and coordinating responses in real time. Fragmented efforts are no longer sufficient in a world where fraud evolves faster than policy."

Steve D'Antuono
Partner
Advisory

"Emerging market dynamics, including open banking, digital assets, and M&A activity, are reshaping financial services and creating novel fraud risks. Financial institutions must guard against fragmentation and ensure cross-functional coordination to stay ahead of fraudsters and protect consumers."

Chad Polen
Principal
Advisory

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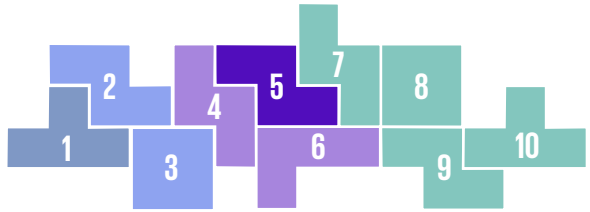

Regulatory Signals

- **"Fast & Furious"**
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Signal

Attributable largely to technology innovation (and primarily AI and GenAI), the speed, scale, and complexity of frauds and scams have significantly increased, rising to historic levels of volume and cost. These tools "turbocharge" sophisticated frauds and scams (e.g., impersonation, instant payment, deepfakes and social engineering), driving the need for a cohesive regulatory approach across functions within the organizations to detect, prevent, and mitigate these crimes.

Examples

- $12.5B in reported losses, a 25% year-over-year increase; 800M+ imposter scams reported[1]
- "Cyber-enabled fraud" (using internet or other technology) accounted for more than 80% of all reported losses[2]
- Recommendation for a "government-wide" strategy to counter scams and improve complaints reporting, consumer education, and federal coordination (e.g., GAO Report)

What to Watch

- Heightened regulatory attention to the effectiveness of fraud risk management programs, including TPRM, data sharing, and complaints analysis, to monitor, detect, and mitigate threat actors as well as keep pace with evolving threats
- Potential for more categories of fraud and scams to be reported
- Potential for escalation in the scale and sophistication of frauds and scams to be elevated to a national security issue leading to executive, legislative, and/or regulatory action
- Forthcoming NACHA fraud monitoring rules for ACH payments

[1]2024 FTC Data Book (most recently available information as of 11/2025)
[2]FBI 2024 IC3 (most recently available information as of 11/2025)

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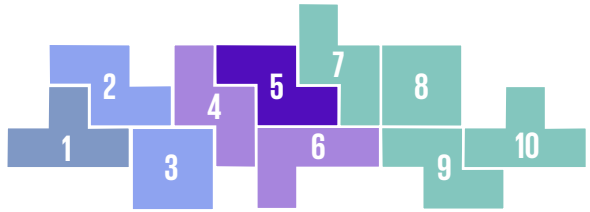

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Signal

To carry out executive directives, federal agencies are prioritizing fraud investigation and enforcement related to healthcare; procurement; trade, tariffs, and customs evasion; sanctions evasion and support for cartels and TCOs; securities and other market manipulations; and vulnerable persons (e.g., elders, servicemembers).

Examples

- Enforcement policy changes addressing "unchecked fraud in U.S markets and government programs" (e.g., DOJ Memo on White Collar Crime)
- Redirected supervision to actual fraud against identifiable victims with material and measurable damage (e.g., CFPB Staff Memo)
- Facilitating the ability to identify overpayments and fraud in government activities (EO 14243) along with FCA enforcement
- Interagency collaboration (e.g., DOJ/DHS Trade Fraud Task Force)
- Heightened enforcement (e.g., DOJ actions under FCA, SEC Cyber and Emerging Technologies Unit)

What to Watch

- Broad application of the FCA to include new (nontraditional) areas, such as trade, employment verification, and civil rights
- Continued FCA enforcement in priority areas (e.g., healthcare; government contracts; trade, tariff, and customs)
- Focus on retail investor protections, including misuse of technology to commit fraud and false or misleading statements about the use of technology (e.g., SEC)

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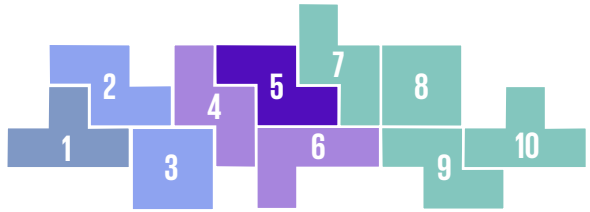

Regulatory Signals

- "Fast & Furious"
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Signal

Financial institutions, organizations, and consumers are facing a myriad of frauds and scams, exacerbated by digital assets, open banking and M&A activities. Key among them are:

- Impersonation scams, including business email compromise scams
- Deepfake/AI enabled scams
- "Faster" payments and "instant" payments scams (and relatedly increased attention to liability/consumer reimbursement)
- Synthetic identity fraud, identity theft and account takeovers
- Check fraud
- Elder abuse/vulnerability exploitation

Examples

- Data aggregation/reporting of fraud- and scam-related complaints (e.g., Annual FTC Data Book; Annual FBI IC3)
- Regulatory alerts highlighting areas of rising risk (e.g., FinCEN Alerts re: virtual currency kiosks)
- Public service campaigns and consumer-oriented materials on detecting and mitigating frauds and scams (e.g., multiple posts by FBI, FRB, FTC)
- Solicitation for public comments on ways to mitigate fraud (e.g., interagency RFI on payments fraud)
- Introduction of laws and regulations to enhance consumer protections (e.g., 1000+ state bills in 2025 related to AI[5], privacy, or cybersecurity)

What to Watch

- The sophistication and variety of frauds and scams will evolve more quickly than regulatory frameworks - bad actors are more flexible than regulators
- Potential for new frauds and scams to be developed around digital assets (e.g., false products, exchanges, websites, apps) as they gain broader market presence

[3]Derived from Multistate.ai

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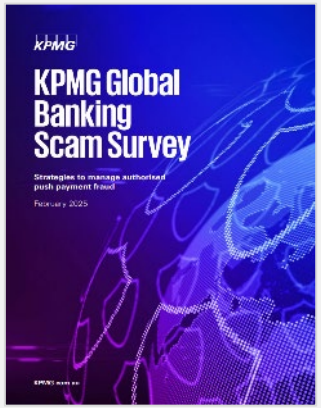
Relevant Thought Leadership

[Modernize your dispute and fraud case management]



[KPMG Global Banking Scam Survey]

Top Related Regulatory Challenges

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