

# Fraud is on the rise! Actions you can take to enhance your fraud SAR filing process

Forensic & Integrity Services  
June 2024

## The current state of fraud and Suspicious Activity Report (SAR) filings

Digitalization in the financial services sector has accelerated the number of new attack vectors for fraudsters and allowed bad actors to harness the speed and ease of digital payment services. In addition to their customers, financial institutions are victims of fraud and are suffering significant losses (customers in the US suffered \$10 billion in losses in 2023).<sup>1</sup> The financial services sector is faced with the costs of the fraud itself, time-consuming investigations, reimbursing customer losses and more indirect costs. Institutions must protect themselves from costly regulatory risks by timely and accurately reporting fraudulent activity.

According to the Financial Crimes Enforcement Network (FinCEN) SAR statistics, of the 4.9 million SARs filed in 2023, 2.2 million were related to fraud.<sup>2</sup> Based on these numbers, financial institutions are filing fraud-related SARs more than ever, but the filings are concentrated with just a few institutions. Fraud-related SAR filings are projected to increase drastically with the rise in fraud scams and attacks.

## Recent fraud scams and attacks

Whether your institution has a dedicated fraud SAR filing unit or makes referrals to the anti-money laundering team, it is important to be mindful of the types of fraudulent activity that require reporting. Common types of fraud that go unreported include:

- ▶ Account takeover
- ▶ SIM swapping
- ▶ Imposter scams
- ▶ Check fraud
- ▶ Business and job opportunity scams
- ▶ Prepaid card account takeover
- ▶ Large-scale fraud rings
- ▶ Micro-deposit harvesting
- ▶ Love or romance scams
- ▶ Goldendoodle scams
- ▶ Prize or inheritance scams
- ▶ Investment schemes
- ▶ Phishing and smishing

<sup>1</sup> "As Nationwide Fraud Losses Top \$10 Billion in 2023, FTC Steps Up Efforts to Protect the Public," *Federal Trade Commission website*, <https://www.ftc.gov/news-events/news/press-releases/2024/02/nationwide-fraud-losses-top-10-billion-2023-ftc-steps-efforts-protect-public>, accessed May 2024.

<sup>2</sup> *Financial Crimes Enforcement Network website*, <https://www.fincen.gov/reports/sar-stats>. Filtered *Industry Type* to include "All"; *Year & Month* to include "2023"; and *Suspicious Activity Category/Type* to include "Fraud (Type)," "Money Laundering," "Mortgage Fraud," and within "Other Suspicious Activity" the following subcategories: "Account Takeover," "Elder Financial Exploitation," and "Forgeries." Accessed May 2024.

## Actions to take now

The EY Forensic & Integrity Services team has identified immediate actions that can promote a culture of compliance related to fraud SAR filing obligations, including the following:

- 1 Report suspicious activity if your institution is the victim of an organized fraud attack, often referred to as a large-scale event.
- 2 Measure and track fraud scams and attack types to enhance reporting that can identify vulnerabilities, customer education opportunities and potential bank reimbursement responsibilities.
- 3 Test the referrals process between the business unit that identifies fraud and the team responsible for SAR filings to verify that SARs are filed appropriately and timely.
- 4 Invest in modernization efforts through the implementation of new tools for tracking scams and attacks, as well as their associated losses, to drive prevention strategies.
- 5 Conduct trend analysis to identify fraudulent accounts and their nexus to larger fraud rings and schemes.

If you would like to discuss what the leading financial services companies are doing to track and measure their fraud losses to better inform their fraud strategy, please contact:



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Embedding integrity into an organization's strategic vision and day-to-day operations is critical when managing complex issues of fraud, regulatory compliance, investigations and business disputes. Our international team of more than 4,000 forensic and technology professionals helps leaders balance business objectives and risks, build data-centric ethics and compliance programs, and ultimately develop a culture of integrity. We consider your distinct circumstances and needs to assemble the right multidisciplinary and culturally aligned team for you and your legal advisors. We strive to bring you the benefits of our leading technology, deep subject-matter knowledge and broad global sector experience.

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US SCORE no. 23732-241US  
2405-4532750  
ED None

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