

Factsheet

Instant payment fraud in Europe – how can you guard your transactions?

Fraud is on the increase – and while the speed of instant payment schemes provides a step-change in customer experience it also makes them a particularly enticing target for fraudsters.

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Between January 2022 and February 2023, mobile app frauds had an estimated value of approximately 2.05 billion U.S. dollars in the European market."

Statista.com

The security of financial transactions is always at the forefront of the concerns of financial institutions (FIs) and their customers. The threat of account takeovers (ATO) where fraudsters gain unauthorized access to online accounts, and authorized push payments (APP) fraud which involves tricking individuals and businesses into making payments or sharing personal details under false pretences, is escalating.

The operational characteristics of instant payments (fast, irrevocable, simultaneous clearing and settlement) makes them an appealing target for fraudsters.

As part of the new EU regulations on instant payments, FIs must verify the account details of the payee before initiating a transaction. This Verification of Payee (VoP) service has many benefits including prevention of misdirected payments (both fraudulent and accidental), improved customer service, avoiding payment delays, and ensuring compliance where this is a regulatory requirement.

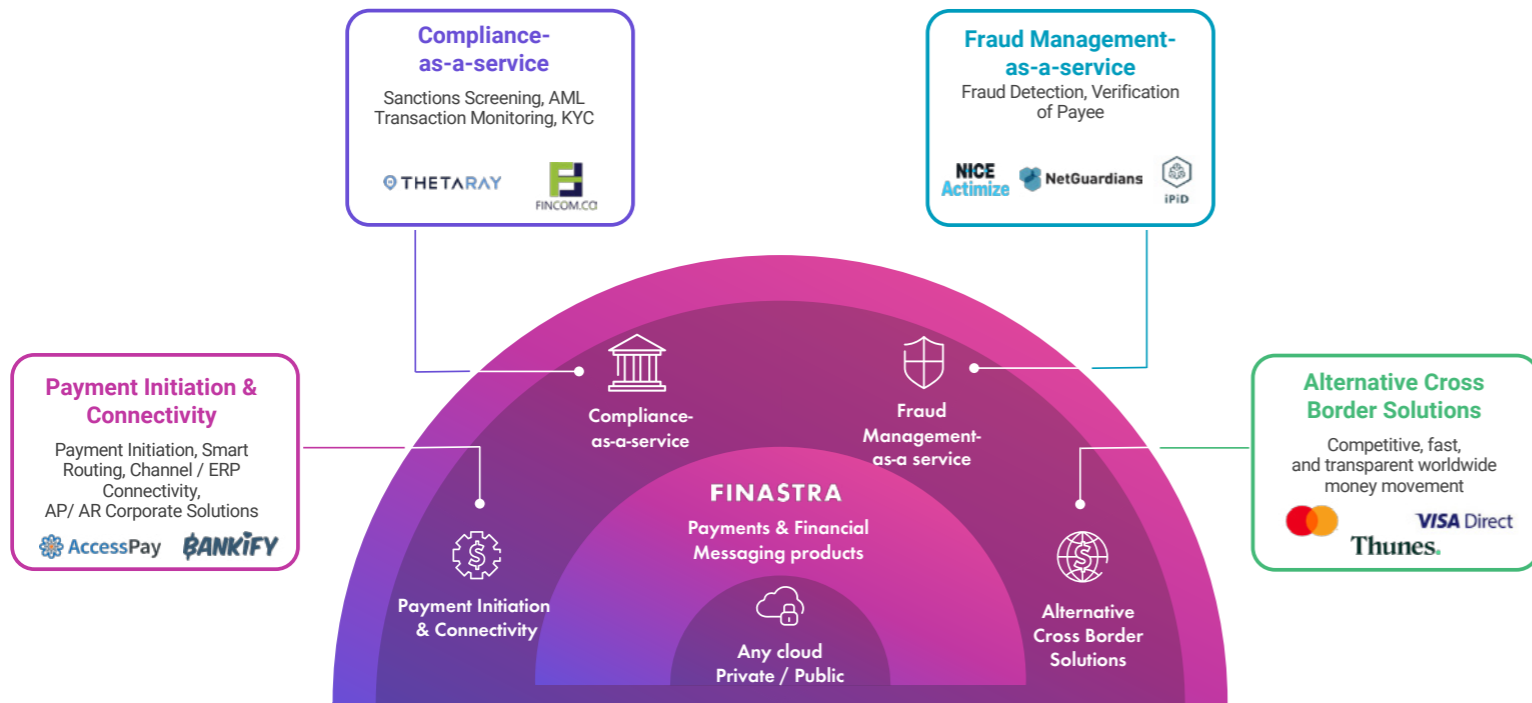
**Timelines are short – will you be ready?
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Finastra's solution – solve for today, plan for the future

By partnering with Finastra you can achieve the following:

- Address the immediate challenge of providing a VoP service tailored to your needs.
- Review your state of readiness regarding other aspects of the new EU regulations, and address any gaps. See our factsheet on the overall requirements for compliance [here](#).
- Onboard additional services to expand and enrich your offering.

Finastra's ecosystem of value added fintech services extends and future-proofs the solution



The sophistication of VoP services is increasing all the time –

key features to look for include:

- **Coverage:** support for both domestic and cross-border payments, and for both single and batch payments.
- **Unattended operation:** the ability to increase automation and speed using decision-making rules as opposed to manual intervention.
- **Use of Machine Learning (ML) and Gen AI techniques:** for example, use of ML-based risk models to assess the likelihood of a transaction being fraudulent (through factors like transaction history, behavioral patterns, and contextual information), and GenAI models learning from user behavior patterns, and identifying deviations that could indicate potential fraud (using techniques such as Generative Adversarial Networks (GANs) to synthesize data and improve model robustness).
- **Aliases:** the ability to map to payee account details using alternative identifiers (e.g., mobile number).

- **Name matching:** use of sophisticated tools, such as phonetic fingerprinting, which employs advanced phonetics and computation linguistics to match names, even when they are misspelled or in different formats. The implementation of multilingualism can be particularly challenging when matching names registered in English with those of other languages such as Arabic. This is due to the significant differences in scripts, phonetics and language structure, along with cultural nuances which underscore the need for sophisticated, linguistically aware solutions to ensure accurate and efficient verification across diverse languages and cultures.
- **Operational characteristics:** consumable as a service, real-time and with 24x7 availability, along with increased levels of automation and low false positive rates.

While the benefits are clear there are many aspects to consider when selecting a solution; many FIs are adopting the approach of partnering with a vendor that has already done the heavy-lifting involved in selecting a VoP solution provider (e.g., validation of best-of-breed features, integration capabilities, and comprehensive testing). Finastra can be that vendor partner for you.

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How do we differentiate our services?

- Finastra already has a wealth of expertise gained from implementing and maximizing the benefits of VoP services in other countries. In addition, we are looking at VoP from a global perspective, not solely based on the requirements of the EU regulations, so from a strategic viewpoint, partnering with us will also ensure coverage for complex cross border scenarios.
- The landscape for VoP can be complicated, with some solutions provided as part of the clearing services by central banks (e.g., TIPS), some solution providers covering domestic requirements, and others looking at cross-border coverage. Our solution provides a single integration point to a comprehensive service that manages this implementation complexity.
- We operate an open collaboration and innovation platform, FusionFabric cloud (FFDC), which provides access to an ecosystem of fintech solutions – including leading VoP services. Because both our own payment solutions and the fintech services are pre-integrated on FFDC, onboarding is quick, cost-effective, and low risk, meaning FIs can deliver VoP solutions with a short Time To Value.

- We drive interactions between our partners as well as with us - for example we are partnering with a digital initiation solution (Bankify) and this is pre-integrated with one of our VoP service providers (iPiD), as a result we are able to deliver a full solution for the Attendant use case (where the client is interacting with the payment generation, and needs to take a decision based on the VoP response; this is the case covered by the EU regulation), while we can offer the Un-attendant use case (where the client is not present; this needs to allow for both individual and batch processing and utilizes automated decision-making rules) as a value added service.
- Finastra is a Swift technical provider and as such is committed to the members of Swift Essentials with the invocation of the Swift Pre-validation services. While these pre-validation services are not directly compliant with VoP (yet) they can be considered complimentary (looking at the history of transactions to see that a similar payment was sent to this beneficiary before and not rejected/returned) strengthening the overall proposition and benefitting from the network effect that comes with Swift features.

- FFDC hosts multiple fintech solutions for VoP which means FIs can adopt the service that best fits their needs (e.g., the one with the strongest focus in the region(s) they cover).
- While VoP is an important tool in tackling fraud and preventing misdirected payments, Finastra can bring additional services in the fraud management, compliance, and AML areas through our partner ecosystem on FFDC. We are also providing these capabilities as packaged service offerings to make adoption even easier.

An example is our new Compliance-as-a-service offering which combines AML transaction monitoring from Thetaray with transaction screening from Fincom ([see further details here](#)) and we are currently developing a Fraud Management-as-a-service offering combining the fraud management capabilities of Nice/Actimize and NetGuardians with the VoP services from iPiD). This ability to extend services on demand future-proofs your investment with Finastra.

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About Finastra

Finastra is a global provider of financial software applications and marketplaces, and launched the leading open platform for innovation, FusionFabric.cloud, in 2017. It serves institutions of all sizes, providing award-winning software solutions and services across Lending, Payments, Treasury & Capital Markets and Universal Banking (Retail, Digital and Commercial Banking) for banks to support direct banking relationships and grow through indirect channels, such as embedded finance and Banking as a Service. Its pioneering approach and commitment to open finance and collaboration is why it is trusted by over 8,000 institutions, including 45 of the world's top 50 banks. For more information, finastra.com

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