1. Cybersecurity is a top concern of payment risk management

Cybersecurity

<table>
<thead>
<tr>
<th>Entity</th>
<th>Rank 1</th>
<th>Rank 2</th>
<th>Rank 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber Security</td>
<td>26%</td>
<td>36%</td>
<td>28%</td>
</tr>
<tr>
<td>External Fraud</td>
<td>28%</td>
<td>26%</td>
<td>30%</td>
</tr>
<tr>
<td>Third Party</td>
<td>12%</td>
<td>15%</td>
<td>13%</td>
</tr>
<tr>
<td>Business Disrupt</td>
<td>11%</td>
<td>5%</td>
<td>15%</td>
</tr>
</tbody>
</table>

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

3. New payment types amplify risk challenges for financial institutions

- 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

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

- 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.