

PAYMENT FRAUD



Highlights from UK and implications for Italy

November 2024

Agenda



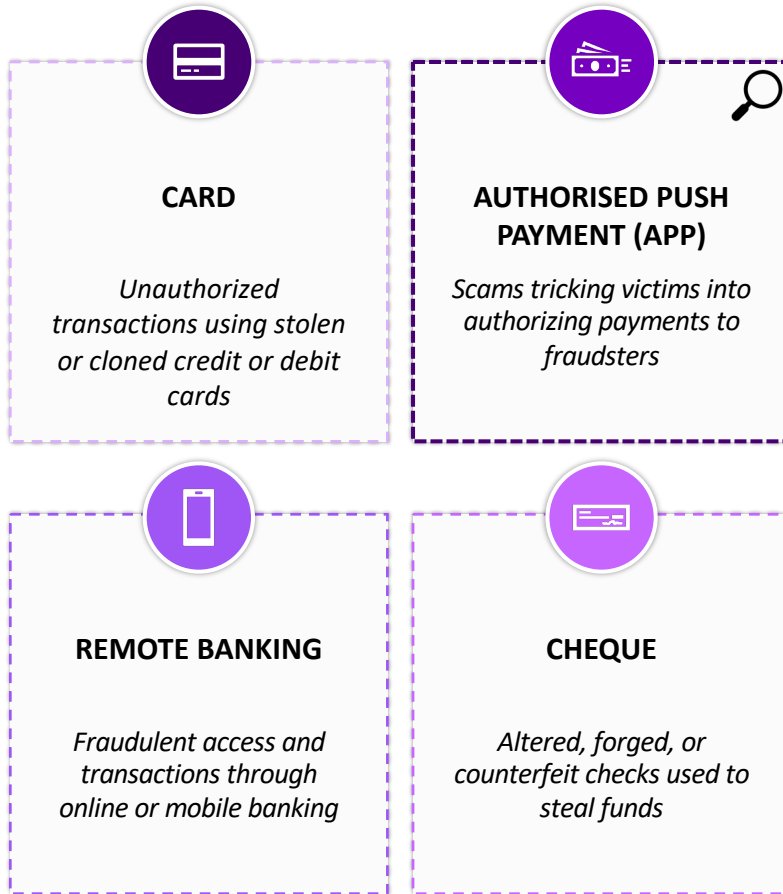
Payment Fraud landscape: UK market overview

The Italian Fraud Challenge

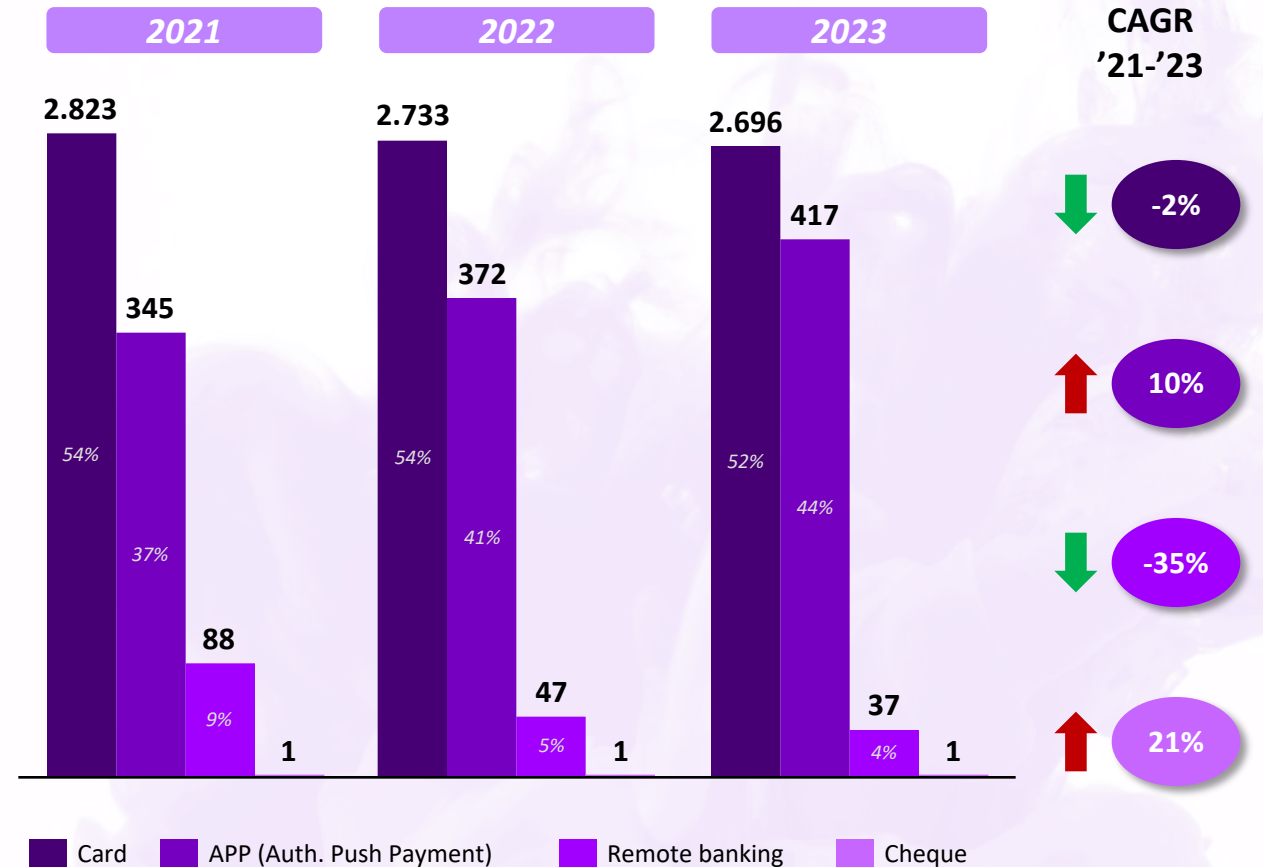


APP FRAUD CASES ARE GROWING SIGNIFICANTLY IN THE UK

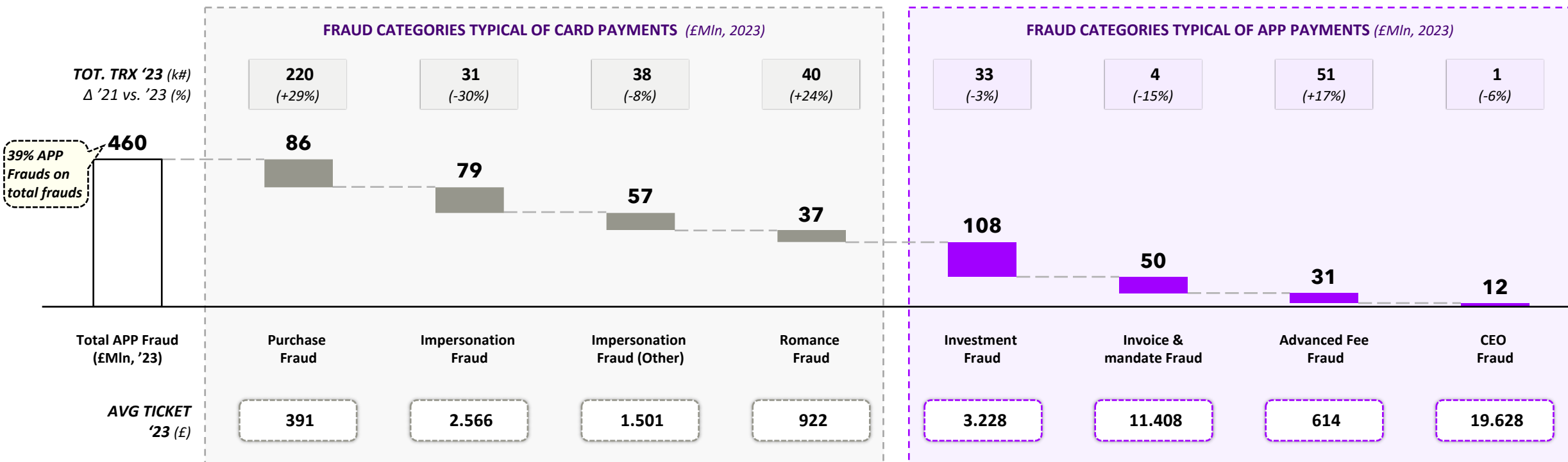
4 MAIN TYPES OF PAYMENT FRAUDS



FRAUD TRANSACTION TREND FY '21 – FY '23 (K#)



APP FRAUDS ARE REPLICATING USE CASES TYPICAL OF CARD FRAUDS (AND SCALING BANK-RAIL SPECIFIC FRAUDS)



FRAUD DESCRIPTION

- Victims **pay** in advance for **goods** or **services** that are **never received**
- Criminal **pretends** to be from the **police** or the **victim's bank** to trick them into making a **payment** to their account
- Criminal **impersonates organizations** like utility companies to trick their **victim** to make a **payment**
- Victims are persuaded to make a **payment** to a **person** they have **met**
- Victims are convinced to **move their money** to a **fictitious fund** or to **pay** for a **fake investment**
- Criminal tricks the victim into **redirecting a payment** intended for a legitimate payee to **their account**
- Criminal persuades a victim to **pay an upfront fee**, promising a much **larger payout** or high-value goods in return
- Criminal **impersonates an executive** to trick the victim into **making a payment**

Agenda



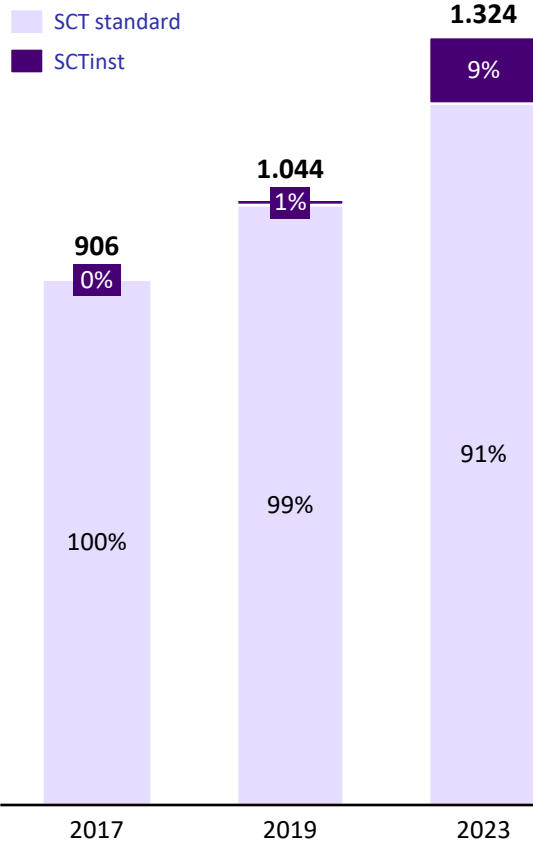
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SCT INSTANT VOLUMES EXPECTED TO GROW ...

AS-IS

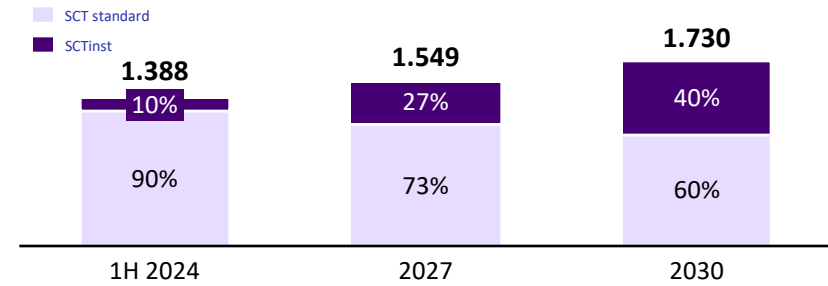
Italy: SCTInst vs. TOT. SCT (#mln trx, %)



TO-BE (#mln trx, %)

1° "Low Adoption" Scenario

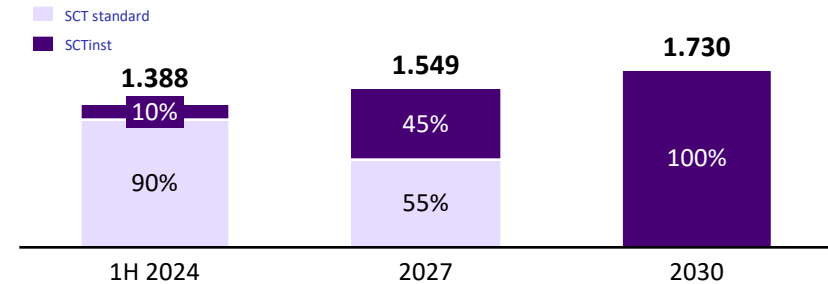
Continue with **linear progress**, achieving **slightly higher growth** than today, **without ever phasing out** traditional SCTs



5x
SCTInst growth '24 - '30

2° "STD SCT substitution" Scenario

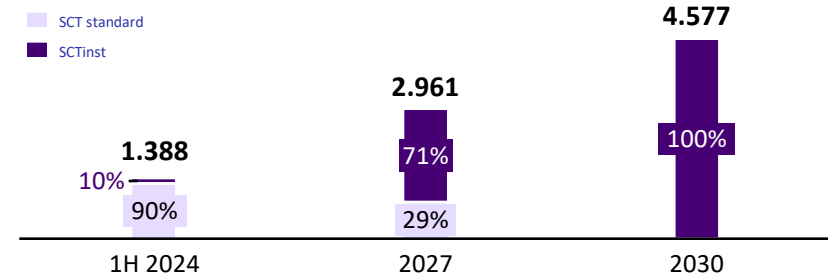
Continue with **linear progress until 2027**, then shift to **significant growth** due to limitation of traditional SCTs



13x
SCTInst growth '24 - '30

3° "Disruptive" Scenario

Significantly accelerate and **partially replace** cash, cards, and **other non-SCT** payment methods



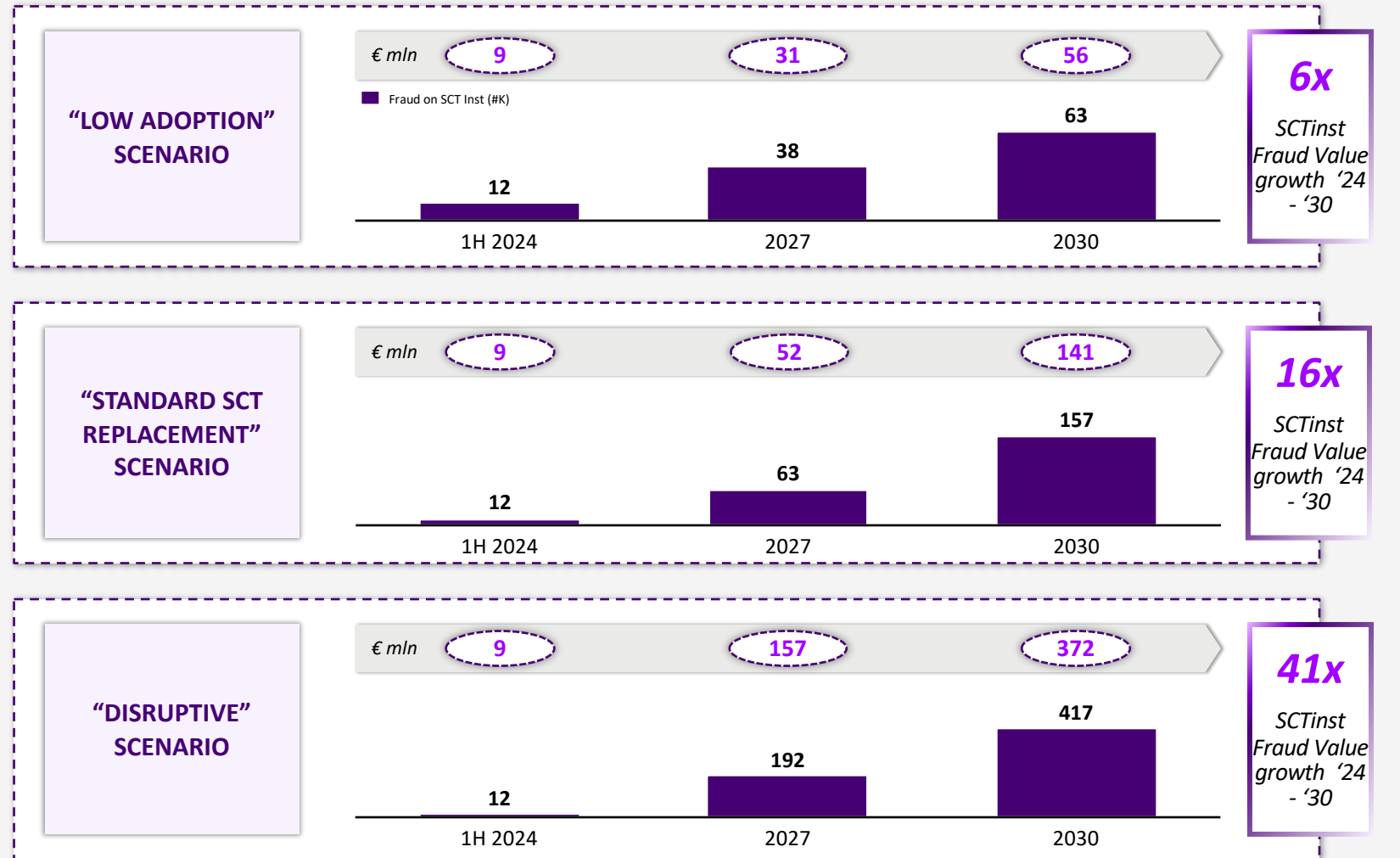
34x
SCTInst growth '24 - '30



... TOGETHER WITH FRAUDS?

GIVEN THE **SIGNIFICANT INCREASE IN SCT INST TRANSACTIONS**, AN **EFFECTIVE MANAGEMENT OF THE RISING VOLUME OF FRAUDS** WILL REQUIRE THE **ADOPTION OF BEST-OF-BREED SOLUTIONS**

FRAUD ON SCT INSTANT (Values €Mln, Volumes #k)



Source: elaboration on Global Data and PayUK figures (cautelative assumption)

Figures are estimates based on 2023 data from UK fraud on Faster Payments (Source Global Data, Pay UK); The 1H 2024 data does not represent the actual 2024 results but are estimates based on UK data

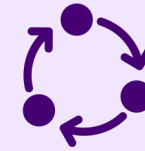
WHICH STRATEGIES TO TACKLE THE INCOMING FRAUD WAVE?

ECOSYSTEM COLLABORATION



WORK TOGETHER with **INDUSTRY NETWORKS** to decrease the number of false positives and negatives in fraud detection. By **REFINING DETECTION** models through **COLLABORATION**, they aim to **ENHANCE ACCURACY** and **MINIMIZE DISRUPTIONS** to **CUSTOMERS**

HOLISTIC PAYMENT INTEGRATION



CONSOLIDATE CARD and **PAYMENT DATA** to get a **COMPREHENSIVE VIEW** of customer transactions. This approach improves the **DETECTION** of fraudulent **ACTIVITIES** by **ANALYZING** data **ACROSS VARIOUS CHANNELS**, thereby reducing the risk of missing potential fraud

