

**Acting Comptroller of the Currency Michael J. Hsu**  
**Remarks for the Financial Literacy and Education Commission’s Public Meeting**  
**“Banks’ Role in Addressing Fraud Against Consumers”**  
**July 10, 2024**

Thank you for including me in this discussion about tackling the challenge of fraud. Given the scope and scale of consumer financial fraud, it is valuable to learn from each other and discuss how we can collaborate to better protect consumers and our financial system. The OCC is committed to working in partnership with other agencies to address this challenge.

Fraud schemes and scams are expensive. A recent Nasdaq Verafin report estimated that fraud and scams accounted for more than \$150 billion in losses to consumers and businesses across North and South America in 2023.<sup>1</sup> The Federal Trade Commission’s Consumer Sentinel data also show that financial products and services are widely used in reported frauds. For instance, transfers through bank accounts and payment systems represent the most fraud-related losses reported in 2023. And credit cards were the most frequently reported method of payment.<sup>2</sup>

Artificial intelligence and other new technologies may enable more frequent and sophisticated frauds, such as replicating voices to trick family members or biometric systems, and other types of “deepfakes.”<sup>3</sup> However, fraudsters also deploy tried and true scams, including scams that rely on victims paying through checks and wire transfers.

Often the fraudster poses as a trusted business, government agency, or even a bank employee, who asks the victim to wire money to a fake account right away. In most cases, once the wire transfer is complete, the funds cannot be retrieved. Confirmation of wiring instructions, verification of identity, and effective authentication controls are critical to preventing scams that

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<sup>1</sup> Nasdaq Verafin, *2024 Global Financial Crime Report: Insights at the Intersection of Financial Crime Data & Real Survivor Stories* (2024).

<sup>2</sup> Federal Trade Commission, *Consumer Sentinel Network Data Book 2023* (February 2024).

<sup>3</sup> Acting Comptroller of the Currency Michael J. Hsu, [“AI Tools, Weapons, and Accountability: A Financial Stability Perspective”](#) (June 6, 2024).

use wire transfers. Verifying the accuracy of the transaction with known parties has caught and thwarted efforts to wire funds to a bad actor.

Financial institutions can support their customers by providing timely information about trending scams and ways to avoid them. For example, to address the prevalence of text messaging and bank impostor scams, it can be beneficial to inform customers about the strengths and limitations in different authentication methods, including use of texting, and how to identify potential fraudulent schemes. Institutions also can enable frictions such as verifications to help consumers pause before making a payment to an unknown party. As well, staff can be trained to identify and assist customers seeking to conduct unusual transactions, such as a large withdrawal or wire transfer, which may be signs of fraud.

Strong controls and fraud monitoring capabilities remain important. Effective customer identification and verification processes at account opening and throughout a customer's banking relationship are critical.

When multiple departments are responsible for researching unusual account activities, open lines of communication between the bank's departments are key, for example, across functions like Bank Secrecy Act compliance, fraud prevention, consumer protection, and fair lending.

Identifying suspicious activities and filing Suspicious Activity Reports on fraudulent activity in a timely manner remain important to protect both banks and consumers. Technology can help to flag suspicious activity, support strong authentication, and block suspicious credit card transactions until further authentication has occurred. Alternative authentication methods other than texting also may help to reduce fraud and protect customers' confidential information.

It is important for financial institutions to continue to promptly identify, investigate, and resolve fraud concerns in accordance with applicable laws, such as the Expedited Funds Availability Act (Regulation CC), and to address potentially unfair practices prohibited under Section 5 of the Federal Trade Commission Act and Section 1031 of the Dodd-Frank Act.

When consumers do fall victim to fraud or scams, they should have confidence that their bank will comply with applicable laws when researching potentially fraudulent check, debit, and credit card transactions, including the provisional credit requirements of the Electronic Fund Transfer Act (Regulation E) and the billing error requirements of the Truth in Lending Act (Regulation Z). Additionally, personal engagement may be helpful in working with consumers who suspect they have been defrauded. Customers reporting payment fraud may benefit from discussions with branch or call center staff trained to provide timely and accurate assistance.

Fraud is a problem we all have a role in addressing, and we have seen progress in coming together to tackle this challenge. For example, the Independent Community Bankers Association formed a check fraud task force of banks and state bankers' associations and leads a financial sector fraud working group. As well, the American Bankers Association has created a Check Fraud Claim Directory that helps banks needing to file a check warranty breach claim with another financial institution.<sup>4</sup> I encourage banks to use this tool and engage with other industry efforts to address fraud.

Knowing that their money is safe and accessible is key to ensuring consumer trust in the banking system, yet fraud runs the risk of undermining that trust. Prioritizing fraud prevention is not just about protecting a bank's bottom line. Consumers who have confidence that their bank is trying to protect them from bad actors will have greater trust in that financial institution.

Establishing and maintaining trust in the banking system is critical. I recently issued remarks entitled "Financial Health Vital Signs: Measurement Toward Customer Financial Health," which accompanied an OCC report identifying ways banks can consider consumer financial health and encourage the use of financial health measures, or vital signs.<sup>5</sup> I look forward to the opportunity to share that work with the FLEC, as the vital signs report offers an additional approach to looking at consumer financial outcomes that complements the work of the FLEC and its member agencies.

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<sup>4</sup> American Bankers Association, [Check Fraud Claim Directory](#).

<sup>5</sup> OCC News Release 2024-60, ["Acting Comptroller Discusses Improving Consumer Financial Health."](#)

I look forward to hearing the presentations today and working with the FLEC agencies to address the significant challenge of fraud affecting consumers.