



Faster Payment Fraud

Understanding a Layered Approach for Effective Risk Mitigation

Discussion Topics

- Tyfone & Payfinia Background
- Impact of Faster Payment Fraud
- Layered Model for Fraud Control
- Key Takeaways
- Q&A



Tyfone & Payfinia Background



Our Purpose

To digitally empower financial wellness in communities.

Essential for members, businesses, and families to streamline their finances and boost financial wealth.

Realized through community banks and Credit Unions.

200+ Employees
100+ CU Customers

Collective Opportunity

78% of account holders would switch to community bank or credit unions if digital is improved.

In the last 10 years Americans have forfeited \$603 billion in interest by leaving their deposits in big banks.

With 60% of Americans living paycheck to paycheck, digital tools are crucial for financial inclusion and economic stability.

Instant payments plays a critical role in cash management



Tyfone's Technology Solutions



CX

**Digital
Banking**



Retail, Business, & Family
Retail and Business DAO

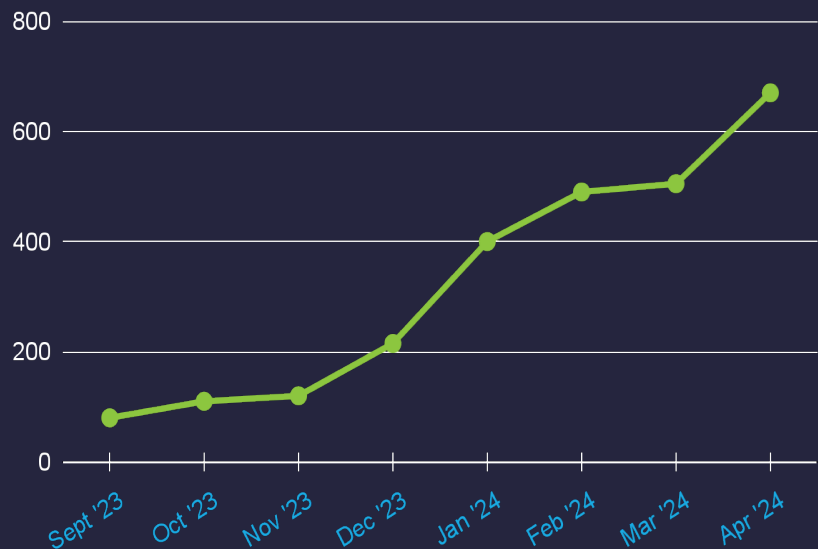
PayX

**Digital
Payments**

Skip-A-Pay
Quick Pay
Instant Payment Xchange
Zelle

FedNow^{24/7}

INSTANT PAYMENTS



FIs on FedNow

900+

in approx. 8 mths

Current adding

20 FIs

per day, average

FIRST
To Send

THIRD
Largest
Sender



*Only entity/CUSO launched solely
for Instant Payments!*



Tyfone, a market leading digital banking provider has spun out its instant payment technologies to Payfinia, a subsidiary company designed to enable all U.S. based financial institutions, regardless of size, to participate in real-time payments. Payfinia's flagship solution, the **Instant Payment Xchange™** is an extensible, portable, and scalable payments platform



What is the impact of faster payment fraud on instant payment enablement?

Authorized Push Payment (APP) Fraud Activity



20%

of consumers worldwide have been victims of payment fraud⁵



Nearly

27%

of that was APP fraud



of APP fraud originated online in 2022⁶

APP losses in the UK, India and the U.S. are expected to double by 2026, reaching

\$5.25 billion

Instant Payments Participation - FI Perspectives

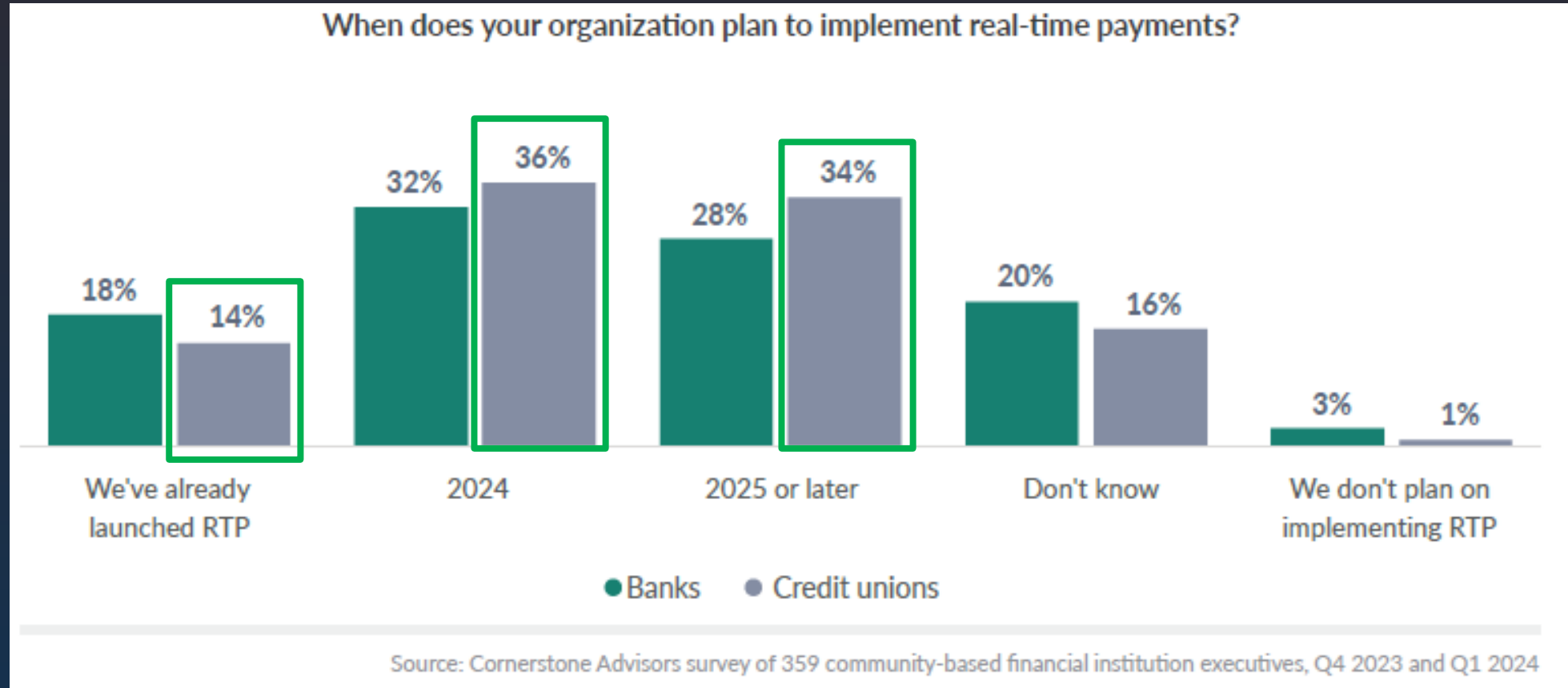
“Receive only is a no-brainer, but use cases for a FI of our size aren’t as clear. Our goal is to get to Send with a simple use case to make sure it works and that we can process successfully.”

-SRM Market Pulse Survey Respondent

“We’re not planning to participate in sending until fraud and liability limitations for institutions and consumers are established.”

-SRM Market Pulse Survey Respondent

Instant Payments - Deployment Plans



Instant Payments - Participation Profile

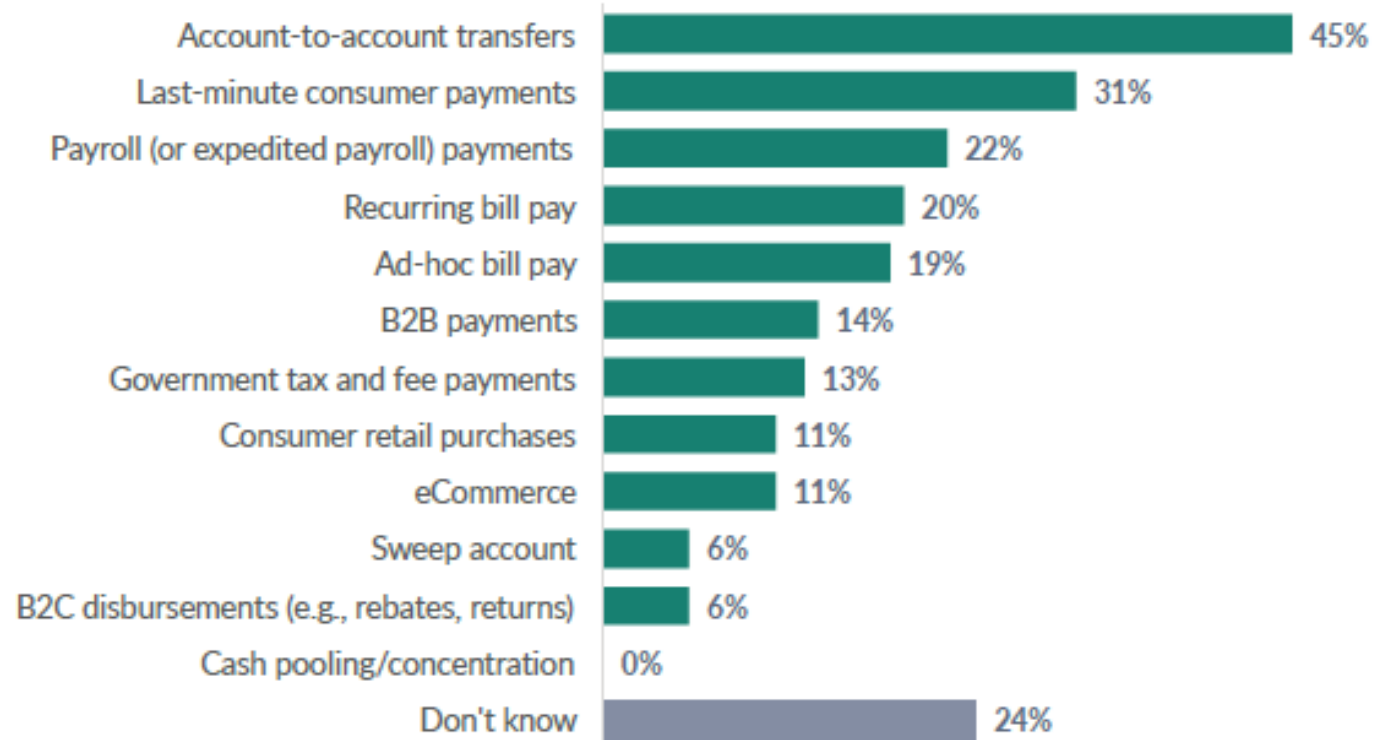
Are you (or will you be) in receive-only mode or receive and send?



Source: Cornerstone Advisors survey of 359 community-based financial institutions executives, Q4 2023 and Q1 2024

Instant Payments - CU Use Cases

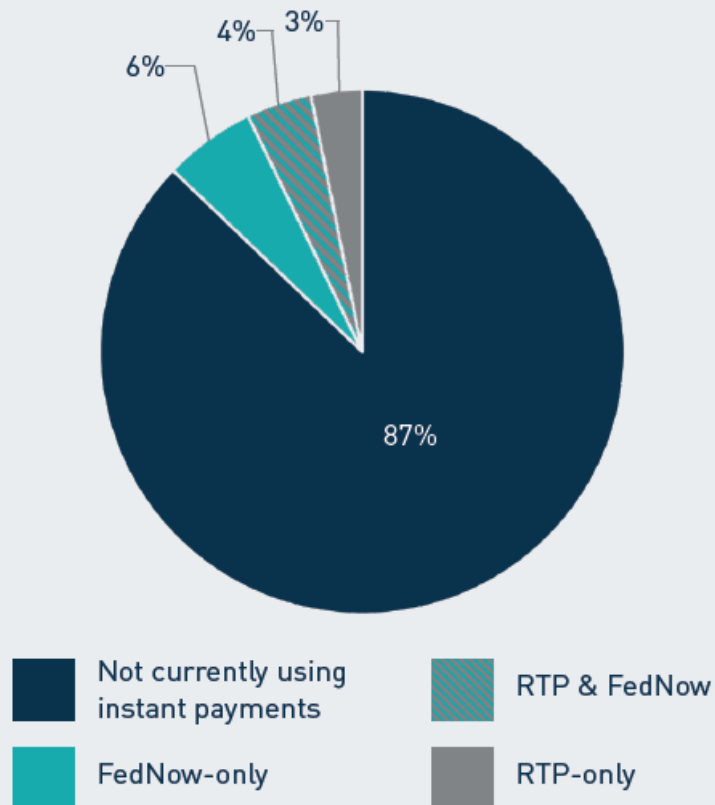
Which of the following are—or will be—the most important use cases for your organization's real-time payments strategy? (Base=Credit unions)



Source: Cornerstone Advisors survey of 359 community-based financial institution executives, Q4 2023 and Q1 2024

Instant Payments - Enablement Activity

Total US Financial Institutions Enabling Instant Payments

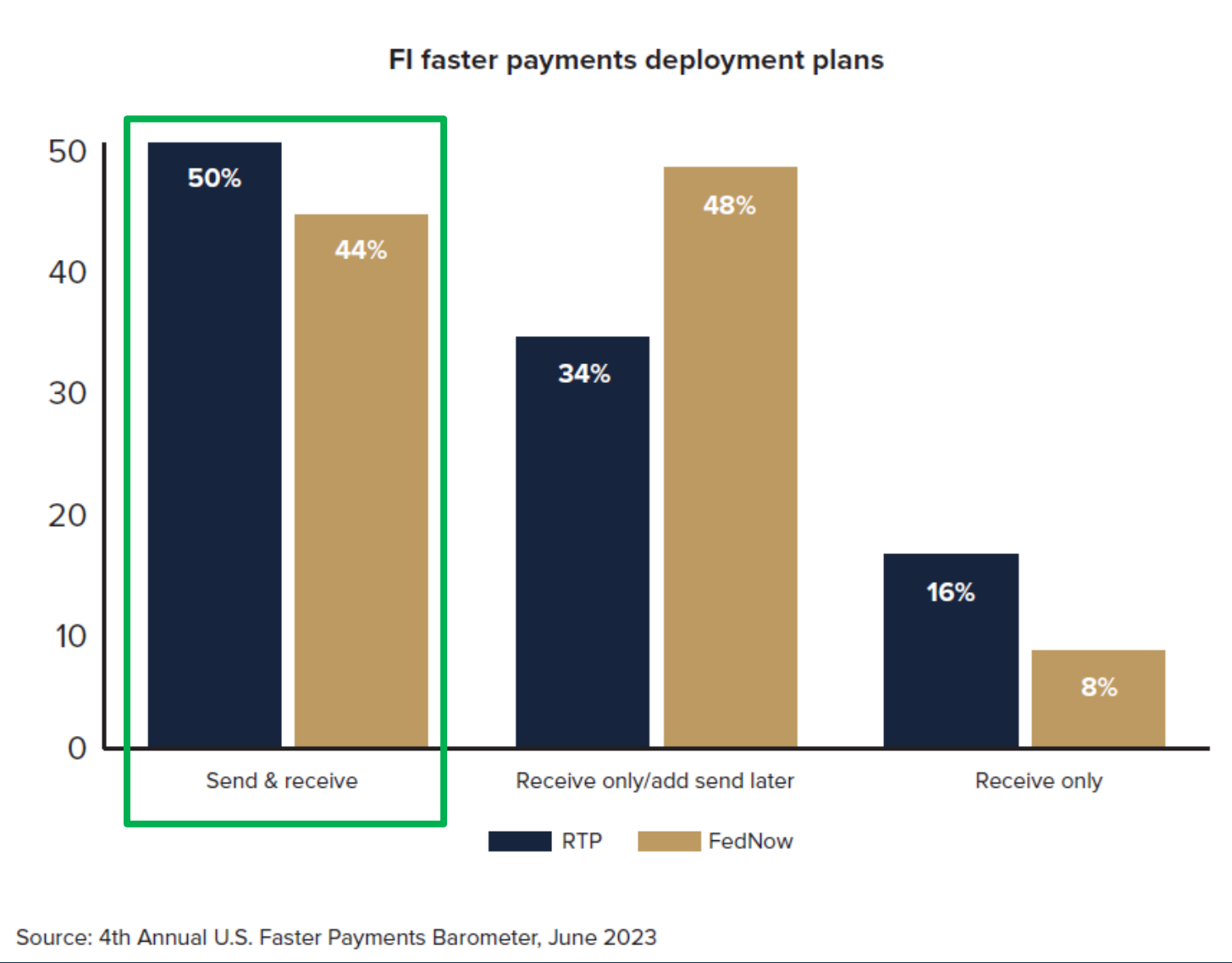


Source: SRM Analysis of Public Data

“We see the value in providing both sets of rails. Our biggest hurdle is 24/7/365 support – especially for the send aspect. We are currently standing up a team to implement both RTP and FedNow by summer of 2025.”

-SRM Market Pulse Survey Respondent

Instant Payments - Participation Profile by Network



Instant Payments - Deployment Challenges



87.8% of FIs feel that the cost of implementing technology to send instant payments creates challenges

Source: U.S. Faster Payments Council and Finzly Survey, "Strategies for Profiting from Instant Payments," May 2024



Nearly 2/3 of FIs indicate that their provider does not offer the ability to send instant payments

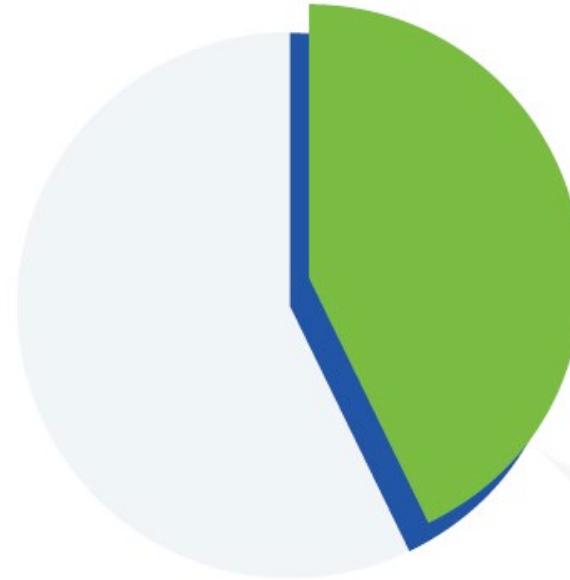
Source: Findings from the U.S. Faster Payments Council (FPC) and Finzly Survey

Instant Payments – Addressing Send/Receive



65.3% of FIs believe offering both sending and receiving functionalities for instant payments simultaneously will result in more customer adoption

Source: Findings from the U.S. Faster Payments Council (FPC) and Finzly Survey



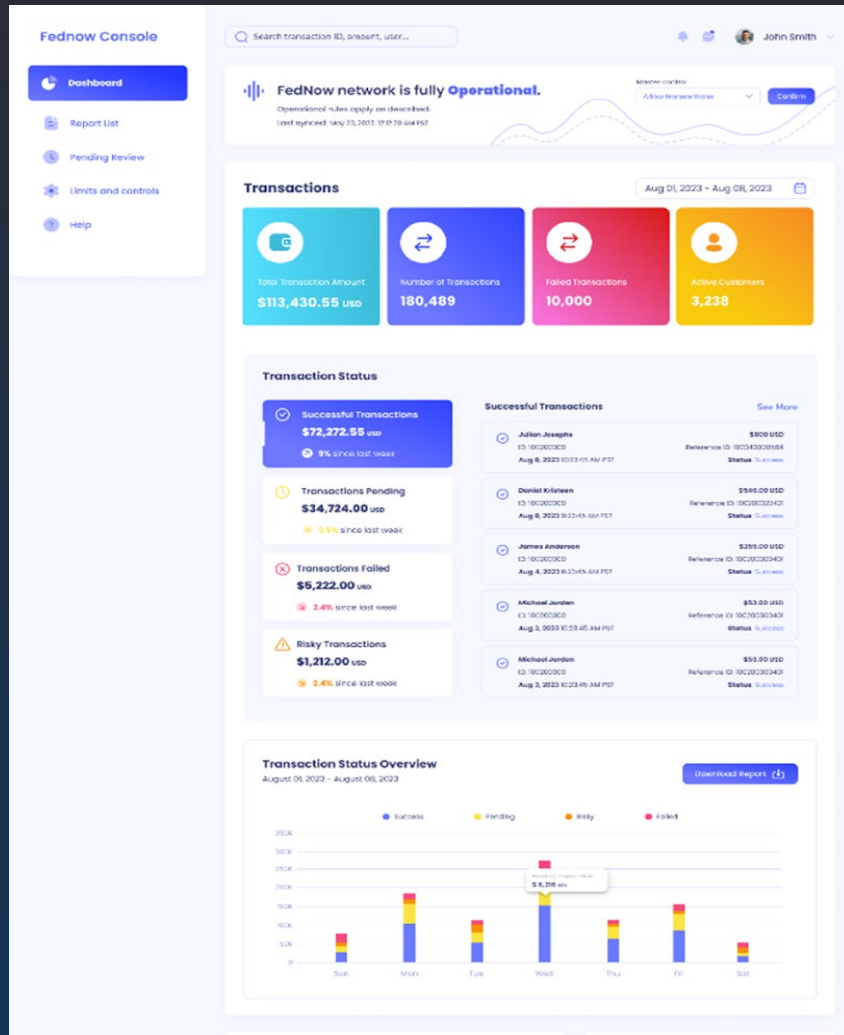
42.9% of FIs feel that fraud prevention is a severe challenge for enabling instant payments send capabilities

Source: Findings from the U.S. Faster Payments Council (FPC) and Finzly Survey



**What is an effective layered approach
for mitigating faster payment fraud?**

IPX Integrated Back-Office & Fraud Mitigation



Admin Console Foundation

- Transaction Monitoring
- Reconciliation
- Review Cue
- Concierge Payments/AP (embedded module)

Native Fraud Tools

- Single, Daily, Weekly, Monthly Transaction Limits
- Trusted and Untrusted Device Limits
- Usage Limits
- Cool Off Periods
- Negative Lists

Third-Party Fraud Tools

- AML/OFAC: Lexis-Nexis
- Real-time Transaction Risk-Scoring: NICE Actimize
- Trusted Device Authentication: Twilio SDA/SNA

What Makes IPX Better

Payfinia + Star One Credit Union

23%

of same day ACH moved to FedNow Send in 6 months

30%

Increase in Send \$ per transaction in 6 months

2.5x

of same day ACH moved to FedNow Send in 6 months

Impact on productivity through IPX Star One CU Operational Efficiencies



4x

Lower accounting staff resource requirement for instant payments compared to Zelle.

10x

Lower member support calls for instant payments compared to Zelle.

MYTH BUSTED

Faster payments does not equate faster fraud.

51%

Lower fraud per dollar than Same Day ACH

4.25x

Lower fraud per dollar than Peer-to-Peer Payments

Minal Gupta, EVP of Operations

Star One Credit Union

Payfinia's technology enabled Star One Credit Union to be the first credit union to go live on July 20th 2023 with receive and send function on the FedNow rails



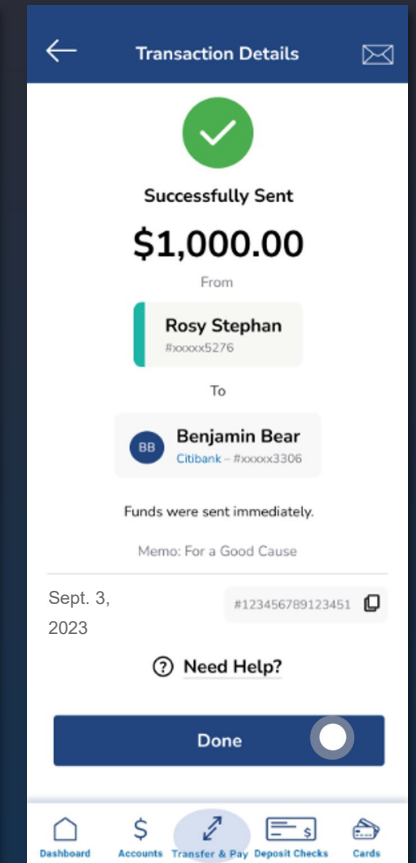
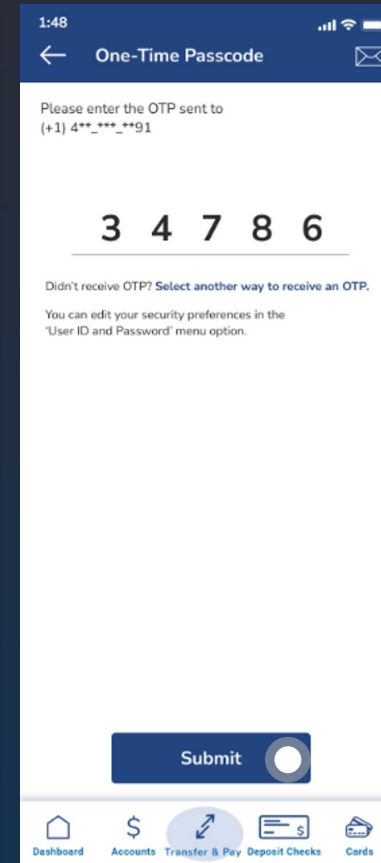
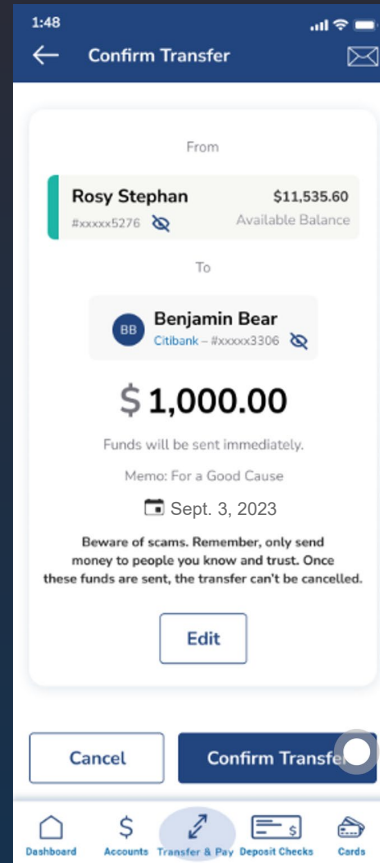
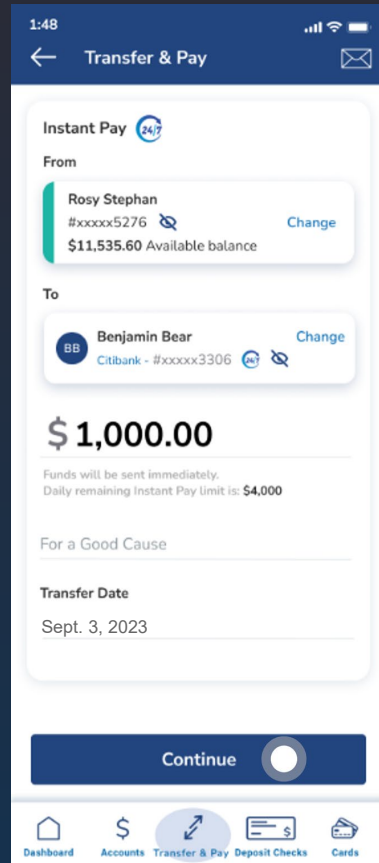
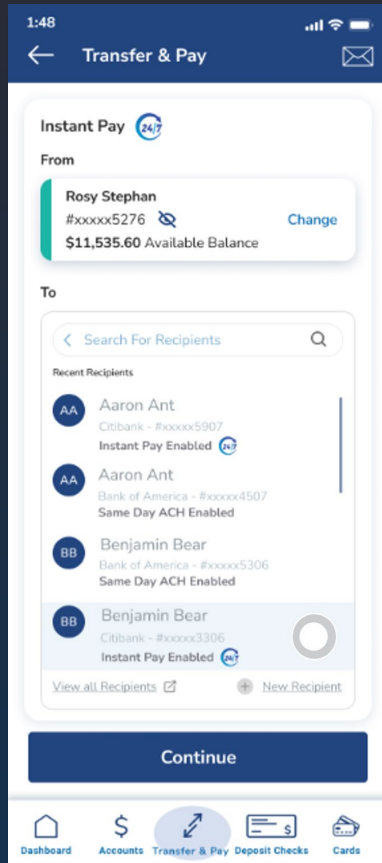
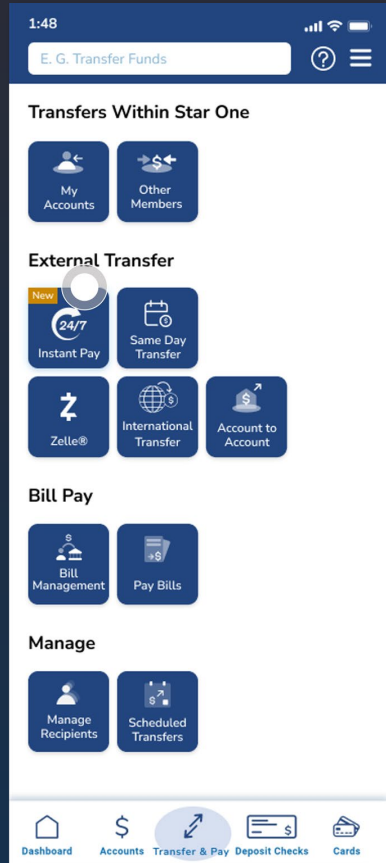
We partnered with Tyfone/Payfinia and have been working closely with them in a way that is cost-effective and efficient for our organization. We consider them part of our team, and we all see tremendous benefits in the FedNow and how it will impact the future of payments.

We believe that we are not only innovating to shape the future of payments, but also leading and carving a path for some of the smaller organizations that may feel that instant payments adoption is an unattainable goal.

*Minal Gupta, EVP of Operations
Star One Credit Union
Top 20 CU with \$10B AUM*

7 Minute Demo: *The Service has Launched Reactions from Early Adopters* <https://youtu.be/wHLnV9wu-5A>

Mobile Experience: sample screens from live app



Enabling Unified Fraud Controls for Instant Payments Use Cases

Receive

A2A, P2P, Digital Wallets
Payroll, Earned Wage Access
Tax Refund, Emergency Relief
Insurance, Reimbursements
SMB Funding

Concierge Send & AP

Fedwire to FedNow ACH to
FedNow
FI's Vendor Payments
Mortgage & Loan Funding

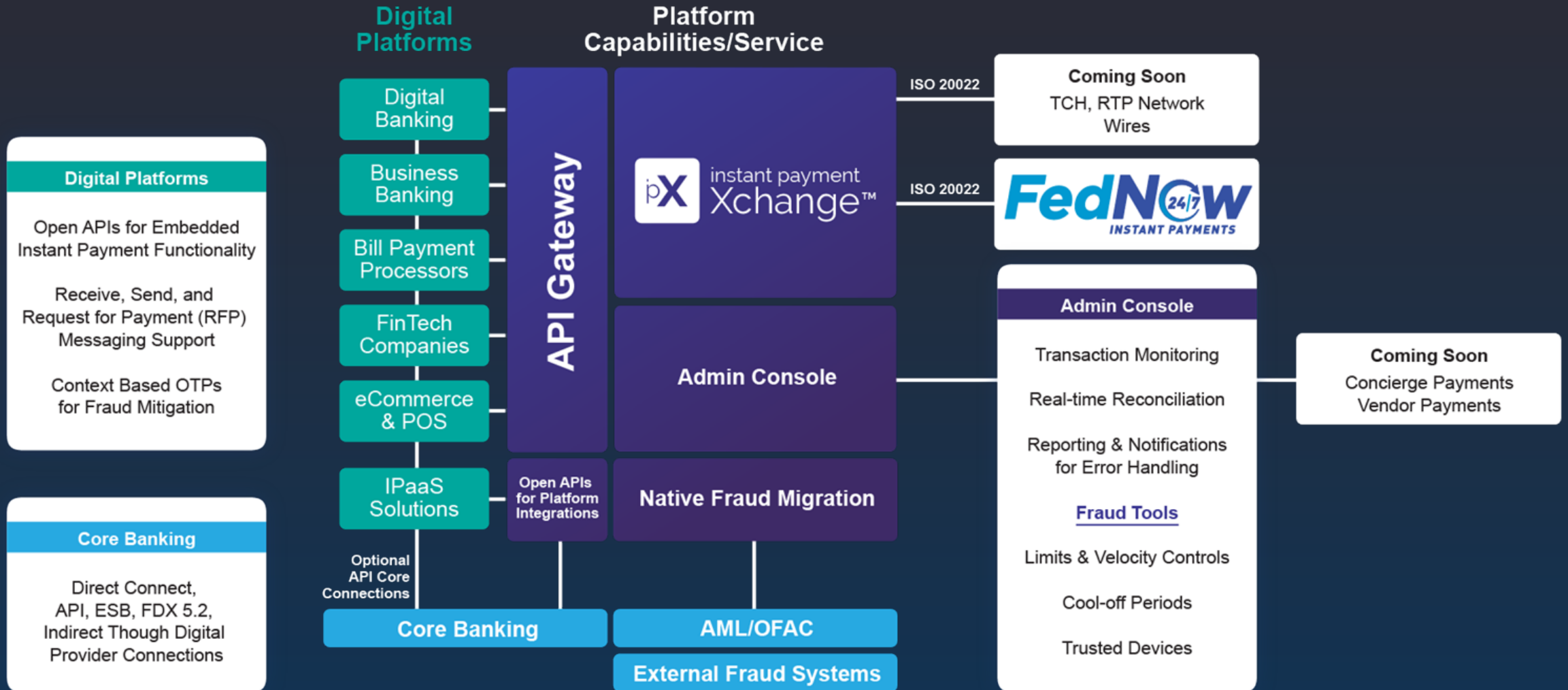
Send

A2A, P2P, Digital Wallets
Mortgage & Loan Payments
Bill Payments
Pay by Bank
SMB Cash Management

Request for Pay (RFP)

With RFP functionality,
financial institutions can
enable one party (e.g., a
business) to request a
payment from another party

Payfinia's Instant Payment Xchange™ (IPX)



Key Takeaways for Enhancing Fraud Mitigation



Ensure Fraud Controls are layered: granular base controls **PLUS** flexible user profiles, review queues, expansive limits, cool-off periods, trusted device monitoring, and third-party integrations.

Review the opportunity to apply layered Fraud Controls to a portfolio of payment streams: Instant Payments, ACH, Wire, P2P applications, eCommerce.

Prioritize the capability of Third Party services to support real-time scoring: API integration capabilities, service responses for a real-time environment, flexibility in the business rules.

Payfinia

Questions
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