

August 2024

# The 2024 Impact Awards in Fraud

Fraud & AML Practice



This report provided compliments of:

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# Introduction

Datos Insights' 2024 Impact Awards in Fraud aim to identify and recognize those financial organizations and vendors leading the industry with new and disruptive financial crime products and capabilities. Award recipients and their innovations address critical challenges in the fraud and financial crime prevention landscape, leveraging advanced technologies such as AI, machine learning, and data analytics to thwart sophisticated scams and fraud while ensuring both superior customer experience and compliance with regulatory obligations.

Datos Insights designated the following five individual categories for its 2024 Impact Awards in Fraud:

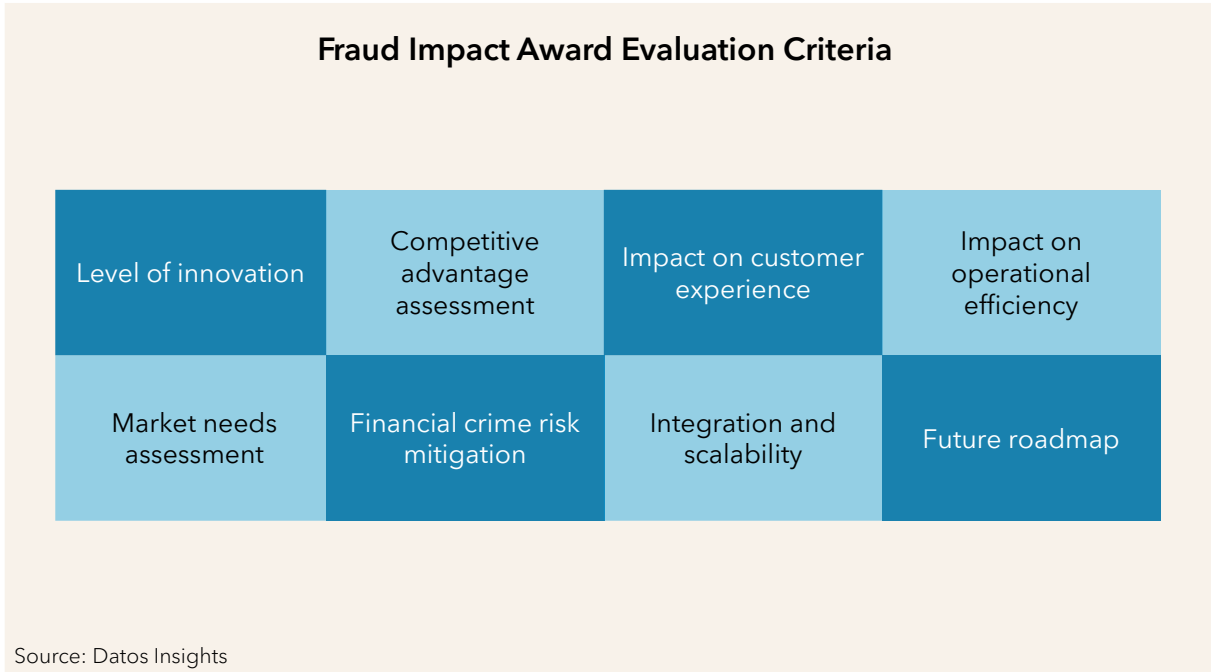
- **Best Authentication Innovation:** This category features new solutions or innovations that deliver best-in-class identity-proofing or user authentication.
- **Best Transaction Fraud Monitoring and Decisioning Innovation:** These are new solutions or innovations that deliver superior transaction fraud analytics, monitoring, detection, and case management that protect the financial transaction.
- **Best Digital Identity Verification Innovation:** This category spotlights new solutions or innovations that deliver exceptional individual identity verification.
- **Best Scam and APP Fraud Prevention Innovation:** These are new solutions or innovations that deliver superior protection against scams and APP fraud threats.
- **Best Innovation by an FI:** This category features new solutions or innovations developed and implemented by an FI that deliver robust fraud mitigation while supporting elevated customer experience and operational efficiency.

## Qualification and Evaluation Methodology

In April 2024, Datos Insights solicited over 100 nominations for its 2024 Impact Awards in Fraud. All nominated initiatives were required to be in production and must have been implemented within the last two years. Strategic Advisors from Datos Insights' Fraud & AML practice, along with an external panel of subject matter experts and industry thought leaders, evaluated the submissions and determined the individual category winners.

Each fraud nomination was evaluated across several criteria (Figure 1).

Figure 1: Impact Award Evaluation Criteria



# The Fraud Market: Challenges and Needs

Sustaining effective financial crime risk management remains extremely challenging and complex. The breadth of fraud technology solutions must go beyond traditional capabilities to take on new market forces and combat expanding fraud while elevating the customer experience and uplifting operational efficiency.

Table A identifies several key fraud challenges that financial organizations and technology solution providers seek to address with innovative tools and approaches.

**Table A: Fraud Market Challenges**

Fraud challenge	Impact
Greater sophistication and volume of fraud and scams	<p>As more people and organizations conduct business online, new fraud vectors have emerged for financial criminals to exploit. Fraud and scams such as APP and account takeover (ATO) are on the rise, and emerging technologies like generative AI are helping criminals refine their techniques and make social engineering more sophisticated. Meanwhile, liability for fraud losses is shifting from the consumer to the FI.</p> <p>These factors are motivating FIs to replace legacy solutions with newer, more advanced ones that can address fraud risks across the customer life cycle. Solutions that harness automation, machine learning, and other cutting-edge technologies are invaluable in navigating the ever-evolving threat landscape. Further, FIs are turning toward solutions that allow for data sharing and collaborative approaches to fraud prevention.</p>
Emergence of new payment types and channels	<p>Real-time payments and the proliferation of digital wallets and peer-to-peer (P2P) payment platforms are gaining popularity. FIs are thus responsible for devising new fraud risk management approaches for these methods while still elevating their approaches to legacy payments, such as checks and cash. The emergence of digital-asset payments has led FIs to rethink their fraud mitigation protocols, as the digital assets industry has fueled new methods of carrying out fraud and scams.</p>

Fraud challenge	Impact
Regulatory pressures and compliance requirements	FIs face increasing regulatory scrutiny and compliance requirements related to fraud prevention and consumer protection. This includes evolving standards for customer authentication, data privacy, and fraud reporting. FIs must balance robust fraud prevention measures with regulatory compliance, often requiring sophisticated technological solutions and comprehensive data management strategies.
Cross-channel fraud detection and prevention	As customers interact with financial services through multiple channels (mobile, online, in-person), fraudsters exploit the gaps between these channels. FIs need integrated solutions that can provide a holistic view of customer behavior and transactions across all channels to detect and prevent cross-channel fraud attempts.
Data privacy and security concerns	While data sharing and analysis are crucial for effective fraud prevention, FIs must also navigate stringent data privacy regulations and growing consumer concerns about data security. Solutions that can leverage data for fraud prevention while ensuring robust data protection and compliance with privacy laws are in high demand.
Customer experience and friction	<p>As FIs implement more robust fraud prevention measures, they face the challenge of balancing security with a seamless customer experience. Overly stringent controls can lead to false positives, causing unnecessary friction and frustration for legitimate customers. This can result in decreased customer satisfaction, abandoned transactions, and potential loss of business. FIs must find innovative ways to enhance fraud detection and prevention while maintaining a smooth, friction-free experience for genuine users across all channels and touch points.</p> <p>This challenge aligns with the report’s emphasis on customer-centric approaches and the need for solutions that can improve fraud detection without negatively impacting the user experience.</p>

Source: Datos Insights

These challenges underscore the need for innovative, comprehensive, and adaptive fraud prevention solutions in the financial services industry. The award-winning innovations highlighted in this report demonstrate how leading organizations are addressing these complex issues through advanced technologies, data analytics, and collaborative approaches to fraud mitigation.

# Feedzai: Best Scam and APP Fraud Prevention Innovation

By Trace Fooshée

The winner of the 2024 Impact Award for Best Scam and APP Fraud Prevention Innovation is the collaboration between Feedzai and Form3 and their APP Fraud Solution.

Feedzai is a fraud detection and analytics platform vendor that provides solutions to protect people and payments from fraud and financial crime. Form3 is an account-to-account payments platform provider that aims to transform payment processing with its cloud-native Payments-as-a-Service platform. Together, these companies have developed an innovative solution to combat APP fraud in faster payments.

Table B lists key information about Feedzai, Form3, and their award-winning innovation.

**Table B: Feedzai and Form3’s APP Fraud Solution**

Category	Details
Organization	Feedzai and Form3
Date founded	Feedzai: 2011, Form3: 2016
Headquarters	Feedzai: San Mateo, California Form3: London
Innovation	APP Fraud Solution
Brief description	A machine learning model that determines the risk of a transaction being an APP fraud by analyzing the behavior and risk of both the sender and beneficiary
Value proposition	The solution reportedly detects up to 95% of fraud currently missed by FIs at market-standard false-positive rates while integrating with payment processing systems.
Key benefits	<ul style="list-style-type: none"><li>• Improved fraud detection rates</li><li>• Real-time risk assessment</li><li>• Enhanced customer protection</li><li>• Maintained customer experience</li></ul>

Category	Details
Websites	feedzai.com form3.tech

Source: Feedzai Form3, Datos Insights

## Innovation: APP Fraud Solution

Feedzai and Form3 have collaborated to create an innovative model that determines the risk that a given inbound or outbound transaction is an APP fraud. This solution is based on a model that is trained to assess the risk of behavioral patterns of the sender, the beneficiary, and the nature of the relationship between the two.

The APP Fraud Solution works by integrating Form3’s account-to-account payment processing capabilities with Feedzai’s risk modeling and detection platform. This combination of signals and risk modeling improved detection by catching up to 95% of fraud that had previously gone undetected by FIs within the scope of the deployment and achieved this without diminishing established false-positive rates.

These are the key features of the APP Fraud Solution:

- **End-to-end risk assessment:** The model analyzes the behavior and risk profiles of both the sender and recipient of a payment, as well as the relationship between them.
- **Real-time processing:** The solution integrates with Form3’s payment processing platform, allowing for real-time risk assessment and decision-making.
- **Flexible deployment:** The APP Fraud Solution can be deployed for both inbound and outbound transaction screening.
- **Customizable integration:** The Form3 Fraud API allows FIs to tailor the solution to their individual needs as a stand-alone scoring capability or integrated with existing fraud controls.
- **Actionable insights:** The model provides detailed information on the most influential features that contribute to a risk score.



## Market Challenges and Needs

The APP Fraud Solution addresses several challenges faced by fraud executives and their organizations:

- **Rising APP fraud rates:** As faster payment systems have become more prevalent, criminals have increasingly turned to APP scams as a means of exploiting victims. Conventional fraud detection systems have struggled to adapt to the complex challenge of modeling APP scam risk.
- **Impersonation tactics:** APP scams often involve sophisticated impersonation techniques that manipulate victims into sending money. Understanding the recipient's risk profile is crucial to preventing these frauds.
- **Regulatory pressure:** As markets globally edge closer to a regulatory minimum standard of care for victims of APP fraud scams, and as those regulatory minimums often place some portion of the reimbursement burden on receiving FIs, FIs will need more effective tools to manage net new fraud liabilities.
- **Customer experience:** Conventional approaches to detecting APP fraud scams often lead to high false-positive rates, a significant source of friction and frustration for legitimate customers.
- **Integration challenges:** Many fraud detection solutions are difficult to integrate into existing payment processing systems, leading to delays and inefficiencies.

The APP Fraud Solution is designed to address these challenges directly in an effort to provide more effective, real-time fraud prevention capability for fraud executives.

## How It Works

The APP Fraud Solution leverages machine learning techniques to analyze a broad range of features that reveal anomalous patterns in the sender's behavior, the beneficiary's behavior, and the characteristics of the relationship between the two.

Table C demonstrates how the solution works.

Table C: APP Fraud Solution—How It Works

Category	Description
Data collection	The system gathers data from both Form3’s payment processing platform and Feedzai’s extensive fraud intelligence database, including transaction details, account history, behavioral patterns, and confirmed fraud labels.
Risk profiling	The AI model analyzes the collected data to create risk profiles for both the sender and recipient of a payment. These profiles take into account factors such as transaction history, account age, typical payment patterns, and any previous associations with fraudulent activity.
Relationship analysis	The model examines the relationship between the sender and recipient, looking for anomalies or patterns that might indicate fraudulent activity. This could include information such as the frequency of interactions, the typical amounts transferred, and any sudden changes in behavior.
Real-time scoring	As a payment is processed through Form3’s platform, the transaction is scored in real time by the APP Fraud Solution. This score represents the likelihood that the transaction is fraudulent.
Decision-making	Based on the risk score and predefined thresholds, the system can recommend actions such as approving the transaction, flagging it for review, or blocking it entirely.
Continuous learning	The model continually updates and refines its understanding of fraud patterns based on new data and confirmed fraud cases, ensuring that it stays ahead of evolving criminal tactics.
Explainability	For transactions flagged as potentially fraudulent, the system provides detailed insights into the factors contributing to the high-risk score. This information helps fraud analysts and customer service representatives in their investigations and customer interactions.

Source: Feedzai, Form3, DatoS Insights

The APP Fraud Solution’s ability to ingest a broad range of data and process the sophisticated models necessary to reveal often highly nuanced risk indicators in real time as part of the payment flow is one of several characteristics that set it apart from many conventional fraud detection systems.

Key Quantitative and Qualitative Results

The impact of the APP Fraud Solution extends beyond incremental improvements, representing a notable innovation in the fight against APP fraud. Feedzai and Form3 conducted extensive testing and analysis to quantify the benefits of their solution. The solution’s reported ability to detect up to 95% of fraud currently missed by FIs while maintaining established false-positive rates distinguishes it as an easy way to integrate accurate, authorized payment fraud decision-analytics capabilities with existing payment fraud detection systems.

Qualitatively, the APP Fraud Solution offers several key benefits:

- **Enhanced customer protection:** By identifying a higher percentage of fraudulent transactions, the solution helps protect customers from falling victim to scams and fraud attempts.
- **Improved customer experience:** The ability to maintain relatively low false-positive rates means fewer legitimate transactions are unnecessarily flagged or blocked, reducing friction for honest customers.
- **Competitive advantage:** The demand for a capacity among sending and receiving FIs to accurately detect and thwart authorized payment fraud scams is rising as more FIs struggle to avoid reputational damage from the growing quantity of scam victims.
- **Adaptability:** The solution’s machine learning models enable it to continually evolve and adapt to changing fraud patterns.

Future Roadmap

Feedzai and Form3 have outlined an ambitious roadmap for the APP Fraud Solution over the next 12 to 14 months. This plan focuses on three key areas of development, as outlined in Table D.

Table D: APP Fraud Solution Product Roadmap

Timeframe	Enhancement
August 2024	<b>Orchestration:</b> Adding more pieces of intelligence and making sure that the additional processing required doesn’t disrupt the payment journey is extremely challenging. With this feature, FIs processing with Form3 will be able to receive the score and embed it into their own systems without additional integration points.

Timeframe	Enhancement
August 2024	<b>Consolidated explainability:</b> This feature will take the model output of the most influential factors contributing to a score and generate an agent-friendly explainability response. This enhancement will be particularly valuable for operational teams engaging with potential victims, allowing them to tailor their strategies and break the spell of fraudsters more effectively.
October 2024	<b>Scaling to U.K. market size:</b> A crucial focus will be ensuring that any transaction in the U.K. can be scored, leveraging the consortium benefits that come with industry-scale adoption. This expansion will further enhance the model's effectiveness and provide even greater value to participating FIs.

Source: Feedzai, Form3, DatoS Insights

## DatoS Insights' Take

The collaboration between Feedzai and Form3 to create the APP Fraud Solution represents an important leap forward in the fight against authorized payment fraud. As faster payment systems have proliferated, so, too, have opportunities for criminals to exploit unsuspecting victims. Conventional fraud prevention measures have struggled to keep pace with these evolving threats, leaving banks and their customers vulnerable to substantial losses.

What sets the APP Fraud Solution apart is its holistic approach to risk assessment. By analyzing the behavior and risk profiles of both the sender and recipient of a payment, as well as the relationship between them, the solution provides a more comprehensive view of potential fraud risks. This approach is particularly effective in combating APP fraud, where the manipulation and deception of the victim play a crucial role.

The solution's reported ability to detect substantial percentages fraud currently missed by participating FIs is impressive, particularly given that the solution performs well in terms of balancing detection rates, accuracy, and client experience. The integration of the APP Fraud Solution with Form3's payment processing platform is another advantage. This integration streamlines implementation, addressing another pain point for many FIs.

Looking ahead, the planned enhancements to the solution demonstrate Feedzai and Form3's commitment to continual improvement. The addition of orchestration capabilities, consolidated explainability features, and scaling to cover the entire U.K. market will further increase the solution's appeal for FIs seeking an effective authorized payment fraud detection solution.

As regulatory pressures mount and criminals continue to refine their tactics, solutions like this will become increasingly crucial for FIs. The APP Fraud Solution helps banks protect their customers and reduce losses while positioning them to meet evolving regulatory requirements and maintain trust in faster payment systems.

The APP Fraud Solution is a worthy recipient of the 2024 Impact Award for Best Scam and APP Fraud Prevention Innovation. This collaborative effort by Feedzai and Form3 has produced a solution that addresses a critical need in the financial industry, combining advanced technologies with deep domain expertise to create a truly innovative approach to fraud prevention.

## Conclusion

The fraud prevention landscape is experiencing a transformative shift driven by rapid technological advancements and evolving criminal tactics. As highlighted by these 2024 Datos Insights Impact Awards in Fraud, innovative solutions are reshaping how FIs detect, prevent, and respond to fraudulent activities. These innovations not only enhance security but also strive to maintain seamless customer experiences—a delicate balance that's increasingly crucial in today's digital-first financial ecosystem.

From advanced identity verification systems and behavioral biometrics to AI-powered scam detection and customer empowerment tools, these solutions reflect the industry's move beyond traditional, siloed fraud prevention methods. They demonstrate how FIs and technology providers are leveraging data analytics, machine learning, and cross-industry collaboration to stay ahead of sophisticated fraud schemes. They showcase a trend toward more holistic, real-time, and customer-centric approaches to fraud prevention.

However, the path forward is not without challenges. As FIs adopt these advanced technologies, they must navigate complex regulatory landscapes, address data privacy concerns, and ensure the ethical use of AI in decision-making processes. Moreover, the human element remains critical; technology alone cannot solve the fraud problem. Institutions must foster a culture of security awareness among both staff and customers, complementing technological solutions with robust education and training programs.

As fraud tactics continue to evolve, so, too, must the strategies to combat them. The innovations recognized in this report represent material steps forward, but they are just the beginning. The financial industry must remain vigilant, continually investing in research, development, and implementation of next-generation fraud prevention solutions. By doing so, it can build a more resilient financial system that protects consumers, businesses, and the broader economy from the ever-present threat of fraud. FIs that successfully integrate these advanced fraud prevention technologies while maintaining customer trust and operational efficiency will be best positioned to thrive in an increasingly complex financial landscape.

# About Datos Insights

Datos Insights is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

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