Fraud Event Management

Bank of America Merrill Lynch

Your business has been struck by a fraud attack. What should you do?

Every day, businesses become victimized by fraudsters. Preparation and response can make a difference on the impact of the event. Here is a sample framework to consider:

Have a plan in place

Before fraud strikes, it's important to have a response plan in place. That plan will vary by organization, but it should:

- Identify Key Stakeholders
- Define the role of each stakeholder
- Identify event owner
- Create a fraud event playbook

Engage and respond

Once the fraud event occurs, it's time to activate the response plan:

Assess the Fraud Risk

- Is this an active event or has it concluded?
- What is the severity/impact? Use assessment matrix.
- What is the financial exposure?

Assemble broader team

- Stop the event – prevent further impact
- Manage event based on complexity and severity

Engage external resources where appropriate

- Financial Institution
- Forensic Accountant, Security Expert
- Law Enforcement
- Vendor

When you have returned to normal operations it's time to review and evaluate

Investigate

- Assess causes and failure points
- Identify key findings
- Evaluate options and solutions

Improve Controls

- Develop action plan for key findings
- Implement additional tactical and structural control
- Update internal controls
- Apply learnings through education
- Conduct fraud risk assessments
- Update fraud event management plan

Key Stakeholders

Senior Management	Information Technology	Risk Management
Business Controls	Media Relations	Treasury/ Finance
Legal	Internal Audit	Other Staff

Assessment Matrix

Likelihood \ Impact	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Medium	High	High	Extreme	Extreme
Likely	Medium	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium