LexisNexis® RISK SOLUTIONS

Key Trends that are Shaping the Fraud and Identity Landscape

Digital transactions dominated the global marketplace as the pandemic-driven trend of online interactions became commonplace consumer and citizen behavior.

The challenges of interacting and doing business with highly digitized users being actively targeted by industrialized fraud networks are constantly evolving, as the routes for a fraudster to interface with a business or government agency are infinite. These highly professionalized fraud networks are keeping up a perfect and profitable pace by monetizing an array of identity fraud schemes.

Here are our predictions for the top 7 trends in the fraud and identity space to watch as they are most likely to impact your business or agency.

1 EXPANDING DIGITAL ECONOMIES ARE CREATING EXPONENTIAL OPPORTUNITIES FOR FRAUD

Data from the LexisNexis® Digital Identity Network® reveals a rise in global digital transaction volume

JANUARY TO JUNE 2022[1]

+37% YOY

39.4B

The increase in digital transactions is matched by near-equal growth in fraud attacks

- Digital channels represent **61%** of all fraud losses globally[2]
- Human-initiated attack rate **+32% YOY**
- Bot attacks **+38% YOY**[3]

As digital interactions become the norm and global connectivity increases, businesses and agencies need to be prepared for ever more complex fraud attempts.

2 COMPLEX GLOBAL MARKETPLACES AND INTERCONNECTED THREAT VECTORS REQUIRE A COLLECTIVE RESPONSE

Fraudsters work within complex networks, every piece of data used is linked to the next valuable piece of data on a mass global scale.

Therefore, businesses and agencies need greater collaboration globally to fight the fraud network but also to understand who the trusted users are. Gaining visibility of trusted citizens and consumers allow businesses and agencies to open up new service and revenue channels.

3 MASS AND TARGETED SOCIAL ENGINEERING SCHEMES SPREAD ACROSS MULTIPLE GEOGRAPHIES AND INDUSTRIES

Social engineering attacks are among the fastest-growing cybersecurity threats in both developed and emerging markets and continue to challenge companies and agencies as one of the most complex type of fraud to detect.

There are multiple reasons why criminals are targeting end consumers and users to commit crimes:

- Fast global digitalization and data availability
- Growth of open banking, faster transfer and instant payments
- Increase in automation and remote interactions
- Better fraud controls are exposing the most vulnerable point of the chain: the consumer and citizen

4 THE MIGRATION TO MOBILE TRANSACTIONS AND DIGITAL PAYMENTS PARADIGM ARE CHALLENGING TRUST RECOGNITION AND RISK MANAGEMENT

76% The volume of mobile transactions in the Digital Identity Network® has reached **76% of all transactions in the first half of 2022**[4]

24% **Alternative methods of payments, including e-wallets and cryptocurrencies, represent 24% of transaction volume globally,** a similar distribution to traditional payment methods like credit and debit cards. Fraud losses attributed to these methods represent 29% of all value lost to fraud.[5]

5 FINDING THE RIGHT RISK TO FRICTION BALANCE IS MANDATORY TO PROTECT USERS AND CONSUMERS WITHOUT DISRUPTING THEIR EXPERIENCE

Consumers and users expect highly personalized experiences featuring real time convenience and relevant security measures, which are supported by emerging regulations that strengthen protective matters around accounts and payments.

The latest identity and authentication solutions take a holistic view of identity and risk, combining physical identity verification with digital identity evidence based around the device that is being used, geographical location and the consumer's and users' behavior.

- Digital identity and device intelligence can enable more high-risk transactions to proceed without inconvenient step-ups
- Behavioral biometrics assesses how a consumer is interacting with the remote channel, clearing the path for trusted users and accurately identifying suspicious transactions

6 INCREASED GLOBAL CONNECTIVITY LEADS FRAUD NETWORKS TO EXPAND THE COMPLEXITY OF FRAUD SCHEMES

Synthetic and stolen identities are becoming more difficult to uncover when businesses and agencies lack the context and insights linking consumers and users across the dimensions of digital, physical and behavioral identity on a global scale. Different dimensions of an identity need to be analyzed to detect and expose complex fraud schemes.

FRAUD RING LEVERAGING 63 UNIQUE PHONE NUMBERS AND PHYSICAL LOCATIONS TIED BACK TO ONE EMAIL[6]

ONE CENTRALIZED EMAIL

- **7 IP Addresses**
- **63 Phone Numbers**
- **63 Physical Locations (63 Stolen Identities)**
- **12 In-Network Losses**

IP Addresses · Phone Number · Address · Known Fraud Loss

7 MULTI-DIMENSIONAL CONSUMER IDENTITIES REQUIRE A MORE DYNAMIC RESPONSE AT EVERY STEP OF THE JOURNEY[7]

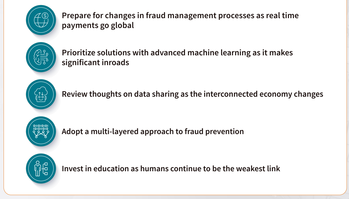
1 in 12 new account creations represent a fraud attempt

1 in 20 password resets are attacks

Static approaches to fraud are not sustainable for successfully and securely operating across today's interconnected world.

Consumer journeys are no longer simply linear and often transpire across multiple digital, hybrid and in-person channels.[8]

Global Average



ESTABLISHING TRUST, IMPROVING THE EXPERIENCE AND IDENTIFYING RISK: THE TOP 5 STRATEGIES FOR SUCCESS

- Prepare for changes in fraud management processes as real time payments go global
- Prioritize solutions with advanced machine learning as it makes significant inroads
- Review thoughts on data sharing as the interconnected economy changes
- Adopt a multi-layered approach to fraud prevention
- Invest in education as humans continue to be the weakest link

For deeper insights into how we can help your agency outsmart fraud visit: https://risk.lexisnexis.com/government/government-fraud-detection-and-prevention or call **1-888-216-3544**

1. Data analysis from the LexisNexis® Digital Identity Network®, January-June 2022
2. LexisNexis® Risk Solutions True Cost of Fraud™ Survey, 2021-2022
3. Data analysis from the LexisNexis® Digital Identity Network®, January-June 2022
4. Data analysis from the LexisNexis® Digital Identity Network®, January-June 2022
5. LexisNexis® Risk Solutions True Cost of Fraud™ Survey, 2021-2022
6. LexisNexis® Risk Solutions: Data analysis from new credit card applications from October and November 2021
7. Data analysis from the LexisNexis® Digital Identity Network®, January-June 2022
8. LexisNexis® Risk Solutions True Cost of Fraud™ Survey, 2021-2022