deluxe®

White Paper

3 Key Steps to Ensure Digital Payment Security:

What to look for in your next payment platform

3 Key Steps to Ensure Digital Payment Security: What to look for in your next payment platform

Nearly 75% of organizations were targets of an attempted or actual payments fraud attack in 2020.[2]

As traditional paper check usage continues its downward trend, more organizations are looking to incorporate digital payment solutions into their business-to-business (B2B) offerings. But, while a shift to digital payments saves time and money, businesses also need to heighten their security measures to prevent fraud risk.

More than 90% of businesses reported they would rather receive an electronic payment over a paper check.[1]

In 2018, successful check fraud attempts accounted for 47%, or $1.3 billion, of industry deposit account fraud losses.[4]

Traditional check fraud makes up a significant portion of fraud attempts in the U.S. each year, valued at $15.1 billion, and that number has only increased in the past two years.[3] As check fraud continues to rise, companies are left to consider more secure digital payment alternatives. In 2018, successful check fraud attempts accounted for 47%, or $1.3 billion, of industry deposit account fraud losses. In comparison, only 9% of the losses were attributed to electronic banking transactions, including bill pay, wire and ACH transactions.[4]

"Businesses, particularly larger businesses, find great value in solutions that help reduce check fraud risk. It's not just the hard dollar loss, but the reputational risk that comes along with fraud, and the time that the business has to invest to rectify a fraudulent payment," says Chris Clausen, executive director of Digital Payment Solutions at Deluxe.

To meet the need for heightened security, it's important to select a payment provider that has the critical capabilities to best protect your organization from increased risk of fraud and security issues.

Step 1: Understand the physical risk of fraud

The average paper check is handled by up to eight people, creating increased opportunity for physical fraud, especially check alteration and counterfeiting. The chances of physical fraud also increase when these checks are left in unattended mailboxes where they can be easily removed and stolen. Mailing sensitive information like account holder name, account number and routing number makes paper checks vulnerable to these fraud attempts.

By moving to a digital payment platform, the number of people handling the payment is reduced to two people: the payer and the payee. The risk of physical check fraud is eliminated by using a digital payment platform. In addition to reduced fraud risk, digital payments offer many benefits to organizations, such as low implementation costs, optimized cash flow and decreased payment processing time.

Paper check handling?

8 people on average

Digital payment handling?

2 people on average

Most common fraud risks for paper checks (and their solutions):

The Risk	The Solution
Alteration	Use high-security check stock with detection features (such as thermochromic ink, holograms and security fibers within the check itself) to indicate whether or not a physical check has been tampered with.
Counterfeiting	Positive pay provides regular updates to the bank to identify legitimate payments from fraudulent claims.
Account Takeover	Use real-time verification measures and levels of account permissions to decrease the likelihood of account takeover.
Embezzlement	Employ a separation of account controls and permissions.

Step 2: Secure your digital payments

While a shift to digital payments has increased payment efficiency and eliminated physical fraud, the use of technology still leaves opportunity for criminals to attempt fraudulent payments. Traditional paper checks and wire transfers are the two most common payments impacted by fraud activity, with 66% of financial professionals reporting fraud activity for paper checks and 39% with wire transfers in 2020.[4]

Selecting the right digital payment vendor is key to ensuring your payments are secure and efficient. Your digital payment provider should offer several capabilities to decrease the chance of fraud and protect your business in four main areas: account access, payment delivery & retrieval, payment deposit and overall platform security.

Account access:

- » Account creation should take place within a secure platform with strong password and user information protection
- » Require Multi-factor Authentication (MFA) for all users logging onto the platform to ensure secure access
- » Set up a separation of account controls by account administrator to allow certain employees to create, sign and send payments
- » Use solutions that require account verification whenever a new account is added into the payment platform

Payment delivery & retrieval:

- » Payments should only be retrieved from an encrypted, secure platform, and not from an email attachment
- » Use a solution that provides a digital fingerprint that tracks all interactions with a payment (who issued, who approved, who received, when received, etc.) such as a cryptographic timestamp

- Use a system that allows the receiver of the payment to enter their own banking information and select their preferred method of payment.
- Use a solution that eliminates the need to collect and store sensitive payment details such as Personally Identifiable Information (PII) from the payee organization and its employees
- An option to void the digital payment within the vendor's online payment platform in real time will enhance security

Account access:

- Require positive pay files sent between financial institution and payment provider to prove legitimate transactions
- Implement a level of fraud protection for payers; consider a vendor with additional safeguarding options (i.e., counterfeit checks or forged signatures)

Overall platform security:

- Ensure your payment provider platform is compliant with privacy laws and regulations

30% of financial professionals reported an increase in overall fraud activity in 2020.[4]

Step 3:
Maintain strict compliance to changing regulations

A significant part of ensuring the success of your digital payment platform is to be secure and compliant with ever-changing state regulations and national privacy laws. Your platform's overall security depends on staying compliant.

Personally Identifiable Information (PII) such as name, account number and other banking information must be kept secure. By using encryption and account verification, the PII housed in your digital payment platform is far less susceptible to fraud.

On a state level, the California Consumer Privacy Act (CCPA) requires businesses to notify consumers about their privacy practices. This law gives California consumers the right to know what personal information a business collects about them and how it is used. Service providers should consider applying this level of privacy protection in all 50 states.

Your digital platform should also be SOC 2 certified. Regulated by the American Institute of CPAs (AICPA), System and Organization Controls (SOC) audits verify that a service provider is compliant in five areas: security, availability, processing integrity, confidentiality and privacy controls. SOC 2 audits specifically evaluate the operational effectiveness of a service provider's platform, not just the internal controls verified in SOC 1. To stay informed and compliant, it's a recommended best practice to audit your system annually to ensure maximum security.

With Deluxe Payment Exchange, Deluxe sent out $15 billion in digital payments in 2020

A secure, compliant platform for your digital payments

Deluxe® Payment Exchange (DPX) provides comprehensive, end-to-end security measures to actively eliminate the risk of fraud and security issues within its platform. Using the existing traditional check payment rail, DPX seamlessly integrates within existing account software and provides the benefits of a proven payment method, while removing the pain points of increased fraud risk, cost, manual effort and delivery time.

From account creation and payment delivery to payment deposit and overall security compliance, Deluxe Payment Exchange has all the key critical capabilities that your business needs to efficiently pay and get paid within a secure, compliant platform. With an industry-proven partner like Deluxe, security is a top priority. This digital payment platform gives your business the speed and ease of digital payments, backed by the security expertise and support of a 100-year-old business technology partner.

By leveraging digital technology, Deluxe® adds value from a delivery and cost standpoint, but also makes perpetuating fraud more difficult through its security measures. In fact, the SOC 2-certified DPX platform has processed $46 billion in digital payments since its launch, and the instances of fraud are significantly less than those incurred with paper checks. Deluxe's critical security capabilities—real-time verification, positive pay, separation of account access controls and overall platform compliancy—significantly reduce the risk of fraud in digital payments.

How prepared is your organization to migrate to a secure, digital payment solution?

Answer these questions to assess your readiness:

□ Do you have Positive Pay set up with your existing payment rails? Consider adding this to your digital payment offerings as a best practice.

□ Does your payment provider offer a real-time verification service for new and existing accounts?

□ Can you apply a separation of controls within your digital payments to prevent risk of embezzlement or internal account takeover—especially with an ongoing remote working environment?

□ Can you offer easy deposit options to your payee?

□ How easily can a digital payment solution integrate into your current accounting processes and programs?

□ How will adding digital options affect your compliancy process?

Learn more about the security of your digital payments.

Contact your Deluxe representative or visit our website.

Deluxe, a Trusted Payments & Business Technology™ company, champions business so communities thrive. Our solutions help businesses pay, get paid, optimize and grow. For more than 100 years, Deluxe customers have relied on our solutions and platforms at all stages of their lifecycle, from start-up to maturity. Our powerful scale supports millions of small businesses, thousands of vital financial institutions and hundreds of the world's largest consumer brands, while processing more than $2.8 trillion in annual payment volume. Our reach, scale and distribution channels position Deluxe to be our customers' most trusted business partner.

To learn how we can help your business, visit us at
www.deluxe.com/payments/digital/
www.facebook.com/deluxe
www.linkedin.com/company/deluxe
www.twitter.com/deluxe

[1] Aite Group, "Payment Trends: Embracing the Shift to Electronic payments," May 2021.
[2] Association for Financial Professionals, "2021 AFP Payments Fraud and Control Survey Report," April 2020.
[3] https://www.paymentsjournal.com/will-the-rise-in-b2b-check-payments-fraud-speed-up-the-decline-in-corporate-check-use/
[4] American Bankers Association, "2019 Deposit Account Fraud Survey," January 2020.