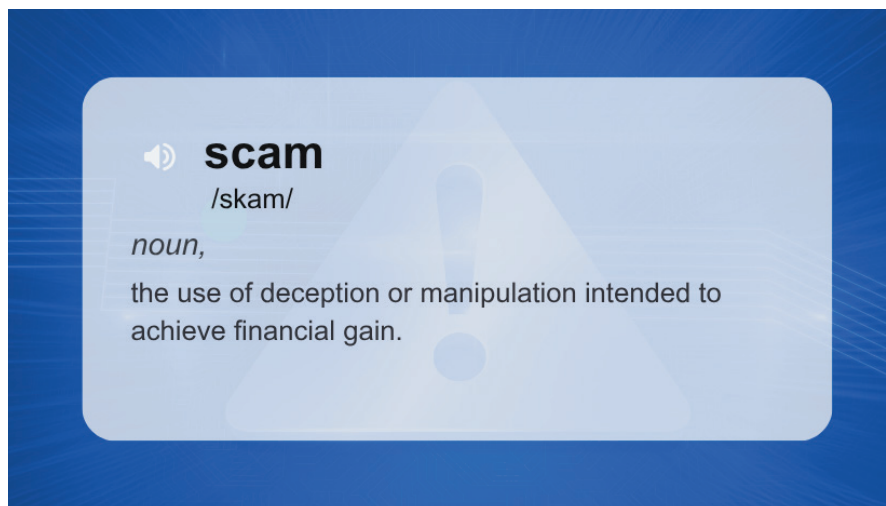


AN OPERATIONAL SCAM DEFINITION

Scam losses are increasing and so is the impact scams have on individuals and businesses. For some financial institutions, the lack of an operational scam definition may have resulted in losses that were not appropriately identified or classified as scams. Without consistent classification for reporting, it can be challenging to see the full scope of scam-related losses and their impact on customers and financial institutions.

The Federal Reserve convened a scams definition and classification industry work group of payments and fraud experts in 2023. The industry work group's goal was to provide a more consistent foundation for reporting to better understand and mitigate scams. The industry work group developed and published an operational definition of a scam:



The definition applies to both attempted and successful scams. Key concepts in developing the definition included scam interactions, intent and monetary gain. The definition is not intended to address liability, reimbursement or reporting requirements.

The scams mitigation toolkit was developed by the Federal Reserve to help educate the industry about scams and outline potential ways to help detect and mitigate this fraud type. Insights for this toolkit were provided through interviews with industry experts, publicly available research, and team member expertise. This toolkit is not intended to result in any regulatory or reporting requirements, imply any liabilities for fraud loss, or confer any legal status, legal definitions, or legal rights or responsibilities. While use of this toolkit throughout the industry is encouraged, utilization of the toolkit is voluntary at the discretion of each individual entity. Absent written consent, this toolkit may not be used in a manner that suggests the Federal Reserve endorses a third-party product or service.