

# Protect your business against fraud

Understand the risks and take steps to control fraud — before it happens



Fraud is a serious threat that negatively impacts the profitability of thousands of businesses each year, and in some cases their very survival.

According to the Association of Certified Fraud Examiners (ACFE) 2024 report<sup>1</sup>:

- The typical organization loses roughly 5% of its annual revenues to fraud.
- The median fraud loss of 1,921 cases studied is \$145,000.
- A typical fraud case lasts 12 months before detection.

And since the ACFE's study focused on occupational fraud, it didn't take into account instances of external fraud, including the growing threats associated with phishing, malware and other electronic attacks.

## Think your business is immune to fraud? Think again.

While fraud is a potential threat to any organization, ACFE's research reveals that small businesses are particularly vulnerable. Small businesses often have fewer resources and fewer and less effective anti-fraud controls than their larger counterparts. And according to the study, despite their smaller size, small businesses suffered the largest median fraud-related losses.

## The high cost of fraud

According to ACFE's report, more than half of occupational fraud cases occur due to a lack of internal controls (32%) or an override of existing internal controls (19%).



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In addition to eroding your company's bottom line, fraud – both internal and external – can tarnish your company's brand, hurt its reputation and diminish its credibility with clients, vendors and employees. Organizations must remain agile and respond to the increase of threats by adopting new approaches and technologies to prevent fraud.

As demonstrated in Payments Canada's new study, Canadian businesses are at a higher risk of payment fraud (20%) compared to Canadian consumers (13%).<sup>2</sup>

### Cheque fraud: A widespread menace

Cheque fraud remains one of the most widespread types of payment fraud affecting businesses today. According to the Payments Canada 2024 study, fraudulent cheques represent 15% of payment fraud organizations are experiencing.

RBC Royal Bank® has proven, effective tools to help you protect your business against cheque fraud, including:

- RBC Express®: Use RBC Express to reconcile your accounts daily, including viewing high quality images of cleared cheques for verification.
- RBC Payee Match: Avoid potential losses from fraudulent transactions by quickly detecting altered or fraudulent cheques.

### Spotlight on business email compromise (BEC)

A tactic that remains popular is BEC, where a criminal sends a legitimate looking request for a payment from a compromised individual's email to an employee who is responsible for processing payment requests. The criminals will often do so by compromising a network, or spoofing the email account of an executive, well-known person in the company or supplier (also known as "vendor email compromise"). However, something about the request can feel out of character. Remain vigilant and watch for any of the following red flags:

- They refuse to speak on the phone or are asking you to contact them at a different phone number from the one you have on file.
- You are asked to act urgently, in secrecy, or to perform transfers that do not follow normal procedures.
- The email address is slightly altered, or the language used differs from your usual communications with this person.

In such instances, take all the necessary steps to confirm the information and nature of the request before making any transfers of funds.



### Fraud-proofing your business

The first step to protect your company against loss from fraud is to review your operations to identify any internal control weaknesses that could create opportunities for fraudulent activities.

- Evaluate your cheque-writing and -clearing processes, since these are common targets for various forms of fraud.
- Reduce the number of cheques your company writes by using secure electronic payment methods such as our Pay Employees and Vendors service or Online Tax Filing service.
- Enable two-step verification for an added layer of security on your business accounts.
- Streamline your account reconciliation process with additional Business Client Cards for all signing authorities on your account. If you need online access to your business banking account for more than one person, consider taking advantage of the speed and efficiency of a secure electronic banking platform such as RBC Express.
- When it comes to malware and other forms of cyber fraud, take special precautions to protect your business. For instance, implement the use of security tokens. These small, physical devices add a layer of security to help prevent unauthorized individuals from accessing your systems. And ensure that your business keeps its security software up-to-date to protect against the latest online threats.

RBC Royal Bank can help you identify opportunities to strengthen control of and protect your banking information. We offer a full suite of cash management solutions and secure electronic services designed to increase efficiencies while reducing your risk of fraud.

## Proven tactics to help reduce and prevent fraud

By understanding the risks and taking precautions to minimize them, you can take tangible steps to help prevent fraud from taking place in your business. Here are a few quick tips to help protect your business against fraud and its consequences.

<p><b>Separate cash-handling duties</b></p> <ul style="list-style-type: none"> <li>■ Have two signing authorities for issuing cheques.</li> <li>■ Ensure no single person is responsible for handling cash, issuing cheques or reconciling bank statements.</li> </ul>	<p><b>Implement rigorous cash-handling procedures</b></p> <ul style="list-style-type: none"> <li>■ Issue individual payments for all expenses so they can be matched to a specific invoice.</li> <li>■ Keep chequebooks, cash and bank statements with cancelled cheques under lock and key.</li> </ul>
<p><b>Prevent identity theft</b></p> <ul style="list-style-type: none"> <li>■ Be wary of identity or brand pirates who may assume your company's identity or that of legitimate charities to solicit funds.</li> <li>■ Encourage employees and customers to report any suspicious communications claiming to be from your company.</li> </ul>	<p><b>Avoid mail fraud</b></p> <p><b>Incoming mail</b></p> <ul style="list-style-type: none"> <li>■ Replace a wall-mounted mailbox with a mail slot.</li> <li>■ Ensure the mail repository is visible at all times.</li> </ul> <p><b>Outgoing mail</b></p> <ul style="list-style-type: none"> <li>■ Never place outgoing mail in your mailbox.</li> <li>■ Send high-value cheques via registered mail or use a wire transfer.</li> </ul>
<p><b>Prevent cheque fraud</b></p> <ul style="list-style-type: none"> <li>■ Incorporate security features on your cheques that help combat counterfeiting.</li> <li>■ Shred any cancelled cheques or old statements not needed for tax purposes.</li> <li>■ Ask your RBC® representative about automated solutions such as Debit Blocking Service or RBC Payee Match.</li> </ul>	<p><b>Create an audit trail</b></p> <ul style="list-style-type: none"> <li>■ Pay employees and suppliers electronically to create a trail that helps you detect fraudulent activity quickly.</li> <li>■ Ask for electronic transfers when collecting receivables.</li> </ul>
<p><b>Strong passwords</b></p> <ul style="list-style-type: none"> <li>■ Create unique passwords for different sites, ensuring they are random, long and secure.</li> </ul>	<p><b>Back up your data</b></p> <ul style="list-style-type: none"> <li>■ Automate security updates.</li> <li>■ Use malware detection software on devices – even home and personal devices. If you allow employees to use personal devices to check work emails or access work applications, malware planted on a personal device may be used to attack systems at work.</li> </ul>



## Let us show you how fraud prevention strategies can work for you

To learn more about how RBC Royal Bank can help you proactively protect your business against fraud and position your organization for continued success, please contact your RBC Relationship Manager today or call 1-800 ROYAL® 2-0 (1-800-769-2520).

For more information you can also visit  
[rbc.com/cyber-security/how-to-protect-your-business](https://rbc.com/cyber-security/how-to-protect-your-business)



<sup>1</sup> ACFE source: <https://www.acfe.com/-/media/files/acfe/pdfs/rtnn/2024/2024-report-to-the-nations.pdf>

<sup>2</sup> Payments Canada source: <https://www.payments.ca/insights/research/one-five-canadian-businesses-experienced-payment-fraud-past-six-months>

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