

EXECUTIVE BRIEF

Key Findings from the ASC X9 Check Fraud Industry Forum Report

Mitigating Check Fraud Risk in the Modern Financial Ecosystem

Strategic implications for modern check fraud prevention: This executive brief summarizes the key findings and strategic recommendations from the ASC X9 Check Fraud Industry Forum's report, Mitigating Check Fraud Risk in the Modern Financial Ecosystem, highlighting the implications for financial institutions as check fraud continues to evolve.



Executive takeaways

The ASC X9 Check Fraud Industry Forum delivers a clear message: financial institutions must detect check fraud earlier in the payment lifecycle. While traditional controls remain essential, they are no longer sufficient on their own as fraud schemes become faster, more coordinated, and increasingly technology driven.

The report identifies three strategic priorities for modern fraud prevention:

- 01 Modernize fraud detection through real-time intelligence and AI.**
- 02 Strengthen industry collaboration through shared fraud intelligence.**
- 03 Evolve Positive Pay by extending fraud detection closer to first presentment rather than relying solely on issuer-file validation during in-clearing.**

For banking executives, the implication is straightforward: fraud prevention is shifting from post-clearing verification toward earlier, intelligence-driven decisioning that can prevent losses before funds are released.

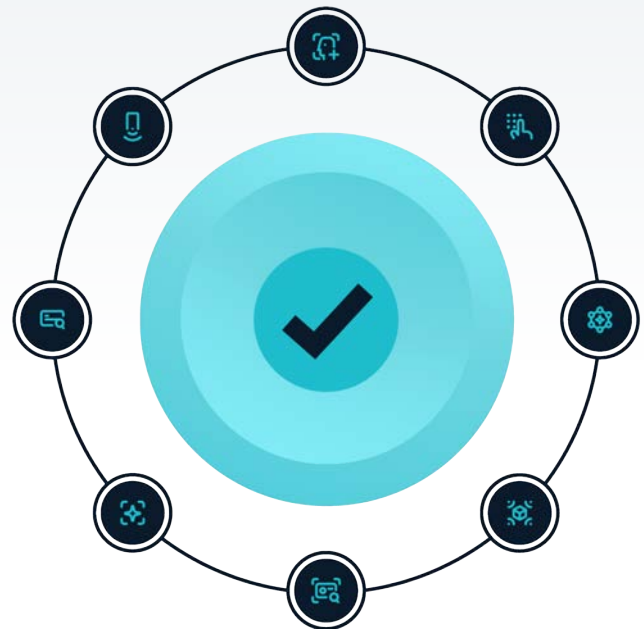
Modernizing positive pay for earlier detection

Perhaps the report's most significant recommendation is that Positive Pay remains one of the industry's most effective fraud controls. However, the report makes clear that it delivers its greatest value when modernized as part of a layered fraud strategy.

Traditional Positive Pay validates issuer files during the clearing process, often one to three days after deposit. While highly effective at identifying mismatches, this approach frequently identifies suspicious items after the institution's best opportunity to prevent fraud has already passed.

Rather than replacing Positive Pay, the X9 Forum recommends strengthening it with complementary capabilities including AI-driven image intelligence, real-time deposit screening, behavioral analytics, consortium intelligence, and cross-channel fraud monitoring. Together, these capabilities move fraud detection closer to first presentment, providing financial institutions with greater opportunities to stop fraudulent checks before funds are released.

This evolution reflects the report's broader conclusion: the future of check fraud prevention is not built on a single control, but on layered technologies and operational processes working together to detect fraud earlier in the payment lifecycle.



TRADITIONAL POSITIVE PAY

- ✓ Validates issuer files during the clearing process, often one to three days after deposit.
- ✓ Highly effective at identifying mismatches.
- ✓ Frequently identifies suspicious items after the institution's best opportunity to prevent fraud.

MODERNIZED POSITIVE PAY

- ✓ Adds AI-driven image intelligence, real-time deposit screening, and behavioral analytics.
- ✓ Adds consortium intelligence and cross-channel fraud monitoring.
- ✓ Moves fraud detection closer to first presentment, stopping fraudulent checks before funds are released.

The three priorities for modern fraud prevention

The modernization of Positive Pay reflects a broader shift outlined throughout the report. To better protect customers and reduce losses, the X9 Forum recommends that financial institutions focus on three strategic priorities.

01 Modernize detection architecture

Move beyond batch-oriented and post-event fraud detection toward real-time decisioning supported by artificial intelligence, image intelligence, behavioral analytics, and cross-channel visibility. As fraud schemes increasingly unfold in hours rather than days, earlier detection has become essential to preventing losses before funds are released.

02 Strengthen operational discipline

Improve consistency across high-risk operational workflows, including new account onboarding, teller operations, remote deposit capture, exception management, and fraud escalation procedures. The report emphasizes that disciplined operational execution is just as important as technology in reducing fraud risk.

03 Expand network-level defense

Participate in consortium intelligence and industry collaboration initiatives that enable institutions to identify coordinated fraud activity across financial institutions and payment channels. As organized fraud becomes increasingly interconnected, institutions operating in isolation will have a more limited view of emerging threats.

Implications for financial institutions

Checks remain essential to business payments, but check fraud has evolved into a faster, more coordinated threat fueled by mail theft, synthetic identities, AI-generated forgeries, and organized criminal networks. As fraud timelines compress from days to hours, the report concludes that financial institutions must move beyond post-clearing controls and adopt layered, earlier-stage detection that combines identity verification, image intelligence, Positive Pay, machine learning, consortium intelligence, and disciplined operational controls. Institutions that identify suspicious activity earlier in the payment lifecycle, before funds are released, will be best positioned to prevent losses, reduce operational risk, and keep pace with rapidly evolving fraud schemes.

ABOUT THE ASC X9 CHECK FRAUD INDUSTRY FORUM REPORT

Mitigating Check Fraud Risk in the Modern Financial Ecosystem was developed by the ASC X9 Check Fraud Industry Forum, a cross-industry collaboration of financial institutions, payment networks, technology providers, industry associations, and government organizations dedicated to advancing payments security. Contributors include many of the nation's largest banks, the Federal Reserve, the American Bankers Association, ICBA, The Clearing House, Visa, Fiserv, FIS, Mitek, Deluxe, Early Warning, and numerous community and regional financial institutions. The report reflects broad industry expertise and consensus on practical strategies for mitigating check fraud across the U.S. payments ecosystem.