

# Verification of Payees and Mitigated Fraud Risks

## TIS Fraud Prevention Tools

### 1 INTRODUCTION: The Importance of Payee Verification (VoP)

In today's landscape of instant payments and increasingly sophisticated fraud, the validation of payees is no longer optional—it is a critical component of secure financial operations. Corporate payment fraud, including tactics like Business Email Compromise (BEC), vendor impersonation, and payment redirection, continues to

escalate in both frequency and complexity.

A key defense against such threats is the accurate verification of payee details before payments are processed. Errors in identifying the correct beneficiary can lead to fraud, financial loss, regulatory breaches, and reputational damage.



### 2 CORPORATE CHALLENGES: Fragmented Systems, Operational Burdens, and Regulatory Pressure

Corporates—particularly those with decentralized operations, global banking relationships, and legacy infrastructure—face a range of obstacles when it comes to payee verification.

The process is often highly manual, requiring time-consuming confirmation calls to third parties. This inefficiency is further exacerbated by:

- Fragmented ERP, TMS, and HR systems
- Outdated or decentralized vendor master data
- Inconsistent naming conventions and manual updates

A new regulatory mandate will introduce further complexity. The **Verification of Payee (VoP)** regulation, introduced by the **European Payments Council (EPC)** and effective from

**October 5, 2025**, requires Payment Service Providers (PSPs) within the eurozone to implement verification mechanisms for all SEPA credit transfers.

#### Core objectives of the VoP regulation:

- Prevent Authorized Push Payment (APP) fraud
- Reduce payment errors
- Enhance customer trust
- Improve compliance with regulatory expectations

#### Key requirements:

- Applies to both instant and non-instant SEPA payments
- PSPs must respond with **Match**, **Close Match**, or **No Match**—ideally within 1 second, and **no later than 5 seconds**

- Compares payer-supplied information with actual account data

Though corporates are not directly regulated by VoP, they will inevitably be impacted by the enforcement approaches of banks and PSPs. This is particularly evident in the risk of batch payment rejections due to mismatched or unverified payee details.

Such rejections can trigger:

- Delays in supplier payments
- Financial penalties or contractual breaches
- Reputational harm
- Increased fraud exposure through unverified payments
- Higher costs and time spent on exception handling
- Strained supplier relationships due to late payments



According to industry data from SWIFT, 72% of payment exceptions stem from formatting errors, account

inaccuracies, or invalid data—potentially leading to 10–30% payment rejections.

### THE TIS APPROACH: Real-Time Verification to Reduce Fraud and Errors

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TIS' Account Validation Services provide corporates with near real-time payee verification for both **static data (master data)** and **dynamic data (payment transactions)**. This capability significantly reduces the risk of fraud, minimizes payment delays, and ensures data accuracy across systems.

Key features of the TIS validation approach include:

- Coverage in multiple jurisdictions beyond SEPA

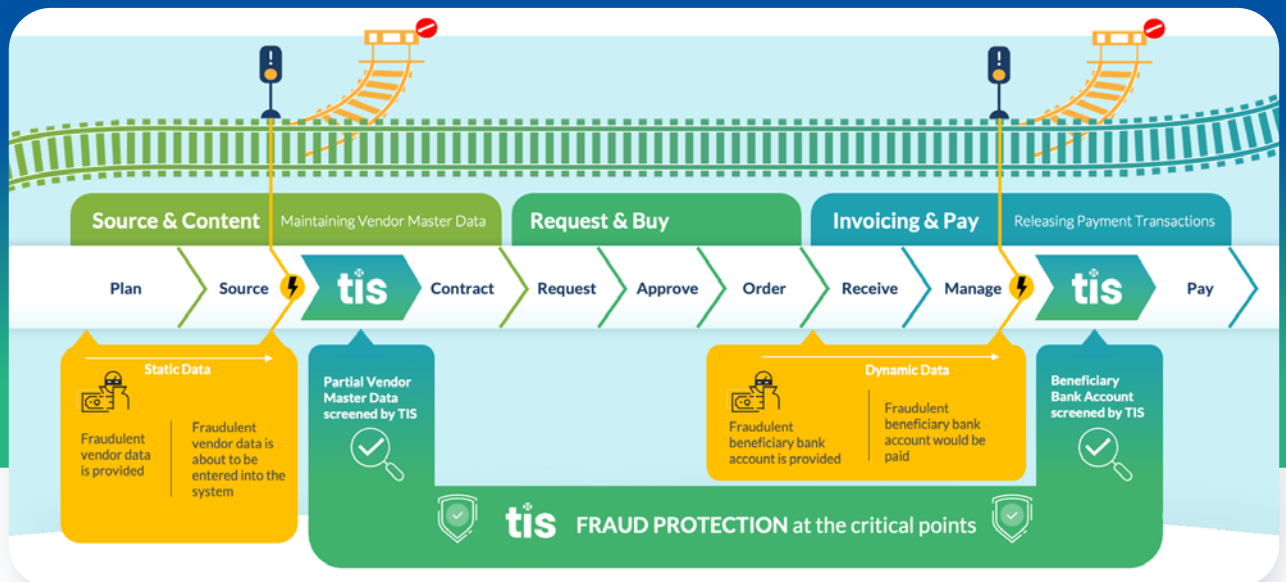
- Integration with global banks and data aggregators for broad reach
- API support for seamless and fast implementation
- Compatibility with various ERP and banking environments

By validating data **before** a payment is initiated—or even transmitted—TIS enables clients to proactively address issues rather than reactively handle exceptions.

### TIS MULTI-LAYERED FRAUD PROTECTION MODEL

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TIS delivers a two-layer fraud prevention model designed to address the critical entry points where most payment errors and fraud attempts occur: during master data creation and payment execution.



#### Level 1

#### VENDOR MASTER DATA SCREENING

- ✓ Conducted when onboarding new vendors or modifying existing bank account information
- ✓ Uses near real-time checks against domestic and international account databases
- ✓ Ensures that data is verified and accurate before any payments are initiated

#### Level 2

#### TRANSACTION SCREENING

- ✓ A final validation step before payment approval and bank submission
- ✓ Performs account verification to anticipate VoP results, allowing corporates to split or adjust payment batches as needed
- ✓ Leverages rules-based anomaly detection to flag transactions that deviate from normal behavior or context

## 5 BENEFITS OF TIS VALIDATION & DETECTION TOOLS

TIS enables a more secure, compliant, and efficient payment process by integrating real-time intelligence and automation into payee verification workflows.

### Key advantages include:

- Reduced fraud risk through proactive verification
- Fewer payment rejections and manual exception handling
- Enhanced payment accuracy and improved data integrity
- Greater operational efficiency via automation and streamlined processes
- Alignment with VoP and AML regulations, enhancing compliance posture



## 6 CONCLUSION: Modernizing Payee Validation for a Secure Payments Future

As global payments continue to evolve toward greater speed, the need for secure, accurate and quick payee verification becomes increasingly urgent. The TIS solutions offer a forward-looking approach that balances enhanced fraud protection with operational efficiency.

By integrating account validation and anomaly detection in their bank-agnostic payments infrastructure with TIS, corporates can ensure:



Greater protection against fraud



Reduced systemic risk



Seamless compliance with emerging regulatory standards



Improved internal controls and continuity in financial operations

# tis

## Learn how you can enhance your payments security with TIS

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