

Citi Global Wealth
at Work

*2023 Treasury
Management
Benchmarking Survey
for Law Firms*



Foreword

We are pleased to share the results of our 2023 Treasury Management Survey for Law Firms. We focused this year's survey on cybercrime and fraud to help law firms continue to embrace digital technology while protecting against criminals and bad actors seeking to exploit the same technology to their advantage.

Our Treasury Management Sales & Advisory team aims to help you understand the threats from cyberfraud and develop strategies and techniques to insulate your firm and ensure your staff are equipped to take the most appropriate course of action in their day-to-day operational activities.

We hope you find the results helpful in developing your cybersecurity strategies for today and in the future, and we thank you sincerely for your continued participation and ongoing partnership.

We actively encourage survey participants to engage in a follow-up meeting to discuss their individual results in greater detail with their Law Firm Group Banking team and Treasury Management Sales Specialists.

**Mary Pope, Head of Treasury Management Advisory,
Citi Global Wealth at Work**

Introduction

Advances in technology are transforming treasury management, which in turn has the potential to deliver major operational efficiencies for law firms.

Embracing automation and digital innovation has multiple benefits not only in terms of improving operational efficiency, but moving away from manual process can also protect treasury management systems from fraud.

However, adopting automation and digital innovation brings with it new risks, and law firms may become vulnerable to attacks from cyber criminals who are using that very same technology to steal data which they can exploit for financial gain.

Cyber-attacks and data breaches can be devastating for a law firm, affecting business continuity, costing millions of dollars, and potentially resulting in irreparable reputational damage.

The overall cost of cybercrime in 2023 was \$320 billion in the United States. That number is projected to grow to \$1.8 trillion by 2028.¹

While these figures are staggering, in reality the amounts will almost certainly be higher, as many companies fail to report fraud for fear of exacerbating reputational risk.

It is encouraging, then, that one of the key findings from our 2023 Treasury Management Survey for Law Firms shows that fraud prevention is now a fundamental concern of treasury teams, interwoven into all aspects of their day-to-day operations.

Firms are dedicating more resources to crime prevention with the treasury role evolving to include fraud prevention as a core responsibility. Treasurers are reshaping how they work to ensure productivity while maintaining effective data and payment protection.

But as these functions evolve, so too do the methods employed by cybercriminals. Fraudsters are leveraging new technologies to commit crimes in ever more sophisticated, harder-to-detect methods.

Artificial intelligence (AI), for example, is being used by bad actors to create increasingly difficult to identify phishing emails and voice cloning, and all this is happening in real-time.

Law firms need to ensure their systems and processes are constantly progressing to stay one step ahead of the criminals to keep their clients and businesses safe.

A best-in-class treasury management team develops a strong culture around fraud awareness and consistently utilizes best practices for fraud protection.

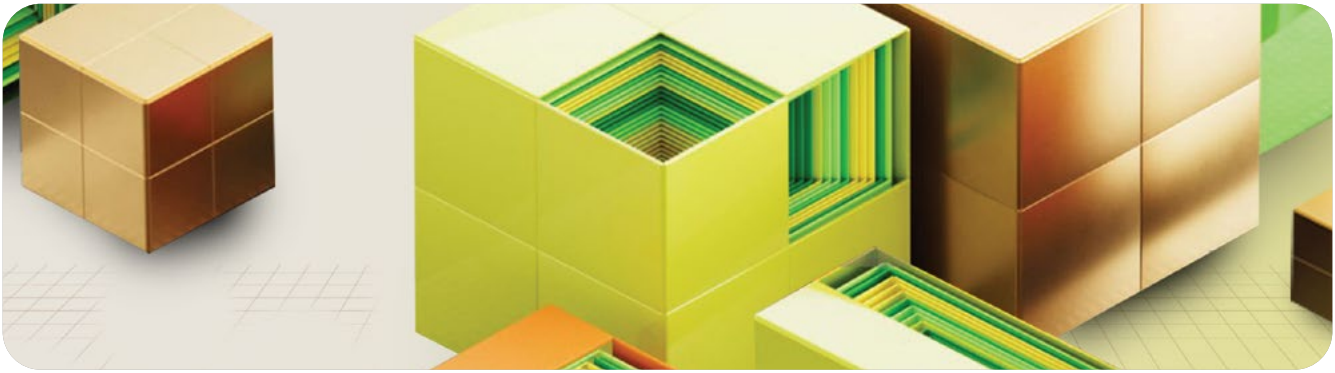
Staying current on fraud practices is key; continuous education and having stringent rules in place, such as dual approval, protocols for verifying payment information, and dedication to maintaining strict processes and procedures, are essential.

We also find automation of processes to combat fraud is underutilized among firms. For example, this year's survey shows despite the awareness that checks are the most vulnerable payment type to fraud, many law firms continue to send and receive money using this method. And while there is evidence firms are updating payments to ACH and wire transfers, much more needs to change.

Firms should not only look to enhance protection against payment fraud schemes but also valuable data, not just of their clients but also vendors, partnering organizations, employees, and customers.

Fraud prevention is a long-term commitment and law firms that allocate appropriate resources to mitigating this risk will see the benefits in terms of a resilient business which provides security and consistency for all stakeholders both today and in the future.

¹<https://www.statista.com/>



Key findings

Fraud is on the rise and presents a costly threat for all industries, with law firms particularly at risk.

More than nine out of ten (91%) firms surveyed report experiencing fraud or a fraud attempt within the past twelve months, with 44% reporting five or more attempts.

Of the firms surveyed, 89% of respondents believe the threat of fraud is increasing and 79% plan to increase spending for fraud protection and detection this year.

Law firms' susceptibility to fraud arises, in part, from a higher-than-average reliance on checks and manual processes.

The check is the payment type most susceptible to fraud and reported crimes have more than doubled over the past three years according to Fin CEN – the US Treasury's investigative arm.²

Mail theft is increasing where paper checks are opened and washed, and the payee and amounts altered.

This is reflected in our survey which found 50% of firms reporting checks as a payment type being impacted by fraud over the past twelve months, followed by wires (9%) and ACH (7%).

Law firms are aware of the significant threat of fraud and are taking action

There is positive evidence law firms recognize the need to ensure staff know how to take necessary preventive measures, with 89% conducting regular fraud prevention training for employees.

Nearly all (98%) firms have protocols in place for confirming new or updated payment information, with the majority utilizing call back via a verified number. A similar number (95%) of law firms report using dual control (maker/checker) for payments and updating user entitlements.

Given their susceptibility to fraud through check payments, more than two-thirds (68%) of law firms say they have changed or plan to change payment methods.

Many firms – 86% – utilize fraud protection services on all accounts, and, encouragingly, 91% feel well informed about the fraud protection services offered by their banking partner.

² <https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Mail%20Theft-Related%20Check%20Fraud%20FINAL%20508.pdf>

Nonetheless, more fraud prevention measures are needed

Efforts to counter the impact of fraud are evident across the firms who responded to our survey, yet we identify gaps in security suggesting more work must be undertaken to tighten processes.

More than half (56%) of firms identified checks as the payment type they believe carries the most risk of fraud, which suggests 44% are not fully aware of the danger this payment presents.

Possible complacency about the true risk of exposure to fraud and failure to recognize that no payment type is safe from fraud puts law firms at risk.

More than a third (38%) of law firms believe wire transfers carry the most risk, demonstrating an appreciation of the potential for fraud when using this payment type, but again the vast majority of respondents have yet to acknowledge this as a possible vulnerability.

Reconciling account activity on a daily basis ensures early detection of any unusual activity and is the best approach, especially for accounts with a high volume of payment activity. If account statements are only delivered monthly, firms should be reconciling daily against an account summary report to ensure early detection.

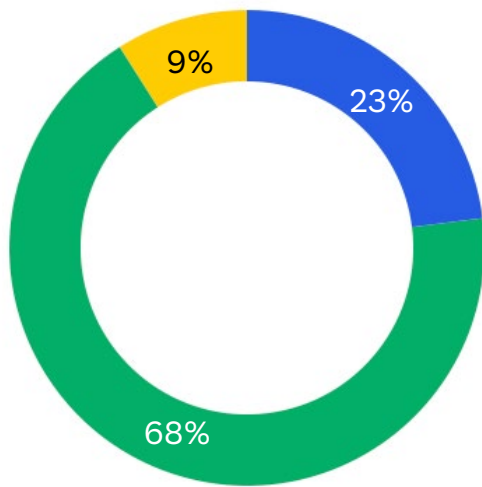
However, only 40% of firms report reconciling accounts daily, while 51% reconcile monthly and 9% do so on a weekly basis.

Prompt reconciliation, whether against an account statement or an activity summary report, is critical for the early detection of any abnormalities. The earlier fraud is detected, the greater the chances funds can be recovered.

Fraud: An ever-increasing threat for law firms

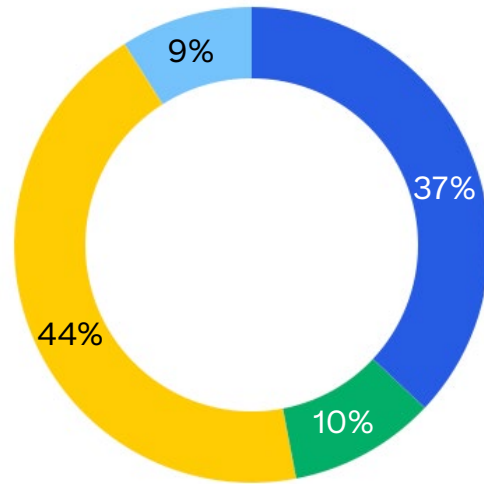
Almost all law firms report being the victim of fraud in the past year, with the majority suffering multiple instances.

Have you experienced fraud in the past 12 months



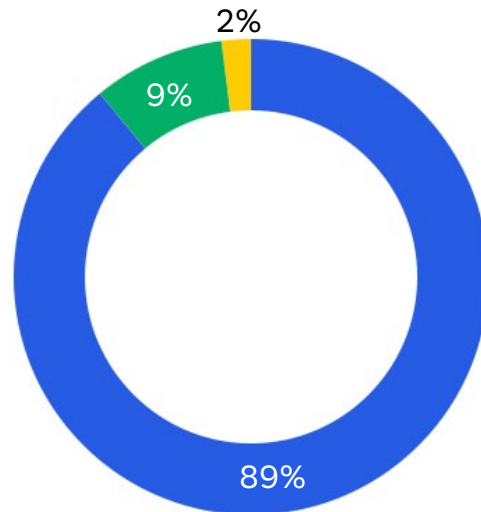
- Yes
- Attempted
- No

How often have you experienced fraud or fraud attempts in the past 12 months?



- 1-3 times
- 4-6 times
- 5+
- Never

Is the threat of fraud increasing?

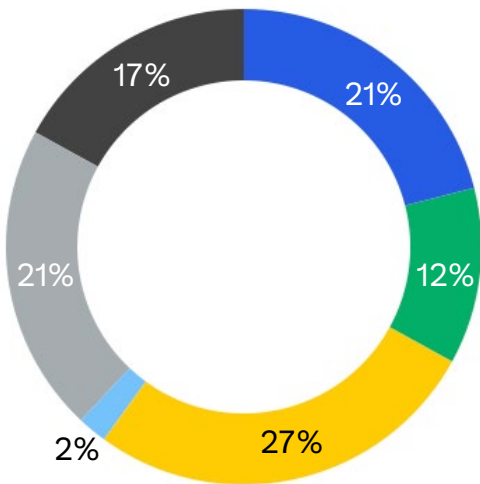


- Increasing
- Staying the same
- Decreasing

Fraud affects law firms' manual and automated processes

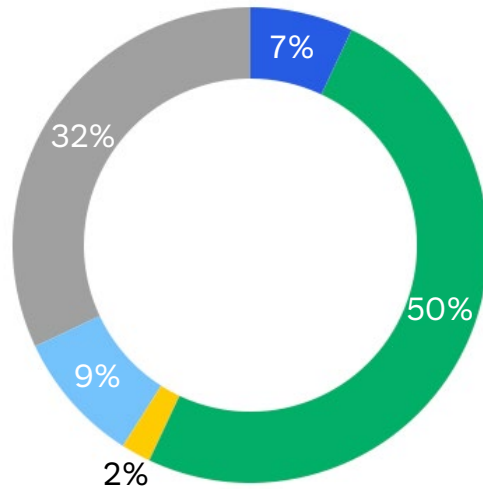
Law firms report instances of fraud across their operations with perpetrators infiltrating traditional and electronic communications and payment processing. While some processes are more vulnerable than others, law firms need to be vigilant of the risk of fraud across their entire business.

Which sources of fraud has your firm been impacted by over the past 12 months?



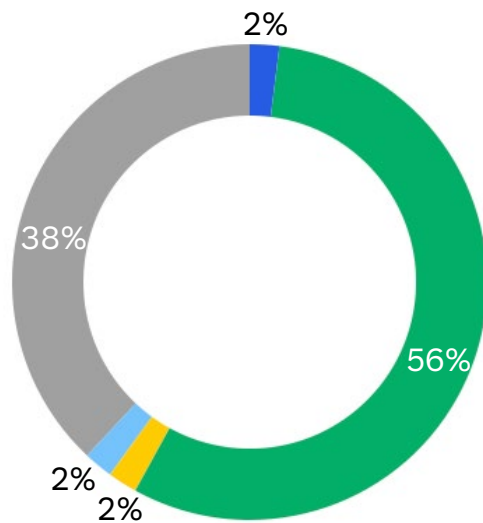
- Business Email Compromise
- Invoice Fraud
- Mail Interference
- Malware (Account Takeover)
- Other
- Vendor Imposter

Which payment types has your firm been impacted by fraud within the past 12 months?



- ACH
- Check
- Commercial Card
- Wire transfer
- None of the above

What payment type do you believe carries the most risk of fraud?

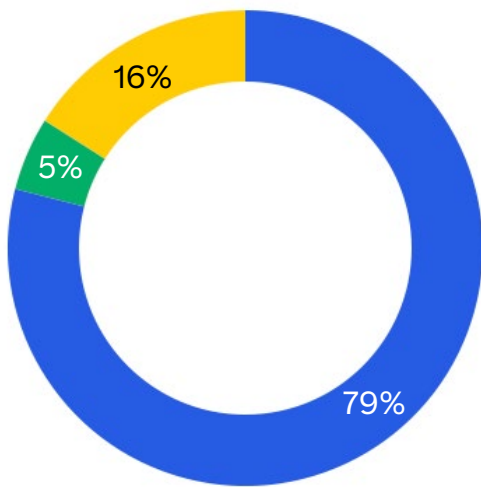


- ACH
- Check
- Commercial Card
- Real-time payments
- Wire transfer

Law firms are taking action to detect and prevent fraud

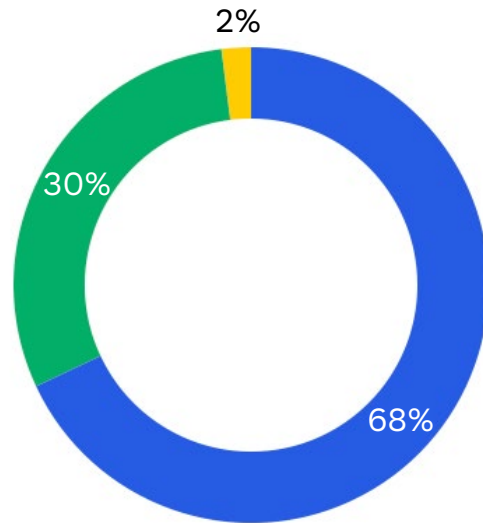
Criminals are constantly evolving in their approach and finding new ways to commit fraud. It is essential law firms take steps to stay ahead. Encouragingly, the survey reveals most respondents are training staff and updating systems, confirming new payment information and protecting business processes.

Do you plan to increase the spending for fraud protection and detection this year?



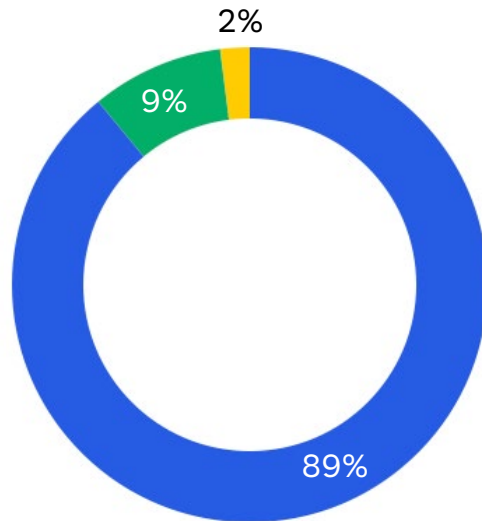
- Yes
- No
- Unsure

Have you changed or do you plan to change your payment methods due to the threat of fraud?



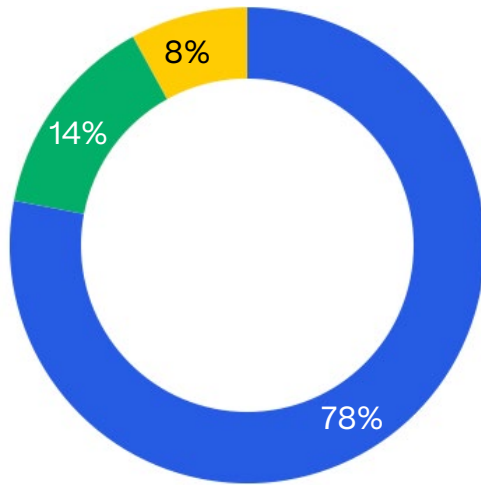
- Yes, please specify
- No
- Unsure

Does your firm conduct regular fraud prevention training for its staff?



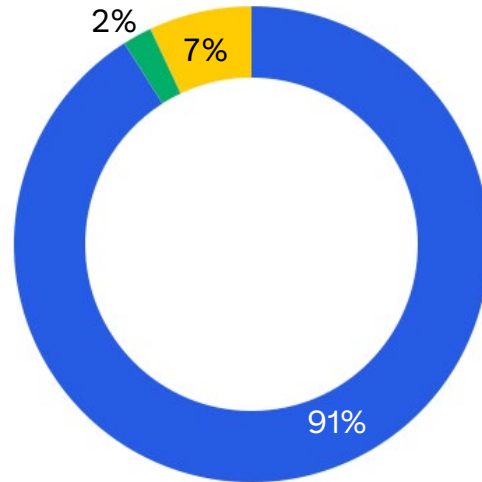
- Yes
- No
- Unsure

Which protocol method(s) do you use to confirm new or updated payment information?



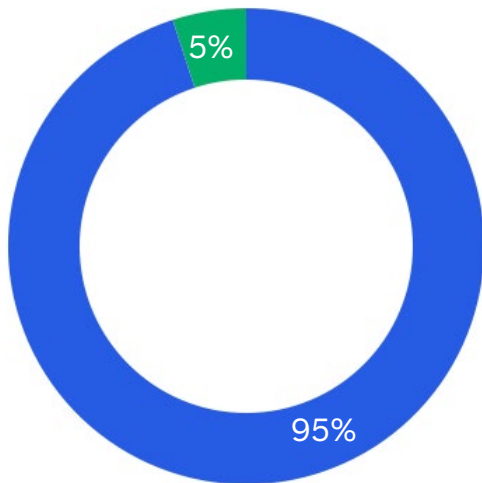
- Verbally via verified callback number
- Utilizing a payment verification solution
- Via other methods. Please specify:

Do you feel well-informed about the fraud protection services offered by your banking partner?



- Yes
- No
- Unsure

Do you utilize a dual control (maker/checker) for all payments and adding or changing user entitlements?



- Yes
- No

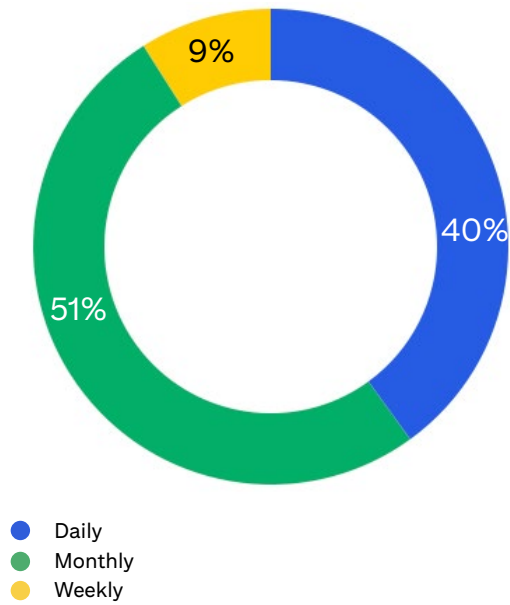
Future-proofing law firms against fraud

It is impossible to establish watertight security when it comes to fraud, but there are steps law firms can take to better protect their businesses.

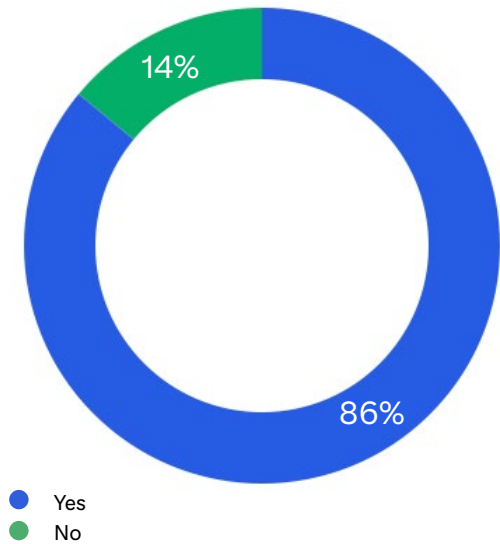
While we see a positive effort to reduce instances for fraud, the survey also reveals areas where complacency may be creeping in, leaving firms vulnerable to what are likely avoidable attacks.

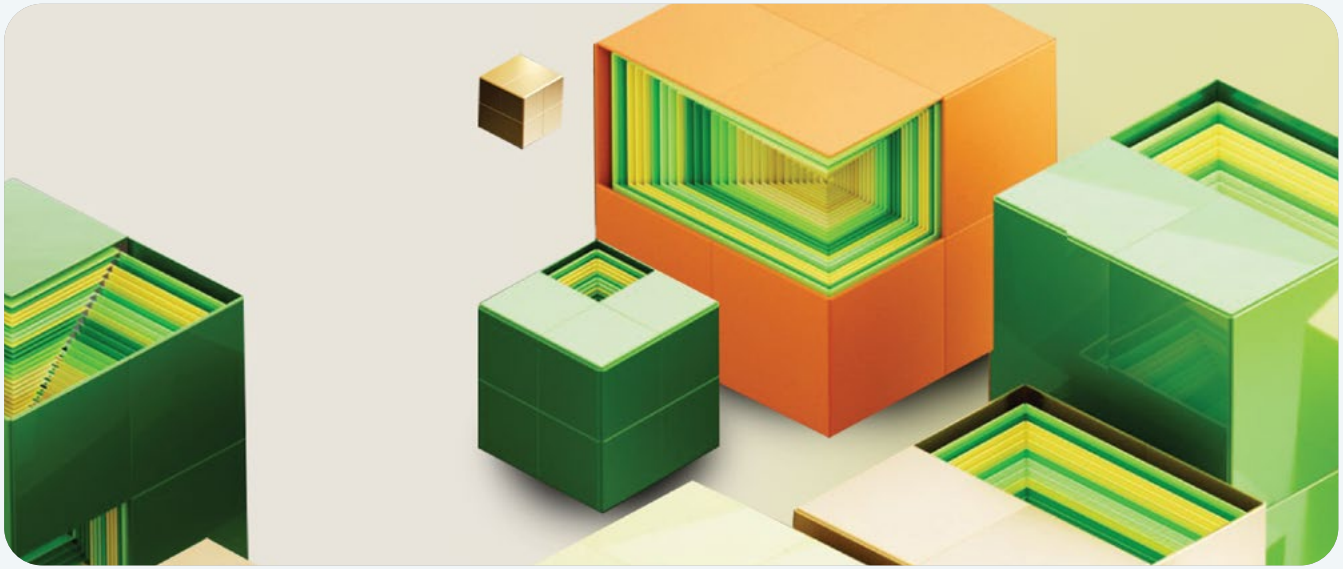
We would like to see firms implement fraud protection services across all their accounts, reconcile accounts more frequently, automate processes and ensure that fraud is taken seriously across all areas of the business.

How often do you reconcile your accounts?



Do you utilize fraud protection services on all of your accounts?





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Acknowledgements

Michael Zinkowski, North America Head of Treasury Management Sales & Advisory, Citi Global Wealth at Work and Citi Private Bank

Murtuza Rasiwala, Head of Banking, Custody, Mortgage & Illiquids, Citi Global Wealth at Work and Citi Private Bank

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Important Information

¹ Source: Statista.com

² Source: <https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Mail%20Theft-Related%20Check%20Fraud%20FINAL%20508.pdf>

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