

**Written Statement of
Mark Monaco
Head, Global Payment Solutions
Bank of America**

**Hearing Before the United States Senate
Committee on Homeland Security and Governmental Affairs
Permanent Subcommittee on Investigations**

July 23, 2024

Chairman Blumenthal, Ranking Member Johnson, and Members of the Subcommittee, thank you for the opportunity to appear before you today. I am Mark Monaco, and I serve as the Head of Global Payment Solutions at Bank of America. Discussions like this are critical to raising awareness about ways to safely use Zelle, and I look forward to talking with you about how we can all work together to protect American consumers.

Bank of America is one of the world's leading financial institutions, serving individuals, small- and middle-market businesses, large corporations, and governments with a full range of banking, investment management and other financial and risk management products and services. Through the hard work of our more than 200,000 teammates, our company provides unmatched convenience in the United States, serving approximately 69 million consumer and small business customers with approximately 3,800 retail financial centers, approximately 15,000 ATMs and award-winning digital bank offerings with approximately 57 million verified digital users.

We support our customers with a range of innovative financial solutions—from promoting homeownership and small businesses' prosperity to helping underserved groups improve their financial futures. Additionally, we promote economic mobility with multiple programs and partnerships that cover communities around the country, and we help nonprofits and local leaders grow the great work they do.

We are committed to ensuring our policies, products, and programs all align to our purpose of making financial lives better for those we serve. We have done this in part by creating simple, safe, transparent, and easy-to-use financial solutions that give people greater control of their finances. For example, our mobile banking app has long been recognized for its user-friendly design and experience. This year, our new unified mobile app experience was recognized with the Celent Model Bank Award for Customer-Centered Innovation.

I lead a team that works hard every day to provide our customers with convenient, safe, and effective tools for moving money and accomplishing their financial goals. We recognize the Subcommittee's strong interest in protecting consumers and ensuring the integrity of Zelle, and we share those goals. I hope today's discussion highlights customers' strong preference for

using Zelle to access their bank accounts and the significant work we do to keep their funds safe on the platform.

Zelle reflects a solution that customers want and enjoy using to make their financial lives easier and better. It is the first new payment network of scale created in the United States in over four decades and a remarkable example of collaborative financial innovation.

Zelle is also incredibly popular among consumers, enabling them to send and receive fast, free, and easy payments with family, friends, and people they trust, across a network of over 2,100 participating banks and credit unions. Whether conveniently settling up with a babysitter, seamlessly sending money to a child away at college, or easily splitting a check after dinner with friends, Zelle offers people a quick and reliable way to get money where it needs to go.

At Bank of America, we invest heavily in a comprehensive suite of security measures designed to educate customers and safeguard against bad actors who may attempt to use Zelle to perpetrate fraud or scams. We send customers informational materials and safety messages prior to using Zelle; we follow this with a variety of warnings and other security features within the transaction flow before customers send funds. These consumer protections are highly effective. Over 99.9% of Zelle transactions initiated by Bank of America customers in 2023 were completed as requested and without incident. This strong track record makes Zelle one of the safest ways to transfer money.

Despite protective measures like these, criminals use ever-evolving, increasingly sophisticated tactics to attempt to steal and engage in other financial crimes using Zelle—just as they do with other payment methods, like checks and credit cards. Often, these criminals have ties to well-funded, organized enterprises.

Nevertheless, Zelle is one of the safest financial tools we offer. We have a market-leading program to prevent criminals from transacting on Zelle and to detect/remove them from the platform quickly. When issues arise, we take prompt action to investigate and address customer concerns as appropriate, returning money to them in compliance with federal law and, in many cases, exceeding what is required by federal law.

Still, we agree that even one customer harmed by a fraud or scam is one too many, and we want to work with you here in Congress and with other stakeholders, including law enforcement, on ideas to further protect American consumers. I look forward to and welcome a candid discussion with you about how to do that and how best we can do so without harming a payment method that customers want and enjoy using. We are aligned in our goal of protecting American consumers from financial harm.

Zelle is Fast, Free, and Easy to Use—It’s Also Incredibly Popular.

Among the most significant digital-driven changes in banking is how our customers want to send and receive money. Zelle is a person-to-person (“P2P”) payments network that allows users to make fast, free, and easy payments to friends, family, and other trusted individuals and businesses. The Zelle network, used by more than 100 million consumers, includes more than 2,100 participating financial institutions of all sizes, from the largest national banks to small community credit unions. In fact, 97% of financial institutions that joined the network in 2022 have less than \$10 billion in assets. And today, Zelle is available to more than 80 percent of deposit accounts in the United States.

In the approximately six-and-a-half years since Zelle was introduced, consumers have recognized the product’s convenience, utility, and value as compared both to traditional payment methods and P2P services offered by nonbank technology companies like PayPal, Meta, Square, and Apple. Consumers prefer Zelle because it offers greater privacy and security protections than alternative forms of payment (e.g., Zelle does not reveal consumers’ bank account information like checks do), has faster settlement times (e.g., Zelle clears in minutes, whereas ACH transfers take days), and is completely free to use. Consequently, Zelle has grown every year since its creation in 2017, and more consumers use Zelle than any other P2P service. Consumers across institutions have sent over 8.5 billion payments using Zelle, amounting to more than \$2.3 trillion in transaction value. Zelle-sent transactions exceed checks written and cash withdrawals made by our customers. This shows our customers’ preference for digital convenience. Zelle is the number one method through which customers choose to access their bank accounts.

Bank of America customers can access Zelle either through our online banking platform or its mobile application. Customers initiate a transfer by providing the recipient’s email address or mobile phone number (i.e., their “token”), which is associated with the recipient’s bank account in a central token directory maintained by the network operator, Early Warning Services (“EWS”). Once sent, funds are generally available to the recipient within minutes if they are enrolled in Zelle, or within minutes of their enrollment if they are not. Consistent with the broader consumer adoption of Zelle, Bank of America customers have recognized the advantages of Zelle. In 2023, Bank customers sent or received over 1.2 billion payments using Zelle, with a total value of nearly \$370 billion.

Zelle is Safe, With More Than 99.9% of Payments Completed Without Reports of Fraud or Scams.

Bank of America aims to be an industry leader when it comes to customer safety, and our efforts around keeping Zelle safe are no exception.

All payment systems, including Zelle, can attract criminals looking to steal money. Zelle is not uniquely or even disproportionately susceptible to fraud or scams when compared to cash, checks, debit cards, or other forms of payment.

These bad actors notwithstanding, Zelle is remarkably safe. Bank of America customers sent over 800 million transfers over Zelle last year, over 99.9% of which were completed without any report of fraud or scams. In other words, fewer than five in 10,000 Zelle transfers sent by Bank of America customers in 2023 resulted in a customer contacting us to complain of fraud or scam losses. Not only is Zelle among the safest methods of payment offered by Bank of America, but Zelle users also report a fraction of the fraud and scams reported on other P2P services.¹

We Invest Heavily in Educating Customers and Protecting Against Bad Actors on Zelle.

Criminals may seek to steal funds either by gaining unauthorized access to consumers' devices or bank accounts and sending Zelle payments themselves (i.e., fraud or "unauthorized" transactions), or by inducing consumers to authorize Zelle payments under false pretenses, for example, for non-existent tickets, puppies, or other goods or services (i.e., scams). We devote significant resources to making sure our customers are protected against these types of illegal activity, as discussed below.

Detection and Prevention Strategies

The first component of our fraud and scam prevention efforts involves layered strategies designed to detect, prevent, and interdict potential fraud and scam transactions. Our goal is to stop illegal activity before it occurs.

Fraud prevention begins at account opening. Bank of America leverages an industry-leading fraud model and complementary Know Your Customer processes designed to confirm a deposit account is held by a legitimate customer. A customer must then affirmatively sign up for the Zelle service. We do not automatically enroll customers in Zelle, require that customers use it, or tie Zelle use to other services. When a customer decides to sign up for Zelle, she must click through a series of prompts warning that Zelle is intended to enable customers to send money to friends, family, and other people they know and trust.

We similarly maintain industry-leading technological safeguards to ensure that, once an account is open and the customer is enrolled in Zelle, only the registered account holder has access to our online banking platform and mobile application. Before making a Zelle transfer, a customer must provide valid access credentials both to their own device (e.g., computer, mobile phone) and to Bank of America's online banking platform or mobile application, which requires multifactor authentication, including username and password, facial recognition, or thumbprint biometrics. We may also send a one-time passcode to a trusted device already associated with the account that must be entered before the transfer can be submitted.

¹ *Online Fraud is Real, But Zelle is a Safe Harbor, Not the Problem*, Bank Policy Institute, October 3, 2022, available at <https://bpi.com/wp-content/uploads/2022/10/Online-Fraud-Is-Real-But-Zelle-is-a-Safe-Harbor-Not-the-Problem.pdf> (last visited July 1, 2024).

Further, we have developed and deployed sophisticated fraud detection strategies designed to protect our customers and consumers at other financial institutions. These strategies are constantly being evaluated to optimize their ability to detect and interdict potential fraud or scam transactions on Zelle and are updated on a near daily basis. When a fraud detection strategy is triggered by a potentially suspicious transfer, we typically contact the customer from whose account the funds will be withdrawn and ask them to confirm that they wish to initiate the transfer. Absent an affirmative response on a transaction deemed to be higher risk, the transfer is canceled.

We also partner with EWS and other participating financial institutions to combat fraud and scams. When a consumer alleges that a scam has occurred, we report the issue to EWS within 24 hours. EWS then makes that information available to other financial institutions participating in Zelle. EWS also provides institutions whose customers have lost funds due to unauthorized transfers or scams with a mechanism to submit a claim to the recipient's institution for recovery of those funds.

Additionally, we are proud to be part of the newly formed National Task Force for Fraud & Scam Prevention, an initiative to bring together leading stakeholders from government, law enforcement, private industry, and civil society to develop a national strategy aimed at preventing fraud and scams. We look forward to working with a wide variety of stakeholders through this public-private, multisector initiative beginning this fall.

Customer Education Initiatives

Preventing fraud and scams on Zelle is a shared responsibility between Bank of America and its customers. For our part, we deploy broad-based, customer-education initiatives aimed at helping customers make informed decisions when sending funds. In particular, we go to great lengths to ensure customers recognize that, because Zelle is a cash-equivalent payment option, they should use Zelle only to send money to people they know and trust.

Our safety messages are relayed through email, account statements, social media, on ATMs, and on the Bank of America website and mobile application. In 2022, Bank of America sent 56 million customers over one billion messages regarding security and protection. In 2023, customers viewed our security and protection messages more than 1.2 billion times.

Examples of these messages include:

- Our primary webpage for Zelle² states: "Zelle should only be used to send money to friends, family or others you trust. We recommend that you do not use Zelle to send money to those you do not know." The same disclosure is used across our website and marketing materials in relation to Zelle.

² Bank of America, *Send & Receive Money with Zelle*, <https://www.bankofamerica.com/online-banking/mobile-and-online-banking-features/send-receive-money/> (last visited July 1, 2024).

- On our Frequently Asked Questions webpage,³ we explain why such caution is advised, stating: “Neither Bank of America nor Zelle offer purchase protection for payments made with Zelle. Treat Zelle payments like cash, once you send the money, you’re unlikely to get it back. For example, if you don’t receive the item you paid for using Zelle or the item you received is not as described, you’re unlikely to get your money back.”
- We also provide timely warnings and information regarding specific fraud and scam risks that customers may encounter online, including when using Zelle. Frequently, our proactive educational messages direct customers to our online Security Center, a comprehensive, one-stop access point for customers on fraud prevention. For example, on the “How to Avoid Scams” webpage in the Security Center, we explain how to spot red flags that may indicate a scam and offer practical advice. Broad-based alerts are displayed and disseminated on a variety of media.

In addition to these broad-based warnings, customers see specific safe-use messaging every time they attempt to use Zelle to send payments. When a customer initiates a Zelle transfer on her mobile device, for example, the recipient’s name is displayed so that the sender can confirm that the individual or business associated with the token she entered is, in fact, her intended recipient. As shown in Figure 1 below, Bank of America also cautions every customer every time a transfer is made that, once funds are sent to a third party, those funds may not be recoverable with a message that reads, “Make sure you’re sending money to someone you trust and that their information is correct. Money usually moves to their account in minutes. Once you’ve sent money, you can’t cancel it.”

In addition, as shown in Figure 2, every time a Bank of America customer attempts to initiate a transfer to a new recipient, we provide a plain English “speed bump” message. We warn the customer that she is sending funds to someone new, identify the recipient by name, and request that the customer confirm both the identity of the registered recipient and that the customer trusts the individual. The customer is also warned that their funds may not be recoverable and provided an additional scam warning.

³ Bank of America, *Zelle FAQs*, <https://www.bankofamerica.com/online-banking/zelle-faqs> (last visited July 1, 2024).

Figure 1

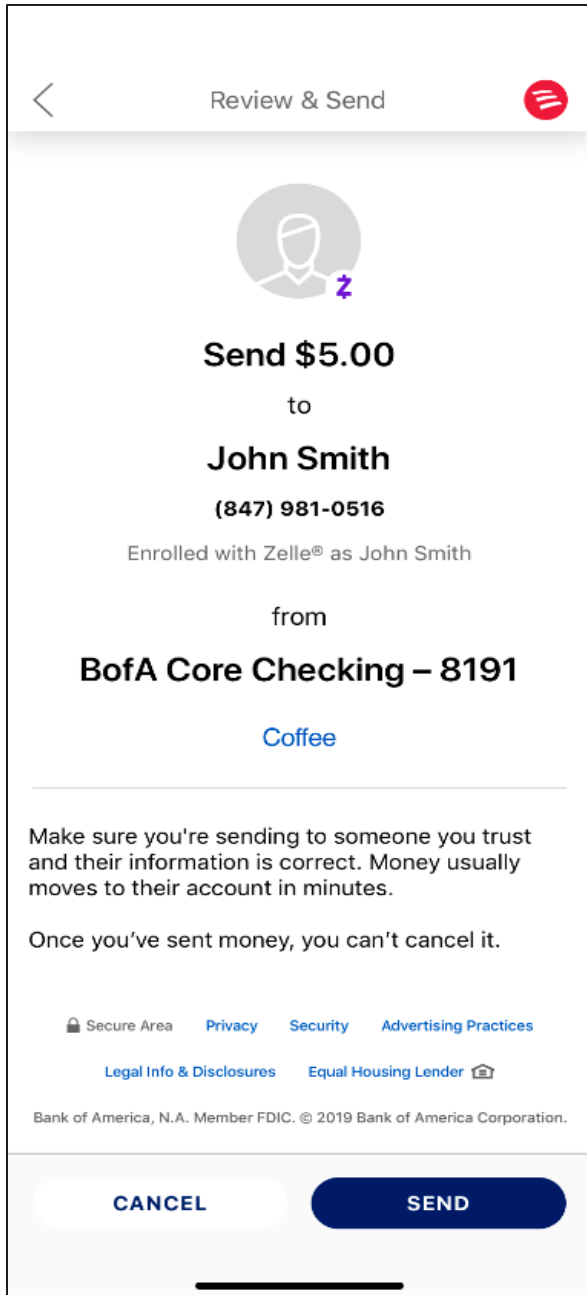
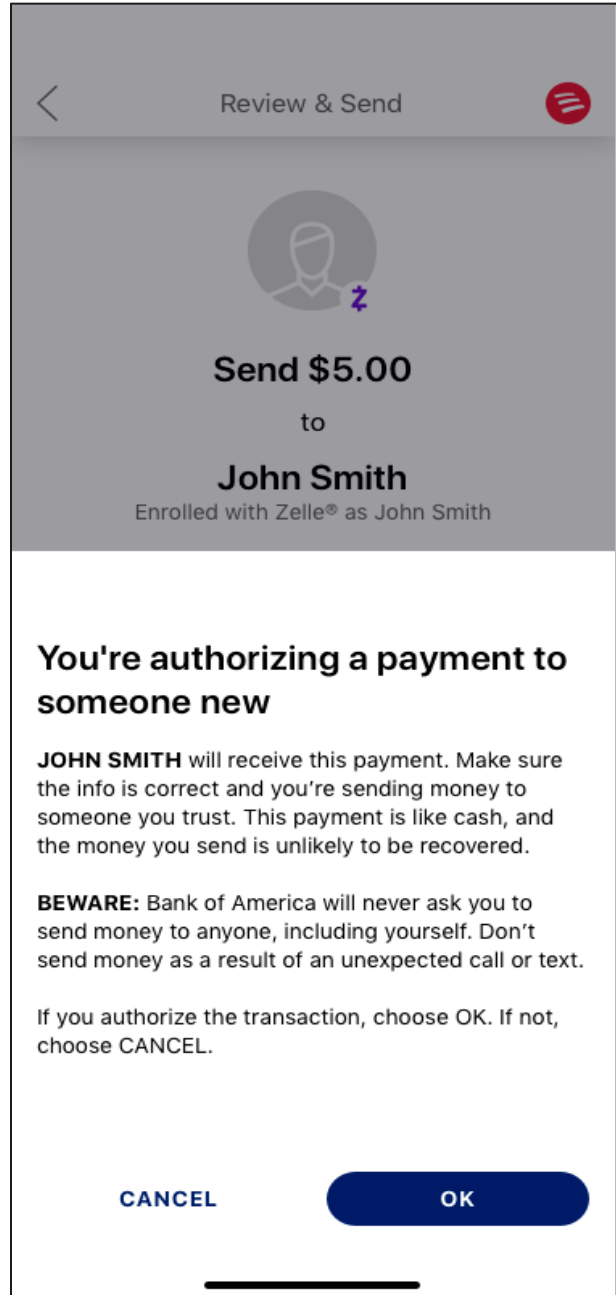


Figure 2



Finally, in certain cases, we may also present additional warnings depending on the specific risks detected with the customer’s attempted transfer, including if the customer has never before sent a Zelle transfer (Fig. 3), if the recipient name entered by the customer does not match the registered Zelle recipient (Fig. 4), if the recipient only recently registered for Zelle (Fig. 5), or if our fraud and scam detection models detect another risk associated with the sender’s activity (Fig. 3), as shown below.

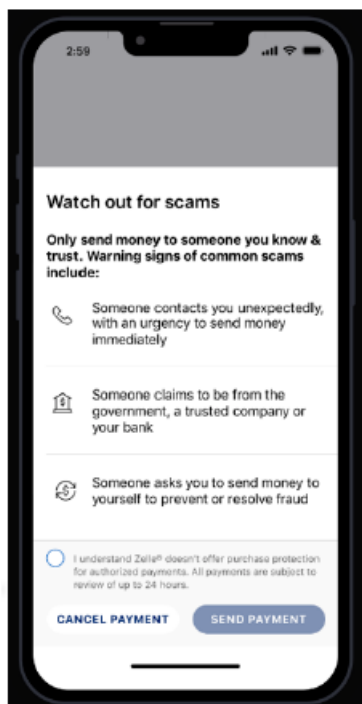


Figure 3

OR

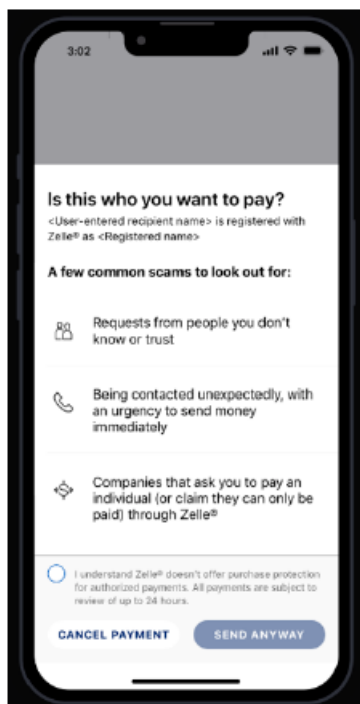


Figure 4

OR

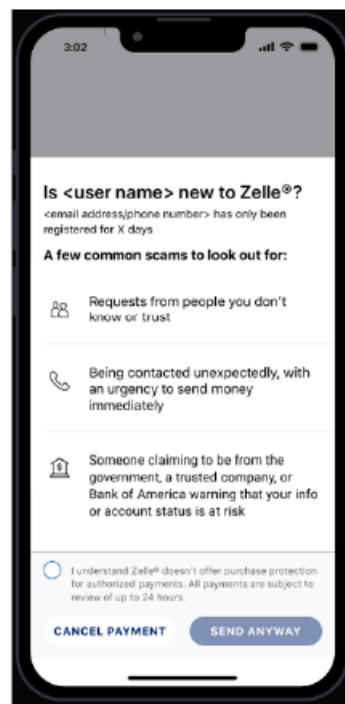


Figure 5

When Problems Arise, We Take Action to Make Things Right, Often Exceeding What the Law Requires.

We work continuously to stop fraud and scams from succeeding, but we have robust processes in place to facilitate corrective action when such unfortunate situations arise.

When a Bank of America customer reports potential fraud or a scam in relation to a Zelle transfer, we perform a prompt and thorough investigation consistent with the Electronic Funds Transfer Act and Regulation E. Whether we take corrective action and, if so, what action we take depends on what our investigation reveals.

When we determine that a customer has experienced an “unauthorized” Zelle transfer (i.e., transfers initiated by third parties) under the EFTA and Regulation E, we will reimburse the customer for their loss. In other scenarios, including those where customers may not be entitled to reimbursement under federal law (e.g., in the case of customer-authorized transfers), we nonetheless seek to recover the funds sent by the consumer. In 2023, we paid

more than \$65 million to customers impacted by fraud and scams, even when funds could not be recovered from the recipient of such transfers.

Further, the Zelle network has taken concrete steps to provide safeguards for consumers who fall victim to certain scams over and above what federal law requires. In August 2023, EWS enacted a change in its Zelle Network Participation Rules to require participating institutions to refund customers who fall victim to certain “imposter” scams and shifted liability for such losses to the recipient’s financial institution, which is better equipped to investigate and monitor for potential fraudsters among its own customers. Bank of America also began reimbursing for such “imposter” scams before the EWS rule change.

Finally, we take prompt action if we determine one of our Zelle customers has potentially perpetrated a fraud or scam on another Zelle user. Upon receipt of such report, either from another Bank of America customer or the recipient’s financial institution via EWS, we will restrict the customer’s ability to use the Zelle service and place any pending transfers on hold. A Bank of America fraud analyst then investigates the reported behavior and, if substantiated, the customer’s account is referred for risk closure. As part of that closure process, we will seize and return available funds in response to a claim from another financial institution and then return any remaining funds to the customer.

We are Dedicated to Making Zelle as Safe as Possible.

We are proud of the progress we have made with Zelle. In fact, for the sixth year in a row, Bank of America has won the Javelin Strategy & Research Award for best-in-class mobile and digital banking. Zelle is a big part of that.

Nevertheless, we know that we are only as good as we were yesterday and that we must remain vigilant in guarding against threats to the platform as we work to make it even safer. We invite partnerships with regulators and you here in Congress to combat fraud and scams, and I believe this hearing is a strong step in that direction.