Basel Committee on Banking Supervision

Re： Digital fraud and banking_supervisory and financial stability implications

February 16, 2024

Dear Basel Committee on Banking Supervision,

In response to the following issues, we have the following comments:

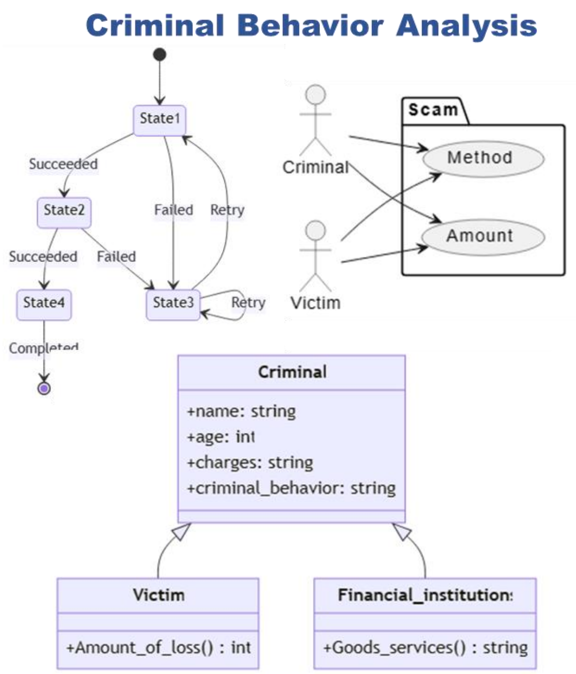
Q1.

The following two scenarios could be added to another "other" category:

1. Collusion between fraudsters and insiders of financial institutions, e.g. employees of financial institutions privately overriding daily transfer limits without authorization, resulting in greater losses for the victim.
2. Fraudsters providing toolkits with various digital fraud capabilities (e.g. deepfakes), or teaching others to become perpetrators or victims of fraud.

Q2.

Relevant fraud conviction data could be collected from judicial databases across jurisdictions and processed to analyze criminal behaviors in digital fraud. With sufficiently comprehensive and real-time fraud conviction information, AI could assist in improving detection and prevention of digital fraud.



Q3.

Drawing on the banking "deposit protection or insurance" system, digital fraud risk management could build upon this framework, e.g. increasing coverage limits to address losses from digital fraud, or establishing a "digital fraud mutual protection/insurance pool" to safeguard against digital fraud and promote social stability.

Yours sincerely,

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