South Carolina Banks Setup Fraud Alert System

February 22, 2013 - Late last year we told you about a large data breach at the South Carolina Department of Revenue. This is the state's version of the IRS. That breach is one of the largest in history and it resulted in the exposure of 3.6 million Social Security Numbers. It also exposed 3.3 million bank account numbers. And that has bankers in South Carolina worried enough that they have setup their won fraud alert system. Could it be a model for the rest of the Country?

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According to the South Carolina Banker's association, there have been no known cases a fraud as a result of the data breach. But identity thieves have become a lot more sophisticated than they were just a few years ago. It is not uncommon for those who steal data to hold it for months, or even years now, before they use it. Bankers in South Carolina know this.

After the breach was announced, the state was forbidden by law from telling the banks which account numbers had been breached. So banks in South Carolina went to court to get that information. Now that they have it, they know which accounts need to be monitored.

The new fraud alert system is setup to specifically monitor accounts that were involved in the breach. As soon as one bank detects fraudulent activity on any of these accounts, all other banks on the system will be notified. But the banks aren't just sharing account information. They are sharing as much information as they can about the type and nature of any type of fraud. This will allow other banks on the system to look for and flag similar types of transactions. The hope is that this information will allow the banks to stop fraud dead in its tracks.

The banker's association is still warning customers to actively monitor their bank account activity and not to rely solely on the new fraud alert system. That's excellent advice. And anyone who knows that their accounts were exposed in this or any other data breach should seriously consider closing their old accounts and opening new ones. But the new system could also prove to be a model for the rest of the country; especially in the case of large data breaches.
The new system will go online this coming Monday.

byJim Malmberg
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