



EPISODE 2 | Analysis

Macro Volatility & the New Risk Stack

JANUARY 20, 2026

This transcript was auto-generated and may contain errors or inaccuracies.

Jeff Welcome to “What the F Happened? Fraud and Financial Crime Deconstructed”, a DEFEND podcast where we break down what's actually happening across fraud, scams, AML, and financial crime.

Emily Each episode cuts through the noise to explain the tactics, trends and real world impact behind the headlines so you're better prepared for what comes next. Let's get into it. Every era in financial services, from banking to payments to fintech, it's defined by a kind of hidden financial gravity, an unseen set of forces that dictates who succeeds and, well, who falls behind.

Jeff And if you look closely at the global economy right now, that gravity is shifting, I mean, it's shifting at an alarming rate.

Emily not gradual anymore.

Jeff at all. It's no longer about predictable change. It's, uh, millions of small daily micro-decisions. You've got central banks, consumers, regulators and they are all collectively redefining the entire profit structure for lending and payments.

Emily is the perfect framing for this. Today, we are undertaking a deep dive into this exact intersection, how macroeconomic volatility is fundamentally rewriting the rulebook for fraud, risk and compliance economics. Our sources detail the shift financial institutions have to make from these old legacy tools to flexible, real time platforms.

Jeff Yeah, and our mission today is, I think, really crucial. We need to quickly arm you with the knowledge of the three major external forces that are accelerating this shift. We're calling it the triple threat.

Speaker 3 The triple threat.

Jeff And most importantly, we'll get into the five core technical capabilities you need to turn risk management from just a cost center into a true source of profitability.

Emily And the central tension here, it's all about speed, right? Most financial institutions are relying on risk infrastructure. They're from all platforms, you know, fraud and AML that were designed for a much more stable, slower world.

Jeff Exactly. And when the world refuses to sit still, those rigid systems, they become a liability. They're not a defense anymore.

Emily So this isn't just about catching the bad guys?

Jeff No. Absolutely not. This is about business model survival. It's about protecting these incredibly thin margins in a world that's just, well, accelerating in real time. So let's unpack this triple threat, this new gravity that's moving faster than any legacy system can handle.

Emily Okay, let's do it. Let's start with threat number one, which it used to be the most boring topic in finance regulatory pressure.

Jeff Oh, yeah. It was a decades long waltz, you know, see the white paper, then the draft rule, years of feedback, then finally implementation. Our sources make it crystal clear that the age of these predictable, decade long rulemaking cycles is definitively over.

Emily And the moves we're seeing now seem designed to compress margins. We're seeing so much scrutiny on fees, overdraft fees, so-called junk fees, the constant pressure on card interchange rates. And, crucially, we're seeing new liability shifts appearing almost weekly, especially around instant payments and scam liability. Who takes the loss when money moves in a second?

Jeff And that's the thing. What's truly disruptive is the speed and the unpredictability. We have to think in terms of regulatory shocks now. I mean, look at the hypothetical example our source gives. Imagine you wake up tomorrow, you see a headline, policymakers are moving to cap credit card interest rates at say ten percent.

Emily Wow. That's a seismic immediate hit to every single card issuers PNL.

Jeff It is. And whether that specific thing happens or not, the entire direction of travel is towards yield compression and at the same time higher compliance expectations.

Emily So when that top line revenue gets squeezed practically overnight, where do you look to recover that value?

Jeff You have to look inward. Suddenly, fraud and risk management become one of the only levers you have left to offset those losses. You have to find a way to eliminate losses, reduce compliance costs, and you have to do it with surgical, instantaneous precision.

Emily That brings us perfectly to the second leg of this thread. Geopolitical fragmentation is now well, it's an essential risk variable. The globalization era is here. And it's adding this architectural complexity that legacy systems just weren't built for.

Jeff Right. This is so much more than just shifting trade routes. It shows up in very specific operational hurdles for global institutions.

Speaker 4 Like what?

Jeff Well, think about sanctions lists, cross-border payment rules. They are changing with a frequency we haven't seen in decades. And on top of that, you have data localisation, data sovereignty rules that are forcing architectures to splinter your customer data. And the rules governing it have to physically reside in specific countries.

Emily And emerging markets are making it even more complicated. I'd imagine.

Jeff They are. They're leapfrogging the old banking system, going straight to these super efficient real time payment rails.

Emily But with uneven regulatory oversight.

Jeff Exactly. So the consequence of all this is crippling rigidity. If your controls are hardwired into your code, every time you expand to a new country or adopt a new payment rail, it feels like a massive, expensive software rewrite.

Emily It slows you down.

Jeff It slows down growth, and even worse, it introduces operational risk because you can't respond quickly to local fraud trends.

Emily That's a great setup for threat. Number three, consumer credit risk is rising right as this margin crunch is happening. We all know consumers are carrying heavier debt loads, often at higher rates as central banks grapple with inflation.

Jeff And we're seeing these generalized pockets of stress. It could be in auto loans or, you know, certain types of unsecured lending, rising credit card balances. And that translates directly into higher expected losses, higher charge offs for financial institutions.

Emily Which in turn forces them to tighten their underwriting standards.

Jeff Right. But here's the paradox. You still need to grow, right? Institutions have to find ways to responsibly expand into healthy, high reward segments.

Emily But the macroeconomics are forcing them to just apply these blanket rules tighten up across the board.

Jeff That's the heart of the dilemma. Your risk appetite, your willingness to lend or approve a transaction, it has to become dramatically more granular, more real time. You can't afford a blunt instrument anymore. You need the technical capability to know right now which specific micro segment is safe to grow in, and where you need to hit the brakes instantly.

Emily So okay, we've defined the triple threat regulation, geopolitics, credit risk all demanding an instant response. Now let's dig into the architectural failure. Why do the legacy systems most institutions are running today? Why do they just break when they get hit by this kind of volatility?

Jeff Well, the status quo is, um, it's a patchwork quilt. It's not a platform.

Speaker 4 A patchwork quilt. Yeah.

Jeff You have batch based systems that detect fraud hours or even days after the money is already gone.

Speaker 4 So after the fact.

Jeff Way after the fact, you have hard coded rules buried deep in different product layers. And critically, you have these completely siloed tools, a system just for cards.

Emily And a different one for ACH.

Jeff A different one for ACH, a third one trying to handle wires in real time payments. They don't talk to each other.

Emily Which means they fail. For what? Three fundamental reasons. Let's start with speed. If a regulatory shock hits on Friday, why can't they just, you know, run the batch faster?

Jeff It's the architectural debt. When your rules live inside old proprietary code bases, a strategic change isn't as simple parameter flip.

Emily It's the whole project.

Jeff It's a mini software project. It needs development, QA, testing, staging, deployment. So a new attack pattern you spot on a Monday becomes a discussion point in a quarterly business review meeting next month, or maybe even next quarter. You just can't react in real time.

Emily And if you can't react quickly, that guarantees you suffer the second failure point precision.

Jeff Exactly. Because you lack speed and granularity, you're forced to use these blunt levers. You might tighten controls on all international transactions to stop one fraud spike.

Emily But in the process, you've annoyed every legitimate international customer.

Jeff You've generated massive false positives. You wanted to reduce friction for your best customers while only tightening controls on the riskiest segments. But your silo tools just can't express that nuanced risk appetite. That lack of precision, it just bleeds revenue through customer friction and higher operational costs.

Emily And the third failure, completeness, is devastating because the fraudster is perfectly channel agnostic, aren't they?

Jeff Oh, they absolutely are. They will happily move from card chargebacks to instant payment scams to opening synthetic accounts via ACH and then back again.

Emily But if your risk tools are fragmented.

Jeff The fraud just falls right through the cracks. Yeah, they commit a small act on your card product, a slightly larger one in your P2P system, and your risk team never connects the dots because the data pipelines and the rules engines are completely separate.

Emily You're fighting yesterday's battle in one channel while the fraud ring has already moved to the next.

Jeff Precisely.

Emily This is where the sources, I think, really crystallise the modern challenge. In a stable world, you could sort of mask that architectural debt. You could just hire people, right? Yeah. Analysts to manually swivel chair between these siloed systems and connect the dots.

Jeff That's right. You can hire your way out of the problem. But in a real time, volatile world where transactions are final in seconds and geopolitical risk changes weekly. Yeah. You cannot hire your way out of architectural debt. The process is too slow. The cost is too high.

Emily So the mindset has to shift. Fraud and risk must move from being seen as this painful, necessary control function.

Jeff Something that just slows down product launches.

Emily Its being a margin engine. So let's define what that looks like. Technically, we're looking for the five pillars that define a real time and flexible risk platform.

Jeff And this is where the opportunity is. A modern platform does so much more than just catch more fraud. It drastically lowers your false positives. It accelerates new product launches because you can dial in the risk controls instantly, and it lets you shift your risk appetite dynamically when the macro environment changes on you.

Emily Okay, let's start with the foundation pillar. One true real time decisioning at scale. This is about pure raw processing power.

Jeff It is the absolute technical bar. This doesn't mean running the old batch system a bit faster. No, it means the platform have to deliver sub one hundred millisecond decision latency.

Emily Sub one hundred milliseconds.

Jeff That's the time from when the payment is requested to when the fraud system gives a decision back. And that includes all the rules, all the models, all the data lookups.

Emily And that latency has to hold up under massive load.

Jeff Precisely. We're talking about processing tens of thousands of transactions per second. The source cites examples of platforms hitting fifteen thousand queries per second, and that's with full feature computation and machine learning models running in the loop. If you can't hit that sub one hundred metres mark reliably under peak load, you're slowing down legitimate commerce and you won't be able to safely launch instant payment products.

Emily Okay, so if you hit that speed, you need the right data, which I assume brings us to pillar two unified data orchestration and decisioning.

Jeff Speed is useless if you're chasing the customers data across ten different systems. A flexible platform has to ingest data from every channel.

Emily Cards, ACH wires.

Jeff Everything cards, ACH wires, Zelle, your new BNPL product and combine device intelligence, behavioral history, transactional details, third party intelligence all into a single unified feature layer. So your teams build a fraud strategy once, and it applies and reacts to signals from every single product line. That's the difference between a patchwork and a platform.

Emily And now we loop back to that core volatility problem. Pillar three feels key for the PML manager. Granular business driven controls.

Jeff This is about operationalizing risk judgment at the speed of policy in this volatile economy. Your leadership might decide say they need to capture ten percent more market share in the southeast US for small business lending, and they're willing to accept twenty percent higher transactional risk in that one specific segment to do it.

Emily On a legacy system. That's months of software changes to adjust underwriting for just that one segment.

Jeff Correct. A modern platform lets the business owner, not just the engineering team, execute that strategy change the same week. This requires a no code rules engine that allows for complex segmented policies. It also needs what if scenario modeling so they can test the impact before deploying anything.

Emily But those static rules. They only catch threats you already know about. This leads to pillar four, which sounds a bit futuristic but is really table stakes now. AI that finds what you can't see coming.

Jeff Static rules are obsolete when you're dealing with coordinated, constantly morphing fraud rings. You need the technology to detect patterns you haven't even labeled yet. And this is where the power of unsupervised machine learning or UML and graph analytics becomes indispensable.

Emily Can you explain that a bit more? Why is UML so necessary if most institutions are already using supervised learning?

Jeff Supervised learning is great, but it needs historical data that's already been labeled as fraud or not fraud. The problem is when a completely new fraud type emerges a zero day attack. You have no labeled data to train on for months. UML, on the other hand, identifies anomalous clusters, strange connections, emerging patterns like coordinated rings of accounts, for instance, without needing that labeled data.

Emily And like graph analytics.

Jeff Graph analytics makes those connections visible instantly. It shows you how fifty apparently disconnected accounts are actually all operated by the same syndicate. This is how you catch the next big threat before it's even a category.

Emily And finally, pillar five operational workflows that can keep up all this amazing real time detection means nothing if your human analysts are still drowning in a lakh queues and manual paperwork.

Jeff The operational efficiency game is massive. Here you need integrated case management that serves both your fraud and your AML teams from a shared data source. It means the ability to go from an initial real time alert to a human auditable case to a fully drafted suspicious activity, report a SAR in one fluid workflow, and leveraging AI assistants to help track those compliance narratives. That's how you prevent the architectural debt from just getting transferred onto your highest paid analysts.

Emily Leading organizations are clearly making this move. They're consolidating point solutions into unified fremo platforms, making that leap from slow batch based tools to real time engines. So if you are managing risk or holding the PNL today, the source material offers a powerful tool a set of diagnostic questions.

Jeff Yes, these five questions act as a critical litmus test for rigidity. They reveal exactly where your infrastructure is vulnerable to that triple threat.

Emily Question one is the most direct. Where are we? Rigid?

Jeff Yeah. List every single scenario where a necessary risk strategy change requires engineering work, vendor tickets, or months of planning. That entire list, that's your vulnerability map. It shows you where the next macro shock is going to hurt the most.

Emily Question two where are we blind?

Jeff Which product channels? Which payment types rely on lagging indicators or after the fact reporting instead of real time detection? If the answer is any channel that offers instant settlement, well, that's where the next big multi-channel fraud ring is already operating.

Emily Question three gets right to the heart of this margin engine concept. What's our profit recovery plan for a margin shock?

Jeff If a new regulation cuts your revenue by fifteen percent tomorrow, what specific fraud and risk levers can you pull in the next thirty days to offset that loss? If your team has to say we have to wait six months for a new software release, your plan is insufficient.

Emily Question four addresses the architecture. Do we have a platform or a patchwork?

Jeff Are your core controls for fraud, AML and credit risk three functions that are traditionally siloed. Are they orchestrated from a common real time backbone, or are they just stitched together from tools that don't share data or rules or customer context?

Emily Because siloed tools are a vulnerability.

Jeff A gaping security vulnerability when the fraudsters just hopping between channels.

Emily And finally, question five is about selecting the right path forward. How fast can we test and prove value?

Jeff You can't afford multi-year transformations with vague returns anymore. You need to look for platform partners willing to commit to concrete, measurable improvements.

Emily Like reducing false positives by a specific percentage.

Jeff Exactly. Yeah. And backing it up with a rapid, rigorous time box. Proof of concept on your own data. The only way to de-risk a platform shift is by measuring all four key metrics. Draw loss reduction, false positive reduction, operational efficiency. And at the end of the day, the net margin impact.

Emily This has been a truly illuminating deep dive. We've covered the convergence of regulatory, geopolitical, and credit risks, the triple threat, and detailed the five technical pillars for building a risk platform that can actually function as a margin engine in this volatile world.

Jeff And here's the final provocative thought we'd like to leave you with. Economic volatility is inevitable, but financial rigidity that is optional. The institutions that not only survive, but thrive in the next decade won't just have marginally better models or slightly more data, they will have platforms that let them express their judgment at the speed of the macro environment.

Emily In hours and days, not quarters and years.

Jeff Exactly. That means the most important unseen hand shaping success in finance isn't the global market itself, but the daily micro decisions your risk platform can or critically can't make when the world absolutely refuses to sit still.

Emily You've been listening to "What the F happened? Fraud and Financial Crime Deconstructed", a DEFEND Podcast by DataVisor.

Jeff If you want to keep learning between episodes, check out DEFEND Training.

Emily It's a set of self-paced online courses for fraud and financial crime professionals. Practical and built around real world scenarios.

Jeff And you can earn CPE credits through the ACFE San Francisco Bay Area chapter.

Emily You can find it at datavisor.com/defend-training. The links in the description.

Jeff This episode's audio was generated using Google's Notebook LM based on expert analysis and trusted sources. Thanks for listening. We'll see you next time.