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Framework for a Taxonomy of Fraud

Because no uniform classification system currently exists, researchers and practitioners have relied on inconsistent definitions and categorizations of fraud. This affects fraud prevalence estimates as well as our understanding of the mechanisms and consequences of individual financial fraud. To address this problem, the Financial Fraud Research Center at Stanford Center on Longevity and the FINRA Investor Education Foundation (FINRA Foundation) collaborated with fraud experts to develop a standardized fraud classification scheme. The purpose was to group and organize fraud types meaningfully and systematically into a hierarchical framework that can be translated into survey questions and administered as a supplement to the core National Crime Victimization Survey. This future survey will be used to determine the annual prevalence of specific types of financial fraud and how prevalence rates change over time.

Highlights from the report:

- • A panel of over 20 fraud experts representing government, academic, and nonprofit organizations contributed to the creation of this taxonomy.

- • The taxonomy is modeled after the international crime classification system developed by the United Nations.

- • It uses a hierarchical classification system in which sub-types of fraud (e.g., bogus weight-loss products, pharma discounts, fake memorabilia) are nested within broader descriptive categories (e.g., "worthless products").

- • The framework was tested for comprehensiveness and applicability to real-world data using consumer complaint cases from the Federal Trade Commission's Consumer Sentinel Network.

- • Researchers and practitioners can use this taxonomy to classify fraud incidents for improved data collection and prevalence estimates.

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Download Taxonomy only (no glossary) >

An updated version of the taxonomy was posted on August 10, 2015

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