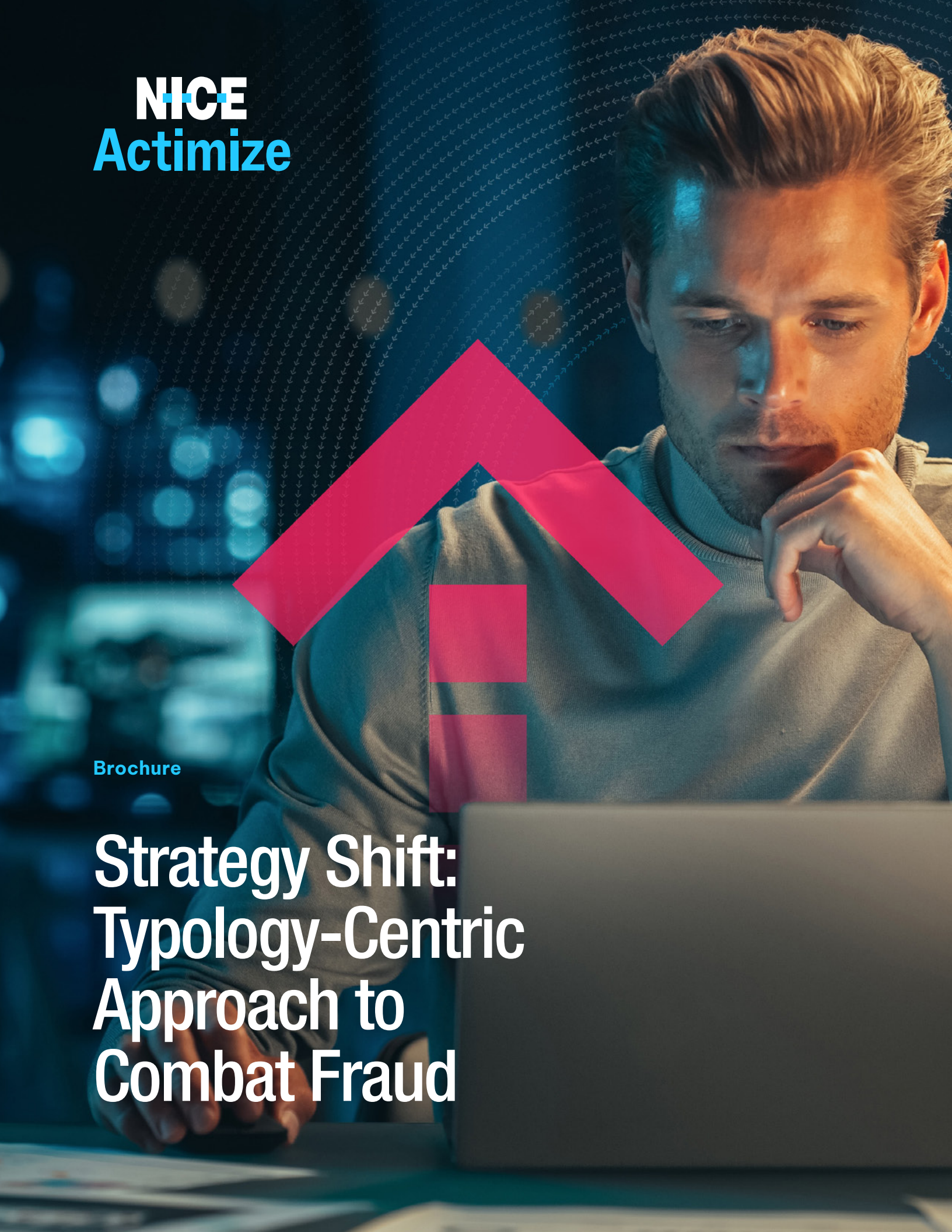
NICE Actimize



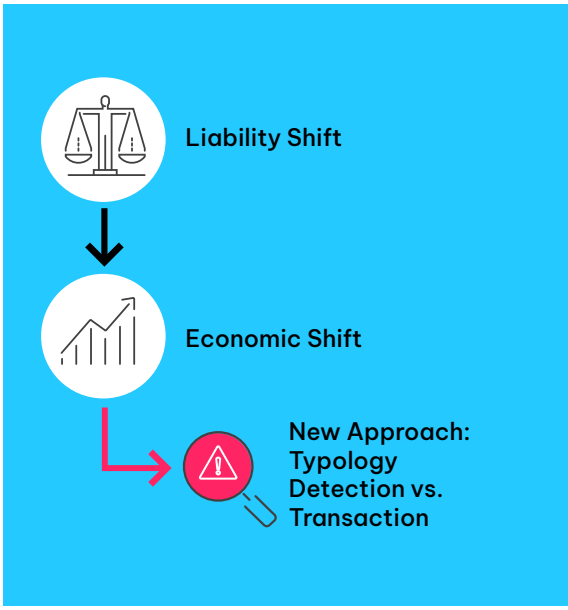
Brochure

Strategy Shift: Typology-Centric Approach to Combat Fraud

The Liability Shift

Financial institutions (FIs) are increasing their efforts to combat the alarming rise in fraud cases. A prominent example is the UK PSR's upcoming shift in liability to FIs, especially relating to Authorized Push Payment fraud (APP). Authorized fraud is hard to identify, as victims are scammed into making payments directly into fraudster accounts. However, with the PSR's new policy, both the sending and receiving FIs will be responsible for reimbursement of authorized fraud payments. It's a trend expected to repeat across the globe.

Fraud patterns are also shifting. Fraudsters are moving away from account takeover schemes to focus on the weakest link: the customer. Add faster and instant payments into the mix, and it's easier than ever for fraudsters to manipulate individuals into executing transactions. These criminals provide deceptive scam instructions that facilitate rapid misappropriation of funds. As changes to liability gain traction worldwide, it's up to FIs to ensure their fraud controls and strategies protect customers from scams.



Superior Fraud Detection Models

Financial institutions have made significant strides in mitigating third-party fraud losses in recent years. However, fraudsters still exploit and manipulate account holders into executing their schemes—their tactics have evolved along with the technology. To effectively combat scams and money mule activities, it's essential to embrace a paradigm shift in data analysis that can accurately detect these fraudulent activities while minimizing customer friction. This requires incorporating **third-party enrichment, pooled collective intelligence, and historical profiling of consumer activity** to construct a comprehensive risk profile. It's now essential to consider third-party involvement, APP scams, and mule activities in the overall fraud management strategy.

To address these challenges, NICE Actimize has introduced a new approach that simultaneously analyzes multiple fraud typologies in real time to stop both unauthorized and authorized fraud (prevent scams) and detect money mules. This approach entails the comprehensive processing and analysis of both financial and non-financial data that's enriched for Multi-Model Execution. By enabling the automated identification of specific fraud typologies, it facilitates defense against such attacks, and ensures the seamless routing of cases to the relevant team for intervention. Organizations can pinpoint victims and culprits with precision while minimizing impact on genuine clients using the three-part score encompassing unauthorized, authorized, and mule fraud scenarios the solution generates.

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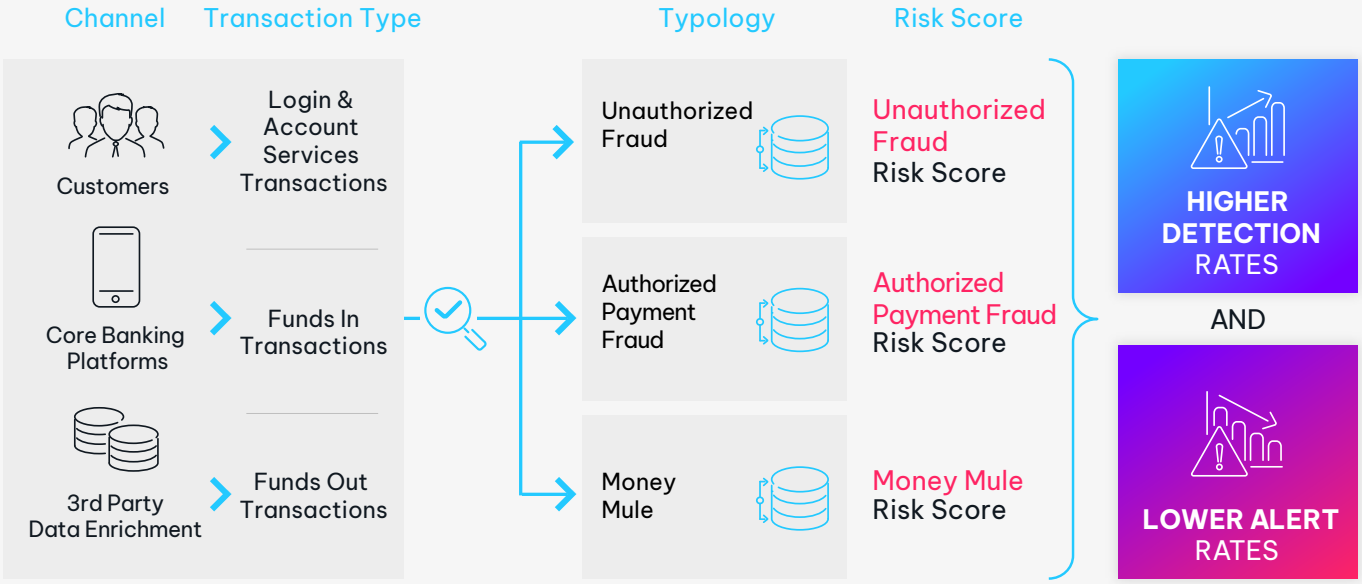
Typology-Centric Approach

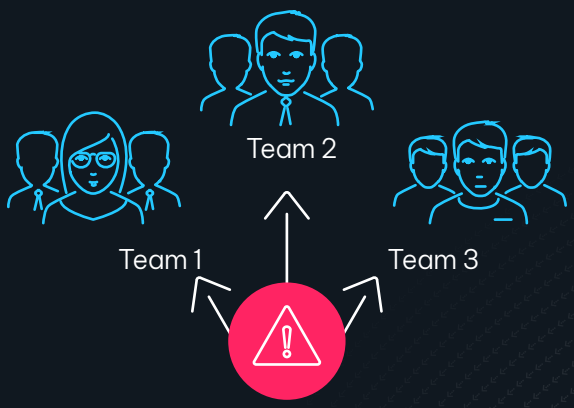


To solve this multi-faceted problem, we have introduced typology-centric, Multi-Model Execution. This approach compares multiple scam typologies and models at once, giving you a best fit to resolve the specific fraud in action.

Traditional Approach vs. NICE Actimize Approach

Traditional Approach

Current transaction-centric approaches triage and investigate alerts by transaction type, which is inefficient



NICE Actimize Approach

Typology-specific fraud detection models create strategies for fraud types, routing investigation alerts to specialized teams best suited to resolving them, which speeds up investigation

This dynamic approach is adept at navigating diverse risk scenarios. It can decode evolving attack methods, enabling FIs to evolve their fraud strategies and pivot to being preventative instead of reactionary. They can stop fraud earlier in the life cycle this way, rather than at the last point of detection when the transaction has left the organization. This capability leads to higher detection rates and lower alert rates.

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Driving Efficiency with Typology-Centric Detection

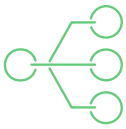
Scams & Mule Defense: NICE Actimize's typology-centric fraud approach offers cutting-edge prevention and detection by categorizing and analyzing various fraud typologies. Through patented technology on typology characteristics, patterns, and risk indicators, the solution identifies and mitigates fraudulent activities in real time across multiple fraud typologies. Each customer interaction and all transactions are analyzed to mitigate risk.

The typology-centric approach employs an innovative multi-model framework, equipping it with powerful capabilities to simultaneously execute multiple typology-based models or versions within distinct modes, such as Champion and Challenger. Automated alerts and optimized workflows ensure that fraud alerts are directed to specialized teams equipped to tackle and triage specific fraud typologies, enhancing precision and efficacy.

Key Features:

Comprehensive Risk Assessment: Parallel execution of multiple typology-based machine learning models provides a holistic risk score for each transaction. It also delivers granular scores for each typology involved, enabling FIs to gain valuable insights into the specific fraud typologies underlying suspicious activities.

Enhanced Detection Accuracy: By considering a wide range of fraud typologies at the same time, the solution significantly enhances the accuracy of fraud detection. This results in reduced false positives, ensuring that legitimate transactions are not flagged as fraudulent. Decreasing the number of false positives optimizes operational efficiency and reduces customer friction and attrition.



Targeted Routing and Smart Response: Each alert generated enables FIs to intelligently route to the relevant typology-specific response team. This empowers FIs to respond quickly based on the specific fraud typology detected.

Examples include:

- Swift account blocking for account takeover fraud
- Customer communication for scams/APP
- Identifying suspicious payees forming mule rings for mule activities

Efficient Fraud Management and Comprehensive Reporting: The typology-centric approach optimizes fraud detection minimizing overall risk, offering actionable insights and configured recommendations for each typology. FIs can proactively engage with receiving institutions, prevent future fraud, and further mitigate unique risks associated with specific typologies. Additionally, it simplifies the classification and reporting of fraud data, improving fraud management and reporting efforts while ensuring compliance.

Advanced Fraud Prevention: By analyzing historical data, real-time transactions, and evolving fraud patterns, the solution helps FIs stay ahead of emerging fraud typologies. It continuously adapts and evolves, incorporating machine learning and AI techniques to detect new and changing fraud schemes.

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Illustrating the Typology-Centric Approach

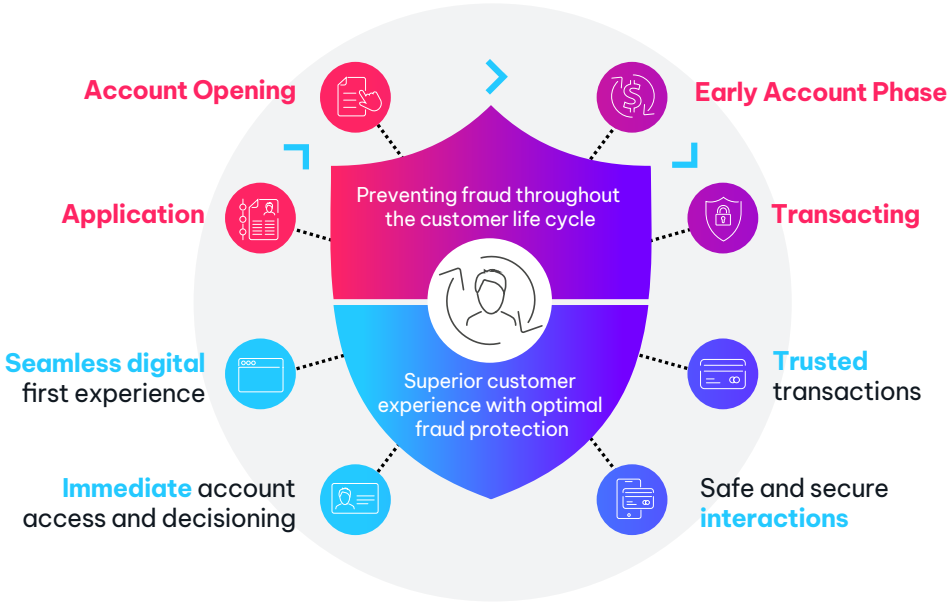
Organizations must evolve how they combat fraud, adapting to the ever-changing landscape of fraudulent activities. The shift toward a proactive, preventative strategy is essential. NICE Actimize has developed cutting-edge technology that enhances fraud management execution at every stage of the customer life cycle. This involves fine-tuning the essential elements of people, processes, technology, and data.

The Typology-Centric Approach empowers organizations to pivot their detection strategies to the very core of fraud methodologies. This strategic shift benefits both customers and financial institutions alike.

Each typology presents unique risk characteristics that manifest differently depending on various factors such as channels, products, and specific fraud schemes. Moreover, the optimal treatment and operational strategies vary between authorized and unauthorized fraud scenarios and whether the organization believes it is engaging with a victim or a suspect. The NICE Actimize IFM solution enables analysis of the same events and transactions to predict multiple types of schemes simultaneously.

The Typology-Centric Approach evaluates events and concurrently generates multiple scores reflecting specific dependent variables and typologies. This yields multiple risk scores, covering transaction types, account takeover risks, mule activities, and more. IFM spans the entire customer life cycle and encompasses all layers, including real-time event scoring, scalability, risk mitigation, operational processes, remediation efforts, and fraud identification.

Achieve Higher Customer Acquisition, Retention and Revenue Growth



An example of this in action involves identifying a suspicious transaction as a money mule. By processing the data through the solution, the transaction is identified as best fitting a mule model based on the score. Then the mules team is able to apply a precise control (e.g., accept without posting holds.) It's necessary for fraud platforms to be sophisticated and flexible enough to identify the early warning signs and red flags throughout the customer life cycle, as illustrated by this example and the graphic above. But it's not just limited to stopping mules; via the IFM ecosystem, FIs can count on comprehensive coverage for all fraud challenges and typologies.

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Elevate Your Fraud Detection Strategy

Staying one step ahead of fraudsters is crucial in today's environment. Fraud management teams are under increasing pressure, especially with shifting liabilities, and in certain cases, having to double fraud reimbursement plans to cover the cost of APP and scams. Managing this dilemma must be done strategically to address the entire equation of the Total Cost of Fraud, including:

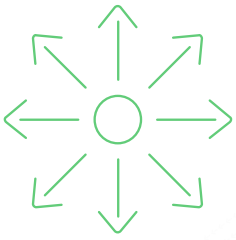
- Customer Experience
- Fraud Losses
- Operational Expenses
- Regulatory Compliance

NICE Actimize's solutions revolutionize fraud detection and prevention, enabling FIs to proactively combat fraud across multiple typologies, channels, and transaction methods. With comprehensive risk assessment, targeted responses, and advanced fraud prevention, these solutions empower organizations to safeguard customers and assets effectively. Stay ahead of fraudsters and streamline fraud detection and prevention with a typology-centric approach.

Key Benefits:

Simplified Model Governance: Simplify the complexities associated with model governance. The champion and challenger approach facilitates seamless, real-time comparison of scores, enabling FIs to make informed decisions about model performance and effectively manage the deployment and governance process.

Enhanced Performance: With the ability to compare multiple model versions, FIs can continuously improve their fraud detection capabilities ongoing versus cumbersome retuning that takes considerable time. This iterative process ensures that the most effective models are implemented, leading to enhanced accuracy, reduced false positives, and improved overall fraud prevention.



Scalability and Flexibility: Gain the scalability and flexibility to adapt to an evolving fraud landscape. As new typologies emerge, additional models can be easily integrated and tested alongside existing ones, ensuring proactive prevention and detection of all fraud schemes.

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Prevent Customer Attrition with a Typology-Centric Approach

31% of customers that experience fraud leave an FI, regardless of whether the bank was able to resolve the issue or not. With NICE Actimize's typology-centric approach, FIs can rest assured that their clients and assets remain safe end-to-end, throughout the customer life cycle, and in real time. With targeted responses based on fraud typologies, FIs can experience operational and monetary benefits in addition to sharing the cost burden for any frauds with receiving banks. Through this innovative solution, frauds can be determined efficiently, enhancing performance, providing easier model governance, and creating less false positives. This ultimately leads to more valid accounts and transactions, and less financial losses.

Ready to upgrade your approach to combat fraud? Schedule a demo today to learn more about IFM.

Schedule a demo

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About NICE Actimize

NICE Actimize is the largest and broadest provider of financial crime, risk and compliance solutions for regional and global financial institutions, as well as government regulators. Consistently ranked as number one in the space, NICE Actimize experts apply innovative technology to protect institutions and safeguard consumers' and investors' assets by identifying financial crime, preventing fraud and providing regulatory compliance. The company provides real-time, cross-channel fraud prevention, anti-money laundering detection, and trading surveillance solutions that address such concerns as payment fraud, cybercrime, sanctions monitoring, market abuse, customer due diligence and insider trading.

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