

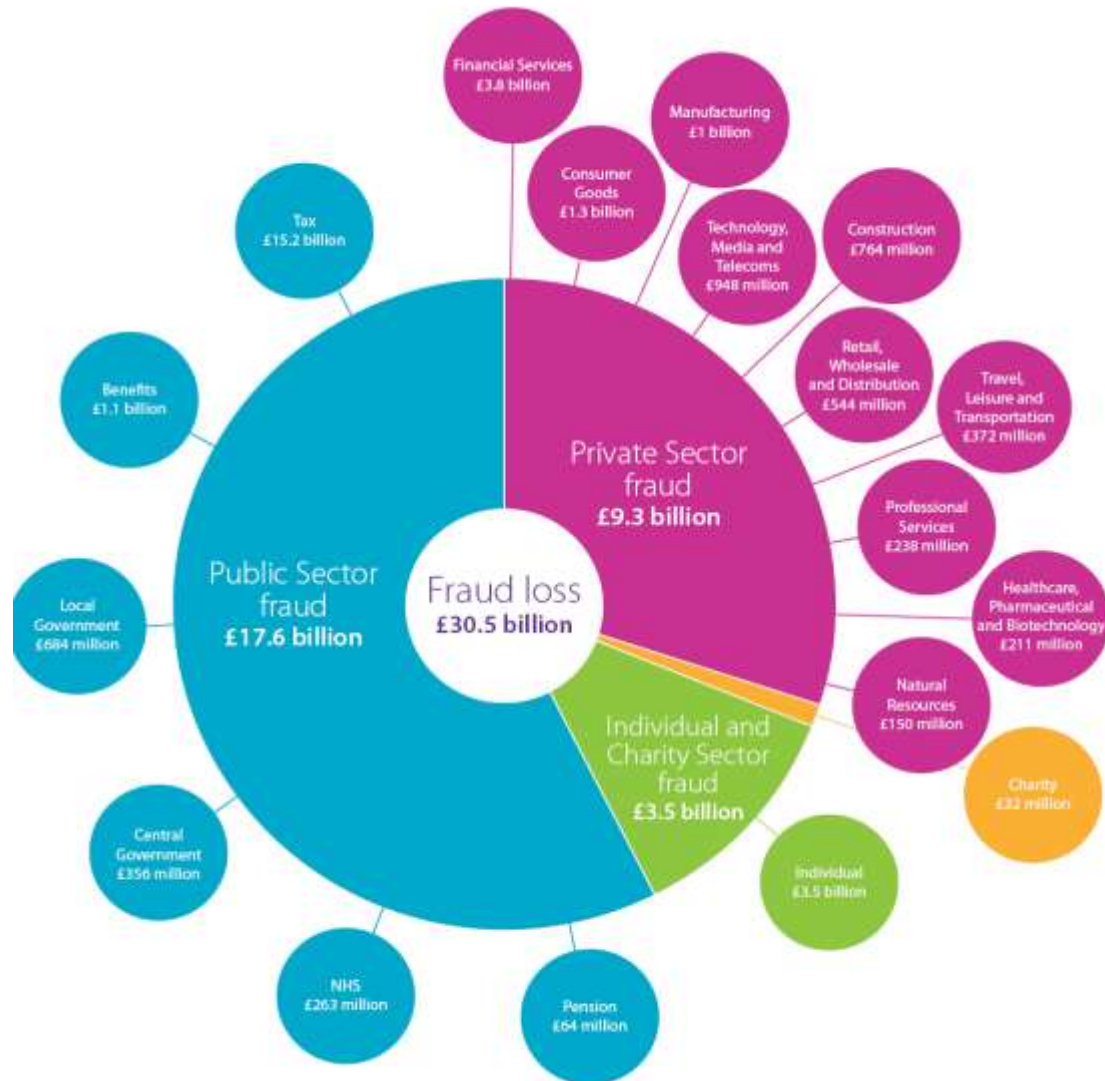
Fraud – An International Overview

ACFE South African Chapter Conference – September 2010
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UK – An Estimate of The Fraud Problem



Source – NFA Fraud Indicator 2010

International Fraud on UK Issued Cards



1

£21.4 Million



3%



2

£6.3 Million



46%



3

£5.2 Million



53%



4

£4.4 Million



5

£4.3 Million

Total Reported Losses - £122.7m

US Identity Fraud

- Reported fraud for 2009 - \$54 billion
 - ▶ Increase of 12.5% from \$48 billion in 2008
- Increase driven by:
 - ▶ New account fraud – rise of 17% from \$18 - \$21 billion
 - ▶ Non-card fraud – rise of 22% from \$9 billion to 11 billion



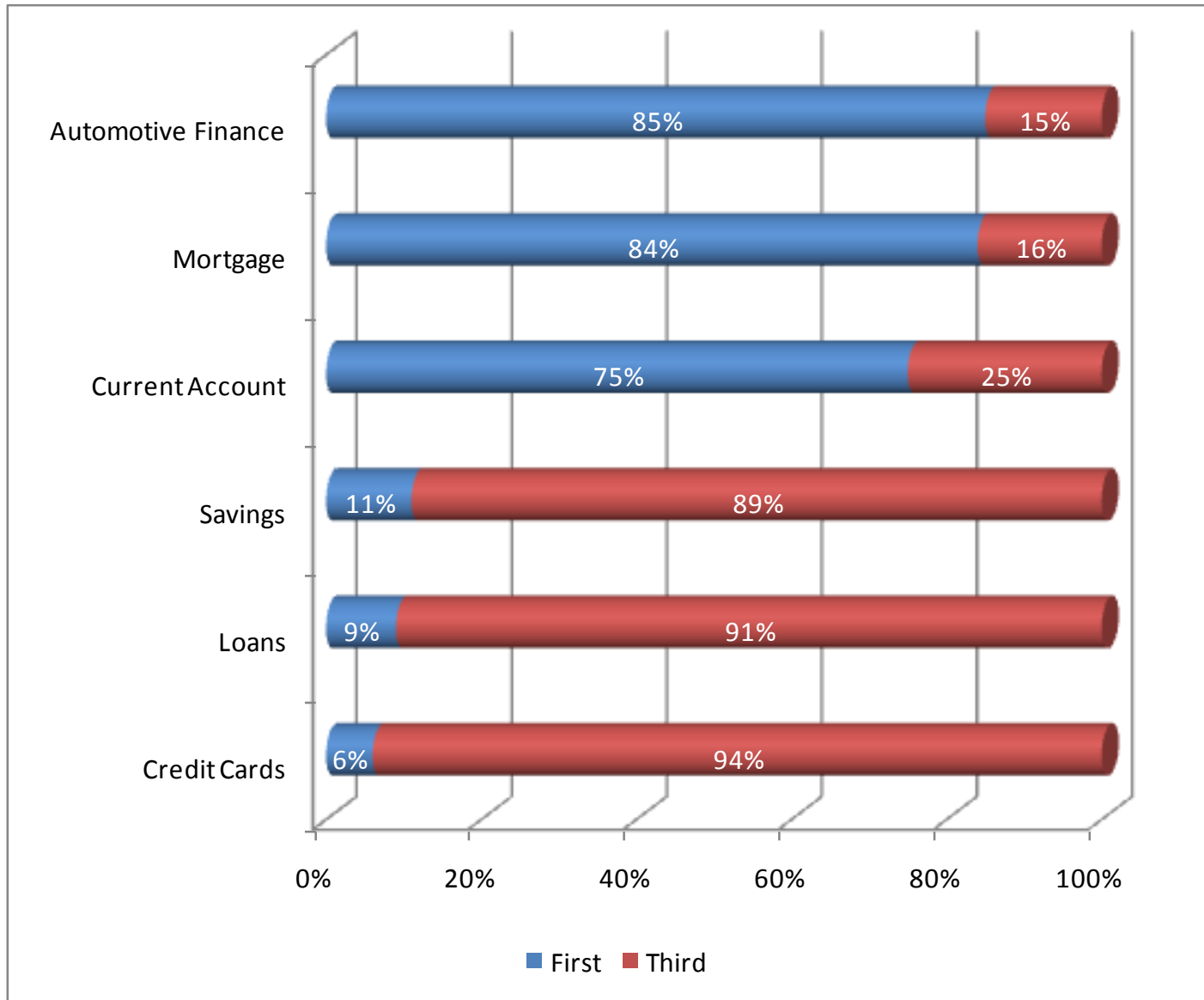
Source – Javelin Report 2010

Fraud Type	% 2009	% Q1 2010
Hidden Adverse	69%	73%
Employment	21%	18%
Misuse of Product	5%	2%
False Financial Information	5%	2%

Source – Experian 2010

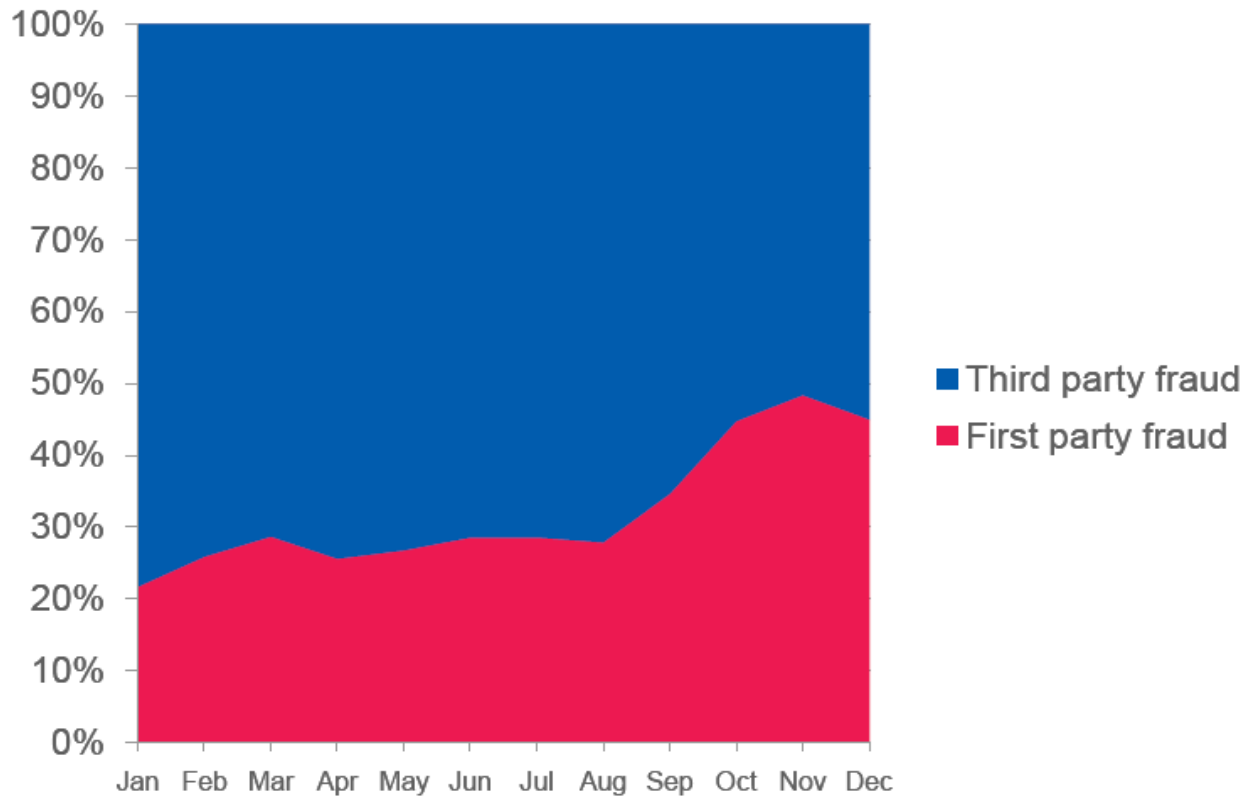
International Fraud Trends

First Party Fraud



Fraud Type	% 2009	% Q1 2010
ID Theft – Current Address	75%	61%
ID Theft – Other Address	23%	27%
Forged / Stolen Documents	1%	11%
Corporate ID Theft	1%	0.2%

Source – Experian 2010



Q1 2010:

- Third Party - 70%
- First Party - 30%

Source: Experian 2010

- “Good” consumers becoming increasing targets for fraudsters:
 - ▶ 48% of ID fraud found within the highest 20% scoring population
 - ▶ 30% of detected ID fraud found within the highest 10% scoring population
 - ▶ 4% of detected ID fraud found within the lowest 20% scoring population

- ATO victims 43% more likely to live in affluent suburban areas

- Changing M/O – adding name as a registered user rather than changing address

- Shell Companies
 - ▶ Fictitious entity set up solely to commit fraud
 - ▶ Generally no physical presence – some may set up a shop front
- Business ID Theft
 - ▶ Taking over accounts of a genuine business
 - ▶ Ordering stock from suppliers and selling on or taking payments for goods or services which are not supplied
- Shelf Companies
 - ▶ Shell company created and left on the shelf
 - ▶ Sold on to un-creditworthy or banned directors

- UK – 4 x increase in prosecuted mortgage fraud cases, H1 2010
 - ▶ 21 cases, with a value of £96 million V 18 cases worth £24 million for the same period in 2009*

- Mortgage professionals providing false incomes and overstating property values

- False occupancy claims i.e. – purchasing for commercial reasons

- Fraudsters obtaining deeds from houses about to be repossessed and selling on

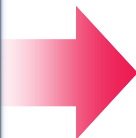
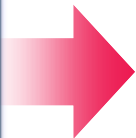
*KPMG Fraud Barometer 2010

Impersonation

ID
Compromise

Fraudster

Developed ID



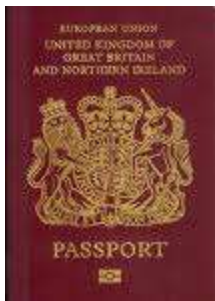
False Identity



- Use of false EEA passports by non EEA individuals who share a language i.e. Portuguese, Spanish or French



- Fraudulent alteration of ID cards rather than creating a full false ID due to less harsh punishments



- Increase in stolen genuine passports individual and en masse in transit in order to try and circumvent security checks i.e. – 3000 UK passports in 2008

International Fraud Trends

Public Sector

2010 Trends

Financial Stress Fuelling
Increase in Fraud

Exposure of Benefits
Systems

Migration of Organized
Fraud

Increase in Internal Fraud

Best Practice Solutions

Full Applicant Verification

Fast Track Low Risk
Individuals

Comparative Sector
Analysis

Continual Risk Assessment

Public – Private Sharing

Other Global Trends & Concerns for 2010

Malware Attacks

Use of malicious software for data compromise

Phishing/Vishing/Mishing/Whaling

Compromise & use of personal details

ATM Skimming

Compromise of payment card details

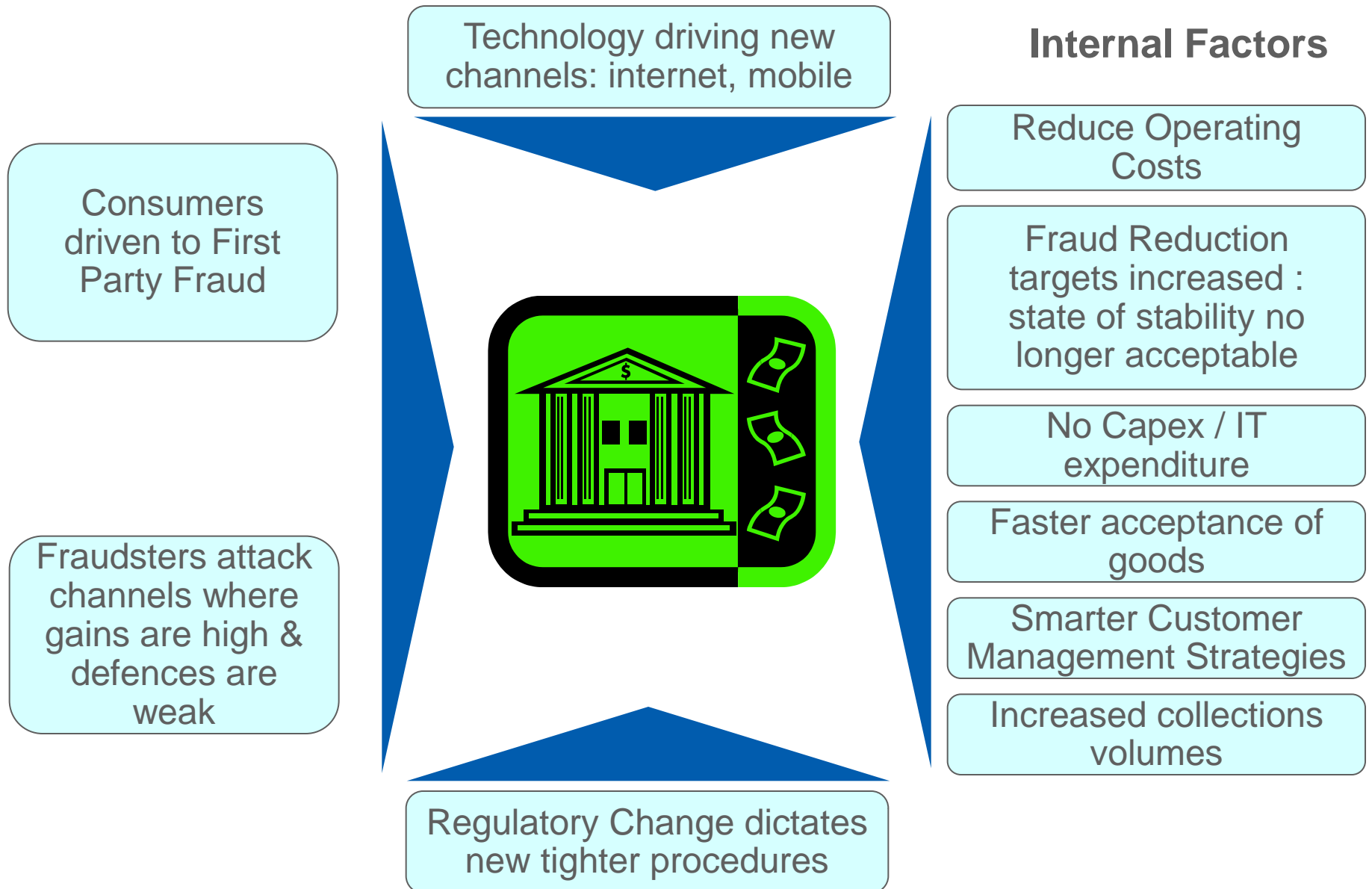
SQL Injections

Use of SQL for data compromise and manipulation

Non EMV Counterfeiting

Manufacture of payment cards for use in a non chip & pin environment

Impact of Fraud on Organisations



Impact of Fraud on Organisations

Solutions



- Share data in a controlled way across the industry to jointly prevent fraud
- Introduce electronic ID Verification to cover new technical channels and accept goods
- Introduce ongoing ID Assurance to protect against Open Account abuse / Account Takeover
- Introduce / increase application fraud anomaly detection, especially on weak channels: SME, Asset Finance
- Fully Vet new employees
- Introduce ongoing vetting for existing staff
- Introduce tools to look for third party collusion and fraud rings
- Re-check fraud risk when account are updated and regularly as part of customer management strategy
- Assess current Fraud Risk on account going into collections: no point trying to collect from a fraudster
- Select fraud tools which can be implemented with minimal IT involvement & Capex

Tackling First Party Fraud

- Ensure your application fraud prevention system rules have been reviewed and updated to identify:
 - ▶ Hidden Adverse
 - ▶ Address history manipulation
 - ▶ Anomalies with employment details
 - ▶ Inflated salaries
- Check addresses supplied for new accounts for “suspicious activity”:
- Incorporate demographic coding into fraud scores / rules
- Re-check accounts regularly for fraud risk to find evidence of good customers turning to fraud e.g. new entries on shared fraud databases

•Current Account
•Mortgage
•Automotive Finance

Tackling Third Party Fraud

- Credit Cards
- Loans
- Savings

- Check for false documentation
- Check addresses supplied for new accounts / account updates
 - ▶ for “suspicious activity”:
 - ▶ are not “accommodation addresses”
- Incorporate demographic coding into fraud scores
- Re-check accounts regularly for fraud risk to find account takeover e.g. new entries on shared fraud databases
- Use Fraud Networks to find organised fraud which is missed by current solutions
- Check ownership of bank details against individuals
- Use strong authentication on applications and account updates: incorporate intelligent questioning and document checking

