

Managing Fraud



✓ Fraud
✓ Risk
✓ Operations

ISSUER

Understanding and managing fraudulent transaction volume is an important way for issuers to help minimize losses and increase profitability.

A successful fraud management strategy includes both detecting the sources and patterns of existing fraud as well as preventing fraud in the future.



MANAGING FRAUD RATE

- 1 How do your fraud rates trend over time and how do you compare to benchmarks*?
- 2 What fraud types are most prevalent and how do you compare to benchmarks?
- 3 Which Merchant Category Codes are most impacted by the most prevalent fraud types?

ACTION THROUGH ANALYTICS

 Revisit fraud rules to determine if rules are optimal and prevent false positives

 Revise decline rules for those Merchant Category Codes or merchants with historically high fraud rate trends

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* All benchmarks are based on a competitive peer set

1 How do your fraud rates trend over time and how do you compare to benchmarks*?



SAMPLE INSIGHTS

- Your international fraud rates are much higher than domestic fraud rates.
- Your international fraud rates are lower than benchmarks and are decreasing.

Dom/Intl		Fraud Rate Cnt	Country Fraud Rate Cnt	Fraud Rate Amt	Country Fraud Rate Amt
Total		2.07	8.12	5.75	12.05
DOMESTIC	Total	1.82	7.55	5.20	11.16
	Q2 2018	1.89	7.96	4.82	11.48
	Q3 2018	1.69	7.50	4.27	11.11
	Q4 2018	1.90	7.54	5.45	11.40
	Q1 2019	1.78	7.19	6.22	10.64
INTERNATIONAL	Total	27.55	63.35	32.61	57.30
	Q2 2018	31.96	61.36	33.85	53.63
	Q3 2018	26.28	59.56	36.10	53.57
	Q4 2018	28.19	68.04	34.92	63.29
	Q1 2019	24.09	64.68	25.43	59.27

Metrics are noted in basis points (bps) | Illustrative data

Dom/Intl		Trans Cnt % Tol	Country Trans Cnt % Tol	Trans Amt % Tol	Country Trans Amt % Tol
Total		100%	100%	100%	100%
DOMESTIC	Total	88.26%	91.26%	92.46%	90.51%
	Counterfeit	47.50%	22.49%	50.56%	23.95%
	Fraudulent Use of Account	30.58%	56.94%	36.52%	52.67%
INTERNATIONAL	Total	11.74%	8.71%	7.54%	9.49%
	Counterfeit	5.93%	1.84%	3.86%	2.46%
	Fraudulent Use of Account	5.02%	6.17%	2.78%	5.82%

Illustrative data

2 What fraud types are most prevalent and how do you compare to benchmarks?



SAMPLE INSIGHTS

- Most of your fraud transactions are of type "Counterfeit" or "Fraudulent Use of Account".
- Fraud percentages for both count and amount are higher than benchmarks for "Counterfeit", but both metrics are lower than benchmarks for "Fraudulent Use of Account".

3 Which Merchant Category Codes are most impacted by the most prevalent fraud types?



SAMPLE INSIGHTS

- Counterfeit at "Financial Institutions / Auto Cash" has the greatest impact.

Merchant Category Code	Metrics	Fraud Amt	Fraud Cnt
6011	FINANCIAL INST /AUTO CASH	\$8,888	68
4722	TRAVEL AGENCIES	\$1,537	7
5691	MENS/WOMENS CLOTHING STORES	\$1,313	10
7922	THEATRICAL PRODUCERS	\$1,112	6
5977	COSMETIC STORES	\$1,027	5
5967	INBOUND TELEMARKETING MERCHANT	\$1,026	39

Illustrative data

ADDITIONAL INSIGHTS



Which merchants have the highest fraud rates?



What is the amount of fraud on a daily basis for those merchants with high levels of fraud?

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