

## Check Fraud Manager

### Reduce Fraud Losses and Protect Customers With Real-Time Check Fraud Detection



Increased check fraud detection accuracy and real-time capabilities help financial institutions respond swiftly and effectively to fraud across existing channels and new technologies, including mobile remote deposit capture.

Check fraud continues to be a significant driver of fraud loss at banks all around the world. Annual check fraud exposure is estimated to be \$615 million in actual losses and \$6.1 billion in loss avoidance, according to the American Bankers Association® 2016 ABA Deposit Account Fraud Survey Report. The leading check fraud categories continue to be returned deposited items, counterfeit checks and forgeries.

Sixty-six percent of check fraud occurs at the teller window and most of these losses are preventable in real time. Until now, check fraud tools and solutions did not operate in real time and identifying fraudulent checks could take up to 48 hours.

Recent market trends are making it more important than ever to move toward real-time check fraud detection:

- Mobile deposits present a new channel for fraudsters to exploit

- As banks move toward making deposits available more quickly, whether to improve the customer experience or to meet regulatory requirements, new capabilities are required to identify risky deposit behaviors, set risk-based funds availability levels and stop check fraud quickly and accurately
- EMV™ cards in the U.S. and other emerging biometric-based security features are likely to push more fraud into other channels, including checks

Check Fraud Manager from Fiserv provides real-time detection of check fraud, enabling banks to safely accept mobile deposits and stop fraud at the teller window by declining or holding checks on the spot—as well as detecting fraud on Day 2 as part of the traditional clearing process. Check Fraud Manager provides these primary capabilities: Analytics, Rules Management and Scorecards, Alert and Case Management, and Reporting and Dashboards.

#### **Analytic Models Score Each Check for Fraud Risk**

Using proprietary analytics, Fiserv created on-us and deposit analysis models that score each check for fraud risk. These models are used with other types of advanced inference techniques to understand each customer's normal behavior pattern. New transaction activity is then compared with the customer's normal behavior and the normal behavior of their comparable peer group.

When each new transaction is scored, the solution displays a score (from 1 for the lowest risk to 999 for the highest risk) as well as primary reason codes indicating why the transaction has been scored as risky. These models are much more accurate than rules alone because they can evaluate risky events and alerts in combination. When certain suspicious factors occur together, such as check amounts and serial number problems, they become more indicative of fraud. And by creating individual segments reflecting on-us, deposit, low-value and high-value transactions, the solution achieves superior performance.

Clients select the score threshold and review cases based on their risk tolerance, operational capacity and goals. For example, at a score cutoff of 800, 98 percent of legitimate checks pass through safely with no review required and virtually all fraudulent checks are caught. If 100,000 checks are typically reviewed for fraud, Check Fraud Manager can eliminate investigation of up to 40,000 checks, reducing negative customer impact and enabling analysts to focus on high-risk transactions.

This sophisticated approach reduces false positives while detecting more fraud, improving both the accuracy and the efficiency of the fraud detection process.

## **Rules Management and Scorecards Enable Flexible Fraud Strategies**

Organizations now have the flexibility to configure rule strategies to target the risks that are most important to them. By leveraging dynamic profiles, clients can write rules that target flash fraud schemes such as large-scale fraud ring activity, or create different treatment for customers or accounts based on their historical behavior, such as prior returned deposited items due to insufficient funds.

The fraud department can also create its own fraud scorecard in three easy steps: creating risk indicators, assigning weights to each risk indicator and publishing the scorecard. The holistic scorecard process can be more powerful than rules alone because each risk indicator is given a different level of importance.

Scorecards also provide a quantitative way to describe a decline, hold or approve strategy. Assigning weights lets the fraud manager use rules and risk indicators together to determine the influence that one risk indicator has over another. Scorecards can then be activated to immediately identify evolving fraud schemes. Combining rules and risk indicators lowers false positives while targeting fraud.

In addition, Check Fraud Manager includes a remote deposit capture scorecard that leverages predictive indicators for mobile deposit transactions such as age of relationship and balance history.

**900** HIGH  
4 returned deposit items in the last 6 months for this account.  
6 overdrafts in the last 6 months for this account.

**Mobile Deposit**  
Drawee Account: 8504758  
Drawee RT: 658238004  
Check Number: 5544  
Process Date | 9 December 2014  
**4,172.50**  
Deposit Acc: 2102102, CHECKING, Tim Gurney  
Ledger Balance: 208.00  
Average Balance: 154.95

Code	Name	Result	Score	Threshold
CFMRDC004	Returned deposit count above threshold	High	-	-
CFMRDC005	Overdraft count above threshold	High	-	-
CFMRDCModel	Predictive analytic scoring model	High	900	900
CFMRDC008	Deposit velocity over monthly threshold	High	-	-
CFMRDC001	Amount above threshold	High	-	-
CFMRDC007	Amount greater than average by a...	High	-	-

High-risk transactions generate alerts that can be researched and decided by an analyst.

**Alert Activity as at 14:14, 29 January 2015**

**Alerts by Status**

Status	Number of Alerts
Closed	~600
Under Investigation	~350
Assigned to Investigate	~10
Unassigned	~450

**Open Alerts and Exposure**

Number of Open Alerts	Exposure (\$)
~100	~2,000,000
~150	~1,000,000
~400	~4,000,000

**Alerts by Score**

Score Band	Number of Alerts
600-649	~450
650-699	~350
700-749	~250
750-799	~180
800-849	~120
850-899	~80
900-949	~50
950-999	~30

**Open Alerts by Time Period**

Alert Age	Number of Open Alerts
<1 Hour	~450
1-3 Hours	~200
3-12 Hours	~50
12-24 Hours	~30
>24 Hours	~100

Check Fraud Manager delivers standard dashboards that display key risk elements associated with each account.

## Alert and Case Management Improve Decisioning

After rules are defined, suspicious and high-risk transactions generate alerts that can be researched and decided by an analyst. Alert screens are configurable to meet the fraud analysts' needs. Alerts include both automated and on-demand image retrieval for investigation, companion item comparison, and so on. Alert screens also present a visual display of check activity such as balance and serial number charts that add clarity and efficiency to the investigation and decisioning processes. The fraud manager or administrator designs work queues that can be accessed and worked by groups of analysts.

Each suspected fraud is investigated through a configurable and repeatable workflow. When an analyst determines there is a fraud, the transaction is seamlessly escalated to a robust case management system, with alert and transaction data automatically populating the case. The fraud manager or administrator designs queues that can be accessed and worked by groups of analysts.

Check Fraud Manager provides a robust alert and case management system with rich and configurable features, including:

- Automated data population and investigation workflow
- Transaction, account, customer, channel search and filtering
- Link analysis and graphical network discovery



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- Detailed financial data tracking and reporting (risk exposure, preventions, recoveries and loss)
- Digital file cabinet
- Complete audit trail

### Reporting and Dashboards Deliver Key Insights

Check Fraud Manager delivers standard dashboards that display key risk elements associated with alerts and provides fraud management key insight into managing their operation and risk to the institution. Check Fraud Manager also offers a full suite of standard and configurable management reports that are critical to understanding the business and its many fraud risks.

### Key Benefits

- Identifies fraudulent check transactions in real time, before losses occur
- Detects more fraud with pattern recognition models
- Reduces false positives
- Controls flash fraud with user-defined rules and scorecards
- Simplifies workflow with a comprehensive alert and case management system
- Easily integrates management and regulatory reporting
- Can incorporate customer-level profiling to further improve effectiveness

### Connect With Us

For more information about Check Fraud Manager, call 800-872-7882, email [getsolutions@fiserv.com](mailto:getsolutions@fiserv.com) or visit [www.fiserv.com](http://www.fiserv.com).



**Fiserv, Inc.**  
255 Fiserv Drive  
Brookfield, WI 53045

800-872-7882  
262-879-5322  
[getsolutions@fiserv.com](mailto:getsolutions@fiserv.com)  
[www.fiserv.com](http://www.fiserv.com)