NICE
Actimize

End-to-End Fraud Typology-Centric Approach to Combat Authorized Fraud & Scams

The Big Shift Problem

A major shift in the economy has led to more fraud and increased liability for financial institutions (FIs), especially relating to authorized push payment fraud (APP). Authorized fraud is hard to identify: Victims are scammed into making payments that go to fraudster accounts. However, with the shift in liability, both the sending and receiving FI could be responsible for authorized fraud payments. Fraud patterns are also shifting. Fraudsters are moving away from account takeover to focus on the weakest link: the customer. Add faster payments into the mix, and it's easier than ever for fraudsters to manipulate individuals into executing transactions based on deceptive scam instructions and facilitate rapid misappropriation of funds.

As shifting liabilities gain traction across the globe, such as the U.K. PSR liability shift, it's up to FIs to ensure their fraud controls and strategies are effective and can protect their customers from scams.

Liability Shift

Economic Shift

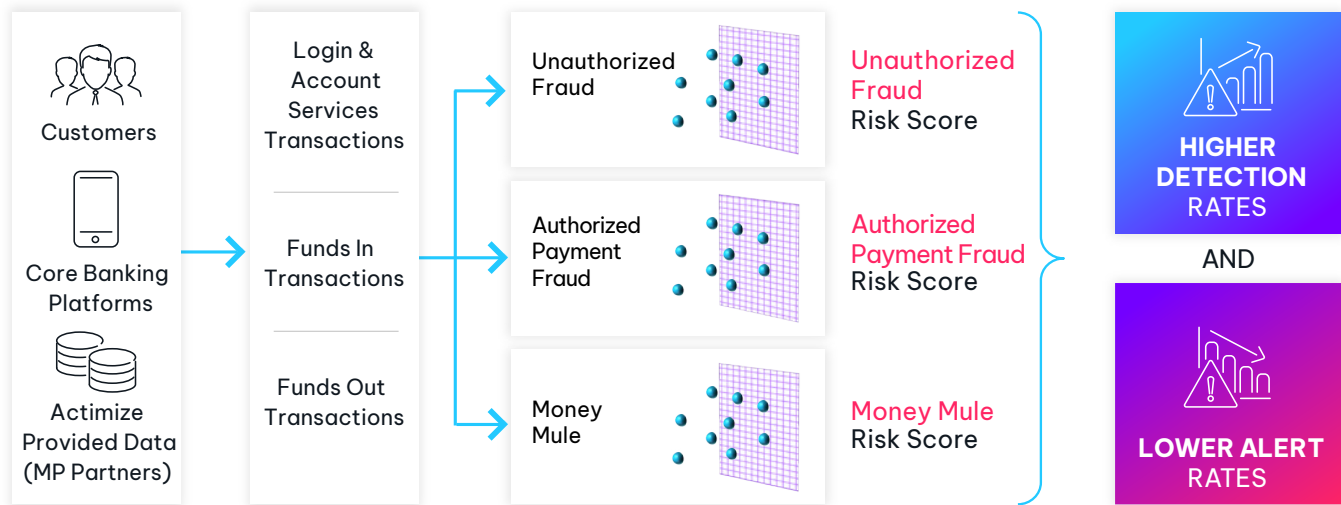**New Approach: Typology Detection vs. Transaction**
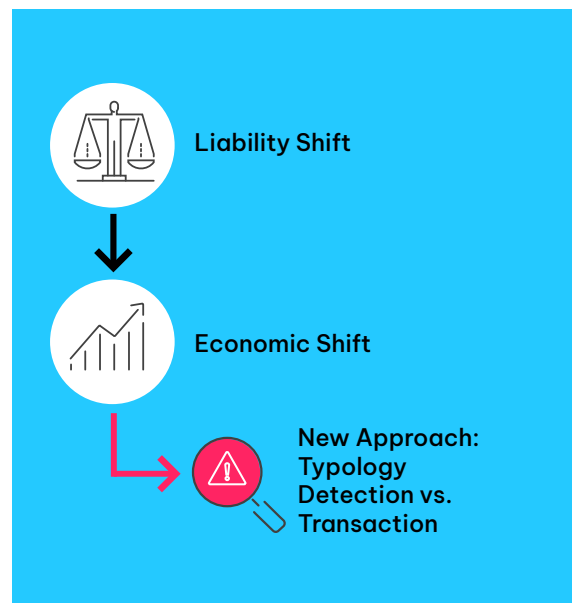
What is the Typology-Centric Approach?

Financial institutions have made significant strides in mitigating third-party fraud losses in recent years. However, fraudsters exploit consumer deception and manipulate consumers/account holders into executing their schemes. A paradigm shift in data analysis approaches is imperative to truly detect scams and money mule activities where fraudsters recruit others to move illicit funds. This necessitates the incorporation of 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 strategy management. To directly address these challenges, NICE Actimize has introduced the Multi-Model Execution (MME) algorithm, adept at navigating diverse risk scenarios, to decode evolving attack methods. MME generates a three-part score encompassing unauthorized, authorized, and mule fraud scenarios, empowering organizations to pinpoint victims and culprits with heightened detection precision while minimizing any adverse impact on genuine clients.

By becoming more preventative versus reactionary, FIs can stop fraud earlier in the fraud life cycle rather than at the last point of detection when the transaction leaves the organization. Revamped modeling methodology focused on the fraud scenarios, in addition to transactions, adds incremental layers of detection that net increase loss avoidance.
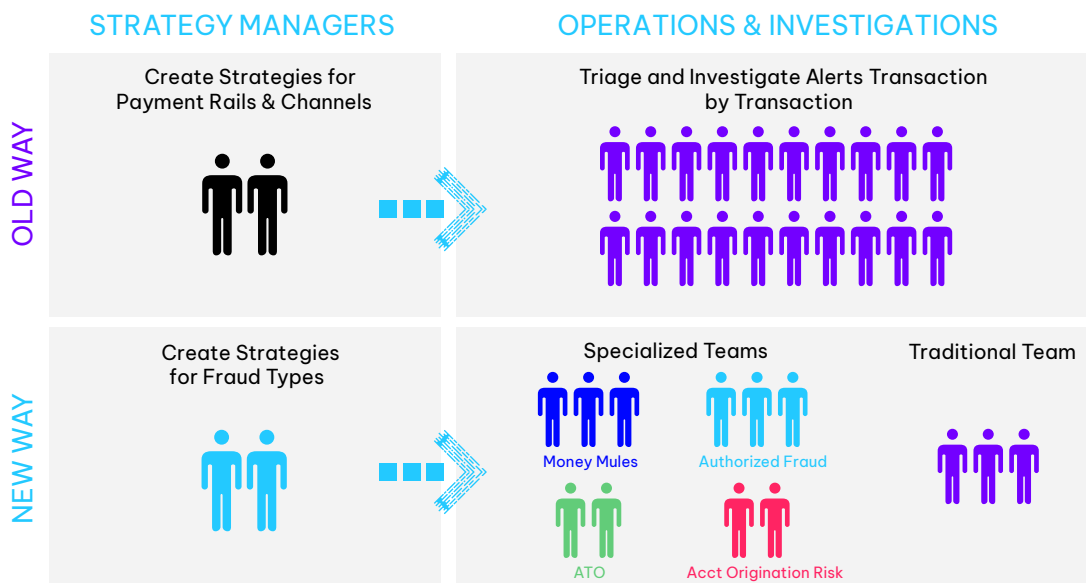
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Multi-Model Execution (MME) - Recent Advancement

Customers

Core Banking Platforms

Actimize Provided Data (MP Partners)

Login & Account Services Transactions

Funds In Transactions

Funds Out Transactions

Unauthorized Fraud

Authorized Payment Fraud

Money Mule

Unauthorized Fraud Risk Score

Authorized Payment Fraud Risk Score

Money Mule Risk Score

HIGHER DETECTION RATES

AND

LOWER ALERT RATES

Driving Efficiency with Multi-Model Execution and Typology Detection

NICE Actimize's typology-based fraud solution provides cutting-edge detection and prevention by categorizing and analyzing various fraud typologies. Through patented technology on typology characteristics, patterns, and risk indicators, the solution identifies and mitigates fraudulent activities across multiple typologies, in real time, during each transaction.

The typology-centric approach employs an innovative multi-model framework, equipping it with potent capabilities to simultaneously execute multiple typology-based models or versions within distinct modes, such as champion and challenger. Detecting fraud through this typology-driven strategy yields heightened efficiency within fraud operations. Automated alerts and optimized workflows ensure that fraud alerts are precisely directed to specialized teams and agents equipped to tackle specific fraud scenarios, thereby enhancing the precision and efficacy of the entire detection process.


STRATEGY MANAGERS

OPERATIONS & INVESTIGATIONS

OLD WAY

Create Strategies for Payment Rails & Channels

Triage and Investigate Alerts Transaction by Transaction

NEW WAY

Create Strategies for Fraud Types

Specialized Teams

Traditional Team

Money Mules

Authorized Fraud

ATO

Acct Origination Risk

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Key Features:

Comprehensive Risk Assessment: Parallel execution of multiple typology-based machine learning models provides a holistic risk score for each transaction. Also delivers granular scores for each typology involved, enabling financial institutions to gain valuable insights into the specific fraud typologies underlying suspicious activities.
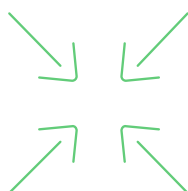
Enhanced Detection Accuracy: By considering a wide range of fraud typologies simultaneously, the solution significantly enhances the accuracy of fraud detection. This results in reduced false positives, ensuring that legitimate transactions are not flagged as fraudulent, thereby optimizing operational efficiency and reducing customer friction and attrition.
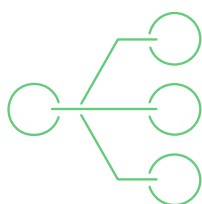
Targeted Routing and Smart Response: Each alert generated enables FIs to intelligently route to the relevant typology-specific response team. This empowers financial institutions to respond promptly and effectively based on the specific fraud typology detected.

Examples include:

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

Efficient Fraud Management and Comprehensive Reporting: The typology-centric approach streamlines fraud liability processes, offering actionable insights and personalized recommendations for each typology. FIs can proactively engage with receiving institutions, prevent future fraud, and further mitigate unique risks associated with specific typologies. Furthermore, it simplifies the classification and reporting of fraud data, optimizing fraud management and reporting efforts.

Advanced Fraud Prevention: By analyzing historical data, real-time transactions, and evolving fraud patterns, the solution stays ahead of emerging fraud typologies. It continuously adapts and evolves, incorporating machine learning (ML) and artificial intelligence (AI) techniques to detect new and evolving fraud schemes.

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The Impact on Financial Institutions

As an award-winning, globally recognized authority in fraud solutions, NICE Actimize has maintained a historical advantage in acquiring deep understanding of fraud typologies. Through leading case management and investigation platform solutions, NICE Actimize has centralized and automated data collection across the install base and acquired a robust database of enriched expert features, labels, and details. This anonymized outcome data, combined with omnichannel data, is centralized in the cloud. This enables building precise models on large, diverse, and unbiased data sets.

Each typology has different risk characteristics that manifest in nuanced ways depending on the channel, product, fraud scheme, etc. Optimal treatment and operational strategies are also distinct for authorized versus unauthorized fraud, and whether the institution believes it is in contact with a victim or potential suspect. As such, the platform enables analyzing the same transaction to predict multiple types of schemes simultaneously. MME enables evaluating the same event and simultaneously generating multiple scores reflective of specific dependent variables and typologies. This enables generating multiple risk scores based on type, account takeover score, mule score and more. This capability persists throughout the customer life cycle and through all layers of the system—from streaming and scaling to interdiction strategy, and through operations, remediation, and label collection.

Achieve Higher Customer Acquisition, Retention and Revenue Growth

Account Opening

Early Account Phase

Application

Transacting

Preventing fraud throughout the customer life cycle

Superior customer experience with optimal fraud protection

Seamless digital first experience

Trusted transactions

Immediate account access and decisioning

Safe and secure **interactions**

An example of this in action is the IFM-X: Mule Defense module. Operationalizing enterprise data in concert to invoke a Money Mule score to apply a precise control (e.g., accept without posting, holds) represents the fundamental platform sophistication and flexibility that early warning signals and red flags require. But it's not just limited to stopping mules; via the IFM-X 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 liability shift, and in certain cases, having to double fraud plans to cover the cost of APP and scams. Managing this dilemma must be done strategically to address the entire equation of Total Cost of Fraud:

- 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 response, and advanced fraud prevention, these solutions empower organizations to safeguard both customers and assets effectively. Stay ahead of fraudsters and streamline fraud detection and prevention.

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. This iterative process ensures that the most effective models are implemented, leading to enhanced accuracy, reduced false positives, and improved overall fraud prevention.
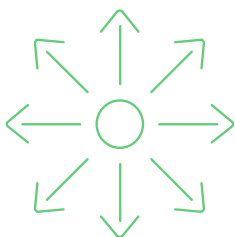
Scalability and Flexibility: The solution offers scalability and flexibility to adapt to the evolving fraud landscape. As new typologies emerge, additional models can be easily integrated and tested alongside existing ones, ensuring proactive detection and prevention of all fraud schemes.

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NICE Actimize

Enterprise Fraud Management

IFM-X

Real-Time Financial Crime Prevention

New Account Fraud

Money Mules

Authentication Management

Payments Fraud

Employee Fraud

Out of the box ID Verification	Real-Time Mule Detection in Early and Mature Accounts	Risk Based Authentication Orchestration	Broadest portfolio in the industry covering all major payment channels	Enforce organizational and regulatory policies
Intelligent Early Account Monitoring	Network Analytics & AI uncover Mule Rings	Intelligent Step-up management	Largest fraud consortium providing strong cross-FI intelligence	Streamline operational workflow and costs through investigation tools focused on EFs
Account Level Risk Scores through Entire Lifecycle		OOTB Integrations	Analytics built on 20+ years of expertise	

Prevent Customer Attrition with a Typology-Centric Approach

31% of customers that experience fraud leave the financial institution, regardless of whether the bank was able to resolve the issue or not. With NICE Actimize's typology-centric approach and multi-model framework, 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, leading to enhanced performance, easier model governance, and less false positives. This ultimately leads to more valid accounts and transactions, and less financial losses.

Ready to upgrade your approach to stopping scams? Book a call today to learn more about IFM-X and NICE Actimize.

Know more. Risk less.

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NICE Actimize

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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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