

HIGHLIGHTS

THE CHALLENGE

When the Canadian federal government instituted stricter regulations for monitoring and preventing money laundering, one of the country's leading banks needed to enhance its ability to detect suspicious activity. Achieving this objective required enhanced customer profiling/due diligence as well as a reduction in false positives for alerts. This would allow bank analysts to focus more time on identifying activities that could potentially result in money laundering.

THE SOLUTION

The bank utilized ACI Proactive Risk Manager™ and leveraged the expertise of the ACI Fraud Consulting team. The bank applied customer profile tables and created specific logic to generate the most accurate and highest-value alerts.

THE RESULTS

With Proactive Risk Manager in place, the bank experienced a 50% reduction in resources required for fraud monitoring and an 84% reduction in fraud alerts while maintaining an impressive 98% fraud detection rate.

PREVENTING MONEY LAUNDERING AND BANK FRAUD IN THE BANKING INDUSTRY

Economic crimes, fraud and money laundering pose major challenges for every financial institution. While needing to detect malicious and abusive activity across channels as early as possible, financial institutions also need to ensure they don't unnecessarily infringe upon the banking activities of good customers while concurrently maintaining regulatory compliance. The key objective: identify only those actions that truly represent possible fraud and money laundering.

**ACI PROACTIVE RISK MANAGER™
COMBINES EXPERTLY DEFINED RULES
WITH A VARIETY OF SCORING METHODS
FOR FAST AND ACCURATE RESPONSES
TO THE EVOLVING NATURE OF FRAUD
AND MONEY LAUNDERING.**

STRICTER REGULATIONS REQUIRE REVAMPED AML MEASURES

As Canada increased the compliance requirements for banks to identify and prevent money laundering activities, one of Canada's leading banks realized it already possessed part of the answer to this challenge — Proactive Risk Manager. The bank had relied on the solution for many years to not only detect potential money laundering transactions, but also to protect customers against fraudulent banking activity.

Proactive Risk Manager, which helps financial institutions manage risk across all business lines and customer accounts, combines expertly defined rules with a variety of scoring methods for fast and accurate responses to the evolving nature of fraud and money laundering. Financial institutions can prevent cross-channel fraud through the complete views the solution generates showing customer activity across monetary and non-monetary transactions.

Proactive Risk Manager effectively met the bank's needs, but once Canada enacted the stronger AML regulations, the bank needed to enhance its profiling capabilities. In addition to making sure the bank complied with the new requirements, management also wanted to reduce the number of false-positive fraud alerts, which can negatively impact good customers. Reducing such alerts would also allow analysts to focus more time on investigating activities that potentially represent actual fraud.



FLEXIBLE PROFILING AND ALERT OPTIONS RESOLVE FRAUD CHALLENGES

Based on the past success of Proactive Risk Manager — along with the expertise in AML and fraud detection ACI has demonstrated over the long-term partnership between the two companies — bank management once again turned to ACI. Proactive Risk Manager had proven to be the most flexible fraud detection and AML solution the bank's management team had come across, and the solution truly addresses all fraud and AML needs. Proactive Risk Manager is also adaptive to the ever-changing fraud and AML landscape.

The bank also wanted to utilize the expertise at ACI because there are lots of ways to write alert rules, but the bank found itself in a reactive mode — chasing many transactions that represented “good” client activity. The bank needed ACI's help so it could focus more time on “bad” client activity.

ACI's consulting services helped adjust the way Proactive Risk Manager manages AML and fraud detection through a three-phased approach:

1. Profiling customers
2. Automating the customer risk rating process
3. Monitoring customers on an ongoing basis by creating and integrating rules and meta-rules based on the monetary and non-monetary activity of high-risk customers

The bank then engaged the ACI fraud team to help move forward with the approach. ACI proved particularly helpful in configuring customer profile tables the bank relies on to detect activities that suggest fraud or money laundering is taking place. ACI also showed the management team how the bank could bolster its monitoring capabilities through enhanced due diligence on high-risk customers. The expertise ACI provided proved particularly helpful given that the bank could not add any additional analyst resources to address the new AML regulations.



The bank's available resources for monitoring AML were limited, so it needed to become more efficient with the way it monitors bank account fraud. This meant reducing false alerts to maximize time spent on catching fraud. ACI played a major role in helping achieve this objective.

Another key aspect that allowed the bank to expand its fraud capabilities was extending the use of Proactive Risk Manager across all product lines. In addition to checking for debit card and check fraud, the bank began leveraging the solution to monitor additional channels — such as online wire transactions, investment products and registered loans — to increase cross-channel fraud and AML visibility.

As a result of the engagement, the bank is better versed in maximizing the Proactive Risk Manager solution. Management also realized that ACI is very good at helping them learn and leverage the tool. Management has been able to take those learnings and bring them to the next level.

DRAMATIC DECREASE IN FALSE POSITIVES ACCOMPANIED BY NEAR PERFECTION IN FRAUD HITS

Since enhancing Proactive Risk Manager with the additional profiling tables and alert rules, the bank has achieved impressive results:

- 84% reduction in debit card fraud alerts
- 50% reduction in AML alerts
- 98% fraud detection rate
- 50% reduction in the analyst resources required for fraud monitoring

Before modifying Proactive Risk Manager, the bank used to look at too many alerts because of so many false positives. But by applying the new rules and profiling tables, management created proper alert thresholds to reduce the number of alerts. The bank managed to significantly reduce alert volumes even though the bank has grown in recent years and has increased the banking channels it monitors.

The transition to enhanced profiling allows the bank to reassign analyst resources to more in-depth fraud investigations. The bank has also improved the customer experience since legitimate but higher-risk debit card transactions are now declined less often. Bank analysts also understand client patterns better while finding out sooner when clients deviate from their normal patterns.

In addition to reducing the number of fraud losses, the bank is also now receiving a satisfactory rating from external and internal auditors on the measures it has deployed to thwart fraud and money laundering. Using ACI fraud consultative services was an efficient and cost-effective way to provide business analysts with the teachings required to develop profile tables correctly. ACI also proved itself as a fair business partner — billing only for the actual time used, which was much lower than the original quote thanks to how efficiently ACI works.

KEY LEARNINGS

For other financial institutions needing to enhance their AML and fraud detection capabilities, bank managers emphasize the importance of investing time up front in developing customer profile tables and the rules for identifying activity that potentially signals the occurrence of money laundering or fraud.

Taking this approach ensures Proactive Risk Manager performs quickly and is accurate the very first time so bank managers can trust the alerts the system produces. Partnering with experts like ACI is also key — bank managers learned how to write more effective rules for the attributes to apply as to when alerts should occur and when to flag customers. The ways in which the bank and ACI have collaborated go well beyond the typical vendor/customer relationship.

Bank managers also emphasize the personal satisfaction they feel when discovering something that allows them to help individuals and organizations, especially when the team discovers customers who are the victims of a phishing scam. In one case, by monitoring unusual wire transactions, the bank discovered a customer was sending money to another country. Management acted in time to recover all his money — nearly \$30k, a good portion of his life savings. He was very appreciative, which makes all that the bank does in the area of fraud detection well worth the effort.

ACI Worldwide, the Universal Payments (UP) company, powers electronic payments for more than 5,100 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive suite of software solutions delivered on customers' premises or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience.

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