



By Liz Little, Fraud Consultant

Fighting fraud: an inside-out approach

Fraud continues to be a major risk and a serious pain point for financial institutions. It's a dark, relentless and multibillion dollar industry in the U.S., threatening your cardholders and you.

While the technologies to fight fraud are improving, so are the fraudsters. Today's fraudsters aren't amateur hackers. Fraud is being carried out by organized criminal groups, domestic and foreign.

It's an ongoing battle, and it's one we must fight on several fronts. SHAZAM advocates a more holistic approach to fighting fraud.

Look inside your own walls

- Review and tune your daily limit settings regularly.

It sounds simple, but many times, fraud happens within the daily limit. If you're reluctant to limit your cardholders across the board, keep in mind that each card can be customized with a different limit according to use. Cards used for business purposes, or people who travel frequently, may warrant a higher limit than regular use cardholders. Keeping daily thresholds lower, yet reasonable, can prevent large losses for you while minimizing inconvenience to your cardholders.

- Use artificial intelligence to help your financial institution detect and block fraud.

SHAZAM's fraud management services are powered by FICO® Falcon®. Our clients rely on our system to learn their customers' habits and spending patterns to identify potentially fraudulent purchases in real time.

We've counseled our clients to block transactions from certain countries or states. That has significantly reduced their fraud. Identifying specific dollar amounts that fraudsters are using to test your defenses, or specific merchants the fraudsters use to try to extract money from your cardholders' accounts can be an effective line of defense.

Empower cardholders

Your cardholders can be fraud fighters, battling on the front line against fraud. But they must be informed and aware. And, they need the tools to do the job.

- SHAZAM provides clients with simple, effective messaging to share with cardholders so they know what to look for when using a card at an ATM, inside a business or at an automated fuel pump. This multiplies the number of eyes looking for signs of compromise.
- Allow cardholders to set their own alerts or blocks by putting a mobile app like Brella™ (formerly known as SHAZAM® BOLT\$™) in their fraud-fighting hands. Cardholders receive immediate alerts to potentially fraudulent activity via email and / or text message. It's an added layer of protection with convenience, speed, and security all in one app.
- Remind your cardholders of best practices, like using reputable merchants, secure online sites, and *never, ever* giving sensitive information by phone, email, or online.
- When you send out a new card, include clear activation instructions. Once the card is active, be sure your processor is verifying expiration dates on transactions. Your processor should also have a set of specialized notifications for online, out-of-town, or larger purchases so they can be approved quickly. Encourage your account holder to notify you about pending large purchases to avoid declines.

Building community networks against fraud

- Create a community of fraud fighters.
Engage your small business account holders, merchants, law enforcement and even lawmakers in this fight. When merchants know what to look for, they can help stop fraud at the point of sale. When law enforcement knows what they are looking for, they'll know how to respond.
- Host a community fraud forum, invite these fraud-fighting partners together for a discussion on how to battle fraud.
- Tap into your state and national associations to see what's being done at these levels in the fraud fight.

What's SHAZAM doing?

- SHAZAM engages with policymakers at the state and federal levels. We advocate for changes that will lead to an overarching set of security standards. Mutually agreed upon, third party standards will lead to better, stronger user transaction authentication all along the way, from the merchant, to the network, ending with you, the card issuer.
- We've consulted with state lawmakers nationwide to help craft legislation with stiff penalties for crimes like skimming and card cloning. When stronger penalties are in place, criminals know there'll be consequences if they're caught.

Fighting fraud is a group effort. No single approach will defeat fraud, but if we take a layered approach, starting inside and working out into the community, we'll be miles — and dollars — ahead.