



Banamex/Citigroup dramatically decreases fraud losses, false positives

success story: fraud detection



Client	Banamex/Citigroup, Mexico's largest financial group
Challenge	Address skyrocketing fraud losses further burdened by low and slow detection and recovery rates
Solution	FICO™ Falcon® Fraud Manager
Results	Fraud losses dropped from 100 basis points to 8. False positive ratio reduced from 50:1 to 11:1. Lower fraud loss amount per account, faster fraud detection, increased detection rate

"FICO™ Falcon® Fraud Manager has proven to be adaptable over time, and has allowed us to focus on true fraud and respond more quickly than ever before. This has allowed us to stay focused on what's most important: growing our business."

—**Liberto Ferrer**,
country fraud risk officer
at Banamex/Citigroup

FICO™ Falcon® Fraud Manager proves to be an effective, flexible solution

» CHALLENGE

Grupo Financiero Banamex, Mexico's largest financial group, currently has some of the lowest fraud losses in Latin America. But nine years ago, fraud losses had jumped to more than 100 basis points, and the bank's false positive ratio was at 50:1. Banamex was also challenged with a detection rate of 25% and a very low recovery rate.

"It was a mess trying to manage our fraud problem using the point solutions we had at the time," says Liberto Ferrer, country fraud risk officer at Banamex, now a subsidiary of Citigroup. "We were spending a lot of time looking at suspicious accounts that were not fraud. We needed to more rapidly identify new fraud patterns and points-of-compromise, and reduce the time between fraud occurrence and detection."

» SOLUTION

Banamex decided to build a fraud solution that combined several technologies, including rules-based technology, neural networks and data mining. Adds Ferrer, "We developed an integrated system that could analyze authorizations in real time and respond instantly. FICO™ Falcon® Fraud Manager was an essential part of this solution."

Integrated fraud solution

"As soon as FICO Falcon Fraud Manager went live, we saw our fraud losses plunge," says Ferrer. "After our merger with Citigroup in 2002, we saw a similarly dramatic drop in fraud losses on the Citigroup portfolio once we began using FICO Falcon Fraud Manager."

Since implementing FICO Falcon Fraud Manager, the bank has lowered its fraud losses from 100 basis points to 8, while reducing its false positive ratio from 50:1 to 11:1. Banamex has also lowered its fraud loss amount per account, improved the speed of its fraud detection, increased its detection rate and reduced its referral rate (see results chart next page).

In addition, Banamex has benefited from the real-time capabilities of FICO Falcon Fraud Manager. The solution's neural network models act quickly to identify fraud. Through a direct link between FICO Falcon Fraud Manager and its authorization system, the bank stops many fraudulent transactions at the point-of-sale before the transaction is complete.

Banamex Results Using FICO™ Falcon® Fraud Manager

	1996	2004
Fraud basis points	100	8
Fraud transactions per account	7	2.7
Fraud amount per account	US \$1,100	US \$571
Account fraud days run	10	1.5
Detection rate	25%	80%
False positive	50:1	11:1
Referrals rate	5%	0.3%

Banamex has dramatically improved its fraud detection and decreased losses using FICO Falcon Fraud Manager.

Adaptability to change is critical

When Banamex first tackled its fraud challenges, the fraud landscape in Mexico was significantly different. The majority of fraud activity came from solitary embezzlers, anti-fraud legislation was weak, and there was little fraud experience in the banking community. Today, fraudsters have gotten increasingly sophisticated, while anti-fraud laws are tougher, and financial institutions have become more savvy in combating fraud.

» RESULTS

Throughout this change, FICO™ Falcon® Fraud Manager has continued to play an integral part in the Banamex fraud solution. "The fraud environment is always shifting, and fraud characteristics are often unpredictable," explains Ferrer. "A flexible system like FICO

Falcon Fraud Manager can adapt to this change, so that our losses and false positives stay low."

"Our business is to sell, not to detect fraud," says Ferrer. "FICO Falcon Fraud Manager has proven to be adaptable over time, and has allowed us to focus on true fraud and respond more quickly than ever before. This has allowed us to stay focused on what's most important: growing our business."

Decision Yield

Agility

Banamex's Decision Management solution provides a critical ability to react quickly to always-changing fraud activities.

Precision

The combination of rules-based technology, neural networks and data mining makes it possible to more accurately identify fraudulent transactions

Consistency

The technology has proven itself to be reliable in a fraud environment that is always shifting

Speed

Authorizations are analyzed in real time and responses are instant. Many fraudulent transactions are stopped before completion.

Cost

Fewer false positives and faster detection, at a rate that improved from 25% to 80%, combine to enable more cost-effective recovery efforts



For more information

US toll-free
+1 888 342 6336

International
+44 (0) 207 940 8718

email
info@fico.com

web
www.fico.com