



For top Mexican bank, enterprise approach to fraud delivers dramatic results across channels

success story: fraud



- Client** BBVA Bancomer, a market leader in Mexico, with a 27% share of consumer wallet and 17 million credit and debit cards.
- Challenge** Tackle the multi-channel, shape-shifting fraud threat without impacting the customer experience.
- Solution** FICO™ Falcon® Fraud Manager
- Results** Credit card: Reduced fraud from 100 to 9 basis points. Debit card: Reduced by 70 basis points the first year. Online fraud: Losses went down 88%; attempts were reduced by 50%.



“We can now authorize transactions with a tight control over fraud risk. This has been a key factor in improving our service to both cardholders and merchants.”

—Gastón Huerta
BBVA Bancomer

BBVA Bancomer, one of Mexico’s largest banks, with 11 million customers and a 27% share of the consumer wallet, was feeling the sting of aggressive online fraudsters who specialized in illegal electronic transfers. The bank took action and installed FICO™ Falcon® Fraud Manager to monitor online access.

The results were almost immediate. “We were able to detect 90% of the attempts in minutes,” says Gaston Huerta, Fraud Prevention Director at BBVA Bancomer. And of the fraud that was detected, 80% was recovered. Losses went down 88%. And when fraudsters got the message, their attempts went down by 50%.

» Enterprise view is key to success

Tackling online fraud is the latest rollout in the bank’s ground-breaking enterprise approach to fraud detection and management. In a market with a high fraud rate (24 basis points compared to 11 worldwide in Q4 2006) and constantly shifting fraud patterns, the bank needed an innovative, comprehensive approach—one that could provide early alerts no matter what channel the fraudsters targeted.

Controlling fraud losses were important to Bancomer, but not at the expense of customer experience. That customer experience—both building loyalty by ensuring customer confidence in the safety of their accounts and

by providing a smooth payments environment with a minimum of unnecessary disruptions—is front and center in Bancomer’s fraud management strategy.

“Our goal is to be a major player in excellent customer service by providing the ability to view customers and channels from an enterprise position,” explains Huerta. Whether it’s debit, credit, online, ATM or any other fraud attempt on an account, the bank will be able to see all avenues at once and respond to fraud attempts much more quickly and with more accuracy.

This enterprise approach allows the bank to accomplish two goals, says Huerta. “First we can cut fraud losses. Equally important, through the reduction of false positives and faster detection of a fraud attack, we can improve the customer experience.”

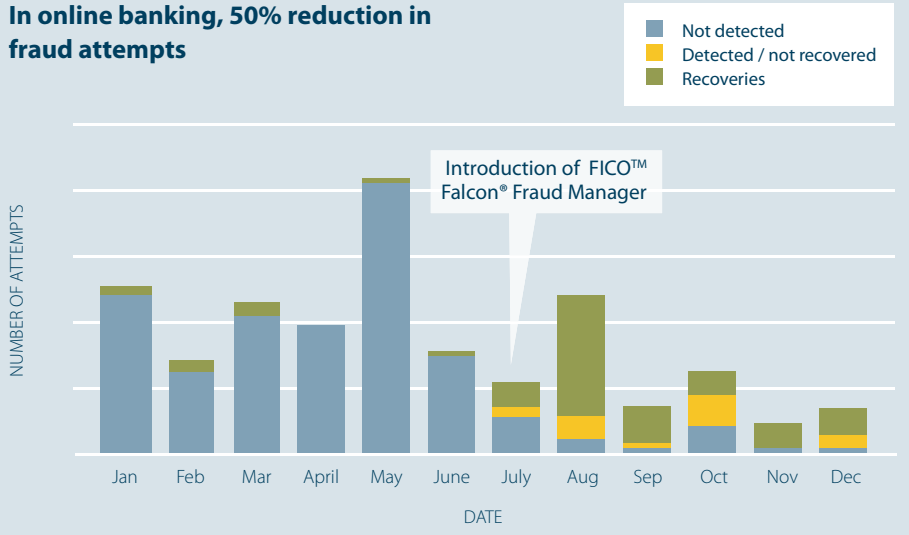
Bancomer’s enterprise solution includes a range of components integrated into a common platform: Falcon Fraud Manager for credit, debit and online, data mining, chip and PIN, token authentication and SMS alerts.

» Building the enterprise vision—success by success

Credit card fraud

Bancomer originally drafted Falcon Fraud Manager to gain control of the card counterfeiting plague that spread during

In online banking, 50% reduction in fraud attempts



With the introduction of Falcon Fraud Manager, 90% of the fraud attempts were detected within minutes, 80% of the fraud detected was recovered and losses went down 88%.

Mexico's economic crisis in the '90s. Losses had climbed to 100 basis points (1% of sales). Since the Falcon solution was introduced in 1996, the bank has consistently and dramatically reduced credit card fraud year after year to 10 basis points (with the addition of data mining models and point of compromise detection tools in 2007, the fraud-to-sales index was further reduced to 9 basis points). There has been a similar reduction in the false positive ratio to its current 20:1.

Fraud losses were significantly reduced for Bancomer merchants that accept card-not-present transactions by mail, telephone or internet. Once Falcon Fraud Manager detects fraudulent activity, the bank alerts merchants before goods are delivered and losses occur.

"We can now authorize transactions with a tight control over fraud risk, which has played a key role in improving our service to both cardholders and merchants," says Huerta.

Debit card fraud

Based on its success controlling credit card fraud, Bancomer used Falcon Fraud Manager to curb the rising debit card fraud. Falcon Fraud Manager was expanded to the debit card portfolio in 2003.

Again the results were significant: debit card fraud was reduced by 70% the first year, and the reductions have continued.

"Greater fraud control helped us increase profitability in our debit card business and helped affirm us as the most attractive debit card choice for the customer," says Huerta.

Online fraud

Fraudsters adapt to new technologies almost as fast as they are rolled out, and the rise of online banking was no exception. In addition to phishing, pharming and other schemes, Bancomer could see that online electronic transfers of funds were becoming vulnerable.

"It was easy for fraudsters to get passwords, mostly when customers were using public services such as at hotels and airports," says Huerta.

Bancomer installed Falcon Fraud Manager for online fraud-detection services, which includes software that is installed at the bank's web server for online transactions and monitors end users' transactions. The software watches for risk signs (for example, does the remote computer used for banking appear to change, signaling a man-in-the-middle attack?).

The bank is now able to detect risk in electronic transfers whether it is between the same customer accounts, from one to another customer inside the bank or in inter-bank transactions. When risk is detected, a security alert is sent to the appropriate personnel within the bank, the account is verified and the customer is contacted.

"Once we started to recover the money when a fraud event transaction was detected," Huerta adds, "the transfer was stopped, and the fraudsters who went to the branch to access the money (through a check) found the money was not there. They started to feel at risk because they were identified before they went to the branch."

The result was that attempts for this kind of fraud went down by 50%. Overall, online fraud was reduced 88% in six months."

» Committed to success

Bancomer's enterprise vision continues. The bank recently installed Falcon Fraud Manager for ATMs and is looking at ways to detect internal fraud.

The enterprise approach has operational benefits as well. "Since we are working with Falcon for multiple purposes, the learning curve for analysts is very short," Huerta points out. "People can move from one product or channel easily and quickly."

Fighting fraud is an ongoing battle; the need is not only for the best technology but for domain expertise as well. "Working with FICO gives us the opportunity to meet with peers from banks from all over the world," adds Huerta. "This is invaluable for us in developing expertise in fraud prevention and in getting the best from Falcon and our own great team of analysts."

The final ingredient, Huerta sums up, has been "a strong commitment in the highest levels of the organization to combat fraud and build a safe, customer-focused banking environment."



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