



Hong Leong Bank outsmarts fraudsters with Falcon Fraud Manager

success story: fraud



Client	Hong Leong Bank
Challenge	Defending against rapidly changing credit card fraud tactics
Solution	FICO™ Falcon® Fraud Manager
Results	Increased total fraud detected by 143% and achieved an extremely low fraud-to-sales ratio of 2 basis points



“What has impressed us most about Falcon Fraud Manager was how accurate it is in detecting legitimate fraud.”

— **James John**
Head of Fraud Management,
Hong Leong Bank

Credit card fraudsters are an inventive bunch. They change their tactics constantly, using both old fashioned methods (stealing credit cards) and new technology (counterfeit cards) to carry out fraudulent credit card transactions. Keeping up with their latest tactics isn't easy. In Southeast Asia, where incidents of credit card fraud are among the highest in the world, detecting credit card fraud is particularly challenging.

Thanks to sophisticated fraud detection technology, however, many banks and card issuers in the region are gaining the upper hand. In Malaysia, banks have fought fraud aggressively and as a result, have pioneered many fraud detection best practices.

One of these pioneers is Hong Leong Bank. With more than 100 years of banking knowledge and experience, Hong Leong Bank is one of Malaysia's leading personal and commercial banks. It's also a leader in fraud detection, boasting a fraud-to-sales ratio of less than 2 basis points, well below the industry average of 7.

According to James John, head of Fraud Management, the bank's exceptional fraud-to-sales ratio reflects a greatly improved anti-fraud effort which the bank waged using FICO™ Falcon® Fraud Manager, a sophisticated payment card fraud detection solution. "Our

ability to quickly react to shifting fraud tactics and execute strategies that mitigate our risks has been a real competitive advantage", says John.

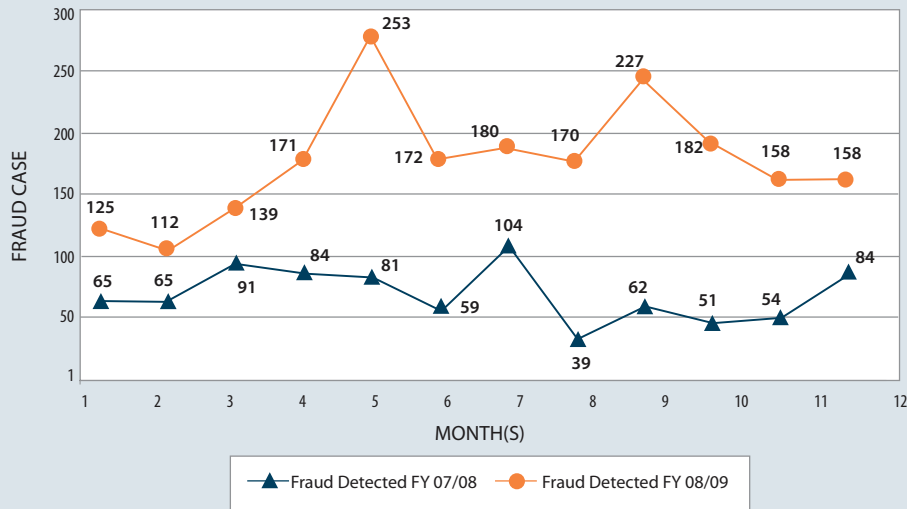
» Hong Leong challenges

In 2005, Malaysia adopted a new secure payment standard called chip and PIN, an anti-fraud initiative used for all face-to-face credit and debit card payments. It proved very effective in thwarting face-to-face fraud involving stolen and counterfeit cards, yet it also had a negative effect: Fraudsters quickly morphed their nefarious tactics and began using the Internet to make fraudulent charges, eluding banks and card issuers in the process. Hong Leong wasn't spared.

"When Malaysia moved to chip and PIN in 2005, many banks and card-issuing institutions were caught off guard by the quick change in fraud tactics," says John. "At Hong Leong, we too saw a discernable change, with Internet fraud increasing considerably."

According to John, as a proportion of overall fraud, Hong Leong's in-person counterfeit card fraud was "huge" prior to Malaysia's move to chip and PIN. But after the new standard was adopted, Hong Leong Bank's counterfeit card fraud dropped to only 2.6% of its total fraud.

Comparison Chart—Fraud Detected (Year-On-Year)



Hong Leong Bank made a dramatic improvement in fraud detection by carefully measuring the effectiveness of fraud score thresholds and making smart adjustments to the cut-off rules using Falcon Fraud Manager.

Hong Leong’s Internet fraud, however, which represents any fraudulent payment attempted over the Web, suddenly soared to 85% of the bank’s total fraud. This was a good sign that chip and PIN was working, but it meant Hong Leong had to work smarter in its fight against Internet fraud.

» Putting Falcon Fraud Manager to work

Hong Leong already had a solid foundation in place with FICO™ Falcon® Fraud Manager. The bank was using the Falcon Fraud Manager Malaysia Consortium Credit model, which leverages fraud data from a consortium of banks in the region to better fight the constantly evolving nature of fraud.

In addition to figuring out how to defend against the surge in Internet fraud, Hong Leong had some work to do internally. The bank’s fraud detection team had a very capable product in Falcon Fraud Manager, but the team wasn’t using it to its fullest potential.

The first thing Hong Leong Bank did to better utilize Falcon Fraud Manager was adjust its fraud score thresholds, which helped improve its fraud detections results.

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» Results

With a renewed vigor in its fraud detection team and a series of smart adjustments to its fraud score thresholds, Hong Leong Bank was successful in putting Falcon Fraud Manager’s full fraud detection capabilities to the test. The results are impressive.

Over a one-year period, Hong Leong Bank increased the total amount of fraud detected by 143%. More importantly, during that same period, Hong Leong Bank’s fraud case investigations decreased by 20%. This means that despite a lower fraud score threshold, which reflects a more aggressive approach and often results in false positives, Falcon Fraud Manager was still detecting legitimate fraud.

This meant that Hong Leong Bank’s customers weren’t experiencing the inconvenience of a fraud investigation, which usually requires that accounts be frozen. This is especially important since many of Hong Leong Bank’s cardholders are business travelers and would be seriously inconvenienced if their accounts were put on hold.

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Showing further proof that Hong Leong Bank’s fraud score thresholds were properly attuned to legitimate fraud, the bank reported a very low account false positive rate (AFPR), which came in at 2.56% for cut-off scores between 351 and 1000.

“The ability to adjust Falcon Fraud Manager’s fraud score thresholds and business rules has been critical to our ability to adjust to new fraud tactics,” comments John. “Our senior management is very happy with the product and we’re looking forward to the additional capabilities Falcon Fraud Manager offers.”



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