

Faster Payments Call for Faster Fraud Detection



Business Impact

“The global real-time payments (RTP) market size was valued at US\$6.90 billion in 2018 and is projected to expand at a CAGR of 29.3% from 2019 to 2025.”

Grand View Research, February 2019¹

Financial institutions have innovated and redefined themselves quite well to meet customer expectations for immediacy and convenience in transferring funds. Now they need to redefine how they protect themselves and their customers from the associated risks.

Challenges

- **Outdated processes and systems.** Rapid adoption of new digital and faster payments methods highlights glaring gaps in the technology to monitor and mitigate fraud.
- **Siloed data and limited analytics.** Simple rules-based systems, operating with limited data, can't keep up with the complexity of emerging fraud activity.
- **Increased digital transactions.** As consumers come to expect the convenience and immediacy of digital and online payments, financial institutions have to address the higher risk exposure.
- **Real-time payments.** Adoption of real-time payments compresses the time from request to settlement, which necessitates newer and faster fraud detection methods.

The Issue

In response to consumer demand and competitive pressure, financial institutions are embracing new ways to offer flexible and immediate funds transfer.

Real-time/faster payments processing is driving initiatives around the globe such as: the European Union's Payment Services Directive 2 (PSD2), the European Commission's Single Euro Payments Area (SEPA), Australia's New Payments Platform (NPP), the UK's Faster Payments Service (FPS), and the RTP real-time payments platform for federally insured US financial institutions.

The convenience of real-time payments is great for account holders, but it requires financial institutions and merchants to apply fraud safeguards at the same speed, sometimes in less than a second. When money transfer is instantaneous, financial institutions can no longer rely on legacy technologies and manual intervention to fight back against fraud.

Even the most accepted instant payment services have had user accounts compromised or created without authorization, or have had payments intercepted or fraudulently redirected.

The SAS® Approach

- **An enterprise solution.** A single, end-to-end fraud solution monitors payments in real time to detect and prevent fraud by applying advanced analytics across entities, products and channels.
- **Cohesive data integration.** With the ability to consolidate diverse data sources into a single view, financial institutions gain the perspective needed to understand patterns and detect anomalies.
- **Machine learning techniques.** This form of artificial intelligence continuously “learns” from existing and new information to analyze out-of-pattern behavior and predict suspicious activities, without unduly flagging normal variations in customer behavior.
- **Flexible infrastructure and message layouts.** Customize and adapt the fraud solution for your business needs. Consume and consolidate third-party data from many sources, with full supporting detail.
- **Cloud offering.** Streamline the infrastructure, simplify data management and security, and take advantage of the emerging technology advancements with a cloud-based solution.

¹ Source: [grandviewresearch.com/industry-analysis/real-time-payments-market](https://www.grandviewresearch.com/industry-analysis/real-time-payments-market)

The SAS Platform enables you to develop a cohesive strategy for data, discovery, analytics and deterrence. SAS provides the highest level of fraud protection through the following capabilities:

- **Data integration** handles a vast range of data formats across the firm and beyond. An open, flexible message layout (API) captures industry-standard payment and transaction information along with enrichment data from third parties, using digital, geolocation and other device information.
- **Detection and prevention tools** support multiple analytics applications, so you can:
 - Capture varied payment and customer behavior via a patented “signature” methodology.
 - Score and render a decision on all transactions, both financial and non-financial.
 - Detect fraudulent behavior based on previously known activity or new actions.
- **Network or link analysis** identifies collusion, suspicious relationships and associations with known fraudsters across a range of data points, such as phone numbers, email addresses or other demographic information.
- **Alert triage management** provides business process management for external systems.

Situation

A large Asian financial services provider that offers banking and funds management to business and institutional customers wanted to adopt real-time payments technology for low-value payments.

Fraud detection in its existing ACH/wire solution was based on simple, hard-coded rules, with only minimal capabilities to stop funds transfer in real time. Even though the firm had a low fraud incident rate, fraud losses were very high.

Solution

SAS provided a single enterprisewide, real-time fraud detection and prevention system that:

- Works across multiple products and channels.
- Uses advanced analytics to recognize anomalies in payer and payee behavior.
- Applies enhanced rule writing and alert triage capabilities to make fraud management more effective and efficient.

Results

Using SAS for real-time fraud management, the bank improved its fraud detection by 400%, reduced fraud basis points by 75% and reduced false positives by 30%, for a significant improvement in the customer experience.

Improve the customer experience

What if you could detect and prevent significantly more fraud while improving the customer experience by reducing false positives?

Prevent losses before they occur

What if you could appraise all transactions at the speed of real-time payments to determine whether to accept, reject or defer payment – and stop exposure and losses before they happen?

Understand and capture changes in behavior that indicate fraud

What if your fraud models could identify out-of-pattern behavior across accounts, customers, products and at a network level to pinpoint bad transactions without compromising the customer experience?

Protect the entire payments environment with a single, cloud-ready solution

What if you could take advantage of the cloud to securely and easily manage fraud models and strategies across products and channels to support your bank's specific needs?

SAS Facts

- SAS customers make up 96% of banks in the Fortune Global 500®.
- More than 90% of the top 100 global banks use SAS.
- More than 3,100 financial institutions worldwide are SAS customers.
- SAS has more than 40 years of experience working with financial institutions all over the world.

Learn more at sas.com/fraudmanagement.

To contact your local SAS office, please visit: sas.com/offices

