

ACTIMIZE

Mitigating Transactional Risks and Financial Crime in Operational Silos

May 2009

About Actimize

- ▶ **Company:**
 - ▶ Established in 1999; Deep domain analytics expertise
 - ▶ ~300 employees; New York, London, Paris, Frankfurt, Tokyo, Tel Aviv
 - ▶ Acquired by Nice in Aug 2007 (NASDAQ:NICE; ~\$600M revenues)
- ▶ **A Pragmatic Op Risk/Reputation Risk Prevention Solution Provider :**
 - ▶ Fraud Prevention, Compliance, AML for banks, securities and other financial institutions
 - ▶ Enterprise case management platform
 - ▶ Analytic, Policy and Rules engine
- ▶ **Proven track record:**
 - ▶ 6 of the top 10 global banks; Over 100 large scale deployments
 - ▶ Processing billions of transactions a day at client sites

Some of our Clients, and a lot of more ...

- ▶ 6 of top 10 US banks
- ▶ 8 of top 10 US brokerages
- ▶ 6 of top 10 global banks
- ▶ 3 of top 5 French banks



Today most banks are concerned with, other than Basel II Compliance

▶ In Mainland China:

- ▶ Fraud Prevention in
 - » ATM
 - » Debit Card/Credit Card
 - » Employee/Insider
 - » E-Banking
 - » Securities Trading Fraud, ...

▶ In South East Asia :

- ▶ Sales Practices for SFC/SEC Suitability Compliance due to Lehman Bros Mini Bond's legal issue
- ▶ AML Compliance
- ▶ Trading Compliance in Securities Trading

Meeting Compliance Needs: FSA Examples

- ▶ The FSA has been increasingly active in providing more specific guidance, as well as by fining financial institutions:

“A firm should take **steps to safeguard the customer information** it holds for the purpose of carrying on regulated activities”

“Firms should follow a **preventative approach** rather than reacting to a situation once it has happened which can be costly and damaging to reputation”

- Philip Robinson, financial crime sector leader at the FSA

FSA levied a record fine of £1.26 million against a major UK FI for “exposing its customers to the risk of fraud”

“This fine is a clear message that the FSA takes information security seriously and requires firms to do so too”

- Margaret Cole, Director of Enforcement

AML, Fraud, Compliance – Industry Figures

▶ Anti Money Laundering

- ▶ \$1.2 and \$3.0 trillion of the world's GDP is laundered annually
- ▶ 81% of those responsible for AML expect regulatory scrutiny to increase over the next year



▶ Fraud Prevention

- ▶ FI losses from fraud are estimated at \$11.0 - \$19.3 billion annually
- ▶ "65% to 70% of total harm from bank fraud is done by insiders"



TOWERGROUP™

▶ Regulation & Compliance

- ▶ In FY 2006, the SEC initiated 914 investigations, 218 proceedings
- ▶ Enforcement resulted in ~\$3.3 billion in disgorgement and penalties

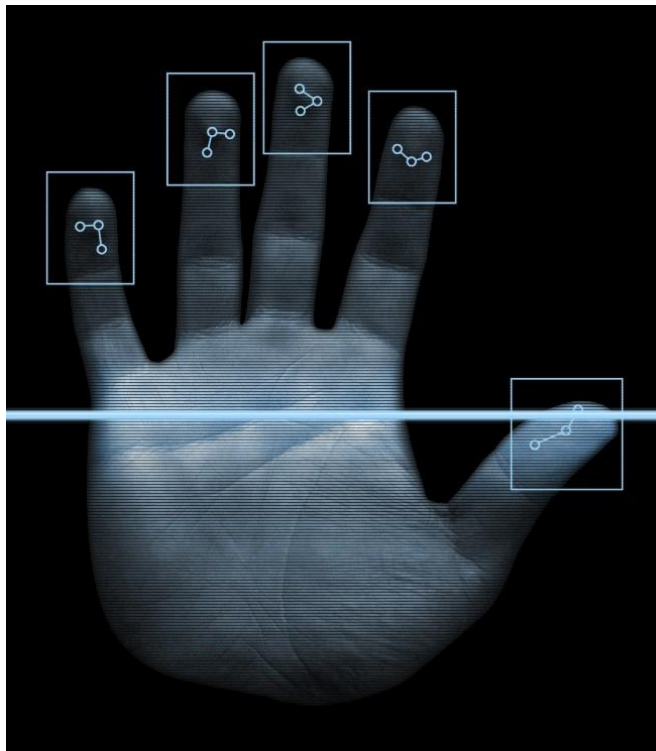


▶ (1) The International Monetary Fund (2) March 2007 survey Incisive Research (3) Tower Group (4) Celent (5) SEC

Top Fraud Challenges as Seen Globally

- ▶ **Old risks remain a threat – Single Channel**
 - ▶ New channels present new risks
 - ▶ Faster access to funds
 - ▶ New technical attacks
- ▶ **Cross-channel attacks**
- ▶ **Coercion-based attacks**
- ▶ **Employee Fraud**

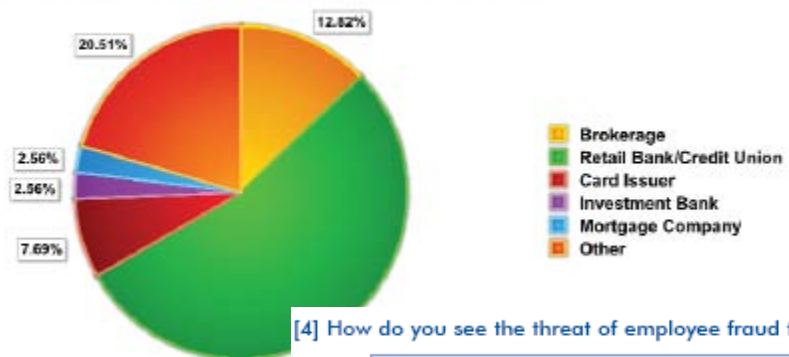
Existing Security Insufficient



- ▶ **Existing measures against cross-channel are unlikely to provide a sufficient solution**
 - ▶ **Authentication:** Payments in an attack can be physically initiated by the customer, making authentication ineffective
 - ▶ **Rule Based Solution:** A solution triggering alerts based on rules is likely to result in a large number of alerts and **false positives**. This results in a significant impact on customers not effected by fraud.

Employee Fraud Survey

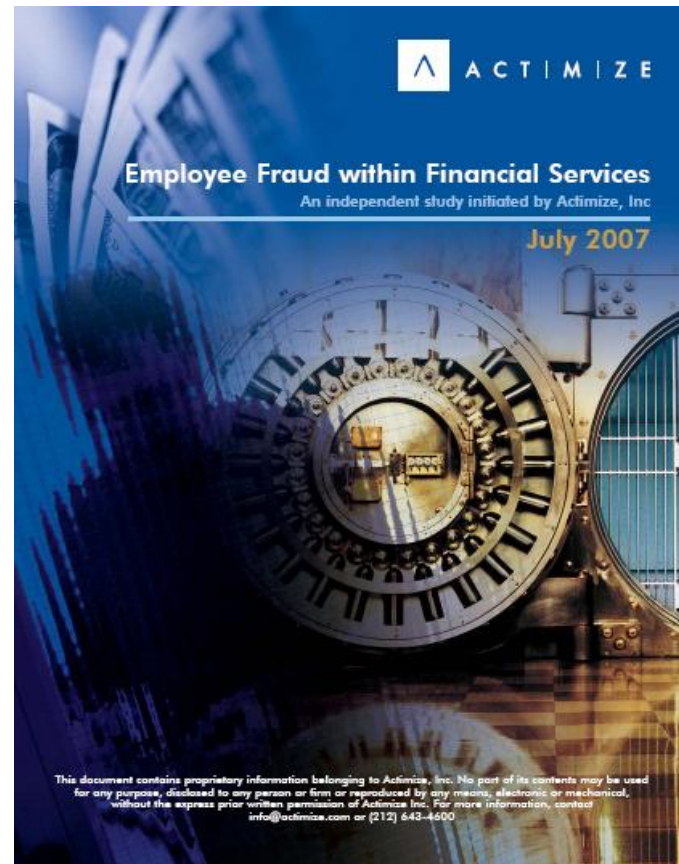
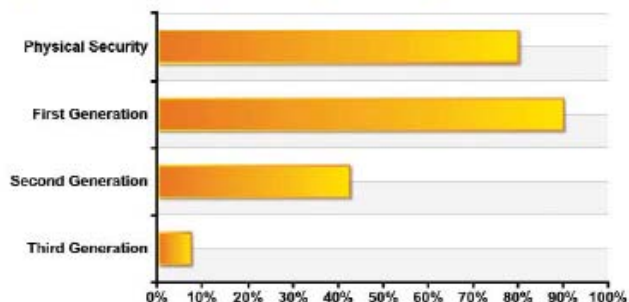
[1] What type/part of a financial institution do you work in?



[4] How do you see the threat of employee fraud trending?

	Percent
Dramatically increasing	2.50%
Increasing	62.50%
Remaining constant	35.00%
Decreasing	0%
Dramatically Decreasing	0%

[9] What generation of technology is your organization using to combat employee fraud? (check all that apply)



- 40+ large US and UK financial institutions
- Executive and senior level management

Case - Identity Shielding

Top 10 US Credit Card Issuer Losses: \$250k per Month

- ▶ Senior operations center employee
- ▶ Used employee login and passwords to shield activity
- ▶ Aware of inquiry monitoring at the employee level
- ▶ Performed account takeover fraud
- ▶ Spread activity over multiple logins - 'shielding'



Case - Collusion

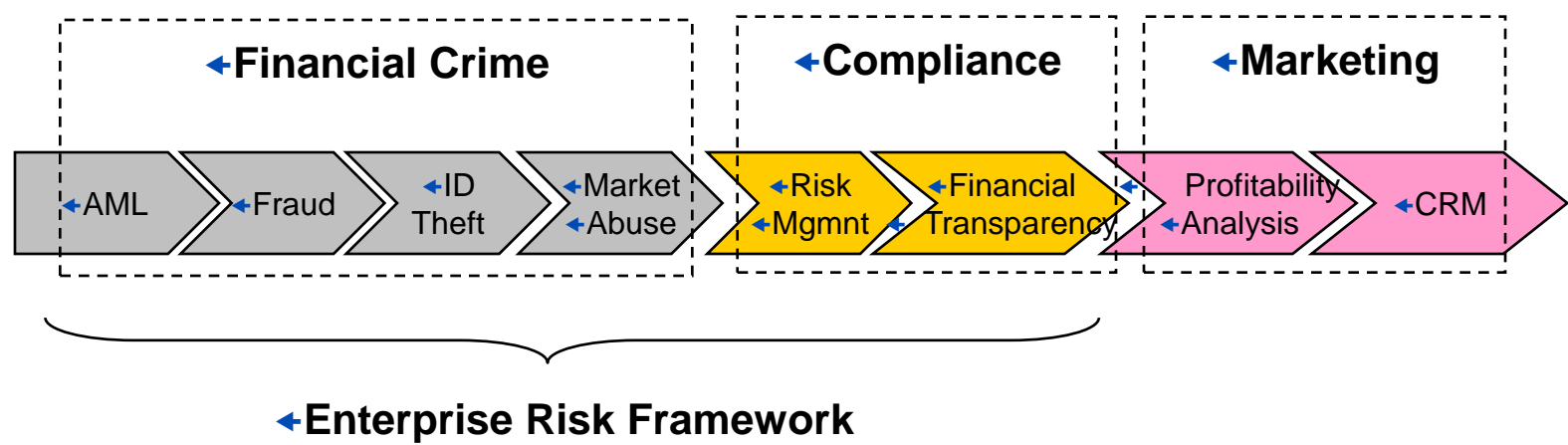
Top 10 US Retail Bank Losses: \$100K per week



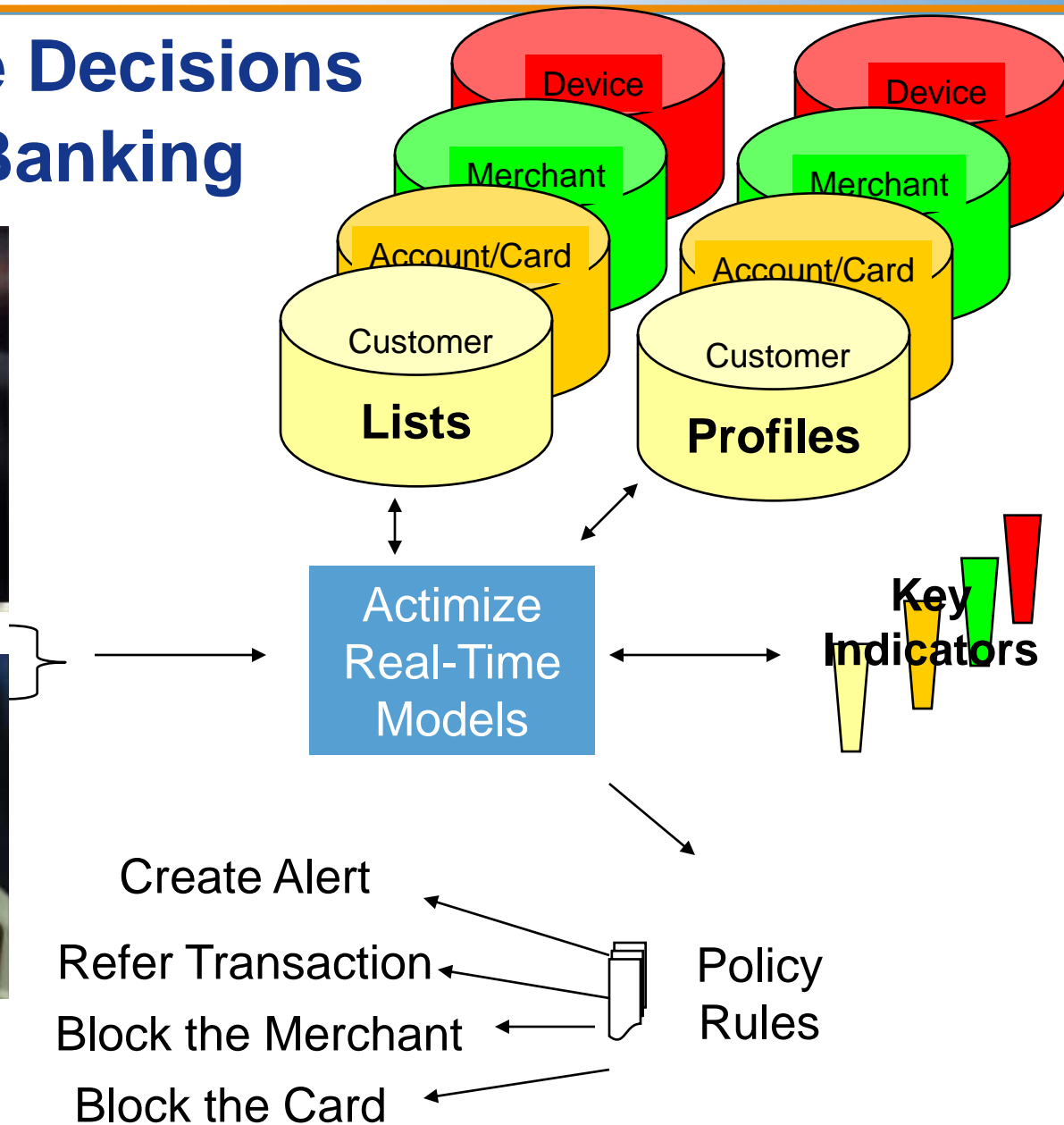
- ▶ Two call center employees and two external participants
- ▶ Data theft, ID theft, account takeover on inactive accounts
- ▶ Incoming calls triggered account takeover activities
- ▶ Data used for ID theft - opening 5+ credit cards per account

Trend – Bundling AML, Compliance and Fraud

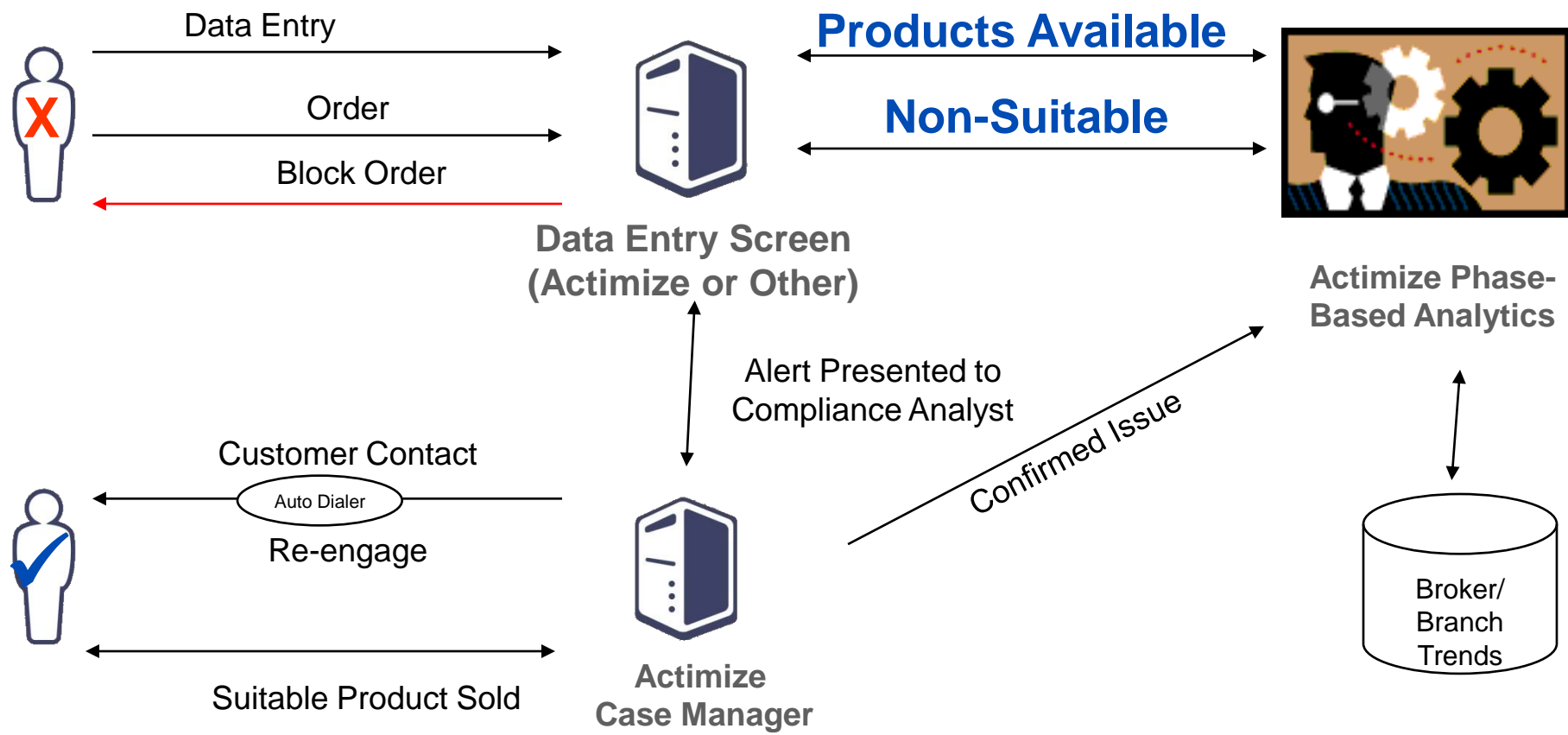
- ▶ **Demand for combined AML and fraud solutions**
 - ▶ Move towards enterprise wide risk management
 - ▶ Fraud & AML often belong to the same financial crimes/risk management department
 - ▶ Some types of fraud can be used to launder money
 - » Identity theft, loan fraud, insurance fraud, VAT fraud
 - ▶ Money originating from fraud has to be laundered



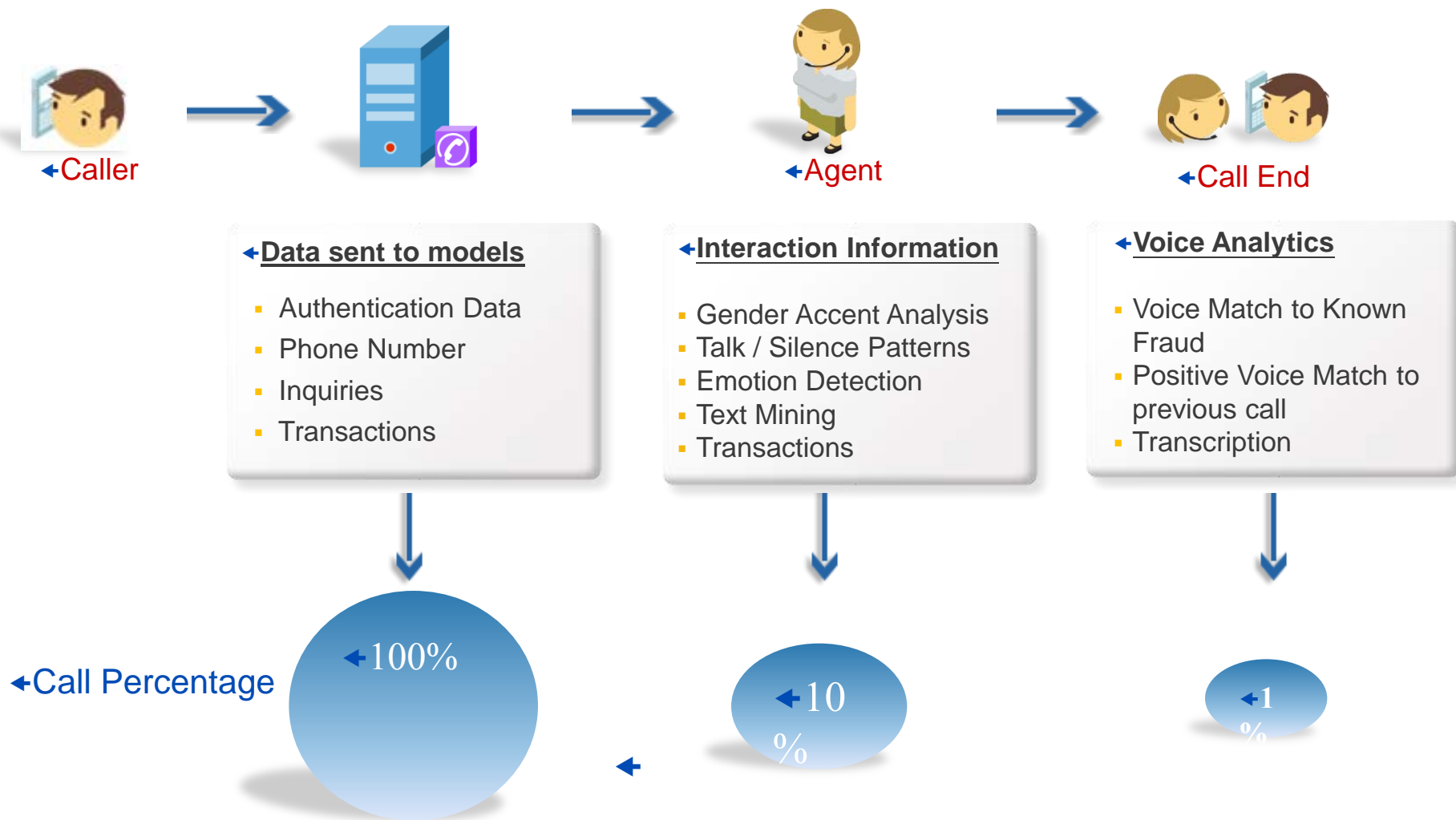
Real-Time Decisions in Retail Banking



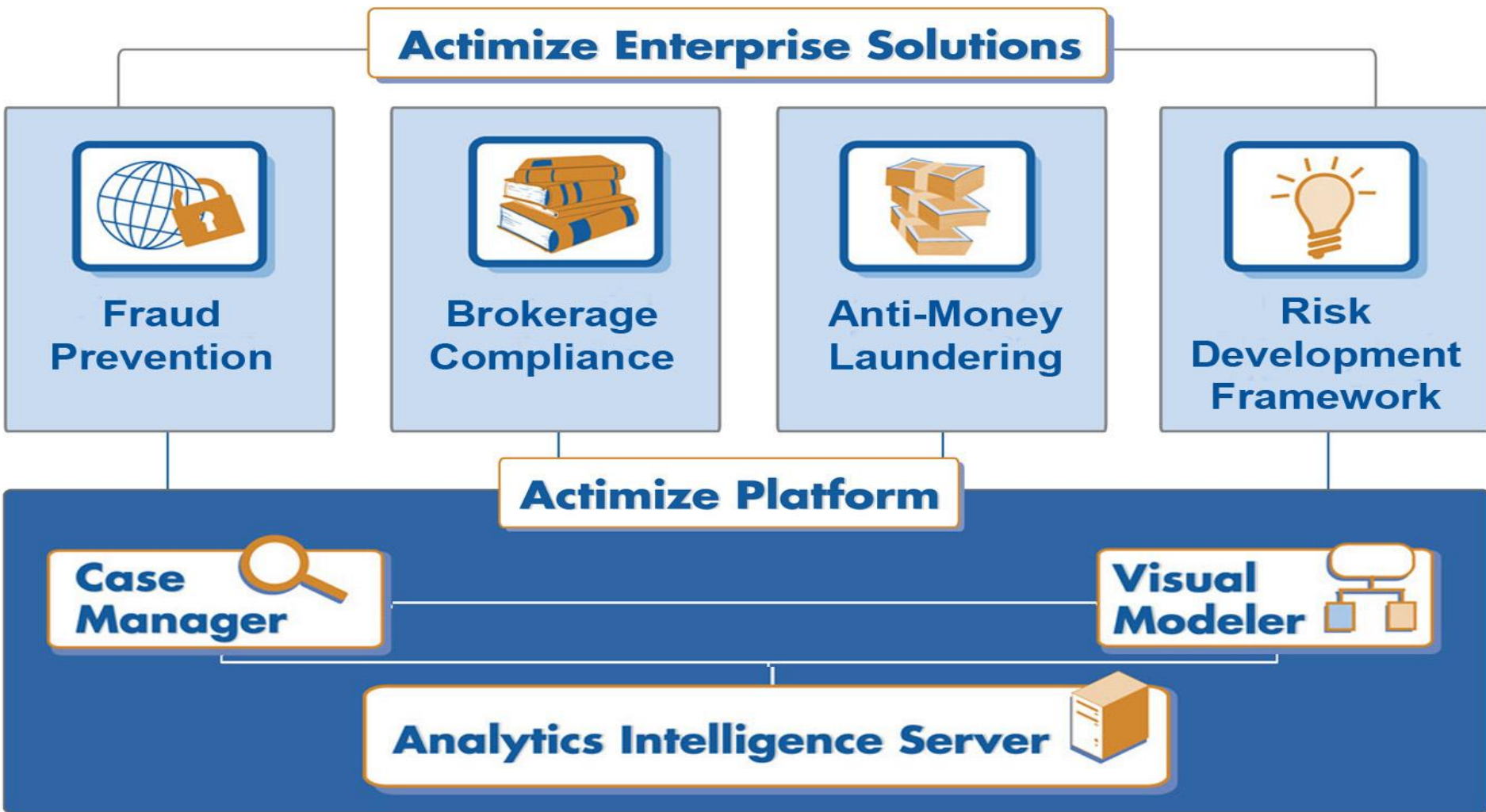
Stop Mis-sale of Investment Products in Wealth Management in Real-Time



Next Generation - Voice Analytics Enhancements



Enterprise Solutions for Compliance & Prevention on one single platform



Actimize Enterprise Fraud Solutions Suite

Actimize Fraud Prevention Solutions



Remote
Banking



Deposit
Fraud



ATM and
Debit Card



Electronic
Payments



Employee
Fraud

Actimize Platform

Case
Manager



Visual
Modeler



Analytics Intelligence Server





THE BOTTOM LINE: VALUE ACROSS THE ENTERPRISE

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