Proactive fraud monitoring for banks in India
Holistic, intelligent and real-time

The evolving fraud landscape around banking and the increase in fraud-related losses requires automated detection systems and robust fraud defense processes.

Buying an off-the-shelf system may not equip the bank with the most effective technical paraphernalia or strategic methods to deal with frauds. Selecting the right framework and a seamless integration of bank systems with the system is integral to safeguard business and customer interests.
Why is fraud monitoring imperative?

According to RBI-released data, banking-related frauds have doubled in the five-year period between 2004 and 2009.

In 2009, the total number of bank frauds was recorded at 23,914, amounting to a loss of ₹18.83 billion, where less than 1% of the fraud cases amounted to ₹10 million each or even more.

The last reported count of online fraud cases was 269, amounting to ₹590 million.

With acquisitions and expansions spurring the growth in size and customer base, banks are witnessing a substantial rise in the numbers and complexity of fraud scenarios.

As such, there is a stringent need for robust monitoring.

The regulator has directed financial institutions to continuously monitor transactions and establish an integrated fraud risk management framework.

There is an increasing need to identify early warning signals to capture frauds close to their occurrence.

A centralized framework can address fraud risks associated with various business units and products and provide insights to stakeholders to take preventive action at the right time.

This also eliminates uncertainty around losses due to fraud and helps the management have a more focused strategy to address fraud-related risks.
Current landscape

- **Rising trend of fraud across products/channels:**
  Financial institutions face an ever-increasing range of challenges within the financial crime arena, both internal and external.

- **Significance of fraud risk management:**
  Heightened focus on utilizing risk management systems and greater use of intelligence to effectively respond to monitor frauds/suspicious activities.

- **RBI’s directive:**
  The Reserve Bank of India, in its recent notification, has envisaged the role of Chairpersons/CEOs in implementing fraud risk management systems. There are clear directives for banks to have a ‘singular’ focus on fraud prevention and management and have a ‘centralized’ distinct operating unit to own, investigate and follow-up.

- **Use of ‘silo’ application level monitoring:**
  Traditionally, systems have been designed to address specific fraud risks, products or delivery channels; e.g., credit card transaction monitoring. As the need to connect these silos becomes more apparent, a more strategic and enterprise-wide approach is needed.

- **Need for enterprise-wide applications:**
  Financial institutions are now starting to address systems at an enterprise level, apart from having anti-money laundering monitoring systems. Implementing systems that operate across the business and provide greater flexibility to integrate new data sources and detection models in response to new threats are increasingly becoming an imperative.

What is the impact on banks?

- There are instances of fraud that adversely impact banks on a regular basis and go unnoticed or unattended. All these cases of fraud result in sizeable monitory losses for the banks once they go undetected.

- Fraud events raise questions around the credibility of the fraud deterrent processes and the technological capabilities of the institution.

- The external attacks on relatively newer channels such as internet banking, SMS banking and mobile banking result in customer losses and hamper the brand image of the concerned entities.

- Regulatory non-compliance constitutes another oft-witnessed outcome due to the lack of necessary efforts and capabilities to proactively monitor frauds.
How can we help you establish an enterprise-wide fraud monitoring system

Key questions to consider while evaluating a ‘fraud management’ strategy

- How well do existing fraud identification and monitoring methods control current and emerging risks and are they commensurate with the size/operations of the organization?
- How effective have they been in preventing frauds before/at occurrence?
- What is the vision for fraud monitoring in the next five years to overcome challenges?
- How responsive are they to new threats and how quickly can they be adapted to detect new fraud patterns?
- Do they allow the management to make changes to detection rules without the need for the involvement of IT?
- Does it provide a comprehensive MIS for the senior management for oversight and supervisions for the organization as a whole?

Both offsite and real-time monitoring of frauds based on learning insights from historical fraud instances and the current industry landscape

Centralized system for fraud monitoring and management of alerts across different systems and data sources

Intelligent system along with designed case management to suit the needs of the bank, and thus, prioritize on alerts and areas of greater risk alerts

Management oversight through real-time dashboard/MIS to track operational efficiency and monitor fraud investigation findings

Make optimum use of the past and current transaction data and fraud database to make continuous improvements in the dynamic market sphere
Our value proposition

- Review, software selection and implementation support
- Post-implementation monitoring and tracking
- Data analytics and scenario building and customization
- Training on relevant application concepts and workflows
- Formulate the fraud monitoring strategy based on growth plan

Real-time dashboards for key stakeholders

- Daily top 25 high risk customers/branches
- Customer wise alerts and amount
- Customer wise alerts trend for past month
- Top 25 branches and alerts

EY differentiators

- Ability to team globally
- Recognized industry thought leadership
- Dedicated industry experience
- Multi-disciplinary team
- Global domain knowledge and credentials
- Enterprise-class infrastructure
- Dedicated forensic technology team for fraud data analytics and implement management dashboards
- Flexible pricing models
## Team credentials

<table>
<thead>
<tr>
<th>Summary</th>
<th>Situation</th>
<th>What we did</th>
<th>Benefit</th>
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<tbody>
<tr>
<td>Enhancing the existing fraud monitoring system and expanding into an enterprise-wide system for one of the largest private banks in India</td>
<td>The existing system was providing irrelevant alerts and false positives.</td>
<td>Conducted fraud data analytics to identify appropriate alert scenarios and risk thresholds</td>
<td>A robust FIU inside the bank that keeps strict vigilance on frauds and addresses risks</td>
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<td></td>
<td>The system was working in a silo and most of the bank products were not covered.</td>
<td>Integrated other bank products and system apart from current and savings</td>
<td>Comprehensive system with enterprise-wide case management systems</td>
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<td>There was an absence of a robust workflow.</td>
<td>Addressed fraud alerts and provide investigation support</td>
<td>Process integration with various business units and user groups</td>
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<td>Enterprise-wide dashboards and MIS console for management oversight</td>
<td>Increased efficiency in addressing fraud alerts</td>
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</tbody>
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| Developing a fraud data analytics framework and compliance software for the RBI | RBI inspectors conducted inspections to review transactions and accounts of the target to identify red flags and anomalies. | Provided RBI with a compliance application to identify transactions and alerts based on intelligent fraud rule sets | In-house capability to gather fraud intelligence using data analytics |
| | The inspectors were challenged due to the volume of transactions and the complexity of transactions. | Trained RBI inspectors in fraud data analytics and issue management | Framework to identify regulatory compliance and red flags |

| Implementing the internet gateway monitoring framework | The government constantly strives to regulate information transmission on the internet, which could be anti-social or fraudulent. | Implementing an internet packet monitoring framework and solution to monitor transactions and information packets | Ability to form a rapid response team against threats emerging through the internet |
| | A framework was required to help the government to regulate unwanted and anti-social information to be captured and treated just like any other | Training the investigation team to deal with captured information and pass on sensitive alerts to the enforcement teams | Ability to identify a forthcoming event through a series of related internet communications |
| | | Conduct a social network analysis to identify linkages and teaming | |

*These are team credentials and may not be firm credentials entirely*
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