

# Application Fraud in Financial Services Forum

10 September 2008

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# Managing Fraud Risk

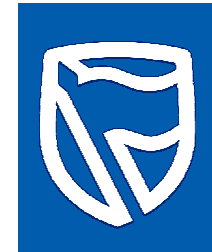
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## Paul Mathias

Head, Fraud Risk Management

Personal and Business Bank

Standard Bank of South Africa Limited



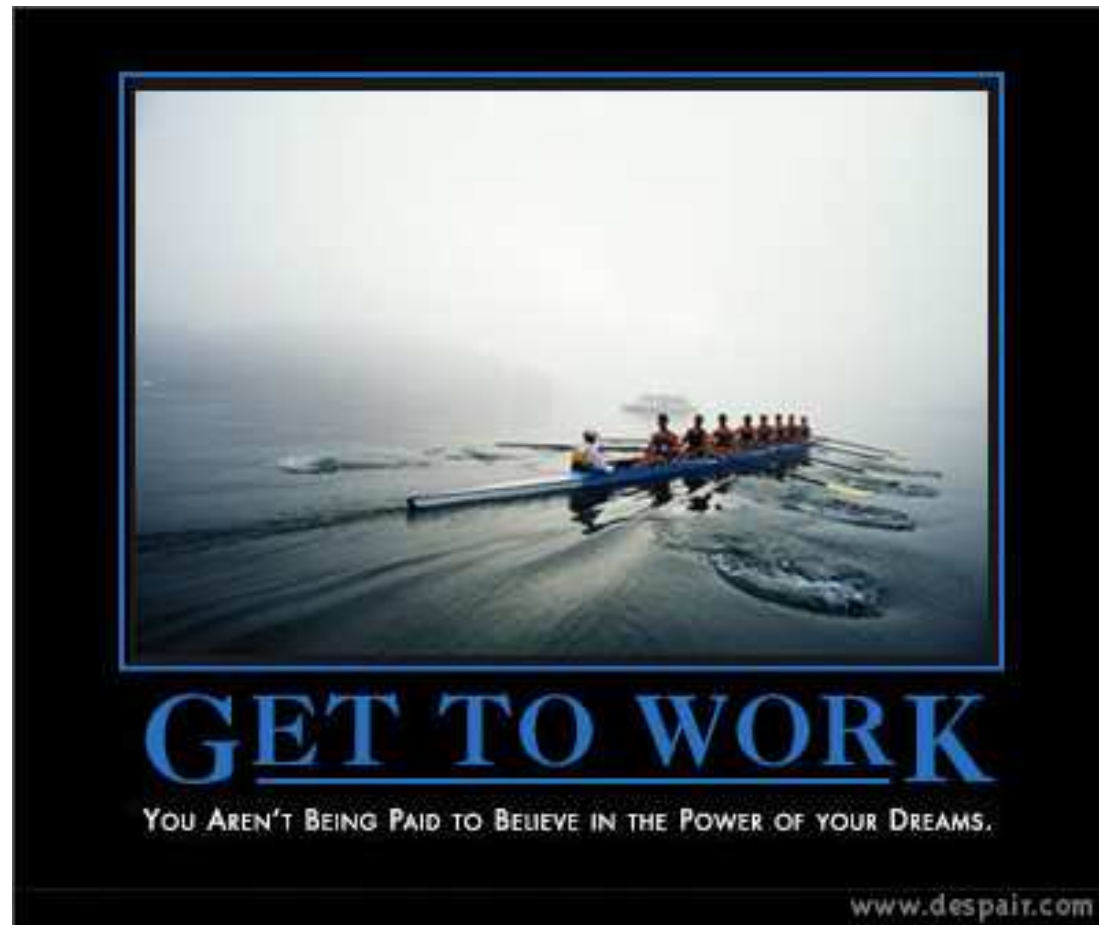
# Agenda

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- Positioning of Fraud Risk Management function
- A centralised fraud risk model
- Fraud Risk Management principles
- Current state of play

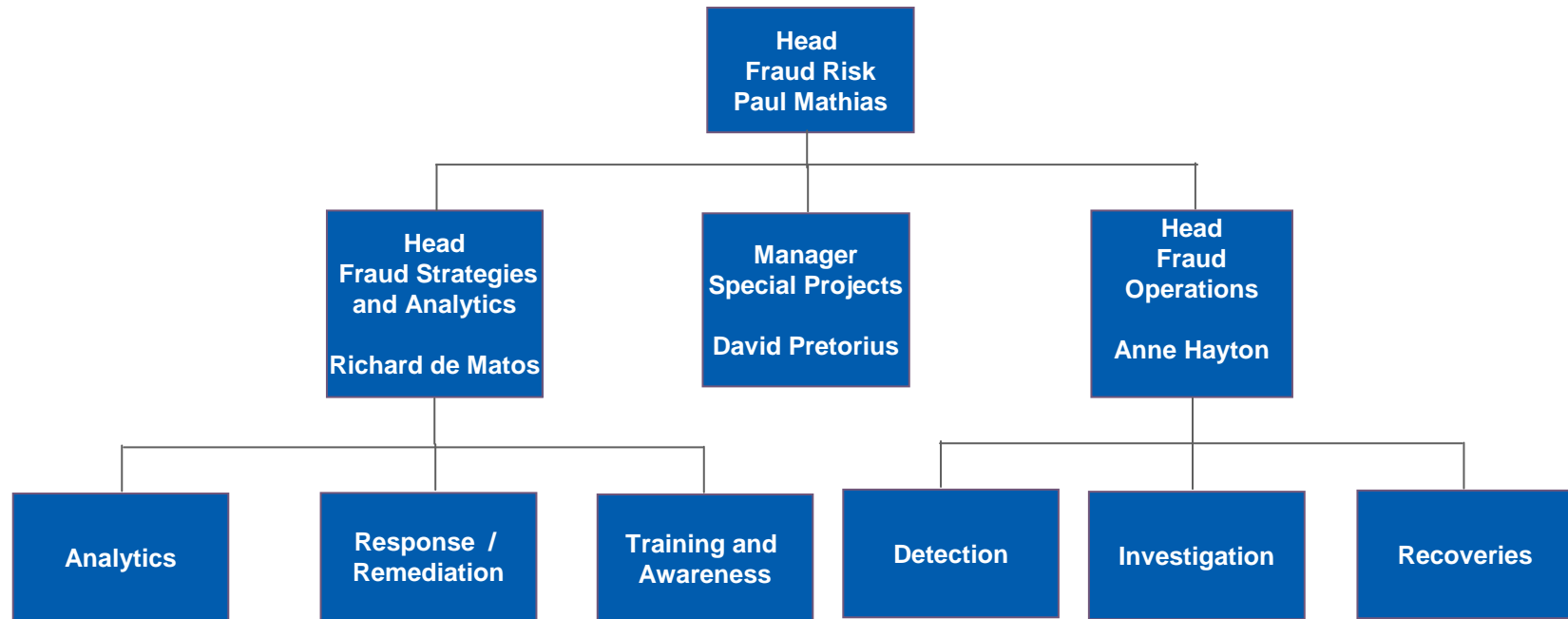
# Managing Fraud Risk

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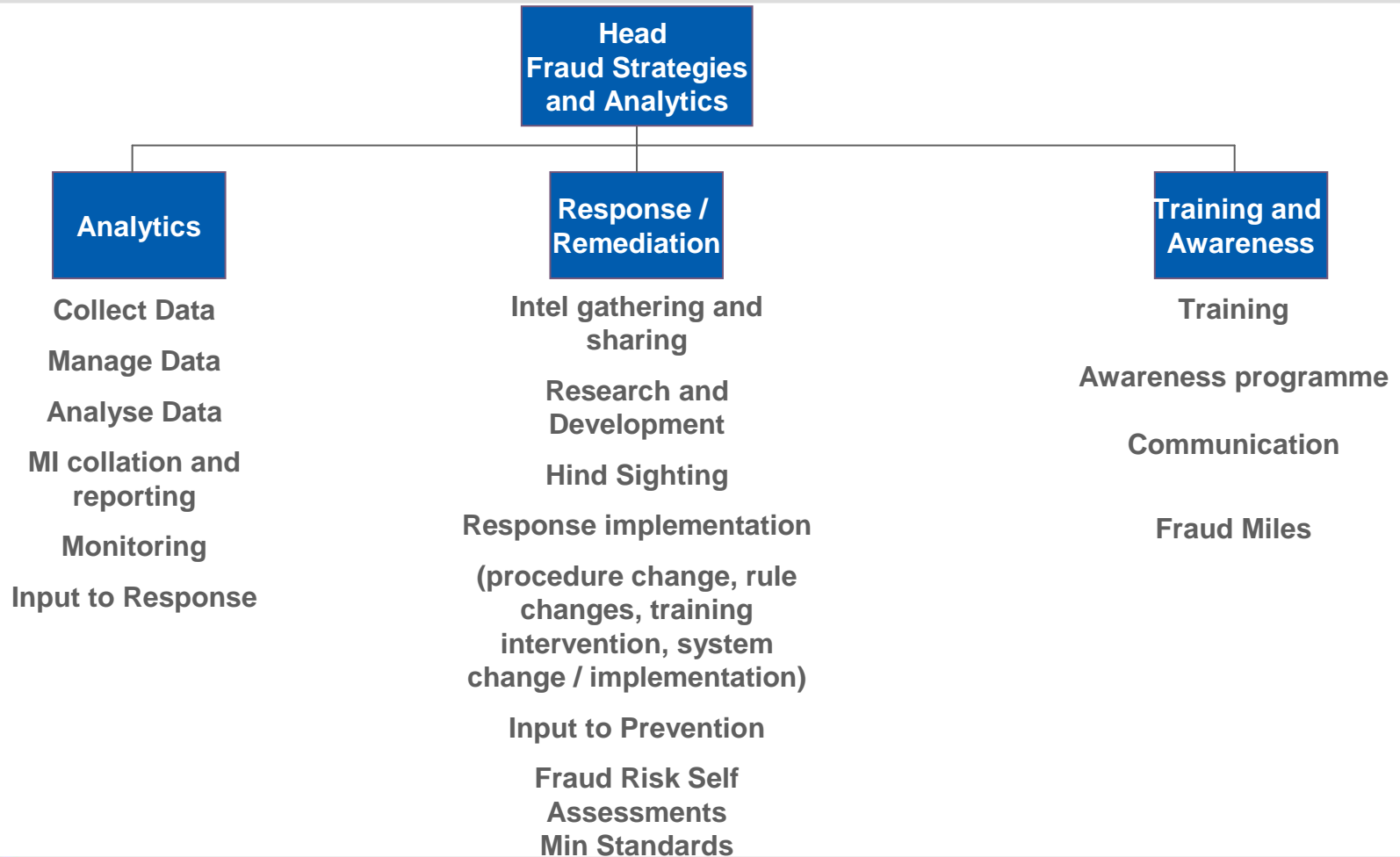


# Structure

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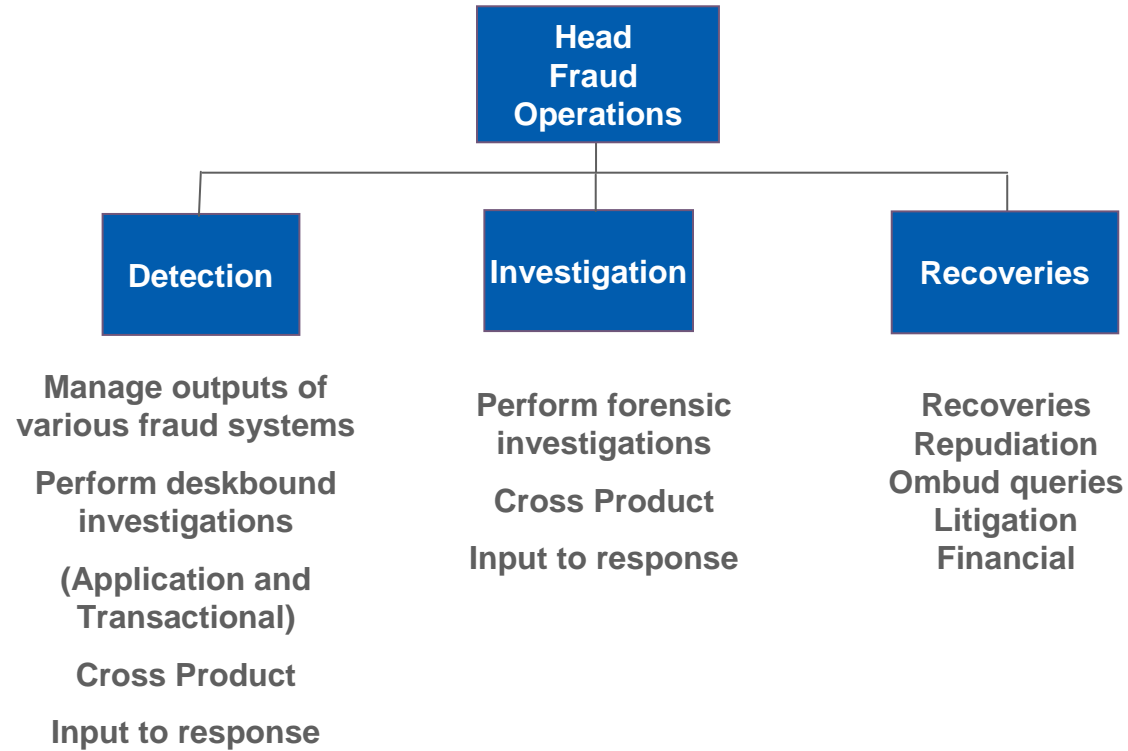


# Structure (cont.)



# Structure (cont.)

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# Roles and responsibilities

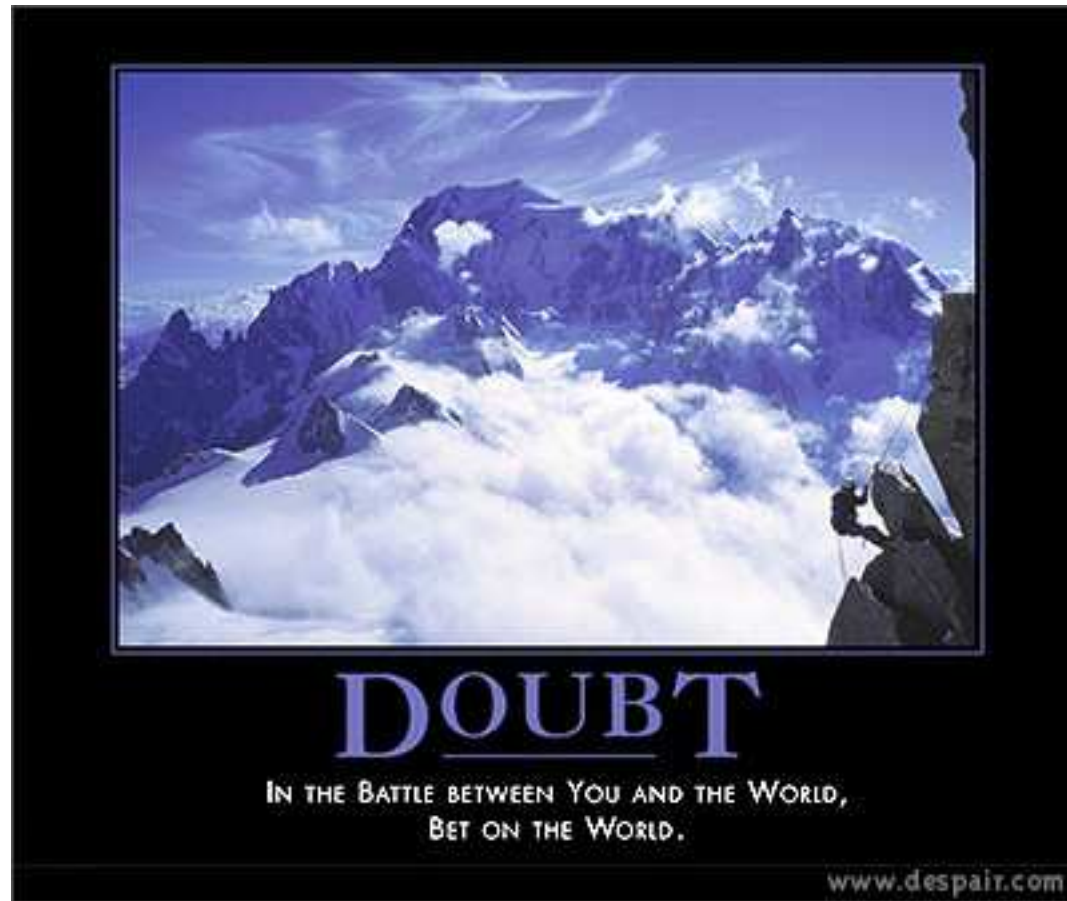
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- Responsible for fraud risk management across Personal and Business Banking, South Africa through a centralised environment structured around fraud types and product specifics
- Driven to deliver sustainable value to Personal and Business Banking by managing fraud losses within agreed risk tolerances
- Own the fraud risk value change encompassing Prevention, Detection, Investigation, Remediation and Recovery
- Collaborate with business partners across the product houses in introducing business enabling strategies and solutions to address product specific risks. Assisting our internal partners in playing their part in a holistic, comprehensive fraud risk strategy
- Work with various partners, both internal and external, to achieve our aims, these include the likes of Group Internal Audit, PBB Operational Risk, SABRIC, the South African Fraud Prevention Service, Fair Isaac, etc
- Manage the risk through a closed loop approach where we analyse the fraud losses and near misses experienced and channel findings back into our preventative efforts
- Blend tactical and strategic solutions with advanced technology and best practice operational risk management principles
- Provide guidance on all fraud related matters from policy, procedures to new product proposals
- Exclusions – Internal / Staff related fraud owned by GIA Forensics. No mandate in rest of Africa, rest of globe

**“Because it’s not always business as usual.”**

# Managing Fraud Risk

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# The path to a centralised Fraud Risk model

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## The previously decentralised view

- ◆ Multiple and divergent structures across SBUs
- ◆ Multiple and divergent processes
- ◆ Various non complimentary technologies deployed
- ◆ Incongruent strategies and risk framework across SBUs
- ◆ Lack of formal policy and resultant inconsistencies
- ◆ Lack of co operation between areas
- ◆ Uncoordinated stakeholder engagement (internal and external)

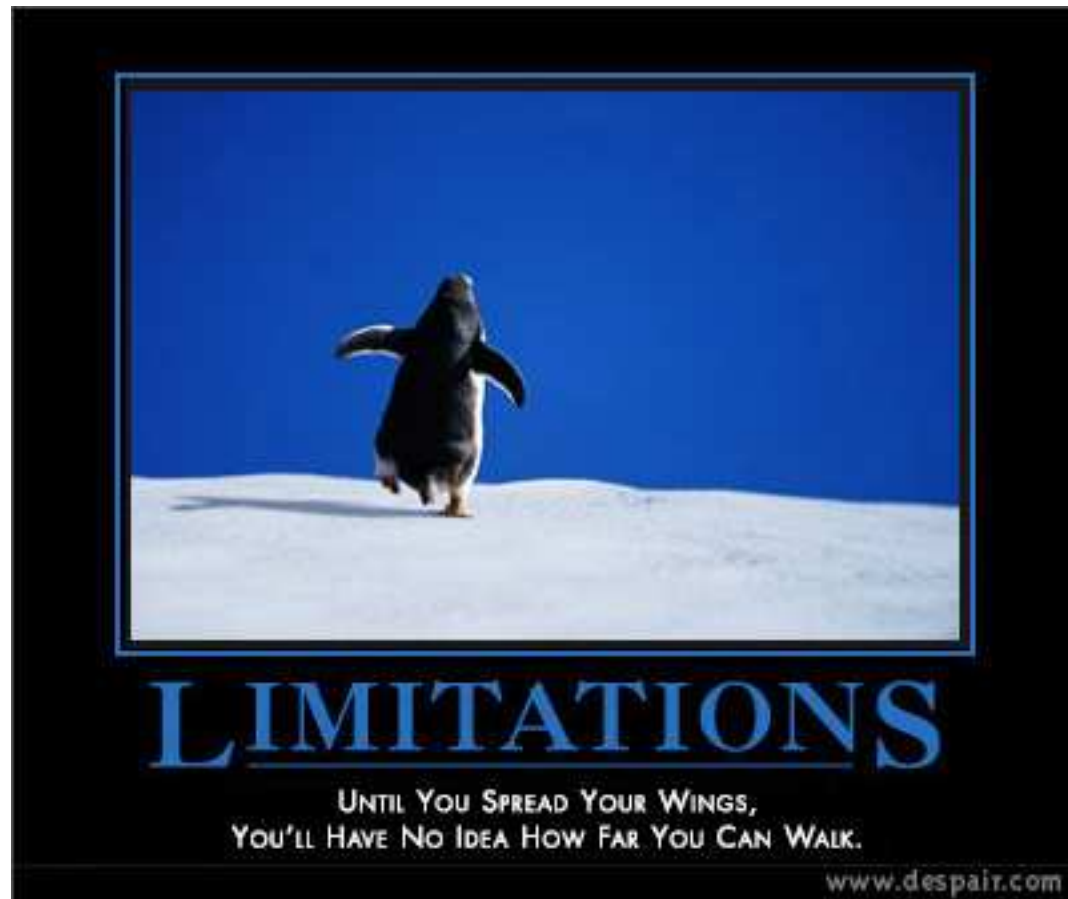
# The benefits of a centralised model

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- Customer view of fraud (non-siloed view)
- Pooling of skilled staff
- Congruent strategies, policy and risk framework across Bus
- Improved application of analytics discipline across fraud types/ products
- Improved reporting and monitoring implies improved MIS
- Expanded investigative capabilities
- Improved external stakeholder engagement
- Improved internal stakeholder engagement through retention of product focus
- Enables move towards the introduction of complementary technologies (fraud risk technology blueprint)

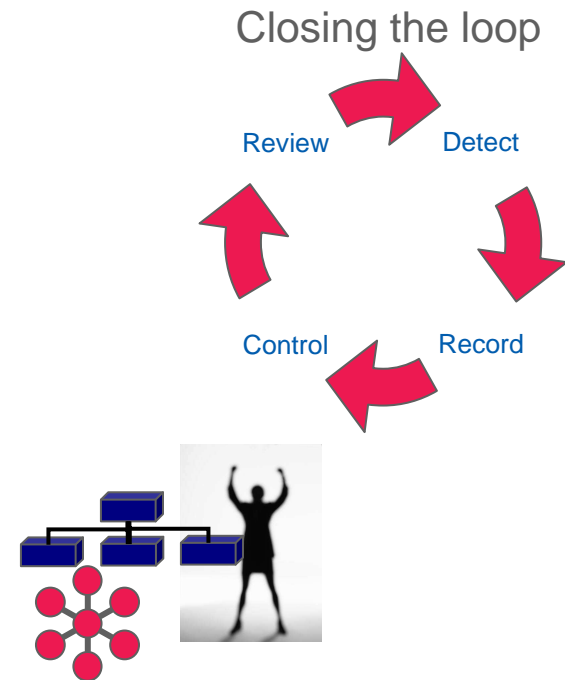
# Managing Fraud Risk

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# Fraud Risk Management principles

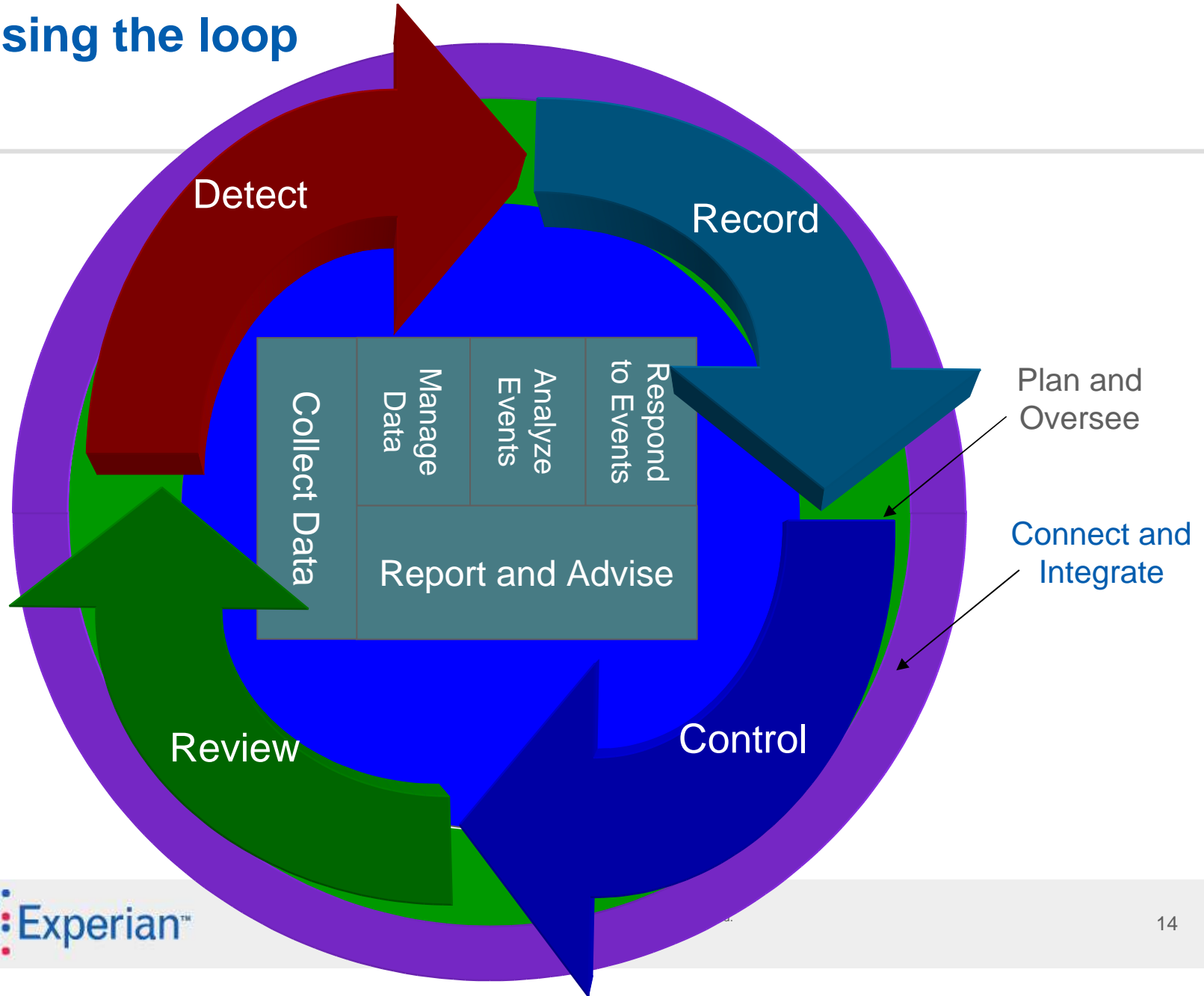
- Prevention – Policy, Adherence, Internal Controls, Training, Awareness, Incentive Programme
- Detection – systems, eyes and ears
- Investigation – criminal proceedings, intelligence sharing, convictions, disruption
- Remediation / closing the loop – analytics, learning the lesson, implementing the fix, industry participation
- The Anti Fraud Ring approach
- Other considerations – risk tolerances, business drivers, industry collaboration, recovery.



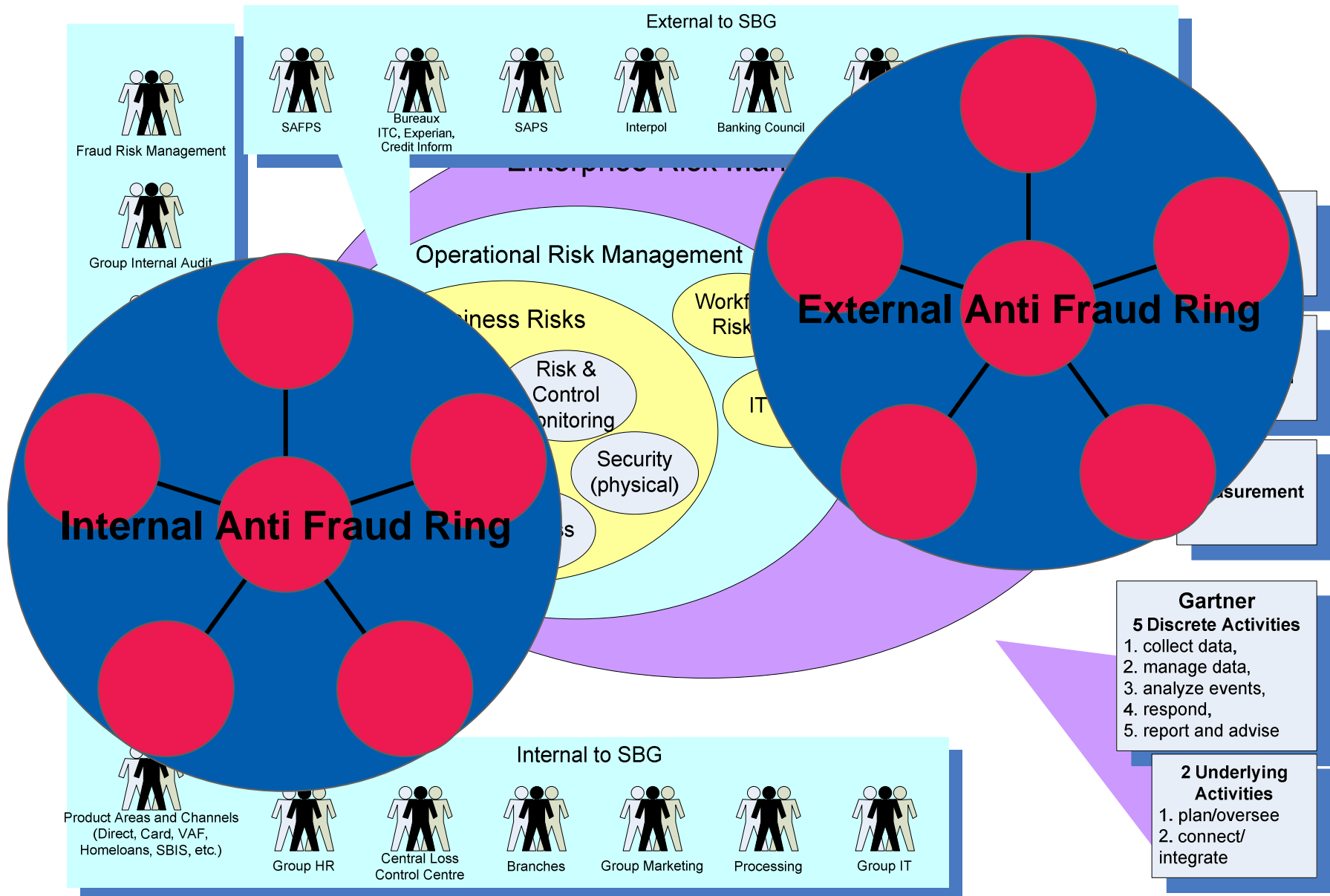
## The fraud risk management value chain



# Closing the loop

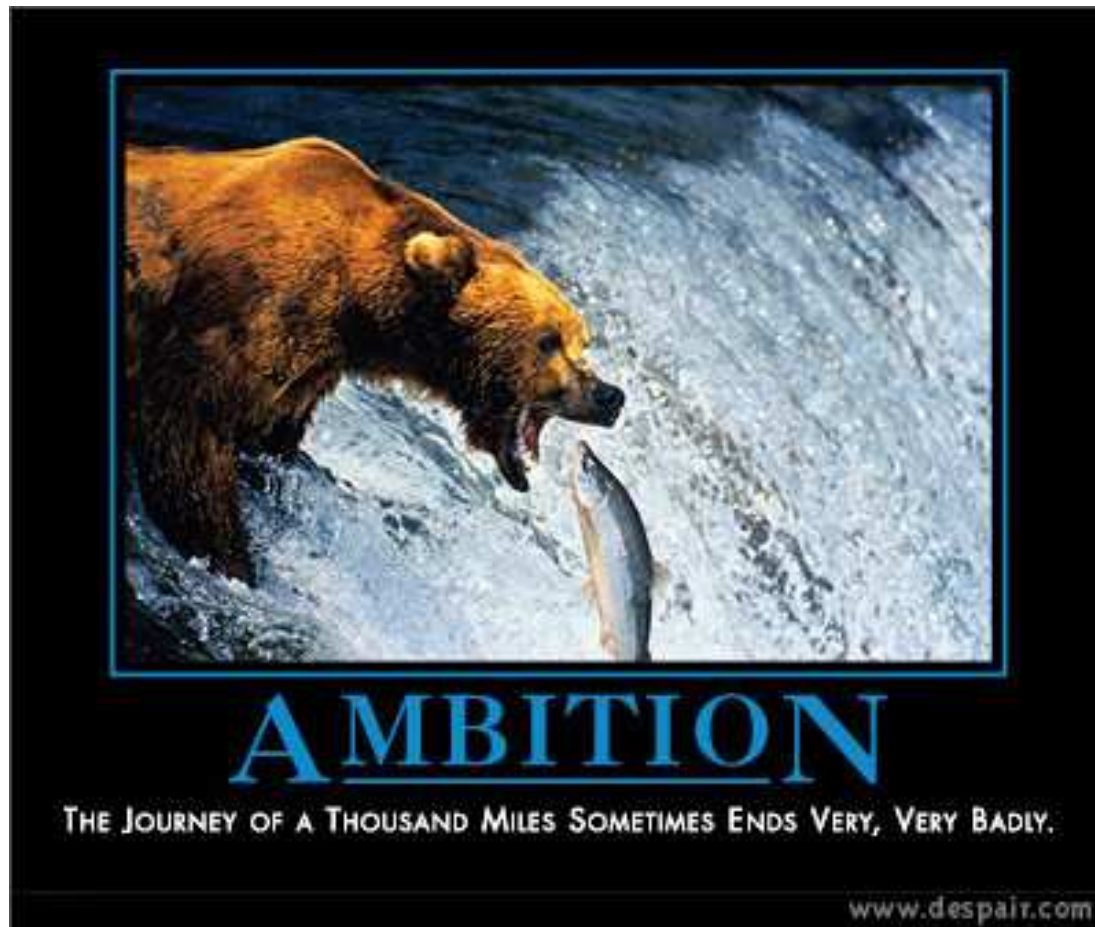


# Anti fraud ring approach



# Managing Fraud Risk

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# Current state of play

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## Current defences:

- Negative database matching
- Internal Controls
- Industry initiatives – SAFPS
- Training

## Lifting our game:

- Hunter
- Authentication models –  
Income, Identity
- Improved security questions
- Fraud within bad debt
- Consulting

# Managing Fraud Risk



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## Questions

