

SAS NEWSLETTER

Issue No.1655/IT - December 2014

Welcome to the monthly SAS Newsletter, this issue contains the following topics:

- **The Global Rise in Banking Fraud and how it had affected the GCC region**
- **The most prominent forms of fraud in the region**
- **How SAS can counteract these forms of fraud in the region**



Fraud in the GCC and how it has affected the region

The 2008 global recession paved the way for an increase in innovative and ever more difficult methods of detectable fraud tactics.

Over 40% of respondents to a recent survey conducted amongst banking officials and central bank representatives in the GCC felt that fraudulent behaviour resulting from professional misconduct and misrepresentation was a major issue in the region and that it had a direct effect on an organisation's financial losses. Current estimates for the last three years reflected losses defined as "bad debt" for many financial institutions (FI) and banks operating in the region over the \$100,000,000 mark.

The primary losses were as a result of fraud and misrepresentation directly attributable to crimes related, to what is known as "application inconsistency fraud". This is carried out during the initial phases of interaction with an FI's representatives and subsequently via other means such as cheque forgery, procurement fraud and credit card and loan misrepresentation. Identity theft, money laundering and the hacking of financial institutions and banks security systems to gain a foothold in their data storage and operating systems are other prevalent methods of fraudulent activity that is affecting the current virtual security landscape for banks and FI's operating in the region.

According to the Association of Certified Fraud Examiners, an estimate of **5% revenue** of loss to typical organizations is due to fraud annually.

Point of Sale and Credit Card fraud has been a major issue in the region as of late, with the Kingdom of Bahrain experiencing a spate of cases that have led to massive financial losses to financial organisations and their respective customers.

[EXAMINE - POINT OF SALE FRAUD IN THE GCC](#)



The most prominent forms of fraud in the region and what technological solutions SAS offer to tackle them.

Anti-money laundering: SAS offers a proven methodology available via distinct solution offerings to fit the anti-money laundering needs of different financial institutions, regardless of size.

Credit and debit card fraud: SAS offers the only solution for credit and debit card fraud on the market that scores 100 percent of all card transactions:

- Purchase, payment and nonmonetary
- In real time at the point of sale (“POS”) to better protect your customers and to reduce fraud losses.

First-party fraud: *SAS Social Network Analysis*™ fully integrated with the *SAS Fraud Framework for Banking*™, helps banks detect and prevent first-party fraud by going beyond individual and account views to analyze all related activities and relationships at a network dimension.

[EXPAND - SEE MORE HERE ON SAS'S FRAUD FRAMEWORK™ FOR BANKING SERVICES](#)

Application Fraud

Application Fraud is fraud committed by submitting a new credit application with fraudulent details to a credit provider. Application Fraud accounts for 8 to 10 % of a bank's bad debt book and is misclassified as bad debt when it is actually fraud.

This is why detecting this type of fraud at the initial point of contact with a client is the most vital moment in ensuring its chances of developing into a successful incident of fraudulent activity resulting in a loss to the bank is eliminated.

The issue many banks and financial institutions face with this type of fraud is that the applicant for credit is a “real person” representing a single identity, when in fact it is often a “fake person” utilizing multiple stolen identities, to open an account of credit with the bank that has vastly shifted the challenges involved in credit risk from “can't pay” to a “won't pay” paradigm.

With the development of high performance analytics and in-memory processing, fraud detection systems must look past traditional rules-based approaches and use the data they have to its full potential, the implementation of **SAS® Fraud Framework** can curb this type of fraud.

By implementing the **SAS® Fraud Framework**, utilizing the full hybrid approach to analytics, including complex social network analytics, our customers have realised numerous benefits, including:

- **Significantly reduced false positive rates;** clients who were experiencing fraud hit rates of 1 in 30 are now achieving average hit rates of 1 in 5
- **Increased level of fraud found at the point of application** - critically before the money is lost; demonstrating an average ROI of 10:1 or more

[REFER - SAS'S WHITEPAPER ON BANKING APPLICATION FRAUD](#)



Outlook

Banks and Financial Institutions in the GCC have varying levels of understanding with regards to the ideal structure for fraud management strategies. A sustained management focus is needed to understand current characteristics related to fraud and misconduct in their organisation in order to design a strong, organisation specific fraud risk management strategy.

With SAS's Fraud Management products, Banks and Financial Institutions can now mitigate their risks and resulting losses associated with fraudulent activity. SAS offer the bank a significant advantage in the quest to manage and control fraud losses.

[READ - SAS's ROBUST AND CURRENT PRODUCT RANGE](#)

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