



# Six Fundamental Truths About Fraud







# Let's face facts.

The world of fraud is evolving quickly. Despite unpredictable shifts and changes, there are certain truths that remain relevant. **We've isolated six of them that are true today — and will be true in the years ahead.**

# 1. Fraud is growing faster than one may realize — and will continue to do so.

Over the past decade, fraud has become an increasingly large problem for corporations around the world, especially those in the financial sector. While billions have been spent on fraud prevention, fraud continues to grow. Currently, incidents of new account, account takeover, and synthetic ID fraud are expanding at an annual rate of 100% or more.<sup>1</sup>

In the years ahead, fraud growth will continue at a rapid pace, due to a number of factors:

- From e-commerce to online banking, more and more transactions are migrating online
- A growing base of global consumers and transactions will create new exposures
- A borderless global economy enables fraud across jurisdictions
- Activity from global crime rings, terrorists, and state-sponsored cyber-attacks are on the rise
- New fraud methods are evolving rapidly, fueled by emerging AI and machine learning technologies

Fraud will continue to grow for one very simple reason: it is very lucrative for those who know how to commit it. And as long as they are able to successfully commit fraud, they will continue.

## 16.8 Billion in Fraud Losses in 2017<sup>2</sup>

New Account  
Fraud up 200%<sup>1</sup>

Synthetic ID  
“Victimless Fraud”  
= \$1 Billion<sup>3</sup>

Account Takeover  
up 300%<sup>1</sup>

## 2. You will be tasked to do more — and to do it better and faster.

In this environment of rapidly increasing fraud, corporations and financial institutions are expected to achieve results that, on the surface, seem contradictory:

- Improve the customer experience
- Implement more effective fraud prevention measures
- Maximize efficiencies
- Minimize friction
- Increase acceptance rates and reduce false positives

For organizations that are overwhelmed with data sources and point solutions, these conflicting goals are a recipe for increased fraud. Existing systems simply cannot expedite and improve the customer experience, without increasing the risk of fraud or false positives.

To compound matters, companies and financial institutions are not sure where to focus. According to Forrester, the perceived areas of greatest concern are nearly evenly split across various risk categories:



In an era of increasingly sophisticated fraud, the parallel objectives of increased scrutiny and reduced friction can only be met by harnessing solutions that can respond immediately to today's threats — and anticipate tomorrow's threats before they impact business.



### 3. Legacy systems are not prepared for the coming deluge.

Fraud is adapting, evolving, and changing. The people who commit fraud are learning on the job and using advanced technologies to spot new weaknesses.

Legacy systems and traditional rules-based fraud detection were not designed for this type of environment. Initially, rules-based systems relied on large-scale manual screening programs to review transactions and spot fraud patterns.

While this system was somewhat effective, it had two major flaws: Manual detection could not handle a rapid rise in transactions without slowing down processes. And, once fraudsters understood the rules of a legacy system, they look for ways around them, and explore new opportunities for fraud.

As the number of overall transactions increase, legacy systems around the globe will continue to experience the same problems:

- Increased false positives as a result of all users being flagged if they deviate from the norm
- Reduced speed and agility
- Inability to adapt and learn as quickly as fraudsters

Fraud adapts and organizations that cannot anticipate their next move will be faced with growing risk and exposure.

“Fraud is moving too fast for the legacy approaches that rely on rules and annual model refreshes to be effective. Financial institutions need advanced analytics technology that can evolve rapidly and keep pace with the progression of fraud attacks so they can prevent losses while maintaining a positive customer experience.”

– 2017 Aite Group Report

## 4. Going forward, a holistic approach will be required to address fraud.

The world of fraud is alive. It is constantly learning, growing, and adapting. Combating fraud requires a “holistic approach” that enables you to anticipate threats as they evolve. In order to be effective, it must do two things:

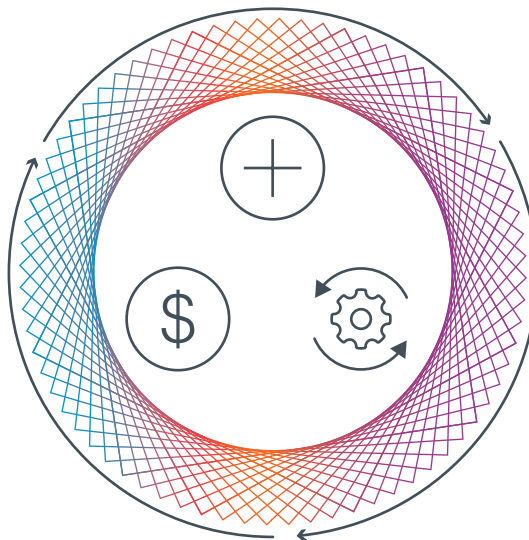
First, it must address threats across the entire customer lifecycle of activity.

You face exposure at every phase of the customer account lifecycle; your fraud prevention systems must be ready to address them all.

**Account Opening.** Acquiring new accounts is one of the most profitable — and expensive — initiatives for any company. This area will see a substantial rise in synthetic ID fraud in the coming decade.

**Account Access and Management.** Account takeover and transaction fraud not only costs money, but can impact an organization's reputation and create customer churn.

**Transactions.** Deposits, transfers, purchases, and payment events represent a substantial percentage of funds lost to fraud.



Second, it must leverage a more diverse range of data sets, sources, and capabilities.

It is no longer safe to rely on set rules and structured data alone. A more sophisticated approach is needed that incorporates a more robust set of solutions:

- Structured data from traditional sources
- Unstructured data, including device behavior, social media, operating systems, documents, and transactions that help evaluate trends, consistency, and disparity in areas like volume, velocity, and diversity
- Machine learning that leverages advanced analytics to identify threat vectors and anticipate fraud schemes
- Cloud-based capabilities that offer enhanced security, while supporting faster analysis, increased acceptance rates, and reduced false positives

## 5. The answer is a multi-dimensional approach.

Not all systems are created equal in their ability to fight fraud holistically. Solutions that were once leading edge haven't kept pace with evolving fraud threats, which are becoming more persistent and complex. In order to maintain their effectiveness, today's solutions must be nimble enough to adapt as threats evolve.

Luminate™ combines industry-leading data and analytics from Equifax with best-in-class technology and vendors to provide a holistic, anticipatory approach to fraud prevention. The solution aggregates data across a wide range of sources to provide a comprehensive view of device users and their transactions.



### **EQUIFAX**

Data, analytics, credit decisioning, ID verification, and fraud services



### **ADVANCED ANALYTICS**

Machine learning, predictive analytics, and adaptive decisioning



### **THIRD-PARTY DATA PROVIDERS**

For robust unstructured device, behavioral, and transaction data



### **CLOUD SERVICES**

To support speed, flexibility, adaptability, and agility

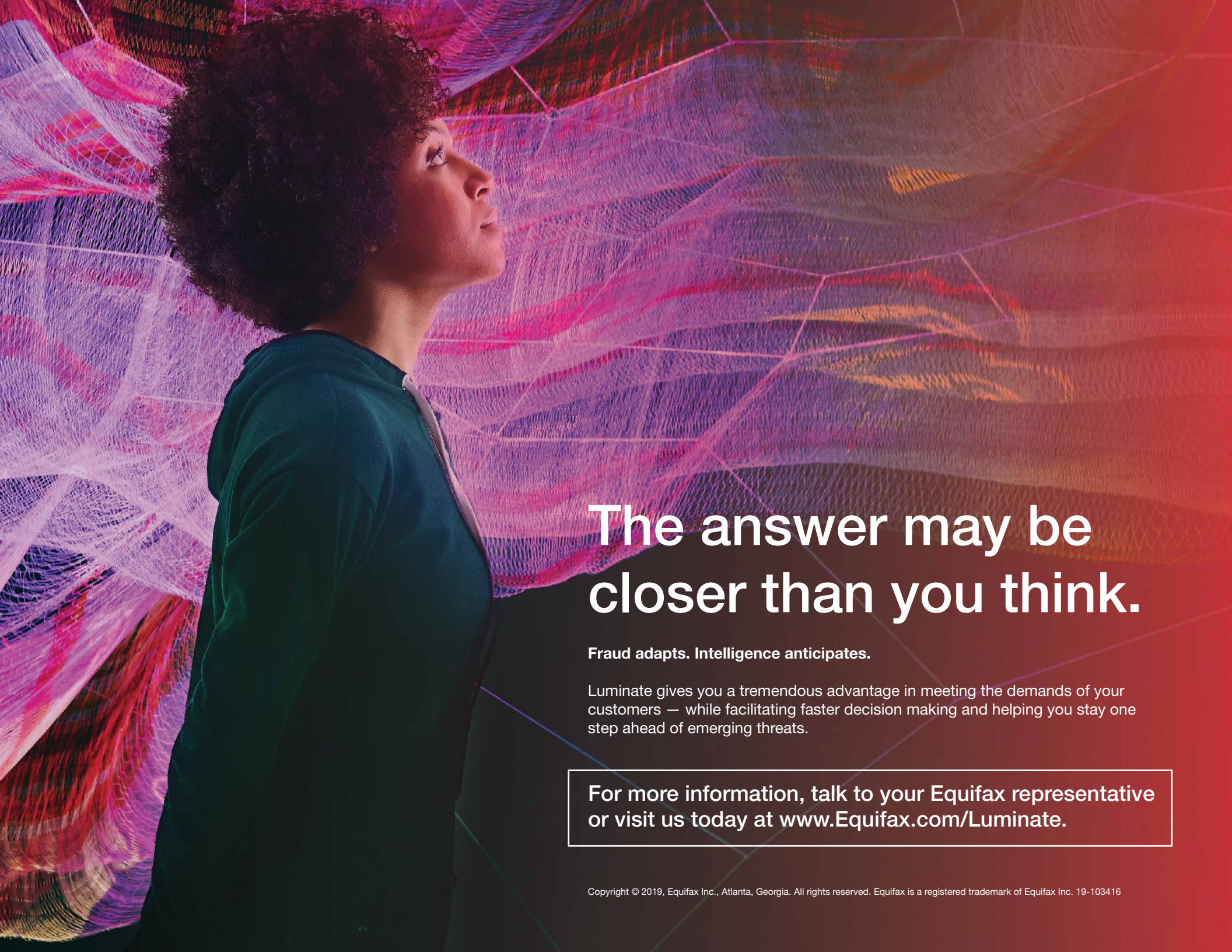
Together, the entities that comprise Luminate create a multi-dimensional data lake that aggregates all data sources, providing a comprehensive view of the user that leads to better insight and faster, more accurate decisioning.

## 6. The ideal solution is the one that's capable of change.

- Facilitating operational efficiency
- Evaluating fraud risks in near real time
- Reducing friction
- Adapting to and anticipating new threats before they impact you and your customers

Operating in this environment requires more than a robust solution; it requires one that is intelligent and nimble enough to shift when and where needed.





# The answer may be closer than you think.

**Fraud adapts. Intelligence anticipates.**

Luminate gives you a tremendous advantage in meeting the demands of your customers — while facilitating faster decision making and helping you stay one step ahead of emerging threats.

**For more information, talk to your Equifax representative or visit us today at [www.Equifax.com/Luminate](http://www.Equifax.com/Luminate).**