

Bank of Ireland Protects Customers from Cheque Fraud with Carreker's FraudLink

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When Bank of Ireland became the first Irish-owned bank to use Carreker's fraud-detection product, FraudLink, its objective was clear: Customer Protection!

"Protecting customers' assets and deposits is at the core of banking excellence. We chose technology that would help us do a better job of identifying potentially fraudulent items so that we could allocate our risk management resources more productively," said Michael Keegan, Bank of Ireland's Manager, Operations Development.

Bank of Ireland has been using FraudLink for more than a year now.

"There's no doubt that our greater vigilance vis a vis fraud is paying off across the enterprise. Through heightened management focus, better training, and technology advances like FraudLink, we believe we are substantially managing down our risk," said Gerry Gibson, Fraud Manager, Bank of Ireland. "Because of the way we approached the whole issue of fraud, we realised some unanticipated benefits as well. This system was, after all, just one aspect of a larger initiative to guard against fraud. So it came with heightened management focus, better training of our staff, and an overall greater vigilance."

As fraud of all types escalates, attempted cheque fraud continues to be a challenge for banks. Gibson added, "Cheque fraud (also known as strikethrough in Ireland) has continued to increase year on year in Ireland. It is ironic; even though cheque usage as a percent of payments is declining, strikethrough still rose because of the sheer growth in our economy. Counterfeit cheques are rising, as is the average fraud loss. It is important for us to be on guard, and FraudLink has proven to be a successful technology in that regard."

Cheque fraud concerns have been heightened recently, as banks in the United Kingdom and Ireland are aggressively tackling the fraud issues associated with cards through the introduction of a chip/pin-based infrastructure. The fear is that the fraudsters will target other payment methods such as cheques and cross-border payments.

According to the Irish Paper Services Organization (IPSO), about 122 million cheques were written and processed during 2002 in Ireland. Of these approximately 75 million went through interbank clearing.

As other Irish banks have since chosen Carreker's fraud detection systems, FraudLink now scans about 60 million cheques throughout the country.

FraudLink uses advanced analytics of cheque-writing and deposit behaviour to identify potentially counterfeit or fraudulent cheques at teller stations, in the back office, and among deposited items. Large bank users of FraudLink typically realise return on investment in six to twelve months, reducing fraud losses by as much as US\$700,000 a month, depending on the user's cheque volumes.

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Installed at 74 financial institutions worldwide, FraudLink On-Us™ has been proven to identify up to 80 percent of fraudulent checks, allowing most banks to realize a return on their investment within six months.

FraudLink Deposit™ compares current account activity with bank-set rules, fraud trends and normal customer behaviors to reduce losses from deposit, new account and ATM fraud. It also identifies account takeovers, which are often a factor in identity theft.

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"We are quite demanding in terms of how rapidly our technology investments must 'pay us back,' and FraudLink was very satisfactory in that regard," said Keegan.

Gibson offered one reason for the rapid ROI, "We made a point of not just installing Carreker's technology but also tapping into their expertise in fraud mitigation. After all, their systems already protect 70 percent of demand deposits in the US, and 95 percent in Australia. Before installing the system, they took a representative sample of our real-life fraud incidents and ran them through FraudLink's rules engine so that they could show us what our detection rates would have been. So when it came to calibrating the system for our specific banking environment, the demographics of our market, and so on, it was real, and not speculative. Instead of generic thresholds, we were able to impose our own, tightening them in some areas, relaxing them in others, based up on our experience and their knowledge."

Gibson plans to expand the bank's usage of FraudLink.

"It stands to reason that we will wish to calibrate the system differently for different segments as the fraudsters change their techniques. That way, we can continue protecting the bank but also increasing the productivity of our risk resources," added Gibson.

Simon Gates, Managing Director of Carreker's London-based International group said, "We have seen the 'critical mass' effect before. When leading banks in a particular region or country deploy fraud-detering technology, they not only repel fraudulent attempts, but they discourage or deflect the practice. Fraud is a crime of opportunity and Bank of Ireland is forcing perpetrators to look elsewhere for the opportunity."

Bank of Ireland Group is a leading provider of financial services in the Irish market and has substantial business in Great Britain and the United States. It is a diversified financial services organisation with assets of €87 billion and some 18,000 employees, principally in Ireland and Great Britain.

