



Case Study: Merchant Risk and Fraud Management Solution

An overview of First Rate's implementation of Alaric's fraud prevention hub

David Brunson
Head of Financial Crime Prevention
First Rate Exchange Services

David Divitt
Principal Fraud Consultant
Alaric Systems

First Rate Exchange Services Ltd

- First Rate is a 50/50 Post Office & Bank of Ireland joint venture company
- Birth right: To sell Travel Money/Foreign Currency under the POL Brand through Post Offices and online
- Highly successful:
 - > 25% market share
 - ~ £3.5bn turnover
 - 230 employees
 - ~ £80m profit

The Challenge

The problem we were faced with

- Online sales growing strongly
 - Click & collect
 - Home delivery
- High fraud sector: currency is highly attractive, easily converted, high value transactions
- Despite 3D-Secure fraud is a significant risk to the business
- Current automated/manual mix producing curious results
- Poor acceptance rate ~ circa 55%

The choice

There are a variety of very different solutions to fraud detection on offer.....

- Black box – fiendishly clever – but cannot tell you how it works
- Scorecard approach – could tell you but have to shoot you (their intellectual property)
- Screening – for unusual customer behaviour as potentially suspicious
- PSP Payment Page – sold as a solution to PCI DSS with fraud screening rules, partially or fully outsourced

.....No option a perfect fit, so our choice was

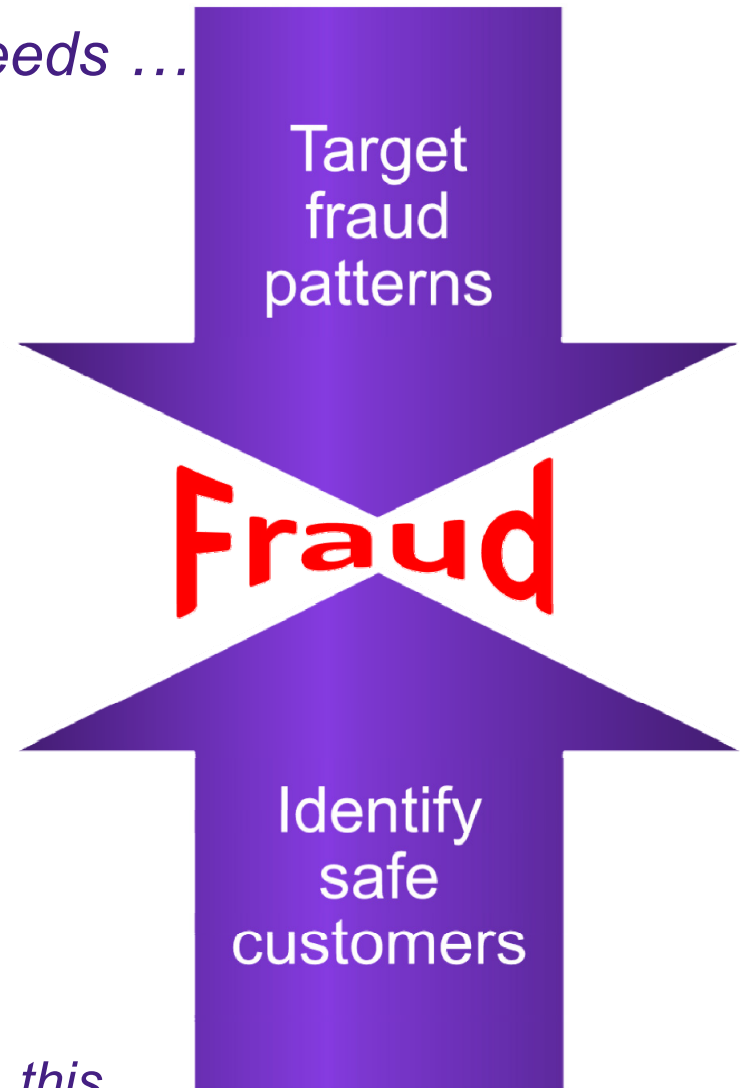
Develop a new approach

Adapt an issuer solution to merchant needs ...

Two pronged approach

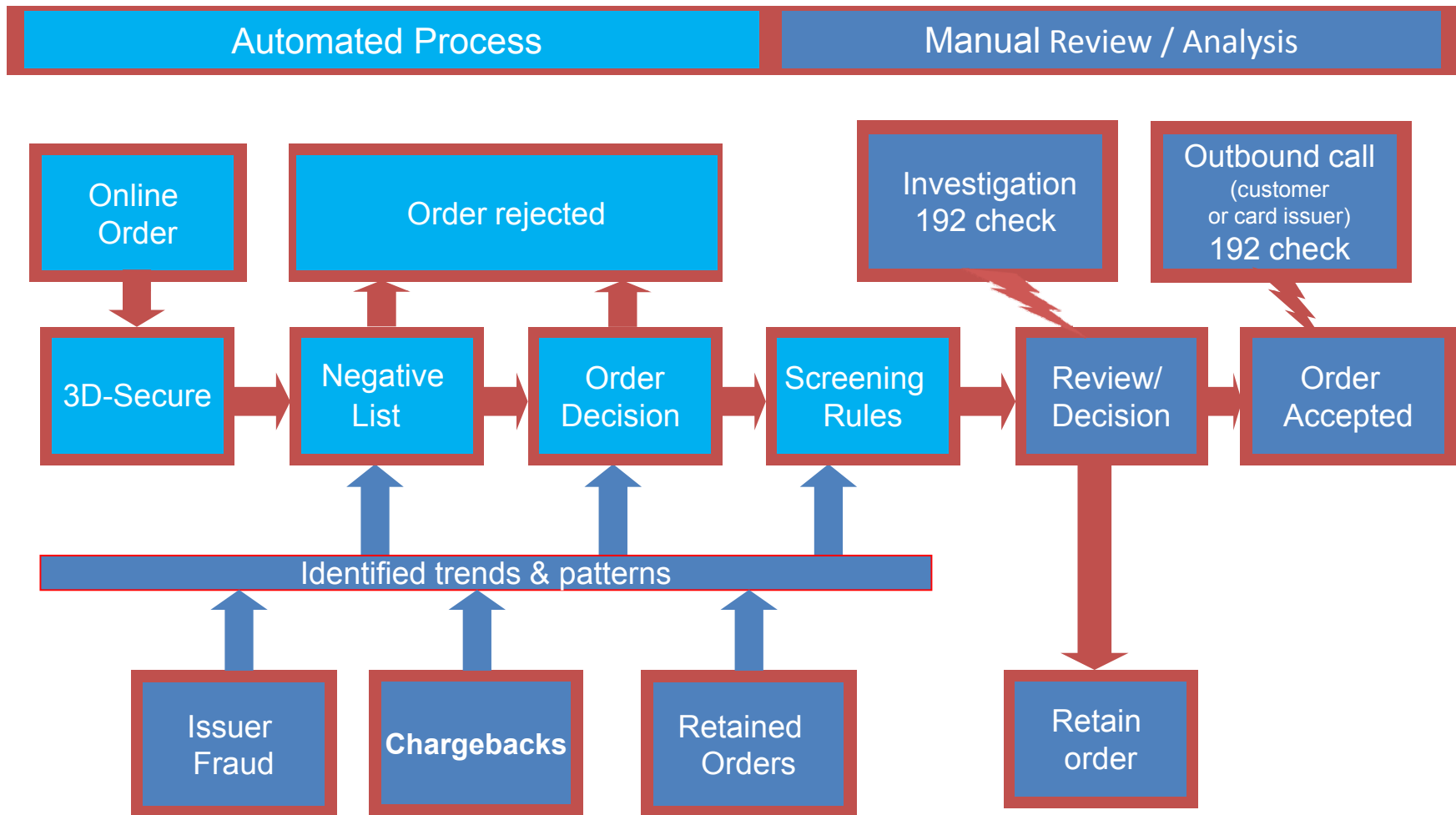
- Target known fraud patterns:
 - Spot known credentials
 - Identify characteristic behaviours
 - Target suspect areas

- Identify safe customers:
 - Identify low risk repeat customers
 - Reduce target area
 - Focus resources



..... The solution looks like this

Order Fraud Screening Process



..... and the results

The results



Comparative Data	Fraud/turnover (%)
1st Financial Services Firm	0.66%
2nd Financial Services Firm	0.08%
Travel Money Merchant	0.29%
First Rate	0.05%

Source: WorldPay

	Before	After
Fraud to Revenue	0.09%	0.05%
Fraud losses	zero	zero
Review Rate	100%	32%
Orders Accepted	55%	94%
False Retain	n/a	0.0002%