

Issuer and Acquirer fraud detection in a service provider environment

The largest card payments processor in Greece uses Alaric's award winning product, Fractals, to provide its customers with fraud detection services tailored to their needs.

Background

First Data Hellas is the largest card payments processor in Greece and was formed from the merger of Delta Informatics (the regional card payments processor) and Singular Software, an ERP software specialist. The company has an annual turnover in excess of 130M Euro and provides full turnkey IT solutions with its core service offerings in IT outsourcing, systems integration and software development. Since 1981, First Data Hellas has also processed the public election votes on behalf of the Greek government.

In card payments, First Data Hellas issues and acquires transactions for a large number of Greek banks and an increasing number of international banks in the Balkans and the Middle East. With its issuing services, it supports approximately 3.5M credit and debit card accounts, including Visa, MasterCard, and American Express products.

Drivers

As a progressive and innovative regional card processor, First Data Hellas is continually enhancing its services portfolio with new added value offerings. These new services enable First Data Hellas to provide a wider range of services to its existing customers and create a sophisticated and



comprehensive proposition in support of its goals for international expansion.

Fraud monitoring was identified as such a service. Several of First Data Hellas's customers had already identified a need to reduce both issuer and acquirer based fraud, Greece traditionally had a high level of acquirer based fraud because of the extensive use of international counterfeit cards in the merchants and issuer based fraud was increasing (due to counterfeit, skimming and card not present fraud).

More worryingly, both the adoption of smartcards in other regions (which would inevitably drive fraudsters' activity to regions without chip and pin) and the imminence of the Olympic Games in Athens in 2004 promised to further compound the problem.

First Data Hellas therefore recognised an opportunity to help its customers reduce the impact of fraud in Greece and sought to implement a sophisticated fraud detection system.

Requirements

The challenge for First Data Hellas was to provide a quality fraud detection service for each of its customers, given they

were of differing sizes and had differing needs.

The fraud monitoring service needed to cater for the specific requirements of each customer and to offer a graded level of detection capability ranging from a simple rules based approach to customised and adaptable detection models.

First Data Hellas identified the key requirements for a fraud detection system as follows.

The system needed to:

- Cater for all different card schemes and products;
- Have multi-institution capability, to enable banks to be treated separately and simultaneously within the system;
- Provide user interfaces centrally at First Data Hellas and optionally at First Data Hellas's customer banks;
- Have multi currency capability;
- Be capable of near real time and real time modes of operation;
- Provide comprehensive User Rules functionality;
- Be capable of providing custom detection models for the larger issuers;



- Provide both issuer and acquirer modules;
- Permit rapid client implementation;
- Be cost effective for the majority of its clientele.

First Data Hellas evaluated several possible solutions that existed in the market in early 2002, ranging from neural network systems to rules only systems. However, it proved difficult to find a solution that provided the full flexibility it required.

The neural network systems were too inflexible and would only be effective for First Data Hellas's largest customers while the rules only systems did not allow First Data Hellas to differentiate its offering from the card schemes' own fraud detection services.

The solution also needed to provide First Data Hellas with a solid return on investment and the capability to build new profitable business streams, both nationally and internationally.

Why Alaric?

First Data Hellas recognised that Fractals met both its technical and business requirements and enabled First Data Hellas to achieve the competitive advantage it desired.

Moreover, in Alaric, First Data Hellas found a partner eager to support the development of its value proposition around issuer and acquirer based fraud monitoring.

George Drymiotis, First Data Hellas's General Manager, summarised the decision in choosing Alaric's Fractals product as follows:

"Protecting cardholders from rising fraudulent use of credit cards is of paramount importance. We are excited to partner with Alaric as part of our commitment to the card payments industry. Together, we are providing a solution that delivers an extra level of protection to financial institutions and cardholders."

DeltaDETECT

The initial implementation of Fractals took less than one month, and was completed in December 2002. It was implemented in a near real time mode of operation, taking

batches of transactions from First Data Hellas's authorisation system every ten minutes.

Within six months of being operational, First Data Hellas had contracted its issuer based fraud detection services to three customers, namely Agricultural Bank, General Bank and Bank of Cyprus. This new business service was marketed under the brand "DeltaDETECT".

Product Description

Fractals is Alaric's award winning fraud detection system for card issuers and acquirers. It uses probability theory and Bayesian inference, together with a comprehensive user rules capability to deliver highly effective fraud detection performance for both small or large issuers and acquirers.

Alaric

Headquartered in London, Alaric is a leading supplier of advanced technology solutions for the card payments industry offering solutions for card payments authorisation, integration of legacy and web payment systems and card fraud detection.



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