Reporting and auditing, can it really help you detect Card misuse and Fraud?

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Growing Commercial Card fraud trends

What's driving the security landscape?

DRIVERS

Innovation

>> Contactless cards
developing strategies to identify and mitigate fraud

Government

>> CNP regulations
new and pending requirements in all regions

Data Compromises

>> Account takeover
get personal information and create a new, fraudulent card account

EMV CARD TECHNOLOGY[1]

Helps reduce counterfeit cards.

>> 50+% decrease in counterfeit fraud[1]
>> 2MM chip enabled U.S. merchants[1]

TWO-WAY MOBILE ALERTS

Allows real-time notifications for selected events.

>> 30 minutes, instead of 2 days[2]

1 SOURCE: PYMNTS.com The Straight Scoop on EMV: One Year Later, September 2016
2 SOURCE: BofAML customer experience, "… quickly connected to a fraud specialist at Bank of America, and had a new card requested all in 30 minutes"

MONITORING TRENDS
Card tokenization

Setting the stage

Data Breaches

A data breach is an incident in which sensitive, protected or confidential data records, i.e. credit card numbers, customer data, SSN, etc., have potentially been viewed, stolen or used by an unauthorized individual.

Card Present

A face-to-face transaction at a "brick & mortar" merchant where the physical plastic card is presented for payment.

Typically the card is processed through a terminal with a magnetic stripe or PIN reader.

Card Not Present

An online or mail order/telephone order transaction where the card number is entered into a form or provided verbally. Sometimes a "CVV" number is requested to validate that the purchaser has access to the physical card. The PIN is never requested (and should never be provided) for a card not present transaction.

EMV (Chip & PIN) Impacts

Decrease in Card Present Fraud

- EMV added security to the payment card

Increase in "Old" Techniques

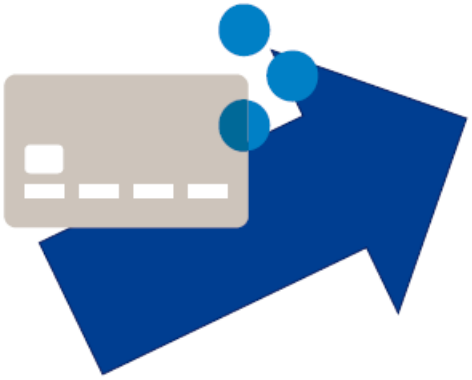
- Account takeovers
- Identity Theft
- Stolen Data

BofAML Experience

- 92% Overall US payment volume is on chip cards
- 55% of US storefronts are chip enabled
- 100% of BofAML clients are chip enabled
- Over 95% of BofAML Commercial Cardholders have a chip card in hand

Source: U.S. EMV Chip Monthly Update – July 2017 Snapshot

Card Not Present (CNP) Fraud



CNP Fraud is on the rise

- No physical card required
- Fraudsters can capture the information via data breaches

Evasive Actions

Merchants and Banks are implementing 3D Secure (Verified by Visa®, Mastercard® Securecode®)

Authorization process tied with an online cardholder authentication, expected to grow globally in the coming years

Practical fraud prevention tips and best practices

Client Controls

- Create guidelines for card issuance and handling
- Create internal procedures
- Create policies or business rules

Audit Best Practices

- Audit high risk transactions monthly
- Vendor Strategies
- Reconciliation

Program Administrators

- Make sure cardholder statement reconciliation is performed in a timely manner
- Monitor declined authorizations for signs of merchant and/or employee abuse
- Manage credit limits based on individual cardholder spending needs
- Consider MCC (Merchant Category Codes) restrictions and $ thresholds to prevent internal and fraud abuse
- Complete internal audits of transaction monitoring at MCC and cardholder levels
- Work with fraud team future for current authorization needs to improve control with least amount of cardholder impact

Improved methods are required to combat a persistently changing fraud environment

TWO-WAY MOBILE ALERTS

- Allows real-time notifications for selected events
- Instantaneous notification of suspicious transactions via text, email, or automated call
- Faster resolution of suspected fraud activity

CUSTOM FRAUD SCORING MODEL

- Only uses BofAML client card authorizations data
- Allows fraud rules to be specific to Bank of America client base
- Learns and adapts to client spending patterns to minimize false positives

ENHANCED FRAUD DETECTION EMAIL

- BofAML branding eliminates phishing concerns
- Allows multiple email recipients
- Contains reference number that will be used for authentication and account identification
- Email sent during the detection review process versus batch processing

Leading the industry in fraud detection and resolution

ZERO liability for external fraud impacts

Fraud protection and monitoring
Dedicated team tracks trends and reviews activity

Account activity alerts through SMS, email or phone
Real-time notification of transactions

Employee misuse insurance
Consistent North America coverage as a best practice

Program control and spend monitoring
Exception reporting based on MCC codes

#1 FRAUD PREVENTION CARD SOLUTIONS

Javelin Strategy & Research, 2015

IDENTIFICATION	ANALYSIS	TREATMENT	OUTREACH
Identify points of compromise through internal and payment network processes	Analyze identified accounts Data type exposed Fraud type	Block and reissue Ongoing monitor of accounts	Coordinated reissue with administrators Proactive messaging to cardholder through email and phone

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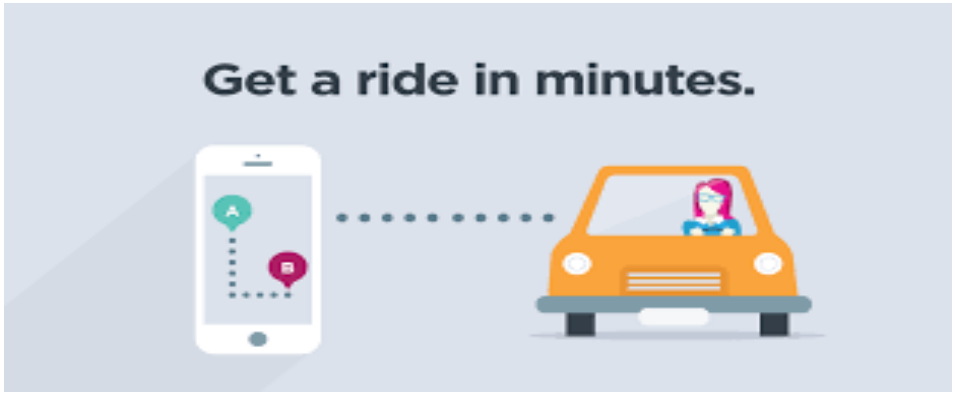
Real life examples of card misuse and tips to detect it

Third Party Payments…What's the Risk?

- Examples – PayPal, Square, & Stripe
- Allowable, but not the preferred method of payment
- Can pay through a third party system as long as card information is NOT stored

Questionable Vendors



lyft

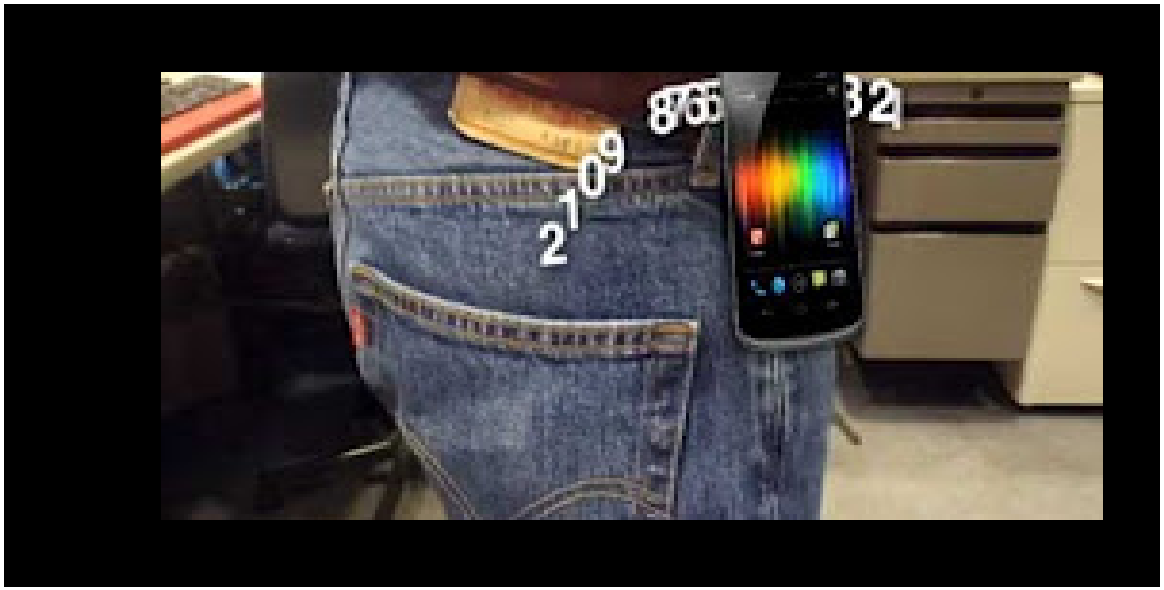
UBER

Fraud Examples

- Receipts- Statement manipulation
- PayPal- Payment to vendor with a personal name instead of business name
- Square- Payment to vendor with a personal name instead of business name
- Level 3 data- Look at payment details

Fraud Examples

Industry Fraud Trends



Suspicious Trends

- What are some suspicious trends you see???
- Multiple Transactions to the same vendor
- Multiple Credits received from the same vendor
- Increased number of Over-the-Counter purchases
- Frequent card replacements
- Diverting business funds
- Embezzlement of raw materials or

Types of Fraud

- Fraud trends
  - external
  - internal

If it is MISUSE….

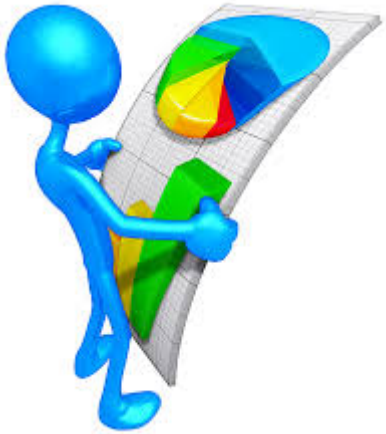
What's Next??????

- Immediately Contact Cardholder's Supervisor
- Alert DOA
- Suspend Card Immediately

Reports and Audits to detect Card misuse and Fraud on your program

Works Reports

- **Account Reports**
  - Card Declines
  - Card Status



- **Transaction Reports**
  - 13 Month Card Spend Analysis

- **Dashboard**
  - Audit

VISA IntelliLink Compliance

A web-based, modular application designed to provide analytics and investigative reporting; enable detection of potential misuse, abuse and potential fraudulent transactions; as well as ensure effective program compliance and management.

- **Rules**
- **Sampling**
- **Predictor**

What can you do to deter fraud?

Ways to deter Fraud

- Set appropriate monthly and single transaction limits
- Restrict by Merchant Classification Codes (MCC)
- Frequent reviews and approval of purchases by immediate supervisor
- Purchase reviews by a second person, the p-card coordinator
- Software monitoring to identify potential questionable transactions

The path forward

Fraud attempts will occur, but we are focused on minimizing impacts

Continued focus on balancing fraud risk while maintaining the highest level of client satisfaction

Let's work **together** to achieve a long-term, sustainable business model

Offer accurate contact information for your cardholders – including email address and phone number(s)	Enroll in account activity alerts for North America cardholders	Require fraud education and training, including phishing and masquerading

Implementing industry best practices has a positive impact on fraud deterrence

- Set company policies
- Review transactions and report suspicious transaction activity to bank immediately
- Segregate duties
- Differentiate user names and passwords across platforms
- Phishing & Masquerading – provide fraud education & training
- Client level fraud review – stats/trends/specific client experiences related to fraud

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