

Business Data Miners Reduces Debit Card Fraud Loss \$3 Million Annually for a Top 15 Bank

Customer Problem

According to the Federal Register, in 2010 fraud debit card losses to financial institutions were 13.1 cents per 100 dollars signature transaction and 3.5 cents per 100 dollars PIN transaction. For a large bank with tens of billions of debit card transactions annually, the fraud loss could be in the tens of millions. Thus, effective fraud detection rules are crucial in reducing loss without affecting normal transactions. In a large bank, existing debit card fraud detection rules are created in an ad hoc way and have high false positives that lead to the following problems: higher fraud losses and large numbers of good customers impacted by false alerts. When normal transactions are falsely blocked, experience shows that customers may leave the bank.

Customer Solution

On monthly basis, the bank sent Business Data Miners anonymized debit card transactions, fraudulent claims filed by cardholders, and fraudulent transactions detected by the bank. Business Data Miner using a fuzzy matching process merges the above three data sources, performs advanced analytics and generates effective, data-driven rules that detect fraudulent transactions. These rules are in the format of standard database SQL and can be implemented into production to generate high quality alerts in real or near real time. Rules created by DBM are 6 times more accurate than existing rules. The BDM rules reduce on an annual basis an additional \$3 million in fraud loss for the bank.

For More Information about this Case

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