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BIG DATA ANALYTICS

Boosting Fraud Detection Accuracy With Big Data



John Edwards, Technology Journalist & Author
8/23/2013
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Fraud prevention is one of the more formidable big data challenges facing the financial services industry, yet it is also an area promising some major benefits.

Virtually all major financial services firms are now exploring how big data analytical tools can be used to uncover and root out fraudsters, but in the process they are also finding themselves striding along a precarious tightrope linking security with customer satisfaction.

The ROI of big data fraud analytics

The stakes involved are considerable, to say the least. According to the U.S. Department of Justice's [Consumer Sentinel Network](#), the total amount of credit card fraud worldwide is \$5.55 billion and rising. For a typical financial services firm, fraud-fighting big data analytics easily pays for itself. Additional revenue-loss savings will pour directly into the company's coffers.

Looking to put a stop to increasingly bold fraudsters, financial service firms are pouring vast amounts of money and manpower into the development of sophisticated algorithms and other data-analytics technologies. Relying on a massive amount of data drawn from a wide array of sources, including customer databases, point-of-sale transactions, social media, and information acquired from external data vendors, financial services firms are rapidly enhancing their rates of fraud detection and their fraud prediction capabilities.

Putting customers first

As they create a new generation of powerful fraud-identification tools, financial firms must be careful not to alienate legitimate customers by annoying them with repetitive false-positive alerts. Unnecessarily bombarding individuals and businesses with transaction verification requests and temporary account freezes could cause them to flee with their accounts to competing service providers. In an era of increasingly cutthroat competition, financial services firms need to maintain a positive and trouble-free customer environment, even as they strive to reduce fraudulent activities.

The good news is that most financial services customers appear to be willing to tolerate a certain amount of personal intrusion in exchange for security-enabled peace of mind. An Infosys [consumer survey](#) released in late June found that 82 percent of customers expect their bank to mine personal data in an effort to protect against fraud. Fraud prevention is such a critically important concern that more than three quarters (76 percent) of respondents would even consider changing banks if a competitor offered assurances that their data and money would be safe.

The growing threat

As more financial services firms begin using big data analytics to combat fraud, many fraudsters -- particularly those backed by global criminal syndicates -- are themselves becoming much more big data savvy. These days, it's not unusual for fraudsters to use their own advanced data analytics to uncover weaknesses in systems and procedures used by financial services, as well as to monitor the success of the fraud operations they are currently conducting.

For financial institutions hoping to successfully fight fraudsters on an increasingly sophisticated battlefield, a powerful big data analytics arsenal is now essential.

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AlphaEdge, User Rank: Exabyte Executive
8/26/2013 | 8:56:28 AM

Re: A moving target.

With amplification of data, fraud detection accuracy can be significantly enhanced I think. Of course, developing good algorithms is the key.

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a.saji, User Rank: Megabyte Messenger
8/26/2013 | 5:14:34 AM

Re: A moving target.

@netcrawl: Yes you need to detect the fraud plus you need to make sure that the other possibilities that can cause damages due the detected fraud is covered or will cause very less damage. If not its difficult or lets say virtually impossible to shoot a moving target.

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smkinoshita, User Rank: Exabyte Executive
8/25/2013 | 10:20:37 PM

Re: A moving target.

One advantage I can see the anti-fraud team has is the fact that fraud always has to go through some predictable channels. At some point it all has to target the same kinds of information. It's sort of like designing the perfect bullet-proof vest when you know your enemies always shoot for the heart.

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I hope the guardians of our data are able to utilize big data better than the bad guys. Catching up is better than inaction at least.

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netcrawl, User Rank: Petabyte Pathfinder
8/24/2013 | 6:22:24 AM

Re: A moving target.

@legalcio you're right there its a moving target, hitting a moving target is a daunting task because we need some "precision" here, how can you get precision if you can't detect fraud?, there's some pretty big challenges here that need to address first.

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legalcio, User Rank: Exabyte Executive
8/23/2013 | 3:16:42 PM

A moving target.

Fraud detection is a moving target, and one that most financial firms are still trying to catch up to. Big Data analytics can, hopefully, provide a more pro-active platform for financial institutions to better safeguard their (our) data. I just returned from the ILTA (International Legal Technology Ass'n) conference where I heard an FBI agent address security concerns. The bad guys aren't going away anytime soon.

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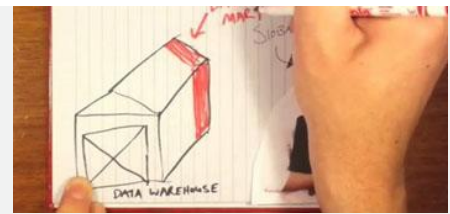
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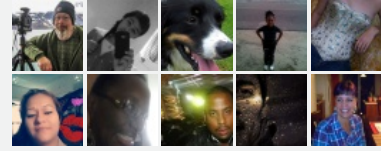
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