TRM

Overview:

Learn ten ways to help reduce fraud in your organization

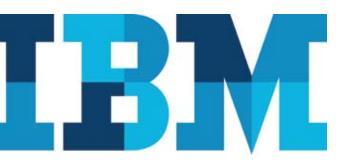
Opportunities for effective fraud detection and prevention

Ten expert recommendations for the banking and insurance industries

Every year, fraud costs companies and governments many billions of euros. In the current economic climate, fraud has increased at an alarming rate, adding to the financial impact on these organizations.

IBM recently organized two roundtable discussions, one with Dutch financial fraud experts and one with experts from Belgium, to help gain insight into strategies for detecting and preventing fraud. This research was conducted by Blauw Research and *Banking & Finance* magazine in cooperation with Tricia Howse, fraud detection specialist at the Serious Fraud Office, which investigates and prosecutes serious or complex fraud and corruption in the U.K.

Roundtable participants held in-depth discussions about fraud and economic crime and what should be done to combat it. These experts spoke about what they consider to be the greatest challenges and issues regarding fraud and described their recommendations for its detection and prevention.



Business Analytics

Findings

The roundtables revealed that combating fraud is a complex issue which is often discussed and handled within organizations on a rather abstract level. Agendas still seem to be dominated by defining the issue rather than working on an actual solution to tackle the problem. While there are many discussions on how to view fraud, on how the organizational culture and structure should be adapted, and on what the role of the legislator should be to better facilitate the fight against fraud, few tangible initiatives exist and little significant progress in actually combating fraud has been made.

However, the research also clearly indicates that organizations can take a number of relatively straightforward measures to detect and help prevent fraud and abuse. For example, they can adjust their remuneration systems; set up a central registration platform for fraud in order to focus the attention of their Executive Boards on the problem of economic crime; share more information internally and with other organizations; and deploy the appropriate technologies.

Roundtable participants concluded that risk management and fraud detection increasingly fall under the remit of business management rather than specialized departments such as the Fraud Department or Special Investigations Unit. The experts are also convinced of the importance of detecting and combating fraud at a corporate level, so that the Executive Board can make enterprise-wide decisions. By dealing with fraud issues at both the business level and the board room level, the decision-making process can become more effective and decisions can be better deployed across various business processes.

Finally, the roundtable discussions revealed that fraud prevention also requires more attention. Participants shared the view that, especially in these uncertain times, organizations should focus more on reducing risk, rather than merely on gaining profit. They also believe that more attention should be given to refusing bad business and that organizations should not invest in acquiring risky or dubious customers. They also concluded that sharing knowledge about risky customers internally and with other organizations can improve the detection of fraudulent practices, as well as result in cost savings because high-risk customers can be excluded from costly marketing campaigns.

Business Analytics

Recommendations

The roundtable discussions revealed that only a small number of organizations actively share knowledge and data on fraud and risk or use data analysis technology as part of their anti-fraud approaches.

The roundtable participants therefore proposed that financial organizations and insurance firms adopt the following recommendations to improve their fraud detection, prevention and risk management efforts:

- Improve data- and knowledge-management
- Pursue a change in business culture as well as prevention
- Focus on bringing the right people together
- Improve product development
- Increase transparency
- Take a critical look at remuneration systems
- Create a central registration platform for fraud
- Build success stories as a form of jurisprudence
- · Pursue a joint, strategic, European approach
- · Deploy predictive analytics technology

Conclusion

Organizations interested in developing effective fraud-fighting approaches have taken the first steps in that direction. But it is time for financial institutions and insurance firms to adopt more effective measures that will completely eliminate fraud, and predictive analytics technology will play a key role in these initiatives.

About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, predictive analytics, financial performance and strategy management, and analytic applications provides clear, immediate and actionable insights into current performance and the ability to predict future outcomes. Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest productivity, confidently automate decisions and deliver better results.

As part of this portfolio, IBM SPSS Predictive Analytics software helps organizations predict future events and proactively act upon that insight to drive better business outcomes. Commercial, government and academic customers worldwide rely on IBM SPSS technology as a competitive advantage in attracting, retaining and growing customers, while reducing fraud and mitigating risk. By incorporating IBM SPSS software into their daily operations, organizations become predictive enterprises – able to direct and automate decisions to meet business goals and achieve measurable competitive advantage. For further information or to reach a representative visit www.ibm.com/spss.



© Copyright IBM Corporation 2010

IBM Corporation Route 100 Somers, NY 10589

US Government Users Restricted Rights - Use, duplication of disclosure restricted by GSA ADP Schedule Contract with IBM Corp.

Produced in the United States of America May 2010 All Rights Reserved

IBM, the IBM logo, ibm.com, WebSphere, InfoSphere and Cognos are trademarks or registered trademarks of International Business Machines Corporation in the United States, other countries, or both. If these and other IBM trademarked terms are marked on their first occurrence in this information with a trademark symbol (® or TM), these symbols indicate U.S. registered or common law trademarks owned by IBM at the time this information was published. Such trademarks may also be registered or common law trademarks in other countries. A current list of IBM trademarks is available on the web at "Copyright and trademark information" at www.ibm.com/legal/copytrade.shtml.

SPSS is a trademark of SPSS, Inc., an IBM Company, registered in many jurisdictions worldwide.

Other company, product or service names may be trademarks or service marks of others.



Please Recycle