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**BusinessConnect and SolutionsConnect**  
It's time to make bold moves.

**Breaking Bad**

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## Disclaimer:

I will at no point during this presentation be teaching you to produce or sell methamphetamine!

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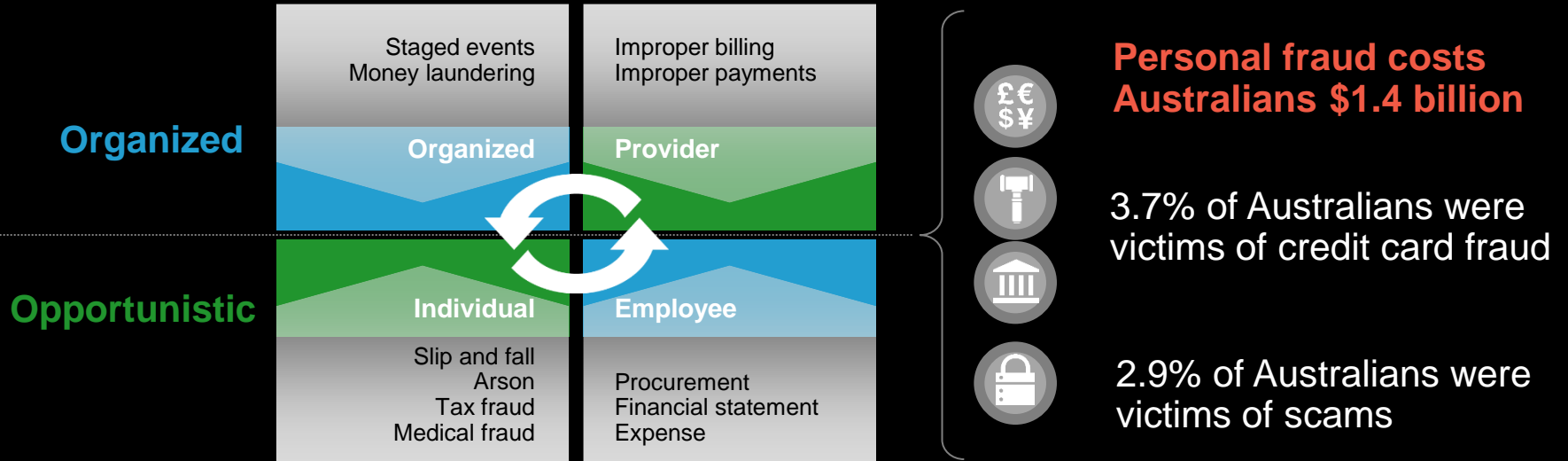
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**Fraud - a deliberate deception or misrepresentation which violates a legal statute and is intended to produce an undue financial gain**



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## Converging forces are escalating fraud risk, exerting significant downward pressure on an organization's bottom line

### Increasingly frequent and complex fraud schemes

The explosion in global connectivity has escalated the vulnerabilities of individuals, enterprises and nations to cybercrime

12

cybercrime victims per second<sup>1</sup>

80%

of schemes are perpetrated by organized criminal groups<sup>2</sup>

1 The 2013 Norton Report

2 United Nations Office on Drug and Crime, [Comprehensive Study on Cybercrime](#), February 2013

3 The Fiscal Times, [Feds Blow \\$100 Billion Annually on Incorrect Payments](#), Jan 15, 2014, amount in US \$

4 Reuters, Dec 11, 2012, amount in US \$

### Fraud no longer acceptable as “cost of doing business”

Intensifying regulatory enforcement and operational losses apply significant pressure on profitability

\$100

billion annual improper payments by US Fed Agencies<sup>3</sup>

\$1.92

billion largest penalty to-date in money laundering case<sup>4</sup>

5 Brand Index, [Company perception falls after data breach](#), Dec 23, 2013, Brand Index ranges from -100 to 100 points

6 Entersekt-sponsored Harris Interactive US survey conducted May 14-16, 2013

### Customer expectations ever on the rise

Customer convenience, satisfaction and trust drive brand choice and must be earned on an ongoing basis

45

point drop - retail store brand perception index change one week after data breach<sup>5</sup>

71%

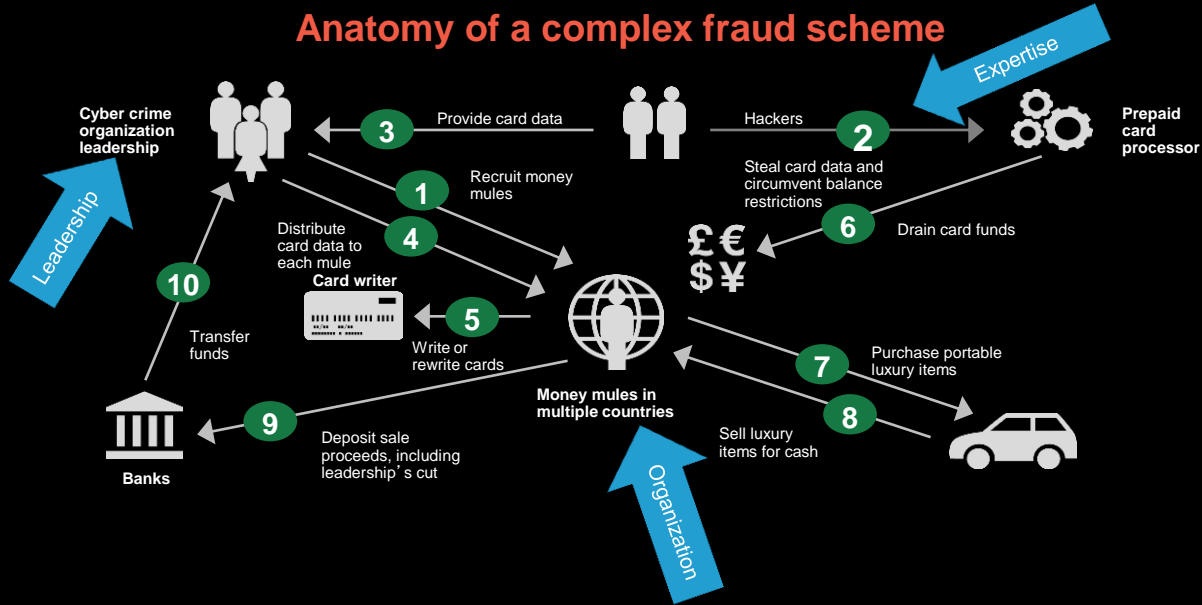
customers who will switch banks due to fraud<sup>6</sup>

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**Fraud Schemes** are becoming increasingly complex, often involving networks of organized activity

**Anatomy of a complex fraud scheme**



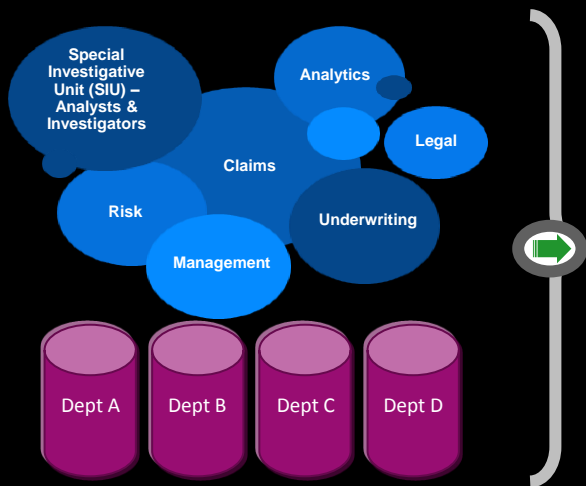
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Within an enterprise, point solutions and corporate silo culture directly contribute to fraud risk



## The challenges:

- Narrow observation space
- Isolated Data
- Reactive versus Proactive
- Accepted cost of doing business
- Departmental band-aides

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## IBM has a rich history in helping clients reduce fraud

Banking	Insurance	Government	Healthcare
 <p><b>Anti-Money Laundering Enterprise Fraud Management</b></p> <p>IBM has implemented <b>over 70%</b> of the <b>Global Tier 1 Bank's</b> AML systems</p>	 <p><b>P&amp;C and Healthcare Claims fraud</b></p> <p><b>Over 60 global Insurers</b> use IBM software for fraud</p>	 <p><b>Medicare/Medicaid Fraud Revenue/Tax Fraud</b></p> <p>IBM has delivered <b>50+ implementations</b> IBM i2 has <b>50+ installations</b> in Federal Government</p>	 <p><b>Health Insurance Claims fraud</b></p> <p>IBM has more than <b>30 client</b> implementations for <b>Healthcare payers</b></p>
<p><b>Business Outcomes</b></p> <ul style="list-style-type: none"><li>• <b>Reduced fraud by 30%</b> while improving on AML Reporting Requirements</li><li>• <b>40% improvement</b> in Suspicious Transaction Reporting</li><li>• <b>80% productivity</b> saving</li></ul>	<p><b>Business Outcomes</b></p> <ul style="list-style-type: none"><li>• <b>\$17M savings</b> in first 4 months of use</li><li>• <b>70x faster settlement</b> on legitimate claims</li><li>• <b>403% ROI</b> in 3 months</li><li>• Reduced investigation referral window from <b>45-60 days to 1-3 days</b></li></ul>	<p><b>Business Outcomes</b></p> <ul style="list-style-type: none"><li>• Identified <b>\$75m in fraud recoupment</b> in the first 12 months of use</li><li>• One provider charged <b>&gt;800 days worth of billings</b> in a single year</li><li>• <b>Stopped more than USD16 billion in fraud</b> in 2012</li></ul>	<p><b>Business Outcomes</b></p> <ul style="list-style-type: none"><li>• Identified <b>200 facilities</b> with questionable outlier behaviors</li><li>• Identified <b>&gt;\$20M in potential recoveries</b></li><li>• Potential incremental recoveries of <b>\$20M+</b> per year</li></ul>

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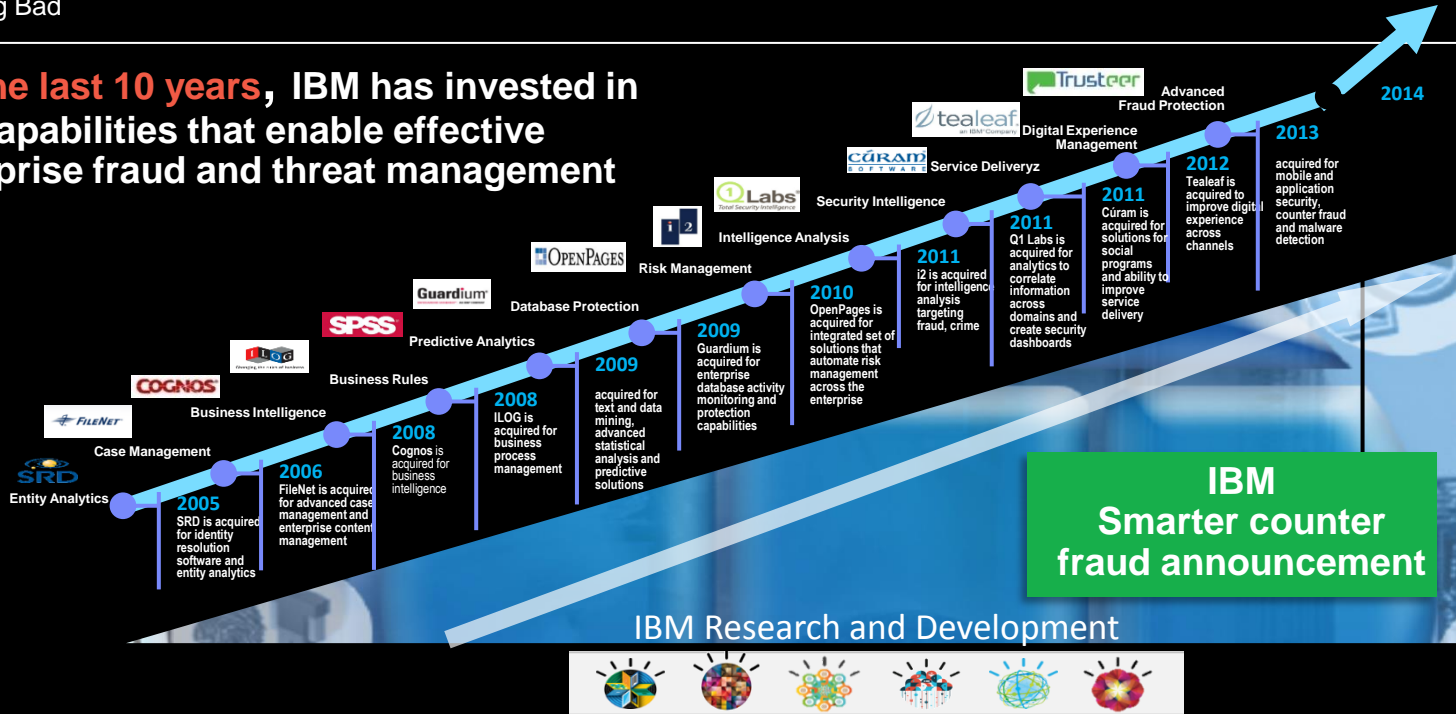
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For the last 10 years, IBM has invested in key capabilities that enable effective enterprise fraud and threat management



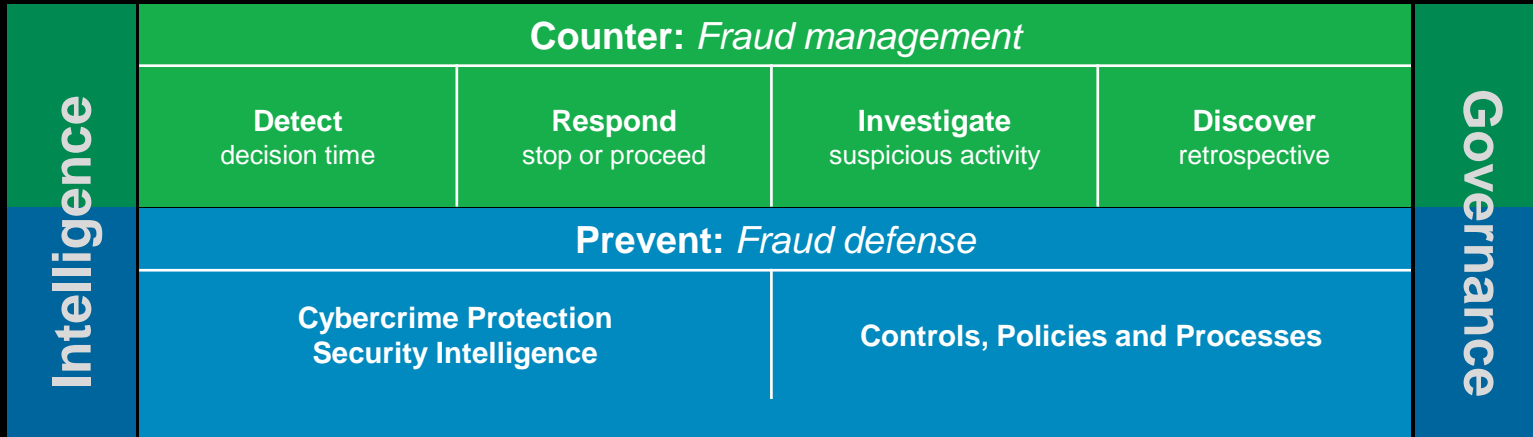
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## IBM Smarter counter fraud capabilities

A comprehensive set of integrated market-leading software and services capabilities designed to combat today's new threats



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## Introducing IBM Counter Fraud Management

An integrated, next generation offering addresses all phases of enterprise fraud

IBM Counter Fraud Management			
Detect	Respond	Investigate	Discover

**Four value-priced, industry-specific offerings:**

- IBM Counter Financial Crimes Management for Banking
- IBM Counter Fraud Management for Insurance
- IBM Counter Fraud Management for Healthcare
- IBM Counter Fraud and Improper Payments Management for Government

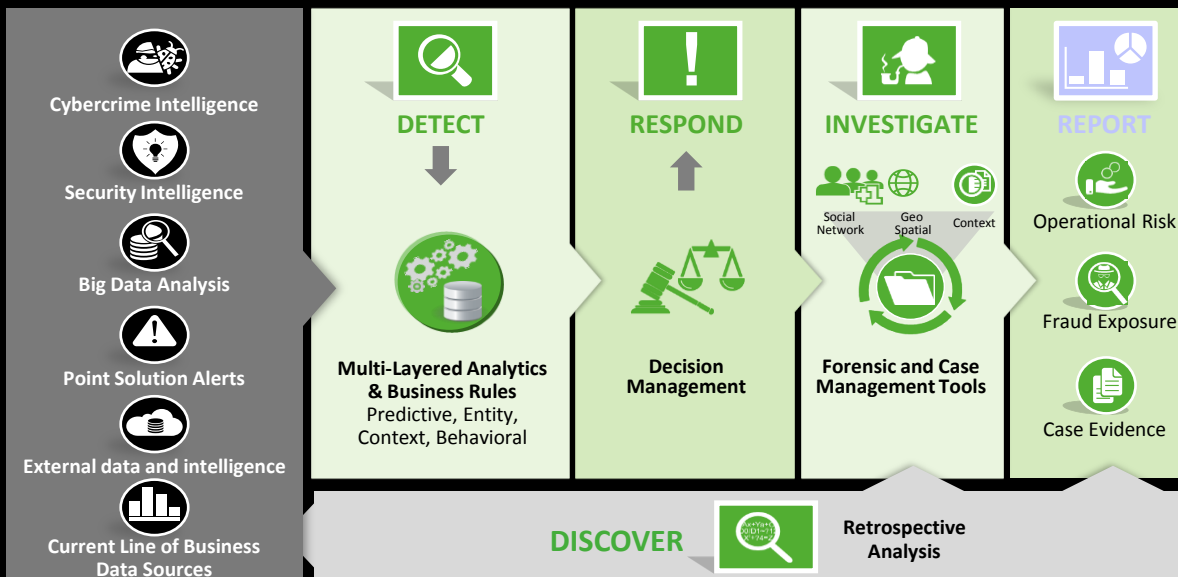
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## IBM Counter Fraud Management game-changing capabilities



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## Introducing IBM Red Cell

### Counter Fraud intelligence research

Intelligence	<b>IBM Red Cell</b> <ul style="list-style-type: none"><li>• <b>Monitor</b> and evaluate emerging trends in financial crime across industries and around the globe</li><li>• Provide cutting-edge <b>thought leadership</b> to counter and prevent fraud and financial crime across the ecosystem</li><li>• Create opportunities for <b>intelligence sharing</b></li><li>• <b>Educate</b> our customers and the general public</li></ul> 
	<b>IBM X-Force</b> <ul style="list-style-type: none"><li>• <b>Monitor</b> and evaluate the rapidly changing threat landscape; leverages Trusteer endpoint intelligence</li><li>• <b>Research</b> new attack techniques; developing protection for tomorrow's security challenges</li><li>• <b>Collaborate</b> with leading public &amp; private institutions to enhance internet security WW</li><li>• <b>Educate</b> our customers and the public through its renowned X-Force Trend Risk Reports</li></ul> 

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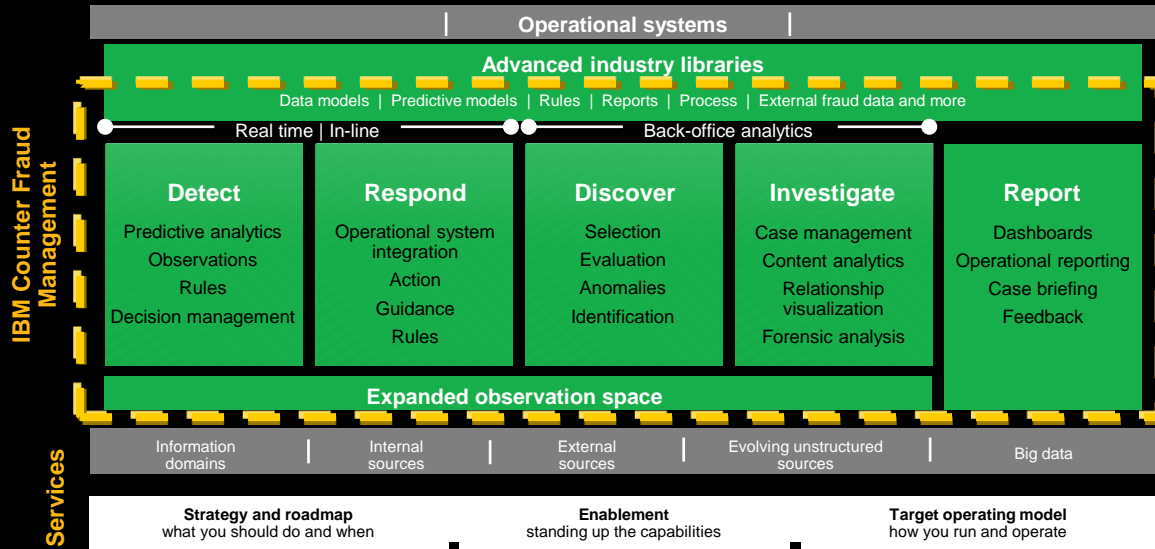
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# IBM Counter Fraud Management software plus services delivers a holistic solution to combat fraud, financial crimes and improper payments



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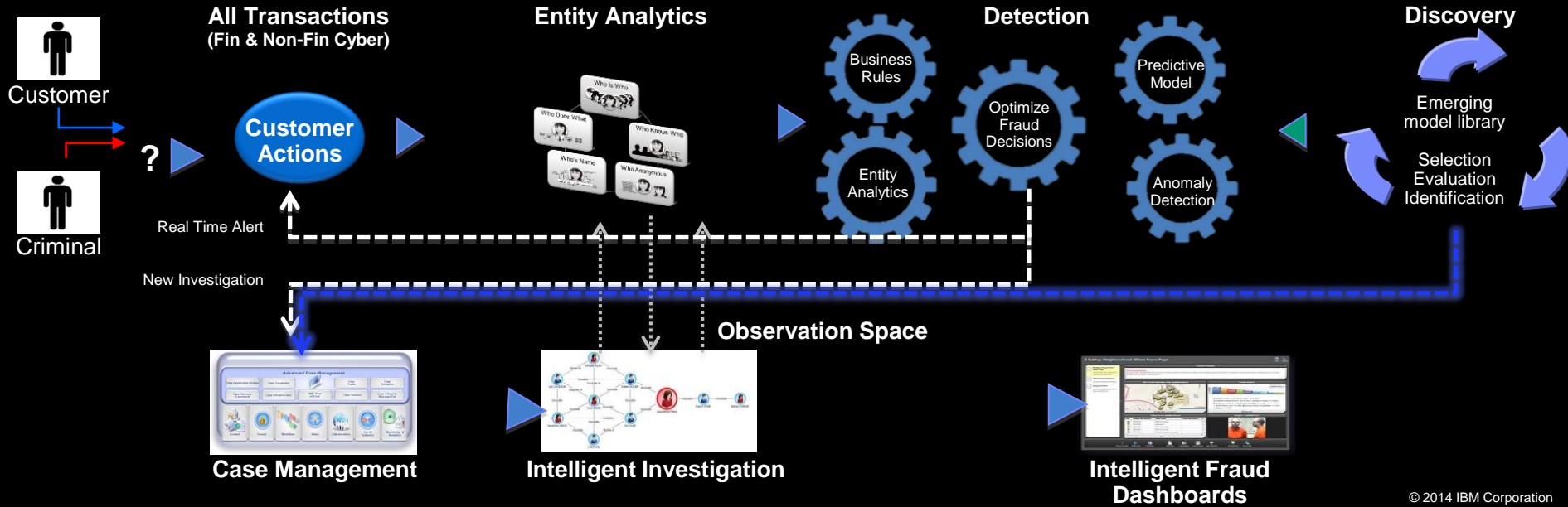
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## Putting the Counter Fraud Capabilities into motion...



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## IBM Counter Fraud Management offers distinctive capabilities to proactively manage fraud

1. Ability to **ingest information** from many disparate sources to develop rich profiles and create **real time risk weightings**.
2. **Optimum layering of analytic techniques** to model behaviors and identify anomalies using accumulated context, relating new data to previous insights, for improved accuracy & knowledge of suspicious activity
3. Extensive **Forensic Analysis capabilities** to speed validation of suspicious activity
4. **Repeatable framework** that enables flexible extension and leverages existing capabilities, without a rip and replace.
5. **End-to-end out-of-the-box integration** of best of breed capabilities from *Detection* to *Response* to *Investigation*, reduces the cost and risk of tying together traditional point solutions.

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