

VALid-POS® – Cross Border

Overview

VALid-POS® is a telecommunications based security solution aimed specifically at card-present fraud detection and resolution. It is primarily aimed at cross-border fraud, a major problem for issuing banks worldwide, but can also operate domestically using different techniques depending on the country of issue. In cross-border mode, VALid-POS® can not only detect potentially fraudulent transactions in real-time but critically, can also identify legitimate transactions with an extremely high degree of accuracy. Reducing false positive volumes is the cost-effective way to increasing fraud discovery, reducing operational costs and providing cardholders with a vastly improved customer experience when transacting abroad.

The Existing Problem

Due to the scale of cross-border card-present fraud, issuing banks tend to implement quite aggressive strategies in order to combat the problem. This, however, leads to high false positive rates that cause extreme inconvenience to cardholders when they can least afford it as well as high operational costs to the issuer. As an additional consequence, high volumes of falsepositives may also prevent the issuer from declining further transactions, leading to additional losses. Because existing risk-engine strategies do not have the benefit of information on the real-time status of the cardholder, they are not well suited to cross-border transactions where behavioural and historical patterns do not fit the norm.

The VALid-POS® Solution

VALid-POS® is a solution based on proximity correlation analysis. In short, it uses information about the cardholder's mobile phone to determine the likelihood of a cross-border card-present transaction being

fraudulent or legitimate, based on proximity and probability. It is not a Location Based Service (LBS), does not use tracking of any sort, does not use GPS, Lat Long resolution, triangulation or any other measurement technique associated with these services. Critically, VALid-POS® is only concerned with where the cardholder ISN'T, not where the cardholder is. It is invisible to the cardholder, incurs no cost to the cardholder (unless resolution is required) and works with any mobile phone.



Data Protection and Privacy

VALid-POS® is the first and remains the only security solution in the world to have been awarded the prestigious EU Commission backed European Privacy Seal (EuroPrise). The Seal guarantees and confers compliance with EU Data Protection law onto issuing banks utilising the product in compliance with its terms and conditions. VALid-POS® is built on consent, either expressly and specifically or under the issuer's

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terms and conditions, with full and clear information and “Opt out” provisioning. Crucially what this means to European Issuers is the service can be offered on an Opt-out basis only rather than the far more onerous and problematic Opt-in. In terms of cardholder take-up this is a critical difference between VALid-POS® and traditional Location Based Services which require specific Opt-in consent due to their disclosure of specific cardholder location information.

Benefits

As previously stated VALid-POS® is designed to reduce false-positives, improve fraud discovery and fully automate the resolution process where required. In particular, the magnitude of improvement in false-positive reduction is substantial, effectively providing the ability to take existing rates of circa 90% to single digits. It does this through an extremely accurate model in determining legitimate cross-border transactions which allow them to be authorised when they would otherwise be declined. The resultant reduction in the volume of cases that need to be worked by fraud analysts creates the capacity to increase fraud discovery. Resolution, the process of actually contacting cardholders where fraud is suspected, can also be fully automated by utilising the integrated IVR capability of VALid-POS®. This facility supports both interactive voice and twoway SMS, fully configurable challenge/response for cardholder identification, allowable timeslot support and auto-routing of calls back into the fraud department.

Implementation Options

VALid-POS® can be implemented in a number of ways to facilitate the differing requirements of issuers.

Real-time

VALid-POS® can be integrated within the authorisation process itself to identify potential fraudulent transactions and reduce losses as well as preventing unnecessary declines. Results are returned in less than 400ms and the system also supports a fully configurable caching strategy for instantaneous decisions. Cardholders can transact abroad with confidence that their card will not be declined.

Near Real-time

This option is designed to be external to the authorisation process but instead integrate with the issuer’s case management system. Though false-positive declines will still occur, VALid-POS® can then immediately identify them and drop them from the case-management queues, demote them or create separate queues, depending on the individual requirements of the issuer. Automatic resolution can also be applied to these transactions, enabling the cardholder to be contacted in near real-time anywhere in the world. This option not only streamlines and optimises the case-management function, it can turn a negative customer experience into a positive one.

Batch

VALid-POS® also supports ad-hoc and batch processing through its browser-based Case Resolution Console. Simple data extracts from analyst’s case-management queues can be loaded into the browser application and processed immediately. The automatic resolution facility is also available within the Case Resolution Console. This facility can also be used for any type of transaction, e.g. CNP, online address-change etc. where confirmation is required from the customer via voice or SMS that the transaction is genuine.

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