



FINANCE CASE STUDY

GLOBAL TRADING PROVIDER REDUCES FOREIGN CURRENCY TRADING FRAUD

CHALLENGES

Scammers were using stolen identity and credit information to open accounts and make trades, resulting in lost profits, increased processing fees, and heavy fraud team workload from excessive chargebacks.



SOLUTIONS

Device identification stopped fraudsters that were using new names and accounts, and velocity tracking of purchases coming from unique devices – along with customized business rules – worked to stop fraud at specific website integration points.



RESULTS

Chargebacks, which had been 3%, were almost entirely eliminated, fraud loss was cut by \$500,000, and the costs of managing risk was lowered.



A GLOBAL TRADING SERVICES FIRM OFFERING EXTENSIVE FOREIGN EXCHANGE (FOREX) CURRENCY TRADING OPTIONS KEEPS FRAUD RATES NEAR NON-EXISTENT WITH IOVATION FRAUDFORCE.

Foreign exchange currency trading is big business and a large speculative marketplace. There are \$3.2 trillion dollars traded every day in currency trades from large banks, central banks from various countries, brokers and individuals.



USING IOVATION FRAUDFORCE RESULTED IN SIGNIFICANT SAVINGS. SINCE IMPLEMENTING IOVATION THE COMPANY HAS SAVED \$500,000 IN JUST TEN MONTHS!

Director
Financial Operations

About the Global Trading Services Provider

This pioneer in online forex trading provides execution, clearing, custody and technology products. Their client base includes asset managers, broker/dealers and other financial services firms. They also operate one of the major brands in the retail forex industry. This global trading provider has customers and trading partners in nearly 150 countries who have used their award-winning trading platform with \$275 billion transactions per month. Based in the United States, they also have regional sales offices across Europe and Asia.

This global trading provider offers 24 hour foreign exchange currency trading across time zones ranging from Asia, to London and then the United States. The business day starts at 7 a.m. in the Australia office and ends at 5 p.m. Eastern Standard Time in the United States. "As the business day winds down in Asia, it is in full swing in London and morning is just getting started in New York City. The marketplace is particularly hot when all three markets are running at the same time. It is most liquid and traders speculating on the currency markets have the highest potential to make a profit," said the financial operations director.

The Fraud Challenge

Online currency trading sites have always been targets for cybercriminals to perpetrate identification theft and credit card fraud.

“Our managers noticed that fraud was really getting out of control. We were being repeatedly targeted by recurring fraud—it seemed like the scammers had an endless list of new credit card numbers and false IDs that they were using in transactions after their old accounts were shut down,” said the financial operations director.

This caused a three percent spike in chargebacks and resulted in a large portion of the chargebacks being fraud related. A fraudulent chargeback occurs when a fraudster makes foreign exchange trades with stolen credit cards, which then get ‘charged back.’ Credit card companies have limits on chargeback rates. When this firm’s rates approached 3 percent, they were asked what fraud procedures they had in place. At that point, the trading firm had a phone line where customers could call in once the fraud occurred but did not have an easy way to monitor fraud or identify trends.

INCREASING CHARGEBACKS ARE COSTLY FROM A MONETARY AND CUSTOMER SERVICE PERSPECTIVE. IN MANY CASES WE LOST MONEY TWICE, REFUNDING THE CHARGEBACK AND THE TRADING EXPOSURE.

Director
Financial Operations

Expert Fraud Solution

The firm determined early that building a ‘home grown’ method to fight fraud would require extensive research and development as well as technical staff devoted to the problem. An in-house solution was too expensive and time consuming and they needed the help of an industry expert. “It was a frustrating time but we understood that our area of expertise was in trading and not in fraud prevention,” said the financial operations director.

“We chose iovation and their Fraud Protection solution because the price was right, they didn’t require us to provide PII, and because we would benefit from the shared fraud histories in their global database of over five billion devices

and associations between those devices,” said the financial operations director.

Fraud Prevention Solution Integration

Using iovation FraudForce resulted in significant savings. “Since implementing iovation the company has saved \$500,000 in just ten months!” said the fraud operations director.

FraudForce was integrated in multiple touch points on the trading sites. A team of five fraud analysts trained to use the product described it as easy-to-use, robust and critical to helping them detect and prevent online fraud.

Customizable business rules were configured to automatically evaluate the risk of each online transaction according to the company’s unique needs. Business rules for velocity, geography and evidence-based assessments were put in place as well as risk rules for device anomalies. The company continues to modify their rules over time as new threats emerge.

iovation FraudForce greatly reduced fraud, boosted profits and increased operational efficiencies in the company’s fraud prevention process.

“We went from an excessive chargeback rate of almost 3% to almost no fraudulent chargebacks. What started out as a significant fraud chargeback problem has turned into an almost non-existent issue,” said the financial operations director.

ABOUT IOVATION

iovation, a TransUnion company, was founded with a simple guiding mission: to make the Internet a safer place for people to conduct business. Since 2004, the company has been delivering against that goal, helping brands protect and engage their customers, and keeping them secure in the complex digital world. Armed with the world's largest and most precise database of reputation insights and cryptographically secure multi-factor authentication methods, iovation safeguards tens of millions of digital transactions each day.

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