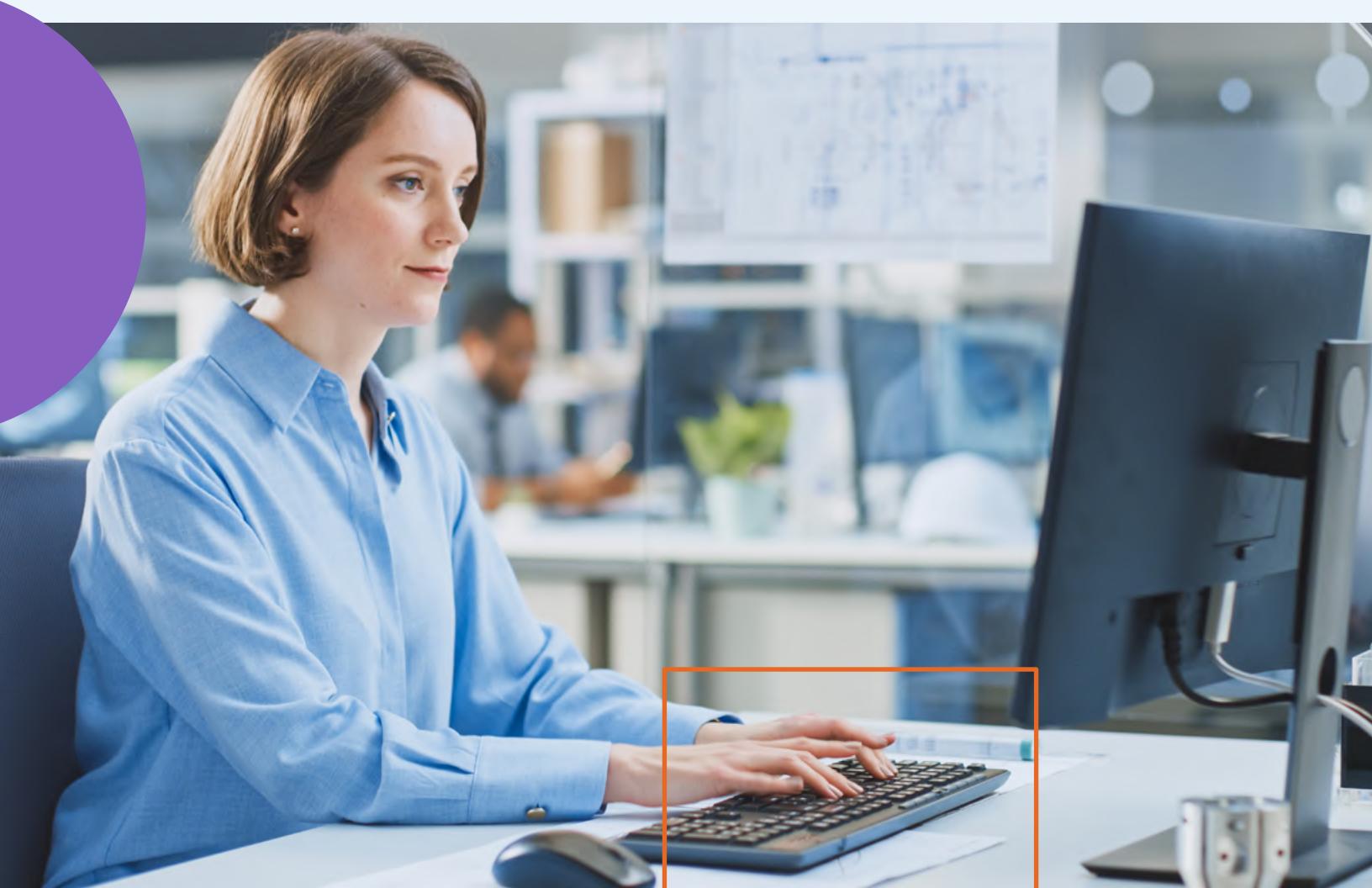




FRAML:

How Banks Can Adopt a Unified Risk Mitigation Approach



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Feedzai's FRAML Proposition

As inherent financial crime risks soar and detection and prevention become more complicated and resource-intensive, financial organizations have looked to more integrated solutions to meet their needs. Tech-enabled financial crime solutions that combine fraud prevention and anti-money laundering (AML) have begun to take hold. They enable a more dynamic risk response while drastically reducing total cost of ownership (TCO). Feedzai's integrated platform supports this newly coined Fraud Prevention & AML (FRAML) architecture and methodology by design.

The client-facing landscape is changing as well. Evolving consumer expectations have forced organizations to adopt new connected channels. The growth in new payment solutions has accelerated this change, and, as a result, the network view has proven to be a critical aspect of mitigating overall organizational risk. This approach levels up compliance by fending off attacks that bad actors deploy in this continually evolving digital environment

Feedzai can demonstrate that the pattern of suspicious fund movements through payment systems is significantly different from that of legitimate money. While this may indicate that suspect accounts behave fundamentally differently to "normal" accounts, and are therefore easy to identify, often the patterns of suspicious fund movements are designed to emulate legitimate money flows. Unless viewed from a macro, holistic view, this can make suspect accounts more difficult to identify.

Therefore, we believe that organizations must begin to consider and adopt new techniques to curve the risk associated with the changing payments landscape. Financial institutions (FIs) must implement effective controls while managing costs and regulatory adherence. FRAML provides a promising path to success.



Defining FRAML

What is FRAML?

At its most basic level, FRAML aligns internal fraud detection and anti-money laundering (AML) operations with the goal of fighting financial crime together. But an important distinction here is that it is not necessarily about the combination of Fraud and AML teams and operations. It could be if an FI views that as a more effective setup; however, it does not have to be, and success can be achieved in current structures.

Rather, FRAML is about automating data sharing and insights to reduce financial crime and ensure a frictionless journey for customers — regardless of where or how customers interact with the bank. This automation enables teams to establish a holistic customer identity and view customers in a more informed manner.

Considering that we live in a world upended by COVID-19, forced into remote working arrangements, historic unemployment levels, and rampant financial crime, the need for collaboration and information sharing has never been stronger. Perhaps it's time to give FRAML a chance?

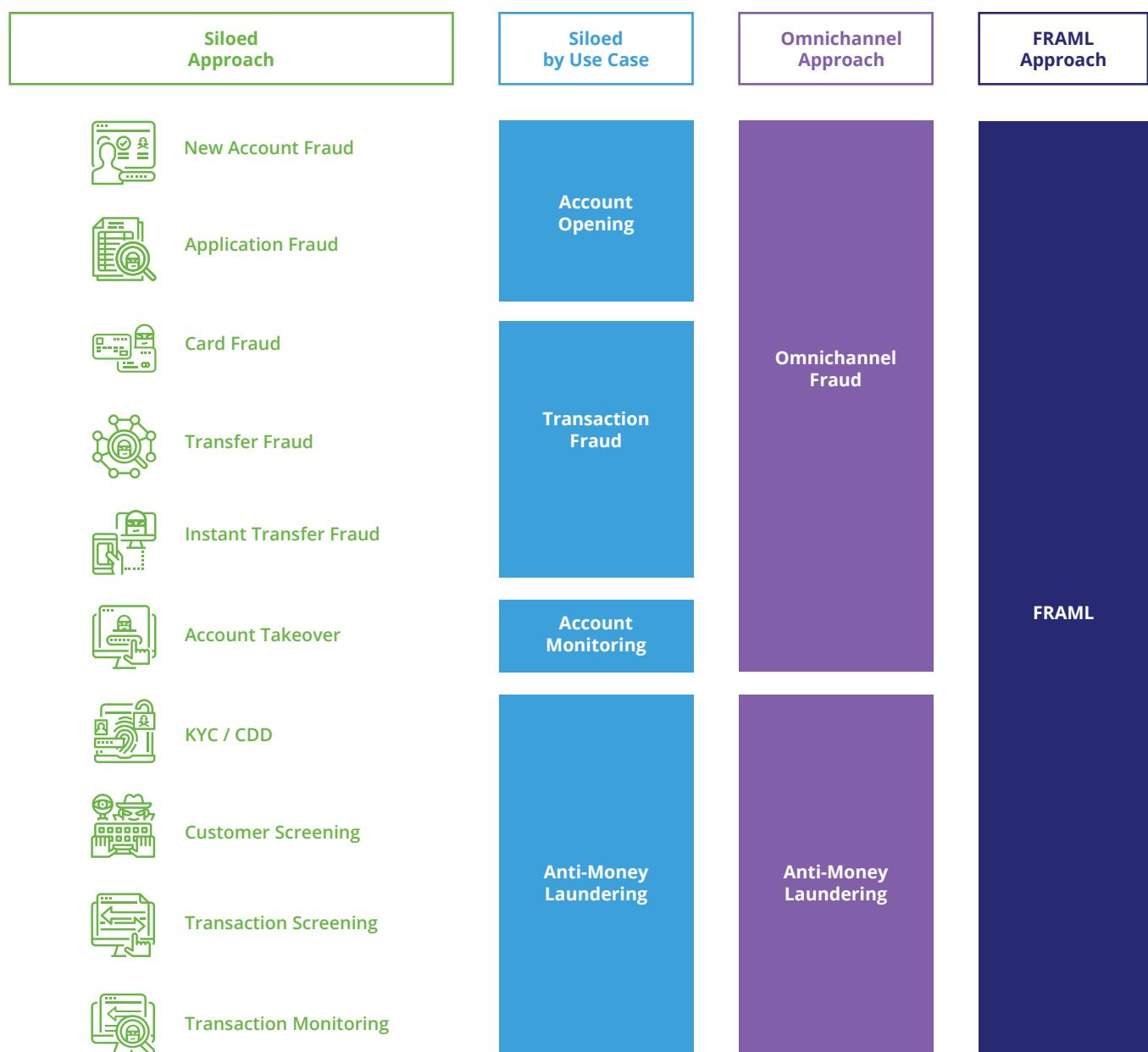
Omnichannel Systems Prevent More Financial Crime

In recent years, massive strides have been made to increase data visibility for these systems (and for the systems' users). Omnichannel systems — systems that can combine data and insights from multiple sources — are being implemented to dramatically increase detection and improve investigation accuracy. Rather than leave employees to manually piece together disparate data from disconnected payment systems, omnichannel systems automate the collection of customers' data across all products into one system — enabling analysts to make better decisions and work more efficiently.

So, how can banks continue to expand data visibility and allow fraud prevention and AML compliance teams to create a unified customer identity?

How FRAML Breaks Data Silos

FRAML solutions aim to build valuable “risk” profiles around their customers by bringing together historically siloed portions of the business. Rather than looking at fraud risk or an AML-related risk, banks can begin to ask the question: is there any risk to my customer or my business?



Benefits of a FRAML Risk Profile View



Build stronger customer relationships

By understanding customer activity across the entirety of their business, FIs can construct an enterprise risk profile that both fraud detection and AML teams can leverage to make smarter, more informed decisions. A unified customer identity will also mitigate potential friction points in the customer experience. It reduces the need to contact customers for additional information that is available within the FI but was not previously known to financial crime-fighting teams. Commercial benefits are also evident. When existing customers look to expand their footprint within an FI, engaging new products and services, the reviews can be conducted with minimal customer disruption to deliver additional lifetime value.



Superior operations

Fraud has shown to be a key facilitator of potential money laundering behavior. But fraud data is often stored on an entirely separate system and is consequently invisible to a transaction monitoring analyst attempting to review alerts. A significant effort is required to collect all of the necessary data before conducting a proper review. Breaking down operational silos, capturing data across all customer channels, and presenting that information in an orchestrated manner creates a FRAML risk profile. It also enables institutions to give the right information to the right teams at the right moment. Financial crime-fighting teams can then utilize those FRAML risk profiles to make smarter, more informed decisions, leverage economies of scale, and remain productive and nimble in their operations.



Take artificial intelligence application and analysis to the next level

Earlier this year, the Association of Certified Anti-Money Laundering Specialists (ACAMS) referred to FRAML as “today’s compliance power couple.” FIs can leverage the advancements in fraud detection and prevention in the AML space. Labels, modeling, and behavioral science can shift us from detecting financial crime to preventing it. Artificial intelligence (AI) technologies can pull together vast amounts of data in an orchestrated manner, conduct advanced analysis, and create a FRAML risk profile in a fraction of the time previously required. And with the advent of tools like analytical APIs, FIs can understand performance and data gaps in near real-time.

Is Your Organization Ready for FRAML?

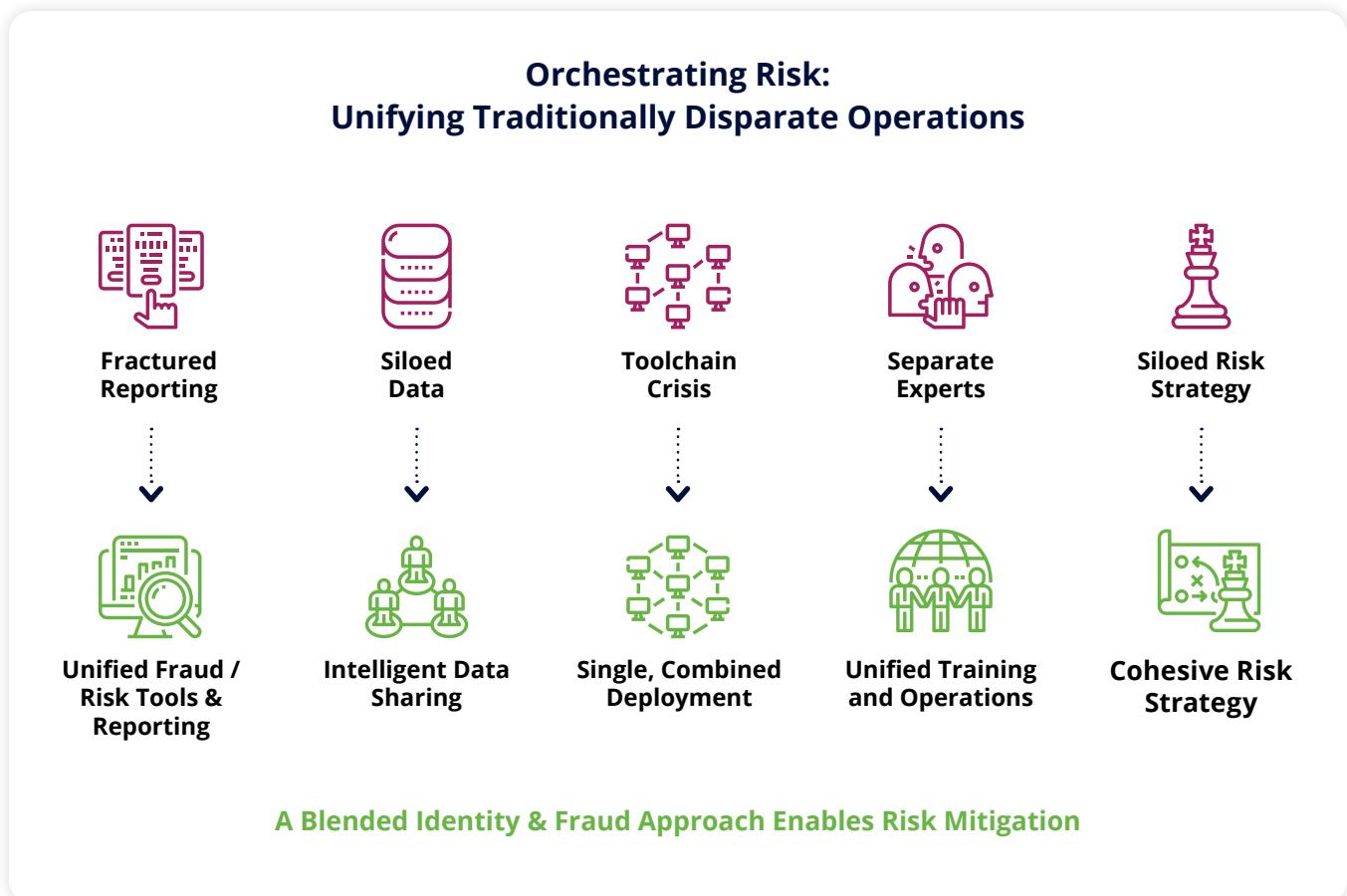
At this point, you may be wondering if FRAML will work at your organization. Before adopting a FRAML solution, setup, and approach to create 360-degree risk profiles, here are a few questions to ask:

1. How would adopting a FRAML solution change the way your teams interact? How will the cultures blend? Are there any processes or procedures that could be put in place to encourage information sharing? Where is internal alignment required? Defining the optimal structure is paramount to an effective, unified risk organization.
2. Where would the touchpoints and handoff points be for your Fraud and AML teams? These would have to be defined before solution implementation to ensure a smooth execution.
3. How is data currently stored between payment types and across channels? Would data migration steps be necessary? It is essential to engage your technical teams to understand the size of this effort.
4. What would broader FRAML-enabled risk scoring look like for your business? What other teams could benefit from the more-informed score? Your information security teams may find this information useful.
5. How could this translate to more targeted and relevant customer education, messages, and product offerings? An end-to-end view of customer activity is a gold mine for commercial and marketing teams.

How Feedzai Delivers a Unified FRAML Solution

Risk mitigation tools have come a long way in recent years. Understanding there are always opportunities to improve and continually innovate, Feedzai has built a unified risk platform that aims to align internal risk mitigation teams. We have leveraged our learnings to evolve our platform into a completely integrated FRAML offering. Our goal is to specifically target existing solutions' shortcomings and empower FIs with tools that fuel their growth.

The following outlines how Feedzai's FRAML solution enables FIs to evolve:



→ **From Fractured to Unified: Unified Fraud / Risk Tools & Reporting**

Sharing key fraud trends and insights are critical to detecting new and unusual forms of financial crime. Feedzai's FRAML solution ensures that any decisions made by one team can be available to others within the organization. Rather than having to manually piece together data from separate systems, analysts and investigators will have all of the information they need at their fingertips.

→ **From Siloed Data to Open Access & Insight Sharing**

Whether you're a fraud analyst, AML investigator, or leading the team, all data available across your organization should be incorporated into your organization's decision-making process. Feedzai's FRAML solution makes sure that you and your team can use all relevant data by unifying the data streams and resulting decisions into one, connected case management tool.

→ **From a Toolchain Crisis to a Single, Combined Deployment**

With multiple teams focused on risk mitigation within banks a common issue that often arises is what we refer to as a "toolchain crisis." Each team onboards a unique tool to help mitigate risk. What occurs is a rapid growth of technical debt — an FI might have one tool for AML Transaction Monitoring, another tool for Account Opening Fraud, another tool for Card Scoring, and so on. This often leads to painful maintenance and frustration from systems that aren't built to communicate effectively with each other. Feedzai's FRAML solution fixes this through a single, combined deployment.

→ **From Separate Experts to Unified Training and Operations**

Similar to the limitations that a toolchain crisis poses for banks, different tool sets require increased support resources multiplied by the number of tools supported (e.g. onboarding, training, developing processes, etc.). Feedzai's FRAML solution enables unified training and ongoing operations. Less time spent training teams, more time spent fighting financial crime.

→ **From Multiple Risk Strategies to a Cohesive Risk Strategy**

Finally, developing a holistic risk strategy has been difficult for FIs. By combining systems and ongoing operations, Feedzai's FRAML solution enables leadership to build a risk strategy that spans the entire business. This enables more straightforward communication with external regulators and more consistent alignment internally — ensuring that the business as a whole is working together to mitigate risk.

Why Feedzai FRAML?

While Feedzai's FRAML solution was architected to address key issues in today's fight against financial crime, it was also developed with the understanding that it will need to evolve to keep up with the pace of fraud & financial crime.

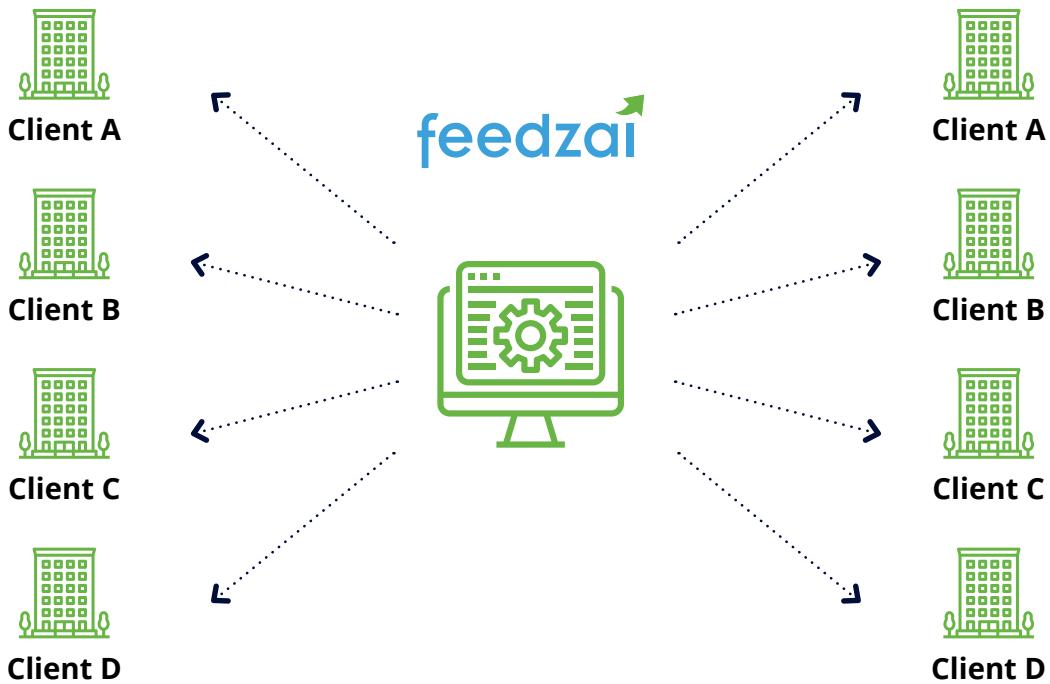
All of our capabilities sit on top of the same complex event processing engine, so what the system sees or learns in one area of the business is immediately available across the entire platform. While this enables better detection in the short term, it also enables us to continually innovate and develop new capabilities for our platform.

As an example of our continued innovation, we have invested in sharing knowledge through AutoML semantics. Historically, testing which model is best has required brute force — essentially testing models until a "good enough" result is achieved. By using Feedzai's AutoML data scientists can automate much of the data science process to provide AutoML with "context" which can be used to build and tweak models. This will drastically reduce the time it takes to build effective models and improve overall model performance.



Also, we are simultaneously exploring more advanced graph techniques for this knowledge-sharing, and, in order to appeal to the more privacy-concerned landscape. Unfortunately, this is also hugely attractive for more nefarious enterprises. We enable customers to share their findings, not the raw data. This also allows our customers to evidence they are driving financial crime controls (FCC) that lead monitoring and prevention into new frontiers.

Leverage Knowledge Across Industries Securely



1. Compile the best features across multiple customers
2. Leverage learnings to influence the best strategy adjustments
3. Incorporate the best AutoML transformations and share directly with customers

Under the Hood:

Feedzai's FRAML Solution

The screenshot displays the Feedzai FRAML solution's user interface. It includes:

- Event Details:** Shows an alert for Event ID 41403143-75a9-4306-a8d7-84b5fcdd280a, status Yes, Alerted Yes, Status QA Not Initiated, Reason Suspicious, In Analysis.
- Customer Details:** Provides information about a customer named Marco Hertz, including Customer ID (89cecd), Date of Birth (1970-01-01), Street Address (146 Perkins Island Apt. 337), Customer Name (Marco Hertz), Customer Since (2018-11-27 21:23:40), Customer Email (marco.hertz15@gmail.de), Customer Segment (+), Customer Phone Number (6637361478), Customer City (berlin), Occupation (Purchasing manager), CRA Rating (D), and Country (DE).
- Rule Explanations:** A table showing rule details and explanations. One entry is AML18_SINGLE_TO_MULTIPLE: AML Scenario 18 - Multi Originator to Single Beneficiary OR Single Originator to Multiple Beneficiaries. The explanation states: "In the last 7 days, the number of outgoing transfers (1) for this account exceeds 5.0 and the number of distinct beneficiaries exceeds 3.0."
- All Transactions History:** A table listing transaction details for the last 90 days. The columns include All Channels, Card Transactions, Customer Assessments, and Transfers. The table shows multiple transactions for Marco Hertz, all of which were approved.

Benefits:

FRAML Case Management

- Reduce AML investigation time with a single platform & by autofilling pertinent details
- Unify fraud data streams to detect fraud earlier & with greater accuracy

FRAML Machine Learning & Rules

- Incorporate more context into scores and machine decisions to increase decision confidence
- Leverage rules & machine learning algorithms that looks at behavior not just at the transaction level, but earlier in the fraud/financial crime lifecycle

Genome & Visual Link Analysis

- Leverage cross-org data and conduct better investigations through visualization of nefarious behavior patterns
- Catch and stop fraud more easily before it does significant damage to your business



One Platform to Manage Financial Crime

Build Your Business. We'll Protect it.

Every day, Feedzai's enterprise risk management platform scores trillions of dollars of transactions to protect the world's largest companies. Architected to be fully AI-enabled to stay ahead of emerging financial crime and money laundering patterns, Feedzai mitigates even the most deceptive criminals so that merchants, issuers, and acquirers can focus on growth.

Feedzai Anti-Money Laundering