



Protecting Against Fraud in the Next TechAde

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What is the problem?

"More than 10 million Americans have their identities stolen each year"

FTC

"13% of new U.S. accounts will be opened online by 2010, just 3% in 2006"

Aite Group

"Estimated 2006 ID theft losses are \$7.5 billion . Vast majority (>\$6.5B) absorbed by financial institutions"

Financial Insights

"More than 80 million Americans have had their personal information compromised since February 2005"

Privacy Rights Clearinghouse

What is being done to protect and prevent fraud?

- **Recent statistics indicate that the incidence of ID theft is leveling off, if not declining**
- **Consumer awareness and pro-active monitoring**
- **Financial institutions utilize data, analytics and software to:**
 - **Protect their customers**
 - **Manage risk/reduce losses**
 - **Comply with laws**

Making sure “I am who I say I am”

Authentication factors are conditions, properties or parameters that can be independently tested to confirm a claim

Something you have

- Card
- Token
- ID
- Phone number
- Machine Credential



Something you know

- Account number
- Password
- Answers
- PIN
- SSN

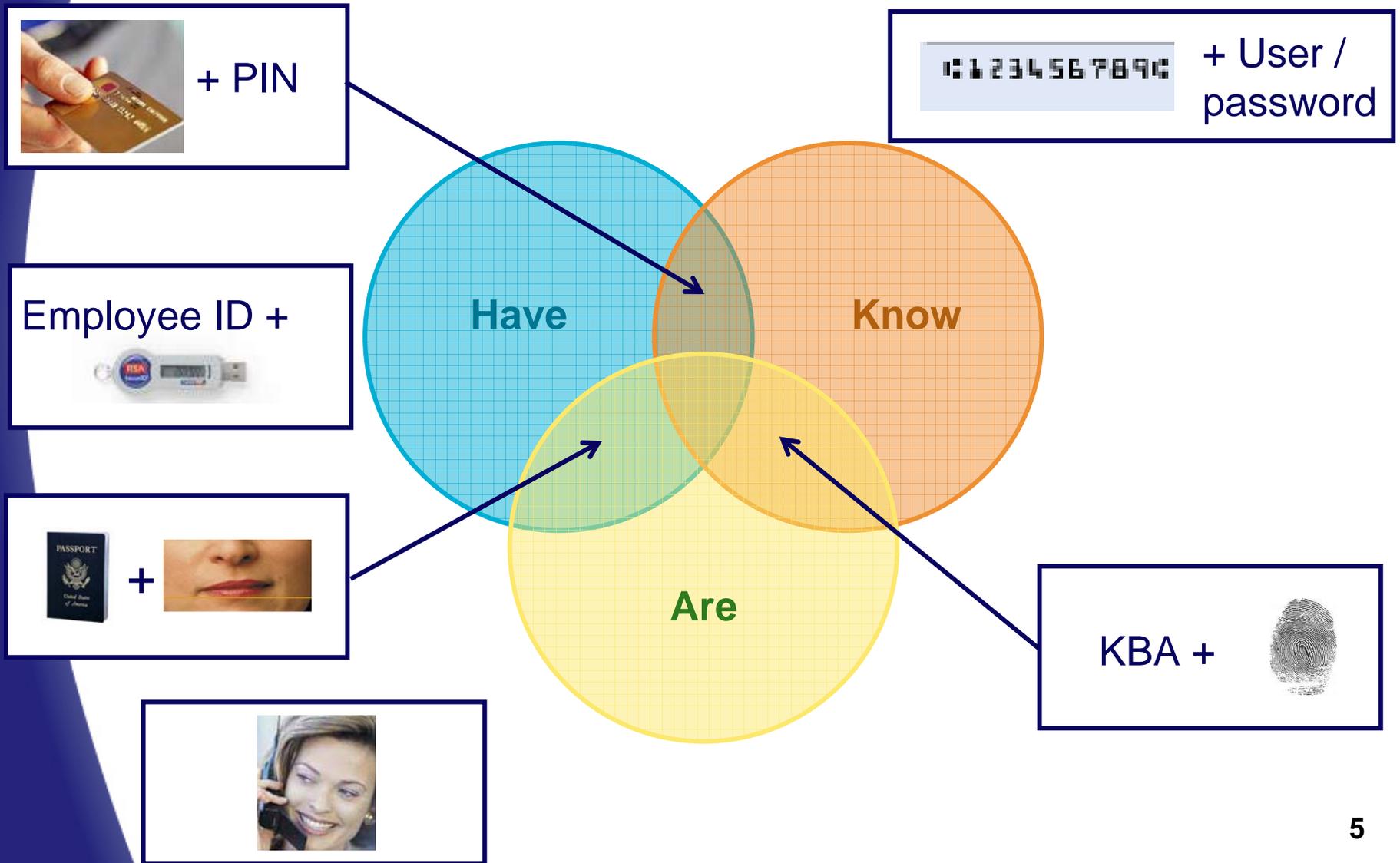


Something you are

- Voiceprint
- Fingerprint
- Scans (iris, retina, face)



Leveraging multi-factor authentication



Quality data is key

- **More information from more reputable sources – not less information – is the key to good fraud detection and identity verification**
- **Personally identifiable information/data is necessary**
- **Data use must conform to FCRA and GLB guidelines**
- **Leveraging shared data = best practices:**
 - ◆ **Provides ability to view intra and inter company data**
 - ◆ **Fraud data sharing is not competitive**
 - ◆ **Effective across multiple industries**
 - ◆ **Protects consumers**

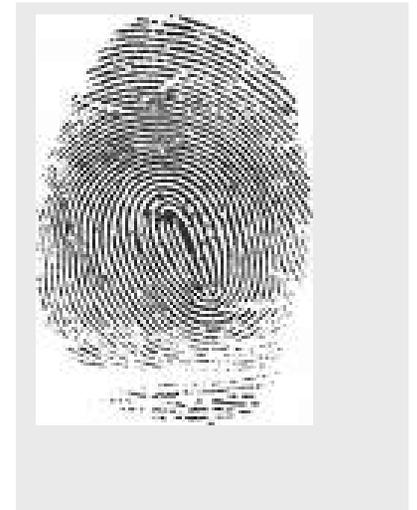
The science of analytics & fraud scores

- **Fraud scoring models use data to determine the relative risk that an application or transaction for goods or services may be fraudulent**
- **Fraud risk scorecards are used to rank fraud risk and take appropriate action: approve, review, decline**
- **Used for legal compliance, such as the “know your customer” rules under the USA PATRIOT Act**
- **Financial Institutions use fraud scoring when opening new accounts and verifying the identity of existing and potential customers**

The future of authentication: biometrics

Biometric traits – How are they categorized?

- **Genotypic**
- **Behavioral**
- **Randotypic (or Phenotypic)**



Who is using biometrics?

- **Government**
- **Corporations for employee authentication**
- **End consumers through trusted organizations and directly**

Face	Fingerprint	Hand	Iris	
DNA	Retina	Skin	Vein	Gait
Keystroke		Signature	Voice	

Strong initial credential is necessary to ensure₁ enrollment of the true consumer