

# FRAUD TODAY

## Exclusive Report

3<sup>rd</sup> Annual Fraud Management Conference

### Date

3<sup>rd</sup> and 4<sup>th</sup> July'2006

### Venue

Taj Lands End

## **ZERO RISK IS UNDESIRABLE**

Addressing a house of economists and fraud detectors at the 3<sup>rd</sup> Annual Fraud Management Conference in Mumbai, Madhabi Buch Puri of ICICI Bank Limited said that zero risk is highly undesirable in the banking industry and therefore the lookout should be of curbing the risks as far as possible and not to get it to ground zero.

Madhabi Buch Puri is the Senior GM Product and Technology Group and Head Customer Service Delivery and Operations of the ICICI Bank Limited. She was addressing the house about the emerging typologies of fraud in banking, employing powerful and practical tools to prevent the frauds and to adopt a proactive approach to nip it in the bud.

Madhabi highlighted the fact that there are lots of spoof sites on the net available with more than 300 spoof sites of ICICI Bank alone. This also points to the fact that the community of fraudsters to be alive and kicking as also well knit. She however said that this should not be a matter of concern as bank and bankers are expected to manage risks and not avoid them. She assured that zero fraud risk is not necessarily in the best of the interests of the banks as also the customers.

Madhabi said that technology has emerged as a defining factor as it helps the banker to avoid frauds but added a word of caution by saying that the same technology has given the fraudster more opportunities. She pointed out at the shift in the banking paradigm that is taking place in India in the forms of self service, distributed access point, multi channel access and data based authentication. But this shift has also given rise to more opportunities for fraud because of compromised authentication information, lack of employee validation, anonymous access and agnostic location. The various new kind of frauds that are emerging in the industry include:-

- 1) Identity Theft
- 2) Large Scale Data Compromises

- 3) Internet Based Frauds
  - a) Phishing
  - b) Pharming
  - c) Job Sites
- 4) Card Based Frauds
  - a) Skimming
  - b) Interception
- 5) Check Forgery
  - a) Forged Instruments
  - b) Forged Contents.

Revealing a few statistics about the fraud scenario in the US, she said that at least 16 internet based banks have vanished in the last eight months that collected deposits ranging from USD 100,000 to USD 9.8 million. A series of websites including spoofed bank and Euroclear websites attempted to perpetrate a document based fraud of USD 3.9 billion. The last ABA survey reported over one million debit card related frauds in USA and a total of 50,916 phishing sites were reported worldwide in the last one year. She said that in spite of the fact that the whole world is moving from the physical to the electronic world, a link can very well be established between the two which will work in the interests of the industry.

She pointed out that prevention tools should be ideally at two levels – Pre transaction and Post transaction. In the pre transaction level, aspects like multi factor authentication, geographic location profiling and authorization after transaction scoring should be carried out. In the post transaction level financial and non financial transaction based triggers as also transaction alerts should be there. Signifying the role of conventional tools such as calling the customer, she said that they still stand to be amongst the best methods for curbing fraudulent practices. She also called for a high level of awareness amongst the customer as also the bank employees and said that a better co-ordination amongst them would go a long way in bringing down incidents of fraud.