

FFIEC compliance consulting review

Experian Global Consulting Practice



The latest guidance issued by the Federal Financial Institutions Examination Council (FFIEC) asks U.S. financial institutions to mitigate fraud risk by employing a variety of processes and technologies in a layered approach. The FFIEC's guidance pertains specifically to business conducted through non-face-to-face channels such as the Internet, where identity verification is difficult. In order to meet the FFIEC's guidelines, businesses are expected to move beyond simple challenge questions derived from customer enrollment information to more diverse and complex out-of-wallet (OOW) identity verification procedures.

The official guidance highlights the need for:

- Better risk assessments
- Effective strategies for mitigating known online risks
- Improved customer and employee fraud awareness

Within this update are "Specific Supervisory Expectations" related to an overall "General Supervisory Expectation" that require a "system of layered security." Specific expectations include conducting risk assessments at least every 12 months, identifying high-risk transactions that require customer authentication and implementation of layered security programs that consider the fraud risks associated with each type of customer interaction. Compliance examinations based on the new guidelines begin in January 2012.

Experian can help you meet the new FFIEC guidelines

With a proven track record of success, Experian's fraud consultants are industry professionals with extensive and diverse fraud, authentication and identity verification backgrounds. Consultants work with clients to assess current strategies, workflow design and operational effectiveness. Our goal is to provide specific recommendations to modify existing processes in order to close the gap between current processes and the FFIEC's expectations.

We will help you refine your existing fraud and identity management processes to ensure that your organization meets the FFIEC's expectations by:

- Designing an OOW process that is an integral part of an overall, analytically derived fraud policy

- Leveraging a diverse set of data to drive OOW questions, including information not available through public sources
- Giving you the ability to evolve over time to meet emerging fraud threats
- Providing robust performance indicators to ensure that emerging threats are detected
- Being able to balance fraud prevention and a positive customer experience at a minimal cost

What does an Experian FFIEC review cover?

Authentication process

review — assesses how you handle OOW authentication for new and existing customers across all contact channels, including call center and Internet interactions

Question “strength” analysis — reviews the question strategy used when authenticating an individual

Authentication cost analysis — ensures you are using the most cost-effective approach to authenticate your customers

Reporting analysis — reviews your authentication reporting strategy to determine how well it monitors and assesses the effectiveness of your authentication process

What deliverables can we expect?

- **Gap documentation** — comparison of current OOW processes to industry best practices and FFIEC guideline expectations, including:
 - Notation of all authentication gaps ranked in order of severity

– Associated solutions with analysis of the technical complexity of implementing the required change

- **Compliance road map** — documented steps needed to meet FFIEC expectations in a timely manner, sequenced in evolving progressive steps that address the most pressing issues in a logical order

The engagement process

Experian’s Fraud and Identity Solutions consulting engagements typically follow a practical, four-step process:

- **Background research** — review of your documentation, reporting and employee authentication training process.
- **On-site reviews and interviews** — site visits to observe OOW processes in production and identify any areas that appear to be different than expected based on background research.
- **Preliminary findings presentation** — detailed reviews with process owners to outline gaps and recommendations. Suggestions resulting from our findings are prioritized based on urgency and ease of implementation.
- **Final presentation** — restatement of findings for broader audience to gain consensus on action plan to meet FFIEC expectations.

Why Experian?

Experian’s Decision Analytics team — with more than 100 years of combined fraud analytics experience across diverse market verticals such as banking and financial services, utilities, retail and auto lending — comprises identity intelligence experts, scientists,

business analysts and thought leaders specializing in consumer and commercial authentication, application fraud prevention and account management. Our consultants are highly trained professionals with advanced degrees and proven experience and leadership in understanding and creating the industry’s most advanced and predictive credit risk, fraud risk, authentication, decisioning and operational best practices. More than 8,000 clients use our fraud prevention and authentication products and draw upon our recommended best practices and operational expertise to minimize losses, improve compliance, enhance operational efficiencies and increase revenue.

About Experian Decision Analytics

Experian Decision Analytics helps clients make better, more insightful decisions and create greater value from customer relationships across their entire book of business — from consumers to small and commercial enterprises. Clients use Decision Analytics’ data intelligence, analytics, technology and consulting expertise to expand customer relationships; manage and mitigate credit risk; prevent, detect and reduce fraud; meet regulatory obligations; and gain operational efficiencies. Decision Analytics provides the intelligence used by leading businesses worldwide to assess with confidence the potential risk and reward of critical business decisions.

For more information, contact your local Experian sales representative, call 1 888 414 1120, or visit www.experian.com/ffiec.