

#### THE CHALLENGE

- With fraud growing in volume and complexity worldwide, Westpac New Zealand sought to become more proactive in identifying risks and protecting its customers.

#### THE SOLUTION

- Westpac New Zealand worked with ACI Worldwide to put in place a real-time fraud detection system that will span all lines of business and channels.

#### THE RESULTS

- Unlike systems that rely solely on a score, the bank's anti-fraud solution combines predictive analytics and expertly defined rules for the fast, accurate and flexible response to changing fraud patterns in real time. As a result, Westpac has dramatically improved its ability to identify and neutralize new fraud schemes as they emerge.

## Westpac New Zealand Gets Proactive in the Fight Against Fraud

Fraud is a large and growing problem in the global banking industry, costing banks billions of dollars in losses every year. While fraud affects every line of business, the brunt of its impact continues to fall on retail banking. A recent study on operating risks, conducted by The Bank for International Settlements in support of the Basel II implementation, found that retail banking operations account for the largest share of external fraud losses for banks, both in terms of frequency (i.e., the number of events) and magnitude. In the face of a realized threat, Westpac New Zealand responded quickly and chose ACI® Proactive Risk Manager™, part of the ACI Fraud Management™ solution, to fight against fraud.

The damage that fraud exacts on banks extends beyond the immediate impact on the bottom line. It can damage the brand, undermine customer relationships and increase a host of administrative costs related to regulatory compliance.

In their attempts to prevent fraud, banks have faced the challenge of hitting a moving target. As the various approaches to fraud prevention have proliferated, fraudsters have proven to be adaptive and opportunistic. The perpetrators of bank fraud are continually probing for points of vulnerability that they can exploit. This could mean, for example, capitalizing on security gaps or inconsistencies across a bank's different channels. It is also seen on a broader scale in the way fraudsters exploit the variance in fraud protection between banks that inevitably develops when some banks put in place the strongest protections, and others — for whatever reason — do not. Such cases show how a bank's vulnerability to fraud can increase simply by continuing along the same path, and how a fixed fraud solution can become inadequate when the enemy is constantly adapting.



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Patrick Cattermole  
Manager of the Card Fraud Team  
Westpac New Zealand



## An Impetus to Act

Not long ago, Westpac New Zealand, one of the country's largest full-service banks, found itself on the wrong side of this dynamic. Until that point, the bank's fraud losses had been roughly in line with the rest of the industry, contributing to the prevailing sentiment that its existing point-based fraud detection system kept the bank adequately protected. When, in the span of weeks, Westpac New Zealand's fraud volume suddenly spiked, the adequacy of its fraud prevention solution became a top priority for the bank's senior management, which was determined to act fast. But the bank wasn't starting from scratch. Prior to the fraud spike, Westpac New Zealand had been engaged in a running discussion with its long-time payment processing vendor, ACI Worldwide, about the merits of adopting a more flexible and proactive alternative to its current point-based fraud detection system.

In adopting ACI Fraud Management, Westpac New Zealand fundamentally changed the way it identifies and acts to reduce fraud risk. The difference is intelligence. In contrast to the static nature of point-based fraud solutions, ACI Fraud Management is designed to first identify patterns in the behavior of banking customers and, by extension, to use subtle deviations in these patterns as a real-time trigger for identifying potential fraud before it happens. By combining predictive analytics and sophisticated rules, the ACI Fraud Management solution is inherently better able to identify new kinds of behavioral changes that may signal a new kind of fraud scheme.

## Agile Response to New Threats

In addition to identifying changing fraud patterns, the ACI Fraud Management solution also enables Westpac New Zealand to respond with more agility and speed. It does so by making it easy for the bank's employees to update the rules engine at the heart of the ACI Fraud Management solution to reflect the parameters of the new threat. Rules and neurals work together to identify unusual or specific events or activity. By embedding these real-time rules within its authorization process, Westpac New Zealand is able to stop fraudulent activity in high-risk transactions before it happens.

#### **BUSINESS BENEFITS**

- Significant reductions in fraud-related losses
- Avoidance of brand damage
- Strengthened customer relationships and retention
- Reduction in administrative costs associated with rectifying compromised accounts
- Ability to proactively identify emerging new threats and the agility to adapt protections accordingly

#### **SOLUTION COMPONENTS**

##### **Software**

Proactive Risk Manager  
IBM WebSphere MQ  
IBM DB2 for z/OS

##### **Servers**

IBM System z

##### **Services**

IBM Global Technology Services

##### **IBM Business Partner**

ACI Worldwide

Westpac New Zealand realized that its previous point-based anti-fraud solution was catching only a fraction of the fraud attempts launched against the bank. Nonetheless, Patrick Cattermole, manager of the card fraud team, was pleasantly surprised at just how fast the system proved itself.

"Within a few days of implementing the ACI Fraud Management solution, it alerted us to fraud, which we were then able to prevent," says Cattermole.

"Immediately, we were confident in assuring our customers — and prospective customers — that we can provide them with the risk-free service they need in the current financial climate."

The fraud-related savings Westpac New Zealand is currently experiencing is significantly exceeding its most optimistic expectations.

What's harder to measure — but equally important — are the cascading benefits to the bank that come from detecting and preventing fraud in real time. For instance, customers are spared from the range of inconveniences that come in the wake of compromised accounts. What's more, they can be more assured than ever that Westpac New Zealand is actively protecting their financial well-being. This goes a long way toward building customer loyalty and strengthening the brand — factors which are becoming increasingly important as banking competition intensifies around the world.

## **Smarter Banking: Westpac New Zealand Spots Fraud Risks in Real Time**

### **Instrumented**

By embedding fraud protection into its authorization processes, the bank identifies fraud risk in real time and stops it before it happens.

### **Interconnected**

A true enterprise-wide solution, Westpac New Zealand gained the ability to identify fraud risk across all of the bank's lines of business and channels, starting with one channel and rolling out others over time.

### **Intelligent**

Because it leverages predictive analytics with flexible rules, Westpac New Zealand can fine-tune its system to account for emerging fraud schemes as they unfold — not after the fact.

## The Inside Story: Getting There Enabling Rapid Change

Westpac New Zealand saw fast deployment as essential and factored this demand into its selection process. The bank also needed to be able to roll out its fraud prevention solution gradually, starting with one channel and adding others at a later date. The bank's choice of ACI Worldwide — in addition to reflecting the strengths of the ACI Fraud Management solution — also reflects a number of advantages derived from ACI's established relationship with Westpac New Zealand, as well as its close association with IBM, on whose System z servers the bank runs its core banking payment systems. One key advantage was the fact that ACI Fraud Management integrated with ACI's BASE24® (Westpac New Zealand's payment processing system for the past 20 years, handling an average of 1.6 million transactions per day) straight out of the box, thus simplifying its implementation. Similarly, the bank's ability to deploy ACI Fraud Management on its existing IBM System z infrastructure ensured superior performance, reliability and security, while avoiding the need to invest in new infrastructure.

## The Importance of Relationships

In addition to the solution itself, Westpac New Zealand also recognized that success over the long term requires the right resources throughout the lifecycle of the solution. For implementation, the bank saw ACI's alliance with IBM as especially valuable because of the demonstrated ability of the IBM and ACI project teams to work in close coordination. The same held true for the training that ACI provided the bank's employees in the use of the ACI Fraud Management solution, including enabling the team to change the rules as new kinds of fraud schemes are identified. Another advantage the bank saw was in the area of ongoing support, where both ACI and IBM have a long and solid track record with the bank. The fact that Westpac New Zealand could support its new fraud solution within the framework of existing relationships created an even more compelling business case.



ACI Worldwide is a global software company that provides mission-critical real-time payment solutions to corporations. Customers use our proven, scalable and secure solutions to process and manage digital payments, enable omni-commerce payments, present and process bill payments, and manage fraud and risk. We combine our global footprint with local presence to drive the real-time digital transformation of payments and commerce.

#### LEARN MORE

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## Protection Through Intelligence

For the foreseeable future, the worldwide volume of fraud is expected to continue growing, as is its sophistication and complexity. It's a challenge that will continue to affect all banks. However, for Westpac New Zealand, the deployment of ACI Fraud Management has fundamentally changed the rules of the game to its own advantage. By injecting intelligence into its fraud detection capability in the form of ACI Fraud Management, the bank is able to spot fraud schemes before they become well understood, by which time the damage is often done. In addition, it gives the bank the flexibility to adapt its defenses to new fraud threats.

Cattermole sees the overall success of the initiative as testament to the importance of experience and track record in navigating an increasingly complex and risky global banking landscape.

"Protecting ourselves and our customers requires us to stay one step ahead of a threat that's always changing," says Cattermole. "The intelligence and flexibility we gained with our new fraud solution has dramatically improved the bank's ability to identify — and ultimately neutralize — new fraud schemes as they emerge."

