

Mid-Atlantic AML Conference Marta McClure

July 26-28, 2011



MoneyGram Anti-Fraud Program

MoneyGram® 

MoneyGram's Anti- Fraud Program



- **MoneyGram's purpose is to help people by providing convenient, reliable and safe payment services.**
- **Our policy is to prevent the use of our services for illegal purposes and not to assist in any way with the use of our services to process fraud-induced money transfers.**

*Our customers expect our services to be safe and reliable.
This includes protecting them against criminal activity.*

ANTI-FRAUD PROGRAM MISSION

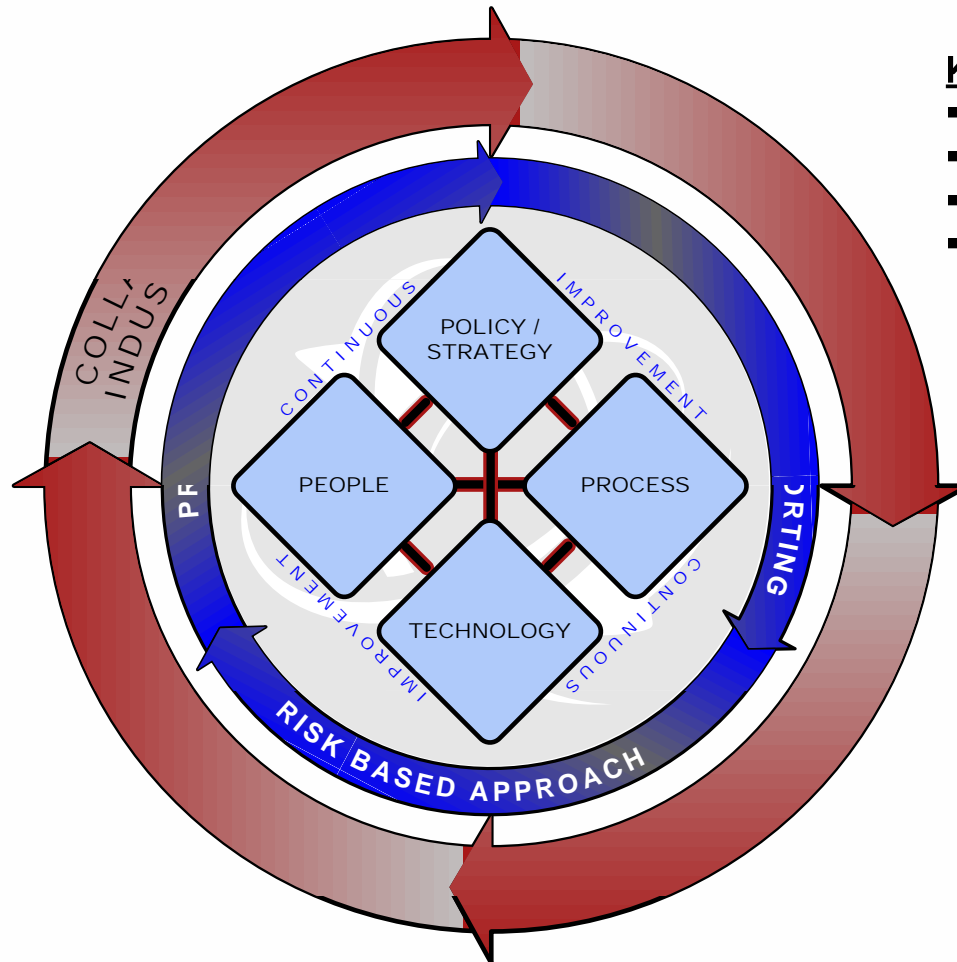
To create, implement, and continuously improve risk-based policies, processes, and procedures that comply with applicable regulatory requirements and help safeguard MoneyGram's worldwide consumers, agents, and stakeholders.

To achieve that mission, we strive to develop innovative solutions to help monitor, detect, and prevent criminal activity leveraging industry partner collaboration, technological advancements/controls, and a continuously improving results-driven approach.

MoneyGram Anti-Fraud Model



Fighting fraud requires multiple approaches and multiple weapons.
There is no silver bullet.



Key Elements (Whats):

- Consumer Protection & Awareness
- Controls & Technology
- Agent Oversight & Support
- Collaboration With Industry Partners

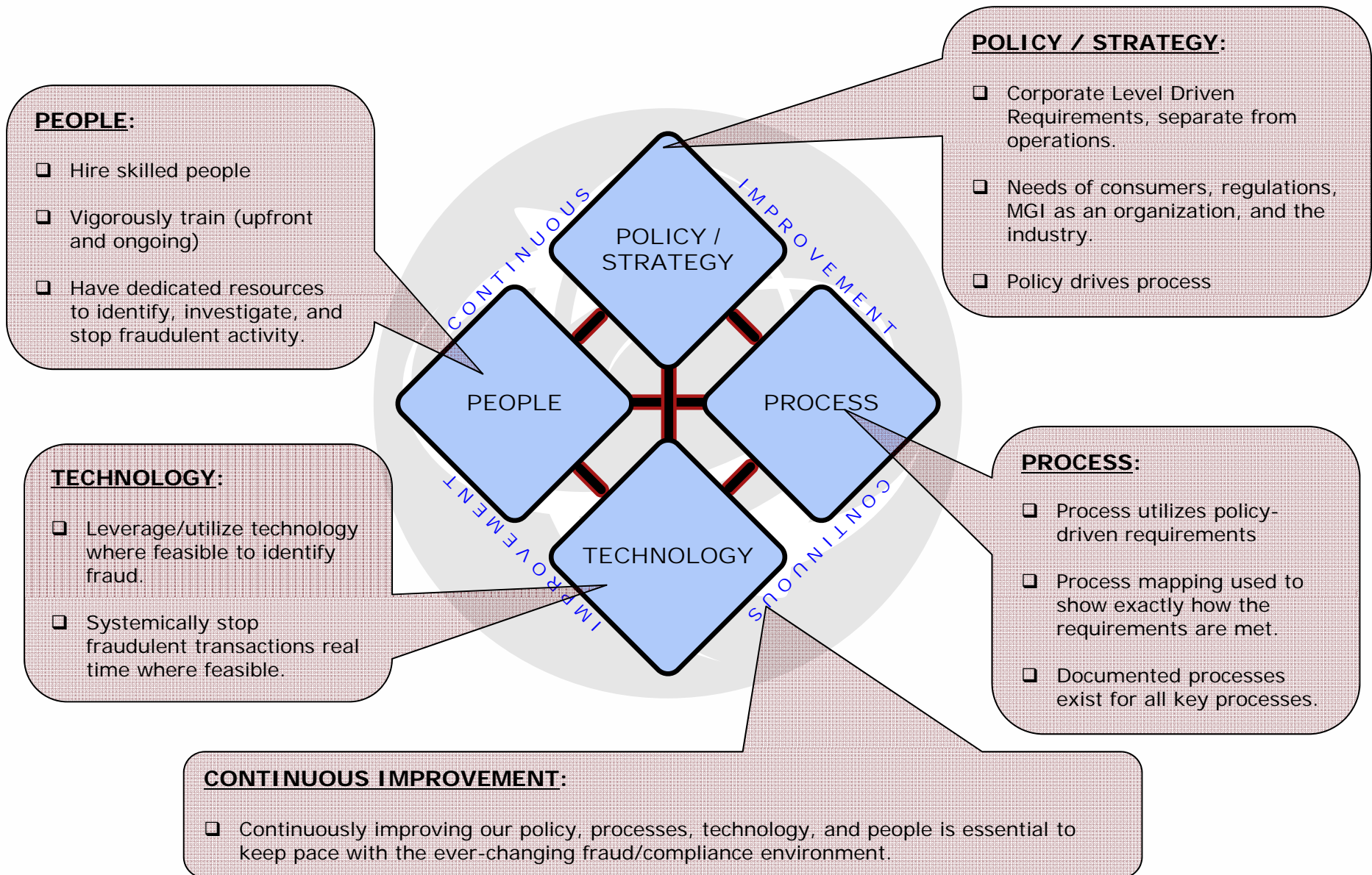
Supporting Approach (Hows):

- Data Analytics & Reporting
- Risk Based Approach
- Prevention Focus

Core Foundation (Building Blocks):

- Policy / Strategy
- Process
- Technology
- People

Model Foundation / Building Blocks



MoneyGram Model Key Approaches

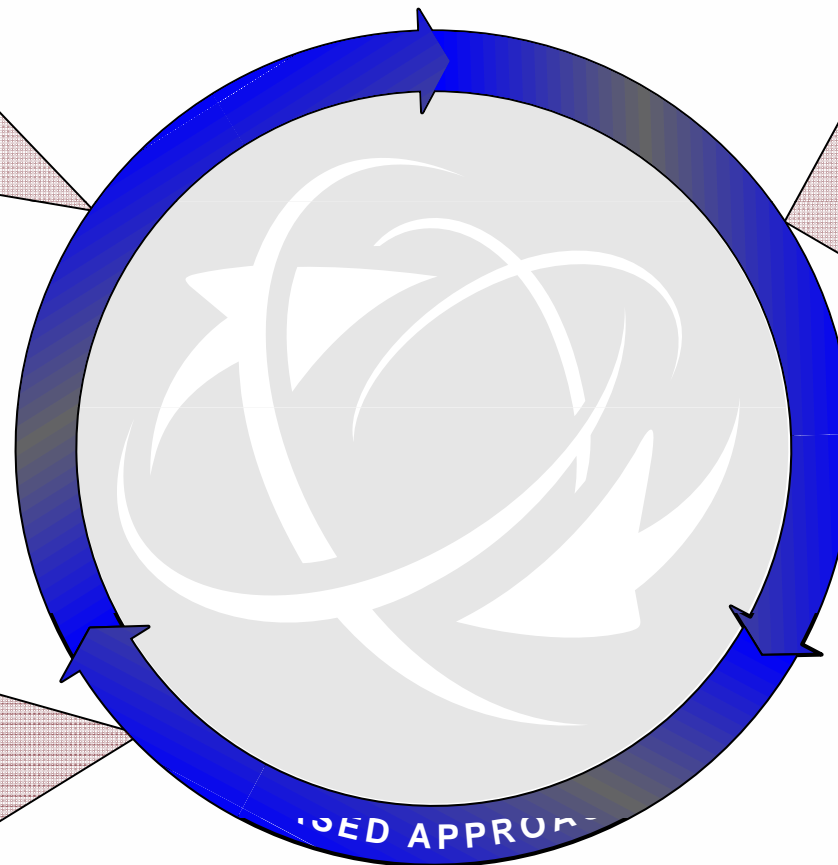


PREVENTION FOCUS:

- ❑ Prevent the fraudulent transactions from occurring (ultimate goal)
- ❑ If occurs.....prevent the fraudulent transaction from completing.
- ❑ If completed, prevent from occurring again

RISK BASED APPROACH:

- ❑ Identify and understand areas of high consumer risk.
- ❑ Ensure proportionate resources are focused on high risk areas to provide the biggest positive consumer/industry impact.
- ❑ Develop innovative analytical methods to identify high risk areas.



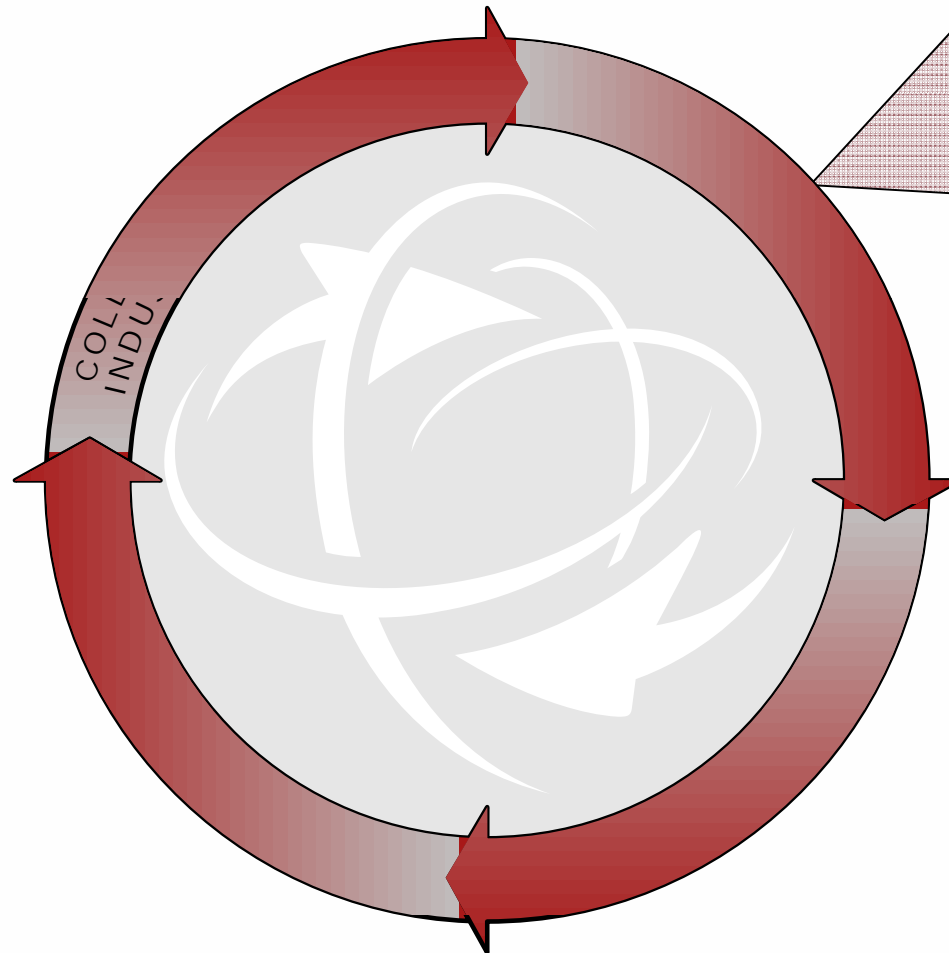
DATA ANALYTICS:

- ❑ Utilize factual data/reporting to drive decisions
- ❑ Help set system/technology (i.e. AFAS) rules.
- ❑ Measure improvements
- ❑ Help identify high risk areas

REPORTING:

- ❑ Internal
 - Monitor system effectiveness
 - Validate and audit processes
 - Manage business & drive continuous improvement
- ❑ External
 - FTC
 - SARs/CTRs
 - Agents
 - State Regulators
 - Other groups

Anti-Fraud Model – Key Elements



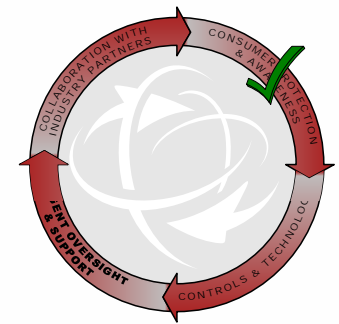
CONSUMER PROTECTION & AWARENESS:

- ❑ Provide information to the consumer to help them help themselves – warnings on forms, websites, IVRs
- ❑ Provide multiple avenues for consumer to obtain anti-fraud information. (i.e. YouTube)
- ❑ If consumers recognize fraud up-front, the market for fraud is eliminated.

I. Consumer Protection and Awareness



- ❑ Provide multiple “awareness” opportunities for consumers
 - In April 2011, MoneyGram launched a new Micro site to specifically reach and educate consumers.
 - www.moneygram-preventfraud.com
 - Includes: information on common fraud scenarios, top scams, news, statistics, & downloadable materials.
 - Fraud warnings on various materials
 - YouTube video = Fraud Awareness Message
http://pub.psbpr.com/moneygram/video/MoneyGram-Sizzle_Video_4-26.zip
 - If time allows.....



MoneyGram

MOST COMMON FRAUDS | PROTECT YOURSELF | REPORT FRAUD | FRAUD FAQS | NEWS & STATS | ADDITIONAL RESOURCES

ANTI-FRAUD DOWNLOADABLE TOOLS AND RESOURCES CENTER

MONEY TRANSFER FRAUD EDUCATION CENTER

Welcome to the Money Transfer Fraud Education Center. Here you'll find information you need to protect yourself and your family from criminals who use money transfer systems as a mechanism for fraud.

MOST COMMON FRAUDS
Learn about frequent scams

PROTECT YOURSELF
Find tools and resources

REPORT FRAUD
If you're a victim, take action

FRAUD FAQS
Answers to common questions

NEWS & STATS
Get up to speed with the latest news

ADDITIONAL RESOURCES
Informational links and resources

Think you know what fraud is? Watch this short video for some hard facts.

\$3,700
Average cost for TRUSTING SOMEONE promising you RICHES

Follow us on: facebook

MoneyGram

“Report Fraud”
Link

Fraud Warning Examples

Consumer Protection and Awareness



Send Form Fraud Warning Example

Valued MoneyGram Customer STOP! Please Read! MONEY TRANSFER FRAUD WARNING

Answer the questions below to help **KEEP YOUR MONEY SAFE:**

- Are you sending money, returning an overpayment, or “escrowing” money to buy a car or other goods, or to rent an apartment?
- Are you sending money to claim lottery or prize winnings, or for a “guaranteed” credit card or loan?
- Are you responding to an Internet offer, letter or phone call that asks you to wire money for a “job offer” or “mystery shopping”?
- Are you sending money to someone out of the state or country who claims to be a relative needing cash for an emergency?
- Are you sending money to someone you don’t know or whose identity you can’t verify?

If you answered YES to any of the questions, **DO NOT SEND** the money transfer – someone may be trying to steal your money. If you have already sent it, ask the sales clerk to **STOP your transfer immediately** or call us at 1-800-MONEYGRAM. Once your money has been picked up, which can happen within a short time, you cannot get a refund, even if someone stole your money through fraud.

Website Warning Example

(www.moneygram.com; consumer protection option)

Locations | Customer Service | United States - English

MoneyGram

SEND MONEY
Anywhere in the world

PAY BILLS
Fast and easy

REWARDS
Loyalty pays

SIGN IN →

Customer Service

How We Work

Consumer Protection
Common Scams

FAQs

Contact Us

Service Forms

Complaint Procedure

Print

Consumer Protection

Protecting our customers is a priority at MoneyGram. It's our goal to educate consumers on ways to safeguard their money and personal information and avoid becoming a victim of consumer fraud.

Below is a list of known consumer scams. However, others may exist, so it's always safest to use common sense when sending money. The most important tip we can give is **do not send money to someone you do not know.**

Expand All | Collapse All

- Disaster Relief
- Foreign Lottery
- Buying a Vehicle
- Sending Money to a Stranger
- Lottery/Sweepstakes
- Internet Purchases
- Relative in Need
- Loans
- Check/Money Order
- Romance
- Newspaper Ads

Additional Resources

If you are ever a victim of fraud we suggest you report it to your local law enforcement. Below is a list of other resources that may be helpful in your reporting of an incident or researching a potential fraudulent situation.

- Internet Complaint Center
- Where to Research
- Money Sent to Canada
- Federal Trade Commission
- Fake Checks

Scam Alerts

DEC
16
2010
12:00 AM CST
Foreign Lottery
Learn More...

JUL
12
2010
12:00 AM CDT
Buying a vehicle
Learn More...

CONTACT US

BY PHONE →

BY E-MAIL →

Report Fraud Link - www.moneygram-preventfraud.com



HOME

MOST COMMON
FRAUDS

PROTECT
YOURSELF

REPORT
FRAUD

FRAUD
FAQS

NEWS &
STATS

ADDITIONAL
RESOURCES

MONEY TRANSFER FRAUD EDUCATION CENTER

If you are a victim of fraud, report the incident immediately to your local law enforcement.

If you were a victim of fraud and the funds were sent to Canada, report it to your local law enforcement and contact Phonebusters. Phonebusters is a joint U.S. and Canadian police task force working together to reduce cross-border fraud. You can reach Phonebusters at **1-888-495-8501**. Or visit their website at www.phonebusters.com

To report money transfer fraud that occurred while using MoneyGram International services, you can contact MoneyGram Customer Service by clicking [here](#) or by calling these numbers:

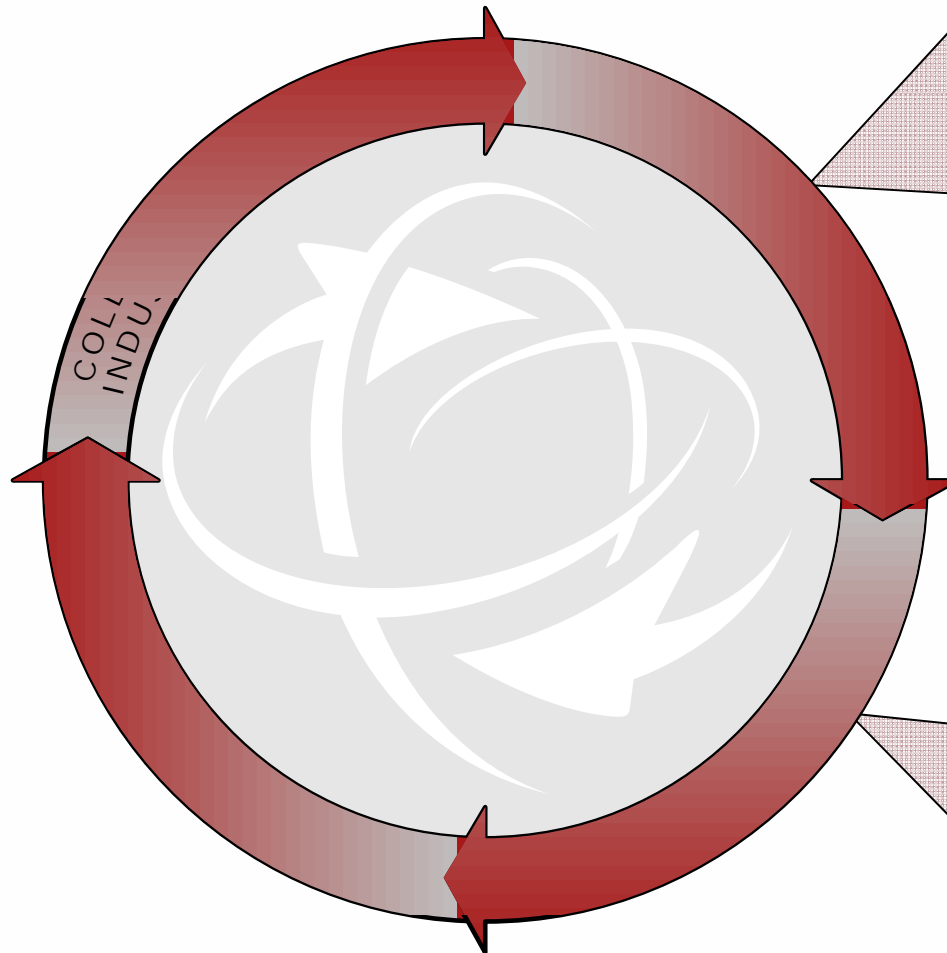
IN THE UNITED STATES

For English-speaking callers: **1-800-MONEYGRAM**

For Spanish-speaking callers: **1-800-955-7777**



Compliance Model – Key Elements



CONSUMER PROTECTION & AWARENESS:

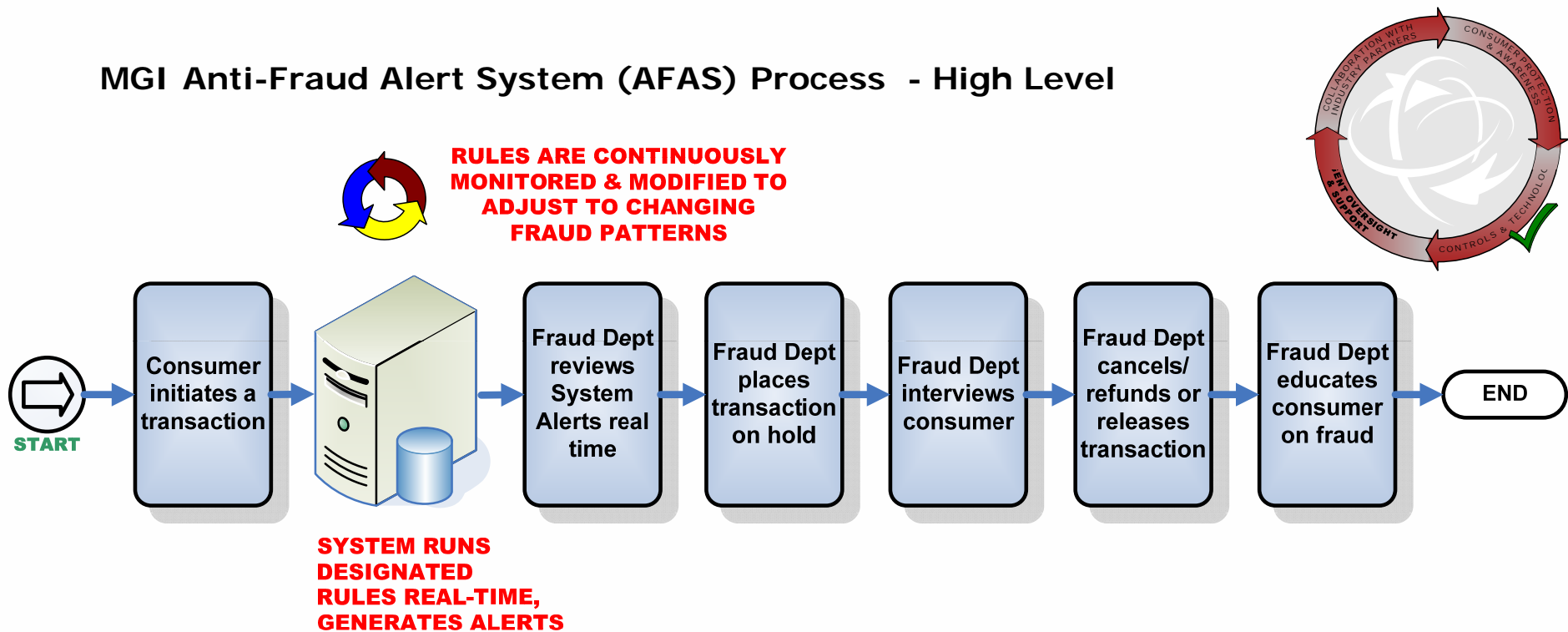
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CONTROLS / TECHNOLOGY:

- ❑ Develop & implement robust process controls.
- ❑ Leverage technology to systemically help identify and reduce fraud.

II. Controls & Technology - AFAS

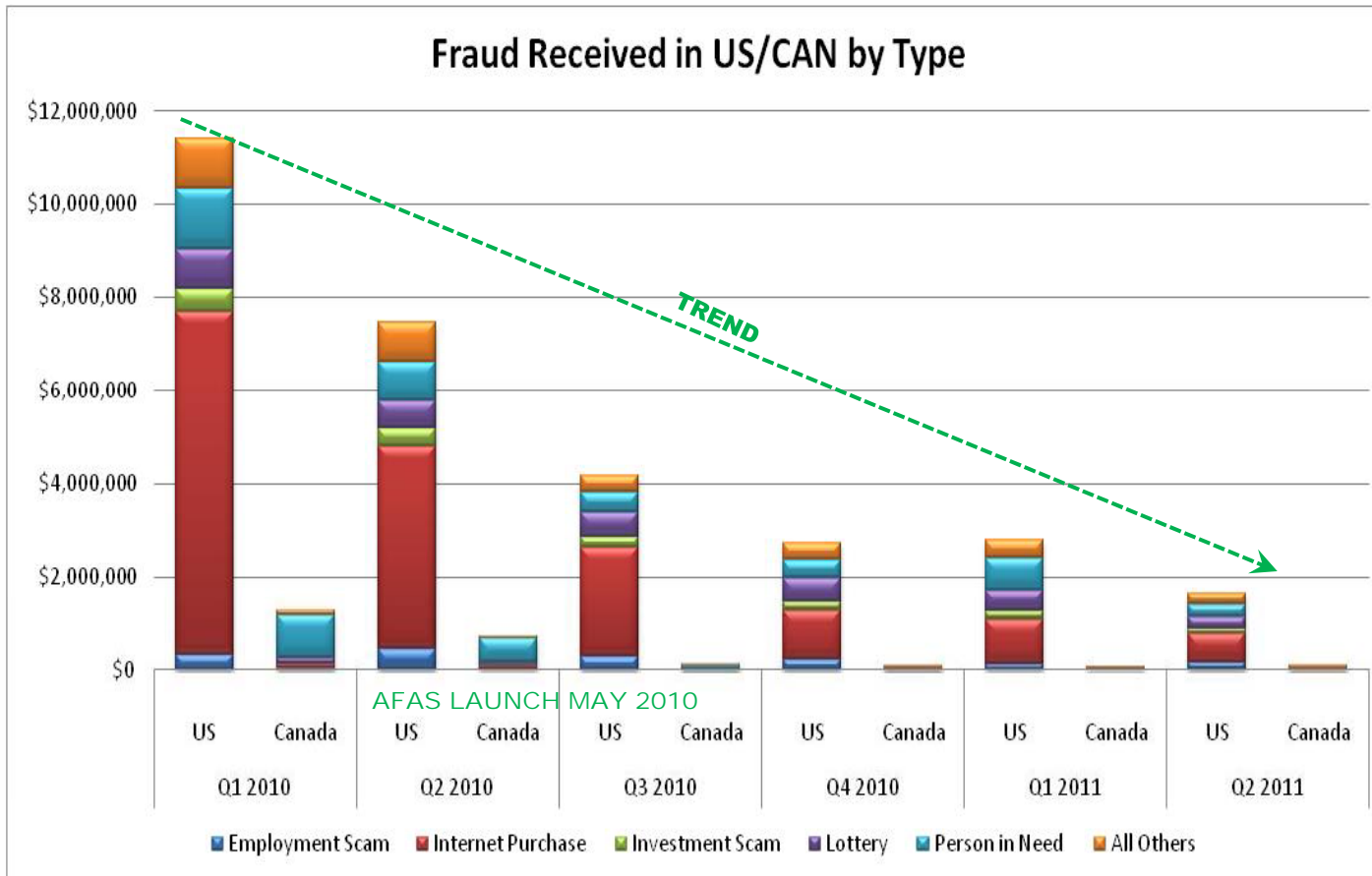
MGI Anti-Fraud Alert System (AFAS) Process - High Level



AFAS - 1st & 2nd Quarter 2011:

- ❑ Active consumer contacts (AFAS Outreach) = 25,176
- ❑ Released transactions = 65% or \$47.2M were verified by consumers as not being fraud; on average, we contact approximately 3 consumers for every 1 that we identify as actual fraud.
- ❑ Challenges: during 1st & 2nd quarter, 52 consumers had initially indicated their transaction was valid (during conversation) then called later to report the transaction as fraudulent. [15 of the 52 we subsequently found to have purposely not told the truth about the transaction].

Prevention Controls - Results



☐ **Reduced Fraud 47%** - (US/CAN 1st 6 months of 2010 to 1st 6 months of 2011 due to MoneyGram Fraud Prevention efforts) (based on fraud items)

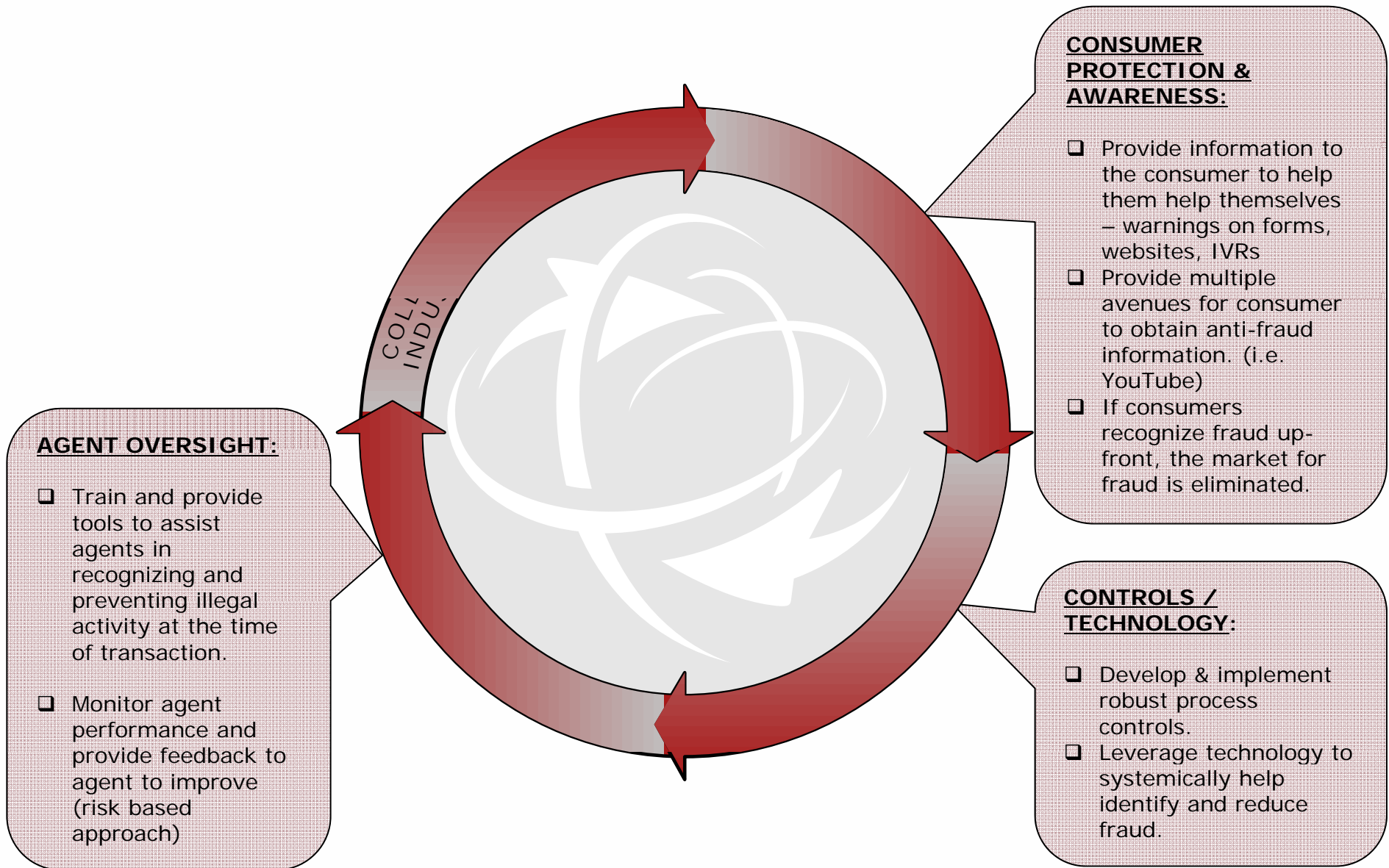
- **US reductions:**
 - Internet Purchase 86%
 - Person In Need 54%
 - Lottery 50%

- **Canada reductions:**
 - Person In Need 98%
 - Internet Purchase 97%
 - Lottery 88%

- ☐ **Reduced Fraud Transaction Size in US 71% from Jan 2010 to June 2011**
 - Highest = \$2,335 in Jan 2010
 - Lowest = \$595 in May 2011

- ☐ **Reduced Fraud Transaction Size in Canada 88% from Jan 2010 to June 2011**
 - Highest = \$3,543 in Jan 2010
 - Lowest = \$440 in June 2011

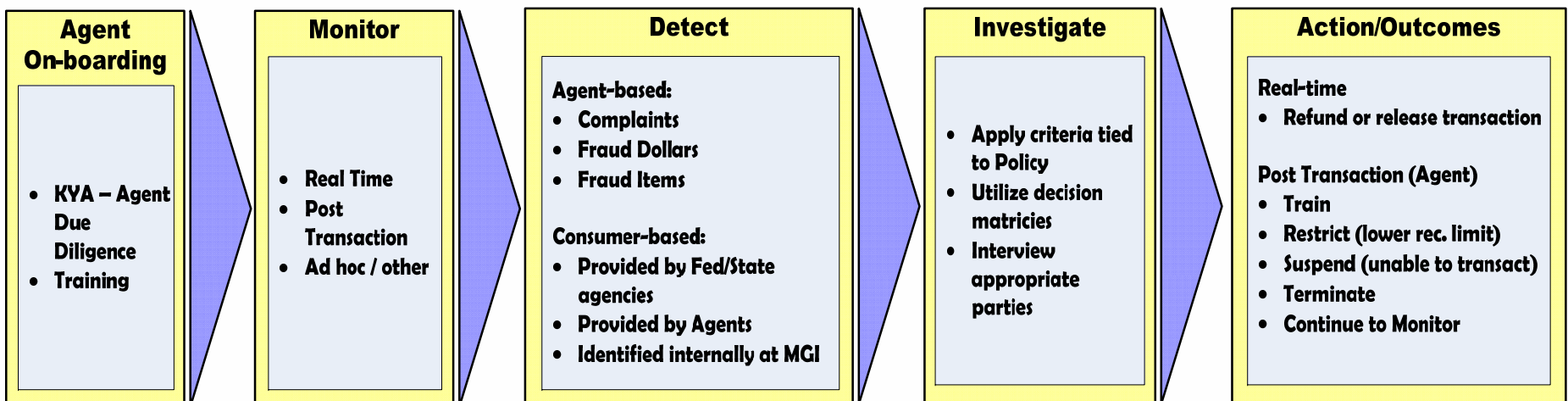
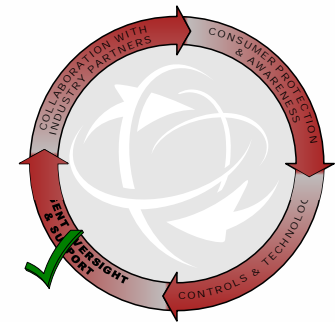
Compliance Model – Key Elements



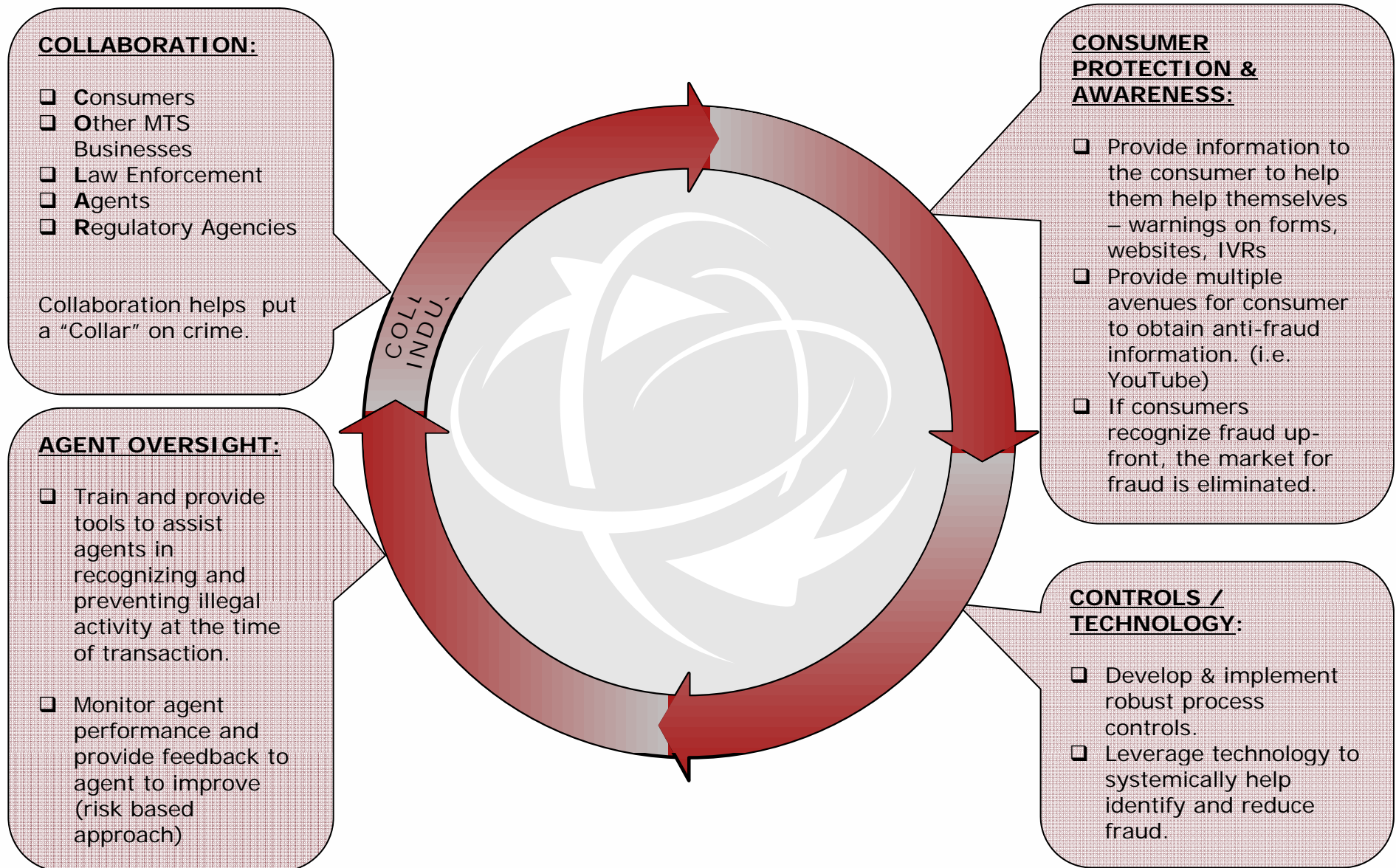
III. Agent Oversight & Support

Key Activities:

- Due Diligence on New Agents
- Training of New Agents
- Ongoing Monitoring & Training of Agents
- Detecting Suspicious Activity
- Investigating Activity
- Taking Appropriate Action:
 - Train
 - Restrict
 - Suspend
 - Terminate



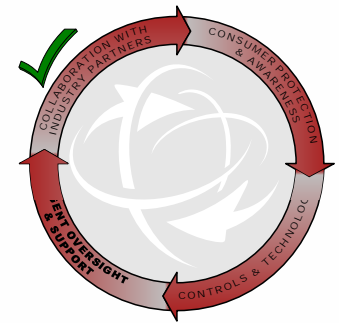
Compliance Model – Key Elements



IV. Collaboration With Industry Partners

Industry Partners:

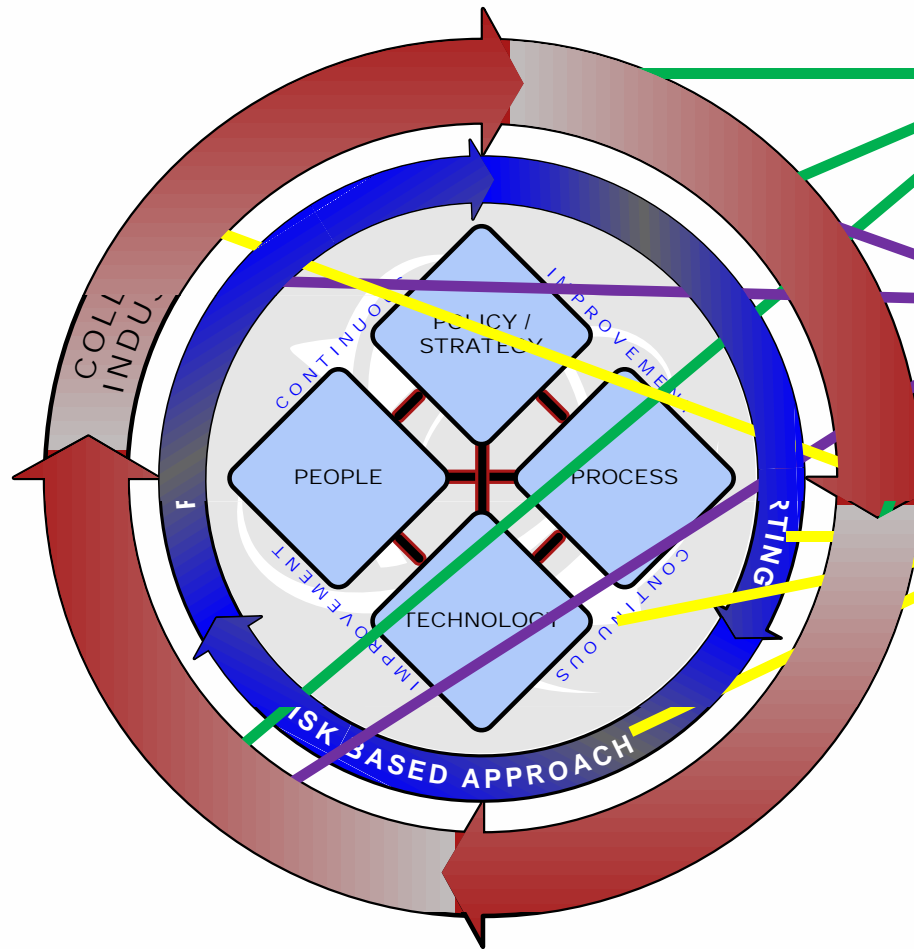
- ❑ Law Enforcement & Regulatory Agencies (US & Worldwide)
 - Periodic meetings to share trends/info (US, Romanian, and Italian Law Enforcement, European Electronic Crimes Task Force)
 - Case reviews; Subpoena support
 - Data Sharing with FTC Consumer Sentinel
- ❑ Consumers, Agents, Other Money Transfer Businesses:
 - Ongoing discussions, meetings, training sessions, information sharing.



Example:

- ❑ Romanian & Internet Fraud (phony craigslist/eBay ads for cars)
 - In less than 5 months we prevented > \$500,000 from getting into fraudsters hands
 - "Mr. Indy"
 - Receiving primarily in IN, MI, OH, PA, then moving to 9 other states
 - MGI cooperating with FBI, USSS, and NCFTA (Pittsburgh)
 - Utilizing fake foreign and US passports
 - Intercepted over 60 transactions for approximate \$146,000 and refunded back the senders/victims
 - "Westminster Craigslist"
 - Active between May 2009 - November 2010, MGI cooperating with USSS Denver
 - Suspect arrested in March 2010 and again in November 2010

In Conclusion



Key Strategies:

- *Combat fraud on multiple fronts*
- *Stop fraud at the source (consumer) where feasible*
- *Learn from past experiences, be flexible & adjust, continuously improve*

QUESTIONS?

Consumer Awareness Website

www.moneygram-preventfraud.com

Contact Information



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Consumer Awareness Video

