



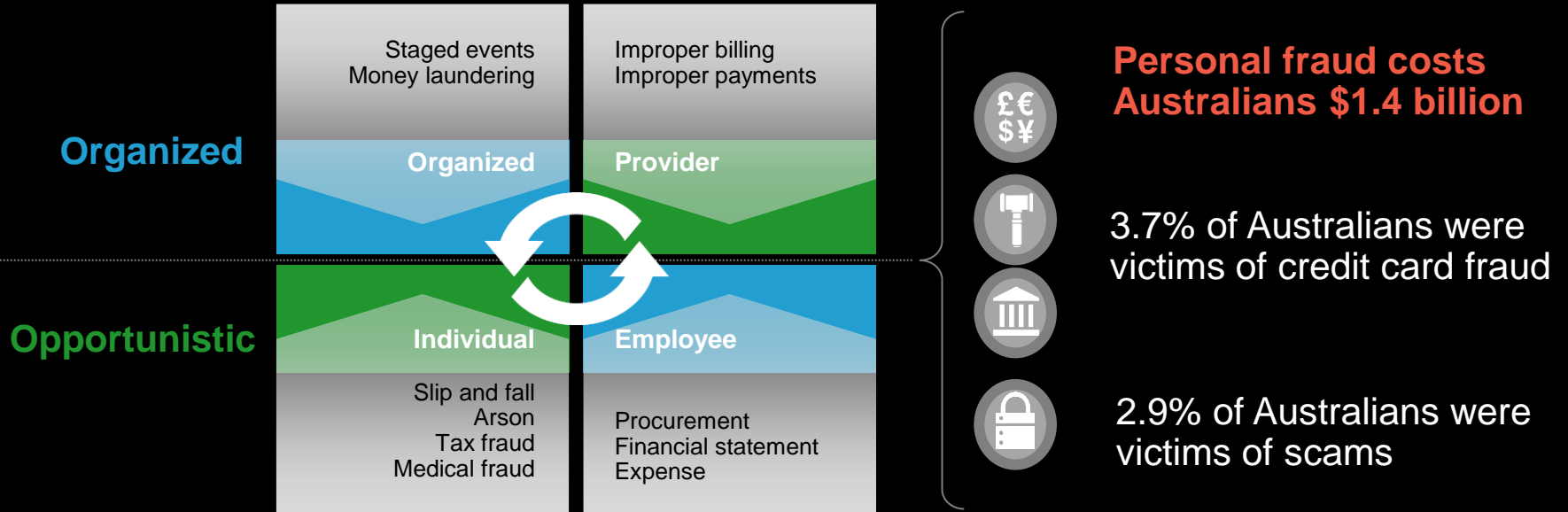
BusinessConnect and SolutionsConnect
It's time to make bold moves.

Breaking Bad

Disclaimer:

I will at no point during this presentation be teaching you to produce or sell methamphetamines!

Fraud - a deliberate deception or misrepresentation which violates a legal statute and is intended to produce an undue financial gain



The Economics of Fraud

Private Sector



Public Sector

*US Healthcare
Fraud and Abuse Control Program*
\$7.20 recovered for every
\$1 invested

Converging forces are escalating fraud risk, exerting significant downward pressure on an organization's bottom line

Increasingly frequent and complex fraud schemes

The explosion in global connectivity has escalated the vulnerabilities of individuals, enterprises and nations to cybercrime

12

cybercrime victims per second¹

80%

of schemes are perpetrated by organized criminal groups²

Fraud no longer acceptable as "cost of doing business"

Intensifying regulatory enforcement and operational losses apply significant pressure on profitability

\$100

billion annual improper payments by US Fed Agencies³

\$1.92

billion largest penalty to-date in money laundering case⁴

Customer expectations ever on the rise

Customer convenience, satisfaction and trust drive brand choice and must be earned on an ongoing basis

45

point drop - retail store brand perception index change one week after data breach⁵

71%

customers who will switch banks due to fraud⁶

1 The 2013 Norton Report

2 United Nations Office on Drug and Crime, [Comprehensive Study on Cybercrime](#), February 2013

3 The Fiscal Times, [Feds Blow \\$100 Billion Annually on Incorrect Payments](#), Jan 15, 2014, amount in US \$

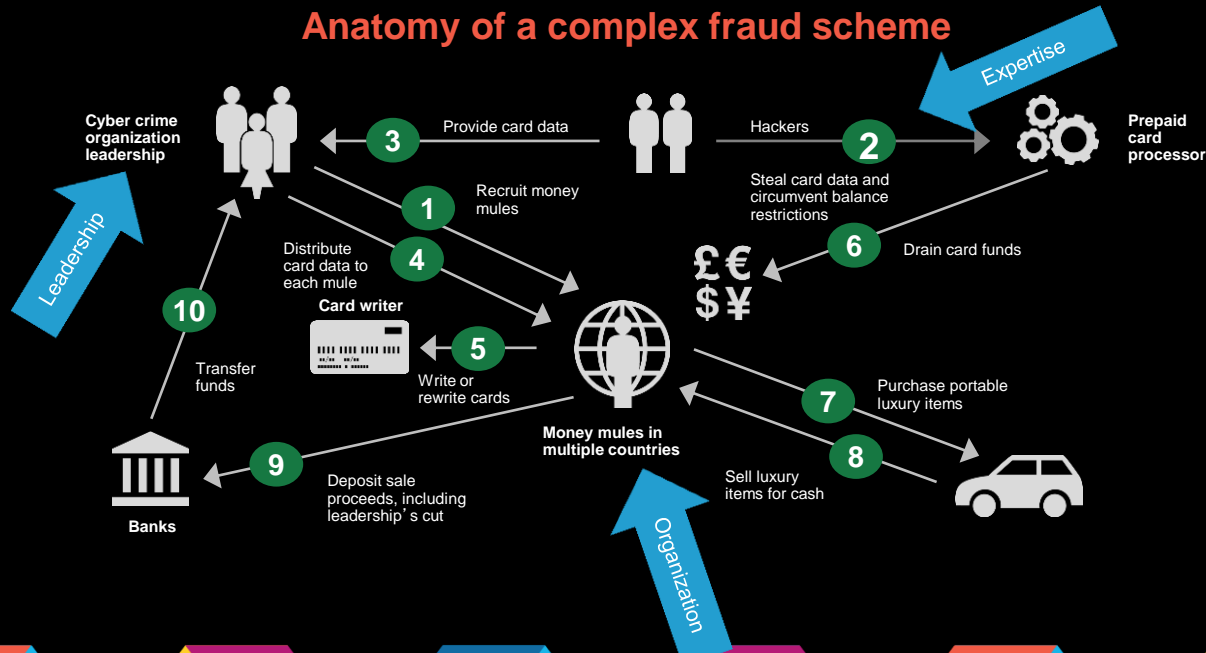
4 Reuters, Dec 11, 2012, amount in US \$

5 Brand Index, [Company perception falls after data breach](#), Dec 23, 2013, Brand Index ranges from -100 to 100 pts

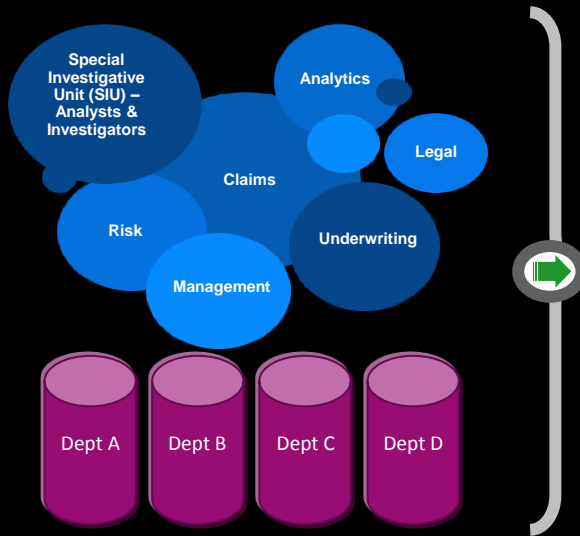
6 Entersakt-sponsored Harris Interactive US survey conducted May 14-16, 2013

Fraud Schemes are becoming increasingly complex, often involving networks of organized activity

Anatomy of a complex fraud scheme



Within an enterprise, point solutions and corporate silo culture directly contribute to fraud risk



The challenges:

- Narrow observation space
- Isolated Data
- Reactive versus Proactive
- Accepted cost of doing business
- Departmental band-aides

IBM has a rich history in helping clients reduce fraud

Banking



Anti-Money Laundering Enterprise Fraud Management

IBM has implemented over 70% of the Global Tier 1 Bank's AML systems

Business Outcomes

- **Reduced fraud by 30%** while improving on AML Reporting Requirements
- **40% improvement** in Suspicious Transaction Reporting
- **80% productivity** saving

Insurance



P&C and Healthcare Claims fraud

Over 60 global Insurers use IBM software for fraud

Business Outcomes

- **\$17M savings** in first 4 months of use
- **70x faster settlement** on legitimate claims
- **403% ROI** in 3 months
- Reduced investigation referral window from **45-60 days to 1-3 days**

Government



Medicare/Medicaid Fraud Revenue/Tax Fraud

IBM has delivered 50+ implementations
IBM i2 has 50+ installations in Federal Government

Business Outcomes

- Identified **\$75m in fraud recoupment** in the first 12 months of use
- One provider charged **>800 days worth of billings** in a single year
- **Stopped more than USD16 billion in fraud** in 2012

Healthcare



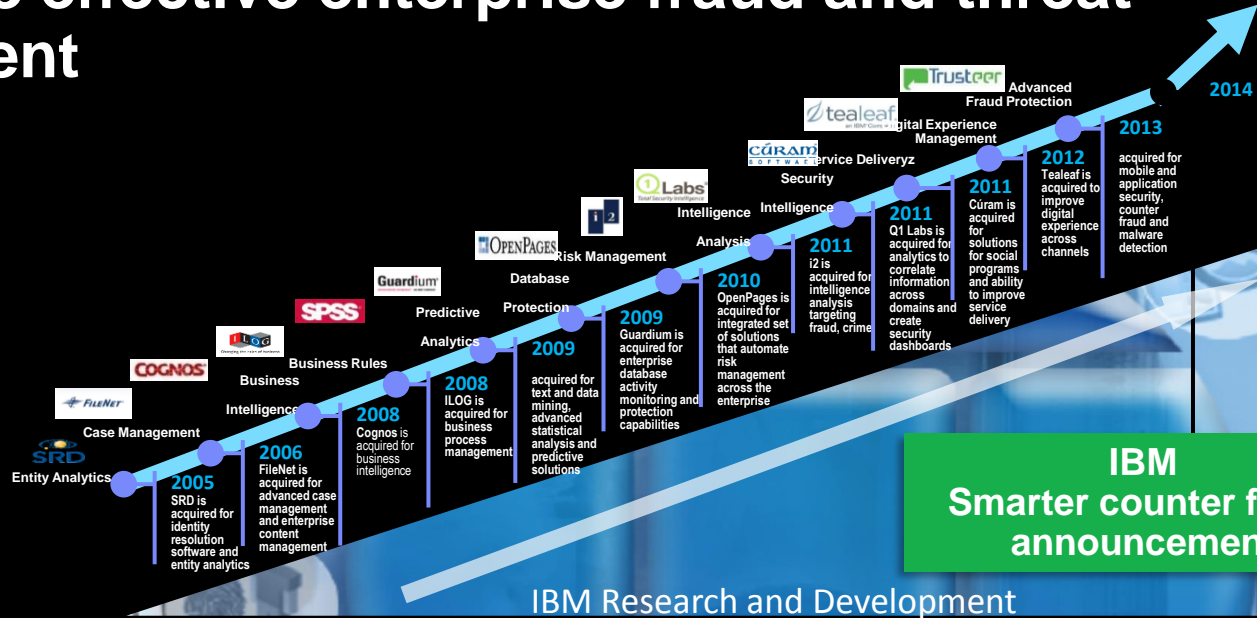
Health Insurance Claims fraud

IBM has more than 30 client implementations for Healthcare payers

Business Outcomes

- Identified **200 facilities** with questionable outlier behaviors
- Identified **>\$20M in potential recoveries**
- Potential incremental recoveries of **\$20M+** per year

For the last 10 years, IBM has invested in key capabilities that enable effective enterprise fraud and threat management



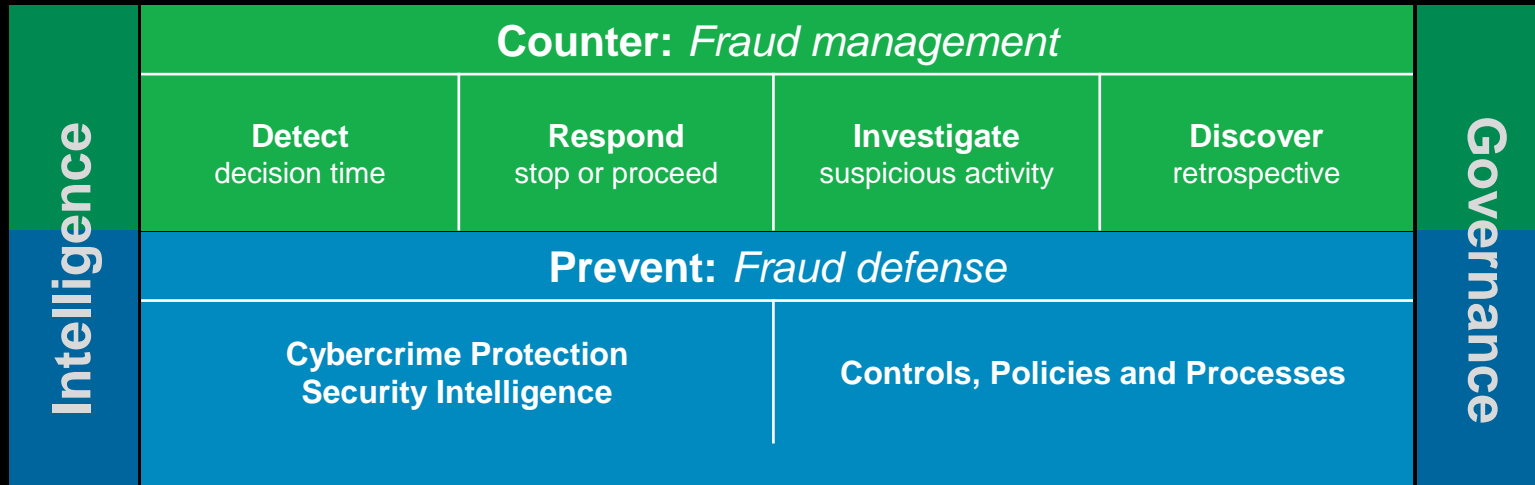
IBM
Smarter counter fraud
announcement

IBM Research and Development



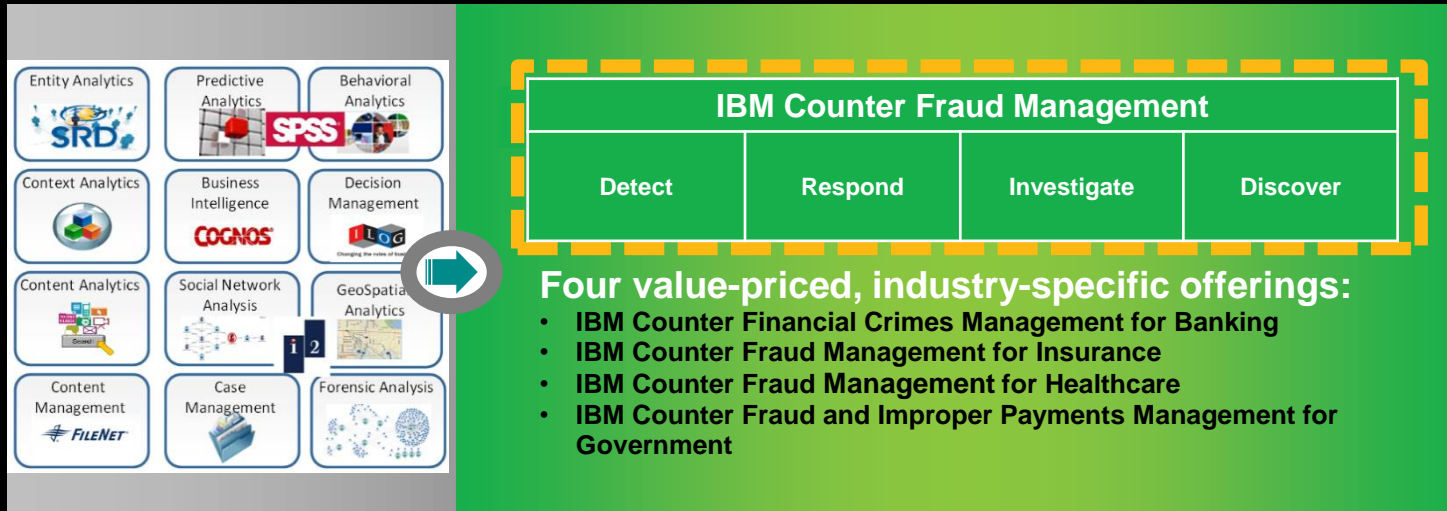
IBM Smarter counter fraud capabilities

A comprehensive set of integrated market-leading software and services capabilities designed to combat today's new threats



Introducing IBM Counter Fraud Management

An integrated, next generation offering addresses all phases of enterprise fraud



Introducing IBM Red Cell

Counter Fraud intelligence research

Intelligence

IBM Red Cell

Red Cell

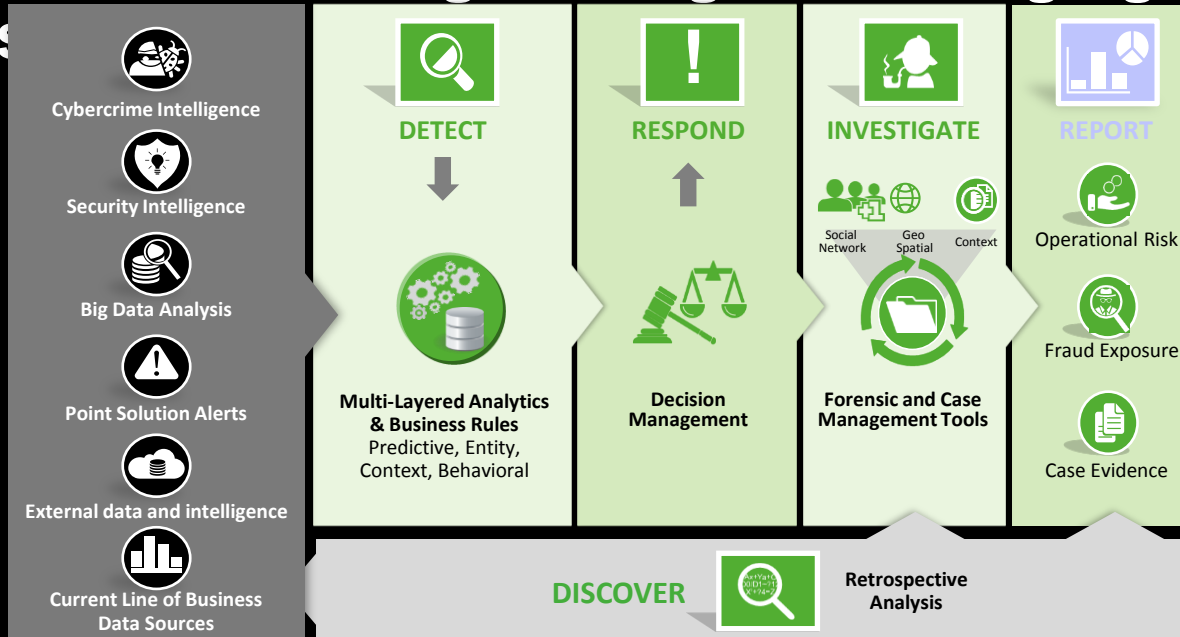
- **Monitor** and evaluate emerging trends in financial crime across industries and around the globe
- Provide cutting-edge **thought leadership** to counter and prevent fraud and financial crime across the ecosystem
- Create opportunities for **intelligence sharing**
- **Educate** our customers and the general public

IBM X-Force

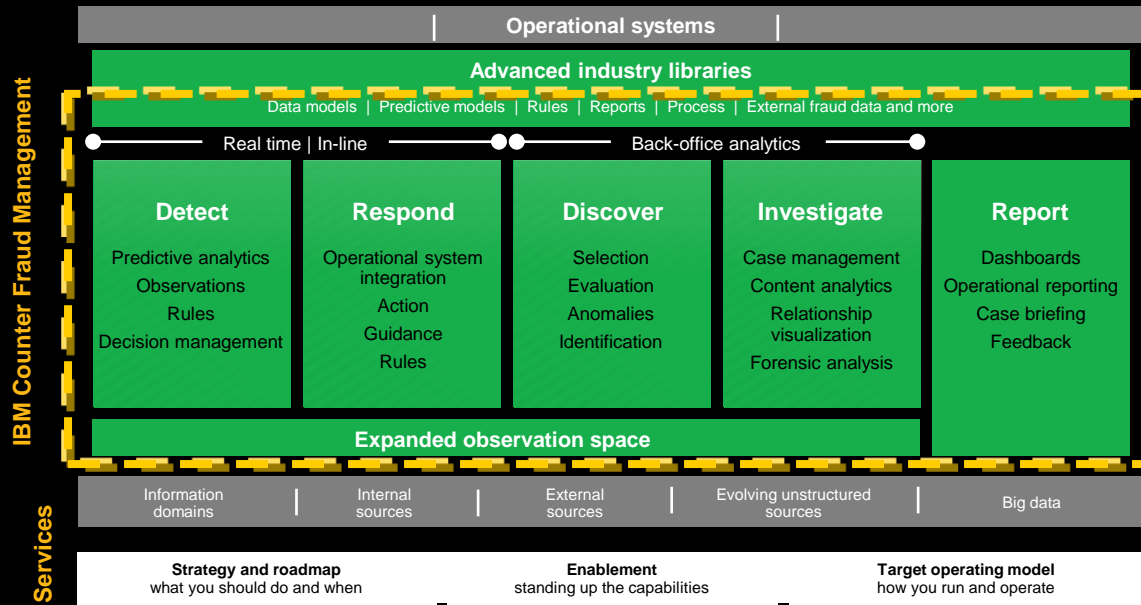


- **Monitor** and evaluate the rapidly changing threat landscape; leverages Trusteer endpoint intelligence
- **Research** new attack techniques; developing protection for tomorrow's security challenges
- **Collaborate** with leading public & private institutions to enhance internet security WW
- **Educate** our customers and the public through its renowned X-Force Trend Risk Reports

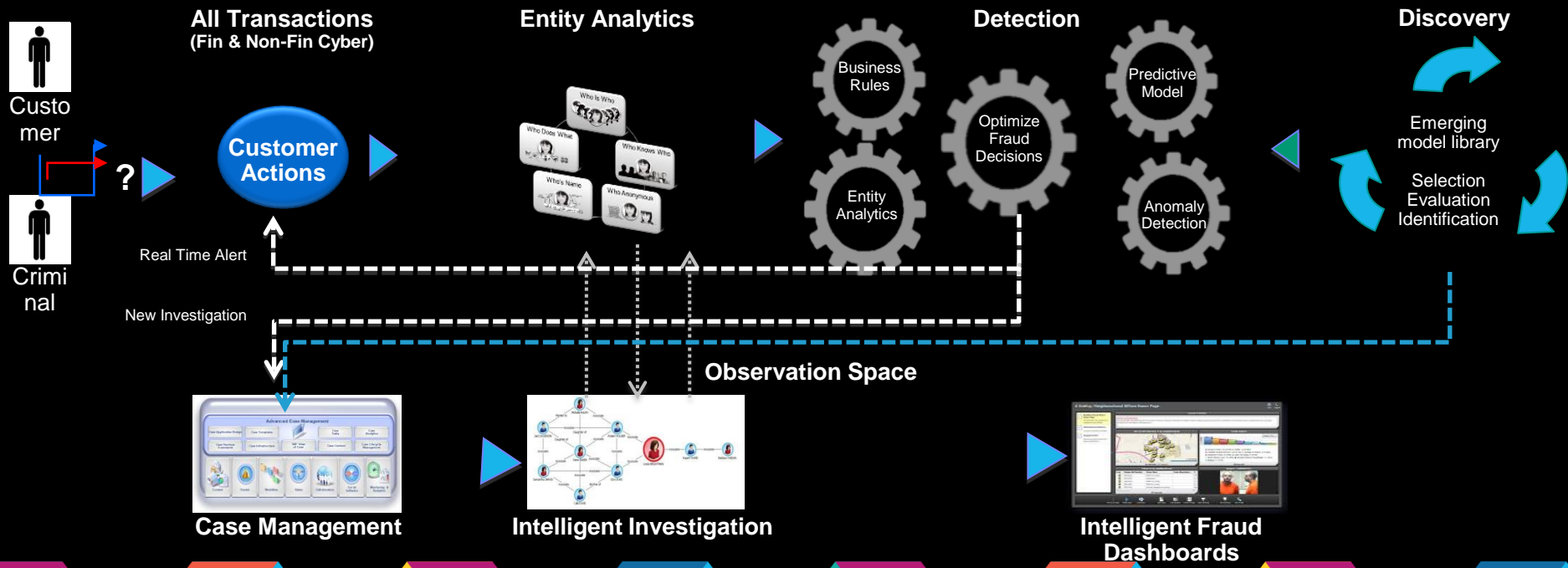
IBM Counter Fraud Management game-changing capabilities



IBM Counter Fraud Management software plus services delivers a holistic solution to combat fraud, financial crimes and improper payments



Putting the Counter Fraud Capabilities into motion...



IBM Counter Fraud Management offers distinctive capabilities to proactively manage fraud

1. **Use information from a variety of sources** - develop rich profiles and create real time risk weightings
2. **Better identify anomalies** by layering analytic techniques and modeling behaviors
3. **More quickly identify suspicious activity** with extensive Forensic Analysis capabilities
4. **Extend and leverage your existing investments**, without a rip and replace
5. **Reduce the cost and risk of tying together traditional point solutions** through IBM's end-to-end, out-of-the-box integration of best of breed capabilities

Thank
YOU



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