Tackling fraud through the power of technology

Central 1 cooperatively empowers those who deliver banking choice to Canadians. The organization works with credit unions, financial institutions, fintechs and others who rely on scale, infrastructure and expertise.

Central 1 provides treasury and payments services, managing and moving almost a billion dollars each day, within a cooperative ownership structure.

> "We have a 15% year-to-date decrease in overall alert volume and an increase in catch rates. Complementary fraud controls, such as 2SV for logins, coupled with EFM, produced a 75% reduction in online banking fraud losses from 2023 to 2024[1]."

THE CHALLENGE BEFORE

In 2021, Central 1 identified an increase in payment fraud across its client base, impacting electronic payments as well as other payment types. While fraud detection methods were in place, opportunities were identified to enhance their effectiveness and expand coverage beyond the existing manual processes.

After consulting with their clients and reviewing the latest innovations available for transaction monitoring, Central 1 concluded that they needed a solution that was real-time solution that monitored holistic member behavior. Added to this was a clear need to utilize advanced analytics and machine learning techniques to identify suspicious transactions across multiple payment types.

Central 1 also recognized the need to enhance its fraud detection capabilities in light of the evolving Canadian payment landscape and the introduction of real-time payments. Continued robust fraud detection measures are needed to deliver the highest level of security.

WHY CENTRAL 1 CHOSE FEATURESPACE

Central 1's key considerations in the decision-making process were the features, functionality, support model, roadmap, completeness of offering, plus the total cost of implementation and ownership.

Featurespace was selected for matching these criteria:

- Offered a **full solution** of transaction monitoring, including flexible and powerful fraud policy management
- Extensible data model and complete model for **multiple** payment types
- **Consortium** approach
- **Support** for advanced fraud models
- **Integrated** case management
- **Professional services** for fraud model development
- Landlord/Tenant **multi-tenant approach**

HOW CENTRAL 1 USES THE FEATURESPACE SOLUTION

Central 1 has implemented the Featurespace Platform functionality within the payment stream so that payments are evaluated in real-time. It is now a part of **Central 1's Enterprise Fraud Management (EFM)**. The technology is integrated with third party payment applications to reduce manual work with increased automation where applicable – increasing productivity overall in several ways:

- It is managed as a landlord/tenant approach where Central 1 manages the fraud policy on behalf of over 200 tenants, and it includes capability to manage individual tenants. It works by providing tenants with notifications of suspicious transactions (alerts). Payments are evaluated in real-time as the payment is made, and when suspicious payments are detected, they are flagged and placed on hold until adjudicated by a tenant's fraud analyst.
- Tenants also have access to the reporting capability within the EFM platform to monitor their fraud performance.
- Central 1 is currently expanding fraud rules and policies to enhance its fraud models.
- By end of 2024, Central 1 is working to introduce multiple payments (e-Transfer, Wire) to be monitored by EFM, with plans to expand to cheques, bill payments and automated funds transfers (AFT).

THE RESULTS

- Central 1 set aggressive targets to achieve, based on false positive rates (to control operational costs) and catch rate (to detect fraud losses), as well as comparison to legacy fraud providers.

- Central 1 took a measured, phased approach to implementing the technology. The process began with a period of data ingestion, allowing the system to collect and analyze transaction data. This was followed by a simulated monitoring mode where transactions were evaluated and alerts were generated. During this phase, no direct intervention or blocking of transactions occurred. Finally, when satisfied with results, the full decision mode was implemented.

- In the first half of 2024, Central 1's results consistently exceeded targets.

False positive rate 2024*

3.5:1

significantly exceeded target

Catch rate*

31%

over target

"Despite initial apprehensions regarding the volume of alerts and false positives after the implementation of decision mode, the numbers have steadily declined.

In fact, after going live with decision mode, EFM stopped 2 scam transactions, saving our 2 members $6,000. So big kudos to the Payments Team in developing this tool."
Central 1 credit union client, who recently implemented EFM decision mode.

Let's connect.

Book a demo to discover how The Featurespace Platform can help reduce fraud, business risk and operational costs.

Website

* *Central 1 data, 2023-2024
1 A Central 1 Credit Union Client data, 2023-2024