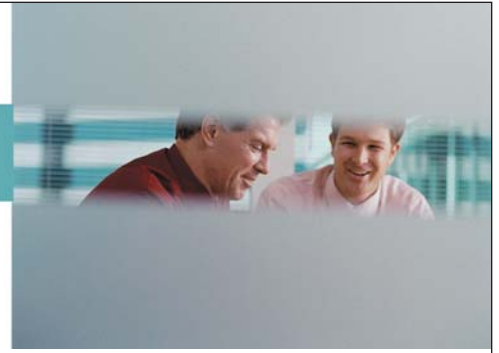


## client focus



# Getting Ahead of Electronic Fraud

## Business Challenge

Although electronic transactions have brought countless conveniences to bank customers worldwide, they have also brought new risks. The Bank of Stockton, a full image house for over a year and a half, quickly recognized the need for a system to protect its customers from a constantly evolving toolkit of electronic fraud tactics that included forgery, fictitious checks and unauthorized drafts. Bank of Stockton's Vice President and Operations Center Manager Ron Turner points to debit card fraud as an example: "How do you know when you have fictitious transactions using someone's debit card, when that information was captured legitimately at some gas station and then utilized by someone else for an Internet purchase?" Unchecked, fraudulent electronic transactions generate a constant stream of unrecoverable losses for banks and their customers.

How did Bank of Stockton address most fraud prior to implementing Open Solutions' IS*FraudPro*™? "We would often have to wait for customers to tell us that transactions were questionable," explains Turner. There were few warning signals of potentially fraudulent activity other than overdrafts occurring during the course of the month, prompting an investigation to be opened.

Turner adds, "Now that we are dealing with electronics, we are dealing with the posting of the majority of transactions sight unseen. It is nearly impossible to comb through electronic items as we used to years ago with physical items."

*"How do you know when you have fictitious transactions using someone's debit card, when that information was captured legitimately at some gas station and then utilized by someone else for an Internet purchase?"*

Dealing with fraud reactively by waiting for customers to initiate the resolution process puts a bank at risk for losses. Even if the cause of a fraudulent transaction is clear, time limits for returning items are tight, leaving banks few opportunities for recovery.

## Solution

Bank of Stockton's fraud prevention team recognized that in the electronic age, customer behavior patterns are as important a validation tool as check stock, MICR numbers and signatures. In fact, as customers shift more of their transactions online, their behaviors and debit patterns can become even more unique and verifiable than their signatures.



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*The Bank of Stockton has been in business since 1867 and was the first bank west of the Mississippi to offer its customers check images at no cost in the late 1980s. Ninety-eight percent of its customers immediately adopted the service. Its 16 branches span five California counties and total nearly \$2 billion in assets.*

[www.bankofstockton.com](http://www.bankofstockton.com)



The bank took a proactive stance by integrating *ISFraudPro* into its in-house proof department and fraud prevention operation. According to Turner, "We searched for a solution that would look at our customers' activity and identify, for our personal review, things that were out of pattern, things that were, electronically speaking, abnormal for a customer; and *ISFraudPro* offered that capability." Unlike other systems, *ISFraudPro* analyzes significantly more than check stock variations and signature comparisons. Like an experienced employee, *ISFraudPro* can recognize when a debit is out of the ordinary,

even if it does pass common validation tests like being drawn on a local bank, having the bank's MICR number and having a valid account number.

## Results

Combined with the expertise of Bank of Stockton's Fraud Officer Vivian Portch, *ISFraudPro* is helping the bank identify and eliminate tens of thousands of dollars in fraudulent activity per quarter. In addition, because Portch is notified of fraudulent activity well in advance of customers receiving their statements, the bank can now take immediate action to protect their customers and avoid taking a loss.

"From mid-October 2007 to June 2008, our bank was able to avoid approximately \$165,000 worth of fraudulent activity. These results were achieved with base configurations scanning for check stock and signature variations. In 2008, the Bank of Stockton fine-tuned *ISFraudPro* to scan for other abnormal activities, enhancing the effectiveness of the system," said Portch. The detection and resulting return – from eliminating unrecoverable losses – have more than paid for the investment in *ISFraudPro*.

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With proactive use of *ISFraudPro* and continuous improvements to the system, Bank of Stockton is positioned to protect its customers from fraud, while still providing them with all the conveniences of electronic banking and transactions.

To learn more about *ISFraudPro* or any of Open Solutions' other imaging products, visit [www.image.opensolutions.com](http://www.image.opensolutions.com) or contact us at 800.849.8061. To learn more about Bank of Stockton, visit [www.bankofstockton.com](http://www.bankofstockton.com).



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