



OBJECTIVE

In Basel II annex VII, internal and external fraud are the first risk event classifications listed, from review of industry based data; they are also the main contingent driver for loss events in the expected loss function of the financial institution. What is more concerning is that fraud has generally been increasing per annum and shows that much work needs to be done industry wide. This course looks at the best practice fraud management approaches in banking and is delivered in a workshop style for high class participation.

KEY AREAS

- Build an internal fraud response system.
- Understand what drives fraud.
- Comprehend how fraud is structured & layered across the bank products so that resident pathogens can be controlled.
- A close look at the various regulatory and consulting bodies working in fraud.
- Case studies from banks across the globe.
- Define a set of fraud benchmarks.

FOCUS

BANKING SPECIALTY

There are plenty of fraud training programs on the market but they are often very general. This fraud workshop has been designed specifically for banks, looking at all areas of the bank from the front office to the

BEST PRACTICE

back office taking product design and processing functions. Customer channels such as brokerage and electronic banking are dealt with in detail and both facilities in retail and investment banking are featured.

WHO SHOULD ATTEND

- Operational Risk Staff
- Line Managers
- Audit Staff
- Key Account Managers
- Compliance and Risk Staff
- Heads of operations
- Staff looking after Anti Money Laundering Initiatives

About your trainer



Martin specializes in designing risk measurement systems with a particular focus on regulatory capital frameworks. He has more than 10 years experience developing bespoke knowledge / workflow and scorecard solutions for financial institutions in both strategic and processing areas of the business. He has a particular interest in lending products and in assisting banks reduce capital arbitrage in their economic capital models. Primarily he is banker with experience in both retail and commercial banking and he is currently working with several banks throughout South East Asia where he assists these organisations build sound and structured frameworks that can quantify exposure. In the capital markets arena Martin has worked closely with a stock exchange in the region assisting the exchange design a new energy instrument and futures contract. In addition to Martin's work within the capital markets and banking sector he is a credited trainer for the American Academy of Financial Management on structured finance, project finance, credit and operational risk.



Day 1 Agenda

THE DISPOSITION OF FRAUD

OBJECTIVE

The main objective of day one is to show the entire landscape for fraud management, what are the general trends and how are institutions coping with this type of operational risk.

KEY LEARNING

- Gain full insight into the nature of fraud and what the regulators response is globally.
- Understand what drives and fuels fraud across the banking processes and instruments.
- Introduce the framework for resolving fraud related conditions inside the bank.

Session 1

- 08:30 **The Nature of Fraud**
The course begins with a clear definition of fraud, its outcomes and specific statistics that exemplify its importance for the business. This session ensures that all participant’s knowledge is brought to a base level so that the class as a whole will understand the more complex topics.
- 09:30 **Convergence on Regulation**
Fraud is a global concern and there are many regulators and government bodies that have endeavoured to assist financial institutions reduce the threat. In this session we look at the broader initiatives that are in play across the Middle East and outside the region.
- 10:30 Coffee Break
- 10:45 **Causes & Driving Factors**
Like all operational risk, the condition of fraud has many different driving factors each unique to the type of processing environment in play. This interesting and detailed session shows how to break down a process into fraud weakness points.
- 12:00 **The Fraud Framework**
Moving towards reducing fraud the bank needs to establish

Session 2

- Framework that is able to control and reduce fraud threats. The specific elements and cycles of the framework are introduced to the class showing their requirements, roles and responsibilities inside the bank.
- 13:00 Lunch
- 14:00 **Methods of Detection**
Following in the first part of the framework, it is important to know how to measure fraud so that departmental benchmarks can be established and tracked overtime.
- 15:00 Coffee Break
- 15:15 **Methods of Prevention**
Following within the framework we review best practices for preventing fraud how can translate to activities within the bank.
- 16:30 **DAY CLOSE**

Day 2 Agenda • • • • •

DESIGNING A SOUND FRAUD FRAMEWORK

Session 1

- 08:30 **Best Practice Response**
In context of the framework we look at the best practice for **Prevention, Detection** and **Response** to the general landscape of fraud within the bank.
- 09:30 **Audit & Change Mng**
How can audit be part of the fraud detection service and what role should change management play within the overall fraud framework of the bank will be discussed in detail.
- 10:30 Coffee Break
- 10:45 **Class workshop**
During this session the class is encouraged to develop a list of potential fraud factors in the nature of their business units and align such factors against processes and products.
- 12:00 **Fraud KRIs and Controls**
Fraud like most operational risk concerns evolves across the elongated value chain of the bank and is caused by many factors. In this session we explain these relationships and show to list forward looking measures against fraud drivers.

Session 2

- 13:00 Lunch
- 14:00 **Group Risk Assessment**
The class then looks at their fraud lists created in the morning and assigns KRI's can control systems against such factors to bring their internal model to a closer level of completion.

All models developed by the class will be formally documented and handed over to the training department for assessment.
- 15:00 Coffee Break
- 15:15 **Identity Theft**
Identity theft has been a growing concern for financial institutions as it leads to fraudulent activity in later stages. A complete run down on this concern and what is driving it will be discussed with the class.
- 16:30 **DAY CLOSE**

OBJECTIVE

Going one step deeper, the framework is evolved so that specific initiatives can be established for the bank to reduce the outcome of fraudulent activities.

KEY LEARNING

- Understand how to design processes with fraud in mind.
- Carry out a group assessment of your departmental area in the context of fraud.
- Lean how fraud KRI's can be discovered across the value chain of banking processes so that specific activities in front office can have control enablement for fraud detection.

Day 3 Agenda • • • • •

SPECIAL TREATMENT OF BANKING INSTRUMENTS & FUNCTIONS

Session 1

- 08:30 **Transaction Paper**
Transactional paper relates to cheques, promissory notes, drafts and many other instruments which are prime targets for fraud and need careful processing.
- 09:30 **Electronic Clearing**
Electronic banking from mobile banking, internet banking and the ATM network present opportunities for fraudsters. What are the key types of issues and how best do banks manage them.
- 10:30 Coffee Break
- 10:45 **Letters of Credit**
In trade finance the LOC instrument is an important product it is also renowned to be laden with fraud. How to control fraud will be explained in the context of the LOC instrument and discussions on best practice UCP 600 response to fraud will also be tabled.
- 12:00 **Business Lending**
Business lending is an obvious channel for fraud however in debt instruments such concerns take many forms from broker based fraud, asset overvaluations and many more of which all will be tabled.

Session 2

- 13:00 Lunch
- 14:00 **Asset Fraud**
Further details on asset fraud will be evolved with a full model on how such concerns can affect a substantial value of a loan portfolio. Methods for resolving this concern will be discussed.
- 15:00 Coffee Break
- 15:15 **Revolving Credit Lines**
Credit card, overdrafts, early cheque clearance and many other forms of short term or revolving credit present direct opportunities for fraudsters. This type of fraud makes up a large proportion of loss for the financial institution and during this session details on the industry wide problem of revolving credit fraud will be discussed along with the various solutions.
- 16:30 **DAY CLOSE**

OBJECTIVE

In the final day we focus entirely on key banking areas and products to show the various types of fraud in each channel and how best to combat them.

KEY LEARNING

- Which are the worst areas of banking for fraud and what is the most common weakness in the various product conduits from lending to investment banking.
- An in-depth review of the actual banking processes for key areas of banking that suffer fraud.
- Learn about fraud from both a product and process perspective.