

OBSERVATORE.ORG

FRAUD MANAGEMENT OBSERVATORY

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THE LARGEST COLLABORATIVE FRAUD PREVENTION BLOCKCHAIN HUB IN LATIN AMERICA.

PROJECT SPONSORED BY THE ONLINE PAYMENT, ECOMMERCE AND RISK MANAGEMENT
CAMARA-E.NET'S STEERING COMMITTEES

The logo consists of a blue, multi-faceted sphere with the letters 'OGF' in white, sans-serif font centered on its front face.

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WHO WE ARE?

In innovation networks based on Information Exchange, orchestrating actors or hubs, like the **Observatore**, captures information from the ecosystem actors, promotes innovation and then distributes it for the network in the form of added value.



GERSON ROLIM

CHIEF INNOVATION
OBSERVATORE / CAMARA-E.NET

 /IN/GERSONROLIM



NICOLAS BARRERA

CHIEF EXECUTIVE OFFICER
OBSERVATORE

 /IN/LINKEDIN.COM/IN/NICOLAS-BARRERA-11531



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WHO WE ARE?

DIGITAL COMPANIES ALREADY CONNECTED



ADMINISTRATIVE COUNCIL



CONFIRMED ANTI FRAUD PLAYERS



ANTI FRAUD PLAYERS STILL TO COME



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OBSERVATORE – COLLABORATIVE BLOCKCHAIN HUB FOR INFORMATION VALIDATION IN ORDER TO PREVENT ONLINE FRAUD



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THE VIRTUAL CRIME IS ORGANIZED!

THE FRAUDSTER IS ORGANIZED AND ATTACKING TOGETHER...

BUT THE GOOD GUYS DEFEND THEMSELVES ALONE.



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COLLABORATION AND INFORMATION SHARING TO PREVENT FRAUD AMONG COMPETITORS IS A CHALLENGE.

EVEN THOUGH ALL FACE THE SAME ENEMY, THE FRAUDSTERS...



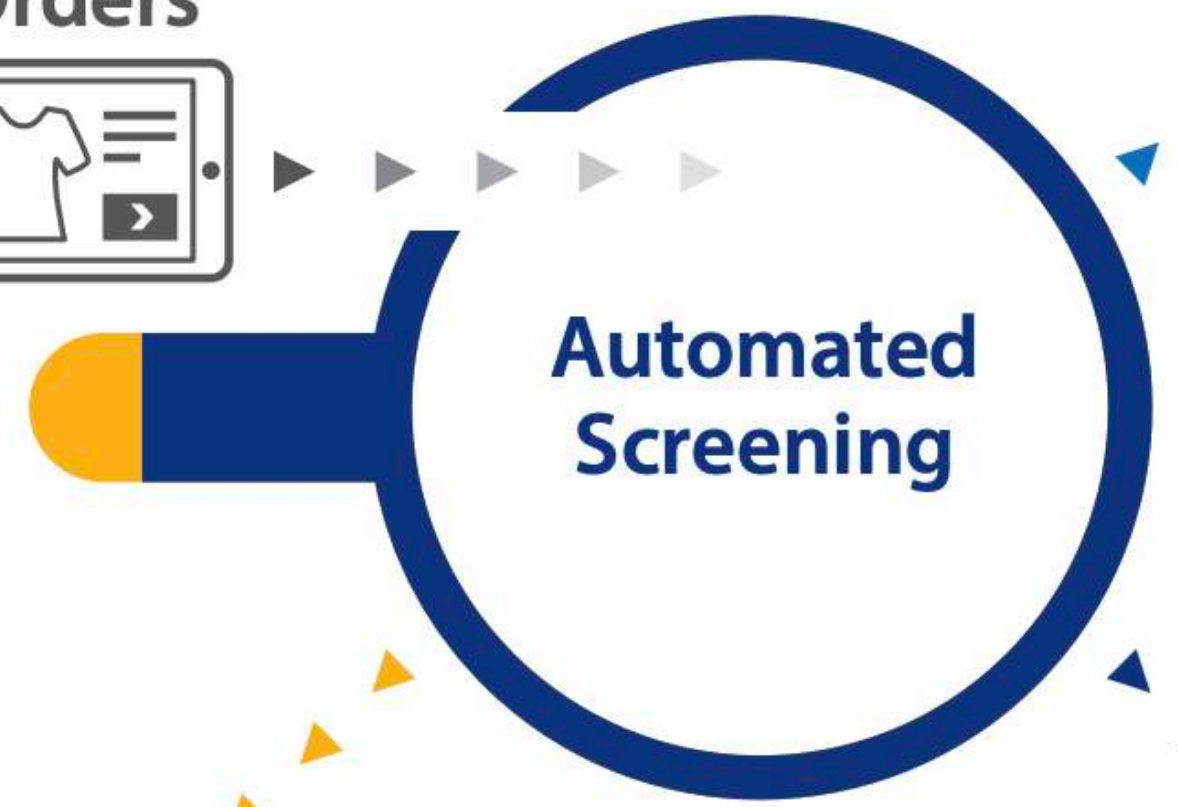
FRAUD PREVENTION

- Why and How to collaborate with my competitors and suppliers (eCommerce, payment service providers and fraud prevention tool vendors) to fight against a common enemy, the fraudster?
- How to do it in a technologically reliable environment?
- How to motivate competitors to share information without worrying about being beneficial to one another?
- How to do it being fully compliant with GDPR, LGPD and PCI?





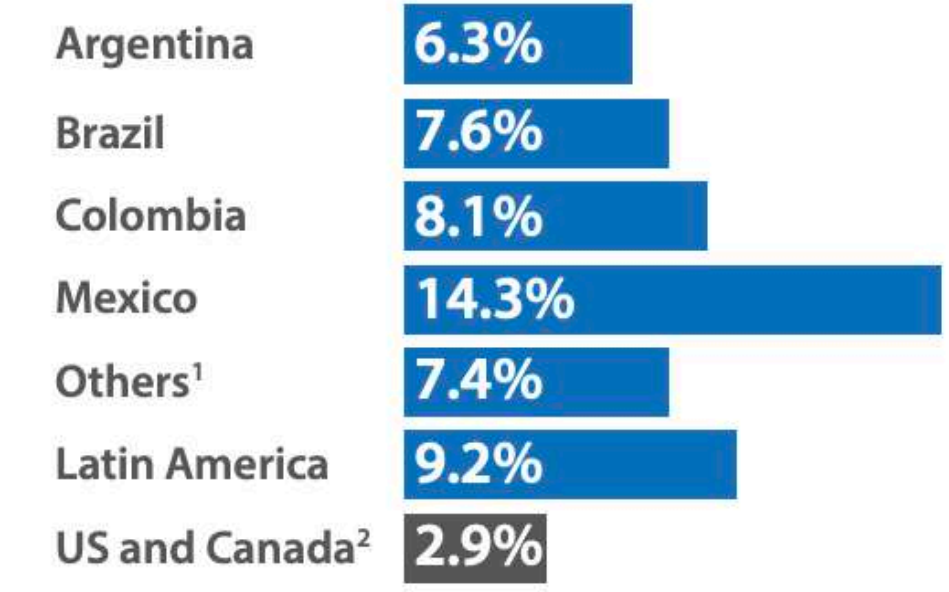
Orders



Automated Screening



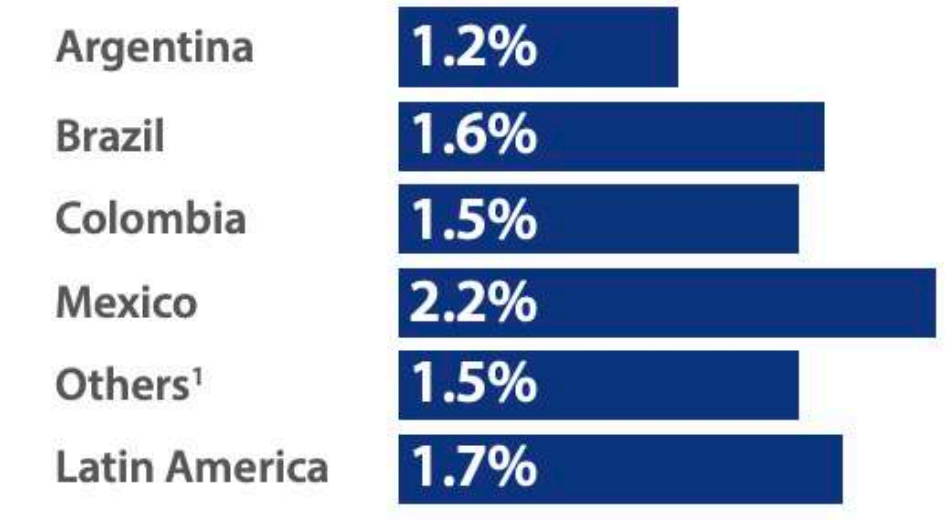
of orders are **rejected** due to suspicion of fraud in Latin America



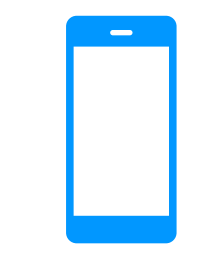
of merchants conduct **manual review** in Latin America



of sales become **chargebacks**



PRINCIPALES CATEGORÍAS:



BIENES FÍSICOS
53%



BIENES DIGITALES
10%



TRAVEL SERVICES
8%



TRAVEL AIRLINES
7%



OTROS
23%

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ECOMMERCE FRAUD IN LATIN AMERICA

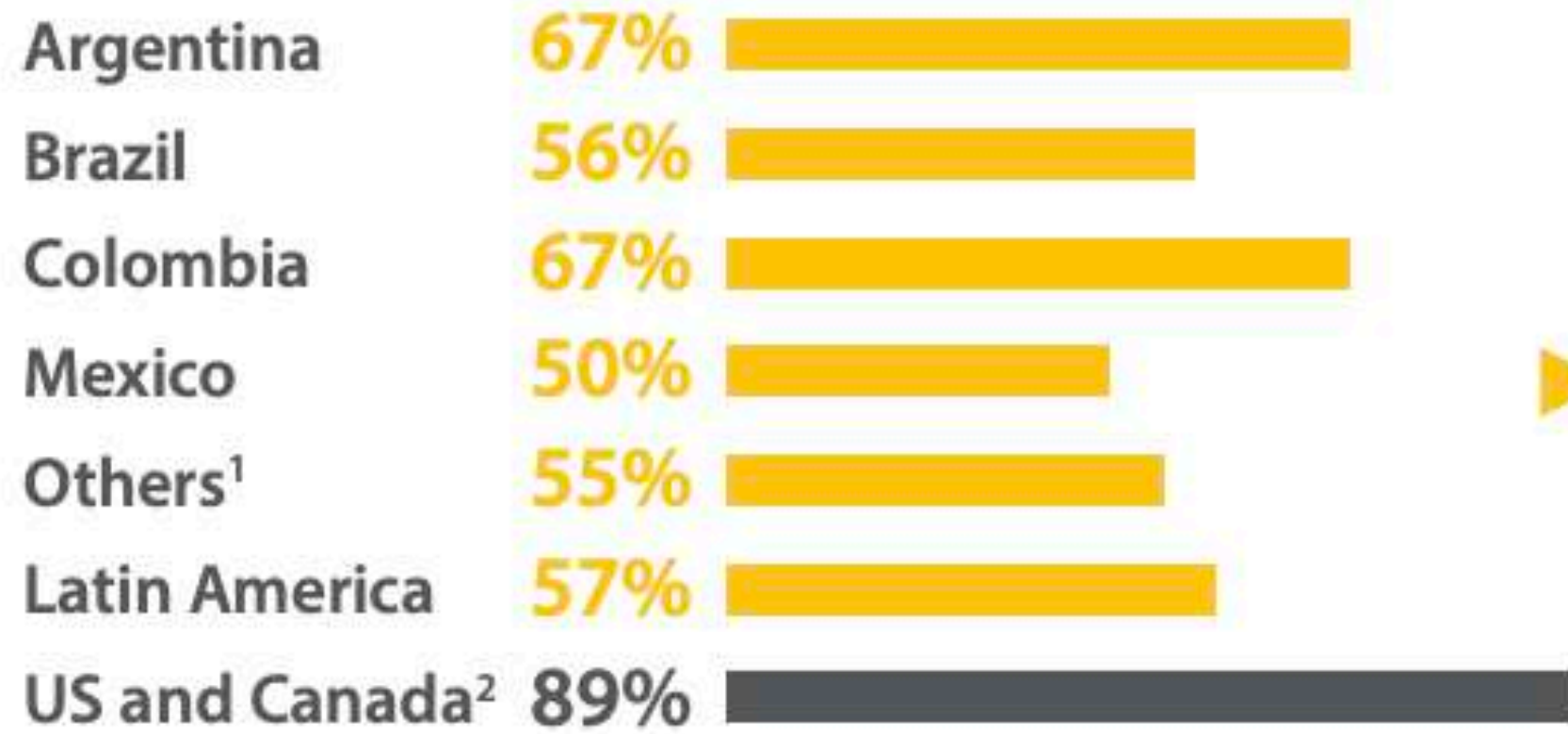
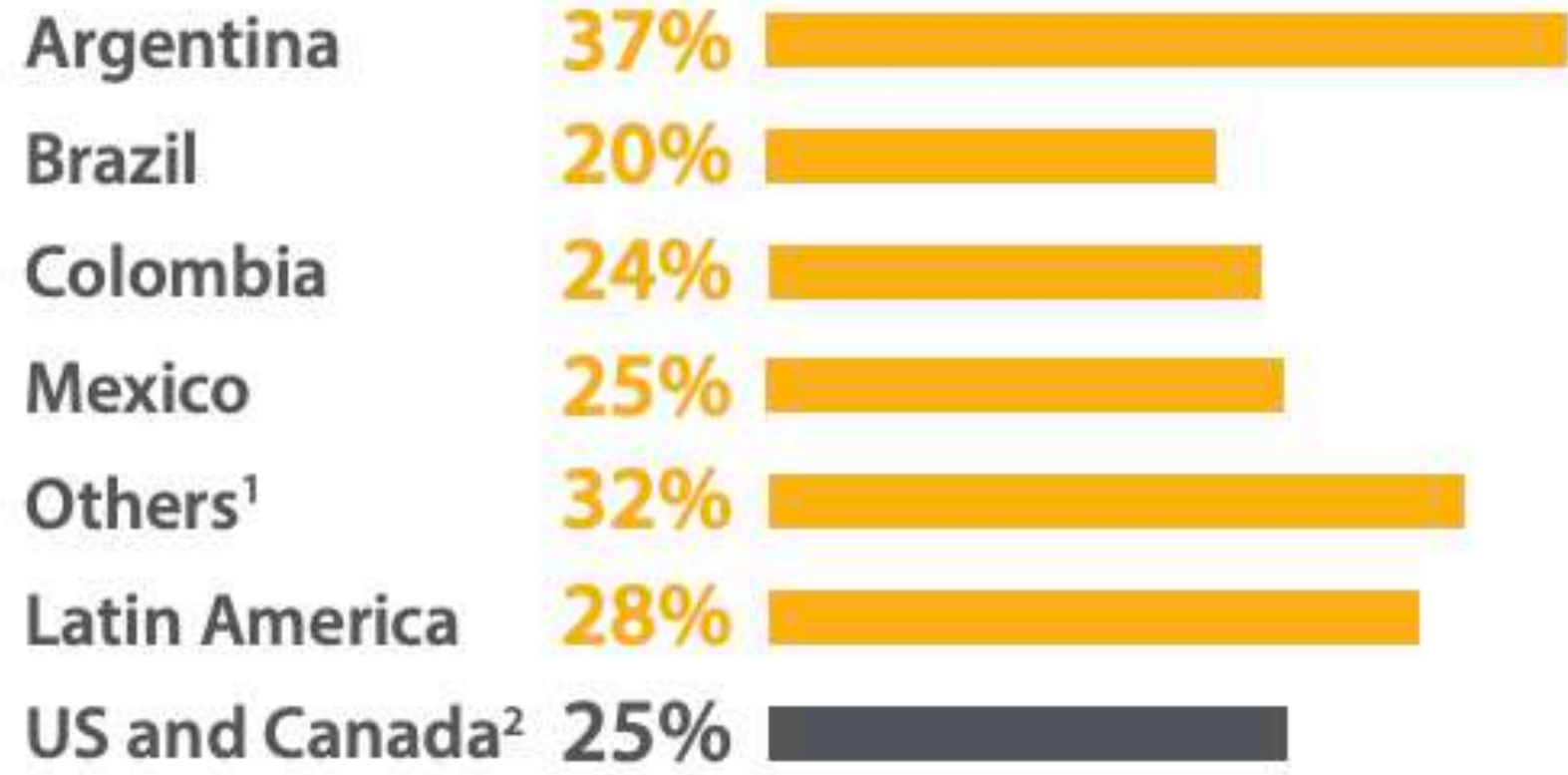
Source:
Visa / Cybersource Online Fraud Report - Latin America 2017
<https://bit.ly/2HXMxHm>



of the orders are reviewed manually



of manually reviewed orders are ultimately accepted



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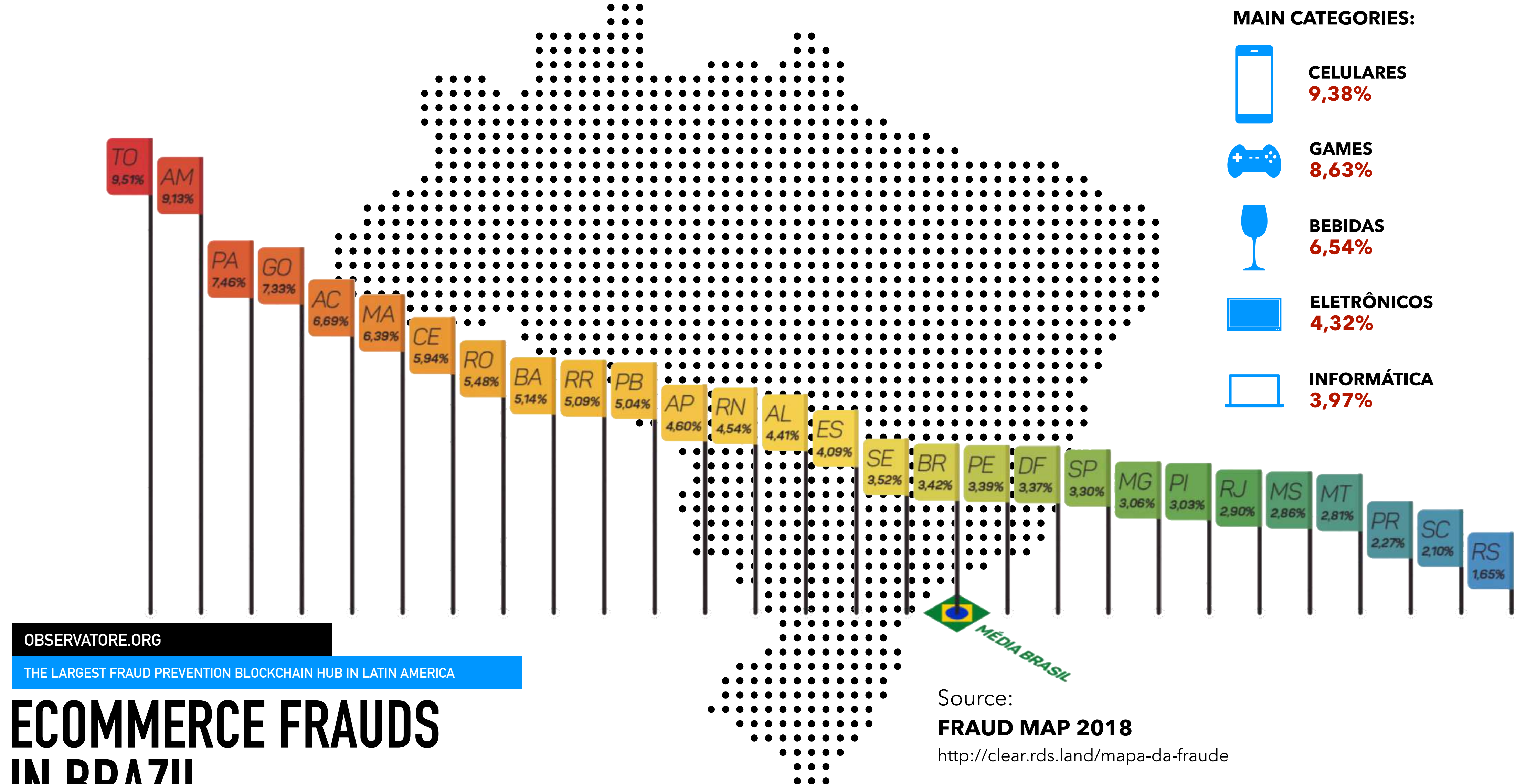
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ECOMMERCE FRAUD IN LATIN AMERICA

Source:

Visa / Cybersource Online Fraud Report - Latin America 2017

<https://bit.ly/2HXMxHm>



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ECOMMERCE FRAUDS IN BRAZIL

Source:
FRAUD MAP 2018
<http://clear.rds.land/mapa-da-fraude>



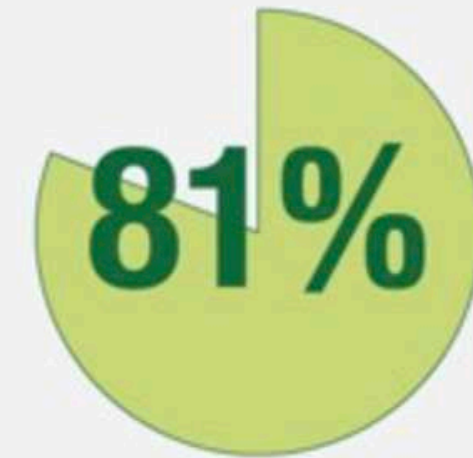


Better Together

Financial institutions that participate in an information-sharing program generally find it helps fight financial crime



say that collaborating helps them make better decisions



say that collaborating helps them uncover valuable information they otherwise would not know



agree that information sharing is underutilized by the industry

Source: Verafin survey of 1,040 financial institutions

Source:
Verafin 2016
<http://bit.ly/2De6qWS>

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BANKS FRAUD IN USA

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**“FOR EVERY 33 ONLINE PURCHASES MADE
IN BRAZILIAN ECOMMERCE, 1 IS
FRAUDULENT”**

Source:

FRAUD MAP 2018

<http://clear.rds.land/mapa-da-fraude>



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**BRAZILIAN ECOMMERCE UNDERSTANDED THE MESSAGE:
BETTER DATA MEANS BETTER FRAUD PREVENTION!**

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BLOCKCHAIN ADDS VALUE, TRANSPARENCY AND CONFIDENCE TO THE PROCESSES OF FIGHTING FRAUD IN THE FINANCIAL SECTOR.

90% OF BANKS IN THE US AND EUROPE ARE ALREADY EXPLORING BLOCKCHAIN'S POTENTIAL TO FIGHT FRAUD.

Source:

Accenture 2016

<https://goo.gl/8mhbmt>



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Bank of America



“WE CAN ONLY SEE SO MUCH OF THE DATA WE HAVE.

IF WE USE THAT AS OUR ONLY DATA SOURCE, WE'RE NEVER GOING TO CATCH THE LARGE FRAUD RINGS THAT ARE STEALING OUR CUSTOMERS' ACCOUNT INFORMATION.”

John O'Neill, Bank of America senior vice-president

TELECOM COMPANIES AND E-COMMERCE GIANTS LIKE GOOGLE, YAHOO, AND AMAZON NEED TO SHARE FRAUD AND SECURITY DATA WITH THEIR BANK PARTNERS. THESE COMPANIES NEED TO RECOGNIZE THAT THEY SHARE THE SAME CUSTOMERS AND FACE THE SAME CYBERCRIMINALS.

THESE COMPANIES NEED TO RECOGNIZE THAT THEY SHARE THE SAME CUSTOMERS AND FACE THE SAME CYBERCRIMINALS...

John O'Neill, Bank of America senior vice-president

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The interconnection of organizations in innovation networks has had such a representative impact on the efficiency of the agents involved that, in some industries, organizations that do not join the networks can lose their competitive capacity and be excluded from the market.

Although the generation of internal knowledge through research and development areas maintains its strategic importance, sharing or even outsourcing elements of the value chain that involves knowledge has been common practice in the corporate world due to the observed improvement of results.

FRAUD INFORMATION RADAR

- Democratization of **Digital Economy Risk Management Knowledge**.
- Online **Fraud Prevention Booklets and Best Practices** promotion.
- Help institutions, private and public, to **reduce the risk of fraud and increase its profitability**.
- Contribute to a better knowledge of the Latin American reality, revealing and preventing unregistered economy and fraud.
- Promote the implementation of fraud detection and prevention policies.

COLLABORATIVE FRAUD PREVENTION BLOCKCHAIN HUB

- Anonymous and Safe Information Sharing Anti Fraud Model.
- Fraud Reduction through Positive Confirmation of Information.
- Manual and Automatic Transactions Analysis process improvement.
- No White and/or Black Lists and no consumer data sharing.
- No Information Storage of any kind.

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FRAMLXCHANGE

THE USA BANKS' "OBSERVATORE"

THE BIGGEST FRAUD INFORMATION NETWORK FOR THE FINANCIAL SECTOR. MORE THAN 1.800 FINANCIAL INSTITUTIONS IN THE USA

- Centralized Collaborations
- Easily triaged Requests
- An improved Audit Trail
- Verified Contacts
- A visual Dashboard
- A Confidential and Secure Environment



FRAMLxchange launched in **June 2015**



ANTI-FRAUD AND THE OPEN BANKING ECOSYSTEM

The Open Banking Anti-Fraud Approach details the actions taken by Authorized Institutions (Giver) and Recipient (authorized or not) to identify, assess and mitigate fraud threats encountered. This process is divided into the following areas:

Prevention	Detection	Response
<ul style="list-style-type: none">• Open Banking security profile• Application security• Education & good practice• Operational controls• API risk indicators• Participant fraud controls	<ul style="list-style-type: none">• Participant enrolment• Security operations• Information and intelligence sharing	<ul style="list-style-type: none">• Revocation• Liability model• Dispute management system

Source: **Open Banking Counter Fraud Strategy Group (CFSG)**

Open Banking.ORG.UK



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OBSERVATORE IS 100% COMPLIANT TO GDPR, LGPD & PCI

GDPR: Article 29 - "Processing under the authority of the controller or processor", details that:

The processor and any person acting under the authority of the controller or processor having access to personal data shall not process such data, unless instructed by the controller, unless required by Union or Member State.

OBSERVATORE DOES NOT STORE NOR PROCESS DATA



BIN + CREDIT CARD'S LAST 4 DIGITS

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OBSERVATORE MESSAGE TYPES

- **Type 1:** Check Message from Unknown Transaction Data

Mechanics: Question (1 to N) and Answer (1 to 1)

- **Type 2:** Check Message for New Stores Registration Data in Marketplaces

Mechanics: Question (1 to N) and Answer (1 to 1)

- **Type 3:** "False Positive" Chargeback Feedback Message

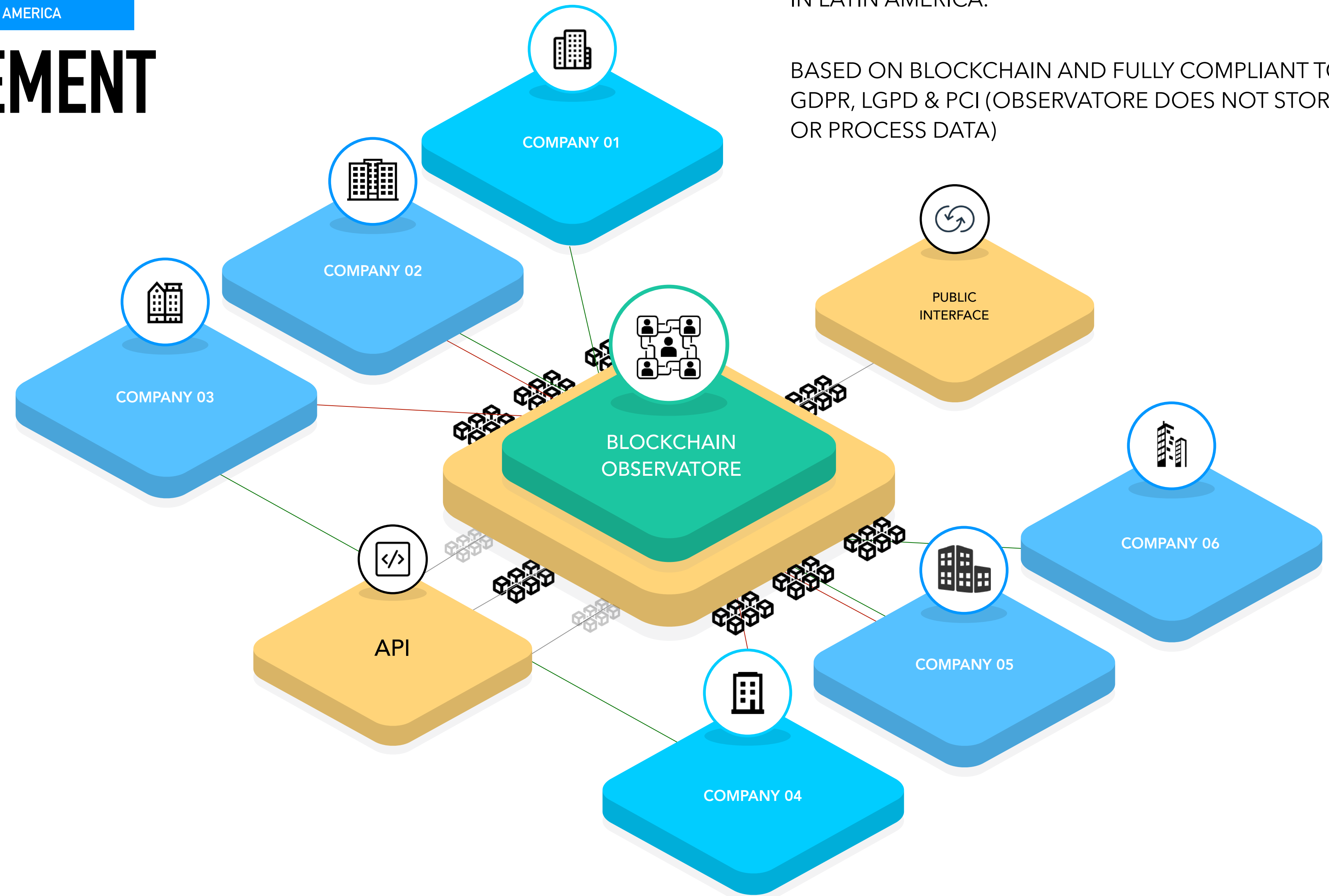
Mechanics: Message (1 to N - N being all who wrongly answered MSG Type 1)

- **Type 4:** Attack Alert Message

Mechanics: Message 1 to N

THE LARGEST FRAUD PREVENTION BLOCKCHAIN HUB IN LATIN AMERICA.

BASED ON BLOCKCHAIN AND FULLY COMPLIANT TO GDPR, LGPD & PCI (OBSERVATORE DOES NOT STORE OR PROCESS DATA)



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BLOCKCHAIN ARCHITECTURE OF THE OBSERVATORY FRAUD MANAGEMENT

A **BLOCKCHAIN** IS A TYPE OF DISTRIBUTED LEDGER THAT IS SHARED ACROSS A BUSINESS NETWORK. BUSINESS TRANSACTIONS ARE PERMANENTLY RECORDED IN SEQUENTIAL, APPEND-ONLY, TAMPER-EVIDENT **BLOCKS** TO THE LEDGER. ALL THE CONFIRMED AND VALIDATED TRANSACTION BLOCKS ARE HASH-LINKED FROM THE GENESIS BLOCK TO THE MOST CURRENT BLOCK, HENCE THE NAME **BLOCKCHAIN**.

SMART CONTRACTS GOVERN INTERACTIONS WITH THE LEDGER, AND THEY CAN ALLOW NETWORK PARTICIPANTS TO EXECUTE CERTAIN ASPECTS OF TRANSACTIONS AUTOMATICALLY.

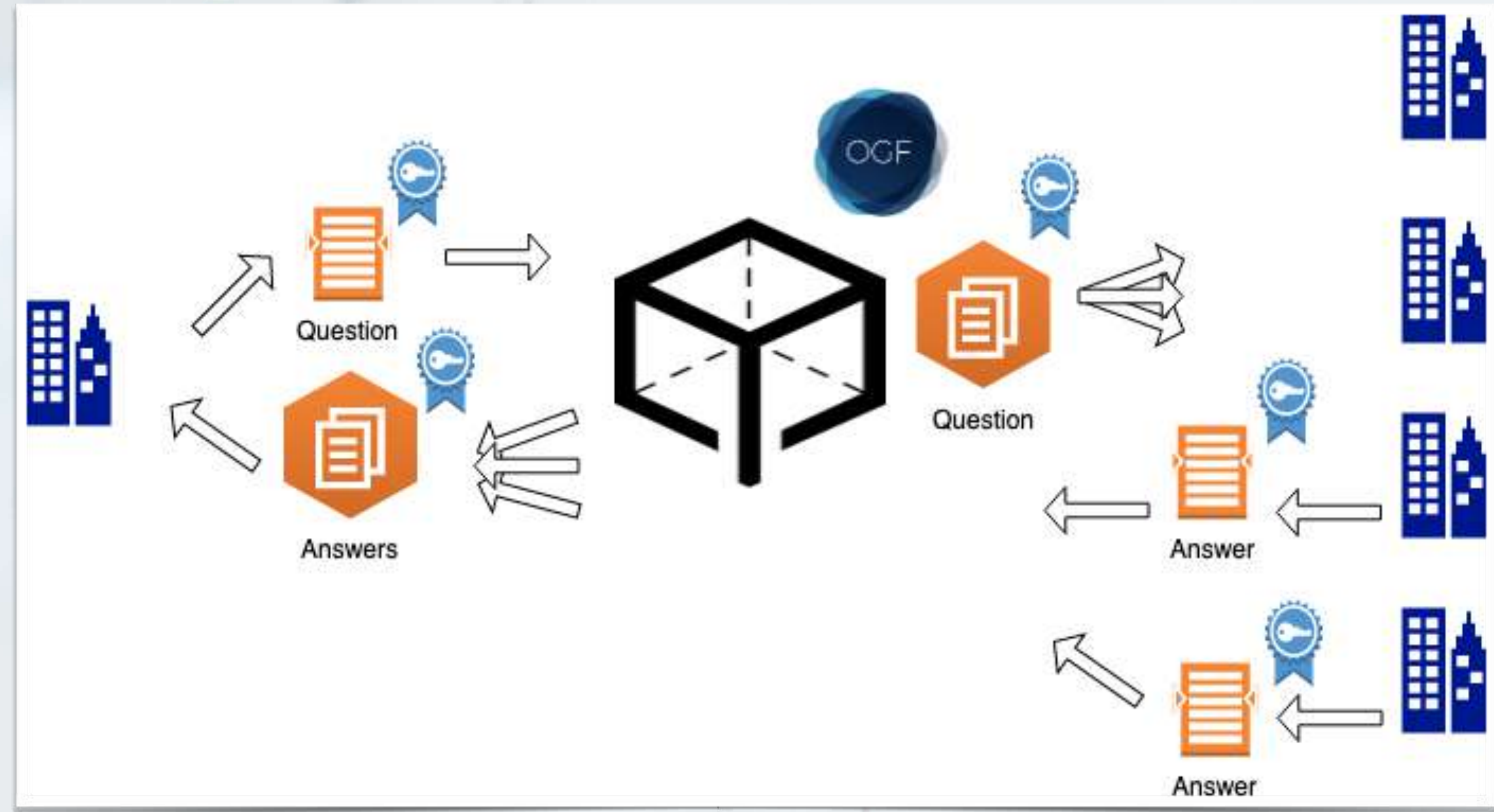
THE OBJECTIVE OF THE **OGF** IS TO MAKE THE "SMART CONTRACT" PUBLIC TO MAKE THE INITIATIVE TRANSPARENT.

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COLLABORATIVE FRAUD PREVENTION

- CONCEPTUAL MODEL BASED ON REWARDED ANONYMOUS QUESTIONS AND ANSWERS
- PROCESS / METHOD FOR CONFIRMATION OF CREDIT, DEBIT CARD AND VOUCHER TRANSACTION INFORMATION BASED ON DIGITAL ECONOMY ECOSYSTEM QUESTION/ANSWER MESSAGES
- THE MECHANIC CONSISTS IN A **QUESTION AND ANSWER** SYSTEM WHICH THE SIDE WHO SEEKS FOR INFORMATION ASKS ABOUT AN UNKNOWN TRANSACTION AND THE ECOSYSTEM ACTORS BINARILY ANSWER IF THIS TRANSACTION IS GOOD OR BAD.



THANK YOU

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DIGITAL CRIME FIGHT COMMUNITY



OGF