Mid-Atlantic AML Conference
Marta McClure

July 26-28, 2011

MoneyGram Anti-Fraud Program
MoneyGram’s Anti- Fraud Program

- MoneyGram’s purpose is to help people by providing convenient, reliable and safe payment services.

- Our policy is to prevent the use of our services for illegal purposes and not to assist in any way with the use of our services to process fraud-induced money transfers.

  *Our customers expect our services to be safe and reliable. This includes protecting them against criminal activity.*

**ANTI-FRAUD PROGRAM MISSION**

To create, implement, and continuously improve risk-based policies, processes, and procedures that comply with applicable regulatory requirements and help safeguard MoneyGram’s worldwide consumers, agents, and stakeholders.

To achieve that mission, we strive to develop innovative solutions to help monitor, detect, and prevent criminal activity leveraging industry partner collaboration, technological advancements/controls, and a continuously improving results-driven approach.
Fighting fraud requires multiple approaches and multiple weapons. There is no silver bullet.

Key Elements (Whats):
- Consumer Protection & Awareness
- Controls & Technology
- Agent Oversight & Support
- Collaboration With Industry Partners

Supporting Approach (Hows):
- Data Analytics & Reporting
- Risk Based Approach
- Prevention Focus

Core Foundation (Building Blocks):
- Policy / Strategy
- Process
- Technology
- People
MODEL FOUNDATION / BUILDING BLOCKS

PEOPLE:
- Hire skilled people
- Vigorously train (upfront and ongoing)
- Have dedicated resources to identify, investigate, and stop fraudulent activity.

TECHNOLOGY:
- Leverage/utilize technology where feasible to identify fraud.
- Systemically stop fraudulent transactions real time where feasible.

PROCESS:
- Process utilizes policy-driven requirements
- Process mapping used to show exactly how the requirements are met.
- Documented processes exist for all key processes.

CONTINUOUS IMPROVEMENT:
- Continuously improving our policy, processes, technology, and people is essential to keep pace with the ever-changing fraud/compliance environment.

POLICY / STRATEGY:
- Corporate Level Driven Requirements, separate from operations.
- Needs of consumers, regulations, MGI as an organization, and the industry.
- Policy drives process
MoneyGram Model Key Approaches

**PREVENTION FOCUS:**
- Prevent the fraudulent transactions from occurring (ultimate goal)
- If occurs......prevent the fraudulent transaction from completing.
- If completed, prevent from occurring again

**DATA ANALYTICS:**
- Utilize factual data/reporting to drive decisions
- Help set system/technology (i.e. AFAS) rules.
- Measure improvements
- Help identify high risk areas

**RISK BASED APPROACH:**
- Identify and understand areas of high consumer risk.
- Ensure proportionate resources are focused on high risk areas to provide the biggest positive consumer/industry impact.
- Develop innovative analytical methods to identify high risk areas.

**REPORTING:**
- Internal
  - Monitor system effectiveness
  - Validate and audit processes
  - Manage business & drive continuous improvement
- External
  - FTC
  - SARs/CTRs
  - Agents
  - State Regulators
  - Other groups
CONSUMER PROTECTION & AWARENESS:

- Provide information to the consumer to help them help themselves - warnings on forms, websites, IVRs
- Provide multiple avenues for consumer to obtain anti-fraud information. (i.e. YouTube)
- If consumers recognize fraud up-front, the market for fraud is eliminated.
I. Consumer Protection and Awareness

- Provide multiple “awareness” opportunities for consumers
  - In April 2011, MoneyGram launched a new Micro site to specifically reach and educate consumers.
    - www.moneygram-preventfraud.com
    - Includes: information on common fraud scenarios, top scams, news, statistics, & downloadable materials.
  - Fraud warnings on various materials
  - If time allows.................
Welcome to the Money Transfer Fraud Education Center. Here you'll find information on how to protect yourself and your family from criminals who use money transfer systems as a mechanism for fraud.

Think you know what fraud is? Watch this short video for some hard facts.

$3,700
Average cost for trusting one promising you riches

“Report Fraud” Link
Fraud Warning Examples
Consumer Protection and Awareness

Send Form Fraud Warning Example

Valued MoneyGram Customer STOP!
Please Read! MONEY TRANSFER FRAUD WARNING

Answer the questions below to help KEEP YOUR MONEY SAFE:

- Are you sending money, returning an overpayment, or “escrowing” money to buy a car or other goods, or to rent an apartment?
- Are you sending money to claim lottery or prize winnings, or for a “guaranteed” credit card or loan?
- Are you responding to an Internet offer, letter or phone call that asks you to wire money for a “job offer” or “mystery shopping”?
- Are you sending money to someone out of the state or country who claims to be a relative needing cash for an emergency?
- Are you sending money to someone you don’t know or whose identity you can’t verify?

If you answered YES to any of the questions, DO NOT SEND the money transfer – someone may be trying to steal your money. If you have already sent it, ask the sales clerk to STOP your transfer immediately or call us at 1-800-MONEYGRAM. Once your money has been picked up, which can happen within a short time, you cannot get a refund, even if someone stole your money through fraud.

Website Warning Example
(www.moneygram.com; consumer protection option)
If you are a victim of fraud, report the incident immediately to your local law enforcement.

If you were a victim of fraud and the funds were sent to Canada, report it to your local law enforcement and contact Phonebusters. Phonebusters is a joint U.S. and Canadian police task force working together to reduce cross-border fraud. You can reach Phonebusters at 1-888-495-8501. Or visit their website at www.phonebusters.com

To report money transfer fraud that occurred while using MoneyGram International services, you can contact MoneyGram Customer Service by clicking here or by calling these numbers:

**IN THE UNITED STATES**

For English-speaking callers: 1-800-MONEYGRAM
For Spanish-speaking callers: 1-800-955-7777
CONSUMER PROTECTION & AWARENESS:

- Provide information to the consumer to help them help themselves – warnings on forms, websites, IVRs
- Provide multiple avenues for consumer to obtain anti-fraud information. (i.e. YouTube)
- If consumers recognize fraud up-front, the market for fraud is eliminated.

CONTROLS / TECHNOLOGY:

- Develop & implement robust process controls.
- Leverage technology to systemically help identify and reduce fraud.
II. Controls & Technology - AFAS

MGI Anti-Fraud Alert System (AFAS) Process - High Level

Rules are continuously monitored and modified to adjust to changing fraud patterns

AFAS - 1st & 2nd Quarter 2011:

- Active consumer contacts (AFAS Outreach) = 25,176

- Released transactions = 65% or $47.2M were verified by consumers as not being fraud; on average, we contact approximately 3 consumers for every 1 that we identify as actual fraud.

- Challenges: during 1st & 2nd quarter, 52 consumers had initially indicated their transaction was valid (during conversation) then called later to report the transaction as fraudulent. [15 of the 52 we subsequently found to have purposely not told the truth about the transaction].
Prevention Controls - Results

- Reduced Fraud 47% - (US/CAN 1st 6 months of 2010 to 1st 6 months of 2011 due to MoneyGram Fraud Prevention efforts) (based on fraud items)
  - US reductions:
    - Internet Purchase 86%
    - Person In Need 54%
    - Lottery 50%
  - Canada reductions:
    - Person In Need 98%
    - Internet Purchase 97%
    - Lottery 88%

- Reduced Fraud Transaction Size in US 71% from Jan 2010 to June 2011
  - Highest = $2,335 in Jan 2010
  - Lowest = $595 in May 2011

- Reduced Fraud Transaction Size in Canada 88% from Jan 2010 to June 2011
  - Highest = $3,543 in Jan 2010
  - Lowest = $440 in June 2011
Compliance Model – Key Elements

CONSUMER PROTECTION & AWARENESS:
- Provide information to the consumer to help them help themselves – warnings on forms, websites, IVRs
- Provide multiple avenues for consumer to obtain anti-fraud information. (i.e. YouTube)
- If consumers recognize fraud up-front, the market for fraud is eliminated.

AGENT OVERSIGHT:
- Train and provide tools to assist agents in recognizing and preventing illegal activity at the time of transaction.
- Monitor agent performance and provide feedback to agent to improve (risk based approach)

CONTROLS / TECHNOLOGY:
- Develop & implement robust process controls.
- Leverage technology to systemically help identify and reduce fraud.
III. Agent Oversight & Support

Key Activities:
- Due Diligence on New Agents
- Training of New Agents
- Ongoing Monitoring & Training of Agents
- Detecting Suspicious Activity
- Investigating Activity
- Taking Appropriate Action:
  - Train
  - Restrict
  - Suspend
  - Terminate

- KYA – Agent Due Diligence
- Training

- Real Time
- Post Transaction
- Ad hoc / other

Agent-based:
- Complaints
- Fraud Dollars
- Fraud Items

Consumer-based:
- Provided by Fed/State agencies
- Provided by Agents
- Identified internally at MGI

- Apply criteria tied to Policy
- Utilize decision matrices
- Interview appropriate parties

Action/Outcomes
- Real-time
  - Refund or release transaction

Post Transaction (Agent)
- Train
- Restrict (lower rec. limit)
- Suspend (unable to transact)
- Terminate
- Continue to Monitor
Compliance Model – Key Elements

COLLABORATION:
- Consumers
- Other MTS Businesses
- Law Enforcement
- Agents
- Regulatory Agencies

Collaboration helps put a “Collar” on crime.

CONSUMER PROTECTION & AWARENESS:
- Provide information to the consumer to help them help themselves – warnings on forms, websites, IVRs
- Provide multiple avenues for consumer to obtain anti-fraud information. (i.e. YouTube)
- If consumers recognize fraud up-front, the market for fraud is eliminated.

AGENT OVERSIGHT:
- Train and provide tools to assist agents in recognizing and preventing illegal activity at the time of transaction.
- Monitor agent performance and provide feedback to agent to improve (risk based approach)

CONTROLS / TECHNOLOGY:
- Develop & implement robust process controls.
- Leverage technology to systemically help identify and reduce fraud.
IV. Collaboration With Industry Partners

Industry Partners:

- Law Enforcement & Regulatory Agencies (US & Worldwide)
  - Periodic meetings to share trends/info (US, Romanian, and Italian Law Enforcement, European Electronic Crimes Task Force)
  - Case reviews; Subpoena support
  - Data Sharing with FTC Consumer Sentinel

- Consumers, Agents, Other Money Transfer Businesses:
  - Ongoing discussions, meetings, training sessions, information sharing.

Example:

- Romanian & Internet Fraud (phony craigslist/eBay ads for cars)
  - In less than 5 months we prevented > $500,000 from getting into fraudsters hands
    - “Mr. Indy”
      - Receiving primarily in IN, MI, OH, PA, then moving to 9 other states
      - MGI cooperating with FBI, USSS, and NCFTA (Pittsburgh)
      - Utilizing fake foreign and US passports
      - Intercepted over 60 transactions for approximate $146,000 and refunded back the senders/victims
    - “Westminster Craigslist”
      - Active between May 2009 - November 2010, MGI cooperating with USSS Denver
      - Suspect arrested in March 2010 and again in November 2010
In Conclusion

Key Strategies:

- **Combat fraud on multiple fronts**
- **Stop fraud at the source (consumer) where feasible**
- **Learn from past experiences, be flexible & adjust, continuously improve**
QUESTIONS?

Consumer Awareness Website

www.moneygram-preventfraud.com
<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
<th>PHONE</th>
<th>EMAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marta McClure</td>
<td>Sr. Manager, Fraud Analytics</td>
<td>(720) 568-8099</td>
<td><a href="mailto:mmcclure@moneygram.com">mmcclure@moneygram.com</a></td>
</tr>
</tbody>
</table>
Consumer Awareness Video