

# THE FRAUD PRACTICE

## INNOVATIVE STRATEGIES FOR ECOMMERCE PAYMENTS & FRAUD PREVENTION

## THE RUNDOWN

Online money remittance is one of the highest risk industries because, when successful, fraudsters are able to convert compromised credentials, identities and payment instruments directly in to cash. This leads to more frequent and more sophisticated fraud attacks compared to most other types of organizations targeted with online fraud.

For a money service business, an international transfer of \$500 may gross a five dollar service fee, but this transaction represents a potential loss of \$500 plus all associated costs and fees should it result in fraud or an NSF return. In an industry where a single fraud or bad-debt loss can wipe out the profits earned from more than 100 legitimate orders, there is little room for trial-and-error.

How then does a business find success in this industry that requires managing high risk and high potential losses despite relatively low margins? The Fraud Practice sought to uncover how WireCash learned the ropes in this difficult industry, while continuing to expand services to Latin America, Africa, Eastern Europe and several high risk countries like Ukraine and Nigeria where others wouldn't dare go.

### ***Not your Traditional Money Service Business Model***

To understand the nuances of how WireCash manages risk it is important to first understand their business model, which is less like a traditional money service business (MSB) and more comparable to an insurance quote or

## HOW WIRECASH MANAGES FRAUD AND FOUND SUCCESS UNDERWRITING DIGITAL MONEY TRANSFERS TO HIGH RISK MARKETS

Sarasota, FL, May 22, 2018 / By: Justin McDonald, [The Fraud Practice](#)

**How well would your fraud management program perform if your organization depended on it for doing business with customers from countries like Ukraine and Nigeria? Now what if we said your business was facilitating money remittances to these countries? WireCash is doing just that, and we sought to uncover how this could be possible by talking directly with the company that found success at the intersection of one of the highest risk industries and some of the highest risk countries in terms of online fraud.**

### ***WireCash's Fraud Fighting Roots and How they Cut Their Teeth***

WireCash innovated the industry in 2013 with their international money remittance aggregation and marketplace platform. Since that time they've continued to form partnerships with international MSBs, expanding the receiving location options and vendors on their platforms to countries in Africa, Eastern Europe and most recently Central America. Although WireCash launched in 2013, the company and their fraud-fighting roots date back to 2005.

At that time, the company had just started doing business online as ATMCash with a different business model. Customers could send funds internationally, delivered as pre-loaded prepaid cards that could be used in-store or for withdrawals at a bank or ATM. Operating this business for over five years allowed the organization to learn about managing identity and risk with their customer base while running a business model that was, in some ways, easier to manage in terms of fraud and bad debt.

The biggest difference in the risk profiles between ATMCash and WireCash is the time they would have to cancel or recover funds from a fraudulent transaction or overdraft. Pre-loaded prepaid debit cards arriving by

loan aggregator, such as LendingTree, that helps consumers shop premiums or loan rates. Consumers use the WireCash platform to select where they are sending money to and then select a MSB local to the region where funds will be received, with the ability to compare and choose providers based on pick-up locations features and price.

Whereas most loan aggregators help customers shop rates then pass them on to a lender who pays a commission and conducts the risk underwriting themselves, WireCash handles everything from allowing the customer to select an MSB partner, through accepting payment online and underwriting the risk of each transaction. WireCash is the first line of KYC and fraud screening, accepting the risk before cash transfers are sent to their licensed MSB partners. WireCash earns a commission for every money remittance they facilitate, with ownership of the customer and liability should they accept a fraudulent order.

#### Online Training and Certification Programs



Find out more about the [eCommerce Fraud Professional Certification](#) including the qualifications and who is certified [here](#).

# ABOUT THE FRAUD PRACTICE

The [Fraud Practice](#) is a privately held US corporation based in Sarasota, Florida. The [Fraud Practice](#) provides consulting services on eCommerce payments, fraud prevention and

mail gave ATMCash three business days to identify any fraud or bad debt threats, whereas WireCash ensures their customers and MSB partners that funds will be confirmed and available within an hour (unless restricted by local banking hours). Fraud and bad-debt risk management is more of a challenge with this need for immediacy and rapid risk decisions in the WireCash business model, but the company cut their teeth and learned a great deal about how to assess and manage identity and risk with under-banked and transient customers in their ATMCash days, which proved to be critical for their current success as WireCash.

With both services, the majority of customers are immigrants sending money to family in their home countries, many customers are under-banked and many have little or no address and phone information associated with them. This presented unique challenges with authenticating and verifying identity data, and led to the company to establishing their own identity database curated from private data sources and alternative credit data, which is an underlying key component of how the organization manages risk and identity today.

#### How WireCash Approaches Identity

WireCash has fostered growth by giving consumers access to more choices when it comes to sending international money remittances, as well as paved the road for national and regional MSBs licensed in the United States to expand into the digital channel and reach more consumers. This has led to the company doubling their volume each month for about 15 months running. While WireCash today enjoys rapid growth with new customers and recurring remittances, it was years of experience and learning that enable this success today.

Once a customer builds trust with WireCash the company can focus more on subsequent authentication but first-time customers present the biggest challenge, and WireCash now on-boards hundreds of new users per day. These customers may have lived and worked for a short time in three different cities or states, cohabitated with people who have different last names and appear first on address searches, frequently change phone numbers and use payment accounts that list previous addresses and phone numbers. These customers raise all kinds of red flags with traditional identity data and checks, which forced WireCash to take their own approach.

While these first-time customers are a challenge to authenticate, they can be very valuable as many will come back to repeat money remittances monthly or bi-monthly. The WireCash customer base presents unique challenges in this regard as well, as a customer may change their address, login IP location, phone number or payment account between remittances.

Learning to manage these unique risk characteristics took years of experience and was aided by business relationships with specialized payment and risk management vendors and consultants, including The Fraud Practice.

As WireCash has continued to expand to more countries new identity challenges would arise. It is not uncommon for customers from some countries to have three or four last names, and depending on the data record one, some or all of these last names would be listed. Identity data from Latin American countries often includes accent marks and tildes, but this would have to be standardized or require fuzzy logic when comparing to a U.S.-based data source like a customer's U.S. phone bill.

“Our organization has always been committed to providing cost-effective money transfers to hardworking people, no matter the size of their data footprint, and accepting even those customers other money transfer and financial service providers reject.” **Ran Grushkowsky, CEO and Co-Founder, [WireCash](#)**

#### Considering the Intersection of Thousands of Risk Signals with Modeling & Analytics

WireCash has to consider many complicated identity data points in context with other information that may be a traditional red flag, rely on their proprietary identity data sources, and continue to transact with customers whose identity information and payment credentials morph over time. The company employs custom risk models to manage and make sense of the interaction of all these data points today. Understanding what signals and combinations of signals mean with this unique customer base, based on years of actual business experience, is what drives the success of their risk modeling and analytics.

The use of custom modeling and risk analytics also allows WireCash to be more consumer-friendly than they were in their ATMCash days, and compared to most online MSBs. While WireCash may sometimes require strong authentication or verification techniques, they try to eliminate the need for this and reduce friction for most new customers through use of risk modeling and amassing many neutral or low risk signals. They have also leveraged this experience and insight to enter new markets where others wouldn't go or would only tread lightly. WireCash today helps consumers send money to Nigeria, Ukraine, Russia, Armenia and other

credit granting as well as prepared research and [online training](#) for payment and fraud professionals. Businesses throughout the world rely on The [Fraud Practice](#) to help them build and manage their payment, fraud and risk prevention strategies.

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countries that present high risk. Money Service Businesses providing remittances to these countries have tended to offer limited services or maintain several day waiting periods.

WireCash still sees attacks targeting remittances to each of these countries, and all others where they send funds. "They come in waves," said Ran Grushkowsky when discussing these fraud attacks, "but after failed attempts and seeing firsthand how difficult it is to try and use or appear to be multiple identities, fraud rings quickly learn they are better off trying to monetize their stolen payment and identity information elsewhere." His comments echo an important lesson in risk management: that an organization doesn't have to be impenetrable, just better at preventing risk than their competitors and cohorts.

WireCash continues to attract new customers because they compete on cost and convenience. Users have the convenience of sending money internationally from online, can shop money service businesses they know based on price and features, and can have funds delivered, typically, between fifteen and fifty minutes later. Managing high risk payments with limited identity data while accepting the risk for a MSB to move funds internationally in a short timeframe is only made possible by WireCash's use of extensive custom risk analytics and positive identification against internal and external data sources, all of which heavily relies on and benefits from their deep experience with their industry and customer base.

While WireCash has been able to successfully manage this risk through more than a year of rapid growth, the learning process took over a decade. WireCash's ability to manage fraud in this extremely high risk industry has led to strong user and revenue growth for the company, but also benefits many MSBs directly. The commission WireCash charges MSBs is a small price for these years of experience, and they continue to partner with new MSBs in countries all over the world. Many of these remittance providers don't support ways for consumers to initiate money remittances online, and WireCash opens them to a new set of customers for less than it would cost the MSB to build out and manage risk in this channel on their own.

**[Post Questions and Comment Here](#)**

# ADDITIONAL RESOURCES



**BUILDING & MANAGING HIGHLY EFFECTIVE RISK TEAMS.**

This **new training course** includes discussion, examples and application of the pillars of effective risk management as well as a four component effort and resource allocation plan for maintaining risk management strategies over the long-run.

# QUICK LINKS



**WireCash**



**Modeling & Analytics Technique Page** from The Fraud Practice Fraud Library