

Case Study: Fraud Model Risk Analyst

Direction

This is an open ended written exercise with no right or wrong answers! We simply want to understand how you understand the problem and what the approach was to reach a recommendation.

Problem Background

Bank X has decided to integrate a new fraud model score from Vendor A which is using an innovative new scoring method to detect third party fraud applications using device fingerprinting, geo-location and PII.

What would be your framework and steps to ensure this model is integrated into fraud strategies in a compliant manner with signoff from relevant stakeholders? What tools would you use?

How would your recommendation change if this score was critical to address an ongoing large scale fraud attack?

Exercise Description

Things to consider:

- 1) This is a completely new supervised machine learning model score to Bank X. It is not replacing an existing score.
- 2) The vendor is reputable, has existing bank clients and claims to reduce fraud losses by 30% which was validated by a retro data study.
- 3) The vendor has model documentation and can support requests for more information to a certain degree. They will not explain or provide everything that goes into the score.
- 4) The methods used by the vendor to derive the fraud score are in compliance with the applicable data protection and banking regulations.