

Testimony of  
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Special Committee on Aging

Hearing on “876-SCAM: Jamaican Phone Fraud  
Targeting Seniors”

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Good afternoon, Chairman Nelson, Ranking Member Collins, and Members of the Committee. My name is Phil Hopkins, and I am the Vice President of Global Security for Western Union. I have been with Western Union and its former parent company for seven years, and before that I served for 20 years with the United States Secret Service. That law enforcement background, combined with my work in the corporate arena, has given me a unique perspective on this issue.

Thank you for inviting me to testify today. I think we can all agree that we need to take aggressive action to fight the criminals who take advantage of potential fraud victims. I appreciate the Committee inviting a representative from the private sector to testify, because one thing we have learned over the years is that a close partnership between law enforcement and the private sector is key to fighting fraud.

I am sure you are all familiar with Western Union, but I would like to give you a brief background, especially on our money transfer business. Western Union first offered money transfer services in 1871, and since then Western Union has provided consumers and businesses with fast, reliable, and convenient ways to send money around the world. Western Union and our related brands offer our services through a combined network of approximately 510,000 Agent locations in over 200 countries and territories. These locations are not stand-alone Western Union locations, but are grocery stores, post offices, banks, convenience stores and other similar locations—one of our strengths is convenience. In 2012, Western Union completed 231 million consumer-to-consumer transactions worldwide, moving \$79 billion of principal between consumers, and 432 million business payments. These funds are critical for those who receive

them, as they are often used for daily needs. However, as we all know, fraud is and always has been a risk when money is involved.

Preventing fraud is one of Western Union's top priorities. As a result, we have taken a variety of steps designed to mitigate fraud risk and protect consumers. We share common goals with this Committee and the law enforcement agencies on this panel in detecting, preventing, and responding to fraud. This is reflected in Western Union's comprehensive Anti-Fraud Program, which emphasizes consumer education and awareness, fraud monitoring, fraud controls, and on-going collaboration with law enforcement entities around the world. It is a sad fact that the criminals who seek to abuse our services are constantly changing their tactics. These fraudsters rapidly adapt their tactics in an effort to evade the controls Western Union has put in place. For that reason, Western Union continuously reviews its Anti-Fraud Program and adjusts its controls to respond to evolving and emerging trends—much like law enforcement must do when confronting sophisticated and organized criminals.

Before I describe our program, I would like to say up front that I can speak generally about our efforts but on certain points I will not be able to go into detail. This is because we do not want to give the fraudsters a roadmap on how to evade our program and abuse our system.

#### *Consumer Education and Awareness*

We believe that education and awareness is the first step of a comprehensive anti-fraud program. Helping consumers avoid fraud in the first place will go a long way towards addressing the problem. For this reason, educating consumers about scams and how to avoid becoming a victim is a large component of Western Union's consumer protection program. Western Union provides fraud awareness information to consumers at the point-of-sale. In the

United States, our “To Send Money” form includes a fraud warning on the first page. Similar fraud warnings appear on our website. In addition, we send our Agents fraud awareness brochures and posters for display at the point of sale. Our fraud awareness program also is engaged in social media through sites such Facebook, Twitter, and YouTube, as well as banner ads on selected other sites. In 2012, we enhanced and updated our consumer protection website, providing consumers with information and resources to help protect themselves from becoming victims of fraud, informing consumers on how to report fraud, and giving consumers and other stakeholders an overview of Western Union’s fraud prevention efforts.

In addition to Western Union-specific efforts, we engage in proactive consumer awareness media campaigns. We periodically distribute press releases and news articles to alert consumers and media outlets to the latest scams and tips on how to recognize these scams. We have partnered with the Consumer Federation of America to produce and distribute consumer awareness videos. We continue to collaborate with agencies such as the National Adult Protective Services Association, Medicare Patrol, local Adult Protective Services, Mystery Shopping Providers Association, and law enforcement on consumer protection awareness and initiatives. Recognizing that fraudsters prey on the elderly, we have designed consumer outreach campaigns to reach senior citizens.

#### *Agent Training and Review*

Due to our unique business model, where our services are offered through Agent locations, another key component of our program is agent training and review. Western Union trains Agents on how to detect and deter fraud at the point-of-sale. Agent training materials are periodically reviewed and updated to keep up with current fraud trends. Agent training materials

and updates are provided to the Agents through various channels including fraud kits, newsletters, fraud alerts, and an online Agent Resource Center. To help identify potential fraud victims, Agents are trained to listen to consumers for verbal cues indicating fraudulent activity, look for body language that indicates nervousness or a sense of urgency, and ask questions to determine the consumer's relationship with the receiver and reasons for sending the money. If an Agent suspects the transaction is fraudulent, the Agent is trained to refuse the transaction or report it to Western Union for further investigation.

A fraud hotline is available to all Agents in the United States 24 hours a day, seven days a week, and 365 days a year. The hotline connects the Agent directly to a Western Union fraud specialist and allows the Agent to promptly report potential fraud or request assistance with a specific transaction. Western Union also has a monetary reward program for Agents, known as the Eagle Eye Program, which incentivizes Agents to detect and prevent consumer fraud. In 2012, Western Union rewarded 350 Agent associates for preventing consumers from falling victim to fraud.

Western Union also monitors Agent activity to identify potentially complicit Agents and Agents in need of further training. Western Union analyzes that activity, along with fraud complaints received from consumers, and determines whether Agents should be terminated, suspended, or provided with enhanced training and oversight. These suspensions and reviews have led to program enhancements at the Agent level, including instituting additional controls for transactions at higher dollar amounts, requiring approvals for certain transactions at the Agent level, and limiting transaction amounts.

### *Courtesy Callback Program and Other System Controls*

In addition to consumer and Agent education, Western Union has implemented a number of industry-leading controls designed to stop fraudulent transactions before they are paid. For example, our Courtesy Callback Program, which was implemented over five years ago, is a critical component of our Anti-Fraud Program. As part of this program, Western Union attempts to contact senders whose transactions meet certain criteria to interview them in an attempt to determine if they are victims of fraud. If consumer fraud is detected, or if Western Union is unable to contact the sender, the principal and fees for the money transfer are refunded to the sender.

Western Union also employs automated fraud controls through our Real Time Risk Assessment Program. This is a rules-based system used to block or queue money transfer transactions that fit a known profile for fraud.

The Western Union toll-free fraud hotline I mentioned a moment ago is also available to consumers who want to report and stop fraudulent transactions before they are paid. The telephone number appears on the “To Send Money Form,” the westernunion.com website, and on the consumer fraud brochures. If a consumer calls the fraud hotline to report that he or she may be a victim of fraud and the transfer has not been paid, the principal and the money transfer fees are refunded. Western Union regularly reviews the data it receives from consumers who report they are victims of fraud to guide its fraud prevention efforts and strategy.

Additionally, Western Union operates an Interdiction Program. This program is designed to prohibit suspected fraudsters from receiving money transfers and to prevent chronic consumer fraud victims from sending money. Names are submitted for interdiction daily, based on

analysis of our own fraud data or third-party requests, including referrals from law enforcement and family members.

### *Law Enforcement*

Continuous and regular collaboration with law enforcement is another key component of Western Union's Anti-Fraud Program. For example, Western Union participated in the ICE-led multiagency international task force known as Project Jolt that was created to combat Jamaican-based telemarketing operations that prey on U.S. citizens. On a daily basis, Western Union receives investigation leads from law enforcement and works with investigators to identify fraudulent activities. The Western Union personnel who work in our Anti-Fraud Program have extensive backgrounds working in law enforcement agencies, including the U.S. Secret Service, the Federal Bureau of Investigation, Immigration and Customs Enforcement/Homeland Security Investigations, Department of Treasury Office of the Comptroller of the Currency, London Metropolitan Police Services, Royal Canadian Mounted Police, and the Lithuanian Criminal Police Bureau.

### *Jamaica*

In addition to the anti-fraud measures I just mentioned, Western Union has paid particular attention to fraudulent activities related to Jamaica over the past few years. However, in the summer of 2012, it appeared that these activities may have been increasing. As a result, we took enhanced measures focusing specifically on these new developments in Jamaica. In August 2012, Western Union suspended all thirteen Montego Bay Agent locations in St. James Parish for a minimum of two weeks. The decision to suspend all Agents in the St. James Parish was

based on a culmination of factors, including fraud monitoring results, observations made during market tours and a review of our Agent controls. The temporary closure of our St. James Agent locations allowed Western Union to extensively review Agent activities and implement additional controls aimed at protecting consumers and the network from fraudulent activities. As a result of this review, Western Union implemented a \$400 payout limit per transaction at Agent locations in the Montego Bay area. In addition, Western Union has limited the number of transactions and the amount of money consumers in Jamaica can pick up in a certain time period.

### *Conclusion*

Fraud can have a significant impact on victims, particularly those who are elderly. Western Union is committed to protecting consumers from becoming victims of fraud. While we have an extensive Anti-Fraud Program in place to detect, prevent, and respond to fraudulent activities, we also acknowledge that fraud is a complex problem that involves the collaborative efforts of all parties represented at today's hearing.

Western Union looks forward to continuing to work with this Committee, law enforcement and regulators on preventing consumers from becoming victims of fraud. Thank you again for inviting me to testify today. I look forward to answering any questions you may have.