



Twenty-year partnership supports Alliance & Leicester's rapid growth and risk management strategy

Since 1984, Alliance & Leicester has used ACI Worldwide's BASE24 payments engine to support transaction processing across growing customer channels. Today, the bank continues to receive payment support from ACI along with expert risk management technology to manage its exposure to potential fraud.

Case Study: Alliance & Leicester

Alliance & Leicester, the eighth largest bank in the UK and among the top 200 in the world, offers a broad range of financial services to personal, commercial and small business customers. It serves 5.5 million personal customers via 300 UK branches, 2,500 ATMs, and banking via the Internet and telephone. Alliance & Leicester also provides banking services to a national customer base across more than 16,000 Post Office branches.

To help service its customers efficiently, Alliance & Leicester partners with solution providers proven in delivering industry-leading expertise combined with robust, scalable and reliable technology solutions. For 20 years, Alliance & Leicester has partnered with ACI Worldwide to support its real-time online financial transaction needs.

The changing banking landscape

A 20-year business relationship makes the Alliance & Leicester and ACI Worldwide partnership a compelling story.

When the partnership began in 1984, the banking and technology landscapes were very different. Debit and credit cards were emerging payment vehicles, not mainstream like they are today; the LINK-shared ATM network, today the most popular cash withdrawal channel in the UK and the world's busiest ATM network, wasn't launched until 1985; and SWITCH was launched three years later.

Consolidation across retail financial services over the past two decades has also changed the face of banking. ACI Worldwide has supported the evolution of Alliance & Leicester throughout this change and has helped it remain at the forefront of UK banking.

Rising volumes require robust technology

Girobank, later to become part of Alliance & Leicester, was ACI's first EMEA customer to deploy BASE24, its ATM driving, transaction processing and switching system. BASE24 has evolved with Alliance & Leicester's growth and now supports the bank's entire network of over 2,500 ATMs.





In 1984, Girobank required a basic ATM driving system to support its ATM channel, which grew from five machines in 1984 to 185 a year later. Tony Douglas, BASE24 Project Manager, Alliance & Leicester and an employee for 20 years, comments, “The bank was investing heavily in ATMs because we identified them as a key customer touch point. The channel needed efficient transaction system support not only because of its accelerated growth, but also to deliver a reliable service to customers. We selected ACI because of its BASE24 technology and because of its partnership approach to the project.”

Initial transaction volumes were around 60 per day per ATM. Today, Alliance & Leicester experiences ATM traffic at a rate of 33 transactions per second at peak times, equating to over 1.2 million transactions per day. BASE24 provides device driving, transaction routing and authorisation for every transaction across the bank’s entire network.

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Peter Duffell, Head of Business Systems Delivery at Alliance & Leicester, comments, “Alliance & Leicester is a direct bank with a high street presence. Consequently, having an infrastructure which gives customers 24-hour access to their money is a vital part of our customer service. Over the last 20 years, BASE24 has played

an important role in delivering this availability, and the associated reliability that our customers demand.”

ACI continued to work closely with Girobank as it extended its ATM outreach. In addition to its ATM network, Girobank was also the founding member of the LINK Interchange and launched the shared ATM network in 1985. Following a national scheme to support EFTPOS – electronic funds transfer at point of sale – in preparation for increased card usage at retailers, Girobank required support for POS transaction processing. Girobank purchased a switch interface from ACI to enable it to acquire, route and switch Visa transactions.

In 1985, the Alliance Building Society and Leicester Building Society merged. Leicester Building Society was already a BASE24 customer, while Alliance Building Society was using a competitive system. The newly formed Alliance & Leicester decided to progress with BASE24 to support its business expansion plans in the UK market because of the strength and proven ability of the solution.

On 2 July 1990, Girobank became part of Alliance & Leicester, which marked the first time in history that a building society had purchased a clearing bank. The LINK Interchange and the POS modules formed a key part of the deal and helped Alliance & Leicester expand its offering. The bank undertook a project to merge the Girobank and Alliance & Leicester systems to create one real-time online financial transaction processing solution using BASE24.

Over the next five years, Alliance & Leicester implemented additional BASE24-atm and -pos modules to support changes to its services and to enhance the efficiency and security of its ATM network. The bank also required additional connectivity to support rising levels of customers and increased card usage, both domestically and from foreign Visa cardholders in the UK.

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By 1998, there were more debit card payments in the UK than cheque payments made by personal customers. This represented an industry shift towards plastic cards as the convenient payment vehicle of the future. The awareness of plastic card fraud in the UK came to the fore and the payment industry set up the Plastic Fraud Prevention Forum (PFPF) to co-ordinate the fight against this crime.

Fight against fraud

Geoff Lloyd, Head of Group Fraud and Corporate Security at Alliance & Leicester, comments, “Fraud levels were rising and this was a concern for the industry. We realised we needed an effective solution to help us deal with this industry issue and chose ACI after a comprehensive selection procedure at the end of 1998. A number of aspects made the company and its solution stand out for us and, given our satisfaction with BASE24, we were keen to extend ACI solutions throughout the bank.”

Alliance & Leicester was the first European customer to implement ACI Proactive Risk Manager to prevent fraud and to detect suspicious, potentially fraudulent behaviour. The solution combines the pattern recognition power of neural network scoring technology with expert, rules-based strategies and advanced client/server workflow management software. The solution monitors and scores all aspects of fraudulent activity, including skimming and counterfeit cards.

ACI Proactive Risk Manager enables Alliance & Leicester to prevent and detect fraud quickly and effectively. At Alliance & Leicester, the automated processing of fraud alerts improved efficiency and helped to minimise operational costs. Furthermore, the reporting capability enabled Alliance & Leicester supervisors to generate reports to help evaluate and analyse fraud patterns in more detail. As a result, Alliance & Leicester has gained significant benefits from deploying ACI's expert risk management technology to manage its exposure to potential fraud.

Enter EMV

2001 saw a further industry milestone in the evolution of payment methods. For the first time, more than half of all non-cash transactions in the UK were made with a debit, credit or ATM card. At this time, Alliance & Leicester upgraded to BASE24 Version 6.0, the latest upgrade from ACI, to support the processing of electronic payment transactions. Key enhancements to BASE24 6.0 included multi-currency and architectural enrichment to support the continued evolution of e-payment technology.

BASE24 6.0 also supports the processing of transactions involving EMV (the internationally agreed standards for chip payment cards, originally agreed by MasterCard, Europay and Visa). The EMV standard came about due to increasing fraud and counterfeit activity, which drove card issuers and acquirers to look at migrating from magnetic stripe to more secure chip-based cards.

Visa and the merged Mastercard and Europay have mandated that all payment networks across Europe must support the EMV standard by January 2005. In the UK, by 2005 all UK credit and debit card transactions will also be authorised by customers keying in a PIN (personal identification number) rather than signing a receipt for goods and services.

Association for Payment Clearing Services (APACS) predicts that, without chip and PIN technology, fraud will top £1bn by 2008. With assistance from ACI and the advanced functionality within BASE24 6.0, Alliance & Leicester is ready for EMV roll-out, ahead of the January 2005 deadline.

BASE24 6.0 acquires EMV transactions from ATM and POS devices, authenticates transactions via interfaces to security models, and routes and authorises EMV transactions. Simultaneously, it links to Visa and MasterCard's BankNet, MDS and Maestro networks as well as national networks such as LINK.

A further industry regulation to improve ATM security was mandated by the major card networks in the wake of EMV compliance requirements. Alliance & Leicester also worked closely with ACI to meet Triple DES compliance, using the enterprise services architecture within BASE24 6.0 to ensure the highest level of ATM security.

Preparing for the future

Alliance & Leicester is well positioned for the future due, in part, to the technology from ACI to support its e-payment requirements. With BASE24 6.0, it has a scalable technology platform to support its needs.

One of the needs that Alliance & Leicester identified was to address a level of risk and fraud exposure beyond plastic cards. It needed to look into the areas of account takeover, identity theft, and compliance with anti-money laundering regulations.

Alliance & Leicester wanted to proactively monitor transaction activity on customer card/accounts because identifying and isolating unusual transactions very early in the transaction lifecycle would minimise its risk exposure and costs. It launched a current account profiling project, part of a major 'Know Your Customer' anti-money laundering initiative that also took into account the bank's need for an enterprise view of risk management and compliance with government regulation.

“BASE24 plays a key role in Alliance & Leicester's infrastructure, which gives customers 24 hour access to their money.”

This led to the introduction of further ACI Proactive Risk Manager applications throughout 2003. The bank began using ACI Proactive Risk Manager for Anti-Money Laundering and ACI Proactive Risk Manager for Debit and Credit Card Fraud Detection to support its current account profiling project.

Alliance & Leicester also began using BASE24-es for Enhanced Authorisation alongside ACI Proactive Risk Manager and BASE24 6.0. The flexible authorisation feature of the product considers a wide range of transaction attributes in its decision making process. Integrated with ACI Proactive Risk Manager, it provides even greater benefit; authorisation scripts containing information about the cause of a decline or referral are carried in near-real time to the rules-based fraud detection software.

The bank now has a very responsive and flexible solution that enables new business rules to be tested and implemented much faster than previously. As a result, potential losses are curtailed.

Lloyd comments, “The ability to test a script before it is released



into production is a significant benefit as it verifies that the required business rules have been correctly implemented. Not only does this help us to manage fraud better, it also ensures that our good customers do not experience any deterioration in our high levels of service.”

By using ACI Proactive Risk Manager as the technology structure to support its enterprise vision, Alliance & Leicester has made substantial progress with its fraud strategy and achieved significant costs savings and benefits.

Lloyd comments, “Our Fraud Risk Management and Compliance department is continually attempting to minimise the business exposure to fraud by monitoring activity to isolate unusual transactions, early in the transaction lifecycle. ACI solutions have further increased our confidence in the legitimacy of the transactions approved by the bank, thus enabling us to focus more resource on the high risk activity.”

A perfect match

The long and prosperous relationship between Alliance & Leicester and ACI Worldwide has helped both companies become the industry leading organisations they are today.

Alliance & Leicester started out with five ATMs and was the first customer in EMEA to implement BASE24. It now has one

of the largest bank-owned ATM networks in the UK. Likewise, ACI has also grown its business and currently has over 15 percent share of the world’s ATM terminal-driving software market.

ACI has evolved BASE24 into an enterprise services payment engine that supports multi-platform and multi-channel transactions. Throughout its evolution, the technology has supported Alliance & Leicester’s growth strategy and enabled it to support transaction processing across numerous channels. In the coming years, ACI will build on its relationship with Alliance & Leicester through continued transaction processing support, compliance with FSA regulations, and assist in the ongoing fight against fraud.

“With technological expertise from solution providers like ACI Worldwide, Alliance & Leicester has been very successful in the UK market,” says Duffell. “For example, we are now fully EMV ready and well placed to benefit from the advantages that BASE24 6.0 offers our business. We look forward to the continued success of our relationship with ACI Worldwide in the future.”

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