From: Scott Adams <████████████████████>
Sent: Wed, 1 May 2019 19:48:42 +0000 (UTC)
To: Amanda Rubright <██████████████████████>
Cc: Chris Dyl <████████████████████>; Daniel Vogel <████████████████████>; Joe
             Babcock <████████████████████>; Joe Kreiner <████████████████>; Jon
             Sredl <████████████████████>; ShitHappens <shithappens@epicgames.com>; Stephanie
             Reimann <████████████████████>; Steven Allison
             <████████████████████>; Walter Kong <v████████████████>; Wen-Jen
             Chang <████████████████████>

Subject: Re: Fraud update for week of April 14th

Amanda: Any idea on timing then? Is that tomorrow? Next week? What? Did they suggest when it could be?

On Wed, May 1, 2019 at 3:15 PM Amanda Rubright <████████████████████> wrote:

Additional updates:

- We have heard from Natalie at Ubi that they are working on internal messaging for the deactivation, likely
  slowed down due to bank holiday in Europe
- once that internal messaging is approved, the deactivation is quick

-followed up with Walter on next steps, and he will connect with Joe/Steve to set up a convo with Ubi Snr
  leadership to discuss further

On Wed, May 1, 2019 at 2:52 PM Scott Adams <████████████████████> wrote:

Thanks Amanda.

On Wed, May 1, 2019 at 2:51 PM Amanda Rubright <████████████████████> wrote:

Walter and I have just connected and the following is in play:
1) I've reached out to Ubi via email for an update - awaiting response
2) wenjen has also sent an additional email summarizing the extreme importance of timing of deactivation
- awaiting response
3) would like to give Ubi some time to reply to latest inquiries via email
4) spoke with joe (traveling) about this issue and he's aware and following

On Wed, May 1, 2019 at 2:24 PM Walter Kong <████████████████████> wrote:

I agree that we should pushing hard on on this. Coordinating with Amanda to escalate.

On Wed, May 1, 2019 at 2:13 PM Wen-Jen Chang <████████████████████> wrote:

Noted Dan.
I'm going to send a note to Ubisoft with a smaller group to ask for a date to deactivating keys.

Will follow-up here once we have more details.

Thanks,
Wen-Jen

On Wed, May 1, 2019 at 10:58 AM Scott Adams <████████████████████> wrote:

Hey guys:
I was just chatting with Wen-Jen about this and how we must talk to Ubi and get them to fix asap so that when I reply to Visa about why are rates went up so high I can say that the hole is plugged and show metrics around that. We need them to kill those keys in the next few days and start doing so on a very regular basis.

Wen-Jen is going to bring this up in a meeting he has in a few minutes that Amanda will be in and he'll be sharing numbers with that group so they can fully understand the magnitude of the issue.

Scott

On Wed, May 1, 2019 at 1:55 PM Daniel Vogel <daniel.vogel@epicgames.com> wrote:

> We can de-escalate this for now as we're waiting on Ubisoft.
We should not de-esclate till the problem is actually fixed. Us still waiting on Ubisoft is a big deal. @Joe Kreiner - can you make sure you are in the loop?

Payment fraud is an EXISTENTIAL threat to our store. That's because without a payment processor we have no store.

Let's make sure that the list of accounts we provide to Ubisoft includes dummy controls under our account so we can properly monitor

@Walter Kong @Amanda Rubright @Joe Kreiner @Chris Dyl - can you guys please sync on store fraud and make sure we are on track that this is all dealt with and well in our past by the time we do the store stimulus?

-- Daniel, Epic Games Inc.

On Wed, May 1, 2019 at 1:28 PM Wen-Jen Chang <wenjen.chang@epicgames.com> wrote:

Hi Folks,
We've started our daily batch refund files to Ubisoft this past weekend. We've also provide a few other files to "catch-up" and close any gaps of days, so they would have all refund data from us. The refund data includes all 5 Ubisoft games (Farcry Primal, Ghost Recon Wildlands, Watch Dog 2, Div 2, Anno 1800) on EGS today as well as the season passes for Div 2 and Anno 1800.

They still have not confirmed the deactivation of any keys. I have a meeting setup with them next week.

We can de-escalate this for now as we're waiting on Ubisoft.

Thanks,
Wen-Jen

On Thu, Apr 25, 2019 at 8:39 PM Wen-Jen Chang <wenjen.chang@epicgames.com> wrote:

Hi Folks,
Ubisoft shared the summary report they put together for their exec team, which includes some research they've done like confirming the selling of Div 2 accounts on Taobao as well as keys activations by country. They are getting alignment with their EMEA team, and will let us know when all the keys are terminated. I'm hoping to hear back tomorrow for this.

On our side, we provided another Refund file yesterday for refunds from April 15 to 23, which includes another ~3500 keys for deactivation (1500 Div2 and 2000 Anno). We will provide a "catch-up" batch file tomorrow along with the daily batch file to their distribution list to start the daily automated batch files. We've also asked about an API for a longer term solution for this.

Some details from their report below.

Thanks,
Wen-Jen

Div 2

Breakout of return status of keys:

Chargeback	651	6%
Fraud Refund	8185	70%
Refund	2788	24%
Grand Total	**11624**	

97% of keys activated (11,267 Keys Activated)

Returns = 10% of Gross Sales

118,865 Gross Sales = (107,241 Net Sales + 11,624 returns)

Top 10 Country activation source:

US	7102
SG	677
HK	529
TW	458
(blank) *	357
CA	344
DE	324
MX	243
FR	227
KR	206
GB	184

Anno 1800

Chargeback	61	3%
Fraud Refund	1467	71%
Refund	525	26%
Grand Total	**2053**	

97% of keys activated (1999 Keys Activated)

Returns = 7% of Gross Sales

31,724 Gross Sales = (29,671 Net Sales + 2,053 returns)

Top 10 Country activation source:

US	1560
DE	118
SG	55
(blank)*	54
GB	41
FR	37
CA	24
RU	18
KR	17
AU	13
NL	11

On Tue, Apr 23, 2019 at 11:27 AM Wen-Jen Chang <​███████████████████████████​> wrote:

> Hi Folks,
> I've responded to Ubisoft and provided more info.

There was a number of players who refunded and then re-purchased their games. So we had to update the
sheets to reflect this as these players should not be deactivated.

We hope to hear back from them soon regarding the data and cadence.

Thanks,
Wen-Jen

On Tue, Apr 23, 2019 at 9:39 AM Amanda Rubright <​███████████████████████████​> wrote:

> Quick update (more to come later) - - Ubi key group was OOO yesterday due to holiday. They've
> just requested some additional information (copied below) to process the deactivation of the accts,
> WenJen is working directly with Ubi to make sure all items on our manual report are correct and

nothing is blocking this deactivation.
Clawback discussion kicks off at 1pm today - will update post.

from Ubi - -- again, WenJen is in the process of supplying necessary answers below.

I will let you know if we have any additional data requests for the daily feed of refunds, stay tuned. I do know one data point we would like to understand is Date of Sale. Can you have this data point added to this batch of keys. (This is particularly relevant because we need to also revoke the preorder bonus "Free Game" in some instances based on date of purchase.)

For now we are focused on the large batch of keys.

- It looks like there are 284 "blank" lines meaning no Digital Key is provided. What's the status with these refunds? Can we assume a key was not provided?
- If I remove the blanks, it looks like there are 10,553 Digital Keys. **Do you see the same count?**
  o I'm no Excel expert, I'm having trouble unhiding the rows that appear to only hold blanks.

I want to be sure we are both talking about the same number of keys to your point.

Currently we are in the process of determining activation status on these keys.

On Tue, Apr 23, 2019 at 9:09 AM Daniel Vogel ▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮▮ wrote:

Some context:
We believe fraud to be due to account re-selling being viable.

Fraudster creates uplay account, uses stolen CC to purchase The Division, and then sells the account. While Epic account gets disabled by chargeback, without clawback with Ubisoft the game is still available on uplay and sold account works.

Clawing back closes this particular loophole.

We don't need to solve general piracy as torrenting etc is much less intrusive than CC fraud, we need to solve organizations reselling accounts for profit and clawback (and disabling account) is the primary solution.

@Amanda Rubright, can you guys post an update on what has happened since yesterday?

-- Daniel, Epic Games Inc.

On Mon, Apr 22, 2019 at 6:01 PM Daniel Vogel ███████████████████ wrote:

> Quick update from some discussions.
> We are working with Ubisoft on an automated solution for clawback and in the mean-time will manually provided them with daily (7 days a week) lists of purchases to claw back.

Amanda and Dyl have proper action items etc.

-- Daniel, Epic Games Inc.

On Mon, Apr 22, 2019 at 3:30 PM Chris Dyl < ██████████████ > wrote:

> Clawback is the core issue, but account security comes into play when a bad actor attempts to take over another users account to pay for games with a credit card on file (which may get charged back). @Wen-Jen Chang, please setup a meeting to discuss clawbacks with Dan and folk.

On Mon, Apr 22, 2019 at 3:14 PM Daniel Vogel < ██████████████ wrote:

> That is not really account security and email verification isn't a bottleneck for that approach right? The issue is stolen credit cards working as we don't claw back. That sounds like the core of the issue.

Can we set up meeting about clawback?

On Mon, Apr 22, 2019 at 3:04 PM Scott Adams < ██████████████ > wrote:

> Hey Dan:
> I just posted this to slack ... but here it is too:

As for account security ... the more real fraud portion of this issue is where fraudsters will create bot accounts, often at free email sites like mail.ru, 163.com et al (gmail/hotmail type in russia and china etc) ... since we have no account security such as required email verification (I know, its coming but no eta yet), easy 2FA (like SMS), real time login challenges (like for change of device, change of ip or location), these bot accounts can then very easily buy an EGS game with stolen cards and then sell the account for whatever they want. @Christine McGoohan, Fraud Ops and I are seeing lots of this type of fraud right now.

Scott

On Mon, Apr 22, 2019 at 3:02 PM Daniel Vogel < ██████████████ wrote:

> How does account security tie into this?

On Mon, Apr 22, 2019 at 3:00 PM Chris Dyl < ██████████████ > wrote:

> In summary, it's super easy to create an Epic account to load it up on everything from free games to fraudulent payment methods for paid games and then sell it. The lack of clawback of the actual game during a chargeback makes it even worse.

The account security issues are well understood and improvements are coming per our account security blog and further discussions this week.

Clawbacks for EGS have been discussed, but I don't know ETA. @Stephanie Reimann could provide better update.

On Mon, Apr 22, 2019 at 2:49 PM Jon Sredl < ███████████████████ > wrote:

Thanks for escalating Dan, spinning up a channel at **#sh-04-22-fraud-u-lent** (https://epic.slack.com/messages/CJ5AHH34N/) for discussion and pulling folks in.

On Mon, Apr 22, 2019 at 2:45 PM Daniel Vogel <█████████████████ wrote:

Adding SH as it doesn't look like we really have ability to address via fraud rules. Aka, I wouldn't expect this to get better with current plan, right?

What are details on clawback etc. Chris / Amanda, can you guys provide high level summary on situation?

Can you elaborate on account security and email verification tie in - I'm not following there.

On Mon, Apr 22, 2019 at 2:15 PM Scott Adams < ███████████████ > wrote:

Hey Dan:
I've just added some new fraud rules around this, but much of this isn't the same type of fraud.

Its looking like its mostly due to the fact that we can't claw back these games so fraudsters are taking advantage of that fact, creating tons of new accounts, loading the account and then selling it. It also looks like we're seeing a lot of refunds with reasons like "No fun or no play time". So a lot of "friendly fraud" and since EGS has a lot of new users we can't use a lot of the rules we have for fortnite that look at account age, etc. Also, doesn't matter if there is a chargeback to the end user since the game is already theirs and we can't take it back.

Doesn't help that we don't currently verify email address or have good account security.

We are working on other ways to fight this stuff.

Scott

On Mon, Apr 22, 2019 at 12:35 PM Daniel Vogel < ███████████████████ > wrote:

Did you guys talk about EGS fraud as a group?
Any reason to not use same level of aggressiveness for rules there as we do with FN?

Any risk to business?

-- Daniel, Epic Games Inc.

---------- Forwarded message ----------
From: **Scott Adams** <█████████████████>
Date: Fri, Apr 19, 2019 at 4:06 PM
Subject: Fraud update for week of April 14th
To: <project-status@epicgames.com>

Hi Team: Here is the fraud update for this week of April 14th.

Key Metrics:

- **April Visa Inc and SARL Fraud:** As reported last week, Fraud rates for both Inc and Sarl are very high. It is associated with EGS fraud. Rates: $169k and $116k Inc and Sarl both well over 2%. Steps are being taken to fix.
- **Target:** Target under $75k or 1% for US and SARL each.
- **EGS Metric:** Very high fraud. Taking steps to address.

Problems we are solving:

- **Aggressively Lowering Fraud Rates:**
  - Visa VMPI - Visa was slow to go live, but live as of Monday and tweaked to good results as of Wednesday.   Prevented over 100 chargebacks in its first 24 hours. More stats on this soon.
  - Added three new rules targeting only EGS with a mix of email domain, scoring, BIN/Pay Country mismatches and amounts.
  - Looking at 3rd party email scoring to add to this mix as well
  - Email verification plus MFA coming soon which will help a lot a well since most of these fraud accounts are botted
  - Discussing rules/policy around the Fiscal Stimulus plan to prevent further fraud

- **Impact Expected:**

  - **Fraud Reduction:** I expect the above to further lower this ideally getting SARL below $75k soon ... Update: Seeing new fraud in EGS, tracking and working to lower
  - **More accuracy:** Looking at adding email risk scoring service through Kount to improve accuracy around botted accounts we're seeing in EGS. Could greatly improve accuracy.
  - **VMPI:** This is live now and being tweaked to further improve results. Already lowering chargeback/fraud rates, mostly in USA.

Graphs through April 17th:
Chargeback Rates:

 image

Fraud Rates / . Volume

 image

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Scott Adams

Fraud and Risk Consultant

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Scott Adams

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Fraud and Risk Consultant

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-- Daniel, Epic Games Inc.

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