

Banking Automation **BULLETIN**



Growth in European ATM market driven by CEE

Entry of IADs change dynamics of Turkish ATM market

UK card fraud jumps 25% as losses abroad spiral

SEPA
- the €123 billion question

European Commission proposes amendments to Regulation 2560/2001

Country profile: Bulgaria



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UK card fraud explodes

The UK card sector has been rocked by the latest statistics showing card fraud losses increasing 25% over the past year, to a record £535 million.

Having made huge investments in Chip and PIN technology, banks have seen the fraud reductions achieved in 2005 and 2006 completely wiped out. Rising fraud losses was the main driver behind Chip and PIN, and UK banks are now facing up to the realisation that substantial further investment is going to be required to stop card fraud from spiralling out of control.

Chip and PIN itself is not the problem – it has had a clear impact in reducing fraud on lost and stolen cards and those intercepted in the post. Initially there was also a fall in card skimming losses.

The phenomenal rise in fraud is being driven by two unrelated issues. Firstly, card-not-present (CNP) fraud has increased by 37% to a whopping £291 million – over half the total. Secondly, counterfeit card fraud has increased 46% to £144 million, following two years of falls.

Technology solutions already exist to eliminate these types of fraud, but a lack of adoption at both a national and international level is leaving the door open for criminals.

3D-Secure solutions developed by MasterCard (SecureCode) and Visa (Verified by Visa) can effectively tackle internet-based CNP fraud. All UK acquirers are now certified for the technology, but too few merchants, issuers and customers are using it. These latest fraud figures could now provide the impetus to develop a nationwide roll-out of 3D-Secure, in much the same way as happened for chip and PIN. However, 3D-Secure does nothing to address MOTO fraud, which would almost certainly rise dramatically on the widespread introduction of SecureCode and Verified by Visa. This may explain why banks have been slow to embrace this issue, but the cost of waiting to decide how to proceed is getting more expensive by the day.

Counterfeit card fraud has risen sharply as fraudsters have developed their international networks, allowing skimmed UK cards to be used abroad in countries that have not migrated to EMV – most notably the USA. Pressure will grow on countries that have not migrated, but in the short term alternative approaches will be needed. If counterfeit losses continue to rise, removing the magnetic stripes from UK cards and issuing separately-controlled cards solely for international use may be a cost-effective, temporary solution.

Dominic Hirsch, Editor

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