Identifying Security Issues in the Retail Payments System

Evolution of Payments System Fraud

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June 5, 2008
**Fraud has moved from amateurs operating locally to professionals operating globally**

- Fraudsters now work cooperatively across geographies, making local regulations and law enforcement initiatives less impactful.

<table>
<thead>
<tr>
<th>1980</th>
<th>1990</th>
<th>2000</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cardholders</td>
<td>Small Merchants</td>
<td>Mega Stores</td>
<td>Members / Processors</td>
</tr>
</tbody>
</table>

**Fraudster**
- Individuals
- Team
- Organized
- International

**Fraud Type**
- Lost & Stolen
- Skimming
- Data Compromise
- X-Border DC
Fraud has moved from amateurs operating locally to professionals operating globally . . .

Fraudsters view fraud perpetration as a line of business

- Perform competitive assessments to evaluate points of greatest opportunity
- Select products, channels and geographies (and even FIs) based upon matrix evaluation of likelihood to commit fraud versus potential impact
- Provide product pricing to distribution channel based upon expected likelihood versus impact
- Hire specialists based upon technology expertise
- Invest in R&D with working capital generated from proceeds

| VISA, MasterCard USA (with cvv2 code) |
|-------------------------------|---------------------|----------------|
| количество | идентификация | цена в $USD |
| 5-50   | есть в продаже | 5.0 |
| 51-100 | есть в продаже | 4.5 |
| 101-500 | есть в продаже | 4.0 |
| 501-1000 | есть в продаже | 3.0 |
| 1001-5000 | есть в продаже | 2.0 |
| более 10000 | есть в продаже | пишите |

Если Вам нужно более 10000 карт, свяжитесь с нами, для Вас будет отдельная скидка

Source: iDefense
Players often make suboptimal fraud risk management business decisions because the true cost of fraud is often misunderstood.

True Cost of Payments Fraud

Note: Area of pyramid is not indicative of relative size within each fraud cost category.
Technology is increasingly used to enable or ease the perpetration of payment fraud

- New technologies have enabled new means for fraudsters to illegally source or use information to perpetrate payment fraud – doing so across products, channels and geographies.

- Technology is enabling fraudsters to leverage cross-portfolio opportunities, compromising the full customer relationship.

- Fraudsters’ use of technology is driving the 5 highest growth sources and uses of fraud account information:
  - Phishing/Pharming
  - Mass Data Compromise
  - Identity Fraud
  - Counterfeit/Skimming
  - Card-Not-Present (especially Internet purchases)
Some FIs are moving from a product silo to a customer relationship management approach.

This approach extends into the way FIs are managing fraud risk.