



Identifying Security Issues in the Retail Payments System

Evolution of Payments System Fraud

David A. Poe - Director

June 5, 2008

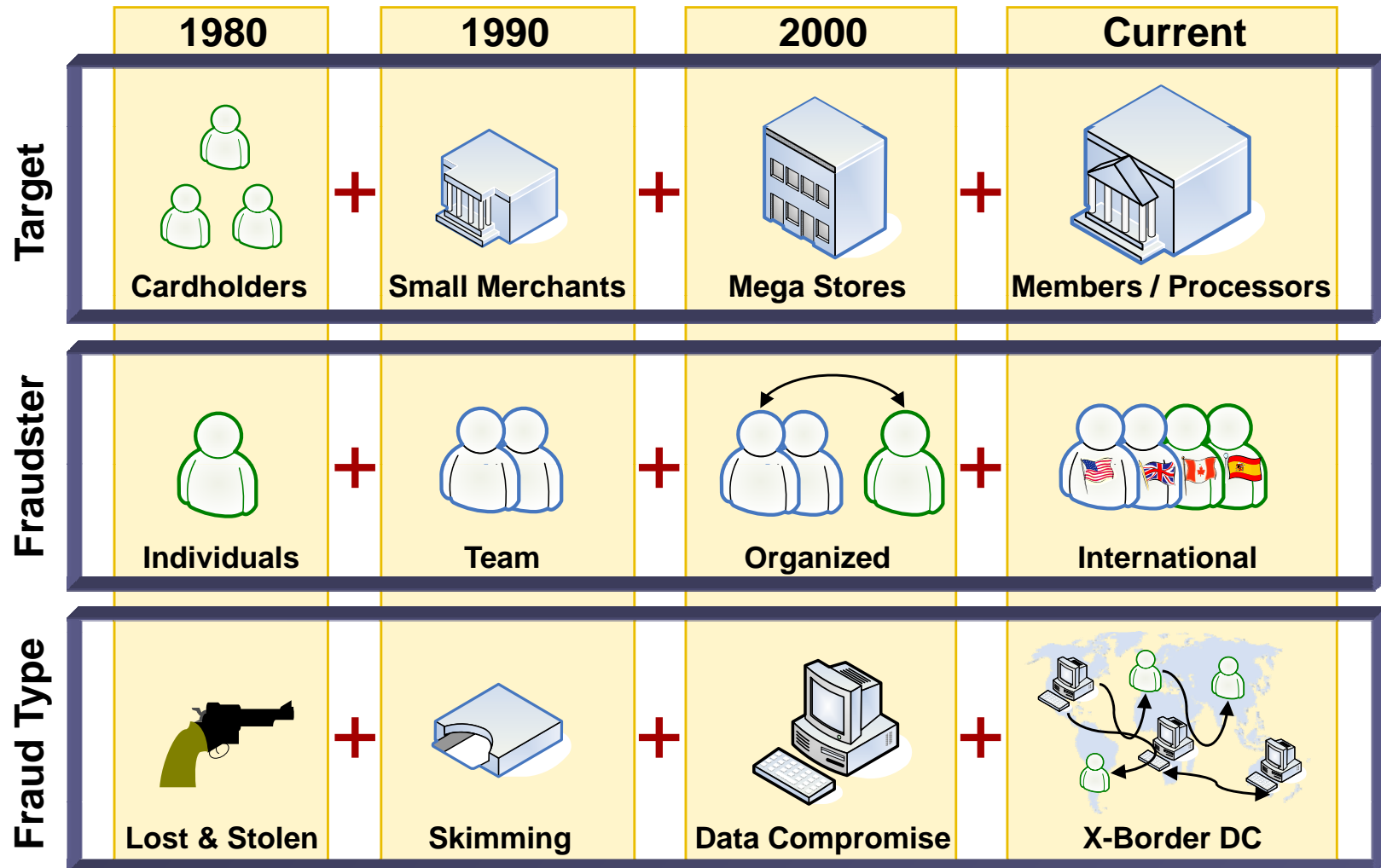


**Edgar, Dunn
& Company**

Management Consultants

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



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

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

True Cost of Payments Fraud

**Less commonly
attributed to the
cost of fraud**



**More commonly
attributed to the
cost of 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

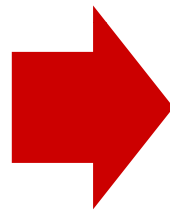
- **New technologies have enabled new means for fraudsters to illegally source or use information to perpetrate payment fraud –doing so across products, channels and geographies**
- **Technology is enabling fraudsters to leverage cross-portfolio opportunities, compromising the full customer relationship**
- **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

EVOLVING MANAGEMENT APPROACHES

PRODUCT MANAGEMENT



RELATIONSHIP MANAGEMENT

