

Fraud – Still an issue

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Content

- Bit of background
- What is fraud
- Evolution
- Governance
- Trends
- Summary

Background

- J. Sainsbury
- Lloyds Bank
- Switch Card Services
- Visa EMEA, International, EU and Europe
- Independent business management consultant & payment and risk management advisor



Fraud

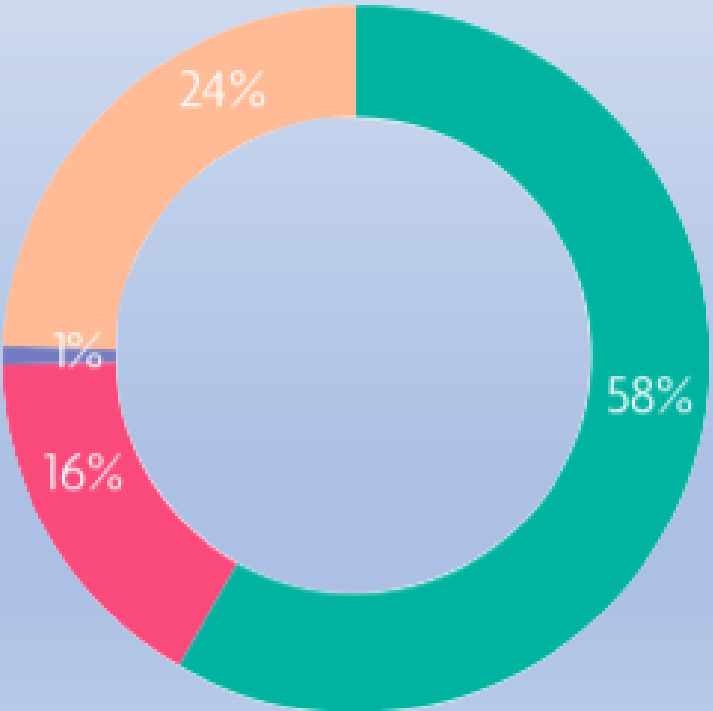
- False representation
 - Failure to disclose information when there is a legal duty to do so
 - Abuse of position
- Source: Fraud Act, 2016
- Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss
- Source: CIPFA
- A Transaction that an Issuer reports as fraudulent when either
 - Fraudulent user used a Card or its Account Number
 - Card was obtained through misrepresentation of identification or financial status
- Source: Visa

Learning from evolution

Fraudster	Individuals	Teams	Local crime rings	International crime rings
Target	Consumers	Small retailers	Larger retailers	Banks, Processors Networks
Leading fraud types	Lost/stolen Intercepted	Domestic counterfeiting/ skimming	Identity theft Phishing Rudimentary data compromise	Cross-border data compromise CNP and ATM fraud Identity theft
Type of cards targeted	T&E cards	Premium credit cards	Mass market credit cards	All types of credit, debit & Prepaid cards
Necessary resources	Opportunism	Rudimentary knowledge	Technical knowhow	Audacity Technical expertise Insider information Global connections

Total Financial Fraud Losses By Type 2017

Total 2017 financial fraud losses by type



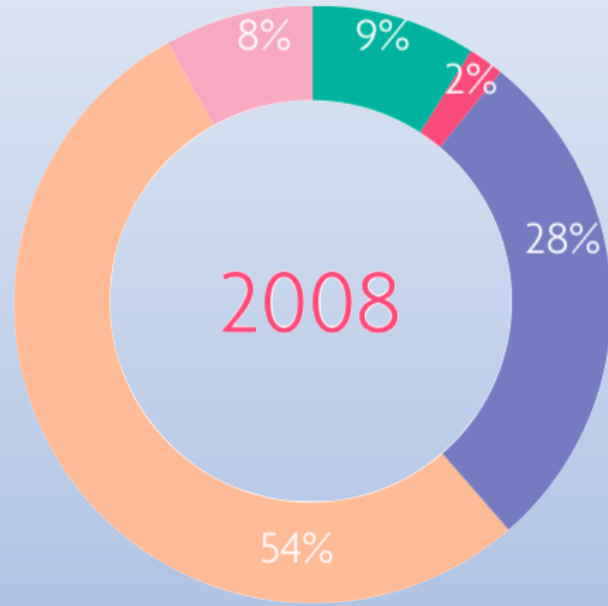
- Payment Card
- Remote Banking
- Cheque
- Authorised Push Payment

Payment Cards

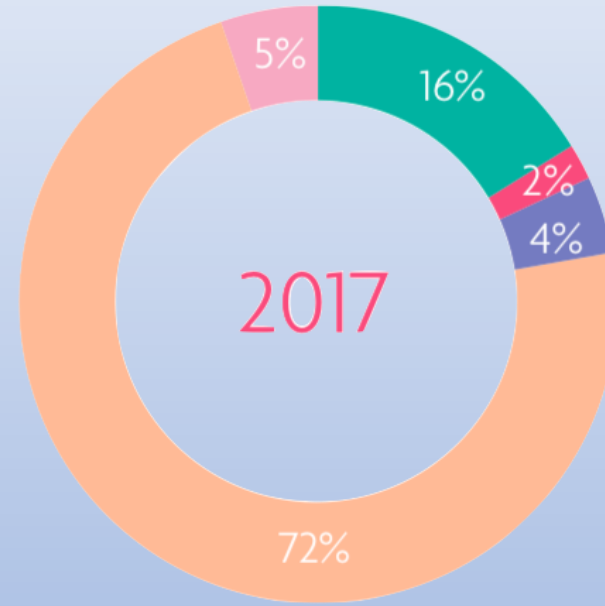
- Fraud £560m (-3%)
- Sales £755bn

7 pence per £100

Card Fraud Losses By Fraud Type to Total Sales



- Lost & Stolen
- Card not received
- Counterfeit card
- Remote Purchase (CNP)
- Card ID Theft



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Payment card fraud linked to.....

- Purchasing resalable items
- Refunds
- Cash-out
- Shipping fraud
- Supplier / invoicing fraud
- Online / mobile banking
- Malware
- Data breach
- Cyber crimes
- APP scams
- Tax avoidance / evasion
- Online ad abuse
- Affiliate fraud
- Loyalty and rewards programmes
- Social benefits
- Account takeover
- Identity theft

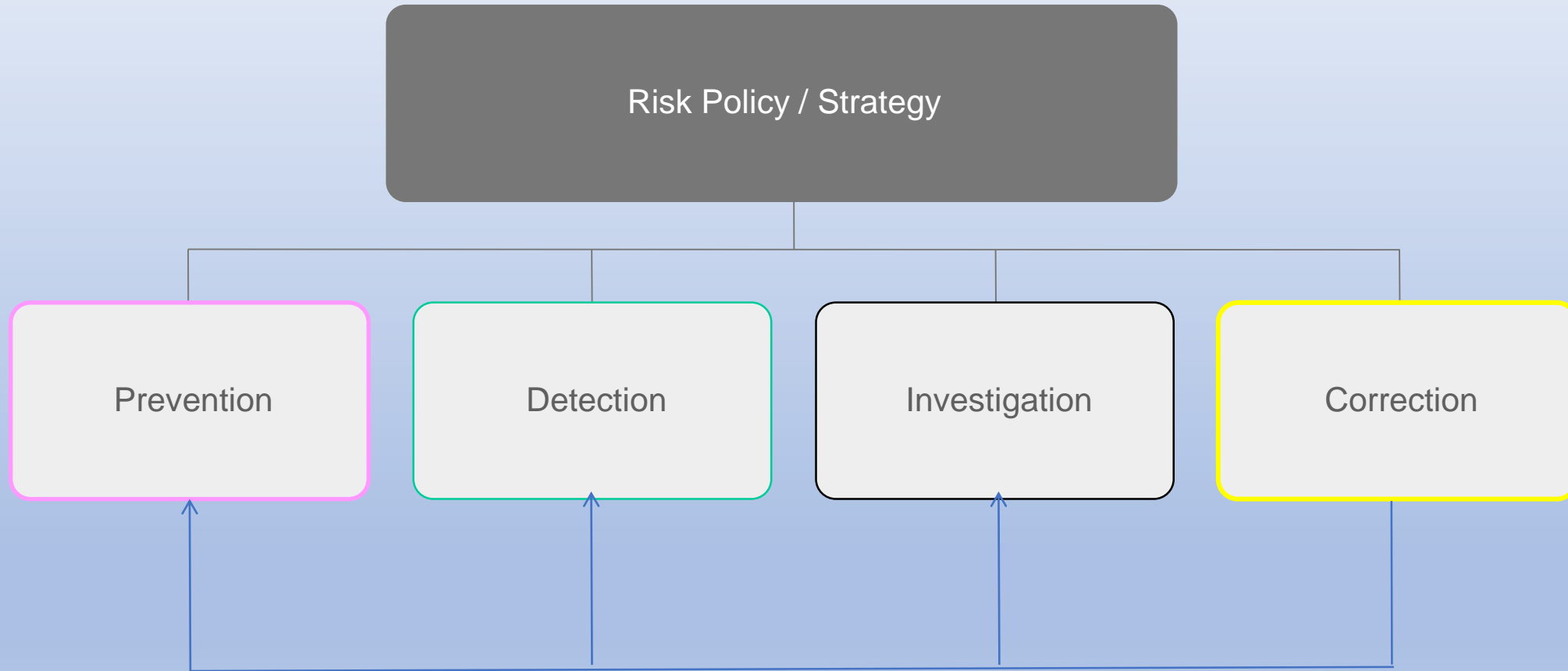
Fraud Hot Topic

- Payment scheme reputations
- Financial institutions doing enough
- Fix the fraud problem vs. just shift liability
- Legislative pressure

- Legislation
 - Protect consumers
 - Growth of card payments / acceptance
 - Payments innovation and new risks
 - Industry confidence
 - Merchant confidence
 - Authentication



Good governance required



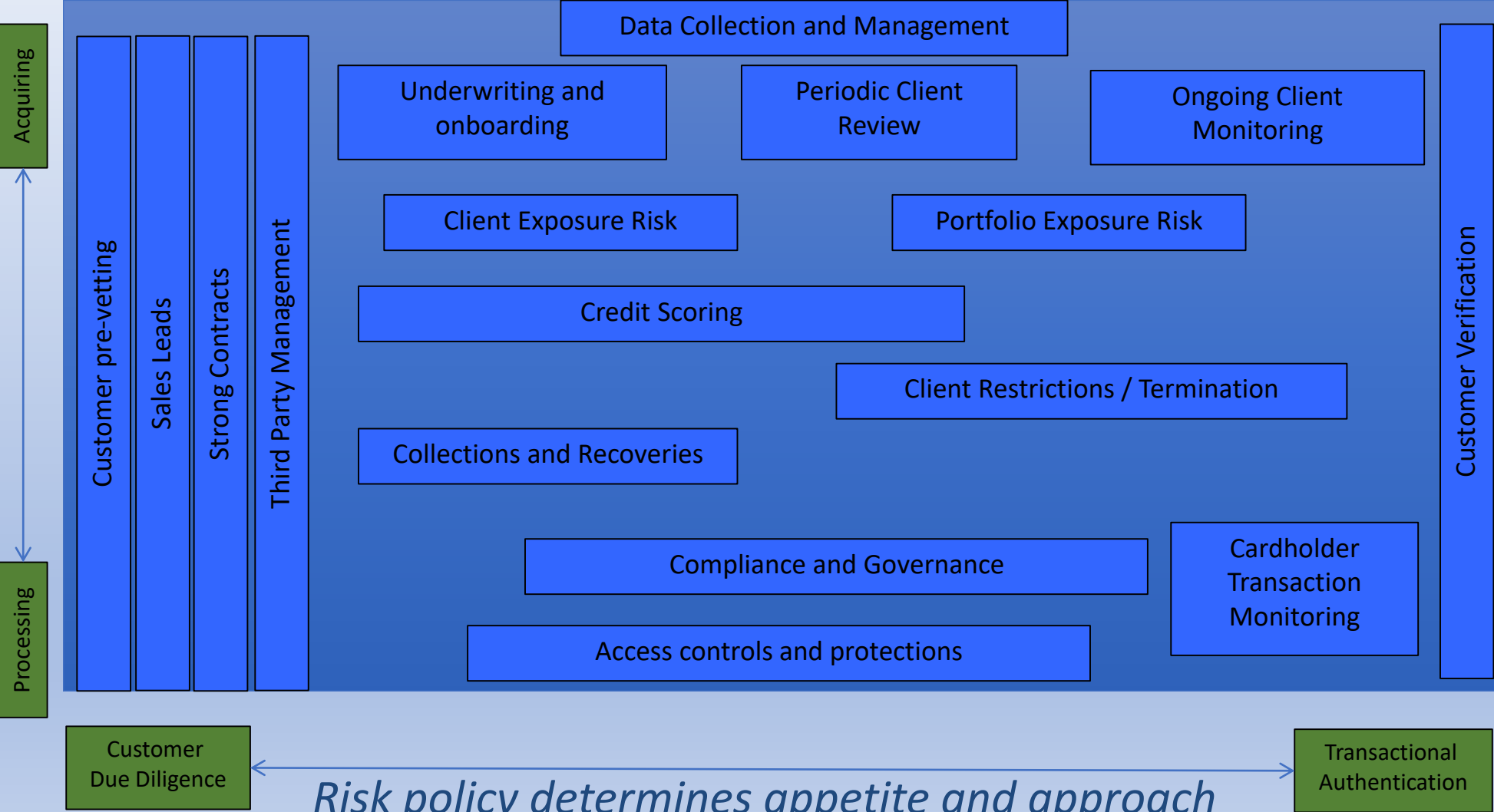
Fraud Trends

- One ~~size~~ fits all
- Card present versus card not present
- Stronger customer authentication
- Lost stolen fraud cases
 - Cases +51%
 - Losses -4%
 - Early identification, early prevention
- Proactive management of fraud-related disputes
- Technology vs. data

Fraud Trends

- Manual vs. automated thinking
- Rules engine vs. fraud scoring
- Machine learning techniques
- Generic versus customised scoring models
- Device fingerprinting
- Extending the data sources and points
- False positives vs. false negatives
- Impact of customer authentication

Managing Risk – Bigger Challenge



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Summary

- Fraud, the means to an end
- Increasingly complex, political and linked to other criminal activity
- Data data data
- Industry collaboration critical
- Not just about reducing risk but growing the size of the pie
- Stakeholder communication and education
- Schemes delivering 3D Secure 2.0
- PSD2 delivering Strong Customer Authentication (SCA)

Questions?

