

Press Release

The Observatory for Payment Card Security publishes its 2013 Annual Report

The Observatory for Payment Card Security is today publishing its 2013 annual report. The report, the Observatory's eleventh, is available online at www.observatoire-cartes.fr.

The overall fraud rate for card payments stood at 0.080% for the second year in a row, representing a total value of EUR 469.9 million (compared with EUR 450.7 million in 2012).

The fraud rate for face-to-face payments remained very low (0.013%), and was down slightly with respect to 2012 (0.015%). The Observatory attributes this to efforts to combat fraud in France and Europe, notably through the widespread roll-out of EMV-compliant chip cards.

The fraud rate for online card payments declined sharply (0.229% in 2013 compared with 0.290% in 2012 and 0.341% in 2011), due primarily to an increase in the value of payments made using strong authentication. These results reflect efforts on the part of both card issuers and e-merchants who, under the guidance of the Observatory, have sought to increase the implementation of strong authentication systems. Nonetheless, the Observatory found that with the sharp rise in the absolute value of online payments, the nominal value of online payment fraud continue to increase; the latter now accounts for 64.6% of the total value of domestic fraud, whereas online transactions still account for just 11% of the total value of payments.

The Observatory found that nearly all cardholders now have payment cards equipped with strong authentication systems. At the same time, the failure rate for authenticated payments fell markedly in 2013, and is now similar to the rate for un-authenticated payments. **This is an extremely positive sign for online retailers, as it shows that the implementation of enhanced authentication is no longer a barrier to the expansion of e-commerce.**

At present, only 43% of e-commerce sites have this type of system, and **the Observatory considers it a priority to ensure that all sites are equipped by 1 February 2015**, when the recommendations issued by the European Forum on the Security of Retail Payments (SecuRe Pay) are due to come into force.

The Observatory continued its technology watch in 2013, focusing in particular on the security of payment terminals. In light of the rising trend in attacks on payment terminals, the Observatory urges all parties to exercise increased vigilance. In particular, it recommends that the procedures for the type approval of payment terminals by payment card schemes be reinforced, in order to improve the risk management and traceability of terminals that are faulty or at the end of their life.

The Observatory also analysed the protection of sensitive private data which is processed for fraud prevention purposes as the French data protection agency (CNIL) recently began efforts to simplify the rules on the declaration of anti-fraud processing which uses private data.

The Observatory for Payment Card Security is a forum whose role is to foster dialogue and information sharing between all parties in France concerned by the smooth operation and security of card payment schemes. Its membership comprises two members of parliament, representatives of government, card issuers and users (merchants and consumers), as well as several persons chosen for their expertise. Created by the Everyday Security Act of November 2001, the Observatory is responsible for monitoring security measures adopted by issuers and merchants, establishing aggregate fraud statistics and maintaining a technology watch in the area of payment cards.

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