

2014 Annual Report:

The fraud rate for transactions conducted in France fell for the first time since 2003

The Observatory for Payment Card Security is today publishing its 2014 annual report. The report, the Observatory's twelfth, is available online at www.observatoire-cartes.fr (English version coming).

For the first time since the Observatory was established in 2003, the fraud rate for transactions conducted in France fell, declining from 0.046% in 2013 (representing a value of EUR 238.6 million) **to 0.043%** (EUR 234.6 million).

The fraud rate for all cards issued in France, including fraud suffered abroad, was steady at 0.069%. Amid sustained growth in card payments, which swelled from EUR 549.2 billion in 2013 to EUR 575.9 billion, the total value of fraud rose from EUR 376.6 million in 2013 to EUR 395.6 million.

The fraud rate for point-of-sale payments has been trending downwards for several years and **remains extremely low** (0.013% in 2013, 0.010% in 2014), despite a surge in attacks on payment terminals (560 cases in 2014 compared with 188 in 2012), with card-operated fuel pumps a particular target (525 recorded cases).

The fraud rate for contactless payments, which was measured for the first time this year, stood at 0.015%, on a par with the rate for face-to-face payments as a whole and half the rate recorded for ATM withdrawals (0.034%). It is noteworthy that virtually all the recorded cases of fraud were attributable to theft or loss of the card. On this topic, the Observatory points out that transaction ceilings limit the amount of fraud that cardholders can sustain in contactless mode and that holders will always be refunded by their bank in the event of unauthorised transactions. The Observatory also stresses that so far contactless technology itself does not seem to have presented weaknesses for fraudsters to exploit. Furthermore, holders can always ask their bank to temporarily or permanently deactivate a card's contactless capability or to provide a payment card that does not offer this capability.

The fraud rate for card-not-present payments (mail, telephone and internet) fell for the third year running, edging down to 0.248% from 0.269% in 2013, **which is still significantly higher than the rate for other transactions.** The decline was aided by increased use of strong authentication for transactions, which in turn was supported by greater take-up of 3D-Secure type solutions by e-merchants (60% use such solutions compared with 43% in 2013). Even so, against a backdrop of vigorous growth in online payments, the nominal value of online payment fraud continued to rise slightly to account for two-thirds of the total value of domestic fraud, whereas online transactions make up just 11.6% of the total value of card payments.

Accordingly, **the Observatory reiterates that widespread introduction of strong authentication solutions remains a priority** and will make it possible for participants to comply with guidelines from the Eurosystem and the European Banking Authority on the security of internet payments, which are set

to come into force on 1 August 2015. These guidelines build in an assessment of the risks linked to the use of cards in online payments, in order to promote the emergence and use of authentication solutions that combine protection and ease-of-use for holders and merchants alike.

The Observatory continued its technology watch in 2014, focusing this year on the use of biometric techniques in cardholder authentication. While trials suggest that biometrics is a promising authentication technique, the Observatory wishes to emphasise the lack of maturity in terms of application of these methods to the payment sector. It urges participants to draw up sets of standards that can be used to assess the security of biometric solutions, in particular to ensure that deployment of this approach does not undermine payment security. The Observatory also calls on participants to be watchful when trialling new solutions of this type, which must keep users' biometric identifiers safe to avoid compromising future implementation of other biometric solutions.

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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