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## **First annual report from the Observatory for the Security of Payment Means**

### **The Observatory issues its first comprehensive report on cashless payment fraud in France and confirms the improvement in payment card security**

On 20 June 2017, the Observatory for the Security of Payment Means, which replaced the Observatory for Payment Card Security, held its first plenary meeting in its new format, under the chairmanship of François Villeroy de Galhau, Governor of the Banque de France. To coincide with this meeting, the Observatory also published its annual report for the full year 2016 (available online at [www.observatoire-paiements.fr](http://www.observatoire-paiements.fr)).

For the first time, the report provides statistics on all incidents of fraud relating to cashless payments. In 2016, the total amount of fraud using means of payment issued in France was EUR 800 million. Half of this amount related to card transactions, due to the high prevalence of this means of payment; a third concerned cheque payments, and the remainder related to SEPA payments (mainly credit transfers and direct debits). The following positive trends were observed

- For the first time since these statistics were first published in 2004, the total amount of fraud on French payment cards declined: in 2016 it stood at EUR 399 million, down from EUR 416 million a year earlier, representing a fraud rate of 0.064%, also down from 0.070% the previous year. At the national level (i.e. transactions carried out in France using French cards) fraud rates fell to all-time lows across all three main transaction categories: 0.008% for point-of-sale payments; 0.029% for withdrawals; and 0.199% for card-not-present payments, representing an average rate of 0.037%. The fraud rate for contactless payments remained broadly unchanged at 0.020%; all recorded incidents were attributable to card theft, and there were no proven cases of security weaknesses in the associated technology.
- Total card fraud including cross-border transactions (i.e. fraud of EUR 182 million on French cards used abroad, and of EUR 118 million on foreign cards used in France) fell from EUR 523 million to EUR 518 million, while the fraud rate also decreased to 0.077% after rising steadily for 8 consecutive years. The fraud rate for cross-border transactions nonetheless remained nearly 10 times higher than for national transactions, at 0.353% (down from 0.372% in 2015).
- Fraud rates on all other means of payment were broadly stable, ranging from 0.025% for cheques to 0.003% for direct debits, and even 0.0004% for credit transfers and trade bills. Although the total amount of fraud on these types of instrument was limited, the value of individual fraudulent transactions was high: more than EUR 2,000 for cheque incidents, EUR 12,000 for credit transfers, EUR 33,000 for direct debits and EUR 250,000 for trade bills (although the total amount for the latter category was limited to EUR 1 million), compared with EUR 75 for card payments and EUR 240 for withdrawals.

The slight decline in card fraud and stability of fraud rates for other means of payment reflect the efforts made by industry stakeholders to increase transaction security. These efforts include the introduction of methods for identifying high-risk transactions and alerting account holders, and the increasing use of advanced customer authentication solutions for internet payments. With regard to the latter, the

Observatory reiterates that the widespread deployment of strong authentication solutions in Europe is one of the priorities of the second European Payment Services Directive (PSD2), which is due to come into force in January 2018.

In addition to the payment protection methods introduced by industry professionals, the Observatory also stresses that vigilance on the part of individuals and businesses is a vital element in the fight against fraud. The security recommendations in the annual report reiterate the need for users of payment instruments to be alert and look out for any potential warning signs (indications that a payment terminal has been tampered with, missing information on the payment instrument, discrepancy between the identity of the counterparty and the account details, etc.). If any suspicious signs are noted, the transaction should be rejected or another form of payment used.

The Observatory for the Security of Payment Means (OSPM) is a forum whose role it is to foster dialogue and information sharing between all parties in France concerned by the smooth functioning and security of cashless payment systems. It is chaired by the Governor of the Banque de France and comprises two members of parliament, representatives of the government as well as of card issuers and users (merchants, businesses and consumers), and several persons chosen for their expertise.

Created by the Law of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy, the OSPM replaced the Observatory for Payment Card Security which was set up in 2001. It is tasked with monitoring the security measures adopted by payment industry participants and their customers, establishing aggregate fraud statistics and maintaining a technology watch in the area of payment means.

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