

Press Release

The Observatory for Payment Card Security publishes its 2012 Annual Report

The Observatory for Payment Card Security is today publishing its 2012 annual report. The report, the Observatory's tenth, is available online at www.observatoire-cartes.fr. An English version will be released shortly.

In 2012, **the Observatory** continued its efforts to improve online payment security and was **able to note some real progress in this area over the year**. Users have become increasingly aware of the availability of strong authentication devices and are now encountering them more frequently in their online transactions. This is in part due to **an increase in the proportion of online payments protected with a strong cardholder authentication system** (such as 3D-Secure), to 27.5% in value terms from 23% in 2011. As a result, **the Observatory was pleased to note a slight fall in the fraud rate for online payments for the first time since 2008** (to 0.290% from 0.341% in 2011). That said, the nominal amount of payment fraud through this channel is still rising. **The Observatory therefore urges** all parties, and in particular those e-merchants facing the highest risk of fraud, both in terms of value and rate, **to continue their efforts to secure online payments over 2013** by deploying strong cardholder authentication systems whenever possible or appropriate.

The overall fraud rate for card payments in 2012 was 0.080%, up slightly for the fifth consecutive year to a total of EUR 450.7 million (compared with 0.077% or EUR 413.2 million in 2011).

This rise is attributable primarily to **a sharp jump in international fraud (+11.2%)** stemming from the spread of card theft and/or card data compromise during trips abroad, as well as a surge in non-domestic online fraud (+37%). The latter trend is largely due to a partial shift abroad of domestic fraud in this payment channel, as security solutions have gradually been adopted for online payments in France while foreign sites remain less well protected.

Although the increase in domestic fraud was more limited (+7.1%), the Observatory nonetheless noted a significant rise in attacks on ATMs (+73% compared with 2011) and on points of sale (2.5 times more incidents than in 2011), which have become the targets-of-choice for organised fraud networks, and a continuing high number of card thefts with PINs.

The fraud rate in card-not-present (CNP) payments fell in 2012, but nonetheless accounted for 9.2% of the value of domestic transactions and 61% of the total value of domestic fraud.

The Observatory therefore reiterates its advice to cardholders to be on their guard and reminds them of the best practices to follow when making payments to a merchant online, or when making withdrawals (see Annex 1 of the 2012 Annual Report).

The fraud rate for face-to-face payments remained low in 2012 (0.015%) and was unchanged on 2011. The Observatory noted the beneficial effects of the push in France and Europe in recent years to combat fraud, notably through the widespread use of EMV-compliant chip cards.

Lastly, the Observatory also continued its technology watch in 2012, focusing in particular on the security of contactless payments. Given the sharp rise in the number of contactless payment cards and

terminals and the publication of recent studies on their security, the Observatory decided to update the analyses carried out in 2007 and 2009. The results showed that the risk of eavesdropping on contactless payments and of the illicit remote activation of payment cards remains low due to the technical difficulty of carrying out this type of fraud in practice. The financial benefit to the fraudster is also very limited given the small size of transactions that can be carried out using contactless payment without entering the PIN code.

In light of these observations, the Observatory believes that the main risk associated with contactless payments is reputational. However, given the need to maintain user confidence in this means of payment, the Observatory reiterates its previous recommendations. In this context, issuers have agreed to provide users with solutions to prevent the use of the contactless payment mode, such as protective shields or the ability to deactivate the contactless mode using remote deactivation scripts, and to issue cards without the contactless function at the user's request.

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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