



Sydney: 15 May 2009

Payments Fraud in Australia

The Australian Payments Clearing Association (APCA), the payments industry self-regulatory body, today released fraud data for cheques, debit cards, credit and charge cards for the 12 month period ending 31 December 2008.

Today's release shows that while Australia's total rate of fraud remains low by global standards, the total rate of fraud (*cheque and payment cards*) has risen from 6.3 cents (2007) to 8.2 cents for every \$1,000 of payments.

Key findings (comparing 2008 and 2007)

- *Cheque* fraud has remained relatively steady, increasing from 0.8 of a cent (2007) to 0.9 of a cent in every \$1,000. The incidence of cheque fraud has remained steady at 4 in every 1 million transactions.
- *Debit card fraud (that is, EFTPOS and ATM)* decreased slightly from 7.2 cents (2007) to 6.6 cents in every \$1,000. The incidence of debit card fraud has dropped from 2.3 (2007) to 1.7 in every 100,000 transactions.
- *Credit and charge card fraud (that is, signature permitted and card-not-present)* increased from 44.7 cents (2007) to 53.2 cents in every \$1,000. The incidence of credit card fraud has risen from 18.6 (2007) to 21.8 in every 100,000 transactions.

The increases in Australia's credit and charge card fraud were driven by increases in Card-not-present (CNP) fraud and Counterfeit/Skimming, which continued to trend upward in 2008. CNP is where the consumer is not physically present for the transaction such as over the internet, phone and mail purchases. Skimming is where card details are illegally captured from the magnetic stripe and then used to produce counterfeit duplicate cards.

Tackling CNP fraud involves ensuring card data is protected at every point of the payment transaction. Industry measures include the implementation of enhanced data security standards for computer systems and encrypted data links. Financial institutions and card schemes are also working with merchants to implement an added layer of security for online transactions to better verify the cardholder's identity through measures such as MasterCard SecureCode and Verified by Visa.

Australia's best defence against counterfeit cards is to join the international move to fraud resistant chip cards and chip reading terminals. Within the next three years the vast majority of consumer card transactions in Australia will use chip-based authentication.

APCA CEO Chris Hamilton said "These industry-wide initiatives are complemented by the unceasing efforts of Australian financial institutions in detecting and shutting down fraud attempts."

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Importantly, consumers are protected by the card schemes' zero liability policy and are not held liable if fraudulent transactions are made with their cards or account information.

Despite the increase in credit and charge card fraud, Australia's total payment card fraud rate remains relatively low when compared to other countries. At 32 cents in every \$1,000, Australia's *debit card, credit card and charge card* fraud rate is about a third of the UK's which was the equivalent \$1.12 in every \$1,000 for the same period. Similarly, with an incidence of 1 in every 10,000, the chance of becoming a victim of payments card fraud is relatively low.

"The industry continues to get results from its fraud prevention efforts, especially when compared to other jurisdictions. The challenge is that as defences are improved in certain areas, there is an inevitable shift by criminals seeking new opportunities for fraud," said Mr Hamilton.

"Consumer and merchant vigilance are also critical contributors to fraud minimisation," added Mr Hamilton.

Consumers can do simple things such as keeping the pinpad covered when entering a PIN, staying alert for anything suspicious when using ATMs and other devices, and following up with their financial institution if anything is out of the ordinary. Merchants can also play an important part by comparing the signature on the sales slip to the back of the card, checking to ensure the card hasn't been tampered with in any way and taking extra steps to verify the cardholder's identity when accepting card payments over the phone or internet.

"Successful fraud prevention comes from sustained effort at multiple levels – industry, financial institution, merchant and consumer," said Mr Hamilton.

APCA's fraud data collection is available at www.apca.com.au.

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Further information

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About Australian Payments Clearing Association (APCA)

APCA is the Australian payment industry's principal self regulatory body. It is the primary vehicle in Australia for payments industry collaboration, with a mandate to improve the safety, reliability, equity, convenience and efficiency of the Australian payments system. APCA's role is to manage and develop regulations, procedures, policies and standards governing payments clearing and settlement within Australia. It has around 80 members comprising the Reserve Bank, banks, building societies, credit unions and other participants in its five payment clearing systems. These systems cover: cheques and other paper based payment instruments; direct entry (credit and debit payments); EFTPOS and ATM transactions; trading and distribution of bulk notes and coin between banks; and settlement of high value, real-time payments between financial institutions. More than 98% of Australia's non-cash retail payment values are cleared through APCA's five payment clearing systems.

View APCA's 2008 Annual Review online at www.apca.com.au

**Fraud Perpetrated on Australian Issued Payment Instruments
1 January 2008 - 31 December 2008**

Instrument	No. of Fraud Transactions	Value (\$) of Fraud Transactions	Total No. of all Transactions	Total Value (\$) of all Transactions	Fraud as % of Total No. of Transactions	Fraud as % of total value (\$) of Transactions
			(thousands)	(\$ millions)		
Cheque	1,400	14,366,908	374,254	1,630,508	0.0004%	0.0009%
Debit Card	37,793	14,596,741	2,204,309	221,253	0.0017%	0.0066%
Credit / Charge	407,520	144,727,530	1,871,850	272,026	0.0218%	0.0532%
Total	446,713	173,691,179	4,450,413	2,123,788	0.0100%	0.0082%

**Fraud Perpetrated on Australian Issued Payment Instruments
Summary Results**

	12 month periods	No. of Fraud Transactions	Value (\$) of Fraud Transactions	Total no. of all transactions ('000)	Total value of all transactions (\$m)	Fraud as % of total no. of transactions	Fraud as occurrence per 100,000 transactions	Fraud as % of total value of transactions	Fraud per \$1,000 transacted (cents)	Average value of fraud incident (\$)
Cheque	to June 2006	2,942	40,706,011	466,942	1,704,406	0.0006%	0.6	0.0024%	2.39	13,836
	to Dec 2006	2,408	32,399,347	448,233	1,683,725	0.0005%	0.5	0.0019%	1.92	13,455
	to June 2007	1,991	23,914,246	431,713	1,742,890	0.0005%	0.5	0.0014%	1.37	12,011
	to Dec 2007	1,561	14,312,074	411,563	1,799,379	0.0004%	0.4	0.0008%	0.80	9,169
	to June 2008	1,334 r	10,895,047 r	392,497	1,765,896	0.0003%	0.3	0.0006%	0.62	8,167
	to Dec 2008	1,400	14,366,908	374,254	1,630,508	0.0004%	0.4	0.0009%	0.88	10,262
Debit Card	to June 2006	29,357	14,471,065	1,760,193	177,549	0.0017%	1.7	0.0082%	8.15	493
	to Dec 2006	34,318	14,393,443	1,822,468	186,283	0.0019%	1.9	0.0077%	7.73	419
	to June 2007	39,961	14,098,691	1,890,450	197,501	0.0021%	2.1	0.0071%	7.14	353
	to Dec 2007	44,823	14,389,122	1,957,035	200,761	0.0023%	2.3	0.0072%	7.17	321
	to June 2008	44,542	15,494,628	2,069,085	209,782	0.0022%	2.2	0.0074%	7.39	348
	To Dec 2008	37,793	14,596,741	2,204,309	221,253	0.0017%	1.7	0.0066%	6.60	386
Credit / Charge	to June 2006	236,271	87,432,913	1,596,005	224,777	0.0148%	14.8	0.0389%	38.90	370
	to Dec 2006	241,063	85,215,615	1,634,993	230,731	0.0147%	14.7	0.0369%	36.93	353
	to June 2007	275,528	90,914,825	1,674,964	235,419	0.0164%	16.4	0.0386%	38.62	330
	to Dec 2007	326,186	112,143,145	1,758,296	250,626	0.0186%	18.6	0.0447%	44.75	344
	to June 2008	364,223 r	132,684,244 r	1,820,587	262,481	0.0200%	20.0	0.0506%	50.55	364
	to Dec 2008	407,520	144,727,530	1,871,850	272,026	0.0218%	21.8	0.0532%	53.20	355
Total	to June 2006	268,570	142,609,989	3,823,140	2,106,732	0.0070%	7.0	0.0068%	6.77	531
	to Dec 2006	277,789	132,008,405	3,905,694	2,100,739	0.0071%	7.1	0.0063%	6.28	475
	to June 2007	317,480	128,927,763	3,997,128	2,175,810	0.0079%	7.9	0.0059%	5.93	406
	to Dec 2007	372,570	140,844,340	4,126,894	2,250,765	0.0090%	9.0	0.0063%	6.26	378
	to June 2008	410,099	159,073,919	4,282,169	2,238,159	0.0096%	9.6	0.0071%	7.11	388
	to Dec 2008	446,713	173,691,179	4,450,413	2,123,788	0.0100%	10.0	0.0082%	8.18	389

Note: r = revised figures