



Sydney: 9 December 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 and credit and charge cards for the 12 months ending 30 June 2009.

Today's release shows that Australia's total rate of fraud (*cheque and payment cards*) has risen by 2 cents for every \$1,000 of payments from 7 cents to 9 cents in every \$1,000.

While the total card fraud rate (*debit card, credit card and charge card*) increased by 1 cent in every \$1,000 to 33 cents (up from 32 cents), it remains low by global standards. As a comparison, the UK's card fraud rate is the equivalent of about \$1 in every \$1,000 – three times higher than Australia's payment card fraud rate.

Key findings (comparing 12 months ending June 2009 and June 2008)

- **Cheque fraud** remained steady at just below 1 cent in every \$1,000. The incidence of cheque fraud remained low at less than 1 in every 100,000 transactions.
- **Debit card fraud** (*that is, EFTPOS and ATM*) increased slightly from 7.4 cents to 8.5 cents in every \$1,000 transacted. The incidence of debit card fraud remained relatively unchanged at around 2 in every 100,000 transactions.
- **Credit and charge card fraud** (*that is, signature permitted and card-not-present*) increased slightly from 51.5 cents to 52.8 cents in every \$1,000 transacted. The incidence of credit and charge card fraud has risen from 21 to 24 in every 100,000 transactions.

A more detailed look at the data shows that the patterns of card fraud in Australia are changing and the industry is responding with countermeasures.

The increase in Australia's **debit card fraud** rate can largely be attributed to the skimming attacks at ATMs and EFTPOS devices previously reported in the media. Skimming is where card details are illegally captured from magnetic stripe and then used to produce counterfeit duplicate cards. Often, fraudsters attempt to capture the PIN as well through "shoulder surfing" or use of hidden cameras.

Against this, **credit card and charge card** skimming fraud experienced slower growth - up 5.1% this year. This compares favourably to the previous year, which saw a 59.7% increase. Nonetheless, credit and charge card skimming fraud now stands at \$45million.

APCA CEO Chris Hamilton said "The levelling off in skimming on credit and charge cards is good news and suggests that chip based authentication is starting to have an effect.

MEDIA RELEASE



“Chip transactions at point of sale are already commonplace, but we estimate it will take another three years before the rollout is complete. This major industry programme is clearly the key to combating card present fraud,” said Mr Hamilton.

In addition, individual financial institutions continually enhance their fraud detection measures and the industry is working to help increase consumer awareness.

“A consumer awareness initiative to reinforce the importance of protecting your PIN will be launched in early 2010,” added Mr Hamilton.

The increase in Australia’s **credit card and charge card** fraud was driven by card-not-present (CNP) fraud. CNP is where the consumer is not physically present for the transaction such as over the internet, phone and mail purchases. Industry measures for tackling CNP fraud include the implementation of enhanced data security standards for computer systems and encrypted data links. Locally and internationally, financial institutions and card schemes are working with online retailers to implement additional security measures such as MasterCard SecureCode and Verified by Visa. In the first half of 2009, the UK experienced its first ever drop in CNP fraud. According to Financial Fraud Action UK, a reason for this reduction is the growing use of industry countermeasures by retailers and consumers.

“Participation of all parties in these scheme measures is the key to maximising fraud prevention. We encourage consumers to register for fraud protection services when shopping online and activate these additional security controls when prompted,” said Mr Hamilton.

Importantly, consumers are protected by the EFT Banking Code and by the card schemes’ zero liability policy and are not held liable if fraudulent transactions are made with their cards or account information provided they have exercised reasonable care and not acted fraudulently.

Mr Hamilton said that while the industry continues to get results from its fraud prevention efforts, consumer and merchant vigilance are also critical contributors to fraud minimisation.

“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,” he said.

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

ENDS

For further information

Contact: Ida Turner - Communications
P: (02) 9216 4817

View APCA’s 2009 Annual Review online at www.apca.com.au
Payments Clearing Association Limited ABN 12 055 136 519
Level 6, 14 Martin Place, Sydney NSW 2000 Telephone +61 2 9221 8944 Facsimile +61 2 9221 8057 www.apca.com.au

Fraud Perpetrated on Australian Issued Payment Instruments

1 July 2008 - 30 June 2009

Instrument	No. of Fraud Transactions	Value (\$) of Fraud Transactions	Total No. of all Transactions (thousands)	Total Value (\$) of all Transactions (\$ millions)	Fraud as % of Total No. of Transactions	Fraud as % of Total Value (\$) of Transactions
Cheque	1,533	13,274,003	355,805	1,503,400	0.0004%	0.0009%
Debit Card	48,132	19,146,797	2,239,448	224,138	0.0021%	0.0085%
Credit / Charge	481,465	147,807,691	1,964,999	279,864	0.0245%	0.0528%
Total	531,130	180,228,491	4,560,252	2,007,403	0.0116%	0.0090%

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	\$10,895,047	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
	to June 2009	1,533	\$13,274,003	355,805	\$1,503,400	0.0004%	0.4	0.0009%	0.88	\$8,659
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	44,826	\$14,389,126	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
	to June 2009	48,132	\$19,146,797	2,239,448	\$224,138	0.0021%	2.1	0.0085%	8.54	\$398
Credit / Charge Card	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	336,342r	\$112,757,788r	1,758,296	\$250,626	0.0191%	19.1	0.0450%	44.99	\$335
	to June 2008	374,955r	\$135,163,174r	1,820,587	\$262,481	0.0206%	20.6	0.0515%	51.49	\$360
	to Dec 2008	412,569r	\$146,718,156r	1,871,850	272,026	0.0220%	22.0	0.0539%	53.94	\$356
	to June 2009	481,465	\$147,807,691	1,964,999	\$279,864	0.0245%	24.5	0.0528%	52.81	\$307
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	382,729r	\$141,458,987r	4,126,894	\$2,250,765	0.0093%	9.3	0.0063%	6.28	\$370
	to June 2008	420,831r	\$161,552,849r	4,282,169	\$2,238,159	0.0098%	9.8	0.0072%	7.22	\$384
	to Dec 2008	451,762r	\$175,681,805r	4,450,413	\$2,123,788	0.0102%	10.2	0.0083%	8.27	\$389
	to June 2009	531,130	\$180,228,491	4,560,252	\$2,007,403	0.0116%	11.6	0.0090%	8.98	\$339

Note: r = revised figures