

AUSTRALIAN PAYMENTS FRAUD DETAILS AND DATA




2014

Australian Payments Clearing
Association Limited
ABN 12 055 136 519

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Overview

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OVERVIEW

Total \$ fraud in 2013
\$310,911,768
(0.02%)



The Australian Payments Clearing Association has been publishing industry-wide card and cheque fraud statistics since 2006 as part of the industry's commitment to counter payments fraud and to help the public in understanding payments fraud issues.

APCA collects these fraud statistics from Australia's financial institutions and from the major card schemes operating in Australia. The aggregated data helps inform consumers and businesses on how fraud occurs on cards and cheques. In addition, the data assists financial institutions in monitoring fraud trends and developing targeted mitigation strategies.

Australia's payments landscape has changed markedly since 2006 as technological advances impact on the way we pay. Today, the majority of cards are issued with the more secure chip technology as well as the traditional magnetic stripe; many cards also offer contactless functionality. PINs are being used more widely for all cards, with the phasing out of signatures from August 2014, and more and more purchases are taking place online. Meanwhile, Reserve Bank of Australia figures show that cheque use has declined by nearly 70% in the last decade.

This new publication complements the statistical tables for payments fraud in 2013 published on the APCA website. In addition to the latest data, it provides a graphical overview of payments fraud trends from 2008 to 2013 and provides information on effective measures and practices to help combat fraud.

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Snapshot of trends, issues and challenges

The payment fraud figures for 2013 show that Australian card fraud is increasing as part of a global trend, but that detection and prevention measures employed by the industry are showing promising results in keeping fraud levels down.

In the last year, card fraud rates have grown from 43.6 cents to 48.7 cents for every \$1,000 spent. This is against an increase of 4% to \$624 billion on the total amount spent by Australians on their cards. The majority of this increase is due to a rise in card-not-present fraud, which has increased from \$183.1 million to \$219.7 million. Over the same period, counterfeit / skimming fraud on all Australian cards remained at \$37.2 million, well down from its peak of \$66.0 million in 2011. The measures employed by the industry to limit this type of fraud continue to prove effective.

As a comparison, during the same period, the UK has seen an increase in card fraud rates from 71 pence to 74 pence in every £1,000 spent. Card-not-present fraud on UK cards increased from £246.0 million to £301.1 million, while counterfeit / skimming fraud rose just 3% to £43.4 million.¹

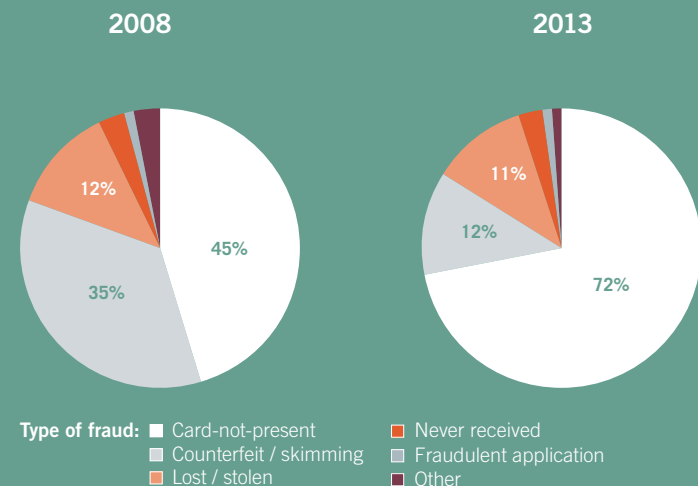
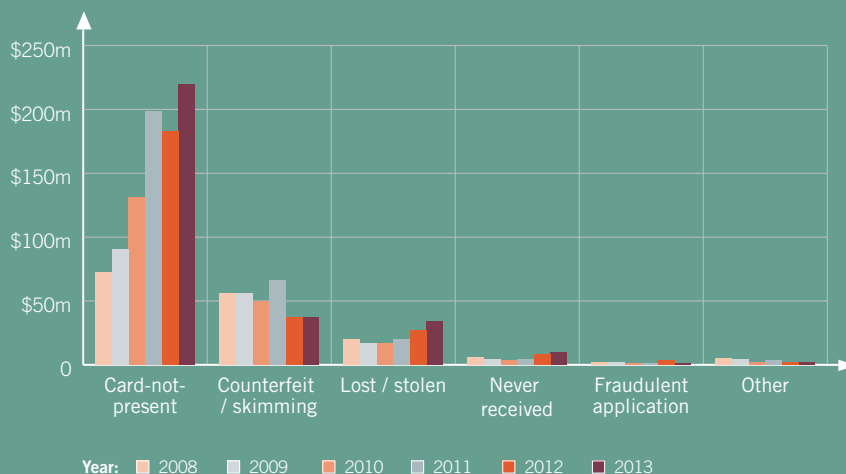
The trends are influenced by a combination of factors including changes in the way people shop, changes in payments technology and changes in criminal activities.

In 2008 card-not-present fraud made up 45% of the total Australian card fraud compared to 72% in 2013. Counterfeit / skimming fraud, on the other hand, has dropped from 35% to represent just 12% of card fraud in the same period.

One of the biggest drivers for the change has been the expansion in online shopping by Australian consumers – estimated to have grown annually by 35% on average over the last four years² – and largely facilitated through card payments due to their simplicity and wide acceptance. The resulting challenge, however, has been increased domestic and cross-border card-not-present fraud.

¹ Financial Fraud Action UK
² NAB Online Retail Sales Index December 2013

Total Australian card fraud – type of fraud



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Measures by the industry to limit this fraud – including enforcing standards to reduce opportunities for card data to be stolen, stronger cardholder authentication techniques and implementing real-time fraud detection tools, have been successful, but work needs to be done to implement these measures more widely. Merchants also have an important role to play in protecting themselves and their customers from online card fraud.

Meanwhile the benefits from implementing chip and PIN for face-to-face card transactions continue to show good results.

Since 2008, counterfeit / skimming fraud has dropped both in real terms and relative to overall fraud levels. Due to the widespread use of PINs at merchant terminals, Australia's fraud losses have been lower than in other jurisdictions. However, in order to limit opportunities for fraud to migrate from overseas, the Australian industry has made significant investments in new technology. By upgrading the majority of cards and merchant terminals to chip, the level of counterfeit / skimming fraud has been kept in check. Moreover, the progressive roll-out of chip at ATMs and on all debit cards, and the phasing out of signatures from August 2014, should continue to put downward pressure on fraud.

In the last few years, there has been an increase in lost and stolen fraud. This is likely due to criminals reverting to simple theft and deception to obtain cards as other frauds become more difficult to execute.

Australian consumers should be confident in knowing that they are protected from personal loss – if fraudulent transactions are made on their accounts they will be reimbursed as long as they have taken due care. However, preventing payments fraud continues to require effort at every level – from financial institutions and card schemes through to merchants and consumers.



Consumer Awareness



Merchant Awareness



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SECTION 1

FRAUD RATES

Fraud rates are the measure most commonly used by the payments industry to monitor movements in fraud and to measure the effectiveness of prevention initiatives. As this measure calculates the actual amount of fraud as a proportion of the overall transactions, it allows for comparisons to be made across different time periods and, where available, other jurisdictions.

APCA's fraud rates measure the amount of fraud occurring for every \$1,000 spent in a given 12 month period.

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The total rate of fraud on Australian payment cards and cheques increased from 15.0 cents per \$1,000 transacted in 2012 to 16.9 cents per \$1,000 transacted in 2013.

- The rate of fraud on all Australian-issued payment cards rose from 43.6 cents to 48.7 cents in every \$1,000 transacted.
The overall amount of fraud on payment cards increased by 16% to \$304 million. This is against an increase of 4% to \$624 billion on the total amount spent by Australians on their cards.
- The rate of cheque fraud fell from 0.8 cents to 0.6 cents in every \$1,000 transacted.
The overall amount of cheque fraud fell by 27% to \$7.1 million. This is against an increase of 1% to \$1,220 billion in the total amount transacted on cheques.

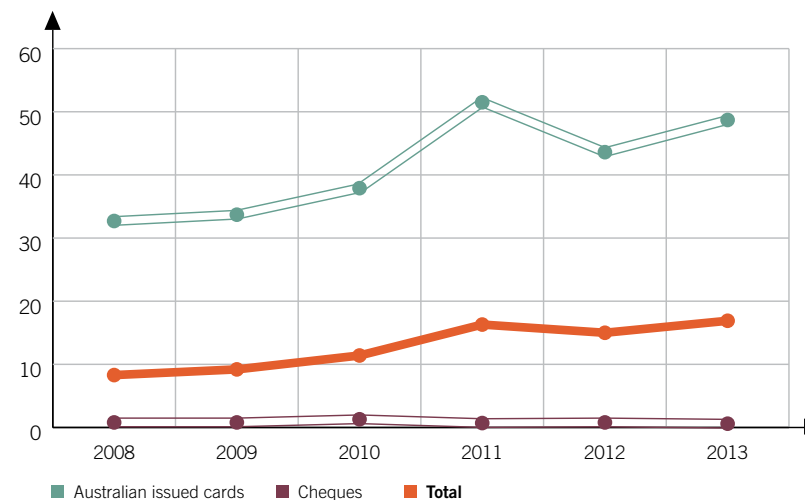
More details on the fraud data are provided in the following sections.

Fraud rates – cents per \$1,000 transacted

	Payment cards	Cheques	Total
2008	32.7	0.8	8.3
2009	33.7	0.8	9.2
2010	37.9	1.3	11.4
2011	51.5	0.7	16.3
2012	43.6	0.8	15.0
2013	48.7	0.6	16.9

Source: APCA – www.apca.com.au and the Reserve Bank of Australia – www.rba.gov.au

Australian cards and cheques – fraud rates (cents per \$1,000)



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SECTION 2

AUSTRALIAN PAYMENT CARDS

Payment cards are the most common non-cash payment method used by Australian consumers. Cards are used for in-store purchases, withdrawals at ATMs, and increasingly, online shopping and mobile payments.

In Australia, financial institutions issue credit cards, debit cards and charge cards to consumers.

Credit and charge cards are operated by international card schemes (MasterCard, Visa, American Express and Diners).

There are two types of debit cards: proprietary or domestic debit cards (operated by eftpos Payments Australia Limited) and debit cards operated by international card schemes.

In this section we present the data for fraud on all Australian payment cards used both in Australia and overseas with a further breakdown by scheme, credit, debit and charge cards and by proprietary debit cards which includes the majority of fraud on Australian ATM transactions.

ALL

All Australian
cards

CDC

Scheme, credit,
debit & charge cards

PDC

Proprietary debit
cards

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2.1 OVERVIEW

ALL Australian cards

According to figures published by the Reserve Bank of Australia, there were an estimated 38 million debit card accounts and 15.5 million credit card accounts on issue in Australia as of December 2013. In 2013, there were more than \$600 billion worth of transactions made on Australian payments cards; of these 0.05% was fraudulent.

The rate of fraud on all Australian cards increased from 43.6 cents per \$1,000 in 2012 to 48.7 cents per \$1,000 in 2013: this is down from the peak of 51.5 cents per \$1,000 seen in 2011.

The total value of card fraud increased by 16% to \$304 million. This is against an increase of 4% to \$624 billion on the total amount spent by Australians on their cards in 2013.

From 2008, the fraud rate has risen from 32.7 cents to 48.7 cents for every \$1,000 spent.

ALL Australian cards – fraud rates and totals

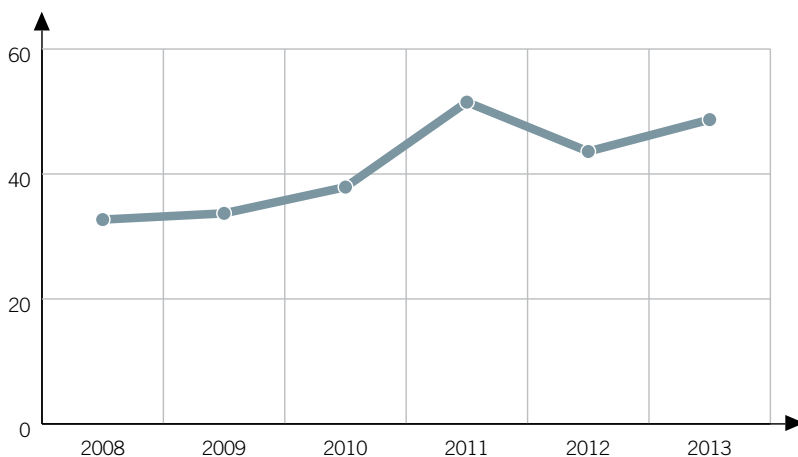
Year	2008	2009	2010	2011	2012	2013
Value (\$ millions):						
All card transactions	\$493,287	\$514,735	\$539,138	\$568,754	\$598,823	\$624,267
Fraudulent transactions	\$161	\$174	\$204	\$293	\$261	\$304
Fraud rate (cents per \$1,000)	32.7	33.7	37.9	51.5	43.6	48.7
Number:						
All card transactions	4,076m	4,354m	4,704m	5,142m	5,644m	6,136m
Fraudulent transactions	450,361	667,801	827,936	1,150,942	1,243,106	1,543,197
Fraud rate (as % of total no. of card transactions)	0.011%	0.015%	0.018%	0.022%	0.022%	0.025%
Average value of fraudulent transactions	\$358	\$260	\$247	\$254	\$210	\$197

Source: APCA – www.apca.com.au, and the Reserve Bank of Australia – www.rba.gov.au

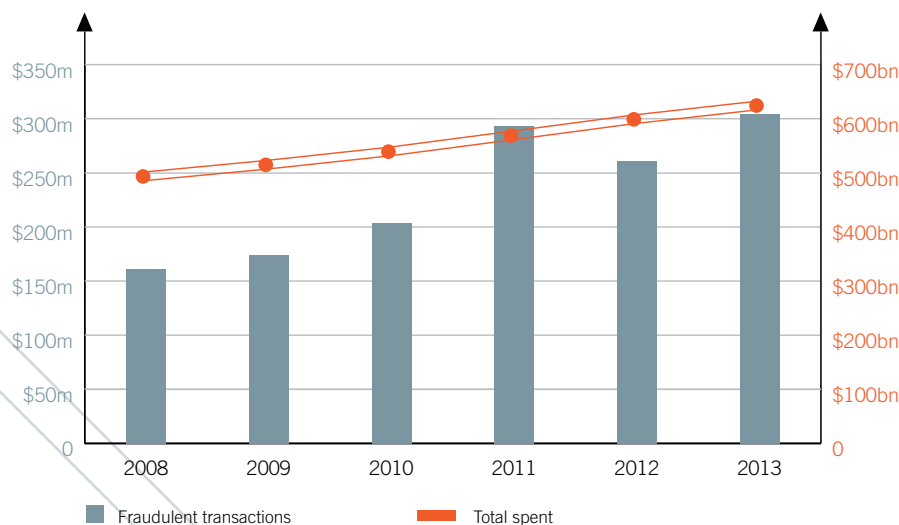
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ALL Australian cards – fraud rate (cents per \$1,000)



ALL Australian cards – total fraud and total spent



2.2 TYPES OF FRAUD OCCURRING ON AUSTRALIAN CARDS

The common fraud types on Australian payment cards are explained below:

- *Card-not-present* – transactions made when a consumer is not face-to-face with the retailer or service provider – for example shopping online, by mail, or by phone, or where the merchant has chosen to accept the transaction based on the card number alone.
- *Counterfeit / skimming* – transactions made using an altered or illegally reproduced card using details that have been obtained from an existing valid card; this includes where the information is copied or skimmed directly from a valid card’s magnetic stripe.
- *Lost / stolen* – transactions made on a card that has been lost by or stolen from the rightful owner.
- *Never received* – transactions made on a card that was stolen before it was received by the rightful owner.
- *Fraudulent application* – transactions made on a card where the account was established using someone else’s identity or other false information.
- *Other* – covers other fraudulent transactions that cannot be categorised under any of the common fraud types above, for example identity takeover.

Financial institutions report card fraud data as gross actual losses.

For further explanation of the types of card fraud visit www.apca.com.au.

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Trends

The table below shows that the most prevalent types of fraud occurring on Australian cards are card-not-present, counterfeit / skimming and lost and stolen. This is consistent with trends seen in other jurisdictions such as the United Kingdom.

- Card-not-present fraud has continued to increase, but needs to be seen in the context of the strong increase in online spending as Australians embrace the convenience and benefits of internet shopping.

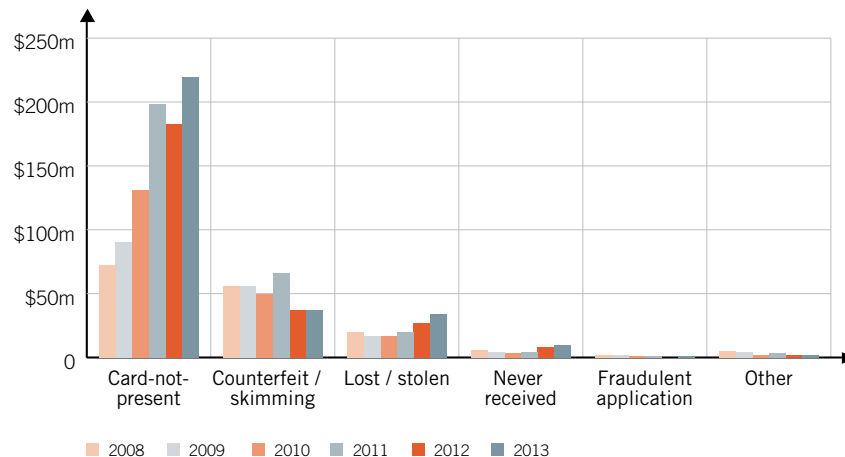
- Counterfeit / skimming fraud has been decreasing as Australia’s progressive roll-out of chip technology continues.
- As enhanced fraud detection tools and chip technology make it more difficult for criminals, lost and stolen card fraud has been increasing with criminals reverting to simple theft and deception to obtain cards.

More details on card fraud trends and preventative measures are provided from page 12. [➔](#)

ALL Australian cards – fraud by type

Fraud (\$m)	2008	2009	2010	2011	2012	2013
Card-not-present	\$72.8	\$90.6	\$131.2	\$198.1	\$183.1	\$219.7
Counterfeit / skimming	\$55.9	\$56.2	\$50.0	\$66.0	\$37.2	\$37.2
Lost / stolen	\$20.0	\$16.6	\$16.7	\$20.2	\$27.0	\$34.0
Never received	\$5.6	\$4.3	\$3.4	\$4.1	\$8.5	\$9.4
Fraudulent application	\$1.8	\$1.8	\$1.1	\$1.1	\$3.5	\$1.5
Other	\$5.3	\$4.3	\$2.2	\$3.4	\$1.8	\$1.9
Total	\$161.3	\$173.7	\$204.5	\$292.8	\$261.1	\$303.8
Percentage of total card fraud						
Card-not-present	45%	52%	64%	68%	70%	72%
Counterfeit / skimming	35%	32%	24%	23%	14%	12%
Lost / stolen	12%	10%	8%	7%	10%	11%
Never received	3%	2%	2%	1%	3%	3%
Fraudulent application	1%	1%	1%	0%	1%	1%
Other	3%	2%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%	100%

ALL Australian cards – fraud by type



Source: APCA – www.apca.com.au

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CDC

Scheme credit, debit and charge cards

APCA's data for "scheme credit, debit and charge cards" cover fraudulent transactions occurring on cards issued by the international card schemes (Visa, MasterCard, Amex and Diners) and carried over their respective networks.¹

CDC

Scheme credit, debit and charge cards – fraud by type

Fraud (\$m)	2008	2009	2010	2011	2012	2013
Fraud perpetrated in Australia						
Card-not-present	\$26.7	\$32.0	\$46.1	\$73.7	\$72.8	\$89.4
Counterfeit / skimming	\$21.4	\$15.5	\$12.6	\$16.5	\$13.1	\$9.8
Lost / stolen	\$10.1	\$7.7	\$7.4	\$8.8	\$14.5	\$19.3
Never received	\$3.2	\$2.8	\$2.0	\$3.0	\$6.8	\$7.6
Fraudulent application	\$1.6	\$1.6	\$0.9	\$1.0	\$3.4	\$1.4
Other	\$2.1	\$1.6	\$0.9	\$2.0	\$0.7	\$0.7
Total	\$65.1	\$61.2	\$70.0	\$104.8	\$111.2	\$128.3
Fraud perpetrated overseas						
Card-not-present	\$46.0	\$58.6	\$85.0	\$124.4	\$110.3	\$130.3
Counterfeit / skimming	\$28.7	\$23.1	\$22.0	\$42.2	\$14.6	\$13.8
Lost / stolen	\$5.8	\$5.6	\$5.5	\$7.0	\$8.3	\$12.0
Never received	\$0.3	\$0.3	\$0.5	\$0.2	\$0.4	\$0.5
Fraudulent application	\$0.2	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1
Other	\$0.6	\$0.3	\$0.3	\$0.3	\$0.4	\$0.4
Total	\$81.6	\$88.0	\$113.4	\$174.3	\$134.2	\$157.1
Total of all Australian issued cards	\$146.7	\$149.3	\$183.4	\$279.1	\$245.4	\$285.4

Included in this category are all frauds occurring:

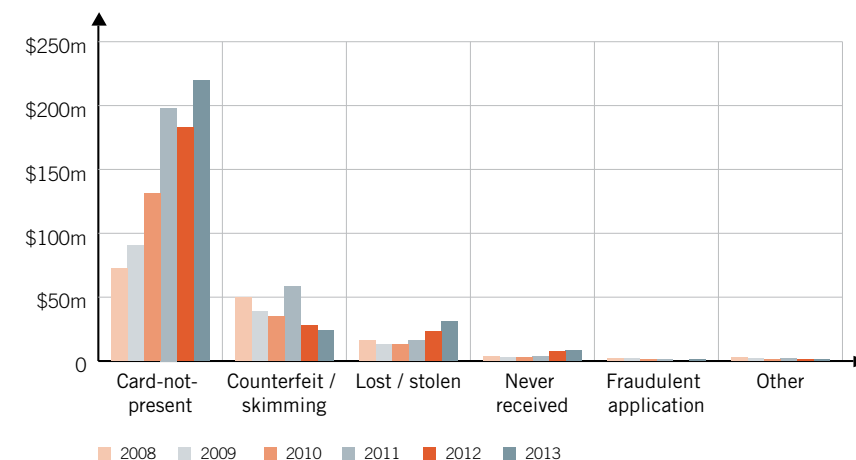
- over the internet, telephone or by mail order (card-not-present);
- where the "credit" option is chosen at the point-of-sale device; and
- on all Australian cards used overseas (including at ATMs).

A small number of frauds occurring at ATMs in Australia are also included in this data category.

In 2013, the total value of fraud on scheme credit, debit and charge cards increased by 16% from \$245 million to \$285 million. Card-not-present fraud continues to make up the bulk of the fraud on these cards while counterfeit / skimming fraud continues to fall.

CDC

Scheme credit, debit and charge cards – fraud by type (total)



¹ APCA is not able to present separate fraud rates for scheme credit, debit and charge cards because the RBA no longer publishes data on overall card activity for the separate card types.

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PDC Proprietary debit cards

APCA's data for "proprietary debit cards" cover fraudulent transactions occurring on the original domestic debit cards (as opposed to scheme debit cards from Visa and MasterCard).¹

Proprietary debit cards data include:

- all frauds occurring where the "cheque" or "savings" options are selected at the point-of-sale device; and
- most frauds occurring at ATMs in Australia (regardless of whether the card used is a proprietary debit card or a scheme credit, scheme debit or a charge card).

When making proprietary debit card transactions, the cardholder must always present the card and enter the PIN as authentication. In limited circumstances, transactions can occur without the PIN, for example when the terminal is off-line, but this is by exception.

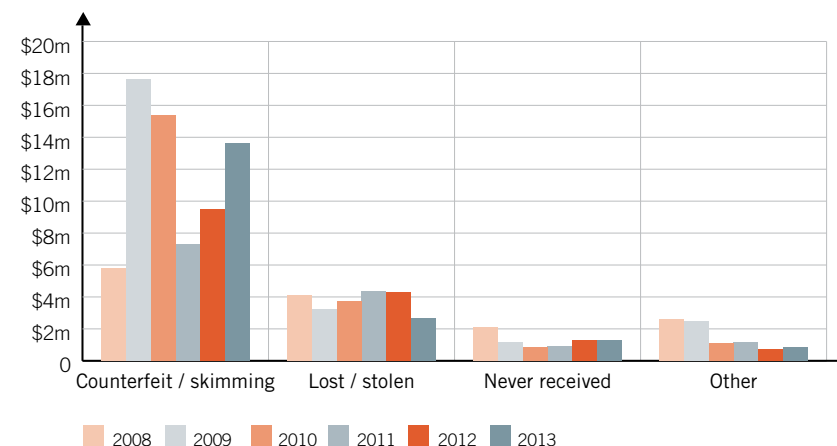
In 2013 the total value of fraud on proprietary debit card transactions increased by 17% from \$15.7 million to \$18.4 million. This reflects an increase in counterfeit / skimming fraud, largely driven by skimming at ATMs.

PDC Proprietary debit cards – fraud by type

Fraud (\$m)	2008	2009	2010	2011	2012	2013
Counterfeit / skimming	\$5.8	\$17.6	\$15.4	\$7.3	\$9.5	\$13.6
Lost / stolen	\$4.1	\$3.2	\$3.7	\$4.4	\$4.3	\$2.6
Never received	\$2.1	\$1.2	\$0.9	\$0.9	\$1.3	\$1.3
Other	\$2.6	\$2.5	\$1.1	\$1.1	\$0.7	\$0.8
Total	\$14.6	\$24.5	\$21.1	\$13.7	\$15.7	\$18.4

Source: APCA – www.apca.com.au

PDC Proprietary debit cards – fraud by type



The following pages provide more details on the three key contributors to Australian payment card fraud: card-not-present, counterfeit / skimming and lost and stolen card fraud.

¹ APCA is not able to present separate fraud rates for proprietary debit cards because the RBA no longer publishes data on overall card activity for the separate card types.

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2.3 TRENDS AND PREVENTATIVE MEASURES

Card-not-present fraud

Card-not-present fraud occurs when valid card details are stolen and then used to make fraudulent payments over the internet, telephone or by mail order.

Criminals typically try to capture consumers' card details by targeting the computer systems belonging to merchants or service providers – where payments data might be stored. They do this by, for example, inserting code and malicious software onto the target computers to exploit weaknesses and access the card details.

Criminals also target individual consumers by inserting code and malicious software (malware) onto their computers, most commonly through spam emails. Consumers can help protect themselves by using strong passwords, anti-virus software and by updating their operating systems.

Fraud prevention

The payments industry has implemented a range of measures to help prevent card-not-present fraud. These include:

- additional information to verify that the card details are valid and that the person providing them is the genuine cardholder – such as the 3 or 4 digit code written on the card itself, and the stronger online authentication tools, American Express SafeKey, MasterCard SecureCode or Verified by Visa;
- fraud detection tools used by merchants, card schemes and financial institutions to identify risky or unusual purchases made with the card; and
- requiring that merchants comply with the Payments Card Industry Data Security Standards (PCI DSS) to strengthen data security and reduce the risk of card details being stolen.

Additionally, there are simple measures merchants can build into their day-to-day practices to help protect themselves and their customers from online card fraud. These are highlighted in the Get Smart About Card Fraud Online training for small to medium sized merchants publicly available on the APCA website.

Industry prevention measures



3 or 4 digit verification code



Online authentication



Fraud detection tools



PCI data security standards

Merchant Awareness



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Trends

In 2013, card-not-present fraud on Australian cards increased by 20% on the previous year to \$220 million. The majority of this fraud (59%) occurred overseas.

The continuing increase in card-not-present fraud since 2008 needs to be seen in the context of changes in the way Australians use their cards. According to the NAB Online Retail Sales Index the overall number of online transactions made by Australians is estimated to have increased by 140% in the four years to December 2013. This compares to a 68% increase in card-not-present fraud over the same period.

One of the challenges facing the industry is the increased activity by criminals in stealing card data that can be used to make fraudulent online payments. There have been a number of well-publicised data breaches in recent years, both in Australia and overseas. Industry measures to reduce the opportunities for such breaches, particularly through the implementation of PCI-DSS standards at merchants and service providers, are having a good effect. However, the challenge remains to encourage uptake of these standards by every organisation that handles card data.

ALL Australian cards – card-not-present fraud¹



¹As card-not-present transactions are only supported by scheme credit, debit and charge cards, there is no further breakdown applicable.

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Counterfeit / skimming fraud

Counterfeit / skimming fraud usually occurs when details from a valid card's magnetic stripe are skimmed at an ATM, point-of-sale terminal or through a standalone skimming device, and used to create a counterfeit card.

Criminals use the counterfeit card to purchase goods for resale or, if the PIN has also been captured, to withdraw cash from an ATM.

Fraud prevention

Australia's progressive migration to chip technology and the extensive use of PINs is having a significant impact on reducing counterfeit / skimming fraud. Because of the technology involved, chip cards are far less vulnerable to counterfeit fraud than cards that rely solely on the magnetic stripe.

Industry awareness initiatives providing information on how merchants can protect against skimming fraud are available on the APCA website. These include **Safeguard Against Skimming** training videos and a set of **guidelines** providing tips on ways merchants can protect their point-of-sale terminals from skimming attacks.

Cardholders can help protect themselves against counterfeit/skimming attacks by:

- keeping their card in sight when making payments,
- always covering their hand when entering their PIN at point-of-sale terminals and ATMs, and
- ensuring they only enter their PIN in devices that look like genuine payment terminals.

The consumer awareness initiative **Protect Your PIN** provides more information.

Other industry measures planned or underway to further reduce card skimming include:


- chip-reading at ATMs;
- chip technology on proprietary debit cards; and
- phasing out signatures on scheme credit, debit and charge cards from August 2014.

Merchant / Consumer Awareness





Industry prevention measures



Chip technology



Phasing out signatures

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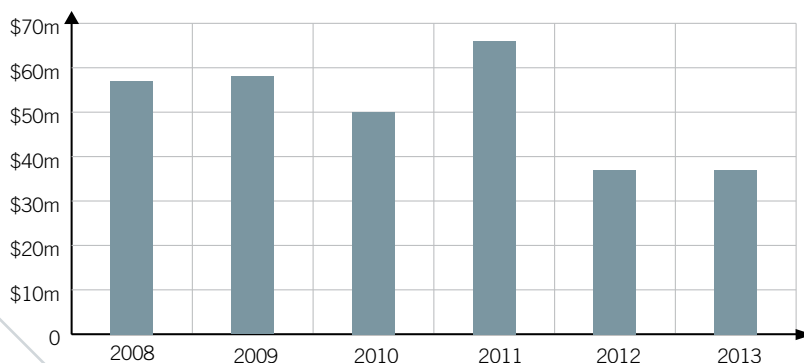
Trends

In 2013, counterfeit / skimming fraud on Australian cards remained steady at \$37.2 million. This total consists of a decrease of 15% to \$23.6 million on scheme credit, debit and charge card transactions, but an increase of 44% to \$13.6 million on proprietary debit card transactions.

Counterfeit / skimming fraud is now 33% below the level seen in 2008 reflecting the widespread use of chip in Australia. Large fraud events, such as the well-publicised data breach experienced in 2011, can interrupt the downward trend. In the long-term, however, as the number of chip-reading terminals in Australia and overseas increases, fraud is expected to drop further.

The increase in counterfeit / skimming fraud on proprietary debit card transactions is driven by card skimming, mostly at ATMs and in taxis, and also through the use of ‘ghost’ terminals (fake terminals that are not connected to the banks’ networks and are not processing real transactions). If counterfeit cards are produced and then used to make withdrawals at ATMs in Australia, these fraudulent transactions will be reflected in the proprietary debit card fraud figures.

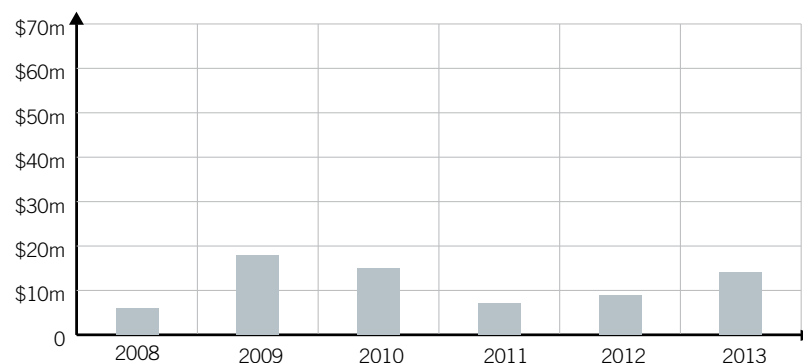
ALL Australian cards – counterfeit / skimming fraud



CDC Scheme credit, debit and charge cards – counterfeit / skimming fraud



PDC Proprietary debit cards – counterfeit / skimming fraud



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Lost and stolen fraud

Lost and stolen fraud refers to unauthorised transactions on cards that have been reported as lost or stolen by the cardholder. Unless the PIN has also been captured by criminals, these cards are often used to make point-of-sale transactions by forging the signature, but they may also be used for low value transactions where neither PIN nor signature is required.

Fraud prevention

Industry initiatives to tackle this type of fraud include:

- online verification of transactions to stop payments on cards that have been reported lost or stolen;
- fraud detection systems to track customer card activity and identify unusual spending patterns;
- PIN verification for cash withdrawals at ATMs;
- using a card activation process to ensure the recipient of a new card is the legitimate cardholder; and
- placing limits on the amount allowed for transactions that are not authenticated by PIN or signature.

The industry is working to make life harder for card thieves including by phasing out signature as an option when paying for purchases from August 2014.

Cardholders can protect themselves from this type of fraud by being vigilant and keeping their card and PIN safe. If a card is lost or stolen, it should be reported to their financial institution immediately. See www.apca.com.au for more information.

Industry prevention measures



Online verification



Fraud detection tools



PIN verification



Phasing out signatures



Card activation

Consumer Awareness



Overview

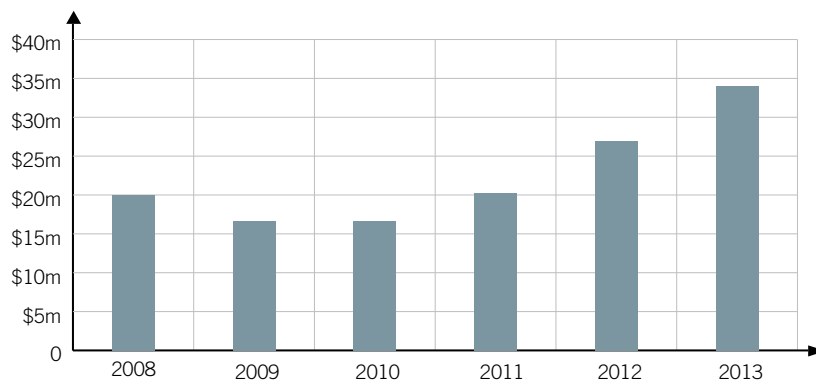
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Trends

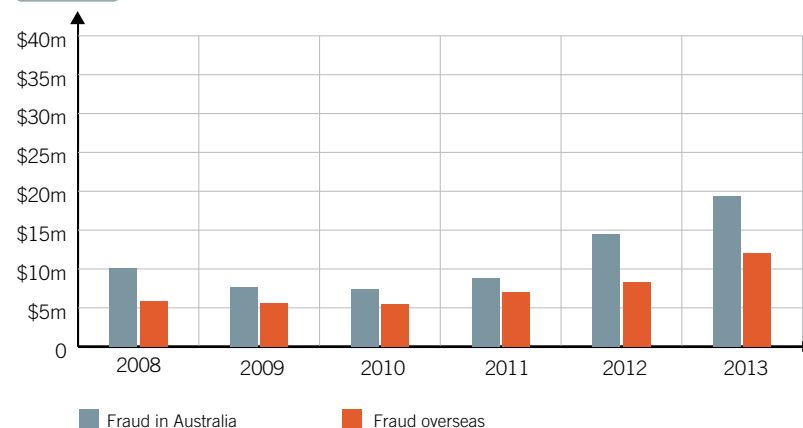
In 2013, lost and stolen fraud on Australian cards increased by 26% to \$34.0 million. This consists of \$31.4 million on scheme credit, debit and charge card transactions (up 38%) and \$2.6 million on proprietary debit card transactions (down 38%), where PIN is mandatory.

Much of this increase is due to criminals reverting to simpler, more opportunistic methods as enhanced security and detection tools make other frauds more difficult. The move to phase out the use of signatures at point of sale from August 2014 is expected to reduce this type of fraud.

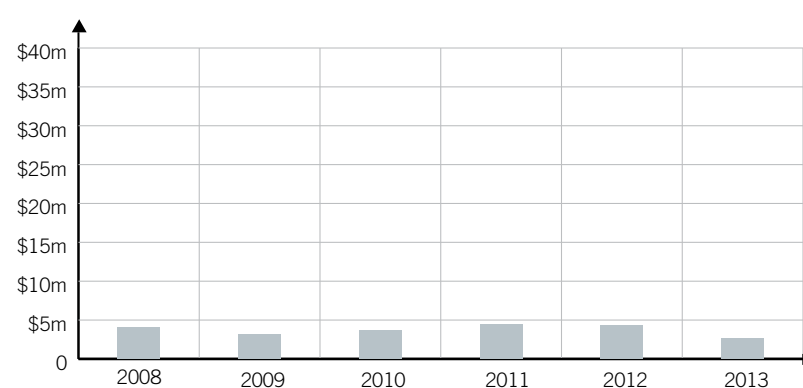
ALL Australian cards – lost / stolen fraud



CDC Scheme credit, debit and charge cards – lost / stolen fraud



PDC Proprietary debit cards – lost / stolen fraud



Overview

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SECTION 3

OVERSEAS PAYMENT CARDS IN AUSTRALIA

When visitors from overseas use their cards at Australian ATMs or point-of-sale terminals, the transactions are carried over the international card schemes' networks.

The security features on the cards and the types of transactions vary by country of origin.

Australian merchants play a significant role in identifying and preventing fraud on overseas-issued cards.

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3.1 OVERVIEW

In 2013, fraud in Australia on cards issued overseas increased by 10% from \$46 million to \$51 million, but was still less than half of the \$119 million seen in 2008. The lower figures seen since 2009 are mainly due to the growing use of chip and PIN on cards issued overseas, and the progressive rollout of chip-reading terminals at Australian merchants.

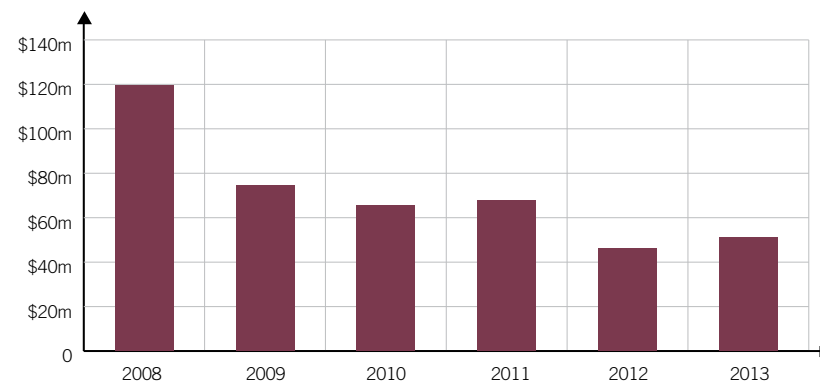
Consistent with the trends seen on Australian issued cards, the figures show an increase in card-not-present fraud, a continuing decrease in counterfeit / skimming fraud, and a relatively small increase in lost and stolen fraud.

Overseas cards in Australia – fraud total

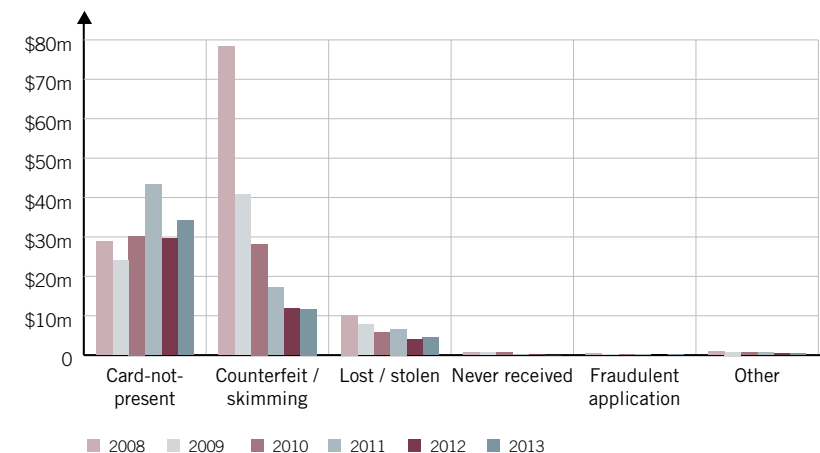
Fraud (\$m)	2008	2009	2010	2011	2012	2013
Card-not-present	\$28.8	\$24.1	\$30.2	\$43.3	\$29.6	\$34.2
Counterfeit / skimming	\$78.3	\$40.8	\$28.2	\$17.1	\$11.9	\$11.7
Lost / stolen	\$10.2	\$7.8	\$5.7	\$6.6	\$3.9	\$4.4
Never received	\$0.7	\$0.6	\$0.6	\$0.1	\$0.1	\$0.0
Fraudulent application	\$0.4	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1
Other	\$0.9	\$0.8	\$0.7	\$0.6	\$0.5	\$0.5
Total	\$119.4	\$74.4	\$65.5	\$67.8	\$46.2	\$51.0

Source: APCA – www.apca.com.au

Overseas cards in Australia – fraud total



Overseas cards in Australia – fraud type



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SECTION 4

CHEQUES

In Australia, as in other countries, cheques are in long-term decline. Cheque use has dropped by almost 70% over the past ten years and is continuing to drop as payment cards and other convenient electronic payment methods take over. Today, cheques account for less than 5% of all non-cash payments made by consumers and businesses each day.

This section contains information on cheque fraud, covering all cheque collection and payment activity by financial institutions in Australia.

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4.1 OVERVIEW

The “cheques” category covers Australian issued customer cheques, financial institution cheques and drafts in Australian dollars.

Cheque fraud data includes frauds occurring on Australian cheques in Australia and overseas. The figures represent the losses written off by financial institutions during a given year although the fraud may have occurred sometime before.

In 2013, the total rate of cheque fraud fell to 0.6 cents per \$1,000 transacted from 0.8 cents per \$1,000 transacted in 2012. The total value of cheque fraud fell from \$10 million to \$7 million.

Cheques – fraud rates and totals

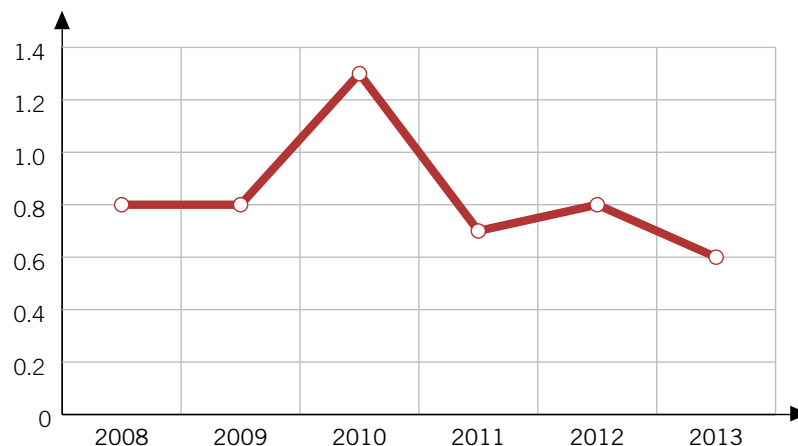
Year	2008	2009	2010	2011	2012	2013
Value (\$ millions):						
Cheque transactions	\$1,617,150	\$1,500,498	\$1,418,220	\$1,279,834	\$1,206,919	\$1,220,284
Fraudulent transactions	\$13	\$12	\$18	\$9	\$10	\$7
Fraud rate (cents per \$1,000)	0.8	0.8	1.3	0.7	0.8	0.6
Number						
Cheque transactions	371m	333m	291m	256m	224m	194m
Fraudulent transactions	1,412	1,488	1,247	883	608	947
Fraud rate (as % total no. of transactions)	0.0004%	0.0004%	0.0004%	0.0003%	0.0003%	0.0005%
Average value of fraudulent transactions	\$9,368	\$8,203	\$14,572	\$9,978	\$15,993	\$7,541

Source: APCA – www.apca.com.au and Reserve Bank of Australia – www.rba.gov.au

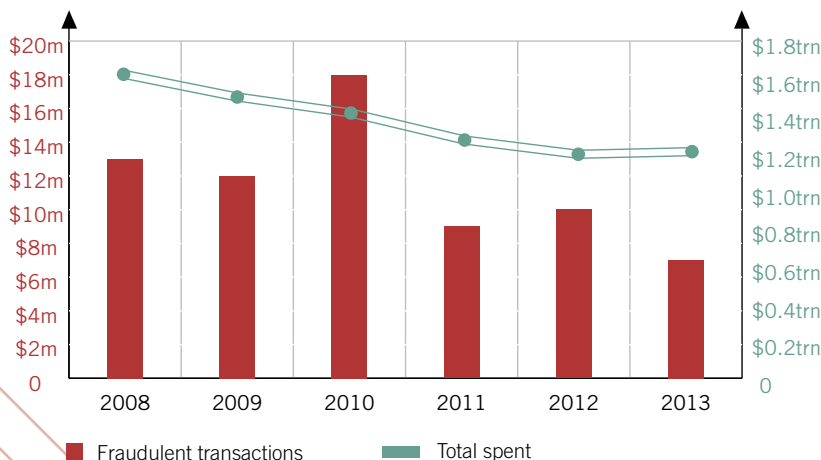
Overview

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Cheques – fraud rate (cents per \$1,000)



Cheques – total fraud and total spent



4.2 TYPES OF FRAUD OCCURRING ON CHEQUES

On-us fraud

On-us cheque fraud covers fraud that has been detected and reported by the financial institution on which the cheque was issued. Types of on-us frauds include:

- *Breach of mandate* – Cheques are not signed in accordance with the arrangements set up on the account; for example the cheque may require two signatories but only one has signed.
- *Fraudulently altered cheques* – Cheques are altered to show different payee and/or dollar amount details than originally instructed by the payer.
- *Stolen blank cheque / book* – Original blank cheques are stolen and passed off as if they were written by the rightful owner.
- *Originated counterfeit cheques* – The counterfeit cheque is produced using the paper of the original cheque.
- *Non-originated counterfeit cheques* – The counterfeit cheque is produced on new paper using techniques such as laser printing and desktop publishing.
- *Valueless* – Cheques are deposited into an account knowing full well that they are worthless and will be dishonoured.

Deposit fraud

Deposit fraud is where fraud is detected and reported by a different financial institution than had issued the cheque. This type of fraud is less common than on-us fraud.

For further explanation of the types of cheque fraud visit

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Fraud prevention

Measures the industry is taking to protect against cheque fraud include:


- the use of fraud detection systems that monitor cheque transactions for suspicious and/or unusual transactions; and
- issuing customer cheques with inbuilt security features that make counterfeiting and altering cheques more difficult.

Cheques – type of fraud


Fraud (\$m)	2008	2009	2010	2011	2012	2013
On-us fraud:						
Breach of mandate	\$4.8	\$1.0	\$6.9	\$2.4	\$5.2	\$0.9
Fraudulently altered cheques	\$3.9	\$5.3	\$3.3	\$2.8	\$2.0	\$1.2
Stolen blank cheque / book	\$2.5	\$2.5	\$4.3	\$1.1	\$1.7	\$4.0
Originated counterfeit cheques	\$0.7	\$1.2	\$1.4	\$0.6	\$0.5	\$0.7
Non originated counterfeit cheques	\$0.3	\$0.5	\$1.3	\$0.4	\$0.3	\$0.2
Valueless	\$0.1	\$0.1	\$0.1	\$0.1	\$0.0	\$0.0
On-us total	\$12.3	\$10.5	\$17.3	\$7.4	\$9.6	\$7.0
Deposit fraud	\$0.9	\$1.7	\$0.8	\$1.4	\$0.1	\$0.2
Total all cheque fraud	\$13.2	\$12.2	\$18.2	\$8.8	\$9.7	\$7.1

Source: APCA – www.apca.com.au

Fraud prevention

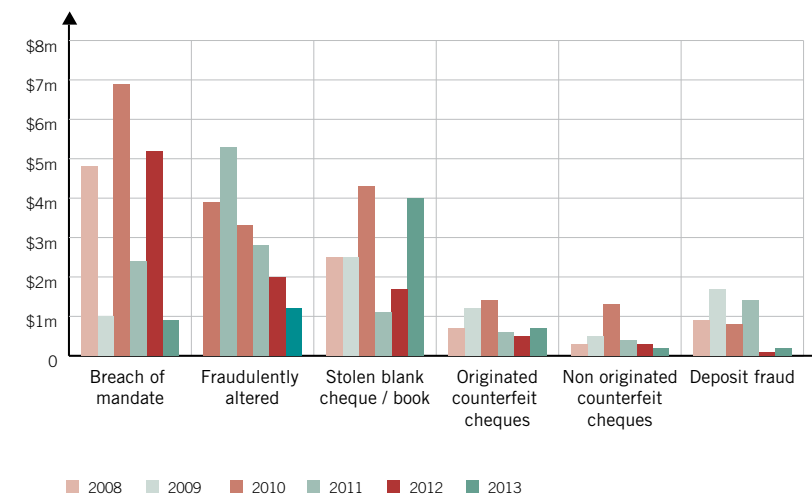


System to monitor cheque transactions



Inbuilt cheque security features

Cheques – fraud by type





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