



Australian  
Payments Network  
Connect Inspire Thrive



# AUSTRALIAN PAYMENT CARD FRAUD 2018

JANUARY –  
DECEMBER

2017 DATA

# About this Publication

Australian Payments Network is the self-regulatory body for Australia's payments industry. We have some 130 members and participants, including Australia's leading financial institutions, major retailers, payments system operators – such as major card schemes – and other payments service providers.

AusPayNet publishes card payments fraud statistics<sup>1</sup> reported by Australia's financial institutions and major card schemes to monitor prevention measures and trends, and help inform businesses and consumers about fraud issues.



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<sup>1</sup> Some figures have been revised since earlier publication. Full details are available on [www.auspaynet.com.au](http://www.auspaynet.com.au).  
Where totals do not add up, the difference is due to rounding.

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# Glossary

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## Types of Fraud

**Card-not-present (CNP) fraud:** occurs when valid card details are stolen and then used to make purchases or other payments without the card, mainly online or by phone.

**Card present fraud:** occurs when a card is used fraudulently at ATMs or point-of-sale devices.

**Counterfeit / skimming:** details are skimmed from a card's magnetic stripe, usually at an ATM or point-of-sale terminal, and used to create a fake card.

**Lost / stolen:** transactions made on a card that has been reported lost or stolen.

**Never received:** transactions made on a card that was stolen before it was received by the owner.

**Fraudulent application:** transactions made on a card where the account was established using someone else's identity or other false information.

**Other:** covers fraudulent transactions that cannot be categorised under any of the common fraud types above. For example, identity or account takeover.

## Types of Cards

**Scheme credit, debit and charge cards:** operated by international card schemes – Mastercard, Visa, American Express, and Diners.

**Proprietary debit cards:** operated by eftpos Payments Australia Limited as well as cards used to make transactions at Australian ATMs.

## Key Terms

**Payment Card Industry Data Security Standard: PCI DSS** is a security standard mandated by the international card schemes to ensure sensitive card data is held securely.

# Overview

IN 2017, AS CONSUMERS SPENT MORE THAN EVER ON CARDS, THE OVERALL VALUE OF CARD TRANSACTIONS GREW 5% TO \$748.1 BILLION.<sup>2</sup> THE VALUE OF FRAUDULENT TRANSACTIONS GREW IN LINE WITH THIS TOTAL, INCREASING 5% TO \$561.4 MILLION.

## Fraud Snapshot

This year's 5% increase in card fraud compares to a 16% increase in 2016, and 19% in 2015.

While the growth rate of card fraud is slowing, trends seen in recent years continue:

- Chip technology is providing strong protection for in-person transactions. In 2017, counterfeit/skimming fraud fell to the lowest value since 2006.
- As in-person fraud becomes harder, and as more payments are made online, fraud is migrating to card-not-present channels. Almost 85% of card fraud now occurs online, reflecting a global trend of growing online card fraud and cybercrime generally.



This year, the industry has ramped up the fight coming together in a new approach to accelerate the uptake of online fraud prevention measures – the CNP Fraud Mitigation Framework.

## Global Context

Globally, online payments continue to account for a growing portion of retail sales. Recent insights<sup>3</sup> suggest that this growth will continue, building on strong smartphone penetration.

The adoption of security measures has lagged the consumer driven demand for online payments however, and in line with global trends, the shift towards online payments has also seen a rise in online fraud.



<sup>2</sup> [www.rba.gov.au](http://www.rba.gov.au)  
<sup>3</sup> [www.kleinerperkins.com](http://www.kleinerperkins.com)



**Australian consumers are not liable for fraud losses and will be refunded as long as they have taken due care with their confidential data.**

### Card fraud is changing

In 2017, the overall value of card transactions grew by 5% to \$748.1 billion.<sup>4</sup> Fraud accounted for less than 1% [0.075] of the total, with the rate remaining 7.5 cents per \$100.

#### COUNTERFEIT/SKIMMING FRAUD FELL SIGNIFICANTLY

The global shift to EMV chip technology is proving effective in preventing face-to-face fraud. Counterfeit/skimming fraud fell from \$59.2 million in 2016 to \$30.9 million in 2017 - down 47.8%.

On all Australian cards used:

- **Domestically**, fraud dropped 36% to \$16.5million.
- **Overseas**, fraud dropped 57% to \$14.4 million.

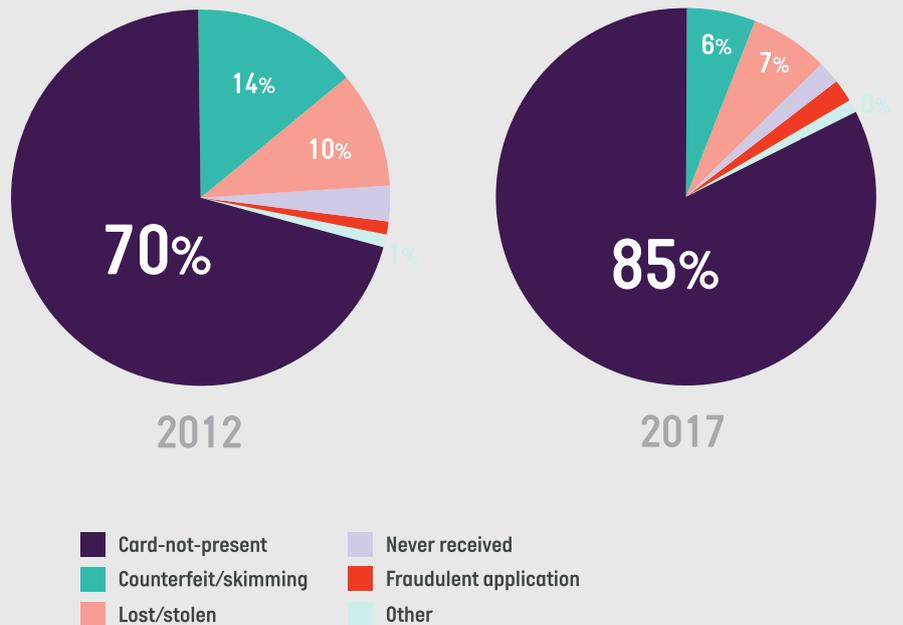
### ONLINE FRAUD IS ON THE RISE

Card-not-present fraud now accounts for 84.8% of all fraud on Australian cards. Online card fraud increased from \$418.1 million in 2016 to \$476.3 million in 2017 - up 13.9%.

On all Australian cards used:

- **Domestically**, fraud increased by 29% to \$227.5 million.
- **Overseas**, fraud increased by 3% to \$248.9 million.

### TYPES OF FRAUD ON CARDS ISSUED IN AUSTRALIA 2012 & 2017



<sup>4</sup> www.rba.gov.au



**Tackling online card fraud by speeding up the adoption of prevention measures is a key priority for the payments industry.**

## **Ramping up the fight against online fraud**

As seen with the industry's roll-out of chip technology, fraud prevention efforts involve strong collaboration and partnership at every level, drawing on global standards and best practice.

In February 2018, AusPayNet in co-operation with the Reserve Bank of Australia, held an Accelerator event bringing together the entire range of stakeholders to expedite a new, whole of industry approach for tackling online fraud. Participants reached clear consensus to develop a high-impact industry framework, underpinned by principles that include:

- Using a risk-based authentication approach
- Being technology and business model neutral
- Applying global standards, where relevant to the Australian market
- Taking advantage of modern technology including biometrics

AusPayNet, in close consultation with participants, is leading work to develop and progressively implement the new framework from late 2018 [see page 14].

This is in addition to individual financial institution's efforts to mitigate card fraud through improved cardholder authentication, reduced exposure of card data, and real-time fraud identification through dedicated analytics tools.

Moreover, in 2017, industry consortiums, including EMVCo, PCI, W3C and FIDO released new protocols and standards to improve global card payment security [see page 15].

The following sections provide more detail on fraud trends and industry prevention measures, as well as how consumers and businesses can protect themselves.

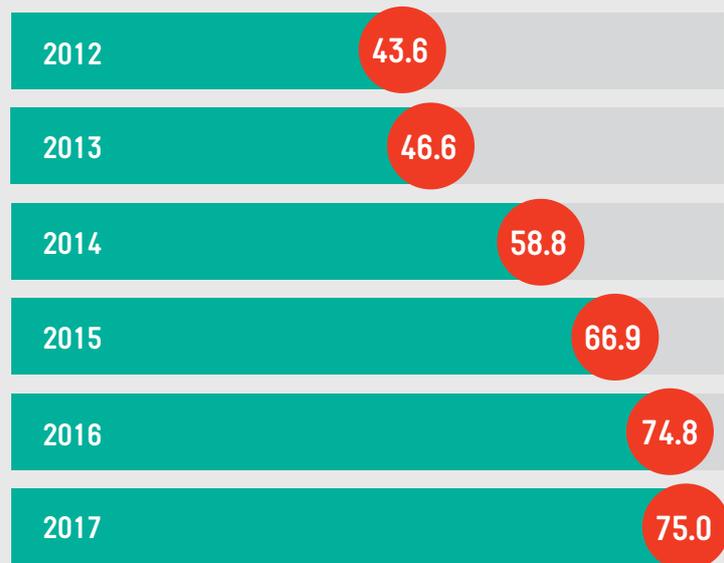
# Fraud Rates

FRAUD RATES ARE THE MOST COMMON MEASURE OF MOVEMENTS IN FRAUD ACTIVITY AND THE EFFECTIVENESS OF PREVENTION INITIATIVES. THE MEASURE CALCULATES THE AMOUNT OF FRAUD AS A PROPORTION OF THE TOTAL TRANSACTIONS MADE. THIS ALLOWS COMPARISONS BETWEEN DIFFERENT TIME PERIODS AND JURISDICTIONS.

The rate of card fraud increased marginally from 74.8 cents to 75.0 cents for every \$1,000 transacted.

This translates to 7.5 cents per \$100, which compares to the United Kingdom's 7 pence for every £100 transacted.

## FRAUD RATE (CENTS PER \$1,000)



# Australian Payment Cards

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Data in this section covers fraud on all Australian-issued cards including:

- Scheme credit, debit and charge cards: operated by MasterCard, Visa, American Express, and Diners.
- Proprietary debit cards: operated by eftpos Payments Australia

Financial institutions report card fraud data as gross actual losses.

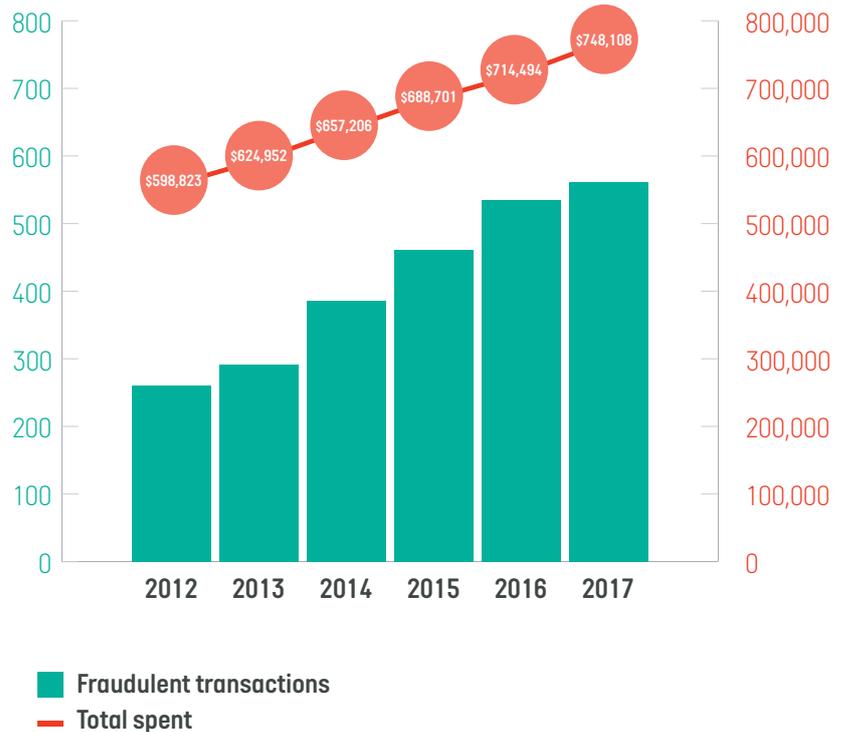
## All Australian Cards

More than \$748.1 billion was transacted on Australian cards in 2017 – up 5% on 2016.

Fraud accounted for 0.075% of that total, also increasing by 5% to \$561.4 million.

The average value of a fraudulent transaction decreased from \$188 in 2016 to \$157.

## ALL AUSTRALIAN CARDS - TOTAL FRAUD AND TOTAL SPENT (\$ MILLION)



ALL AUSTRALIAN CARDS - FRAUD RATES AND TOTALS						
	2012	2013	2014	2015	2016	2017
<b>Value (\$ millions):</b>						
All card transactions	\$598,823	\$624,952	\$657,206	\$688,701	\$714,494	\$748,108
Fraudulent transactions	\$261	\$291	\$386	\$461	\$535	\$561
<b>Fraud rate (cents per \$1,000):</b>	<b>43.6</b>	<b>46.6</b>	<b>58.8</b>	<b>66.9</b>	<b>74.8</b>	<b>75.0</b>
<b>Number:</b>						
All card transactions	5,644m	6,141m	6,670m	7,292m	8,051m	8,965m
Fraudulent transactions	1,243,106	1,415,487	1,733,821	2,191,082	2,848,033	3,572,248
<b>Fraud rate (as % of total no. of card transactions):</b>	<b>0.022%</b>	<b>0.023%</b>	<b>0.026%</b>	<b>0.030%</b>	<b>0.035%</b>	<b>0.040%</b>
<b>AVERAGE VALUE OF FRAUDULENT TRANSACTIONS</b>	<b>\$210</b>	<b>\$206</b>	<b>\$223</b>	<b>\$210</b>	<b>\$188</b>	<b>\$157</b>

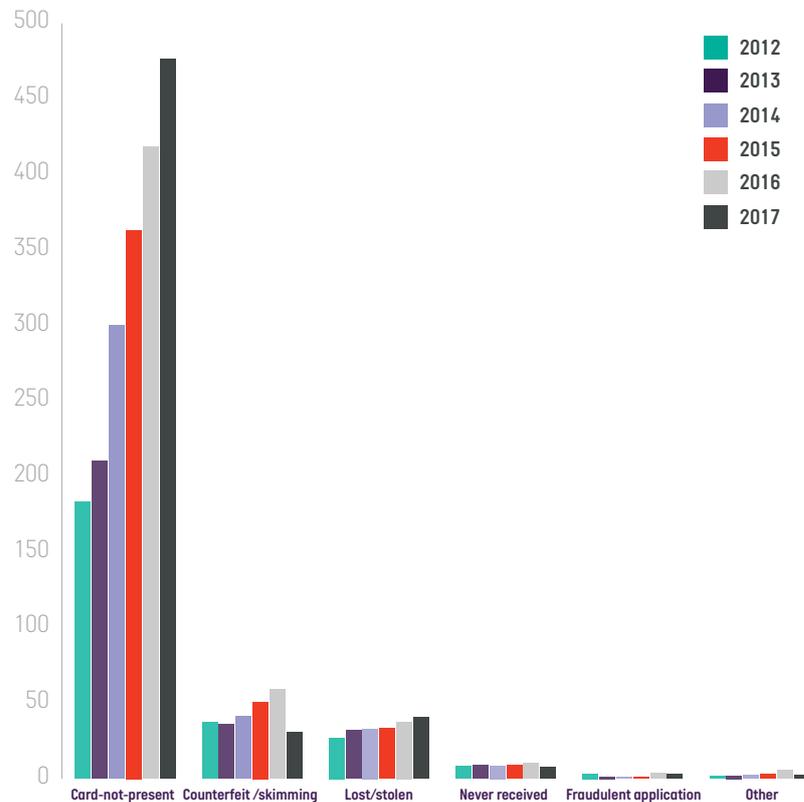
## TYPES OF FRAUD OCCURRING ON AUSTRALIAN CARDS

Card-not-present fraud (online fraud) is the most prevalent type of fraud on Australian cards.

In 2017, online fraud accounted for 85% of all card fraud, and counterfeit/skimming for 6%. This compares to 78% and 11% respectively in 2016.

Lost and stolen fraud accounted for 7% of all card fraud, unchanged from 2016.

## AUSTRALIAN CARDS - FRAUD BY TYPE (\$ MILLION)



ALL AUSTRALIANS CARDS - FRAUD BY TYPE						
Fraud value (\$m)	2012	2013	2014	2015	2016	2017
Card-not-present	183.1	210.4	300.0	363.1	418.1	476.3
Counterfeit /skimming	37.2	36.1	41.3	51.0	59.2	30.9
Lost / stolen	27.1	32.3	33.1	33.3	37.7	40.5
Never received	8.5	9.1	8.6	9.1	10.3	7.9
Fraudulent application	3.5	1.5	1.2	1.3	3.7	3.3
Other	1.8	2.0	2.3	3.1	5.5	2.4
<b>TOTAL</b>	<b>261.1</b>	<b>291.4</b>	<b>386.5</b>	<b>460.9</b>	<b>534.7</b>	<b>561.4</b>

PERCENTAGE OF TOTAL CARD FRAUD						
Fraud value as a % of Total Fraud	2012	2013	2014	2015	2016	2017
Card-not-present	70%	72%	78%	79%	78%	85%
Counterfeit /skimming	14%	12%	11%	11%	11%	6%
Lost / stolen	10%	11%	9%	7%	7%	7%
Never received	3%	3%	2%	2%	2%	1%
Fraudulent application	1%	1%	0%	0%	1%	1%
Other	1%	1%	1%	1%	1%	0%
<b>TOTAL</b>	<b>99%</b>	<b>101%</b>	<b>101%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Scheme Credit, Debit and Charge Cards

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

The data includes all fraud occurring:

- Over the internet, telephone, or by mail order (CNP).
- Where the 'credit' option is chosen at the point-of-sale device.
- On all Australian cards used overseas (including at ATMs).

The total value of fraud on scheme credit, debit, and charge cards increased from \$511.0 million in 2016 to \$544.5 million in 2017 - up 6.6%. This compares to a 16.7% increase in 2016.

### SCHEME CREDIT, DEBIT AND CHARGE CARDS - FRAUD BY TYPE

#### Fraud perpetrated in Australia

Fraud (\$m)	2012	2013	2014	2015	2016	2017
Card-not-present	\$72.8	\$85.9	\$99.1	\$136.8	\$175.8	\$227.5
Counterfeit/ skimming	\$13.1	\$9.7	\$8.4	\$6.4	\$7.3	\$4.6
Lost/ stolen	\$14.5	\$18.5	\$16.7	\$17.0	\$21.4	\$24.6
Never received	\$6.8	\$7.3	\$6.7	\$6.9	\$7.6	\$6.1
Fraudulent application	\$3.4	\$1.4	\$1.0	\$0.8	\$2.4	\$2.7
Other	\$0.7	\$0.8	\$0.6	\$0.9	\$2.6	\$0.9
<b>TOTAL</b>	<b>\$111.2</b>	<b>\$123.7</b>	<b>\$132.5</b>	<b>\$168.8</b>	<b>\$217.2</b>	<b>\$266.4</b>

#### Fraud perpetrated overseas

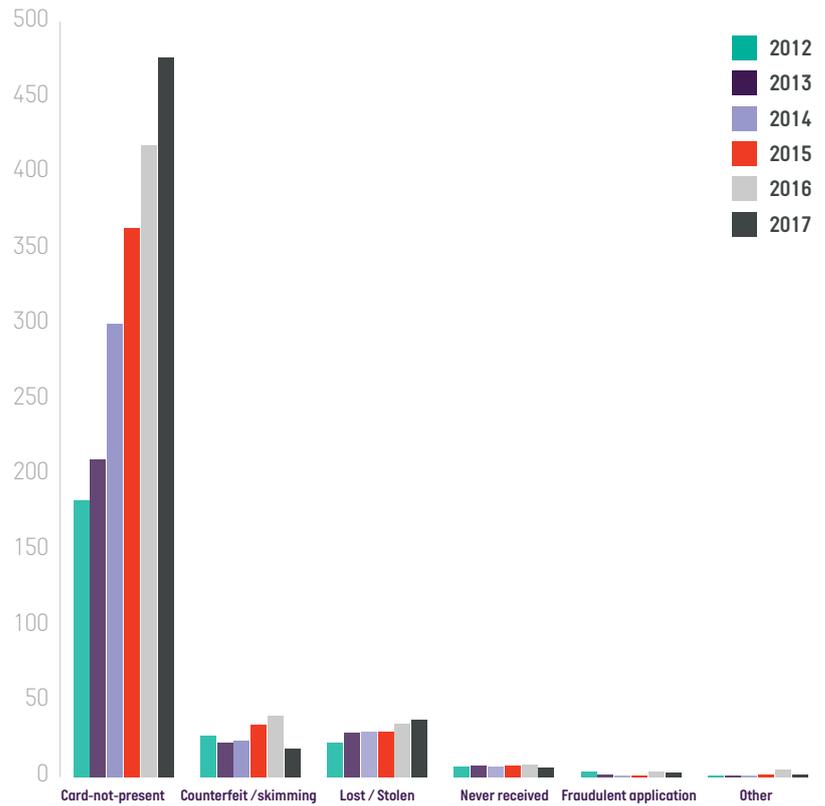
Fraud (\$m)	2012	2013	2014	2015	2016	2017
Card-not-present	\$110.3	\$124.5	\$200.9	\$226.3	\$242.3	\$248.9
Counterfeit/ skimming	\$14.6	\$12.8	\$15.9	\$28.1	\$33.5	\$14.4
Lost/ stolen	\$8.3	\$11.1	\$13.3	\$12.8	\$13.9	\$13.3
Never received	\$0.4	\$0.5	\$0.5	\$0.6	\$0.6	\$0.3
Fraudulent application	\$0.1	\$0.1	\$0.2	\$0.5	\$1.3	\$0.5
Other	\$0.4	\$0.4	\$0.3	\$0.8	\$2.2	\$0.6
<b>TOTAL</b>	<b>\$134.2</b>	<b>\$149.3</b>	<b>\$231.0</b>	<b>\$269.2</b>	<b>\$293.8</b>	<b>\$278.1</b>
<b>TOTAL OF ALL AUSTRALIAN ISSUED CARDS</b>	<b>\$245.4</b>	<b>\$273.0</b>	<b>\$363.5</b>	<b>\$438.0</b>	<b>\$511.0</b>	<b>\$544.5</b>

**Card-not-present fraud** is driving the overall increase in card fraud. In 2017, online fraud totalled \$476.3 million, representing 87.5% of all fraud on scheme cards. This compares to 75% in 2012.

**Counterfeit / skimming fraud** fell 53.4% to \$18.9 million, now accounting for 3.5% of all fraud on scheme cards, compared to 11.3% in 2012.

**Lost and stolen fraud** increased from \$35.3 million in 2016 to \$38.0 million, up 7.4%, accounting for 7% of all fraud. This percentage remains unchanged from 2016, and down from 9.3% in 2012.

## SCHEME CREDIT, DEBIT AND CHARGE CARDS - FRAUD BY TYPE (\$ MILLION)



## Proprietary Debit Cards

Proprietary debit cards fraud data cover:

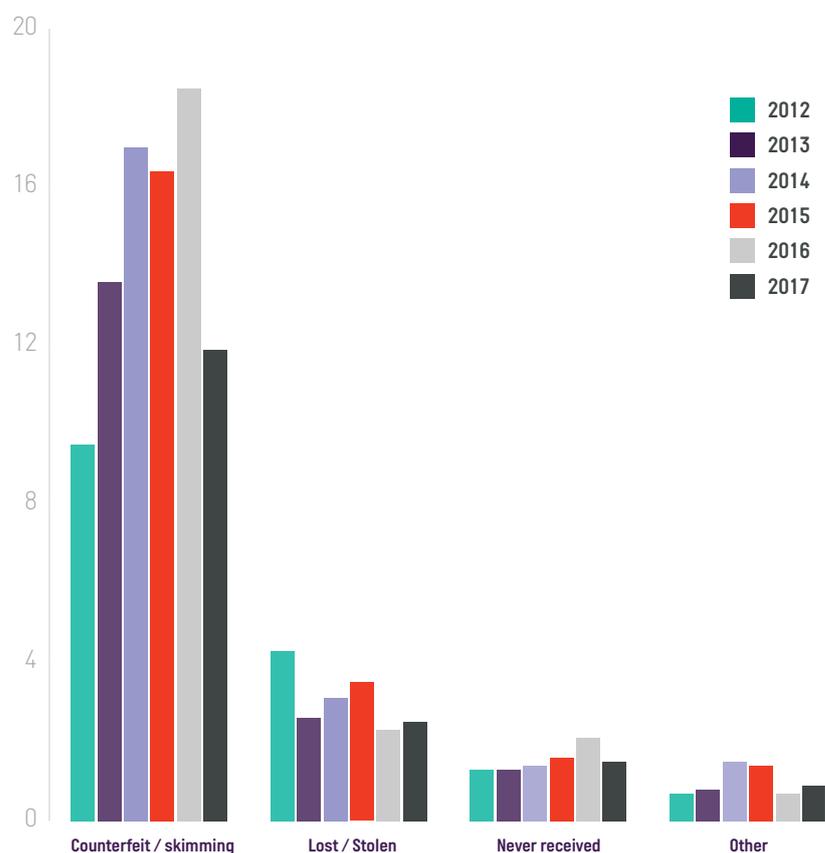
- All fraud occurring on debit cards operated by eftpos Payments Australia.
- Most fraud occurring at ATMs in Australia (including on scheme credit, debit and charge cards).

The total amount of fraud on proprietary debit cards dropped from \$23.7 million in 2016 to \$16.9 million in 2017 - down 28.6%.

This decrease can be attributed to a 35.5% drop in **counterfeit / skimming** fraud, down to 11.9 million.

**Lost and stolen fraud** on proprietary debit cards increased slightly to \$2.5 million, up 8.6%.

### PROPRIETARY DEBIT CARDS - FRAUD BY TYPE (\$ MILLION)



### PROPRIETARY DEBIT CARDS - FRAUD BY TYPE (\$ MILLION)

Fraud (\$m)	2012	2013	2014	2015	2016	2017
<b>Counterfeit / skimming</b>	\$9.5	\$13.6	\$17.0	\$16.4	\$18.5	\$11.9
<b>Lost / stolen</b>	\$4.3	\$2.6	\$3.1	\$3.5	\$2.3	\$2.5
<b>Never received</b>	\$1.3	\$1.3	\$1.4	\$1.6	\$2.1	\$1.5
<b>Other</b>	\$0.7	\$0.8	\$1.5	\$1.4	\$0.7	\$0.9
<b>TOTAL</b>	<b>\$15.8</b>	<b>\$18.4</b>	<b>\$22.9</b>	<b>\$22.9</b>	<b>\$23.7</b>	<b>\$16.9</b>

# Fraud Trends and Prevention

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In line with global trends, fraud is migrating online as in-person fraud becomes harder, and online payments continue to grow. Tackling online fraud is a key priority for the industry.

## Online Card Fraud

Card-not-present fraud occurs when valid card details are stolen and then used to make fraudulent transactions mainly online, or by telephone or mail order.

### TRENDS

In line with global trends, online fraud is increasing due to:

- fraud migrating online as chip technology provides strong protection for face-to-face fraud
- large scale data breaches, which capture sensitive card data
- identity theft, which often includes the theft of sensitive card data

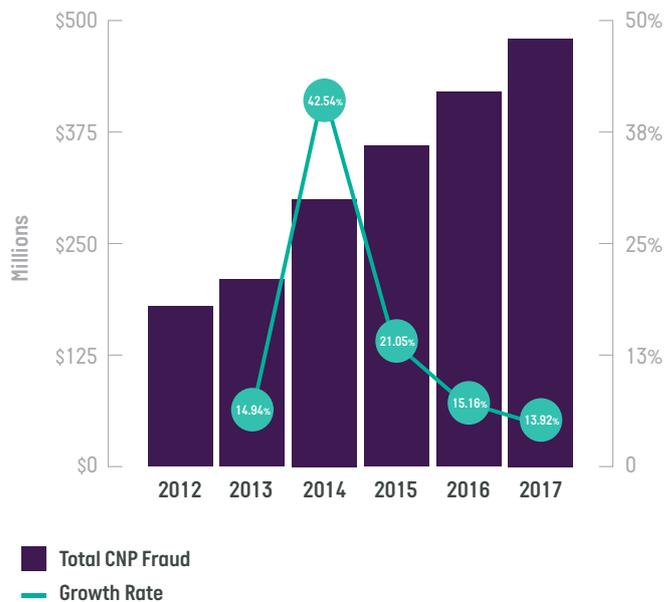
Fraudsters continue to use a variety of techniques. These include malware and phishing attacks to capture sensitive card data or cardholder passwords, and masking tools to try and bypass the risk-based rules used in fraud analytics products.

Online fraud now accounts for 85% of all fraud on Australian cards, totalling \$476.3m in 2017 - up 13.9%. The percentage increase has slowed over the past three years, reflecting the progressive uptake of prevention measures.

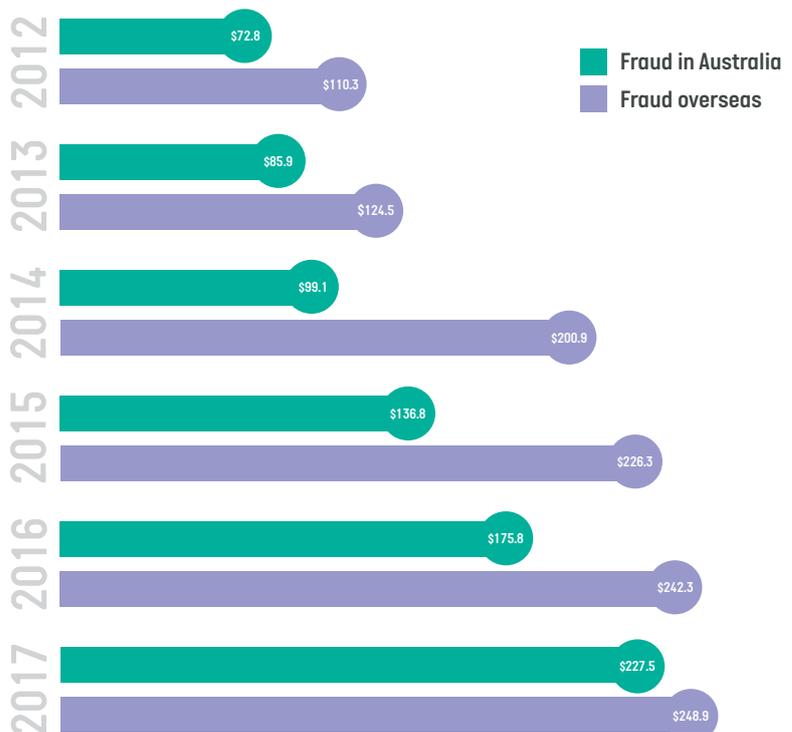
Online fraud on Australian cards used:

- **Domestically**, increased to \$227.5 million - up 29%.
- **Overseas**, increased to \$248.9 million - up 3%

## CNP FRAUD GROWTH RATE



## ALL AUSTRALIAN CARDS - CNP FRAUD (\$ MILLION)



## MERCHANT GUIDANCE ON REDUCING THE RISK OF ONLINE CARD FRAUD

### 1. Invest in tokenisation:

Merchants holding sensitive account holder information can become targets for fraud. Tokenisation replaces this information with a unique digital identifier (a token). It brings an added layer of security, without adding friction.

### 2. Use tools that help you authenticate your customers:

Along with tokenisation, a tool that supports risk-based authentication in the first instance, and strong customer authentication for transactions identified with a higher risk profile, is crucial in reducing your fraud by enabling you to authenticate your customers.

### 3. Get engaged and educated:

Regularly speak to your acquirer and gateway providers about what you can do to secure your business, share best practice with other merchants, and leverage industry groups – like AusPayNet.

## FRAUD PREVENTION

The industry is working collaboratively to ramp up the fight against online card fraud (see Overview). Building on last year's initiatives to document best practice guidelines, the industry has developed a new, high impact framework.

The framework clearly defines actions and responsibilities for reducing CNP fraud across the online payments industry. For example, issuers will adopt targets for lowering online fraud on their card-bases. The industry has also set a benchmark for acceptable fraud risk for merchants. Merchants with fraud rates above this level will be required to use multi-factor authentication measures, except for exempt transactions.

Multi-factor authentication adds layers of security by using more than one attribute to verify consumers online, for example:

- How the consumer makes online payments (smartphone, ipad or other electronic device), or geo-location
- Biometrics, like a fingerprint, face or voice recognition
- Confidential information shared between the customer and their financial institution like a PIN or password

AusPayNet is consulting on the framework, which can be requested at [www.auspaynet.com.au](http://www.auspaynet.com.au), with implementation expected to commence in late 2018.

## Protection from data breaches

Large scale data breaches contribute to the rise in CNP fraud, because card details are often among the data stolen. Industry measures to reduce the opportunity for such breaches, include tokenization and stricter reinforcement of PCI DSS standards at merchants and service providers.

Following a new bill passed by Parliament in 2017, organisations are obliged to report serious data breaches to the Australian Information Commissioner. They must also provide individuals at likely risk with recommended steps they should take to prevent being compromised.



## THE AUSTRALIAN FINANCIAL CRIMES EXCHANGE

The AFCX provides a secure environment for financial and cybercrime data and intelligence to be shared with participating members. Members upload their own information based on agreed standards and download equivalent data provided by other members for analysis. This data exchange forms the basis of the insight and intelligence that can be used to fight fraud.

### What are some of the key benefits the AFCX brings to Australian payments?

- Reduced overall exposure to financial and cybercrime
- Improved confidence in financial services and real-time payments
- Increased awareness of financial and cybercrime and what Australian organisations are doing to fight fraud and cyber crime
- Better value and satisfaction from e-commerce and their financial institutions

## Global standards and initiatives

Several protocols and standards were published in 2017 to improve card security in online channels. For example:

- EMVCo released new standards for:
  1. **Payment tokenisation** - replaces a card number during in-person purchases with a token that has no value in online channels.
  2. **3D Secure protocol** - enables consumers to authenticate themselves to their card issuer during online purchases.
  3. **Secure Remote Commerce** - enables consumers to use their payment cards across all browsers and devices more securely and easily.
- W3C (the World Wide Web Consortium) has established a **Web Payments Working Group** to develop protocols for handling payments online. This includes specifications to support the three key EMV standards outlined above.
- **The Payments Card Industry (PCI)** published best practices for securing eCommerce<sup>5</sup> including merchant websites and apps, and “in-app” purchases.
- **The Fast IDentity Online Alliance (FIDO)** released standards on strong authentication mechanisms for both mobile and non-mobile devices. AusPayNet has joined FIDO as a Liaison Member to keep updated on developments.

<sup>5</sup> [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)

## The increasing role of biometrics

Biometrics is increasingly used for transaction authorisation, both in-store and online. More devices are supporting biometrics, and Deloitte reports that in 2017, the use of fingerprint authentication on smartphones was up 35%.<sup>6</sup> Use of biometrics in other areas, for example voice authentication service by the Australian Taxation Office, is helping to shape consumer behaviour.

## Digital identity

Through the Australian Payments Council, industry is coordinating efforts to jointly address Digital Identity as a topic more broadly, including working with the Government's Digital Transformation Agency. Research and investigation into overseas jurisdictions indicates that cross-industry collaboration is required to deliver effective governance and to create the technical standards that drive interoperability and deliver scale.

## INDUSTRY PREVENTION MEASURES



Industry best practice guidelines for Card-Not-Present Transactions



Fraud protection guidelines for merchants



Stay Smart Online



PCI data security standards



Tokenisation



Push notifications



Biometrics

## CONSUMER GUIDANCE

- Register for, and use your financial institution's online fraud prevention solutions, whenever prompted
- Be wary of offers that seem too good to be true – do checks to make sure the business is legitimate
- Only provide card details on secure and trusted websites – look for the locked padlock
- Always keep PC security software up-to-date and do a full scan often
- Regularly check statements and report any unusual transactions to your financial institution immediately

## Counterfeit and skimming Fraud

Counterfeit/skimming fraud occurs when details from a 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.

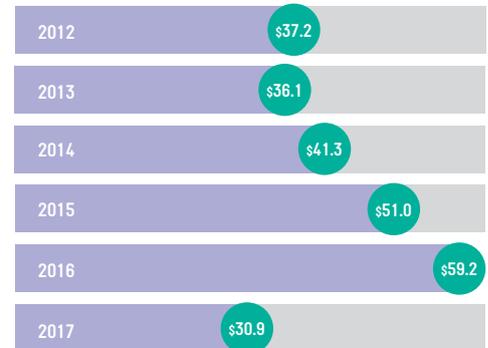
### TRENDS

Counterfeit / skimming fraud on all Australian cards fell 47.8% in 2017 to \$30.9 million, the lowest level since 2006. This can be attributed to two factors: the transition to chip reading ATMs in Australia, and more countries upgrading to chip technology throughout 2017.

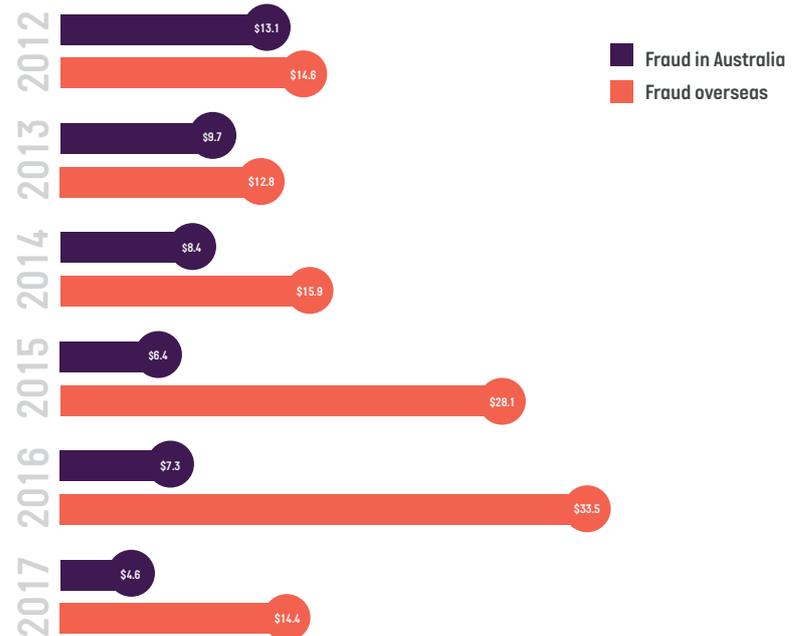
On transactions made in Australia, counterfeit/skimming fraud dropped 36% to \$16.5 million. While chip and PIN has been mandated at point-of-sale since 2014, compliance at ATMs came into effect on 31 December 2016. Chip reading at ATMs in 2017 has contributed to the significant drop in fraud.

On Australian cards used overseas, counterfeit/skimming fraud plummeted 57% to \$14.4 million. This follows a 19% increase in 2016, and 77% increase in 2015. As more countries have upgraded payment terminals to chip technology in 2017, Australian cards have had stronger protection.

## ALL AUSTRALIAN CARDS COUNTERFIT / SKIMMING FRAUD (\$MILLION)



## SCHEME CREDIT, DEBIT AND CHARGE CARDS COUNTERFIT / SKIMMING FRAUD (\$ MILLION)



## PROPRIETARY DEBIT CARDS - COUNTERFIT / SKIMMING FRAUD (\$ MILLION)



## PREVENTION METHODS

Chip cards are significantly less vulnerable to counterfeit fraud than cards that solely rely on the magnetic stripe because of the technology involved. The chip authenticates that the card is genuine, and also enables financial institutions to set risk management parameters to enhance security.

### EMV at ATMs

Through AusPayNet, industry set 31 December 2016 as the deadline for EMV compliance at all ATMs. AusPayNet played an important role in monitoring industry progress towards compliance and developing rules to support EMV at ATMs. With the vast majority of cards, POS terminals and ATMs compliant in 2017, counterfeit/skimming fraud dropped to a record low.

## Merchant Fraud Prevention

Merchants play a key role in fraud prevention at point-of-sale.

Industry initiatives to assist merchants include Safeguard Against Skimming training videos and a set of guidelines providing practical measures for merchants to keep their point-of-sale terminals safe.

## Consumer Awareness

Cardholders can continue to protect themselves against skimming attacks by:

- Keeping their card in sight when making payments
- Always using their hand to cover their PIN entry at point-of-sale terminals and ATMs

The consumer awareness initiative Protect Your PIN provides more information. Other industry measures to further reduce card skimming include:

- Chip reading at ATMs and security features to protect against fraud
- Chip technology on proprietary debit cards
- Contactless cards and point-of-sale terminals



## MERCHANT FRAUD PREVENTION



EMV Chip Technology



Safeguard Against Skimming



## CONSUMER AWARENESS



Protect your PIN



## EMV CHIP SPECIFICATIONS

The EMV Chip Specifications are global payment industry specifications for interoperability between chip-based payment applications. The specifications, managed by EMVCo, encompass both contact and contactless payments. They are designed to significantly improve security for face-to-face payment transactions by providing features for reducing fraud. In 2017, EMVCo reported that 63.7% of card transactions globally were EMV chip technology enabled.<sup>7</sup>

## Lost and Stolen Fraud

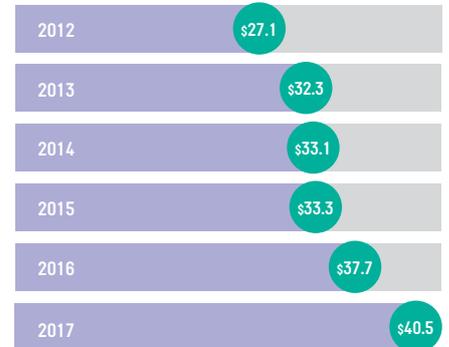
Lost and stolen fraud refers to unauthorised transactions on cards that have been reported by the cardholder as lost or stolen. Unless the PIN has also been captured, criminals may use these cards – or duplicates of these cards at point-of-sale by forging the signature where accepted, or for purchases where neither a PIN nor signature is required.

Lost and stolen fraud on all Australian cards increased slightly to \$40.5 million in 2017, up 7.5%. This type of fraud now represents 7.2% of total card fraud, compared to 7.1% in 2016, and 10.4% in 2012.

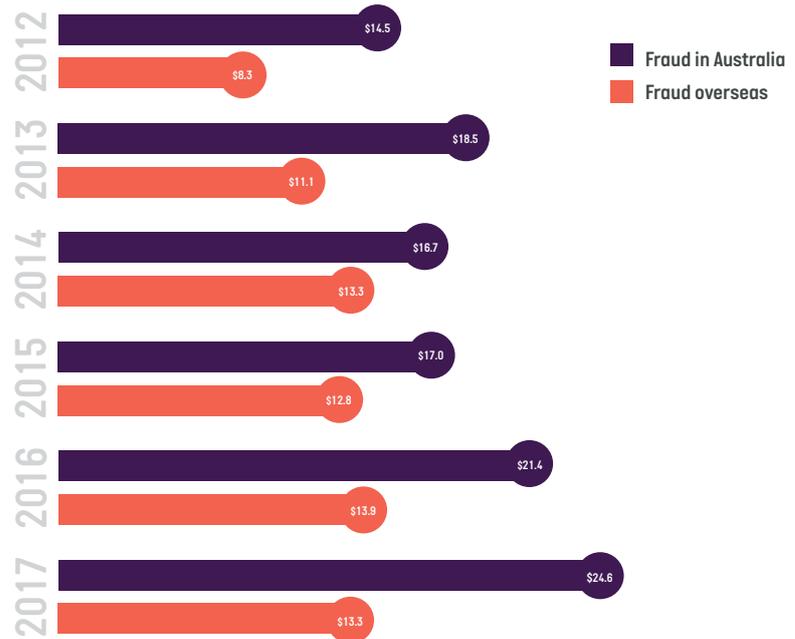
Fraud on lost and stolen cards used:

- **Domestically**, increased 14% to \$27.1 million
- **Overseas**, dropped 4% to \$13.3 million

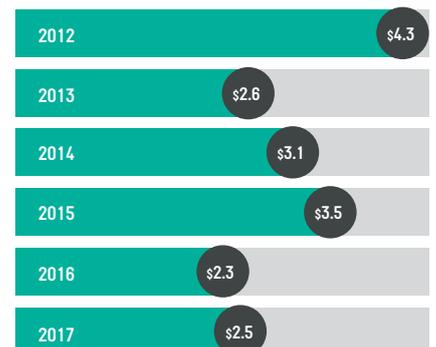
### ALL AUSTRALIAN CARDS - LOST/STOLEN FRAUD (\$MILLION)



### SCHEME CREDIT, DEBIT AND CHARGE CARDS LOST / STOLEN FRAUD (\$ MILLION)



### PROPRIETARY DEBIT CARDS - LOST / STOLEN FRAUD (\$ MILLION)



## TRENDS

Criminals often revert to simpler, more opportunistic methods as enhanced detection tools make other fraud more difficult. Moreover, spikes in mail theft involving credit cards seen in 2016, continued in 2017, with several organised gangs arrested.

Close cooperation between financial institutions and law enforcement is assisting in tackling this type of fraud. At the strategic level, this is done through AusPayNet's Fraud in Banking Forum.

## FRAUD PREVENTION

Industry initiatives to tackle this type of fraud include:

- PIN verification for cash withdrawals at ATMs and point-of-sale terminals
- Limits on the amount allowed for contactless purchases and mandatory PIN verification for point-of-sale transactions above those limits
- Detection 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
- Card activation processes to ensure the recipient of a new card is the account holder

Cardholders can help protect themselves from this type of fraud by being vigilant and keeping their card and PIN safe. To protect against mail theft, cardholders should:

- Install a lockable mailbox
- Clear mail daily
- During extended periods of absence, have mail held at the post office or collected by a friend

Importantly, a lost or stolen card should be reported to the issuing financial institution immediately to prevent fraudulent transactions, and statements checked regularly.



## CONSUMER AWARENESS



Protect your PIN

# Overseas-Issued Cards

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When international visitors and shoppers use their cards at Australian devices or online stores, the transactions are processed by the international card schemes.

## AUSTRALIAN MERCHANTS PLAY A SIGNIFICANT ROLE IN IDENTIFYING AND PREVENTING FRAUD ON OVERSEAS-ISSUED CARDS. SECURITY FEATURES ON THESE CARDS VARY BY THE COUNTRY OF ORIGIN.

Fraudulent transactions on cards issued overseas increased from \$67.7 million in 2016 to \$79.4 million in 2017, up 17.3%. Within this total:

- **Online fraud** increased from \$55.0 million in 2016 to \$67.3 million in 2017, up 22.5% representing 84.8% of all fraud on these cards.
- **Counterfeit/skimming fraud** reduced from \$8.8 million in 2016 to \$7.6 million in 2017, down 13.2%.

The trends reflect those seen on Australian-issued cards.

### OVERSEAS CARDS IN AUSTRALIA - FRAUD TOTAL (\$ MILLION)



OVERSEAS CARDS IN AUSTRALIA - FRAUD TOTAL (\$ million)						
Fraud value (\$m)	2012	2013	2014	2015	2016	2017
Card-not-present	\$29.6	\$33.6	\$44.8	\$47.9	\$55.0	\$67.3
Counterfeit/ skimming	\$11.9	\$11.1	\$9.3	\$8.0	\$8.8	\$7.6
Lost/ stolen	\$3.9	\$4.4	\$2.8	\$3.0	\$2.8	\$3.4
Never received	\$0.1	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1
Fraudulent application	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Other	\$0.5	\$0.5	\$0.5	\$0.6	\$0.9	\$0.8
<b>TOTAL</b>	<b>46.2</b>	<b>49.7</b>	<b>57.4</b>	<b>59.6</b>	<b>67.7</b>	<b>79.4</b>



# Cheques

## Cheque Fraud

Cheque use plummeted by 19.7% in 2017 to 89.7 million. Since 2012, cheque use has dropped 60.0%. The overall value of cheques dropped by 3.8% in 2017, and by 8% since 2012.

AusPayNet collects cheque fraud data covering fraud 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. Cheque data include Australian personal cheques, financial institution cheques, and drafts in Australian dollars.

In 2017, the total rate of cheque fraud decreased to 0.5 cents per \$1,000 transacted, down from 0.6 cents in 2016, remaining well-under 1 cent per \$1,000 transacted. Cheque fraud has been at a consistent low level since 2012.

## CHEQUE FRAUD

CHEQUES - FRAUD RATES AND TOTALS						
	2012	2013	2014	2015	2016	2017
All cheque transactions: Value (\$m)	\$1,206,919	\$1,220,284	\$1,228,512	\$1,228,424	\$1,154,864	\$1,110,710
Fraud: Value (\$m)	\$9.7	\$7.1	\$6.5	\$8.4	\$6.4	\$5.9
Fraud rate in cents per \$1,000	0.8	0.6	0.5	0.7	0.6	0.5
Fraud: Number	608	947	1,029	1,160	904	727
All cheque transactions: Number (million)	224	194	167	140	112	90
Fraud rate (as % total no. transactions)	0.0003%	0.0005%	0.0006%	0.0008%	0.0008%	0.0008%

CHEQUES - TYPE OF FRAUD (\$ MILLION)						
	2012	2013	2014	2015	2016	2017
On-us fraud:						
Breach of mandate	\$5.2	\$0.9	\$0.4	\$0.3	\$0.9	\$0.4
Fraudulently altered	\$2.0	\$1.2	\$1.7	\$3.6	\$2.1	\$2.4
Stolen blank cheque / book	\$1.7	\$4.0	\$1.7	\$1.8	\$2.2	\$2.3
Originated counterfeit cheques	\$0.5	\$0.7	\$1.1	\$1.2	\$0.4	\$0.3
Non originated counterfeit cheques	\$0.3	\$0.2	\$0.6	\$0.7	\$0.6	\$0.3
Valueless	\$0.0	\$0.0	\$0.9	\$0.7	\$0.0	\$0.0
<b>On-us Total</b>	<b>\$9.6</b>	<b>\$7.0</b>	<b>\$6.3</b>	<b>\$8.2</b>	<b>\$6.2</b>	<b>\$5.7</b>
Deposit Fraud	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2
<b>TOTAL ALL CHEQUES FRAUD</b>	<b>\$9.7</b>	<b>\$7.1</b>	<b>\$6.5</b>	<b>\$8.4</b>	<b>\$6.4</b>	<b>\$5.9</b>

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## 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 that the cheque is drawn on. Types of on-us frauds include:

- **Breach of mandate** – payment is made without the correct authority; for example the cheque may require two signatures, but there is only one.
- **Fraudulently altered** – payee and/or dollar amount details are altered to be different than originally written.
- **Stolen blank cheque / book** – original blank cheques are stolen and passed off as if they were written by the account holder.
- **Originated counterfeit** – a counterfeit cheque is produced using the paper of the original cheque.
- **Non-originated counterfeit** – a 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 refers to fraud that has been detected and reported by a financial institution other than the cheque drawee. This type of fraud is less common than on-us fraud.



