

2015 Annual Report:

Fraud losses on card payments in France showed a further decline in 2015

The Observatory for Payment Card Security is today publishing its 2015 annual report. The report, the Observatory's thirteenth, is available online at www.observatoire-cartes.fr.

Fraud losses on transactions conducted in France fell for the second year running, declining from EUR 235 million (representing a fraud rate of 0.043%) in 2014 to EUR 225 million (0.040%). And for the first time since the Observatory was established, fraud decreased in France across all three major transaction categories, namely point-of-sale (POS) payments, withdrawals and card-not-present (CNP) payments. Commenting on the results, François Villeroy de Galhau, President of the Observatory, said : "This very positive trend reflects the effectiveness of measures taken under the guidance of the Observatory by stakeholders, including card payment schemes, banks, merchants and their service providers, to prevent fraud in card payments in France."

The fraud rate for POS payments reached a record low of 0.009%. This statistic includes contactless payments, whose fraud rate stood at 0.019%, midway between the rates for POS payments and withdrawals (0.033%). In this regard, the Observatory stresses that recorded cases of contactless fraud were attributable to theft or loss of the card, confirming the absence of specific technological weaknesses. As mobile phone-based contactless payment solutions move forwards, in 2015 the Observatory examined security procedures for trials planned by market participants and issued recommendations to ensure that protective arrangements are implemented to deliver security on a par with that enjoyed by contactless payment cards.

The fraud rate for CNP payments (phone, post, internet) fell once again, decreasing from 0.248% to 0.228%, **which is still higher than the rate for other transactions.** Thanks to efforts by e-merchants and card issuers to deploy solutions to protect transactions, the value of CNP payment fraud registered its first annual decline, against a backdrop of continued growth in online sales.

Fraud in cross-border transactions, however, continued to increase strongly, climbing by EUR 30 million over the year to almost EUR 300 million in 2015, for a fraud rate of 0.372%. This increase mainly affected French cards used abroad, where fraud amounted to EUR 190 million. Fraud resulting from transactions conducted using foreign cards in France was more or less unchanged at EUR 110 million.

These statistics reflect the greater vulnerability of cross-border transactions to the risk of fraud, both within the European payments area, where the fraud rate stands at 0.459%, and elsewhere in the world, where it is 0.692%. With security arrangements for face-to-face payments being stepped up generally in Europe, Asia and the United States, cross-border fraud is now tending to become concentrated in CNP transactions, where fraud rates now exceed 1%. It is noteworthy that a

considerably lower fraud rate (0.529%) is recorded for CNP payments to French e-merchants by people living in the Single Euro Payments Area (SEPA), which are covered by enhanced security solutions implemented at the domestic level.

The Observatory reiterates that widespread introduction of strong authentication solutions in Europe remains a priority and lies at the heart of guidelines issued by the Eurosystem and the European Banking Authority on the security of internet payments, which came into force in 2015, and the regulatory mechanism contained in the second European Payment Services Directive (PSD2).

With this in mind, the Observatory conducted a review of new CNP payment protection methods to assess compatibility with PSD2 requirements. This exercise revealed that participants are getting behind the development of innovative solutions that seek to supplement or replace existing mechanisms. The Observatory is issuing recommendations to prioritise the deployment of solutions that meet regulatory requirements, ensure a level of security at least equivalent to that of best-in-class solutions currently available and offer the brightest prospects for take-up by e-merchants and card holders.

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.

Press Contact: +33(0)1 4292 3900