

Press Release

The Observatory for Payment Card Security publishes its 2011 Annual Report

The Observatory for Payment Card Security is today publishing its 2011 Annual Report. The report, the Observatory's ninth, has been posted online (www.observatoire-cartes.fr).

The fraud rate was up slightly for the fourth year in a row, standing at 0.077% in 2011, corresponding to total fraud of EUR 413.2 million. By comparison, in 2010 the rate was 0.074% and total fraud amounted to EUR 368.9 million.

Since non-domestic fraud was down slightly, the increase in domestic fraud reflected two key trends:

1. fraud in card-not-present (CNP) payments increased, with the fraud rate rising to 0.321%. The fraud rate for online payments, in particular, continued to rise, climbing to 0.341%. Overall, CNP payments accounted for just 8.4% of the value of domestic transactions but for 61% of fraud in value terms. Given the unfavourable trend in fraud recorded through this payment channel, the Observatory is calling on e-merchants to act on its recommendations to deploy solutions that enable one-time cardholder authentication, such as 3D-Secure, for the most at-risk payments;
2. the fraud rate for face-to-face payments climbed to 0.015% from 0.012% in 2010. The fraud rate for withdrawals also rose again, reaching 0.029%. The increase in fraud for these transactions, which nevertheless remains at low levels, follows several years of decline. It is partly attributable to an increase in thefts of cards with PINs. Given these trends, the Observatory reminds cardholders to be on their guard and reiterates the best practices to follow when making payments to a merchant, online or when making withdrawals (see Annex 1 of the 2011 Annual Report).

Security of online card payments. The opinion survey conducted for the second year running by the Observatory and statistical data provided by banks and their technical providers show that real progress was made in 2011 in terms of the effectiveness of the solutions to protect online card payments. Even so, only 23% of online payment transactions are currently protected by one-time authentication solutions via 3D-Secure. Accordingly, the generalization of these solutions by merchants, with activation based on a risk analysis, remains a priority for the Observatory. The Observatory plans to organise an event in the second half of 2012 to promote more extensive use of these solutions by e-merchants, particularly the largest ones.

Note that in 2012, the European Forum on the SECURITY of RETail PAYments (SecuRe Pay) issued similar recommendations, which may ultimately lead to the generalization of these solutions across Europe.

Technology Watch. The Observatory examined new solutions designed to turn mobile phones into payment terminals and new online payment solutions (digital wallets).

Since smartphones are by definition multi-application, multi-task devices without secure elements, they are fairly incompatible with the usual requirements in France for conventional payment terminals, which are designed specifically for this function. As the situation currently stands, therefore, if mobile payment terminals are to be used in the acceptance chain, then measures must be adopted to guarantee a level of security on a par with that provided with conventional payment terminals.

The emergence of digital wallets is contributing to the increased diversity of payment solutions by providing users with resources that are tailored to their uses. However, these developments must not come at the cost of payment card security. For these reasons, the Observatory recommends that measures be taken to protect sensitive data (including data linked to payment cards) and that one-time authentication be implemented when cards are saved in wallets and applied to the most at-risk card payments. The Observatory also recommends that clear rules be set as regards the distribution of responsibilities between users, merchants and providers of these solutions.

International cooperation in the fight against fraud. The Observatory conducted a stocktaking of participants in the anti-fraud effort in France and international cooperation arrangements. The review shows that while participants have organised themselves at domestic, European and international levels, there is room for improvement. Notably, steps are needed to ensure the operational exchange of fraud data to help detect points of compromise, to finalise a common approach to payment terminal certification, notably as regards governance aspects, and to ensure that bank regulators harmonise security requirements at international level.

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