

## Press Release

### The Observatory for Payment Card Security publishes its 2009 Annual Report

The Observatory for Payment Card Security is today publishing its 2009 Annual Report. The report, the Observatory's seventh, has been posted online ([www.observatoire-cartes.fr](http://www.observatoire-cartes.fr)).

The overall fraud rate for 2009 was 0.072%, amounting to EUR 342.4 million in fraud, as compared with a rate of 0.069% and fraud totalling EUR 320.2 million in 2008. This reflects the following contrasting trends:

- fraud in domestic payments at points of sale and unattended payment terminals continued to decline, reaching the very low rate of 0.014% (EUR 41.0 million);
- conversely, fraud in card-not-present payments (i.e. made online, over the phone, by post) rose further:
  - the fraud rate for card-not-present domestic payments climbed from 0.252% (EUR 67.2 million) in 2008 to 0.263% (EUR 82.2 million), amid sustained growth in this category of payments (17.1% in 2009). Accordingly, while card-not-present payments make up just 7% of domestic transactions by value, they account for 57% of the fraud;
  - the fraud rate for card-not-present payments to foreign merchants using French cards fell slightly, but nonetheless remained high at 1.350% (EUR 60.5 million).

Mindful of these developments, the Observatory called, in its 2008 report, for tougher measures to protect card-not-present payments and enhanced authentication solutions to ensure, whenever possible and appropriate, that payments are made by the rightful cardholders. In line with Banque de France recommendations, banks are engaged in a widespread roll-out of such solutions among cardholders. Merchants, too, are progressively deploying these solutions for online payments on their websites, drawing in particular on the enhanced authentication systems adopted by banks. Good customer acceptance will undoubtedly help to promote the broad-based introduction of these types of arrangements. For this reason, the Observatory updated the 2007 survey on how cardholders perceive payment card security, adding a qualitative section to measure cardholders' reactions when using online payment security mechanisms.

The Observatory noted that while a large majority of survey respondents considered that the card payment was a safe method of payment, significant concerns persist over online payments, particularly on foreign websites. Meanwhile, according to the Observatory's qualitative study, such cardholders have a clear preference for enhanced authentication solutions (delivered through a one-time password provided by a card reader, a small independent device or a text message issued by the cardholder's bank, for example), because of the extra reassurance that they provide.

The survey also revealed that cardholders do not know their rights when it comes to fraudulent card payments. The 2009 report therefore reviews the rules on reimbursement in situations where cards are used for unauthorised transactions and updates the cardholder security tips published in the 2006 report.

This year, the Observatory examined measures prepared by the Payment Card Industry Security Standards Council (PCI SSC) to assess their suitability for the French market. These measures, which are applied worldwide, specify arrangements for the secure storage and use of card data by payment industry participants, including merchants, acquiring banks and their service providers, to protect these data more effectively against fraudulent use. While these measures constitute good security practices, the industry has pointed out a number of areas for improvement, noted in the Observatory's report. For example, PCI SSC governance would be enhanced if it were extended to include European participants. The certification process could be reviewed to make it less complex and ensure greater independence in evaluations. Finally questions arose concerning the level of penalties for non-compliance, which is considered to be high.

The Observatory's report also contains information and recommendations on topical issues relating to payment card security. It follows up on implementation of contactless card and mobile payment solutions, which are currently being trialled in Nice, and explores the question of card-not-present payments made over the phone or by post. The report also looks at "light" payment terminals, where control functions usually performed by the payment terminal are shifted to a remote server.

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.