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PRESS RELEASE

FIRST ECB REPORT ON CARD FRAUD SHOWS CHIPS HAVE INCREASED THE SECURITY OF PHYSICAL TRANSACTIONS

The European Central Bank (ECB) has today published its first report on card fraud. The report was compiled by the Eurosystem, i.e. the ECB and the 17 national central banks of the euro area. Its main findings are that card fraud has been on a declining trend since 2007, and that technological advances have been key to increasing the security of transactions.

The report analyses fraud developments related to card payments in the Single Euro Payments Area (SEPA) from 2007 to 2010. SEPA comprises 32 countries (the whole of the European Union, as well as Iceland, Liechtenstein, Monaco, Norway and Switzerland) and 458 million citizens in Europe. The total level of fraud amounted to €1.26 billion in 2010, a 12.1% decrease since 2009. Fraud in relative terms, i.e. the share of fraud in the overall value of all transactions, fell from 0.045% in 2007 to 0.040% in 2010, after peaking at 0.050% in 2009. Between 2007 and 2010 the overall amount of fraud increased by 0.7%, but the value of transactions grew by 5.1% to around €3 trillion per year. Overall, 1.2% of cards issued within SEPA were used fraudulently (12 cards out of every thousand).

The report looks at fraud across different kinds of card (debit and credit) and card usage. In 2010 half of the value of fraud resulted from card-not-present (CNP) payments – i.e. payments via mail, telephone or the internet – while a third resulted from point-of-sale (POS) terminals and a sixth from automated teller machines (ATMs).

Improvements in the security of cards and the underlying payment infrastructure are the main reason that fraud at ATMs and POS terminals was lower in 2010 than in 2007. The most important enhancement was the wider adoption of EMV, a chip-based standard. This offers stronger security features than conventional magnetic stripes both for the physical card (since, unlike the stripes, the chip cannot easily be duplicated) and for the technological infrastructure behind the transaction. The adoption of these safety features is recommended by the ECB and forms part of the SEPA migration.

As CNP transactions do not benefit from these security enhancements, CNP fraud has been on an upward trend both in absolute and relative terms. Its share of the total increased from 47% to 50%, while the absolute value increased from €571 million to €648 million in the 2007-2010 period (with a peak of €684 million in 2009). The vast majority of CNP payments (74%) were initiated over the internet.

The report finds that, for credit and delayed debit cards (predominant in internet and cross-border transactions), €1 in every €1,010 (around 0.1%) was spent in a fraudulent transaction. For debit cards, which are more commonly used in stores and for cash withdrawals, the proportion was €1 in every €4,545 (0.02%).

In concluding, the report says that, while on a declining trend, card fraud is an international organized activity that demands cooperative prevention measures and international standards, in particular with regard to the security of internet transactions, as well as that of cross-border transactions. It outlines the importance of more cooperation among the card payment schemes in order to identify points of compromise quickly.

The report is available on the ECB's website.

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