



Elevating Your Fraud Mitigation Strategies

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Today's **Presenter**

- Joined SHAZAM in 1995
 - 29 years as a client trainer
 - Now I support our sales group by using my debit card operations and SHAZAM product knowledge
- Subject matter expert in debit card, ACH and instant payments
- Earned Accredited ACH Professional certification in 1998

Today we will

- Evaluate recent years' debit card fraud data & trends
- Review the evolution of debit card fraud
- Identify industry tools & tactics
- Discuss future developments

From the perspective of a not-for-profit, member-owned & controlled processor and network

What
we'll
learn
today.

2024 Diary of Consumer Payment Choice

- For the first time cash was **not** the most used for payments less than \$25
 - Card payments gained ground
- Average 46 payments per month in 2023
- Share of all payments by number
 - Credit card = 32%
 - Debit card = 30%
- 50% of person-to-person payments made via mobile app

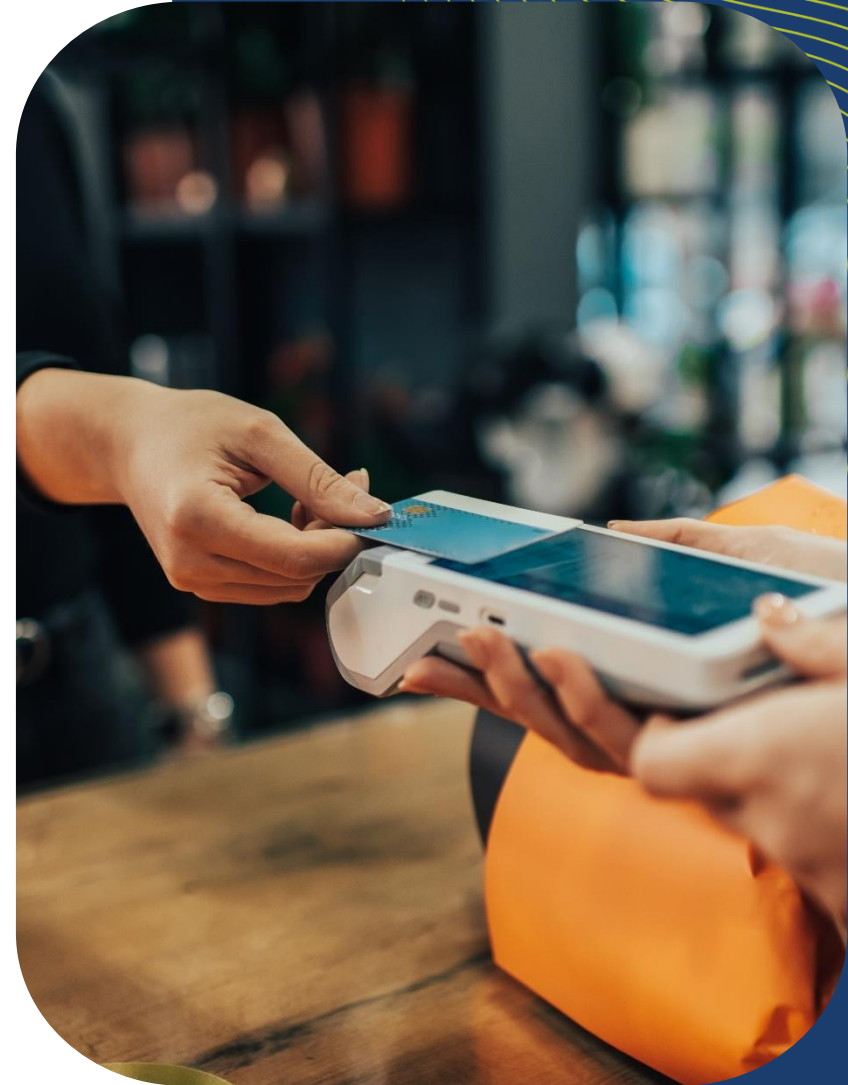


Figure 1: Average number of total payments

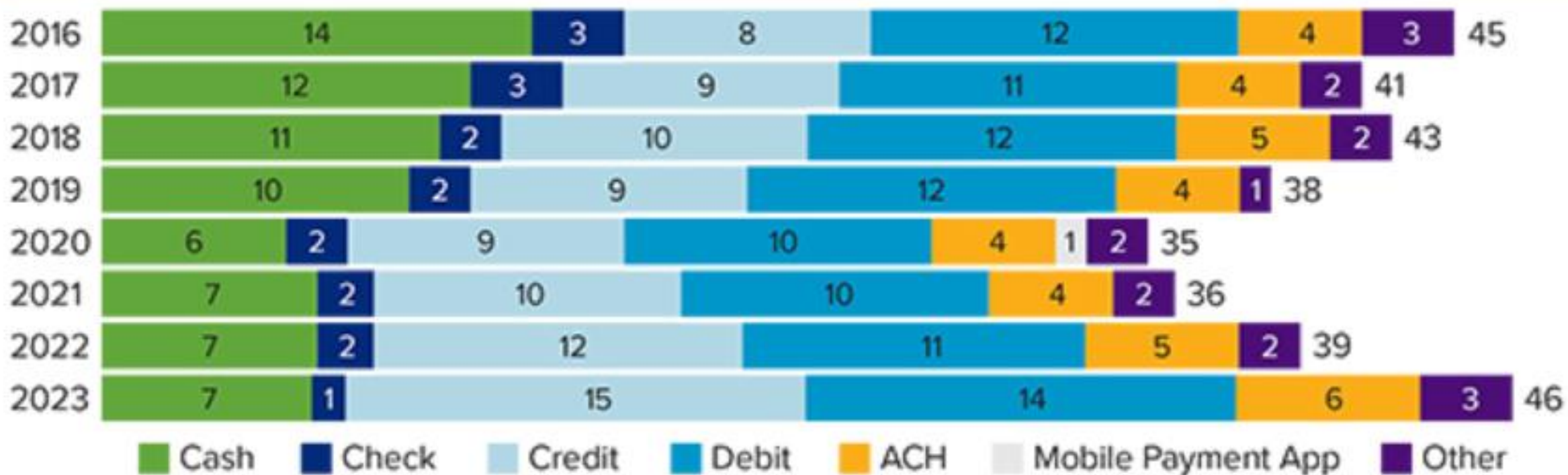


Figure 8: Share of payment instrument use by household income

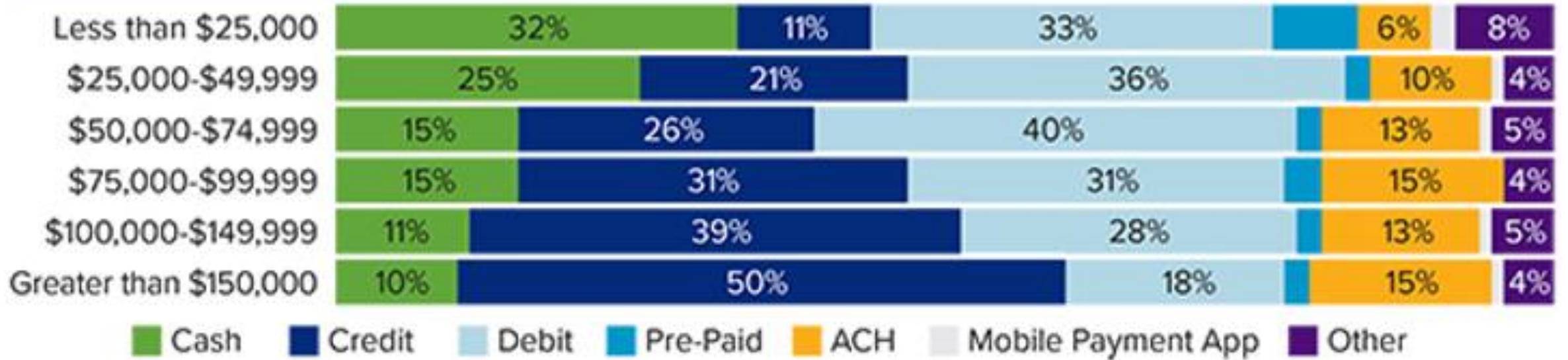
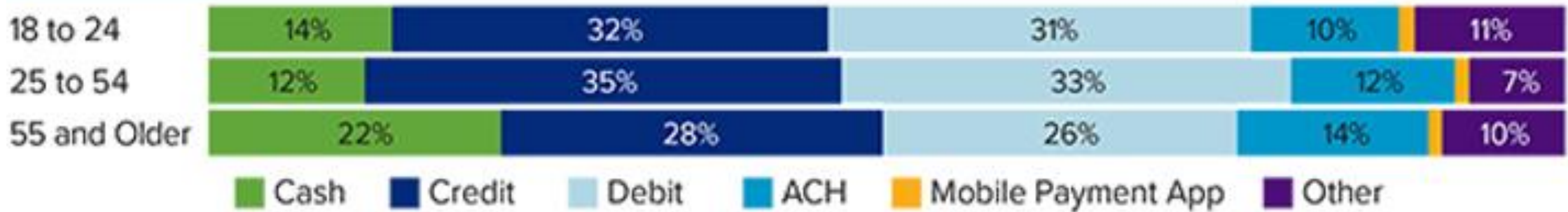


Figure 10: Share of payment instrument use by age



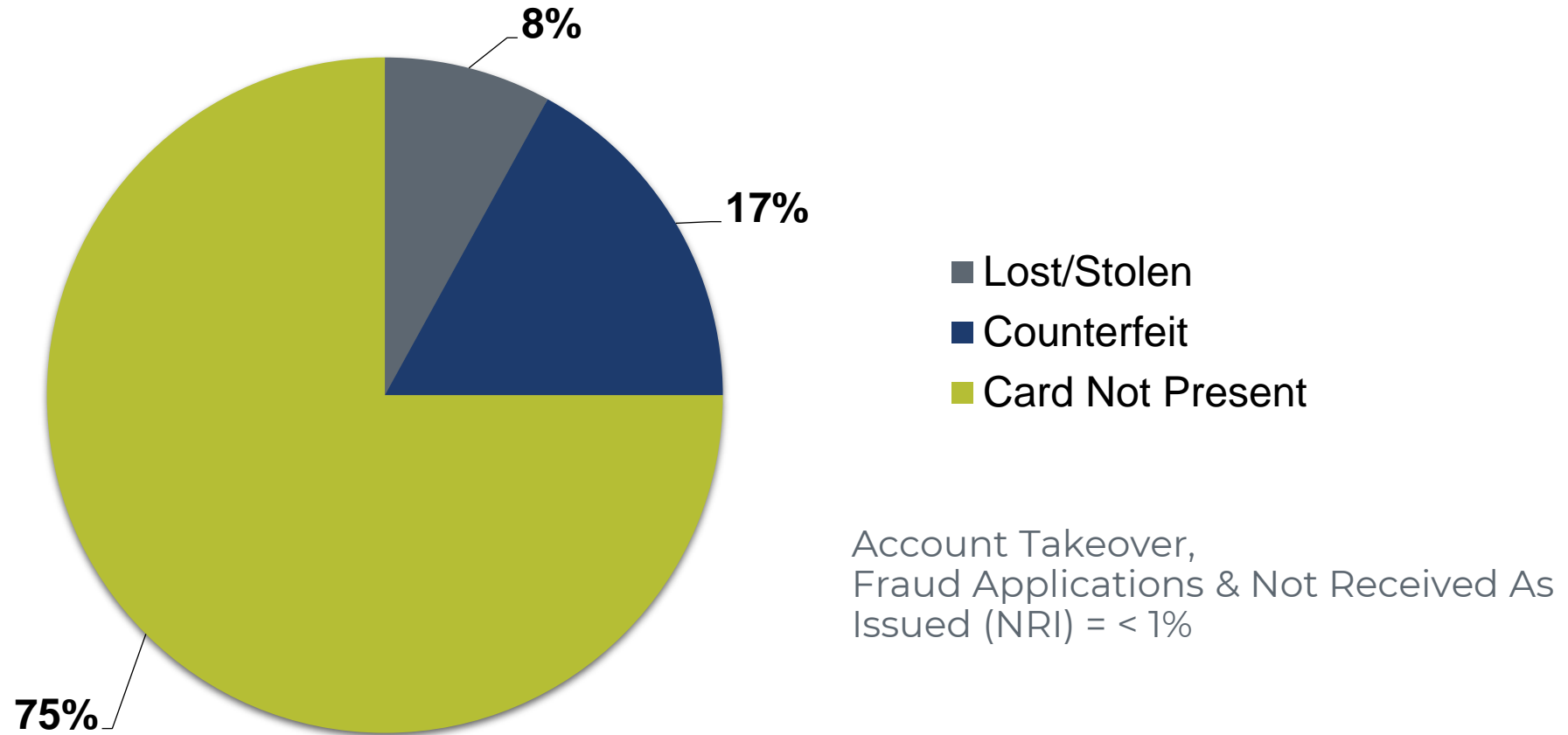
Evolutions in Debit **Card Payments**

- Global network credit > global network debit
- Shared (regional) network > global network
 - ATM card > global network debit card
- Mag stripe > chip > contactless
- Clear Primary Account Number (PAN) > tokenized PAN (digital wallet)
- Signature required > signature not required
- Global networks announce they're eliminating requirement for magnetic stripe

Evolution of Debit **Card Fraud**



2022 Fraud Reported by **SHAZAM's Issuers**





2023 Fraud Reported by **SHAZAM's Issuers**

- **97.61% was Card Not Present**
- All others, including
 - Counterfeit
 - Lost/Stolen
 - Fraudulent application
 - Account takeover
 - Incorrect processing/merchant misrepresentation
 - Card not received

Highest Rates of Fraud from **Foreign Countries**

- United Kingdom, country code 826
- Hong Kong, country code 344
- Lithuania, country code 440
- United Arab Emirates, country code 784
- Netherlands, country code 528

Highest Fraud **Merchant Category** **Codes**

MCC	Average Ticket	Description
4829	\$77.11	Quasi Cash - Money Transfer
7273	\$33.00	Dating and Escort Services
5812/5814	\$29.93	Fast Food and Dine-In Restaurants
5816/5818	\$24.43	Digital Goods – Games & Multi-category
5969	\$4.38	Direct Marketing/Direct Marketers – Not Elsewhere Classified

Balancing **Stakeholders' Needs**



Americans Blame Themselves for Falling for Real-time Payment Scams

TRENDING

ABA, associations oppose bill to expand the Teleph...

ABA BANKING JOURNAL

MAGAZINE ▾ | NEWSBYTES | PODCAST | ABA BANKING JOURNAL | BANK MARKETING | RISK AND C



| Americans blame themselves for falling for real-time payment scams

ON APRIL 26, 2023

NEWSBYTES, PAYMENTS

Card-Not-Present

- BIN attack
 - Enumerative event
 - Large numbers of transactions, short timeframe
- Account probing
 - Test transactions
 - Rotating merchant ID's/Alphabet Soup
 - Often result in subsequent fraud



Card-Not-Present

- Fraud relative to volume
- EMV® 3-D Secure services
- Neural network scoring, decline and/or validation
- False claims
- Transaction not recognized





Fallback

- How to identify
 - POS entry mode = 80 or 90
 - Service code = 2
 - Terminal capability code = 5
- Not all fallback activity is fraud
- Requires effective decline strategies, rules
 - For example, “decline and create case if Card Present swiped, EMV Fallback, no PIN...”



Data Breaches

They're Still a Top Threat

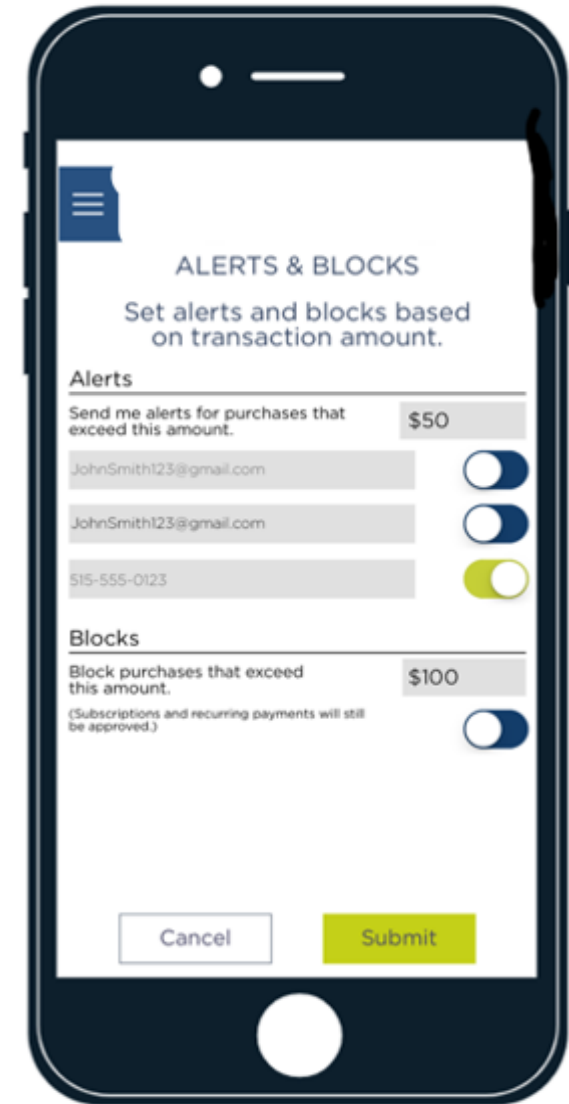
- However, increasingly non-payment data is compromised
 - Healthcare information
 - Social media profiles
 - State or local government records
 - Credit-scoring organizations
- Results in more customized social engineering schemes

Transaction Blocking Options

- On demand, real-time blocks at BIN level
 - State/merchant category code (MCC)
 - State/MCC/dollar amount
 - Countries
 - MCCs
 - Merchant name
 - Card acceptor ID
- Exceptions created to allow cardholder use

Cardholder Controlled Alerts and Blocks

- By transaction type
 - Exceeds set amount
 - Card-not-present
 - International
- Universal on/off switch
 - Block until ready to use
- Suspicious activity alerts
 - Immediate notification upon detection of risky transactions



General Strategies

○ Cardholder education

- Credit push, P2P apps
 - Use only to pay someone you know
 - Enable every possible risk mitigation method offered by the application
- Payment apps and established merchant accounts
 - Monitor closely, even/especially if rarely used
- Choose to pay single message, PIN authenticated when possible

○ Card limits

- “Default” amounts
- Globally, all transactions for one day
- Funds transfer debit (FTD), other specific types of transactions
- Use average ticket size data

Identifying a **Trend**

- 3 or more PANs with similar fraud
- Is it being caught by neural network?
 - If not, test and implement new rule
- Use blocking tools for specific activity
- Run queries to identify common point of purchase
 - Identify other cards at risk



Steps You Can **Take Now**

- Give your team resources needed
 - Time vs technology and outsourcing
- Authorized or unauthorized fraud?
- Expand your consumer education efforts
 - Community outreach
 - Every accountholder touch point available
- Track and analyze your data
- Understand your fraud prevention and detection tools
 - Measure their effectiveness
- Stay abreast of industry innovation





Questions?



Contact Us

Contact Us For Any Need



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Thank You!

