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Card Fraud Costing Issuers \$10.9 Billion Annually, Indicates New LexisNexis Risk Solutions Study

With Credit Cards Accounting For 71% of Losses, Study Authors Anticipate a Rush of Counterfeit Card Fraud as Mag Stripe Window Closes and EMV Takes Hold

LexisNexis Risk Solutions PRNewswire 1 hour ago



ATLANTA, June 8, 2016 /PRNewswire/ -- Today LexisNexis® Risk Solutions released a comprehensive card issuer fraud study, Issuers Confront Application Fraud and Account Takeover in a Post-EMV U.S., that assigns a dollar value to direct losses from card fraud. It also details current modes of fraud and the effects these have on credit, debit, and prepaid card issuers' ability to mitigate card fraud. The study reports that issuers experience \$10.9 billion in direct annual losses to card fraud overall. However, this value is a moving target—the opportunities for fraud become ever more abundant as new services and products, including mobile wallets and digital channels make the payment card ecosystem ever more complex. Finally, the study also looks at ways to manage different types of fraud and account takeovers in today's dynamic post U.S. EMV rollout environment.

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Card fraud is a multibillion-dollar challenge: losses are topped by credit cards, which account for 71 percent (\$7.6 billion, or \$9 per card) of all card fraud, about three times more than fraud from debit cards. Debit accounts for 25 percent of fraud (\$2.7 billion, or \$2.80 per card), while, with a lower relative number of cards in the market, prepaid cards contribute to only \$0.5 billion in fraud losses, though the rate per card was in the middle of the loss-per-card range at \$4.70.

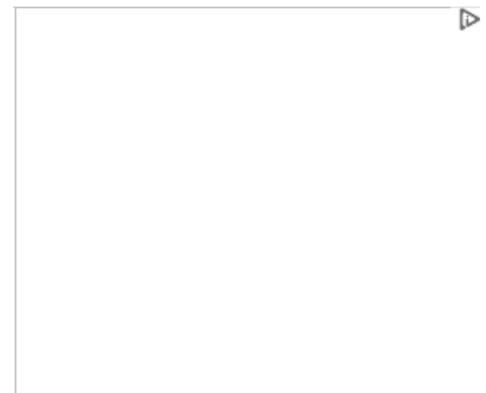
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Notes Kim Little Sutherland, Senior Director of Identity Management at LexisNexis Risk Solutions and study co-author: "EMV chip technology represents the strongest anti-fraud protection at the POS terminal. However, as this new model continues to roll out over the next twelve months in the U.S., issuers expect certain fraud types to increase. Notably, with the window closing on easily replicable magstripe cards, we forecast a shift and bump in identity schemes —characterized by the use of synthetic identities and the misuse of true identities." Card-not-present (CNP) fraud is another significant problem in the U.S., and is expected to increase with or without EMV adoption.

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The study detailed two of the most pernicious types of card fraud, application fraud and account takeover, each of which represents 20 percent of total fraud losses, according to study findings. Fueled by data breaches, counterfeit card fraud is responsible for 16 percent of total losses. The misuse of payment cards that are lost or stolen (28 percent of total fraud losses) and nonreceipt fraud (15 percent of total fraud losses) represent the two schemes still likely to challenge issuers' ability to discern between fraud committed by the cardholder and a fraudster.

The study concludes by looking at ways companies can fight back, both by mitigating fraud and by verifying or authenticating the identity of cardholders. Notes Little Sutherland: "Companies



can prepare for the fraud impact of EMV adoption especially by bolstering their application fraud and account takeover prevention capabilities, enhancing their identity verification platforms, and keeping open lines of communication with affiliates who may have shared fraud threats. Some organizations have made appropriate investments and have advanced programs that work, while others are looking for best practices. It only takes one major loss to feel the impact of a weak, simplistic, ineffective approach."

Access the study results [here](#).

Card Fraud Study Methodology

In June 2015, LexisNexis conducted an online survey of 100 risk and fraud decision-makers and influencers working at U.S. card issuers to better understand fraud encountered by card issuers. Javelin conducted the research. The panel included issuers of all sizes in debit, credit, and prepaid card markets. The overall margin of sampling error is ± 9.75 percentage points at the 95% confidence level; the margin of error is larger for subset respondents. Overall fraud loss data were weighted for number of cards issued of each type (credit, debit/prepaid), according to the industry distribution as recorded in the Nilson Report. Executive qualitative interviews also were conducted with financial institutions to obtain their perspectives on card fraud.

About LexisNexis® Risk Solutions

LexisNexis® Risk Solutions (<http://www.lexisnexis.com/risk/>) is a leader in providing essential information that helps customers across all industries and government assess, predict and manage risk. Combining cutting-edge technology, unique data and advanced analytics, LexisNexis Risk Solutions provides products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of RELX Group plc, a world-leading provider of information solutions for professional customers across industries.

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