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US bears the brunt of global card fraud losses

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The importance of an EMV-compliant infrastructure to stem losses from card fraud has been demonstrated by new figures from The Nilson Report, which show that the US accounted for 48.2% or \$7.86 billion of gross losses worldwide on plastic cards last year while generating only 21.4% or \$6.187 trillion of total volume.

Fraud losses incurred by banks and merchants on all credit, debit, and prepaid general purpose and private label payment cards issued worldwide reached \$16.31 billion last year when global card volume totaled \$28.844 trillion. This means that for every \$100 in volume, 5.65¢ was fraudulent.

In the US, which is edging toward the introduction of the global chip card standard, fraud losses equaled 12.75¢ for every \$100 in total volume last year. Fraud in all other regions combined was only 3.73¢ per \$100.

“Multiple factors contributed to that gap,” says David Robertson, publisher of The Nilson Report. “Nothing mattered more than the lack of an EMV-compliant infrastructure.”

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EMV technology provides protection against losses from counterfeit cards, which accounted for 49% of all card fraud losses worldwide last year. US issuers were slammed by losses due to counterfeiting, fueled by data centre breaches that made available tens of millions of stolen card account numbers as well as personal cardholder identification information. US issuer losses due to counterfeiting of \$3.89 billion last year accounted for 23.9% of all global fraud losses.

Europe's issuers were also hit because criminals skimmed the magnetic stripes from the backs of cards to generate fraud on counterfeit cards they created for use at US merchants, says The Report.

Of the total \$16.31 billion lost to fraud last year, card issuers worldwide absorbed 62%. Merchants accounted for the other 38%. In the US, card issuers lost \$4.91 billion and merchants lost \$2.95 billion before other costs are factored in.

The introduction of EMV, while stemming losses from counterfeit fraud, will likely lead to a surge in card-not-present fraudulent transactions over the telephone and on the Web. For 2015 through 2020, Nilson is forecasting a continued surge in losses to \$183.29 billion. In 2020, global card fraud will likely exceed \$35.54 billion, says the company.

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Comments: (3)



Bill Trueman - Riskskill.com - London | 05 August, 2015, 11:42

Absolutely no rocket-science here! Around the rest of the world, and especially in Europe, we have been seeing the fraud problem migrate to the USA over the last 3-4 years. Indeed, the gap will be much greater this year and next year:

- a) Prior to the implementation and roll-out of EMV
- b) Whilst the issuers start to understand the parameters and settings and rules that will best help them.
- c) Whilst the POS equipment is adapted / adopted
- d) Because there is still an ongoing battle on how to properly implement EMV - i.e. with SIGNATURE or PIN - if things are progressed with PIN - things will stabilise much quicker, if with SIGNATURE, then the gap will close a little and then widen as crooks understand the nuances on how to defeat the process. And equally, many will herald EMV as a failure, when the failure will only be in the thinking behind the implementation.

We are already seeing and 'picking-up the pieces' with the advice that we give to help correct poor assumptions and processes and parameters that help the savvy fraudster.

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John Walker - IBM - Chicago | 05 August, 2015, 13:43

Finextra reported recently that card not present fraud in the SEPA region had in fact increased "Card fraud rises across Europe - ECB" 22 July

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Ketharaman Swaminathan - GTM360 Marketing Solutions - Pune | 05

August, 2015, 14:22

Let me repeat my comment from a previous post titled [Card fraud rises across Europe - ECB](#):

Does anyone how much extra revenues merchants gained by not being overzealous about security, causing too much friction and suffering from shopping cart abandonment?

[Mitigating Fraud Does Not Pay The Bills](#)

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