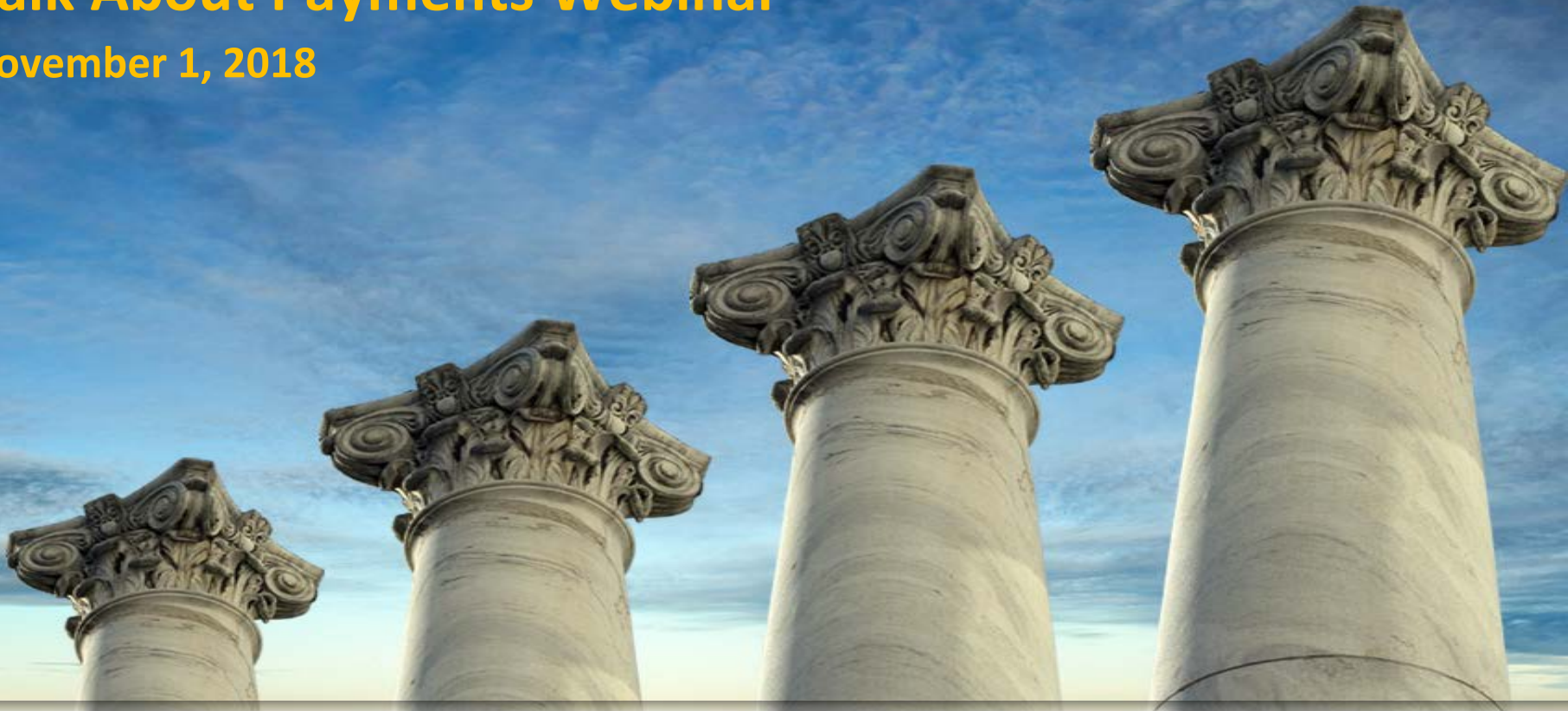


Changes in U.S. Payments Fraud 2012–2016

Talk About Payments Webinar

November 1, 2018



Federal Reserve Payments Study

Federal Reserve System



CHANGES IN U.S. PAYMENTS FRAUD FROM 2012 TO 2016

Evidence from the Federal Reserve Payments Study

Views expressed in this presentation are those of the presenters and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta, the Federal Reserve System, or its staff.

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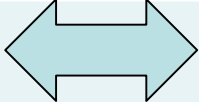
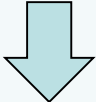
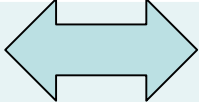


Claire Greene

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Federal Reserve Bank of Atlanta

Today's conversation

- Data, environment & scope
 - 2012–15 noncash payments fraud
 - Rates
 - Distribution by type
 - PIN use and fraud
 - 2015–16 card fraud
 - Methods of fraud
 - Mix by debit and credit
 - Mix by location
 - Mix by chip and no-chip
- 
- 

Just a taste: Key findings

2012–15	Rates of payments fraud, number & value, increase	
	Card fraud by value increases <ul style="list-style-type: none"> • <math>< 2/10</math> of 1 percent of card payments • Increased from $\approx 2/3$ to $>3/4$ of all 	
	ACH fraud rates stable	
	Check fraud, value & rate, declines	
2015–16	Rate of card fraud by value stable	
	In-person counterfeit card fraud declines	
	Remote card fraud increases	
	Credit card fraud rates remained higher than debit rates	

FRAMEWORK

A framework for looking at noncash payments fraud

Why study payments fraud?

- Payments are vital to U.S. economy
- Measurement aids understanding
- Data informs efforts to improve infrastructure
-

Prevent

Detect

Mitigate

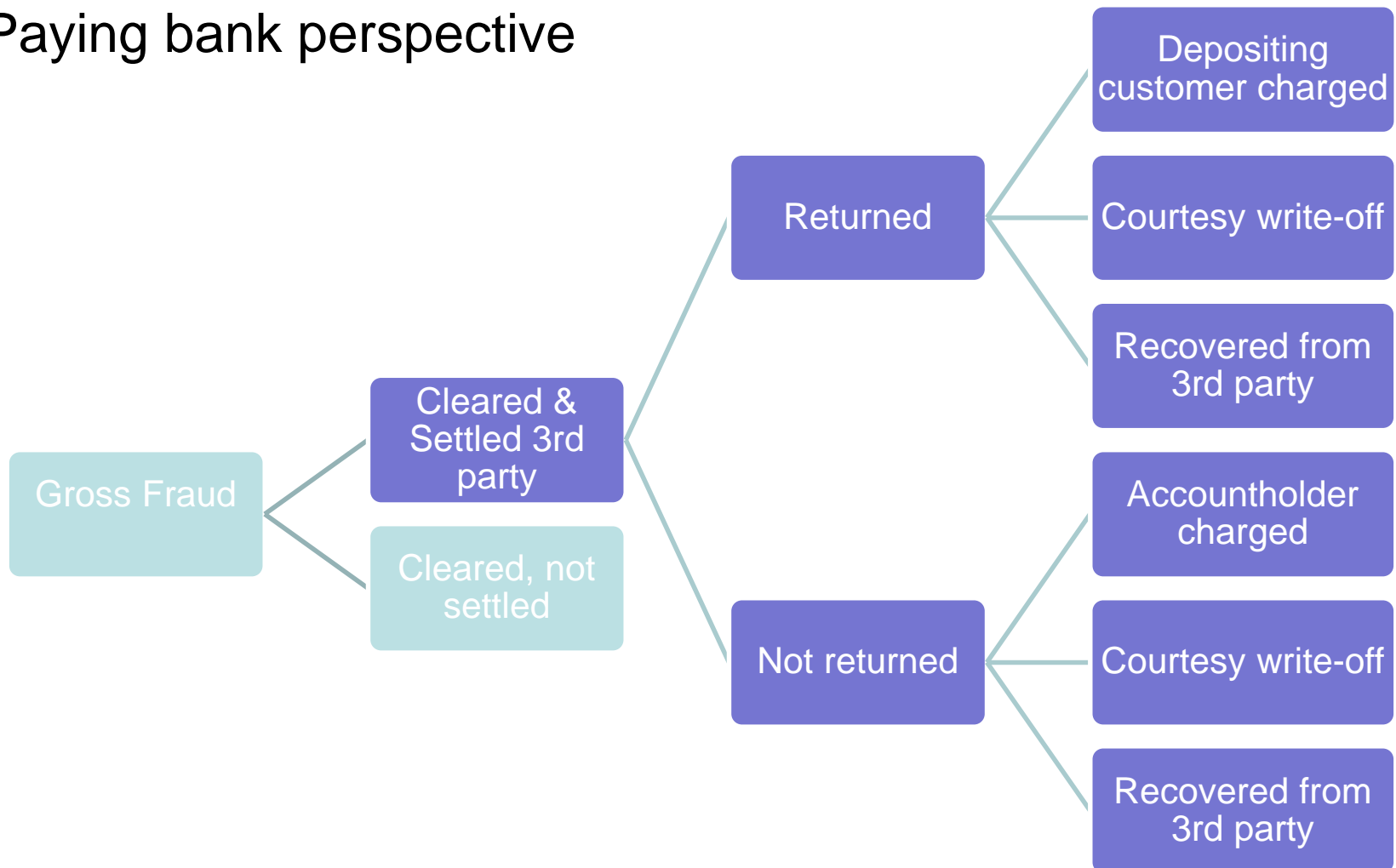
Federal Reserve Payments Study

Estimates of total number and value of all U.S. noncash payments

Noncash payment instruments	Economic actors	Respondents
Cards <ul style="list-style-type: none"> • Credit • Non-prepaid debit • Prepaid debit ACH <ul style="list-style-type: none"> • Originated • Received Checks Wires	<ul style="list-style-type: none"> • Government • Business • Consumer 	<ul style="list-style-type: none"> • Banks • Savings institutions • Credit unions • Card <ul style="list-style-type: none"> • Networks • Processors • Issuers

Third-party payments fraud defined

Paying bank perspective

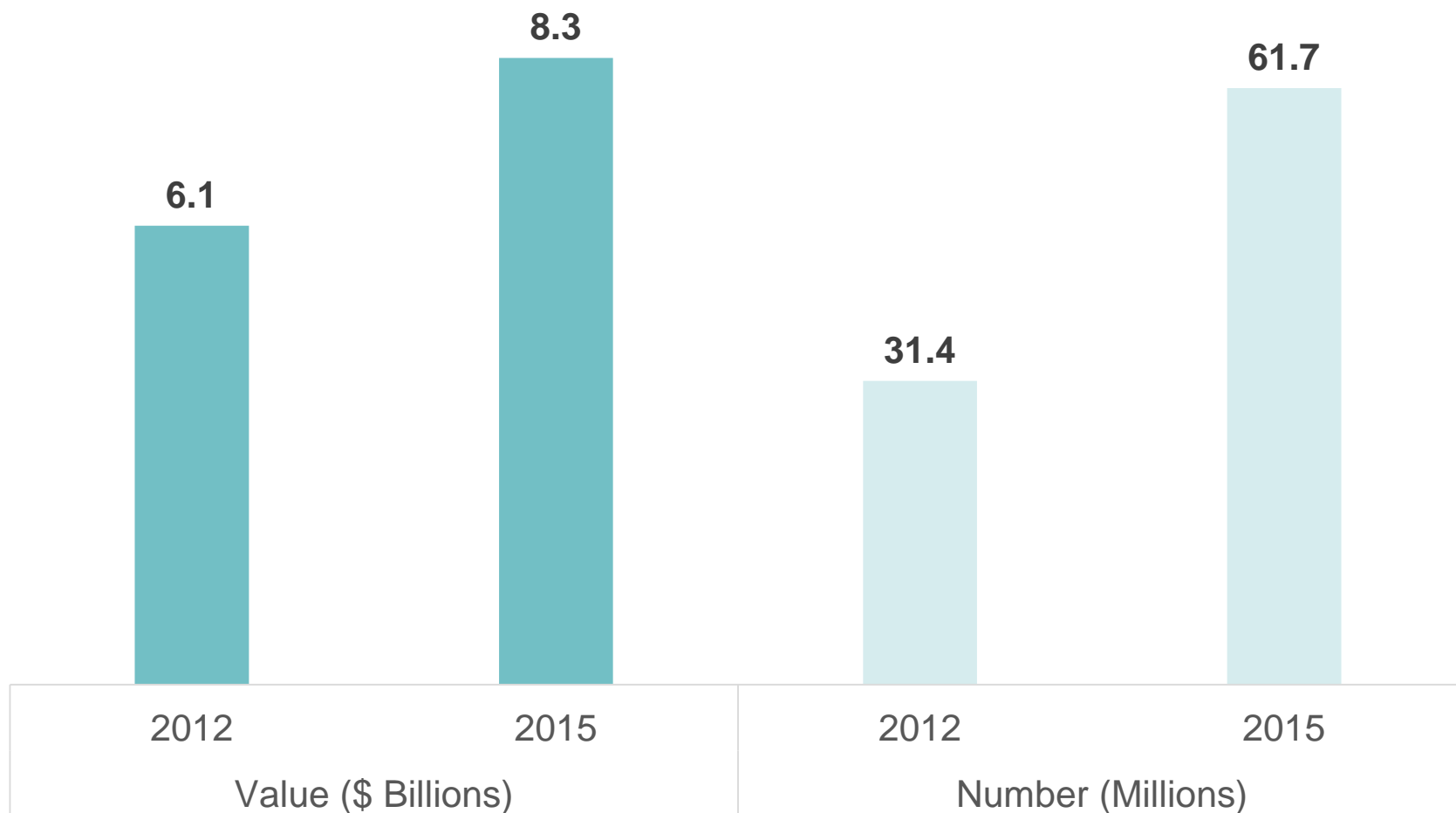


Source: Federal Reserve Payments Study.

2012–2015 NONCASH PAYMENTS FRAUD

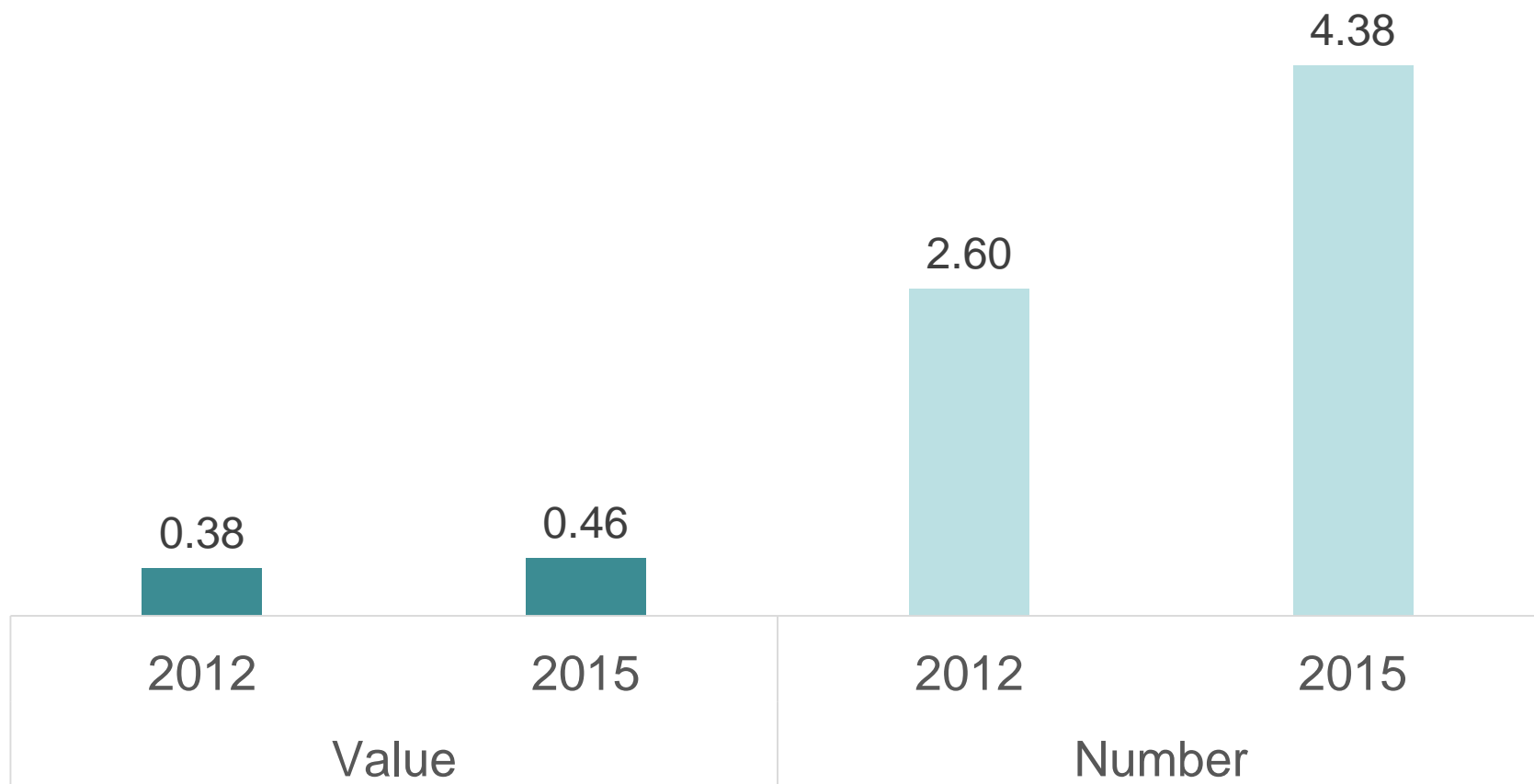
Depository institution survey

Fraud increased by value & number



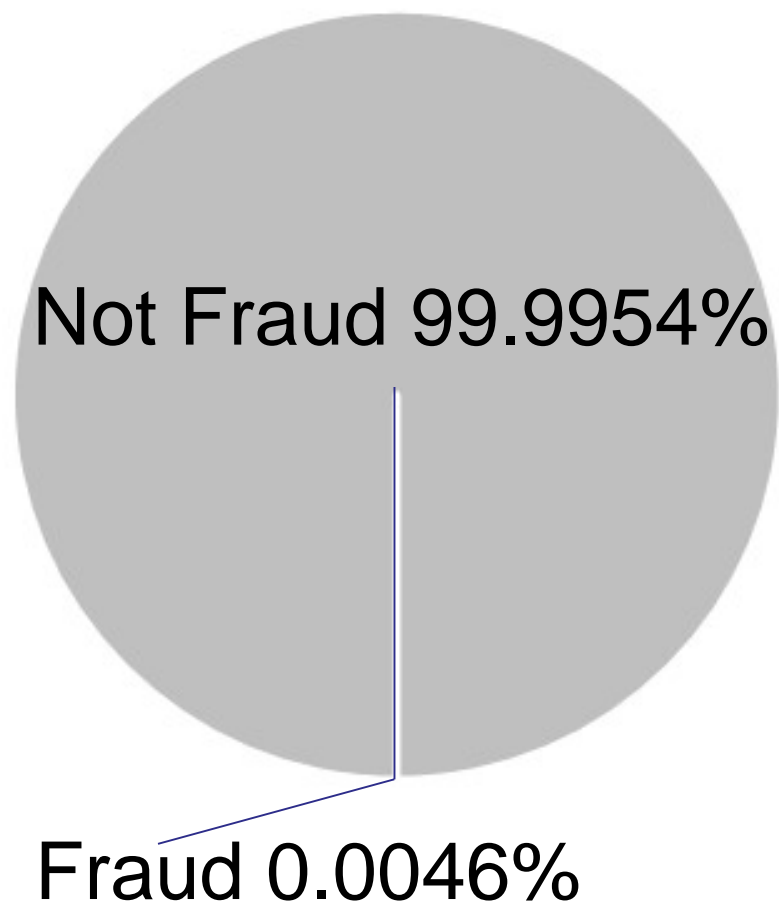
Fraud rates increased 2012–15

Payments fraud rates (basis points)



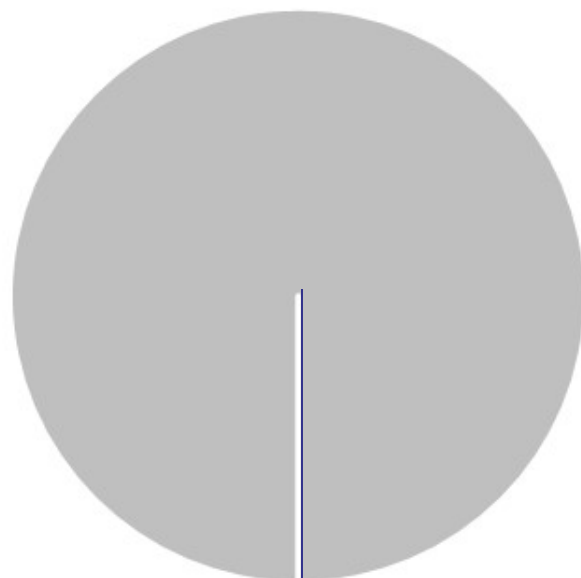
A basis point is 1/100 of 1 percent. Source: Federal Reserve Payments Study.

Fraud a small fraction of payments value



- 46¢ for every \$10,000 in payments in 2015
- <math><1/200</math> of 1% of all noncash payments by value

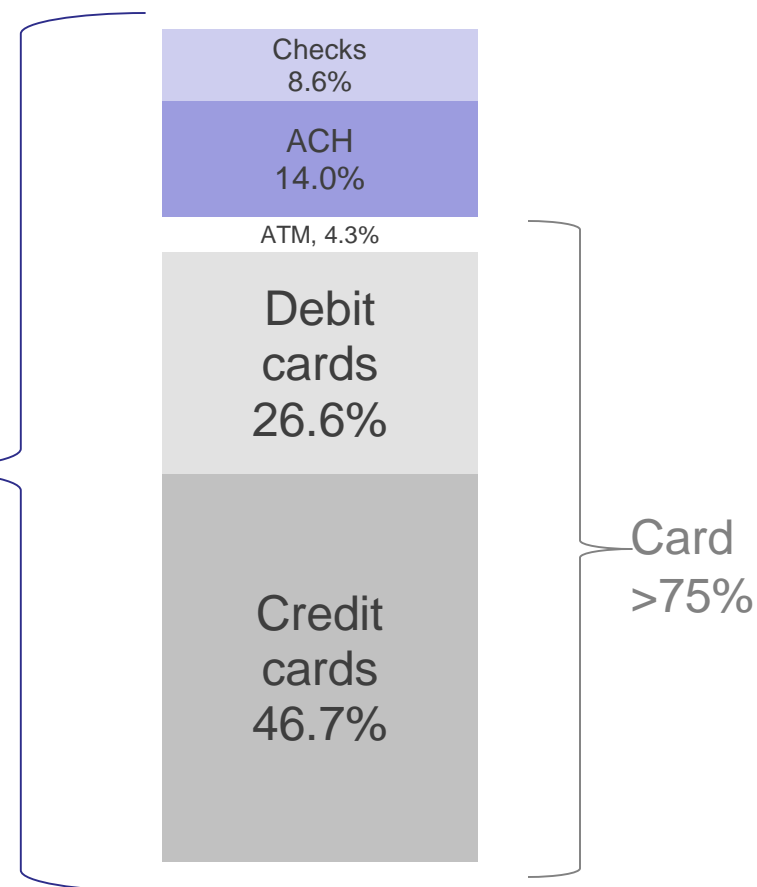
Most payments fraud is by card



Value share of payments fraud 0.0046%

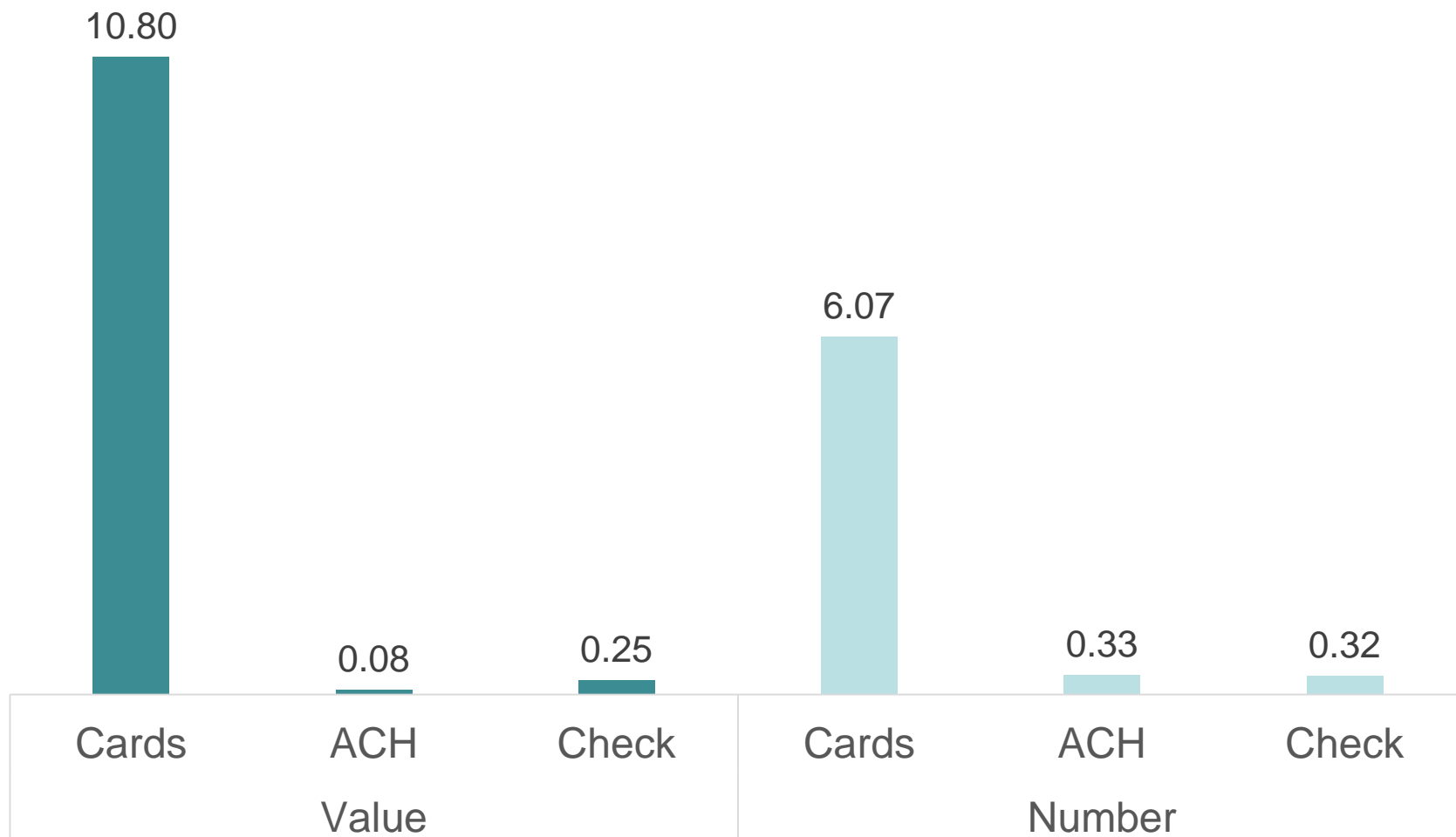
- Card fraud by value: 77.5%
- Card fraud by number: 97.8%

Fraudulent payments Shares by value, 2015



Source: Federal Reserve Payments Study.

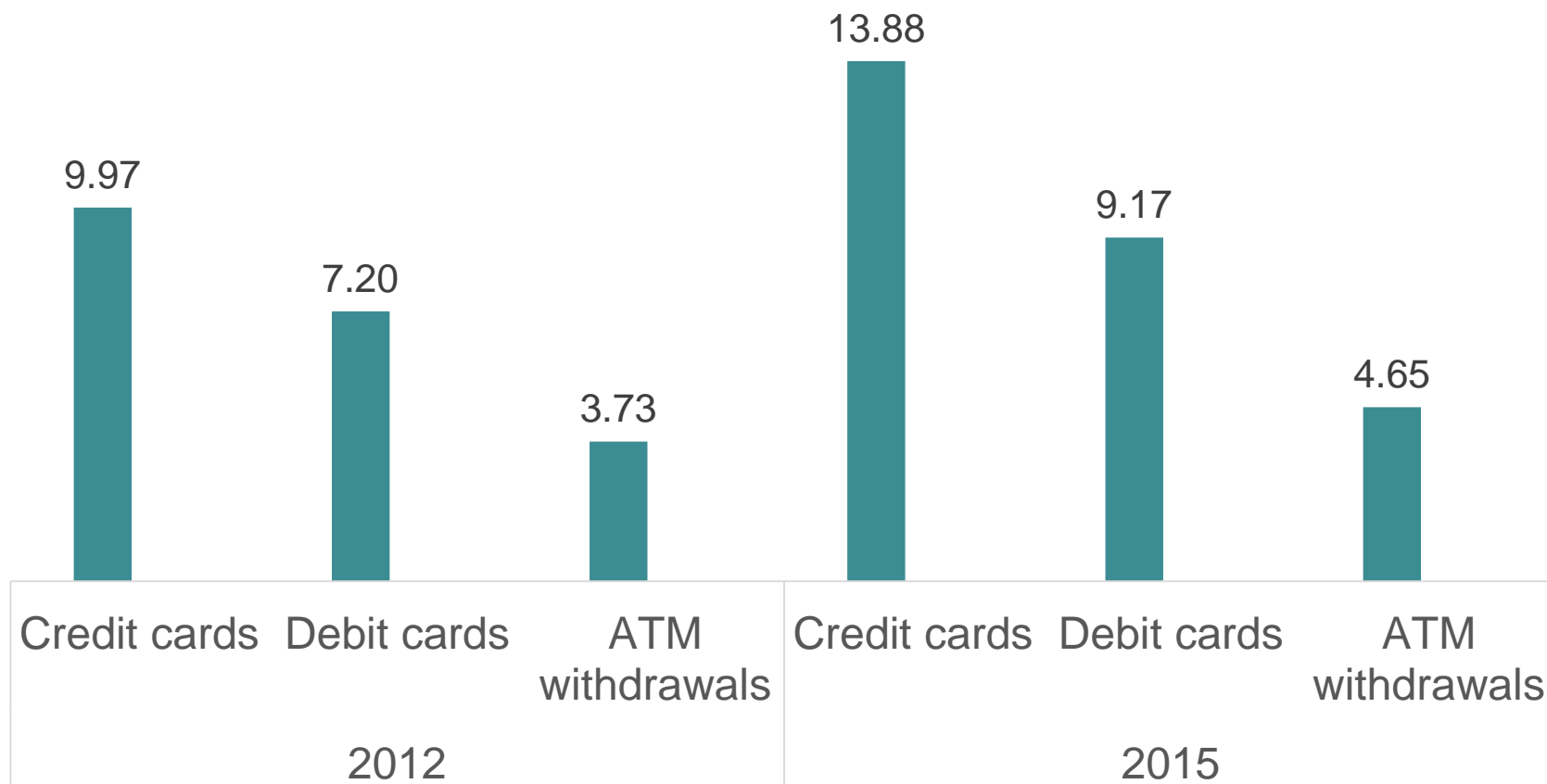
Card fraud rates exceed ACH, check



Rates of fraud 2015 (basis points). Note: A basis point is 1/100 of 1 percent. Source: Federal Reserve Payments Study.

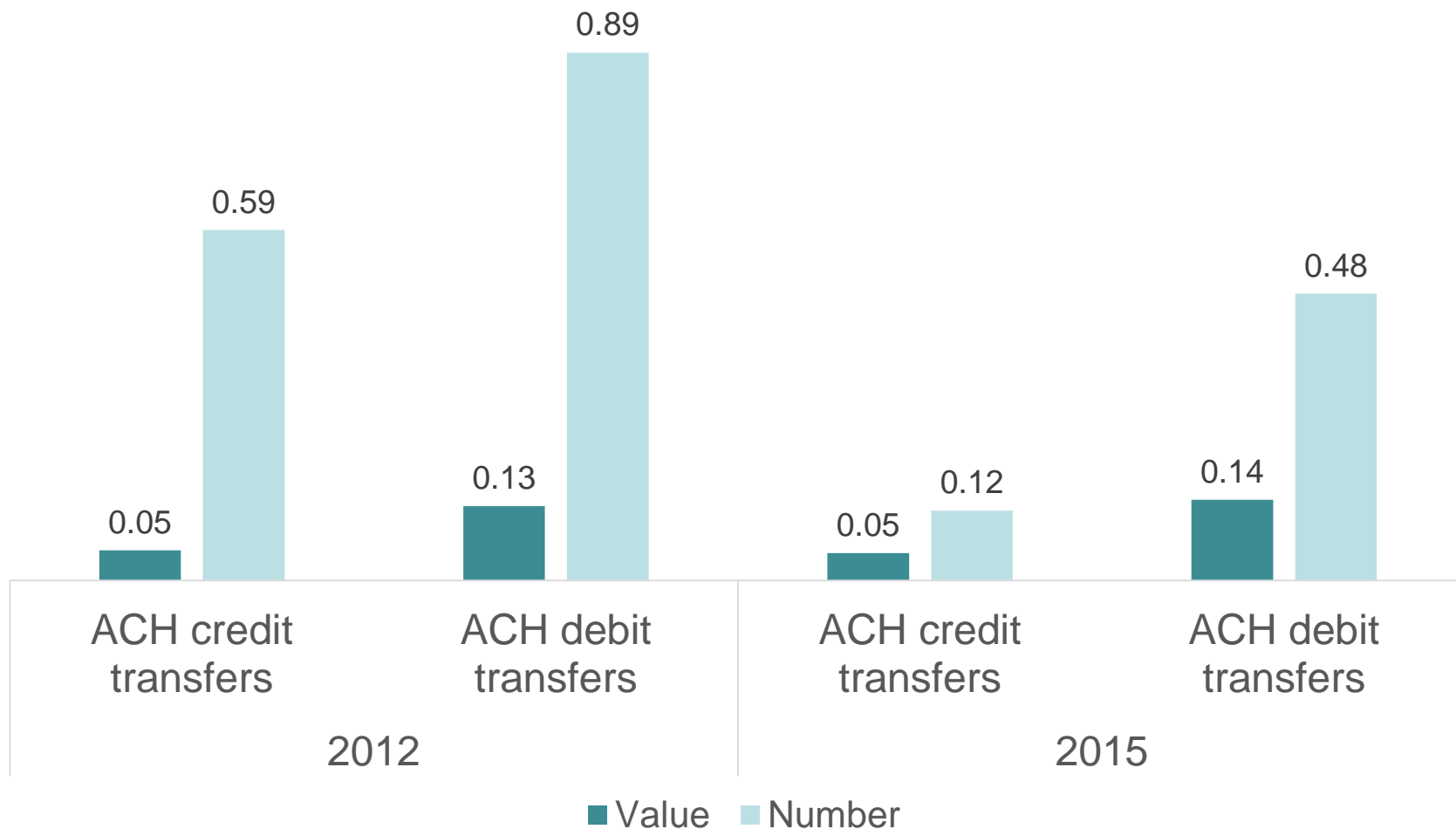
Of cards, credit fraud rates highest, increased most rapidly

Rate of payments fraud from credit card payments, debit card payments, and ATM withdrawals, by value, 2012 and 2015 (basis points)



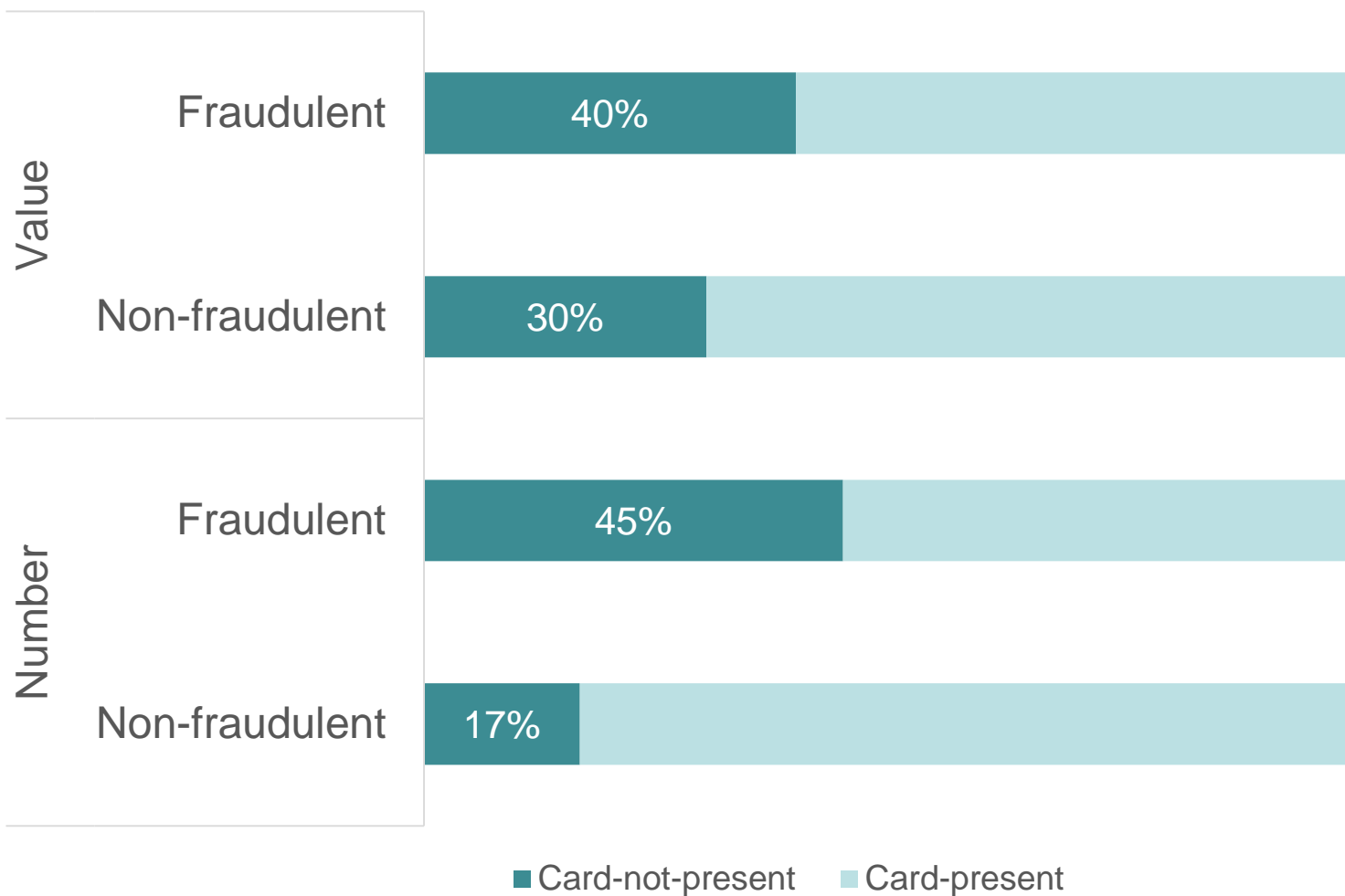
Rates of fraud by value (basis points). Note: A basis point is 1/100 of 1 percent. Source: Federal Reserve Payments Study.

ACH rates low and (relatively) stable



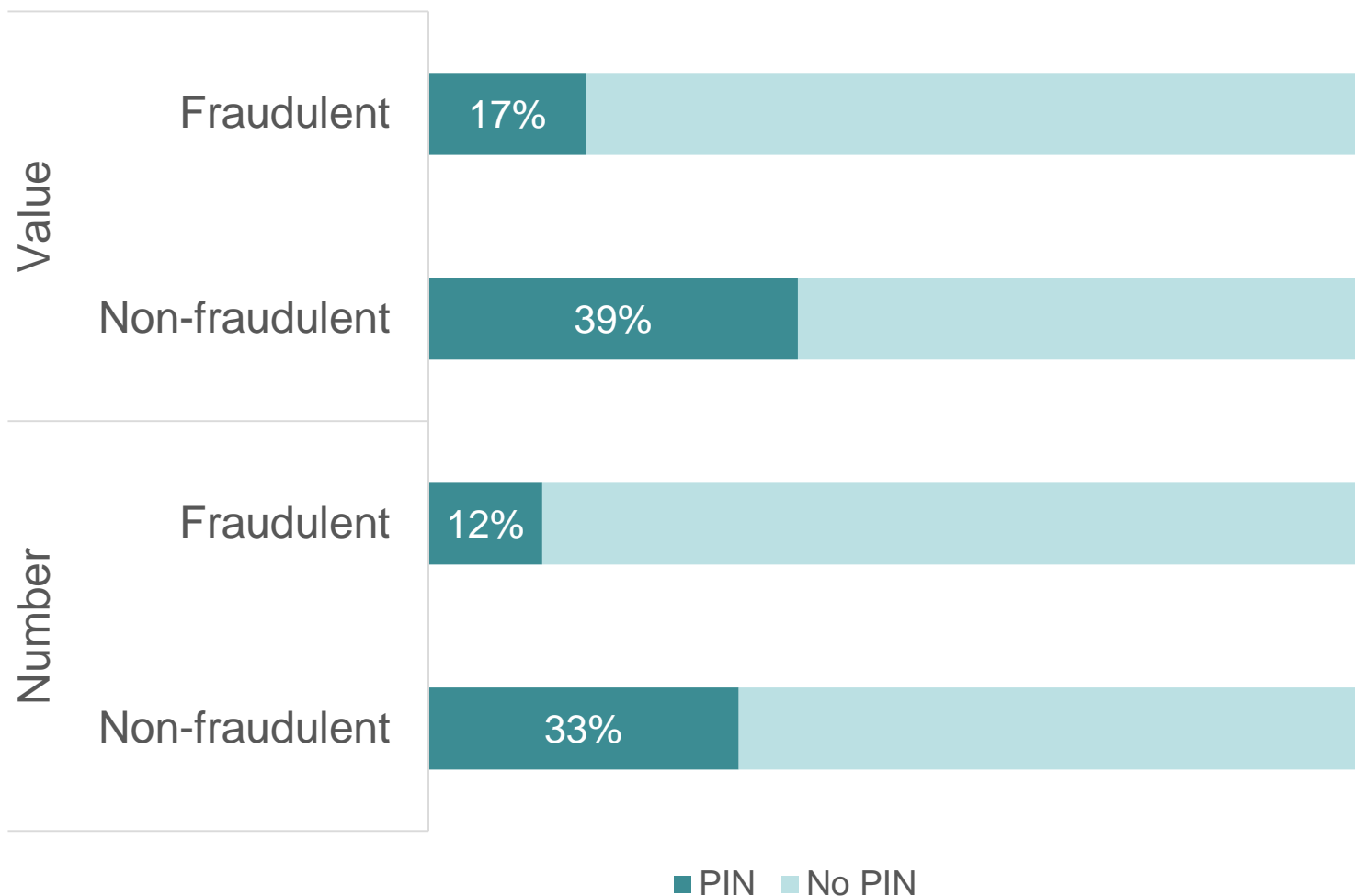
Rates of fraud (basis points). Note: A basis point is 1/100 of 1 percent. Source: Federal Reserve Payments Study.

CNP more prone to fraud



Distribution of fraudulent and non-fraudulent card-present and card-not-present payments, 2015.
Source: Federal Reserve Payments Study.

PIN helps protect against fraud



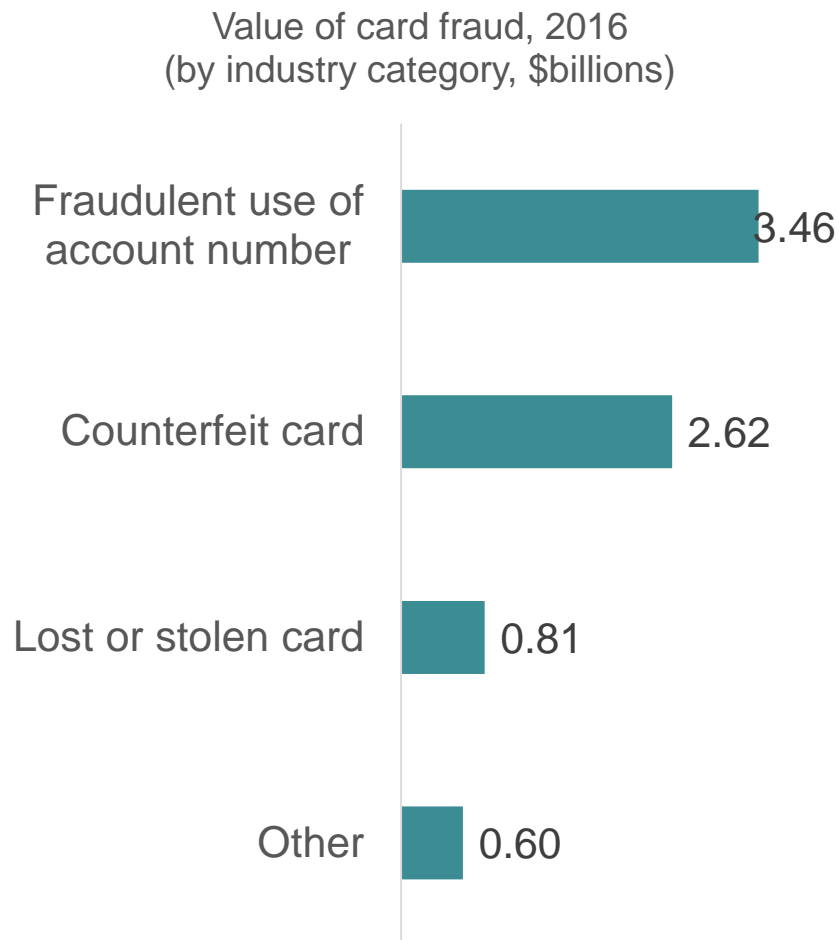
Distribution of fraudulent and non-fraudulent card-present payments, 2015. Source: Federal Reserve Payments Study.

2015–2016 CARD PAYMENTS FRAUD

Card network survey

Card fraud methods realign, 2015–16

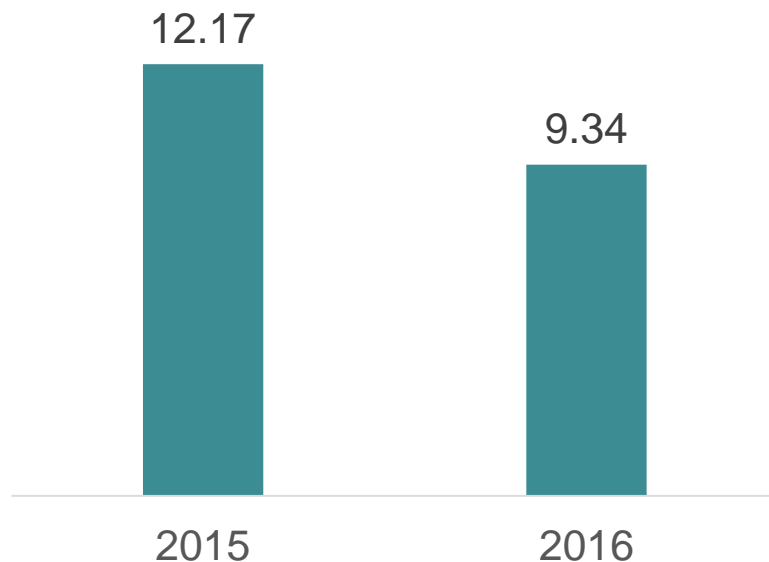
- By value
 - Counterfeit most common in 2015
 - Account number fraud most common in 2016
- Counterfeit declined
- Account number fraud increased



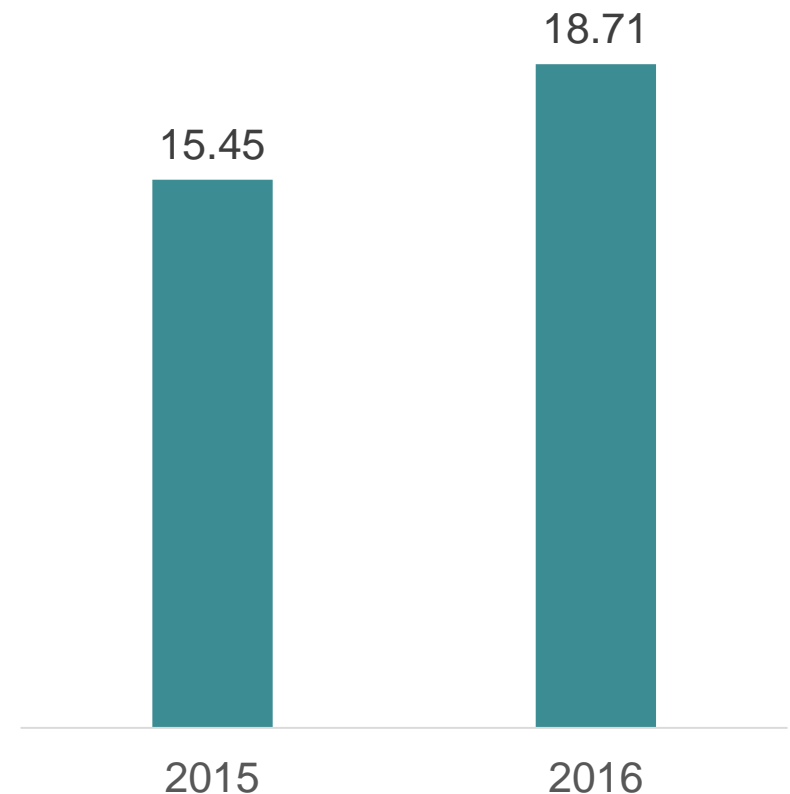
Source: Federal Reserve Payments Study.

Underlying fraud channel mix alters

In-person fraud \$ rate decreased

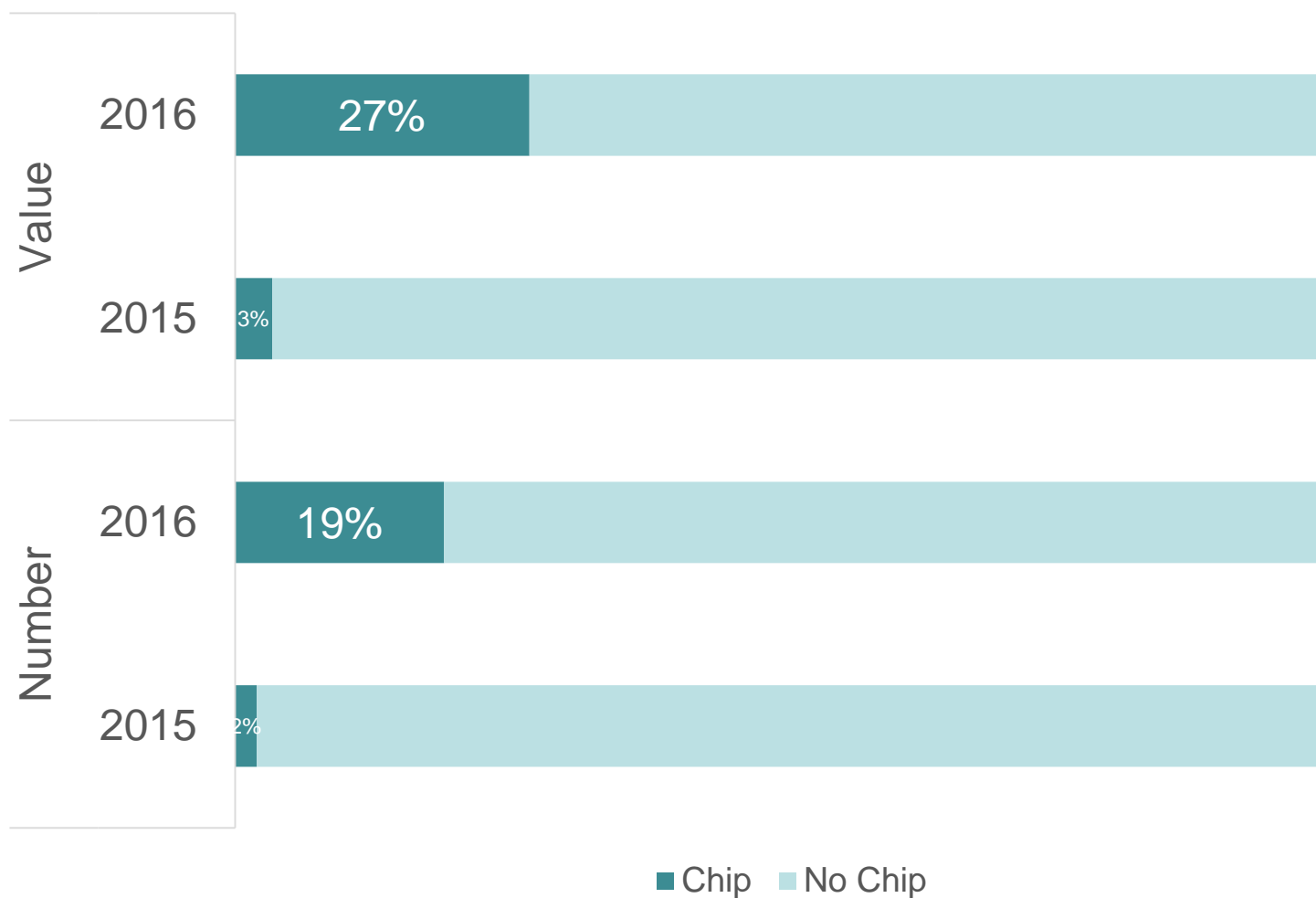


Remote fraud \$ rate increased



Rates of fraud (basis points). Note: A basis point is 1/100 of 1 percent. Source: Federal Reserve Payments Study.

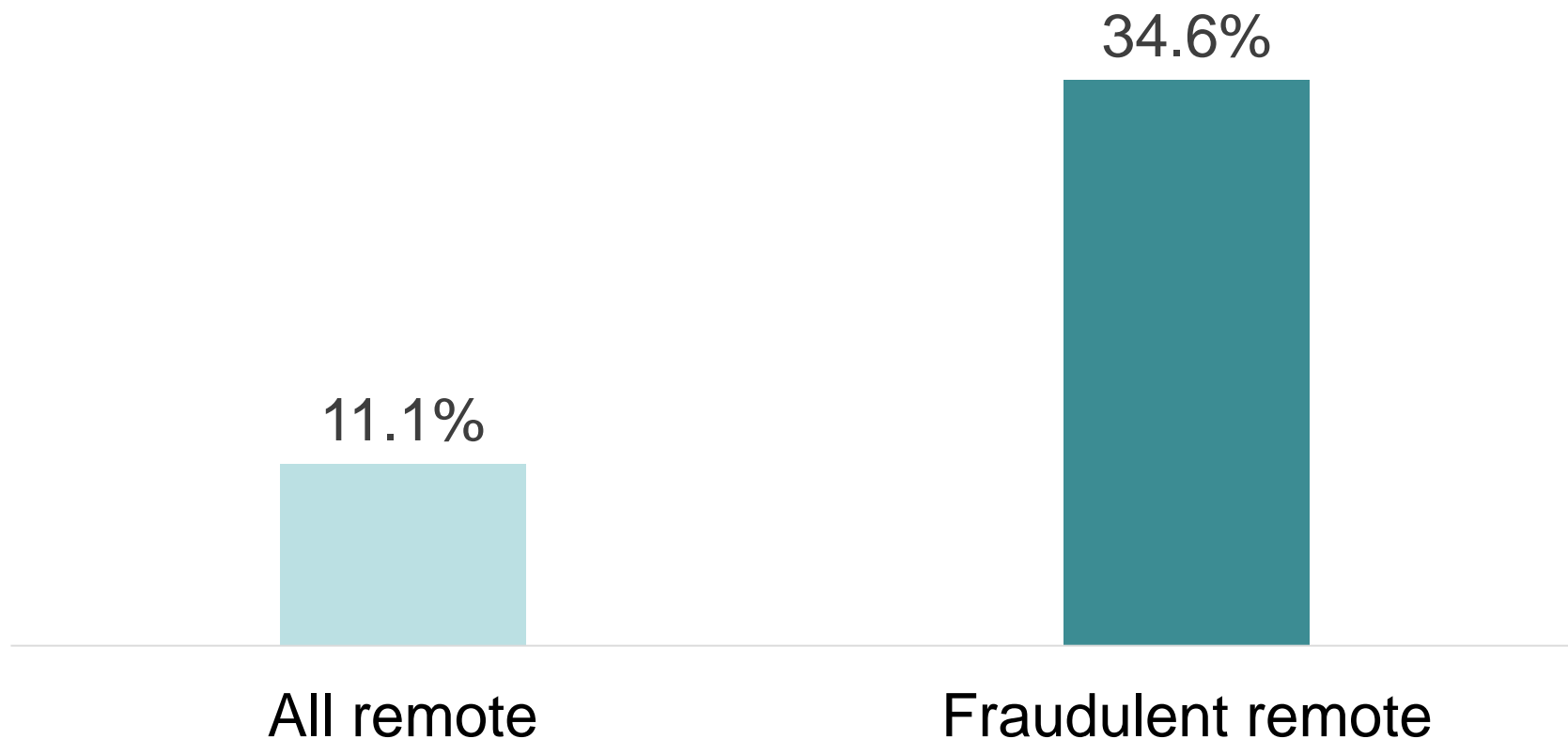
Sharp increase in chip use at POS



Source: Federal Reserve Payments Study.

Remote card channel increasingly popular overall—especially for payments fraud

2015–16 percentage change in value, remote card payments



Source: Federal Reserve Payments Study.

DISCUSSION

Questions & comments

Questions & Discussion

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Reports & Data

<https://www.federalreserve.gov/paymentsystems/fr-payments-study.htm>

For more information

Nancy.Donahue@atl.frb.org

Resources

- [Federal Reserve Payments Study](#)
- [Survey of Consumer Payment Choice](#)
- [Diary of Consumer Payment Choice](#)

- [Survey of Consumer Finances](#)
- [Survey of Household Economics and Decisionmaking](#)
- [Survey of Consumer Expectations](#)
- [Consumers & Mobile Financial Services](#)

- Blog: [Take On Payments](#) every Monday