

Annual Statistical Report on Frauds by Payment Cards *Executive Summary (English)*



MINISTERO DELL'ECONOMIA E DELLE FINANZE





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Updated with data related annuality 2015



The Annual Statistical Report analyses the phenomena, under multiple aspects, of payment card frauds, ATM tampering and contracts POS cancellations. Payment card frauds (unrecognised transactions) refer to frauds via payment cards issued in Italy and utilised everywhere.

Unrecognised transactions

In 2015, relatively to cards issued in Italy, unrecognised transactions (frauds) decreased versus the total number of genuine payments, both in value (from 0.0189% to 0.0173%) and number (from 0.0131% to 0.0112%), while the total amount of genuine payments increased both in value (8%) and number (10%)¹.

Frauds decreased by 1% in value and by 6% in number, respectively, revealing an increase in the average value of single transactions (from €151 to €159). Versus the decrease recorded over the past two years, this reverse phenomenon could result from partial reabsorption of fraudulent transactions parceling.

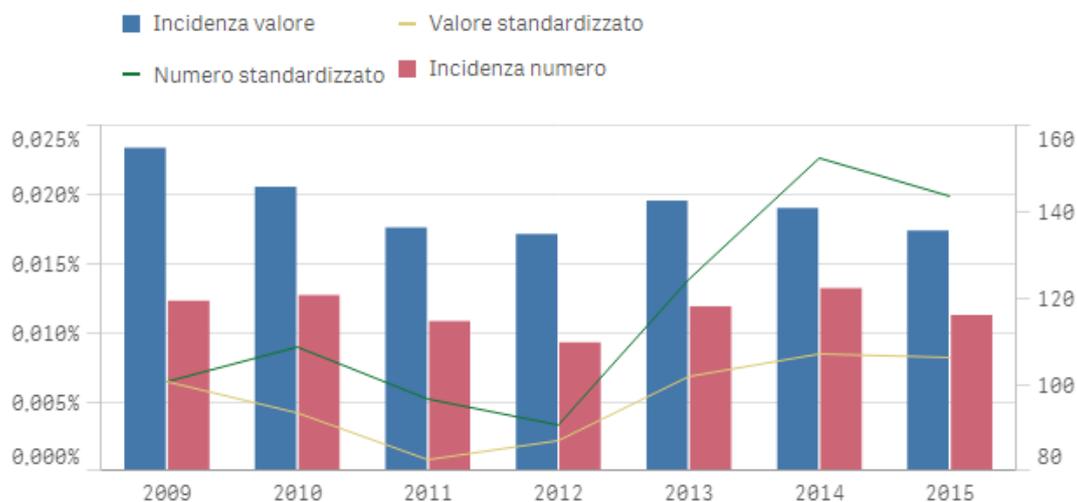


Figure 1: Incidence and frauds in value and number – Historical series.

Value Incidence: Unrecognised transactions' value via cards issued in Italy divided by all Genuine Transactions Value via cards issued in Italy.

Number Incidence: Unrecognised transactions number via cards issued in Italy divided by all Genuine Transactions Number via cards issued in Italy.

Value Standardisation: Unrecognised transactions' value via cards issued in Italy in the reference year divided by the 2009 value – i.e., 100 indicates a value equalling 2009, 110 indicates a 10% increase over 2009.

Number Standardisation: Number of unrecognised transactions via cards issued in Italy in the reference year divided by the number recorded in 2009 – i.e., 100 indicates a number equalling 2009, while 110 indicates a 10% increase over 2009.

The analysis of the 2009-2015 historical series indicates the phenomenon is substantially under control both in value and number of transactions. In particular, the value incidence confirmed a decrease for the second consecutive year, unlike in other major European Countries.

As far as fraud incidence via payments channels is concerned, Internet has recorded an increasing trend, while POS and ATM withdrawals have been decreasing. However, Internet's increase is lower than over the last two years.

¹ From 2009 to 2015, overall genuine payments, both in value and number, increased no-stop, thus demonstrating an increasing use of payment instruments as an alternative to cash. In this period, the increase was equal to 56% in number and 42% in value, respectively.

Internet

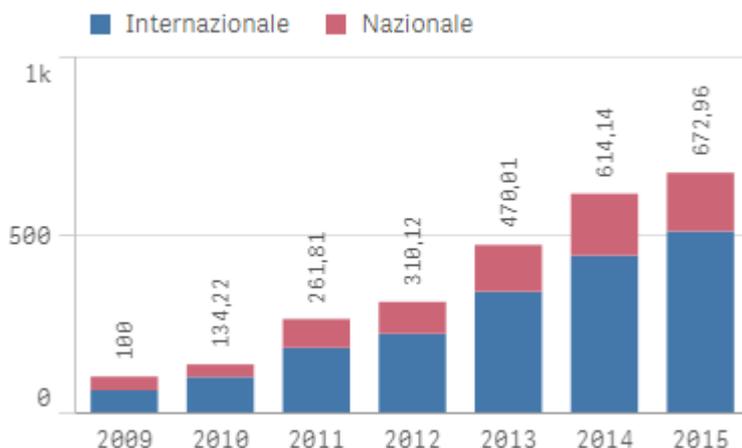
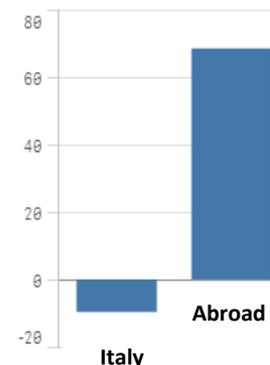


Figure 2: Standardised number of Internet frauds – Abroad/Italy

Through the Internet, frauds increased both in value incidence (+5.1%) and unrecognised transactions value (+9.6%). Conversely, the number incidence dropped by 4.3% – the decreasing trend was recorded notably abroad².

For the first time since 2009 (survey set-up), Internet fraud value decreased in Italy, largely due to frauds decreasing in the *Betting/Casino Gambling* category (analysed in depth in the previous Report).



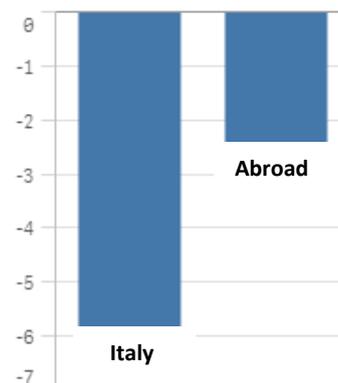
The increase proves very remarkable abroad, mainly within the *General Retail* category (notably clothing purchases). The three Countries most affected by such increase are European (UK, France, Luxembourg); the fourth is China, ranked, for the second consecutive year, among major Countries where frauds are perpetrated.

POS

The POS channel records fraud decrease in all respects, both in incidence and amount, and in value and number.

The broke-down between Italy and Abroad is extremely relevant: higher increase is recorded in Italy than abroad. Such difference decreases if data are analysed in terms of number (-15% vs. -17%). The average amount increases Abroad, while decreasing in Italy.

Italy – In terms of category, the top decrease is identified within the *General Retail* category, in particular large retailers and clothing.



This phenomenon mainly decreases in Lombardy and Campania Regions.

Abroad – The decrease is concentrated in the Travels category, notably in France and Ireland.

It is worth mentioning the USA context, where POS frauds are more relevant and usually concentrated in the *General Retail* category. In 2015, POS frauds kept increasing in the *General Retail* category in the USA.

ATM withdrawals

Frauds carried out via ATM withdrawals recorded a decrease trend also in 2015, as in previous years. The decrease is lower in terms of value (incidence: -9%; frauds: -8%) than number (incidence: -25%; frauds: -2%).

Abroad, where the phenomenon is concentrated in the USA, a -32% decrease in fraudulent withdrawals is recorded.

² Abroad: Set of all world Countries excluding Italy.

ATM Tampering

ATM tampering, which attained its all-time lowest level in 2014, grew by 15% both in incidence and number. However, such trend is to be ascribed to changes in the survey system, which as from this year also collects data on *Poste Italiane* ATM tampering. In the absence of such data, the phenomenon would have sensibly decreased.

The most relevant increase was recorded in Italy's northern Regions (notably Tuscany) – only in north-western Regions such increase is very modest (+1.3%). The increasing trend is relevant also in the Marche Region, which ranks second in terms of incidence after the Piedmont Region.

The most widespread typology of ATM tampering is linked to skimmer placing, which tripled during the reference year.

POS contract cancellations

POS contract cancellations strongly decreased in Italy – i.e., –26% in incidence and –31% in number, respectively. All the Regions intensely affected by the phenomenon recorded a significant decrease in terms of number – i.e., Lazio: –42%; Campania: –22%; and Emilia Romagna: –9%. The phenomenon increased only in those Regions (e.g. Umbria and Marche) where it was substantially irrelevant in 2014.