



**WEBINAR**

# THE MANY FACES OF FRAUD

**MARCH 23<sup>RD</sup>**

# Your Speakers Today

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**Marco Conte – Moderator**

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**ACCERTIFY**



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Vice President, Marketing &  
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**ACCERTIFY**

# The Many Faces of Fraud

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## AGENDA

About Accertify

Evolution of Fraud:

- Pre-Pandemic Trends
- Post-Pandemic Trends
- Fraud Predictions

Q&A

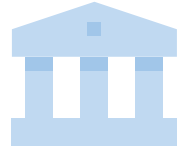
# Accertify

AN AMERICAN EXPRESS COMPANY



We Secure \$1T of transactions  
**ANNUALLY**

Accertify protects over 40% of the world's largest e-commerce companies<sup>1</sup> and 6 of the largest global airlines.<sup>2</sup>



We Service TOP  
**FIs**

Accertify provides fraud and digital identity protection to many of the largest financial institutions.<sup>3</sup>



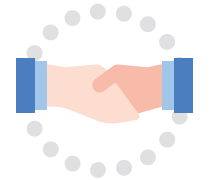
AMERICAN  
**EXPRESS**

Accertify is a wholly owned subsidiary of American Express and is able to leverage extensive knowledge and best practices from a large risk team.



GLOBAL  
**TEAM**

Whether you do business in a certain region or across the globe, Accertify's global team is ready to support you.



TRUSTED  
**PARTNER**

When tackling digital risk, it's important that you work with a partner who has powerful backing and been in the business for over a decade.



<sup>1</sup> Based on Accertify clients annual transaction volume.

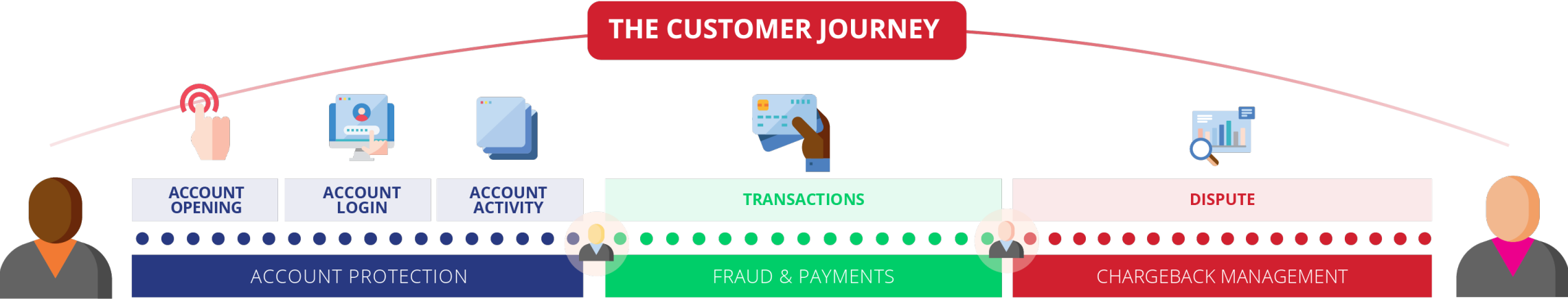
<sup>2</sup> Accertify airline client base in relation to total airline marketplace revenue.

<sup>3</sup> Based on Accertify (and InAuth) client base in relation to banks' marketplace revenue.



# Pre-Pandemic Fraud

# Fraud starting to evolve across customer journey

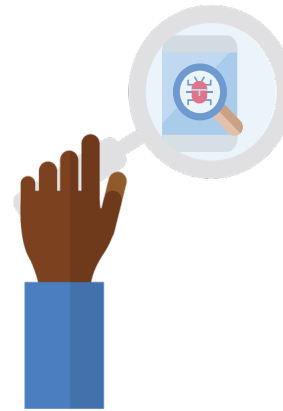


# Increasing digitization makes it harder and harder to identify all devices and creates points of weakness



**>22Bn connected devices**

Today's consumers are more vulnerable and exposed to an increase in cyber fraud<sup>1</sup>



**>482k**

new Android malware samples per month<sup>2</sup>



**42%**

of mobile users update their devices as soon as an update is available - which can make good customers look like brand new users<sup>3</sup>

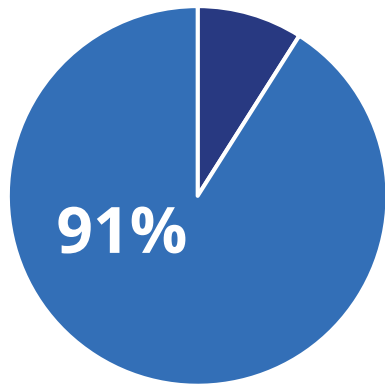
Sources:

1. <https://www.businesswire.com/news/home/20190516005700/en/Strategy-Analytics-Internet-of-Things-Now-Numbers-22-Billion-Devices-But-Where-Is-The-Revenue>
2. <https://www.statista.com/statistics/680705/global-android-malware-volume/>
3. <https://www.kaspersky.com/blog/device-updates-report/>

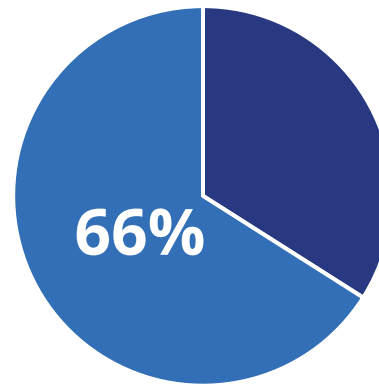
# Weak passwords are the source of Account Takeover fraud & Identity Theft

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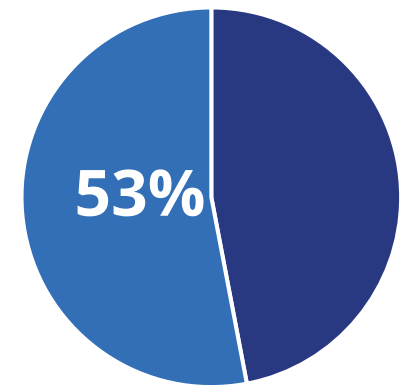
Aware of password reuse risk



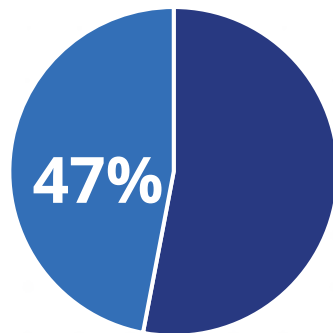
Choose to reuse passwords anyway



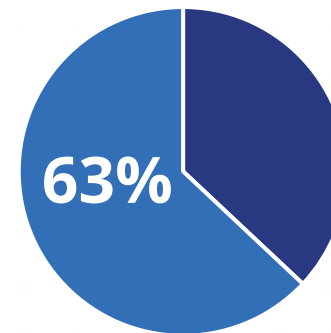
Have not recently changed password



Used the same password for personal and work accounts

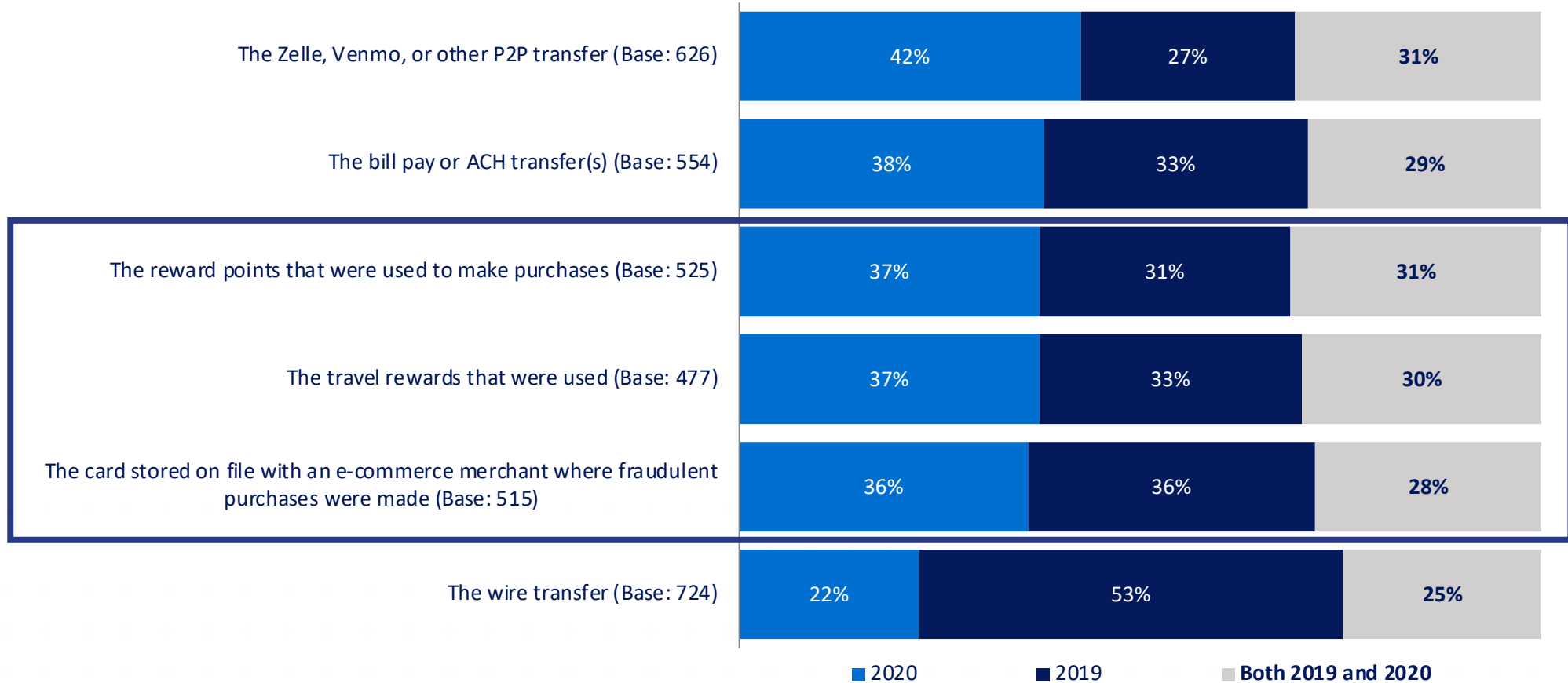


Millennials use the same password, citing a fear of forgetting





# Account Takeover attacks reported by consumers

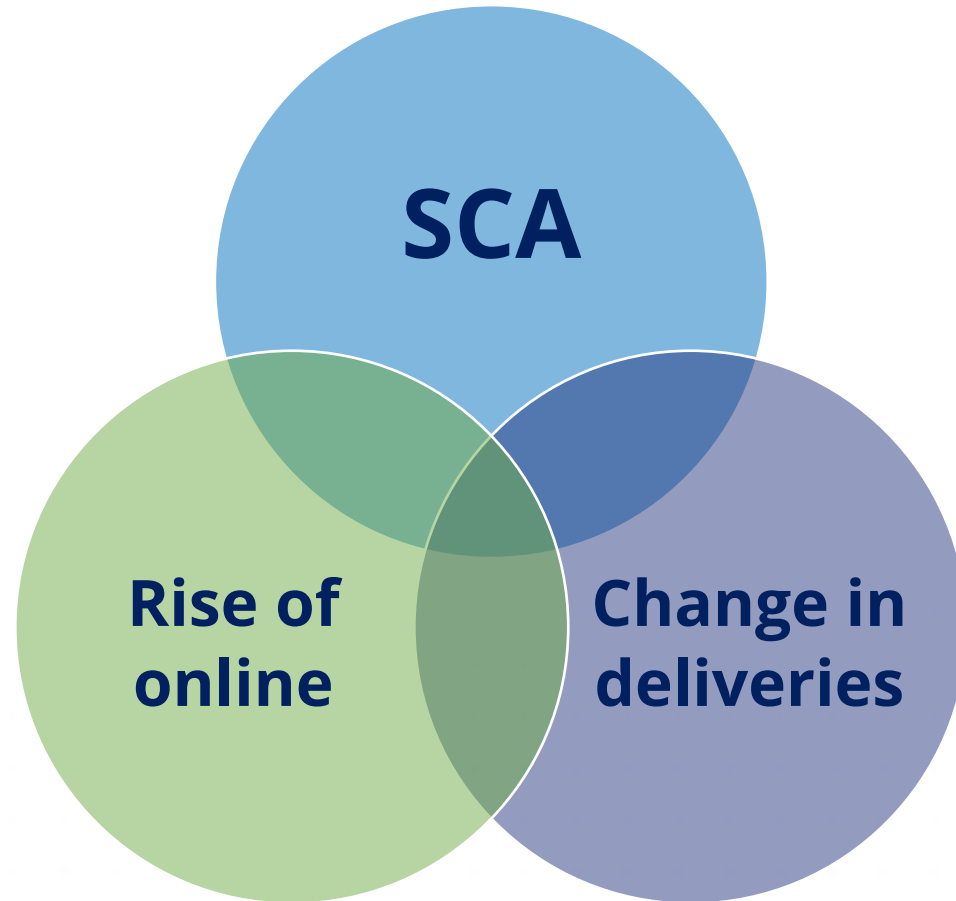


A blue-tinted background image showing a group of business professionals in an office setting. In the foreground, a woman and a man are looking at a tablet together. In the background, other people are visible, some working at desks with laptops. The overall scene is a professional meeting or collaborative work environment.

# Post Pandemic effects in the **Fraud & Payments Space**

# The impact of the pandemic and SCA enforcement

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# Indicative changes in fraud post-pandemic



**Account Takeovers**

**Point of payment fraud**

**Refund Fraud  
Friendly Fraud**

# Investment in fraud prevention was key for merchants in 2021

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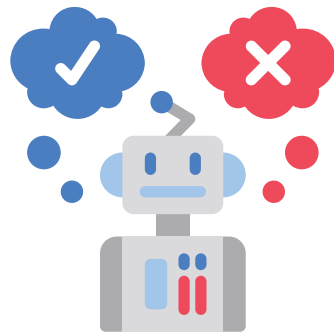
Bot detection was the most important tool for

39%\*



32%\*

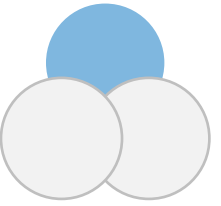
focused on Account Transaction Monitoring/Fraud Detection



57%\*

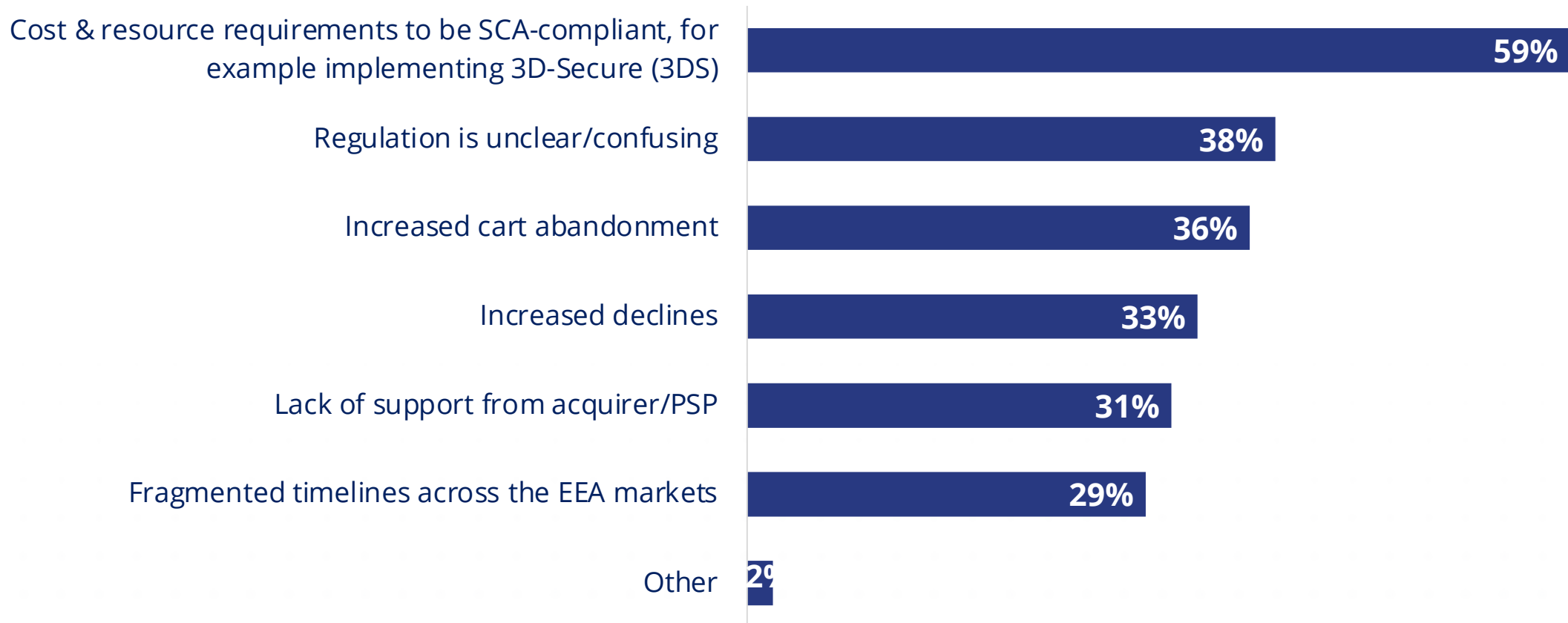
used 2-factor authentication/  
Multi-Factor Authentication  
the most

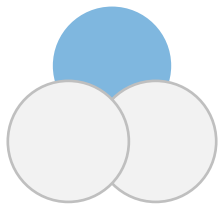




# EEA merchant views on SCA enforcement

## Biggest Concerns Regarding SCA Enforcement (2020/2021)





# Enforcement of SCA in the EEA:

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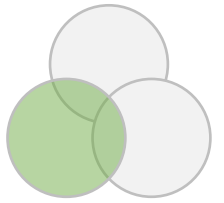
European Banking Authority:

'...progress made towards SCA compliance has led to a significant reduction of the volume and value of fraudulent e-commerce card-based payment transactions in the EU.

The **volume of fraudulent transactions for issuers fell around 50%** between December 2020 and April 2021, while the **value dropped about 33%.\***

# Attacks on dormant loyalty accounts: incremental rise in Loyalty Fraud Breaches

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## LOSING CUSTOMER LOYALTY HAS A HIGH PRICE:

**33%**

of members would stay with the program but expect points or miles to be replaced\*

**17%**

of members would say they would stop all business with a company after a loyalty program data breach\*

**81%**

of members would say loyalty points = CASH\*

**72%**

of loyalty program managers have experienced issues related to fraud\*

**93%**

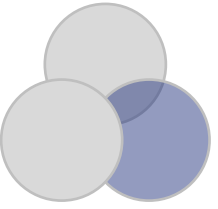
of respondents say they prefer reward programs that have fraud prevention mechanisms in place\*

**26%**

say they would cancel their rewards program membership after an incident of loyalty fraud\*



# Purchase confusion causes increased chargebacks and friendly fraud



## CHARGEBACKS



## FRIENDLY FRAUD

**73%**

of cardholders **call the issuer first** when they question a charge<sup>1</sup>

**\$30.5B**

Anticipated international chargeback value by 2021<sup>2</sup>

**50%**

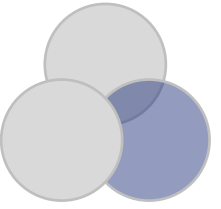
of chargebacks for digital merchants are thought to be the result of **friendly fraud**<sup>3</sup>

**1 in 4**

inbound dispute calls are the result of confusion over statement descriptors<sup>4</sup>

1. Aite. Improving the Dispute Experience: Transparency is Power.2020.  
2. Aite. The Global Chargeback Landscape: Rapidly Evolving. 2018.  
3. Javelin. The Chargeback Triangle. 2018.  
4. Aite. Improving the Dispute Experience: Transparency is Power.2020.

# Javelin Study Highlights: Chargeback volumes are increasing at a faster pace than win rates



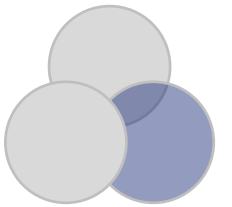
51% of online retailers indicated increased volumes of chargeback disputes while less than half (49%) indicated an increase in win rates. Increases in chargeback rates were felt to be in **direct correlation to spikes in friendly fraud**.

43%

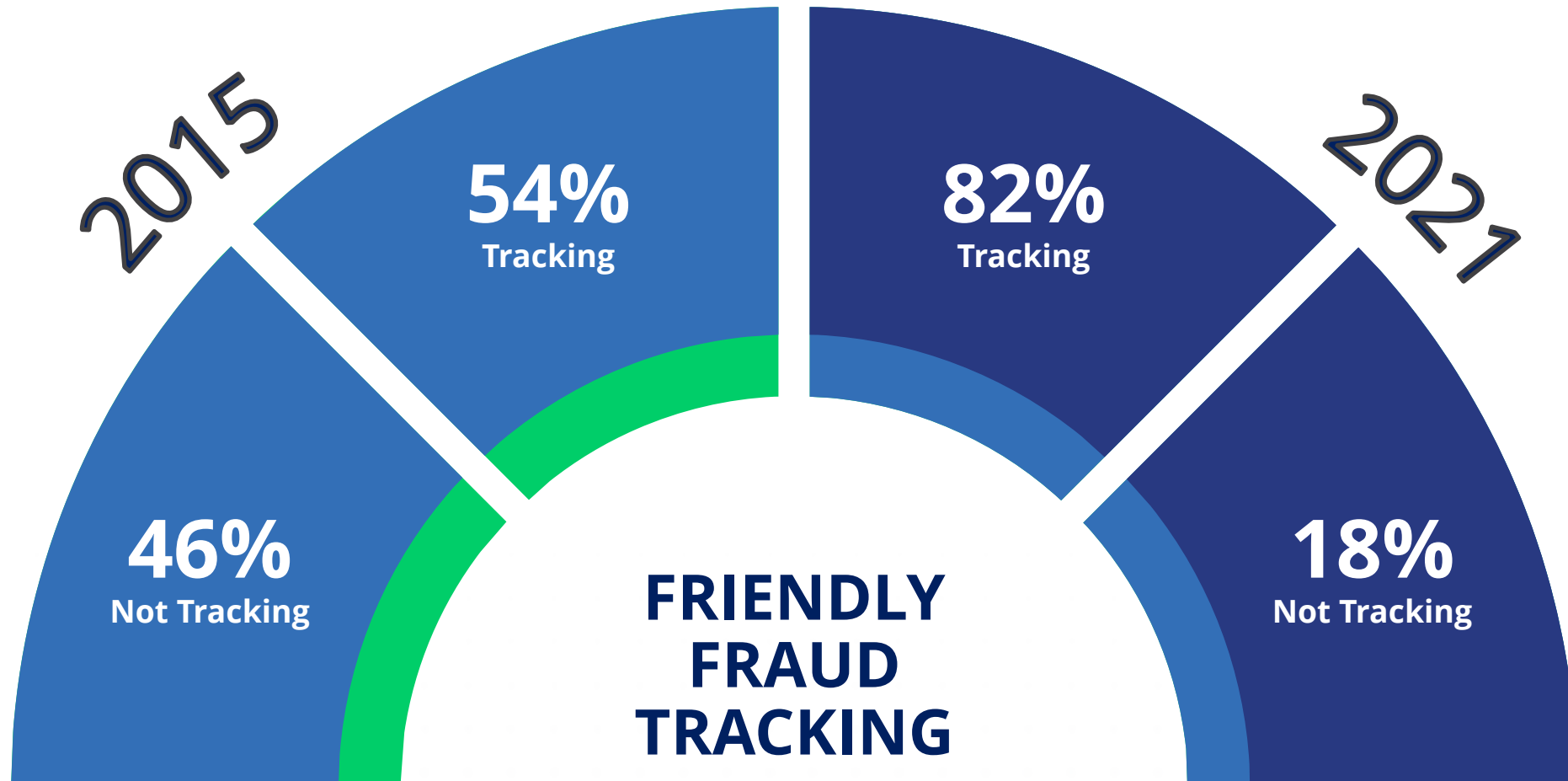
Of merchants assume they have **no chance of winning a dispute**

51%

Of online retailers cited **increased volumes of chargeback** disputes

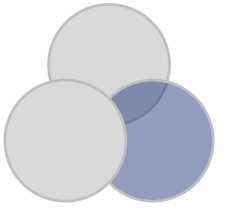


# Friendly Fraud tracking is on the rise



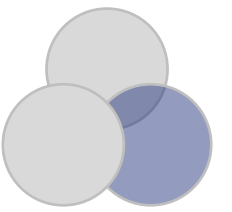
# Accertify global merchant fraud survey 2021: Refund Fraud was the fastest growing fraud

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**31%**

of respondents said refund fraud increased the most in the past 12 months

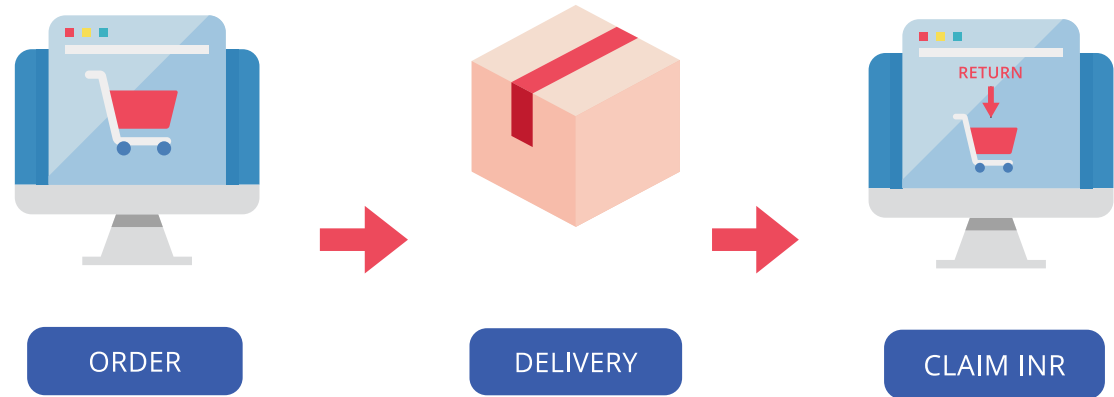


# Refund Fraud: The new chargeback



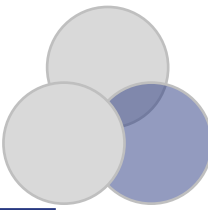
**Criminals discovered a new way to defraud merchants- refund abuse.**

**Refund abuse** is when a customer places an order, receives the goods and then fraudulently claims to have not received the shipment.



**MERCHANTS ARE PLACED IN A DIFFICULT POSITION: HOW TO DISTINGUISH BETWEEN A LEGITIMATE AND FRAUDULENT REFUND CLAIM?**

# The Rise of Refund Abuse

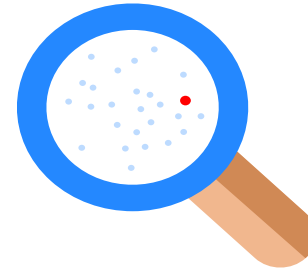


Fraudulent refund claims are a growing problem for merchants globally.

**FRAUDULENT**  
returns to retailers  
**\$78.4B<sup>1</sup>**  
in 2021  
(was \$25.3B in 2020)



High cost  
accommodating  
fraudulent claims  
by providing a  
refund and/or  
replacement.



Difficult to detect  
without the right  
technology in place.  
How to tie the  
original order back to  
the refund claim?



Professional refund-  
as-a-service  
“vendors” trained to  
commit this abuse  
and available for  
hire on the Internet.

1. <https://nrf.com/research/customer-returns-retail-industry-2021>

# Summary: Key trends in the post-pandemic e-commerce space

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- **SCA has decreased fraud at point of payment** but the shift is to the 'other ends' of customer journey e.g. Account Takeover & refund/friendly fraud
- **Account takeover fraud** continues to accelerate due to dormant accounts, the increased digitization of customers and tactics fraudsters have been employing with the increase in online transactions during the COVID-19 pandemic.
- **Return fraud / refund abuse are now an increasing concern** along with online payment fraud and account takeover fraud.
- With disputes and chargebacks increasing during COVID-19, merchants are planning to invest in a number of strategies such as **partnering with technology vendors** that can help them cope with mounting chargeback volumes and returns' policies abuse.

A blue-tinted background image showing a group of business professionals in an office setting. In the foreground, a man and a woman are looking at a tablet together. In the background, another person is visible near a whiteboard.

# Fraud Predictions likely to shape the 2022 landscape



## PREDICTION 1

Loyalty Accounts will continue to be **Heavily Targeted by Fraudsters**

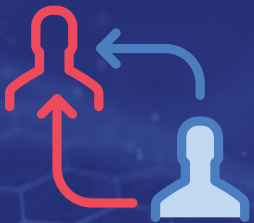


Sources:

- <https://thewisemarketer.com/data-and-privacy/why-is-loyalty-fraud-on-the-rise/>
- <https://www.phocuswire.com/four-trends-shaping-travel-fintech-in-2022>

## PREDICTION 2

As NFTs become more mainstream with the introduction of items like “the metaverse”, vulnerabilities will also **enable fraudsters to prosper**



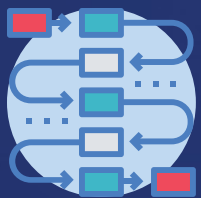
## PREDICTION 3

As Privacy Legislation and Data Sovereignty accelerates, **it will become harder to track fraudsters**



## PREDICTION 4

Increased regulatory scrutiny, focused on alternative payment methods, **will benefit merchants**, as much as consumers.





# Q&A

Thank you!



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