

## **EU Action Plan to Curb Internet Credit Card Fraud**

BRUSSELS—The European Commission launched a three-year action plan February 19, 2001 to tackle what it called an alarming rise in credit card fraud in the European Union, much of which is occurring via the Internet. Overall, credit card fraud and counterfeiting in the E.U. Member States amounted to \$600 million in 2000, which was 0.07% of the total turnover, the E.U. executive body said.

Citing a 50% growth in credit card fraud in 2000, the Commission said the new action plan was designed in part to deter the negative impact that credit card fraud growth could have on the potential of electronic commerce.

While emphasizing that the bulk of the responsibility for dealing with the problem of credit card fraud was up to industry, the Commission outlined ways to establish better information exchange, stronger cross-border co-operation on co-ordinated preventive measures as well as firm and binding rules with sanctions for those that do not adhere to them.

“The rate of increase in fraud and counterfeiting of payment cards concerns us all,” said Internal Market Commissioner Frits Bolkestein. “Fraud is increasing most in relation to remote payment transactions, especially on the Internet. To date the counter-attack has mainly focused on domestic payments, but the scale of cross-border fraud means we need urgent action at a European and, indeed, at an international level.

“Criminals Commonly use sophisticated techniques to commit fraud and counterfeiting,” Bolkestein added. “They have repeatedly shown their ability to exploit any weak link in the chain. We must work together to beat them at their own game.”

The rise of credit card fraud on the Internet is primarily a result of two methods perpetrated by criminal groups, the Commission said. “Sophisticated techniques are used to commit payment fraud on the Internet,” Bolkestein said. “Apart from the interception of data in payment transactions, the possibility of hackers collecting information out of Website data bases is cause for concern.”

The Commission also emphasized that by reducing fraudulent credit card use it would have a positive impact on reducing overall crime. “Fraud using stolen or counterfeit non-cash payment instruments is primarily carried out by criminal organizations and they use the proceeds from their international operations to finance other more serious, more violent criminal activities,” Bolkestein said.

### **Centralized, Harmonized Approach**

Some of the specific measures proposed by the Commission are:

- the introduction of a single telephone number that would be in use throughout the 15 E.U. Member States to make it easier for consumers to notify the loss or theft of their cards;
- a new E.U.-wide fraud prevention Website with information on initiatives and links to all relevant organizations;
- the introduction of specific initiatives to improve security of payment products and systems based on the findings of a Commission study on specific security aspects; and
- encouraging the payment industry and law enforcement agencies to agree on what key items of evidence are needed to investigate and prosecute fraud cases and on a common format for the exchange of relevant information.

“This framework of preventive measures must be applied globally,” Bolkestein said. “While preventive measures are introduced in the European Union, action will be taken to prevent criminals from affecting the interests of the E.U. by relocating their activities in third countries... Therefore, co-operation in preventing fraud in this area will be pursued with the authorities of third countries and in the international forums.”

Among the actions the Commission will take internationally will be holding a seminar with Eastern and Central European countries, as well as strengthening the work being done on the issue at the Organization for Economic Cooperation and Development.