



Financial Fraud Action UK

Working together to prevent fraud

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ECB Recommendations for the Security of Internet Payments

Response from Financial Fraud Action UK

Financial Fraud Action UK (FFA UK) is the banner under which the financial services industry in the UK co-ordinates its activity on fraud prevention, representing a united front against financial fraud and its effects. It provides the payments industry voice on overarching financial fraud matters. FFA UK is supported by The UK Cards Association, the leading trade association for the cards industry in the UK, and the Fraud Control Steering Group which is an association of financial institutions who participate in retail banking and the payments market in the UK.

We are aware that The UK Cards Association has submitted its own response, as has the Payments Council, and we support their conclusions.

Individual participants on the fraud groups under the FFA UK banner may also submit their own responses to the consultation.

FFA UK welcomes the aspiration of this report to improve the security of Internet payments. The integrity of online payments is critical to maintaining consumer confidence and the provision of secure Internet payment services.

FFA UK supports the responses submitted by the UK Cards Associations and the Payments Council.

In our view, the key concerns are as follows:

- There is no clear economic justification for proposing a regulatory framework. Many of the ECB requirements are already covered through existing legislation, regulation or self-regulation. ECB would be best advised to assess the adequacy and effectiveness of the current environment before considering introducing additional requirements that may conflict with, and potentially require the unravelling of existing legislation and/or industry initiatives.
- All institutions/entities involved in online payments should be in scope of the recommendations in this report - and this should include overlay providers who utilise the 'host' account to make payments – particularly as those payees using such services need to disclose log-on credentials for their internet banking accounts. By restricting the scope of the recommendations solely to the PSPs, it ignores the part played by other institutions/entities and places PSPs at a competitive disadvantage. Those not bound by the requirements may be able to operate more freely in the internet payments space.
- Placing the burden of policing internet payments on PSPs alone ignores the potential for others to provide weaker payment solutions that will perpetuate the fraud problem and undermine consumer confidence in the payments channel. Information should be collected on the use and fraud experience of alternative payments methods that are not currently regarded as being in scope.
- The global nature of internet payments needs to be recognised. There is the potential to put Europe at a competitive disadvantage by focussing on European only regulation.
- The ECB assumes an ideal world where all issuers, acquirers, schemes, e-merchants, consumers and transactions are homogenous and that a one-size-fits-all set of information security requirements can be implemented equally across all actors. This is akin to suggesting that all face-to-face transactions be subject to biometrics as a means of customer verification. More clarity is required in the definition of what the report means by 'strong customer authentication'. It needs to establish the principles that should support the claim for an authentication mechanism being declared 'strong', rather than choosing just one possible definition and attempting to provide detailed requirements for that definition.
- Recommendations to improve the security of internet payments and ultimately to improve consumer confidence in the payment channel must be achieved by providing consumers with secure payment services that offer the appropriate balance between usability and security.
- Education and awareness responsibilities should not lie solely with PSPs but use more common centralised customer education mechanisms.

- Mid 2014 seems ambitious and unrealistic for implementation given the scope of those parties included and the scale of the improvements required.

FFA UK supports The UK Cards Association's assertion that the current assessment of the market and the scope for improvement has not yet been subjected to the required level of analysis to enable firm recommendations to be made and regulations developed. This includes: accurate scaling of the problem; an impact assessment; a cost/benefit analysis; research with stakeholders (consumers and merchants) etc. In particular the ECB needs to give careful consideration to striking an appropriate balance between security and consumer convenience in order that internet commerce is not made too cumbersome for consumers and that recommendations do not result in an economic setback, especially during harsh economic times.

FFA UK also supports The UK Card Association recommendations that ECB should:

- gather more information about the state of play across the whole of Europe;
- take a considered view on the effectiveness of the existing self-regulatory regime embodied in card scheme requirements and establish the level of non-compliance;
- engage more fully with the card payments industry, e-commerce retailers and consumers in order to assess the need for regulation;
- in the event that regulation is required, consult with stakeholders on setting realistic timescales;
- conduct consumer research to establish consumers' reaction to the recommendations and the changes to the customer experience that would result;
- use this information to help build a cost/benefit case for each of the recommendations;
- carry out further investigations into the emerging mobile payments marketplace in order to understand better the complex relationships between wallet providers, consumers and their payment service providers.

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