



Volume 3, Issue 5, May 2003

Fraud Prevention: Fraud Update

With the recent intrusion into Data Processing International's systems by an unauthorized, outside party, many companies in the payment industry are advancing their fraud prevention efforts.

For its part, Omaha, Neb.-based DPI declined to comment beyond the following statement: "Appropriate associations and law enforcement agencies were immediately notified. There has been no reported misuse of the information related to the event. Appropriate law enforcement agencies and card associations continue their investigation. In cooperation with this effort, we decline to comment any further due to the ongoing nature of this investigation."

About the time the intrusion was announced, Discover Financial Services revealed that it had retained Frank Abagnale as an advisor/consultant to the company on fraud prevention. Abagnale is one of the world's most respected and sought after fraud prevention experts and the author of "Catch Me If You Can."

Abagnale will, at various national retail and merchant association conferences on behalf of Discover Card, discuss his life experiences, provide fraud prevention workshops and seminars.

Among other things, Abagnale plans to develop a wallet-sized list of fraud prevention tips merchant associates can keep handy to help reduce theft. "At Discover Card, fraud prevention is a high priority due to the damaging impact it can have on merchants and their businesses," said Tom Dailey, Senior Vice President, Discover Business Services, Discover Financial Services, Inc. "Through Mr. Abagnale's fraud prevention expertise, we are educating and providing our merchants with more of the tools they need to prevent and reduce fraud and the losses associated with it."

"The punishment for fraud and recovery of stolen funds are so rare, prevention is

the only viable course of action," said Abagnale. "I'm very excited to team up with Discover Card and share my first-hand knowledge and experience with this company and business partners in combatting credit card fraud."

There have been recent announcements on new fraud prevention technologies as well.

Plug and Pay Technologies, Inc., Hauppauge, N.Y., recently introduced new anti-fraud software, RiskTrak, designed to stop fraudulent transactions from being submitted for payment. RiskTrak works by continuously monitoring activity in real-time and comparing it against historical patterns.

Suspicious activity triggers an escalating response ranging from a warning to suspension of settlement ability. The company said that RiskTrak complements the firm's existing rules based fraud filter.

"Even if a hacker, or an employee gone bad, penetrates the system and is able to run unauthorized sales or credits, those items will not be submitted for payment. That means our customer has no exposure to monetary loss. We believe that this is a very powerful tool," said Company President David Price.

In another development, First aSuretee, LLC, a First Data Corp. subsidiary, and Hypercom Corp. recently introduced a point-to-point electronic transaction and identification verification system for the U.S. government and corporate America. Company officials say the new solution has the potential to dramatically reduce electronic payment and transaction fraud associated with magnetic stripe skimming and cloning of credit card terminals, a problem that continues to impact interchange fees. Using the nation's existing payment network, this precise system combines aSuretee technologies and Hypercom's information and transaction terminal technology to securely authenticate individuals authorized to conduct transactions on Hypercom terminals. The solution will feature new biometric technology from Hypercom, which when combined with aSuretee digital signature capabilities, provides a secure ID authentication solution.

The new solution will feature Hypercom's BioPin biometric, which protects consumer privacy by converting a fingerprint into an algorithmic reference. When coupled with the user's card number, it provides an extremely reliable method of identity verification. With First aSuretee's digital signing capabilities, BioPin technology enables a highly secure way to utilize biometrics because every biometric image is protected by a unique digital signature and only signed biometrics are recognized as valid transactions.