



ASSOCIATION OF CHIEF POLICE OFFICERS IN SCOTLAND

26 Holland Street
GLASGOW

Your Ref:

Our Ref: CC/HB/1983

Date: 4 February 2008

National Payments Plan Consultation Response
Payments Council
4th Floor
Mercury House
Triton Court
14 Finsbury Square
London, EC2A 1LQ

Dear Sir

UK NATIONAL PAYMENTS PLAN

I refer to your correspondence dated in connection with the above subject, which has been considered by members of the Crime Business Area, and can now offer the following by way of comment.

The Payments Council have sought comment from a wide range of bodies on the consultation and have asked specific questions relating to key issues identified in the document. That said, many of the points are directed towards business and financial institutions, and therefore this reply is limited to areas where it is appropriate for ACPOS to provide comment.

Q40 How should consideration of measures against fraud be included in the assessments which the Payments Council makes of proposals for innovation?

It is suggested that liaison should be made with both ACPO and ACPOS. In addition, other agencies such as the Financial Services Authority, the Serious Fraud Office, CIFAS, Equifax, Experian and HMRC will all have a significant input as to which measures against fraud should be considered.

Q41 How can the National Payments Plan assist with issues of customer authentication? To what extent do these need to be addressed across the payments sector?

Customer authentication is intrinsic to the prevention of fraud and it is vital that this is addressed across the payments sector. The report states that a number of studies have suggested that the replacement of cheques by automated and plastic alternatives would have substantial economic benefits. Should this occur, then there is little doubt that criminals will focus their attentions on the alternative systems and these systems should be not only robust enough to remain secure from the outset but capable of being upgraded to counter any further threats as they are

identified. It is suggested that an industry wide approach utilising two factor authentication or 3D authentication be adopted.

Q42 *Should minimum standards be introduced for authentication of remote transactions? If so, should a common measure of authentication be recommended/ mandated?*

There should be a mandated set of minimum standards throughout the financial and business sector to ensure full compliance. Current authentication procedures range from the use of electronic devices, 3D authentication, those which employ the use of retailer generated passwords and security questions, and those which allow the consumer to select their own password. The potential for criminal exploitation of the latter is obvious and this has been the catalyst for a number of enquiries by the Scottish Police Service. It is suggested that the practice of allowing consumers to select their own password be discontinued and replaced by, at least, retailer generated password supported by additional security questions.

Q43 *How should the National Payments Plan address new technologies, such as biometrics, which may apply to customer security?*

ACPO and ACPOS will advise in the police approach to new technologies and they should be consulted in this regard.

Q44 *What action, if any, should the National Payments Plan include in regard to data sharing?*

Data sharing is vital in any police investigation. The National Payments Plan should examine barriers to data sharing and where necessary consider changes to legislation to ensure that data is shared between financial institutions and government agencies for the purposes of preventing and detecting crime. Through sharing and analysis of data, emerging trends and threats to payment systems can be identified which can inform the development of technologies as future security measures on payment systems. The Payments Council could act as a focus to liaise with government agencies and financial institutes to facilitate the required level of data sharing.

In larger organisations, such as banks, documentary evidence is often to be found within various departments and Police Officers are asked to contact that department in order to obtain such evidence. This is frustrating for the enquiry officer and can cause unnecessary delays and does not create a good foundation for the enquiry. A corporate response should be employed whereby there is a 'one stop shop' at which an officer can obtain all documentation from the body concerned.

The creation of a National Fraud Reporting Centre (NFRC) for England and Wales containing a National Fraud Intelligence Bureau (NFIB) is a significant step forward in data sharing. The NFRC is scheduled to begin recruiting from the financial and business sectors in April 2008 with the NFIB also recruiting from these sectors and the police with an intended start date in late 2008 or early 2009. The aim of the NFIB is to create an information sharing body so that all stakeholders can contribute and share intelligence. Protocols are currently being developed in this regard. Scotland is currently not part of the NFRC/NFIB project, as it is centred on the Fraud Act 2006, which applies to England and Wales only; however, the project team state that consideration is being given to widening their remit to include Scotland.

Q45 *How can the National Payments Plan help ensure that the burden of fraud prevention is shared equitably across payment service providers and users, including SMEs?*

The National Payments Council is in an ideal position to identify and share best practice throughout service providers via its existing focus groups. CIFAS will be able to provide assistance in relation to consumers and ACPO and ACPOS will be able to liaise in relation to policing initiatives and matters.

Q46 *What role should the Payments Council play in raising the profile of fraud and security issues and in lobbying government and the public authorities?*

The Payments Council should ensure that it works closely with the Association for Payment Clearing Services (APACS), which represents the majority of the retail banking and consumer credit industry. Appropriate liaison takes place on a range of issues with key representatives from the DTI, HM Treasury, the Home Office and the European Commission. This enables APACS members to be kept fully briefed on all issues with a potential to impact on them. Again, ACPO and ACPOS should be consulted in relation to policing issues.

In general terms, Section 4 of the plan covers innovation and reference is made to 'Contactless' and 'Prepaid Cards', and whilst it is appreciated that there is a willingness to exploit the potential of such products it is important to also consider the probability of these cards being used to launder funds. These products provide a conduit to move money, crossing national and international borders, and to evade the money laundering legislative mechanisms, as they are not defined as cash in terms of Section 289 (6) of the Proceeds of Crime Act 2002. In this regard it is essential that any adopted standards meet the needs of all sectors and that cognisance is taken of the issue of criminal exploitation.

I trust that the foregoing is of assistance to you.

Yours faithfully



Harry Bunch
General Secretary