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National Payments Plan Consultation Response
Payments Council
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Dear Sir

NATIONAL PAYMENTS PLAN CONSULTATION PAPER

I refer to the consultation document issued by the Payments Council.

The APACS Fraud Control Steering Group is the UK payments trade association's primary body to identify, drive and oversee strategies for enhancing and extending the industry management of fraud threats and issues. Representatives have sufficient seniority to represent the Member's views to the Group; typically this will be at Director or "Head of" level.

APACS Fraud Control Steering Group welcomes the opportunity to provide feedback on the consultation document and provided below are our responses to the specific questions on fraud raised in the consultation paper.

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

Fraud Control Steering Group considers it essential that specific reference to fraud measures/controls is included in any proposals for new payment systems, or for any significant change to existing systems. In making proposals for innovation, the Payments Council should take advice from centres of fraud prevention expertise (including but not necessarily exclusively from the payments industry). Having identified the risks the Payments Council should not propose solutions but simply outline the risks in its proposal leaving it to the market to determine how these are addressed.

It is also recommended that full risk assessments be undertaken ahead of any design of new developments to ensure that the fraud impact is clearly understood. These risk assessments should also give consideration to issues relating to information security need and all assessments should be led by experts in the specific field and drawn from across the industry.

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 an area where there is already considerable activity within each of the banks with consideration being given to a wide range of solutions between financial institutions and across different channels. As such FCSG would consider that mandating minimum customer authentication requirements across different payment channels is impractical and that the Payment Council should remain mindful of the variable commercial / risk appetite considerations.

However given the rapidly changing landscape, it is perhaps important that the Payments Council remains a prominent but impartial facilitator of discussion and sharing of best practice rather than the champion of one type of solution over another.

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

With consideration to the response to question 41, FCSG does not believe that the NPP should try to set minimum standards across all types of remote payment authentication. It may be appropriate to seek agreement to minimum standards for specific payment transaction types or channels. However, it is not recommended that the Payment Council should start mandating particular solutions particularly as not all customers and transactions carry the same level of risk. It is important that any minimum standards do not become a barrier or significant burden to customers.

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

This is a key area of activity across the payments industry and the Payments Council is well placed to facilitate wider discussion and the sharing of best practice on this issue. It needs to be recognised that each institution will look at their own initiatives and conduct their own research into emerging technologies but the Payments Council will be in a good position to look across these solutions from a wider industry context.

The National Payments Plan clearly needs to be aware of emerging fraud reduction technologies that may assist in the design of product specifications and may wish to ensure that fraud prevention practitioners are aware of what is available. Care should be exercised however, to ensure that the Payments Council doesn't develop into a body that endorses or otherwise promotes specific products.

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

There have been a number of significant developments in respect of fraud data sharing over the last 12 months. The Fraud Intelligence Sharing database developed by APACS and the implementation of the National Fraud Reporting Centre should also lead to improvements in intelligence sharing between institutions and law enforcement agencies.

The National Payments Plan needs to support and promote the principle of fraud data sharing between organisations, particularly between the public and private sector.

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

This questions assumes that SME's and/or other parties bear an inequitable fraud burden. Determining whether inequity actually exists should be the responsibility of the OFT and risk sharing arrangements determined by commercial terms of business.

Fraud Control Steering Group members highlight the need for SME's to be more responsible for their self-protection by adopting best practices and using specific fraud prevention tools and initiatives that seek to address specific areas of fraud. For example in the Card Not Present arena, MasterCard Secure Code and Verified by Visa where adopted by a business, provides protection from subsequent charge-backs for fraudulent online purchases.

From a consumer perspective, there is a need to ensure that consumers accept they have a responsibility to protect themselves from attacks e.g. from online threats. The education of consumers should be within the remit of the NPP.

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

The Payments Council should play a pivotal role in raising the profile of fraud and security issues up the political agenda. Using its position to lobby central Government, it is vital that the excellent work already started by APACS and its Members continues so that Government is encouraged to make fraud control a priority for law enforcement and provides the necessary resources to address and deal with it effectively.

With increasing budgetary pressures from the Treasury, there is a risk that the recommendations set out from the Government Fraud Review could be delayed and/or diluted and as such, maintaining and driving the current momentum is both vital and challenging.

Yours faithfully

John Formby
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