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PUBLISHED IN CONJUNCTION WITH ACI payment systems

Global Consumers React to Rising Fraud: Beware Back of Wallet

OCTOBER 2012

Shirley W. Inscoe

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IMPACT POINTS

- This Impact Report, based on a Q3 2012 ACI Worldwide study of 5,223 consumers in 17 countries, provides an overview of respondents' attitudes toward various types of financial fraud and discusses the actions they may take subsequent to a fraud experience. Where applicable, it also compares these results with those from a similar 2011 ACI survey.
- Of all cardholders—debit, credit and prepaid—27% have experienced card fraud in the past five years.
- In 2012, 14% of debit and credit card holders cite having experienced fraud multiple times during the past five years; this is compared to 6% in 2011, a statistically significant increase.
- Rates of fraud on debit and credit cards vary widely among respondents in countries surveyed. In Mexico, a high of 44% of respondents say they have experienced some type of card fraud in the past five years; a low of 12% in both Sweden and the Netherlands say the same.
- After experiencing card fraud, 56% of cardholders use cash or an alternate form of payment instead of a debit or credit card.
- Of cardholders who received replacement cards as a result of a data breach or fraudulent activity in the past year, 46% used the new card less than the original.
- Attrition rates after experiencing card fraud average 21% among cardholders in the 17 countries surveyed.
- Twenty-six percent of 2011 respondents stated that their biggest fear related to fraud was reclaiming their financial identity if they became victims of identity theft; in 2012, 49% of respondents state they are "very concerned" about this issue.
- If their financial institution notices unusual activity on their bank account or card, 82% of respondents are "very interested" in being notified prior to the bank taking action. Seventy-four percent of cardholders prefer that no additional transactions be posted until they respond to any fraud alerts from their financial institution.
- Many consumers continue to exhibit risky behaviors that put them at higher risk of financial fraud, including 35% throwing documents containing sensitive information into trash bins, unshredded, and 17% using public computers or computers without security software to do Internet banking and to shop online.
- Mobile fraud is still in the nascent stage. Less than 10% of respondents in any country are concerned about fraud in this payment channel; Australia, Germany, and the Netherlands each had 8% of respondents express such concern.

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- In an effort to prevent fraud, card issuers replace existing cards in data breach situations at great expense (US$3 to US$5 each, according to a top U.S. issuer), but a substantial percentage of these cards go to the back of consumers' wallets.
- In most countries, many consumers do not recall fraud prevention information ever having been provided by their financial institution. India is an exception—more than half of respondents in India cite having received emails from their financial institution on this topic.
- Financial fraud is growing rapidly throughout the world and has become much more organized and sophisticated in recent years. Eighty-one percent of respondents think that government and law enforcement do only an "average" or "below average" job of fighting card or account fraud.
- Debit and credit card fraud rates have remained stable over the past two years, at 25% in 2011 and 26% in 2012.

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INTRODUCTION

Fraud is an increasing reality in the consumer financial experience, thanks to the growing sophistication of fraudsters worldwide and the highly organized nature of many types of crime. In fact, the survey findings discussed herein indicate that one in four cardholders has experienced fraud. The good news is that these consumers are generally pleased with their financial institution's responsiveness. Even so, financial fraud is an equal-opportunity crime—one that impacts consumers worldwide. While the rates of fraud fluctuate widely from country to country, consumers worldwide are concerned about financial fraud.

During Q3 2012, ACI Worldwide fielded its third annual survey targeting consumers in 17 countries. The purpose of this survey was to gain a current understanding of consumer attitudes toward fraud, both from consumers who have experienced fraud as well as from consumers who have not. The report also compares these numbers with the results of ACI's 2011 survey.

The study results, reported in this Aite Group Impact Report, gauge the reactions of consumers who have experienced some type of financial fraud in the past and speak to the impact that experience has had on consumers' relationship with their financial institution or issuer. The report also focuses on the attitudes of consumers who have not been impacted by fraud and notes what perceptions they currently have related to the topic. In a world filled with fraudsters, this report considers what financial institutions can do to keep their cards from ending up in the back of consumers' wallets, where they may reside, unused.

METHODOLOGY

ACI Worldwide, a global leader in electronic payments for financial institutions, retailers, and processors, conducted online quantitative market research via July and August 2012 survey of 5,223 consumers. The study was conducted in a total of 17 countries in the following regions:

- **The Americas (North and South America):** Brazil, Canada, Mexico, and the United States
- **EMEA (Europe, the Middle East, and Africa):** France, Germany, Italy, the Netherlands, South Africa, Sweden, the United Arab Emirates, and the United Kingdom
- **The Asia-Pacific:** Australia, China, India, Indonesia, and Singapore

In total, 5,223 consumers were included in the research: approximately 300 consumers, divided equally between men and women, participated in each of the 17 countries. Of the total, 5,114 own one or more type of payment card (i.e., credit card, debit card, prepaid debit card); in this report, the data related to card fraud focuses on these cardholders. This is the third year that ACI has fielded this type of survey, and some comparative results are included; additional data will be provided in a follow-up report.

In each country, the data have a margin of error of approximately 5 points. Statistical tests of significance, where shown, were conducted at the 95% level of confidence.

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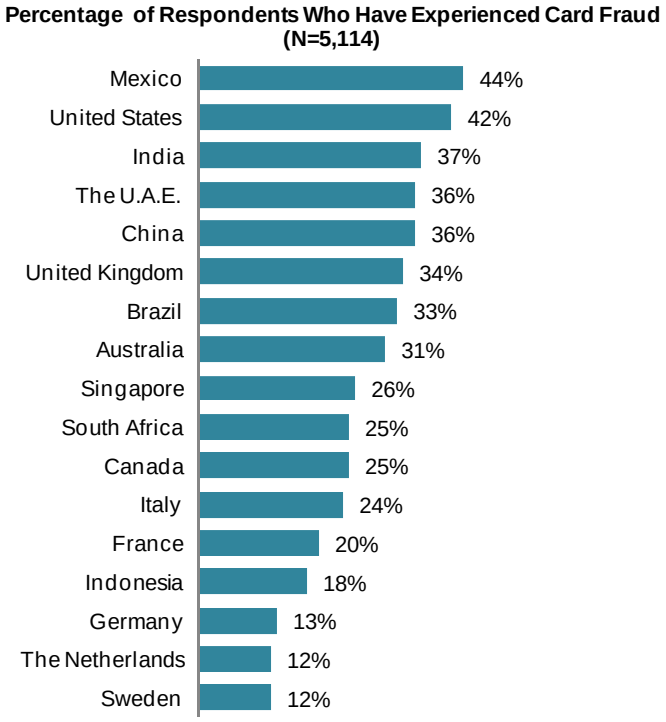
THE GLOBAL PICTURE

Financial fraud is a problem worldwide, but it is far more prolific in some countries and parts of the world than in others. We looked at the incidence of fraud related to all types of cards—prepaid, debit, and credit—across survey respondents.

Respondents were asked if they have experienced any type of card fraud (credit, debit, or prepaid) in the past five years. Of respondents who possess one of these types of cards, 44% in Mexico report that they have experienced some form of card fraud, as do 42% in the United States; these are the highest fraud rates of all countries surveyed. Sweden and the Netherlands enjoy the lowest fraud rate among countries surveyed, at 12% each (Figure 1). Across the 17 countries where this research was conducted, an average 27% of cardholders have experienced card fraud in the past five years.

Figure 1: Card Fraud Rates by Country



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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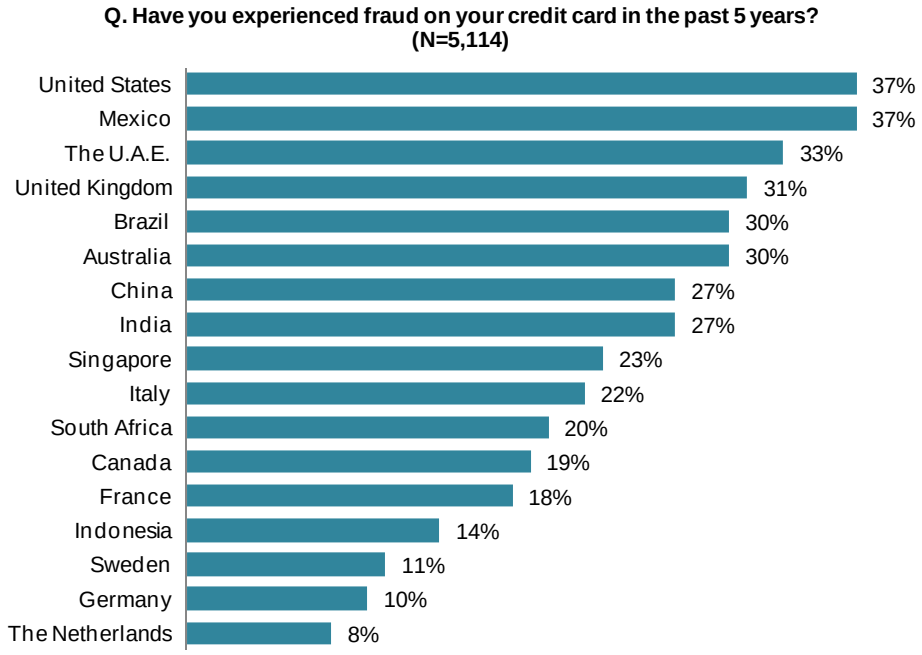
DEBIT AND CREDIT CARD FRAUD RATES

Credit card fraud rates exceed debit card fraud rates in most of the 17 countries included in the survey. The United States and Mexico experienced the highest rates of credit card fraud, with 37% of cardholders in each country impacted by credit card fraud in the past five years. In Canada, the percentage of cardholders impacted by credit card fraud is only 19%, far lower than its North American neighbors, but still almost one out of every five people. Cardholders in the Netherlands experience the lowest rate of credit card fraud, at only 8% (Figure 2). Regarding these numbers, it is notable that the United States and South Africa are not yet on the EMV standard, which mitigates some types of card fraud, and that consumers in the United States are very heavy card users—more card use means a greater likelihood for card fraud.

Figure 2: Credit Card Holders' Fraud Experience



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Consumers experience debit card fraud worldwide as well, with somewhat similar geographic distributions as credit card fraud. Overall, instances of debit card fraud lag behind instances of credit card fraud, but there are exceptions. For example, in Sweden, the percentage of consumers who have experienced debit and credit card fraud are the same. The Netherlands is the only country surveyed where a higher percentage of consumers have experienced debit card fraud (9%) than credit card fraud (8%; Figure 3).

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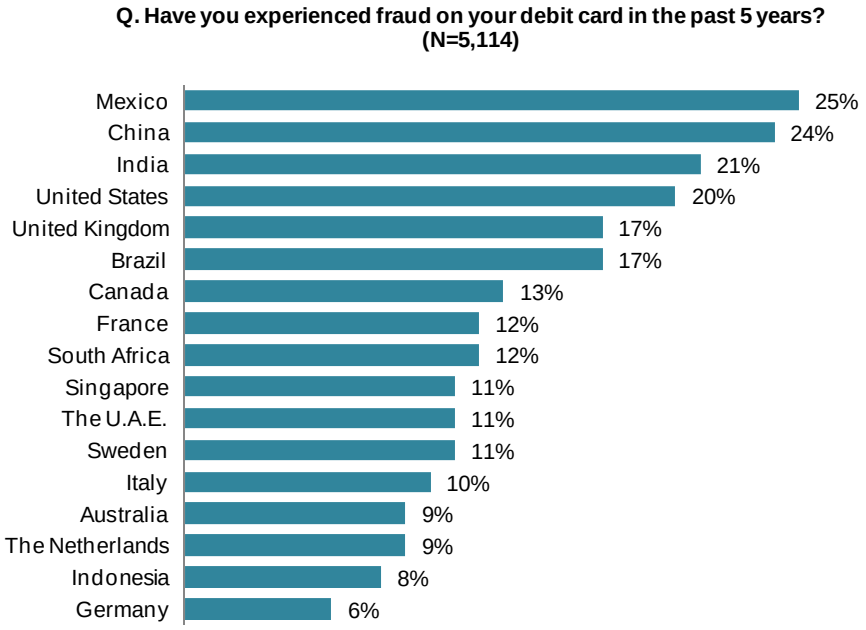
Figure 3: Debit Card Holders' Fraud Experience



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Debit and credit card fraud rates have remained stable over the past two years. In the survey ACI fielded in 2011, 25% of those surveyed responded that they had experienced debit or credit card fraud in the past five years; in the 2012 survey, 26% responded they had experienced such fraud. These results are based on comparing the responses in the same 14 countries surveyed in both 2011 and 2012. The number of cardholders who have experienced debit or credit card fraud more than one time during the past five years increased from 6% in 2011 to 14% in 2012, a statistically significant change (Figure 4).

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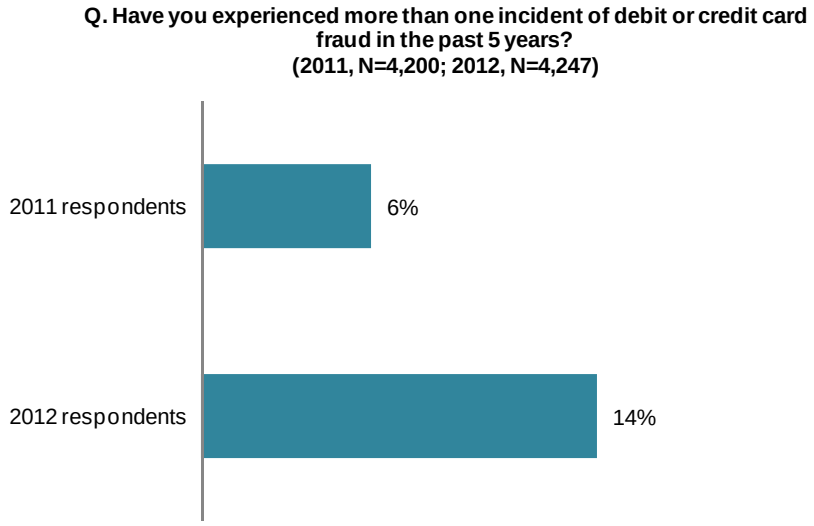
Figure 4: Comparison of Multiple Incidents of Debit and Credit Card Fraud



Source: Aite Group. ACI Worldwide study of consumers in 14 countries, 2011 and 2012

PREPAID CARDS

Prepaid card fraud is fairly minimal worldwide in comparison with debit and credit card fraud, with a few notable exceptions. Consumers in India experience the highest rate of fraud on prepaid cards, at 19%, and China follows, with 16% experiencing fraud. Ten percent of consumers in Mexico have experienced prepaid card fraud. All other countries are in the single digits regarding card fraud experienced in the last five years (Table A).

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Table A: Prepaid Card Fraud Rates by Country

Country (N=5,114)	Experienced fraud during past 5 years
India	19%
China	16%
Mexico	10%
Italy	9%
Brazil	7%
Singapore	6%
The U.A.E.	6%
United States	5%
Indonesia	4%
South Africa	4%
Germany	3%
Sweden	3%
France	3%
Australia	2%
Canada	2%
United Kingdom	1%
The Netherlands	1%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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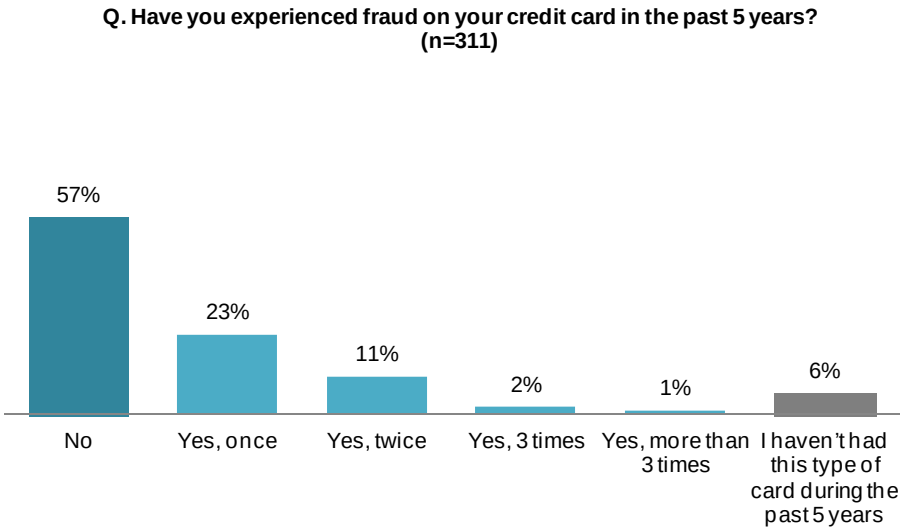
FRAUD EXPERIENCE IN THE AMERICAS

In North America, cardholders in the United States and Mexico both experience among the highest card fraud rates in the world. Canada, on the other hand, experiences far lower rates of card fraud. Brazil is the only South American country surveyed, and its fraud rates are also much lower than those of the United States and Mexico.

FRAUD EXPERIENCE IN THE UNITED STATES

Cardholders in the United States experience credit card fraud at relatively high rates compared to most countries surveyed. Most U.S. respondents do have credit cards, and 37% of them have experienced fraud at least once in the past five years. Credit card penetration rates are high, with only 6% of respondents surveyed lacking a credit card (Figure 5).

Figure 5: Credit Card Fraud in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Debit card penetration rates are also high, with all but 6% of U.S. cardholders surveyed owning a debit card. While debit card fraud is experienced less frequently than credit card fraud in the United States, it was still incurred by 20% of respondents over the past five years (Figure 6). The lower rate of debit card fraud is attributable to debit card transactions being secured with a PIN, which leads to much lower rates of fraud.

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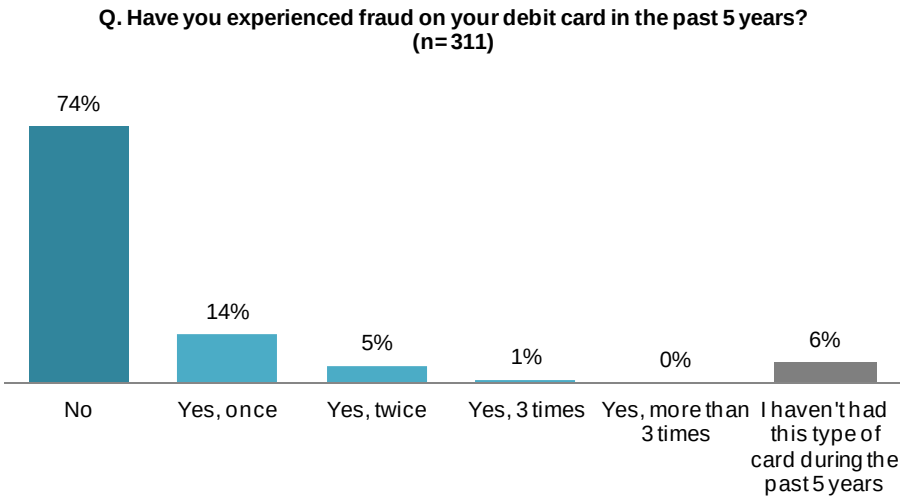
Figure 6: Debit Card Fraud in the United States

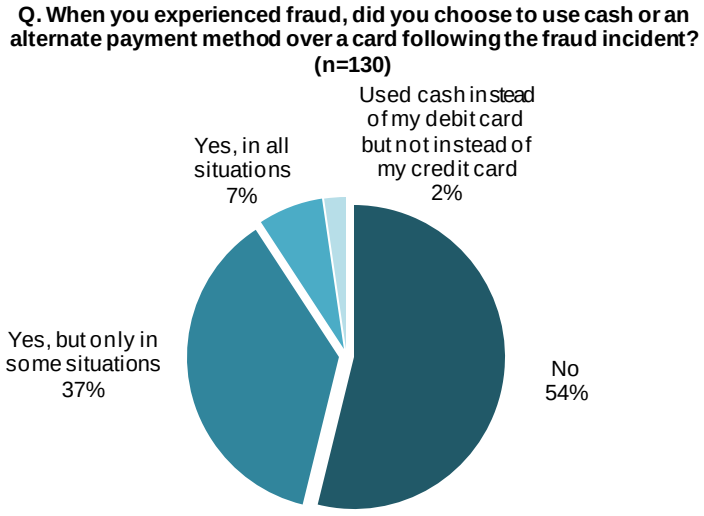


Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

IMPACT ON PAYMENT BEHAVIOR

After experiencing fraud, some cardholders are hesitant to use their card as much as they used it previously. Two percent of respondents who have experienced fraud prefer to use cash instead of their debit card but continue to use their credit cards as they had prior to the fraud event. Seven percent of consumers prefer to use cash or an alternate form of payment in all situations after experiencing card fraud, and an additional 37% prefer to use cash or an alternate form of payment instead of their debit or credit card in some situations. The behavior of the remaining 54% of consumers who suffered card fraud remains unchanged by the experience (Figure 7).

Figure 7: Use of Card After Fraud Experience in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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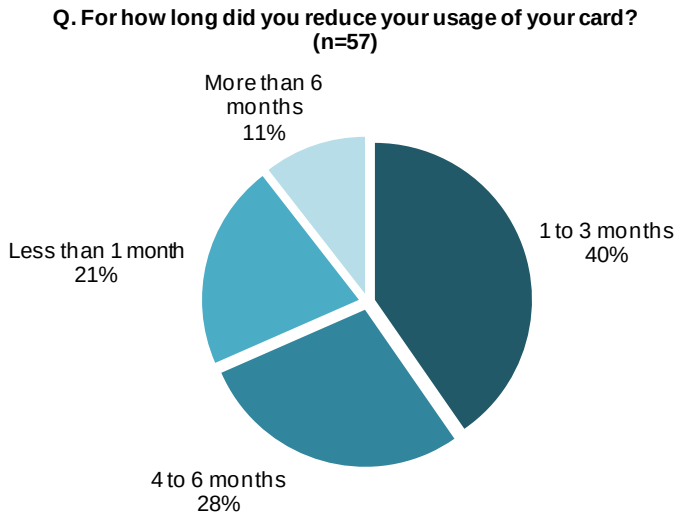
The cardholders who switched to cash or an alternate form of payment after experiencing card fraud were asked how long after the fraud incident their behavior was affected. The largest group—40%—reply that they curtailed use of their card for one to three months after experiencing fraud. While only 11% of cardholders changed their payment behavior beyond a six-month time period after the fraud incident, that is still a large enough percentage to cause concern for card issuers. Responses from cardholders who actually experienced fraud indicates that card providers should anticipate a period of decreased card usage for consumers who are victimized, and hence a reduced revenue stream from such consumers (Figure 8).

Figure 8: Length of Time Consumers Curtailed Card Use in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Similar to the drop in usage by some cardholders for a period of time after being victims of card fraud, card issuers should anticipate a certain level of customer attrition due to the fraud experience. Among cardholders who experienced fraud and are very unhappy with their financial institution's response to that incident, 16% of males and 5% of females chose to actually change the financial institution or card company they received the original card from. Broken down by gender, this statistically significant difference in behavior indicates that males are far more likely to switch providers than are females (Table B).

Table B: Change in Card Provider After Fraud Incident in the United States

Q. Did you change card provider? (n=130)	Male	Female
Yes, I did	16%*	5%
No, I did not	84%	95%

**Males responded significantly differently than females*
Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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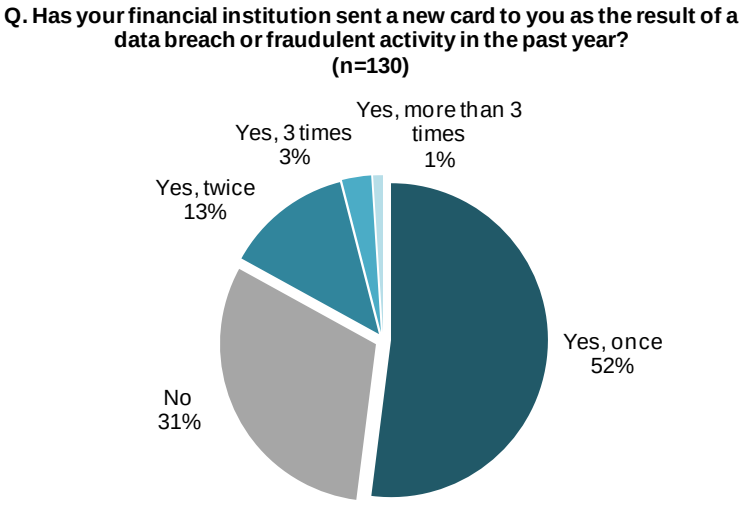
REPLACEMENT CARDS

Data breaches at merchants, governmental bodies, universities, and processors have become increasingly common and high profile. Under certain circumstances, financial institutions may issue a replacement card to cardholders. Often, this is due to a database breach that places the card at a high risk of fraud; this may also occur as a protective measure if the card issuer detects fraudulent attempts on the card. In this survey, the majority of cardholders responded that they have received replacement cards due to such circumstances. Only 31% of consumers have not received such a replacement card in the past year, and 17% have received multiple replacements (Figure 9).

Figure 9: Replacement Card Activity After Fraud Incident in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Sixty-seven percent of cardholders have received one or more replacement cards due to a data breach or fraudulent activity during the past year. According to one top issuer, it costs between US$3 and US$5 to issue a replacement card—this means that issuers can ill afford for cards to go to the back of consumers' wallets. Unfortunately, 33% of consumers who received replacement cards state that they used the new card less frequently than the original card and indicate concern that they might experience fraud on the new card or say they have a heightened sensitivity regarding potential card fraud (Figure 10).

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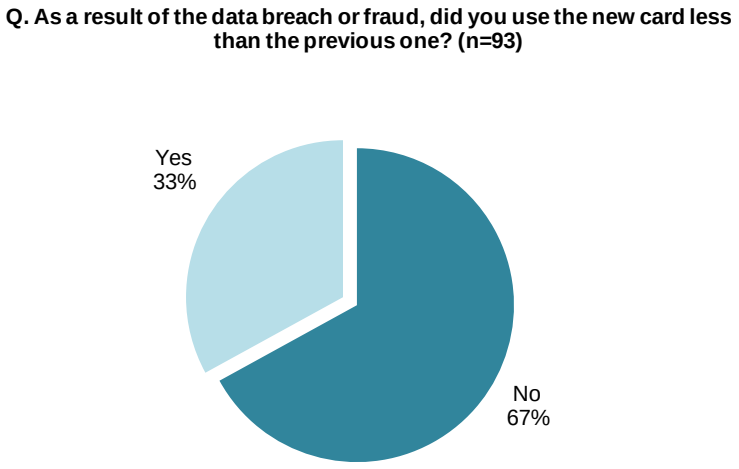
Figure 10: Replacement Card Usage in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

SATISFACTION LEVELS

U.S. cardholders who actually experienced fraud on their cards over the past five years express varying degrees of satisfaction with how their financial institution handled their problem. One factor that influenced their level of satisfaction is the dollar amount of the fraud experienced; larger dollar amounts of fraud impacted their degree of happiness to a larger degree. While only 3% of cardholders classify themselves as being "very unhappy" after experiencing fraud of less than US$200, 18% were "very unhappy" after a fraud experience exceeding US$200 in value. Unless they are negligent or too slow in noticing fraudulent activity and reporting it, cardholders in the United States are generally reimbursed for fraud under the "zero liability" environment. This environment is very different from that in the majority of the world, where zero liability is not marketed as heavily and consumer protection legislation is not as strong (Figure 11). In addition, 61% of respondents with fraud amounts less than US$200 in value were "very happy" compared to only 45% who were "very happy" with fraud amounts more than US$200 in value; this is a statistically significant difference.

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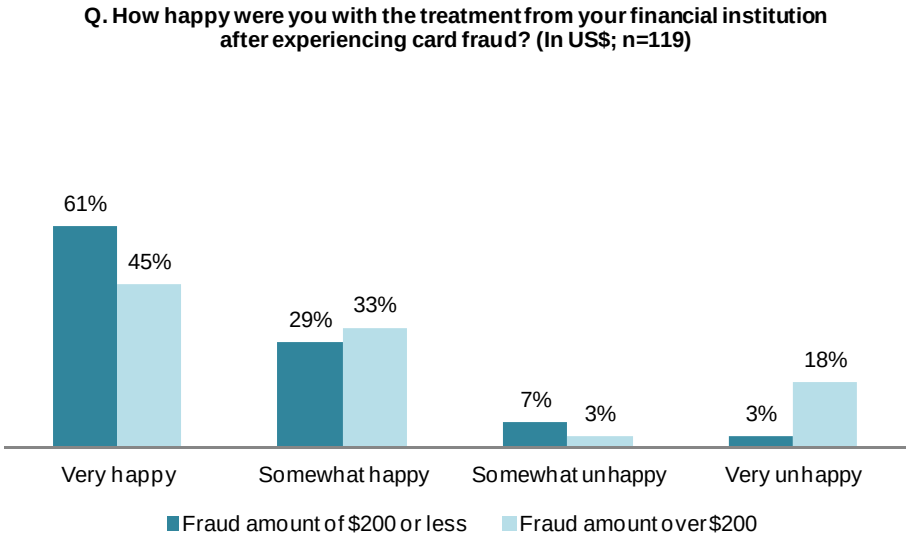
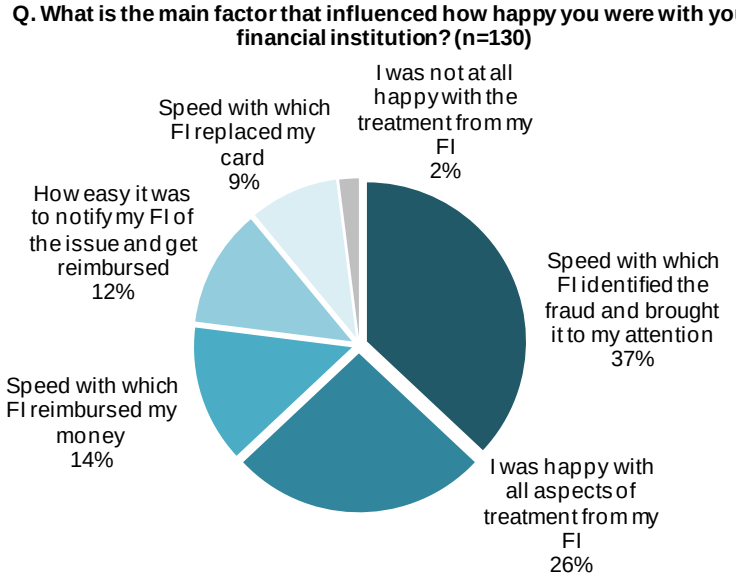
Figure 11: Satisfaction Levels Based on Fraud Amount in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Given that most U.S. financial institutions offer zero liability to their customers, only 2% of respondents say they were "not at all happy" with the treatment they received from their card provider. Consumers are happiest when their financial institution detects fraud and brings it to their attention—more than one-third of respondents report this as the factor that led to the greatest level of happiness with the provider. The second highest factor is the speed with which consumers' funds or credit line depleted by fraud was restored (Figure 12).

Figure 12: Satisfaction Level Factors in the United States



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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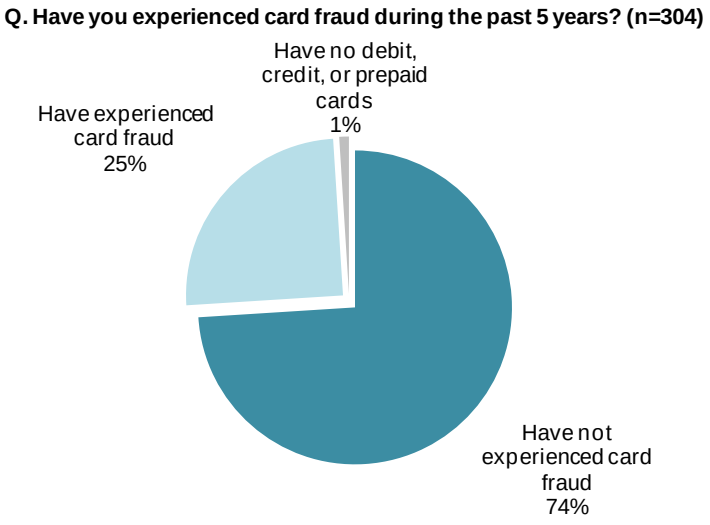
FRAUD EXPERIENCE IN CANADA

In Canada, most of the respondents are cardholders; only 1% respond that they do not have a debit, credit, or prepaid card. A quarter of cardholders have experienced card fraud during the past five years (Figure 13).

Figure 13: Rate of Card Fraud in Canada



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

IMPACT ON PAYMENT BEHAVIOR

After experiencing fraud, the majority of consumers did not decrease use of their cards, but a significant percentage (39%) did use cash or an alternate form of payment, at least in some situations. This is a concern for card issuers, which are negatively impacted when consumers curtail use of their card (Figure 14).

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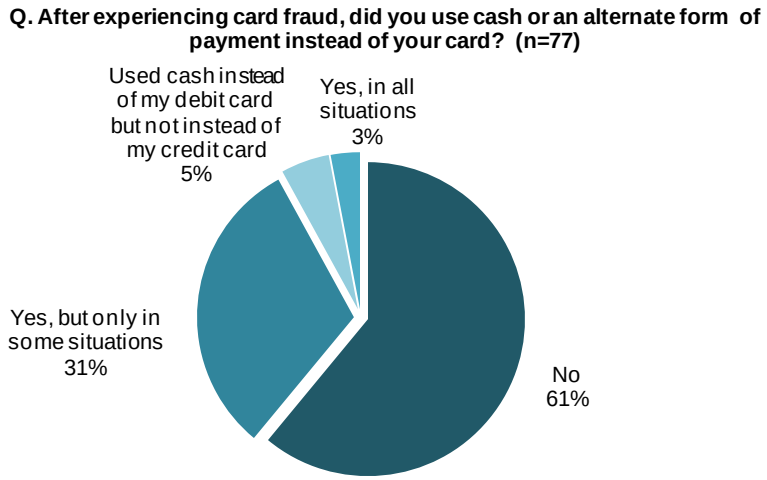
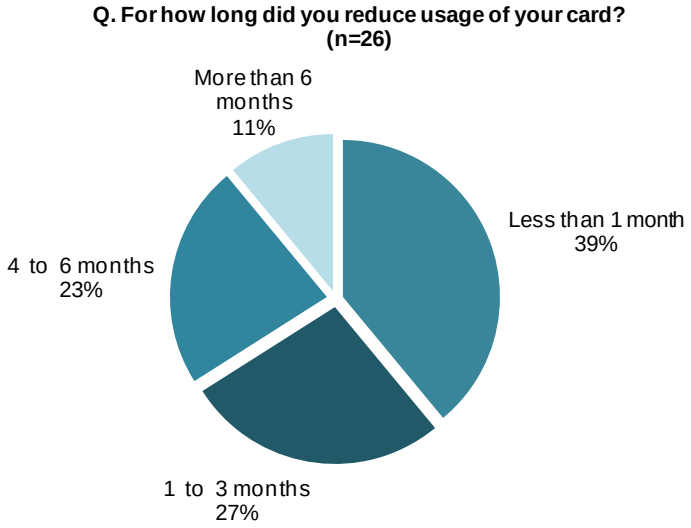
Figure 14: Use of Card After Fraud Experience in Canada



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

For respondents who did choose to use cash or an alternate form of payment after experiencing card fraud, the length of time the change of behavior lasted varied. Only 11% used the card less than before the fraud for over six months, while the decreased usage lasted less than one month for 39% of respondents. The implication is that cardholders preferred the convenience of card use over a period of time, which overcame their security concern (Figure 15).

Figure 15: Length of Time Consumers Curtailed Card Use in Canada



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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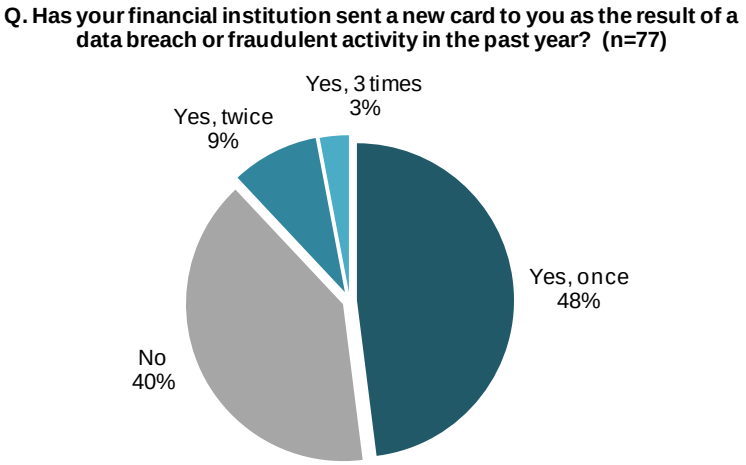
REPLACEMENT CARDS

Data breaches and fraud are issues throughout the Americas, as the first often fuels the second. Canadian cardholders don't receive replacement cards at a rate as high as U.S. consumers, but, as discussed earlier in this report, fraud is less common in Canada. Still, the majority of respondents received at least one replacement card in the past year due to data breaches and fraud (Figure 16).

Figure 16: Replacement Cards Sent in Canada



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Seventy-six percent of cardholders in Canada use replacement cards as frequently as the original card; this is perhaps indicative of an environment in which card fraud is a less common event than it is in the rest of the Americas. Slightly less than a quarter of consumers state that they used the replacement card less than the original card (Figure 17).

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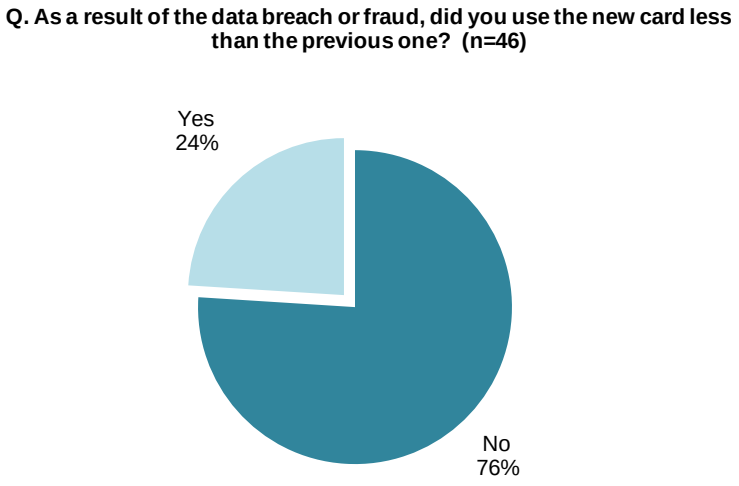
Figure 17: Replacement Card Usage in Canada

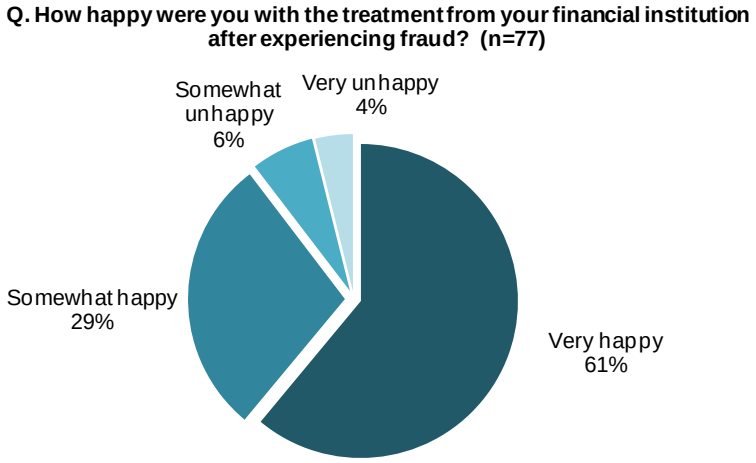


Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

SATISFACTION LEVELS

Ninety percent of customers in Canada are essentially happy with the treatment they experienced from their financial institution following their fraud experience. Only 4% of consumers considered themselves "very unhappy" with the treatment they received from their card provider (Figure 18).

Figure 18: Satisfaction With Card Provider After Fraud Incident in Canada



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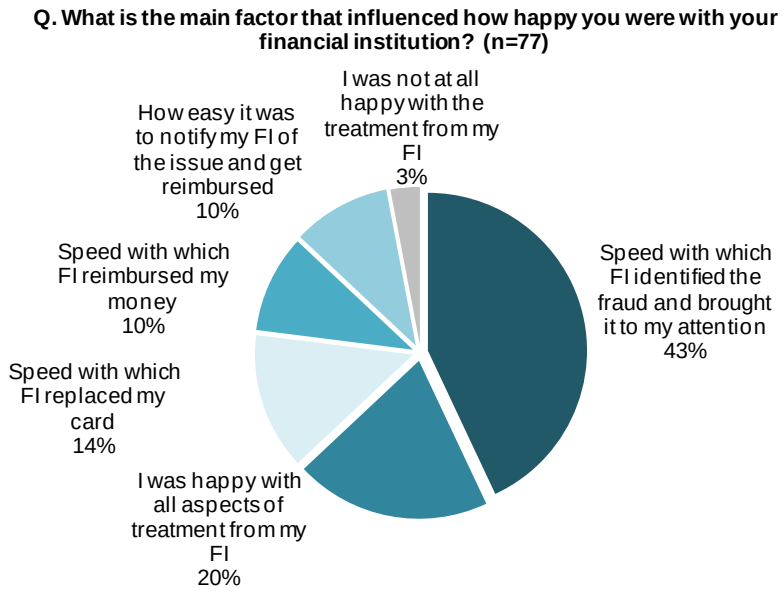
In order to understand what influenced consumers' satisfaction levels with financial institutions, respondents' answers regarding what led them to be happy with the treatment they received were examined. Consumers clearly appreciate proactive fraud prevention from their providers—43% are pleased because their institution detected the fraud and brought it to their attention (Figure 19).

Figure 19: Satisfaction Level Factors in Canada



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Among respondents who know the amount of the fraud involved, the level of satisfaction with the card provider was higher with larger dollar amounts of fraud than for lower amounts, the opposite of the trend seen in the United States (Figure 20). The difference in the 52% who were "very happy" with the treatment by their financial institution after experiencing smaller fraud amounts compared to the 74% who were very happy after experiencing larger amounts of fraud is significantly different.

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Figure 20: Satisfaction Levels Based on Fraud Amount in Canada

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

While there are no differences in satisfaction levels based on the amount of the fraud due to gender, there was a distinct difference in how the genders reacted to the fraud incident. At 11%, more male respondents chose to move their card relationship to another provider after experiencing fraud than did their female counterparts, at 3% (Table C).

Table C: Change in Card Provider Following Fraud Incident in Canada

Q. Did you change card provider? (n=77)	Male	Female
Yes, I did	11%	3%
No, I did not	89%	97%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

FRAUD EXPERIENCE IN MEXICO

Card fraud rates are very high in Mexico—similar to those in the United States. The card penetration rate is also very high, with only 1% of respondents not having a debit, credit, or prepaid card. Approaching half of all cardholders, fully 44% of respondents have been impacted by card fraud in the past five years (Figure 21).

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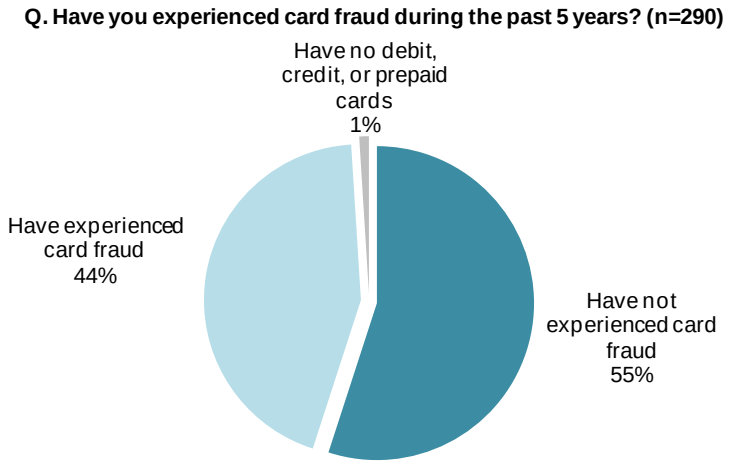
Figure 21: Rate of Card Fraud in Mexico

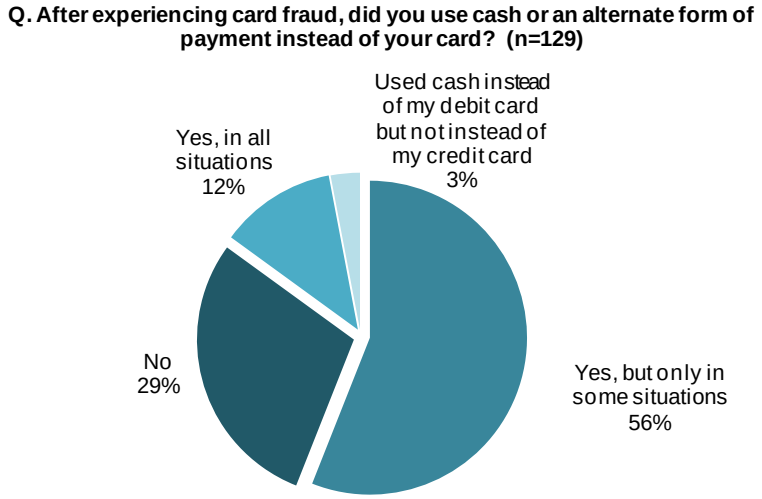


Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

IMPACT ON PAYMENT BEHAVIOR

After experiencing card fraud, 71% of cardholders changed their payment behavior in some way. This level of decline in card usage could represent a significant decline in revenue streams for card issuers—certainly a source of concern (Figure 22).

Figure 22: Use of Card After Fraud Experience in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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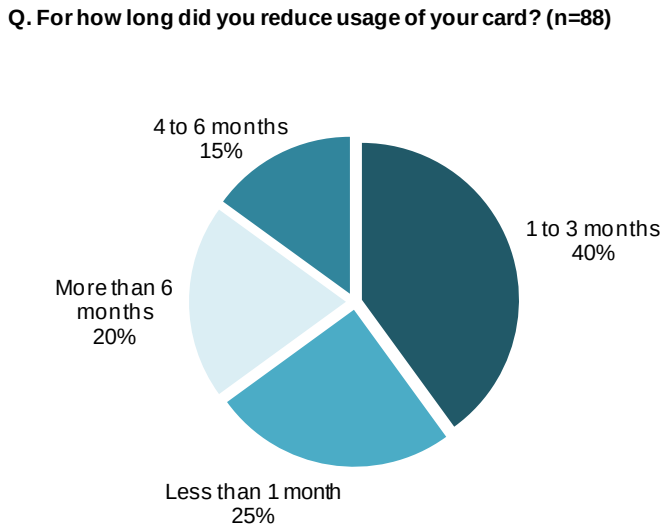
To better understand the impact of this high percentage of respondents who used their card less after the fraud experience, we looked at how long this change of behavior lasted. Fortunately, for a quarter of consumers, card usage resumed at normal levels after less than one month. Twenty percent continued to use their card less for more than six months, however, which is very bad news for card issuers (Figure 23).

Figure 23: Length of Time Consumers Curtailed Card Use in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

REPLACEMENT CARDS

Of all the countries in the Americas, Mexico has the fewest consumers who have received replacement cards from their financial institutions due to data breaches or fraud, with 46% replying they have never received such a card. Given the very high rate of card fraud in Mexico, this is somewhat surprising. Perhaps one reason that fraud rates are so high is that card providers are not proactive in replacing cards when data breaches occur (Figure 24).

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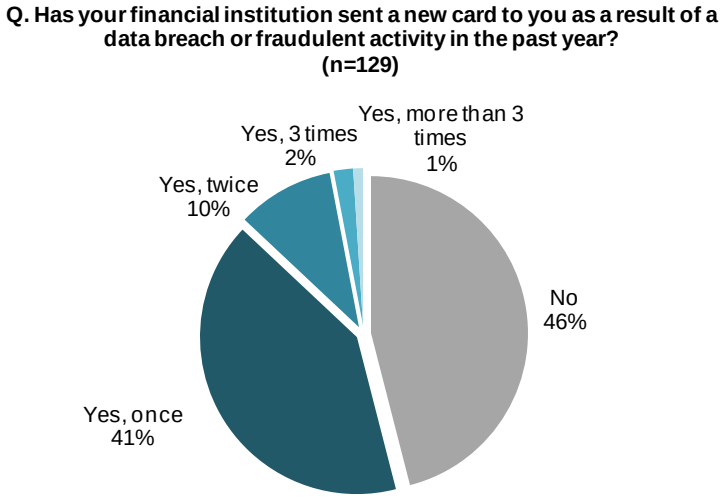
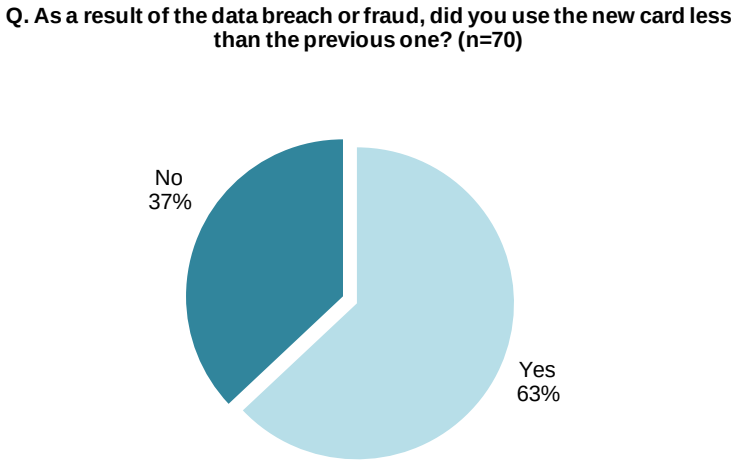
Figure 24: Replacement Cards in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

While consumers in Mexico receive replacement cards due to data breaches and fraud less often than do other countries in the Americas, the consumers who do receive them use them more cautiously than do consumers in other locations. This could suggest that financial institutions have determined that replacement cards are not used as often as their originally distributed brethren and that issuers have become more hesitant to replace breached cards than have card providers in other countries in the Americas (Figure 25).

Figure 25: Replacement Card Usage in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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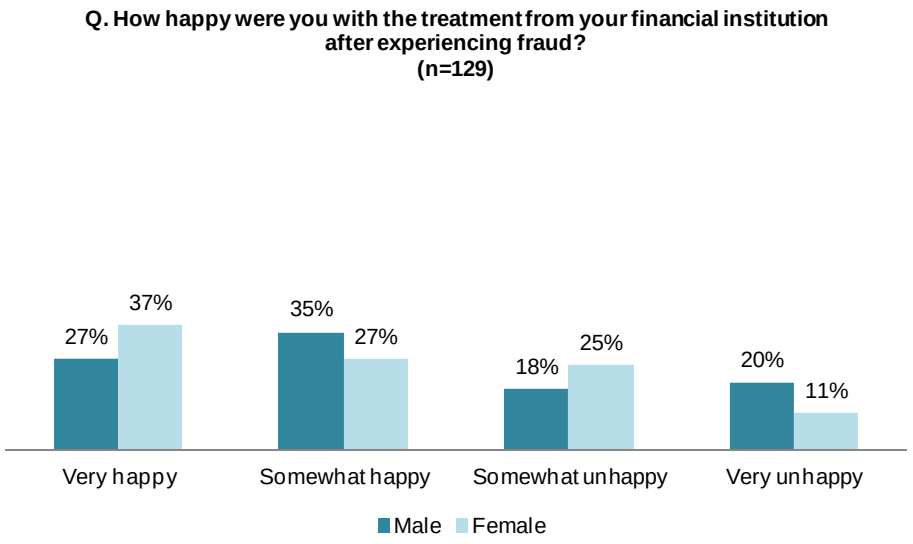
SATISFACTION LEVELS

In Mexico, cardholders cite a higher level of dissatisfaction with their card provider after experiencing fraud than do consumers in other North American countries. Thirty-eight percent of males were "unhappy" and 36% of females were "unhappy" with their treatment after experiencing fraud (Figure 26).

Figure 26: Satisfaction With Card Provider After Experiencing Fraud in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Satisfaction levels could be correlated with the amount of the fraud when such an amount is known by the consumer. Forty-one percent of customers were "unhappy" with their treatment from their card provider after experiencing fraud when the amount of the fraud was less than MXN 1,000; 33% were unhappy when the amount exceeded MXN 1,000. Thirty-eight percent who experienced fraud amounts over MXN 1,000 were very happy with their treatment compared to only 23% with fraud amounts less than MXN 1,000, which is statistically significant (Figure 27).

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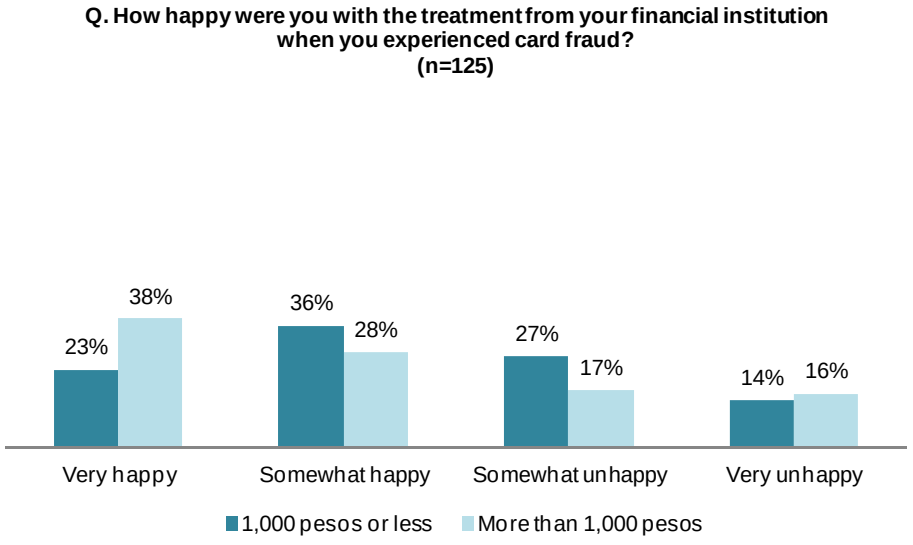
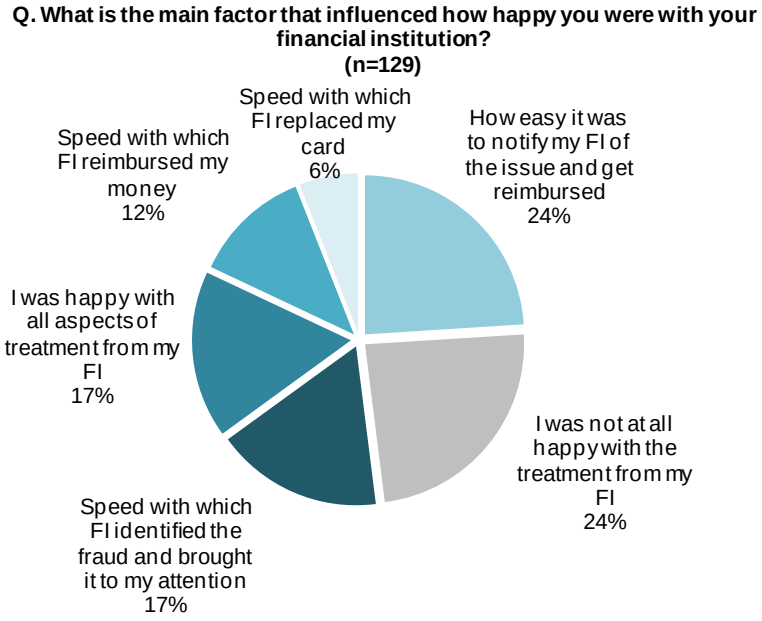
Figure 27: Satisfaction Levels Based on Fraud Amount in Mexico



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Twenty-four percent of cardholders indicate that they are "not at all happy" with the treatment they received, while an additional 24% are pleased with how easy it was to notify the institution of the fraud and get reimbursed. Apparently, card replacement is a very slow process in Mexico—only 6% of respondents indicate that they are pleased with that aspect of the experience (Figure 28).

Figure 28: Satisfaction Level Factors in Mexico



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Respondents in Mexico act on their frustrations and change card providers at a similar rate for males and females—16% and 13% respectively. This is a fairly high attrition rate for cardholders who have experienced fraud and would be costly for any card issuer (Table D).

Table D: Change in Card Provider Following Fraud Incident in Brazil

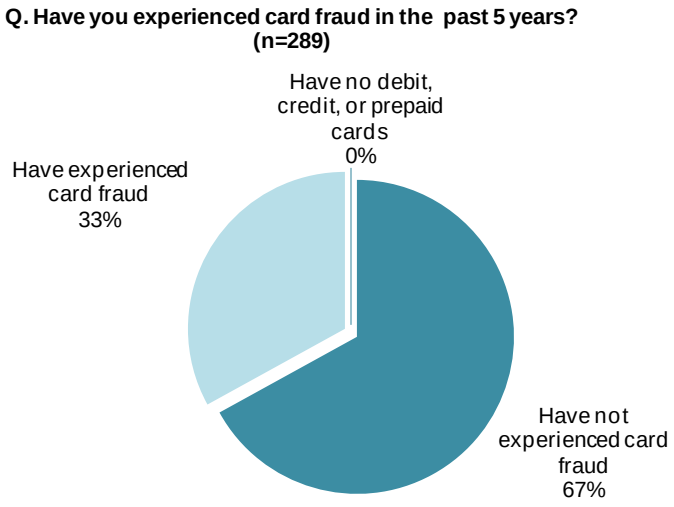
Q. Did you change card provider? (n=129)	Male	Female
Yes, I did	16%	13%
No, I did not	84%	87%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

FRAUD EXPERIENCE IN BRAZIL

The final country in the Americas included in the consumer fraud survey is Brazil. Card penetration rates are excellent among all those surveyed who hold at least one type of card. One-third of all the respondents have experienced some form of card fraud in the past five years (Figure 29).

Figure 29: Rate of Card Fraud in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

IMPACT ON PAYMENT BEHAVIOR

After experiencing fraud, 61% of cardholders chose to use cash or an alternate form of payment instead of their card; regardless of the satisfaction level customers felt with their card provider after the fraud experience, curtailed card use is for many a lingering impact of the fraud experience (Figure 30).

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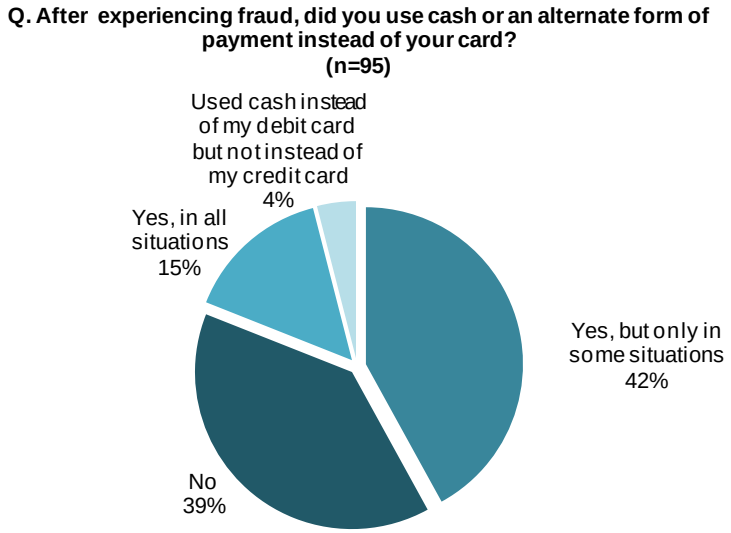
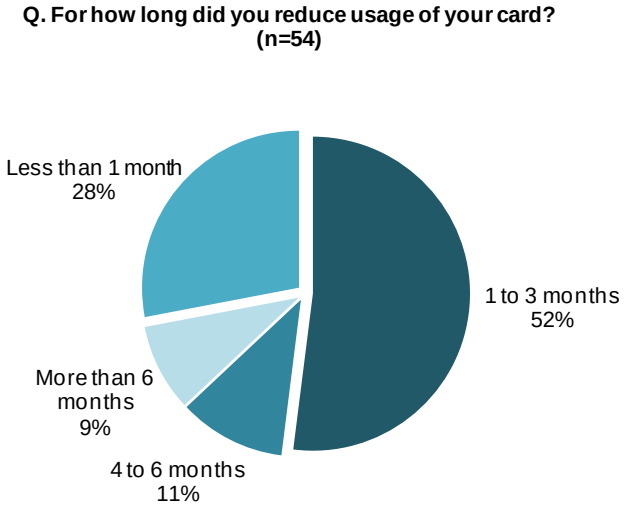
Figure 30: Use of Card After Experiencing Fraud in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

To better understand this lingering effect, we looked at how long this change in payment behavior persisted after the fraud experience. The majority of consumers (52%) changed their payment behavior for one to three months. Unfortunately, 9% say that their change in behavior persisted for over six months, a concern for card issuers (Figure 31).

Figure 31: Length of Time Consumers Curtailed Use of Card in Brazil



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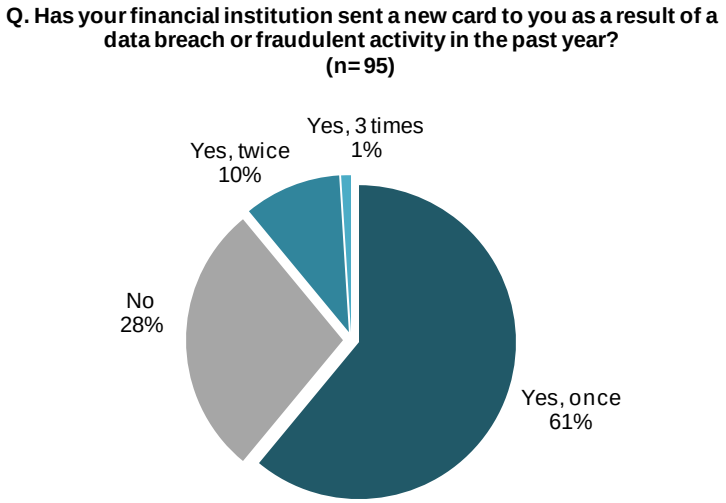
REPLACEMENT CARDS

Among respondents worldwide, cardholders in Brazil are the most likely to have received a replacement card from their financial institution due to a data breach or fraudulent activity; however, they only lead the United States by 1%. Seventy-two percent of cardholders respond that they have received a replacement card from their card provider once or more times in the past year (Figure 32).

Figure 32: Replacement Cards in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Similar to cardholders in Mexico, Brazilian customers who received replacement cards are less likely to use them as frequently as they used their original card. Whereas 63% of Mexican respondents say they used the card less often, 56% of Brazilian respondents say they used it less; this is compared with 33% in the United States and 24% in Canada (Figure 33).

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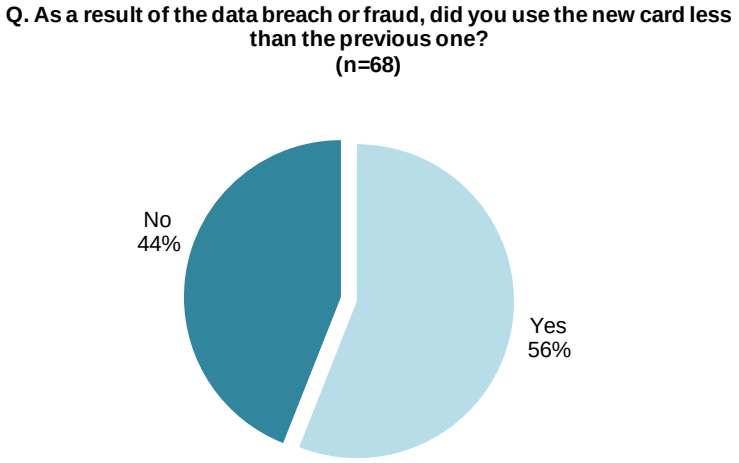
Figure 33: Replacement Card Usage in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

SATISFACTION LEVELS

Respondents were asked about their satisfaction levels with the treatment they received from their financial institutions subsequent to their fraud experience. Compared to the other surveyed countries in the Americas, respondents in Brazil are far less pleased with the treatment they received from their financial institutions, with 56% replying they were "somewhat" or "very" unhappy afterward. This is far higher than any other level of dissatisfaction expressed elsewhere in the Americas (Figure 34).

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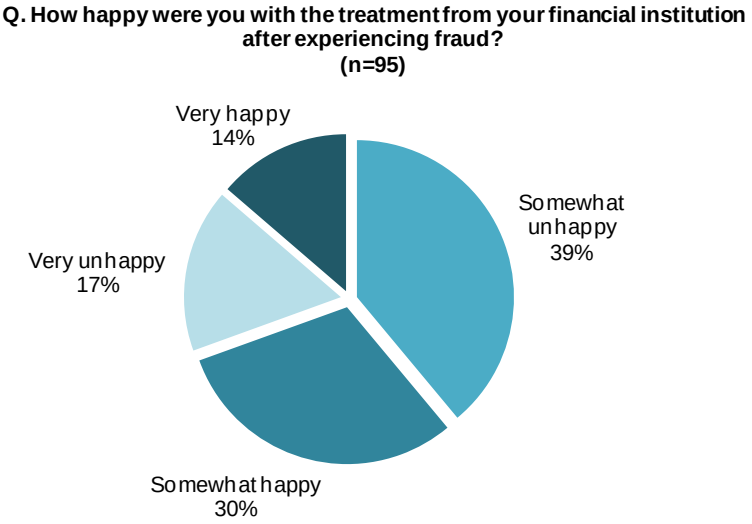
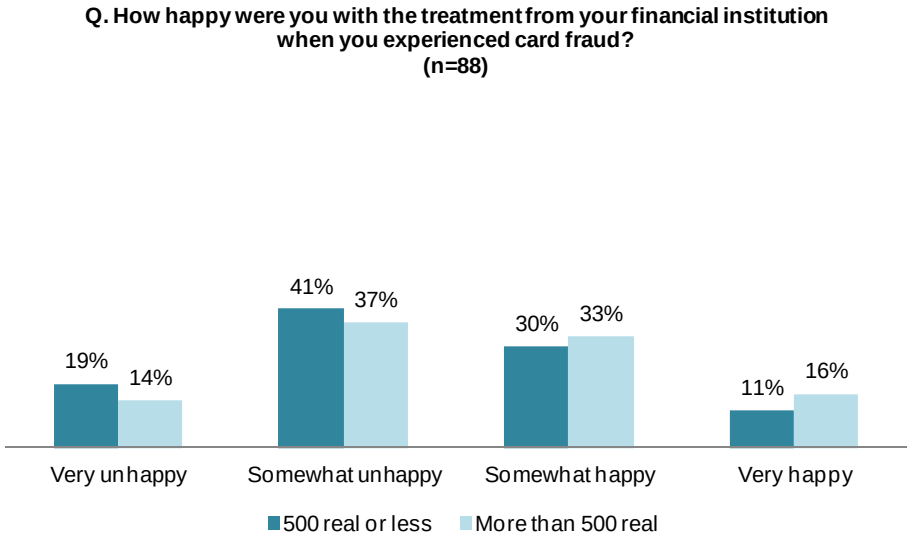
Figure 34: Satisfaction With Card Provider After Fraud Incident in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

The amount of the fraud loss does not correlate with satisfaction levels in Brazil among respondents who know the amount. Sixty percent of respondents with lower losses were unhappy while 51% of those with higher losses were unhappy (Figure 35).

Figure 35: Satisfaction Levels Based on Fraud Amount in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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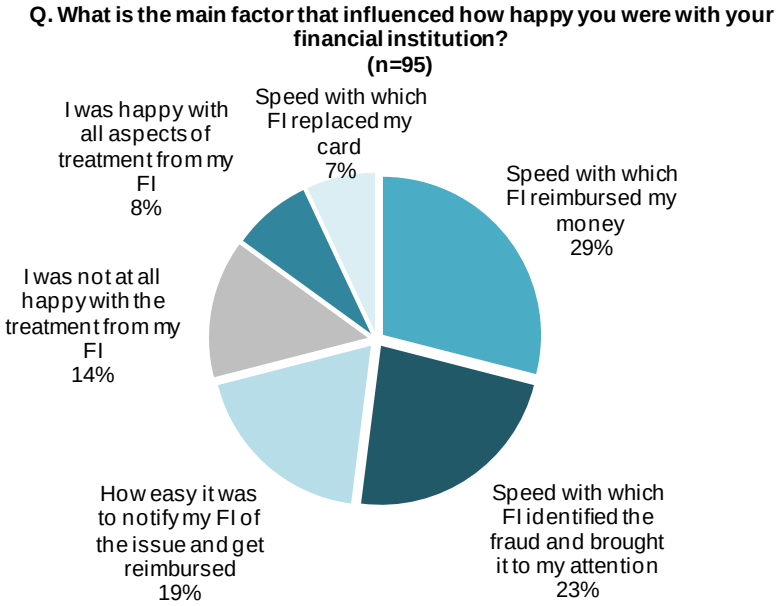
As in other countries in North America, Brazilian customers are happy when their financial institution detects the fraud and notifies them of it; 23% of consumers in Brazil cite having this experience. Among factors that influenced consumer happiness with their financial institution, most important to Brazilians, at 29%, is the speed with which their money was reimbursed (Figure 36).

Figure 36: Satisfaction Level Factors in Brazil



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

As a result of the high level of customer dissatisfaction of the way their financial institution treated them subsequent to the fraud incident, it is surprising to see that both male and females changed their financial institutions less often than their counterparts in some other countries (e.g., Mexico). The percentage of male and female customers who changed card providers was similar, at 11% and 14% respectively (Table E).

Table E: Change in Card Provider Following Fraud Incident in Brazil

Q. Did you change card provider? (n=95)	Male	Female
Yes, I did	11%	14%
No, I did not	89%	86%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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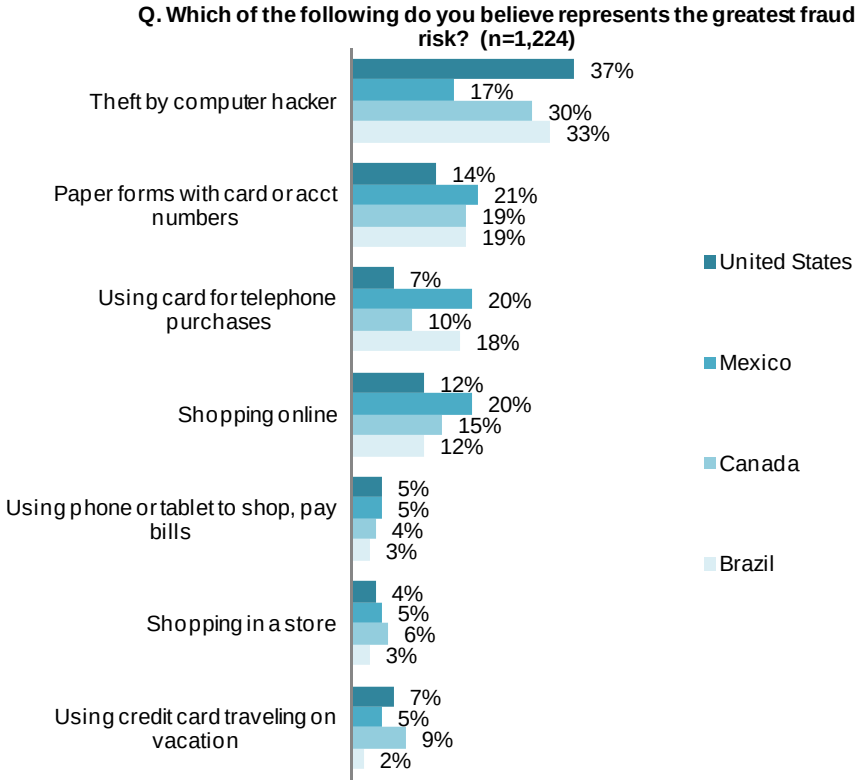
CONSUMER ATTITUDES TOWARD FRAUD IN THE AMERICAS

Consumer attitudes toward fraud should be considered from several perspectives. First, it is clear, based on respondent ratings of risk for online shopping and computer hackers, that respondents in all countries have concerns about cybercrime. Wisely, they also recognize the risk of filling out paper forms that require payment data and shopping via telephone (Figure 37).

Figure 37: Greatest Fraud Risks in the Americas



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

In order to understand respondents' main worries, Aite Group asked about their primary concerns related to fraud. Across all countries in the Americas, consumers recognize that card fraud is increasing and that the people perpetrating it are more skillful than ever before. In addition to those two concerns, people are primarily concerned over the time and hassle involved in resolving the problem if they are impacted by card fraud (Figure 38).

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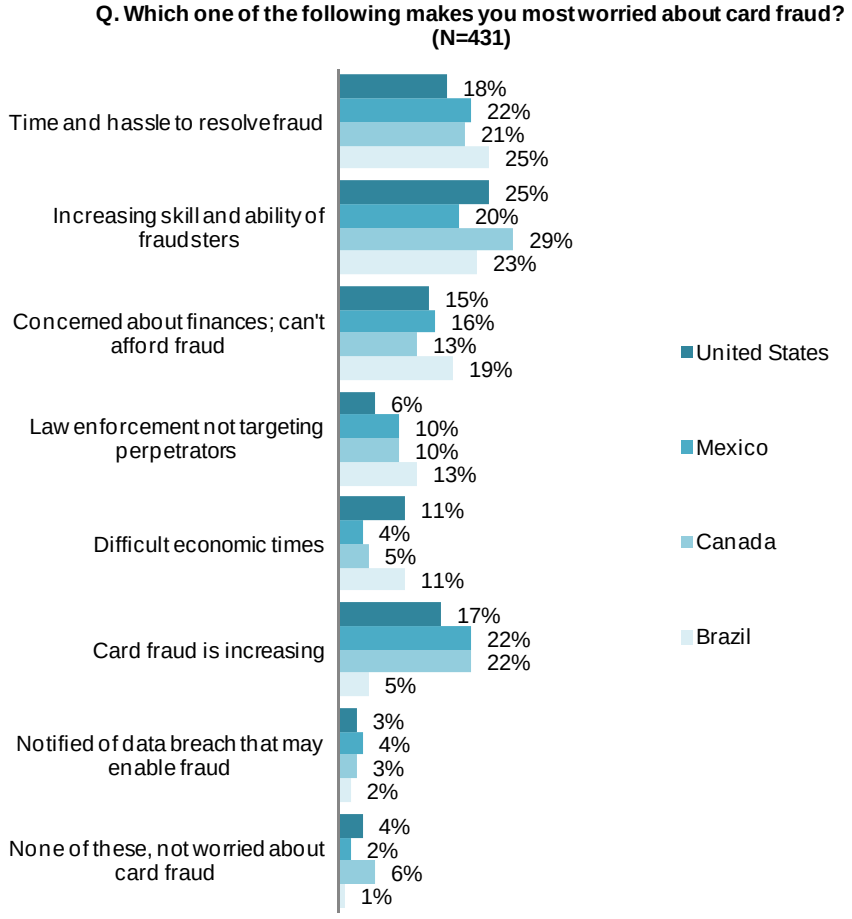
Figure 38: Primary Fraud Concerns in the Americas



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Many respondents report that their financial institution has shared information with them related to protecting themselves from fraud, but the largest percentage in each country surveyed in the Americas doesn't recall ever having received such communications. Although many institutions have information on their websites and may communicate via other methods, the message is not being heard. Across the four countries, between 42% and 65% of respondents do not recall ever receiving fraud information from their financial institution (Table F).

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Table F: Fraud Education in the Americas

Q. Has your financial institution provided any guidance or tips for anti-fraud? (n=1,224)	Brazil	Canada	Mexico	United States
Yes, I've received emails from them with anti-fraud information	15%	15%	14%	19%
Yes, I've received mail from them with anti-fraud information	15%	13%	5%	22%
Yes, I've seen this on my financial institution's website	25%	17%	14%	13%
Don't recall receiving any anti-fraud information from my financial institution	42%	52%	65%	43%
Not applicable	3%	3%	2%	3%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Despite their concerns related to fraud, a minority of respondents continue to do certain things that put their accounts at higher risk of fraud. In spite of financial institution attempts to educate consumers on these issues, either the message is not being heard and understood or there are reasons the message is disregarded concerning the risks of these actions. The risky behavior demonstrated by the highest percentage of consumers is throwing documents containing sensitive information in the trash without shredding them prior to disposal. Unshredded, these documents could be retrieved by others and used to commit fraudulent financial transactions or identity theft (Table G).

Table G: Risky Consumer Behaviors in the Americas

Q. Which of these actions have you taken in the past 5 years? (n=1,224)	Brazil	Canada	Mexico	United States
Made a note of PIN and carried it with me or kept it with my card	16%	4%	9%	7%
Thrown bank statements or ATM receipt in the trash	45%	25%	36%	23%
Used online banking or Internet shopping without security software or on a public computer	22%	6%	20%	13%
Responded to emails or calls asking for bank details	8%	3%	7%	6%
Not used the auto lock feature on my mobile phone	21%	11%	17%	18%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

As financial institutions monitor customers' activity and develop fraud alerts in an attempt to combat fraud, many customers are willing to be involved in assisting their institution. Consumers were asked to respond regarding the actions they would prefer their institutions to take if they detect suspicious activity on their account. The majority of respondents in all countries in the Americas indicate a preference for their financial institution not to allow any transactions until the account holder responds to an alert sent by the bank (Table H).

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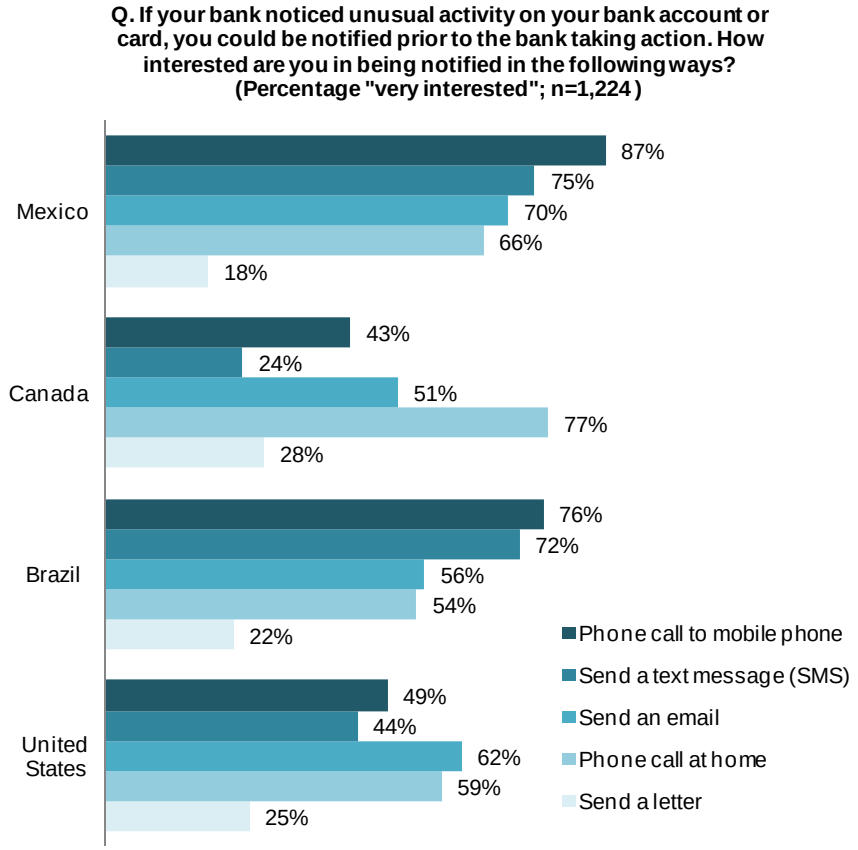
Table H: Consumer Preferences in the Americas

Q. If you were to receive an alert or notification about fraud activity from your financial institution, which action would you prefer (n=1,224)	Brazil	Canada	Mexico	United States
Bank does not allow any transactions until I respond to alert	85%	75%	89%	63%
Bank continues to allow transactions consistent with my past history	11%	22%	8%	32%
Bank allows all activity unless I notify them otherwise	4%	3%	3%	5%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Based on the high percentage of respondents who indicate that they prefer their financial institution contact them after detecting fraudulent activity prior to allowing any additional transactions, respondents were asked their preferences concerning how they would be contacted. In Mexico and Brazil, an overwhelming majority prefer to be contacted via a call to their mobile phone or a text message. In the United States, the majority prefers email, and in Canada, the preference is for a call to the home phone (Figure 39).

Figure 39: Contact Method Preferences in the Americas



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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Participants were asked how good a job they feel government and law enforcement are doing related to fighting fraud, and the majority gave "average" to "poor" ratings. In Mexico and Brazil, respondents rate the job government and law enforcement are doing as "very bad," at 17% and 10% respectively. Only 7% in Mexico give a "good" rating, and none give an excellent rating. Clearly, most feel that government and law enforcement can and should do a better job of fighting financial fraud (Table I).

Table I: Government and Law Enforcement in the Americas

Q. How good a job do you believe government and law enforcement are doing at fighting card or account fraud? (n=1,224)	Brazil	Canada	Mexico	United States
Very bad	10%	5%	17%	7%
Poor	31%	12%	38%	19%
Average	44%	59%	38%	55%
Good	13%	22%	7%	17%
Excellent	2%	2%	0%	2%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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FRAUD EXPERIENCE IN EMEA

In the Europe, Middle East, and Africa region, ACI Worldwide conducted consumer surveys in eight countries: France, Germany, Italy, the Netherlands, South Africa, Sweden, the United Arab Emirates, and the United Kingdom. The rates of fraud experienced varied from country to country, with the lowest rates in some of the European countries. Overall, card fraud rates range from a low of 12% in both the Netherlands and Sweden to a high of 36% in the United Arab Emirates (Figure 40).

Figure 40: Rate of Card Fraud in Europe, the Middle East, and Africa

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

SATISFACTION LEVELS

Similarly, there is a wide range of cardholder satisfaction levels with their card providers after experiencing fraud. The percentage of respondents who classified their feelings as unhappy with the treatment they received from their card provider ranges from a low of 13% in Sweden to a high of 57% unhappy customers in Italy. Consumers also expressed their displeasure with the treatment they received by moving their relationship to another card provider, ranging from a low of 9% who made changes in both the Netherlands and Sweden to a high of 27% in the United Arab Emirates. This indicates cardholders tend to move their card relationship if they are unhappy enough with the treatment from their financial institution (Figure 41).

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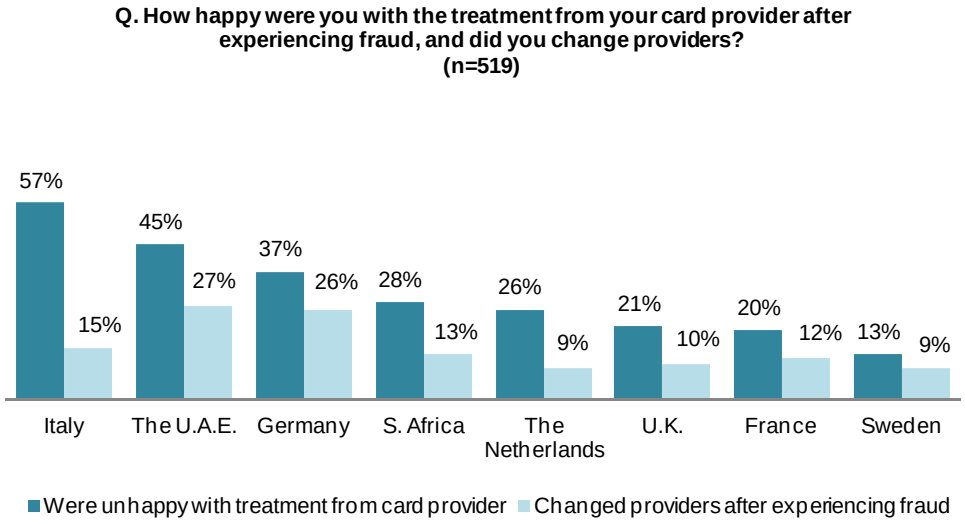
Figure 41: Satisfaction Levels and Attrition in Europe, the Middle East, and Africa



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

To understand what financial institutions did to service the consumers who are happiest with their fraud experience, ACI Worldwide asked consumers to rate various items. Financial institutions that detected the fraud and brought it to the customers' attention made their customers happiest, followed by those that reimbursed customers quickly after the fraud incident (Table J).

Table J: Financial Institution Actions in Europe, the Middle East, and Africa

Q. What is the main factor that influenced how happy you were with your financial institution? (n=533)	Speed with which FI identified the fraud and brought it to my attention	Speed with which FI reimbursed my money	Speed with which FI replaced my card	How easy it was to notify my FI of the issue and get reimbursed	I was happy with all aspects of treatment from my FI	I was not at all happy with the treatment from my FI
France	32%	18%	13%	17%	13%	7%
Germany	24%	13%	29%	10%	16%	8%
Italy	32%	23%	11%	9%	3%	22%
The Netherlands	31%t	26%	9%	11%	14%	9%
South Africa	19%	20%	8%	17%	27%	9%
Sweden	30%	22%	11%	16%	16%	5%
The U.A.E.	27%	21%	17%	11%	8%	16%
United Kingdom	37%	30%	9%	10%	13%	1%

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Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

IMPACT ON PAYMENT BEHAVIOR

After experiencing card fraud, some cardholders tend to use cash or an alternate payment method instead of the type of card with which they had experienced the fraud incident. As discussed in earlier sections, cardholder behavioral changes after they experience fraud are important to understand due to the implications for card profitability for the issuer. Changes in behavior are the most common in the United Arab Emirates, where 59% of customers used their cards less often after the fraud experience. In contrast, only 17% of consumers in the Netherlands cite using their card less after experiencing fraud (Table K).

Table K: Card Usage Subsequent to Experiencing Fraud in Europe, the Middle East, and Africa

Q. After you experienced fraud, did you use cash or an alternate payment method rather than your card? (n=533)	Yes, in all situations	Yes, in some situations	No	Used cash instead of debit card, but not credit card
France	13%	25%	60%	2%
Germany	18%	32%	45%	5%
Italy	15%	35%	44%	6%
The Netherlands	3%	14%	83%	0%
South Africa	15%	36%	45%	4%
Sweden	5%	33%	62%.	0%
The U.A.E.	12%	45%	41%	2%
United Kingdom	9%	30%	58%	3%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

REPLACEMENT CARDS

Financial institutions may send replacement cards to cardholders after certain major data breaches or after they detect fraudulent activity on a card. As discussed earlier in this report, some cardholders are wary of using a replacement card in these circumstances. In EMEA, all countries had a significant percentage of respondents who received replacement cards from their financial institutions; the percentages of cardholders who received one or more replacement ranged from a high of 68% in United Arab Emirates to a low of 49% in Italy (Table L).

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Table L: Replacement Cards in Europe, the Middle East, and Africa

Q. Received a replacement card in past year? (n=533)	No	Yes, once	Yes, twice	Yes, 3 times	Yes, more than 3 times
France	33%	59%	5%	3%	0
Germany	34%	50%	13%	3%	0%
Italy	51%	48%	1%	0%	0%
The Netherlands	40%	54%	6%	0%	0%
South Africa	43%	50%	3%	3%	1%
Sweden	38%	49%	13%	0%	0%
The U.A.E.	32%	45%	12%	8%	3%
United Kingdom	44%	50%	6%	0%	0%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Impacts on payment behavior for cardholders who received replacement cards were analyzed for each of the surveyed countries in the region. Respondents in South Africa are the most likely to alter their use of the replacement card, with 51% of them using it less than the original card. France has the lowest percentage of respondents using the replacement card less than the original, at 25%, followed closely by Sweden, at 26%. It should be noted that although these were the lowest percentages, they still represent a high percentage of cardholders whose payment behavior was altered by the fraud they experienced (Table M).

Table M: Replacement Card Usage in Europe, the Middle East, and Africa

Q. As a result of the data breach or fraud, did you use the replacement card less than the original card? (n=322)	Yes	No
France	25%	75%
Germany	36%	64%
Italy	34%	66%
The Netherlands	33%	67%
South Africa	51%	49%
Sweden	26%	74%
The U.A.E.	40%	60%
United Kingdom	38%	62%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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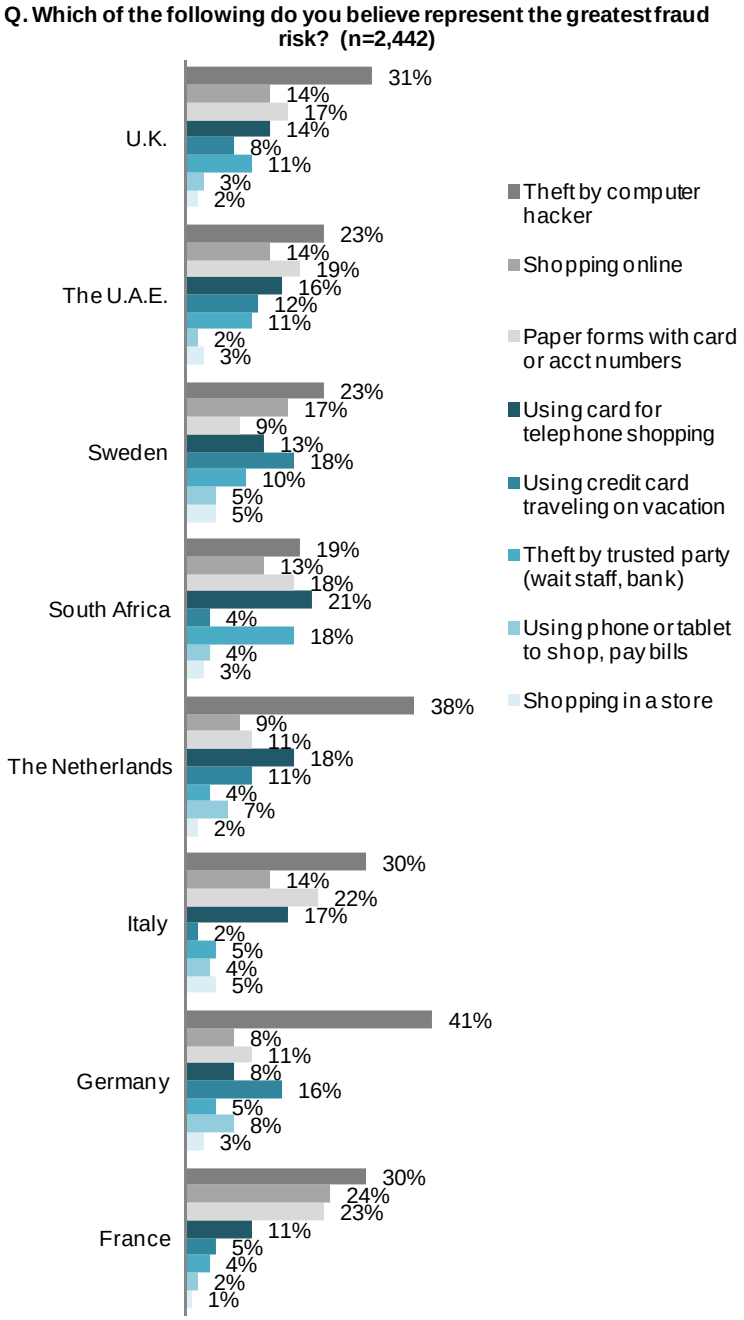
CONSUMER ATTITUDES TOWARD FRAUD

Respondents were asked to rate a number of activities with regard to how risky they perceive these activities to be. Overall, respondents in this region are concerned over computer hackers committing fraud or accessing their data to do so. Swedish consumers, used to a low rate of fraud, express the most concern over using their cards when they travel on vacation (18%; Figure 42).

Figure 42: Greatest Fraud Risks in Europe, the Middle East, and Africa



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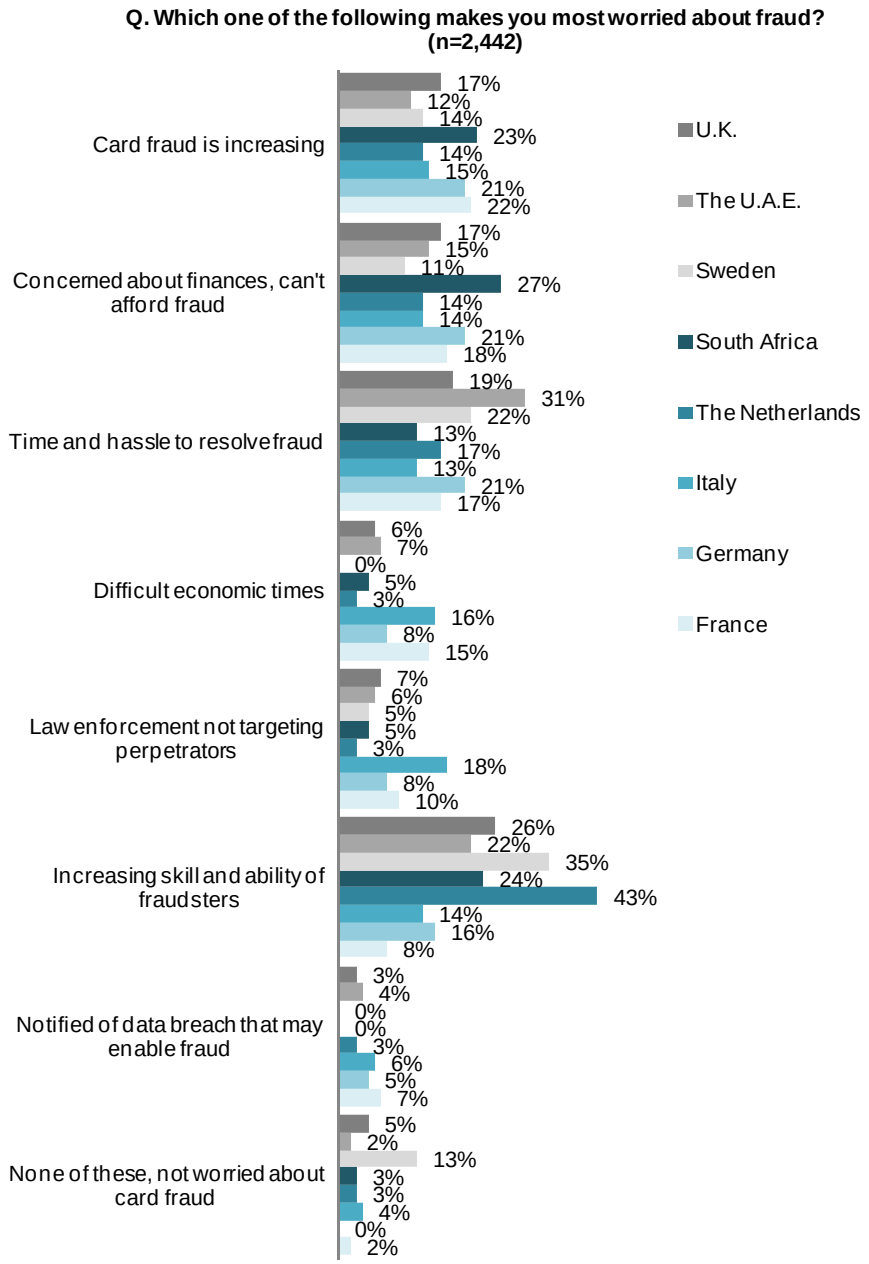
In addition to perceptions concerning the types of fraud events that people are worried may impact them, respondents are aware that fraud is growing and that fraudsters are becoming more skillful than ever before. Many consumers also note that they are concerned about their own finances and cannot afford to be impacted by fraud; in addition, they are worried about the hassle of having to deal with fraud resolution if they do experience fraud (Figure 43).

Figure 43: Primary Fraud Concerns in Europe, the Middle East, and Africa



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Financial institutions use varying methods in an attempt to educate their customers on ways to protect themselves against financial fraud, but the message is not getting through in most countries; the country where this is working best is South Africa, where only 19% of respondents don't recall having received information about fraud from their provider. The United Arab Emirates was second, with only 22% of respondents stating they do not recall having received educational materials on the topic. On the other end of the spectrum, in France and Italy, 53% and 54% of respondents, respectively, state they do not recall their financial institutions supplying information about how to protect against fraud. The largest percentage of consumers who remember their financial institution providing this guidance say that their financial institution posted anti-fraud information on its website—in other words, this is a good strategy (Table N).

Table N: Fraud Education in Europe, the Middle East, and Africa

Q. Has your financial institution provided any guidance or tips for anti-fraud? (n=2,442)	France	Germany	Italy	The Nether-lands	South Africa	Swe-den	The U.A.E.	U.K.
Yes, I've received email from them with anti-fraud information	11%	11%	14%	17%	43%	6%	47%	18%
Yes, I've received mail from them with anti-fraud information	12%	20%	13%	14%	7%	6%	10%	20%
Yes, I've seen this on my financial institution's website	19%	19%	16%	30%	30%	40%	19%	21%
Don't recall receiving any anti-fraud information from my financial institution	53%	39%	54%	31%	19%	43%	22%	38%
Not applicable	5%	11%	3%	8%	1%	5%	2%	3%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Consumers continue to take certain actions that put themselves at higher risk of financial fraud, despite financial institution efforts to educate the public not to do these things. Either the educational message is not getting through to consumers or consumers are disregarding the message for some reason. The most common destructive behaviors includes throwing documents containing sensitive information in the trash, online shopping on a public computer or on one without security software, and responding to emails or phone calls requesting bank information (Table O).

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Table O: Risky Consumer Behaviors in Europe, the Middle East, and Africa

Q. Which of the following have you done in the past 5 years? (n=2,442)	France	Germany	Italy	The Nether-lands	South Africa	Swe-den	The U.A.E.	U.K.
Made a note of PIN and carried it with you or kept it with your card	3%	10%	17%	2%	12%	9%	14%	12%
Thrown bank statements or ATM receipt in the trash	33%	15%	32%	14%	58%	43%	41%	16%
Used online banking or Internet shopping without security software or on a public computer	10%	14%	19%	3%	17%	14%	24%	8%
Responded to emails or calls asking for bank details	4%	5%	4%	3%	5%	4%	12%	3%
Not used the auto lock feature on my mobile phone.	13%	16%	19%	16%	27%	25%	24%	23%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Respondents were asked about their preferences regarding bank behavior following the detection of fraud on their accounts; the majority of respondents in all countries say they would prefer that no additional transactions be authorized until they respond to the alert. This indicates a strong consumer willingness to participate with financial providers to practice fraud prevention (Table P).

Table P: Customer Preferences in Europe, the Middle East, and Africa

Q. If you were to receive an alert or notification about fraud activity from your financial institution, what action would you prefer? (n=2,442)	France	Germany	Italy	The Nether-lands	South Africa	Swe-den	The U.A.E.	U.K.
Bank does not allow any transactions until I respond to alert	72%	64%	85%	75%	81%	74%	71%	58%
Bank continues to allow transactions consistent with my past history	24%	32%	11%	18%	13%	22%	22%	36%
Bank allows all activity unless I notify them otherwise	4%	4%	4%	7%	6%	4%	7%	6%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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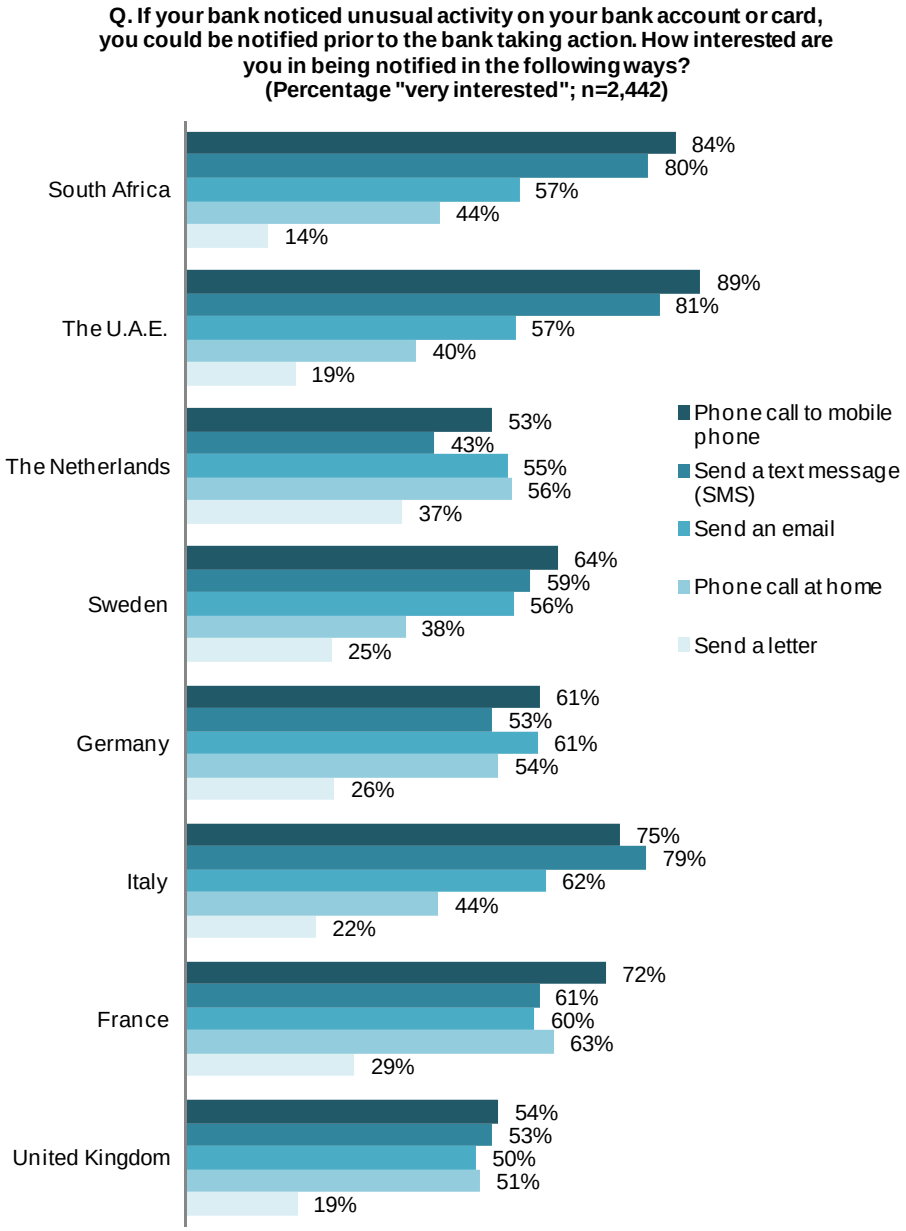
Due to the high percentage of respondents who indicated their desire for their financial institution to contact them after detecting fraud prior to allowing additional transactions, respondents were asked how they would like to be contacted. In every country in Europe, the Middle East, and Africa, the first preference of respondents is to be called on their mobile phone with the exception of the Netherlands, where a phone call at home is preferred (Figure 44).

Figure 44: Contact Method Preferences in Europe, the Middle East, and Africa



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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Respondents overall feel that government and law enforcement are doing an "average" job of fighting card and account fraud, although far more gave ratings below average than above. Very few respondents gave these entities a rating of "excellent." Obviously, consumers see plenty of room for improvement from these entities (Table Q).

Table Q: Government and Law Enforcement in Europe, the Middle East, and Africa

Q. How good a job do you believe governments and law enforcement is doing at fighting card or account fraud? (n=2,442)	France	Germany	Italy	The Nether-lands	South Africa	Swe-den	The U.A.E.	U.K.
Very bad	13%	9%	13%	6%	16%	11%	5%	3%
Poor	17%	22%	23%	16%	31%	17%	11%	12%
Average	55%	58%	48%	66%	42%	53%	51%	64%
Good	14%	10%	16%	11%	10%	18%	29%	20%
Excellent	1%	1%	0%	1%	1%	1%	4%	1%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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FRAUD EXPERIENCE IN THE ASIA-PACIFIC

ACI Worldwide surveyed five countries in the Asia-Pacific region: Australia, China, India, Indonesia, and Singapore. The country with the lowest percentage of consumers who have experienced card fraud during the past five years is Indonesia, with only 18%; the highest is India, with 37% (Figure 45).

Figure 45: Rate of Card Fraud in the Asia-Pacific

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

SATISFACTION LEVELS

Cardholders in this region are far less forgiving of their financial institutions than are other regions when it comes to the treatment afforded them after experiencing card fraud; with the exception of Australia, high percentages of consumers in Asia-Pacific countries changed providers after their fraud experience. Apparently, the Aussies are far more forgiving or just don't expect better treatment from another company—only 3% of them changed card providers. In the other four countries, the attrition rate ranged from 40% to 45% after their fraud experience, percentages that are extremely high (Figure 46).

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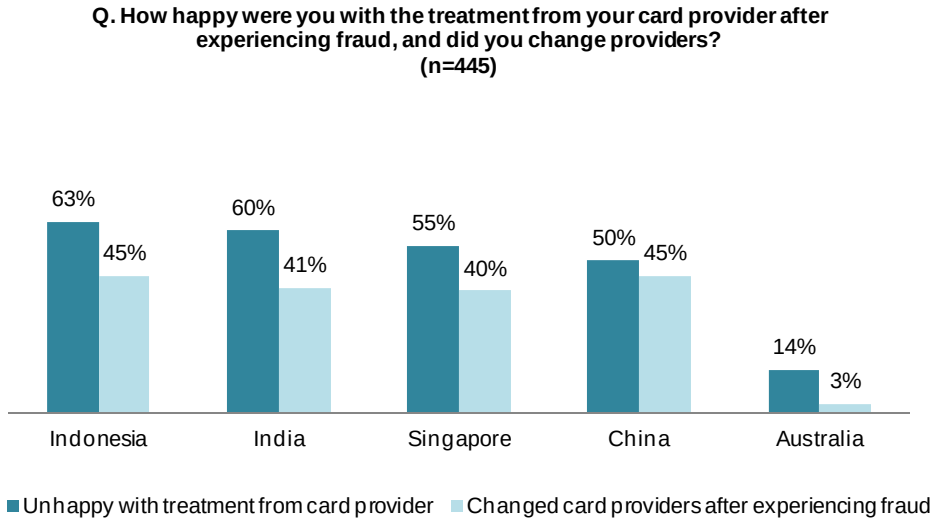
Figure 46: Satisfaction Levels and Attrition in the Asia-Pacific



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Since many consumers are unhappy with the treatment they received from their financial institutions after experiencing fraud and many changed financial institutions as a result, we looked at what financial institutions did to make the remaining customers happy. Unsurprisingly given the responses of other consumers discussed in this report, consumers who were happiest are consumers whose financial institutions detected the fraud and brought it to their attention instead of vice versa (Table R).

Table R: Satisfaction Level Factors in the Asia-Pacific

Q. What is the main factor that influenced how happy you were with your financial institution? (n=445)	Speed with which FI identified the fraud and brought it to my attention	Speed with which FI replaced my card	Speed with which FI reimbursed my money	How easy it was to notify my FI of the issue and get reimbursed	I was happy with all aspects of treatment from my FI	I was not at all happy with the treatment from my FI
Australia	29%	19%	9%	15%	25%	3%
China	25%	17%	12%	27%	8%	11%
India	31%	19%	26%	3%	8%	13%
Indonesia	34%	12%	12%	26%	14%	2%
Singapore	29%	35%	8%	9%	9%	10%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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IMPACT ON PAYMENT BEHAVIOR

Cardholders in the Asia-Pacific reacted differently from country to country after experiencing fraud on their cards. In Australia and Singapore, a very low percentage of respondents cite using cash or alternate payment methods in all situations, with 6% and 8% respectively saying they did so; further, 58% and 45% respectively state that they made no change in their payment behavior following the fraud behavior. Consumers in India were the most conservative; 25% used cash or an alternate form of payment in all situations following the fraud experience (Table S).

Table S: Card Usage Subsequent to Experiencing Fraud in the Asia-Pacific

Q. After you experienced fraud, did you use cash or an alternate payment method rather than your card? (n=445)	Yes, in all situations	Yes, in some situations	No	Used cash instead of debit card, but not credit card
Australia	6%	34%	58%	2%
China	16%	50%	27%	7%
India	25%	52%	17%	6%
Indonesia	12%	68%	14%	6%
Singapore	8%	45%	45%	2%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

REPLACEMENT CARDS

Consumers received replacement cards from their financial institutions due to data breaches or fraudulent activity at various rates during the past year. Indonesia, at only 36%, and China, at 47%, showed the lowest rates of consumers having received one or more replacement cards in the past year. There was more consistency in the other countries in the region, where 63% to 70% of consumers received at least one replacement card (Table T).

Table T: Replacement Cards in the Asia-Pacific

Q. Received replacement card in past year? (n=445)	No	Yes, once	Yes , twice	Yes , three times	Yes , more than three times
Australia	37%	51%	10%	2%	0%
China	53%	36%	7%	2%	2%
India	34%	50%	11%	5%	0%
Indonesia	64%	32%	2%	0%	2%
Singapore	30%	55%	10%	5%	0%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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To understand the impact of replacement cards that are issued to cardholders due to a data breach or fraudulent activity, the study asked respondents about their usage of replacement cards they received within the past year. Cardholders reacted very differently from one Asia-Pacific country to another. In Australia, only 37% of cardholders say they used the replacement card less than the card it replaced, followed by Singapore, with 51% using the cards less frequently. Cardholders in the other three countries are more conservative in using the replacement cards, with 73% to 78% of respondents using them less than the cards they replaced. This represents a significant impact on payment behavior which card providers should note and react to because this back of wallet behavior results in a negative impact on their revenue stream (Table U).

Table U: Replacement Card Usage in the Asia-Pacific

Q. As a result of the data breach or fraud, did you use the replacement card less than the original card? (n=259)	Yes	No
Australia	37%	63%
China	73%	27%
India	73%	27%
Indonesia	78%	22%
Singapore	51%	49%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

CONSUMER ATTITUDES TOWARD FRAUD

Respondents were asked to rate a number of activities and items with regard to which they consider the riskiest for potential fraud. By an overwhelming majority, people in the Asia-Pacific region are most concerned about computer hackers, followed by online shopping and making payments via telephone (Figure 47).

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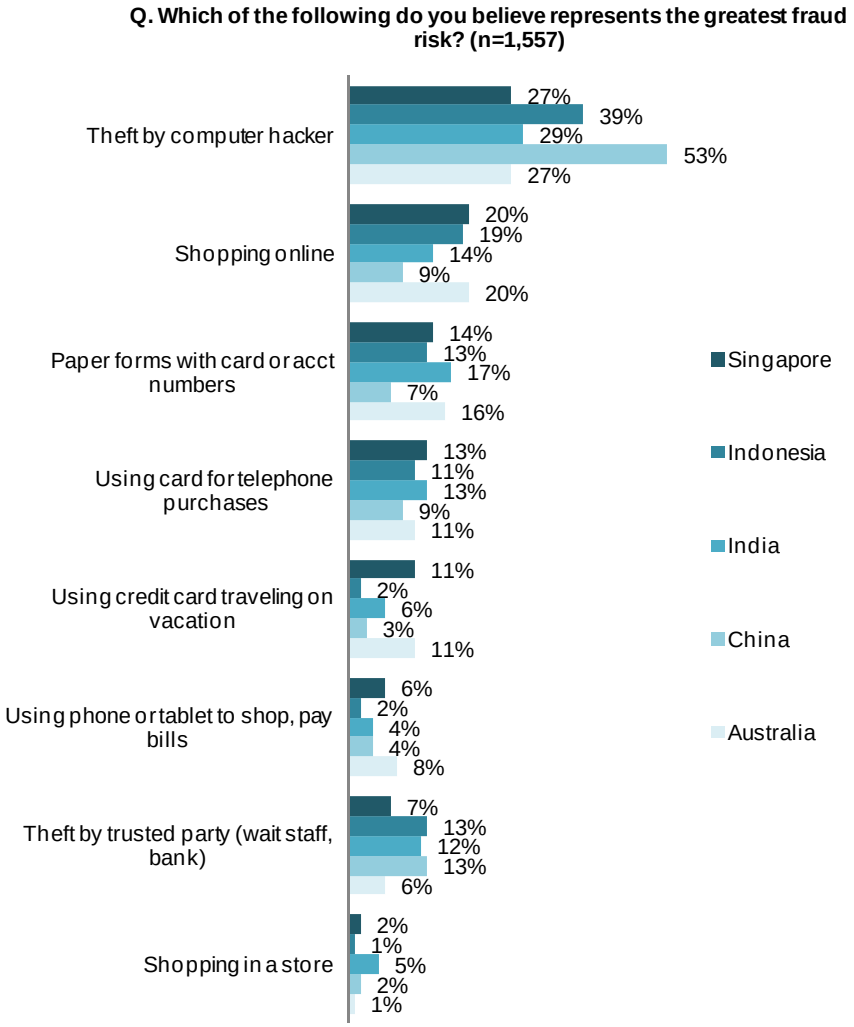
Figure 47: Greatest Fraud Risks in the Asia-Pacific



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Consumers are aware that the skills of fraudsters are improving and card fraud is growing. In some countries, people express concern over their own finances and say they can't afford to experience fraud; many also express concern over the hassle they must endure if they are victims of fraud. In China, 24% of respondents have been notified of a data breach and are particularly concerned they will be negatively impacted by fraud as a result. All these responses make it clear that people are concerned and aware of recent fraud trends (Figure 48).

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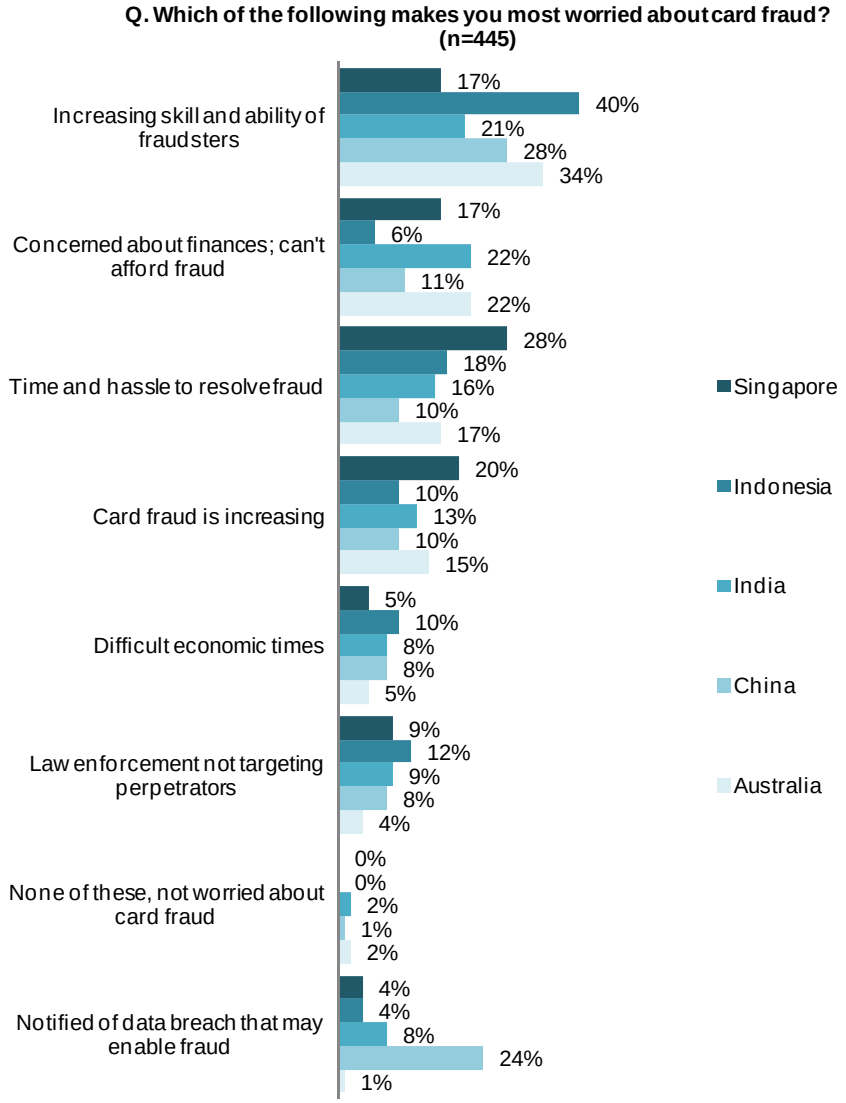
Figure 48: Primary Fraud Concerns in the Asia-Pacific



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

In other regions of the world, posting anti-fraud educational materials on the financial institution's website was the most effective method of communicating with consumers (at least in terms of consumers recalling the information having been provided). In the Asia-Pacific region, however, email was an effective communication vehicle for some countries—particularly in India, where 51% state that they have received such materials in this manner. Other financial institutions could benefit from updating their customers' email addresses and using this approach. While fairly significant percentages of respondents don't recall their financial institutions having ever provided educational information to them, India is clearly making inroads in building a foundation for future effective communication. At 18%, the country has the lowest percentage of consumers who do not recall their financial institution providing educational materials concerning fraud (Table V).

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Table V: Fraud Education in the Asia-Pacific

Q. Has your financial institution provided any guidance or tips for anti-fraud? (n=1,557)	Australia	China	India	Indonesia	Singapore
Yes, via email	14%	17%	51%	22%	23%
Yes, via mail	29%	10%	11%	16%	18%
Yes, via their website	17%	26%	13%	19%	16%
Don't recall receiving any anti-fraud information from my financial institution.	39%	39%	18%	36%	38%
Not applicable	1%	8%	7%	7%	5%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Consumers continue to do certain things to put themselves at greater risk of financial fraud, despite financial institution efforts to educate the public to avoid these behaviors. The behavior most consumers are still performing is throwing documents containing sensitive information in the trash; these documents can easily be retrieved by fraudsters, and the data they contain can be used to commit financial fraud or identity theft. In addition, too many consumers continue to take other risky actions—such as writing down their PIN and carrying it with their card or shopping online on a public computer—for us to perceive the educational messages financial institutions are trying to convey as effective (Table W).

Table W: Risky Consumer Behaviors in the Asia-Pacific

Q. Which of the following have you done in the past 5 years? (n=1,557)	Australia	China	India	Indonesia	Singapore
Made a note of PIN and carried it with me or kept it with my card	6%	21%	26%	17%	11%
Thrown bank statements or ATM receipt in the trash	28%	51%	45%	39%	50%
Used online banking or Internet shopping without security software or on a public computer	10%	30%	32%	20%	22%
Responded to emails or calls asking for bank details	4%	13%	23%	16%	13%
Not used the auto lock feature on my mobile phone	19%	26%	24%	23%	23%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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The majority of respondents in all Asia-Pacific countries prefer that their financial institution not allow any additional transactions to post until hearing from them related to a fraud alert on their account. This is a consistent response from most consumers surveyed globally (Table X).

Table X: Customer Preferences in the Asia-Pacific

Q. If you were to receive an alert or notification about fraud activity from your financial institution, what action would you prefer? (n=1,557)	Australia	China	India	Indonesia	Singapore
Bank does not allow any transactions until I respond to alert	63%	83%	75%	77%	71%
Bank continues to allow transactions consistent with my past history	33%	15%	18%	10%	21%
Bank allows all activity unless I notify them otherwise	4%	2%	7%	13%	8%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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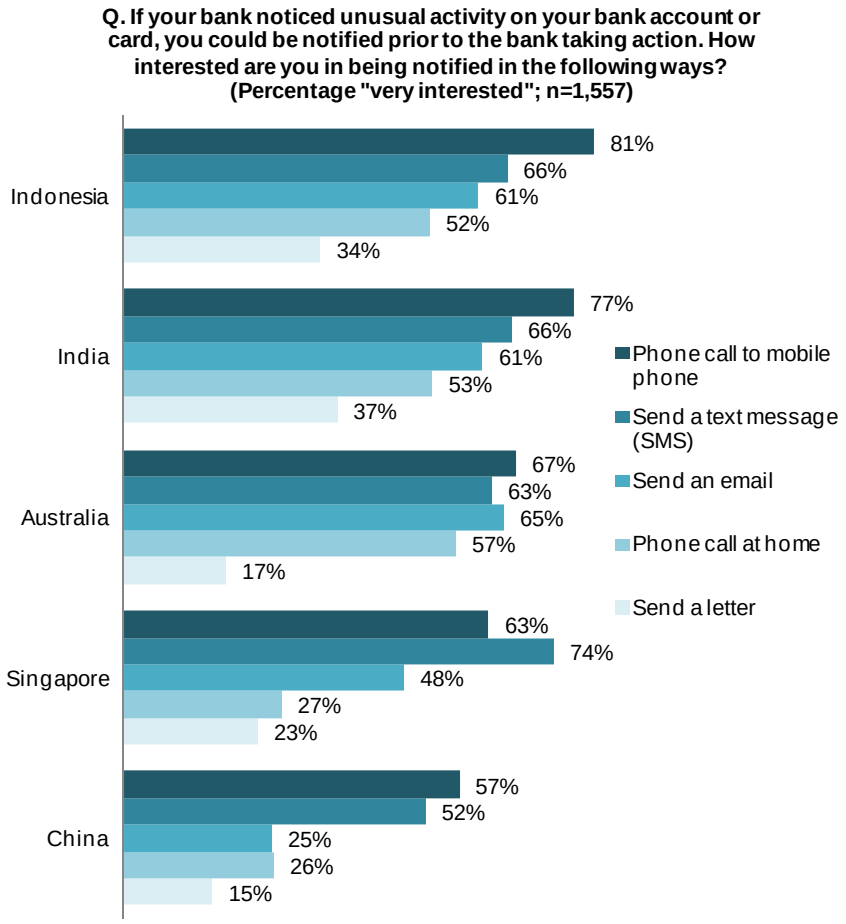
A majority of residents in the Asia-Pacific region also expressed a desire for their financial institution to delay allowing additional transactions until they respond to an alert, so they were asked how they would prefer to be contacted. The preferred method of contact in each country in Asia-Pacific is a call to a mobile phone or a text message (Figure 49).

Figure 49: Contact Method Preferences in the Asia-Pacific



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Overall, respondents give government and law enforcement "average" ratings for how well they fight card and account fraud, and far more gave lower ratings than above the average. Very few consumers feel that these entities are doing an "excellent" job (Table Y).

Table Y: Government and Law Enforcement in the Asia-Pacific

Q. How good a job do you believe governments and law enforcement is doing at fighting card or account fraud? (n=1,557)	Australia	China	India	Indonesia	Singapore
Very bad	5%	11%	9%	12%	2%
Poor	12%	22%	16%	29%	5%
Average	58%	53%	52%	52%	53%
Good	24%	14%	22%	6%	36%
Excellent	1%	0%	1%	1%	4%

Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

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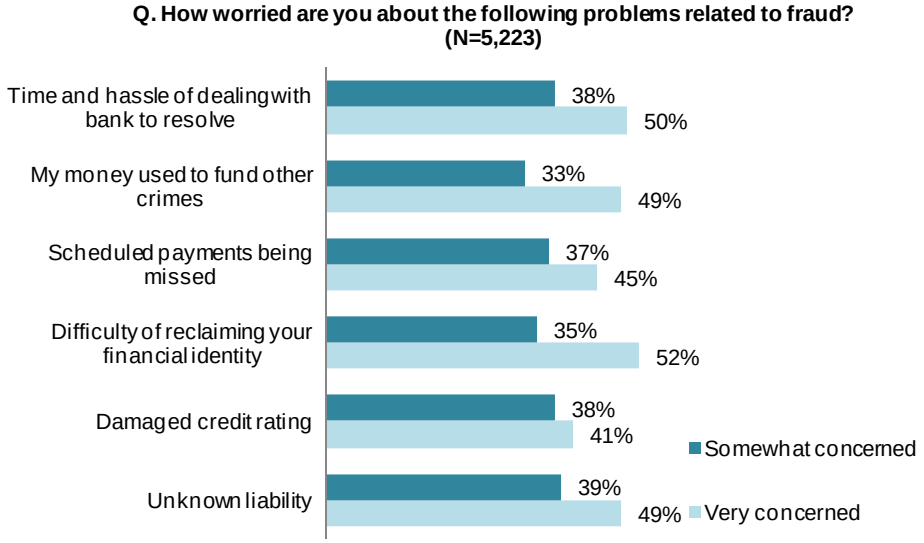
OVERALL CONSUMER ATTITUDES

Respondents in all 17 countries are concerned about various problems associated with experiencing fraud. Eighty-eight percent of respondents overall indicate that they are worried about the unknown liability they may incur and the time and hassle involved with resolving the issue with their bank. Eighty-seven percent of all respondents worry about the difficulty of restoring their financial identity if they become identity theft victims. Overall, the lowest percentage of people, at 79%, worry about a damaged credit rating resulting from fraud; despite being the lowest number of respondents, this number is still a large majority of respondents (Figure 50).

Figure 50: Worries About Fraud-Related Problems



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

Eighty-eight percent of respondents in all 17 countries are most worried about becoming victims of identity theft, while 84% are worried about experiencing online banking fraud. Fear of debit and credit card fraud worries 82% of all respondents. Respondents worry least, at 65%, about check/cheque fraud, perhaps due to the diminishing use of that payment vehicle (Figure 51).

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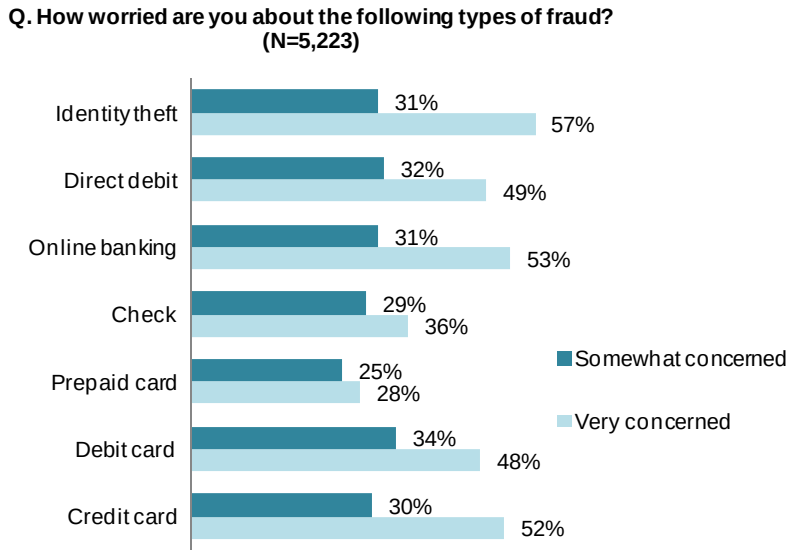
Figure 51: Worry About Various Types of Fraud



Source: Aite Group, ACI Worldwide study of 5,223 consumers in 17 countries, Q3 2012

MOBILE

The mobile channel is big news around the world but has not yet hit the spotlight in terms of fraud. Only 16% of all respondents have a mobile wallet—a mobile app on their phone or tablet that contains card numbers or bank account information. Of those who do, only 4% feel that the information on their phone or tablet is not secure; an additional 18% are unsure whether the data is secure or what their bank is doing to protect the information on their phone or tablet. Mobile fraud is still in the nascent stage—less than 10% of respondents in any country are concerned about potential fraud in this payment channel. The countries with respondents expressing the most concern are Australia, Germany, and the Netherlands; 8% of respondents in each of these countries express such concern.

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PAYMENTS FRAUD, 2011 VS. 2012

As evidenced throughout this report, respondents to ACI's 2012 survey are clearly concerned about payments fraud. Some observations of the 2012 responses compared with 2011 responses follow:

- As noted previously in this report, 26% of respondents in 2012 have experienced debit or credit card fraud in the past five years compared with 25% in the 2011 survey. The incidence of fraud has remained stable over the two years.
- Fourteen percent of 2012 respondents experienced debit or credit card fraud more than once during the past five years; this is compared with 6% of 2011 respondents, a statistically significant increase.
- Twenty-six percent of respondents in 2011 stated that their biggest fear related to fraud was reclaiming their financial identity if they became victims of identity theft; in the 2012 survey, 49% of respondents state that they are "very concerned" about this issue.
- In the 2011 survey, most respondents cited worrying about credit card and online banking fraud; in 2012, respondents worry most about identity theft, online banking fraud, and credit card fraud—in that order.
- With regard to how customers prefer their bank contact them in the event of detecting fraud on their account or card, the contact method preferred by most 2011 respondents was a call to a mobile phone; the second choice was a phone call at home. In 2012, most respondents again chose a call to a mobile phone as their first preference, followed closely by an email or SMS text message.
- Respondents asked about behaviors they exhibit that could raise their risk of becoming a victim of fraud elicited very similar responses in 2011 and 2012, indicating that little progress has been made in consumers protecting themselves by changing risky behavior. As examples, 16% shopped on the Internet or used online banking without security software or on a public computer in both 2011 and 2012; 12% indicated making a note of their PIN and carrying it with them or with their card in both 2011 and 2012. These types of statistics indicate no improvement in curtailing consumer risky behavior related to financial transactions.

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RECOMMENDATIONS

Payment fraud is a worldwide problem in which highly organized and skilled fraud rings attack this payment mechanism. Twenty-seven percent of all consumers surveyed in 17 countries worldwide have been victims of card fraud and have provided great insight into the effect of these crimes on cardholders. Against this backdrop, we provide the following recommendations for financial institutions, issuers, and government and law enforcement officials.

Recommendations for financial institutions and issuers:

- **Provide fast, easy recovery processes.** Consumers worldwide dread the hassle of dealing with fraud resolution; making this process simple and easy can be a competitive advantage and may curtail fraud-related attrition.
- **Share fraud policy.** After a fraud incident, consumers care about speed in getting their money back and receiving a new card. When mailing that new card, consider sharing your fraud policy so the new card is used as confidently as the old one. This is particularly meaningful in the United States and other countries where zero or minimal consumer liability is the practice.
- **Reassure customers.** When issuing replacement cards due to data breaches or fraudulent activity, customers should be reassured that the card is being sent to them to lower fraud risk; this may increase confidence in using the new cards instead of cash or other payment alternatives.
- **Educate consumers about fraud.** Financial institutions have made some efforts to educate consumers about ways they can protect themselves against fraud, but the message is not being heard and understood fully. In most countries, a large percentage of consumers do not recall ever having their institution providing information related to fraud. The lack of improvement in customers' risky behavior from 2011 to 2012 underscores that educational efforts are not working. Information posted on websites should be easy to locate, not hidden several screens back. If this is the only way you currently communicate, determine an effective strategy to communicate with customers who do not bank online.
- **Enlist consumers in combating fraud.** When fraud is suspected, a large majority of consumers don't want additional transactions posted to their accounts until after the issuer has heard from them concerning a fraud alert. This implies a willingness to be an active participant in the war against fraud … if the issuer makes it easy for the consumer to engage.
- **Telephone and text.** By a large majority, customers indicate they prefer to be contacted about a fraud alert via their mobile phone by a call or text message or via their home phone.
- **Regularly update customer data.** Institutions should update their records of consumers' email addresses and mobile numbers to facilitate communication. A simple process will encourage customers to participate.

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- **Proactively prevent fraud.** Consumers are aware that the skill set of fraudsters is improving and that card fraud is growing. Customer satisfaction rates with financial institutions are highest when the company detects fraud and notifies the consumer of it; therefore, companies should consider educating their customers about the fraud prevention methods they use as a marketing factor and engage customers in combating fraud. Knowing you are proactive in fighting fraud may influence consumers to reach for your card first.

Recommendations for government and law enforcement officials:

- **Fight fraud effectively.** For government and law enforcement, consumers feel that there is a lot of room for improvement in fighting fraud. Overall, a relatively small percentage of consumers in most countries rate these entities better than average. To the extent possible, card issuers should continue to work with law enforcement to assist them in prosecuting financial fraudsters to bolster public confidence.
- **Enlist media.** When there is a big fraud case, ensure the message gets out via the media so the bad guys and the public alike get the message that perpetrators of this type of crime are being brought to justice.

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