

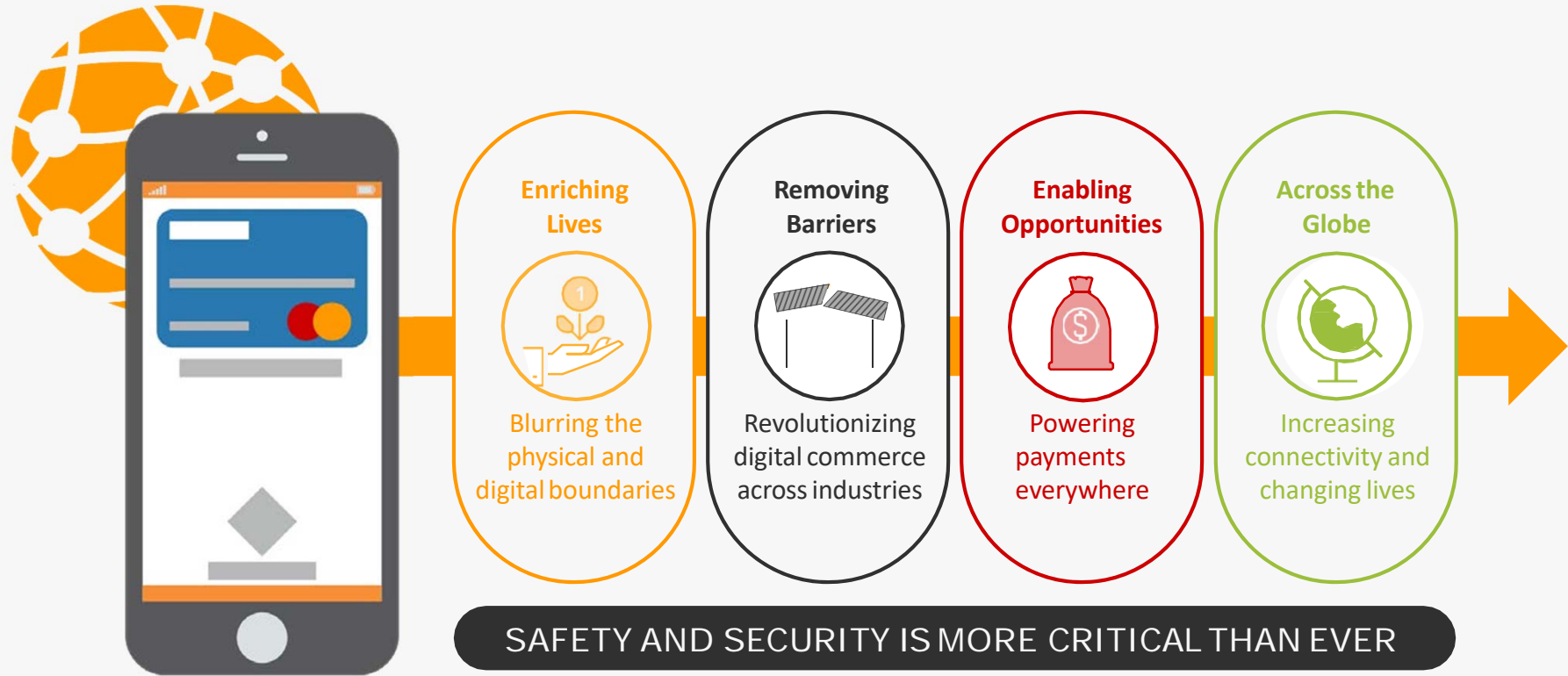
Internet of Thieves

Evolving Nature of Cyber-Threats in Payment Systems

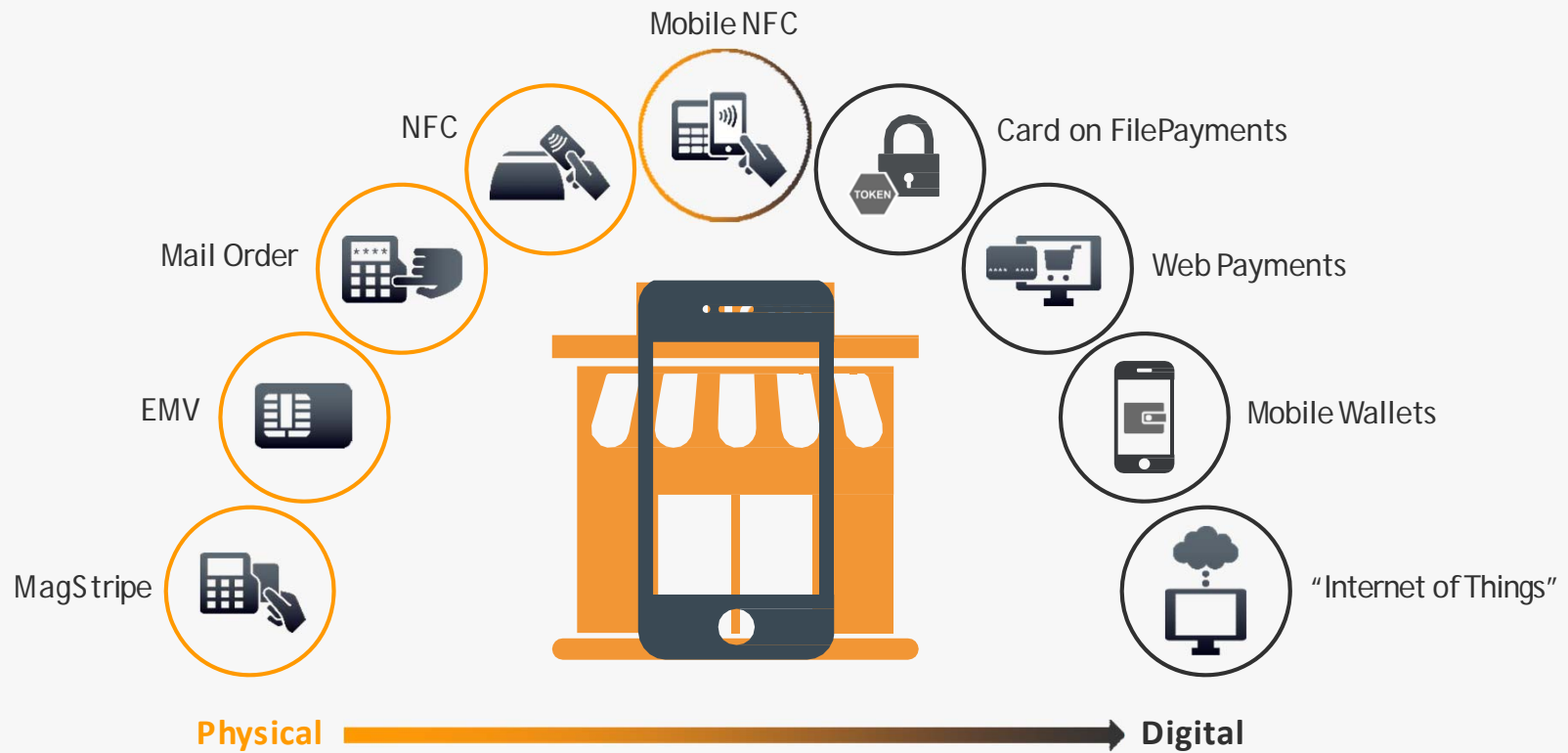
Nick Vora, SVP Enterprise Security Solutions MEA



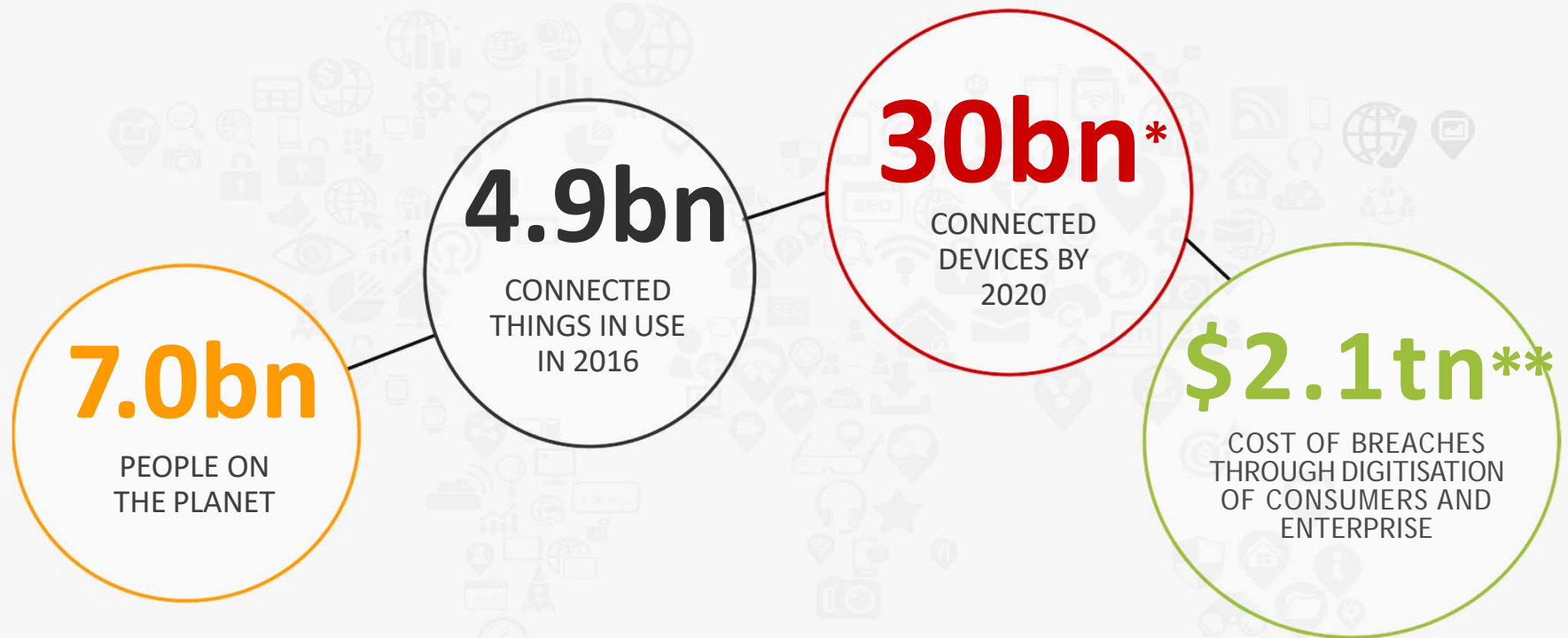
The Internet of Things is here



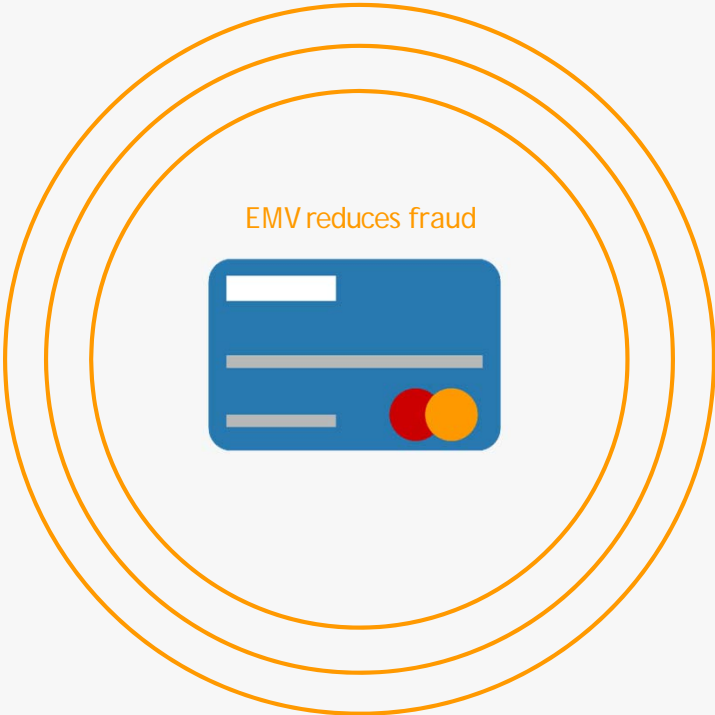
Technology is changing how we shop



This is a big opportunity,
but it creates
vulnerability



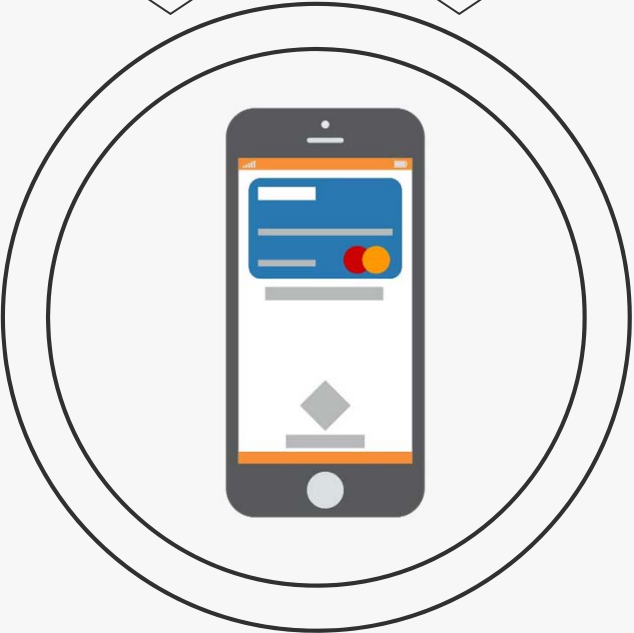
Exposure to the risks of fraud increase



Physical

2.3X
share of fraud vs share of total transactions

900m
Identities exposed in last two years



Digital

Safe payments traditionally sacrificed simplicity

Detect risk and
prevent fraud

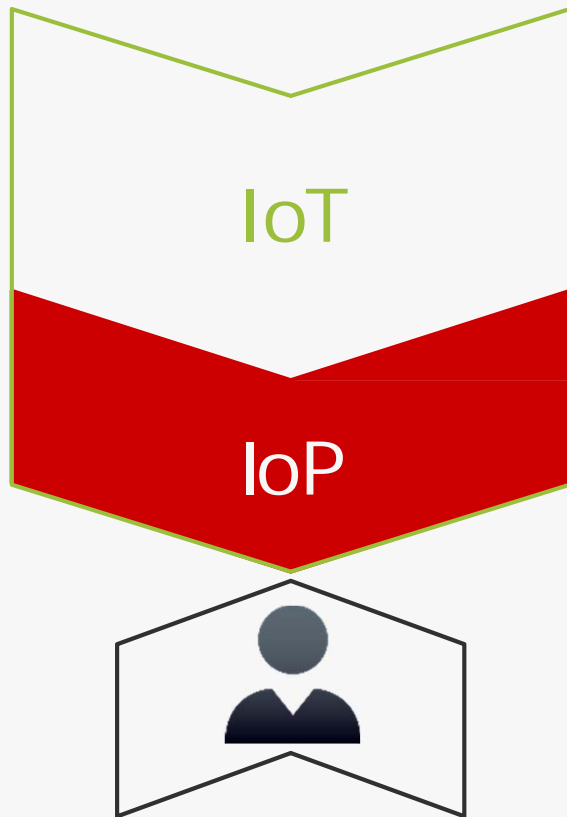
Safe

Innovation will
enable both to
be delivered

Simple

Intuitive and
relevant solutions

IoT progress needs consumer adoption



To unlock the IoT, the following 3 conditions need to be met

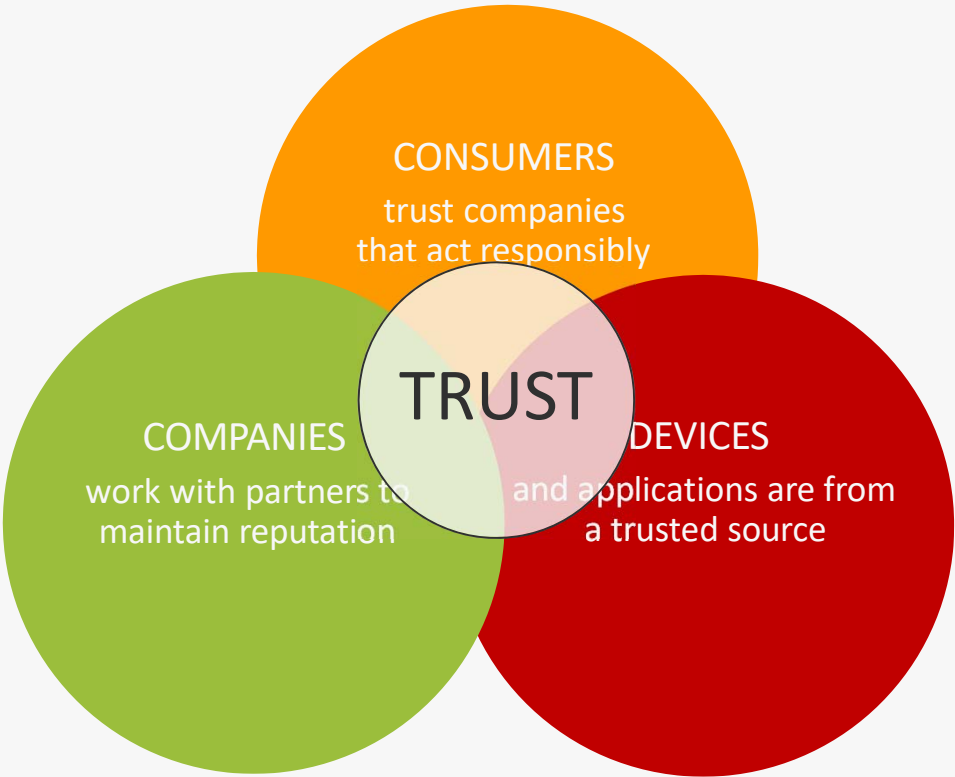
The propositions need to be **relevant for the target audience**

The **experience needs to be better** than what they have

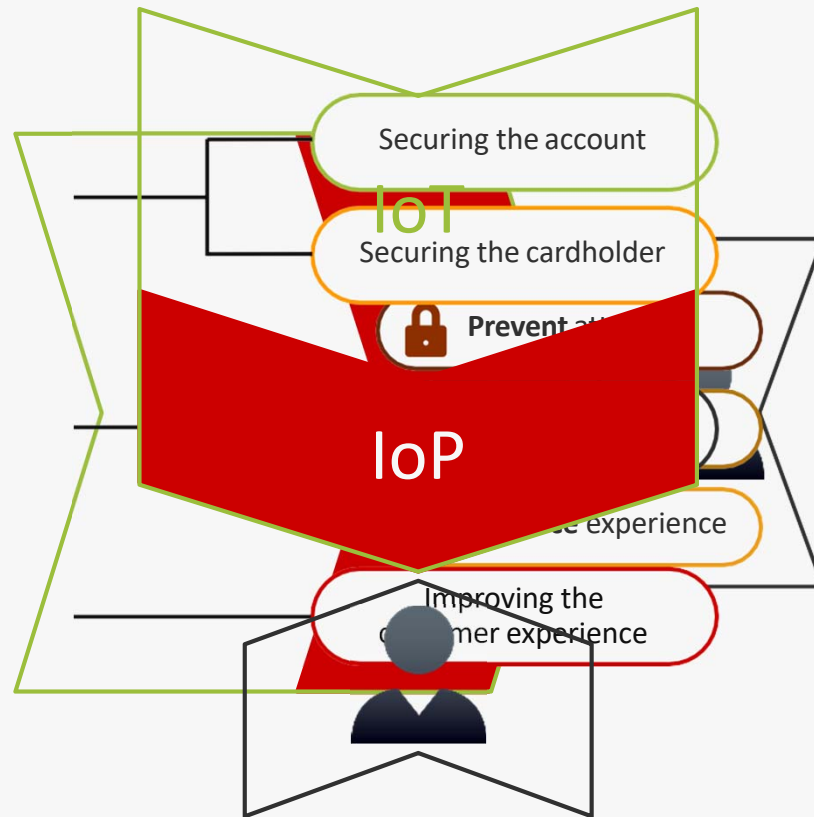
Their underlying concerns around **security and trust** must be addressed

Strong security and privacy measures will encourage consumers to adopt digital payments

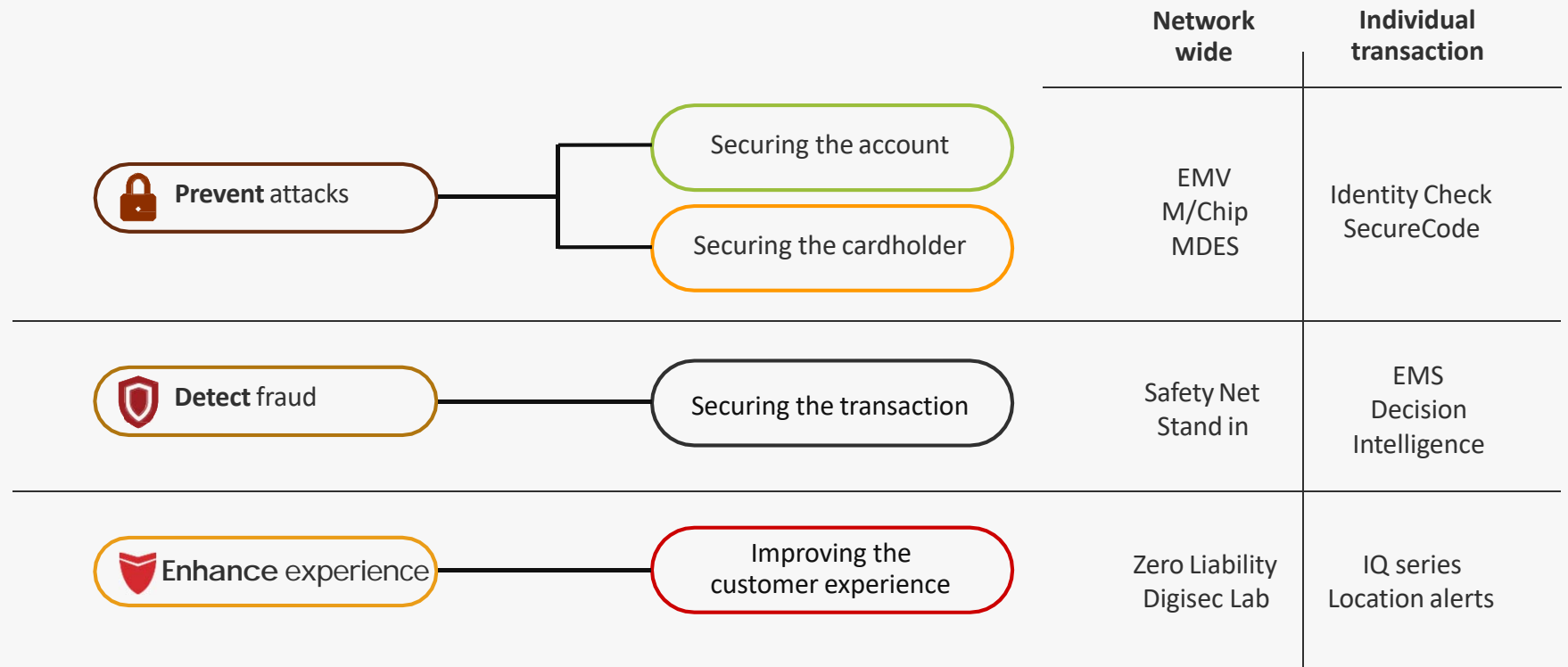
The IoT only works if we ensure trust



Taking a layered approach to payment security



Taking a layered approach to payment security

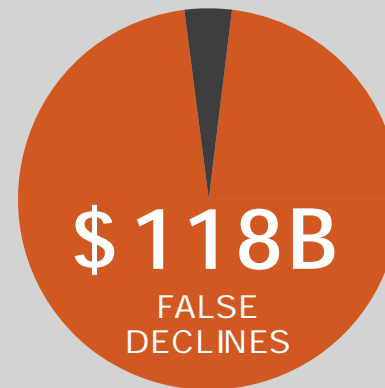


The physical to digital space evolution is creating a conundrum in fraud management.

PHYSICAL

DIGITAL

\$9B
ACTUAL FRAUD



U.S. issuers falsely declined \$118 B in transactions in 2014—13X the amount of actual fraud¹



1. Javelin Advisory Services, Future Proofing Card Authorization: August 2015.. Physical/Digital Approval & Fraud Rates: MasterCard Data Warehouse, 2015

...and once a transaction is mistakenly declined, the impact can be seen on cardholder usage and spend



1 in 6

of all U.S. cardholders experienced at least one decline because of suspected fraud in 2014¹

32%

stopped shopping with retailer¹

25%

decreased their card usage²

4 out of 10

Consider abandoning their card²

-11%

GDV falls 11% over 3 months³



1. Javelin, Overcoming False Positives, September 2015.
2. All declined cardholders. Javelin, Future Proofing Card Authorization, August 2015.
3. MasterCard Advisors, Security Matters, "How Much Does a Declined Transaction Intended to Prevent Fraud Really Cost?," 2014. Impact on individual issuer portfolios may vary.
4. MasterCard analysis of issuer portfolio, July–September, 2014. "05" Do not Honor declines only.

Thank you!

