

News Release

THE FEDERAL RESERVE BANK *of* KANSAS CITY

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THE CHANGING NATURE OF U.S. CARD PAYMENT FRAUD: INDUSTRY AND PUBLIC POLICY OPTIONS

As debit and credit cards become the primary method of payment in retail transactions, awareness and concerns over identity theft and the safety of payments has grown in recent years. In one highly publicized incident, a recent data breach at Heartland Payment Systems resulted in more than 130 payment card records being compromised—the largest such breach in a series of security failures involving payment records.

In the article “The Changing Nature of U.S. Card Payment Fraud: Industry and Public Policy Options,” Richard J. Sullivan, a senior economist at the Federal Reserve Bank of Kansas City, provides an overview of payment card fraud and security issues in the United States. In the article, which appears in the second quarter edition of the Bank’s *Economic Review*, Sullivan also presents a preliminary estimate of the card payment fraud rate in the United States. The estimate suggests that payment card fraud is higher in the United States than in other countries for which data are already available.

Sullivan also examines the security vulnerabilities that arise as the country shifts to electronic forms of payment, and he reviews several initiatives being used to combat payment card fraud. He concludes that policymakers should monitor the payment card industry closely to ensure that security issues are effectively addressed.

The article is available on the Bank’s website at www.KansasCityFed.org.

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