

PRESS RELEASE

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SMART2 releases publications on fraud information field for instant payments and abuse potential of closed-loop cards

- **New paper examines why and how closed-loop gift cards are vulnerable to fraud**
- **Note on the optional fraud information field for instant payments promotes the exchange of contextual information between PSPs**

The SCT Inst Migration Action Round Table (SMART2), a forum facilitated by the Euro Banking Association (EBA), announced the release of two new publications on the detection and prevention of payment fraud. The paper on the fraud potential of gift cards seeks to raise awareness of the different abuse scenarios and help reduce fraud in the future. The recommendation note on the optional pan-European fraud information field for the SCT Inst Scheme explains why a field that allows to share contextual information about a payment transaction between the originator and beneficiary PSPs would be helpful and how it should be used.

Many of the regulatory restrictions put in place for anonymous cards only apply to 'general-purpose' or 'open-loop' cards; they do not cover 'closed-loop' cards or other limited-purpose tokens, which have been issued for use in a specific environment. Yet, the global gift cards market is growing significantly, and closed-loop gift cards continue to be widely popular not only among consumers, but unfortunately also among fraudsters. Closed-loop cards and tokens are an ideal instrument for criminals to cover up their tracks when laundering money or defrauding victims of their funds: the conversion of funds into gift cards generally makes it impossible for PSPs to follow and claim back their customers' money.

The paper entitled "Gift cards: a gift for fraudsters?" explains in detail why closed-loop cards can be abused by fraudsters and examines fraud scenarios, as identified by banks and their customers. The publication was prepared by fraud experts from banks across Europe who contributed to SMART2. The paper is available for download on the [EBA website](#).

The second publication by SMART2, a recommendation note on the introduction of an optional fraud information field for SEPA Instant Credit Transfers, promotes the transport of contextual information from originator PSP to beneficiary PSP. The participants of SMART2 consider the sharing of contextual information, such as information about the initiation or delivery channel of a transaction or the party authorising the payment initiation, extremely useful for four major reasons:

- Contextual information supports the beneficiary PSP in its fraud detection work, particularly if it is used widely and in the same manner by PSPs across Europe.
- Since the information is received with the payment, it can be processed by fraud detection tools at the same time as the rest of the transaction.
- The optional fraud information field can make fraud detection more effective for the beneficiary PSP by reducing false alerts and speeding up fraud checking processes.

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- The contextual information provided can be used for ex-post analysis of anti-money laundering cases.

The recommendation note was prepared by the participants of SMART2 and has been endorsed by 12 AS-PSPs from eight European countries. The note is available on the [EBA website](#).

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About the SCT Inst Migration Action Round Table (SMART2)

The SCT Inst Migration Action Round Table (SMART2) is an infrastructure-agnostic forum for account-servicing PSPs geared at bringing clarification to instant payment migration-related issues and to work towards defining industry best practices and publishing common positions based on a consensus among the participants, where needed.

The forum is logistically supported by the Euro Banking Association and provides a facility for consultations on issues of an operational nature impacting a smooth end-to-end execution of instant payments in SEPA that might benefit from joint analysis and exchange.

More information about SMART2 can be found at <https://www.abe-eba.eu/market-practices-regulatory-guidance/sct-inst-migration-round-table-smart2/>.

About the Euro Banking Association (EBA)

The Euro Banking Association (EBA) is a practitioners' body for banks and other service providers supporting a pan-European vision for payments.

The mission of the EBA is to foster dialogue and experience exchange amongst payments industry practitioners towards a pan-European vision for payments. We pursue our mission through involving member organisations and relevant stakeholders in thought leadership on innovation, helping our members to understand and implement regulation and by supporting the development of market practices.

The EBA has more than 160 members from the European Union and across the world.

For additional information about the Euro Banking Association, please visit www.abe-eba.eu or follow us on www.linkedin.com/company/euro-banking-association or [www.twitter.com/EBA Association](http://www.twitter.com/EBA_Association).