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## Chilean Bank Claims Perfect Record for Antifraud System

■ BY DANIEL WOLFE

A Chilean bank claims it has completely eliminated some types of fraud using technology that enables automated teller machines to spot counterfeit cards.

The results surpassed the expectations of the vendor that developed the technology, which evaluates the physical properties of debit cards' magnetic stripes.

The antifraud method is also giving Banco de Credito e Inversiones new ammunition in its ongoing campaign against the shift to smart cards, a security format that is already widely used in much of the world but not in the United States or Chile. Financial companies in both countries have said that adopting the EMV Integrated Circuit Card Specification would be onerous and expensive, and the Santiago banking company now claims that using MagTek Inc.'s MagnePrint technology is just as effective in stopping fraud.

BCI installed the technology on more than half of its nearly 1,000 ATMs, and on those machines, "we have zero fraud. Zero," Mario Gaete, its chief operating officer and chief information officer, said in an interview last week.

MagnePrint examines the unique traits of the iron particles in a card's magnetic stripe. Fraudsters can obtain card data using skimming devices at ATMs or payment terminals. This data can then be written to a blank card or even a hotel key, and used at an ATM.

However, MagTek says the low-level magnetic noise emitted by individual magnetic stripes is as unique as a fingerprint; its system can tell when the account data seems to be valid but is written onto the wrong card.



**Gaete:** Banco de Credito has "zero fraud" on ATMs using MagnePrint.

BCI began testing the technology in 2006 and last month became the first MagTek customer to announce that it is using the technology in full production. BCI plans to install MagnePrint at the rest of its ATMs, and is urging other Chilean banks to use it. It is also testing the technology at the point of sale at a local gas station.

Fifth Third Bancorp began evaluating the technology in the United States in February at about 1,000 point of sale terminals. The Cincinnati company's test is expected to run through this month. (It would not make an executive available last week to discuss its findings.) MagTek said another bank, which it would not name, is also in full production with MagnePrint.

BCI said it has spotted more than 1,000 attempts in the past eight months to use counterfeit cards at ATMs with MagnePrint. After each incident, it evaluates images from security cameras and calls the customers to

verify that the transactions were initiated by criminals, not customers.

MagnePrint produces a score that determines the likelihood that a card is counterfeit, and though the Seal Beach, Calif., vendor said this score can vary depending on the card's age and other factors, Gaete said the difference in the score produced by a legitimate card and a fake one is stark.

"MagnePrint is "the first technology that we can trust in terms of preventing and avoiding fraud skimming," Gaete said.

From these early results, BCI has concluded that MagnePrint could be an effective substitute for the EMV format. Banks around the world are issuing EMV cards, or in the process of shifting to EMV, which requires financial companies to deliver cards that feature microchips; merchants must install new readers to accept them and consumers must enter a PIN to initiate transactions.

Gaete said some Chilean banks including BCI are opposed to EMV. "We tested chip but we are not convinced," he said. "One, because we don't believe that the chip is secure. Chip can be cracked. Also, the cost of chip technology, it's very expensive in comparison with MagnePrint."

Annmarie "Mimi" Hart, MagTek's president, agreed that chip technology can be cracked — one easy technique is to hit the card with a hammer. "People will smash the chip or microwave the chip and then you'll have to revert to mag stripe for those transactions, and when you do you'll still have the same amount of fraud," she said.

MagTek also sells EMV readers, and Hart said she was not trying to disparage the effectiveness of the technology. She said Magne-

Print can complement EMV for issuers.

Hart said she was surprised at just how effective MagnePrint has been at spotting fraud at BCI. "When they came to visit us, we didn't really quite know what" their results "would be. That number just stood out when they said zero fraud," she said.

Avivah Litan, a vice president and research director at the Stamford, Conn.,

market research company Gartner Inc., said there are benefits to using both MagnePrint and EMV. "Even if you are moving to chip, there's still the mag stripe" on the back of those cards, she said. "Until mag stripes are abolished, it's needed, because that's where all the breakdowns in chip card security have occurred."

She also was skeptical of BCI's claims.

"Usually nothing's zero," she said. "I just don't think you can ever claim zero fraud, ever," she said. "If they went to 2,000, maybe they'd find a problem."

However, she said MagnePrint could have a huge effect on fraud if it were widely adopted. "The truth is it's better than anything else we have for mag-stripe protection." ■

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