

FPEG Report on Security evaluation procedures

The **Security Evaluation Procedures report**. At its meeting of 27 June 2007, the FPEG approved a report prepared by the **subgroup** on security evaluation. The report describes today's situation, which is characterised by a diversity of evaluation methods, a multiplicity of actors (i.e. essentially the ECB and the national central banks, the European Payment Council, the payment schemes, the certification bodies, the issuers, the evaluation laboratories and the manufacturers) and the absence of a harmonised legal framework at European level.

In this context and in order to improve the existing situation, **the FPEG report recommends intensifying efforts towards aligning security evaluation procedures**, to choose a formal/neutral method to provide a sound evaluation assurance and to promote the exchange of information on attacks on payment systems to improve vulnerability analysis and penetration testing (ISCI/JHAS WG). The alignment of security evaluation procedures should result in significant cost reduction while guaranteeing a consistent high security level in the payment area. This should also facilitate meeting the SEPA objectives. The report is available at:

http://ec.europa.eu/internal_market/fpeg/index_en.htm

FPEG meeting of 27 June 2007

Fpeg plenary. The FPEG met on 27 June 2007. The meeting concentrated in (1) adopting the FPEG report on **security evaluation** (see above) and (2) discussing the draft FPEG report on **identity theft** and payment fraud, as well the possible future initiatives in this area. The EPC presented the progress on the **EMV migration**, the new challenges in fraud prevention and the fraud trends in the United Kingdom. The Italian Central Anti-Fraud Office (**UCAMP**) presented its work in this area, with a particular focus on their new anti-fraud database. The Commission services also informed participants of **other initiatives related to payment fraud**, notably: the new Commission's financing programme, the Card Stop Europe project, the new Commission communication on cybercrime, the safer internet programme, the green paper on retail financial services and the new payment services directive. FPEG members also discussed on possible future initiatives. The minutes of the meeting are available at:

http://ec.europa.eu/internal_market/fpeg/index_en.htm

Financing fraud prevention initiatives: New Commission financing programme.

New financing programme. The Commission will be managing a new General Programme on Security for the **period 2007-2013** with a total envelope of 745 M€. This programme represents a huge increase of EU financial intervention in the security area. It is divided into two specific programmes: a programme on Prevention of and Fight against Crime (600 M€) and a programme on Prevention of Terrorism (140 M€). A separate programme deals with Criminal Justice (200 M€).

The **Programme on Prevention of and Fight against Crime** will co-finance projects with a European dimension: either trans-national projects or national projects respecting certain conditions. It will also provide operating grants for NGOs. This programme has identified the prevention of financial crime as a priority objective. The 2007 Call for Framework Partnership Agreements (which imply the need to work on a regular and stable basis with a network) was published in February 2007 (already closed). The annual **working programme** for 2007 and the associated **call for proposals** was published in May and is still **open until 16 July** for action grants.

Further information at:

http://ec.europa.eu/justice_home/funding/isec/funding_isec_en.htm

Card Stop Europe: 116116

The **116 Decision**. The Commission adopted on 15 February 2007 a decision (2007/116/EC) reserving the natural numbering range beginning with '116' for **harmonised services of social value** (OJ L 49 of 17.2.2007). National telecommunications regulators will only be allowed to assign the reserved numbers to entities providing the services of social value identified in this decision. To date, only the 116000 has been reserved to hotlines for missing children.

The Commission is now examining whether other services of social value could also be identified as beneficiaries of a reserved number. The Commission's examination started with a **call for proposals** launched by DG Information Society of the European Commission. The call for proposals, which was opened for two months before 20th May, invited interested parties to propose specific 6-digits numbers in the sub-range 1160XX and 1161XX. In the call for proposals, DG Information Society specifically referred to the possibility to reserve the number **116116 for declaring lost and stolen payment cards**.

The call for proposals also underlined that it was important for a number to be reserved for a specific service at EU level that organisations and consumers from different Member States expressed interest in the supply and/or use of the particular service in question. This was the reason why the call for proposals requested the interested parties asking for the reservation of the 116 number to come up with letters of intent from organisations ready to provide the service of social value at national level in the short or medium term in a number (e.g. 5) of Member States. A request by a German entity has been filed in relation to card stop services. This entity is currently responsible for this service in Germany.

The Commission has not yet taken a decision on the reservation of the 116116 number.

New payments services directive and SEPA

On 24 April 2007, The European Parliament accepted the proposal for the **Payment Services Directive** (PSD) for which the ECOFIN Council had already agreed a general approach at its meeting on 27 March 2007. The text of the PSD will now be forwarded to the EU Council for final formal adoption. The Member States should then transpose the Directive as early as possible, and by 1 November 2009 at the latest, into national law.

The aim of the PSD is to ensure that payments within the EU – in particular credit transfer, direct debit and card payments – become as easy, efficient, and secure as domestic payments within a Member State, by providing the legal foundation to make the Single Euro Payments Area (SEPA) possible. This will provide the foundation for a single "domestic" Euro payments market.

The PSD will reinforce the **rights and protection of all the users** of payment services (consumers, retailers, large and small companies and public authorities). It contains some provisions, notably Articles 41 [N.B. *the numbering of the articles may change in the final formal version, once the text of the PSD edited for publication*] and seq. in relation to the authorisation of payment transactions which have an impact on fraud prevention. It also contains article 71 enabling the **management of personal data for fraud prevention purposes**. Additionally, the PSD aims at enhancing competition and innovation by establishing an appropriate prudential framework for new entrants to the retail payments market. This should encourage technological progress and the realisation of new product opportunities, such as e-invoicing, which can provide major benefits to the wider economy.

Further information on the PSD at:

http://europa.eu.int/comm/internal_market/payments/framework/index_en.htm

Concerning the **road towards SEPA**, significant progress has been achieved by the European Payments Council (www.europeanpaymentscouncil.org) and the European banking industry at large in recent times, under the supervision of the European Central Bank and the European Commission.

For further information see the joint press release issued on 4 May 2006:

http://www.ecb.int/press/pr/date/2006/html/pr060504_1.en.html

Also on SEPA, the Commission organised a **Conference on 8 May 2007 on SEPA** progress focusing on the role of the public sector.

For further information on this conference see:

http://ec.europa.eu/internal_market/payments/sepa/conference_en.htm

New Commission Communication on Cybercrime

Communication on cybercrime. The Commission recently adopted a communication on cybercrime (document COM(2007)267) which aims at strengthening coordination and cooperation between law enforcement specialists. It also aims at enhancing cross-border cooperation between law enforcement and the private sector. Follow up actions may include a **cybercrime conference in November 2007**, the EU anti-cyber crime training platform, the permanent EU law enforcement network and the public-private expert groups.

Further information at:

http://ec.europa.eu/justice_home/news/intro/news_intro_en.htm

Safer Internet

Safer Internet. The Commission is running a programme in relation to Safer Internet. This programme, however, focuses on illegal and harmful Internet content, safer on-line environment for children and awareness raising, rather than on financial flows. **A call for proposals will be launched under the Safer Internet Plus Programme in 2007.** Subject to the completion of all the necessary procedures, it is intended to launch the call in July. The provisional deadline for receipt of proposals is 22 October 2007.

Further information at:

http://ec.europa.eu/information_society/activities/sip/index_en.htm

Green Paper on retail financial services

Green Paper. The Commission published in April 2007 a Green paper on Retail Financial Services. This Green Paper sets out the context for work in this area, and describes the ongoing and planned actions to meet the objectives mentioned above. The Green Paper does not refer explicitly to payment fraud, it contains a related section on consumer confidence. The Green Paper is **open to consultation until mid-July 2007**, and the results of the consultation will be presented at a **public hearing planned for 19 September.**

Further information at:

http://ec.europa.eu/internal_market/finservices-retail/policy_en.htm

Next meeting of the FPEG: December 2007

Next meeting of the FPEG. The next meeting of the FPEG will most likely take place in **December 2007**, in Brussels (date to be confirmed yet). Further information will be sent to FPEG Members.

Background information: the FPEG and the prevention of payment fraud in Europe

The EU Action Plan. In October 2004 the Commission issued an **Action Plan 2004-2007 of non-legislative measures to prevent fraud and counterfeiting of non-cash means of payments**, with a view to foster a more coherent approach to fraud prevention. This Action Plan builds on a previous one of 2001. It will complement the Commission's recent proposal for a directive on payment services in the internal market (the so-called "New Legal Framework for Payments", December 2005) in underpinning the creation of a Single Payment Area in the EU. It also complements the banking industry initiatives to establish a single Euro payments area (SEPA) aiming to enable European citizens to make payments in the Euro area as securely, quickly and efficiently as payments within national borders. SEPA should be in place by 2010. Finally, the Action Plan should notably continue and further strengthen the existing initiatives to prevent fraud and contribute to maintain and increase confidence in payments.

The FPEG. A **Fraud Prevention Expert Group** (FPEG) was established under those Action Plans. This experts' group at EU level includes representatives of all parties involved in fraud prevention: i.e. national and EU payment schemes, banks, national public authorities, European and international law enforcement agencies (e.g. Europol, Interpol) retailers, consumer groups, network operators etc. The FPEG provides for a platform where stakeholders can effectively exchange information and best practice to prevent fraud. It contributes to intensify cooperation between interested parties, especially at cross-border level. It provides advice to the Commission.

How is the work of the FPEG organised? The FPEG meets twice a year. The FPEG is chaired by the Commission, but a **steering group** of FPEG members helps in the preparation of the work of the FPEG and supervise the sub-groups activities. Several **subgroups** have been created. Reports made by the subgroups dealing with Security Evaluation Procedures, ATM and POS Security and Data Management. The subgroups may not necessarily be chaired by the Commission. The secretariat of the FPEG and the subgroups is provided by the Commission.

More Information

More information is available at the website of the **FPEG**: http://europa.eu.int/comm/internal_market/payments/fraud/fpeg/index_en.htm

You may contact the **FPEG secretariat** through the e-mail address provided in the website.

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