July 21, 2020

The Honorable Jerry Moran
Chairman, Subcommittee on Manufacturing,
Trade, and Consumer Protection
Committee on Commerce, Science, &
Transportation
United States Senate
Washington, DC 20510

The Honorable Richard Blumenthal
Ranking Member, Subcommittee on Manufacturing,
Trade, and Consumer Protection
Committee on Commerce, Science, &
Transportation
United States Senate
Washington, DC 20510

Dear Chairman Moran and Ranking Member Blumenthal:

The Electronic Transactions Association (ETA) appreciates the opportunity to submit this statement for the record before the Senate Commerce Committee's hearing, "Protecting Americans from COVID-19 Scams."

COVID-19 is a deadly virus that has affected individuals, businesses, and commerce around the world. As we social distance and work from home, consumers are now shopping online and moving money digitally more often. To complicate matters, fraudsters are looking for opportunities created by the virus.

The security of the payments industry is a primary focus for ETA members. Fraudster are persistent threat, and unfortunately with the increase in online shopping and billions in stimulus dollars begin delivered, we are seeing the predictable increase in fraudulent activity.   ETA members are working hard to identify and reduce fraud.

One example is that the CARES Act increased unemployment benefits. While unemployment benefits are paid out to the consumer by direct deposit or reloaded on a prepaid debit card, there has been an increase in fraudulent claims. In addition to using existing fraud prevention technologies highlighted below, ETA members are using new verification methods such as two-factor authentication and implementing picture or video verification. These extra steps makes it harder for a fraudster to open an account to receive unemployment funds

ETA is the leading trade association for the payments technology industry, representing over 500 companies that offer electronic transaction processing products and services. ETA's members include financial institutions, mobile payment service providers, payment processors, mobile wallet providers, and non-bank online lenders that make commercial loans, primarily to small businesses, either directly or in partnership with other lenders. ETA member companies are creating innovative offerings in financial services, revolutionizing the way commerce is conducted with secure, convenient, and rewarding payment solutions and lending alternatives – employing millions of Americans and enabling over $9 trillion in payments in 2019 in North America alone.

As Americans work and shop from home, we are seeing a dramatic increase in online shopping. The payments industry anticipated the increase in online transactions and is prepared to handle the increased volume. Now, more than ever, we are also working to ensure that online payments are secure.

We know that fraud increases in times of crisis, and COVID-19 is no exception. The payments industry is committed to protecting consumers by fighting fraud by utilizing a number of automated and manual methods including those outlined below to detect and prohibit fraud or other bad acts, including price gouging. Indeed, consumers continue to choose electronic payments because of the protections afforded

by electronic payments. These protections include zero liability for fraudulent charges, making electronic payments the safest and most reliable way to pay.

DEPLOYING THE LATEST TECHNOLOGY TO FIGHT FRAUD

<ins>Artificial Intelligence and Machine Learning</ins>

The payments industry utilizes artificial intelligence (AI) and machine learning to fight fraud in online transactions.

AI helps payment networks and banks detect anomalies in behavior that are outside the norm for a particular customer. Anomalies could involve, for example, larger or more frequent transactions than are typical. Once anomalies are identified, the fraud fighting process continues. AI allows banks to flag a pending transaction and then follow up with the cardholder in real-time for further information about the transaction in question.

Machine learning looks at numerous data points to determine if a transaction may be associated with fraud. These systems are able to learn over time and improve their detective abilities. Meaning as an industry we can respond quickly and our systems may be able to detect patterns before humans are aware they are an emerging typology.

<ins>Tokenization</ins>

Another tool used by the payments industry to combat fraud is tokenization. In a tokenized environment, actual account numbers are replaced by one time-use tokens. These tokens represent account numbers but cannot be tied back to the actual account number. If a data breach occurs, the criminal only sees the tokenized code, which is useless to them because it cannot be used to complete a subsequent fraudulent transaction.

<ins>Encryption</ins>

Another layer of protection deployed by ETA member companies is the use of point-to-point encryption. Point-to-point encryption is an advanced risk management tool that helps further protect data throughout the transaction lifecycle. With point-to-point encryption, card data is encrypted from the moment the card is swiped or tapped, while the data is in transit, all the way to authorization. This technology minimizes opportunities for hackers and criminals to access data during a purchase.

The payments industry is innovative, dynamic, and competitive, focused on delivering cutting edge products with robust security measures to help consumers connect with merchants, make payments, and move money.

ETA would like to thank the Committee for this opportunity to provide this statement for the record on this important topic and we appreciate your leadership on this vital issue. If you have any questions, please feel free to contact me directly at stalbott@electran.org.

Sincerely,

Scott Talbott
Senior Vice President of Government Affairs
Electronic Transactions Association