**FRAUD HAS BEEN ON THE RISE DURING THE PANDEMIC**

[According to UK bank trade association UK Finance](https://www.finextra.com/newsarticle/36568/uk-sees-sharp-rise-in-impersonation-scams-as-crooks-exploit-covid-19), there were almost 15,000 impersonation scam cases reported by UK Finance members between January and June 2020, an increase of 84% compared to the same period last year. Among these, more than 8,000 involved criminals impersonating the police or a bank, a year-on-year rise of 94%. According to a [US-based Association of Certified Fraud Examiners report](https://www.acfe.com/uploadedFiles/ACFE_Website/Content/resources/Covid-19%20Benchmarking%20Report%20September%20Edition.pdf), 77% of respondents observed an increase in fraud as of August 2020 and 92% of respondents expect to see a further increase during the next year. In India, [a report jointly published by the Data Security Council of India and PayPal India](https://cashessentials.org/economictimes.indiatimes.com/small-biz/startups/newsbuzz/need-framework-to-tackle-digital-payment-frauds/articleshow/77769976.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst) concludes that the pandemic has required the need for a comprehensive framework to tackle cybersecurity risks including digital transactions. “While we have witnessed a tremendous shift in commerce and financial services, there has been an increase in cyberattacks and the global pandemic has revealed gaps in business continuity plans and IT operations,” said Steven Chan, senior director, head of government relations, APAC, PayPal. According to global fraud and merchant dispute specialist [Chargebacks 911](https://www.businesswire.com/news/home/20200915005733/en/Chargebacks911-Increased-contactless-spending-could-be-linked-to-higher-fraud-and-payment-disputes-warns-global-risk-expert), industries are now experiencing 10 times the amount of payment disputes that were taking place prior to COVID-19. Monica Eaton-Cardone COO of Chargebacks 911, says “Contactless payments present a number of fraud threats. For one, if a valid cardholder’s information is stolen, it can be added to a mobile device and used to make unauthorised purchases – leaving merchants covering customers’ losses. In addition to this third-party fraud, contactless payments present a greater opportunity for genuine customers to commit first-party (friendly) fraud and lie about whether or not a transaction was actually made by them.”

**AN EMPIRICAL ESTIMATION OF THE VALUE OF**[**CASH**](https://cashessentials.org/glossary/cash/)**AND CARD FRAUD**

However, payment fraud was an issue well before the pandemic. The report, *Fraud in cash and electronic payments: taxonomy, estimation and projections*by Santiago Carbo-Valverde and Francisco Rodriguez-Fernandez  for the International Security Ligue was published before the pandemic and offers two main contributions: first, it provides a comprehensive taxonomy of payment fraud alternatives related to both cash and electronic payments. Second, it offers an empirical estimation of the value of fraud with cash and card payments, as well as some insights into the impact of new forms of electronic transactions, such as contactless payments and cryptocurrencies.

The empirical analysis was conducted for the period 2014–2018 in 52 countries in Europe, North America, Central and South America, Asia-Pacific and Africa. In addition, the report provides some projections on fraud for 2025.

**SOME OF THE KEY HIGHLIGHTS**

* The illegal economy linked to cash in 2018 was 0.93 times the value of 2014. However, total card fraud per transaction almost doubled (1.82).
* Fraud with cash has been decreasing 1.7% annually while fraud with cards have been increasing 16.2% annually.
* While the total shadow economy remained relatively stable during the period (ratio 2018/2014 = 0.99), the illegal economy linked to cash shrunk (0.93). This happened despite a general increase in the demand for cash (1.18) and on the ratio of transferable deposits over total deposits (1.20).
* Less than one fourth of the global underground economy is due to [**money laundering**](https://cashessentials.org/glossary/money-laundering/) or illegal activities managed with cash.
* Globally, the illegal economy linked to cash has declined from 5.2% of [**gross domestic product (GDP)**](https://cashessentials.org/glossary/gross-domestic-product-gdp/) in 2014 to 4.8% of GDP in 2018. This component is particularly low in North America (2%) and Europe (3.3%) and larger in Central and South America (7.4%), Asia-Pacific (5.7%) and Africa (9.6%). In any event, it has declined in all areas during the period considered.
* The percentage of the illegal economy linked to cash has increased in countries that have traditionally maintained lower levels of cash usage. In Norway it reached 4% of GDP in 2018, and 3.4% of GDP in Sweden. In Finland (2%), it remained at similar levels to other more cash-intensive countries such as the United States (2%) and France (1.9%).
* Card-not-present fraud grew more than any other type of fraud. It was 6.44 times larger in 2018 than in 2014. The introduction of the EMV chip in many jurisdictions reduced card ‘lost and stolen’ fraud but increased more than proportionally CNP fraud. Card-not-present fraud constitutes more than half of total card fraud.
* ATM-related card [**counterfeit**](https://cashessentials.org/glossary/counterfeit/) also increased (ratio 2018/2014 = 2.23), while [**POS**](https://cashessentials.org/glossary/pos/) counterfeit declined (0.61).