

Banks on alert for card fraud

There have been discussions on how to blacklist certain card merchants

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PETALING JAYA: In the wake of reports on card merchants who double up as Ah Longs, banks are on the alert for any signs of credit-card fraud and misuse.

"It is compulsory for all merchant acquirers to update the merchant watchlist database on any negative or adverse information of their respective merchants that have been terminated due to any illegal and fraudulent activities," said Lim Hong Tat, senior executive vice-president and head of consumer banking at Malayan Banking Bhd (Maybank).

"This information is available to all acquirers and can be used as a reference prior to recruiting merchants. Proper due diligence is also conducted," Lim said.

In fact, there have been discussions on how to blacklist certain card merchants but problems arise when they switch banks and get signed up again.

"Rules governing the relationship between the merchants and acquiring banks can be found in the card associations' operating regulations," said Association of Banks in Malaysia executive director Chuah Mei Lin.

"Any breach of the terms and conditions by a merchant may result in the termination of services offered by the merchant's bank, which is the bank that accepts payments for the products or services on behalf of a merchant," she said.

However, Chuah said "the termination of services by a particular bank would still enable the merchant to apply to another bank for facilities."

"The only option in such instances would be for the complainant to lodge a complaint directly with Visa or MasterCard, and in the event of a serious breach, Visa or MasterCard may inform all banks of the breach and the merchant will be unable to establish new facilities with any other banks," Chuah told *StarBiz*.

According to Renzo Viegas, head of retail banking at RHB Bank, new merchants are



appraised with the same level of diligence used on prospective borrowers.

"Risks reviewed by banks include high chargebacks (relating to the rate and amount of disputed transactions occurring at a merchant) on any prior records or existing relationships with banks, business failure or potential fraud," Viegas said.

This appraisal involves a combination of any of the following: documentation on business registration, corporate resolution and other key business documents, assessment of any existing business relationship with the bank, review of the line of business and products offered by the merchant, analysis of projected sales volume, checking against risk databases of brands/card companies, and on-site inspection.

Merchant activities are regularly reviewed and those on possible high risk activities include analysis of chargeback trends, sales volume, ticket size relating to transaction amounts submitted by merchants for settlement, frequency and merchant settlements.

Rules laid down by brands and card companies such as Visa and MasterCard on data secu-

rity standards, which provide a framework for safeguarding of credit-card data by merchants, must be adhered to.

"There are processes in place which audit the compliance of these standards by the affected merchants," Viegas said.

EON Bank aimed to work with industry colleagues, Bank Negara, card associations and customers to stay ahead with the latest developments in the credit-card sector and strengthen measures to combat all such fraudulent activities, said Aaron Tan, head of cards and unsecured lending.

Besides monitoring all daily card transactions, from card acceptance to payments for both cardholders and merchants, EON Bank conducts rigorous screening of prospective merchants by scrutinising their background and track record as well as employing extensive risk scoring tools.

"EON Bank group also continuously fortifies its detection system, risk management and data security with the latest technology and best practices to safeguard the customers, merchants and the industry," Tan said.

Merchants can't impose fees on users of credit cards

PETALING JAYA: Credit-card users who are told to pay extra if they use their cards instead of cash should be aware that merchants are not allowed to impose merchant fees on users as stipulated in the card associations' operating regulations.

"Under the Bank Negara credit-card guidelines, banks are required to display prominently on the credit-card application forms their fees and charges table," said Association of Banks in Malaysia (ABM) executive director Chuah Mei Lin. "Banks are also required to print on the monthly billing statements to credit-card holders information on the various charges imposed on the outstanding balances and method of computation of such charges."

A comparison of rates charged by banks can be obtained from the bankinginfo.com website.

RHB Bank head of retail banking, Renzo Viegas, said banks would act on complaints from cardholders on "unacceptable practices by merchants".

"For example, cardholders should not accept any imposition of surcharge, report such incident to the bank or go to other merchants that do not impose surcharge," Viegas said.

At Malayan Banking Bhd (Maybank), merchant activities are continuously monitored to curb incidences of surcharge.

"Appropriate action is taken on merchants who flout the rules," said Lim Hong Tat, Maybank's senior executive vice-president and head of consumer banking.

On leakage of customer information, Chuah said: "We wish to reiterate that member banks treat customer information with the greatest confidentiality and not sell or use information indiscriminately outside the confines of the banker-customer relationship."

"Banks will not hesitate to take disciplinary action and report employees who breach laws, regulations and policies."

In fact, members of the public are encouraged to contact the ABM in respect of any suspected breach of confidentiality on the part of member banks, Chuah said.

Education in card acceptance procedures is especially important in cases where merchants face high staff turnover. There is inhouse training and continuous education on adhering to charges and security issues. — **By YAP LENG KUEN**