



Virtual Credit & Debit Cards To Fake Out Thieves

by [Steve Brown](#)

Fake news is all the rage right now as a discussion point for the media. That's why we found research by Stanford that looked at this very subject so interesting. It evaluated the ability of students to assess information sources, distinguish ads from articles and separate neutral news sources from biased or fake ones. Some of the most shocking results: 80% of middle schoolers believed sponsored content was a real news story, 80% of high schoolers found it extremely difficult to determine whether a picture without attribution they were shown was legit or fake (they simply accepted it as fact) and over 30% accepted fake news as legitimate, simply because it had a blue checkmark. We are not sure if bankers can use this information for marketing purposes, but we point it out so you can at least discuss it.

Speaking of separating real from fake, today we discuss virtual cards, also known as burner cards. These temporary card numbers (used once and then discarded) are coming back in vogue because new chip-embedded credit cards are much more difficult to break into so fraudsters have shifted more of their activities online (where the chip is not used).

To prove this out consider studies find 98% of consumers use credit cards to make purchases online and 85% say the security of that credit card is their top privacy concern. Meanwhile, other research by Auriemma Consulting finds financial losses attributed to fake cards at the merchant level decreased by 19% at the end of Q2 2016 (the chip is working), while losses related to online theft jumped 14% (why virtual is gaining traction).

Here is how this works. Consumers can get a virtual credit card number from such banks as Bank of America and Citi. You can then use those disposable numbers to buy stuff online, while knowing you are protected.

There are also some online players that have started up recently. Some of these let people generate a virtual card number every time they want to enter a credit card number on the internet while shopping for something. Doing so generates a virtual Visa card specifically for the website in question. Meanwhile, these companies usually connect with your bank account in order to withdraw money to support the payment in question.

The question is whether or not customers will find these interesting. After all, most already use PayPal and Amazon Payments and adoption rates are also rising for such digital payment players as Apple Pay, Samsung Pay and Android Pay to name a few.

That said, younger and older users alike are reluctant to divulge their credit card information over the web, but still want to shop like crazy and not worry about such things so a virtual credit card number may have a place in this pecking order as well.

While much is still unanswered here, customers are testing many different things and may find the virtual approach interesting because this process acts more like a debit card than credit card (that is

what they are used to).

For community bankers, it at least might make sense to monitor virtual cards to see how they evolve, given everyone is trying to figure out how to market effectively to digital customers. In the meantime, at least you have something to talk about at lunch.

As with all new products, be sure you conduct proper due diligence and review the viability of your partners closely before jumping in to avoid trouble.

BANK NEWS

Closed

Proficio Bank (\$68.2mm, UT) was closed on Friday and the FDIC sold it to Cache Valley Bank (\$374mm, UT) under a purchase and assumption agreement. Cache Valley Bank gets the sole branch, \$65mm in deposits and \$60.1mm of the assets of the failed bank.

EMV Penetration

Research by Aite Group uncovers the penetration of chip cards in the US is 94% for credit cards and 72% for debit cards.

Positive Impact

A survey by JPMorgan finds 76% of business executives say they believe the new administration will have a positive impact on their businesses and are specifically looking forward to tax reform and reduced regulation.

Huge Fines

Bloomberg reports that since the credit crisis, the world's biggest banks have been fined \$321B.

Cyberthreats

This is a national security issue, so bankers need to take extra steps to ensure compliance. Fed research finds attacks are evolving in complexity and frequency, so banks should be actively monitoring financial, operational, reputational, legal, and compliance risks. Regulators warn banks that outsource core operations and/or security administration to make sure vendor management programs are designed to manage and mitigate Cyberthreats. Regulators are concerned that inherent risks can increase from a variety of factors, such as system complexity, services and visibility.

More Debt

The Wall Street Journal reports the total amount of debt held by American households reached the highest level in 10Ys as of the end of last year (just \$99B below the all-time high of \$12.7T hit in 2008).

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