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ID Fraud: The Big Picture

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Defining ID Theft/Fraud

- Terminology
 - main issue = fraud, impersonating others
 - often (but not always) based on stolen documents used to prove/create false identity
 - no theft of identity as such
 - big counterfeit industry



Techniques of ID info “theft”

- taking/stealing from individuals:
 - finders keepers: trash, used computer equip, lost wallet
 - theft of wallet, chequebook, credit card
 - mail theft (after delivery)
 - pretexting by phone or in person
 - phishing, vishing, pharming, clickjacking
 - scams: employment, surveys, contests
 - skimming - via ATMs, hidden machines
 - wireless eavesdropping
 - malware: keystroke loggers, etc.



Techniques of ID info “theft”

- taking from public sources:
 - personal websites, social networking sites
 - online resumes
 - employer/association websites
 - online public records
 - post-disaster missing person sites
 - obituaries



Techniques of ID info “theft”

- taking/stealing from organizations:
 - dumpster diving
 - used computer equipment
 - hacking; taking advantage of security holes
 - corrupt employees
 - duped employees
 - “pre-texting”
 - negligent employees
 - inadequate security/authentication



Intermediate Stages

- ID data trafficking
 - buy and sell personal information
- ID document “breeding”
 - create counterfeit documents
 - apply for new documents, ID numbers (forgery)
- Submit change of address to post office
 - divert victim’s mail

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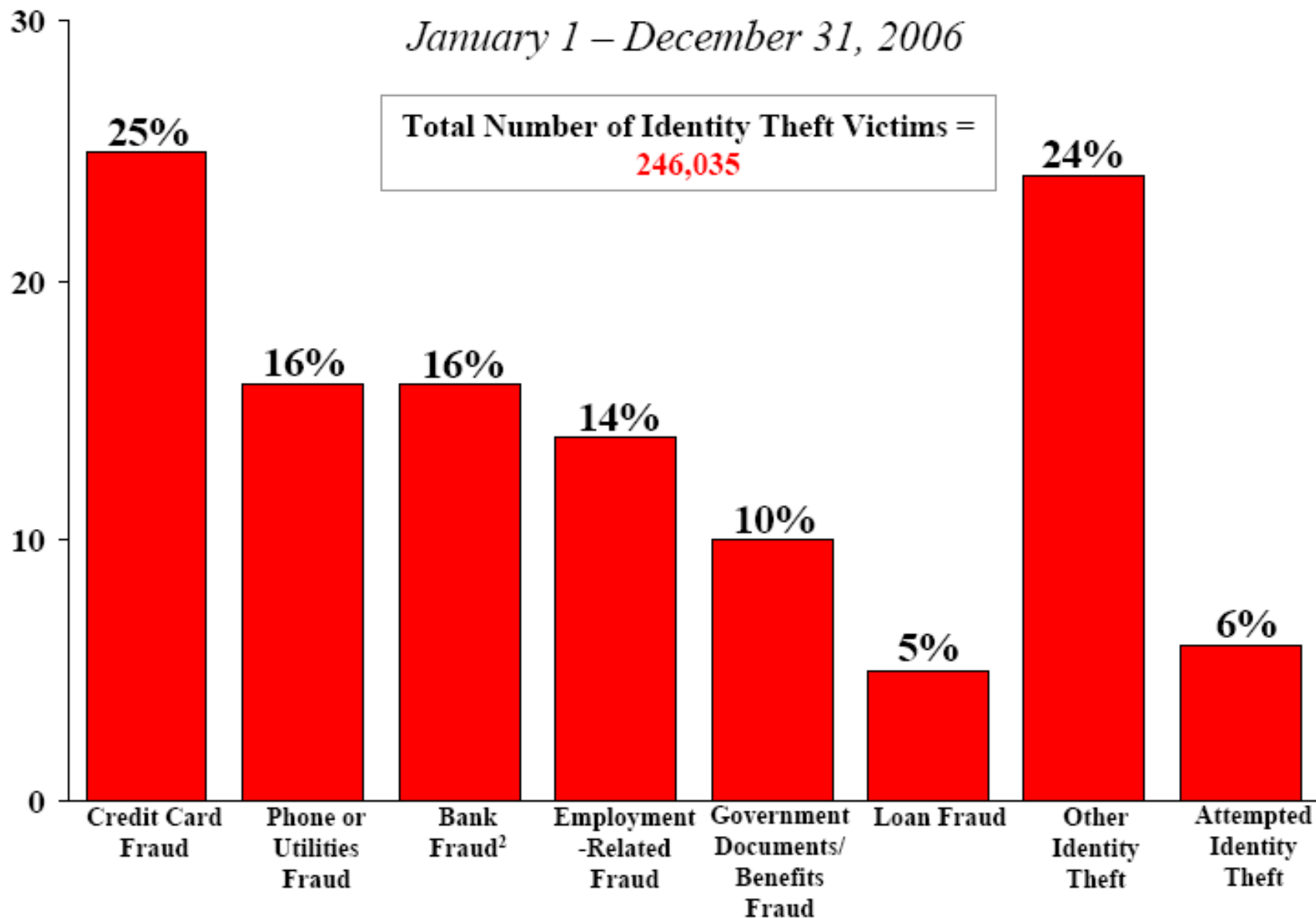


Figure 4

How Victims' Information is Misused¹

January 1 – December 31, 2006

Total Number of Identity Theft Victims =
246,035



¹Percentages are based on the total number of complaints in the Identity Theft Data Clearinghouse for CY-2006 (246,035). Percentages add to more than 100 Federal Trade Commission



US Statistics: ID Theft/Fraud

- Top consumer complaint to Federal Trade Commission (FTC) for last 5 years
 - 258,427 complaints in 2007 (32%)
 - most relate to credit card, bank, phone or utility accounts fraud
 - but less common ID frauds (e.g., loan, mortgage) can be more damaging
 - “the fastest growing crime in North America”
 - increasingly used by organized crime



US National Survey (2006)

- 8.3m. Americans (3.7% pop) = victims in 2005
 - 3.2 m. – credit card fraud
 - 3.3 m. – existing account fraud (non-credit card)
 - 1.8 m. - new accounts or other fraud
- Losses/Costs:
 - Median: no out-of-pocket; 4 hours spent; \$500 value
 - 10%: \$1,200 lost; 55 hours spent; \$6,000 value
 - 5%: \$2,000 lost; 130 hours spent; \$13,000 value

Canadian Statistics on ID Fraud



- Few data; no reporting requirements
- Cases recorded by police:
(www.phonebusters.com)
 - Number of victims: 14,307 in 2006; 10,327 in 2007
 - Value of losses: \$15.7 m. in 2006; \$6.4m. In 2007
 - app. 30% re: credit cards, including false applications
 - 10-12% related to cell phones
- Credit reporting agencies receive 1400-1800 complaints monthly



How Fraudsters Succeed

- Widespread availability of personal data
 - Corporate databases; consumer profiling
 - Over-collection and over-retention of data
 - Over-selling of risky services without adequate warnings
- Inadequate authentication by service providers
 - Remote transactions; no signature required
 - Easy access to credit
 - Customer convenience more important than fraud prevention
- Insider collusion
 - Inadequate employee screening, monitoring



Who is the victim?

- Credit cards
 - Individual consumer not liable, but:
 - Costs passed on to merchants and consumers through high interest rates, higher prices, etc.
 - Sometimes significant inconvenience and/or distress
 - Credit report could be affected
- Other ID frauds
 - Individual consumer presumptively liable
 - Significant problems proving innocence
 - Harassment by collection agencies, creditors
 - Credit record can be permanently damaged
 - Employability affected



Who is responsible?

- Fair to hold individual responsible?
 - to remember multiple, changing passwords?
 - to monitor accounts for fraudulent activity?
 - to keep computer virus-free?
- Who is in best position to mitigate risk?

Questions

- Do we have adequate incentives in place for organizations to take all reasonable measures to prevent identity fraud?
- Do individuals have all the tools they need to prevent, detect and mitigate the effects of identity fraud?
- Who has relevant data on identity fraud in Canada?



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