



fraud solutions



®



you can gain the advantage

American Express offers strategies and tools for preventing fraud and potential chargebacks.

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cut your risks

Criminals are hoping that you won't detect their activities to defraud you. But it is important to your business that you do. Undetected fraud can result not only in lost goods and services, but also chargebacks and higher discount fees. Being vigilant about unusual spending can be your first line of defense.

how can I detect fraud?

Certain behaviors often indicate that a transaction is fraudulent. Trust your instincts. While the following situations may also occur during a valid transaction, you should always be aware of:

- multiple orders being mailed to the same address
- large orders of similar items
- high-value ticket items
- rush orders
- merchandise that is "re-sellable"
- out-of-pattern orders for your specific business (volume and/or amount)
- consecutive Card numbers given within a short period of time
- customers who sound suspicious on the phone and are unable to verify Cardmember information (address, phone number, etc.)

take additional steps to protect yourself

Observing the customer, although critical, is only one step in protecting your business. Our suite of fraud solution tools may help you check for valid transactions. Some solutions are as simple as calling when you suspect a problem. Other solutions can be incorporated directly into your processing equipment. You can pick the solutions that best fit your business.

use our tools to help reduce fraud

American Express offers solutions to help reduce your fraud related expenses, increase your revenues and reduce back office costs associated with fraudulent transactions.

We offer fraud solutions for both Card Present and Card Not Present situations to help verify that a purchase is valid. The following table indicates which solutions are best for each environment.

Fraud Tools	Card Present (Swiped/Keyed)	Card Not Present (Keyed)
Track 1	◆	
Enhanced authorization data elements		◆
Voice verification – name, zip, address or phone	◆	◆
Automatic Address Verification (AAV) – zip code verification – full street address verification – name verification	◆	◆
Charge Verification Program		◆

contact us for more information

Visit our web site often at americanexpress.com/fraudinfo for the latest fraud training materials and tools. You may also want to consider becoming a member of the Merchant Risk Council. These are discussed in more detail towards the end of this booklet.

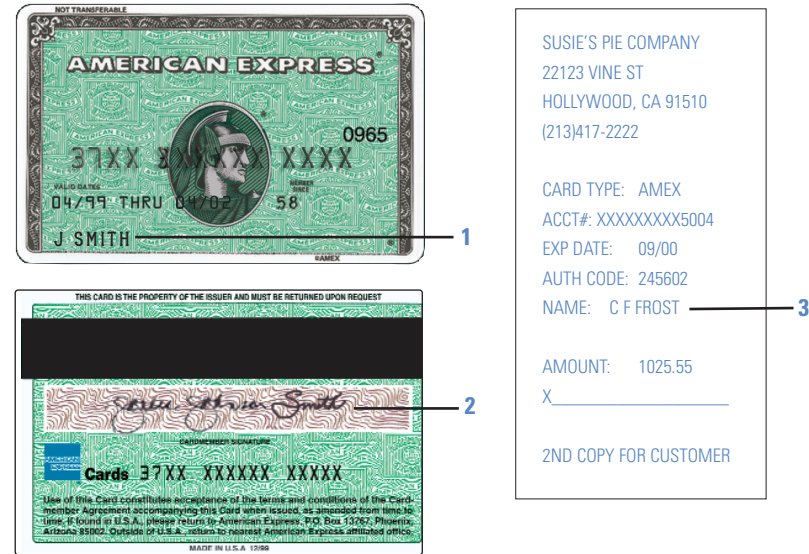
using Track 1 to combat fraud

There are two data tracks located in the magnetic stripes of Cards: Track 1 and Track 2. The primary difference between the two tracks is that Track 1 contains the Cardmember's name and is typically used to print the Cardmember name on receipts.

One simple step to avoid fraud is to always visually check that the name on the Card matches the one that prints on the receipt. If they don't match, the Card has been altered and the transaction is fraudulent.

A second step to help prevent counterfeit fraud is to send Track 1 data to American Express. Just because the Cardmember's name appears on a receipt does not ensure that Track 1 data is sent with the authorization. Typically, Point-of-Sale devices read and transmit Track 2 with each authorization transaction. By activating your Point-of-Sale device to read and transmit Track 1, you can guard against altered magnetic stripes. When our Track 1 fraud solution is activated, American Express will verify that the name sent in the authorization request matches the Cardmember name on file. If not, the transaction is declined. This service is free and seamless.

Contact your Third Party Process or American Express Client Manager for more information.



Both the front of the Card and the signature panel show the name J Smith. The receipt which prints the name from Track 1 is CF Frost. This Card has been altered.

1. Cardmember name on front of Card
2. Name on the signature panel
3. Receipt that prints Cardmember's name from Card's magnetic stripe



enhanced authorizations

reduce fraud in Card Not Present situations

The popularity and growth of Internet and phone sales have sparked exciting new business opportunities for Card Not Present sales.

Unfortunately, criminals have capitalized on the anonymity of these sales channels to expand their illegal activities.

use powerful transaction decision tools

American Express leverages its risk management systems and extensive network to help protect both Cardmembers and merchants from fraud while enabling legitimate transactions to process uninterrupted. American Express is uniquely positioned to provide an enhanced level of transaction validation that individual merchants can't do on their own.

more detail for Card Not Present decisioning

Electronic sales contain valuable source information for determining transaction risk of Card Not Present sales. When these additional data elements are included in authorization requests, American Express can perform a more thorough risk assessment.

Internet. Variables such as e-mail and IP addresses can help link Internet transactions to both legitimate and suspicious sources.

Phone. Unusually high sales activity from the same incoming phone number, but through multiple merchants, can prompt intervention to either curtail fraud or reduce future referrals.

protection using delivery information

Who else is shipping to the same address? When seen in aggregate with other merchant transactions, this enhanced data can help pin point abnormal shipping patterns – something you would never know without the help of the American Express' resources.

Enhanced Authorization Data

Phone	Order phone number
	2-digit phone type (II ANI code)
Internet	E-mail address
	Host name
	Browser type
	IP address
Shipping	Ship to address
	Ship to postal code
	Ship to country code
	Ship to phone number
	Ship to first and last name
	Ship to method

you can be part of the solution

You can help reduce your fraud risks by adding enhanced fields to your authorization requests. Contact your third party processor or Client Manager for more information.

call us to verify a name, zip code, street address, or phone number

When you're suspicious of a transaction, take more steps to protect yourself with free, voice-activated Cardmember name, zip code and phone verification.



just pick up the phone

Verify Cardmember information with no changes to your processing equipment by dialing **800-528-2121** and following the instructions. The automated system validates the following through voice-activated technology. Voice response will advise of a match/no match result.

- Cardmember's account number
- Cardmember's name
- Zip code
- Street address

you can verify electronically

For Card Not Present environments such as mail order or Internet, you can verify address, zip code, and name electronically if your system is capable. You receive a code indicating a "complete," "partial," "no match" or "file unavailable" for each transaction. This can help you make a more informed decision about whether to accept a transaction before you ship product or provide a service.

check addresses automatically

Automatic Address Verification (AAV) helps reduce fraud by verifying that the address provided by the Cardmember matches the billing address on file with American Express. AAV is free to merchants and certified third party processors. AAV sends the street address and zip code.

- Operates in batch mode or real time environments.
- Helps to identify high-risk transactions.
- Processes with or without an authorization request.
- Supports all American Express Cards, domestic and international.

Example: 123 Main Street/88130

verify zip code

Zip Code Verification (ZCV) is a shortened version of AAV where just the zip code is transmitted electronically in the authorization request. It verifies that the Cardmember's zip code matches the one on file with American Express. It is ideal for Card Not Present businesses such as retail stores, gas stations, etc.

Example: 88130

verify name

If you have a Card Not Present situation where you suspect that the person providing the Card information is not the actual Cardmember, you may want to request a name verification as an extra precaution. We check to see if the Cardmember's name matches the name and address in our database. We generate a response code indicating a match/no match for each transaction, allowing you to make a decision on whether to accept the transaction.

Example: CF Frost/123 Main Street/88130

you simply make a call

Ask your third party processor or Client Manager about adding either AAV, Zip Code or AAV/Name verification to your electronic authorization messaging.



under some circumstances, we can call the Cardmember for verification

Our Charge Verification Program (CVP) is another Card Not Present tool. If, after receiving an approval

code, you are still suspicious about an order (\$200 or more), call us and we'll attempt to contact the Cardmember based on information in our files.

This tool can help you make a better decision on whether to ship the merchandise. However, you must be able to delay shipping for up to 3 business days while we attempt to contact the Cardmember.

Have your merchant number, Cardmember number, approval code and date of authorization available. We'll ask certain key questions about the transaction so that we can investigate your concern. Using contact information in our files, we'll attempt to reach the Cardmember for three days. If we are able to reach the Cardmember, we'll call you back and advise you if the Cardmember authorized the transaction. If we are unable to reach the Cardmember, you will need to decide whether or not to ship the merchandise without verification.

This process is a tool, not a guarantee in preventing chargebacks.

Call **800-876-9786** to enroll. CVP hours are: Monday-Friday, 8:00 AM-10:00 PM EST.



you can take advantage of more training solutions

American Express provides value-added, fraud mitigation training services.

- Call for free Fraud Prevention brochures at **800-528-5200**.
- Visit our web site at **americanexpress.com/fraudinfo**. We have a wealth of information and materials available to help you fight fraud.
- Use our self-directed training. *Training in a Box* is an all inclusive kit with booklets, a video/DVD and a guide for conducting your own fraud training class. To order, notify your Client Manager or send an Email to **ES.Fraud.Prevention@aexp.com**. Please include your name, address and merchant number.



Merchant Risk Council



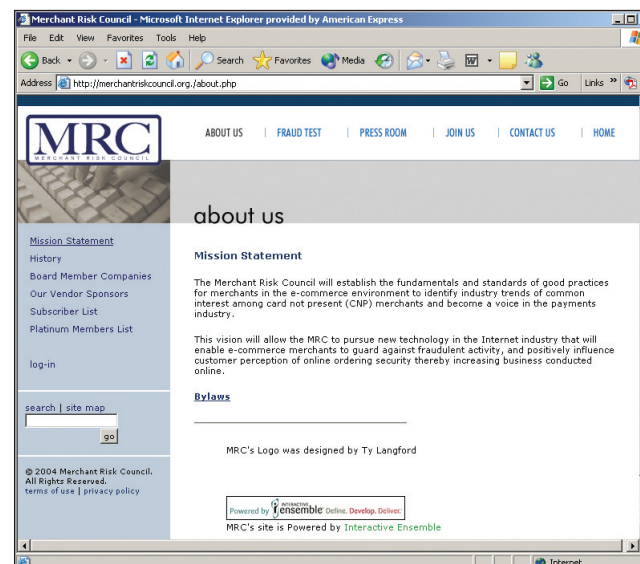
American Express has proactively addressed the challenges that fraud poses in the marketplace by participating in a merchant-driven fraud mitigation initiative.

The Merchant Risk Council is a not-for-profit organization founded by American Express in partnership with leading e-commerce merchants and card processors to educate merchants about fraud mitigation techniques. This group was formed in 2000 and currently has over 6000 subscribers. It provides a forum for discussion of best practices and new anti-fraud initiatives through its web site at **MerchantRiskCouncil.org**.

Being a member gives you access to advice that can help identify, evaluate and recommend fraud mitigation practices and technology solutions based on your business needs. The organization promotes information by sharing best practices, fraud trends, and news on an ongoing basis. Improving security of all online merchants, large and small, helps limit your exposure to fraudulent credit card transactions. Plus, increased consumers' confidence in personal information security helps grow E-Commerce.

members can access these fraud prevention tools

- Verify the existence of an address.
- Verify a name with an address.
- Reverse look-up of phone numbers to retrieve corresponding addresses.
- Verify phone numbers.
- Capture a consumer's Internet protocol address.
- Review all free e-mail domains.
- Verify the owner of a domain.
- Verify credit card numbers via MOD 10 (a mathematic formula used to identify correct credit card formats).
- Report a cyber crime.
- Review list of freight forwarders used by international fraudsters to regularly pass on unsolicited goods.



you can contact American Express for more information

Establishment Services Customer Service

United States 800-528-5200

Canada 905-474-8345

Have your American Express merchant account number available when ordering supplies.

web sites

Fraud Information americanexpress.com/fraudinfo

Canadian Fraud Information
(English) americanexpress.ca/fraudinfo

Card Authorizations

United States 800-528-2121

Canada 800-268-9824



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