Online payments: Finding a balance between customer wants and business risks

Wednesday, May 8, 2013

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Assurance ▪ Tax ▪ Consulting

Welcome! Important web seminar notes

- We have automatically muted the line. The seminar will begin promptly at 2 p.m. Eastern. During the presentation, all participants will be in listen-only mode.
- Please turn off all webcams.
- Submit questions via the Q&A feature. Simply select the Q&A window, type your question into the dialog box, and click the “Ask a Question” button.
- The slides and recording of this call will be sent to all those who attend today’s program.
- Having technical difficulties?
  - Call 800.374.1852 or
  - E-mail pfs@intercall.com
- For audio help, please call 800.374.2441.

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To receive CPE credit

- Polling question:
  - Click on the appropriate radio button to answer the polling question
- Active participation:
  - NASBA requires that we monitor your participation
  - You must answer 75 percent of all polling questions offered to get credit for the hour
  - Your interactions will be tracked through the system
    - For groups, the proctor's polling answers will be tracked
  - Your audio and computer connections will be tracked through the system
    - You must be connected at least 50 minutes to receive 1.0 CPE credit hour
    - For groups, the proctor's connection will be tracked

To receive group CPE credit

- Group participation:
  - Groups should download the Group Sign-in sheet from the handouts section located in the top right-hand corner of Live Meeting
  - The group proctor must be the person logged into the phone and web and must answer the CPE polling questions
  - Group proctors should enter all participant information and sign off at the top of the group sign-in sheet
    1. Include actual time in and time out of all participants
    2. Verify active participation of all group members
  - Submit via email within three days

Failure to follow this policy will result in NO CPE credit for everyone in the group

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McGladrey consumer products and retail focus

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- McGladrey serves over 4,600 consumer products companies from across the country
- Specialty practices include food, beverage, retail and apparel
- To sign up for our monthly retail industry commentary or learn more about our industry focus, visit our website at **http://mcgladrey.com/Industries/Consumer-Products**

Today's Presenters

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Agenda

- Welcome
- What topics will be covered
  - 2013 Threat Landscape
  - Tokenization
  - eWallet
  - Encryption
  - Chip and PIN
  - Square
  - Mobile Devices
  - Online Payments
- Some in the audience may have already implemented solutions for topics to be discussed (practical experience). Feedback/input/lessons learned from attendees is appreciated.

2013 Threat Landscape

- Some statistics from the 2013 Verizon Data Breach Investigations Report
  - 47,000 reported security incidents
  - 621 confirmed data breaches
  - 44 million compromised records (that were quantifiable)

- How do breaches occur?
  - 52% utilized some form of hacking (-29%)
  - 40% incorporated malware (-19%)
  - 35% involved physical attacks (+25%)
  - 29% employed social tactics (+22%)
  - 13% resulted from privilege misuse (+7%)
  - 76% network intrusions exploited weak or stolen credentials

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2013 Threat Landscape

- Threat Actors – Who is Attacking?
  - 92% are External
  - 14% are Internal
  - 1% are Partners
- Destroys the Myth – most attacks originate inside
  - While percentage varies over the years, external threat is consistently number one
  - Most insiders act carelessly, not maliciously
- More then half of breaches are tied to organized crime
- Primary motivation is financial, but espionage is increasing

2013 Threat Landscape

- Demographics of the Data Breaches
  - Majority of breaches occurring in the Finance industry
  - Retail industry is number two in data breaches
  - Eliminate physical attacks and retail jumps to number one
  - Majority in organizations with less then 10,000 employees

- Organized Crime – Greatest threat to consumer products industry
  - Organized Crime – by far the greatest threat
  - Mostly utilizing malware and hacking techniques
  - Target POS controllers, terminals, database, user devices
  - Payment cards – still tops the list as desired target

2013 Threat Landscape

- Type of Data Being Stolen (Highlights)
  - 61% is Payment Card information
  - 38% is User Credentials
  - 20% Secrets (Intellectual Property, financial, etc.).
  - 10% Personal Information
  - 6% Bank Information
  - All others less than 1%

- Financial Attack Targeting
  - 75% are opportunistic
  - Only 25% are targeted

- Financial Attack Difficulty
  - 10% Very Low
  - 68% Low
  - 22% Moderate
  - Less than 1% is High

2013 Threat Landscape

- What commonalities exists?
  - 75% driven by financial motives
  - 75% considered opportunistic attacks
  - 78% initial intrusions rated as low difficulty
  - 71% targeted user devices
  - 54% compromised servers
  - 69% discovered by third parties
  - 66% took months to discover
- Bottom Line: Financially motivated attacks against the most vulnerable who lack the ability to identify the breach
- To obtain this report, visit http://www.verizonenterprise.com/DBIR/2013/

Overview

- PCI Requirements
  - Process, Transmit, Store cardholder data
  - Applies to transactions occurring over the phone, in person, over the web

- Business strategies
  - Outsourcing components of the cardholder data process
    - Hardware
    - Data center
    - On-line web presence – shopping cart
    - Other payment methods
    - Storing of data

Overview

- Business Strategies and Business Impact
  - Legacy systems
  - Multi-location
  - Local, regional, national or international presence
  - Keeping current with patches/fixes/updates
  - Technical support
  - Cost/benefit

Tokenization

- Tokenization
  - What is it?
  - What it is NOT (it is not the same as encryption)
  - Why use it?
  - How does it impact the business?
    - Irrelevant information
    - Compliance requirements
    - Other methods to serve customers
- Solutions
  - From your card processor or acquiring bank
  - Evaluate compatibility of solution with business needs
  - A combination of solutions - A solution that performs tokenization internally and then send information to card processor
  - Outsource solution

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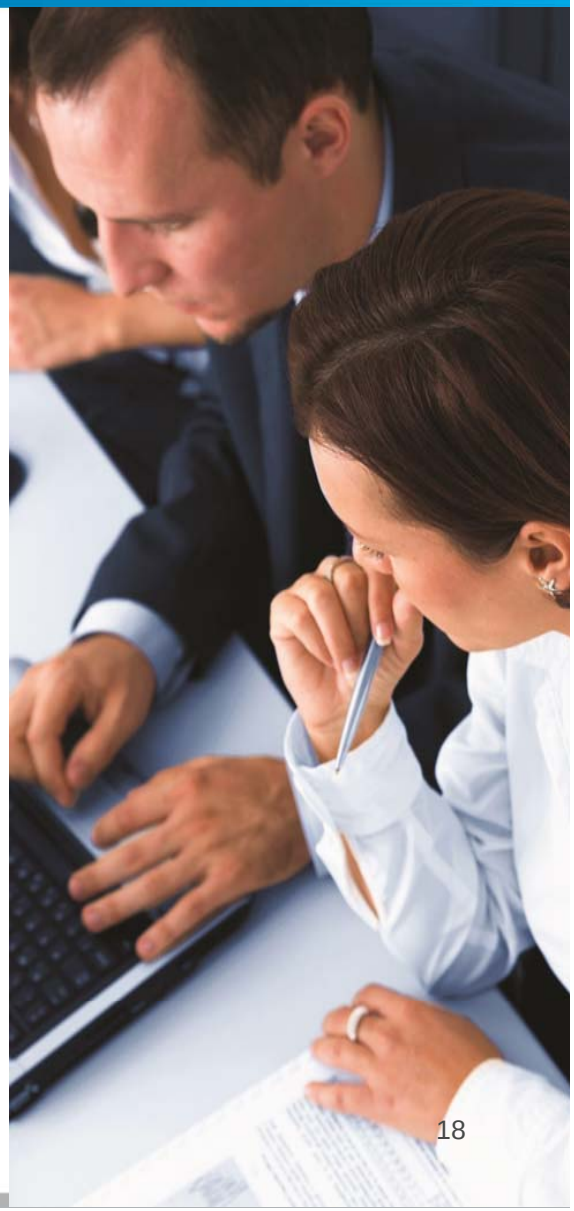
eWallet

- Digital Wallet
  - What is it?
  - Why use it?
  - How does it impact the business?
    - Multiple components of information in one place
    - Tether the device to a PC for purchases
    - Compliance requirements
    - Who will provide the service (banks, card brands, telecommunication, other third parties, combination)
- Solutions
  - Mobile phone devices (from telecom providers)
  - Other portable devices – Square, PayPal Here, Intuit GoPayment, card brands



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Encryption

- Encryption
  - What is it?
  - Why use it?
  - How does it impact the business
    - Data is unreadable
    - Processes for “key” management
    - Compliance requirements (not just for payment cards)
    - Use for multiple needs – transmitting and storing customer information
- Solutions
  - Hardware, software, device level, field level,
  - IBM, Symantec, Sophos, ESI (Encryption Solution Inc), Safenet, POS and PIN pads

Chip and PIN

- Chip and PIN
  - What is it?
  - Why use it?
  - How does it impact the business?
    - Card Present – need to have code for PIN, so reduce fraud
    - Need hardware and software implemented
    - Card Not Present - On-line purchases
- Solutions
  - Card brand driven
  - Acquiring banks, processors, and corresponding infrastructure
  - Hardware and software
  - POS readers/PIN pads

Square (as an example)

- Square
  - What is it?
  - Why use it?
  - How does it impact the business?
    - Ease of setup
    - Scalable
    - Integration with current solutions
    - Cost – Monthly fee and transaction fee
- Solutions
  - Square (there are competitors - PayPal Here, Intuit GoPayment, card brands)

Portable Devices

- How this impacts the business
  - Phones
  - Tablets
  - POS and PIN Pads
  - Compliance requirements
    - Data – transmitted, processed, stored
    - Protecting the information
  - Consumer preferences
    - Less paper
    - Keeping information secured/limited access on need-to-know basis

Online Payment Presence

- Online Presence
  - Does your company need to sell online
  - Have risks been evaluated
  - Have costs been evaluated
    - Startup, maintenance, changes, security
  - Security
    - Transactions
    - Web-site (fraud by “mimicking” your companies site)
    - Code/development; monitoring; patches
  - Outsource components or the entire process

Q & A

- It is now time for our Q&A session.
- Click the “Ask a Question” button, type your question in the open area and click “Ask Question” to submit.

CPE Reminder

Reminder to obtain CPE credit

- Individuals: No further action is required
- Proctors on behalf of a group:
  - The group proctor should be the same individual who logged in to the web and teleconference lines
  - Submit the group sign-in form within three days (available by clicking on the Handouts section on the right side of your screen)
- 1.0 CPE credit hours will be issued to eligible participants within 60 days
- NASBA will not issue credit if all criteria is not met, without exceptions

Follow-up materials

- The presentation slides and a link to the call recording will be sent to all participants within a few days of the webinar

Thank you for attending!

To submit additional questions, please send to:

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