



NEWS RELEASE

Visa Security Summit

Opening Address

Iain Jamieson, Country Manager, New Zealand

Auckland, October 27 2005 – Welcome and thank you for participating in Visa’s security summit. This is the first time we’ve held an event like this in New Zealand and your presence this morning is a testament to how seriously each of us takes the critical responsibility for the security of our customers’ data.

Visa is a not for profit organisation owned by 21,000 member financial institutions. We have 1.3 billion cardholders around the world and an acceptance network of 24 million merchants. We are the leading payment card brand in the world. Nearly 60 percent of all online transactions globally are made using a Visa card. In New Zealand, we have a market share of more than 63 per cent of card sales volume, twice that of our nearest competitor.

Trust is an essential part of the Visa network. New Zealanders are an open and trusting people. We trust that our economic system will remain solid and secure, a pillar supporting and enabling many of the freedoms that we enjoy. Trust is crucial to the success of economic systems. Take our payments system as an example. The success of any system that allows the exchange of value with later delivery requires tremendous trust. Trust that the store of value, that unit, will in fact still be of comparable value. Trust that he or she who promises to deliver actually will. Without that trust, you have no payments system at all.

That’s an important part of the danger that we all must confront. We all know, from our own experience, that trust is something that is not easily earned. It is equally apparent, though, that trust can be lost in an instant. In our commercial space, in our time, I believe that the security of our clients’ data is one of the most important pillars of that trust.

We all know we need to respond. But the breadth of the problem—with so little in the control of any one of us—is staggering. Part of our challenge is recognizing the challenge. Innovation in technology can help. But only somewhat. Because no one of us controls all of the aspects of vulnerability in the network. There are systems at issuers. At acquirers. At Independent Service Organizations. At merchants. The payments networks themselves. And hackers are always probing, in real time, to find the points of greatest vulnerability. No one of us can go it alone.

The example of the compromise at CardSystems is germane. CSSI operated under rules that we and other payments systems set for data security. And those rules were violated. Cardholder data that is prohibited from being stored on the systems of a processor was in fact, stored there. And beyond that, the integrity of CSSI’s systems were not maintained at a sufficient level to protect the data.

We have a vast system, with millions of interconnections. We’ll only be as strong as the weakest link. In effect, we must come together to identify and mitigate these nodes of risk. That’s why innovation actually pales beside cooperation and coordination in terms of our power to combat fraud.

We already work to combat fraud by regularly working with law enforcement agencies and merchants to catch criminals. We need to work that well together as an industry. We've had a good start. Visa, MasterCard, American Express, and the other payment brands announced in December 2004 the PCI security standard for data security. That's being adopted across the industry. That was a great start. Now we all have to achieve compliance.

We must help anyone who touches cardholder information understand how to protect it and lock it away like it was in a bank vault. To make sure this happens, merchants need to be more aware of what information is tracked and stored on their computer systems – because sometimes they don't know they are keeping sensitive data that they have no business keeping.

We have to make sure our partners in the industry understand that if any data is compromised, it must be rendered useless – immediately, completely, and irrevocably. So apart from cooperation, there's a huge component of education.

Many businesses in New Zealand, from small service providers to large retail chains, need to pay closer attention to protecting the personal information of their customers. It is what the public is demanding and for the sake of their business and the economy as a whole, we as an industry have to deliver. Data compromises can not only be inconvenient for customers but they also impose high costs on businesses, including damage to a company's brand, the cost of re-issuing cards, disruption to business as well as investigative and legal costs.

Criminals are becoming increasingly active and inventive. Card fraud from all types of cards is estimated to cost the New Zealand economy more than NZ\$10 million per year. While this figure is a cause for concern, fraud rates have actually declined in recent times due to the success of our fraud prevention technology and systems. Visa's sales volume has more than doubled over the past six years, but over the same period, our fraud rate has halved. In the first quarter of 2005, card fraud in Asia Pacific dropped to 0.03 percent. This is a historic low and less than half of the current global average. But we can't afford to be complacent. Fraud is a classic moving target. As we develop more advanced security barriers, criminals look for new ways to exploit the system.

It's clear more than ever that commerce never sleeps. And since commerce never sleeps, neither can our security. With the vast amount of business conducted across the major payment networks, it means we are challenged every minute of every day to connect millions of buyers and sellers, quickly and securely. It's a challenge we take seriously at Visa. And I know the same is true at your organizations. The threats to our customers' trust in us will not lessen. Without remorse, and without rest, criminals will seek to undermine our electronic payments system. Together, we will defend against those attacks. If we work together, and keep in mind our mutual interests, we can earn the most valuable of all rewards: our customers' trust.

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Visa New Zealand: In New Zealand, Visa is the leading payment brand with almost 2 million cards on issue and more than 100,000 merchant acceptance locations. NZ\$14 billion was spent at point of sale or withdrawn from ATMs in New Zealand using Visa cards in the year ended June 2005. Visa processes more than 100 million transactions in New Zealand annually. For more information, visit www.visa.co.nz.