



Communications Fraud Control Association



2009 Global Fraud Loss Survey

Overview



- Survey Type & Methodology
- Executive Summary
- Results
 - Global Fraud Loss Estimate
 - Composite Fraud Trends
 - Top 5 'Hot Spots'
 - Predominate Countries (Destination Countries)
 - Predominate Fraud Types
 - Comparison of 2005 and 2008 Results

Survey Type & Methodology



Panel of Experts Survey:

- Surveys taken from fraud and security experts throughout the industry who are directly involved in identifying and stopping communications fraud
- 123 Respondents
 - ❑ 37% - North America
 - ❑ 6% - Central & South America
 - ❑ 32% - Europe & Russia
 - ❑ 3% - Middle East
 - ❑ 11% - Africa
 - ❑ 11% - Asia & South Pacific



CFCA FRAUD LOSS SURVEY

Question 1: What region do you come from:

Check One -

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Asia | <input type="checkbox"/> Europe |
| <input type="checkbox"/> South Pacific | <input type="checkbox"/> Russia |
| <input type="checkbox"/> Central and South America | <input type="checkbox"/> Africa |
| <input type="checkbox"/> North America | <input type="checkbox"/> Middle East |

Question 2: What is the largest geographic region your company serves?

Question 3: What top countries are predominant for fraud? List up to three (3).

Question 4: Over the past 12 months, has fraud IN YOUR COMPANY, Trended UP, Trended DOWN or Stayed the SAME?

- _____ Trended UP
- _____ Trended DOWN
- _____ Stayed the SAME

Comments: _____

Question 5: Over the past 12 months, do you think GLOBAL fraud losses have

- _____ Trended UP
- _____ Trended DOWN
- _____ Stayed the SAME

Comments: _____

Question 6: Of the total global telecom revenue base, what percentage do you think is fraud?

_____ Percent

Executive Summary



Highlights:

- Estimated global fraud loss:
 - \$72 - \$80 billion (USD) annually
 - Approx. 4.5% of telecom revenues
- 91% said global fraud losses had increased or stayed the same
- 78% said fraud had trended up or stayed the same within their company
- Top 3 Fraud Types:
 - \$22 billion – Subscription/Identity (ID) Theft
 - \$15 billion – Compromised PBX/Voicemail systems
 - \$4.5 billion – Premium Rate Service Fraud
- For more information please visit:
www.cfca.org/fraudlosssurvey/



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FOR IMMEDIATE RELEASE

Global Telecom Revenues Increase 52% and Fraud Increases 34% from 2005-2008

COMMUNICATIONS FRAUD CONTROL ASSOCIATION (CFCA) ANNOUNCES RESULTS OF WORLDWIDE TELECOM FRAUD SURVEY

(Roseland, NJ) June 26, 2009 – CFCA today announced the initial results of a comprehensive survey of experts that estimates annual communications fraud losses globally. Worldwide industry experts surveyed now estimate annual global fraud losses to be in the range of \$72 - \$80 billion (USD) up 34% from the CFCA Survey results of 2005. These fraud losses represent approximately 4.5% of telecom revenues, which is a 0.6% decrease from the 2005 survey. The main reason for the decrease is because the growth in global revenues outpaced the growth in fraud losses. It is also attributed to an increase in the range of fraud losses reported by communications operators. Operators with effective fraud controls and systems reported fewer losses than those without such controls and systems.

Communications fraud is the use of telecommunications products or services with no intention of payment. Fraud negatively impacts everyone, including residential and commercial customers. The losses increase the communications carriers' operating costs. Although communications operators have increased measures to minimize fraud and reduce their losses, criminals continue to abuse communications networks and services. Therefore, communications operators tend to keep their actual loss figures and their plans for corrective measures confidential. Due to the sensitive nature of this topic, CFCA used a confidential opinion survey of global communications operators to support the global fraud loss study.

A summary of the survey results include:

- The Top 5 Countries where fraud is concentrated are: Cuba, the Philippines, Lichtenstein, India, and the United Kingdom.
- 91 % of the communications operators surveyed said that global fraud losses have increased or stayed the same.
- 78 % of the respondents confirmed that communications fraud has increased or stayed the same within their own company.
- Fraud losses reported as a percentage of revenue generated a wide range of opinions. 23% of the respondents reported fraud losses were less than 1% of revenue while 27% reported that their losses were greater than 5% of revenue.
- The top 3 fraud loss categories are:
 - 28% (approx. \$20 billion USD) - Subscription/Identify (ID) Theft
 - 19% (approx. \$14 billion USD) - Compromised PBX/Voicemail Systems
 - 6% (approx. \$4.5 billion USD) - Premium Rate Service Fraud

To obtain more detailed information on the results of the 2009 CFCA Global Fraud Loss Survey, please visit:
www.cfca.org/fraudlosssurvey/

"The results of this survey confirm that telecom fraud is a more lucrative criminal business than we initially thought and that the problem is getting worse," explained John Frost, CCSF, CFCA President. "CFCA is

Global Fraud Loss Estimate



Of the global telecom revenue base, what percentage to do you think is fraud?

Fraud Loss as a % of Revenue	% of Responses
Less than 1%	23%
1-2%	15%
2-3%	13%
3-4%	12%
4-5%	10%
More than 5%	27%

Global Fraud Loss Estimate



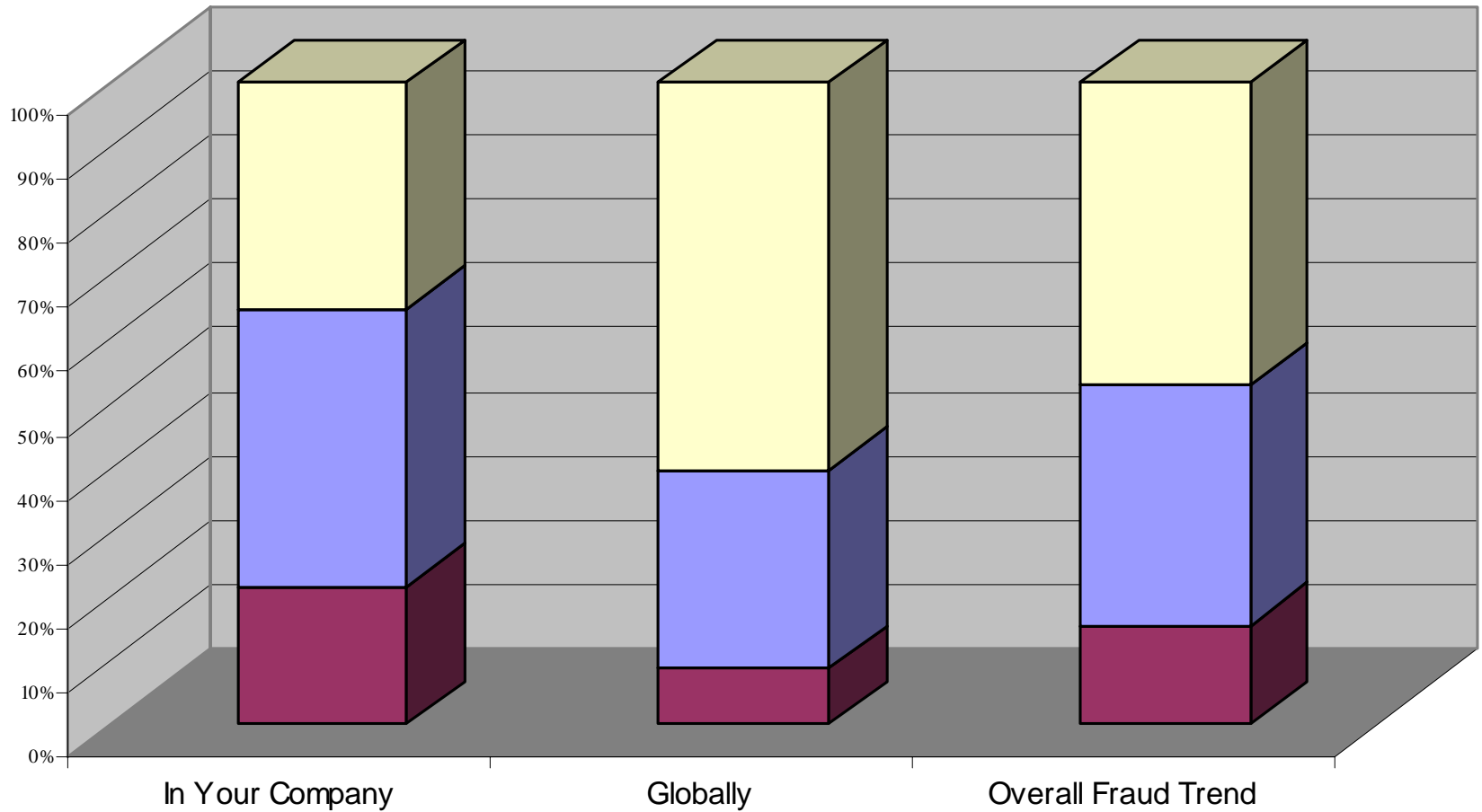
2008 Estimated Global Telecom Revenues*:

- \$1.7 trillion (USD)

Range of Losses:

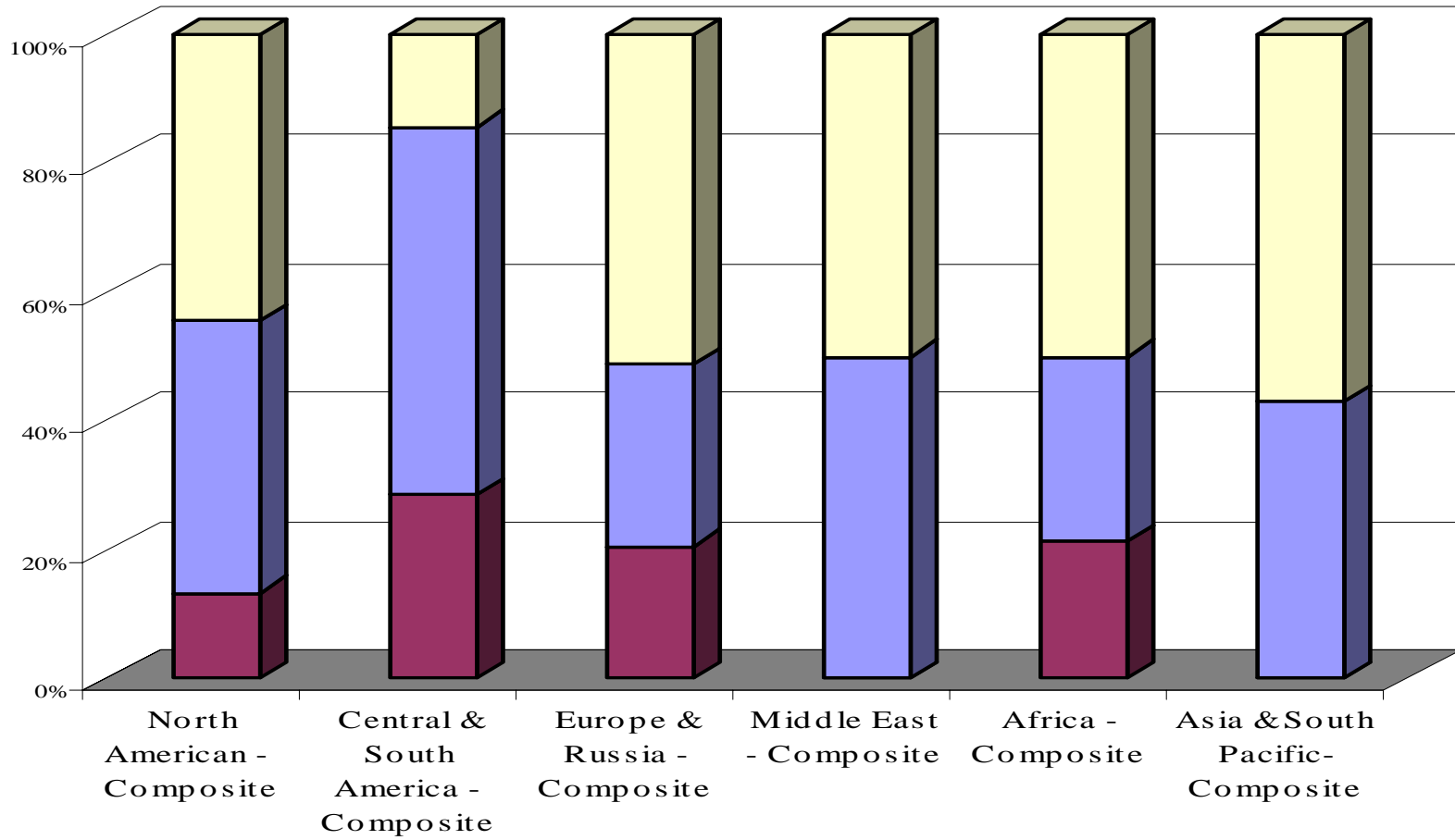
- Low End: \$72 billion (USD), or 4.25%
- High End: \$80 billion (USD), or 4.75%
- Average: \$76 billion (USD), or 4.50%

Composite Fraud Trend (All Regions)



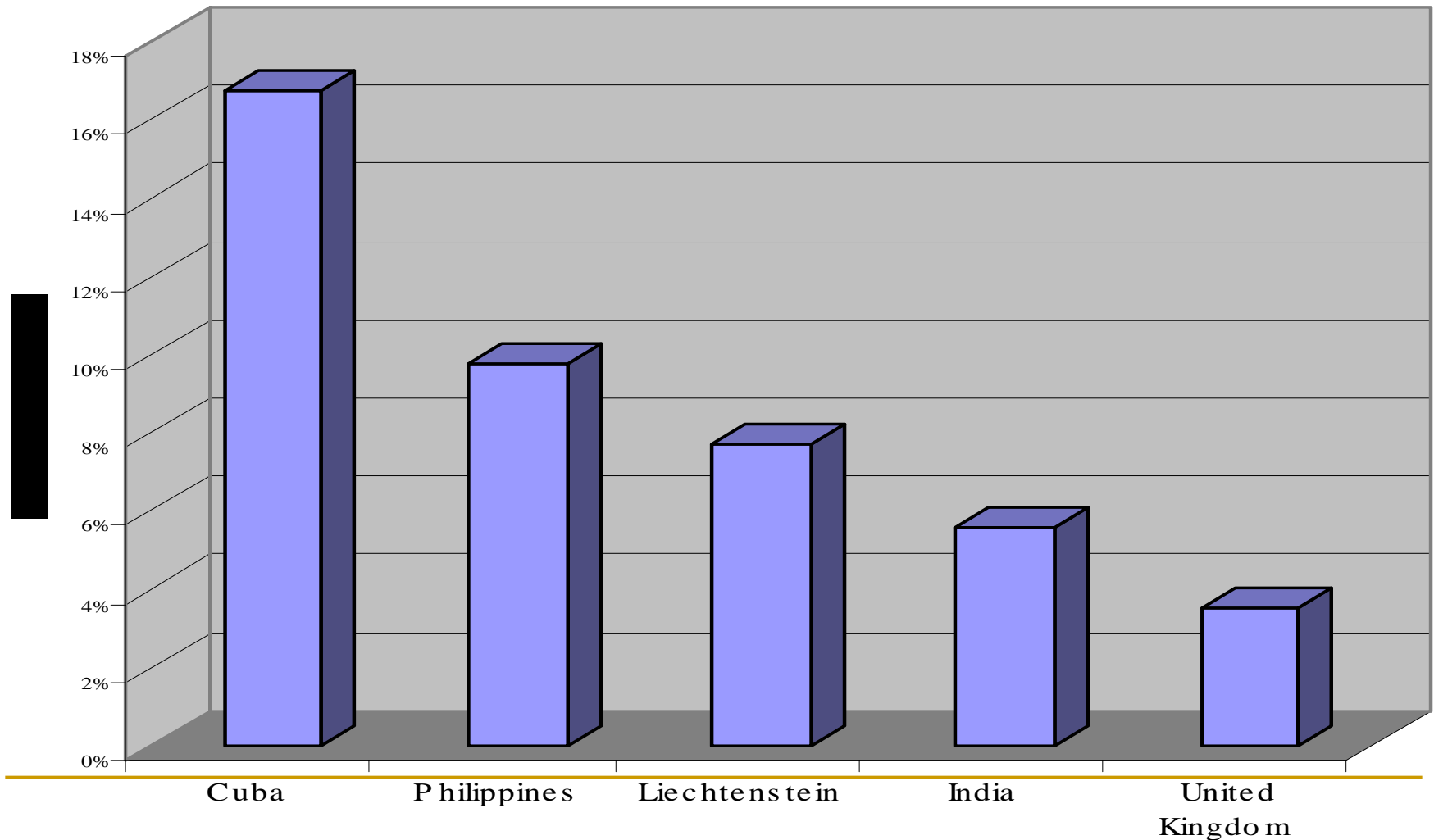
■ Trended Down ■ Stayed Same ■ Trended Up

Composite Fraud Trend (By Region)



■ Trended Down ■ Stayed Same ■ Trended Up

Top 5 'Hot Spots' for Fraud (Destination Countries)



Predominant Countries for Fraud (Destination Countries)



Country	% of Total
Cuba	17%
Philippines	10%
Liechtenstein	8%
India	6%
United Kingdom	3%
Mexico	3%
Pakistan	3%
Ukraine	3%
Austria	3%
Ivory Coast	2%
Sao Tome	2%
Somalia	2%
Jamaica	2%
Nigeria	2%
Dominican Republic	1%
Italy	1%
Kazakhstan	1%
Morocco	1%
South Africa	1%

Country	% of Total
Greece	1%
Bangladesh	1%
Barbados	1%
Bolivia	1%
Bulgaria	1%
Canada	1%
China	1%
Colombia	1%
Congo Democratic Republic	1%
Ecuador	1%
France	1%
Grenada	1%
Honduras	1%
Hong Kong	1%
Indonesia	1%
Kenya	1%
Korea	1%
Kuwait	1%
Lebanon	1%

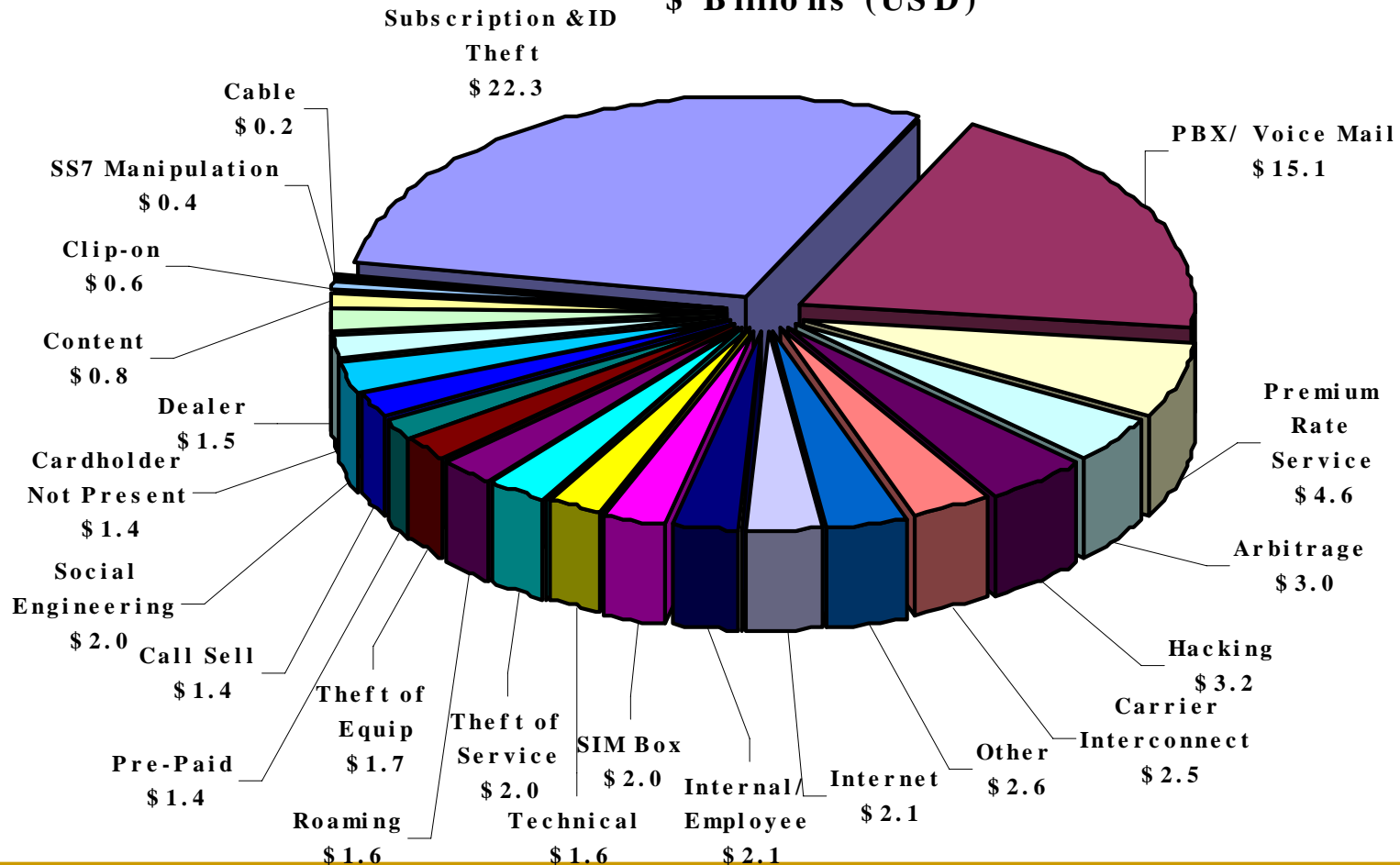
Country	% of Total
New Zealand	1%
Peru	1%
Republic of Niue	1%
Russia	1%
Saudi Arabia	1%
Spain	1%
Sri Lanka	1%
St. Lucia	1%
Sweden	1%
Tanzania	1%
Turkey	1%
USA	1%
Vanuatu	1%
Venezuela	1%
Vietnam	1%
Yemen	1%
Zaire	1%
Egypt	1%
Sierra Leone	1%

Predominate Fraud Types



Fraud Losses by Category

\$ Billions (USD)



Predominate Fraud Types



Fraud Type	% of Total	Fraud Type	% of Total
Subscription & ID Theft	29%	Theft of Equip	2%
PBX/ Voice Mail	20%	Pre-Paid	2%
Premium Rate Service	6%	Call Sell	2%
Arbitrage	4%	Social Engineering	3%
Hacking	4%	Cardholder Not Present	2%
Carrier Interconnect	3%	Dealer	2%
Other	3%	Content	1%
Internet	3%	Clip-on	1%
Internal/Employee	3%	SS7 Manipulation	0%
SIM box	3%	Cable	0%
Technical	2%	Calling Card	0%
Theft of Service	3%	Call Forward	1%
Roaming	2%	Bypass	0%

Comparison of 2005 and 2008 Results



	<u>2005</u>	<u>2008</u>	<u>% Variance</u>
Estimated Global Telecom Revenues*	\$1.2T (USD)	\$1.7T (USD)	+52%
Estimated Range of Global Fraud Loss	\$54 - \$60B (USD)	\$72 - \$80B (USD)	+34%
Low End	4.86%	4.25%	
High End	5.36%	4.75%	
Average	5.11%	4.50%	-0.6%

Notes:

- There was a 0.6% decrease in fraud loss as a percent of revenue from the 2005 survey. The main reason for the decrease is because the growth in global revenues has outpaced the growth in fraud losses.



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Communications Fraud

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About CFCA

CFCA is a not-for-profit global educational association that is working to combat communications fraud. The mission of the CFCA is to be the premier international association for revenue assurance, loss prevention and fraud control through education and information. By promoting a close association among telecommunications fraud security personnel, CFCA serves as a forum and clearinghouse of information pertaining to the fraudulent use of communications services. For more information, visit CFCA at www.CFCA.org.



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