

ValidSoft helps solve banks' \$100 billion problem: How to determine if a credit card transaction is real or fraudulent

LONDON, UNITED KINGDOM, 26 May, 2010: ValidSoft (www.validsoft.com), a subsidiary of Amsterdam-based Elephant Talk Communications Inc. (OTCBB: ETAK.OB), is now marketing technology that dramatically improves banks' ability to detect credit card fraud. The ValidSoft solution called VALid-POS® has the potential to save credit and debit card-issuing banks scores of billions of dollars a year—while reducing hassles for consumers, whose legitimate purchases are now often mistakenly tagged as fraudulent. “We can see no reason why every bank in the world would not use this technology,” says Pat Carroll, CEO of ValidSoft. The trick: tapping into cell phone information to determine the proximity of a card user to the actual card transaction, in real-time...

Existing methods of spotting fraud compare any new card use with a cardholder's historical patterns of spending. If a card that's been used for years only in Iowa suddenly is buying drinks in Cancun, well, that's suspicious. One problem is that the algorithms that look for these anomalies aren't fast enough. “They rarely catch the first transaction,” explains Carroll. “The fraudster typically gets away with the first, second, or even the third purchase.”

The bigger problem, however, is that 9 out of every 10 cross-border transactions flagged as fraudulent—and thus rejected by the bank—are legitimate. Most of the time, the cardholder really is in Cancun buying margaritas or withdrawing cash. These so-called false positives cost banks up to \$10 per case, as the bank's fraud unit processes the transaction and calls you to try to verify its validity. That adds up to a cost of \$100 billion a year in the U.S. alone. It's a problem for cardholders too, since banks often cut off a card if they can't verify that a transaction is legitimate.

ValidSoft's Carroll believed there must be a better approach. If only a bank knew where a card user was at the time of each purchase. That's when he realized that almost everyone has a cell phone. “And when you think about it, cell phone networks know where you are at all times,” says Carroll.

So ValidSoft developed software to use this information. Each time a card is used, the system determines the proximity of the card owner's cell phone to the actual location of the transaction. And in less than half a second, it can tell if the transaction is potentially fraudulent or legitimate.

Instead of declining legitimate transactions 9 times out of 10, the ValidSoft approach spots the real transactions correctly 95+% of the time, which in turn increases the fraud detection rate. “It turns the 90% failure rate on its head,” says Carroll.

Before the company could market the software, ValidSoft had to prove to European regulators (who have the toughest privacy rules) that their solution did not contravene any data protection or privacy laws. It was a difficult process, but on 31 March, ValidSoft was granted the “European Privacy Seal,” (www.european-privacy-seal.eu) guaranteeing that the technology meets all regulations. It's the first security software company in the world to get the seal, giving it a virtual monopoly for its card fraud detection technology. ValidSoft also has proved compliance in the United States, Hong Kong, and Australia.

To commercialize the technology, ValidSoft hooked up with a major telecommunications company. It became a subsidiary of Netherlands-based Elephant Talk Communications (ETAK) (www.elephanttalk.com) on 17 March 2010. Now the company has "major trials underway with banks and institutions," Carroll says. That's bad news for fraudsters, but good news for banks and credit card users.

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About Elephant Talk Communications

Elephant Talk Communications, Inc. (OTC.BB:[ETAK](http://www.elephanttalk.com)) is an international provider of business software and services to the telecommunications and financial services industry. The company enables both mobile carriers and virtual operators to offer a full suite of products, delivery platforms, support services, superior industry expertise and high quality customer service without substantial upfront investments from clients. Elephant Talk provides global telecommunication companies, mobile network operators, banks, supermarkets, consumer product companies, media firms, and other businesses a full suite of products and services that enables them to fully provide telecom services as part of their business offerings. The company offers various dynamic products that include remote health care, credit card fraud prevention, mobile internet ID security, multi-country discounted phone services, loyalty management services, and a whole range of other emerging customized mobile services. For more information visit <http://www.elephanttalk.com>

About ValidSoft

ValidSoft is a member of Elephant Talk Communications, Inc. (OTCBB: ETAK), is a market leader in providing solutions to counter electronic fraud relating to card, the internet, and telephone channels. ValidSoft's solutions are at the cutting edge of the market and are used to verify the authenticity of both consumers and institutions (Mutual Authentication), and the integrity of transactions (Transaction Verification) for the mass market, in a highly cost effective and secure manner, yet easy to use and intuitive. For more information please visit www.validsoft.com.

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