

ValidSoft Credit Card Fraud Software Latest Technology To Help Banks

Recent Study Confirms That Credit Card Fraud Devices Save Banks Money and Curtail Crime

LONDON, UNITED KINGDOM, 17 June, 2010: There's good news for banks in the fight against credit card fraud. According to the latest report from the UK Cards Association, the total fraud losses on UK cards dropped by more than one-quarter between 2008 and 2009. The losses in 2009 totaled only £440.3 million (\$636 million) compared to £610 million (\$881 million) in 2008.

What caused the decline? Better technology. "Reasons behind the decrease ...include the increasing use of sophisticated fraud screening detection tools by retailers and banks," says the report (http://www.theukcardsassociation.org.uk/media_centre/press_releases_new/-/page/922/), which was produced by the UK's leading trade association for the credit and debit card industry. (<http://www.theukcardsassociation.org.uk/>).

But while current fraud detection tools are helping to reduce losses from fraud, it's also likely that banks are declining more transactions that they determine to be potentially fraudulent. With an industry average of 90% false-positives, any increase in the number of declined transactions will likely mean lost revenues for the banks. New technology from London-based ValidSoft (www.validsoft.com), a subsidiary of Amsterdam-based Elephant Talk Communications Inc. (OTCBB: ETAK.OB), helps banks overcome this dilemma and offers dramatic additional gains for banks.

Here's why: the standard current technology compares any new card use with a cardholder's historical patterns of spending. If a card that's been used for years only in the United States suddenly is buying diamonds in Antwerp, well, that's suspicious.

"But this approach has two big limitations. It may take several of these doubtful purchases to trigger the fraud alert. By then, criminals may have gotten away with thousands of dollars of goods," says Pat Carroll, CEO of ValidSoft.

Worse, 9 out of every 10 cross-border transactions flagged as fraudulent—and thus rejected by the bank—are actually legitimate. Most of the time, the cardholder really is in Antwerp buying diamonds. These so-called false positives cost banks up to \$10 per case, as the bank's fraud unit processes the transaction and calls the cardholder to try to verify its validity. That adds up to a cost of scores of billions of dollars a year in the U.S. alone. It's a pain for cardholders too, since banks often cut off a card if they can't verify that a transaction is legitimate. The result: an angry customer and a customer relations headache for the bank.

ValidSoft's Carroll figured out a better approach. The basic idea: pinpoint the location of a card user at the time of each purchase. The way to do that? Use cell phone data.

Each time a card is used, the VALid-POS® software determines the proximity of the card owner's cell phone to the actual location of the transaction. 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 technology 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. Banks save big bucks not having to verify legitimate transactions. Customers are happier too.

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 the first company to be granted the "European Privacy Seal," guaranteeing that the technology meets all regulations. ValidSoft also has proved compliance in the United States, Hong Kong, and Australia.

To commercialize the technology, ValidSoft joined a major telecommunications company. It became a subsidiary of Netherlands-based Elephant Talk Communications (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 more good news for banks and credit card users.

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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

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>

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