

2017 PAYMENT THREATS AND FRAUD

TRENDS REPORT

Abstract	This new edition of the threats trends report reflects the recent development concerning security threats and fraud in the payments landscape over the past year.
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Executive Summary

The overall purpose of the EPC is to support and promote European payments integration and development, notably the Single Euro Payments Area (SEPA) (see Annex I and <http://www.epc-cep.eu>). Since security is one of the cornerstones of customers' trust in payment systems, the EPC decided to devote a yearly report to the latest security threats trends impacting payments while also giving an insight on how these (could) create payment fraud. By developing this report, the EPC aims to enhance the security awareness amongst the various stakeholders in the payment ecosystem.

The document provides an overview of the most important threats in the payments landscape, including (Distributed) Denial of Service (D)DoS, social engineering and phishing, malware, Advanced Persistent Threats (APTs), mobile device related attacks, botnets and threats related to cloud services, big data and last but not least Internet of Things (IoT). It further contains an early warning concerning threats related to virtual currencies. For each threat, apart from a definition and description, an analysis is made on the impact and context and suggested controls and mitigations are described. An overview matrix listing the threats with the main controls and mitigation measures is provided in Annex II.

The description of the threats is followed by a section that elaborates on fraud related to payment instruments (cards, SEPA Credit Transfers and SEPA Direct Debit), while conclusions are presented in the final section.

The following main conclusions concerning payment threats may be derived from this report:

- The organisation and sophistication of recent cyberattacks have shown a greater degree of professionalism of cybercriminals .
- The number of (D)DoS attacks is still growing and they are frequently targeting the financial sector.
- The main attack focus has shifted slightly away from malware to social engineering attacks.
- Social engineering attacks and phishing attempts are still increasing and they remain instrumental often in combination with malware, with a shift from customers, retailers, SMEs to company executives, employees (through "CEO fraud"), financial institutions and payment infrastructures.
- Malware remains a major threat, more in particular ransomware has been on the rise during the past year, requiring new mitigating measures;
- There is a continuation of botnets and because of the high volume of infected consumer devices (e.g. PCs, mobile devices, etc.) severe threats remain.
- Multi-vector attacks are on the rise and have been targeting a number of financial institutions over the past year.
- More and more, mobile devices are becoming an attractive target for cyber criminals, along with the IoT devices.
- The adoption of cloud services and big data analytics technologies which results in data stored "everywhere" are bringing new opportunities to businesses but new risks too.



Another phenomenon that is appearing in the market is “cybercrime-as-a-service”, causing huge challenges in view of the automation level achieved.

Next to the threats, there is also a competitive market drive for user-friendliness and simplicity which leads to increased pressure on security resources and difficult trade-offs to be made by payment service providers (PSPs). The challenge will be to find the right balance between the user-friendliness and the security measures needed. As security becomes more regulated (NIS Directive [5], GDPR [6], PSD2 [6]), payments also face a new regulatory landscape in Europe, which on one hand increases the security barrier with respect to fraud (e.g. customer authentication) but at the same time also “opens up” the payment value chain which introduces new security challenges for all stakeholders involved.

The following main conclusions concerning payment fraud may be derived from this report:

- Concerning payment card fraud, “Card Not Present (CNP)” and lost and stolen fraud will continue to be the predominant drivers while skimming remains the most common fraud at ATMs.
- For SEPA Credit Transfer and Direct Debit transactions, the criminals’ use of impersonation and deception scams, as well as online attacks to compromise data, continue to be the primary factors behind fraud losses. Hereby criminals target personal and financial details which are used to facilitate fraudulent transactions.

An important aspect to mitigate the risks related to payments is the sharing of fraud intelligence and information on incidents amongst PSPs. However, often this is being limited by existing regulations related to data protection, even more so in the case of cross-border sharing.

Finally, PSPs must understand the emerging threats, the possible impacts and should keep investing in appropriate security and monitoring technologies as well as in awareness campaigns.

1 Document information

1.1 Structure of the document

This section describes the structure of this report. Section 1 provides the references, definitions, and abbreviations used in this document. The next section provides some general information about the EPC and its vision, scope and audience of the document. Section 3 analyses threats which are encountered nowadays in payment contexts and are causing fraud. Early warnings concerning threats are provided in section 4. Section 5 elaborates on fraud related payment instruments. Conclusions of this report may be found in the section 6. Annex I provides a brief overview on the SEPA payment instruments. Finally, Annex II contains a summary of the threats and the main suggested controls and mitigation measures for each threat.

1.2 References

This section lists the main references mentioned in this document. Square brackets throughout this document are used to refer to a document in the list. Other references are included as footnotes throughout the document.

[1]	ECSG 001-17 – SEPA Cards Standardisation Volume	ECSG
[2]	EMV Payment Tokenisation Specification	EMVCo
[3]	ISO/IEC 14443: Identification cards - Contactless integrated circuit cards - Proximity cards - Parts 1-4.	ISO
[4]	Payment Services Directive (PSD2) Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payments services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC	EC
[5]	Network Information Security Directive (NIS Directive) Directive (EU) 2016/1148 of the European Parliament and of the Council of 6 July 2016 concerning measures for a high common level of security of network and information systems across the Union	EC
[6]	General Data Protection Regulation (GDPR) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC	EC

Table 1: Bibliography



1.3 Definitions

Throughout this document, the following terms are used.

Term	Definition
Acquirer	A PSP contracting with a payee to accept and process card-based payment transactions, which result in a transfer of funds to the payee.
Authentication	The provision of assurance that a claimed characteristic of an entity is correct. The provision of assurance may be given by verifying an identity of a natural or legal person, device or process.
Automated Teller Machine (ATM)	An unattended physical POI that has online capability, accepts PINs, which allows authorised users, typically using machine-readable plastic cards, to withdraw cash from their accounts and/or access other services (e.g., to make balance enquiries, transfer funds or deposit money).
Beneficiary	See Payee
Cardholder	A customer who has an agreement with an issuer for a mobile card payment service.
Card Not Present	A card transaction with no physical interaction between the card and a POI at the time of the transaction, also referred to as a remote card transaction.
Consumer	A natural person who, in payment service contracts covered by the PSD2, is acting for purposes other than his or her trade, business or profession [6].
Contactless Technology	A radio frequency technology operating at very short ranges so that the user has to perform a voluntary gesture in order that a communication is initiated between two devices by approaching them. It is a (chip) card or mobile payment acceptance technology at a POI device which is based on ISO/IEC 14443 (see [3]).
Customer	A payer or a beneficiary which may be either a consumer or a business (merchant).
Credential(s)	Payment account related data that may include a code (e.g., mobile code), provided by the PSP to their customer for identification/authentication purposes.
Credit transfer	A payment service for crediting a payee's payment account with a payment transaction or a series of payment transactions from a payer's payment account by the PSP which holds the payer's payment account, based on an instruction given by the payer [6].
Digital wallet	A service accessed through a consumer device which allows the wallet holder to securely access, manage and use a variety of services/applications including payments, identification and non-payment applications (e.g., value



	added services such as loyalty, couponing, etc.). A digital wallet is sometimes also referred to as an e-wallet.
Direct debit	A payment service for debiting a payer's payment account, where a payment transaction is initiated by the payee on the basis of the consent given by the payer to the payee, to the payee's PSP or to the payer's own PSP [6].
Dynamic authentication	An authentication method that uses cryptography or other techniques to create a one-per-transaction random authenticator (a so-called "dynamic authenticator").
EMVCo	An LLC formed in 1999 by Europay International, MasterCard International and Visa International to enhance the EMV Integrated Circuit Card Specifications for Payments Systems. It manages, maintains, and enhances the EMV specifications jointly owned by the payment systems. It currently consists of American Express, Discover, JCB, MasterCard, Union Pay and VISA.
Gigabit per second (Gbps)	A unit of data transfer rate equal to 1,000 megabits per second or 1,000,000,000 bits per second.
(Card) Issuer	A PSP contracting to provide a payer with a payment instrument to initiate and process the payer's card-based payment transactions. Note: This PSP can be a member of a card payment scheme.
In-app payment	These are payments made directly from within a mobile application (e.g., a merchant app). The payment process is completed from within the app to enhance the consumer experience.
Instant payment	Electronic retail payment solutions available 24/7/365 and resulting in the immediate or close-to-immediate interbank clearing of the transaction and crediting of the payee's account with confirmation to the payer (within seconds of payment initiation). This is irrespective of the underlying payment instrument used (credit transfer, direct debit or payment card) and of the underlying clearing and settlement arrangements that make this possible.
Merchant	The beneficiary within a mobile payment scheme for payment of the goods or services purchased by the consumer. The merchant is a customer of their PSP.
Mobile device	Personal device with mobile communication capabilities such as a telecom network connection, Wi-Fi, Bluetooth, etc. Examples of mobile devices include mobile phones, smart phones, tablets.
Mobile Network Operator (MNO)	A mobile phone operator that provides a range of mobile services, potentially including facilitation of NFC services. The MNO ensures connectivity Over the Air (OTA) between the consumer and their PSP using their own or leased network.



Mobile wallet	A digital wallet accessed through a mobile device. This service may reside on a mobile device owned by the customer (i.e. the holder of the wallet) or may be remotely hosted on a secured server (or a combination thereof) or on a merchant website. Typically, the so-called mobile wallet issuer provides the wallet functionalities but the usage of the mobile wallet is under the control of the customer.
Payee	A natural or legal person who is the intended recipient of funds which have been the subject of a payment transaction [6].
Payer	A natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who gives a payment order [6]. Note: In case of card-based payments this may also be referred to as cardholder.
Payment account	An account held in the name of one or more payment service users which is used for the execution of payment transactions [6].
Payment scheme	A single set of rules, practices, standards and/or implementation guidelines for the execution of payment transactions and which is separated from any infrastructure or payment system that supports its operation, and includes any specific decision-making body, organisation or entity accountable for the functioning of the scheme.
Payment Service Provider (PSP)	A body referred to in Article 1(1) of [6] or a natural or legal person benefiting from an exemption pursuant to Article 32 or 33 of [6].
Payment transaction	An act, initiated by the payer or on his behalf or by the payee (beneficiary), of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee (as defined in [6]).
Personal Identification Number (PIN)	A personal and confidential numerical code which the user of a payment instrument may need to use in order to verify their identity.
POI device	"Point of Interaction" device; the initial point where data is read from a customer device or where consumer data is entered in the merchant's environment. As an electronic transaction-acceptance product, a POI consists of hardware and software and is hosted in acceptance equipment to enable a customer to perform a payment transaction. The merchant controlled POI may be attended or unattended. Examples of POI devices are POS, vending machine, ATM.
Terabit per second (Tbps)	A unit of data transfer rate equal to 1,000 gigabits per second.
Third Party Payment Service Provider (TPP)	A third party that offers payment services which are different to the Account Servicing PSP (ASPSP) such as a Payment Initiation Service Provider (PISP), Account

	Information Service Provider (AISP) and Trusted Party Payment Instrument Issuer (TPII) (see [6]).
(Payment) Tokenisation	The usage of payment tokens instead of real payer related account data in payment transactions
(Payment) Token	<p>Payment Tokens can take on a variety of formats across the payments industry. They generally refer to a surrogate value for payer account related data (e.g., the PAN for card payments, the IBAN for SCTs). Payment Tokens must not have the same value as or conflict with the real payment account related data.</p> <p>Examples include the EMVCo Token, see [2].</p>

Table 2: Definitions

1.4 Abbreviations

Throughout this document, the following abbreviations are used.

Abbreviation	Term
APT	Advanced Persistent Threat
ATA	Advanced Targeted Attacks
ATM	Automated Teller Machine
ATP	Advanced Threat Protection
BIC	Business Identifier Code
BYOA	Buy Your Own App(lication)
BYOD	Bring Your Own Device
CAP	Chip Authentication Program
CEO	Chief Executive Officer
CERT	Computer Emergency Response Team
CNP	Card Not Present
DoS	Denial of Service
DDoS	Distributed Denial of Service
DNS	Domain Name System
EBA	European Banking Authority
EC	European Commission
ECSG	European Cards Stakeholders Group
EPC	European Payments Council
Gbps	Gigabit per second
GDPR	General Data Protection Regulation
IBAN	International Bank Account Number
IDS	Intrusion Defense System
IoT	Internet of Things
IPS	Intrusion Preventions System
ISO	International Organisation for Standardisation



IP	Internet Protocol
NIS	Network Information Security
OTP	One-Time Password
PIN	Personal Identification Number
POI	Point of Interaction
PSD	Payment Services Directive
PSP	Payment Service Provider
RAT	Remote Access Trojan
SCT	SEPA Credit Transfer
SDD	SEPA Direct Debit
SDK	Software Development Kit
SEPA	Single Euro Payments Area
SIM	Subscriber Identification Module
SMS	Short Message Service
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TAN	Transaction Authentication Number
Tbps	Terabit per second
TPP	Third Party Payment Service Provider
SCT-Inst	Instant SCT

Table 3: Abbreviations



2 General

2.1 About the EPC

The European Payments Council (EPC), representing payment service providers (PSPs), supports and promotes European payments integration and development, notably the Single Euro Payments Area (SEPA). The EPC is committed to contribute to safe, reliable, efficient, convenient, economically balanced and sustainable payments, which meet the needs of payment service users and support the goals of competitiveness and innovation in an integrated European economy. It pursues this purpose through the development and management of pan-European payment schemes and the formulation of positions and proposals on European payment issues in constant dialogue with other stakeholders and regulators at the European level and taking a strategic and holistic perspective. The primary task of the EPC is to manage the SEPA Credit Transfer and SEPA Direct Debit Schemes in close dialogue with all stakeholders. The EPC is an international not-for-profit association which makes all of its deliverables available to download free of charge on the EPC Website. Further information may be obtained from www.epc-cep.eu.

2.2 Vision

The vision of the EPC is to contribute to the evolution of an integrated market for payments. Payment transactions enabled by different devices and channels are built on existing SEPA Scheme Rulebooks and on SEPA Cards. Therefore, the EPC assists in specifying standards and guidelines to create the necessary environment so that PSPs can deliver secure, efficient and user-friendly solutions to access the SEPA payment instruments. The EPC aims to enhance the security awareness amongst the various stakeholders in the payment ecosystem through the production of this yearly payments threats and fraud trends report.

2.3 Scope and objectives

The present document aims to provide an insight in the latest developments during the last years on threats affecting payments, including cybercrime. It further provides an insight into the payments fraud, resulting from criminal attacks. However, it does not endeavour to be a complete report on all criminal activities. It only attempts to create awareness on these matters in order to allow stakeholders involved with payments to decide on possible actions in this respect in order to maintain the trust in their payment solutions.

2.4 Audience

The document is intended for PSPs as well as for other interested parties involved in payments, such as:

- Third Party Payment Service Providers (TPPs)
- Equipment manufacturers (POIs, consumer devices, etc.);
- Merchants and merchant organisations;
- Consumers;
- Application developers;
- Public administrations;
- Regulators;



- Standardisation and industry bodies;
 - Payment schemes;
- and
- Other interested stakeholders.



3 Main threats today

3.1 Denial of Service

3.1.1 Definition

A *Denial-of-Service* (DoS) attack is an attempt to make a system / application or network resource unavailable to its users for their intended purposes, such as to interrupt or suspend services of a host connected to the Internet. A successful DoS attack directly affects the availability of a network system (server, system, platform etc).

Most of the DoS attacks are "*Distributed Denial of Service*" attacks (DDoS attacks). A DDoS attack is an attack in which multiple computer systems attack a target, such as a server, website or other network resource, and potentially causes a denial of service for users of the targeted resource.

3.1.2 Fraud Description

DoS attacks cause the victims' systems to reset or to exhaust their resources, be it communication bandwidth, memory, processing or any other resource, that leads the targeted system to fail or to be put out of service. It usually consists of a concerted effort by one or multiple persons / systems to prevent an Internet site or service from functioning normally. Recent developments show that Internet of Things (IoT) devices are often not sufficiently secured and can well be infected by criminal organisations in order to "participate" in a Distributed DoS attack.

The ease for criminals, "script kiddies", etc. to prepare and execute a DoS attack is increasing. It is relatively easy and not expensive to "buy" attack capabilities on the Internet. Two categories of perpetrators may be distinguished: "old school hackers" or "hacktivists" who just want to have a name or defend an ideology and the "hackers that essentially pursue financial gain". The latter ones use all means, human or technical failure, available to create blackmail or massive fraud. Moreover, DoS attacks are also used to conceal other attacks and distract the defenders.

DoS attacks are in general DDoS attacks. These attacks are performed by many – sometimes hundreds of thousands – nodes at the same time.

Note that a (D)DoS attack has a potential for collateral damage – where other components than the originally targeted for (D)DoS are also impacted and potentially taken down.

Distinction can be made between three basic types of (D)DoS attacks:

The flooding attack

The term 'flood' is a collective term used to describe the most basic form of (D)DoS attacks, namely those attacks that focus on making it impossible to gain access to a system or service, by exceeding the maximum bandwidth available. Exceeding the maximum available bandwidth means there is not enough bandwidth left for the legitimate data traffic.

A special form of a flooding attack is the so called amplification attack, for example a DNS-amplification attack. In an DNS-amplification attack, the attacker spoofs look-up requests to domain name system (DNS) servers to hide the source of the exploit and direct the response to the target. Through various techniques, the attacker turns a small DNS query into a much larger payload directed at the target network.



The size of attacks is increasing caused by the number of infected end points. Moreover, the possibility to increase the size of an attack by combining it with a amplification attack is worrying.

Another new flooding phenomenon is the use of botnet's consisting of so called Internet of Things (IoT) devices. Examples of these devices are consumer electronics like home-routers, IP-cameras and smart-TV's. There are a lot of these devices nowadays and most of them are badly administered, resulting in non-patched systems and default administrator credentials. The first well known IoT-botnet was the Mirai-botnet, infamous for attacking the website of Internet journalist Brian Krebs with a 620 Gbps flooding attack.

The protocol attack

Another way of causing a (D)DoS attack is to send data packets that take advantage of weaknesses in the communication protocols and other protocols used by mainly network devices as routers and firewall's. These devices receive packets for processing that lead to unexpected results. For example a large number of communication sessions are opened without being properly closed in due time, this way consuming the resources of the networkdevice; as a result they can no longer accept any new sessions. Well known examples of protocol-attacks are SYN floods, fragmented packet attacks, Ping of Death and Smurf-attacks.

The application-layer attack

An application layer DDoS attack is named after the OSI-layers' Application Layer (layer 7). The attacker is aiming at a specific function of a layer 7 protocol like http and misuses that function to exhaust the service. An example is the misuse of the GET/POST-function of http, performing a so called slow attack which causes the webserver to wait for a long time before answering the request of a webbrowser. Application-layer attacks are often hard to detect and to recognise as a DoS-attack. An attack is disguised to look like legitimate traffic, except it targets specific function of the protocol it attacks. There is often not much bandwidth consumed and the e.g. webserver just crashes.

Note: Nowadays combined attacks are becoming more frequent, using for example floodings and application-layer attacks at the same time, making mitigation of the attacks more complex.

3.1.3 Impact & Context

In 2016 there have been a number of very large scale attacks on non-PSPs. The one on "Krebsonsecurity" was a long lasting attack of approximately 650 Gbps. France-based hosting provider OVH was the victim to the record-breaking Distributed Denial of Service (DDoS) attacks that reached over one terabit per second (1 Tbps).

The attacks mentioned above were possible, because of the fact that many IoT devices were infected and attacked Krebsonsecurity, OVH and Dyn. Troubling to security experts was that the attackers relied on Mirai, an easy-to-use program that allows even unskilled hackers to take over online devices and use them to launch DDoS attacks¹.

¹ see <http://usat.ly/2eB5RZA>

Also in 2017 a number of European PSPs have experienced (D)DoS attacks. In a number of cases these PSPs have encountered a relatively small (D)DoS attack and received a blackmail attempt via email. The only correct practice is to not “give-in”. Also PSPs in Europe have seen larger attacks, even over 100 Gbps. The current scrubbing services are (assuming sufficient capacity has been bought by the PSP) able to handle this size of attacks. Most scrubbing services have increased their capabilities after the large scale attacks in 2016.

PSPs have seen an increase in more complex types of attacks, like combined attacks (flooding and application-layer attacks using HTTPS) are gaining in popularity. One example was the combined attack on the Moscow stock exchange. PSPs should take mitigating measures, also on application-layer attacks.

The potential impact of a (D)DoS attack is twofold. On the one hand it can lead to the temporary unavailability of a PSP, including all its services, e.g. Internet banking, mobile banking, but also non-payment related services. And that can again lead to a form of blackmail by the attacker and/or – caused by a focus of many on re-establishing the service – a potential increase in successful fraud attempts. On the other hand, a consequence can be damage to the reputation of the attacked PSP, where e.g. the Internet banking service is “again” not available.

It is clear that (D)DoS attacks are not a PSP specific issue, but it is also a threat to the financial sector. The threat is well known now in the sector and most PSPs have taken sufficient mitigating measures against these kind of threats (see below).

3.1.4 Suggested Controls and Mitigation

PSPs are expected to have controls and mitigating measures in place against (D)DoS attacks.

PSPs should preferably set up a (DDoS) security control framework. In general terms a PSP should have controls in place in order to be able to identify, protect, detect, respond, recover, assess and adjust possible DDoS attacks. The table below gives a high level of description of these controls².

² More details may be found in chapter 5 in http://www.vurore.nl/images/vurore/downloads/scripties/2040-Def.scriptie_LarsDrost.pdf

Level	Description
Identify	Develop the organisational understanding to manage DDoS risk to systems, assets, data and capabilities
Protect	Develop and implement the appropriate safeguards to ensure delivery of critical infrastructure services
Detect	Develop and implement the appropriate activities to identify the occurrence of a DDoS attack
Respond	Develop and implement the appropriate activities to take action regarding a detected cybersecurity event
Recover	Develop and implement the appropriate activities to maintain plans for resilience to restore any capabilities or services that were impaired due to a DDoS event
Assess	Determine whether the previous functions performed/functioned effectively
Adjust	Determine which changes need to be made, based on the assessment made

Table 4: High level dynamic DDoS security control framework

In general, PSPs are expected to have implemented a so-called “(D)DoS mitigation scrubbing service”. This is a service to filter the fraudulent traffic of the (D)DoS attacks. Scrubbing is more specifically a good mitigating measure against flooding attacks and sometimes mitigating protocol-attacks. Scrubbing services are provided by third party service providers.

Since protocol attacks comply with the standard for the protocol in question, it is more difficult to counteract such attacks. PSPs have implemented or should implement mitigating measures against application level attacks including for instance application-level security products, application level key completion indicators; filtering capabilities, etc.

PSPs can simulate attacks on their environment in order to prove that mitigating measures (including organisation and personnel) are adequate. Moreover, every entity should also test periodically their anti (D)DoS measures (e.g. through (D)DoS simulations). This testing should cover both the technical and the organisational aspects (e.g. procedures).

One additional set of countermeasures is to organise security intelligence. It is important to know what types of DDoS and what type of actors and motivations are around; it helps to take accurate measures and to determine the (residual) risk of the organisation of getting involved in DDoS-attacks. Security intelligence can be received from a commercial organisation and/or a governmental or industry specific Computer Emergency Response Team (CERT), which are a good answer to deter the effects of (D)DoS activities.

PSPs should consult their upstream (telecom) provider and the local Law Enforcement Agency to check whether the logging capabilities of the PSP and the monitoring solutions of the PSP offer sufficient capabilities for the PSP to be “forensic ready” for law enforcement.



3.1.5 Final Considerations/Conclusions

(D)DoS attacks have been an increasing threat in the past year, given the fact that the number of infected end points available is increasing and so is (in a number of cases) the size of the attack. Though in 2017 the DDoS attacks seem to be relatively light in number and size, it is realistic to test and possibly upgrade measures, as there are more and more opportunities to misuse IoT devices and it remains simple to “buy” DDoS attack capabilities. The expected future is that more sophisticated combined attacks will take place. Measures to mitigate the basic kind of (D)DoS attack should be common – and seem to be common – to all financial institutions. Moreover, (D)DoS attacks are not specific to the financial sector. Targeted organisations include a wide range: government and related organisations, police, military, security sector organisations and organisations perceived to be against the ideologies of certain hacktivists groups.

Over the past years, attackers aimed at little financial gain through these attacks. However, it is realistic to assume that criminals will use (D)DoS as a means for blackmailing. A further development could be that a successful (D)DoS attack could distract the PSPs attention from fraudulent transactions, leading to more “successes” for criminals with phishing and/or malware attacks on Internet banking.

It is probable that (D)DoS attacks will continue in the near future and that financial sector or payments sector organisations remain potential targets. One may not ignore that the probability of these attacks continuing in the near future is high (e.g., in view of the increased usage of IoT devices) and that financial and payments sector organisations remain potential targets. This could potentially lead to very large scale DDoS attacks. In a number of countries telecom providers are investigating filtering capabilities on a country level or a “trusted telecom provider” level in order to be able to mitigate also these very large scale attacks.

3.2 Social Engineering

3.2.1 Definition

Social engineering is a primarily non-technical method of intrusion used by attackers to target users to provide access and information rather than the attacker directly attacking the system. Through a variety of techniques it manipulates people into carrying out actions which may result in the theft of information, compromise of credentials or system compromise.

Social engineering attempts that can impact payments can take place across many channels, including email, SMS, calls and social media channels. Any communication channel used to communicate with customers and users can be exploited by an attacker, with varying degrees of sophistication required to carry out the attack.

Social engineering attacks range from mass email attempts that can be relatively easy to identify as an attempt to defraud a customer, through to attacks that target one or two individuals in an organisation and impersonate senior employees within that organisation, an attack known as CEO Fraud or Business Email Compromise (BEC).

The ultimate goal of the social engineering attempt varies; it may be to gain access to a system via tricking the user into revealing their credentials, carrying out an action that compromises a system, perhaps by installing malware, or even manipulating the user to make a payment to an account under the attackers control.



3.2.2 Fraud Description

Social engineering is the art of manipulating people so they give up confidential information or their card / security device. The types of information these criminals are seeking can vary, but when individuals are targeted the criminals are usually trying to trick them into giving their credentials or other sensitive information, or to access their device to secretly install malicious software. This software aims to give the attackers access to passwords and bank information as well as getting control over customer devices. Criminals use social engineering tactics because it is usually easier to exploit an individual's natural inclination to trust than it is to discover ways to hack software.

As mentioned above, one of the most important targets are the commonly used customer authentication methods in on-line banking sessions and for remote payments which are based on passcodes, chip-card based OTP methods (e.g., EMV-CAP) or paper based TAN-methods (e.g., the indexed paper-based iTAN) or mobileTAN (an SMS TAN linked to a specific transaction).

Common social engineering attacks include the following:

- *Email from a friend.* If a criminal manages to hack or socially engineer one person's email password they have access to that person's contact list—and because most people use one password everywhere, they probably have access to that person's social networking contacts as well. Once the criminal has that email account under their control, they send emails to all the person's contacts or leave messages on all their friends' social pages, and possibly on the pages of the person's friends' friends. These messages typically contain a link the persons trust and click causing an infection of their device with malware so the criminal can take over their machine and collect information or contain a download—pictures, music, movie, document, etc., that has malicious software embedded. In addition, these messages may create a compelling story or pretext: e.g., urgently ask for help or ask to donate to their charitable fundraiser, or some other cause. They may also be more targeted and concentrated and take over an active dialogue with the PSP.
- A special case of "Email from a friend" is *CEO fraud* where an attacker sends an email that appears to come from the CEO, or some other powerful executive in the organisation, using social engineering to coerce employees to transfer money to a given beneficiary. The attackers spoof the email of the CEO, CFO or other high-level executive by either compromising their real email account or creating an account that looks almost identical to the real one. The use of the CEO's name is key to these attacks, it lends an air of authenticity and authority to the scams. Employees tend to take requests from the CEO seriously³.
- *Recovery agent fraud.* Happens when former fraud victims are told the money they have previously lost can be recovered. Targeting former fraud victims, the fraudster poses as a legitimate organisation, claiming they can apprehend the fraudster and recover any monies lost - for a fee. Criminals use social engineering tactics either by phone or email, posing as a lawyer, a law enforcement officer or an official working for a government agency in another country. If the fraud victim responds to their offer of help, they will ask him or her for various fees,

³ <https://www.trustwave.com/Resources/SpiderLabs-Blog/CEO-Fraud-Scams-and-How-to-Deal-With-Them-at-the-Email-Gateway/>



such as release and administration fees. If fraud victims pay these fees, they will keep coming back with another fee that has to be paid, before the money can be returned⁴.

- *Phishing attempts.* Typically, a phisher sends an email, instant message, comment, or text message that appears to come from a legitimate, popular company, bank, school, or institution. These messages usually have a scenario or story:
 - The message may explain there is a problem that requires the receiver to “verify” information by clicking on the displayed link (which may look very legitimate) and providing information in their form. An example of SMS phishing may notify “Your online banking account is locked. You need to unlock it at the link provided”, once you click on the link, it will lead you to a fake bank website that asks you to enter your personal information. The fake site looks identical to the bank’s real homepage. However, when you attempt to log in to your account, the site asks for information that the real site never would. It may ask, for example, your account number, password or card PIN. These types of phishing scams often include a warning of what will happen if you fail to act soon, because criminals know that if they can get the individual to act before they think, they more likely will fall for their phish.
 - The message may notify that you’re a “winner”. Maybe the email claims to be from a lottery, or a dead relative, or the millionth person to click on their site, tax refund, etc. In order to give you your “winnings” you have to provide personal or bank information. These are the ‘greed phishes’, leading to emptied bank account or identity theft.
 - The message may ask for help.... Preying on kindness and generosity, these phishes ask for aid or support for whatever disaster, political campaign, or charity is hot at that moment.
 - Response to a question the receiver never had. Criminals may pretend to be responding to a “request for help” from a company while also offering more help. They pick companies that millions of people use like a software company or PSP. If the individual does not use the product or service, they will ignore the email, phone call, or message, but if they do happen to use the service, there is a good chance they will respond because they probably do want help with a problem.
 - The message may offer a “more secure” or “functionality enhanced” card, requesting the customer to send their outdated card to a certain physical address and requesting in addition that the customer also sends their PIN to a given email address.

Whilst mass mailing social engineering attempts continue, recent years have seen a dramatic increase in more targeted attempts, known as spear phishing. By obtaining personal information on the targets, perhaps through social media etc. it enables the attacker to produce an attempt that is significantly harder to identify as fraudulent.

⁴ <http://www.actionfraud.police.uk/protect-yourself/fraud-recovery-fraud>



Attackers can also use people's desire to access their smart phones, particularly whilst travelling by creating fake access points in high-traffic public locations such as coffee shops, libraries and airports. Once the access point has been created, the attacker chooses a name to encourage users to connect i.e. "Free Airport Wi-Fi". Once a user has connected to this access point the attacker will then be able to monitor all network traffic and potentially further compromise the device. A variant on this attack is for the attacker to use the name of established free Wi-Fi providers in the hope that the settings of users devices will allow automatic connection to known access points.

Typical examples of social engineering attacks related to financial transactions include the following:

- Attacks using malware to try to persuade the customer to carry out a "security update" or type in a number of TANs because of an alleged "security incident".
- So-called "reverse Trojan horse" attacks working as follows: the customer's device is infected with a Trojan horse which falsifies the customer's online bank statement so that it appears as if a large sum of money has been transferred by e.g., the tax authorities to the customer's account. The customer then receives an email, allegedly from the local tax office, asking him or her to return the amount credited "in error", while the customer is in fact "reimbursing" the money to a fake account.
- Vishing (the word is a combination of "voice" and phishing) - exploits the public's trust in landline telephone services, which have traditionally terminated in physical locations known to the telephone company, and associated with a bill-payer. Typically, the phishing link sends the victim to a fake helpdesk that attempts to scam the user into surrendering private information that will be used for identity theft.
- The angler phishing attack involves hackers creating fake Twitter accounts, posing as customer support staff, to trick customers into handing over their personal details. The scam entails hackers monitoring bank customers' interactions with their banks on Twitter. They then hijack conversations users attempt to have with genuine support staff of banks, and redirect the customers to a fake support page.

3.2.3 Impact & Context

Social engineering techniques have greatly increased over the last two years as attackers increasingly target users rather than technology. All types of social engineering attacks continue to be used by attackers of varying levels of capabilities, with particular increase in Business Email Compromise emails and phishing emails that result in malware being deployed on computers.

Phishing plays a key role in carrying out targeted digital attacks. Some users are not able to recognise phishing emails. However, the implementation of DMARC by organisations (see section 3.2.4) to stop phishing emails have experienced a quite big take-up in some countries and have proven to be successful⁵. Nevertheless, phishing continues to be a low-threshold and effective method for attackers.

⁵ <https://hmrcdigital.blog.gov.uk/2016/11/25/combating-phishing-a-very-big-milestone/>
<http://www.itproportal.com/news/hmrc-blocked-500000-phishing-emails-in-2015/>



Phishing is also sometimes used in combination with distribution of specific malware called ransomware. This is a type of malware designed to encrypt data and block access to a computer system until a sum of money is paid. Throughout 2016, IBM Security experts⁶ noted an increasing trend where ransomware became the most widely used form of malware in email attachments.

Social engineering and phishing attack trends in 2017:

- According to the Proofpoint Human Factor Report 2017⁷:
 - Spear-phishing email campaigns, which target specific people rather than indiscriminately seeking victims, were automated to operate at scale.
 - Attackers mimicked trusted brands, published apps with misleading names, and employed other ruses to convince users to download malware on their mobile devices.
 - Social media fraudulent support account phishing increased 150% in 2016.
 - More than four times as many new ransomware variants appeared in Q1 2017 than in the year-ago quarter. Even without Locky, ransomware remained a serious and widespread threat. New variants emerged daily. Ransomware was the primary payload in 22% of malicious email campaigns.
- According to Financial Threats Review 2017: An ISTR Special Report (Symantec)⁸:
 - The social engineering tactics used in CEO fraud continue to evolve. For example, there has been an increase in attacks where email servers are being compromised or scammers are registering similar looking domain names to those used by targeted organizations. The scammers then wait until the time of the month when the target organization sends out its invoices and then either switches the account number on the fly or sends a second email from a lookalike domain with a slightly modified invoice and a note that the account number has changed. As the customer is expecting an invoice from the organization, the scam is even more convincing.
- The Kaspersky Lab spam report identified the following trends in the first quarter of 2017⁹:
 - Fraudsters continue to focus most of their attention on the most popular brands, enhancing their chances of a successful phishing attack. More than half of all detections of Kaspersky Lab's heuristic anti-phishing component are for phishing pages using the names of fewer than 15 companies.
 - Global share of spam amounted to almost 56% of Q1 email traffic on average, compared to 59.9% in Q4 2016.
 - Total amount of malware attachments in email traffic decreased by 2.4 times, compared to the previous quarter.

⁶

https://www.ibm.com/support/knowledgecenter/en/SSMNRU_9.5.0/com.ibm.bigfix.detect.doc/BigFixDetectionandResponse/SecurityAnalystUserGuide/EDR_malware.html

⁷ <https://www.proofpoint.com/sites/default/files/pfpt-en-us-human-factor-report-2017.pdf>

⁸ <https://www.symantec.com/connect/forums/new-financial-threats-review-2017-istr-special-report>

⁹ <https://securelist.com/spam-and-phishing-in-q1-2017/78221/>



- More than half of all phishing attacks targeted the financial sector, including banks (almost 26%), payment systems (over 13%) and online shops (almost 11%):

Attacked payment systems:

- PayPal (28.25%) came first on the list, followed by Visa (25.78%) and American Express (24.38%). The goal of phishers attacking customers of popular payment systems is to get personal and payment data, login details for accounts, etc. Criminals often place fraudulent content on reputable resources in order to gain the trust of the user and bypass blacklisting. For example, a fake PayPal support page located on the Google Sites service (the primary domain is google.com). After clicking on the banner, the user is redirected to a phishing page, where they are asked to enter their account data for the payment system.
- Another trick used by phishers is to place phishing content on the servers of government agencies. This is possible because a significant number of government agencies do not pay much attention to the security of their web resources.
- Emails threatening to block an account or asking to update data in a payment system were used as bait.

Online stores:

- In Q1 2017, Amazon (39.13%) was the most popular brand with phishers. By using the Amazon brand, cybercriminals are trying not only to steal login data but also all the personal information of the user, including their bank card details. Also, they often place fake pages on domains that have a good reputation (for example, on a domain owned by Vodafone).

3.2.4 Suggested Controls and Mitigation

A continuous exchange of intelligence information about attacks and countermeasures among the IT experts of PSPs is considered to be an important defence against these types of attacks.

In addition, PSPs need to put the appropriate transaction filtering and monitoring systems in place and use customer profiling to detect suspicious payment transactions.

However, a very important aspect to counter the social engineering attacks is continued awareness raising campaigns. PSPs need to have a proper customer education system in place, not only addressing individual clients but also including SMEs and large corporates, explaining the risks in layman words. In some countries coordinated campaigns are being set up where the financial industry cooperates with public or semi-public agencies. In addition, it is as important for companies and organisations (including PSPs) to also adequately educate and create awareness amongst their own staff (e.g., related to CEO fraud).

Information published by security companies is an important source. Such companies regularly offer trainings and provide dedicated educational material. It is necessary to combine human with criminal intelligence and complement those with specific know-how about the on-line banking systems and business processes.



Among the technical measures that can mitigate phishing, the following may be considered as best practices¹⁰. Sender Policy Framework (SPF), which is an email-validation system designed to detect email spoofing. It is the first step in securing the mail channel. The next protection is to use DomainKeys Identified Mail (DKIM)¹¹, which is an email authentication method designed to detect email spoofing by providing receiving mail exchangers to check that the incoming mail from a domain is authorised to be sent by that domain's administrators. And then the final step to be implemented is Domain-based Message Authentication, Reporting and Conformance (DMARC)¹² which is an email-validation system designed to detect and prevent email spoofing. DMARC is built on top of the existing mechanisms mentioned before, SPF and DKIM and enables the blocking of spoofed mails.

There are even companies offering takedown of phishing web sites as a service. Specialist companies might be able to limit access to and finally stop phishing sites. In addition it might also be possible sometimes to collect stolen data from phishing servers. The victim's PSP might then be able to reduce the consequences by contacting the customer and blocking the card or account.

Recently also country-based initiatives are starting to set up closed sharing platforms between PSPs related to CEO/President fraud including fields such as the sender IP, sender domain and fraudulent beneficiary account (IBAN/BIC).

3.2.5 Final Considerations/Conclusions

Authentication methods are only a small part of the whole security chain within payment systems and PSPs are able to early recognise many attacks through monitoring systems. However, social engineering is an important attack factor which is increasing while targeting not only individual customers but also CEOs / Presidents of large companies. It is often used in combination with other types of attacks and is already migrating to the mobile world. Therefore appropriate education remains a crucial factor to combat phishing and social engineering attacks.

3.3 Malware

This section will dive into the world of malware. There are many categories of malware, but common to all of them is that the software has no or very little benefit for the legitimate user. In reality, malware tries to control the infected user device and to steal valuable information or resources from it.

3.3.1 Definition

One of the major threats against cyber security today is malicious software, often referred to as malware. Malware comes in a wide range of flavours, such as virus, worms, remote access tools, rootkits, Trojans, spyware and adware. The latest addition to the malware family is ransomware, also known as cryptoware. Malware exploits software vulnerabilities in browsers, third party software and operating systems to gain access

¹⁰ see for instance: <https://www.ncsc.gov.uk/blog-post/making-email-mean-something-again>

¹¹ see for instance: <https://www.gov.uk/government/publications/email-security-standards/domainkeys-identified-mail-dkim>

¹² see for instance: <https://www.gov.uk/government/publications/email-security-standards/domain-based-message-authentication-reporting-and-conformance-dmarc>



to the device and its information and resources. To spread, malware uses also social engineering techniques to trick users into installing and running the malicious code.

Trojan horse

It is maybe the largest category of the malware family. It consists of a large variety of exotic names. However they all have one thing in common; they bypass the security measure on the system to infect it. Their main purpose is, stealing valuable information from the system and gaining control of the system itself.

Spyware, Adware & Banking Trojans

Spyware and adware, which are categorised as malware, are less dangerous for the users. Spyware is often classified into the following categories, *browser hijackers*, *tracking cookies* and *system monitors*, in some cases *adware* is seen as the fourth category of spyware. These types of malware are all trying to track and store the usage and behaviour of the users, serving them with pop-ups ads when connected to the Internet. Based on the same approach, attackers are installing malware (Banking Trojan) targeting the victim while using e-banking services. Banking Trojans are capable of hijacking the browser and tampering financial transactions or stealing user credentials during the use of E-banking services.

Ransomware

Ransomware is the growing kid in the malware family¹³ with high risk for the target systems. Its primary goal is to encrypt files on the device or deny access to the device, which is the reason for it to be known as cryptoware. It holds data up for ransom, blackmailing the user to pay a ransom to get back their data or access to their device. Especially during the last two years a significant increase of ransomware attacks has been observed¹⁴. A surprising fact is that this kind of attacks seems to be more profitable to the attackers than the traditional banking Trojans.

While traditional malware such as banking Trojans, spyware, and keyloggers requires the cybercriminal to oversee multiple steps before revenue is delivered to their bank account, ransomware makes it a seamless, automated process. Script kiddies (hackers with little or no coding skills) can even buy turnkey ransomware kits known as “Ransomware as a Service” (RaaS) that take all the hassle out of digital thievery.

Advanced Persistent Threats

Another important category of malicious software is the one that is being abstractly described as Advance Persistent Threat. The reader is referred to section 3.4 for more information.

Remote Access Trojans (RATs)

A Remote Access Trojan is a piece of malware that allows a remote actor to control a system as if they have physical access to it. Use of a RAT may provide cybercriminals with unlimited access to the victims’ computers. Using the victim’s access privileges,

¹³ ENISA Threat Landscape report 2016 (<https://www.enisa.europa.eu/news/enisa-news/enisa-threat-landscape-2016-report-cyber-threats-becoming-top-priority/>)

¹⁴ see <https://blog.barkly.com/ransomware-statistics-2017>



the RAT can perform critical functions or steal sensitive data. RAT technology is also commonly used by Advanced Persistent Threats (see section 3.4) to bypass strong authentication and get access to important data.

3.3.2 Fraud Description

Malware is spread in two main ways, namely by sending the virus via simple email to the victim's device who activates it by clicking or by luring the victim to specific webpages where malicious code will search for vulnerabilities on the victim's device, or even executing vulnerable software such as out-of-date Microsoft Office, Acrobat Reader, etc.

The first method even though the oldest and the less elegant one, is still very efficient. The normal way to spread the virus is to send it to a large number of victims at the same time, a so-called widespread attack. The attacker hopes to hit something without knowing much about their victims. The other way is to cleverly target the victim, this is often achieved by spinning a story about why the victim should expect this specific attachment or link to a malicious website and why it is important to open it. This is a targeted attack, often called spear phishing.

The second method is more advanced and can, if perfectly executed, affect many thousands of victims within a short timeframe. This method consists of first adding malicious code to a webpage, then luring the victim to that page. This malicious code can be spread via an exploit kit, which is a piece of software designed for finding and utilising vulnerabilities which are available on the device. These kits ensure a smooth infection of customer devices. Some of the most well-known exploit kits are "Angler", "Neutrino" and "Rig". When the page is visited, the code will automatically search for known vulnerabilities and infect the victim's device, often with no sign for the victims themselves. This is sometimes referred to as "malvertising" - the malware is hidden inside ads on popular web-pages. As payments operation through mobile applications grows in popularity, also increase malware generation for mobile devices.

Another way to spread malware takes advantage from people vulnerabilities. Social engineering is used to manipulate people to infect individuals or a whole company. Due to its increasing role in many attacks in 2017, a specific section is dedicated to this topic (see section 3.2).

Finally, ATM malware threats are still affecting and evolve. More details are provided in section 5.2).

3.3.3 Impact & Context

Whether the infection is targeting a private user, a SME or a multinational company the effects of a successful malware attack can cause significant damage, and every prevention and mitigating method should be utilised. As an example, in May 2017 the WannaCry¹⁵ ransomware malware strain gained infamy by crippling entire networks, across more than 150 countries, with hundreds of thousands of Windows computers infected.

In the case of PSPs, all necessary steps to prevent ransomware attacks should be taken. Ransomware attacks could affect encrypting or selling payment information, PANs and other information necessary for PSP business execution.

¹⁵ <https://www.cnet.com/news/wannacry-wannacrypt-uiwix-ransomware-everything-you-need-to-know/>



Ransomware has typically no impact on the users banking credentials, however the case of banking Trojans have managed to extort a significant amount of money from users. The rise of ransomware over the past two years, coupled with several high-profile arrests and takedowns, has resulted in a drop in banking Trojan dominance, but according to the latest reports we may be seeing a resurgence. Email security provider Proofpoint spotted banking Trojans in 33 percent of the malicious email attachment campaigns they tracked in Q1 2017. For context, ransomware was found in 22 percent of the campaigns they tracked¹⁶.

For the private users spyware and adware are a large threat towards the privacy, as this type of malware looks for patterns of the users and tries to profile their individual behaviour for monetisation purposes. Similar things might happen for companies, but normally this type of malware looks for the individual behaviour, in fact that is their goal to group the individual by their own definitions, it is therefore not a direct threat towards corporate users. The general advice would however be to utilise specialised software to remove and protect against adware, as they also could use resources on the computer.

Vira normally search the infected machine for all information that can be monetised; for private users this is typically credentials related to e-banking (mobile and web), credit card credentials are of similar high value. For private users the amount of information that can be sold to other parties is relatively small. Such information is easier to find in companies as each company retains databases of customers information or intellectual property, information which can be used to blackmail or to give an advance in a competitive market. The above case has a significant impact in larger organisations or even governmental organisations where information is one of the most valuable assets.

3.3.4 Suggested Controls and Mitigation

To prevent malware attacks, users should first minimise the number of installed programs on their device (and from trusted resources only), as the number of vulnerabilities will decrease accordingly. Secondly, one of the best ways to ensure that the system or device does not become infected with malware is to regularly update the installed software and to remove software that does no longer have any use. PSPs should use every opportunity to inform their customers that it is very important to keep their software updated, and hence reduce the risk for malware infection significantly. Even companies sometimes struggle with that topic but this can be mitigated by installing automatic patching software.

Script blockers is another viable mitigation of malware, by installing such blocking software, the device becomes less exposed to the risk, and therefore the risks of infections are smaller.

All critical files should be regularly backed up so that they can be recovered in the case of unauthorised alteration, encryption or destruction.

Also the monitoring of files/software (executables) behaviour is an additional mitigating measure that can help to block certain threats such as ransomware. This is generally referred to as "malware behaviour blocking"¹⁷.

¹⁶ <https://blog.barkly.com/top-banking-trojans-2017>

¹⁷ http://docs.trendmicro.com/all/ent/officescan/v10.5/en-us/osce_10.5_aegis.pdf



Another mitigation is the limited use of administrative rights; this is mostly applied by companies and security aware users, as most users would not see the benefit of it in their everyday needs. However, it is clear that this is still one of the most efficient ways to mitigate the risk of being infected.

Firewall and antivirus on consumer devices might not be as efficient as they used to be. The threats are still increasing and it is impossible to cover with these tools every vulnerability aspect from supplied software. They are however still able to mitigate a large part of the attacks, and at least the most common ones. They should be regularly updated otherwise they are not able to fully operate. It is also strongly recommended to enable further controls provided by the endpoint security mechanisms, such as the IPS/IDS capability on the device¹⁸, when applicable.

Another advice is to ensure that macros cannot run on the systems while opening attachments or documents in general. This is typically the case for most large companies, however smaller companies and private users largely depend on the patches that are automatically installed by the office suite software provider as they do not understand the threat. Allowing the execution of only signed macros can be the solution to securely execute malware without losing functionality or breaking business needs.

Against the widespread attack, awareness is a great asset to prevent infection. If the victim knows about the dangers of opening attachments (sent by unknown or untrusted parties), and knows about the deceptions he can suffer through Social Engineering most of these attacks could be stopped before they happen.

Last but not least, investing in Advanced Threat Protection technologies, which are based on sandboxed analysis of the web traffic and the emails content, is a must for combating 0-day and more sophisticated malware attacks. These technologies use virtual machines in order to safely open or execute the transferred data in order to identify potential malicious indicators. It has been proved that the traditional signature based techniques of security technologies are becoming obsolete. Advanced Threat Protection solutions combined with Threat Intelligence and Analytics services can provide an early alert for suspicious indications, preventing the exploitation of an attack.

3.3.5 Final Considerations/Conclusions

Malware is a major threat against cyber security for all of us. The problem is increasing in some countries while decreasing in others. However, simple best practices and security rules will help mitigate most of the malware attacks. The problem is to make the ordinary customer understand why the advices are crucial and why they should be followed. Therefore PSPs should keep investing in customer awareness campaigns. On the other hand, PSPs should continue to invest in new security technologies, such as the Advanced Threat Protection ones, for combating state-of-the-art and 0-day malware attacks, including ransomware.

¹⁸ Intrusion Prevention Systems / Intrusion Defense Systems are security mechanisms deployed on servers or devices which monitor in real-time for entries representing a security violation. Some common abilities of such mechanisms include integrity checking, policy enforcement, rootkit detection, detection of variations in system configuration. They offer the ability to identify intrusion attempts and actively prevent malicious or anomaly activity on the host system. IPS/IDS could be deployed at the network level too.



3.4 Advanced Persistent Threats (APTs)

3.4.1 Definition

An Advanced Persistent Threat (APT) is a sophisticated, targeted malicious attack aimed to a specific individual, company, system or software, based on some specific knowledge regarding the target. It pursues its objectives repeatedly over an extended period of time, adapts to defenders' efforts to resist and is determined to maintain the level of interaction needed to execute its objectives¹⁹.

3.4.2 Fraud description

APTs can often be seen as an outstanding category of malware. Attackers demonstrate a continuously improving set of skills, in bypassing security mechanisms, providing often a state-of-the-art attack that changes the roadmap and trends of the security industry. This is also known as 0-day attacks, since no normal signatures exist from the antivirus / antimalware tools.

The method and the steps followed by attackers are not always the same and can be different from case to case. However, usually they start by collecting information about the target, and exploiting vulnerabilities and missing controls to find an entrance into the network, using social engineering techniques like spear phishing and watering holes in order to deliver customised malware. Once they have compromised the network, they stay inactive for a period of time to avoid detection. They map the organisation's defences from the inside and create a plan to deploy the malware. Then they inject and install malware and other tools on the compromised systems and hide them, in order to secretly acquire data or disrupt operation over an extended period of time. Captured information is sent back to the attackers for analysis and further fraud exploitation. APT attacks target financial institutions with the aim to compromise the network or payment system e.g., to perform unauthorised transactions and steal money. Some examples of APT attacks are provided in the next section.

3.4.3 Impact & context

The APT is advanced and stealthy, often possessing the ability to conceal itself within the enterprise network traffic, interacting just enough to get what it needs to accomplish its job. This ability to disguise itself and morph when needed can be crippling to security professionals' attempts to identify or stop an APT attack. The APT's single-minded persistence on pursuing its target and repeated efforts to complete the job for which it has been created with malicious intent, makes that the attack will not go away after one failed attempt. It will continually attempt to penetrate the desired target until it meets its objective.

An example of such attack in the financial services industry is the "Carbanak" attack. In this case, a combination of high skill techniques, state of the art malware, and lack of or inadequate technical and procedural protection measures contributed in one of the biggest security breaches in financial institutions. Once the attackers successfully compromised the victims' networks, the primary internal destinations were money processing services, ATMs and financial accounts. In some cases, the attackers used the SWIFT network to transfer money to their accounts. In others, Oracle databases

¹⁹ National Institute of Standards and Technology (NIST), Special Publication 800-39, Managing Information Security Risk, Organization, Mission, and Information System View, USA, 2011



were manipulated to open payment or debit card accounts at the same bank or to transfer money between accounts using the online banking system.

The "APT Trends Report, Q1 2017"²⁰ from Kaspersky lab discusses the targeted attack highlights from the first quarter of 2017. In relation to banks, it mentions that a waterhole attack targeting Polish banks was publicly disclosed on 3 February, 2017. The attack leveraged the webserver of the Polish Financial Supervision Authority, which was hacked and used to redirect users to an exploit kit. A very similar technique was used against the Mexican financial authority at the same time, and even if no other victims of this group were made public, it is possible that more banks were also similarly affected. This waterhole attack revealed, for the first time, one of the strategies used by a hacker group named "BlueNoroff" for gaining a foothold in its target organisations. Although the attack did not use any 0-days, the Flash Player and Silverlight exploit appeared to be enough to compromise a number of banks, which were running on outdated software.

A notable APT actor using spear-phishing is "The Darkhotel APT". The actor drives its campaigns by spear-phishing targets with advanced Flash 0-day exploits that effectively evade the latest Windows and Adobe defences, and yet they also spread among large numbers of vague targets with peer-to-peer spreading tactics. Moreover, this crew's most unusual characteristic is that for several years the Darkhotel APT has maintained a capability to use hotel networks to follow and hit selected targets as they travel around the world. These travellers are often top executives from a variety of industries doing business and outsourcing in the Asian Pacific (APAC) region. Targets have included CEOs, senior vice presidents, sales and marketing directors and top R&D staff. This hotel network intrusion set provides the attackers with precise global scale access to high value targets²¹.

Other notable cases are the Bangladesh central bank, RSA and Google whom have all been hit by security breaches using APTs.

The attackers who stole \$81 million from the Bangladesh central bank hacked into software from the SWIFT financial platform that is at the heart of the global financial system.

RSA, the security division of EMC, has revealed that attackers have stolen information from the company's IT systems in 2011. Some of that information, the company said, is related to RSA's SecurID two-factor authentication products. Art Coviello, executive chairman of RSA said investigations had revealed that the attack was in the category of an advanced persistent threats (APTs)²².

The Chinese attack on Google in 2011 was "the most sophisticated we have ever seen with the most complex attack vectors targeting networks with commercial impact", according to the CEO of McAfee. The breach has been aimed at unearthing the identities of Chinese intelligence operatives in the United States who may have been under surveillance by American law enforcement agencies. The Chinese attack on Google forced the search giant to rethink its strategy in the country and forced Microsoft into rushing out a patch to fix vulnerabilities the hackers used in Internet Explorer²³.

²⁰ <https://securelist.com/apt-trends-report-q1-2017/78169/>

²¹ <https://securelist.com/the-darkhotel-apt/66779/>

²² <http://www.computerweekly.com/news/1280095471/RSA-hit-by-advanced-persistent-threat-attacks>

²³ <http://www.computerweekly.com/news/1280091950/Google-hack-was-most-sophisticated-ever-seen-says-McAfee>



3.4.4 Suggested Controls and Mitigation

APT is deemed a serious threat because of its nature to stay undetected for a long duration. APT malware is designed to evade detection from conventional perimeter security defenses (firewalls, IDS, IPS, endpoint protection platforms and secure Web gateways) used by most organisations. APT mitigation and detection capabilities need to be incorporated in a security defense-in-depth strategy and architecture, to protect enterprises from attacks of this complexity. The traditional defence-in-depth components are still necessary, but are no longer sufficient in protecting against advanced targeted attacks and advanced malware.

Identifying possible causes of attacks and understanding what the attacker could be looking for can lead to formulating a plan to prevent APTs by locating, blocking and fixing compromised Internet enabled systems and/or IP-enabled devices. In general, however, the newest APT threats are better countered through the use of behaviour analysis tools that can not only scan for known threats but can also identify a series of actions that could be the result of a stealthy intrusion.

Spear phishing has become a very common method used by those launching APTs as an entry point to an enterprise. Often email filters are not effective enough to identify these well-designed spear-phishes and then it takes only a single user to click a link and open an attachment for an APT to begin to execute its first phase of an attack. Adding the human factor to a threat class that is not based on known vulnerabilities makes defence and prevention even more challenging.

Clearly, no single security control is able to provide effective, efficient protection, states Gartner, an IT research and advisory firm, noting that Advanced Targeted Attacks (ATAs) and advanced malware continue to plague enterprises. An APT defense strategy needs to include real-time advanced security data analytics that can identify patterns of invasive behaviour and threat intelligence for detection-remediation-prosecution, or attribution to stop attacks during an early stage.

Today's APTs are well coordinated, organised, and methodical, which makes them particularly difficult to detect by network security administrators, as many APTs use custom-developed code and/or target 0-day vulnerabilities. Nonetheless, by using technologies of early detection with real-time reporting and visualisation, network security administrators can try to perceive penetration as it happens before it disappears through the aspects of the system. Also, incorporating security threat intelligence into infrastructures and utilizing best-practice mechanisms and procedures may help find the malware carefully hidden by cybercriminals inside enterprise networks.

To confront such cyber-attacks will require system users to evaluate weak links in their infrastructure and employ defense controls that may recognise signs that something appears out of place. IT security managers need to look for patterns of events characteristic of APT methodologies. Tools such as a SIEM²⁴ solution through security logs to detect any unauthorised or suspicious object access, or else OSSEC²⁵ and honeypots can detect host-based attacks on computers and allow early detection of APT

²⁴ Security information and event management (SIEM) technology supports threat detection and security incident response through the real-time collection and historical analysis of security events from a wide variety of event and contextual data sources.

²⁵ OSSEC is a platform to monitor and control your systems. It mixes together all the aspects of HIDS (host-based intrusion detection), log monitoring, and Security Incident Management (SIM)/Security Information and Event Management (SIEM) together in a simple, powerful, and open source solution.



behaviour. Also, they can find any cyber-attacks that bypass signature-based tools and common sandboxes.

To be able to effectively defend against today's new breed of cyber adversaries, and be able to counter APT and protect data from inappropriate access, it requires – apart from taking standard security countermeasures e.g. security hardening, and patching of systems and minimising the attack surface - strengthening existing authentication flaws (password weaknesses) and properly utilising proprietary security hardware/software. An advanced IP scanner application, for example, can help clean any form of malware, including spyware; whereas, an APT scanner device that focuses on the detection of attacker activity can be of use should antivirus software and firewalls inevitably fail.

Furthermore, to test existing defenses and prepare advanced security preparedness, security professionals use the *Red Team / Blue Team* approach (used also by the military to test force-readiness) to identify vulnerabilities as part of the offensive attack activities, determine areas for improvement in the defensive incident response processes, identify opportunities to improve prevention and detection capabilities and develop response and remediation activities to return the IT landscape to a secure status. The Red Team is an independent internal or third party group that assesses the organisation security readiness, tests active controls and countermeasures within a given operational environment and validate security defences as well as the ability of internal security resources to detect and respond to advanced security threats. The Blue Team consists of internal security resources with the mission to defend the operating environment against real or simulated cyberattacks over a significant period of time by the Red Team. This is accomplished by emulating the behaviours and techniques of likely attackers in the most realistic way possible. Based on the simulation findings, recommendations are provided to increase the organisation's cybersecurity readiness posture.

To support the cybersecurity professionals in their fight against Advanced Targeted Attacks, known as ATAs, Gartner²⁶ has developed the Five Styles of Advanced Threat Defense Framework, which are:

Style one – Network Traffic Analysis: The style considers inspecting Domain Name System (DNS) flow traffic in analysis; in other words, conducting in-depth network traffic monitoring and analysis with NetFlow Traffic Analyzer software.

Style two – Network Forensics: The style considers using a Network Forensic Analysis Tool (NFAT) to detect and analyze security incidents solutions that mount efficient and effective post-incident response investigations.

Style three – Payload Analysis: The style deems this technique can provide detailed reports about malware behaviour from sandbox analysis, either as a solution on-premises or cloud-based.

Style four – Endpoint Behaviour Analysis: The style sees Endpoint Security and Control that provide intelligence and correlation for behaviour analysis to block malware and fend off zero-day attacks, if not as a strategy for Advanced Threat Analytics defense.

Style five – Endpoint Forensics: The style serves as an endpoint security tool that helps detect hidden malware and other signs of compromise or irregular activities on endpoints across the enterprise. It can be used to identify attacker behaviour, investigate and respond to cyber-attacks on the endpoint before critical data loss occurs.

²⁶ <http://www.gartner.com/newsroom/id/2595015>



The most effective approach, Gartner says, is to use a combination of styles. For example, one can use network/payload, payload/endpoint or network/endpoint.

3.4.5 Final Considerations/Conclusions

One of the most lucrative payment fraud forms now and for the future seems to be APT. It must be considered as a potential high risk not only for the payment infrastructure but for all network related ecosystems. With a minimal of involved criminals a maximum result can be established. Therefore all users who are normally cautious when operating their company computers but often tend to be less careful when using their smartphones or mobile devices will need to consider utilising new defense mechanisms in order to hide their data.

As more business owners utilise networked computers on the Internet, engage in cloud computing, or use personal mobile devices (BYOD) and apps (BYOA), new security threat implications are to be considered. Endpoint and network defenses, as well as using the latest anti-virus software and next-gen firewalls, are effective but may not be enough for companies to keep them from being hacked. A mixed approach made of traditional tools, new advanced behaviour-based detection solutions with improved automated monitoring, correlation and analysis, and improved incident response capabilities can aid system security administrators in identifying these hard-to-detect intrusions.

APTs have become a significant challenge for many cybersecurity professionals around the world. However, using awareness and identifying agile security solutions that can dynamically provide needed protection for Advanced Targeted Attacks (ATAs) – i.e., to achieve a deeper insight into attacker tools and tactics – can make it possible to detect and respond to APTs before they happen. What organisations can do in advance is take a proactive approach towards security and identify possible perpetrators and targets before attacks are actually carried forward. With evidence of more complex APTs in front of us as the threat landscape evolves, learning to detect – and stop - even the most advanced threats is paramount²⁷.

3.5 Mobile device related attacks

The use of mobile devices for both online banking and the purchase of goods and services (both online and in person) is still increasing. With this increase in usage there is a corresponding increase in the threats affecting these payments, this section is designed to provide an insight into these threats.

A mobile app(lication) is a computer program designed to run on mobile devices such as smartphones and tablet computers. Most of these devices are sold with several apps included as pre-installed software, such as a web browser, email client, calendar, mapping program, an app for buying music or other media, etc. A mobile payment usually involves a dedicated mobile app.

During the last decade, the evolution in mobile devices resulted in the deployment of more innovative mobile payments methods. Users of mobile devices can use mobile

²⁷ <http://resources.infosecinstitute.com/current-trends-apt-world/#gref>



wallets, payments applications based on NFC²⁸ technology, peer-to-peer payment apps and others²⁹.

A mobile wallet is a service accessed through a mobile device, which allows the wallet holder to securely access, manage and use a variety of services/applications including payments, identification and non-payment applications. This service may reside on a mobile device owned by the consumer (i.e. the holder of the wallet) or may be remotely hosted on a secured server (or a combination thereof) or on a merchant website. Typically, the so-called mobile wallet issuer provides the wallet functionalities but the usage of the mobile wallet is under the control of the consumer. Mobile wallets are frequently used for m-commerce.

Innovations in mobile payment options facilitate adoption of the technology by consumers and businesses, but also increase the interest of fraudsters to steal money, payment card information or history of operations.

The principal payments and banking activities carried out using mobile devices are:

- To carry out online banking activities through mobile apps and mobile browsers;
- To make purchases online through mobile apps and mobile browsers;
- To receive out of band authentication mechanisms (i.e. SMS Based Authentication, or push messages);
- To make in person purchases of products and services via proximity based mechanisms (e.g. contactless NFC payments³⁰);
- To make person to person (P2P)³¹ and person to business (P2B) payments via an app.

The principal threats which these devices are facing include:

- Malicious apps purporting to be banking apps;
- SIM swap based attacks;
- Cloning of SIM cards;
- To exploit new contactless payment methods in which a traditional payment mechanism, e.g. a credit card, is stored on a mobile device for contactless transactions;
- To obtain SMS based verification and/or validation messages e.g., payment verification, set up of new payee, digital wallet provisioning, etc.;

²⁸ A contactless protocol specified by ISO/IEC 18092

²⁹ Innovative Mobile Payment Apps according to Practical Ecommerce:

<http://www.practicalecommerce.com/articles/87765-11-Innovative-Mobile-Payment-Apps>

³⁰ A contactless/NFC payment is a service accessed through a mobile device equipped with a Near Field Communication (NFC) antenna or sticker and a mobile payment application. The payment transaction is processed over the app that functions as a contactless credit card. Thus the user can use its mobile phone to pay at the point of sale terminals and/or to withdraw cash from an ATM. The mobile application can store encrypted card information on the SIM card (HW solution - Secure Element (SE)) or on a secure central server environment (SW solution - Host Card Emulation (HCE)).

³¹ A Person-to-Person payment allows an individual to transfer money to another individual's account without knowing their payment account via the Internet. But new P2P apps use a different approach based on mobile applications. The beneficiary is designated by email or by phone number. Once the transfer has been initiated by the payer, the beneficiary receives a notification to use the P2P app to input payment account information and a routing number where the funds may be transferred to. A P2P payment method is frequently used to transfer money between friends or to split bills.



- Phishing and Vishing attacks specifically targeting the mobile device;
- Malware infecting the mobile device, compromising the legitimate use of the device and stealing credentials etc.;
- Spoofed SMS messages to people purporting to be from their PSP to encourage them to call a compromised number or visit a malicious website.

For the purpose of this document, the threats identified above will be grouped into two categories; attacks targeting the mobile device (and its use, including mobile applications and mobile wallets) and SIM swap based attacks.

3.5.1 Attacks Targeting the Mobile Device

3.5.1.1 Impact & Context

In 2015 a Mobile Payments Security Study conducted by ISACA³² mentioned that “the global mobile payment market, will be worth an estimated US \$2.8 trillion by 2020, according to Future Market Insights. As the use of mobile payment picks up speed, the associated risks grow as well.”

More than 900 ISACA cybersecurity member experts participated in the study reaching the following conclusions:

- Only 23% believe that mobile payments are secure in keeping personal information safe.
- Nearly half (47%) say mobile payments are not secure and 30% are unsure.
- 87% expect to see an increase in mobile payment data breaches over the next 12 months, yet 42% of respondents have used this payment method in 2015.

The Trend Micro 2016 Security Predictions report, “The Fine Line”³³ predicts that “despite the slow adoption rate, the introduction of next generation mobile payment systems will inspire a renewed interest for threat actors to carry out real-world testing to steal information from new payment processing technologies like EMV credit cards, contactless RFID credit cards, and mobile wallets. In 2016, the improved security brought by these modes of payment will be challenged by online criminals.” Therefore the protection against mobile payment attacks is considered to be an important security challenge that companies will face in the years to come.

This is especially the case in the Eurozone as we can see that more and more users have turned out to be mobile first users, while a couple of years ago, everybody had a computer - now it is the other way around, computer owners become the minority.

The market for mobile payment applications is growing fast, but this tendency attracts cybercriminals and opens up new potential attack vectors. Bluebox Labs examined payment apps, concluding that “Today's most popular mobile payment apps leave consumer dollars and enterprise revenue exposed.”³⁴ It found that many apps have experienced security breaches compromising consumer data or allowing man-in-the-middle attacks.

³² <http://www.isaca.org/pages/mobile-payment-security-study.aspx>

³³ <http://www.trendmicro.com/cloud-content/us/pdfs/security-intelligence/reports/rpt-the-fine-line.pdf>

³⁴ BlueBox Security: <http://www.marketwired.com/press-release/bluebox-security-reveals-todays-most-popular-mobile-payment-apps-leave-consumer-dollars-2076501.htm>



Fake Banking Apps

During the last 2-3 years there have been a number of instances where fake copies of banking mobile apps have been released in an attempt to try and get users to install the application and then use the app to attempt to connect to their PSP; some attacks with fake non-PSP apps have also been seen. In most instances, these apps are found on “grey market” sites rather than official app stores such as iTunes or Google Play, but there have been isolated instances where a fake banking app has been uploaded to an official market place (Google Play). One of the most famous example is FANDA SDK³⁵, a variant of Android malware that poses as a fake banking app to trick users into compliance, after which it locks users out of their smartphones and sets about emptying their accounts, while victims scramble to access their phones again. It has been around since December 2015.

Mobile Malware

Malware targeting mobile devices continues to proliferate. The 2016 Kaspersky Security Bulletin³⁶ reports that “the main mobile threats in 2016 were advertising Trojans able to obtain “root” or superuser rights on an infected Android device – a level of access that allowed them to do pretty much whatever they wanted.” This includes hiding in the system folder, thereby making themselves almost impossible to delete, and silently installing and launching different apps that aggressively display advertising. They can even buy new apps from Google Play. Moreover, 22 of the 30 most popular Trojans in 2016 are advertising Trojans – twice as many as in 2015. Many such Trojans were distributed through the Google Play Store: some of them were installed more than 100,000 times, and one – an infected Pokemon GO Guide app was installed more than 500,000 times.

Spoofed SMS Messages

This attack is very successful as most users believe that an SMS is more secure than an email, users are aware of the fact that spam and phishing mails exists but so far the awareness of a similar and even worse problem existing on SMS is not something that the public is aware of. An SMS is not only seen as more trustworthy than an email, it is also something which is personal, and which requires almost immediate action. The fact that an SMS can easily be spoofed and that it can be intercepted and read by external parties is often not realised by the end users.

Criminals are increasingly sending SMS messages which appear to come from the victim’s PSP in an attempt to steal personal or financial information (also known as smishing). The texts encourage people to call a number or visit a website, often claiming some sort of urgency. However, the telephone number or website is actually controlled by the fraudster, enabling them to steal security details that can be used to access the victim’s bank account and steal money.

Attackers utilise software to alter the ID of the sender of the message so that it appears as the name of the PSP, with many current smartphones, this means that the message

³⁵<http://www.ibtimes.co.uk/android-malware-masquerading-fake-bank-app-empties-accounts-by-locking-users-out-their-phones-1562499>

³⁶<https://securelist.com/analysis/kaspersky-security-bulletin/76858/kaspersky-security-bulletin-2016-executive-summary>



will be displayed together with previous, legitimate messages from the PSP, increasing the likelihood that the message will be considered genuine. Very few techniques to prevent this exist, but it seems that Germany is very well protected as the telecom operators have set up a whitelisting protection. This could be used as inspiration for other countries.

As well as pointing users towards compromised websites, attackers are also utilising land line numbers and simply asking recipients to ring the number to contact their PSP, this is in the hope that the victim will phone the number from which the text was sent, which is controlled by the fraudster, rather than the PSP's regular customer service telephone number.

Phishing Attacks

Phishing attacks against mobile devices continue to grow, in an attempt to gain a foothold on the device and either enable malware to be installed on the device, or to lure the user to a malicious URL. Enabling an exploitation of the mobile devices, namely smaller screens that can make it more difficult to review the URL, and simple user interfaces for logging into applications can be easy to mimic.

Other types of attacks on mobile applications

There are also several types of methods used over mobile applications which are worth describing. These are becoming the norm and make use of different attack vectors. Some have already been described above such as the use of fake applications or the tampering of applications.

- Poor application and Operating System security:
 - Poor consumer data protection on device (visibility of authentication information, transaction history, personal data and other sensitive information to attackers once they have gained access to a device or application).
 - Usage of not properly secured third party code libraries to speed up mobile application development (for example Heartbleed exploit).
 - Meet-in-the-middle Attack – connection hijacking.
 - Man-in-the-middle Attacks are increasing when using web browsers (i.e. Dridex type) in mobile devices.
 - Vulnerabilities not patched quickly enough in Applications and OS.
- Lack of user awareness:
 - Smartphone users are often not aware about practicing adequate security habits (i.e. no device access control, easy to hack passwords or lack of them, connections to unsecure WiFi and/or Bluetooth always activated, download of malicious applications, phishing (see also section 2.2 – Phishing Attacks), social engineering, device OS tampering (jailbroken, rooted), credentials storage, etc...).



- Abuse of Privacy:
 - A great variety of applications can access private and personal information with the permission of the user. In this case the application may not be malicious but the customers are granting access to the application developer's company without being aware that very sensitive information is being shared or who will eventually have access to this information (as an example, games asking access to the agenda, location, photos, etc...).
 - Mobile phones are mixing personal and corporate usage.
 - Mobiles are gathering more and more information from the customer, which aggregated could help to carry out sophisticated attacks.
- Enrolment process:
 - Fraudsters are taking advantage of the high volume of new enrolments occurring nowadays. Certain global payment apps have been exploited in that respect during the past years.
- Biometric authentication:
 - Numerous studies and frauds have shown that biometric authentication in payments without a second factor can be weak and result in frauds, especially if the fraudster can access physically the smartphone.
- Duplicated or cloned SIMs:
 - There is an increasing trend from fraudsters to duplicate SIMs so as to commit fraud. This attack is similar to SIM swapping (see section 3.5.2) but with the difference that cloning will preserve the original SIM card and therefore could be more difficult to be detected by the victim.
 - Only older SIMs are cloneable, and the process is both time-consuming, technically difficult and requires a provider which uses old authentication algorithms. The cloning process also leaves the risk of rendering the original SIM card inoperative. A successfully cloned SIM will allow the attacker to receive SMS messages and calls instead of the victim.

3.5.1.2 Suggested Controls and Mitigation

There are a number of measures that users can implement to mitigate the threats related to mobile devices, these include:

- Update the software running on your mobile device with the latest security patches and upgrades, these should be sent to you by your network / operating system provider.
- Use a secure lock screen, set a password, PIN or fingerprint to unlock your device.
- Do not allow applications to be installed from unknown / untrusted sources.
- Do not allow jailbroken or rooted devices.
- Add a PIN or Passcode to the voicemail on your mobile device.
- Do not use a PIN code which is your date of birth or which is part of an otherwise well-known information.
- Install anti-virus software on your mobile device.



- If asked to call your PSP via a number given in a text message, call your PSP on a number that you trust, for example via the number on the back of your bank card.
- Remember that your PSP will never contact you to ask for your card PIN or online banking credentials, or to transfer money to a new account for fraud reasons.
- Create aware campaigns to educate consumers on how to avoid the previous explained fraud scenarios.
- Monitor App stores and Internet for fake applications.
- Implement anti tampering controls.
- Protect app code with code signing and / or obfuscation.
- Implement strong sensitive data encryption on device.
- Perform Application Penetration testing.
- Do not consider frequently used third-party libraries as secure and validate them before using them.
- Implement controls to protect communication channel.
- Implement device owner/user verification.
- Implement mobile device verification.
- Use two-factor authentication when the risk is high.

3.5.2 SIM swapping

3.5.2.1 Definition and fraud description

SIM (Subscriber Identification Module) swapping is a legitimate service operated by mobile network operators. Historically the main reason for carrying out the swap has been in order to provide consumers flexibility in moving to other mobile network operators whilst keeping their existing mobile number and/or efficiently resuming a customers' mobile service following a lost or stolen mobile device. However, the ongoing development of smartphones has seen a movement in SIM card size from standard through to micro, and now nano SIM size. This change in size has resulted in an increased number of legitimate SIM swaps as consumers upgrade their mobile devices.

Fraudsters obtain and utilise a customer's replacement SIM card to acquire security messages and one-time passwords (OTP) sent to the customer by the PSP. Using the OTP, criminals are able to change, add beneficiaries and transfer money out of the customer's account using their personal information that they would have obtained through phishing. During a normal online banking session, a PSP (using out-of-band SMS or voice authentication) will send the customer a One-Time Password (OTP), also known as a Mobile Transaction Authorisation Number (MTAN), via SMS or voice call to their mobile telephone number. The customer is then prompted to relay back the MTAN. Typically a PSP will initiate this service during the online banking login stage or when a payment transfer is requested.

With the continuing rise of new payment mechanisms on mobile devices, SIM swaps are also being used to exploit these mechanisms, to ensure that verification and validation messages are not received by the legitimate owner. By utilising a SIM swap fraudsters are able to provision a stolen credit card onto certain types of smartphones and then make payments. The total fraud via this mechanism may potentially be much



larger than for other mobile contactless transactions as some solutions have no limit on the transaction.

A SIM swapped mobile phone (the victim's) would cease to work properly and would report an error such as "unable to connect to network" or "emergency service only" on screen.

3.5.2.2 Impact and Context

Legitimate SIM swaps are increasing due to the movement to smaller SIM cards (micro and nano cards), which is providing malicious attackers with legitimate activities to cover their actions under. However, it is very difficult to obtain accurate figures on fraud committed in part through the use of exploiting weaknesses in the SIM swapping process. In the UK alone in quarter four of 2015 there have been a number of mainstream newspaper articles on the subject, highlighting numerous instances where people have had financial losses as a result of these activities. During 2017 main stream media have also reported issues on the SMS protocol (SS7) ³⁷ which have then been denied by the potential affected telecommunication company. ³⁸

3.5.2.3 Suggested Controls and Mitigation

There are a number of controls that end users can implement to try and prevent, or at least quickly detect, SIM swapping:

- Enquire with your mobile operator if you have no network connectivity and you are not receiving any calls or SMS for unusually long periods;
- Keep personal details that would be useful to a fraudster, i.e. phone number, date of birth etc. off Social Media sites;
- Ask your PSP to give you details of every financial transaction through two channels - for instance, SMS as well as email alerts;
- A PSP can negotiate with the mobile operators that the PSP is informed about the SIM swaps. This can help in monitoring the usage of the account.

Previous cybercrime reports have recommended that a movement away from MTAN authentication to hardware token authentication be advised³⁹, however during the period since the last report there has been a considerable increase in the use of the mobile device, whether via SMS, call or application as the authentication mechanism. It is highly unlikely that a large scale movement to hardware based tokens to be used in conjunction with mobile devices could be achieved.

Technological solutions to try and secure the mobile device and enable out-of-band authentication via the device continue to be developed and implemented, however, as of today these remain relatively niche offerings.

³⁷ <http://www.sueddeutsche.de/digital/it-sicherheit-schwachstelle-im-mobilfunknetz-kriminelle-hacker-raeumen-konten-leer-1.3486504>

³⁸ <https://www.telekom.com/en/company/details/ss7-security-vulnerability-dt-customers-not-affected-493758>

³⁹ <http://www.eweek.com/security/nist-says-sms-based-two-factor-authentication-isn-t-secure>,
<https://pages.nist.gov/800-63-3/sp800-63b.html>



3.5.3 Final Considerations/Conclusions

Attacks targeting the mobile device and their use will continue to develop and increase as more and more activities, including financial transactions, are carried out using these devices. Mobile devices and their applications are becoming the most used way to connect customers with their PSP to the detriment of the browser. From a security perspective this is a crucial change, whilst before customers had to “go to their PSP” through the browser, currently customers download applications on their smartphones from their PSPs or even dedicated stores “go to their PSP” (in analogy to “fat” clients on PCs).

Attackers will utilise all methods available, including social engineering attempts on the end user, malware on the mobile device, and even attempts to subvert the communication mechanism in an attempt to compromise the device.

Both for browser access and mobile apps, PSPs will need to define security policies and maintain appropriate infrastructures. The suggested controls to mitigate fraud should be considered as part of a risk management governance.

Mitigation activities should focus on all of these channels in a collaborative manner: continued end user awareness programmes to inform them of the risks, the implementation of anti-malware and virus controls on the devices, and investigation and implementation of innovation and with robust security solutions from providers of mobile banking solutions.

McAfee Labs reported in June 2017⁴⁰ that more than 1.5 million “new” mobile malware incidents have been detected in the first quarter of 2017 – for a total of more than 16 million mobile malware incidents. According to a recent report published by Dimensional Research⁴¹, 20% of companies mobile devices have been breached and 94% expect the frequency of mobile attacks to increase. This all points to the fact that mobile devices are increasingly targeted for different types of attacks, however the awareness of these attacks and the dangers associated with mobile devices are not always well-explained to or understood by mobile the end users. Most users trust that their phone is secure or have the common misunderstanding that they have nothing of value on their mobile phone. Imagine the wealth of information on a smartphone there is.

3.6 Botnets

3.6.1 Definition

The word “botnet” is a combination of the words “robot” and “network”. A botnet (also known as “zombie army”) is a collection of Internet-connected devices which have been compromised, are remotely controlled and each of which is running one or more “bots”, i.e. a software application that runs automated tasks (scripts) over the Internet. Botnets with several millions of devices have already been reported. The owner of a botnet called “botmaster” or “bot herder”, can control the botnet using command and control (C&C) software.

⁴⁰<https://www.mcafee.com/us/resources/reports/rp-quarterly-threats-jun-2017.pdf?clickid=TRYs6GQyCTChzaTXISRt12L2UkmykzWeeyj6VM0&lqmcate=Affiliate:IR:null:74047:10078:10078:null&sharedid=>

⁴¹https://blog.checkpoint.com/wp-content/uploads/2017/04/Dimensional_Enterprise-Mobile-Security-Survey.pdf

3.6.2 Fraud Description

The top attacked industry (39%), according to the IBM "MSS alert data"⁴², is Financial Services.

The main motivation for the operation of botnets is to generate financial profit from the activities they allow. Further generation of profits comes from offering botnet services to third parties (crime-as-a-service). Other possible motivations include political or even military interests. Botnets can be used as a means to accomplish several types of criminal or fraudulent actions (as stated in the ENISA report "Botnets: Detection, Measurement, Disinfection and Defense"⁴³):

Keylogging & Identity Theft

A major use of botnets, with the intention of gaining financial benefits, is for the automated extraction of user data and credentials from infected hosts.

Spam email

One of the most popular uses of botnets is spamming. The ability of botnets to use bots' IP addresses to hide the true originator of the spam email complicates countermeasures such as the blacklisting of suspicious IP addresses.

Click Fraud and Pay-Per-Install

The attacker sets up an account with an online advertiser, who pays for page visits or for additional advertising links by, for example, clicking on a banner. Then, the attacker uses the controlled bots to visit those pages and to generate clicks on the target banners. With the pay-per-install (PPI) method the botmaster offers to install software on target machines for his customers.

CAPCHA Solving

Captcha bypass is a botnet attack that makes attempts to solve the captcha puzzle.

Source of Anonymity

A method to hide the botmaster's real address and location.

Distributed Denial of Service (DDoS)

Botnets usually consist of such large numbers of remote machines that their cumulative bandwidth can reach hundreds of gigabytes of upstream traffic per second. This enables botmasters to start targeted sabotage attacks against websites.

⁴² <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=SEL03086USEN>

⁴³ <https://www.enisa.europa.eu/publications/botnets-measurement-detection-disinfection-and-defense>



Harvested Data

Many botnets have functionality for automatically harvesting sensitive data like: email addresses, product serial numbers stored, credentials and information enabling financial fraud and classified documents or general information and internal business data from victim machines and submitting it to drop zones.

Brute Force Attacks

Cybercriminals can scan a range of IP addresses to find a specific port, and then bombard the service —FTP, Telnet, RDP (Remote Desktop Protocol) or other— with rapid-fire authentication credentials from a list they've developed or bought in the underground.

Malware Distribution

Botnets are very successful at spreading additional malware. Most utilize backdoor capabilities and methods to download and execute files over HTTP, FTP (File Transfer Protocol) and TFTP, allowing a malicious actor to spread a computer worm, for example, simply by finding a single vulnerable host.

Warez, Illegal Downloads, And Cryptocurrency Mining

Hackers can control thousands of computers via botnets solely to use their combined bandwidth and disk space, often to host software and multimedia files such as illegally obtained movies or music or, to use a term coined in the underground, “warez.” Botmasters infect a large number of PCs with Bitcoin-mining malware and create a “farm” of harvesters to continually collect Bitcoins without the infected user ever knowing about it.

Manipulation of Online Polls

Because every bot within a botnet army has its own distinct IP address, it's very easy to leverage botnets to manipulate the online polls or surveys that have become so popular over the last few years. Because each bot can mimic a unique user, it will appear that every vote cast by an infected user came from a legitimate voter.

In the years to come, in the area of botnets, we will most likely see the rise of botnets of infected IoT devices, the “Thingbots”. In 2015, we saw the first examples of criminals making use of devices on the Internet of Things (IoT). It is likely that criminals will make increasing use of vulnerable IoT devices to execute large-scale DDoS attacks. Recent events (the DDoS attack against the blogger “Krebs on Security” in September 2016) have seen botnets consisting of a large number of IoT-devices, e.g. routers, surveillance cameras or digital video recorders. Many of these IoT-devices are exposed to the Internet and protected with weak and hard-coded default passwords.

3.6.3 Impact & Context

A botnet is created and used for malicious gain in the following way:

1. A hacker purchases or builds a Trojan and/or exploit kit and uses it to start infecting users' computers, whose payload is a malicious application—the bot.



2. The bot on the infected PC logs into a particular command-and-control (C&C) server. (This allows the bot master to keep logs of how many bots are active and online.)
3. The bot master may then use the bots e.g. to gather keystrokes or use form grabbing to steal online credentials and may rent out the botnet as DDoS and/or spam as a service or sell the credentials online for a profit.

Newer bots can automatically scan their environment and propagate themselves using vulnerabilities and weak passwords. Generally, the more vulnerabilities a bot can scan and propagate through, the more valuable it becomes to a botnet controller community.

Computers can be co-opted into a botnet when they execute malicious software. This can be accomplished by luring users into making a drive-by download, exploiting web browser vulnerabilities, or by tricking the user into running a Trojan horse program, which may come from an email attachment.

The most important part of a botnet is the so-called command-and-control infrastructure (C&C). This infrastructure consists of the bots and a control entity that can be either centralized or decentralized (distributed).

The centralized approach is comparable to the classic client-server network model.

Decentralised (peer-to-peer) C&C models, which are newer, often require the bots to act at least partially autonomously. The bots maintain connectivity to other bots and issue requests for new commands to the botnet. Because there is no single set of command servers that can serve as a single point of failure, and the botmaster can hide inside the network of bots when giving commands, this approach is harder to mitigate. Botnets are mainly used as a tool to perform other criminal or malevolent actions. A compromised computer or device is no longer under the legitimate user's control, and sensitive data may be harvested by attackers. Botmasters have developed techniques that make their network of infected computers more resilient to takedown and also to evade detection by cyber security solutions.

Looking ahead, it is likely that criminals will make increasing use of vulnerable IoT devices to execute large-scale DDoS attacks. The Internet of Things is growing rapidly, so a large number of potentially inadequately protected machines can be exploited for launching attacks. As an example Symantec states that there are hundreds of millions of Internet-connected smart TVs.

In addition, there is a continuous increase in broadband access in many countries which means that hundreds of millions of inadequately protected PCs and other devices might be available for cybercriminals seeking new high-speed Internet-connected computers and devices.

Notable Botnets

According to the Inside Story on botnets of the "Managed Security Services Report"⁴⁴ (IBM) the following are the most notable botnets:

The Zeus Trojan

⁴⁴ <https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=SEL03086USEN>



Zeus, also known as Zbot, is a Trojan horse malware kit that operates on several versions of Microsoft Windows. Its primary mission is to steal financial information using keystroke logging and HTTP form-grabbing techniques. Zeus is the type of malware that can execute remote commands on the machines it infects, and one of its operators has also been known to fetch additional malware from its C&C servers and install a ransomware package called CryptoLocker. This botnet propagates the malware to new endpoints primarily via drive-by downloads and phishing tactics.

GameOver Zeus Botnet (GOZ)

This is a P2P botnet developed by the original author of the Zeus Trojan, using components of the earlier versions of Zeus with the added and highly resilient P2P communication protocol. Unlike its predecessor, this botnet relies on an encrypted peer-to-peer system for communication between the worker nodes and the C&C servers, reducing the potential for law enforcement takedowns. GameOver Zeus has been used primarily to commit banking fraud, and was also responsible for a distribution of CryptoLocker ransomware to thousands of unsuspecting users' endpoints that reportedly grossed cybercriminals more than USD 30 million within 100 days.

The Dridex Trojan

Dridex, also known as BUGAT, is a P2P-based botnet that contains a large variety of keylogging and data theft functions. Since its emergence in mid-2014, it has infected thousands of computers around the world. The main objective of the organized crime gang that operates Dridex is to steal and use the banking credentials for consumer, business and corporate bank accounts. Dridex has a two-phase infection mechanism. It typically spreads via spam email containing an attachment with a Microsoft Word vulnerability using poisoned macros, which in turn downloads and executes the Dridex loader. The loader fetches the actual payload from a remote server and then installs the botnet components on the victim's machine.

The Dyre Trojan

Like the previously noted botnets, the Dyre banking Trojan employs essentially the same elements of infection via malware spam tactics. Although Dyre emerged around mid-2014, the U.S Computer Emergency Response Team (CERT) first noted a Dyre campaign in October 2014. One of the more popular attack vectors Dyre employed was to target a vulnerable version of Adobe Reader with a weaponized PDF file. Once the exploitation succeeded, the victim machine would be instructed to download the Dyre banking malware.

Dyre was owned by a very prominent organised cybercrime group that targeted the online banking account credentials of consumers and businesses of all sizes and sent the information it harvested to malicious actors. Dyre also has the ability to perform man-in-the-middle attacks using a browser injection technique. It can steal security certificates and take browser snapshots to learn how users transfer money out of their bank accounts, and it can automate illicit transactions out of infected users' accounts.

3.6.4 Suggested Controls and Mitigation

According to the ENISA report “Botnets: Detection, Measurement, Disinfection and Defense”⁴⁵, the mitigation techniques to the botnet threats are divided into the following two sections: technical methods and social and regulatory approaches.

Technical countermeasures

The countermeasures presented in this section apply at a technical level.

- *Blacklisting*
Blacklisting itself is not a direct countermeasure against botnets. Instead, it should be perceived as a supporting process which provides input for further technical means of resistance.
- *Sinkholing*
Sinkholing is a technique that is used to redirect the identification of the malicious Command and Control (C&C) server to one that is controlled by an investigator for analysis. This way, the malicious traffic that comes from each client goes straight to the investigator’s one ready to be analysed.
- *Orchestration of controls at host and network level*⁴⁶
- *Vulnerability management in combination with regular updates*
The effort to keep software up-to-date to remove known vulnerabilities.
- *Distribution of fake/traceable credentials*
The distribution of fake credentials is not only a purely technical countermeasure but also targets the botnet’s profitability by attacking the underlying business model. A common botnet application is identity theft. Profit is created by stealing credentials or credit card records.
- *DNS-based countermeasures*
Depending on the type of botnet, many malware samples use fixed domain names as identifiers for their underlying C&C infrastructure, which is contacted by compromised hosts. If a domain name like this can be found to be related to malware, and it has been established that it is used for malicious purposes only, the domain should be shut down by the responsible registrar.
- *Direct takedown of command-and-control server*
The mitigation technique known as direct takedown or decapitation aims at eliminating the instances of command-and-control servers with which bots are remotely controlled. In order to perform a takedown, a centralized botnet architecture, as often used in IRC- and HTTP-based botnets, is required.
- *Packet filtering on network and application level*

⁴⁵ <https://www.enisa.europa.eu/publications/botnets-measurement-detection-disinfection-and-defense>

⁴⁶ <https://www.shadowserver.org/wiki/pmwiki.php/Information/BotnetDetection>

It extends the idea of transparent monitoring and detecting to the actual application of further actions, if suspicious activities are recognized. A typical component that performs packet filtering at host level is a desktop firewall, and if the technique is applied at the network level, packet filtering is usually performed by a firewall. An intrusion detection system can be enhanced to automatically take actions, thus promoting the IDS to an intrusion-prevention system. Packet filtering may also be applied at ISP level.

- *Walled gardens*

The concept of a “walled garden” has the goal of protecting an ISP’s customers and other Internet users from further damage, by intercepting and isolating outgoing connections from a detected infected host. According to the procedure can be divided into three stages: detection, notification and remediation. The general idea of a walled garden is to forbid almost all connection attempts by the isolated user, except those to a defined whitelist of malware mitigation services.

- *Peer-to-peer countermeasures*

Every peer-to-peer based network has to handle information management to do with connectivity and routing. New peers have to be advertised within the network and the information about different peers has to be publicised in the network. Countermeasures aimed at peer-to-peer based botnets exploit this concept of peer-lists and their publication mechanisms (e.g. Sybil Attack).

- *Infiltration and remote disinfection*

Infiltration, in the context of botnets, describes the process of finding a way to impersonate the botmaster and obtain control over the infected hosts. As almost all botnet families exhibit differences in their implementation and mode of operation, an infiltration can be considered as a tailored approach for each targeted botnet. The main goal is to spot weaknesses in the botnet’s communication protocol, which may serve as attack vectors on which the actual infiltration can be constructed.

Regulatory and social countermeasures

These approaches rely less on technical measures but aim at improving the environment needed for botnet countermeasures. This includes end users who are affected by the impact of botnets and how to improve the coordination and courses of action in handling the botnet challenge from an international point of view. Such approaches are the following:

- Dedicated laws on cybercrime
- User awareness raising and special training
- Central incident help desk
- Enhance cooperation between stakeholders

Since 2010 there have been several highly profiled takedowns of botnets through coordinated efforts, and this continues. In December 2015 law enforcement and Microsoft disrupted Dorkbot, a botnet which had infected more than 1 million computers the previous year. In December 2016, Europol⁴⁷ reported that they cooperated on the

⁴⁷ <https://www.europol.europa.eu/newsroom/news/%E2%80%98avalanche%E2%80%99-network-dismantled-in-international-cyber-operation>



takedown of the Avalanche network. It has caused an estimated EUR 6 million in damages in concentrated cyberattacks on online banking systems in Germany alone. In addition, the monetary losses associated with malware attacks conducted over the Avalanche network are estimated to be in the hundreds of millions of euros worldwide, although exact calculations are difficult due to the high number of malware families managed through the platform. The operation marked the largest-ever use of sinkholing to combat botnet infrastructures and is unprecedented in its scale, with over 800,000 domains seized, sinkholed or blocked. In April 2017 Kelihos/Waledac botnet, involved in stealing banking credentials, spamming, DDoS attacks and spreading malware, has also been disrupted by US law enforcement.

3.6.5 Final Considerations

Though there are several success stories of botnet takedowns, existence and usage of botnets will continue to be an increasing problem. The proliferation of Internet-connected devices creates a new set of possibilities for attackers who want to build a botnet. As for other information security aspects, there is a continuous game of cat and mouse here, where the bad guys develop their techniques and get more professional, both in terms of better hiding and faster re-location of their command and control structures. Botnets are a serious threat that can only be handled through cooperation and the pooled efforts of all affected stakeholders. PSPs should facilitate the necessary actions for mitigation of existing botnets, invest in new security technologies for detecting and preventing botnet activities (for example the ones protecting from Advances Persistent Threats) and keep investing on user awareness campaigns.

3.7 Cloud Services and Big Data

3.7.1 Definitions

Cloud Services are resources provided over the Internet. These services are made available to users on demand via the Internet from cloud computing provider servers as opposed to being provided by a company's on-premises servers. Cloud computing, also known as on-demand computing, is a kind of Internet-based computing, where shared resources and information are provided to companies and end-users on-demand. It is a model for enabling ubiquitous, on-demand access to a shared pool of configurable computing resources. Cloud computing and storage solutions provide users and enterprises with various capabilities to store and process their data in third-party data centres. It relies on sharing of resources to achieve coherence and economies of scale, similar to a utility (like the electricity grid) over a network.⁴⁸

The most common cloud service resources are Software as a Service (SaaS), Platform as a Service (PaaS) and Infrastructure as a Service (IaaS).

There are several types of deployment models for cloud services. Private cloud is cloud infrastructure operated uniquely for a single organisation, whether managed internally or by a third-party and hosted either internally or externally. A public cloud is an infrastructure performed over a network that is open for public use by cloud service providers. A hybrid cloud is a composition of two or more clouds (private, community

⁴⁸ https://en.wikipedia.org/wiki/Cloud_computing



or public) that remain distinct entities but are bound together, offering the benefits of multiple deployment models.

Big Data is a broad term for data sets (both structured and unstructured) that is so large or complex that traditional database techniques and data processing applications are inadequate. Challenges include analysis, capture, data curation, search, sharing, storage, transfer, visualisation, and information privacy. The term often refers directly to the use of predictive analytics or other particular advanced methods to extract value from data.⁴⁹

3.7.2 Fraud Description

The mainstream of cloud computing seen as IaaS, PaaS and SaaS (Software as Service) technologies have enabled companies to obtain flexibility and scalability of services, reduction of costs and time to market. These have been the main drivers to move legacy and new banking applications to cloud computing services. As organisations continue to migrate on-premises services and applications to the cloud, it is reasonable to deduce that they will also suffer the same fraud threats and risk, with the addition of new ones. The latter being because of the delegation of software and hardware to a third party, the cloud provider. Despite the fact that the cloud provider customer might have some control over their services and applications, such as the authentication mechanisms, there are still inherent risks with the cloud service providers that can produce fraud scenarios. Weak code and software vulnerabilities in the cloud, outside the traditional perimeter of control, may produce different types of breaches and fraud. Some cloud scenarios such as SaaS may imply delegating the authentication and encryption to APIs controlled by the SaaS provider, which may increase the risk factor of possible data leakage. The same might happen if using PaaS when constructing native applications in the cloud. It is vital that private keys and sensitive data are always under control and not delegated to the cloud service provider or a third party.

3.7.3 Impact & Context

Taking core and non-core applications to the cloud can be challenging if the appropriate measures, controls and risk-based policies are not set correctly. The same old fraud scenarios may occur under cloud computing, and some of the most common scenarios where an impact on fraud in the coming years could potentially be seen are the following:

- The typical vulnerabilities that lead to intrusion via any layer surrounding the application in the cloud. A software application not properly patched 24x7 can be infected in the same way as it may occur in a PSP's data centre. As a consequence, there will be an increase in the risk of data breaches where the cyber criminals could potentially see greater value in stealing information from cloud-based applications.
- A Denial-of-Service will not go undetected by the cloud service provider that would probably proceed to shut the access to the active cloud service automatically. This type of attack could be used as a distraction to overload CERTs who could be busy in the resilience recovery while an undercover fraud scheme could be in progress.

⁴⁹ https://en.wikipedia.org/wiki/Big_data



- An insider from a company or the cloud provider could potentially access the PSP's application or the configuration surrounding it, gaining access to information and algorithms used or injecting malicious code or malware.
- Privacy related issues such as attacks to steal profiling data related to customer data analytics.
- Social engineering is another attack vector that could potentially increase with the cloud support provider service who might have weak customer authentication and verification processes.
- Phishing campaigns and botnets using the cloud service provider's infrastructure might become more common.
- A potential increase in the risk of using payment credentials stored in cloud service provider's infrastructure, being IaaS, PaaS or SaaS.
- Manipulation of big data analytics and algorithms if not adequately monitored.

3.7.4 Suggested Controls and Mitigation

Cloud governance including a risk-based analysis approach, based on international standards such as NIST, ISO 2700x, COBIT or PCI-DSS as well as continuous monitoring of the implemented controls using recognised international audits such as SSAE 16, are first steps to mitigating or reducing the previous fraud risks. It is paramount to have a clear set of policies and cloud governance throughout the whole lifecycle of applications and services.

This lifecycle should include a risk analysis phase to determine the type of risks of each initiative. Some primary risks that need to be detected and scored are technological maturity, change impact in the operational and technical environment, functional maturity, technical complexity in the organisation, compliance with the internal and external regulations as well as with the security patterns, classification of the information, analysis scoring of possible fraud schemes, resilience strategy and risk of being hacked.

The risk analysis scoring should be used to prioritise the decision to start or not the security evaluation and the continuation of the cloud-based initiative. The security evaluation is the process of creating a detailed security report that explains the architecture, communications, data, authentication, authorisation, prevention, monitoring, incident reporting, compliance and active risks necessary to comply with the security regulations.

Of equal importance is the regular execution of a security audit to verify the cloud provider's conformity to the security requirements set not only prior to production deployment but through the whole lifecycle of the application, including any change to its environment.

The architecture, applications, process, systems and data in the cloud need to be desegregated from each other to avoid propagation of malware or breach attacks. Contingency planning and rehearsal via cyber exercises should be part of the ongoing risk review, including ethical hacking on the systems to test the confidentiality, integrity and availability.

The risk-based approach and governance of fraud and security should be thoroughly controlled throughout the whole value chain taking special care in delimiting it via appropriate contracts with the necessary SLAs and liabilities for all providers involved.



Data privacy and control as well as compliance with regulatory framework are the most critical challenges to achieve when moving to the cloud. PSPs must always have the control over their data, security included. For example, when encryption is used for data privacy, PSPs must have control over the key management and not the cloud provider. Compliance with security and privacy regulations such as the protection of sensitive or personal customer data related to payments should always be taken into practice. Also, where technically possible, the authentication mechanism should always be controlled by the company and not by the cloud provider. Also, the possibility to control the “on” and “off” switch to security mechanisms in case of emergency by the company’s Computer Emergency Response Team is key.

Usage of new tools and applications for cloud computing and big data need to be analysed and assessed from the point of view of security, risk and governance, as some tools might not be sufficiently mature to use and could potentially cause data breaches and fraud. Therefore, a thorough analysis from the security and fraud perspective is needed before making any usage or buy decision.

Before use of a cloud service, a PSP must identify (data, applications, infrastructure) and evaluate the assets (criticality, classification) and define the appropriate security controls. Then they should choose an appropriate cloud deployment model and define whether and how the data can move in and out of the cloud. Finally, there should be a due-diligence process to evaluate the service provider regarding security, privacy, availability and their SLA. Common and international recognised certifications and audits should be considered as part of this due-diligence. Some organisations are currently requesting to service providers the usage of standards, best practices and controls such as the PCI DSS Cloud Computing Guidelines, NIST, ISO 27001, COBIT, SSAE 16 or the framework of the Cloud Security Alliance (SCA).

Lastly, it is important to consider that new technologies such as cloud computing require the skills of legal, privacy and security, and it is therefore an important need from public and private institutions to seek or train employees with these new skills to avoid worst case scenarios due to lack of knowledge or skills.

3.7.5 Final Considerations/Conclusions

Cloud computing and big data analytics are already mainstream, and some PSPs are commencing to move both non-core and core applications to cloud providers. Obviously this will result in a reduction of IT costs, complexity and time to market for those PSPs. However, necessary steps need to be taken to mitigate the risks under cloud computing as lack of the appropriate security controls and governance could easily lead to fraud. Besides traditional security best practices, care should also be taken in complying with regulations such as data privacy and security. Having a strict cloud governance control over the whole lifecycle of the applications running and data processed or stored by a cloud provider is vital. For this reason, applying DevSec, a variant of DevOps⁵⁰ for security, to automatize lifecycle operations and harden solutions uploaded into CSP or any outsource provider should be implemented into the IT culture. Moreover, particular emphasis should be put on achieving the control of the security mechanisms in the cloud services, contractual clauses that ensure the necessary security checks, fulfil the compliance obligations (e.g. data privacy, exit clause, right to audit) and share liabilities between both parties. Finally, international standards such as NIST, ISO 27001, SSAE 16 and COBIT should be carefully considered and applied on these new technologies,

⁵⁰ <https://en.wikipedia.org/wiki/DevOps>

as well as internationally recognised frameworks such as the one developed by the CSA. Moreover, new standardisation and guidelines developments on cloud computing services⁵¹ need to be monitored and applied as they become available.

3.8 Internet of Things (IoT)

3.8.1 Definition

The Internet of Things (IoT) is the network of physical objects ("things") embedded with software, sensors, computing elements and network connectivity, which enables these objects to be interconnected and send, receive and process data. It refers to a hyper-connected world where a continuously growing number of devices ("things"), used by consumers and enterprises, are connected and communicate with each other, mainly through the Internet. IoT has evolved due to the extensive use of the mobility and the convergence of wireless technologies, the micro-electromechanical systems and the Internet.

In this document only the usage of IoT in the context of payments is considered.

3.8.2 Fraud Description

Like traditional computers and networks, IoT devices pose at least similar risks, for example in transaction processing or in the device (IoT) hardening needed for Internet banking. Because IoT devices are connected to the Internet, they represent new targets for data exposure and attacks. They can be infected by a malware and be compromised by fraudsters or their communications could be intercepted (unauthorised access and use of the device, misuse and disclosure of personal information). But due to the nature and the different types of the IoT devices (different hardware, firmware and operating system), the risks and the type of attacks may differ from those of the traditional computing devices. Today, with a smart TV, which is connected to the Internet and has built-in capabilities and applications, a consumer could perform payments. The same exists for point of sales or other similar devices which support contactless technologies (NFC). Wearable objects are another example. All these IoT devices change the traditional means of payment (they actually expand the scope of use of these means) but it is more complex to enforce security upon them. For example, how easy is it to notify and apply a security update or hotfix to mitigate a critical vulnerability in a smart TV? On the other hand, many enterprises do not take seriously the security of an IoT device, as they do for the traditional computing devices. They do not even lock down the devices in order to be secure against typical attacks, because they do not realise that these new devices pose similar risks and are targets for attacks too. The lack of usage and incentive of common standards in security such as encryption in IoT devices or the continuous usage of factory default password that are never changed make them more attractive for attacks, and we are increasingly seeing new forms of extortions, botnets hacks, data theft and even physical harm. New potential use of technologies which could potentially serve as a new framework to facilitate processing of transactions or coordination of IoT could increase fraud if not properly secured.

⁵¹ see for instance:

<https://www.dnb.nl/en/news/dnb-publications/archive/newsletters/nieuwsbrief-banken/nieuwsbrief-banken-augustus-2013/dnb295744.jsp>



3.8.3 Impact & Context

Research shows that up to the year 2020 there will be about 4 billion connected people and more than 25 billion connected devices and intelligent systems (including more than 250 million vehicles), using more than 25 million apps. The risks described above will be increased and the impacts too. Imagine the huge amount of data exchanged and stored onto these devices and how vulnerable these could be. Unauthorised access and use of the IoT devices, fraudulent transactions as well as data leakage, botnets and privacy incidents will be increased if no countermeasures be taken. Both consumers and enterprises will face new types of attacks, depending on the types of the IoT devices. These devices will be hard to be controlled if an adequate security level is not designed from the beginning and maintained through their lifetime.

3.8.4 Suggested Controls and Mitigation

Before integrating the use of IoT services into the business process, whether this includes a new type of device, a new network communication channel or a new interconnected payment application, specific controls must be considered to mitigate the respective risks:

- Perform a security risk assessment for every new device and infrastructure being a part of the IoT for the organisation. Identify and evaluate the risks associated with a device, an application or a network connection and implement multiple levels of defence mechanisms.
- Adopt security and privacy by design: security for the devices, infrastructures, software and data must be adopted from the beginning and follow each phase of the project.
- Implement strong authentication and authorisation controls in every communication and exchange of data. Ensure the identity of the interconnected devices, sign and certify, where applicable, the associated applications.
- Monitor all service providers involved for security and privacy compliance.
- Device to device communication must be always secure (e.g. use of encryption, devices identification, change default factory user and passwords, etc).
- Minimise the amount and type of data exchanged, processed and stored. Secure the data storage of the devices adequately.
- Perform security audits before they go live. Identify vulnerabilities and take mitigation actions. Monitor the security status and periodically evaluate the security level.

3.8.5 Final Considerations/Conclusions

Enterprises across the world try to find new ways of doing business and IoT provides new opportunities. As an example, Distributed Ledgers is one of these technologies entering the market. But like every new way of business, this incurs risks that should be handled appropriately. Since these “things” don’t look like traditional computers, they aren’t treated like computers. As a result, enterprises are often not taking adequate measures to ensure that they have an acceptable security level. The October 2016 DDOS attacks provoking a massive attack on Twitter, Spotify and Google due to a botnet partially created out of CCTV, routers, intelligent bulbs and other IoT is revealing that this type of malware is here to stay and is due to create new frauds



related to IoT and payments or ransomware attacks on IoT such as heaters, air conditioning, door locks or intelligent refrigerators.

Internet of Things contains and expands, due to the different types of devices and ways of communication, the well-known risks of the mobility and the interconnection of traditional infrastructures, applications and services. So, it should be treated and evaluated like any other consumer-facing or internal business service. So far, not many of those IoT devices are used for performing payments or the use for payments is limited, but the number and the types of IoT devices (and the capabilities of them) are increasing rapidly (e.g. make a payment transaction from an interconnected car), so that the services offered will be extended more and more to cover the payment sector, increasing the risks for both consumers and enterprises.

3.9 Multi-vector attacks

Multi-vector attacks exploit common weaknesses in the security chain - such as poorly configured servers, gullible staff, vulnerable applications or lack of multiple levels of defence - by combining elements like social engineering, spear phishing, contaminated USB drives and voice phishing with malicious attachments carrying code that exploits known or unknown vulnerabilities on the target system. Oftentimes, multi-vector attacks are designed to avoid traditional defences like anti-virus software, intrusion detection systems and other endpoint protection programs, which makes them elusive, difficult to detect and hard to defeat. Combined with the constantly evolving threat landscape and the fact that the speed, frequency, and severity of attacks have accelerated, it has become evident that financial institutions must keep investing in new state of the art security technologies (Advanced Threat Protection), ensuring that their cyber defence frameworks provide adequate response and defence-in-depth for identifying, stopping and recovering from multi-vector attacks.

Recent examples of multi-vector attacks include 2016 cyberattacks on SWIFT bank customers⁵² (attacking banks in Vietnam, Ecuador and Bangladesh) and the Tesco Bank Breach in the UK⁵³ (see also <http://www.informationisbeautiful.net/visualizations/worlds-biggest-data-breaches-hacks/>), as well as most likely the 2017 data breaches at Wonga⁵⁴ and Equifax⁵⁵.

⁵² <http://www.reuters.com/article/us-cyber-heist-swift-idUSKCN11600C>

⁵³ http://www.theregister.co.uk/2016/11/30/tesco_bank_breach_former_insider_breach_theory/

⁵⁴ http://www.theguardian.com/business/2017/apr/09/wonga-data-breach-could-affect-250000-uk-customers?CMP=Share_iOSApp_Other

⁵⁵ https://www.theregister.co.uk/2017/09/11/apache_rebuts_equifax_allegation/

4 Early warnings

4.1 Virtual currencies

4.1.1 Introduction

Virtual currencies, defined by the European Banking Authority (EBA) as “a digital representation of value that is neither issued by a central bank or public authority nor necessarily attached to a fiat currency, but is used by natural or legal persons as a means of exchange and can be transferred, stored or traded electronically”⁵⁶ or as defined by the ECB as “a type of unregulated, digital money, which is issued and usually controlled by its developers, and used and accepted among the members of a specific virtual community”⁵⁷, are not new. From in-game digital coins to loyalty programs such as air miles, they have been present in our society since the 1990s. However, all virtual currencies until 2009 were centralised as there was always a third party validating transactions and controlling users’ balances. Consequently, they were relatively easy to take down once it was established they facilitated criminal activity.

Over the last few years, popularity of virtual currencies has skyrocketed, due to the surge of decentralised digital currencies, like Bitcoin, the first to appear in 2009 and still the most important of them. Decentralisation means that one person can pay directly to another without using a third party as an intermediary, something that before was only possible using cash. It is for this reason that decentralized digital currencies are commonly considered “digital cash”.

In Bitcoin-like schemes, trust is provided by a mix of technologies that include primarily cryptography, instead of being provided by a trusted third party. Therefore, these kinds of decentralised currencies are also referred to as cryptocurrencies.

This kind of global digital currency that allows for reliable, fast and irreversible online transactions, is not centrally controlled, has no built-in know-your-customer (KYC) mechanism, and is relatively difficult to trace. Therefore, they are a potential magnet for criminals. Indeed, its illicit use is increasingly happening as the criminals are gradually accepting it as a currency of choice for trade in the darknet and various extortion or fraudulent schemes. Lately new trends have been seen on users who are beginning to use virtual currencies to trade or for currency exchange due to the low commission benefits provided by some of them.

There are a large number of web pages dedicated to the trade and management of this new type of currency. Following the birth of Bitcoin, the first cryptocurrency, many more have emerged competing in the currency market, for example Dash, Ethereum, Litecoin, Monero, Ripple, Veritaseum or Zcash.

However, most types of cryptocurrencies, including Bitcoin, are not completely anonymous. Although the Bitcoin blockchain itself does not identify the parties involved in a transaction, suspects of using it in illicit activities can be traced by using a combination of open source research, commercial tools and information provided by the private sector, so there are solutions that can be put in place to avoid or at least diminish fraudulent transactions.

⁵⁶ <https://www.eba.europa.eu/documents/10180/657547/EBA-Op-2014-08+Opinion+on+Virtual+Currencies.pdf>

⁵⁷ https://en.wikipedia.org/wiki/Virtual_currency



4.1.2 Types of Fraud

Presently different types of fraud patterns are arising. There are modus operandi where Bitcoin and other digital currencies are involved. Some fraud scenarios are described next.

Anonymity exploitation via Bitcoin transactions

Although all Bitcoin transactions are stored publicly and permanently on the network by means of blockchain technology, the identity of a user behind an address can remain unknown allowing the fraudsters to move and cash-out the stolen funds anonymously. As such it is used as a vehicle for criminal activities such as money laundering, buying illicit goods, extortion...

Attacks to large Bitcoin exchange traders

2017⁵⁸ has seen an increase in Cryptocurrency exchange traders suffering data breaches where customer Bitcoin accounts have been hacked, massively compromised and as a consequence Bitcoin funds retrieved from those accounts.

These frauds to the traders were a consequence of security vulnerabilities and the lack of risk mitigation countermeasures from the company. And as a Reuters report⁵⁹ shows there is a tendency that these types of hacks are going to continue to occur in the future. As explained by this report, "this rising risk for Bitcoin holders is compounded by the fact there is no depositor's insurance to absorb the loss, even though many exchanges act like virtual banks. Not only does that approach cast the cyber security risk in stark relief, but it also exposes the fact that Bitcoin investors have little choice but to do business with under-capitalised exchanges that may not have the capital buffer to absorb these losses the way a traditional and regulated bank or exchange would."

We could conclude that these traders are holding customer Cryptocurrency wallets in a centralised infrastructure in a similar way as banks with deposit accounts, and the issue arises when Cryptocurrency customers claim the stolen funds to the trading company realising the low probability to recover the Cryptocurrency mainly because the company probably will fail after the cyberattack.

Bitcoin Wallet compromise

The increase of interest showed by fraudsters in Cryptocurrency held by individuals is boosting the number of stolen credentials to gain access to Virtual Currency wallets.

Cryptocurrency wallets typology are diverse like desktop wallets, mobile wallets, online wallets, hardware wallets or paper wallets. Taking into account the great variety of wallets there is as a consequence an equal increase in many different attack vectors

⁵⁸ <https://news.bitcoin.com/hacked-korean-bitcoin-exchange-yapizon-offers-ious/>
<https://www.cryptocoinsnews.com/classic-ether-wallet-falls-victim-to-a-social-engineering-hacker/>
<http://fortune.com/2017/07/18/ethereum-coindash-ico-hack/>
<http://thehackernews.com/2017/07/ethereum-cryptocurrency-hacking.html>
<https://www.coindesk.com/veritaseum-founder-claims-8-million-ico-token-stolen/>

⁵⁹ <http://www.reuters.com/article/us-bitcoin-cyber-analysis-idUSKCN11411T>



depending on wallet type to steal this wallet credentials, one of the latest trends seen is stealing the mobile phone number⁶⁰.

Many of the attack vectors and corresponding countermeasures run parallel to fraud patterns and prevention measures in non-digital currencies. Online wallets for example can look like online banking platforms in terms of credentials provisioning, authentication and use of two factor authentication. In July 2017, we became aware of the second largest heist in the history of virtual currencies that exploited a critical flaw in the Parity multi-signature wallet on the Ethereum network, draining massive wallets of over \$31,000,000 of Ether in a matter of minutes, confirming us that the same old attack vector can occur with new disruptive technologies.

4.1.3 Impact and context

The impact of these types of attacks targeting virtual currencies is limited due to the trusted systems created by governments and central banks. The limited use of virtual currencies coupled with the fact that they remain unregulated in most jurisdictions suggest that nowadays they only pose low risk to most payment service providers.

4.1.4 Suggested controls and mitigations

There are some recommendations that can help prevent such types of fraud as the Ponzi schemes. The United States' Securities and Exchange Commission suggests several red flags⁶¹ to detect their characteristics. There are also some Bitcoin wallet security best practices that help to protect these wallets, although the same old security principles to mitigate security risk still apply.⁶²

The links to this document highlight the importance to establish controls and mitigation plans under the daily cybersecurity plan based on risk management. Particular care should also be taken with respect to regulation -is the virtual currency regulated or not? Extra care should be taken if the financial entity is trading or interchanging money with third parties such as Bitcoin exchange traders, where some type of cyber insurance, if possible, should be taken into account in order to become more resilient in worst case scenarios.

4.1.5 Conclusions and final considerations

Virtual Currencies are here to stay, a recent report in 2017⁶³ has identified more than 100 blockchain start-ups that have raised money through ICOs.

As seen from the previous recap of the different fraud modus operandi where Bitcoin or other virtual currencies are involved, it is important to highlight that these patterns do not imply that there is a lack of security along the Bitcoin and the underlying blockchain technology. In fact, security measures are embedded in this technology with no single

⁶⁰ <https://mobile.nytimes.com/2017/08/21/business/dealbook/phone-hack-bitcoin-virtual-currency.html?smid=pl-share&referer=>

⁶¹ https://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf

⁶² <https://www.cryptocoinsnews.com/bitcoin-wallet-security-best-practices/>

⁶³ https://www.cbinsights.com/research/blockchain-ico-tokens-startup-market-map-expert-research/?utm_source=CB+Insights+Newsletter&utm_campaign=03f2ee457c-FriNL_8_25_2017&utm_medium=email&utm_term=0_9dc0513989-03f2ee457c-88505281



point of failure, providing not only confidentiality, but also authentication to all Bitcoin transactional activity.

Up to now the general preventive measures in financial entities appear to be sufficient, as risks are currently low and the impact of this fraud has been very limited to financial institutions.

5 Payment fraud

5.1 Card related fraud

5.1.1 Definition

Payment Card Fraud is a wide-ranging term relating to the theft and crime committed using or involving a payment card or payment card details. The purpose may be to obtain goods or services to resell for cash or to obtain funds directly from a related bank account, usually to pay for the criminal's lifestyle or to fund more serious criminal activity.

5.1.2 Card Fraud Scenarios

There are several card fraud scenarios. In principal, the fraudster's modus operandi is to obtain the physical payment card and PIN for use in a face to face, Point of Sale (POS) environment, or to obtain payment card data for use in an ecommerce or card not present (CNP) environment, such as Internet shopping, mail order, phone ordering, etc. The following are typical card frauds:

- **Lost / Stolen Card** – a card can be stolen by several methods such as so-called pick-pocketing, after the thief observes the PIN code being entered by the genuine cardholder at an ATM or in a store at a POS terminal. A thief can also steal a card and without knowing the PIN use the contactless (NFC) facility on the card to obtain goods or cash under the card issuer's contactless transaction ceiling or counter limit.
- **Account Take Over / Fraudulent Application** – refers to the situation when a cardholder inadvertently gives personal information or allows personal data to be obtained, such as home address, ID card number, PIN code details, etc. to a fraudster. The fraudster contacts the cardholder's bank or financial institution and, using the genuine cardholder's details, dupes the bank into believing they have changed address and lost payment cards, which are replaced by the bank and sent to the fraudster's newly advised address.
These frauds often occur in combination with social engineering fraud and Phishing.
- **Card not received** – Where a criminal will steal a payment card from an individual's mail box so the rightful owner never receives it. This is only effective when the card is active. It should be noted most card issuers issue inactive cards which can only be activated by the genuine cardholder.
- **Skimming** – where a device is installed into an ATM or POS terminal by a criminal in order to capture data from the magnetic stripe on a cardholder's payment card. The criminal manipulates or attaches a skimming device on an ATM or POS terminal; usually a PIN compromise device such as a micro-camera or PIN pad overlay is installed at the same time.



- Shimming – like skimming, is where the aim of the fraudster is to skim or ‘shim’ data from the EMV Chip on a payment card rather than from the magnetic stripe, using similar methods.
- Payment Card Data Interception – This type of fraud occurs when stolen payment card details are fraudulently used to purchase goods via the Internet, over the telephone or by mail order (CNP Fraud).

5.1.3 Current and New Payment Card Fraud Trends

Lost and stolen Card Fraud

Although lost and stolen card fraud can be detected easily and quickly by the genuine cardholder in most cases, the trend continues to grow and losses remain high. The impact of lost and stolen card fraud is still significant for consumers and for banks and financial institutions across Europe. Fraudsters consistently look at better and easier ways to capture PINs, e.g. using social engineering or shoulder surfing, then they steal the payment card using various methods.

Contactless payment cards are increasingly being accepted in stores. A stolen card can be used in this way as cardholder authorization is not required for a contactless transaction, but only up to a certain number of times and to a limited value. It is expected there will be an increase in the theft of cards for this purpose, i.e. to purchase goods that can be resold for cash.

Cardholders are generally good at reporting their cards lost or stolen to their financial institution once they realise the card is missing however some wait a period of time before reporting. This can be an issue as cards need to be blocked as soon as possible to reduce the overall fraud losses.

Account take over / Fraudulent application. Card not received.

Fraudsters are using social engineering techniques such as infiltrating cardholders' homes, approaching bank staff or other methods, such as spear phishing, to obtain the data needed to take over an account or create a false application / request for a payment card or PIN.

Counterfeit Cards

- Copying magstripe track data at POS terminals and ATMs by skimming is still a predominate type of fraud in Europe as not all payment terminals and ATMs are protected with anti-skimming measures. Fraudsters are more capable of bypassing existing anti-skimming methods by placing skimming devices in areas where the machines have no protection such as at the card reader of the terminal or ATM itself. While usage of such a cloned payment card is hardly possible in the European area due to cards being secured with Chip & PIN technology, globally there is still a situation that in different countries where Chip & PIN does not yet exist. This remains a major concern for European card issuers. Fraud losses remain high for this fraud type including the significant cost to banks and financial institutions to replace ATMs, terminals, cards and PINs and to monitor their customers' accounts for fraudulent activity.



- Shimming is a simple way to counterfeit data from the (EMV) chip on a payment card and this has been experienced around the globe. Fraud can occur where card issuers have not implemented all EMV requirements. Incidents in Europe have been seen but success is rare on the part of the fraudster due to the comprehensive implementation of EMV standards across Europe. However, in the U.S. and Mexico, due to the lack of implementation of EMV standards by issuers, fraud losses continue to occur related to shimming.

Card Data Interception

- Card not present (CNP or remote purchase fraud) (it should be noted incidents of CNP fraud are decreasing due to the implementation of secure cardholder authentication measures)

As the volume of payment card purchases made via the Internet continues to grow, so too does Card Not Present (CNP) fraud. The Internet is the main route to buy goods or services where the payment card is not physically present and stores must rely on the cardholder information indirectly. Payment card details are obtained by fraudsters in various ways by malware or data hacks. When independent, small merchants set up their own online stores, a lack of knowledge around fraud risks can mean preventative measures are overlooked, which can leave those merchants open to greater risk of data hacking resulting in fraud. Hacking of large merchants continues to occur even though stores use protective measures. Criminals regularly find weaknesses and vulnerabilities.

- In addition to intercepting data via the Internet, criminals are also intercepting data using contactless technology which is increasingly popular on payment cards.

The magstripe on payment cards is losing its value for fraudsters with the increase of EMV compliance globally. Criminals continue to research new vulnerabilities and methods to compromise card data.

Advanced Persistent Threat (APT)

APT attacks are targeted at specific stores or financial institutions, with the aim to compromise the network or payment system and gain payment card data (see section 3.4).

Although these attacks can occur on all payment systems there have been attacks against payment card issuers resulting in serious fraud losses. Payment cards with an almost infinite limit are issued by the fraudsters and intercepted, duplicated and within their global fraud network, are distributed. Attacks are organised and occur mainly during periods when fraud monitoring is at a low level, e.g. at night or during weekends. After penetrating a system, fraudsters can sometimes wait for months, 'sleeping' inside the system before completing their attack.

5.1.4 Suggested Controls and Mitigation

For Merchants:

- 3D Secure: authentication protocols based on a three-domain model (Acquirer, Issuer and Interoperability domain) to ensure authenticity of both peers through Internet transactions.
- Tokenisation: process of substituting sensitive data with non-sensitive equivalent called token.



- Fraud monitoring. Deploy a responsive, real-time fraud system with prevention capabilities. Ensure your fraud system identifies suspicious patterns of behaviour to stop fraud based on tailor-made scenarios and rules.
- Always use the latest recommended update and recommendations for the operational systems from service provider, card schemes, etc.
- Perform an annual risk assessment by your Risk and / or Fraud Departments to check if all mitigating measures are completely set and in control.

For Issuers:

- Geoblocking: To protect payment cards from being misused by skimming fraud, it is strongly recommended to protect payment cards within a geographical region of use.
- Blocking: To limit the usage of payment cards to specific channels or specific contexts.
- Strong Customer Authentication with every aspect of payment card and PIN replacement.
- 3D Secure: authentication protocol based on a three-domain model (Acquirer, Issuer & Interoperability domain) to ensure authenticity of both peers through Internet transactions
- Card limits: Promote customer awareness on the ability to reduce withdrawal limits or even limit to zero.
- Always use the latest recommended updates and recommendations for the operational systems from service providers, card schemes, regulators, etc.
- Fraud monitoring: Deploy a responsive, real-time fraud system with prevention capabilities. Ensure your fraud system identifies suspicious patterns of behaviour to stop fraud based on tailor-made scenarios and rules.
- Perform an annual risk assessment to check if all mitigating measures are completely set and in control.
- Besides the technical measures awareness-raising (customer education) is an essential point to prevent, more in particular, “low-tech” fraud.

For cardholders

- Always keep your payment card in a safe place and protect your PIN. Report immediately to your card issuer, if the payment card goes missing.
- If a financial institution offers controls on limits for the payment card, ensure you set these at the limits typical for your daily usage.

5.1.5 Final Considerations/Conclusions

Historical and current fraud types such as lost and stolen fraud, counterfeiting and card not present will continue to be the predominant drivers of payment card fraud. However technical developments can change this trend and therefore should be implemented and advice taken as much as possible from entities such as the EPC's Card Fraud Prevention Forum.

Especially, new fraud techniques such as shimming or attacks on contactless cards should be monitored carefully and guidelines on preventing these issues implemented.



5.2 ATM Fraud

5.2.1 Definition

ATMs are vulnerable to several types of attacks which essentially come under the following headings:

- ATM fraud – an attack against the Payment Cards and PINs used at an ATM (e.g. skimming and shimming attacks);
- Malware/Logical attacks – an attack on the logical integrity of an ATM or the ATM Environment (logical attacks), e.g. via ATM malware which typically compromises the ATM software and operating system;
- Physical attacks at ATM – an attack on the physical integrity of the ATM.

Note: Physical attacks are out of scope for this document.

5.2.2 Fraud description

The following description of the modus operandi is based on the European Association of Secure transactions (EAST) guidelines.

Attacks against customers - Cards and PIN

- Skimming - Skimming is the installation of an unauthorised device to capture data from the magnetic stripe of a payment card
- Shimming - Shimming is the interception ("passive") and / or manipulation ("active") of information flowing between an EMV card and the chip interface of a card reader. Target: to obtain the original payment card and PIN details

Card Trapping

Card Trapping is the unauthorised physical manipulation of an ATM, preventing the payment card being returned to the card owner. The criminal mounts a device over or within the ATM card entry slot prior to the customer using the machine and collects it directly afterwards; the PIN can be gathered via shoulder surfing, camera or PIN-pad overlay.

Transaction Reversal Fraud

Transaction Reversal Fraud is the unauthorised physical manipulation of an ATM cash withdrawal which makes it appear cash has not been dispensed thereby causing a reversal message to be generated. The criminal requires an active payment card, approved for ATM usage and with sufficient available funds; they carry out a financial transaction and then physically manipulate the cash presenting sequence, either with or without the use of an unauthorised device. The criminal has gained access to, and removed, the cash yet the ATM perceives that no cash was dispensed and passes a reversal message for the Issuer to complete. In these cases, fraud losses are absorbed by the ATM owner.

Attacks against the ATM (without Card involvement)

ATM Malware Attack - Cash-Out (Jackpotting) / Man in the Middle (MitM) / Software Skimming (SW-Skimming). With an ATM malware attack, the criminal can run unauthorised software, or authorised software in an unauthorised manner, at the ATM computer to perform an attack known as '*Black Box*' which is where the fraudster



connects an unauthorised device to an ATM that sends dispense commands directly to the ATM cash dispenser effectively telling the machine to "Cash-Out".

5.2.3 Current and new ATM fraud trends

ATM Skimming

Skimming remains a major issue, resulting in high fraud losses. An increasing number of criminals are bypassing ATM anti-skimming equipment by placing skimmers where they know the anti-skimming equipment is not effective, e.g. the inside of a card reader. As magstripe usage outside Europe continues, fraudsters will continue to skim card data and used the cloned cards in countries where Chip / EMV has not been implemented.

Shimming

Attempts of shimming devices on ATMs and POS terminals have been seen across the globe. The criminal is targeting issuers and/or acquirers which have not implemented EMV protocol correctly.

Cash and Card trapping

While an increasing number of countries in Europe are adopting Geo-blocking as a form of fraud prevention (or Geo control) on their cards portfolio, skimming will migrate from these countries.

Where skimmed card usage is prevented, there is an upwards trend in cash and card trapping incidents. However, in all these cases the losses are limited as just one card or money from just one cash withdrawal can be stolen during each attempt.

Transaction Reversal Fraud (TRF)

Fraudsters are overcoming mitigating measures taken by ATM deployers to prevent TRF, especially at the more vulnerable legacy ATMs still in operation.

Malware and black box attacks

An ATM is, in principle, a money box which is operated by an internal computer. This computer has become increasingly under attack by criminals. In 2014 the European Association of Secure Transactions (EAST) began collecting statistics on ATM malware and logical attacks, when the first attacks in Western Europe were reported. In the European Payment Terminal Crime Report from EAST (European association of Secure transactions) covering the first six months of 2017 The European Association for Secure Transactions (EAST) published figures on the rise of ATM black box attacks in Europe. A total of 114 such attacks were reported, up from 28 during the same period in 2016, a 307% increase. Related losses were up 268%, from €0.41 million to €1.51 million. All over Europe there is a legacy of older ATMs still in use and jackpotting attacks are seen at these locations in greater numbers.

5.2.4 Suggested Controls and Mitigation

For Card Issuers

- Geoblocking: To protect cards from being misused by skimming fraud, it is strongly recommended to protect cards with a geographical region of use. This restriction is an effective protection against fraud through skimming.
- Blocking: To limit the usage of cards to specific channels or specific contexts.
- Card limits. Customer awareness on the ability to reduce withdrawal limits or even limit to zero.



- Always use the latest recommended update and recommendations for the operational systems from service provider, card schemes etc.
- Perform an annual risk assessment to check if all mitigating measures are completely set and in control.
- EMV Fall-back: Ensure that no fall-back to magnetic stripe transactions are authorised.
- Fraud monitoring: Deploy a responsive, real-time fraud system with prevention capabilities. Ensure your fraud system identifies suspicious patterns of behaviour to stop fraud based on tailor-made scenarios and rules.

For ATM Owners / Operators

- For details on malware countermeasures, consult the EAST Expert Group on ATM Fraud / Europol guidance document which provides recommendations on countermeasures regarding logical attacks on ATMs (published by Europol in June 2015.⁶⁴)
- Always use the latest recommended update and recommendations for the operational systems from service providers, regulators, card schemes, etc.
- Perform an annual risk assessment to check if all mitigating measures are completely set and in control

5.2.5 Final Considerations/Conclusions

Skimming and low-tech fraud remain the most common frauds at ATMs. The financial impact from these types of fraud is often absorbed by the card issuer of the compromised/stolen card. Thus, countermeasures should be taken by the card issuer.

For ATM owners/operators, high tech fraud, such as the use of malware or black box attacks, is a growing concern. The financial impact hits the ATM owner/deployer and not the cardholder or card issuer. Therefore, it is recommended to establish the guidelines provided in the related Europol Guide.

5.3 SEPA Credit Transfer and Direct Debit fraud

The various types of attacks described in this document under sections 3 and 4 could lead to fraud for SEPA credit transfers and direct debit transactions.

During 2016, the criminals' use of impersonation and deception scams, as well as online attacks to compromise data, continued to be the primary factor behind fraud losses related to these types of payments. In all of these methods, criminals target personal and financial details which are used to facilitate fraud.

In an impersonation and deception scam, a criminal purports to be from a legitimate and trusted organisation, such as a bank, the police, a utility company or a government department. These scams typically involve the fraudster contacting a customer or a company employee (pretending to be the CEO), through a phone call, text message or email.

⁶⁴ https://www.ncr.com/sites/default/files/brochures/Europol_Guidance-Recommendations-ATM-logical-attacks.pdf



As mentioned in the 2016 report from the FFA in the UK⁶⁵, intelligence suggests that criminals have recently increased their focus on phishing emails purporting to be from major online retailers and Internet companies, brands which a large proportion of recipients are likely to use. These emails are increasingly sophisticated and attempt to trick recipients into giving away personal or financial details, or into downloading malware.

Currently only some high-level indications of levels and types of fraud can be observed, in related to SCT and SDD payments which indicate that fraud rates remain at a minimum level. The procedures for collecting data, as well as the related cooperation between authorities and payment service providers, will be enhanced in the near future with the implementation of harmonised reporting requirements at EU level under PSD2.

With regard to types of fraud, “issuance of a payment order by a fraudster” seems to be the main type for both types of payment instruments. “Manipulation of the payer to issue a payment order” suffered the highest growth over the past years, while “modification of a payment order or issuance of a fraudulent payment order by the fraudster”, based on information gathered through social engineering or phishing, is scoring the highest priority amongst PSPs concerning combating fraud. This last category also encapsulates some current technical frauds such as malware and “man-in-the-browser” attacks.

⁶⁵ <https://www.financialfraudaction.org.uk/wp-content/uploads/2016/07/2016-Year-end-fraud-bulletin.pdf>



6 Conclusions

The organisation and sophistication of recent cyberattacks have shown a greater degree of professionalism of cybercriminals.

The number of (D)DoS attacks is still growing and they are still frequently targeting the financial sector.

The main attack focus over the past year has shifted slightly away from malware to social engineering attacks. Social engineering attacks and phishing attempts are still increasing and they remain instrumental often in combination with malware. Whereas before customers, retailers and SMEs have been the main focus, the last year more and more company executives, employees (through CEO fraud), financial institutions and payment infrastructures appear to become preferred targets.

Malware remains a major threat related to cyber security for everybody in the society. More in particular ransomware has been on the rise during the past year. This type of attack appears to be more profitable to the attackers than the traditional banking Trojans. It is not possible to achieve full protection to not be hit by a malware attack. However, raising awareness campaigns with a few simple advices to the customers, such as taking regular back-ups of their devices are one of the best tools to mitigate the risks and impact. Similar awareness must be in place for the employees of the PSPs.

One of the most lucrative types of payment fraud now and for the future seems Advanced Persistent Threats (APTs). It must be considered as a potential high risk not only for the payment infrastructure but for all network related ecosystems. With a minimal of involved criminals a maximum result can be established. Therefore all users who are normally cautious when operating their company computers but often tend to be less careful when using their smartphones or mobile devices will need to consider utilising new defense mechanisms in order to hide their data.

As more business owners utilise networked computers on the Internet, engage in cloud computing, or use personal mobile devices (BYOD) and apps (BYOA), new security threat implications are to be considered. Endpoint and network defenses, as well as using the latest anti-virus software and next-gen firewalls, are effective but may not be enough for companies to keep them from being hacked. A mixed approach made of traditional tools, new advanced behaviour-based detection solutions with improved automated monitoring, correlation and analysis, and improved incident response capabilities can aid system security administrators in identifying these hard-to-detect intrusions.

There is a continuation of botnets and because of the high volume of infected consumer devices (e.g. PCs, mobile devices, etc.) severe threats remain. Besides a still increasing level of professionalism among the attackers whereby addresses of infected computers or bots are sold or rented, the usage of IoT devices (such as CCTVs and home routers) for launching DDoS attacks continued to be noted during the past year. It is expected that the usage of these devices to launch attacks will further increase over the years to come.



Also multi-vector attacks are on the rise and have been targeting a number of financial institutions over the past year.

Along with the “classic” threats mentioned above, new risks are arising from the use of innovative technologies. Mobility is part of both consumers' and enterprises' daily life and operation. Smart mobile devices have become a commodity in Europe enabling a wide variety of mobile apps, including payment apps. As a result, more and more they are becoming an attractive target for cyber criminals, along with the IoT devices. The number and types of IoT devices is continuously increasing, posing the risk of new types of attack.

The need for reducing operational costs and the huge and rapidly growing size of data lead to new business decisions for adopting cloud and big data analytics technologies. Data everywhere, 'data in flight', data produced and stored in billions of interconnected devices, and data in the cloud. Innovation, like IoT devices and mobile apps/wallets, and new technologies are bringing new opportunities to businesses but new risks too.

There is also a competitive market drive for user-friendliness and simplicity which leads to increased pressure on security resources and difficult trade-offs to be made by PSPs. The challenge will be to find the right balance between the user-friendliness and the security measures needed. As security becomes more regulated (NIS Directive [5], GDPR [6], PSD2 [6]), payments also face a new regulatory landscape in Europe, which on one hand increases the security barrier with respect to fraud (e.g. customer authentication) but at the same time also “opens up” the payment value chain which introduces new security challenges for all stakeholders involved.

Another phenomenon that is appearing in the market is “cybercrime-as-a-service”, causing huge challenges to companies. It appears to be a business model that is continuously growing as threats are evolving, which is also increasingly efficient. These services offer the possibility to persons that do not have the technical knowledge, to execute attacks. Examples of these services that are currently being offered include ransomware, phishing campaigns and malware attacks. They represent a big challenge for PSPs, because although the threats are the same as described in this document, a much larger number of people can now participate in a cyberattack, leading to a certain automation level. The recommendation for PSPs would be to be up to date in threats tactics and campaigns paying close attention to attacks that have occurred with other PSPs or companies.

Concerning payment card fraud, historical and current types such as “Card Not Present (CNP)” and lost and stolen fraud will continue to be the predominant drivers. Especially CNP fraud will grow under the influence of the rise of e-commerce. The new regulation on strong customer authentication (SCA) will in the end have a positive effect on migrating this type of fraud most likely to a more acceptable level. Skimming remains the most common fraud at ATMs as long as mag-stripe cards are not banned in the regions outside Europe.

For SEPA Credit Transfers and Direct Debit transactions, the criminals' use of impersonation and deception scams, as well as online attacks to compromise data,



continued to be the primary factor behind fraud losses related to these types of payments. In all of these methods, criminals target personal and financial details which are used to facilitate fraudulent transactions.

An important aspect to mitigate the risks and reduce the fraud related to payments is the sharing of fraud intelligence and information on incidents amongst PSPs. However, often this is being limited by existing regulations related to data protection, even more so in the case of cross-border sharing.

Finally, PSPs must understand the emerging threats, the possible impacts and should keep investing in appropriate security and monitoring technologies as well as in awareness campaigns.



Annex I – SEPA Payment Instruments

The SEPA payment instruments are:

SEPA Credit Transfer (SCT)

The SCT scheme – like any other credit transfer scheme – allows to transfer money from account A to account B at the request of the holder of account A. The SCT scheme enables payment service providers to offer a core and basic credit transfer service throughout SEPA, whether for single or bulk payments. The scheme's standards facilitate payment initiation, processing and reconciliation based on straight-through-processing. The scope is limited to payments in euro within SEPA countries, regardless of the currency of the underlying accounts. The PSPs executing the credit transfer would have to be scheme participants; i.e. both would have to formally adhere to the SCT scheme. There is no limit on the amount of a payment carried out under the scheme.

The SCT scheme rulebook and the accompanying Implementation Guidelines are the definitive sources of information regarding the rules and obligations of the scheme. In addition, a document entitled "Shortcut to the SEPA Credit Transfer Scheme" is available which provides basic information on the characteristics and benefits of the SCT scheme.

SEPA Instant Credit Transfer (SCT Inst)

The SCT Inst scheme is a new scheme which entered into effect in November 2017. It allows euro credit transfers – initially up to 15,000 euro – in less than ten seconds, 24/7/365, between accounts located in the 34 countries of the SEPA schemes geographical scope. In addition, PSPs willing to increase the maximum limit and transaction speed can bilaterally or multilaterally agree to do so. The SCT Inst scheme is optional.

SEPA Direct Debit (SDD)

The SDD schemes - like any other direct debit scheme - are based on the following concept: "I request money from someone else, with their pre-approval, and credit it to myself".

The Core and Business to Business (B2B) SDD schemes apply to transactions in euro. The debtor and creditor each would need to hold an account with a PSP located within SEPA. The PSPs executing the direct debit transaction would have to be scheme participants; that is, both would have to formally adhere to the SDD scheme. The scheme may be used for single (one-off) or recurrent direct debit collections; the amounts are not limited. The SDD B2B scheme is available only to businesses and is an optional scheme.

Cards ("SEPA for Cards" - SEPA Cards Standardisation Volume)

The SEPA Cards Standardisation Volume (see [1]) was initially created by the EPC and further developed by the Cards Stakeholders Group (CSG). This document defines a standard set of requirements to enable an interoperable and scalable card and terminal infrastructure across SEPA, based on open international card standards. The European Cards Stakeholders Group (ECSG) was created in 2016 and took over the mission of the CSG. This multi-stakeholder association is made up of organisations from five sectors of the card payment chain (retailers/wholesale, vendors, processors of card



transactions, card schemes, and PSPs). The ECSG develops and maintains the Volume, and focuses on a cards standardisation programme that will create a better, safer, more cost efficient and functionally richer card services environment, whatever the card product or scheme may be. The latest version of the Volume (version 8.0) was published in March 2017.

Further information on the SEPA payment instruments may be obtained from the EPC website (www.epc-cep.eu).

Annex II – Summary Threats versus Controls and Mitigations

Threat	Suggested Controls & Mitigations
Denial of Service Section 3.1	<ul style="list-style-type: none"> Dynamic DDoS security control framework DDoS mitigation scrubbing service Periodic tests of anti DDoS measures Security intelligence feeds and incident response team "Forensic ready" logging
o Flooding	
o Protocol	
o Application layer	
Social Engineering & Phishing Section 3.2	<ul style="list-style-type: none"> Exchange of information between PSPs Transaction filtering and monitoring Awareness raising for consumers, SMEs and corporates Blocking spoofed mails (DMARC) Takedowns of phishing web sites
o Reverse Trojan horse	
o Voice Phishing (vishing)	
o Angler Phishing	
Malware Section 3.3	<ul style="list-style-type: none"> Regular software update Script and macro blockers, IPS / IDS functionality Limited usage of admin rights Firewalls and antivirus on consumer devices Awareness about danger of opening attachments Web traffic and e-mail content analysis
o Trojans	
o Ransomware	
o Remote Access Trojans	
Advanced Persistent Threats Section 3.4	<ul style="list-style-type: none"> Behaviour analysis tools Real time advanced security data analytics Incorporation of security threat intelligence into infrastructure Advanced IP scanner/ APT scanner Red Team/Blue Team approach Five styles of Advanced Threat Defense Framework
o Customised malware	
o Waterhole attack	
Mobile Device Related Section 3.5	<ul style="list-style-type: none"> Regular software updates Screen lock / mobile device lock No jailbroken or rooted devices
o Fake Apps	
o Mobile malware	

<ul style="list-style-type: none">o Spoofed SMS (smishing)	<ul style="list-style-type: none">o Only call validated PSP numberso PSPs never ask for credentials over the phoneo App store monitoringo Installation of anti-virus softwareo App code protection and pen testingo Sensitive data encryptiono No trust in third-party librarieso Controls to protect communication channelso User and device verificationo User notification via more than one channelo PSP notifications by operator about SIM swaps or duplications
<ul style="list-style-type: none">o Attacks on mobile apps (app & OS security, user awareness, abuse of privacy, enrollment processes, biometric authentication, duplicated SIMs)	
<ul style="list-style-type: none">o SIM swapping	
Botnets Section 3.6	<ul style="list-style-type: none">o Blacklistingo Sinkholing and blockingo Distribution of fake/traceable credentialso DNS-based countermeasureso Direct takedown of command-and-control servero Packet filtering on network and application levelo Walled gardenso Peer-to-peer countermeasureso Infiltration and remote disinfectiono Take downs by law enforcemento awareness raising and co-operation
<ul style="list-style-type: none">o Captcha solving	
<ul style="list-style-type: none">o Brute force	
<ul style="list-style-type: none">o Data harvesting	
<ul style="list-style-type: none">o Spreading of malware	
Cloud Services & Big Data (SaaS, PaaS, IaaS) Section 3.7	<ul style="list-style-type: none">o Risk based approacho Self-control over authenticationo Strong authentication and authorisation controlso Monitoring/audit of service providerso Adequate training of employees
<ul style="list-style-type: none">o Data exposure	
<ul style="list-style-type: none">o Enhanced risks related to authentication / encryption	
Internet of Things (IoT) Section 3.8	<ul style="list-style-type: none">o Security risk assessment for every new device and infrastructureo Adopt security and privacy by design
<ul style="list-style-type: none">o Data exposure	



<ul style="list-style-type: none"> ○ New targets for # attacks (malware, botnets, etc.) 	<ul style="list-style-type: none"> ○ Strong authentication and authorisation controls ○ Secure device to device communication ○ Minimisation of amount and type of data exchanged
Virtual currencies Section 4.1	<ul style="list-style-type: none"> ○ Detect characteristics of fraudulent investment schemes ○ Wallet security best practices ○ Cyber insurance ○ Regulation of virtual currencies
<ul style="list-style-type: none"> ○ Anonymity exploitation 	
<ul style="list-style-type: none"> ○ Attacks to exchange traders 	
<ul style="list-style-type: none"> ○ Wallet compromise 	
Multi-Vector Section 3.9	
<ul style="list-style-type: none"> ○ Combination of multiple attack elements 	
<ul style="list-style-type: none"> ○ Designed to avoid traditional defenses 	<ul style="list-style-type: none"> ○ Invest in Advanced Threat Protection (ATP) ○ Response and defense to identify, stop and recover

Table 5: Summary threats versus controls and mitigations