SHORT ARTICLE

VDA Visa Deep Authorization

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Fraud Protection: Safeguarding Digital Payments

New fraud actors are coming into play with sophisticated schemes to exploit digital payments. “Even though digital payments are more secure than ever before, fraudsters continue to look for more ways to exploit vulnerabilities,” said James Mirfin, SVP of Risk and Identity Solutions at Visa. "At Visa, we are developing innovative solutions to help stop these threats before they can affect our clients and consumers.”

According to the Federal Trade Commission, consumers lost more than $10 billion to fraud in 2023, a 14% increase over the previous year.[1] In particular, card-not-present (CNP) fraud is now five times more prevalent than card-present (CP) fraud in the U.S., accounting for 89% of fraud losses, according to Visa VDA Case Study.[2]

This trend is poised to grow as the proportion of virtual payments continues to overtake card-present transactions. CNP fraud can impact customers by diminishing brand trust and creating poor customer experiences. This also negatively affects merchants and issuers, who seek high authorization rates, low chargeback rates, and minimal customer friction to maintain a competitive edge and uphold customer satisfaction.

What can issuers do?

Issuers often have limited data about transactions, as they can only see data for their own customers. This limitation means they may not detect new fraud patterns until many fraudulent transactions have already occurred. Addressing these challenges effectively requires significant AI knowledge, investments, and resources. Issuers can employ AI-powered vendor solutions to help bridge this gap, providing actionable data and insights to help improve decisioning and stop fraud faster.

Consider the vast quantities of data processed by Visa, a leader in payment technology for over 60 years. In its role facilitating payment processing between merchants and issuers, Visa has visibility into both sides of the transaction. This extensive experience and rich transactional history enable Visa to help issuers accurately assess fraud risk and gain confidence in legitimate transactions. "Visa can quickly look through millions and millions of transactions to better understand how people shop," said Mirfin. "Being able to assess the risk of the transaction by leveraging global data gives the issuer the information they need to approve, or decline based on fraud risk."

New AI models provide a solution

Visa is no stranger to payment technology and has been an AI leader in payments for over 30 years. Its AI-powered, fraud risk-scoring solution, Visa Deep Authorization (VDA), is specifically designed for the CNP payments landscape. VDA uses Visa's comprehensive merchant and cardholder transaction data to provide an authorization transaction risk score. This solution can help issuers improve authorization rates, reduce fraud, and enhance the customer experience. It significantly

1. FTC press release. February 9, 2024. "As Nationwide Fraud Losses Top $10 Billion in 2023, FTC Steps Up Efforts to Protect the Public."
2. Metrics from Q3'23 VisaNet US.

outperforms existing products in scoring and flagging risky transactions.[3]

Behind the scenes of a transaction, VDA employs deep learning through a Recurrent Neural Network to assess a cardholder transaction and provide a real-time risk score. The solution uses AI to learn from billions of past transactions in order to assess fraud risk in a current transaction. This can help issuers to:

- Detect and decline potentially fraudulent transactions
- Reduce chargebacks
- Prevent disputes by declining fraudulent transactions before authorization
- Grow interchange revenue by approving low-risk transactions with greater confidence
- Reduce false positives, minimizing customer frustration from declined legitimate transactions

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> **– James Mirfin**
> SVP of Risk and Identity Solutions at Visa

With greater accuracy in approvals, issuers can reduce lost revenue and retain customer trust. Most importantly, seamless approval for legitimate transactions is essential to brand integrity.

To learn more about how issuers can protect customers while safeguarding revenue by leveraging VDA, visit Visa Protect for Banks.

3. VDA Case Study. Analysis details: VDA FY23 model benchmarked against VAA FY23 model for Oct-Dec’22 U.S. CNP txns.

About Visa

Visa (NYSE: V) is a world leader in digital payments, facilitating transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Visa's mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive.

For more information, please visit Visa.com