Peru: Latest experiences and developments in regulatory and supervisory approaches to tackling financial scams and frauds

Elías Vargas Laredo
Assistant Superintendent of Market Conduct and Interest Rates
SBS Peru
Digital transformation: trends and new risks

TRENDS IN THE DIGITAL ENVIRONMENT
- Technological Innovation
- Increased Competition
- Digital Consumers

RISKS FOR CONSUMERS
- Misconduct
- Cybercrime
- Financial Education Gaps
Digital environment: More usage of digital channels, with lower transaction amounts

Percentage of adults with an account

- 42% in 2020
- 50% in 2021
- 52% in 2022
- 58% in 2023

Source: ENAHO - INEI

- 49% of citizens make digital payments (Global Findex, 2021)
- Wallets and Apps grew up from 33% to 45% (CREDICORP, 2023)

Average consumer ticket:
- Wallets $12
- Debit cards $20
- Credit cards $53\(^1\)

Source: Financial Stability Report (September 2023) - BCRP

Number of monetary Transactions by channel In Financial Institutions (millions)

Source: ASBANC
Decrease of general complaints but high number of fraud-related ones

Complaints per 10,000 transactions

<table>
<thead>
<tr>
<th>Year</th>
<th>Complaints Per 10,000 Transactions</th>
<th>Complaints Related to Fraud (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8.2</td>
<td>324</td>
</tr>
<tr>
<td>2019</td>
<td>7.3</td>
<td>474</td>
</tr>
<tr>
<td>2020</td>
<td>10.0</td>
<td>500</td>
</tr>
<tr>
<td>2021</td>
<td>8.9</td>
<td>577</td>
</tr>
<tr>
<td>2022</td>
<td>6.2</td>
<td>773</td>
</tr>
<tr>
<td>2023</td>
<td>5.0</td>
<td>725</td>
</tr>
</tbody>
</table>

53% solved in favor of users (2023)

Cybercrime Trends

- **Phishing and variants**
  - By Email
  - Smishing
  - Vishing

- **SIM Swaping**
  - Duplicate SIM card and change the authentication factors to proceed with the fraud

- **Skimming**
  - ATMs, POS, or fuel pumps.
  - Capture data or cardholders’ PINs.
Important gaps in financial literacy and lack of security knowledge

- Adults do not regularly update their passwords: 8 out of 10
- Do not recognize the validity of digital signatures: 7 out of 10
- Do not verify that products are provided by regulated financial institutions: 6 out of 10

Sources: SBS and CAF – National Survey of Financial Capabilities 2022
SBS has been deploying actions to protect consumers in the digital era

**RISKS FOR CONSUMERS**

- **MISCONDUCT**
- **CYBERCRIME**
- **FINANCIAL EDUCATION GAPS**

- Improvements in financial regulation
  - *Cybersecurity and strong authentication*
- Supervisory actions
  - *Improvements in detection and response*
- Financial awareness and education campaigns
Regulation has strengthened cybersecurity as well as cards security

**Authentication Types and Responsibilities**

<table>
<thead>
<tr>
<th>SINGLE</th>
<th>STRONG</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Factor</td>
<td>02 Factors</td>
</tr>
<tr>
<td>- Payments ≤ $ 40</td>
<td>- Payments and transfers</td>
</tr>
<tr>
<td>- Low risk operation</td>
<td>- Product contracting</td>
</tr>
<tr>
<td>- Common operation</td>
<td>- Parameter settings</td>
</tr>
</tbody>
</table>

**Responsibilities**

- **Issuers**
- **Issuers or Cardholders**

**Improvements in cards security**

- Immediate notification for each transaction (single or strong)
- Additional services activated by users (e-commerce, ATM use abroad, etc.)
- More precise and wide responsibility of card issuers against frauds
- Disclose preventive measures for users in case of theft or fraud

**Minimum authentication factors:**
- **POS/ATM:** Chip + PIN
- **E-Commerce/Web/App:** Card + OTP

Public Consultation
Strengthening the market conduct supervisory model

**ACTUAL**

- Social Media Monitoring: Sentiment Analysis
- Complaints information analysis: Statistics and Databases
- Doc. reviews (Agreements, Resolutions, etc): One on one reading
- Fees and charges reviews: Manual searching of webs

**PLANNED**

- Misconduct identification (data scraping, top modelling & dashboard)
- Real-time access and analysis (API, Machine Learning)
- NLP / Text mining
- Webscraping

PROTOTYPE 2023
Permanent awareness campaigns

Financial Education - SBS Programs

- Children & teenagers (School)
  - Training teachers to spread knowledge to students (+1.7 MM)

- Youths, adults, women & elders
  - Skills, attitudes, knowledge to make appropriate financial decisions (+250 M)

Digital platforms – Reach metrics

- Average people reached by channel:
  - Facebook: 47%
  - Instagram, X (twitter) & YouTube: 31%
  - LinkedIn: 22%
  - +642 M people

Web SBS: 2.3 millions of views

Campaigns about informal entities

- Awareness campaigns to alert about different fraudulent schemes and prevent possible scams.
- +1800 complaints about informal entities

Information at Dec. 2023
<table>
<thead>
<tr>
<th><strong>In summary ....</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Higher innovation and demand</strong> for digital financial products and services create new risks for financial entities and users</td>
</tr>
<tr>
<td>The SBS adopts measures to reduce risks through <strong>improvements in regulation, supervision and financial education</strong></td>
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<td>Reducing the risks generated by technological innovation requires <strong>coordinated work between multiple stakeholders</strong> (public &amp; private sector)</td>
</tr>
<tr>
<td>The SBS has recently <strong>published a proposal</strong> of <strong>minimum authentication factors for credit and debit cards</strong>, pursuing the reduction of digital frauds</td>
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Thank you