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## Public – Private Partnership in Serbia fighting the cyber crime

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Vojislav Rodic, B.Sc.E.E.  
vrodic@inet.co.yu



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## Public - Private Partnership - Why

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Public (government) institutions engage in P3 for following reasons:

- Demand for services outweighs affordable resources, affecting the decline in quality of service
- Public institutions benefit from Private Sector innovation capability
- Brain-drain from public institutions is compensated through P3
- Countries should promote partnership among stakeholders, both public and private, to share and analyze critical infrastructure information in order to prevent, investigate, and respond to damage to or attacks on such infrastructures (G8 PRINCIPLES FOR PROTECTING CRITICAL INFORMATION INFRASTRUCTURES)



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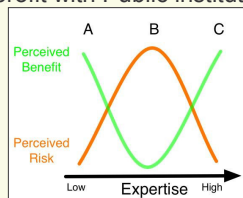
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## Public - Private Partnership - Why

Private entities engage in P3 for following reasons:

- Security threats endanger their business operations
- Feeling of insecurity with general public leads to restrain in use of existing/new services, hurting the business of the whole sector
- Business opportunities increase with successful implementation of P3 projects
- Sharing of risk/profit with Public institutions



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## Public - Private Partnership - Why

Public benefits from P3 projects:

- Standards of provided services are preserved or improved
- Costs are controlled as the private service providers are more efficient
- Public interest is protected by Government institutions who supervise P3 projects



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## Public - Private Partnership - Obstacles

### Mind set:

- Legacy thinking - Public institutions perceived as **sole** providers in some areas by general public
- Legacy thinking – Private enterprises perceived as efficient, but not trustworthy when complying to standards of public services
- Legacy thinking – Public institutions used to “rule by edicts” and issue “decrees”, rather than negotiate business projects
- Legacy thinking – Public institutions perceived as parties that award procurement contracts, but not actually share the operational risks



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## Public - Private Partnership - Obstacles

### Legal obstacles:

- P3 legislative frame is not clearly defined
- European Commission has published the Green Paper on public-private partnerships (PPPs)
  - the framework of the procedures for selecting the private partner;
  - the establishment of private initiative PPPs;
  - the contractual framework and any changes made in the course of a PPP;
  - sub-contracting;
  - the importance of effective competition in the case of institutionalised PPPs.



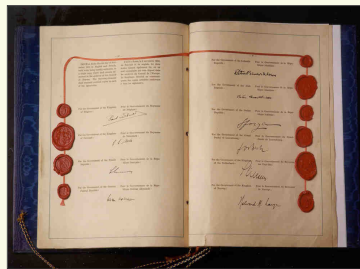
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## Public - Private Partnership

- Public-Private Partnership needs to advance from individual success stories to regular practice functioning in a well defined legal frame
- Stimulating legal frame will encourage both public and private parties to enter joint projects
- General public will accept P3 projects with more faith knowing they are created and executed within an existing legal environment



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## P3 in Serbia

### History of Payment Cards Industry in Serbia:

- Payment Cards industry launched in ex-Yugoslavia in 1969
- Status in 1990
  - Population more than 20 Mil
  - Sales Establishments 22.000
  - Cards issued 5.400,000



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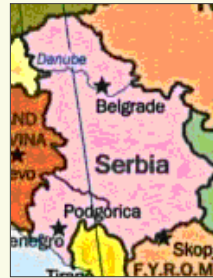
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## P3 in Serbia

### History of Payment Cards Industry in Serbia:

- In 1991/1992 secession of ex-Yu republics, followed by civil wars and UN economic sanctions against FR Yugoslavia (Serbia & Montenegro)
- Status in 1992
  - Population 10 Mil
  - Sales Establishments 0
  - Cards issued 0



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## P3 in Serbia

### History of Payment Cards Industry in Serbia:

- In 1996 partial lift of UN economic sanctions
- In april 1996 Diners Club International Belgrade opens office
- In 1998 unrest in Kosovo & Metohija followed by NATO bombing in 1999
- In October 2000 change of Milosevic regime
- In December 2000 UN economic sanctions lifted
- In 2002 reconstruction of banking system
  - Foreign banks enter the Serbian market
  - Card issuers: Visa, Mastercard, Yuba, Dina



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### P3 in Serbia

#### History of Payment Cards Industry in Serbia:

- In the period 2001-2006 payment cards industry trends
  - Population around 8 Mil
  - Sales Establishments 2.000
  - Card Issued 10.000 in 2001 to reach 3 Mil at the end of 2005
  - Turnover from €50 Mil in 2001 to €400 Mil in 2005
  - World totals: 2.6 billion payment cards/\$13 billion frauds losses



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### P3 in Serbia

Rise in transactions number and value was followed by rise in fraudulent activities



**Ordinary looking ATM?**



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## P3 in Serbia

### How to cope with card fraudulent activities

- Cooperation between card issuers based on good will
- Cooperation between card issuers and LEAs usually following the fraudulent activity (lack of prevention)
- Lack of clear risk management and fraud prevention procedures as well as nonexistence of dedicated departments in banks
- No card issuer can be an isolated island of security
- Need for creating proactive fraud prevention environment

### BUT HOW?



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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- Serbian Chamber of Commerce as the umbrella organization (<http://www.pks.co.yu>)
- In July 2003 Payment Cards Business Development Group was founded within the Board for Banking and Insurance of the Serbian Chamber of Commerce, and in September 2003 workgroup for defining the tasks of the Group was founded
- Diners Club International Belgrade initiated work on creating the Forum for Fraud Prevention and Data Base
- In July 2004 project for the concept and operation of the Forum was presented, legal frame and design and functionality of the Data Base



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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- In September 2004 Forum for Payment Cards Fraud Prevention was established, consisting of:
  - Serbian Card Issuers (38 financial institutions – banks and other issuers)
  - LEA representatives (Police and Justice Department)
  - Sales Establishments
  - Serbian Chamber of Commerce



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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- Forum organization:
  - Forum – constituted by all members holding quarterly meetings
  - Council – constituted by five members meeting monthly
  - Workgroups – organized on project basis
  - Annual fee used to fund Forum projects



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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- Forum activities:
  - Regular communication with media representatives – promoting safe usage of cards and raising awareness (prevention!)
  - Info exchange with industry representatives from neighbouring states using Fraud database
  - Collaboration with IAFCI (International Association of Financial Crimes Investigators [www.iafci.org](http://www.iafci.org))
  - Regular monthly reports
  - All Forum members are on an e-mail list



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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database:
  - Data base launched in September 2005, featuring:
    - “Black list” of individuals and companies involved in any financial illegal activity – with regular updates, news and reviews, providing reports, discussion forums, instructive manuals and documentation
    - Real-time SMS alerts to members with latest news in the database
    - Fraud-chat available through GPRS for swift reaction to latest security threats



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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database:
  - All members are **obliged** to enter relevant data – failing to do so they risk being excluded from the forum
  - Only forum members are allowed to enter data – viewing allowed to members as well as sales departments in banks
  - Only the party that entered the data can delete it (all changes recorded)
  - Only if all members enter relevant data everyone benefits
  - Close cooperation with LEA



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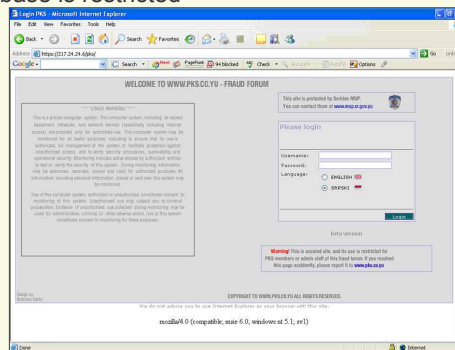
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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database:
  - Access to database is restricted



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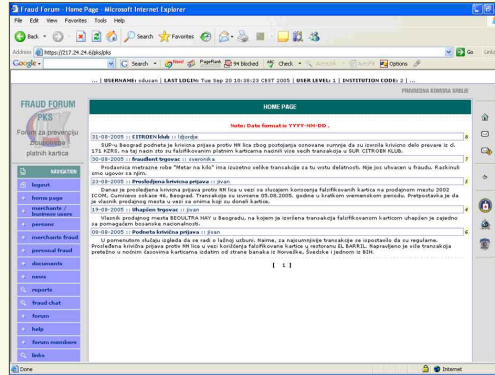
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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database – Home Page



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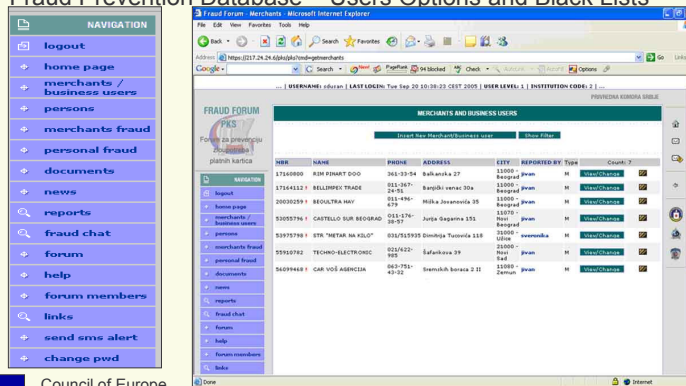
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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database – Users Options and Black Lists



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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database – Merchant and Personal Fraud screens

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### P3 in Serbia

#### Serbian Fraud Forum and Fraud Prevention Database

- Fraud Prevention Database – Reports

Privredna Komora Srbije

Merchant frauds report  
From: Sep 01, 2005, to: Sep 21, 2005

Fraud type	Number	Percent
ATM fraud	0	NaN %
Card not Present-Internet	0	NaN %
Card not Present-MOTO	0	NaN %
Cardmember fraud	0	NaN %
Counterfeit-manual	0	NaN %
Counterfeit-Skimmed	0	NaN %
Fraud Application	0	NaN %
Lost Card	0	NaN %
Merchant Fraud	0	NaN %
Non-Received	0	NaN %

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## P3 in Serbia

### Serbian Fraud Forum and Fraud Prevention Database

- What next?
  - In August 2005 negotiations have started with the Stability Pact for SEE for the regional introduction of the project
  - For full success international collaboration is essential.



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