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SENATE

P. S. Res. No. 35

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Introduced by Sen. Manuel "Lito" M. Lapid

RESOLUTION

DIRECTING THE APPROPRIATE COMMITTEES IN THE SENATE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE RISING INCIDENCE OF CREDIT CARD FRAUD IN THE COUNTRY, WITH THE END IN VIEW OF STRENGTHENING THE PROVISIONS OF EXISTING LAWS TO PROTECT THE GENERAL PUBLIC FROM THIS UNLAWFUL TRANSACTIONS

WHEREAS, in view of the rapid advancement in the information technology and the widespread use of access devices such as credit cards in commercial financial transactions, there is now a growing need for the State to protect the rights of persons using access devices and credit cards in their financial transactions;

WHEREAS, credit-card fraud has many forms, of which the most common type involves "cloning" or a scheme where individuals or syndicates would connive with some employees of stores or restaurants, including waiters or cashiers, to duplicate or copy vital information from a legitimate credit card. These people obtain card information by swiping the card in an electronic skimmer that will read the confidential information stored in the credit card's magnetic strip. After sufficient information has been accumulated, the same is given to syndicates which then use the information for fraudulent transactions;

WHEREAS, credit card cloning is not just happening in the Philippines but also in Taiwan, Malaysia and other Asian countries as well as in developed countries such as Canada and the United States. The *modus operandi* is the same. The credit card syndicates are provided with small, electronic devices known as skimmers that capture the details of the credit card in the few seconds that it takes to swipe the card through the machine. The unsuspecting cardholder does not know that after his credit card purchase, the card is swiped and the information is collected from the magnetic strip and is then telephoned in for approval. During this time, the electronic skimmer which is about the size of an electronic pager gets and stores the information. This captured information can then be downloaded for whatever purpose;

WHEREAS, a favorite target of the card skimmers are the gold and platinum cards because of their higher credit limits. With higher credit limits, the syndicates are able to make more purchases or unlawful transactions and it would take banks a longer time to suspect and find out that anomalous transactions were committed;

WHEREAS, in the past, credit card fraud syndicates would have to first steal a credit card before they could forge the credit card and the signature of the owner. Today, credit card syndicates would just have to swipe the credit card in their skimming device, which they can carry around even inside the establishment and manufacture a duplicate card on their own within a few seconds;

WHEREAS, given the sophisticated counterfeiting technology now available in the market, it is already possible that a credit card skimmed or copied in the Philippines in the morning can be downloaded to a cloned credit card in Hong Kong by noontime and used for

spending sprees (or sell the counterfeit credit cards for hundreds of dollars) by night time. This hi-tech credit card fraud is now a big problem in the credit card industry;

WHEREAS, there have been cases in other countries where the police were able to apprehend credit card syndicates and seize thousands of finished and semi-finished counterfeit cards as well as blank credit cards. In one case, a credit card forger had turned his bedroom into a credit card factory. The forger's equipment can produce near perfect replica of American Express, Visa and Master credit cards. It has been reported that many computer hackers are able to gain unauthorized access to the computer system of credit card companies and acquire thousands of confidential information from the credit cards;

WHEREAS, the provisions of Section 9 of Republic Act No. 8484, otherwise known as the "Access Devices Regulation Act of 1998", provides that "Any person who possesses one or more counterfeit access devices or uses the said access device with intent to defraud financial transactions is punishable by law";

WHEREAS, the provisions of R.A. 8484 further provides that obtaining money or anything of value through the use of a device, with intent to defraud or with intent to gain financial gains is also punishable by law;

WHEREAS, despite the existence of Republic Act No. 8484, critics have pointed out that the implementation of said law is ineffective because many of the implementing agencies tasked to implement the provisions of this law lack the technical capabilities, technology and know-how to effectively catch up with the developments in the computer and information technology (IT);

WHEREAS, there is an urgent need to determine whether the implementing agencies of the government tasked to implement the provisions of R.A. 8484 are well equipped with the technology and know-how to address the issue of credit card fraud in the country in order to protect the public from this unscrupulous undertaking.

NOW, THEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED to direct the appropriate Committees in the Senate to conduct an inquiry, *in aid of legislation*, into the rising incidence of credit card fraud in the country, with the end in view of strengthening the provisions of existing laws to protect the general public from this unlawful transactions.

ADOPTED,


MANUEL "LITO" M. LAPID
Senator