



Minimizing Fraud

Be aware of potential fraud when transacting with international buyers. There are measures you can take to minimize the risk.



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U.S. exporters can reduce their exposure to credit card fraud in a number of ways, but keep in mind that each method has limitations:

- **Use Common Sense:** If something seems wrong—for example, if a buyer's billing and shipping addresses don't match (especially if the addresses are in different countries)—then scrutinize the order, and don't process it until you're sure the credit card being used is legitimate.
- **Address-Verification System (AVS):** Ask your bank how you can ensure that a buyer's credit card is valid. An AVS—available from your credit card processing company and used to verify the identity of the person claiming to own a credit card—can determine whether the address on a buyer's credit card account

matches the address the buyer typed into your online order form. An AVS can check information for card holders in Canada and the United Kingdom, but not elsewhere.

- **Card Verification Number (CVN):** At the time of purchase, many sellers require the customer to enter not only the credit card number but also a three- or four-digit security code (usually found on the back of the card). In theory, that number is available only to the card holder, so requiring it helps reduce the incidence of fraud. However, as more sellers require buyers to provide CVNs, savvy crooks likely will find ways to capture them, thus reducing the CVNs' effectiveness as a fraud-prevention tool.
- **IP Geolocation:** This service is available from various companies and enables a seller to identify a prospective buyer's geographic location (country, region, ZIP/postal code) based on the IP address of the computer being used. If the country or region of the buyer's credit card address doesn't match that of the IP address, the seller can flag the order and then investigate further or reject the order outright. This method is increasing in popularity, particularly among larger exporters.
- **Background Checks:** U.S. exporters—especially those involved in business to business (B2B) sales totaling thousands, and possibly millions, of dollars to a foreign agent or distributor—should conduct background checks on prospective buyers, even if that means taking the payment process offline or placing it on hold. Background checks may include purchasing a credit report on the prospective buyer, calling up references, or other practices. Conducting online due diligence in certain countries can be difficult; information about the company might be published in a language you can't translate, or the practice of posting reviews of buyers and sellers online might not have caught on. Several firms can provide financial information about foreign companies, and the U.S. Commercial Service's [International Company Profile](#) can help. Background checks can be costly and time-consuming, so they should be used only for higher value orders.
- **Country Exclusions:** If your company is small and you're just testing the export waters, you might not want to ship to countries where the risk of fraud is high. Just be sure that your site lists those countries; that way, prospective customers won't waste time building an order that can't be filled.
- **Additional Resources:** The best resources you have for combating fraud are your bank and the credit card companies themselves. These groups spend millions of dollars to combat credit card fraud, and then they share that information with you in an effort to reduce fraud.
- **Use a Third-Party Payment Product That Assumes Risk:** You can shift fraud risk to a third party, such as PayPal and Alipay. The third party will take on the responsibility of vetting the buyers and their creditworthiness. Similar to providers of commercial bank cards, the payment product company will charge a transaction fee and a fee for converting a foreign currency into dollars.