

ERAD offers a unique solution for law enforcement to fight card fraud and money laundering; Interview with T. Jack Williams, ERAD Group Founder.



T. Jack Williams
ERAD Group Founder

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I recently interviewed T. Jack Williams, ERAD Group Founder and longtime payments industry expert. The ERAD card reader provides law enforcement with a tool to read the magnetic stripe data on branded prepaid bank issued cards (e.g. Visa, MasterCard, etc.) and uses the data to track and freeze balances when they are suspected of being used for criminal activity. Jack said, "We are testing our 'Issuer Notification Platform' whereby we will let issuers know when we have a card based on their ownership of a BIN. The average loss per stolen card is approximately \$2,000, and thus for every credit and debit card we can help law enforcement stop, the possible savings can be substantial."

Recently Oklahoma Senator Kyle Loveless cited the use of the ERAD reader as another potential tool for abuse of current forfeiture laws by law enforcement when he introduced legislation that would require a criminal conviction before property can be forfeited in most cases, heighten the standard of proof needed to justify civil forfeiture, and shift the burden of proof onto the state, so that property owners would no longer have to prove their innocence. The Oklahoma Department of Public Safety temporarily suspended its use of vehicle-mounted Electronic Recovery and Access to Data (ERAD) card readers, following widespread criticism of the technology.

I asked Jack to explain how the ERAD system works and he said, "ERAD is a tool for law enforcement to use in cases that fall under 'Civil Asset Forfeiture' laws, where there is probable cause or consent for a search by a law enforcement officer with legal jurisdiction. The ERAD card reader allows the officer to view the account information over a TCPIP online connection, so it can be used anywhere where the officer has internet access. The ERAD system routes the transaction via the Bank Identification Number (BIN) to the card issuing financial institution (FI) and allows the authorized users to verify the balance and temporarily block the funds for 7 days pending a court order, just like cash or any other asset forfeitures are handled, except it is done electronically." Jack went on to say, "Criminals are increasingly using magnetic striped cards in various criminal activities, such as 'cloning' stolen credit and debit card numbers, and also as a means of concealing and transporting criminal proceeds. Until now law enforcement had no way of knowing what data was encoded on the cards, many of which are plain hotel room keys! In most cases they are encoded with stolen credit or debit card numbers, but in some cases they are retail prepaid cards loaded with cash."

Proponents of reform say civil forfeiture encourages law enforcement to seize property first and ask questions later, and to pursue activities that enrich their departments, regardless of the effect on public safety. Critics claim that system that has weak protections for property owners and incentive structures that feed forfeited proceeds into law enforcement coffers. Law enforcement groups have lobbied hard against the legislation, calling it a gift to criminals and an unnecessary attack on their profession. Jack said, "The 6th and 8th Federal Circuit Courts have confirmed that there are no magnetic stripe card data 4th Amendment rights. Critics that blame our card reader for legal civil asset forfeitures from criminals are trying to shoot the messenger, because they don't like the message. In fact ERAD provides law enforcement with a unique solution to fight money laundering and saves banks losses by reading stolen credit and debit card magnetic stripes and taking the cards out of circulation before they can be used."

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