

The World Cup Is Expected to Bring Boost in Credit Card Fraud

ValidSoft Credit Card Fraud Software Can Help Spot Criminals--and Keep Legitimate Purchases from Being Mistakenly Tagged as Fraudulent

London, United Kingdom, 11 June, 2010: Hundreds of thousands of football fans are flocking to South Africa for the World Cup, which begins 11 June. But for banks, the world's biggest sporting event won't just offer thrilling goals and hard-fought games. It also brings major worries about credit card fraud.

Credit card experts warn that banks face a huge double challenge (<http://www.creditcardfinder.com.au/world-cup-2010-credit-card-fraud.html>). Criminals are expected to target football fans during the month-long event, stealing their credit card numbers and racking up big purchases. So banks must be quick to crack down on suspicious card use. Yet at the same time, banks have to be careful not to cut off the cards of tourists and fans whose legitimate purchases will mistakenly trigger fraud alerts. That would lead to angry fans—and customer relations nightmares.

But there is a solution to both problems: a new software service from Elephant Talk Communications (OTC traded under the symbol ETAK, www.elephanttalk.com). The software was developed by its wholly owned subsidiary ValidSoft (www.validsoft.com).

Here's why. Current fraud detection technology works by comparing any new card use with a cardholder's historical patterns of spending. If a card that's been used for years only in London is suddenly buying drinks in a bar in Cape Town, South Africa, well, that's suspicious.

"But this approach has two big limitations. It may take several of these doubtful purchases to trigger the fraud alert. By then, criminals may have gotten away with thousands of dollars of goods," says Pat Carroll, CEO of ValidSoft.

Worse, 9 out of every 10 cross-border transactions flagged as fraudulent—and thus rejected by the bank—are actually legitimate. Many of the football fans at the World Cup will never have been in South Africa before. So their legitimate purchases in Cape Town or Johannesburg or any of the other seven cities where games will be played may be mistakenly tagged as suspicious. These so-called false positives cost banks up to \$10 per case, since the bank's fraud unit must process each transaction and try to call the cardholder in an effort to verify its validity. That's a big cost. And fans trying to have a good time will be furious if their cards get cut off when banks can't reach them to verify transactions.

That's why fraud experts are telling banks to encourage their customers to inform banks about their travels to the World Cup, or to allow banks to call them on their cell phones to check on transactions.

But there's an easier and better solution. With ValidSoft's solution, VALid-POS[®], banks can far more accurately determine which transactions are legitimate—without any effort on the part of customers or banks and with no inconvenience to customers.

The secret is using cell phone data to verify the legitimacy of a card transaction at the time of each purchase, but in an anonymous manner.

Each time a card is used, the software determines in real-time, that a physical transaction involving a payment card is in proximity to a mobile phone linked to the actual cardholder. If the cell phone is in the same place as the credit card purchase, then the transaction is probably legitimate—even if the location and type of purchase represent a sharp break from the customer’s historic spending patterns. That obviously will be true for thousands of World Cup fans. The whole process takes less than half a second.

Instead of declining legitimate transactions 9 times out of 10, the ValidSoft technology spots the real transactions correctly 95+% of the time, which in turn increases the fraud detection rate. “It turns the 90% failure rate on its head,” says Carroll. Banks would save big bucks not having to verify legitimate transactions. Customers are happier too.

Before the company could market the software, ValidSoft had to prove to European regulators (who have the toughest privacy rules) that its solution did not contravene any data protection or privacy laws. The effort was successful. ValidSoft was the first company to be granted the “European Privacy Seal,” guaranteeing that the technology meets all regulations. ValidSoft also has proved compliance in the United States, Hong Kong, and Australia.

To commercialize the technology, ValidSoft hooked up with Elephant Talk Communications, a major telecommunications company. Now it has a product on the market that will allow both football fans and banks to enjoy the World Cup, without worrying so much about credit card fraud.

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About ValidSoft

ValidSoft is a member of Elephant Talk Communications, Inc. (OTCBB: ETAK), is a market leader in providing solutions to counter electronic fraud relating to card, the internet, and telephone channels. ValidSoft’s solutions are at the cutting edge of the market and are used to verify the authenticity of both consumers and institutions (Mutual Authentication), and the integrity of transactions (Transaction Verification) for the mass market, in a highly cost effective and secure manner, yet easy to use and intuitive. For more information please visit www.validsoft.com

About Elephant Talk Communications

Elephant Talk Communications, Inc. (OTC.BB:[ETAK](http://www.ETAK.com)) is an international provider of business software and services to the telecommunications and financial services industry. The company enables both mobile carriers and virtual operators to offer a full suite of products, delivery platforms, support services, superior industry expertise and high quality customer service without substantial upfront investments from clients. Elephant Talk provides global telecommunication companies, mobile network operators, banks, supermarkets, consumer product companies, media firms, and other businesses a full suite of products and services that enables them to fully provide telecom services as part of their business offerings. The company offers various dynamic products that include remote health care, credit card fraud prevention, mobile internet ID security, multi-country discounted phone services, loyalty management

services, and a whole range of other emerging customized mobile services. For more information visit <http://www.elephanttalk.com>

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