



December 17, 2013

By Electronic Delivery to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Mr. Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave., N.W.  
Washington, D.C. 20551

RE: Proposed Agency Information Collections FR 3064a and FR 3064b

Ladies and Gentlemen:

This letter is submitted on behalf of Visa Inc. (“Visa”) in response to the proposed information collections 3064a, Debit Card Issuer Survey, and 3064b, Payment Card Network Survey (“Network Survey”) under section 920 of the Electronic Fund Transfer Act (“EFTA”). The Network Survey asks in Section I whether the responding network is a single-message (PIN) or dual-message (signature) network. With respect to this question, the Board requests comment on a payment card network’s ability to process single-message transactions across dual-message networks and vice versa. The Board also requests comment on how such transactions should be categorized.

In this question, the Board has continued the distinction between single-message and dual-message networks from the prior survey. This distinction appears to be based on the idea that PIN-authenticated transactions are routed over single-message networks (and that single-message networks only process PIN-authenticated transactions) and that signature-authenticated transactions are routed over dual-message networks (and that dual-message networks only process signature-authenticated transactions). This idea leads to a view of current debit card processing that is inaccurate today and will become even more disconnected from actual practice over time.

PIN and signature methods of authentication are not the exclusive methods of authentication. The two authentication method characterization greatly oversimplifies the authentication options available today, including signature, No Signature Required, PIN, PIN over the internet, PINless, the use of address verification, checking CVV or CVV2, contact chip, digital wallet, and various types of contactless. For example, the Visa network has long offered a wide array of authentication options to meet a variety of issuer, merchant and cardholder preferences, including signature, no signature required, key entered, AVS, and PIN. In addition, new methods of authentication are under development domestically, including EMV Chip and tokens. Moreover, rapid improvements in the sophistication of payment form factors (e.g., mobile), the technology sophistication of the point-of-sale and improvements in the capabilities of payment processing networks will very likely result in great innovation in the ways in which individuals, merchants and transactions are authenticated.

Referencing the current environment, today's single-message networks increasingly process transactions that are not, in practice, authenticated using a PIN, and dual-message networks increasingly process transactions that are not, in practice authenticated using a signature (including PIN-authenticated transactions). Many networks that have historically been PIN-based have for many years offered "PINless debit" in some merchant segments over the internet and phone (i.e., no signature required), and have indicated plans to expand this practice at the physical POS and at non-face-to-face merchants. Because there has been some confusion on this point, we would like to stress that nothing in the Visa rules prevents PIN networks from implementing "dual-message" systems or signature-authenticated transactions.

Similarly, PIN has long been one of the available means of authentication on Visa Debit cards, and on VisaNet. While PIN was historically not as prevalent on Visa Debit, in order to ensure that merchants could use that option more effectively without a cardholder's transactions being denied due to issuer processing readiness, in 2012, Visa required issuers participating in the Visa network to certify that they support PIN validation and cash back on Visa debit transactions. These changes ensure that merchants will have a Visa routing alternative for PIN transactions.

In light of the practical reality that many networks neither rely exclusively on authentication by PIN, nor rely exclusively on authentication by signature, and the rapid industry innovation that will serve to create many new authentication methods, the continuation of these characterizations will only serve to foster a distorted view of any resulting data from the network survey. We note that these same considerations also apply to the issuer survey.

In sum, for purposes of the 2013 Surveys, and for interchange and transaction routing policy purposes, focusing on historical transaction authentication methods is increasingly irrelevant and misleading and will become more so over time. Consequently, Visa believes that the Board should simply drop this distinction. Visa does not believe that the EFTA requires the Board to maintain this distinction.

We appreciate the opportunity to comment on this important matter. If you have any questions concerning the issues addressed in this letter, do not hesitate to contact me at (202) 419-4109.

Sincerely,



Ky Tran-Trong  
Senior Regulatory Counsel  
Visa Inc.