

DEBIT CARD ISSUER SURVEY



Survey Period:
Calendar Year 2011

General Instructions

About this Survey

Section 235.8(b) of the Federal Reserve Board's Regulation II requires that issuers covered by the interchange fee standards in Regulation II file reports with the Board. This survey serves as this report. The survey solicits information from calendar year 2011 regarding (1) volumes and values of debit card transactions; (2) volumes and values of chargebacks and returns to merchants; (3) the costs incurred in connection with the authorization, clearance, and settlement of debit card transactions; (4) other costs incurred in connection with particular debit card transactions; (5) costs incurred by debit card issuers to prevent fraud in debit card transactions; (6) interchange fees charged or received by debit card issuers in connection with debit card transactions; and (7) the incidence and loss associated with fraudulent debit card transactions. For purposes of this survey, **three-party systems** are not included.

In addition, Section 235.8(c) of the Federal Reserve Board's Regulation II requires that issuers covered by the interchange fee standards in Regulation II retain records that demonstrate compliance with the requirements of Part 235 for not less than five years after the end of the calendar year in which the debit card transaction occurred.

Your Participation

To achieve the most reliable results, it is important that you respond completely and accurately. Please leave no survey item blank.

There are **three possible ways** to answer a survey question:

Enter a Value: The actual numeric value of the data element.

Enter a Zero: When the calculated value equals zero. **Please do not enter a non-numeric value**, e.g. "NA" or "NR," when the value equals zero.

Enter "NR" (Not Reported): If your institution engages in the activity of the type being measured but you are unable to report a figure that reflects that activity. **Please do not enter "NA."**

If for any reason you cannot provide complete data or you have questions please contact Edith Collis at 202-452-3638 or e-mail debit.card.surveys@frb.gov for assistance.

The survey will be made available online at <https://www.federalreserve.gov/debitcardsurveys>. Please complete the survey by April 16, 2012.

Response Confidentiality and Burden

The Federal Reserve Board regards the individual organization information provided by each respondent as confidential (5 U.S.C. § 552(b)(4)). The Board, however, may publish aggregate or summary information in a way that does not reveal your individual organization's confidential information. If it should be determined subsequently that any information collected on this form must be released, the respondents will be notified.

Public reporting burden for this collection of information is estimated to be 160 hours per response, including the time to gather data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551, or via email to regs.comments@frb.gov; and to the Office of Management and Budget, Paperwork Reduction Project

(7100-0344), Washington, D.C. 20503. The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

Section I: Respondent Information

1. Name of the debit card issuer covered in this response

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2. Contact person(s) by section of the survey for which responsible

Name		Email	
Section		Phone	

Name		Email	
Section		Phone	

Name		Email	
Section		Phone	

Name		Email	
Section		Phone	

Section II: All Debit Card Transactions (including general-use prepaid card transactions)

Please enter totals only for transactions and associated costs related to debit cards linked to U.S.-domiciled accounts involving a merchant located in the United States during the calendar year (CY) 2011.

Include: All debit card transactions (including **general-use prepaid card** transactions).
Both consumer and business card transactions.

Do Not Include: ATM or credit card transactions.

	Volume	Value (\$)
1. CY 2011 debit card transactions (including general-use prepaid card transactions)		
1a. Settled purchase transactions (excluding pre-authorizations, denials, adjustments, and returns)		
Card-present vs. card-not-present transactions	Volume	Value (\$)
1b. Allocate "1a. Settled purchase transactions" between the following categories: <i>1b.1 + 1b.2 = 1a</i>	1a:	1a:
1b.1 Card-present transactions		
1b.2 Card-not-present transactions		
General-use prepaid card transactions vs. all other debit card transactions	Volume	Value (\$)
1c. Allocate "1a. Settled purchase transactions" between the following categories: <i>1c.1 + 1c.2 = 1a</i>	1a:	1a:
1c.1 General-use prepaid card transactions		
1c.2 All other debit card transactions		

General-use prepaid card exemption:

Exempt vs. non-exempt general-use prepaid card transactions

Volume

Value (\$)

1d. Allocate "1c.1 General-use prepaid card transactions" between the following categories:
 $1d.1 + 1d.2 + 1d.3 = 1c.1$

1c.1:	1c.1:
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1d.1 All general-use prepaid card transactions between January 1 and September 30, 2011.

1d.2 General-use prepaid card transactions exempt from the interchange fee standards between October 1 and December 31, 2011.

1d.3 General-use prepaid card transactions not exempt from the interchange fee standards between October 1 and December 31, 2011.

2. CY 2011 chargebacks and returns

Volume

Value (\$)

2a. Total chargebacks to acquirers
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.

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2b. Allocate "2a. Total chargebacks to acquirers" between the following categories:
 $2b.1 + 2b.2 = 2a$

2a:	2a:
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2b.1 Fraud-related chargebacks

2b.2 All other chargebacks (not related to fraud)

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2c. Total returns to acquirers
Report all returns sent in CY 2011 regardless of the date the original purchase transaction took place.

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Specific Instructions for Question 3:

Include: All costs of authorization, clearance, and settlement of all purchase transactions, chargebacks, returns, and other non-routine transactions (e.g. errors).

All fixed and variable cost components.

Transactions monitoring costs that are a part of authorization.

Both costs associated with interbank settlement and account posting.

In-house costs, network processing fees, and third-party processing fees.

Examples of in-house costs: All fixed and variable cost components of labor, equipment/hardware, and software associated with authorization, clearance and settlement of debit card transactions.

Examples of third-party processing fees: Billed processing fees net of any rebates received tied to the authorization, clearance, and settlement of debit card transactions. This should include billing for returns, chargebacks, and other error processing.

Examples of network processing fees: Switch fees and any other billed network fees net of any rebates received tied to the authorization, clearance, and settlement of debit card transactions.

Do Not Include: Any costs that are not specifically related to the authorization, clearance, and settlement of purchase transactions, chargebacks, and other non-routine transactions. For example, do not include costs related to corporate overhead, account relationships, rewards programs, non-sufficient funds handling, non-sufficient funds losses, cardholder inquiries, card production and delivery, fraud prevention costs that are not incurred as part of authorization, and fraud losses. In the case of general-use prepaid card transactions, do not include costs associated with funds loads or account set-up and maintenance.

For fees paid for third-party services such as processors and networks and network fees:

Report actual costs net of any rebates received.

For capital expenditures associated with authorization, clearance, and settlement:

Report costs that are depreciated or amortized during 2011 using the U.S. Generally Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards (IFRS).

For costs shared with other card programs or activities:

Allocate the costs based on the number of transactions. For example, if your institution has shared costs for debit and credit card operations, allocate those costs to debit card operations based on the proportion of debit card transactions to total debit and credit card transactions.

3. CY 2011 costs of authorization, clearance, and settlement

Dollars (\$)

3a. Costs of authorization, clearance, and settlement

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3b. Allocate "3a. Costs of authorization, clearance, and settlement" between the following categories:

$3b.1 + 3b.2 + 3b.3 = 3a$

3a:

3b.1 In-house costs

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3b.2 Third-party processing fees

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3b.3 Network processing fees

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3c. Does your institution outsource processing to a processing affiliate under the same holding company?

Yes

No

If yes, costs should be included as in-house costs in 3b.1.

3d. Does your answer in "3a. Costs of authorization, clearance, and settlement" include an allocation of the debit card portion of shared costs?

Yes

No

If yes, please comment on what types of costs are shared:

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Specific Instructions for Question 4:

Include: All relevant costs that are associated with debit card transactions.
All fixed and variable cost components.

Examples for cardholder inquiries: Inquiries about transactions details, errors, and potential fraudulent activity.

Examples for cardholder rewards: Rewards paid out to cardholders during 2011 even if those rewards were not earned in 2011.

Examples for nonsufficient funds handling: Costs of collection activities and reporting the account to credit agencies.

Do Not Include: Any costs that are NOT associated with debit card transactions.

Examples for cardholder inquiries: Inquiries regarding account balances, rewards programs, credit card transactions, and ATM transactions.

Examples for cardholder rewards: Rewards program administration costs and affinity partner revenue-sharing, and rewards earned by cardholders in 2011, but not paid out in 2011.

Examples for non-sufficient funds handling: Amount of or losses from such transactions.

For capital expenditures associated:

Report costs that are depreciated or amortized during 2011 using the U.S. Generally Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards (IFRS).

For costs shared with other card programs or activities:

For cardholder inquiries: Allocate the costs based on the number of inquiries. For example, if your institution has a shared call center for debit and credit cards, allocate those costs to debit card transactions based on the proportion of inquiries related to debit card transactions relative to total cardholder inquiries.

For cardholder rewards and non-sufficient funds handling: Allocate the costs based on the number of transactions. For example, if your institution has shared costs for debit and credit card operations, allocate those costs to debit card operations based on the proportion of debit card transactions to total debit and credit card transactions.

4. CY 2011 costs associated with a particular debit card transaction that are not authorization, clearance, and settlement costs

Cardholder inquiries

Dollars (\$)

4a. Costs of cardholder inquiries associated with particular debit card transactions that are not authorization, clearance, and settlement costs

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4b. Allocate "4a. Costs of cardholder inquiries associated with particular debit card transactions that are not authorization, clearance, and settlement costs" between the following categories:
4b.1 + 4b.2 = 4a

4a:

4b.1 Costs related to possible fraudulent debit card transactions

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4b.2 Costs not related to possible fraudulent debit card transactions

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Cardholder rewards

Dollars (\$)

4c. Costs of cardholder rewards associated with particular debit card transactions that are not authorization, clearance, and settlement costs

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Non-sufficient funds handling

Dollars (\$)

4d. Costs of non-sufficient funds handling associated with particular debit card transactions that are not authorization, clearance, and settlement costs

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5. CY 2011 fraud prevention and data security costs

Dollars (\$)

5a. Total fraud prevention and data security costs

Less: 5a.1 Transactions monitoring costs tied to authorization

Less: 5a.2 Your answer to "4b.1 Costs related to possible fraudulent debit card transactions"

5b. Fraud prevention and data security costs net of transactions monitoring and cardholder inquiry costs
5b = 5a - 5a.1 - 4b.1

5c. Fraud prevention activities
Below are some common fraud prevention activities that an issuer may engage in. The list is not meant to be exhaustive but rather serves as a way to track the prevalence of existing fraud prevention techniques. Check all that apply.

Transaction monitoring

Merchant blocking

Data security

PIN customization

Other

Other fraud prevention activities:

In order to track both existing and emerging fraud prevention and detection techniques, please list activities not listed above and provide a brief description.

	4b.1:

6. CY 2011 interchange fee revenue

Dollars (\$)

6a. Total interchange fee revenue received
(gross interchange fee revenue)

6a.1 Interchange fees reimbursed to acquirers as
a result of chargebacks
*Report reimbursements for all chargebacks sent
in CY 2011 regardless of the date the original
purchase transaction took place.*

6a.2 Interchange fees reimbursed to acquirers as
a result of returns
*Report reimbursements for all returns sent in CY
2011 regardless of the date the original purchase
transaction took place.*

7. CY 2011 fraudulent transactions

Number

7a. Total number of fraudulent transactions

7b. Allocate "7a. Total number of fraudulent
transactions" between the following categories:
*To the extent possible, include each fraudulent transaction
in only one category consistent with how your institution
categorizes the loss associated with the fraudulent
activity.*

7b.1 Card-not-present

7b.2 Counterfeit

7b.3 Lost and stolen

7b.4 Other

7a:

Please describe the types of fraudulent transactions included in "7b.4 Other":
*To the extent possible, list the type of fraud and the number of transactions associated with
that fraud.*

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8. CY 2011 fraud losses: all types

Dollars (\$)

8a. Gross value of fraudulent transactions

Less: 8a.1 Fraud-related chargebacks to acquirers net of representations
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.

Less: 8a.2 Losses absorbed by cardholders
Report all losses absorbed in CY 2011 regardless of the date the original purchase transaction took place.

8b. Losses incurred by issuer
 $8b = 8a - 8a.1 - 8a.2$

9. CY 2011 fraud losses: card-not-present

Dollars (\$)

9a. Gross value of fraudulent transactions

Less: 9a.1 Fraud-related chargebacks to acquirers net of representations
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.

Less: 9a.2 Losses absorbed by cardholders
Report all losses absorbed in CY 2011 regardless of the date the original purchase transaction took place.

9b. Losses incurred by issuer
 $9b = 9a - 9a.1 - 9a.2$

10. CY 2011 fraud losses: counterfeit

Dollars (\$)

10a. Gross value of fraudulent transactions

Less: 10a.1 Fraud-related chargebacks to acquirers net of representations
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.

Less: 10a.2 Losses absorbed by cardholders
Report all losses absorbed in CY 2011 regardless of the date the original purchase transaction took place.

10b. Losses incurred by issuer
 $10b = 10a - 10a.1 - 10a.2$

11. CY 2011 fraud losses: lost and stolen

Dollars (\$)

11a. Gross value of fraudulent transactions

Less: 11a.1 Fraud-related chargebacks to acquirers net of representations
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.

Less: 11a.2 Losses absorbed by cardholders
Report all losses absorbed in CY 2011 regardless of the date the original purchase transaction took place.

11b. Losses incurred by issuer
 $11b = 11a - 11a.1 - 11a.2$

12. CY 2011 fraud losses: other

Dollars (\$)

12a. Gross value of fraudulent transactions

*Less: 12a.1 Fraud-related chargebacks to acquirers net of representments
Report all chargebacks sent in CY 2011 regardless of the date the original purchase transaction took place.*

*Less: 12a.2 Losses absorbed by cardholders
Report all losses absorbed in CY 2011 regardless of the date the original purchase transaction took place.*

12b. Losses incurred by issuer
 $12b = 12a - 12a.1 - 12a.2$

Section III: All Single-Message (PIN) Debit Card Transactions
(excluding general-use prepaid card transactions)

Exact copy of Section II above but for single-message (PIN) debit programs (except 1c and 1d would be removed) only.

Section IV: All Dual-Message (Signature) Debit Card Transactions
(excluding general-use prepaid card transactions)

Exact copy of Section II above but for dual-message (signature) debit programs (except 1c and 1d would be removed) only.

Section V: General-Use Prepaid Card Transactions

Exact copy of Section II except 1c will be modified to include a breakout of signature and PIN transactions as below, and 1d would be removed.

General-use prepaid card transactions processed over PIN vs. signature payment card networks	Volume	Value (\$)
1c. Allocate "1a. Settled purchase transactions" between the following categories: <i>1c.1 + 1c.2 = 1a</i>	1a:	1a:
1c.1 Single message (PIN) transactions		
1c.2 Dual message (signature) transactions		

Glossary of Terms

Acquirer: A person that contracts directly or indirectly with a merchant to provide settlement for the merchant's electronic debit transactions over a payment card network. An acquirer does not include a person that acts only as a processor for the services it provides to the merchant.

Cardholder inquiries associated with debit card transactions: Cardholder communication with a debit card issuer related to specific debit card transactions, such as inquiries about transactions details, errors, and potential fraudulent activity. These do not include inquiries that are not related to specific debit card transactions, such as account balances, rewards programs, credit card transactions, and ATM transactions.

Cardholder rewards: Incentive payments given to cardholders as a result of particular debit card transactions.

Card-not-present fraud: Fraud related to card-not-present transactions.

Card-not-present transaction: Settled purchase transaction where the purchaser does not physically present the card to the merchant, such as an Internet, telephone, or mail order transaction.

Card-present transaction: Settled purchase transaction where the purchaser physically presents the card to the merchant.

Chargeback to acquirer: The reversal of the dollar value of a particular transaction, in whole or in part, by the card issuer to the acquirer. A chargeback may be for, but not limited to one of, the following reasons: customer disputes, fraud, processing errors, authorization issues, and non-fulfillment of copy requests.

Costs of authorization, clearance, and settlement: These costs include transactions-monitoring costs, in-house costs, third-party processing fees, and network processing fees. These costs do not include, for example, costs related to corporate overhead, account relationships, rewards programs, non-sufficient funds handling, non-sufficient funds losses, cardholder inquiries, card production and delivery, fraud-prevention costs that are not incurred as part of authorization, and fraud losses. These costs do not include costs associated with funds loads (or deposits) or account set-up and maintenance. These costs should be provided for purchase transactions, chargebacks, and other non-routine transactions.

Counterfeit fraud: Fraud identified as having occurred through the use of a counterfeit reproduction of a debit card.

Debit card: Any card or other payment code or device, issued or approved for use through a payment card network to debit an account, regardless of the means of authorization, and regardless of whether the issuer holds the account. A debit card includes any general-use prepaid card. It does not include (1) any card or other payment code or device that is redeemable upon presentation at only a single merchant, or an affiliated group of merchants for goods or services, or (2) a check draft or similar paper instrument, or an electronic representation thereof.

Debit card transaction: Use of a debit card (including a general-use prepaid card) by a person as a form of payment in the United States to initiate a debit to an account. It does not include transactions initiated at an ATM.

Dual-message (signature) transaction: Transaction type by which authorization information is carried in one message and clearance information is carried in a separate message.

Exempt general-use prepaid card transaction: Transaction using a general-use prepaid card that is exempt from the interchange fee standards in Regulation II, specifically (1) a transaction made using a general-use prepaid card that has been provided to a person pursuant to a federal, state, or local government-administered payment program through which the cardholder may use the debit card only to transfer or debit funds, monetary value, or other assets that have been provided pursuant to such program; (2) a transaction made using a general-use prepaid card that is (i) not issued or approved for use to access or debit any account held by or for the benefit of the cardholder (other than a subaccount or other method of recording or tracking funds purchased or loaded on the card on a prepaid basis), (ii) reloadable and not marketed or labeled as a gift card or gift certificate, and (iii) the only means of access to the underlying funds, except when all remaining funds are provided to the cardholder in a single transaction.

Fraud-related chargeback: The value of a fraudulent debit card transaction that is charged back to acquirers.

Fraud-related chargebacks to acquirers net of representments: The value of fraudulent debit card transactions that are charged back to acquirers less the value of representments made by acquirers to debit card issuers.

General-use prepaid card: A card or other payment code or device that is (1) issued on a prepaid basis in a specified amount, whether or not that amount may be increased or reloaded, in exchange for payment and (2) redeemable upon presentation at multiple unaffiliated merchants for goods or services. NOTE: An institution is an issuer of a general-use prepaid card if that institution serves as a BIN sponsor for a prepaid card program such that (1) the institution authorizes the cardholder to use the card to perform electronic debit card transactions that access the funds in a pooled account, and (2) the cardholder's relationship is with that institution. To the extent you're your institution serves as a BIN sponsor for a prepaid card program in this way, then include in your response information for these types of prepaid cards.

Gross value of fraudulent transactions: The total value of fraudulent debit card transactions before any recoveries or chargebacks.

In-house costs: Costs of authorization, clearance, and settlement functions that are not outsourced to third parties. Include costs incurred by the card issuer or its affiliated processor (i.e. a processor in the same holding company).

Losses absorbed by cardholders: The value of losses that an issuer recovers from its cardholders. Include any chargebacks to cardholder accounts.

Lost and stolen fraud: Fraud identified as having occurred through the use of a lost or stolen debit card.

Network processing fees: Total fees charged by payment card networks for services that are required for the network processing of transactions. They do not include any fees for optional services related to transaction processing that may be provided by a payment card network or an affiliate of a payment card network. They do not include any network fees that are not directly linked to the processing of transactions, such as membership or license fees.

Non-sufficient funds handling costs: Costs of handling of events in which an account does not have enough funds to settle an authorized debit card transaction between the time of authorization of that transaction and the settlement of that transaction.

Return to acquirer: A transaction, in whole or in part, that is returned to an acquirer for the return of goods and services by the cardholder.

Settled purchase transaction: A debit card transaction that has been settled. Exclude transactions that are pre-authorizations, denials, adjustments, and returns.

Single-message (PIN) transaction: Transaction type by which authorization and clearance information is carried in one message.

Third-party processing fees: Fees paid to external service providers for services related to the authorization, clearance, and settlement of debit card transactions that are performed by those service providers on behalf of the debit card issuer. Service providers may include payment card networks or affiliates of payment card networks to the extent that such parties provide optional services related to transaction processing. They do not include other fees charged by a payment card network for services that are required for the network processing of transactions or fees charged by an affiliated processor (i.e. a processor in the same holding company).

Three-party systems: Systems where debit transactions are processed by an entity that acts as system operator and issuer, and may also act as the acquirer.

Total fraud-prevention and data-security costs: Costs related to activities aimed at identifying and preventing debit card fraud, costs related to the monitoring of the incidence of, reimbursements received for, and losses incurred from debit card fraud, costs related to responding to suspected and realized debit card fraud in order to prevent or limit losses, costs incurred in securing the data processing and communications infrastructure of debit card operations, and costs incurred in the development or improvement of fraud-prevention technologies.

Total interchange fee revenue received: Total value of fees received that are established, charged, or received by a payment card network and paid by a merchant or an acquirer for the purpose of compensating an issuer for its involvement in the debit card transaction.

Total number of fraudulent transactions: The total number of all fraudulent debit card transactions identified by the issuer. Include fraudulent transactions charged back to acquirers.

Transactions monitoring costs: Costs related to programs that monitor transactions in order to assist in the authorization process by providing information to the issuer before the issuer decides to approve or decline the transaction. These costs include the costs of neural networks and fraud-risk scoring systems.

United States: The states, territories, and possessions of the U.S., the District of Columbia, the Commonwealth of Puerto Rico, or any political subdivision of any of the foregoing.