

**Meeting between Federal Reserve Staff  
and Representatives of Wells Fargo  
September 1, 2010**

**Participants:** Mitch Christensen, Ed Kadletz and Brenda Yost (Wells Fargo)

Louise Roseman, Chris Clubb, Edith Collis, Jennifer Davidson, Dena Milligan, Jeffrey Yeganeh, Stephanie Martin, Mark Manuszak, David Mills, David Stein, Vivian Wong, Ky Tran-Trong, Joshua Hart, Geoff Gerdes and Robin Prager (Federal Reserve Board) and Julia Cheney (Federal Reserve Bank of Philadelphia)

**Summary:** Staff of the Federal Reserve Board and the Federal Reserve Bank of Philadelphia met with representatives of Wells Fargo to discuss the interchange fee provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Using prepared materials, representatives of Wells Fargo discussed Wells Fargo's debit card programs, the process for authorizing a debit card transaction, the clearing and settlement of debit card transactions, and debit card fraud. A copy of the document distributed by Wells Fargo's representatives at the meeting is attached below.

# Debit Card Discussion with Federal Reserve Board

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**Mitch Christensen**

**Ed Kadletz**

**Brenda Yost**

September 1, 2010

Washington, DC

Together we'll go far



# Agenda

- Introductions
- Wells Fargo Debit Program Overview
- Authorization Process
- Settlement Process
- Fraud Trends
- General Topics

# Wells Fargo's Debit Card Program

- Wells Fargo offers a full range of debit and prepaid card solutions to customers to access funds



Consumer Cards



Small Business Cards



Gift Cards



Campus Cards



Government Cards

# Wells Fargo's Debit Card Program Metrics

- 36MM debit cards in circulation
- 90% of consumer checking accounts have a debit card
- \$176 billion in purchase volume, 2<sup>nd</sup> largest debit issuer in the US
- 4.5 billion purchase transactions
- 4.9MM reward cardholders
  - 3.3MM combo with credit, 1.6MM debit only

Sources: Nilson Report, Issue 948, May 2010  
Wells Fargo Investor Conference, May 2010

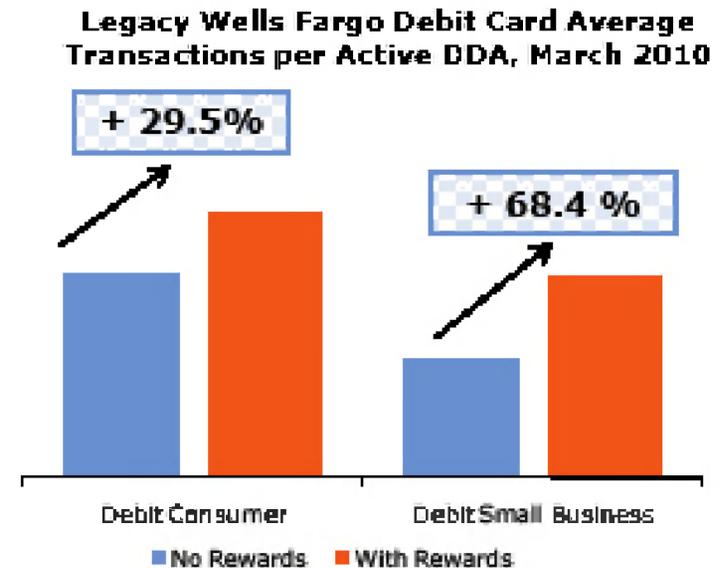
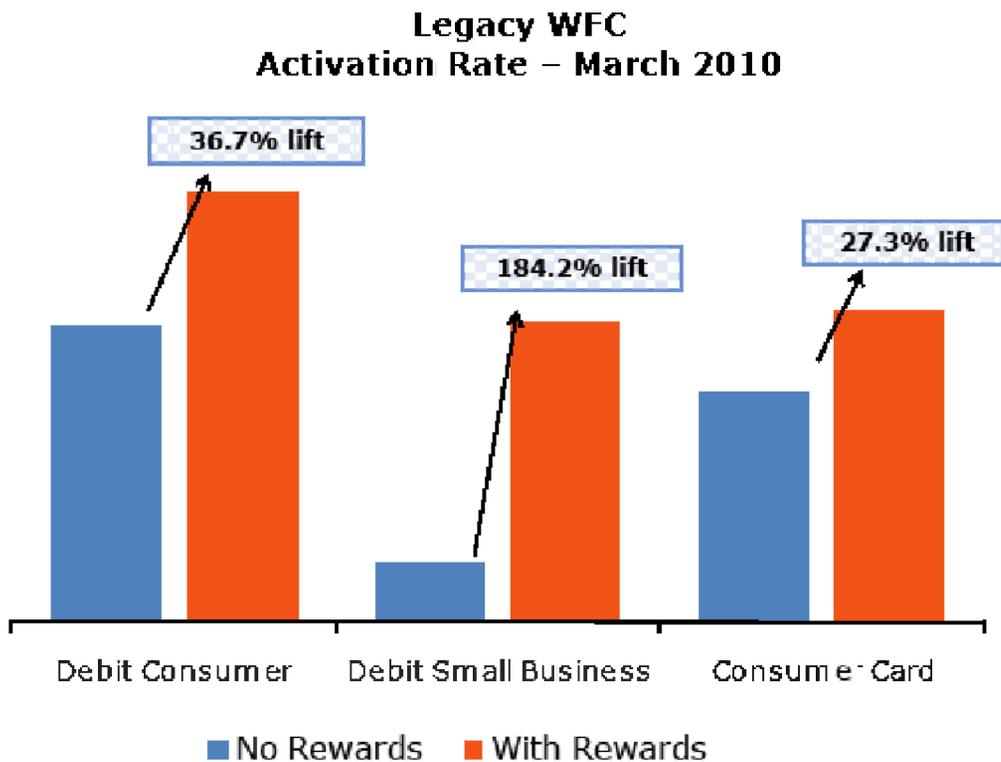
# Strategy and Process



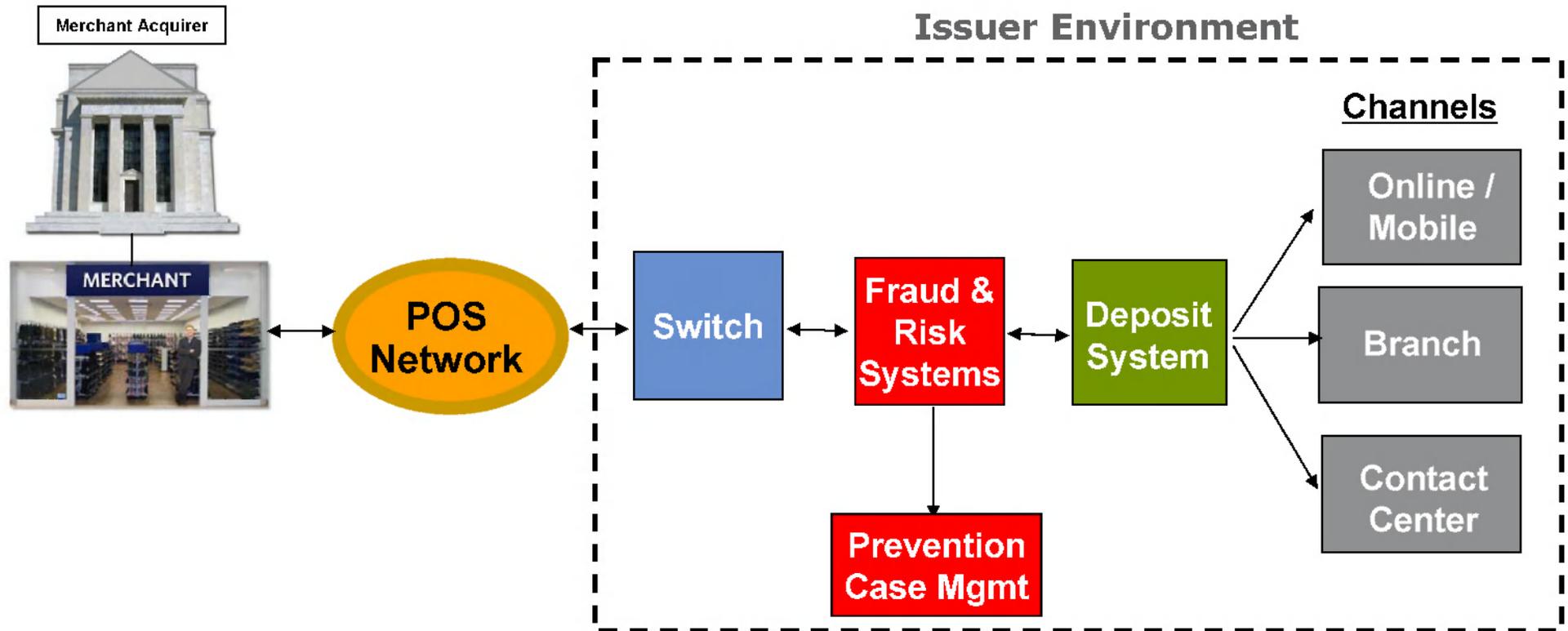
## Keys to Cardholder Activation and Usage

- Cardholder education
  - How to use the card
  - Benefits
  - Merchant acceptance
  - Incentives
  - Fraud monitoring
  - Zero liability
- Feature / function:
  - Instant Debit Cards
  - Card Design Studio®
  - Rewards
  - Way2Save®
  - Alerts
  - My Spending Report®
  - Contactless

# Reward participants have higher activation and higher usage rates



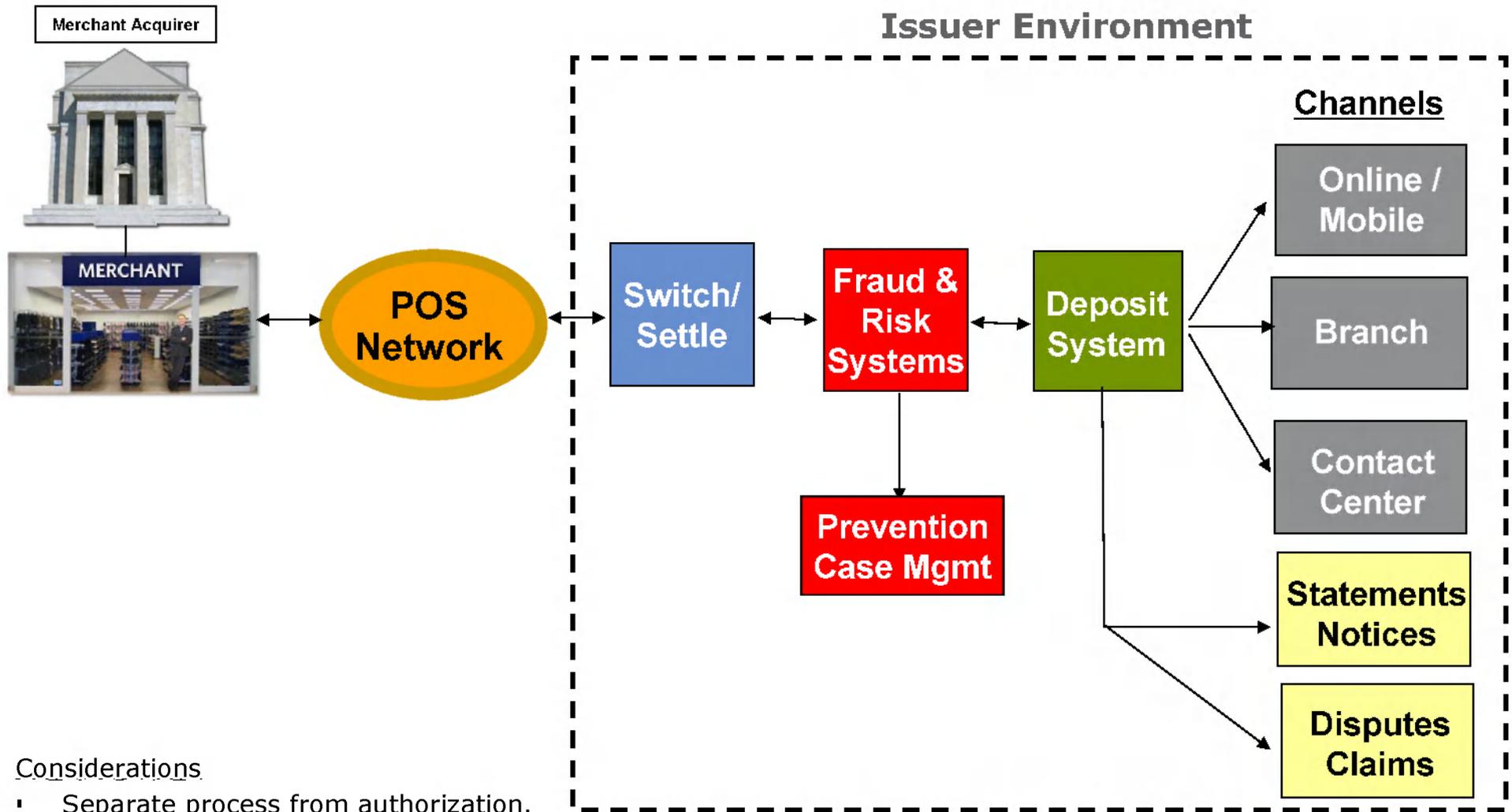
# POS Authorization Flow



## Considerations

- Authorization cost is a function of process and transaction amount.
- Transaction flow occurs whether the transaction is approved or declined.
- Signature (two message) vs. PIN (single message).
- Fraud and risk systems may take different actions depending on transaction/merchant type.
- If the transaction is approved, additional information will be provided to the channels (e.g. pending transactions). Authorization requests generate customer inquiries (whether approved or declined).
- Once a transaction is authorized, the issuer has a payment obligation to the network / merchant acquirer.
- The authorization request may be different than the amount of the settled transaction.
- Customer funds availability at account settlement time may be different than at time of authorization.

# POS Clearing and Settlement Flow



## Considerations

- Separate process from authorization.
- Signature (dual message) vs. PIN (single message)
- Settled items can also generate customer inquiries in the channels (different inquiries than authorization)
- Funds availability risk depending on gap in time between the authorization and the settled item.
- Disputes, claims, and chargebacks are additive costs to standard settlement and clearing process

# General Topics

- Treatment of Business Accounts and Business Debit Cards
- Network Exclusivity and Transaction Routing
  - Customer choice and disclosures
- Discounts
- General Purpose Reloadable Prepaid Cards
- The Fed Survey

*Thank You*